



Cabinet

CAB Min (10) 24/8

Copy No: 33

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Local Government Auckland Governance Reform: Council-Controlled Organisation Structure

Portfolio: Local Government

On 5 July 2010, Cabinet:

Background and context

- 1 noted that in October 2009, the Cabinet Committee on Implementation of Auckland Governance Reforms agreed that the Auckland Transition Agency (ATA) would review and rationalise the wholly local authority-owned council-controlled organisations (CCOs) of Auckland's existing councils prior to 1 November 2010, and that any new entities agreed should remain in place until July 2012 [AGR Min (09) 12/1];
- 2 noted that the Local Government Auckland Council Act 2009 (LGACA) establishes a new type of CCO in Auckland, with additional accountability requirements, known as a substantive CCO;
- 3 noted that all of the CCOs proposed by the ATA would meet the requirements for being a substantive CCO;
- 4 noted that under the LGACA, Auckland Transport is a permanent statutory entity and Watercare Services Limited must be retained until at least 2015, and that no Order in Council for their establishment is required;
- 5 noted that the Local Government (Tamaki Makaurau Reorganisation) Act 2009 (LGTMR Act) provides that any CCOs of the current Auckland councils unaffected by Cabinet decisions will transfer, as is, to the Auckland Council on 1 November 2010;
- 6 noted that the provisions in section 44 of the LGTMR Act for the establishment of new CCOs state that the Minister of Local Government must not recommend the making of an Order in Council under this section:
 - 6.1 unless he or she is satisfied that the establishment of the CCO concerned is necessary for the effective and efficient governance of Auckland and does not inappropriately constrain the discretion and accountability of the Auckland Council; and
 - 6.2 without first consulting the Auckland Transition Agency;

- 7 noted that, in addition, a number of criteria have been previously agreed to by Cabinet, against which proposals for the structure of the CCOs of the new Auckland Council have been tested;

Assessment of proposals

Overall structure and governance framework

- 8 noted that in November 2009, Cabinet agreed in principle to the ATA's proposed CCO structure and governance framework, to allow the ATA to proceed with consultation on the structure [CAB Min (09) 42/21];
- 9 noted that the proposed structure for substantive CCOs for the Auckland Council provided by the ATA comprises seven substantive CCOs overseen by a council committee which is supported by a governance and monitoring unit and advised by a specialist board appointed by the Auckland Council;
- 10 noted that the ATA's proposal for the overall CCO structure for the Auckland Council aligns with the criteria previously agreed to by Cabinet, in that the structure achieves a consistent approach and consolidation of multiple similar entities [AGR Min (09) 12/1];
- 11 noted that the ATA's proposals for the establishment of council committees are outside the scope of what can be implemented by Cabinet, and can only be recommended to the incoming Auckland Council;
- 12 agreed that Manukau Leisure Services Limited and Manukau Building Consultants Limited be disestablished, and that the services they currently provide be integrated into direct delivery arms of the Auckland Council;

Auckland Council Investments Ltd (ACIL)

- 13 agreed that an Order in Council be made under section 44 of the LGTMR Act directing the ATA to establish an investment company, known as Auckland Council Investments Limited:
- 13.1 with the objectives of:
- 13.1.1 managing Auckland Council's equity investments in Ports of Auckland Limited, Auckland International Airport Limited, and Auckland Film Studios;
- 13.1.2 maintaining the current funding arrangements through Manukau City Investments Limited for the benefit of the Auckland Council;
- 13.2 as a limited liability company, wholly owned by the Auckland Council and governed by a board of five directors who have the relevant experience and expertise to allow the company to achieve its objectives;
- 14 noted that the establishment of this CCO will provide strong commercial governance of these assets, and manage the existing funding arrangement through Manukau City Investments Limited;

- 15 agreed that Auckland Regional Holdings be disestablished and its assets split between the Auckland Waterfront Development Agency (waterfront property), the Auckland Council (financial assets), and Auckland Council Investments Limited (Ports of Auckland Limited shares and loan);
- 16 noted that the proposal referred to in paragraphs 13-15 above meets the criteria of being feasible to implement, is consistent with the existing local government legislative framework, will eliminate multiple CCOs with the same purpose, and will achieve a consistent approach to investment portfolio management across the Auckland Council;

Auckland Tourism, Event and Economic Development (TEED)

- 17 agreed that an Order in Council be made under section 44 of the LGTMR Act directing the ATA to establish a CCO, known as Auckland Tourism, Events and Economic Development Limited (TEED):
- 17.1 with the objectives of:
- 17.1.1 helping lift the Auckland region's economic well-being;
 - 17.1.2 helping support and enhance the performance of the Auckland region as a growth engine in the New Zealand economy;
 - 17.1.3 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;
- 17.2 as a limited liability company, wholly owned by the Auckland Council and governed by a board of up to seven directors who have the relevant experience and expertise to allow the company to achieve its objectives;
- 18 agreed that the following council business units be disestablished and incorporated into TEED:
- 18.1 Auckland City Council City Events team;
 - 18.2 Auckland Plus (Auckland Regional Council's economic development function);
 - 18.3 Auckland City Council Economic Development Group's investment and sectors teams;
- 19 agreed that the following existing entities be disestablished and incorporated into TEED:
- 19.1 Waitakere Enterprise Trust;
 - 19.2 Enterprise North Shore Trust;
 - 19.3 Enterprising Manukau Trust;
- 20 noted that this proposed CCO will give tourism promotion, investment promotion and sector development a more central role in the future economic development of Auckland;

- 21 noted that the proposal referred to in paragraphs 17-20 above meets the criteria of being feasible to implement, is consistent with the existing local government legislative framework, will eliminate multiple CCOs with the same purpose, and will achieve a consistent approach to economic development, tourism and events promotion across the Auckland region;

Regional Facilities Auckland (RFA)

- 22 agreed that an Order in Council be made under section 44 of the LGTMR Act directing the ATA to establish a CCO, known as Regional Facilities Auckland (RFA):

22.1 with the objectives of:

22.1.1 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;

22.1.2 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 the residents of the region and also to visitors;

22.1.3 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;

22.2 as a trust with a single corporate trustee (which will be a company under the Companies Act 1993) and governed by a board of up to seven directors who have the relevant experience and expertise to allow the company to achieve its objectives;

- 23 noted that the ATA proposes that the RFA will both own and manage assets of all entities that fully integrate with the CCO;

24 agreed that the Auckland Art Gallery, Auckland Zoo, Viaduct Events Centre, Mount Smart Stadium, and Western Springs Stadium be fully integrated into the RFA, and that the ownership of the assets that they manage be transferred to the RFA;

25 noted that as a consequence of the repeal of the Aotea Centre Empowering Act 1985, the Aotea Centre Board of Management will be disestablished;

26 agreed that the ownership of the assets managed by the Aotea Centre Board of Management (with the exception of Aotea Square and Auckland Town Hall) be transferred to the RFA;

27 noted that organisations aligned with but not fully integrating into the CCO will retain the current governance arrangements set out in their constitutions, trust deeds or in legislation;

28 noted that, for the RFA to achieve its goals, the government and the Auckland Council will need to work closely with the RFA to address the design issues and complexities identified in the paper under CAB (10) 332, including legislative amendments, and that the Ministry of Culture and Heritage is able to facilitate this process;

- 29 noted that the proposal referred to in paragraphs 22-28 above meets the criteria of being feasible to implement, is consistent with the existing local government legislative framework, will eliminate multiple CCOs with the same purpose, and will achieve a consistent approach to regional facilities management across the Auckland region;

Auckland Council Property Ltd (ACPL)

- 30 agreed that an Order in Council be made under section 44 of the LGTMR Act directing the ATA to establish a CCO, known as Auckland Council Property Limited (ACPL):

30.1 with the objectives of:

- 30.1.1 ensuring the efficient use of capital by Auckland Council in respect of property activities in which ACPL is involved;
- 30.1.2 obtaining an appropriate return on property under ACPL's management;
- 30.1.3 attracting private sector collaboration in Auckland Council-initiated property projects;

30.2 as a limited liability company, wholly owned by the Auckland Council and governed by a board of up to seven directors who have the relevant experience and expertise to allow the company to achieve its objectives;

- 31 agreed that Waitakere Properties Limited, Tomorrow's Manukau Properties Limited and its subsidiary TMPL (Flat Bush) Limited, North Shore City Holdings Limited, and Rodney Properties Limited be disestablished, with their functions consolidated into ACPL, their boards disestablished, and their property assets and liabilities transferred to the Auckland Council;

- 32 noted that the establishment of a property CCO will consolidate existing property management CCOs and provide a commercial structure for the management of property not required for the core services of the Auckland Council;

- 33 noted that the proposal referred to in paragraphs 30-32 above meets the criteria of being feasible to implement, is consistent with the existing local government legislative framework, will eliminate multiple CCOs with the same purpose, and will achieve a consistent approach to commercial property management across the Auckland Council property portfolio;

Auckland Waterfront Development Agency (AWDA)

- 34 noted that section 19B of the LGTMR Act requires the ATA to establish a CCO responsible for the development of Auckland's waterfront;

- 35 agreed that an Order in Council be made under section 19B of the LGTMR Act establishing a CCO, known as the Auckland Waterfront Development Agency Limited (AWDA):

35.1 with the objectives of:

- 35.1.1 leading a strategic approach to development across the waterfront consistent with the Auckland Council's vision;
- 35.1.2 developing property the AWDA owns or controls, consistent with the Council's vision;

- 35.1.3 acting in a commercial way to achieve development objectives, including investing in projects and places that secure high quality urban transformation outcomes;
- 35.2 as a limited liability company, wholly owned by the Auckland Council and governed by a board of up to seven directors who have the relevant experience and expertise to allow the company to achieve its objectives;
- 36 noted that the AWDA will need to work closely with key stakeholders, including Auckland Transport which has statutory responsibilities as the delivery agency in relation to road reserves, in order to achieve its objectives, including consulting with stakeholders in the development of the waterfront masterplan;
- 37 noted that the AWDA is expected to focus initially on the delivery of significant projects associated with the Rugby World Cup 2011, with its longer term objective being to plan and develop the waterfront in such a way that it enhances Auckland's international competitiveness;
- 38 noted that the ATA's proposed structure largely builds on the existing Auckland Regional Council Sea+City Projects Limited CCO, and incorporates existing functions and provides for new functions to allow the AWDA to be able to perform an enhanced role across a wider geographic area;
- 39 agreed that the following assets be transferred to the AWDA:
- 39.1 Auckland Regional Holdings' Wynyard precinct property;
- 39.2 the assets of Sea+City Projects Limited;
- 39.3 Auckland City Council's waterfront assets, with the exception of roads and other transport assets;
- 39.4 Auckland Regional Council's part share in Queens Wharf;
- 40 noted that key waterfront stakeholders are supportive of the model which has been developed for the AWDA;
- 41 noted that the proposal referred to in paragraphs 34-40 above meets the criteria of being feasible to implement, is consistent with the existing local government legislative framework, will eliminate multiple CCOs with the same purpose, and will achieve a coherent approach to development of the Auckland waterfront;

Additional Orders in Council

- 42 noted that the AWDA and the new CCOs proposed by the ATA are subject to the provisions in sections 36, 39 and 43 of the LGTMR Act that require:
- 42.1 further Orders in Council to be made transferring assets, liabilities and other obligations from terminating organisations to receiving entities;
- 42.2 Orders in Council to be made adding terminating organisations and receiving entities to Schedule 4 of the LGTMR Act;

- 43 invited the Minister of Local Government to recommend the making of additional Orders in Council under sections 36 and 39 of the LGTMR Act that will vest the assets, liabilities, rights, obligations or other matters of terminating organisations in respective receiving entities, as identified in paragraph 44 below;
- 44 invited the Minister of Local Government to recommend the making of additional Orders in Council under section 43 of the LGTMR Act to amend Schedule 4 of the Act by adding the organisations listed as terminating organisations and the respective receiving entities set out in the table below:

Terminating organisations	Receiving entities
Auckland Regional Holdings Ltd (equity investments)	Auckland Council Investments Ltd
Waitakere Enterprise	Tourism, Events and Economic Development Ltd
Enterprising Manukau	Tourism, Events and Economic Development Ltd
Enterprise North Shore	Tourism, Events and Economic Development Ltd
Aotea Centre Board of Management	Regional Facilities Auckland
Waitakere Properties Ltd	Auckland Council
Tomorrow's Manukau Properties Ltd	Auckland Council
Tomorrow's Manukau Properties Flat Bush Ltd	Auckland Council
North Shore City Holdings	Auckland Council
Rodney Properties Ltd	Auckland Council
Auckland Regional Holdings (waterfront property)	Auckland Waterfront Development Agency Ltd
Sea+City Projects Ltd	Auckland Waterfront Development Agency Ltd
Auckland Transport Infrastructure Ltd	Auckland Waterfront Development Agency Ltd
Auckland Regional Holdings (financial assets)	Auckland Council
Manukau Building Consultants Ltd	Auckland Council
Manukau Leisure Services Ltd	Auckland Council

Additional Orders in Council – Watercare and Auckland Transport

- 45 noted that an Order in Council will be required to transfer water and wastewater assets from existing councils to Watercare Services Limited at 1 November 2010 as provided for in section 37 of the LGTMR Act;
- 46 noted that an Order in Council will also be required to transfer transport assets from existing councils to Auckland Transport at 1 November 2010, as provided for in section 36 of the LGTMR Act;
- 47 invited the Minister of Local Government to recommend the making of an Order in Council transferring water and wastewater assets from existing councils to Watercare Services Limited at 1 November 2010, as provided for in section 37 of the LGTMR Act;

- 48 **invited** the Minister of Local Government to recommend the making of an Order in Council under section 36 of the LGTMR Act transferring transport assets from existing councils to Auckland Transport at 1 November 2010;

Further policy decisions

- 49 **invited** the Minister of Local Government to issue drafting instructions to the Parliamentary Counsel Office to draft the Orders in Council referred to above;
- 50 **authorised** the Minister of Finance, the Minister of Transport and the Minister of Local Government, in consultation with other Ministers as appropriate, to make decisions on any minor policy or technical issues that may arise during the development of the above Orders in Council;
- 51 **noted** that minor policy decisions are likely to be required in relation to:
- 51.1 details concerning the structure (including financial structure) and operation of the individual CCOs;
- 51.2 details to be included in further Orders in Council providing for the disestablishment of specified CCOs, and for the transfer of assets, liabilities and other obligations from these CCOs to the Auckland Council or to new or continuing CCOs;

Publicity

- 52 **noted** that there has been significant public and media interest in the proposals to establish new CCOs for the Auckland Council;
- 53 **noted** that associated publicity and media liaison in connection with announcements about the establishment of the CCOs will be coordinated between the offices of the Prime Minister and the Minister of Local Government.

Rebecca Kitteridge
Secretary of the Cabinet

Reference: CAB (10) 332

Distribution: (see over)

Distribution:

Prime Minister
Chief Executive, DPMC
Director PAG, DPMC
Minister of Finance
Secretary to the Treasury
Minister for Economic Development
Chief Executive, MED
Minister for the Environment
Secretary for the Environment
Minister for Arts, Culture and Heritage
Chief Executive, Ministry for Culture and Heritage
Minister for the Rugby World Cup
Chief Executive, MED (Major Events)
Minister of Transport
Secretary for Transport
Minister for Social Development and Employment
Chief Executive, MSD
Associate Minister of Local Government
Minister for Building and Construction
Chief Executive, Department of Building and Housing
Minister of Local Government
Secretary for Internal Affairs (Local Government)
Minister of Maori Affairs
Chief Executive, Te Puni Kokiri
Minister of Revenue
Commissioner of Inland Revenue
Chief Parliamentary Counsel
Legislation Coordinator
Secretary, AGR

Proactively Released by the Minister of Local Government