

Auckland Council CCOs, Current State, Council Perspective: Discussion and Questions for Local Boards

Introduction

The Auckland Council is undertaking a review of the its council controlled organisations (CCOs) to determine whether there is a need to change the scope of activities and functions within any CCO, the structures that the CCOs operate within, or any of the accountability mechanisms.

At the Governing Body meeting on 27 February, the council will consider a CCO Current State Assessment Report. The report will provide an overview of the council's substantive CCOs, outline their intended purpose and their current role/s, and identify possible issues and opportunities for consideration during the review.

PricewaterhouseCoopers has been commissioned to prepare a parallel report that will consider issues and opportunities from a CCO perspective. The PwC report will be considered at the 27 February Governing Body meeting, alongside the Council perspective report. Together these reports should help inform discussion on the Terms of Reference for the review which will be agreed at the same meeting.

It is expected that the CCO review will need consider both structural and non-structural responses to issues and opportunities. Structural responses could include changing the composition of activities within a CCO, or establishing/disestablishing a CCO. However, the review will also focus on non-structural mechanisms for making the model work effectively. For example, developing a culture of collaboration between the Council and its CCOs will be critical – something that is working very well in some areas currently, but not as well in others.

For Auckland Transport, significant structural change is not possible without legislative reform, and the draft terms of reference assume that this is not part of CCO review. For Watercare Services Limited there are also constraints, as the council must deliver water and wastewater services through Watercare until at least July 2015.

This discussion document identifies a number of cross cutting issues and themes that are relevant to more than one CCO. The appendix provides a short overview of each CCO – including what it was set up to achieve, and how its current role relates to its establishment objectives. The document includes a number of questions that local boards may wish to respond to in providing feedback on this discussion document.

Cross cutting issues and themes

1. Strategy Development

To date, the roles of the council and of CCOs in the development of strategy have not been clearly defined, and are not consistent across CCOs

Under the Auckland Council model, the Mayor is responsible for articulating and proving a vision, and leading the development of council plans, policies and budgets. At the highest level, the Auckland Plan is the council's strategy that all CCOs are expected to deliver on. Operational policy is clearly the responsibility of CCOs.

However, there is a large gap between high-level strategy and operational policy that includes sector-specific strategies; strategic action plans; implementation plans; project prioritisation criteria; business plans, etc. Currently there is significant variation across CCOs in the extent to which CCOs are involved in developing strategy. For example:

- ACIL and ACPL do not have strategy development roles although ACPL in particular provides strategic advice in relation to council policies and specific precincts.
- RFA has a limited role in strategy development, although it has developed the Horizons Strategy and the draft Stadium Strategy. The council has taken on responsibility for consultation on the Stadium Strategy mainly because there is a high level of public and political interest in the content.
- Auckland Transport and Auckland Council both have transport strategy functions which overlap. The legislative framework complicates this because Auckland Transport now has responsibility for the Regional Land Transport Plan, which replaces the existing Regional Land Transport Strategy and Regional Land Transport Programme. This recent change requires Auckland Transport to have a considerable level of strategic expertise. The council, on the other hand, has not resourced this function to the same level.
- ATEED and Waterfront Auckland are both active in the strategy development space as well as the council¹. For example, ATEED has developed the Major Events Strategy, while the council is responsible for the Events Policy. Similarly, Waterfront Auckland has produced the Waterfront Master Plan, while the council is responsible for the City Centre Master Plan. Alignment of CCO and council strategy is a key issue for both of these CCOs.

- | |
|---|
| <ul style="list-style-type: none">• Where do you think the council's role finishes and a CCO's role starts in relation to the development of strategy?• Is this the same for all CCOs?• Are there any examples where strategy development involving CCOs is working particularly well or badly at the moment? |
|---|

2. Alignment of Structure to Strategic Priorities

When the CCO structure was established by the ATA and government, a key driver was to group activities to allow the council to deliver on what were likely to be its key strategic priorities. Examples include lifting Auckland's economic performance (ATEED); progressing major regional transport projects (Auckland Transport); and transforming the Auckland Waterfront (Waterfront Auckland).

Now that the council has the Auckland Plan and associated strategies, these priorities are still important but it has identified new priorities such as:

- affordable housing
- urban redevelopment in multiple locations
- attracting funding for major projects such as the CRL.

A key decision for the CCO review will be the extent to which the council decides to align its structure to its strategic priorities. For example, an urban redevelopment

¹ There is operational overlap too, particularly between ATEED and Auckland Council, which is explained under section 7.

agency with a wider mandate than ACPL or Waterfront Auckland, could help deliver on affordable housing and urban development objectives. Internationally there are a number of models for urban development agencies which could be reviewed.

The main advantage of aligning structure to strategy is that it can assist with an integrated, coordinated and focused approach. Waterfront Auckland is a good example of this. However the projects and activities that the council decides to fund are as important as the structures within which they are delivered. This is an LTP decision, not a CCO review decision.

- | |
|--|
| <ul style="list-style-type: none">• How important do you think it is to align the council CCO structure with current strategic priorities? |
|--|

3. One Council Group

A major benefit of the CCO model is that it allows a strong and sustained focus on the CCO's core business objectives. However, the CCOs contribute to a wide range of council objectives beyond their core business objectives. There are many instances where the council needs CCOs to act as part of the Auckland Council group rather than as autonomous entities. Examples include:

- By contributing to council's strategic policies and strategies such as the Public Art Policy, Heritage Guidelines, and Procurement Strategy.
- By being aware of the impacts of their activities on other council objectives – for example Auckland Transport controls assets that have a critical place-making function in addition to their transport function.
- By acting consistently with council corporate policy and processes in order to minimise costs and present a unified front to Auckland residents and ratepayers – such as customer services standards, complying with the council approach to LGOIMA requests, and following the council's Brand Navigation Group (BNG) guidelines.
- By making decisions that are in the best interests of Auckland Council ratepayers, such as liaising with the council over the best use of surpluses from a group perspective.
- By cooperating with the development of major council policy such as the Unitary Plan.

There have been examples of all of the above which have worked well, as well as examples where pursuit of 'own goals' rather than group goals has caused problems. Progress and issues in achieving compliance with the council's BNG guidelines is one example that has been reported to council on a number of occasions (for example, Accountability and Performance Committee 5 September 2012 and 13 June 2013.)

Tensions can arise when there is a conflict between focus on core business objectives, and acting in the best interests of the council group. CCO boards often cite their fiduciary responsibilities to act in the best interests of the entities that they govern, although CCO constitutions include a provision that allows them to act in the best interests of the council even if this is not in the best interests of the company. Also it is

difficult to envisage why it would not be in the best interests of an entity to act in accordance with the reasonable requests of its sole shareholder².

- How successful do you think the council has been in ensuring a “one council group” approach to delivery?
- What issues have concerned you the most?
- What has worked well?

4. Governance, accountability, and risk management

An inherent trade-off associated with a CCO model, is that the council has reduced oversight and control, even with robust accountability regimes. The council becomes reliant on the CCO for information and advice, and it is difficult to contest the advice without appearing to distrust its CCOs. For example, when a CCO provides reasons for not meeting performance targets, the council has to judge whether the explanations are reasonable or whether there is cause for concern.

Another impact is that the loss of oversight can expose the council to greater levels of risk. CCO boards generally bear legal liability for their decisions and therefore risk management is a core function of a board of directors. However, although CCOs may bear legal liability, issues associated with a CCO can result in reputational risk for the council. Two examples are the Rugby World Cup opening night issues, and the Ports of Auckland industrial dispute. The latter has been complicated by POAL operating two steps removed from the Auckland Council.

Furthermore, Auckland Council ratepayers can also bear financial consequences of poor CCO decision-making. This is particularly relevant in relation to CCOs undertaking commercial activities. For example, the Waterfront Auckland model allows it to front-end commercial development by undertaking initial investment which it expects to recoup. If returns are lower than anticipated there is a potential cost to future ratepayers.

- How well do you think the council is doing in keeping its CCOs accountable?

5. Organisational complexity

One of the main motivations for the changes in regional governance was to reduce the number of entities making uncoordinated and inconsistent decisions within the Auckland Region, and have Auckland speak with one voice. Although there have been major improvements in this, the new model has brought new challenges.

The Auckland Council structure is a complex one, with a Governing Body, 21 local boards, 7 substantive CCOs, the Mayor’s office, and statutory responsibilities to the

² What is “reasonable” is obviously critical. A recent review of another council found evidence of CCOs acting against principles of prudent financial management in order to meet shareholder demands, suggesting those demands were not reasonable.

IMSB. While CCO Governance is a Governing Body responsibility, the activities of CCOs are of great interest to local boards, the IMSB, the Mayor's Office and other CCOs.

Functional entities have replaced geographic entities, and although there is now a single shareholder, there is complexity in this structure, which results in higher costs as different parts of the group interact with each other. For CCOs like Auckland Transport, which have multiple interactions with many part of council, these transaction costs are particularly high.

Local boards have an interest in the extent to which CCOs can contribute to their priorities, in projects being undertaken in their area, and in being kept up to date on wider regional projects. The interaction between CCOs and local boards has been a particular source of some tension since amalgamation although there have been major improvements over the three-year period. A report to the 12 December 2012 Accountability and Performance Committee provided an overview of the relationship between Local Boards and Council controlled organisations and associated issues.

Local boards have taken a particular in interest in Auckland Transport, in part because local boards have a role in relation to place shaping. Early difficulties were addressed by Auckland Transport significantly increasing its resourcing in relation to local boards. This has enabled Auckland Transport to keep local boards informed of projects in their areas.

However; there has also been concern from local boards that Auckland Transport has not prioritised the projects of most interest to them. The council has introduced a \$10 million budget for local board projects to help address this. Auckland Transport has also recently held a series of workshops with local boards, where it has provided detailed explanation of its prioritisation criteria to help improve local board's understanding³. Feedback suggests that local board members received these workshops well, although it is too soon to judge whether local board concerns will reduce as a result.

The IMSB has also taken a great interest in CCOs. For example, a member of the IMSB has been on the interview panel for almost all CCO director appointments. IMSB members have consistently raised concerns about the quality of reporting by CCOs on their contribution to Maori outcomes. This is expected to improve in future, as CCOs will have the same requirement as council departments to develop their responses to the Maori Responsiveness Framework.

- How can the council ensure that there is effective communication and engagement between local boards and CCOs?
- Do you have any particular concerns that you would like to see the review address?

³ They have also explained that although a project might be agreed as a priority it may not have been programmed for immediate execution due to wider programming issues, opportunities and constraints.

6. Some establishment objectives not yet met

Several CCOs have made strong contributions in relation to some aspects of their delivery, but have not yet demonstrated that they will be able to achieve all that what they were set up to achieve. Examples include:

- RFA has achieved strong operational results in relation to facilities such as the Auckland Zoo and Auckland Art Gallery, but has not yet been able to achieve any significant rationalisation of facilities. In addition, it has interests in a large number of 'partially integrated' facilities with limited progress in achieving further integration of these facilities.
- ATEED's strength appears to be in attracting, facilitating and delivering major events. Strong growth in visitor numbers suggests that its approach to tourism is also adding value. It has been less successful so far in relation to economic development, including sector development.
- Auckland Transport has made significant investment in passenger transport infrastructure and operational improvements, but this has not yet translated to patronage growth and is unlikely to until 2015.
- Waterfront Auckland has successfully delivered on its Rugby World Cup projects and on other public infrastructure, and is now starting to attract private sector investment.

These issues do not necessarily reflect structural problems, as many factors are likely to be contributing including:

- Insufficient time to deliver results – for example, the issues regarding Auckland Transport and patronage growth are not a major concern currently, as it is understood that there is a lag between investment and patronage growth.
- Weak economic conditions – which has undoubtedly been a factor in relation to Waterfront Auckland and ATEED.
- Difficult outcomes to achieve under any structure - for example, RFA owns or has an interest in a range of facilities, some of which may not have been built if a regional approach had been taken at the time of investment. The council also needs to consider what it can reasonably achieve in relation to ATEED's economic development function with investment of \$10 million a year in an economy worth \$66 billion (regional GDP).
- Decisions made by the council which may have affected a CCO's progress. For example, RFA planned to develop and implement its Stadium Strategy in 2012, while the council recognised that consultation was required. Consultation had to be delayed so that the council could focus on the Unitary Plan in 2013.

- | |
|---|
| <ul style="list-style-type: none">• Thinking about the CCOs that you think have been most successful, what factors do you think have contributed to this? |
|---|

7. Duplication and overlaps

Some duplication and overlap between the activities of the council and its CCOs and between the CCOs themselves is inevitable and also occurs within council departments.

Duplication can arise when two or more entities are performing the same or similar function, but with a different focus. For example, ATEED is responsible for attraction and facilitation/delivery of major events, Auckland Council is responsible for regional and local events, and Waterfront Auckland for events within the waterfront precinct. In these cases the issue is whether there is inefficiency in the current arrangements, and potential synergies/efficiencies from bringing together like-functions.

A different type of duplication can arise when two or more entities perform different but overlapping roles in relation to a particular area of focus. For example, Waterfront Auckland, RFA, Auckland Transport, ATEED, Waitemata Local Board, and Auckland Council Transport, all have responsibilities in relation to Quay Street and the Waterfront. Although there were some initial issues these were resolved by the formation of a cross council group established to ensure an integrated approach.

In practice, many examples where there is some duplication or overlap are a combination of both of these (similar functions with a different focus and different roles in relation to a common focus). Other examples include:

- Auckland Council and Auckland Transport both develop transport strategy (similar function with different but overlapping focus).
- Auckland Council and ATEED both develop economic development and events related strategy and both undertake delivery (similar functions with different but overlapping focus).
- ATEED runs a conferencing division as a free service to conference organizers and promoters (the Auckland Convention Bureau). RFA operates a number of facilities used as conference venues and runs Auckland Conventions, Venues and Events which is focused on utilization of RFA venues (similar functions with different focus, and different functions with a similar focus).
- Auckland Council Property department and Auckland Transport both have property acquisition functions (similar function with different focus).
- As identified above, the council currently has a number of mechanisms for delivering urban development – including ACPL, Waterfront Auckland, Tamaki Redevelopment Company, City Transformation Projects department (similar functions with different focus). In addition, there are a number of CCOs and different parts of council that perform closely related functions including the council's Housing Project Office and Auckland Transport (different functions with a common focus).
- ATEED has been charged with establishing the Auckland Investment Office (AIO) which will focus on attracting investment across the Auckland Council group, while Waterfront Auckland performs this function in relation to investment opportunities on the Waterfront (similar functions with different focus).

As the review progresses, the council will need to determine when duplication and overlaps justify structural change and/or, and when mechanisms are needed to ensure coordination and integration.

- 7
- | |
|---|
| <ul style="list-style-type: none">• What examples of duplication between the council and a CCO, or between CCOs have caused the most issues for your board? |
|---|

8. Issues resolution

As a result of many of the factors discussed in this section, issues frequently arise that involve a CCO. Many of these are minor while others are more significant.

Many of these issues arise because the public complains directly to the council, or the media holds the council to account for decisions made by a CCO. This problem is inherent in any model where decision-making powers are delegated to another entity. A two-way no surprises policy operates between the council and its CCOs, which is intended to minimise such situations, but they are unlikely to be eliminated under any process.

Other issues do not have public profile, for example disagreements between two or more CCOs, but can be time consuming and costly for the organisation to resolve.

- How well is the no surprises policy working?
- Have you noticed any improvements over last three years (for elected members of the previous council)
- How could we improve issue resolution?

9. Efficient delivery

From a theoretical perspective, one of the purposes of establishing a CCO is to bring commercial discipline to service delivery, which could be expected to reduce costs.

The Auckland Council CCO structure has also facilitated tax arrangements which benefit Auckland ratepayers and water users, as tax payable by Ports of Auckland has been offset against Watercare's tax losses.

On the other hand, having activities within CCOs can have additional costs such as:

- Director fees and other costs associated with supporting board governance.
- Activities that would not be liable for tax within council are now within tax-paying entities⁴ (for example if Waterfront Auckland was to make a profit it would be liable to pay tax).
- The costs of interaction between CCOs and the council, known as 'transaction costs' are higher than they would be if the same services were delivered by council departments.
- As noted in the previous section, there may be some duplication which is inefficient. While the previous section focused on duplication and overlap with respect to activities and functions, there is also duplication in corporate structure. The council has shared service agreements with all CCOs but there may be potential to achieve more efficiencies.

The CCO review will need to consider whether there are further opportunities to reduce costs by ensuring that the Council-CCO group structure is operating as efficiently as possible.

⁴ Auckland Transport's statutory provisions mean that it is not a tax paying entity, and neither is RFA due to its trust structure.

- In your view are there any obvious opportunities for cost savings from the CCO review? If so what are these?

Appendix – Individual CCO Discussion

ACPL

Purpose at establishment

ACPL was established primarily to manage the council's commercial property portfolio. The portfolio comprises property that is not currently used for council service delivery or infrastructure. ACPL's intended role was to manage the property within the portfolio to maximise returns until the property was needed for council purposes. ACPL was also expected to take a role in disposals and acquisitions for the council, Auckland Transport and other designated CCOs. The order in council establishing ACPL anticipated that ACPL would play a role in attracting private sector partners for Auckland Council property projects.

ACPL was structured so that it did not own the assets that it manages.

Order in council

Auckland Council Property Limited was established with the following objectives:

- Ensuring the efficient use of capital in respect of property activities in which ACPL is involved
- Obtaining an appropriate return on property under ACPL's management
- Attracting private sector collaboration in Auckland Council-initiated property projects

Current role compared with intended role

ACPL's current role is broadly consistent with its intended role. ACPL has had a development facilitation role from the outset, taking on responsibility for three legacy projects. These were New Lynn Merchant Quarter, which has been completed; Ormiston Town Centre, which is in the planning stages; and Hobsonville Precinct.

ACPL now has a broader role in identifying and scoping place shaping and housing development opportunities, as well as undertaking specific development projects on behalf of the Auckland Council. This part of ACPL's business is still at an early stage, and some consideration may need to be given to the extent of ACPL's role in property development.

ACPL also provides advice to the council in relation to its planning strategies (such as the unitary plan) and in relation to specific precincts. In doing so, ACPL uses its private sector/developer connections to inform its advice.

- How are local communities affected by the activities of ACPL?
- Are there any issues or opportunities relating to ACPL that you would like to see the CCO review consider?

Waterfront Auckland

Purpose at establishment

Waterfront Auckland was established to have a clear focus for the ongoing development of the waterfront area, in order for the waterfront to reach its potential as a national asset that is a draw card for residents and tourists. The expectation was that this would have a positive impact on Auckland's economic performance and that a revitalised waterfront would attract skilled talent, tourism, investment and people.

The intention was that Waterfront Auckland would have the capability to own, buy, sell, and lease land, borrow funds, and be able to enter into joint ventures with the private sector and drive urban transformation. The CCO has a mandate with respect to its own land holdings and a wider 'area of influence', which includes Beach Road, Customs Street, Fort Street, Quay Street, Fanshawe Street, Britomart and the Strand.

Order in Council

Waterfront Auckland was established with the following objectives:

- Leading a consistent approach to development across the waterfront, consistent with the Auckland Council vision
- Developing property that it owns or controls consistent with the council vision
- Acting in a commercial way to achieve development objectives, including investing in projects and places that secure high quality urban transformation outcomes.

Current role compared with intended role

Waterfront Auckland's current role and scope of activities are broadly consistent with its purpose at establishment. Although the majority of development has been in publicly funded rather than commercial so far, there has been recent progress in attracting private sector interest.

Waterfront Auckland's intended role in the 'area of influence' was not well-defined at establishment. There was no detail about how or to what extent Waterfront Auckland was intended to influence that area which includes large parts such as Quay Street, controlled by AT.

- How are local communities affected by the activities of Waterfront Auckland?
- Are there any issues or opportunities relating to Waterfront Auckland that you would like to see the CCO review consider?

ATEED

Purpose at establishment

ATEED was established to be the key influencer of the Auckland Region's economic transformation. It consolidated a number of existing economic development and related entities to give a consistent regional approach to economic development, tourism and events.

ATEED was expected to carry out a range of activities including tourism product development and marketing; attracting, funding and facilitating major events; sector development; attracting investment; and interacting with central government agencies to ensure a coordinated approach to economic development and tourism.

Order in council

ATEED was established with the following objectives:

- Helping lift the Auckland region's economic well-being
- Helping support and enhance the performance of the Auckland region as a growth engine in the New Zealand economy
- Helping support and enhance the ability of the Auckland region to compete internationally as a desirable place to visit, live, work, invest and do business.

Current role compared with intended role

Overall, it appears that ATEED is operating within the parameters set by the order in council and the ATA, although the ATA provided very little detail about how it viewed the role of the Auckland Council Economic Development function compared to ATEED. The CCO section of the Report of the ATA stated that the council function would have an emphasis on policy given that the economic development delivery is by way of a CCO.

- How are local communities affected by the activities of ATEED?
- Are there any issues or opportunities relating to ATEED that you would like to see the CCO review consider?

ACIL

Purpose at establishment

ACIL was established to provide sound commercial governance for commercial assets owned by the Council but not part of the council's core business. The assets include Ports of Auckland Limited (100% shareholder), Auckland International Airport (22% shareholder), and Auckland Film studios (100% shareholder). It also manages the council's diversified asset portfolio (DFAP).

The holding company arrangement was expected to ensure that the assets provide financial returns to the council, that the organisations are financially sustainable in the long-term, and that they make a significant contribution to the Auckland economy.

Order in council

ACIL was established with the following objectives:

- Bringing a strong commercial focus to the ownership and governance of the Auckland Council's major investment assets; and
- Providing an efficient structure for the ownership of the assets.

Current role compared with intended role

ACIL appears to be operating consistently with the role that it was intended to fulfill. Note that it was not originally intended for ACIL to manage the DFAP, but that this was a late change made by the ATA.

- How are local communities affected by the activities of ACIL?
- Are there any issues or opportunities relating to ACIL that you would like to see the CCO review consider?

Auckland Transport

Purpose at Establishment

Auckland Transport was established by statute rather than under an order in council. Its formation brought many elements of transport under the management of one regional body, with certain statutory powers and functions of a local authority. Auckland Transport has responsibility for managing and controlling the Auckland transport system which excludes state highways and rail corridors.

Auckland Transport has a statutory purpose under the Local Government Auckland Council Act which is:

“to contribute to an efficient, effective and safe Auckland land transport system in the public interest.”

Changes since Establishment

The purpose of Auckland Transport is set in statute. Recent changes to the LTMA mean that the council is no longer responsible for preparing a Regional Land Transport Strategy. The strategy and the Regional Land Transport Programme have been replaced by a Regional Land Transport Plan (RLTP), which Auckland Transport is responsible for preparing. The RLTP is required to state transport objectives, policies, and measures for at least 10 financial years and determine a prioritized transport programme. The RLTP must be consistent with the Government Policy Statement on Land Transport Funding. It must also ‘take into account’ any council plan such as the Auckland Plan or the unitary plan. The intention appears to be to achieve better alignment with NZTA as a funder. This has the potential to reduce control of the Auckland Council as a funder and alignment with the outcomes and targets sought in the Auckland Plan.

Because Auckland Transport was established as a statutory entity, legislative change would be required to disestablish it or change its functions and powers. For this reason, significant structural change is expected to be out of scope of the CCO review.

- How are local communities affected by the activities of Auckland Transport?
- Are there any issues or opportunities relating to Auckland Transport that you would like to see the CCO review consider?

RFA

Purpose at establishment

RFA was established to bring a regional perspective to the development of Auckland's arts, culture, heritage, sports and entertainment venues.

Order in council

RFA was established with the following objectives:

- Supporting Auckland's vision of a vibrant city that attracts world class events and promotes the social, economic, environmental and cultural well-being of its communities, by engaging the community and its visitors daily in arts, culture, heritage, leisure, sport and entertainment activities;
- Continuing to develop, with a regional perspective, a range of world class arts, culture and heritage, leisure, sport and entertainment venues that are attractive both to residents of the region and also to visitors.
- Working with the Auckland Council, central government and entities that are not fully integrated to progress any legislative amendments, negotiations with boards and design work required to enable the final structure and ongoing objectives of RFA to be agreed by the Auckland Council.

A number of facilities and venues were fully integrated into RFA when it was established; including the Auckland Art Gallery, the Auckland Zoo, the Viaduct Events Centre, Mount Smart Stadium, Western Springs, and the Aotea Centre. Council interests and contractual rights with respect to nine other entities were also transferred to RFA, including MOTAT and the Auckland War Memorial Museum. As reflected by the third objective, the government's intention was that many of these 'partially integrated' entities would become fully integrated over time.

RFA operates under a trust structure with one corporate trustee – RFA Limited. As all of RFA's assets are held in trust, any restructuring of RFA would have more complex implementation issues to address than for other CCOs.

Current role compared to intended role

RFA's main focus over the past three years has been on venue management and operation. From an operational perspective, the businesses within RFA's portfolio are performing well. For example, the Auckland Art Gallery and Auckland Zoo have experienced growth in visitor numbers and recent shows such as Mary Poppins have been commercially successful. Operationally, RFA has performed better than budget in 2013/2014 by \$0.8 million compared to 2011/2013 when it was \$3.5 million behind budget. This has largely been achieved by increases in external (i.e. non-rates) revenue.

The anticipated rationalisation benefits to address duplication and underutilisation of facilities have not yet eventuated. RFA has produced a draft Stadiums Strategy which is currently subject to public consultation. The consultation is being managed by the council rather than RFA because of the high level of public interest associated with all of the venues managed by RFA.

RFA has also not progressed further integration of the partially integrated entities, except that it has signed a heads of agreement with the North Harbour Stadium to undertake a

due diligence on the appropriate integration model. Full integration of facilities is likely to take a number of years, and the council may be wary of integration for some facilities with significant financial liabilities. In some cases, integration will require major legislative change or repeal (e.g. MOTAT and the Auckland War Memorial Museum.).

- How are local communities affected by the activities of RFA?
- Are there any issues or opportunities relating to RFA that you would like to see the CCO review consider?

Watercare

Purpose at integration

Watercare was the only CCO entity that was already operating prior to November 2010. It was a wholesale provider of water and wastewater services and not a CCO prior to amalgamation. At amalgamation, Watercare became vertically integrated and is now the reticulated water and wastewater service wholesale and retail provider for the region.

As with Auckland Transport, Watercare's powers and obligations are prescribed by legislation. Watercare's obligations include keeping costs at the "minimum level consistent with the effective conduct of its undertakings and maintenance of the long-term integrity of its assets", and it is prohibited from paying a dividend. It has a number of powers of a local authority such as powers of entry and enforcement; requiring authority status; and powers to propose and consult on bylaws.

Watercare is unique among CCOs in that it invoices its customers directly and does not receive any funding from council.

Current role

Watercare's current role and purpose remains the same as at integration except that it is now a CCO. For the purposes of the Local Government (Auckland Council) Act 2009, Watercare is 'an Auckland water organisation'. Until June 2015, Watercare is the only 'Auckland water organisation'⁵, which means that the council must provide all water and wastewater services through Watercare. From July 2015, the council could provide these services in-house, or through another CCO structure, or through another provider. If the CCO review recommends any structural change for Watercare it would not take effect before July 2015.

- How are local communities affected by the activities of Watercare?
- Are there any issues or opportunities relating to Watercare that you would like to see the CCO review consider?

⁵ Veolia Water operates and maintains the water and wastewater infrastructure under license to Watercare in the legacy Papakura District Council area.