

I hereby give notice that an ordinary meeting of the CCO Direction and Oversight Committee will be held on:

Date: Tuesday, 7 May 2024
Time: 10.00am
Meeting Room: Room 1, Level 26
Venue: 135 Albert Street
Auckland

**Komiti mō te Whakahaere Tikanga me te Aro ki
te Pae Tawhiti mō ngā Whakahaere ka
Whakahaerehia e te Kaunihera /
Council Controlled Organisation Direction and
Oversight Committee**

OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Shane Henderson	
Deputy Chairperson	Cr Kerrin Leoni	
Members	Cr Josephine Bartley	Cr Daniel Newman, JP
	Houkura Member Ngarimu Blair	Cr Ken Turner
	Cr Angela Dalton	Cr Wayne Walker
	Cr Chris Darby	Cr John Watson
	Houkura Member Hon Tau Henare	Cr Maurice Williamson
	Cr Richard Hills	
Ex-officio	Mayor Wayne Brown	
	Deputy Mayor Desley Simpson, JP	

(Quorum 6 members)

Duncan Glasgow
Kaitohutohu Mana Whakahaere Matua /
Senior Governance Advisor

2 May 2024

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1 Ngā Tamōtanga | Apologies

2 Te Whakapuaki i te Whai Pānga | Declaration of Interest

3 Te Whakaū i ngā Āmiki | Confirmation of Minutes

Click the meeting date below to access the minutes.

That the Council Controlled Organisation Direction and Oversight Committee:

- a) whakaū / confirm the ordinary minutes of its meeting, held on [Tuesday, 9 April 2024](#), as a true and correct record.

4 Ngā Petihana | Petitions

5 Ngā Kōrero a te Marea | Public Input

6 Ngā Kōrero a te Poari ā-Rohe Pātata | Local Board Input

7 Ngā Pakihi Autaia | Extraordinary Business

Quarter three performance reports 2023/2024 for substantive council controlled organisations and Port of Auckland Limited

File No.: CP2023/16274

Item 8

Te take mō te pūrongo

Purpose of the report

1. To receive a summary of, and comments on, substantive Council-Controlled Organisation and Port of Auckland third quarter reports, for the period ending 31 March 2024.

Whakarāpopototanga matua

Executive summary

2. Council-Controlled Organisation (CCO) and Port of Auckland (POAL) performance reports for the third quarter of 2023/2024 are contained in Attachments A to D.
3. Staff have reviewed the performance reports. Key results and issues are summarised in the table below.

Summary of Quarter Three results	
Eke Panuku	<ul style="list-style-type: none">• Of the 12 statement of intent performance measures for Eke Panuku, eight are on track to meet their targets, one is not on track and three are not reported this quarter.• The operating financial results for both the Eke Panuku company and the property portfolio managed on behalf of the group continued to be better than the budget. Capital spend and the overall asset sales progress is behind the year to date plan.• There is an ongoing issue with Wynyard Crossing Bridge not operating, because of ongoing technical faults. Maintenance to remedy this is due to be completed late 2024. Work to mitigate impacts on businesses and residents is progressing.
Tātaki Auckland Unlimited (TAU)	<ul style="list-style-type: none">• At the end of quarter three, 10 performance measures were met or on track to be met and the remaining three are not reported this quarter. Two measures have already exceeded their annual targets.• Operating financial results were better than budgeted, buoyed by high patronage at venues and events. However, delivery of the capital programme is behind schedule, and the projected underspend for two committed projects will be requested to be deferred into the next financial year.• Funding for major events is raised as a significant issue, with no national funding available beyond 2024. TAU is working with others in the sector to develop a sustainable national funding model.• Decisions on the future of North Harbour Stadium will be made by council during the finalisation of the Long-term Plan 2024-2034.

Item 8

Summary of Quarter Three results	
Watercare	<ul style="list-style-type: none"> Watercare is reporting on an additional eight water quality measures from Taumata Arowai which replace two measures previously set by the Department of Internal Affairs. Of their 35 measures, targets were met for 25 measures and two annual measures were on track. Targets were not met for eight measures on financial, procurement through Māori owned businesses, capital programme, health and safety, residual chlorine disinfection of water supply, and urgent sewage overflows attendance targets. Watercare's net direct financial result was largely on budget, with higher revenues, predominantly from Infrastructure Growth Charges and developer revenue, offsetting higher expenditures. Direct expenditure exceeded the budget mainly due to unanticipated costs from flood recovery and the Ōrākei Main sewer collapse. Capital expenditure was 5.4 per cent below the year-to-date plan. Council discussions continue with Government on the provisions for Watercare under the Local Water Done Well framework.
Port of Auckland Limited	<ul style="list-style-type: none"> Even with adverse economic times, POAL expects to deliver a sound commercial result this financial year. POAL provided upgraded earnings guidance of \$52m to \$55m on 17 April. This is not reflected in the Financial Summary table provided in the quarterly report. POAL note economic headwinds and unpredictable vessel schedules are resulting in smaller cargo exchanges. Multi-Cargo, including cars, is also experienced a downturn in volume. Cruise had a strong summer season. Container terminal volumes did not meet budgeted volumes, and pricing increases were not sufficient to recover the revenue shortfall. All safety performance targets are on track.

Ngā tūtohunga Recommendations

That the Council Controlled Organisation Direction and Oversight Committee:

- a) whiwhi / receive the 2023/2024 third quarter reports of the substantive council-controlled organisations and Port of Auckland, provided as attachments A to D of the agenda report.

Horopaki Context

4. Each substantive CCO must provide a quarterly report to the CCO Direction and Oversight Committee. They are required to:
 - summarise the CCO's performance against the approved budget and agreed targets in the 10-year Budget and SOI;
 - provide a forecast of the CCO's performance;
 - identify the cause of major variances;
 - highlight major achievements for the quarter; and
 - signal any potential or developing issues.

5. The CCO reports for the third quarter of 2023/2024 are in Attachments A to C of the agenda report.
6. Under the Memorandum of Understanding (MOU) between POAL and the council, POAL is required to provide quarterly reports to the council as shareholder. The report for the third quarter of 2023/2024 is contained in Attachment D.

Tātaritanga me ngā tohutohu Analysis and advice

Eke Panuku

Quarter three performance

7. Eke Panuku operating financial results, including activities managed on behalf of the council, were favourable for the period ending 31 March. Revenue exceeded budget, benefiting from extended tenancies due to postponed property sales. Expenditures were lower than expected, driven by staff vacancies and the timing of spending compared to the budget.
8. Year-to-date capital expenditure of \$41.2 million is behind the planned spend of \$60.1 million. This is driven by delays on progressing a construction contract for a new wastewater pump station and the purchase of a site. The projected underspend of \$18.8 million has been requested to be deferred into the next financial year.
9. The below table sets out a summary of performance against SOI performance measures at the end of quarter three:

Eke Panuku	Target met or on track	Target not met or not on track	Not reported in the period	Total
Measures	8	1	3	12

**Two are annual surveys and one measure will not be met or measured this year.*

10. The performance measure that is not on track is transform and unlock property sales, through unconditional agreements (sale proceeds that are reinvested into urban regeneration). \$0.6m sales were achieved by the end of quarter three, against the annual target of \$40m. The target is at risk due to a slow property market, the previous target for 2022/2023 was achieved for similar reasons.
11. Note that the asset recycling target agreed with Auckland Council (property sales) is on track to be met. This is largely due to the downtown carpark anticipated to have an unconditional agreement in quarter four.
12. The annual targets for two performance targets have been met - net new dwellings (housing units) and public realm square metres.
13. Eke Panuku have 13 urban regeneration programmes with deliverables for 2023/2024. 10 programmes are on track and three are at risk (Takapuna, Avondale and Henderson). Delays to the Avondale Central development, a key project for in the Avondale programme, has the potential to delay overall programme delivery milestones.

Issues / risks

14. Due to ongoing technical faults, extensive maintenance is being undertaken on the Wynyard Crossing Bridge, scheduled to be completed in late 2024. The bridge is required to be kept upright while the works are undertaken. The resulting loss of pedestrian and cyclist access to the Wynyard area on this route is impacting local businesses and residents. Eke Panuku have a media campaign to show alternative access options (detour or city link bus) and are looking at solutions to encourage patronage for the affected businesses.

15. The slow property market is affecting development outcomes, including asset sales (as noted above) and the future development of housing units through development partners. This includes the Own your Own Home portfolio, where negotiation with the preferred development partners has not concluded successfully and an alternative development strategy for the portfolio is being progressed.

Tātaki Auckland Unlimited

Quarter three performance

16. Highlights are identified in the attached TAU quarterly report. Key aspects are summarised below.
17. TAU's operating financial result was \$4.6 million better than budget, due to continued strong visitation at Auckland Zoo and the New Zealand Maritime Museum, and higher event revenues. Capital spending stood at \$41 million against the year-to-date budget of \$48 million due to delays in flood remediation works. There are two specific projects where TAU expect planned spend for the current year will not be completed by the year-end and plan to defer the underspend into the upcoming financial year.
18. The below table sets out a summary of performance against SOI measures.

Tātaki	Target met or on track	Target not met or not on track	Not reported in the period	Total
Measures	10		3	13

19. TAU has already met the annual target for two investment and innovation performance measures; 'contribution to regional GDP from major events and business events attracted or supported' and 'number of Māori businesses that have been through a TAU programme or benefitted from a TAU intervention'.
20. The inaugural Moana Auckland was held in February to March, incorporating established annual events and new festivals such as the Auckland Wooden Boat Festival and Z Manu World Championships.

Issues / risks

21. Funding for major events is raised as significant issue, with no national funding available beyond 2024. TAU is working with others in the sector to develop a sustainable national funding model.
22. The future of North Harbour Stadium remains a key issue for TAU. Council's decision making on the stadium will occur during the finalisation of the Long-term Plan 2024-2034.
23. Progress on the Single Operator Stadiums Auckland work programme has been delayed due to the process that is underway investigating options for a main stadium for Auckland.

Watercare

Quarter three performance

24. Highlights are identified in the attached Watercare quarterly report. Key aspects are summarised below.
25. Direct revenue was \$17.9 million above expectations, continued to be driven by strong Infrastructure Growth Charges and developer revenue. Direct expenditure exceeded the budget by \$18.2 million, mainly due to unexpected flood recovery cost, Ōrākei Main sewer collapse, and water reform. Water reform costs were fully offset by the National Transition Unit.

26. Capital expenditure was \$776.9 million, \$ 44 million (5.4 per cent) below the year-to-date plan. To remain within the approved funding limits, reprioritisation of capital spend was required due to delay on flood insurance recoveries, Central Interceptor escalation and Ōrākei Main Sewer repair costs. The reprioritisation of the capital programme has slowed down the Water Pipe Renewal programme.
27. Watercare are now reporting on 35 measures, up from 29 measures. Two measures on water quality required by the Department of Internal Affairs have been superseded by eight new Taumata Arowai measures. The below table sets out a summary of performance against these measures.

Watercare	Target met or on track	Target not met or not on track	Not reported in the period	Total
Measures	27	8		35

28. The eight measures where targets were not met in the quarter are:
- Response time for attendance at sewerage overflows – 89 minutes median compared with a target of less than 60 minutes. This target has consistently not been met in recent years, although the target for resolving overflows in under five hours has been met. This also means that the target to meet all DIA measures has been missed.
 - Capital programme delivery – Five of 12 of projects were completed as scheduled in the quarter and all of these were delivered within the approved budget, under the 80 per cent target.
 - Debt to revenue – At 3.66, Watercare’s debt to revenue ratio was above the 3.35 target, with the Ōrākei Main Sewer incident, delay in flood insurance recoveries and Central Interceptor cost escalation impacting on the cash position. The Governing Body approved temporary additional headroom for Watercare of \$130 million on 8 February 2024.
 - Controllable costs – Year to date costs were \$317.6 million against the target of \$299.4 million due to the unplanned cost pressures noted above.
 - Procurement sourced through Māori owned business – The result was 2.19 per cent against the increased target of three per cent. Watercare expects the recent establishment of a Māori supplier network *Ngā Kakau Paraha* to help support progress towards this target.
 - Total recordable injury frequency rate (TRIFR) per million hours worked – At 24.4 was an improved result from the previous quarter but above the maximum target of ten. Watercare has received the findings from an independent review of its health and safety approach and performance and is developing new health, safety and wellbeing metrics.
 - Quality of water supply – There was 90 per cent compliance with Taumata Arowai residual disinfection (chlorine) rules for water quality. This is a newly reported measure.
29. The new 45 million litre Redoubt Road water reservoir was commissioned in the quarter, adding resilience to Auckland water supply.
30. Of the more than 200 individual infrastructure issues from the 2023 floods, 60 have been resolved, and 16 repairs are currently ready to carry out. Planning, design, and consenting work on the remaining issues will extend through to 2025.
31. The Waikato District Council contract will come to an end on or before 30 June 2026.
32. The independent review into the failure of the Ōrākei Main Sewer was released in March and its recommendations on sewer condition assessments and renewal practices have been accepted by the Watercare board.

Issues / risks

33. Council discussions continue with Government on the provisions for Watercare under the Local Water Done Well framework. Watercare planning for 2024/25 is based on the board's agreed capital programme, a price path increase of 25.8 per cent from 1 July 2024, and debt to revenue of 340 per cent as set in the draft Long-term Plan 2024-34.
34. There was no fluoride dosing at the Huia Water Treatment plant from October 2023 to March 2024 while works were carried out. The Ministry of Health was advised of the issue.
35. Four wastewater projects are reported as delayed: North East and South West sub regional wastewater servicing, Western Isthmus Water Quality Improvement Programme and Whenuapai Redhills.

Port of Auckland Limited

Quarter three performance

36. The below table sets out a summary of performance against SCI key performance measures.

POAL	Target met or on track	Target not met or not on track	Not reported in the period	Total
Measures	20	13	-	33

37. All financial performance measures are on track to meet targets except for sales growth (year on year revenue % growth). POAL are forecasting to reach full year targets for these measures.
38. POAL provided Council with upgraded earnings guidance of \$52m to \$55m on 17 April, which is not reflected in the financial summary table provided in the quarterly report.
39. All safety performance measures are on track. POAL report strong visible safety leadership being demonstrated by both Executive and Senior Leadership Teams.
40. Productivity performance measures are not on track. The reason given is significant disruption caused by Australian industrial disputes which reduced volume. Improvements continue to be seen including increasing market share and operational performance lifting. Improvements in shift change overs and vessel operations will lead to crane rate improvements.
41. Peak vs non-peak truck collection is currently on track. This is after an increase in peak road access charge effective 1 January.
42. Cruise calls increased significantly in quarter three and POAL achieved their cruise ship call target for the year. Overall, a very good year with cruise ships.

Issues / risks

43. Quarter three was impacted by vessel schedule disruption from Australian industrial disputes, resulting in periods of vessel congestion. An agreement was reached in February to end the Industrial dispute in Australia.
44. POAL report an overall softening in volume including in bulk commodities like coal, sand and steel and cars.
45. Percentage of containers moved by rail is down on last year and not on target because cargo owners electing to use trucks, due to lower costs. This is an ongoing issue that has been raised with council and considered by the Transport and Infrastructure Committee.

Tauākī whakaaweawe āhuarangi Climate impact statement

46. The quarterly performance reports are a key tool to monitor the progress of each CCO and POAL on climate change action. The CCOs and POAL quarterly reports contain commentary on activities relating to climate change. Highlights are:
- TAU's new [Climate Change and Environment Strategic Plan](#) has a focus on climate resilience, zero waste, responsible water use, and the creation of an empowered organisation. The Auckland Art Gallery's decarbonisation project is complete, delivering a 99 per cent reduction on gas usage.
 - Watercare performance against the greenhouse gas emissions is tracking positively due to good results in electricity, natural gas, fuel consumption and process-related emissions.
 - POAL's average carbon emission per TEU of 11.7 kgCO₂e/TEU is on track for their target of 11.9 kgCO₂e/TEU.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

47. Each CCO and POAL quarterly report contains information on how they are contributing to the council's outcomes and objectives.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

48. The governance of Eke Panuku, Tātaki Auckland Unlimited, Watercare and POAL is the responsibility of the CCO Direction and Oversight Committee. We have not sought the views of local boards on the quarterly performance reports.
49. CCOs provide six-monthly progress and performance reports to local boards. The quarterly performance reports also provide a summary of the engagement that CCOs have carried out with local boards during the quarter.

Tauākī whakaaweawe Māori Māori impact statement

50. Each CCO and POAL report on their contribution towards achieving Māori Outcomes in their quarterly report. Highlights are:
- TAU's updated Māori Outcomes plan, [Te Mahere Aronga 2024-26](#), was finalised in March and a Māori engagement framework is being developed. The M9 event on Te Tiriti o Waitangi was sold out in March and garnered positive feedback. M9 is a quarterly Ted-Talk type series featuring influential Māori speakers and is supported by Tātaki.
 - Watercare are refocusing on its mana whenua partner relationships, following the return of seconded Māori Strategy and Relationships kaimahi from the water reform National Transition Unit. This includes a review of the effectiveness, resourcing and activities of the Watercare Mana Whenua Kaitiaki Forum.
 - POAL's Tiriti o Waitangi workshops have been delivered, and all senior management are now trained. Three iwi sponsorship grants have been delivered. Te reo programme is progressing well, 16 graduated from the program in quarter two. Taumata have had input into property and website designs.

Ngā ritenga ā-pūtea Financial implications

51. Each of the CCOs and POAL's quarterly reports contain information regarding their financial performance. These are described in the sections above.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

52. Each of the CCOs and POAL's quarterly reports contain information regarding their risks and mitigations, which is summarised above.

Ngā koringa ā-muri Next steps

53. The next CCO and POAL quarterly reports (quarter three, January to March 2024) will be provided to the CCO Direction and Oversight Committee in September 2024.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Eke Panuku Quarter Three Report 2023/2024	
B⇒	Tātaki Auckland Unlimited Quarter Three Report 2023/24	
C⇒	Watercare Quarter Three Report 2023/2024	
D⇒	Port of Auckland Quarter Three Report 2023/24	

Ngā kaihaina Signatories

Authors	Chris Levet - Principal Advisor Sarah Johnstone-Smith - Principal Advisor Rachel Wilson - Principal Advisor Trudi Fava - Principal Advisor Tracy Xu - Principal Advisor CCO Financial Planning
Authoriser	Alastair Cameron - Manager - CCO Governance and External Partnerships

Te Puru Community Charitable Trust: Transition to independence

File No.: CP2024/00404

Item 9

Te take mō te pūrongo Purpose of the report

1. To remove council-controlled organisation status from Te Puru Community Charitable Trust to enable a transition to independent community trust status.

Whakarāpopototanga matua Executive summary

2. The Te Puru Community Charitable Trust (the Trust) is a non-substantive council-controlled organisation (CCO) under the Local Government Act 2002 because Council has the power to appoint the board.
3. Since 2002, the Trust has operated the Te Puru Community Centre (the Centre) providing a recreational hub in Beachlands for the wider Beachlands, Clevedon, Maraetai, and Whitford areas.
4. The Franklin Local Board, with support of the Trust board, has requested removal of the Trust's CCO status, favouring an independent community trust governance model. This model would enable access to a wider range of potential funding sources and reduce administrative overheads associated with CCO status.

Ngā tūtohunga Recommendation/s

That the Council Controlled Organisation Direction and Oversight Committee:

- a) whakaae / approve changes to the Te Puru Community Charitable Trust trust deed necessary to remove council-controlled organisation status
- b) whakamihi / thank Te Puru Charitable Trust for their service to Tāmaki Makaurau as a council-controlled organisation.

Horopaki Context

5. The Centre provides a community hub for exercise, sports, recreation, events, and community gatherings. The Centre hosts a range of independent sports and social activities on site and provides a home to a wide range of clubs including athletics, gymnastics, and rugby.
6. The Trust owns and operates the Centre located at 954R Whitford-Maraetai Road on Te Puru Park, Beachlands.

History and CCO status

7. The Trust was established by Manukau City Council in 2002 to provide recreational and cultural community services, particularly for those who live and work in the Beachlands, Clevedon, Maraetai, and Whitford areas.
8. The Trust Deed includes provision for Council, as Trustee Appointer, to make board appointments. Council currently appoints all the Trustees, making it a CCO under the Local Government Act 2002.
9. Council's appointments power is delegated to the Franklin Local Board by the Governing Body [[GB/2022/114](#)].

10. Countries Manukau Sport (CMS) is also a Trustee Appointer as per the Trust Deed but has not exercised this right for many years. In engaging with CMS to discuss the future of the Trust, they confirmed they would surrender their right as a Trustee Appointer in the situation where the Trust moves to independent community trust status. They would no longer remain a Trustee Appointer under a new Trust Deed.
11. In December 2023, Franklin Local Board requested removal of the Trust's CCO status [[FR/2023/207](#)]:
 - a) *tono / request the Governing Body approve an amendment to the Te Puru Community Charitable Trust to remove council-controlled organisation status*
 - b) *tuhi ā-taipitopito / note that future funding through the Regional Sport and Recreation Facilities Operating grant will be decided by the Planning, Environment and Parks Committee.*
12. In February 2024, the Trust board voted in support of the Franklin Local Board resolution and for a transition to independent community trust status.

Funding

13. The Te Puru Community Centre forms part of Council's Facilities Network with approximately 25 per cent of their revenue funded by Council's Regional Sport and Recreation Facilities Operating Grant programme. The current grant ends this financial year (FY2024). The level of funding provided by this grant in future years will be decided by the Planning, Environment and Parks Committee.
14. The Trust report that CCO status constrains the opportunity to access philanthropic funding and commercial sponsorship as some potential funders will not fund CCOs.
15. The Trust's board supports becoming an independent charitable trust so they may access a wider range of potential funding sources and reduce administrative overheads associated with CCO status such as audit costs.
16. The Trust has been exempted from SOI requirements under the *Local Government Act 2002*, meaning that Council's key accountability mechanisms for the Trust are board appointments and accountability through the grant funding agreement [[CCO/2022/38](#)].

Review of non-substantive CCOs

17. In October 2020, the CCO Oversight Committee approved the framework for a review of non-substantive CCOs [[CCO/2020/21](#)].

Tātaritanga me ngā tohutohu Analysis and advice

18. The review of non-substantive CCOs aims to identify the most appropriate governance model for each CCO. This includes consideration of whether each entity should become an independent community trust, more closely integrate into council, or remain a CCO.
19. The review includes an assessment of the importance of the following factors:
 - access to special expertise, skills or knowledge, whether of decision-makers (trustees) or staff
 - likelihood of attracting funding from philanthropic sources under each model
 - importance of maintaining links with other council functions or services
 - importance of flexibility and responsiveness to the community
 - the scale of the activity and proportionality of accountability requirements
 - perception of CCO status for funders including Council.

Independent community trust (recommended option)

20. The Franklin Local Board and the Trust board support the transition to an independent community trust governance model.
21. The Trust supports the removal of CCO status so that they are able to access a wider range of potential funding sources and reduce administrative overheads associated with CCO status. Due to its CCO status, the Trust is considered a public entity requiring audit by the Office of the Auditor-General or its appointee. This creates an administrative burden for the Trust which is not seen as proportionate to the scale of the entity.
22. The Trust will remain eligible for funding through the Regional Sport and Recreation Facilities Operating Grant programme regardless of whether they are a CCO or independent of Council.
23. Existing accountability mechanisms for the Trust are primarily in the terms of their funding agreements with Council, including the performance measures, and reporting requirements. There would be no reduction in accountability for this funding from removal of CCO status.
24. Staff consider that this option will best serve the Trust to fulfil their charitable purpose and strategic plan. The accountability measures associated with the grant funding for the Trust means that the Council retains a similar level of oversight to the status quo under this option. This option also gives the Trust the most flexibility to identify further funding sources.

Remaining as a CCO (status quo)

25. Council, through the Franklin Local Board, would continue to appoint the Trust Board. This acts as an accountability mechanism over the centre's direction. However, this is complicated by the Trust Deed which states Trustees must act within interest of the Trust and independently from direction of Council.
26. Council would retain the option to set strategic direction through the statement of intent. This is currently not exercised, with the Trust exempted from preparing a statement of intent until September 2025 [[CCO/2022/38](#)]. At present, council's main accountability mechanism is via a funding agreement. This agreement sets out the performance targets for the Trust, rather than setting targets a statement of intent.
27. Additional funding would be required to maintain and upgrade the Centre to expand and meet the demand of the fast-growing Beachlands, Clevedon, Maraetai, and Whitford areas.
28. The Trust would continue to be constrained from outside charitable and philanthropic funding and reliant on Council for grant funding. They would be unlikely to meet the goals of their strategic plan without these funding avenues.

Integration to Council

29. Integration to Council was considered unfeasible due to Council's constrained financial position.
30. Engagement with Sport and Recreation identified no benefits to integrate the Centre more closely, either as a Council-owned and operated facility or as a Council-owned facility with a management contract held by a service provider.

Tauākī whakaaweawe āhuarangi

Climate impact statement

31. Amendments to the Trust Deed and changed governance relationships do not have an impact on emissions or adaptation to climate change.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

32. The community facility will continue being part of Council's Facilities Network and remain eligible for funding from their existing grants pool.
33. Engagement with Sport & Recreation found no benefits to bring the Centre within Council. There were no reservations raised to removal of CCO status and a transition to independence, due to the accountability mechanisms in contracts with Council.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

34. Franklin Local Board supports removing CCO status in the long-term interest of future-proofing the community facility. Their request to remove CCO status follows discussions with staff on the Trust's governance at their 17 October 2023 workshop.

Tauākī whakaaweawe Māori Māori impact statement

35. The Trust holds a strong relationship with Ngāi Tai ki Tāmaki. Their Māori Outcomes framework will continue to be reported through their half-yearly reporting tied to their Regional Sport and Recreation Facilities Operating Grant programme.
36. As part of the funding agreement for the Regional Sport and Recreation Facilities Operating Grant, Council seeks information about the Trust's contribution to Māori Outcomes. This accountability mechanism will remain in place if the change to the Trust Deed is approved.

Ngā ritenga ā-pūtea Financial implications

37. The Trust is currently grant funded through the Regional Sport and Recreation Facilities Operating Grant and Community Access Grant programmes. The Trust will continue to be eligible for the funds and any future grant funding will be decided by the Planning, Environment and Parks Committee.
38. The Trust Deed changes, and the costs associated, will be undertaken by Council's Legal Services department. The costs will be met through existing budgets.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

39. Removing CCO status sees the Trust depart the Council group and removes Council's right of appointment to their board. Outside of the accountability processes set in funding agreements with Council, and their requirements as a charitable trust and charity, there are no other accountability mechanisms for Council to exercise.
40. There could be a perceived risk of Council not having control over the primary sport and recreational facility in the fast-growing Beachlands area. However, the Trust has a strategic plan including redeveloping the Centre to support the Trust's vision of futureproofing for sustained local population growth.
41. Franklin Local Board will continue to hold a strong relationship with the Trust and will continue to monitor their performance via their regular reporting against funding agreements. Terms of the funding agreement allow Council to withhold funding for any breach in terms of the agreement, mitigating risk.

Ngā koringa ā-muri

Next steps

42. Manager, CCO Governance & External Partnerships will notify the Trust of the committee's decision.
43. Amendment to the Trust Deed will be made by the Trust in cooperation with Council's Legal Services department.

Ngā tāpirihanga

Attachments

There are no attachments for this report.

Ngā kaihaina

Signatories

Author	Alexander Croft - Senior Advisor
Authoriser	Alastair Cameron - Manager - CCO Governance and External Partnerships

Te Taumata Toi-a-Iwi Arts Regional Trust waiver of inflation provisions

File No.: CP2024/03410

Item 10

Te take mō te pūrongo

Purpose of the report

1. To consider a request for a waiver of Te Taumata Toi-a-Iwi Arts Regional Trust's (the Trust) requirement to provide for inflation in the maintenance of their trust fund.

Whakarāpopototanga matua

Executive summary

2. The Trust is a non-substantive council-controlled organisation (CCO) of Auckland Council and was established with a trust fund gifted by the Auckland City and Manukau City Councils. The purpose of the trust is to support a flourishing arts sector in Auckland.
3. Revenue from the investment of the Trust's fund provides for the core funding of the Trust. The Trust is required to maintain the fund by increasing it in line with inflation each year.
4. Due to higher inflation in 2022 and 2023, along with an investment loss in 2022 the Trust has asked that Council waive the requirement to increase the fund in line with inflation for the 2024, 2025 and 2026 financial years and have provided a financial plan to return the fund to surplus by 2029.
5. The decision to approve a waiver will mean that the fund does not grow as fast as it would under typical circumstances but will allow the trust to continue their work in service of the arts sector in Auckland.

Ngā tūtohunga

Recommendation/s

That the Council Controlled Organisation Direction and Oversight Committee:

- a) whakaae / approve a waiver of inflation provisions for each of the 2024, 2025 and 2026 financial years for the Arts Regional Trust in line with 3.6.A of the Arts Regional Trust deed.

Horopaki

Context

6. The Trust is a non-substantive CCO of Auckland Council. It was created in 2001 by the Auckland City and Manukau City Councils to contribute to the development of a flourishing arts and culture sector in the Auckland Region.
7. The Trust invests in capability and capacity-building programmes in the arts, culture and creative industries sector. Since 2019 it has refocused on providing an organisational 'backbone' for the arts sector and provides seed funding for initiatives that are then co-funded through grants from third party sources including philanthropies and government.
8. The Trust has been exempted from providing council with a statement of intent, due to the relatively minor impact of its activities for the council [[CCO/2022/38](#)].
9. On establishment, the Trust received \$5,651,048 as a gift from the Auckland City Council and Manukau City Councils. These funds were sourced from the disestablishment of the Auckland Regional Services Trust. The Trust receives revenue from this fund and this revenue provides for their core expenses and activities in support of the arts sector.

10. The trust deed specifies that the fund must be maintained by increasing it in line with inflation each year. The trust deed provides that Auckland Council, as settlor of the Trust may waive the requirement to increase the fund in line with provision for any financial year.
11. The Trust's fund is split into two parts; the Capital and Maintenance Reserve and the Distribution Reserve. The Capital and Maintenance Reserve reflects the original capital gifted to the Trust and the accumulated inflation provision. The Capital and Maintenance Reserve currently contains investments worth approximately \$10m. The Distribution reserve is the remainder of the fund, which the trust may spend in advancement of its purpose.
12. A waiver was approved in February 2010 having had negative returns on the fund in 2009 following the Global Financial Crisis.

Tātaritanga me ngā tohutohu Analysis and advice

13. The Trust has requested that council approve a waiver of the inflation requirement for the 2024, 2025 and 2026 financial years and has provided a financial plan to 2029. The Trust's letter to council is provided as Attachment A.
14. This request is in response to high levels of inflation of 7.3 per cent in 2022 and 6.1 per cent in 2023. In addition, the fund had a capital loss of \$660,707 in 2022. This loss substantially reduced the distribution reserve that had been accumulated by the Trust. The higher levels of inflation over the past two years have also meant that a higher proportion of the returns of the funds have become part of the Capital and Maintenance Reserve. This has resulted in a current deficit in the Distribution Reserve of approximately \$90,000. The Trust project that this deficit will be \$240,939 at the end of the financial year.
15. The Trust has proposed a financial plan for the five years to 2029 whereby the inflation provision is waived for the next three financial years and that the distribution reserve is reimbursed over time, returning to surplus in 2029. The proposed plan anticipates meeting existing commitments and a reduction in expenditure, while still enabling work to continue to fulfil the purpose of the Trust. The financial plan is provided as Attachment B.
16. The decision to approve a waiver has no direct impact on Auckland Council from a financial perspective.
17. Approval of the waiver as requested will have the effect of reducing the relative value of the Capital and Maintenance Reserve and reduce its growth in future years. The total impact of agreeing a waiver is a reduced capital and maintenance reserve of approximately \$1,000,000 by 2029, assuming inflation of three per cent. This reduced reserve will also reduce the annual revenue derived from the fund.
18. The Trust deed notes that Council may, when approving a waiver require that the Trust account for inflation and reimburse the Capital and Maintenance fund in future.
19. Three options are identified by staff as noted in Table 1 below:

Table 1: Options

Option	Description	Evaluation
Option One: Do not approve an inflation waiver (Status quo)	<p>This option requires that the Trust continues to set aside funds to the Capital and Maintenance Reserve in line with the requirements of the Trust deed.</p> <p>This option is not supported by the Trust.</p>	<p>This option would mean that the distribution reserve is likely to be in arrears for an extended period and that the Trust would be obliged to significantly reduce its activities. This may risk the Trust's reputation and ability to fulfil its purpose.</p>

Option	Description	Evaluation
<p>Option Two: Approve an inflation waiver for 2024, 2025 and 2026 (Recommended)</p>	<p>This option allows the trust to proceed with their proposed financial plan and for the fund to return to surplus by 2029.</p> <p>This option is preferred by the Trust.</p>	<p>The proposal provides a balance between the Trust fulfilling its commitments and maintaining its financial position. The Capital and Maintenance fund will be \$1m less by 2029 than under Option One, however the fund would remain a viable income source for the Trust.</p>
<p>Option Three: Approve waiver but require future reimbursement</p>	<p>This option requires that the Capital and Maintenance Reserve is reimbursed in future years, maintaining the relative value of the fund.</p>	<p>Similar to Option One, the distribution reserve is projected to remain in deficit until 2029. The Trust may be able to achieve the reimbursement over a longer period of time, but this will require further reductions in their activities over a longer period.</p>

Tauākī whakaaweawe āhuarangi Climate impact statement

- The activities of the Trust do not have any direct relevance to the outcomes sought by Te Tāruke-ā-Tāwhiri – Auckland’s Climate Plan.
- The decision to grant the waiver has no direct climate impacts.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

- The Trust engages with the wider council group, primarily with Tātaki Auckland Unlimited who collaborate on some co-investment opportunities. The recommended option would allow the Trust greater scope to continue this work.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

- The Trust’s activities are typically regional in scope and the views of Local boards have not been sought.

Tauākī whakaaweawe Māori Māori impact statement

- The Trust has a focus on supporting Māori art and artists as a major part of their strategy to develop the Arts sector in Auckland. In particular the Trust supports the Māori artists collective Te Manawa.

Ngā ritenga ā-pūtea Financial implications

- The decision to approve a waiver of the inflation provision in the Trust deed does not have a financial impact on the wider council group.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

26. The use of the inflation waiver stops the Trust's fund growing in proportion to inflation. This reduces the amount of revenue that the trust receives from investments and this could pose a risk that the trust fund is reduced to a point where it is no longer a sustainable source of income for its core activities. The proposed waiver will reduce the size of the fund, however, it will remain a viable source of core income for the Trust based on financial assumptions.
27. The financial proposal has inherent risks as it assumes stable returns and stable inflation. The trust's financial position is therefore subject to external market conditions.

Ngā koringa ā-muri Next steps

28. The committee's decision will be communicated to the Trust.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Letter from the Arts Regional Trust	
B⇒	Arts Regional Trust Proposed financial plan 2024-2029	

Ngā kaihaina Signatories

Author	James Stephens - Senior Advisor
Authoriser	Alastair Cameron - Manager - CCO Governance & External Partnerships

Summary of Council Controlled Organisation Direction and Oversight Committee information memoranda and briefings (including the forward work programme) – 7 May 2024

File No.: CP2024/04762

Item 11

Te take mō te pūrongo

Purpose of the report

1. To tuhi ā-taipitopito / note the progress on the Council Controlled Organisation Direction and Oversight Committee forward work programme appended as Attachment A.
2. To whiwhi / receive a summary and provide a public record of memoranda or briefing papers that have been distributed to the Council Controlled Organisation Direction and Oversight Committee.

Whakarāpopototanga matua

Executive summary

3. This is a regular information-only report which aims to provide greater visibility of information circulated to Council Controlled Organisation Direction and Oversight Committee members via memoranda/briefings or other means, where no decisions are required.
4. The following information items have been distributed:

Date	Subject
10/4/2024	Haumarū Housing six-monthly report (1 July - 31 December 2023)
10/4/2024	Tāmaki Regeneration Company six-monthly report (1 July - 31 December 2023)

5. No workshops or briefings have taken place.
6. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Committee members should direct any questions to the relevant staff.

Ngā tūtohunga

Recommendation/s

That the Council Controlled Organisation Direction and Oversight Committee:

- a) tuhi ā-taipitopito / note the progress on the forward work programme appended as Attachment A of the agenda report
- b) whiwhi / receive the Summary of Council Controlled Organisation Direction and Oversight Committee information memoranda and briefings – 7 May 2024.

Item 11

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Forward Work Programme	
B⇒	Haumarū Housing six-monthly report (1 July - 31 December 2023) (<i>Under Separate Cover</i>)	
C⇒	Tāmaki Regeneration Company six-monthly report (1 July - 31 December 2023) (<i>Under Separate Cover</i>)	

Ngā kaihaina Signatories

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