Staff Advice to support the Mayoral Proposal

4 December 2024

Contents

Attachment A: Budget advice and analysis

Purpose

1. To outline the process and budget projections to inform the Mayoral Proposal for the Annual Plan 2025/2026.

Executive summary

2. The process to develop the budget for Annual Plan 2025/2026, covering the second year of the Long-term Plan 2024-2034 (LTP), is politically led and will reflect Mayoral and Councillor direction to the group.
3. This political direction was reflected in a budget guidance document for those staff who prepare inputs into the budget.
4. Staff used high-level economic indicators as well as unit specific information to review and update the budget position, validate previously planned movements from LTP year one to year two, and assess any unavoidable new cost pressures.
5. This analysis has concluded that we are generally in line with the budget parameters as set out in the LTP as they relate to residential rates increases and debt levels.
6. Due to timing, not all potential unavoidable cost pressures may have been captured, and a number of budget risks continue to be monitored. Staff recommend consultation and decision-making leave flexibility to ensure that Councillors can take into consideration any further budget movements when making decisions on the final budget.

Direction and scope

7. The Annual Plan 2025/2026 relates to year two of the LTP which was adopted in June 2024. The process to develop the annual plan and budget is politically led and will reflect Mayoral and Councillor direction to the group.
8. Continuing the successful process established during the LTP, a Mayoral and Councillor direction setting document was distributed to the council group in September 2024, outlining the priorities and expectations for the development of the Annual Plan 2025/2026 staff advice. This included an opportunity to focus on specific areas and to ensure the council is well-prepared to deliver on its plan.
9. For the purposes of updating financial forecasts, the group was directed to continue the financial strategy and budgeting approach agreed through the LTP. This meant that as a starting point, operating expenditure budgets were not automatically increased each year by the rate of inflation and council-controlled organisations (CCOs) and council departments were encouraged to seek out savings, wherever possible, to offset inflationary cost pressures wherever possible.

Staff guidance

10. Staff prepared guidance to the council group which outlined the key messages, timeline and key forecasting assumptions to ensure consistency of the outputs and advice from each area. The key points of the guidance were:

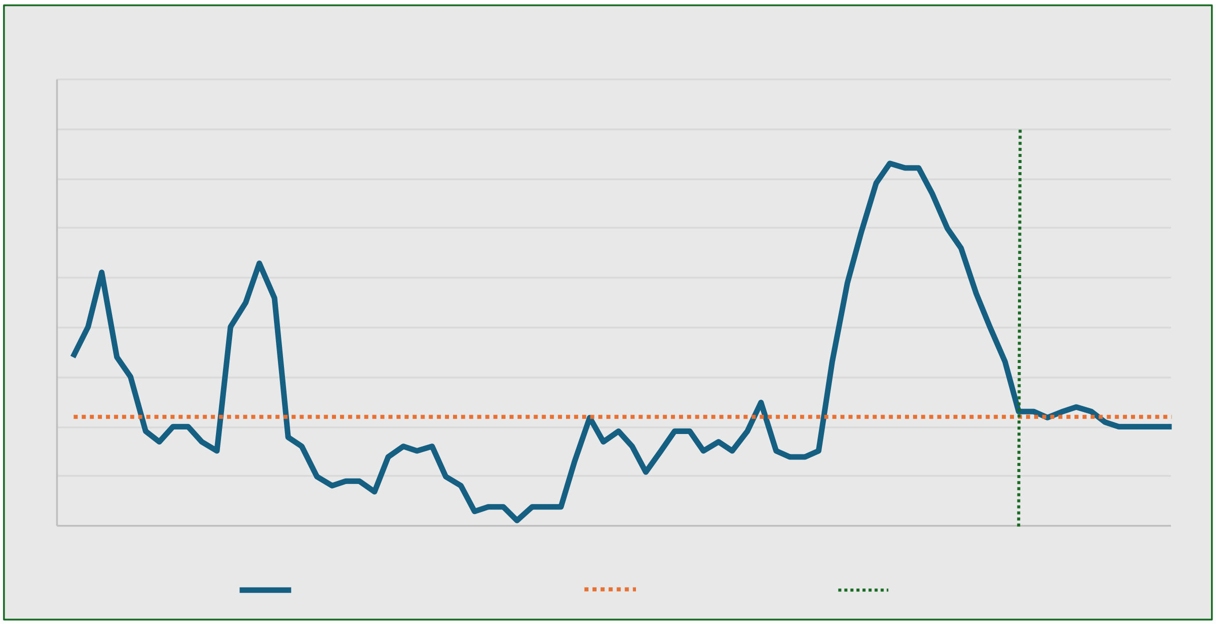
    - Auckland Council has adopted a budget process based on fixed nominal baselines, where operating budgets are set without automatic increases from the previous year. This approach encourages council departments and CCOs to identify and implement savings to mitigate the impact of inflationary cost pressures.
    - Emphasis should be placed on assessment of unavoidable operational expenditure pressures on next year's budget, with clear justification for any budget increases from the 2024/2025 financial year.
    - Only investment options outlined in the direction-setting document should be considered; no new investment proposals or "budget bids" are to be submitted unless specifically requested.

Financial context and budget assumptions

11. The context for this Annual Plan 2025/2026 is to continue building on the progress made in the Long-term Plan 2024-2034 (LTP). This involves navigating a range of financial and economic challenges, coordinating advice across the council group, and prioritising initiatives while making necessary trade-offs to align with available resources.

12. The council continues to face demands for investment driven by population growth, evolving community needs and expectations, and the ongoing upkeep of ageing assets. Additionally, there is a continuing need to support recovery efforts from the 2023 storm events and to act on climate change through both mitigation and adaptation measures.

13. Inflation reached its peak in 2021/2022, but it has steadily declined since, aligning with global trends towards stabilising prices. The inflation forecast in the LTP assumptions was set at 2.7 percent in 2025/2026, reflecting a cautious approach in managing future costs. The latest outlook indicates a further decrease, with inflation expected to reach 2.3 percent suggesting improved economic conditions and price stability in the near term:



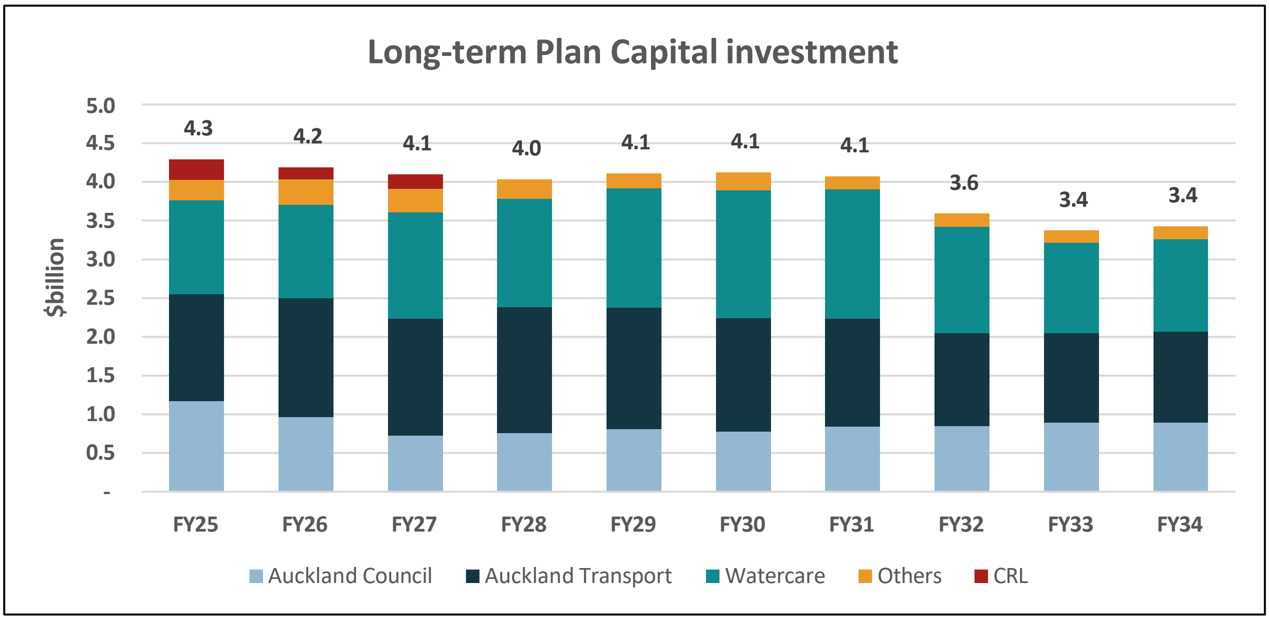
14. The current lower level of inflation is projected to ease pressure on the council's cost forecast over time impacting key items like:
    - staff costs across the group (increases are generally contractually linked to CPI)
    - contracted costs for outsourced services such as public transport provision, maintenance, and waste services.
15. Auckland Council does not have a central inflation rate for different business areas to apply to their costs and revenues. However, to ensure a consistent view of the economy across the group, staff provided an updated set of indices per the table below, based on July 2024 interim update on local government cost adjustors and cost index prepared by Business and Economic Research Limited (BERL), along with the CPI projection for December 2024 from the August Monetary Policy Update.

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PPI inputs- Local govt admin	3.90%	3.00%	2.60%	2.30%	2.20%	2.10%	2.00%	2.00%	1.90%	1.90%
PPI inputs- Arts and recreation services	2.30%	1.90%	1.80%	1.60%	1.60%	1.60%	1.50%	1.50%	1.50%	1.50%
PPI inputs – Water, sewer, drainage and waste services	5.20%	4.60%	4.30%	4.00%	3.80%	3.80%	3.20%	3.00%	3.00%	2.70%
CGI – Earthmoving and site work	4.40%	3.30%	3.70%	3.60%	3.50%	3.40%	3.30%	3.20%	2.90%	2.60%
CGI – Pipelines	7.00%	4.20%	3.60%	3.20%	2.90%	2.70%	2.60%	2.50%	2.50%	2.40%
CGI – Reclamation and river control	3.20%	2.40%	2.20%	2.00%	1.90%	1.80%	1.80%	1.70%	1.70%	1.70%
CPI (prior Dec) -staff costs – RBNZ Aug MPS	4.70%	2.30%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

16. It is expected that the group consider industry-specific information and relevant contracts. If a business unit has access to area-specific research reports (e.g. GHD reports on capital escalation), these could be relied upon to forecast indicative revenue and cost pressures on their budgets.
17. Staff have reviewed the final 2024 updates from BERL issued in October which are largely aligned with current assumptions. Any minor differences will be assessed during the budget refresh process, particularly for the 2025/2026 year.
18. A reduction in interest rates is also being observed. For Auckland Council, this decrease would typically lead to savings in interest costs associated with capital expenditures. However, the council has hedged a significant portion of its interest rates over the short to medium term, meaning that immediate savings will be limited. While the hedging strategy provides stability against interest rate volatility, it also reduces our ability to fully benefit from the current lower rates in the short term.
19. However, while interest rates and inflation are lower compared to LTP projections, there are other factors that may have an impact on our overall budget position. These include new unavoidable cost pressures such as living wage implementation, pay equity and utility costs, which result in off-sets against potential savings.

Capital investment

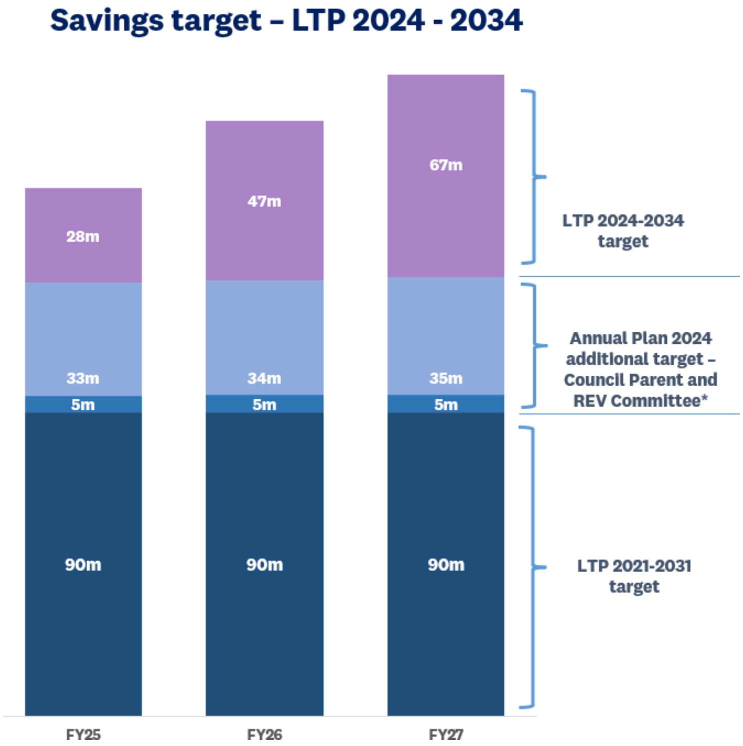
20. Unprecedented capital investment of $39.3 billion has been planned for the next 10 years in the LTP. The council's focus will be on essential investments in transportation, enhancing water infrastructure to increase resilience against flooding, and developing vibrant, livable places to support housing and growth.



Existing savings targets

21. Over the past three years, ending 30 June 2024, Auckland Council has achieved $337 million in cumulative operating savings. This includes surpassing the $90 million annual savings target set in the Long-term Plan 2021-2031 (the Recovery Budget), as well as an additional $38 million savings target set in the Annual Plan 2023/2024.

22. For 2024/2025, a substantial additional savings target of $28 million has been set in the Long-term Plan 2024-2034, bringing the total additional savings target for the year to $66 million. For 2025/2026, the additional savings target is $47 million, which brings the total additional savings for that year to $86 million. These savings are in addition to the $90 million per year savings target in the Long-term Plan 2021-2031 which has already been achieved as recurring savings.



23. We have a structured plan in place to implement these savings targets, however some initiatives are still to be implemented, and a portion of the targets do not yet have identified solutions. There are a number of risks to achieving the targets including inflationary pressures and speed of implementation once initiatives are identified. However, staff are committed to successfully delivering these significant targets.

Updated budget projections for financial year 2025/2026

24. As part of the initial budget review process, staff have updated operating and capital budget projections for key items, including:
    - 2023/2024 year-end results and any flow on effect on timing impact on 2025/2026 projections
    - Assessment for existing LTP movements from 2024/2025 base budget to 2025/2026 projection
    - Reviewing emerging unavoidable budget pressures
    - Timing and costing updates for capital programme
    - Interest costs
    - Depreciation
25. Based on the budget submissions from entities across the group, staff have reviewed and validated that proposed increases are driven by legislative requirements, contractual obligations or council policies and directions. A more detailed review to confirm these increases will be undertaken during the budget refresh process planned for early 2025.
26. The table below shows the net direct operating cost movements from 2024/2025 to 2025/2026 as projected in the LTP.

Entity	($ million)			Drivers
	2024/2025	2025/2026	Movement planned in the LTP	
Auckland Council (Parent)	1,312	1,398	86	• Key initiatives o Investing in fit for purpose technology o Fairer funding for local boards o Deliver council community services differently • Contractual indexation for staff costs, maintenance contracts, utilities • Council strategy and decisions, including living wage
Auckland Transport (council share of operating funding)	480	526	46	• Increased Public Transport contract costs (new services including those funded by CATTR, electrification of southern rail line between Pukekohe & Papakura) • CRL go live and infrastructure support costs • KiwiRail track access charges • Partially offset by increased NZTA funding, fare price increase, parking and infringement revenue growth and savings initiatives
Tātaki Auckland Unlimited	94	84	(10)	• Net opex funding reduction due to assumed bed levy tax revenue • One-off carry-forward included in 2024/2025 only, leading to a reduction in 2025/2026. • Staff cost inflation • Utilities cost escalation

Eke Panuku (incl. Managed activities)	23	25	2	• Overall decrease in net revenue from 2024/2025 to 2025/2026 resulting from the anticipated sale of properties managed by Eke Panuku.
Watercare Services	(642)	(714)	(72)	• Higher revenue through planned price increase path for water, wastewater charges (7.2%) and infrastructure growth charges (14.4%) to support critical capital investment.
Port of Auckland (NPAT)	(65)	(85)	(20)	• Maximisation of revenue streams on existing volumes through continuation of pricing uplift and broadening of revenue base coupled with volume growth.

Note: figures presented in the above table are net direct expenditure or revenue for Auckland Council, Tātaki Auckland Unlimited, Eke Panuku and Watercare; Auckland Council's share of opex funding for Auckland Transport and net profit after tax for Port of Auckland.

Auckland Council

27. Staff have identified additional costs pressures in addition to those provided for in the LTP, and potential mitigations for these.

Key drivers	$million
Accounting treatment shift due to legislative update (Fit for purpose tech, City Centre Targeted Rate)	34
Funding adjustments (Fit for purpose tech, City Centre Targeted Rate)	(27)
Regional cost increases due to contractual inflation, audit fees, rising utility costs, fleet costs, asset management, and higher expenses for repair and maintenance	8
Interest Savings	(5)
Total	**10**

28. The shift in accounting treatment is due to reclassifying cloud-based subscriptions and implementation costs from Fit for Purpose Technology and City Centre Targeted Rate as operating expenses. This change does not impact overall funding, as the reclassification only affects how costs are reported, without altering expenditure or funding requirements.
29. The Auckland Council Group's projected weighted average interest rate for 2025/2026 is 4.8 percent, compared with the previous forecast of 4.9 percent. The reduction in forecast interest cost reflects proactive management of borrowing costs and adjustments to the capital expenditure program, both contributing to lower interest cost projections of $5 million compared to the LTP.
30. The remaining net cost pressure estimate of around $10 million will continue to be monitored by staff through the detailed budget refresh with a view to mitigation and avoiding any impact on overall net cost and rates.

Local board cost pressures

31. Under the new local board Fairer Funding model adopted through the LTP, the intent is that local boards are empowered to make decisions to deliver services within their funding allocation. Going forward this funding allocation will be determined by an equity-based formula rather than based on each board's existing asset base (which reflects historic funding decisions that were not necessarily equitable across the Auckland region).

32. As we move through our budget process staff have identified some emerging cost pressures in local activities within local board decision making and funding. These relate to increases to the costs of running facilities and assets in 2025/2026 (e.g. utilities, outsourced service contracts).

33. To help address these cost pressures some local boards may wish to consult on potential service changes options. However, local boards have not had sufficient time to receive specific advice on the likely cost pressures or potential mitigate options (through prioritisation, efficiencies and service level changes) to enable them to manage within their planned funding envelopes.

34. As part of the new funding model, if the cost of delivering existing services is becoming prohibitive, local boards will be supported to make decisions to change how these services are delivered to their communities. However, staff recognise it is unlikely these kind of fundamental changes to service delivery can realistically be made by 1 July 2025.

35. More work will be completed during the budget refresh to refine these local cost pressures and bring advice to local boards to ensure that they can make effective decisions within their budget allocations. This may include an option for a slightly slower transition to the new model to help accommodate the additional asset-based costs.

36. In the meantime, local boards should continue to work on prioritising their intended work programmes and looking for options to maintain budget flexibility, including seeking public input on these matters where relevant.

Auckland Transport

37. The approved National Land Transport Programme (NLTP) funding levels for the financial years 2024/25-2026/27 is lower than assumed in the LTP. In response, Auckland Transport and Auckland Council worked collaboratively to develop advice that optimises the use of the available funding, which the Governing Body agreed on 24 October 2024. This impacts both capital and operating budgets:

38. Capital budget - the revised capital budget for 2024/2025 approved by AT's board is $1,352 million, a reduction of $107 million. For the three-year period from 2024/2025 to 2026/2027, the total budget has been adjusted to $3,890 million, a $578 million decrease compared to the LTP.

39. Operating budget - approved NLTP funding for public transport, road maintenance, and road safety is lower than LTP assumptions. AT are looking to manage these work programmes within available funding levels.

40. While AT is committed to managing operating pressures within its approved funding levels in the LTP, several budget risks and mitigations within AT's budget were highlighted to the council through the 30 October budget update workshop and will be revisited during the budget refresh process in early 2025. Potential budget risks and mitigations for 2025/2026 include:

- **Public Transport (PT) revenue:** PT patronage and revenue are tracking at 97 per cent of the budgeted levels, with rail recovery slower than expected. The implementation of a contactless payment system and marketing campaigns are expected to help drive patronage. However, a risk remains from constrained NLTP funding for new services and PT infrastructure, and planned growth from CRL in 2026.

- **NZTA funding for new PT services**: additional funding for new PT services, including those funded by the Climate Action Transport Targeted Rate (CATTR) requires business case submissions to NZTA. With constrained NLTP funding, there is a risk that additional funding may not be approved, which could put the new services at risk.
- **Parking & Enforcement revenue**: revenue from enforcement is tracking behind budget as AT builds a pipeline of new initiatives. Higher compliance and implementation delays, including community concerns, may impact projected revenues.
- **Track access charges**: KiwiRail has signalled higher track access charges for rail maintenance than budgeted for in the LTP.
- **Re-scoping the Ferry programme**: slowed progress in the ferry capital programme may lead to increased operating costs.
- **Indexation:** current indexation is below budgeted levels, which, if continued, could reduce PT contract costs in 2025/2026, partially offsetting other cost pressures.

41. These potential cost changes and savings represent risks that AT will work through and assess for any potential funding impacts in early 2025.

Tātaki Auckland Unlimited

42. The LTP assumed bed night visitor levy revenue for 2025/2026 to replace $7 million general rates funding for major events, but this assumption was noted as being "highly uncertain". While central government has indicated they may consider a bed night visitor levy, it is unlikely to be implemented by 1 July 2025.

43. Without a bed night visitor levy, a range of options need to be considered by council via the Annual Plan 2025/2026 including:

    - reducing major event expenditure for the year
    - implementing higher rates increase for 2025/2026
    - other potential funding sources.

44. Further details on the funding options and impacts are covered in Attachment C – Funding major events, destination marketing and visitor attraction.

45. Apart from this funding risk, TAU has signalled cost pressure due to gas pricing increases amounting to $0.2 million per annum.

Watercare

46. Under the government's "Local Water Done Well" policy, a new model for Auckland's water infrastructure has been agreed upon earlier this year, with Watercare gaining financial separation from the council in 2025. Watercare remain part of the Auckland Council Group, and its financials are included in the council's LTP.

47. Watercare is subject to interim economic regulation prior to the establishment of full economic regulation for the sector to be established through future legislation. As part of interim economic regulation, the government is establishing a charter for Watercare to guide its operations. The charter will outline minimum service quality standards, financial performance objectives, and a price-quality path.

48. Alongside the charter, Watercare is required to develop a ten-year business plan that will set out its approach to funding, pricing (including growth charges), financial strategy, efficiency improvements, and infrastructure investment priorities.

49. These documents, being prepared in consultation with Auckland Council, are critical to Watercare's financial separation and operational stability. Both the charter and business plan are on track for substantial completion by December 2024, supporting the transition to the new financial model by 1 July 2025.

50. In preparation for debt separation from council, Watercare will also undertake a large-scale capital raise, with a projected one-off cost of appropriately $2 million relating to establishing its own bank debt facilities. Council's treasury team are involved in supporting Watercare with the transition of treasury services including, engaging with credit rating agencies to obtain a credit rating for Watercare to ensure a smooth separation.

51. Apart from this, Watercare has not submitted any material changes to its 2025/26 budget projection at this stage. Its planned price path and capital expenditure remain consistent with the LTP. Any further updates resulting from the finalisation of the charter and business plan will be incorporated as the Annual Plan 2025/2026 is finalised.

Eke Panuku and Port of Auckland

52. Eke Panuku anticipates increased security and utility costs, which are fully offset by additional revenue from delayed property sales.

53. Port of Auckland's net profit after tax (NPAT) improvement projection for 2025/26 remains in alignment with the LTP.

Depreciation

54. Auckland Council staff have reviewed the depreciation forecast, based on updated information from the 2023/2024 Annual Report. The current forecast for 2025/2026 is largely aligned with the LTP projections. An additional review will be conducted following the budget refresh process, anticipated around March next year.

Capital investment updates

55. The LTP includes a $4.2 billion package of capital investment for year two of the LTP (2025/2026) to enable continued delivery of key services, strong investment in new and renewed assets as well as helping stimulate the economic recovery of Auckland. Notable investments provided for in the LTP include:
    - Making Space for Water and Category 3 property buy-outs in response to the 2023 weather events
    - Local board 'Fairer Funding' implementation
    - Eastern Busway and Auckland Transport asset renewals
    - Central interceptor- 16.2 km wastewater tunnel.

56. Key budget updates that have an impact on the draft capital programme for 2025/2026 include:
    - Timing updates for several capital programmes and projects reflecting the year-end result for 2023/2024
    - A $578 million reduction in AT's capital programme over financial years 2024/2025 to 2026/2027 in response to the funding impacts from the National Land Transport Programme (NLTP)
    - Accounting treatment changes for some of the Fit for Purpose Tech programme budget to be reclassed from capital expenditure to operating expenditure.

57. The updated draft capital investment for 2025/2026 by entity is outlined below:

$million	Long-term Plan 2025/2026	Draft Annual Plan 2025/2026	Movement
Auckland Council	969	924	(45)
Auckland Transport	1,534	1,330	(204)
Tātaki Auckland Unlimited	85	81	(4)
Eke Panuku (incl. managed activity)	86	86	-
Watercare	1,201	1,201	-
City Rail Link	149	149	-
Port of Auckland	164	164	-
Total	**4,188**	**3,935**	**(253)**

Impact on residential rates

58. These updates to budget projections do not indicate a clear need for the council to move away from the rates impact for the average value residential property of 5.8 per cent that was projected in the LTP. However, given the budget risks that have been identified, staff recommend that the council maintain sufficient budget flexibility to make any necessary decisions relating to emerging risks after public consultation.
59. The main drivers of the 5.8 per cent increase are the rising costs of delivering public transport services, additional costs associated with the storm response, the impacts of previous rating policy decisions/capital programmes and market conditions such as inflation/interest costs.

Impact on borrowing

60. The council group's projected debt balance is largely consistent with the group projections in the LTP.
61. On 1 July 2025, Watercare's revenue and debt will continue to be fully consolidated within the council group. However, for the purposes of prudential measures (such as debt-to-revenue and interest-to-revenue ratios), Watercare's revenue and debt will be excluded, in line with the Local Water Done Well legislative policy issued by central government and as provided for in the Local Government (Water Services Preliminary Arrangements) Act 2024.
62. The council's limits on borrowing are that group debt remain below 270 per cent of group revenue (with a target of being below 250 per cent), and that group interest remain below 15 per cent of group revenue. The updated budget projection of group debt-to-revenue ratio is approximately 215 per cent, and the projected group interest-to-revenue ratio is 9 per cent, both well within the policy limits.
63. Maintaining adequate headroom below the prudential limit is crucial to ensuring the council can respond to challenges and shocks that present themselves. In addition, any additional use of debt to fund new expenditure will put pressure on rates to service that debt and fund any associated ongoing operating costs.

Budget risks/mitigations

64. Throughout the Annual Plan process, areas of the group have outlined areas of risk. Staff will continue to monitor these risks for potential financial impacts and update elected members as appropriate.

Category 3 Property buy-out costs

65. Auckland Council remains focused on addressing the impacts of the extreme weather events of 2023, including recovery efforts and implementing the property categorisations. In partnership with central government, Auckland Council has established a buy-out scheme to purchase ‘Category 3’ homes enabling Aucklanders affected by the severe weather events to voluntarily relocate from residential housing where council has identified an ‘intolerable risk to life’ which cannot otherwise be mitigated. Grant funding is also available for ‘Category 2P’ homeowners affected by the 2023 severe weather events, where there is a practical way to mitigate intolerable risk to life at their property.
66. Entry into the categorisation process has now closed and has resulted in a higher number of total properties than previously estimated. The categorisation process will take several months to complete but the Recovery Office projects that there is a risk that there will be more than the 900 Category 3 properties than was projected in the LTP.
67. There is also risk that there could be movement in the average cost of the individual buy-outs, property removal costs and the number and value of Category 2P grants.
68. If these risks materialise and the costs of the Category 3 buy-out and/or Category 2P grant programmes exceed the budgeted amount in the LTP this will result in additional borrowing requirements for the council. Potential mitigations for these impacts, over the longer-term, include offsetting reductions in the level of investment in resilience infrastructure and seeking opportunities to reuse or redevelop purchased properties.
69. Ongoing updates on these programmes are provided to the Transport Resilience and Infrastructure Committee.

Auckland Future Fund

70. There is risk that the returns from the Auckland Future Fund are lower than projected in the LTP if the realised value of the Auckland International Airport Limited shares does not match the LTP assumption and/or the timing of when this occurs is later than assumed.
71. As the distribution percentage has already been set over the short to medium term, the payments to the council can be more accurately forecast once the realised value is known.

CRL related costs

72. The City Rail Link is forecast to be complete and open in 2026. The LTP included Council’s share of around $0.6 billion of capital investment for the first three years of the LTP, and the full operating costs that will need to be funded from operating revenue post go-live. Operating revenue will need to be sufficient to cover the increased expenditure associated with the new line, stations, and the enhanced train frequency, as well as interest associated with the project and the funding of depreciation for the new assets.

73. Given the significant scale of this project and the approaching go-live date, staff are closely monitoring the progress and any potential impact on our budget projections.

Haumaru Housing

74. Central government have recently made changes to the Income-Related Rent Subsidy (IRRS) funding criteria and the amount of IRRS funding Haumaru receives is now capped at the current level from 1 July 2024.
75. Council staff are working with Haumaru Housing staff to understand the medium-long term impact of the funding reductions over time and closely monitor any financial risks in relation to council as 49 per cent shareholder and owner of the land/buildings.

Relationship with Central Government

76. Ongoing reform led by central government has the potential to impact council operations and financials. Current reform programmes look at issues such as land use planning, resource management, and growth infrastructure funding.
77. A consistent relationship with central government presents the council with an opportunity to work collaboratively with the Crown to find structural fixes for shared concerns. Ongoing updates are provided to elected members as legislative programmes evolve.

Conclusion and next steps

78. While these risks and cost pressures require careful consideration, there is currently no immediate need to adjust rates or debt projections. However, staff note that ensuring budget flexibility post-consultation will be critical for responding effectively to any unforeseen challenges and any of the emerging budget risks noted above that may eventuate.
79. On 4 December 2024, the Budget Committee will meet to agree on a proposed budget for consultation to support public discussion. Following that, staff will update budgets and prepare the consultation document reflecting the political decisions.
80. Staff recommend that these decisions and materials provide sufficient budget flexibility to enable the council take into consideration any further budget movements when making decisions on the final budget.
81. Staff have prepared core financial and non-financial data, including details on services and deliverables, for each area of the group. During the LTP these were termed "Service Profiles", and this information will to be made available to elected members through the Revenue, Expenditure and Value Committee in late-November. The refreshed and updated Service Profile packs, will give elected members enhanced visibility and political oversight of the annual operating budget changes they requested. The updated Service Profile pack offers a clear presentation and layout of the currently funded services provided to Aucklanders by CCOs and council departments, effectively linking the funding with inputs, outputs, and outcomes.
82. From January to February 2025, a budget refresh process will be run across the group to review and update budget projections, including validating and refining any forecast unavoidable pressures and budget risks identified at this stage.

83. In February/March 2025, the Governing Body will meet to adopt the consultation document and supporting material. Public consultation will take place between February and March 2025.

84. In May 2025, the Governing Body will make decisions on the final budget for the Annual Plan 2025/26. Following these decisions, staff will reflect these decisions into a final Annual Plan document, which the Governing Body will meet to adopt in June 2025.

Attachment B

CCO reform options

Purpose

1. To provide advice on CCO reform options in response to requests in the Mayor and Councillors' Direction to the Council Group ("Direction Document").

Executive Summary

Auckland's CCOs provide significant and important services

2. Council-Controlled Organisations ("CCOs") are a significant part of Auckland Council, accounting for two-thirds of its assets and using half of its operational budget.
3. Auckland is unique among its national and international peers for the extent and importance of the functions undertaken through CCOs, particularly in relation to transport. CCOs provide some of the council's most important services and infrastructure, including those that the community perceive to be core to council's purpose.

What was asked for - Mayor and councillors sought broad advice on options for CCO reform

4. In the Direction Document, the Mayor and councillors formally requested advice on options for CCO reform - the overarching question being whether the CCOs and Council Group are currently structured in the best way to deliver on the Long-term Plan and its broader vision for Auckland.
5. In particular, the Direction Document asked whether CCO reform could address what it says are ongoing concerns with CCOs about public trust and confidence; strategic alignment; democratic accountability; cost effectiveness and the ability to deliver on the council's plans. This is the "problem statement" that it says any reforms would seek to address.
6. Specific analysis was sought on a range of matters, including the rationale for and performance of the current model, and structural reform options for three CCOs – Auckland Transport, Eke Panuku and Tātaki Auckland Unlimited.
7. The Direction Document did not ask for a further independent review of the CCO model nor for specific recommendations. This advice does not reconsider what functions are to be delivered by the Council Group (including levels of service or funding), nor the structure of Watercare and the Auckland Future Fund.

What was done - Approach and structure of advice

8. Advice and analysis have been prepared to address the full range of options and matters requested in the Direction Document. This advice and analysis are based on previous CCO reviews, further analysis, research and assessment of available evidence, the expertise and professional judgment of council staff involved with CCO oversight and organisational design, and formal feedback from the relevant CCOs.
9. Advice has been prepared to inform principle-based decisions by the Governing Body about CCO reform, including what functions should be delivered through CCOs. Detailed design or transition planning has not been completed and would commence once decisions are made.
10. The collective output of this work is collated in this report, as well as eight appendices that contain more detailed analysis and evidence.

What was found - A case for CCO reform to respond to the problem statement

Rationale for CCO model and its inherent tensions

11. CCOs reflect a choice by the Governing Body that decisions about a function or functions should be made at arm's-length from elected members.
12. The CCO model is a legitimate and important option for council in considering how best to serve Auckland's communities. It is based on a theory that arm's length corporate governance of some public services will provide a stronger delivery and commercial focus and improve accountability through the separation of core policy functions from delivery. Advantages can include the benefits of specialist governance and management, the ability to act more nimbly and more stability of delivery across 3-year political cycles.
13. When it was established, Auckland's CCO model was seen as a way to ensure efficient management of operations and infrastructure delivery, so Auckland Council could focus on its "primary role" to "develop policy, strategy and plans to drive Auckland forward".
14. However, the CCO model has inherent and well-understood downsides too. Disadvantages can include weakened democratic accountability and public responsiveness, policy becoming disconnected from operational expertise, duplication of activities, "siloed" decision-making and poorer coordination across the Group where outcomes require integrated action and advice.
15. This report and international experience show that the CCO model works best where the purpose of the CCO is clear, narrow and focused on delivery of services for which performance can be defined and measured, strategic and policy direction is provided by council, CCO governance is capable and expert, and accountability is strong. These may be understood as "critical success factors" for the CCO model.

Performance of the system: Auckland has experienced advantages and disadvantages

16. This report considers whether the CCO model has worked as intended by the Royal Commission on Auckland Governance, and subsequent reviews and decisions. Taking this long view and approach has been instructive. There are areas where the model has performed strongly against its rationale and areas where significant problems or challenges have arisen.
17. Analysis of the performance of the model generally, and specifically in relation to Auckland Transport, Eke Panuku and Tātaki all present a mixed picture. In all cases there have been significant successes and persistent challenges. The analysis largely validates the concerns set out in the problem statement articulated by the Governing Body about democratic accountability, public trust and confidence, and strategic alignment.
18. Problems have arisen where the model has become misaligned to its original intent (CCOs focused on delivery, enabling council to focus on policy and plans), and critical success factors (such as clarity of CCO purpose and council direction) are not present.

A case for reform to address concerns, strengthen Auckland Council

19. Both structural and non-structural changes are likely required to address the problem statement. Some problems can be addressed through continuing to improve the clarity of council direction and CCO accountability. Other weaknesses are systemic and relate to how the Auckland CCO model has been set up and what functions CCOs provide.
20. There is an opportunity to realign and reinvigorate the CCO model, and, at the same time, to strengthen council's ability to support elected members in taking the necessary integrated decisions and actions to deliver on their *place-based* plans and aspirations for local areas and Auckland. Auckland Council could, in particular, strengthen its role in integrating land use planning, infrastructure delivery, and economic, social and cultural development objectives.
21. The feedback from CCOs emphasise the advantages and successes of the current model, while acknowledging some challenges. Each of the CCOs prefer the status quo with some non-structural improvements, particularly enhanced council direction.

Options – Several options for reform with an overarching logic and objectives

22. Structural changes for Auckland Transport, Eke Panuku and Tataki Auckland Unlimited are identified and assessed. In each case, this includes an option to retain the status quo (with expectation of non-structural improvements) and an option to disestablish. Variations see some CCO functions move into council with other functions remaining within a CCO.

23. The most practicable options identified for structural change share common characteristics, which are based on realigning the model with its original intent:
    - ensuring CCOs have a clear, narrow purpose
    - focusing CCOs on delivery of a narrower range of services for which performance can be defined and measured
    - returning strategy, planning and policy making to Council
    - promoting greater efficiency by addressing fragmentation and duplication of effort across Council and CCOs
    - transferring functions to council where this could strengthen the Auckland Council parent in key areas, and support greater integration or local decision making

24. The most practicable non-structural changes may include:
    - council prioritising setting strategic direction for CCOs, where gaps exist
    - increasing oversight over CCO planning and delivery of regional growth plans
    - accelerating the roll-out of Group Shared Services, and considering what additional functions council should provide to CCOs (e.g. policy, legal and communications)
    - improving board appointment and performance review processes.

25. A list of the main structural reform options assessed are set out in the table below for reference and are described in more detail in the report.

Table 1: List of main structural reform options

Auckland Transport	Eke Panuku	Tātaki
AT1: Status quo **AT2:** Refocus AT on delivery *Transfer strategy, policy and planning to council.* **AT3:** Refocus AT on public transport delivery *Transfer roading, footpaths and related activities to council.* **AT4:** Disestablish AT	**EP1:** Status quo **EP2:** Refocus Eke Panuku on urban regeneration delivery *Transfer property management and urban regeneration planning to council.* **EP3**: Disestablish Eke Panuku	**TAU1:** Status quo **TAU2:** Refocus Tātaki on destination, major events and regional facilities *Transfer economic development to council.* **TAU3:** Refocus Tātaki on regional facilities *Transfer economic development, destination and events to council.* **TAU4:** Disestablish Tātaki

26. Some options that bring functions into the council parent would require council to carefully consider the appropriate delivery model and decision-making structures, including whether to use an advisory board, committee with external membership or an internal agency / stand-alone business unit approach.

27. Any reform package should have strong overarching logic and objectives. Guidance on a decision-making approach is set out at the end of this report.

Consultation and implementation

28. Once principle-based decisions about reform are adopted, detailed transition planning, including organisational design, can commence.

29. The most practicable options identified in this report do not specifically require public consultation under the Local Government Act 2002 as part of the annual plan process. If public consultation is not legally required, it is not recommended as this will prolong transition and the period of uncertainty for staff.

30. For any reform, careful and consistent implementation is key. Previous changes to CCOs demonstrate that effective reform is not just about changing or removing a CCO, but ensuring that future arrangements are well-planned, supported by a clear political mandate and sustained effort is applied to ensuring that the model is implemented to result in stronger and better overall delivery for Auckland.

Context - CCOs provide significant, important services

31. CCOs are a significant part of Auckland Council, managing two-third of its assets and using half of its operational budget. Auckland is unique among its national and international peers for the extent of its services delivered through CCOs, particularly in relation to transport.

32. In relation to the three CCOs for which structural reform options are assessed in this report:

    - Auckland Transport's capital expenditure was $1.04 billion and operational expenditure was $1.43 billion in 2023/2024. They employ almost 1800 staff. The functions for which it is responsible include roads and footpaths, public transport, parking and enforcement and planning for the future.
    - Eke Panuku capital expenditure was $50 million and operational expenditure was $69 million in 2023/2024. They employ over 210 staff. The functions for which it is responsible include urban regeneration, property management and marina management.
    - Tātaki Auckland Unlimited's capital expenditure was $62 million and operational expenditure was $210 million in 2023/2024. They employ 850 people. The functions for which it is responsible include economic development, destination marketing, major events and regional facilities.

33. The options assessment in **Appendix C** includes analysis about how these functions fit into other functions delivered by the Council Group, because, in each case, there are related to functions delivered elsewhere. More detailed descriptions of the functions provided by all CCOs are included in service profiles, which will be available to support decision-making on the annual plan and CCO reform.

Mayor and councillor direction

34. In its September 2024 Direction to the Council Group, the Mayor and councillors asked the Chief Executive of Auckland Council for advice on options for a proposed Council-Controlled Organisation reform package ("Direction Document", excerpt attached as **Appendix A**).

Problem statement

35. The Direction Document states that it responds to ongoing concerns about aspects of the performance of Auckland's CCOs, especially perceptions of lack of public trust and confidence; strategic misalignment; ineffective democratic accountability; cost effectiveness, and duplication of services. It asks the question whether the Council Group is currently structured in the best way to address those problems and deliver on the Long-term Plan and its broader vision for Auckland. This is the "problem statement" that it says any reforms would seek to address.

36. The problem statement also asks whether these problems are systemic and require structural change, or whether further adjustments to the existing model could address them.

Request for advice

37. The Direction Document did not ask for a further independent review of the CCO model nor for specific recommendations for reform. Instead, it asked for staff advice to cover:

- rationale for Auckland's CCO model and the main alternatives
- performance of Auckland's current CCO model against its original rationale and the problem statement
- advantages and disadvantages of alternative structural options for delivery of functions provided by Auckland Transport, Eke Panuku and Tātaki, including bringing the functions in-house to council
- options to improve the accountability and oversight of CCOs, as well as the limitations of these tools
- international models / comparisons
- legal advice on consultation requirements
- indicative implementation pathway (noting an intent that changes commence from 1 July 2025).

38. The Direction Document included several specific structural reform options to be covered in the advice.

Service levels not in scope

39. Advice was sought about how council structures and delivers its functions, not about what functions, or the relevant levels of service and funding. The structure of Watercare and the recently established Auckland Future Fund are also not in scope.

Approach

Basis of advice – broad range of expertise and analysis

40. Advice and analysis have been prepared to address the full range of options and matters requested in the Direction Document. A further independent review was not commissioned. The advice and analysis draw on and are based on:

- previous reviews of the CCO model, including the most recent Independent Review of CCOs undertaken in 2020 ("2020 Review")
- expertise of council staff with a significant depth of experience with the CCO model, including staff involved with undertaking and implementing the 2020 Review
- available evidence about the function and performance of CCOs based on existing performance reporting and accountability mechanisms, including stakeholder and elected member surveys
- additional research and analysis, including on options and international models
- input from other subject-matter experts, including finance, legal, Māori Outcomes and in organisational design
- feedback from Auckland Transport, Eke Panuku and Tātaki, which has been provided on several occasions including in written feedback in response to draft analysis and in meetings of the CCO Boards
- feedback from early engagement with council and CCO staff that could be affected by structural reform
- views of Auckland Council's Executive Lead Team, who considered and endorsed key parts of the analysis.

Structure of analysis

41. The following approach was taken to developing and structuring this advice in response to the Direction Document:

<u>Analysis of CCO model and reform options</u>

a. *CCO model and performance*: First, an analysis of the rationale for the CCO model (including as discussed in the Royal Commission on Auckland Governance and subsequent decisions), and the performance of the model against that stated rationale and the problem statement. This analysis is set out in **Appendix B**.

b. *Options assessment*: Second, an options assessment, including identification of options for delivery of CCO functions or improving CCO oversight, and an assessment of the advantages and disadvantages of those options. This analysis is set out in **Appendix C.**

c. *International models*: Third, research on international models and comparisons, noting that direct comparisons are difficult given Auckland's unique model. This analysis is contained in **Appendix D.**

<u>Feedback from CCOs and staff</u>

d. *Feedback from CCOs*: Feedback was sought from Auckland Transport, Eke Panuku and Tātaki on options in the Direction Document and the draft analysis contained in Appendices B and C. This included meeting with each CCO Board. The final feedback from each CCO is included in **Appendix E.**

e. *Feedback from early engagement with council and CCO staff*: Early engagement with council staff was undertaken on the Direction Document. The output of this engagement is contained in **Appendix F.**

<u>Implementation</u>

f. *Legal advice on consultation requirements*: Legal advice was sought on consultation requirements and other implementation considerations. Advice is included in **Appendix G.**

g. *Indicative implementation pathway*: Initial work has been undertaken on the implementation approach to any reform, and this is summarised in **Appendix H.**

42. This report contains the key conclusions from the above and, necessarily, summarises aspects of the analysis.

Limitations of advice

43. There are limitations to this approach. The request for advice was detailed and broad, covering a range of functions and options, and advice was required in a relatively limited eight-week timeframe. The work has been undertaken using existing internal resources.

44. Given that, some of the analysis is also broad and principles-based and simplifies the nature of the functions provided by CCOs and the options for change. Evidence is relied on where available, but the analysis also relies on the professional judgment and conclusions of staff informed from experience and analysis.

45. Feedback has not been sought from a broad range of stakeholders, but significant feedback from the 2020 Review has been revisited and much of it remains relevant.

46. Detailed design of options or cost-benefit analysis, including what savings might be achieved by transferring services and functions to Council and transitional costs and risks, has not been completed. Neither would such analysis have been appropriate at this stage given the number of options being considered. However, the most practicable reform options are considered likely to be cost neutral or to provide opportunities for some operational savings over time.

Sufficient basis for decision

47. The limitations of the advice noted above are appropriate given the stage of the reform process and should not prevent principle-based decisions about CCO reforms and any high-level structural changes about what functions are delivered by CCOs within the Council Group. The tight timeframe also has merit given the benefit in resolving uncertainty for staff as soon as possible.
48. For those reasons, councillors are advised that they have enough information to make principle-based decisions at this stage.
49. Once it is determined what reforms are to be advanced, detailed transition planning and operating model design can commence, including broader stakeholder engagement and detailed identification of financial costs and benefits.

Analysis – Auckland's CCO model and system performance

50. This section of the advice considers whether the current Auckland CCO model, with the adjustments made to it over the years, has worked as intended by the Royal Commission on Auckland Governance and subsequent decisions. This is supported by full analysis set out in **Appendix B**.
51. Taking this long view and approach has been instructive. Some of the challenges observed are disadvantages inherent to the CCO model that are capable of being managed and mitigated. Other challenges are more systemic in nature and relate to how the Auckland CCO model was set up and has evolved over the years.
52. A conclusion of this analysis is that, where the CCO model is retained, council should consider realigning it so it works as intended, including focusing individual CCOs on the delivery of a narrower band of operational services that can be delivered efficiently at arm's length, and returning policy and local decision making to the council parent and the direct oversight of elected members.

What is a CCO and what are the main alternatives?

CCOs involve arm's-length governance / decision making

53. The key feature of Auckland's substantive CCOs is the arm's-length governance of functions by independent entities owned by Auckland Council (e.g. a limited liability company), which:
    a. work and make decisions with a degree of operational autonomy; but
    b. are accountable to and subject to policy direction from Auckland Council.
54. Arm's-length governance means that CCOs have a separate board that can take decisions around the delivery of functions.
55. As such, a CCO reflects a judgment that certain decisions about a function should be made at arm's-length from elected members.

Range of CCO delivery models

56. Within the boundaries above, there are a range of different organisational or delivery models for CCOs. The three main CCOs being considered in this advice are companies with their own executive, staff and assets. They provide services directly or via service contracts.
57. But that is not the only organisational model for a CCO. The recently established Auckland Future Fund is an example of a CCO based on a different model. It does not have its own staff, but instead is primarily supported by council staff and independent advisers.

Main alternatives

58. The main alternatives to CCO governance are:

a. *Auckland Council / in-house* – in which case formal governance is shared between the Governing Body and Local Boards.

b. *Council organisation or partnership* – an entity or formal partnership that council has an interest in but does not control (e.g. it may appoint a minority of board members).

c. *Independent or private provision* – council may provide funding but has no governance role for a function.

59. Again, with each of these alternatives, there are a range of organisational or delivery options. For example, with in-house delivery, there are a range of options that could include stand-alone business units, oversight of committees with external members, or advisory boards.

General theory behind CCOs – and inherent tensions

CCOs based on a theory about arm's length governance of public services

60. The modern theory behind CCOs can be traced to public sector reforms started in New Zealand in the 1980s based on a set of principles referred to as "New Public Management". These principles emphasised private sector management and governance practices, including the separation of policy and operational functions, and a focus on the accountability of agents to principals.

61. CCOs are an example of "corporatisation"– the transfer of functions from directly accountable departments into arm's-length publicly owned corporations – which was a key part of this trend. For central Government, these principles resulted in the separation of policy Ministries from a larger number of narrowly focused operational departments or entities (for example, the Ministry of Transport is separated from the NZTA).

62. New Zealand adopted the core principles of these reforms sooner and to a greater extent than comparable nations, and the extent of Auckland's CCO model is a good example of this. CCO-like models are now common internationally, particularly for utility functions.

63. Internationally there are also instances of "reverse corporatisation", where services have been brought back in-house where it has not been possible to achieve the right balance between delivery and operational autonomy, on one hand, and accountability, on the other. Recombining or reabsorbing functions into the centre can also be done on the grounds of better coordination of policy and operations.

Inherent tensions in the model – balancing operational focus, with accountability and integration

64. There are obvious and inherent tensions in the model:

- Advantages can include – a stronger focus on efficient delivery of specific services and functions, specialist governance and the ability to act more nimbly and commercially.
- Disadvantages can include – weakened democratic accountability and public responsiveness, duplication, "siloed" decision-making or lack of policy co-ordination, and inefficiencies where decisions are required from multiple organisations.

65. Whether the current CCO model is appropriate depends on how the benefits and disbenefits are weighted, and the level of confidence the controlling entity has that the advantages can be realised while managing the potential disadvantages.

CCOs work best if there is a clear delivery focus and strong accountability

66. Given the inherent tensions in the model, it is possible to identify factors that enable the model to function well. Previous CCO reviews, and available guidance from the Office of the Auditor General and other sources have been considered.

67. Generally, the CCO model works best in circumstances where the purpose of the CCO is clear and focused on service delivery, meaningful strategic direction can be provided, CCO governance is capable and empowered to make decisions, and accountability is strong.

68. On the other hand, the model does not perform as well if the CCO has a broad or vague purpose, is pursuing outcomes that require integrated policy and operational decisions across the Council Group, where democratic oversight is important, and performance is harder to measure or define.

Rationale for Auckland's CCO model

What the Royal Commission intended

CCOs would access infrastructure expertise to help Auckland grow

69. In 2008, the Royal Commission recommended the rationalisation of over forty existing council CCOs and the establishment of a much smaller number of substantive CCOs able to take a lead role in achieving integrated growth management, with the requisite expertise.

70. The Commission traversed the advantages and disadvantages of the CCO model but emphasised the advantages more strongly. It recommended that all of Auckland Council's major commercial trading and infrastructure activities should be undertaken through CCOs, stating that these should operate on an independent and professional basis, adopting a commercial focus, employing economies of scale, and with a streamlined bureaucracy.

71. The Commission particularly emphasised the importance of access to commercial and engineering expertise, noting:

> For the Auckland Council to plan and deliver the infrastructure and services to meet its requirements, it will need access to the best commercial and engineering expertise and resources. CCO structures and boards of directors can bring these required skills and expertise.

72. The approach recommended by the Royal Commission – putting the bulk of Auckland Council's commercial and infrastructure delivery into CCOs – was more all-encompassing than models adopted by other comparator cities overseas. This remains the case.

73. The Commission also noted that critics of the use of CCOs argued that devolution of functions to CCOs was undemocratic and that all services should be provided by employees directly answerable to elected councils. It noted that the belief underpinning these views is that CCOs work too independently, and the council and public is powerless to influence them.

CCOs would enable Auckland Council to focus on policy and planning

74. The Auckland Transition Authority also considered the CCO model, including its pros and cons. It saw CCOs as a way to ensure efficient management of operations, thus allowing the new Auckland Council to focus on its "primary role" being to "develop policy, strategy and plans to drive Auckland forward". This reflects the "policy / operational split" that is part of the theory of the model.

Final decisions went further than Royal Commission – Government concerned to enable efficient governance, but not constrain accountability

75. The finalised structure agreed by Cabinet in July 2010 and implemented by the Auckland Transition Agency provided for seven substantive CCOs: Auckland Transport (as a statutory entity), Auckland Council Investments, Auckland Council Property, Auckland Tourism, Events and Economic Development (ATEED), Auckland Waterfront Development Agency, Regional Facilities Auckland (RFA) and Watercare Services Limited.

76. The Government applied the following legislative "test" or criterion to decide whether to establish a CCO for Auckland – "*the establishment of a CCO is necessary for the effective and efficient governance of Auckland and does not inappropriately constrain the direction and accountability of Auckland Council*". This test remains instructive for considering reforms today.

77. In doing so, the Government largely adopted the reasoning and proposals of the Royal Commission and Auckland Transition Agency. The Cabinet Paper also stipulated at the time that the model "must promote efficiency, leadership, and decision-making", "promote clear

accountability from each CCO to the Auckland Council" and have a primary focus on "maintaining and enhancing service delivery".

78. There were key differences between the recommendations of the Royal Commission and the Government's final decisions on CCOs. In summary these were:

    a. The Commission recommended more narrow roles and responsibilities for Auckland Transport than were adopted. Most importantly, the Commission recommended that seven local councils be responsible for local roads, and that Auckland Council set regional transport strategy.

    b. The Commission recommended that "economic development" be delivered through an internal council agency, rather than a CCO.

    c. The Commission did not specifically recommend the creation of a property CCO nor an urban regeneration agency (although it recommended that council consider creating an urban regeneration agency, as it subsequently did with Eke Panuku).

    d. The Commission recommended the creation of a Waterfront and City Centre Development Agency, whereas Waterfront Auckland was originally established with a mandate only for the waterfront. Eke Panuku now has a limited mandate as "lead agency" for the city centre.

Evolution of Auckland's CCOs and previous reviews

79. Both the Royal Commission and the Auckland Transition Agency contemplated that the need for individual CCOs and their purpose and functions would change over time, as Auckland grew and immediate needs following on from amalgamation were addressed, for example initial rationalisation of Council's property portfolio. Since 2010, the number of CCOs has been reduced from seven to five CCOs. In 2015, Auckland Council Investments Ltd was disestablished and Eke Panuku was created from the merger of Waterfront Development Auckland with Auckland Council Property Ltd. In 2021 Tātaki Auckland Unlimited was created from the merger of ATEED and RFA, and in 2024, the Auckland Future Fund was created.

80. There have been four reviews of the CCO model since 2011. Generally, those reviews have observed that Auckland's CCOs are achieving what is needed for Auckland, but that the tensions inherent in the model are apparent. The 2020 Review recorded its concerns about the prevalence of "silo-thinking", issues with the culture of each of the entities and their relationships with the Council Group, and gaps in the provision of strategic and policy direction from Council.

81. Many of the 64 recommendations made in the 2020 Review have been advanced, but the improvements anticipated have not been fully realised or embedded. As detailed in **Appendix B**, a range of issues remain, including inadequate strategic direction from Council, lack of collaboration across the Council Group, and a systemic concern about accountability.

Performance of current CCO model

82. The assessment of the current CCO model against its rationale and the problem statement, presents a mixed picture. Auckland has experienced both advantages and disadvantages, and there are areas where the model has performed strongly against its rationale and areas where significant problems or challenges have arisen.

Auckland has benefited from CCO's strong operational focus

83. Existing strengths of the system and individual agencies should be recognised and not lost in any CCO restructuring. Since the Royal Commission reported in 2009, the population of Auckland has grown by 400,000 people, from 1.3 million to 1.7 million people. Over the last 14 years, Auckland's CCOs have served as an effective and appropriate vehicle for the delivery of significant infrastructure and services to support urban growth and the development of Auckland, as intended. Auckland has benefited from the operational focus of its CCOs, their

capacity for nimble decision making and the specialist governance expertise applied by their Boards.

84. Restructuring and governance improvements adopted by Council following the 2020 Review have helped improve strategic alignment, sharpened CCO accountability and aided the implementation of shared services, thus helping to minimise duplication of effort across the Council Group. In addition, it is acknowledged that Auckland CCOs have continued to deliver under difficult circumstances since 2020, including tight budget constraints over the last two years.

Disadvantages and problems are also apparent

85. Auckland has also experienced some of the disadvantages of the CCO model highlighted in the problem statement, including reduced democratic accountability, lack of responsiveness by CCOs to local boards and the public, and linked to this, a decline in public confidence in CCOs and council overall. Other systemic issues include:

- Inefficient decision-making across the Council Group, with Council and CCOs having overlapping decision making responsibilities, particularly in relation to decisions on integrated land use and infrastructure planning. This issue can be mitigated where CCOs can be provided with clear and delineated areas within which to make decisions, but is exacerbated where this is not present and multiple decisions across council are required to achieve outcomes. Multiple decision-makers can prolong decision making processes and undermine clear accountability by CCOs and council. To address this, reform should consider what functions are appropriate for arm's-length decision-making by CCOs, and reaffirm council's lead role in ensuring better coordination across the Council Group.
- Lack of clarity of strategic direction in key areas where the policy/ operational split has not been well implemented. There are various reasons for this:
    - Part of the problem may be that council has allocated insufficient resources to developing policy or strategy in areas relevant to CCO functions, on the basis that this expertise is located within CCOs and it may be inefficient to retain additional expert capability within council. This may be the case, for example, in relation to economic development and stadia.
    - More broadly, the problem reflects challenges inherent in the model and the policy/operational split. Policy needs to be well-informed by operations. Given operational expertise and implementation sits with CCOs, CCOs can be resistant to direction from council if that advice is perceived as lacking detailed expertise.
    - This tension is demonstrated in feedback from CCOs which suggests, on one hand, that council needs to provide clearer direction and, on the other hand, that council lacks the requisite expertise to provide that direction and that CCOs need to retain planning functions. Reform options propose that the CCO model should be rebalanced by returning strategic functions and capacity to council.
- Some evidence of strategic misalignment across the Council Group and consequent inability of the Group to communicate with "one voice" when required.
- Additional overhead costs associated with running CCOs. While these costs are not necessarily out of proportion to the scale of CCO activity, there remains some duplication in service activity across the Council Group that could be addressed. The implementation of Group Shared Services has been helpful in minimising duplication.

86. Overall, the cultural issues identified in 2020 CCO Review, including the prevalence of silo-thinking and an emphasis on independence from elected members, have been improved but are still present.

87. A conclusion of this analysis is that significant problems may have arisen because the model has become misaligned to its original intent – i.e. that CCOs focus on effective delivery of

services and infrastructure, so council can focus on the policy, strategy and plans required for the region. In some cases, separation of functions from the council parent that involve policy or planning core to council's role (such as transport planning or planning for urban regeneration and economic development) may have diminished the council's ability to perform its core role.

88. Further assessment of the rationale for and performance of the CCO model, particularly in relation to Auckland Transport, Eke Panuku and Tātaki, is noted below under the options assessment for the relevant CCO.

Feedback from CCOs on system performance

89. In their feedback on system performance, Auckland Transport, Eke Panuku and Tātaki confirm their view that the CCO model has served Auckland well, with Tātaki noting the success of the 2021 merger of RFA and ATEED.

90. All three entities acknowledge concerns but point to strong performance against key performance indicators and affirm that changes in practice implemented following the 2020 Review have improved their accountability and responsiveness, and that the Council Group should continue to build on these measures.

91. All three support the status quo or status quo with modifications and do not see the need for structural change to the model to address concerns. All observe that the analysis on performance is high-level and so in places lacks nuance and perspective. They emphasise the need for continuity, and caution against disrupting critical programmes of work being delivered.

Options for reform

92. This section of the advice considers the full range of delivery reform options identified by Mayor and councillors in the Direction Document, and some possible iterations of these models. It identifies options for Auckland Transport, Eke Panuku and Tātaki that are considered the most practicable in terms of addressing the challenges identified in the Direction Document and this report. This is supported by full analysis set out in **Appendix C**.

Structural changes required to address problem statement – realign CCO model consistent with rationale

93. The problem statement specifically raised the question about whether problems that have been experienced with CCOs are systemic and require structural change, or whether further adjustments to the existing model could address them.

94. Some performance weaknesses can be addressed and mitigated by continuing to improve the clarity of council direction, CCO accountability and governance. However other weaknesses are systemic and relate to how the Auckland CCO model was set up and has evolved over the years, and the allocation of responsibilities between council and its CCOs. It follows that the changes required to address those challenges may be structural in nature, augmented with non-structural improvement opportunities.

95. The most practicable options to realign the model that involve structural change have common characteristics, reflecting the original intent of the model. This includes refocusing existing CCOs on providing a narrower, well-defined range of services that can be delivered efficiently at arm's length and for which performance can be measured. Such reform could also be directed at strengthening Auckland Council's focus and capabilities in specific areas.

General considerations about whether arm's length or CCO delivery is appropriate

96. At a general level, CCO delivery may be more appropriate where the following are emphasised:

- Specific service delivery or implementation benefiting from specialist governance expertise
- Commercial and operational focus
- Decisions do not require democratic decision-making

- Clarity of purpose, and specific and measurable performance objectives
- Independence or non-political decision-making
- Agility, innovation and risk taking (within an area of control)
- Ring-fenced funding
- Robust accountability mechanisms.

97. In-house delivery may be more appropriate for functions where the following are emphasised:
    - Democratic accountability and high levels of public interest
    - Political trade-offs required in decisions
    - Strategy and policy setting, including rate-setting
    - Functions the community commonly considers are core to council's purpose (e.g. transport planning and roading)
    - Integration with other council functions and strengthening council's capability
    - General public interest objectives
    - Public service

General practical considerations for reform

98. There are practical considerations that should be considered. These should be kept in mind, but each can be managed and should not necessarily be decisive if there is a strong justification for change.

In-house delivery can take various forms

99. As with CCO delivery, if a service is brought in-house, Auckland Council will need to consider a range of delivery models. These may include:
    - merging a function with an existing department or departments, or creating a new department or directorate
    - establishing a stand-alone business unit or internal agency
    - establishing new committees or advisory boards to oversee a function or certain decisions
    - establishing new contracts or partnerships

Change comes with cost and disruption

100. Structural change will entail short-term cost and disruption, particularly where the pace and scale of change is significant. There is a risk of disruption to services, staff and relationships during this period. This would require thoughtful implementation to mitigate risks.

Transferring functions in-house may result in financial savings but these are not clear

101. Transferring functions in-house may result in financial savings from reduced overheads and greater economies of scale. For example, based on council experience with the 2021 merger of ATEED and RFA, there are one off transition costs in the first year, but thereafter savings of between 2- 5% could be targeted, predominantly relating to savings in governance and executive management costs.
102. Some potential efficiency benefits may be realised under the status quo structures through the further implementation of Group Shared Services, and there may also be some diseconomies of scale resulting from a larger more complex council organisation.
103. Given the number of options being considered, detailed assessment of possible financial savings, as well transitional costs and risks, has not been completed. However, once it is

determined what reforms are to be advanced, detailed identification of financial costs and benefits can be undertaken.

Transferring functions in-house will increase the size of council, and thus the role of elected members, Houkura and the council executive

104. Transferring functions in-house will also increase the size and scope of the Auckland Council, and so the scope of the role of elected members, council executive and Houkura/IMSB. The role of local boards, in particular, might expand.

105. This could be seen as both an advantage and disadvantage. The implications of any change would need to be carefully worked through in the organisational and operating model design, including relating to decision-making structures and delegations. Concerns about elected member workload could potentially be addressed by changes to committee structures.

106. The loss of independent governance might require consideration of other mechanisms to obtain expertise, such as the use of advisory boards or external members on council committees.

Structural change can disrupt culture

107. Structural change may disrupt the culture and ways of working of a CCO. This may have short-term costs, as noted above, but may also have benefits where cultural change is an objective.

There are also costs in improving the status quo

108. Where the CCO model is retained as it is, and there is a direction to undertake improvements in policy direction, accountability and oversight, there will also be some costs associated with implementing those improvements.

Analysis – Auckland Transport

Why was AT established as a CCO?

Focus on transport and investment continuity

109. The Royal Commission recommended the establishment of Auckland Transport as a Regional Transport Authority to bring together all elements of transport under the management of one body. This was a response to slow and fragmented decision making under legacy arrangements. It was expected to enable stronger focus on transport, continuity in investment and operational decisions, and the ability to draw on a wider pool of expertise.

110. Auckland is unique for the extent of transport planning and operational functions that have been allocated to an arm's length entity by legislation. Notably, the model adopted by the Government went further than recommended by the Royal Commission and, at the time, several Government departments supported an alternative model of direct council provision of transport function (such as roading) given the need for elected members to be clearly accountable for transport funding decisions.

Performance of CCO model for AT

Improvements in delivery and planning; systemic issues around accountability, confidence and local projects

111. Analysis suggests that, for Auckland Transport, regional transport delivery and decision making has improved post-amalgamation and has benefited from the focus and expertise of an arm's-length Board. Auckland Transport has had considerable success in improving public transport delivery and integration.

112. Consistent with Auckland Council's long-standing position and the 2020 CCO Review, analysis confirms that the current allocation of responsibilities for transport planning and

funding, particularly relating to the Regional Land Transport Plan, are wrong in principle and council should have a clearer democratic role in this area. Reduced democratic accountability for transport decisions has impacted public trust and confidence in Auckland Transport, which remains stubbornly low. A clearer role for council could support accountability, as well as greater integration of land use and transport planning.

113. The 2020 CCO Review noted significant stakeholder criticism of Auckland Transport being non-responsive or slow in responding, siloed in their responses and not "listening" to or prioritising concerns of local boards or the public. There remains a high degree of community and elected member frustration over both these aspects suggesting that the issues identified in the Review have not been fully addressed. Progress has also been made since 2020 in relation to the delivery of smaller local projects, but significant issues remain.

Options to refocus Auckland Transport

114. Legislative change is required before any of the reform options for Auckland Transport could be implemented. Consistent with the Direction Document, options have been assessed assuming that legislative change is possible and that further detailed work would be required to decide how to implement any changes once the shape of that change was known.

115. In principle, council should be able to determine the appropriate delivery arrangements for local transport services in Auckland (as with every other council).

116. While acknowledging retention of the status quo or full disestablishment of Auckland Transport are options, two structural reform options are identified as the most practicable for refocusing Auckland Transport on delivery and addressing the problem statement. These are Refocusing AT on delivery (option AT2) and Refocusing AT on public transport (AT3).

117. A summary of the assessment of the comparative advantages and disadvantages of the most practicable options for Auckland Transport is set out in the table below.

Table 2: Advantages and disadvantages of options for Auckland Transport

Option	Summary of analysis
AT1. Status quo	Advantages • Organisation focused on transport. Complementary and integrated functions, operational flexibility, potential for greater stability of planning across electoral cycles. Disadvantages • Reduced democratic accountability, and public trust and confidence, some activity duplication and inefficiencies. • Council and elected members have reduced ability to impact on functions that are seen by community as core • Reduced integration with council planning. Not consistent with CCO model principles where policy, strategy and plans are developed by council.
AT2. Refocus AT on delivery *Council delivers transport strategy, policy and planning*	Advantages • Improved role clarity and reduces some duplication of planning activities • Policy and planning functions are more appropriate in council, increased democratic accountability and integration. Disadvantages • Need to coordinate policy, planning and delivery
AT3. Refocus AT on public transport	Advantages • Improves democratic accountability • AT has a simpler purpose

Council delivers strategy, policy, planning and roading / footpath, parking and parking enforcement	• Roading functions are core to council role and purpose • More alignment with council functions (e.g. stormwater and land use planning). Opportunities for different efficiencies than at present. • Maintains integration of strategy and planning function with operational delivery. <u>Disadvantages</u> • Potential for less integrated multi-modal delivery, programmes could lose focus - slowing implementation. • Change of political direction could undermine confidence in programme longevity.
AT4. AT disestablished *Council delivers all transport functions*	<u>Advantages</u> • Option with strongest democratic control and accountability • Retains multi-modal planning and delivery, easy for customers to understand. <u>Disadvantages</u> • Programmes could lose focus, slowing implementation. • Counter to CCO Review and Royal Commission recommendations.

Refocusing AT on delivery (AT2) – transferring strategic, planning and policy functions

118. Under both preferred options, strategic, planning and policy functions, including responsibility for developing the Regional Land Transport Plan (RLTP), would be transferred from Auckland Transport to council, handing back to council pivotal decision-making responsibilities for transport funding, growth and prioritisation.

119. The current legislative allocation of these responsibilities, including an amendment in 2013, are considered wrong in principle, and advocacy is underway seeking necessary legislative change. This is consistent with previous positions of the council and other parties, including:

   a. The Royal Commission on Auckland Governance, which recommended that council set the regional transport plan, as well as Cabinet's initial decision that the RLTP would need to be consistent with the land transport strategy adopted by council.

   b. Several government departments, including the Treasury, the Department of Internal Affairs, the Ministry for the Environment and the Ministry for Economic Development, in their advice to Cabinet at the time of establishing Auckland Transport, who emphasised the importance of elected members being clearly accountable for transport funding decisions.

   c. Auckland Council's formal opposition to legislative changes in 2013 that removed the need for the RLTP to be consistent with its land transport strategy, as well as the conclusions of the 2020 CCO Review that these changes were wrong in principle.

   d. Most recently, unanimous resolutions of the Transport and Infrastructure Committee in August 2023 requesting that the Mayor advocate for legislative change to provide Auckland Council with a lead role in preparing and approving the RLTP, as well as making other key regulatory decisions.

   e. Auckland Transport's feedback in relation to this process, which supports the position that Auckland Council have a statutory role in approving the RLTP and be central to the longer-term planning for transport in Auckland.

120. The above indicates a degree of consensus about the need for change in this direction. However, there is variation about the detail and extent of the change required. This variation raises the key question about where to "draw the line" in terms of the strategy, planning and

funding decisions for which council should be responsible, and the operational policy and planning that should be retained by the delivery entity.

121. This question reflects well-understood challenges in implementing a model based on a split between policy and operations, or funder and provider. If this option was adopted, detailed work would be undertaken to decide the appropriate allocation of responsibilities in accordance with principles set by legislation or the Governing Body.

122. Auckland Transport emphasises that “short to medium term strategy” should be retained in AT, to avoid an “operational disconnect” between planning, funding and delivery, arguing that these functions are integrally linked to delivery, statutorily enshrined, and should remain with Auckland Transport.

123. Auckland Transport believes that there is further scope to build on the non-structural improvements identified as part of the 2020 Review. If the status quo is retained, further investment is needed to boost council’s capacity to partner and provide strategic advice on transport matters.

Refocusing AT on public transport delivery (AT3) would align Auckland with most comparable cities

124. In the second of the two most practicable options, Auckland Transport’s delivery role would be further narrowed, with Auckland Transport becoming a public transport service delivery organisation, and council assuming roading, footpath, parking and enforcement functions. An iteration of this model would keep “arterial roads” with Auckland Transport, as intended by the Royal Commission and similar to the model used for Transport for London.

125. This model – the most common internationally – reflects that local transport is considered a core council / local authority function, with a strong public good element, a frequent need to make political trade-offs with resource allocation, and a strong basis to integrate local transport with other planning and delivery functions. For example, local roads are the council’s most significant stormwater asset and decisions about roads can have major impacts on stormwater. While Healthy Waters and Auckland Transport work well together, there could be benefits with integration into the same organisation.

Auckland Transport’s feedback and opportunity to build on areas of agreement

126. Auckland Transport supports the conclusion that regional transport delivery and decision-making has improved since amalgamation and benefits from a focused board. They also partly agree with conclusions that there are ongoing concerns about confidence and local projects, and a need for council to have a stronger democratic role in transport planning. Auckland Transport emphasises progress to date to address these issues and that they are on a journey to fix them.

127. In summary, Auckland Transport generally supports the status quo but is also supportive of a greater statutory role for Auckland Council in transport planning, consistent with option AT 2 (although AT does not support the full extent of change envisaged by that option). There is an opportunity to build on that area of agreement once the direction of change is adopted.

Analysis – Eke Panuku

Why was Eke Panuku established as a CCO?

Bringing together skills to pursue urban regeneration in priority locations

128. In 2015, Eke Panuku was created from the merger of Waterfront Development Auckland with Auckland Council Property Limited. Eke Panuku was created to be a single dedicated agency that would have the necessary skills and focus to pursue urban regeneration activities in priority locations through the Auckland region, building on the success of Waterfront Auckland’s Wynyard Quarter development and property transaction skills of Auckland Council Property Limited.

129. At the time of its creation, it was noted that "the intent with the new entity is to bring together the commercial property and urban redevelopment skills of both legacy organisations to provide Auckland with a clearer focus on how it responds to the challenges and opportunities of a growing region."

Performance of CCO model for Eke Panuku

Some significant success, but need stronger focus from council to deliver at scale

130. Progress has been made in some areas of the Eke Panuku regeneration portfolio, with strong community support and engagement, especially the Auckland Waterfront / Wynyard Quarter development. It has pursued or is pursuing smaller but still significant projects in other priority locations such as Manukau, Avondale and Northcote.

131. Some other projects are smaller scale and sometimes duplicate other activities in the Council Group (e.g. development of playgrounds, streetscape, activations/events), although many of these projects have merit and have been successfully delivered. Eke Panuku is not set up to provide "Auckland with a clearer focus on how it responds to the challenges and opportunities of growth", which is, in any event, a core function of council. Nor is it able to support larger scale urban regeneration because of insufficient funding and tools, some of which (such as planning powers) likely require direct oversight by elected members.

132. The separation of council's urban regeneration functions from Auckland Council may have weakened the council's internal capability and focus on place-based delivery and regeneration, given the need for core expertise to sit with Eke Panuku and attempts to avoid duplication.

133. It is also worth acknowledging that stakeholders, including developers, have had mixed feedback about Eke Panuku and its ability to take a commercial approach to developments.

134. Eke Panuku brings a commercial focus to property sales, but inefficiencies in the process, and the requirement for council approval for disposals, reduce the benefits of the model. Eke Panuku property functions are also structurally separated from council's own larger property functions and activities, likely resulting in duplication of effort and reduced benefits from sharing expertise.

135. Marina management functions are being discharged effectively by Eke Panuku at arm's length, in accordance with the recommendations of the 2020 CCO Review. It is appropriate that the function stay with the urban regeneration function (whether that function is in a CCO or in-house) until completion of the upcoming value for money (s17A review).

Options to refocus Eke Panuku

136. A summary of the assessment of the comparative advantages and disadvantages of the most practicable options are set out in the table below.

Table 3: Advantages and disadvantages of options for Eke Panuku

Option	Summary of analysis
EP1. Status quo *Eke Panuku functions are urban regeneration and property management*	Advantages • Focussed attention and oversight of regeneration over medium-term, with independent governance. • Complementary functions, including commercial focus around property, operational flexibility and agility. Disadvantages • Reduced democratic accountability for local programmes, some activity duplication and inefficiencies. • Reduced capabilities and focus within council parent on urban regeneration, and therefore reduced ability to

	support elected members on place-based planning and delivery. • Some duplication of property functions within the Group. • Less consistent with CCO model principles where plans are developed by council.
EP2. Refocus Eke Panuku on urban regeneration delivery *Council delivers urban regeneration policy (and planning) and property management*	Advantages • Improved role clarity and reduces some delivery duplication. • Policy and planning functions are more appropriate in-house, increased democratic accountability. • For property function, easier to share skills with broader property team, integrate systems and reduce inefficiencies in decision-making across the Council Group. Disadvantages • Need to manage alignment between policy and delivery. • CCO may lack economies of scale.
EP3. Disestablish Eke Panuku *Council delivers urban regeneration and property functions*	Advantages • More alignment with council functions (less duplication) • Improves democratic accountability. As above, easier for council to integrate property management functions. • Opportunity to strengthen internal capability / focus on regeneration, and place-based planning and delivery. Disadvantages • Programmes could lose focus, slowing implementation. • Changes of political direction could undermine confidence in programme longevity. • May dilute commercial focus and skills.

137. All options are considered reasonably practicable ways to address the problem statement.

Transferring property management to council (EP1) may reduce duplication

138. Both structural change options would transfer property management functions to council, which could enable enhanced oversight by council of the Group's property portfolio, improve council's ability to support elected member decisions on acquisition, disposal and leasing, and provide benefits of integration with other significant property functions. Recent analysis suggests that, across the council group, core property roles account for 362 FTEs, of which 67 are in Eke Panuku, 31 in council's corporate property team and196 are in council's Parks and Community Facilities department.

139. On the other hand, council could lose the benefit of the external expertise and commercial focus of an arm's length board. Council may wish to consider establishing an advisory board if this option was pursued.

Transferring urban regeneration functions to council (EP2 and EP3) could support council's capability in this area, but requires careful implementation

140. Both structural change options provide an opportunity to strengthen council's internal capability and focus on urban regeneration opportunities, and place-based planning and delivery more broadly, particularly if also combined with functions relating to local economic development. An increased council capability and focus in this area could enable council to seek out bigger regeneration opportunities.

141. Fully transferring urban regeneration in-house would present challenges and opportunities. A benefit of the status quo is an arm's-length board can provide long-term stewardship and

commercial focus on projects, which is needed to deliver urban regeneration. As such, this option would require council to carefully consider appropriate in-house governance arrangements, such as advisory boards or project boards. International models indicate that successful in-house delivery is possible.

Eke Panuku supports the status quo

142. The feedback from Eke Panuku is to maintain the status quo, arguing that:

- urban regeneration is important for delivery of quality, compact form for Auckland. They believe they have the tools to lead urban regeneration and do not agree that their programmes are small or misaligned with council strategic direction.
- delivery by an arm's-length organisation is common internationally and allows focused delivery, over the longer-term. Boards provide industry insight and independent governance.
- urban regeneration planning should not be separated from delivery, to ensure that plans are feasible and have realistic delivery expectations.
- Eke Panuku has delivered financial and non-financial benefits. These may not be achieved if the functions of an experienced CCO, with a skilled and experienced board and staff, are moved to new entities or departments, with no institutional competence.
- property management and urban regeneration functions do not logically need to stay together, but there is good rationale for this, including combining multidisciplinary skills that focus on delivery of commercial outcomes
- continuity allows strong performance, continued momentum, and the development of human capital and expertise.

Analysis – Tātaki Auckland Unlimited

Why Tātaki was established as a CCO?

Bring together similar assets and functions that support a vibrant city, including economic and cultural development

143. In 2021 Tātaki Auckland Unlimited was created from the merger of ATEED and RFA. This merger was recommended by the 2020 CCO Review.

144. Tātaki was created as an "economic and cultural agency" from the merger of ATEED and RFA. It was envisaged that it would bring together functions that have more in common than not (including destination, major events, cultural assets and economic development), enable economies of scale, and support the process of greater integration of Auckland's stadia and cultural assets.

Performance of CCO model for Tātaki

A successful merger of ATEED/RFA, but need for council to assume leadership in strategy, policy and stakeholder management

145. Analysis concludes that the creation of Tātaki from the ATEED/RFA merger has been successful as against its own objectives, enabling synergies and efficiencies, especially across destination, major events and regional facilities – which share the common purpose and focus on promoting Auckland and its amenities to visitors.

146. A high note is the strengthened performance of cultural facilities over the last two years. Limited progress has been made in relation to stadia, where it is important for council to assume greater responsibility for strategic direction and stakeholder management. Funding uncertainty is impacting on the ability to deliver destination and major events functions expected by stakeholders, and there is some limited duplication of event delivery activity between Tātaki and Council, particularly as it relates to cultural festivals.

147. Gaps in council's strategic capacity or focus have meant that council has not provided the clear and consistent direction required in economic development, destination activities or regional facilities.

148. Economic development is not as well-aligned to the broader work of Tātaki as its other functions, an issue noted by the 2020 CCO Review. While Tātaki and its predecessor ATEED have been able to develop worthwhile and important economic development initiatives over the years, the absence of strategic direction from council has meant that the Council Group's overall programme of economic development activity lacks some coherence and direction, and council has limited internal capabilities to assist. Nor is it possible to assess its strategic alignment or impact in any systematic way. For local boards, following budget cuts to Tātaki, support for local economic development is a missing piece that is not currently being delivered by Tātaki or council and would require new or reallocated resourcing/funding.

Options to refocus Tātaki

149. For Tātaki, the summary assessment of the comparative advantages and disadvantages for the most practicable options are set out in the table below.

Table 4: Advantages and disadvantages of options for Tātaki

Option	Summary of analysis
TAU1. Status quo *CCO delivery of economic development, destination and major events and regional facilities*	Advantages • Commercial disciplines, operational flexibility, high engagement with private sector and other partners. • Trust structure protects long-term regional assets. Disadvantages • Economic development activities may not benefit from greater integration with other council economic development-related functions (land use planning, infrastructure delivery and broader economic, social and cultural development objectives). • Some duplication in event operational delivery. • Functions sub-optimally if council does not provide leadership/have clarity on strategic intent.
TAU2. Refocus Tātaki on destination, major events and regional facilities *Council delivers economic development*	Advantages – as with status quo • Allows integration of economic development with other council economic development-related functions. • Opportunity for tighter mandate and purpose. • Continues synergies and benefits between refocused functions, maintains successful performance momentum. Disadvantages • Reduced oversight of / accountability for council funding for destination activities. *As a secondary option, the delivery of cultural festivals could be consolidated (with in-house or with the CCO). This could reduce some duplication, although there is currently a clear distinction between the different types of events delivered by council and Tātaki.*
TAU3. Refocus Tātaki on regional facilities	Advantages • Greater integration/alignment with existing council economic development-related and events functions.

Option	Summary of analysis
Council delivers economic development, major events and destination activities	• Event funding independence from venue management may be fairer. • Retains Trust structure that protects long-term regional assets. • Greater accountability for ratepayer funding in these functions/sectors. Disadvantages • Disrupts synergies and benefits between destination and regional facilities functions. • May be harder to attract private sector funding/partnerships to support destination and major events functions and/or create market expectation that functions will be fully ratepayer funded. • May reduce focus on destination activities, and is out of step with international models. • Less operational flexibility/agility. Does not benefit from political independence on major event investment decisions. *As a variation, destination activities could be retained by Tātaki given the synergy with regional facilities, but major events funding could be transferred to council. Under this option, council could consider establishing a major events funding board to make non-political decisions about allocation of this funding, particularly if supported by non-ratepayer funding.*
TAU4. Tātaki disestablished *Council delivers all functions - economic development, destination and major events and regional facilities*	Advantages • Greater democratic accountability • Greater integration with existing council functions. • Greater oversight and control of decision-making (including potential risks). Disadvantages • May not address problem statements. • Limited financial savings. • May disrupt successful performance momentum. • Loss of commercial disciplines and operational agility/flexibility. • Harder to attract private sector or grant funding/partnerships to support functions.

Transferring economic development to council (TAU2) could support council's capability and a more focused Tātaki

150. The most practicable structural reform option is TAU2, which provides for the transfer of all economic development functions and services to Council, to enable greater integration and alignment with existing council economic development functions (e.g. land use planning, consenting, infrastructure provision, BIDs etc). This is based on an assessment that economic development functions may be better delivered in-house, to support council's internal capability in economic development and ability to advise elected members (including local boards) and ensuring that activity is well directed and aligned to other council activities directed at economic growth.

151. This option could also narrow the focus of Tātaki on a set of activities that are well-aligned, given they are all broadly based on promoting Auckland and its amenities to visitors.

152. International models suggest that there are a range of models where economic development is delivered through an arm's-length entity or in-house.

Transferring destination and major events funding to council (TAU3) has challenges, but is possible through careful implementation

153. Destination and major events functions (or just major events) could also be transferred to council (option TAU3), again to promote greater integration with council activities and more democratic accountability in relation to these functions. Another reason to do this would be to separate major events funding from venue management, to promote the perception of fairness to other venues.

154. Bringing these functions fully in-house would be unusual internationally. Research into international models found no examples where destination marketing and major events funding activities were solely undertaken by the public sector in-house, without at least some collaboration with an external entity and sector that in most cases provide co-funding. However, neither is it common to merge the function with regional facilities management. Standalone or partnership models are more common.

155. Providing destination and major events funding in-house could risk reinforcing expectations of ongoing ratepayer support for the activities (undermining efforts to establish a more sustainable regional funding model), dilute the focus on promoting Auckland as a destination (given this is unlikely to be a priority for council focused on services to residents) and slow progress on cultural institution integration. Arm's length decision-making or partnerships can be important, particularly where non-ratepayer funding is sought, such as via a bed night visitor levy. Further there could be downsides to politicising decisions about the allocation of major events funding.

156. These challenges may be addressed through careful implementation of an in-house model, which might include an internal agency approach (as recommended by the Royal Commission), or an internal advisory board or committee with external membership that could make decisions on funding.

Cultural festivals could be consolidated with Tātaki or council

157. Under any option, there is merit in considering consolidating the delivery of the Tātaki regional cultural festivals (Diwali, Lantern, Pasifika) with others provided by council (such as Matariki and the Heritage Festival), either in-house or a CCO, once decisions on the wider destination and major events function are made.

158. The benefits of consolidation are likely fairly modest. There is a clear distinction between the type of delivery by council and that of Tātaki. Council's events are generally smaller and with a stronger community focus, whereas the Tātaki festivals are larger, well-marketed and based on significant commercial support.

Benefits of transferring regional facilities to council (TAU4) are not clear, but council should assume greater leadership role

159. Both most practicable options above contemplate that regional facilities functions will be retained in Tātaki, these functions (and the associated trust structure) being more suitable to CCO delivery. There are benefits of arm's-length governance over the long-term capital programme of the assets, and it is possible for council to provide clear direction about focus and measure performance in this area. In-house provision also risks reinforcing ongoing reliance on ratepayer funding and therefore might the reduce focus on external revenue.

160. Further, there are existing processes underway, supported by Tātaki, to encourage the greater integration of cultural organisations and stadia, which should be progressed before decisions are made on the governance model. It is recommended that council assume a greater leadership role in setting the strategy and managing stakeholder relations for these assets.

Feedback from Tātaki

161. Tātaki supports the status quo structure (with some modifications to sharpen the policy and delivery line between council and Tātaki) and does not support the transfer of functions to council.

162. It agrees that the Tātaki economic development activity has suffered from lack of strategic direction from Council, and also in other areas such as stadia. Tātaki considers that there is weak formal linkage between the services Tātaki is delivering and the council's overall goals and objectives and this reflects a policy gap highlighted in the 2020 CCO Review, which has not been properly filled. It considers that sharpening the line between policy and delivery will improve performance and reduce areas of tension that exist in the CCO model.

163. Tātaki state that more than half of its income is derived from non-rates sources including commercial, philanthropic and government sources, and argue its arms-length company and trust structures are more conducive to generating this revenue.

164. Tātaki also consider there are risks in losing the benefits of the merger if the cultural organisations in the Trust are left at arm's-length in a CCO and the economic development, destination and major events functions are moved into the council. Tātaki note any proposal to bring destination and major event functions into the council would be unusual when looking at comparable cities. Tātaki are also concerned about decision-making capacity if bringing functions in-house.

165. In their feedback, Tātaki also note that there are several issues outside of the CCO Reform process that are likely to impact on the best future delivery model, including future funding for Destination and Major Events, which Tātaki highlight as the major issue Auckland faces in this area.

166. Rather than considering moving responsibilities for cultural festivals delivery to Council, Tātaki is open to being tasked with delivering a broader range of events on behalf of the council family, leveraging its expertise, scale and private sector relationships for enhanced outcomes for the group.

167. Tātaki also consider there are opportunities presented through:

    - consolidating events, activation and marketing of the city centre, to reduce duplication in funding, marketing and delivery, which it considers is diluting the impact of public investment on driving foot traffic, bed nights, programming and marketing
    - the work Tātaki is doing with Auckland War Memorial Museum, MOTAT and Stardome to formalise their working relationship through an alliance of the council-funded cultural organisations (the Alliance).

Options to improve direction and oversight

168. Regardless of decisions about structural change, there are also a range of non-structural initiatives to further improve CCO accountability and council oversight across the board.

169. These could usefully be paired with structural changes as part of a reform package and include the following:

    - improving council strategy and policy capability in areas where gaps exist. Council and not CCOs should provide policy advice reports to the Governing Body
    - enhancing CCO accountability to the public – including enhanced Local Board input, communication protocols
    - address any duplication across the council group, through greater role clarity on project delivery (including in the city centre)
    - reforming the existing board appointment and performance review process

- increasing political oversight of the alignment of CCO planning and delivery to regional growth plans
- accelerate the roll-out of Group Shared Services, and considering what additional functions council should provide to CCOs (e.g. policy, legal and communications)

Recommendations about decision-making approach – deciding on an integrated reform package

170. This report does not contain specific recommendations for reform, but this section contains guidance on the decision-making approach.

Decision maker is Governing Body

171. The Mayoral Proposal will propose a package of reforms to the CCO model. The Governing Body will decide on the reforms to be adopted.

Recommended approach to proposal and decisions

172. Having considered this report, and the feedback from CCOs, the Governing Body may wish to decide on an integrated package of CCO reforms. This could be a mix of structural changes, together with a set of non-structural improvements that will apply more generally to Auckland's CCOs that build on the recommendations in the 2020 Review.

173. It is recommended that, in making proposals and decisions, the Mayor and Governing Body take the following approach:

    a. Adopt overarching principles and objectives that underpin any CCO reforms.

    b. Adopt any non-structural reforms relating to the implementation of the CCO model, such as improvements to CCO direction and oversight.

    c. Adopt or confirm a position on legislative change relating to Auckland Transport and, if relevant, a preferred in-principle position on any changes to what functions are delivered by Auckland Transport if legislation is amended.

    d. Adopt or confirm a position on any structural changes for the functions delivered by Eke Panuku and Tātaki Auckland Unlimited (i.e. changes to what functions are delivered via a CCO or in-house).

    e. Request that the Chief Executive, working collaboratively with the CCO Chief Executives, undertake the detailed transitional planning and organisational design work necessary to implement the adopted reforms.

CCO reforms should have strong overarching logic and objectives

174. Any reform package should have a strong overarching logic and objectives and address the problem statement set out in the Direction Document. Structural changes should be justified based on those overarching objectives.

175. The most practicable options identified for structural change share common characteristics, which are based on realigning the model with its original intent:

    - ensure CCOs have a clear, narrow purpose
    - focus CCOs on delivery of a narrower range of services for which performance can be defined and measured
    - return strategy, planning and policy making to Council
    - promote greater efficiency by addressing fragmentation and duplication of effort across Council and CCOs
    - transfer functions to council where this could support greater integration or local decision making

176. The most practicable options for non-structural changes include:

- council prioritises setting strategic direction for CCOs, where gaps exist
- increasing oversight over CCO planning and delivery to regional growth plans
- reforming the existing board appointment and performance review process
- accelerate the roll-out of Group Shared Services, and considering what additional functions council should provide to CCOs (e.g. policy, legal and communications)
- improving board appointment and performance review process

177. Through reforms, there is an opportunity to realign and reinvigorate the CCO model, so that it works as intended, by ensuring mission-driven CCOs with clear purpose and direction, focused on delivery of a defined range of services for which there are clear performance metrics, and with strong governance and accountability.

178. There is also an opportunity to direct reforms at strengthening Auckland Council's ability to set the strategy, policy and plans – and take the necessary integrated actions – required for it to deliver on its aspirations for Auckland, including as set out in the Long-term Plan. This could include transferring key policy and strategy functions to council, as well as other functions that may benefit from greater integration or otherwise support council's internal focus and capability in priority areas.

179. Auckland Council could, in particular, strengthen its role in integrating land use planning, infrastructure delivery, and economic, social and cultural development objectives for Auckland and its local areas.

180. For any reform, careful and consistent implementation of reforms is key. Previous changes to CCOs demonstrate that effective reform is not just about changing or removing a CCO, but ensuring that future arrangements are well-planned, supported by a clear political mandate and sustained effort is applied to ensuring that the model is implemented to result in stronger and better overall delivery for Auckland.

Summary of recommended decision-making approach

181. The table below summarise the recommended approach to decision-making.

Table 5: Recommended approach to decision-making

Reform package – summary of recommended decision-making approach
Overarching problem statement: are the CCOs and Council Group currently structured in the best way to deliver on its Long-term Plan and broader vision for Auckland? *Note this about where decision-making best sits for the specific functions.*
Recommended principles to inform decision-making
• ensure CCOs have a clear, narrow purpose • focus CCOs on delivery of a narrower range of services for which performance can be defined and measured • return strategy, planning and policy making to Council • promote greater efficiency by addressing fragmentation and duplication of effort across Council and CCOs • transfer functions to council where this could support greater integration or local decision-making
Improvements to the CCO model (non-structural)

<table>
<tr><td colspan="2">• council prioritises setting strategic direction for CCOs, where gaps exist
• increasing oversight over CCO planning and delivery to regional growth plans
• accelerate the roll-out of Group Shared Services,
• consider what additional functions council should provide to CCOs
• improving board appointment and performance review process</td></tr>
<tr><th colspan="2">Council’s position for Auckland Transport functions</th></tr>
<tr><td colspan="2">• confirm support for legislative change to provide council with lead role in regional transport planning
• council is best placed to integrate land use, transport and infrastructure planning</td></tr>
<tr><th colspan="2">Options for Eke Panuku and Tataki, in line with overarching principles</th></tr>
<tr><th>Eke Panuku</th><th>Tātaki</th></tr>
<tr><td>1) Status quo
2) Refocus Eke Panuku as urban regeneration agency (Council to deliver urban regeneration policy and Eke Panuku property functions)
3) Eke Panuku disestablished (Council to deliver urban regeneration, property and marina management functions)</td><td>1) Status quo
2) Refocus Tātaki on destination, major events and regional facilities, Council delivers economic development
3) Refocus Tātaki on regional facilities, council delivers economic development, major events and destination activities
4) Disestablish Tataki, Council delivers all functions - economic development, destination and major events and regional facilities
Secondary option – available under all options: Consolidation of delivery of Tātaki cultural festivals with others (in-house or CCO)</td></tr>
<tr><th colspan="2">Implementation</th></tr>
<tr><td colspan="2">Chief Executive to undertake the detailed transitional planning and organisational design work necessary to implement the adopted reforms.</td></tr>
</table>

Staff engagement

182. The collective employment agreement between Auckland Council and the Public Service Association (“PSA”) requires Auckland Council to involve relevant employees and the PSA in the development stages of decision-making processes and in the business planning for proposed change (and design of change and how it will be implemented).

183. **Appendix F** includes the early engagement sessions held with council staff, and the themed feedback received from these sessions. The feedback received from staff sessions held by Eke Panuku and Tātaki Auckland Unlimited is also included in Appendix. At this time Auckland Transport have not run any similar sessions but have indicated they intend to offer information sessions to their staff in the near future.

184. Should the Mayor and Councillors decide to progress with changes to the way current CCO services are delivered, this will obligate consultation with staff. This should occur at the same time for both CCO and council staff to provide a fair and consistent approach, noting many staff across these organisations will be represented by the PSA. A staged approach to the design and implementation of any changes should be considered to allow for these consultation obligations to be met.

Implementation

185. This advice has been prepared on the basis that the Governing Body intend that any structural changes for Eke Panuku and Tataki should be place by 1 July 2025. However legislative change is required before any staged changes to Auckland Transport can be implemented.

186. As set out in the Direction Document, it is anticipated that changes will not result in changes to current service levels, or the delivery of major programmes of work.

Consultation requirements

187. The most practicable options identified in this report do not require public consultation under the Local Government Act 2002 in relation to either the Long-Term Plan or the Annual Plan. This is because the changes relate to the internal structure of the Council Group and not service levels. If public consultation is not legally required, it is not recommended as this will prolong transition and the period of uncertainty for staff. High level legal advice is attached in **Appendix G**.

Indicative implementation pathway

188. Detailed transition planning, including organisational design, can be developed once the CCO Reform package is agreed. Given the potential scope of the change and based on the timing of the successful merger of ATEED and RFA, staff recommend allowing a six-month time frame for implementation of Council's decisions on reform. This time frame is ambitious but achievable and will enable council to maintain focus and momentum for change while ensuring continuity of service. An indicative implementation plan is included as **Appendix H.**

189. It is anticipated that potentially affected staff will have opportunities for continued employment, subject to consultation.

190. A key measure of success for any reform initiative relating to transport will also be how effectively Auckland Council works with central government on required legislative and other changes, including changes to funding and funding processes. Once the CCO reform package is crystallised, further engagement with Government to progress the options is recommended. Engagement with Government is also recommended in implementing changes to economic development or urban regeneration functions.

Financial implications

191. High level consideration has been given to the potential financial impact of changes. Based on Council experience with the 2021 merger of ATEED and RFA, there are one off transition costs in the first year, but thereafter savings of between 2- 5%, might be targeted, predominantly relating to savings in governance and executive management costs.

192. Cost savings will depend on what changes are recommended. As indicated in the Direction Document, service levels will be maintained and, on this basis, no immediate efficiency gains have been factored in as part of the preliminary analysis.

193. A more detailed financial evaluation and cost benefit analysis will be needed once the reform package and options to be progressed have been clarified.

Climate impacts

194. CCOs contribute towards implementation of Te Tāruke-ā-Tāwhiri, Auckland Climate Plan and building a climate resilient future for the Auckland region. This includes supporting the delivery of emission targets, planning for the impacts of climate change and putting systems and processes in place to meet the group's statutory climate reporting requirements. Given that functions and services will not be changed (whether they are delivered by a CCO or in-house), options for CCO reform are not expected to impact on greenhouse gas emissions or climate goals.

Māori outcomes

195. Each CCO has an Achieving Māori outcomes plan, reflecting their commitment to achieving Māori outcomes. These plans give effect to the council's Māori Outcomes framework 'Kia ora Tāmaki Makaurau', including fostering relationships and contributing to Māori wellbeing. If any functions and services are moved in-house, care would need to be taken to ensure to maintain relationships and key areas of delivery.

196. CCOs have important obligations to Māori, and relationships with mana whenua and mataawaka, which are maintained through various mechanisms. Under the status quo, Māori organisations and iwi need to manage multiple relationships with council and CCOs.

197. Once reforms are adopted, detailed design work would include a specific workstream on Māori Outcomes to ensure obligations and relationships are respected.

198. Houkura provide feedback annually on CCO statements of intent and assess CCO delivery and engagement in their three yearly Te Tiriti o Waitangi Audit.

199. If functions are delivered in-house (rather than by a CCO), Houkura, through its members sitting on council committees would be directly involved in decision-making, rather than in only an oversight role. This would expand the number and type of decisions that Houkura members directly participate in.

Local impacts and local board views

200. Local boards have had briefings on CCO reform and will provide feedback on the draft Mayoral Proposal as part of the Annual Plan 2025/2026 process.

201. Moving CCO functions in-house could support greater local decision-making and integration of *place-based* planning and delivery, and this is key factor considered in the analysis. For example, in relation to urban regeneration or transport decision-making.

202. Once reforms are adopted, the allocation of responsibilities to local boards would need to be reviewed or clarified. This is in addition to existing work programmes relating to more empowered local boards and the need to support better advice to local boards. It includes work considering a wider use of targeted rates and other financial levers including giving local boards the opportunity to adjust levels of service or provision standards. This could include local boards allocating additional funding to functions currently delivered via CCOs.

Appendices
Appendix A: Mayoral and Councillor Direction to Council Group, September 2024
Appendix B: CCO model and performance
Appendix C: Options assessment
Appendix D: International models
Appendix E: Feedback from CCOs
Appendix F: Feedback from early engagement with council and CCO staff

Appendix G: Legal advice on consultation requirements
Appendix H: Indicative implementation pathway

Appendix A: Excerpt from Mayor and Councillor Direction to the Council Group

Council-Controlled Organisation Reform

1. Problem definition and outcomes

In 2010, the government chose to establish seven substantive CCOs in Auckland without public consultation. This included establishing Auckland Transport as a statutory body, unlike other CCOs, and granting it control of local roads and the delegated powers of a regional council.

The Governing Body has made changes to the CCO model since the formation of Auckland Council. Eke Panuku and Tātaki Auckland Unlimited were both formed from the merger of two previous CCOs and ACIL was disestablished with its role now part of Auckland Council. The newly formed Auckland Future Fund is also an example of change.

A 2020 independent CCO Review considered the model, accountability, and culture of CCOs. The review considered the views of a wide range of stakeholders. The review panel recommendations were proposed as a package to achieve overall improvements.

Progress has been made in implementing the CCO Review recommendations and other improvements to the system including changing board members.

Despite progress on various CCO reviews over the years, many of the challenges identified with the CCO model are still being observed, including concerns about public trust and confidence; strategic misalignment; ineffective democratic accountability; cost-effectiveness and duplication of services.

What is the best way to deliver the functions distributed across the group? Are we organised in the best way to deliver on the activities and investments that will move Auckland forward? Are we getting the balance right between accountability and delivery?

We consider it is worth testing whether some CCO services and functions could be more effectively delivered by Auckland Council because this would improve:

- public trust and confidence
- strategic alignment
- democratic accountability
- cost effectiveness, including from reduced duplication
- ultimately, the quality of the services we provide Aucklanders, and our capability as an organisation to deliver on our LTP and our vision for Auckland to be beautiful, thriving and safe.

Advice on CCO reform should be about achieving those outcomes.

We should address whether there are systemic problems that require structural change or whether further adjustments to the existing model could address the problems identified.

To be clear, we support the use of CCOs as an effective way to deliver some services. The nature of wastewater and water supply services, for example, make the CCO model sensible. This means Watercare is out of scope of this work. Similarly, the recently established Auckland Future Fund is also out of scope.

2. Council's role and available levers

The council's role in the current model is one of shareholder. It appoints the members of the CCO board and provides CCOs with a Letter of Expectations which includes direction and targets, to which the CCO Board responds with a Statement of Intent. The council agrees the Statement of Intent annually. CCOs are accountable to the council through these mechanisms and required to give effect to the LTP, which the mayor leads and council adopts.

We have heard from councillors, local board members, council's partners, the public and the CCOs themselves that accountability and alignment to direction from council is an area requiring investigation.

Service levels are out of scope: The services CCOs deliver and the staff who deliver them are important to the council and Aucklanders. We do not anticipate changes to service levels or approved programmes other than they may be delivered by a different organisation and we expect that staff, subject to consultation requirements, will have the opportunity of continued employment if services are brought in-house.

However, we envision some cost savings might be achievable from the reduction in board members, executive management and removal of duplication and that the Group Shared Services programme should continue at pace.

3. Options and advice

Specific options for which advice is sought are in the table below. With respect to CCO reform, advice must consider and reflect on:

- A brief description of the rationale for the CCO model and the main alternatives. For example, funding, powers, objectives and functions. The advice must include international comparisons.
- An assessment of how well the system has performed for Auckland against the problem statement or definition, including:
  - The problem statement that the CCO model was designed to respond to as discussed in the Royal Commission on Auckland Governance report 2009.
  - Prior changes to the CCO model in the years since the formation of Auckland council - in particular the rationale for those changes and any evaluation of realised benefits against that rationale.
  - Implementation of the recommendations made in the Independent Panel's report for the 2020 Review of Auckland Council's Council Controlled Organisations and any evaluation of their implementation has been.
  - Testing CCO performance against the problem statement.
- The ability to use existing tools to achieve improvements, including the limitations of these tools and (where relevant) why they have been ineffective in the past.
- Identify options for delivery of CCO functions within Auckland Council.
- An assessment of the advantages, disadvantages and benefits of moving CCO functions to Auckland Council (including unintended consequences such as workload, capability and training for members, and risk accountability).
- Legal advice on decision making, including advice on consultation requirements, for associated options.
- Indicative implementation pathway *(elected members expectation is that the revised model will commence 1 July 2025).*

<table>
<tr><th colspan="2">Specific options for CCO reform advice:</th></tr>
<tr><td>For all CCOs: No structural change</td><td>Options to improve the accountability and oversight of the CCOs including monitoring board performance.</td></tr>
<tr><td>Auckland Transport</td><td>Options:
To reset Auckland Transport as a service delivery organisation by
transferring strategy, policy and planning functions to Auckland Council (including Regional Land Transport Plan)
integrating enabling functions with the Group Shared Services model
To reset Auckland Transport as a public transport service delivery organisation by
transferring strategy, policy and planning functions to Auckland Council (including Regional Land Transport Plan)
transferring transport services (including regional and local roads, footpaths, parking and cycling) to Auckland Council
integrating enabling functions with the Group Shared Services model
To disestablish Auckland Transport and deliver all functions via Auckland Council</td></tr>
<tr><td>Eke Panuku</td><td>Options:
Alternative delivery models to deliver urban regeneration, which may have a greater focus on economic growth and an enhanced role for Local Boards. This should consider delivery by Auckland Council and/or Eke Panuku.
To reset Eke Panuku as an urban regeneration delivery organisation by
Transferring strategy, policy and planning to Auckland Council
Transferring management of non-service property and acquisitions and disposals of property to Auckland Council
To disestablish Eke Panuku and deliver all functions via Auckland Council</td></tr>
<tr><td>Tātaki Auckland Unlimited</td><td>Options:
To retain Tātaki Auckland Unlimited Trust, responsible for major regional facilities, as a CCO; and disestablish Tātaki Auckland Unlimited Limited (which carries out economic development, destination and major events activities) and transfer all functions to Auckland Council.
To disestablish Tātaki Auckland Unlimited (the company and the trust) and deliver all functions via Auckland Council.</td></tr>
<tr><td>Watercare</td><td>Note that Watercare is not in scope for advice on structure.</td></tr>
</table>

4. Other considerations

There are work programmes underway which potentially affect the activities undertaken by CCOs. They should be monitored during the development of advice and do not necessarily prevent work on CCO reform, and we should be cognisant of these issues as needing to be resolved in the future:

- cultural institutions
- main stadium feasibility
- Single Operator Stadiums Auckland (SOSA)
- group property review (and other S17A reviews underway)
- co-ordinated city centre decision making and oversight.

Appendix B: CCO model and performance

Request for advice

This Appendix sets out staff analysis in response to specific requests for advice contained in the *Mayor and Councillor direction to the Annual Plan 2025-2026* (**Direction Document, Appendix A**), relating to:

A. Rationale**:** The rationale for Auckland's CCO model (in general and for specific CCOs), which covers:
   - the general rationale for CCOs;
   - the problem statement that the CCO model was designed to respond to as discussed in the Report of the Royal Commission of Inquiry on Auckland Governance, and subsequent decisions by the Auckland Transition Agency and Government;
   - the rationale for changes to the CCO model in the years since the formation of Auckland Council;
   - reviews of the CCO model and implementation of recommendations.

B. Performance***:*** An assessment of the performance of the CCO model against the stated rationale above and the problem statement contained in the Direction Document (both in general and in relation to specific CCOs).

In simple terms, the analysis sets out to describe *the reasons that were given in favour of setting up the current CCO model at relevant times (i.e. the benefits that were expected from the model);* and *assess whether the expected benefits have been realised and/or the challenges set out in the problem statement are apparent.* Given limited timeframes, this advice draws on previous reviews and analysis, including the 2020 CCO Review.

This analysis is not about other options for delivering CCO services, or the advantages and disadvantages of those options, which is a separate workstream. So, where this analysis identifies issues with the current model, or how it has been implemented, that is not intended to imply that a different delivery model would be better.

Problem statement

The problem statement identified in the Direction Document is that, despite several reviews and attempts to address concerns, there are still many challenges experienced with the CCO model, including:

- concerns about public trust and confidence
- strategic misalignment
- ineffective democratic accountability
- cost effectiveness and duplication of services
- ultimately, the quality of the services we provide Aucklanders, and our capability as an organisation to deliver on our LTP and our vision for Auckland to be beautiful, thriving and safe.

Limits to scope

This work is not about what services are provided by the council group, or the levels of service and funding available.

This work is also not about the performance of individual parts of the council group – it is about the performance of the current model for the council group and whether this is the best way to deliver the services offered by Tātaki Auckland Unlimited, Eke Panuku and Auckland Transport.

There are limitations in our ability to assess the counterfactual i.e. there are limits to what can be said about what would have occurred if a CCO function had been delivered in-house. Positive work of CCOs might have happened anyway, and likewise issues that have arisen might have arisen anyway. However, this analysis has attempted to draw some conclusions about what can be said about how the model has affected performance.

Structure of analysis

The analysis is structured in two sections:

1. The first section contains analysis that applies to *all* CCOs:
    - Rationale
    - Performance
2. The second section contains analysis relevant to *specific* CCOs in-scope of this advice (Auckland Transport, Eke Panuku and Tātaki Auckland Unlimited):
    - Rationale
    - Performance
    - Analysis tables

    The tables at the end of this section contain more detailed assessment and evidence that support the analysis.

Part 1. Analysis that applies to all CCOs

General rationale for CCOs

Theoretical origins of CCOs and trends

Before the concept of Council-Controlled Organisations (**CCOs**) and their predecessors (local authority trading entities (**LATEs**)) local authorities carried out functions directly using their own staff. From 1989 councils were able to establish LATEs to undertake some activities. The Local Government Act 2002 (**LGA**) replaced LATEs and introduced CCOs. This legislation established the framework for local authorities to create CCOs to deliver services and undertake activities on behalf of councils.

These changes were part of a broader set of public sector reforms and trends started in the 1980s that became known as “New Public Management”, which advocated for the adoption of private sector management practices in public administration. It included a focus on efficiency, results-oriented management, and the separation of policy and operational functions to create clearer lines of accountability.

CCOs are a form of “corporatisation” – the transfer of public services from direct in-house control into arms-length publicly owned corporations – which was a key part of this trend. The underlying premise is often that professional managers can deliver services more effectively with corporate businesslike structures that are free from direct political interference. The model relies on mechanisms of formal policy direction from the centre. So, in relation to CCOs, a key plank of the model is that formal policy direction is provided by councils, with CCOs providing delivery functions.

New Zealand adopted the core tenets of New Public Management earlier and more comprehensively than many of our peers, at both a central and local government level. Auckland CCO’s model is a good example of this, as it represents a particularly high proportion of the council’s services.

Even so, CCO-like structures have also become common internationally at a local level, particularly for the provision of utilities such as water services and waste collection.

In some places, there are instances of “reverse corporatisation”, where services have been brought back in-house. Such reforms have tended to reemphasise the importance of the role of the civil service and increasing accountability to the public. There is limited empirical and systematic research into the impact of local government corporatisation.

In New Zealand, advantages, disadvantages and success factors for CCOs / arm’s length entities have been discussed by the Office of the Auditor-General.[1]

Potential advantages of CCOs

The general rationale for the CCO model is that their arm’s-length and corporate nature may provide the potential advantages:

- **greater delivery focus** – in contrast to councils, CCOs may be focussed on achieving a constrained set of business objectives and specific services, which brings a unifying focus to the organisation that may lead to more effective and efficient delivery. Systems and processes can be aligned to the specific needs of the business.

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[1] See for example, Office of the Auditor-General, *Governance and accountability of council-controlled organisations (*2015); especially [Part 3: Is a council-controlled organisation the right option?.](#)

- **enable councils to focus on good policy** – CCOs may be a way to ensure efficient management of operations while allowing councils to focus on developing policies, strategies, and plans.
- **improved commercial focus** – that is, operating a company with a professional board of directors with the objective of achieving greater operating efficiency.
- **specialist governance** – CCOs are a model for introducing, through board appointments, commercial disciplines and specialist expertise. Using these skills, CCO boards may be able to add value to CCOs and help them to better achieve their objectives and the council's long-term strategies.
- **ability to partner** – the formation of partnerships and alliances is another potential strength of the CCO model. Commonly perceived as being more commercial and flexible than a council, CCOs can be able to collaborate more effectively, especially with the private sector.
- **recruitment of talent** – CCOs may provide an enhanced ability to recruit and retain highly skilled professional staff where the structures and culture of a council are seen as less attractive than those of a CCO.
- **independence** – separation from political direction can be considered an advantage, particularly where stability of direction is sought across multiple electoral cycles.
- **streamlining bureaucracy, enabling nimbleness and agility within their spheres of control** – CCOs have less "process" to follow in making decisions than local authorities (where they are empowered to make decisions within areas of control).
- **access to a wider range of funding sources** – CCOs may be better at accessing other funding sources, particularly if ring-fenced funding is provided, and may be eligible for funding that local authorities are not.

Potential disadvantages of CCOs

On the other hand, in general, the potential disadvantages of CCOs may be:

- **weakened democratic accountability and control, which may undermine public trust and confidence** – CCOs are not as directly accountable to elected members as council, which may weaken the accountability to the community for services and expenditure. Elected members are also able to distance themselves from concerns about performance. These factors may ultimately reduce public trust and confidence.
- **reduced responsiveness to public and elected representatives** – CCOs may be less responsive to public concerns and views. Corporate direction-setting disciplines may be ineffective at producing genuine responsiveness in a day-to-day sense.
- **reduced ability to manage risks to reputation and communication with public** – arm's-length delivery can make managing risks to the reputation of the local authority more difficult, particularly where CCOs make decisions or communicate independently.
- **weakened internal council capacity and competition for talent within the Group** – delivering some services at arms-length will tend to weaken council's internal capabilities in infrastructure and delivery, which can undermine its ability to set direction, and council will need to compete for that talent/expertise with CCOs.
- **policy not properly informed by operational considerations** – there is a risk that if policy-making becomes too separated from operational decisions, it may lack necessary context. This can lead to the development of duplicated policy functions within CCOs.

The split can also enable policy makers to claim that failures are a result of poor implementation rather than policy.

- **silos and barriers to making integrated decisions, leading to inefficient and ineffective decision-making** – the focus of CCOs on particular outcomes or services can create "silo thinking" that reduce the ability to make integrated decisions that benefit Aucklanders, such as the need to integrate land use and infrastructure planning or identify projects that achieve multiples outcomes. In addition, where outcomes require collaboration, the need for multiple governing bodies to make decisions or be briefed on matters creates inefficient processes and barriers to better, more integrated decision.
- **misalignment with council strategy and outcomes** – CCOs may pursue their own objectives at the expense of alignment with council strategy, and that there may be tensions between their objectives and delivering better community outcomes.
- **additional ongoing costs and duplication** – CCOs have an overhead cost associated with them, and there are also costs incurred by the local authority in monitoring the performance of the CCO, which may increase overall service delivery costs.

Weighing advantages and disadvantages, identifying critical success factors

As is evident from the above, the CCO approach has advantages, disadvantages and inherent tensions. Whether a CCO model is the right choice depends on how these are weighed up and the level of confidence in the organisation's ability to realise the potential advantages while managing potential disadvantages in the chosen approach.

The CCO model may be appropriate for the delivery of some services, but the wrong choice for others. Unfortunately, there is limited empirical and systematic research into the impact of the model.

There have been attempts to develop criteria for what services are appropriate for CCO or corporate delivery. In general, CCOs work best when they adhere to the following principles:

- clearly defined purpose
- clear strategic and policy direction from council
- clear areas of decision-making responsibility
- focused on delivery of services for which performance can be measured, and do not require a high degree of political oversight or integration with other decisions (e.g. utilities with consistent service levels)
- an effective competency-based board
- council has effective mechanisms to hold the CCO to account
- accountability to the community is in place
- effective working relationships between the CCO and council based on mutual respect and trust

Some of these factors, such as clear strategic direction, are also important to council-run services.

Rationale for Auckland's CCOs model

Royal Commission and Auckland Transition Agency

Commission focused on need for integrated growth management

A key driver of the amalgamation of regional and territorial local authorities in Auckland was the need for integrated infrastructure and land use planning so that the new council could direct its resources towards managed and sustainable development of the region with a key focus on compact urban form.[2] Growth enabling infrastructure, principally water and transport infrastructure, was considered essential to the sustainable development of the region, climate change objectives, city vibrancy, and efficient use of public funds.

The Royal Commission summarised this opportunity by saying "*Integrated growth management needs to give the highest priority to urban development and redevelopment and to investment in public infrastructure and amenities*".[3]

Commission saw CCOs as a tool to access the best expertise in infrastructure

Prior to amalgamation there were about 40 CCOs in the Auckland region. The Royal Commission proposed rationalising this number and continuing with CCOs for delivering of key infrastructure and services. The Commission traversed the general benefits for CCOs noted above. Their general view on the use of CCOs included the following statement, which emphasised the importance of requiring skills and expertise to enable integrated infrastructure (paragraph 21.46 of the Report):

> For the Auckland Council to plan and deliver the infrastructure and services to meet its requirements, it will need access to the best commercial and engineering expertise and resources. CCO structures and boards of directors can bring these required skills and expertise.

The Royal Commission also noted that critics of the use of CCOs argued that devolution of functions to CCOs is undemocratic and that all services should be provided by employees directly answerable to elected councils. It noted that the belief underpinning these views is that CCOs work too independently, and the council and public is powerless to influence them (paragraph 21.35 of the Report).

ATA considered CCOs would enable Council to focus on policy

The Auckland Transition Authority generally saw CCOs as a way of ensuring efficient management of operations, and allowing the Council to focus on developing policies, strategies, and plans. This emphasised the policy and operations split that was said to be "*particularly important given the primary role of Auckland Council to develop policies, strategies, and plans to drive Auckland forward*."

The Government eventually agreed to establish seven substantive CCOs – Auckland Transport, Auckland Council Investments Limited, Auckland Council Property Limited, Auckland Tourism, Events and Economic Development, Regional Facilities Auckland, Waterfront Development Agency and Watercare Services Limited.

Specific reasons in favour of the specific CCOs are addressed below.

[2] Royal Commission on Auckland Governance (2009), Planning for Auckland (chapter 24)
[3] Ibid, Chapter 24, page 531

Changes since 2010

Since 2010 there have been several changes to the CCO model:

- Disestablishment of Auckland Council's Economic Development Department and transfer of some functions to ATEED.
- Establishment of Eke Panuku in 2015, by combining Waterfront Development Auckland with Auckland Council Property Limited
- Disestablishment of Auckland Council Investments Limited in 2019
- Creation of Tātaki Auckland Unlimited in 2020 through the merger of Auckland Tourism, Events and Economic Development, and Regional Facilities Auckland
- Creation of Auckland Future Fund in 2024.

2020 CCO Review

As noted above, there have been four reviews of the CCO model since 2011. Generally, the observation has been that the CCOs are achieving the focus sought, but that tensions inherent in the model are also apparent and that some changes have been needed to achieve greater efficiencies or refocus. The experience from these reviews has highlighted the need for ongoing improvements to the model. The introduction of CCO deep dive performance discussions at council's committees is an effective recent initiative.

In 2020 an independent panel led a CCO Review. The Review investigated the CCO model; whether the council had adequate accountability measures in place and was using them effectively, as well as accountability to Māori and the public; and CCO culture. The Review concluded that the CCO model was the "*right one for Auckland"* and that the CCOs had achieved some significant successes through their singular operational focus. It noted several concerns about how the model was functioning, including the prevalence of silo-thinking, cultural issues, and gaps in policy direction. However, the panel did not believe, at that time, that efficiencies or improved delivery could be achieved if all CCO services were brought in-house. The size and complexity of transport and water made it especially "untenable" to bring those functions back into council, as this would add to the workload of the mayor and councillors and "create a monolith" in council.

The panel considered that relationships were key to making the CCO model work well. Recommendations by the panel concerning specific CCOs are discussed under the relevant CCO section of this report.

General recommendations of the panel that have been advanced include:

- **Accountability mechanisms and relationships:** Have been strengthened through an updated CCO accountability policy, development of a new CCO Statement of Expectations, clearer structures and additional analysis for statements of intent and CCO performance reporting and better working together.
- **Māori outcomes:** After the 2020 CCO Review, the council completed the Kia Ora Tāmaki Makaurau - Māori Outcomes Performance Measurement Framework in 2021. All CCOs have completed Achieving Māori Outcomes plans aligned to the new outcomes framework, although Auckland Transport's plan was only approved by the AT board in August 2024. CCOs are reporting their progress on implementing the plans to council quarterly. The group chief executives have a quarterly hui with the Houkura - Independent Māori Statutory Board Te Pou Whakarae - Chief Executive focused on Māori outcomes. An outstanding element of the CCO Review recommendations on accountability to Māori is the guidance on how CCOs engage with mātaawaka. This is

being addressed as part of the council group response to He Waka Kōtuia – Te Tiriti Audit 2024-2027 commissioned by Houkura.

- **Group shared services:** Group policies are now in place for procurement and remuneration. After a slow initial roll out, the group shared services programme has been embedded in the new council organisation structure with a Director Group Shared Services role reporting to the group chief executives and an independent chair. The GSS directorate includes People, Procurement, Customer experience and digital, Technology, Corporate support, and Data services functions.

While many of the recommendations have been implemented, arguably two key recommendations have not been advanced sufficiently and these are discussed further below:

- provision of clearer strategic direction by council to CCOs so they could translate this into practical work programmes
- better guidance on the balance between commercial and public interests.

This second part of this analysis considers further improvements that could be made to strengthen strategic alignment and shareholder control.

Conclusions on performance of CCOs model against rationale and problem statement (general)

Generally, Auckland has experienced both advantages and disadvantages of CCOs, which reflect the inherent tensions in the model. There remain some key concerns about how the model is performing, which reflect the mayor and councillors' problem statement. Staff analysis has led to the following conclusions.

1. **The CCO model has delivered expected benefits by enabling operational focus and boards with expertise relevant to that focus.** This analysis supports the conclusion of the 2020 CCO Review that CCOs have achieved some significant successes through their operational focus. These include:

    a. <u>Delivery.</u> Since amalgamation, the CCOs have delivered significant infrastructure to support growth at pace and scale, and have made meaningful improvements to services within their scope. CCOs have developed systems and cultures that support focus on delivery and attract talent needed to deliver on their purpose.

    b. <u>Nimbleness and partnerships.</u> There is evidence that CCOs have been able to be more nimble and make decisions more quickly than council on key projects, where they have had a clear mandate to make decisions within their zone of influence. This has helped attract funding and form external partnerships that council may not have been able to do so.

    c. <u>Governance expertise.</u> Aucklanders have benefited from specialist expertise and focus that directors have brought to bear on key issues and projects. Long-term stewardship of assets has improved. CCOs have also enabled councillors to set formal expectations on important matters at a regular cadence.

2. **Auckland has also experienced some of the disadvantages of the CCO model as set out in the problem statement, including reduced democratic accountability, responsiveness to the public and weakened public confidence.** The inherent weaknesses of the CCO model are also apparent, which has resulted in systemic concerns about democratic accountability, public trust and confidence, responsiveness to direction and strategic misalignment. Feedback from the public about CCO accountability

and responsiveness is frequently negative. Examples of actions that dent public confidence in the council and its reputation continue to occur regularly.

Public confidence is supported by a sense of democratic efficacy and accountability, i.e. a clear relationship between who a person voted for, the input they provided and what happened. This is supported by elected representatives being accountable when issues occur, particularly on matters they consider core to council's role. There is evidence the CCO model has undermined this relationship, particularly where complaints are met with an indication from elected members that decisions are outside their control or, conversely, where good news is attributed to CCOs rather than decisions of council.

3. **The current model has not resulted in clarity of strategic direction in key areas, and the policy / operations split is not clear in some cases.** The ATA's primary rationale for the CCO model was that CCOs would enable operational focus/ efficiency, while council could focus on the policy, strategy and planning needed to "drive Auckland forward". However, the policy/ operational split – critical to that rationale – has not been effectively implemented to date and has not resulted in council producing clear direction. There appear to be several reasons for this:

   a. AT's legislation provides it with certain policy and planning functions.

   b. Policy and planning functions have been allocated to or developed by other CCOs. Council has also made active decisions in some cases to disestablish and/or transfer policy functions to CCOs – for example it did so when it disestablished Council's economic development policy function and transferred some of its staff (focussed on local economic development, innovation and skills) to ATEED. The remaining staff were absorbed into the then Auckland Plan, Strategy and Research division, meaning council no longer had any dedicated economic development strategy and policy capability. In other cases, CCOs have sought to fill real or perceived gaps in policy with their own strategy and policy function.

   c. CCOs provide policy advice direct to elected members. Processes have developed over time in which CCOs will provide policy advice direct to elected members, with no or limited input from council. This is sometimes at the request of council. This can undermine clarity of policy direction.

   d. Council has not provided coherent strategic or policy direction in key areas. The CCO Review's conclusion that the *"council's many plans, policies and strategies offer almost no practical direction to CCOs"* remains true in several areas, although there has been improvement in others. In some crucial areas, such as stadiums, there remains no strategy at all. Council may not have dedicated significant policy resources to some areas covered by CCOs, commensurate with their size and scale. Given the CCO model is most appropriate where the council can be clear about its purpose and intent, the continued absence of such clarity in some areas could be an indication that it is not the right fit.

   e. Weakened capabilities at council reduce ability to provide direction and CCO willingness to receive it. An inherent weakness of the CCO model is that it tends to weaken the capabilities of the core council in areas of CCO delivery, because the main expertise needs to sit with the CCO and there can be intra-Group competition for talent. We consider there is evidence that the model has weakened the council's ability to provide direction in some areas and resulted in tendency at times for CCOs to not accept that direction on the basis that the expertise sits with them.

This can create a scenario in which CCOs can criticise council for not providing clearer direction (e.g. “council needs to clear about its direction and plans”) and, at the same time, assert that council lacks the expertise to do so (e.g. “policy-making/planning functions need to sit with the operational experts at the CCO ” or “plans need to be developed by those who will implement them”). Successful implementation of the model requires striking a balance and being clear about where the boundaries are.

4. **Impediments to integrated and efficient decision-making. Land-use and infrastructure planning, in particular, are not as integrated as they should be.**

   a. <u>Silo thinking.</u> As found by the CCO Review, “silo” thinking still prevails and can undermine opportunities for integrated decisions. There have been significant efforts to improve integration and there is evidence of progress since 2020, but the issue remains.

   b. <u>Inefficient decision-making and “churn” where coordination is required</u>. Auckland Council’s governance is complex, including the mayor, 20 councillors, 21 local boards, five substantive CCOs, 19 mana whenua entities and a range of other stakeholders.

      Where CCOs do not have a clear mandate to make decisions, or where decisions require coordination from multiple parts of council, the process can be inefficient and cumbersome. On a day-to-day basis, the requirement for multiple governing bodies to make decisions and be briefed on the same issues creates a significant impediment to more efficient and integrated decisions, and can result in expensive “churn” where decisions bounce between boards and council.

   c. <u>Integration of land-use and infrastructure planning</u>. As noted above, a key driver of the amalgamation of regional and territorial local authorities in Auckland was the need for integrated infrastructure and land use planning so that the new council could direct its resources towards managed and sustainable development of the region with a key focus on compact urban form. While significant progress has been made to this end, planning is still not as integrated as it should be and the CCO model may have been an impediment to that integration. For example, Auckland Transport’s role as part of the Supporting Growth Alliance could have had greater political oversight, and this may have improved the quality and robustness of Auckland’s long-term growth plans.

   d. <u>Communication and coordination across the Group is also not as good as it should be.</u> On important matters, council needs to be able to communicate a clear message with one voice. This can be undermined by multiple agencies trying to “own” the message, particularly on issues of significant public concern. There are too many instances of poor coordination and lack of clarity around roles. The differing responsibilities around the City Centre is a challenge which is being addressed through a “lead agency” model.

5. **There are additional overhead costs associated with running CCOs, although these are not out of proportion to the scale of their activity. There is some duplication of activity that needs to be addressed.**

   a. <u>Overhead costs.</u> There are additional overhead costs associated with operating CCOs, and there are also costs incurred by the local authority in monitoring the performance of the CCO. However given the scale of the work undertaken by CCOs, these costs appear to be proportionate, and there is unlikely to be significant savings from changing the model alone.

b. Shared services. Implementation of group shared services is reducing duplication in corporate support activities and there is an opportunity to consider expanding and accelerating the programme.

c. Duplication of service activity. There is some duplication of activity in the council and CCOs. This duplication includes both the same or similar activities being undertaken in more than one place, and potential inefficiencies due to similar services not being managed together. Alignment and coordination opportunities should be further investigated.

References and links to key documents

Document	Details	Date	Link
Royal Commission on Auckland Governance	Full report on the Commission's inquiry	March 2009	Link
Government Decisions in Response to the Royal Commission	Record of cabinet decisions Note some of these decisions have been superseded, they are kept here for historical record	2009-2010	Link
Auckland Transition Agency	Report of the Auckland Transition Agency	2009-2010	Link
CCO Review 2014	CCO review assessment and decision to consult on new urban development entity	27 November 2014	Link
	Decision to create Development Auckland (Eke Panuku)	7 May 2015	Link
CCO Review 2020	Report of independent panel	July 2020	Link

Part 2. Analysis that applies to specific CCOs

Auckland Transport

Rationale for CCO model for AT

Royal Commission recommended a Regional Transport Authority, with council retaining control of local roads and key planning functions

The Royal Commission noted that deficiencies in governance for transport in Auckland "loomed large" in its work. As noted above, a key driver of the 2010 amalgamation of local/ territorial authorities in Auckland was the need for integrated infrastructure and land use planning. Transport governance was especially complex prior to amalgamation and the Commission noted this led to:

- slow and fragmented decision-making, due to the large number of disparate organisations and the need to balance localism and regionalism (seven local councils and one regional council and Auckland Regional Transport Agency)
- duplication of functions between councils and agencies
- poor integration between transport modes
- limited integration with land use planning
- insufficient funding.

To address these issues, the Commission recommended that all elements of transport be brought together under the management of one body – a council-controlled organisation called the Regional Transport Authority (RTA). It also said that the "key to the success" of the new body was to be central government participation, which it envisaged would be achieved through a joint management structure.

The RTA was envisaged to provide a greater focus on transport than the new Auckland Council could with its multiple functions. It would also provide more continuity in investment and a wider pool of expertise. The RTA was to have responsibility for:

- planning, development and management of arterial roads and the statutory responsibility for all regional arterial road controlling functions and other regionally significant transport-related functions within the Auckland Council area.
- all public transport infrastructure service planning and procurement. The Commission placed an emphasis on improving both rail and ferry passenger services.
- preparation (for the approval by Auckland Council) of a regional transport plan to give effect to the regional spatial plan (prepared and approved by Auckland Council).[4]

While endorsing the approach, the Commission noted several concerns with its model, including that a new RTA could fail to take sufficient account of transport user and community concerns, or lack accountability to those who provide the funds to the RTA. It

[4] In addition to the spatial strategy Auckland Council was to be responsible for high level policy through an Infrastructure Committee.

noted *"Where an appointed board that is one step removed from the direct political interface between elected members and transport users and/or funders makes the primary decisions, there is a risk that those decisions may not fully reflect their needs or concerns."*

Government decision to establish AT

In its decisions following the Commission's report, Cabinet considered five high-level transport governance options, including one option where Auckland Council would deliver all transport functions (Option One).

The Cabinet Paper noted significant support for Option One - *"The Treasury, the Department of Internal Affairs, the Ministry for the Environment and the Ministry for Economic Development consider that, on balance, the benefits of the Auckland Council option (Option One) outweigh the benefits associated with any of the RTA options."*

Option One offered a simpler decision-making structure, greater potential for integrated decision-making and would consolidate transport expertise with a single agency. Other benefits of Option One noted were that it would more likely provide for horizontal (e.g. integrating decisions on functions such as land use and road planning) and vertical integration (e.g. integrated decisions on functions such as the transport strategy, transport funding and service provision).

Furthermore, the Cabinet Paper noted that as transport is a high-profile issue in Auckland and accounts for 54 percent of rates revenue *"The Department of Internal Affairs considers that elected members, who are solely responsible for rating levels, need to be clearly accountable for transport funding decisions. The Treasury also considers that there is no clear or strong rationale for central government mandating a unique approach to transport decision-making in Auckland."*

Despite this advice, Cabinet adopted an RTA model on the basis that an appointed RTA Board would bring a greater focus on transport delivery than the Auckland Council with its multiple functions and responsibilities could provide. The Minister, Hon Rodney Hide, argued that the RTA was warranted in Auckland as:

- the growth pressures were greater and the transport issues more complex than in any other unitary authority in New Zealand
- the RTA Board would provide greater continuity in investment and operational decisions than is likely to occur with an elected council
- as an arm's-length entity, it would draw on a wider pool of expertise than council could alone.

Cabinet did not agree to several of the Commission's recommendation that would have ensured that council retain some control over transport strategy. It did not support the bulk funding outcomes-based model envisaged by the Royal Commission.

As a result, AT was formed as a body corporate in perpetual succession in 2009 under the Local Government (Auckland Council) Act 2009 (LGACA). AT's purpose is "to contribute to an effective, efficient and safe Auckland land transport system in the public interest' (s39, LGACA).

Subsequent reviews and changes to AT's roles and responsibilities

In 2013 amendments to the Land Transport Management Act 2009 further removed from council the planning and approval responsibilities for the Regional Land Transport Plan

(RLTP). The amendments further diluted the council's democratic accountability for transport. The CCO Review 2020 considered the reallocation of these responsibilities and functions wrong in principle and at odds with the intent of Auckland's governance reforms, but stopped short of recommending legislative change instead supporting an approach in which council endorsed the RLTP. This approach has been implemented.

The CCO Review 2020 also noted that the inflexible and bureaucratic New Zealand Transport Agency (NZTA) funding process where business cases are needed for relatively small projects is a far cry from the Commission's recommended outcomes-based transport funding model.

Enhancements to transport funding were made following the CCO Review. Council signed a new Delegated Funding Agreement and Memorandum of Understanding with NZTA to ensure Auckland Transport received its targeted land transport fund allocation over the 2021-2024 period, and for substituting projects if required. Programme-based funding was also advanced.

Conclusions on performance of CCO model relating to AT

Our initial analysis has led to the following conclusions with respect to AT.

1. **Regional transport delivery and decision-making has improved, and benefits from a focused board**. A single regional transport agency has undoubtedly brought focus and delivered positive outcomes for transport investment and delivery in Auckland (e.g. supporting the City Rail Link, AT Hop Card roll out and the National Ticketing System, Western Express routes and revising public transport operations in response to COVID-19). These improvements would likely not have been achieved under the previous local authority governance arrangements.

   The AT Board has, to some extent, provided greater continuity in investment and operational decisions than would likely occur with an elected council The AT Board has also delivered value in terms of expert oversight and focus. Having an appointed board can protect the enduring nature of long-term investment decisions and public transport services than span electoral cycles.

   The CCO Review 2020 found that AT did "big projects well but let itself down on small projects" and that AT's culture was a key issue.

2. **The allocation of responsibilities between Auckland Council and AT are wrong in principle.** The reasons for this are as follows:

   a. <u>Council has not been given the ability to determine the appropriate delivery model / AT was set up as a statutory CCO.</u>

      In principle, council staff consider that Auckland Council should be able to determine the appropriate delivery model for local transport services in Auckland and there is no clear or strong rationale for central government mandating a unique approach by legislation.

      Further the statutory role of AT alters the nature of the relationship between the council and AT. For an ordinary CCO under the Local Government Act 2002, council has the ultimate authority to determine the delivery structure and allocation of responsibilities, which supports clarity in accountability and responsibilities. With a statutory CCO, there is an element of 'immunity' for the CCO that can negatively affect its responsiveness, as well as efforts to integrate planning and share services.

These 'boundary' issues create unnecessary cost and can undermine accountability and public confidence, resulting in an underlying tension between the role of Auckland Council governors over transport decision making, allocation of funding, decisions relating to growth and the integration with transport investment, and engagement with the concerns of the local community. This tension plays out daily, and AT finds itself criticised by Aucklanders and elected members in respect of many controversial transport issues.

b. <u>Council should have a clearer democratic role in regional transport planning, policy and strategy</u>

Auckland Council is unique amongst regional and unitary councils in that it does not have a statutory approval role in developing and approving the RLTP, which sets the strategic direction and allocation of funding for transport in the region. This reflected a design choice to create a single entity that included RTC responsibilities charged with planning, securing funding, and delivery of transport infrastructure and services across political and annual budget funding cycles. The trade-off was a reduction in council's role. This means that, in Auckland, council's ability to put forward regional objectives and priorities is limited.

Therefore, a key aspect of the underlying theory of the CCO model and its rationale for Auckland – that it would, in principle, enable council to focus on policy and planning, and the CCO on operational delivery – is not reflected in this division of responsibilities.

Key mechanisms that were proposed by the Royal Commission to enable council direction (e.g. requiring that council approve the reginal transport plan, that the plan needed to be consistent with the Auckland Plan and that local councils control local roads) were not adopted. The ability for a Council Committee to "endorse" the RLTP has not really addressed this concern.

As such, council staff agree with the view of the 2020 CCO Review that the current allocation of responsibilities is wrong in principle.

c. <u>Joint management structures envisaged were not implemented.</u> The Commission noted the proposed joint management structures with the NZTA for national land transport funding and State Highways and with the NZ Railways Corporation for passenger rail, were 'key to success' of the CCO model. While a single transport agency has delivered a more regional approach to transport planning and investment, there is still fragmentation and many players in the system.

3. **Reduced democratic accountability has impacted on public and political confidence.** Public trust and confidence in AT are low, with only 29 percent of Aucklanders agreeing that AT listens and responds to Aucklanders needs (AT statement of intent performance measure). In addition, the Governing Body's average net satisfaction with the quality of advice from AT is lowest of CCOs (with 50 per cent), and satisfaction with AT engagement sits at 50 percent. Local Board members satisfaction is lower again (40 per cent). Members dissatisfaction with their ability to influence projects and discussions has increased significantly (from 36 per cent to 52 per cent between 20221 and 2023). These persistent perceived cultural issues within AT have led to criticisms by elected members that AT is obstructive, unresponsive and resistant to council oversight. The fact that elected members are not directly accountable for transport decisions and performance (which the public considers to be core to the

council's role), and/or have been able to deflect accountability to AT, has dented public confidence in AT and the effectiveness of Auckland's democracy.

There is low public awareness and understanding of the roles and responsibilities of the various transport agencies in Auckland. Public survey data from AT shows that the public treat the network as a whole and do not attribute problems to other agencies such as KiwiRail or NZTA.

4. **Progress on delivery of smaller local projects, but issues remain.** The CCO Review highlighted the significant public and local board frustration with how Auckland Transport carries out minor works e.g. crossings, footpaths, parking, bus stops and road improvements. Criticisms included AT being non or slow in responding, siloed in their responses and not "listening" to or prioritising concerns of local boards or public. Others have said that "AT listens, but there are just so many voices". Following the review, Auckland Transport implemented several business process improvements to speed up design and delivery of local projects. Additional funding has also been prioritised for community-initiated projects. Work was also undertaken to improve the approach to temporary traffic management, 'digging once' and integrating transport works with utilities where possible.

   However, there remains a high degree of community and elected member frustration over both these aspects suggesting that the issues identified in the review have not been fully addressed. Government policy position changes and reduced funding for the minor safety improvements and speed reduction programme, has contributed to these concerns.

   Notably, the Royal Commission recommended that the local councils retain responsibility for local roads that were not arterial. This reflected an attempt to strike a balance between allowing communities to control the smaller local road issues, while enabling an expert regional focus to the arterial system. This balance has still not been found.

5. **A more mature partnership between Auckland Council and Government and its agencies is required**. Council is advocating for reform that better reflects Council's democratic role in overseeing the transport system in Auckland and the Government's significant role and interest in Auckland's transport system. There are benefits to be gained from aligning priorities and planning, and both establishing and implementing a long-term integrated transport plan.

6. **Political oversight of land use and transport infrastructure planning and integration is not sufficient.** Land use and transport are interdependent, and decisions about transport have considerable influence on many other outcomes the city wants to achieve, including higher-density housing, resilience and stormwater management. For example AT's Supporting Growth Programme may have benefited from greater political oversight. Council staff consider that, more recently, the Programme should have been more integrated with council planning (financial, land-use and infrastructure delivery) and subject to greater political oversight, and that this greater oversight and integration would improve the robustness and quality of Auckland's future growth plans.

   AT's stance, provided in their feedback on the draft analysis, is that the programme has been subject to considerable engagement with council and consultation.

7. **Council has limited ability to determine the cost effectiveness of AT's service delivery.** The measures in the SOI are limited to percentage of capital expenditure spent. It is difficult to assess whether this spend delivers quality or timely investment.

Revenue from passenger transport farebox, parking and enforcement has declined more recently.

The analysis table at the end of this paper provides a high-level assessment of how the CCO model for Auckland Transport has delivered against the original transport problems identified by the Royal Commission and the problem statement outlined in the Mayor and Councillor direction to the Annual Plan 2025-2026. It also provides a summary of AT’s performance against SOI targets over the last five years.

Eke Panuku

Rationale for CCO model for Eke Panuku

Royal Commission recommended a waterfront and city centre agency, and consideration of an urban development agency

City centre and waterfront agency

The Royal Commission considered that a strong focus on the city centre and waterfront was key to the success of Auckland as an internationally attractive city, stating that the integration of the two areas was one of the most important issues facing Auckland. It noted that these two areas had been the subject of some renewal activity but in general were not well integrated, having multiple stakeholders and landowners, were run down and unattractive and that there was little public access to the waterfront. It also noted the significant opportunities and problems associated with critical transport linkages between the port, rail, airport and highway systems.[5]

The establishment of a City Centre and Waterfront Development Agency was seen as key to overcoming these issues, with the agency envisaged as being able to scale up by providing a combined delivery model with sufficient resources and expertise.

Consider an urban development agency

The Commission also recommended that the new council consider creating another urban development agency for Auckland, which would focus on sustainable urban development and housing projects across the region. It identified the following problems to address:

- capacity and capability in this specialised field were limited at all levels of government and the development industry
- limited alignment between national, regional, and local planning and implementation
- planning and private sector development constraints making it difficult to accumulate sites large enough for higher-quality, higher-density urban renewal
- lack of “start-up capital” for urban development projects before income is later generated from land sales
- poor examples of intensification and local resistance to significant change in communities.[6]

Commission did not specifically recommend a CCO for property management

With respect to the property function of council, the Commission identified efficiency gains that could be made from amalgamation, including unified back of house service functions for property and asset management and consolidated ICT functions for infrastructure and property management, and that property maintenance could be outsourced.[7] However it did not make an explicit recommendation for a CCO to be responsible for property management.

[5] Royal Commission on Auckland Governance (2009), Planning for Auckland (chapter 24) Page 384.
[6] Ibid. Page 529
[7] Ibid. Page 705.

Government Consideration

Government agreed to establish a Waterfront Agency, but did not agree to include the City Centre

In response to the Commission's recommendation, and the Auckland Transition Agency's advice, Cabinet agreed to establish the Auckland Waterfront Development Agency (AWDA) as a limited liability company with the objectives of:

- leading a strategic approach to development across the waterfront consistent with Auckland Council's vision
- developing property the AWDA owns or controls, consistent with council's vision
- acting in a commercial way to achieve development objectives, including investing in projects and places that secure high quality urban transformation outcomes.

And in line with its responsibilities, the following assets were transferred to AWDA:

- Auckland Regional Holdings Wynyard precinct property
- The assets of Sea+City Projects Ltd
- Auckland City Council waterfront assets, with the exception of roads and other transport assets
- Auckland Regional Council's part share in Queens wharf.[8]

This meant that AWDA was established with a clear mandate to own and control property to achieve council's objectives.

Property management – Auckland Council Property Limited

Noting the number of councils that had property CCOs, Cabinet also agreed to establish Auckland Council Property Ltd (**ACPL**) as a limited liability company with the objectives of:

- ensuring the efficient use of capital by Auckland Council 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.

The Auckland Transition Agency had advised that "the CCO model enables commercial expertise to be harnessed to identify opportunities to involve private sector capital where appropriate. It will encourage innovation to leverage from the delivery of the property aspects of transport and social infrastructure". The primary purpose of ACPL was to consolidate the existing property management CCOs and provide a consistent approach to commercial property management across the council portfolio. The property assets and liabilities of some entities transferred to ACPL (Waitakere Properties Ltd, Tomorrow's Manukau Property Ltd and its subsidiary TMPL (Flat Bush) Ltd), but others transferred to Auckland Council (North Shore City Holdings Ltd and Rodney Properties Ltd).[9]

Subsequent reviews and changes to Eke Panuku roles and responsibilities

[8] Cab Min (10) 24/8
[9] Ibid

CCO Review 2014 and formation of Eke Panuku

An outcome of the 2014 internal review of CCOs was the establishment of Eke Panuku through merging the functions of AWDA and ACPL.

With the development of its first spatial plan (Auckland Plan) and its Unitary Plan substantially complete, council had determined that the achievement of a quality compact urban form was the best way to accommodate future population growth and the best platform for increased productivity and economic growth.[10]

Throughout the review, council had been considering options for improving its capability and capacity to achieve urban development outcomes and minimise infrastructure costs. It focussed on improving its ability to partner with others to achieve brownfield redevelopment.

The Auckland Plan assumed a high level of future housing being provided within redeveloped and intensified town centres and outlined the important goals, including a focus on good design and increasing housing choice and supply, and improving housing affordability.

Having identified priority locations for growth, the rationale for the establishment of Eke Panuku by combining the skills in both AWDA and ACPL was to have a single dedicated agency to:

- increase redevelopment activity by reprioritisation of existing capital expenditure and productivity gains within existing operating expenditure
- create a lead agency to co-ordinate the council group activity in redevelopment locations.
- co-ordinate the investment of other parties in more locations e.g. developers and investors, the Crown and iwi
- masterplan locations and to co-ordinate, prioritise and sequence council group investment in these locations
- deliver brownfield land supply and intensified housing development
- advise council on the properties it held within redevelopment locations and the best use for them
- ensure better use of the complementary skills from Waterfront Auckland and ACPL so that this expertise could be brought to other locations in Auckland that needed attention
- realise savings associated with the lower remuneration of a single board and executive team
- focus on place-making with local communities to incorporate their ideas and acclimatise them to change.

At the time it was noted that "*the intent with the new entity is to bring together the commercial property and urban redevelopment skills of both legacy organisations to provide Auckland with a clearer focus on how it responds to the challenges and opportunities of a growing region.*"

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[10] It also is the most cost effective way to provide public infrastructure, especially transport infrastructure – enabling the best use of existing networks and minimising the need to build new assets.

Conclusions on performance of CCO model relating to Eke Panuku

Our initial analysis has led to the following conclusions with respect to Eke Panuku.

Urban regeneration

1. **Eke Panuku has made progress in some urban regeneration areas, particularly for the waterfront, and these generally enjoy significant community support in the areas that have benefited.**

   - The large-scale regeneration of Wynyard Quarter is progressing well and regarded as a successful example of inner-city regeneration. This has been supported by significant levels of public investment.
   - Sites have been aggregated for housing development in priority locations (e.g. Avondale and Northcote).
   - Several projects have been delivered to improve the urban amenity of areas, including provision of playgrounds and street improvements. These have generally been delivered to a very high standard and associated public investment.
   - Place making activities have taken place in town centres that were undergoing change that have helped communities accept urban regeneration. These activities are understood to be important, but must be of an appropriate scale and cost.
   - Progress with developing council land at Hobsonville Point has been slow and noticeably inferior to regeneration of land owned by the Crown. Eke Panuku note that part of the delay has been the intention of council to find commercial uses (marine and film sector) which were not found to be viable.
   - Eke Panuku notes that other benefits of its urban regeneration programmes include:
     - facilitating 2,304 dwellings to 1 August 2024 of a total of 12,000 new sustainable homes planned across the programmes.
     - mana whenua realising cultural and commercial opportunities. Mana whenua iwi are commercial partners in development opportunities in Avondale, Manukau, Papatoetoe. Māori design, art, placemaking, kaitiaki are evident in their projects expressing local history and cultural narratives.
     - demonstrating high quality intensification, sustainable building, supplier diversity.
     - supporting economic development by facilitating investment in new residential and commercial spaces, supporting business and employment growth and town centre vitality. Examples include MIT Manukau, Laidlaw College in Henderson; mall redevelopment and new supermarkets (Papatoetoe, Onehunga), food and beverage, hotels (WQ, Manukau), and medical services in Pukekohe.
   - Criticism has been levelled at Eke Panuku by local communities from time to time, but in general there has been strong local support and confidence for their work. Local concern is normal in redevelopment and can be especially pronounced where existing green space or carparking is altered.

2. **Delivery of urban regeneration via a CCO has enabled a focused and long-term view and commercial negotiations to be undertaken at arm's-length from elected members.** Eke Panuku has catalysed significant private sector, iwi and Crown investment into some priority growth locations. It is likely to be the case that it has benefited from being able to undertake these negotiations at arm's length from elected members and with a commercial focus, although these benefits are not fully realised where council maintains control of key decisions. Some degree of political involvement is also inevitable and may be helpful where politicians can channel investors and unsolicited bids to appropriately skilled staff. Feedback from developers about Eke Panuku is mixed, but this may be expected. Eke Panuku note that the CCO model for urban regeneration is common and proven.

3. **Eke Panuku cannot "provide Auckland with a clear focus on how it responds to the challenges or opportunities of growth" which is a core function of Auckland Council.** Despite statements at the time, Eke Panuku was never set up to "provide Auckland with a clear focus on how it responds to the challenges or opportunities of growth". Neither would that have been appropriate, given that is the core role of council that cannot be delegated to a CCO. There is a risk that the current model has not supported clarity of council's purpose in this regard.

4. **Eke Panuku is not set up to support larger scale urban regeneration.** <u>Eke Panuku lacks access to the critical success factors for large scale urban regeneration – which are significant land holdings, funding and planning tools</u>. Eke Panuku access to these tools has been limited, and this has impacted on the speed of urban regeneration achieved and its ability to support the region's sustainable growth in a significant way. It has also meant that, outside the waterfront, a significant focus for Eke Panuku is urban amenity projects which, while popular, duplicate activities undertaken elsewhere in the group (parks, events, transport improvements). Eke Panuku is not involved in the largest and most important regeneration activities underway in Auckland. Compared to international best practice, urban regeneration in Auckland has:

    a. <u>Broad focus.</u> The number of urban regeneration locations has expanded over time from 10 in 2015 to 17 in 2024, without any significant to increase in funding[11].

    b. <u>Lack of scale.</u> Eke Panuku has a large number of small-scale projects. The CCO Review recommended its scope to be more focused. Council has not adopted this approach and the major urban regeneration projects in Auckland are Kāinga Ora projects not Eke Panuku projects.

    c. <u>Constrained funding</u>. Despite the restoration of the $100 million strategic development funding in the long-term plan, urban regeneration will rely increasingly in the future on rates funding (as council land in these locations is sold). There is no clear analysis on whether this level or type of funding is sustainable or whether it will achieve the urban regeneration outcomes that council desires across the city. The CCO Review stated "if Council wants a redevelopment agency, it needs to fund it".

    d. <u>More limited tools available.</u> Many urban regeneration agencies internationally have statutory planning and compulsory acquisition powers. Eke Panuku has compulsory acquisition powers for urban renewal as a delegation from Council and, for example, has used them in Northcote. Arguably these powers should be exercised through direct political accountability.

[11] Note that the expansion of the programme has been at the request and / or agreed with council.

e. Lack of council policy resources on urban regeneration. As with Economic Development, Council has no subject matter experts to offer independent advice or set the strategic direction for urban regeneration activities. For example, Eke Panuku provides policy advice direct to elected members (e,g, endorsement of the city centre action plan).

f. Lack of clarity on employment and economic development outcomes. Council has not agreed expectations for how the goal of economic development could be achieved through urban regeneration. However, Eke Panuku note that they facilitate projects that create economic benefit, both direct and indirect. This includes enabling new commercial development in a number of locations as part of the urban regeneration plans including office and retail, supermarkets, hospitality, education and health services.

g. Unclear exit strategy. A better understanding of the completion of the current urban regeneration locations is required and how this is managed

5. **Development of the City Centre should be better coordinated and Eke Panuku's role is still not clear.** The Royal Commission noted the importance of linking the city centre and waterfront areas and recommended the establishment of a City Centre and Waterfront Development Agency. This agency was not established. There are multiple agencies involved in the City Centre and Eke Panuku has taken the role of "lead agency" to improve integration of planning and delivery across the council group and its partners. Eke Panuku has played an important and constructive role, including in supporting the City Centre Masterplan, but its role has not always been clear or fully supported by the Group. Where there are competing objectives, it is difficult for an arm's-length entity to take the lead and resolve issues. These matters often must come back to the council to address.

6. **Duplication of place activation across the council group.** Public space activation and programming (particularly in the city centre) is undertaken by multiple parties both inside and outside the council group, including Eke Panuku, Tātaki, and council's City Centre Programmes team. Further investigation of alignment and coordination opportunities is required.

Property management

7. **Success in bringing commercial focus to generating revenue from non-service property management and disposal, but inefficiencies in the process and the requirement for council approval reduces the benefits of the model.** The theory – from the ATA – was that a commercially focused CCO would be able to maximise return from non-service property and take advantage of opportunities for commercialisation. This has been experienced, where possible[12], but the requirement for council approval of many decisions has undermined the potential benefits of this model and can generate unnecessary "churn" in decisions[13]. Currently, the Eke Panuku board makes some decisions, but often the final decision-maker is council. This is an inefficient, costly and time-consuming process, and can result in changing requirements from council. The CCO Review 2020 considered that the responsibility

[12] Note that almost half of non-service properties are non-revenue generating.

[13] Note that that legal ownership of most non-service assets managed by Eke Panuku were transferred to Auckland Council in June 2019 (an exception being the waterfront properties). Auckland Council holds legal ownership of the relevant properties while Eke Panuku are given broad delegations to manage and develop them on council's behalf.

for identifying and deciding which non-service properties to sell should be brought into the council. This has not yet occurred.

Arguably the current model sits in a middle ground that is less efficient than either a properly empowered CCO or in-house provision.

8. **Council has not clarified its strategy for property.** Council has not delivered the property strategy recommended in the CCO Review 2020. Guidance on the balance between commercial return versus public good elements of property sales requires clarification. A review is now underway of property management and functions across the council group. Initial work has identified unclear governance, conflicting priorities, process inefficiencies and multiple disconnected plans across the different entities.

Marinas

9. **Eke Panuku has successfully managed the marinas.** As noted in the CCO Review 2020, there is a synergy between management of the marinas and waterfront regeneration. Whether this is still the case can be tested in the upcoming value for money (section 17A) review.

Organisational focus

10. **The merger has arguably diluted the intended focus of the legacy CCOs.** The merger of AWDA and ACPL resulted in a less clearly defined and articulated purpose for Eke Panuku which was highlighted in the CCO Review 2020. Its vision statement does not speak to is property function. The urban regeneration function has a higher profile within Eke Panuku than property management. There are skills that are shared between the functions, but we have not assessed the extent of the overlap/synergy.

The analysis table below provides a high-level assessment of how the CCO model for Eke Panuku has delivered against the original problems identified by the Royal Commission and the problem statement outlined in the Mayor and Councillor direction to the Annual Plan 2025-2026. It also provides a summary of Eke Panuku performance against SOI targets over the last five years.

Tātaki Auckland Unlimited

Rationale for CCO model for Tātaki Auckland Unlimited

Tātaki Auckland Unlimited (**Tātaki**) has three primary functions – economic development, destination and major events (through TAU Limited), and regional facilities (through TAU Trust). The Tātaki vision is "to enrich the cultural and economic life of Tāmaki Makaurau Auckland."

There are specific charitable purposes for which the regional facilities, other assets and funds of the Tātaki Trust are held (set out in the Trust Deed).

Royal Commission

The Royal Commission considered Auckland needed governance structures for economic development that can preserve and enhance local economic development activity that provides the foundation of Auckland's prosperity while minimising the fragmentation that currently undercuts the region's ability to perform nationally and internationally as an effective city-region. A coordinated approach was lacking in a number of areas such as regional branding and positioning on the international stage, a focal point for inward investment in Auckland and visitor strategy (among others).

The Commission recommended a regional economic development agency within council (not a CCO)

The Commission recommended the development of a regional economic development agency within the Auckland Council[14]. The agency would be responsible for developing a regional economic development plan (and an associated funding plan) to be approved by a committee of Auckland Council. Local economic development agencies would report to and be funded by the regional economic development agency.

The proposed regional economic development agency would hold a mandate to integrate economic development priorities into other areas of local government activity, such as infrastructure development, land use planning, consent processes, environmental management, culture and recreation, and social issues. This would involve close coordination with and providing strategic input to the relevant functional areas of the Auckland Council and the entities managing transportation services, urban development, city centre and waterfront development, and major events facilities.

The Commission provided less analysis and recommendations relating to arts, culture and recreation facilities than for economic development. It highlighted challenges with getting consensus on which regional activities were regionally significant and coordinating resources (including funding). The Auckland Regional Amenities Funding Act was highlighted as an example resulting from the difficulty of providing adequately for activities of regional significance in the absence of a regional strategy.

[14] Specific programmes of the regional economic development agency were to cover: international investment promotion, industry sector development, visitor promotion, regional branding, broadband, major strategic and practical involvement in catalyst projects e.g. Rugby World Cup, skills development, monitoring and advocacy. NB: events were not included in this mandate and were assumed to be in the scope of a potential major regional facilities agency.

The Commission recommended a CCO to operate regional arts, entertainment and major events facilities

The Commission considered the newly established Auckland Council would take a more strategic and coordinated approach to promoting diversity and funding and managing cultural activities, events and facilities than occurred under the legacy council structures. The Commission recommended Auckland Council should consider establishing a CCO to operate regional arts, entertainment and major events facilities. Little further detail was provided on the scope and nature of this CCO.

Government consideration

Auckland Tourism, Events and Economic Development Limited

On advice to Cabinet, Auckland Tourism, Events and Economic Development Limited (ATEED) was established at arm's-length rather than an agency within the council. It brought together existing agencies, as well as the preparations for the 2011 Rugby World Cup.

Cabinet explicitly included major events in its mandate, which was a departure from the Commission's proposal. There is no explicit rationale for this decision but the objectives for ATEED were outlined as:

- helping lift the Auckland region's economic wellbeing
- 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.

Regional Facilities Auckland

The eventual structure, composition, objectives of the proposed major regional facilities CCO was developed by the Auckland Transition Authority. The ATA highlighted the need for this entity to reduce duplication and underutilisation of a range of regional facilities.

Cabinet approved the establishment of Regional Facilities Auckland (RFA), a charitable trust with corporate trustee. RFA would hold and operate various major regional facilities, including significant cultural, heritage and leisure facilities, indoor venues and stadiums. Cabinet recognised some existing entities would likely remain in place for legal reasons or operational status and that RFA's role would be a strategic facilitation role in terms of operations and future investment.

The high level objectives of RFA proposed by ATA were:

- supporting Auckland's vision of a vibrant city that attracts world class events and promotes the social, economic, environmental and cultural wellbeing 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 the residents of the region and to visitors.

Cabinet added an additional objective being:

- 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.

Subsequent reviews and changes to Tātaki Auckland Unlimited roles and responsibilities

2011-2020 – integration of some entities with RFA

On establishment, RFA was transferred existing legacy council interests and contractual obligations of entities that were not integrated with RFA.

Over time, some of these entities have been fully integrated into the now Tātaki ownership and operation. This includes the New Zealand National Maritime Museum Trust (New Zealand Maritime Museum), North Shore City Performing Arts Centre Trust (Bruce Mason Centre) and the North Shore Domain and North Harbour Stadium Trust (North Harbour Stadium).

2014 – disestablishment of council's Economic Development team

An outcome of the 2014 internal review of council's CCOs, was the disestablishment of council's Economic Development team and the transfer of some staff and responsibilities from council to ATEED.

The view at that time was with the development of the Auckland Economic Development Strategy, the council should be more focussed on policy delivery. Staff focussed on local economic development, innovation and skills and employment were transferred to ATEED. The remaining staff were absorbed into the then Auckland Plan, Strategy and Research division. This meant that council no longer had any dedicated economic development strategy and policy capability.

2017 – first principles review

In 2017, at the request of the then newly elected Mayor, Phil Goff, ATEED undertook a First Principles Review of all its activities. In parallel, ATEED also participated in a wider Auckland Council Section 17A Value for Money Review of investment attractions and global partnerships and of communications and engagement. The review made several recommendations as to where activity should be focused and how they should be delivered. This included:

- maintaining a focus on innovation, business growth and jobs and skills
- developing a stronger spatial focus and leveraging the economic potential of infrastructure investment
- working more closely with the Auckland Council Group and anchor institutions to support local economic outcomes[15]
- promoting Auckland's economic narrative and global brand proposition and providing economic information and advice to improve decision-making

[15] Anchor institutions refers to large corporates, tertiary education institutions, health providers and government agencies are typically rooted in their local communities and can have a disproportionate effect on local economic outcomes.

- making interventions where justified, winding up or transferring programmes once they are complete or a better owner is identified.

2020 – independent panel review of Auckland's CCOs

Tātaki Auckland Unlimited was formed in 2020 following recommendations from the CCO Review. It resulted from the merger of ATEED and RFA (a charitable trust with a corporate trustee).

Key reasons for the merger of ATEED and RFA were to:

- bring together two entities with more similarities than differences
- produce economies of scale, cost savings and other tangible benefits
- be the first step towards the rationalisation process set in train by the local government reforms in 2010
- enable better accountability and monitoring by reducing the number of CCOs from five to four.

The independent panel noted the risk that the merged entity could focus too much on events at the expense of economic development. However, it was considered that this risk could be avoided with careful design.

The review noted economic development has many strands – apart from the activities to be within the newly formed Tātaki, council facilitates economic growth through land use planning and consenting, Eke Panuku through urban redevelopment, Auckland Transport and Watercare through the provision of infrastructure which aids growth and creates jobs.

The panel suggested council and all CCOs should together define the economic outcomes Auckland ought to strive for, and agree on how to measure and achieve them (including which council entities should champion local economic development).

The CCO Review 2020 also recommended joint management and operation of the city's four stadiums with Eden Park Trust and the integration of cultural institutions with Tātaki where the council is the legislative primary funder.

A lack of clear, quality and implementable strategic direction to CCOs was also highlighted in the review (economic development and stadiums were specifically called out).

2022 – transfer of Regional Business Partner activities

The Regional Business Partner (RBP) programme is a government funded gateway (through MBIE and Callaghan Innovation) that connects businesses to advice, people, funding and resources. After eleven years as the lead delivery partner for the RBP programme in Auckland, Tātaki decided not to tender and the Auckland Business Chamber picked up delivery of the programme in July 2022.

2023/2024 – Annual Budget decisions

Through the 2023/24 Annual Budget, major budget cuts were made to Tātaki ($34.5m) and full-time equivalent (FTE) roles decreased by 206. This includes 45 vacant FTE roles that were disestablished in June 2023 and 92 roles which were made redundant (26 of these were part-time).[16]

The savings target was to be achieved through a combination of service reductions, generating new or additional revenues, making more use of group shared services and other efficiency measures.

Conclusions on performance of CCOs model relating to Tātaki Auckland Unlimited

Our initial analysis has led to the following conclusions with respect to Tātaki Auckland Unlimited.

Merger of ATEED & RFA

1. **ATEED/RFA merger has been successful, as measured against its objectives.** Tātaki has made steady progress on the objectives from the merger, as measured against those objectives, which were:

    - bringing together two entities with more similarities than differences
    - produce economies of scale, cost savings and other tangible benefits
    - be the first step towards the rationalisation process set in train by the local government reforms in 2010
    - enable better accountability and monitoring by reducing the number of CCOs from five to four.

    Progress on the above four objectives is evidenced by:
    - successful merger of two separate entities and creation of a reasonably clear organisational purpose
    - enabling synergies and efficiencies by centralising functions (such as marketing and security) across venues and facilities, and utilising specialist technology, customer relationship management and ticketing tools to drive revenue growth
    - generating $5 million of efficiency savings in FY22, which was also incorporated into subsequent outyear budgets and ongoing
    - establishment of a citywide events calendar and digital shop front for promoting Auckland as a region (refer Discover Auckland website) for public facing content (the back end of this system assists event organisers in their planning).
    - commitment to council group shared services
    - a focus on reducing net cost of service for venues, facilities and functions and growth in share of operational costs funded through non-rates revenues
    - significant improvement in cultural facilities performance with record breaking attendances at Auckland Zoo (847,000 in FY24), and strong recent performance of Auckland Art Gallery, New Zealand Maritime Museum and stadiums, including in net promoter scores
    - performance better than pre-Covid levels for regional GDP from major events and business events attracted or supported and attributable value of private sector investment secured.

    It should also be noted that the merger took place during the COVID-19 pandemic, which pro-longed the process of bringing the new organisation together and realising benefits. Tātaki was significantly impacted by COVID-19 across all facets of its business, while

[16] Other employees were redeployed into vacant or new roles that were operationally necessary. The balance is roles that ended or vacancies in work that was reassessed, reduced or completed during the financial year.

concurrently being at the front-end of important COVID-19 recovery programmes for Auckland (such as Activate Tāmaki Makaurau, Reactivate Tāmaki Makaurau which was an intervention in partnership with central government).

There are several areas where arms-length governance and delivery have produced outcomes that may have been difficult to achieve from within council (noted below).

Major events, tourism and destination marketing

2. **CCO model has been useful in attracting private sector funding and partnerships to support major events, tourism and destination marketing.** There are several areas where arms-length governance and delivery have produced outcomes that may have been difficult to achieve from within council. The Destination Partnership Programme (DDP) is an example.[17] This was developed by Tātaki in partnership with industry as an interim solution to fund Auckland's tourism marketing and business event attraction in key markets. It also funds the Auckland Convention Bureau within Tātaki. It now has 129 financial partners with a funding value of $2.1m. It is unclear if these partners would have been as willing to contribute had this been led out of council, rather than by Tātaki as an arm's-length entity**.**

   Tātaki echo this in their feedback where they consider an important factor is the ability of Tātaki, as an entity operating at arms-length from council to access independent commercial funding for economic development, destination and major event activity, and sponsorship/grant funding for activity within the Tātaki Trust. Tātaki advise that its arms-length relationship to council has enabled a further $15.5m per annum in partner funding (sponsorships, grants, subsidies) for other Tataki activities.[18] Tātaki question the ability to retain and drive future revenue growth in these functions were moved to within council.

   Investment decisions in major events also benefit from a degree of independence from political decision-making. However, it is noted that as owner and operator of a range of venues (including stadiums) and supporter of major events delivered by third parties (through a range of mechanisms, including funding) there can be a perceived conflict of interest for Tātaki. While some major events are hosted in Tātaki venues, the focus of major events is the social and economic returns for Auckland (particularly GDP and visitor night contributions). Where there is a choice to be made, Tātaki advises through their feedback that decisions are based on "what is best for Auckland and Aucklanders", by working for the benefit of the region as a whole. There is no evidence to suggest that Tātaki prioritises its own venues in any funding allocation decisions and on balance it is considered this is not an issue that needs to be addressed through the CCO reform process. From an analysis of major event funding over the last three years (2022/23, 2023/24 and 2024/25) by venue, of the total investment in this period, 73 per cent was at non-Tātaki venues and locations.

3. **Lack of clarity of funding is impacting on ability to deliver destination and major events functions expected by stakeholders.** In their feedback, Tātaki agreed with this conclusion**.** There has been inconsistent political support and declining funding for

[17] Other examples include Go Media naming rights sponsorship of Mt Smart Stadium (extended for a further four years), sponsorship of major exhibitions and festivals such as the Guo Pei exhibition at the Auckland Art Gallery, QBE insurance sponsorship of Auckland Live for a further three years.
[18] Examples include: BNZ naming rights sponsor for Diwali Festival, Go Media naming rights sponsorship of Mt Smart Stadium, sponsors for all major exhibitions and festivals, QBE Insurance sponsorship of AucklandLive, grants funding for Auckland Town Hall concerts, Auckland Zoo community tickets and Pasifika and Lantern Festivals.

destination and major events activity. Funding has been provided via a range of mechanisms, including general rates, targeted rates and sector funding or support.

It was advised through the LTP 2024-2034 that without the introduction of a bed night visitor levy, council would face a budget gap for 2025/2026 for the funding of major events. Through the draft Mayoral and Council Direction to the Council group for the 2025/26 Annual Budget process, council has asked for advice and options on funding major events, destination marketing and visitor attraction.

The Destination 2025 strategy (developed by Tātaki in partnership with the industry) is due to be refreshed. Developed in 2018, this strategy has led to significant achievements including the digital shopfront for the region www.aucklandnz.com and localised destination management plans for Waiheke, Aotea/Great Barrier and Matakana.

Regional facilities

4. Limited progress has been made on integrating stadiums and cultural facilities, but headway has been made recently and has been supported by leadership from Tātaki and its arm's-length governance.

a. Cultural facilities

As noted above, there has been a significant improvement in cultural facilities performance with record breaking attendances at Auckland Zoo, and strong recent performance of Auckland Art Gallery, New Zealand Maritime Museum and stadiums. These services also enjoy high degrees of public support.

The ATA and CCO Review both considered that a dedicated CCO would help better integrate the region's cultural institutions where the council is the primary funder. The CCO review independent panel recommended council be the entity to explore with AWMM and MOTAT bringing them into the newly formed Tātaki and seek such legislative change as necessary.

Under separate pieces of legislation, AWMM, MOTAT and the Auckland Regional Amenities Funding Board can require funding contributions from council (by way of levy). These organisations are independent of council and operate under their own governance arrangements, making the pace of any change reliant on collaboration and goodwill.

While progress is slow, there is evidence of headway and this has been assisted by Tātaki. An early example was the successful integration of entities with the then-RFA, such as the New Zealand Maritime Museum (formerly the New Zealand National Maritime Museum Trust). This may not have been achieved via council.

More recently the Arts, Sports, Social, and Community Political Working Group was tasked with identifying ways to enhance the outcomes of council funding of the regional cultural organisations, including those which can levy the council, and to address longstanding issues with existing legislation governing the sector. Resolutions from the Governing Body (September 2024) endorsed a two-track approach to progressing enhanced collaboration amongst cultural sector organisations, with leadership by Tātaki (track one) and strategic legislative reform (track two).

In their feedback Tātaki state there are a number of issues being considered outside of the CCO reform process (of which the above is one), which is likely to have an impact on the best delivery model for the future.

b. Stadia

The independent panel for the CCO Review 2020 proposed joint management and operation of the city's four stadia with Eden Park Trust.

Eden Park Trust is an independent entity governed by the Eden Park Trust Board (established under the Eden Park Trust Act 1955). During 2021-2022, discussions on a single operator stadiums Auckland proposal were undertaken through an Independent Advisory Group (IAG) which comprised representatives from Tātaki and Eden Park Trust. However this has not continued further.

In mid 2023 the Stadiums Political Working Group progressed a 'main stadium' request for expressions of interest process. In May 2024 the Governing Body invited two participants (Eden Park Trust and Te Tōangaroa/ Quay Park) to provide council with feasibility studies to demonstrate their project's deliverability and relative merits and report back on progress.

Economic development

5. **The Tātaki Economic Development function is not as well-aligned to its other functions, and there is limited evidence it benefited from merger**. Major events and destination activities are closely aligned to regional facilities through a shared focus on marketing, promotion, visitor attraction, Discover Auckland, a coordinated citywide events calendar, Auckland Place brand and delivery of a strong events, exhibitions and experiences programme. But this alignment is not as strong for economic development. Tātaki in their feedback disagreed with this assessment and consider destination functions a branch of economic development and the two functions are well aligned and coordinated.

   The CCO Review noted economic development has many strands – apart from the activities within the newly formed Tātaki, council facilitates economic growth through land use planning and consenting, urban redevelopment, transport and water infrastructure which aid growth and creates jobs. Local boards and Business Improvement Districts (BIDs) also play an important role in economic development.

   A risk noted by the CCO Review was that the merged entity could focus too much on events at the expense of economic development. While these issues have been managed, we consider it is still valid. Stronger synergies and benefits appear to have been realised in other areas. The inclusion of economic development may also be reducing the clarity of its organisational purpose. Tātaki in their feedback also consider that budget cuts through the 2023/2024 Annual Budget process have diluted the focus that the organisation has been able to dedicate to the economic development function.

   Budget cuts referred to above have also resulted in reduced support and engagement for local board-led economic development by Tātaki. Local boards have decision making over local economic development and so support for this activity is now a gap for the council group. Tātaki in their feedback agreed with this conclusion.

6. **The current system has not resulted in clear and consistent strategic direction in the areas of economic development, arts and culture and stadiums – and the decisions to disestablish council's economic development function undermined this and were wrong in principle.** This means it is difficult to assess the effectiveness of Tātaki specifically in delivering against council's objectives, especially given council does not hold any dedicated economic strategy and policy capability (outside of the Chief Economist).

Tataki in their feedback agree there has been a long-standing lack of clear and consistent strategic direction provided by council in the areas of economic development, arts and culture and stadiums since its formation.

a. Economic development

In the area of economic development this is compounded by:

- a lack of explicit direction from council to Tātaki on its level of risk tolerance for the scale of certain interventions (e.g. taking operating leases) and the balance of activity and investments across particular sectors and industries, such as screen. This can result in exposure to financial and other risks without clear political direction and clarity on exit strategies.
- changing emphasis over time from ATEED to Tātaki in its identified sectors/industries of focus – which have previously included tourism, food and beverage, marine and high value manufacturing, and now focus on tourism, technology, screen and creative
- challenges in building a clear and agreed understanding of what economic development is amongst shareholders and stakeholders (which can impact trust and confidence)
- the council group is one actor in a wider economic development ecosystem comprising corporates, central government agencies, mana whenua, business representative bodies, tertiary institutions (among others).

While council did prepare and adopt an Auckland Council Economic Development Strategy (2012), this has expired. Post the 2020 CCO Review, a three-year Economic Development Action Plan was developed jointly between council and Tātaki, which concluded in 2024.

Building from the work on the Economic Development Action Plan and reflecting the current operational context, there is an opportunity for council to confirm what economic development means for the council group, the role(s) it will play and how it will assess the impact and cost effectiveness of the council group's interventions in this area. Tātaki in their feedback stated it would welcome the opportunity to work with council on this.

b. Stadia

The 2020 CCO review stated "the harsh economic reality is Auckland neither needs or can afford four stadiums." There is a continuing need for but absence of a clear stadium strategy/stadium investment plan which clarifies the future role, function and purpose of the venues in the network, and associated regional priorities for operating and capital expenditure (including for refurbishment or maintenance). Recent deliberations on North Harbour Stadium through the 2024-34 LTP process further highlighted this.

Council staff consider strong policy direction from council is required relating to stadiums to improve strategic alignment, and democratic and public accountability. It should be made clear that it is not Tataki's role to develop a stadium strategy in the absence of council decision. This requires council to develop the strategic direction and to set clear boundaries around decisions that will require council decisions or consultation.

In their feedback, Tataki agree that stronger policy direction from council to Tataki would help to improve strategic alignment and democratic accountability. Tataki consider council should develop clarity on the strategic direction it wants to follow in areas such as economic development, events and destination, including Auckland place branding and promotion, before it decides on the best model for delivery.

Cultural festivals

7. **There is some duplication of event delivery activity and an opportunity for greater alignment between Tātaki and Council events functions and across the group for activation functions.** Both Tātaki and council have events teams (as does Eke Panuku and AT to a lesser extent). The type of events, markets (international, domestic, city-region, local), content, funding sources, customers, stakeholders and strategic outcomes delivered vary between the teams. However, some of the skill sets and expertise (such as event operations and delivery) are common to both. Tātaki consider there is an opportunity for the council group to review and optimise its events activity more broadly.

   Common skill sets and expertise is particularly apparent in the area of cultural festival delivery. Tātaki delivers on behalf of council three cultural festivals (Lantern, Diwali and Pasifika). Council's events team delivers regional cultural events such as the Auckland Heritage Festival, CultureFest and World of Cultures. Tātaki advised through its feedback that there is merit in evaluating which event operations functions exist across council, which are essential to event delivery and which could be aggregated to best service Auckland and council group and enhance operational efficiencies.

   Please see page 20 in the Eke Panuku section on issues regarding the duplication of place activation across the council group (particularly in the city centre).

The analysis table below provides a high-level assessment of how the CCO model for Tātaki Auckland Unlimited has delivered against the original problems identified by the Royal Commission and the problem statement outlined in the Mayor and Councillor direction to the Annual Plan 2025-2026. It also provides a summary of Tātaki performance against SOI targets over the last three financial years since Tātaki was established.

Analysis tables

The following tables provide an assessment of how each CCO has delivered/performed against the expectations of the Royal Commission and the original problems identified by the Royal Commission and subsequently the problem statement as set out in the *Mayor and Councillors direction to the Annual Plan 2025-2026.*

Auckland Transport

Table 1: Assessment of Auckland Transport against the problem statement and rationale

Decision	Rationale or problem statement	Assessment
Creation of Auckland Transport, LGACA 2009	**Problem** • Slow and fragmented decision-making due to many disparate organisations **Rationale** Enable integrated decision-making on regionally significant issues New board would provide focussed, business-like approach, and reduce political interference Independent Board – 4-year term provides continuity beyond local electoral cycles	Regional transport decision-making has improved, especially for public transport initiatives. For e.g.: • initiatives like the AT Hop card roll out in 2012 would not have been possible, improvements to regional bus network, and AT mobile app. • CRL initiation, business case and support However, progress on smaller projects can be impacted by community and political processes. Resources have been more focused on transport delivery. Although there has been some criticism AT has not always been focused on council priorities (e.g. climate, alternative modes, local priorities). Limited progress on significant regional issues like second harbour crossing, light rail etc. In part due to changing political priorities. The model has not prevented this. AT board director term is three years, not four as proposed. Significant governance churn - four board chairs and 20 directors (including NZTA) since 2022. Longest tenure on the board currently is 18 months. Board focus on transport has allowed council to focus on other business but has also led to ‘surprises and decisions that do not reflect political direction.
	Problem • Duplication of functions **Rationale** A single agency was needed to balance the competing demand on transport resources and allocate resources where they are most needed	Simplified structure with one regional council and one transport CCO, as opposed to 7 local councils and one regional council. This structure has significantly reduced the duplication of functions that existed between the councils. The Group Shared Services model is addressing some duplication. Limited duplication in functions still exists between AT and council, (e.g. legal, bylaws, consenting).
	Problem • Lack of integration between transport modes **Rationale**	AT has operated an integrated system, especially on arterial roads. A network approach for public transport and road and on street management is evident. There are views that some modes have not been prioritised, and not enough has been made to leverage the opportunity afforded by

Decision	Rationale or problem statement	Assessment
	A single entity would provide the easiest way to ensure there was integrated planning for all modes	integration (i.e. slow to make progress on dynamic lanes, bus and cycle lanes). AT has adopted a refreshed approach for low-cost simplified cycleways and is now exploring dynamic lanes in response to clear directions from Council. Where alternative modes have been provided, these have been criticised as being 'gold plated' e.g. Grey Lynn/Meola Road cycleways. These projects include utility and wider benefits. Central and local government joint engagement has not been as proposed and although some successes were made with ATAP, AT has limited influence over rail infrastructure. AT is highly leveraged in a reputational sense. The performance of service providers impacts on AT's reputation (recent examples include signalling failures on the rail network, industrial disputes between bus drivers and NZ Bus).
	Problem • Lack of political oversight on integration of transport with land use planning **Rationale** Land use and transport are increasingly independent. The strategic planning responsibility for the integration of strategic planning for growth and transport should reside with the elected regional body.	Decisions about transport have considerable influence on many other outcomes the city wants to achieve, including higher-density housing, resilience and stormwater management. These decisions require political oversight. Decisions have not always been integrated with land use planning and growth. AT are required to consider the Auckland Plan, but the Governing Body does not approve or set the direction for the Regional Land Transport Strategy.
	Problem • Insufficient funding **Rationale** A focused CCO to consolidate funding and direct it to regional priorities, especially with regard to public transport. Decisions on large capital investment projects have long lead times and rely on a consistent approach between organisations and over time. The model should move to bulk funding or block funding.	The model has not fully addressed this issue. Auckland Transport's funding is derived from both Auckland Council and the government via NZTA. Depending on the government's priorities funding from NZTA to AT can vary between 44-60 percent. This can make planning and funding investment challenging. There is no long-term certainty in funding from the government or council. Project funding approval processes are bureaucratic, resource intensive and slow. NZTA processes mean a transport project can take anywhere from three months to two years to get through approval processes. In the cabinet papers, DIA/Treasury noted that elected members who are responsible for rating levels need to be clearly accountable for transport funding decisions. While Auckland Council sets the level of funding it does not have direct accountability for what projects and how transport funding is spent. This is often the responsibility of the AT Board.
2013 Land Transport Management Act amendments	**Problem**	Reduced democratic accountability for determining the region's transport planning. Auckland Council is the only local authority

Decision	Rationale or problem statement	Assessment
Section 15 (1) (cb) of the Local Government (Auckland Council) Act 2009 made it clear that the governing body had responsibility for setting the transport objectives and transport funding for Auckland, rather than Local Boards. The LTMAA repealed section 15(1) (cb)	• Government as funder sought greater alignment between regional plans and programmes with the GPS on Transport **Rationale** Changed the national land transport planning and funding framework and established a new policy framework for planning and contracting public transport The changes resulted in the Auckland Transport Board becoming the Regional Transport Committee for Auckland and Auckland Transport, not Auckland Council, producing the Regional Land Transport Strategy, which sets the objectives and targets for transport and a funded programme.	with no statutory role in developing transport strategy in its jurisdiction. CCO Review 2020 considered this amendment was wrong in principle and at odds with the intent of Auckland's local government reforms. Ministry of Transport staff at the time acknowledged that there was no policy intention to change the allocation of the Council's decision-making between the governing body and the local boards and that MoT will be seeking to rectify this as soon as it could. This never happened.[19] The SOI process is an important mechanism for council to influence the RLTP to ensure that it reflects council's requirements as a funder of the outcomes sought under the Auckland Plan.

Table 2: Auckland Transport performance by function against the Mayor and Councillor direction and problem statements

Measures	Draft analysis		
Public trust and confidence	• Public trust and confidence is low – 29 per cent agree that AT listens and responds to Aucklanders needs (SOI). This percentage does fluctuate on a quarterly basis dependent, in part, on external factors and the performance of other agencies (KiwiRail, NZTA) in the system. AT note that this metric has increased from 22 percent to 31 per cent in the first quarter of FY25. • However, satisfaction with public transport services remains high and stable, AT perform well in responding to formal complaints within 20 working days (and have a large volume of complaints). • Governing Body average net satisfaction with the quality of advice from AT is lowest of CCOs (with 50 per cent), satisfaction with AT engagement sits at 50 per cent. • Local Board satisfaction with engagement from AT has decreased, and an equal proportion of members (40 per cent) were satisfied and dissatisfied. Members' dissatisfaction with their ability to influence projects and discussions has significantly increased between 2021 and 2023 (from 36 to 52 per cent). • Culture – prolonged period of programmes to shift AT to a more customer-centric organisation. Expected changes do not appear to have manifested. Some improvement has occurred but a long way to go. Constant negative media attention (e.g. concern over bus driver/passenger safety, overnight parking in the city centre) does not help culture, public perception and can lead to defensive behaviours.		
	Roads and footpaths, including parking & enforcement	**Public transport services**	**Planning for the future transport system**
Strategic alignment	• GPS and Auckland Plan set high-level direction. • Long-term plan and Letter of Expectations provide more detail and AT responds in the SOI.	• Council provides input into Regional Passenger Transport Plan. The Plan is developed and approved by the AT Board.	• Key document is Future Development Strategy. • AT develops the RLTP and it is approved by the AT Board as the RTC. • Council endorses AT strategies

[19] https://infocouncil.aucklandcouncil.govt.nz/Open/2013/08/TRAN_07082013_AGN_AT.pdf

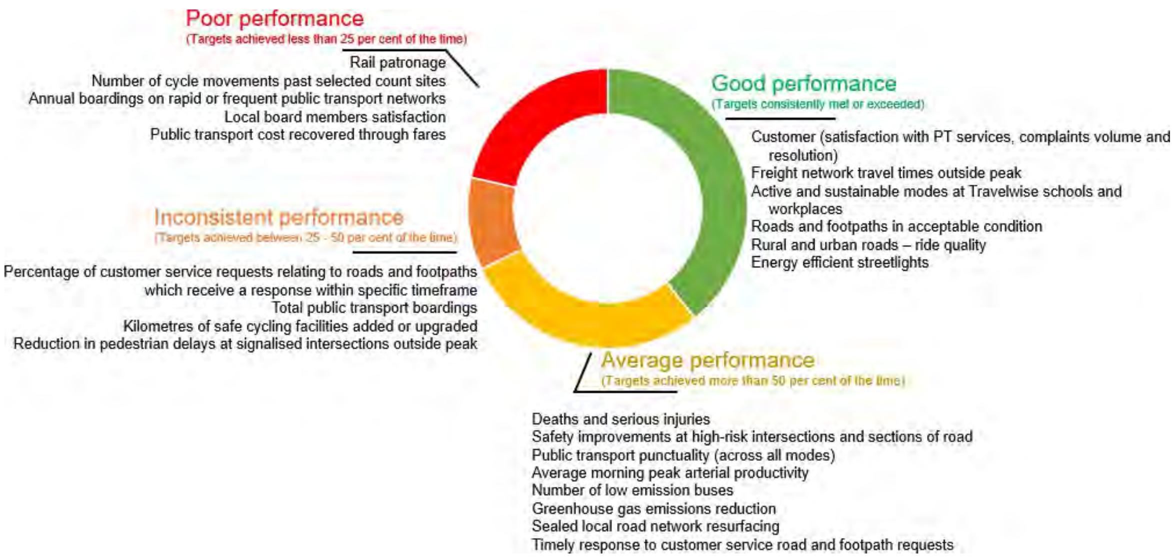
	• Council has visibility of significant/major roading projects. • Council sets the funding programme through the LTP. • Future Connect is meant to integrate the transport system. Council has limited oversight of this.		• Land use and transport planning, maintenance and renewals often undertaken in isolation. • Slow progress on transport emissions reductions. • Direction from government has changed and does not always align with Auckland Council's direction. • Supporting Growth programme has had limited oversight.
Democratic accountability * *Note this is assessed under current legislative framework*	• AT is accountable to Council via the SOI. • Council does not influence at the granular level, e.g. in town centres. • Tracking projects is limited, with limited visibility or continuity. • Local boards are consulted on projects/ programmes but do not make decisions or trade-offs. Just over half of local board members are dissatisfied with their level of influence. • AT relationship managers are appreciated, but under-resourced and variable service is provided in responding to elected members. Local board members consider they are often dismissive of their concerns. AT are working on new ways of local board engagement. • There has been a recent improvement with satisfaction increasing to 56 per cent in 2023/24 (SOI). This is an improvement from 41 per cent.	• Political decisions are not required on majority of public transport services. Although council did set direction on $50 weekly fare cap.	• The Regional Land Transport Strategy is developed by AT's Regional Transport Committee, not the Governing Body. • Two out of the eight board members are councillors (minority). • AT board committee work progammes have no public transparency.
Cost effectiveness	Limited ability to determine cost effectiveness, because: • Currently difficult to measure. AT only report on percentage of capital spend and spend (which has been consistently good: 99 per cent in 2023/24). Limited visibility on whether projects are completed on time, etc. A new capital performance	• Farebox recovery was 31% in 2023/24 (against target of 25%) and up from 22%. • Rail – track access and disruptions are reducing cost effectiveness of services. • No visibility of public transport contract performance – commercial in nature.	• No ability to measure. But have been cost savings across the business. • 2023/24 direct expenditure was $3 million favourable to budget with lower contractor-maintenance, public transport and personnel costs.

	measure is included in this year's SOI. • No visibility of performance of third party contracts. • Cost effectiveness and value for money is managed through a variety of internal processes, controls and governance structures. • Noticeable shortfall in parking and enforcement revenue. • Reasonably successful at attracting additional funding from government. • Small projects which may deliver benefits not funded or prioritised in the current system. • AT successfully delivered 99% of its capex investment in 2023-24.	• Public transport offers strong public good element, which is difficult to assess.	
Quality of services	• Statement of intent performance measures met 2023/24. • Improvements despite refreshed board, significant budget cuts and new CE and restructure management team. • Maintaining freight productivity and average number of people moving on arterial roads targets. • Maintained a high percentage of footpaths in acceptable condition; and timely responded to customer requests relating to footpaths and roads. • Road renewals and maintenance completed the largest renewal programme by length in 2023/24 since 2017/18 with almost 400 km of sealed roads, 46 km of unsealed roads strengthened, 60 km of footpaths and 48 km of kerb and channel. • Despite this, rural road standards, percentage of sealed road network resurfaced and percentage of key signalised intersections in urban centres where pedestrian delays are	• AT let down by KiwiRail maintenance issues, which impacts on rail service delivery and quality of service. • 2023/24 reliability results: bus 96.3 per cent, train 81 per cent and ferry 97.8 per cent. • 2023/24 punctuality results: bus 88.5 per cent, train 84.8 per cent and ferry 97.1 per cent. • Shortage of ferry and bus drivers were an issue, but this has been resolved and service delivery has improved. • Successful new initiatives, e.g. Western Express.	• Difficult to assess. • AT are adhering to the service level agreement with council to provide specialist input into resource consents, but AT are not yet meeting the agreed service level target.

	reduced during the interpeak period did not meet Long-term plan targets.		

Figure 1: Auckland Transport performance against SOI targets 2020-2024

Note, significant impact from Covid restrictions on public transport patronage and cycle movements.



Eke Panuku

Table 3: Assessment of Waterfront Auckland against the problem statement and rationale

<table>
<tr><th>Decision</th><th>Rationale or problem statement</th><th>Assessment</th></tr>
<tr><td rowspan="3">Establishment of Waterfront Auckland</td><td>Problem
The waterfront area has multiple parties in land ownership
Voluntary co-ordination efforts not sufficient scale
Lack of a combined delivery model or mechanism
Rationale
A single agency with overall land ownership and decision-making and to balance the competing priorities of different stakeholders</td><td rowspan="2">CCO Review 2014 assessment:
Waterfront Plan 2012 created to set vision and direction
Waterfront Auckland has delivered high quality public infrastructure
Only now (2014) starting to attract private sector investment
Noted waterfront development was already planned by legacy councils
In 2024:
Wynyard Quarter has been transformed by developing the commercial, residential and public spaces (working with Willis Bond, Precinct Properties).
It is a significant project, both in scale and funding (total funding of programme is anticipated to be $426 million, once finished)
Has a simplified ownership structure and delivery model
City Centre masterplan created in 2020, includes links to waterfront
Sustainable design focus, award winning development. Examples include Tank Park, Amey Daldy Park, Vos Shed, Westhaven Promenade, pile berths.
AC36 facilities management</td></tr>
<tr><td>Problem
The city centre is shabby and easy public access to the waterfront is sorely lacking
Urban design issues and need to improve the public realm and implement much better urban management of the city centre
Needs a masterplan to guide regeneration
Rationale
Agency with a sole focus on large-scale regeneration of the Waterfront.</td></tr>
<tr><td>Rationale
The Waterfront Marinas and associated development projects were included in Waterfront Auckland</td><td>Westhaven Marina has been redeveloped, including lengthy and popular board walk, reclamation, open green space and large floating berths (2010-2024)</td></tr>
</table>

Table 4: Assessment of Auckland Council Property Limited against the problem statement and rationale

<table>
<tr><th>Decision</th><th>Rationale or problem statement</th><th>Assessment</th></tr>
<tr><td rowspan="2">Creation of Auckland Council Property Limited</td><td>Rationale
Ensure an appropriate return on Auckland Council owned commercial property
Attract private sector collaboration in Auckland Council initiated property projects</td><td rowspan="2">CCO review 2014 noted that ACPL had identified and obtained approval to sell $100 million of property assets</td></tr>
<tr><td>Rationale
Consistent approach to commercial property management across the Auckland Council property portfolio</td></tr>
</table>

Table 5: Assessment of the Eke Panuku against the problem statement and rationale

Decision	Rationale or problem statement	Assessment
Creation of Eke Panuku Development Auckland Limited	**Problem** • The ability to masterplan locations and to co-ordinate, prioritise and sequence council group investment in these locations • The need for there to be a lead agency to co-ordinate the council group activity in redevelopment locations • Difficulties in aggregating significant areas of appropriately zoned land • Few developers with sufficient capital to undertake large scale master-planned projects • Long timeframes and costs to design, consent, deliver and sell projects, meaning high holding costs of development **Rationale** • Create a lead agency to co-ordinate the council group activity • Ability to deliver brown field land supply and intensified housing development locations • Need for timely provision of infrastructure, especially transport, water and wastewater assets	The number of urban regeneration locations has expanded over time from 10 in 2015 to 16 in 2024. Eke Panuku has a large number of projects each year, ranging in scale. Currently there are 149 active projects across the pipeline from inception to delivery. In the 2024-2027 SOI for 2024/25 there are 43 projects listed, including streetscape works, site sales for residential, commercial and mixed use development and public space upgrades. Big projects in the last couple of years include: • Popular Hayman Park playground in Manukau • Te Whaka oranga o Te Puhinui – including acquisition of 7.6-hectare site, enabling 3 km connection from Botanic Gardens to Hayman Park to support population growth. • Takapuna's new Waiwharariki Anzac Square • Te Ara Awataha, the new greenway in Northcote, which proved resilient managing stormwater in the 2023 severe weather events Eke Panuku has acquired property interests in a number of locations for urban regeneration purposes, for example: • the acquisition of all the Northcote town centre buildings, including use of the Public Works Act. The aim is to secure a development partner(s) to then buy the 3.13ha development block. • aggregating sites in Avondale for medium-scale housing development
	Problem • Difficulty securing finance for redevelopment projects **Rationale** • Increase in redevelopment activity to be gained by reprioritisation of existing capital expenditure and productivity gains within existing operating expenditure • The ability to co-ordinate the investment of other parties in more locations e.g. developers and investors, the Crown and iwi • To advise council on the properties it holds within redevelopment locations and the best use for them • Need to harness commercial expertise	
	Problem • Limited acceptance of change by local communities **Rationale** • Place-making with local communities to incorporate their ideas and acclimatise them to change	Urban regeneration programmes are sometimes controversial (for example the sale of the Anzac St site in Takapuna). It is expected that place-making activities have helped communities accept urban regeneration in other areas.
	Problem • Overlaps between Auckland Council Property Limited, Waterfront Auckland and Auckland Council in urban development. **Rationale** • Better use of the complementary skills from Waterfront Auckland and ACPL so that this	In the last five years, the property management function has: • made a total net surplus of $160 million on property managed on behalf of Auckland Council. • total sales of $282 million of properties the council no longer needs (2021-2024 only)

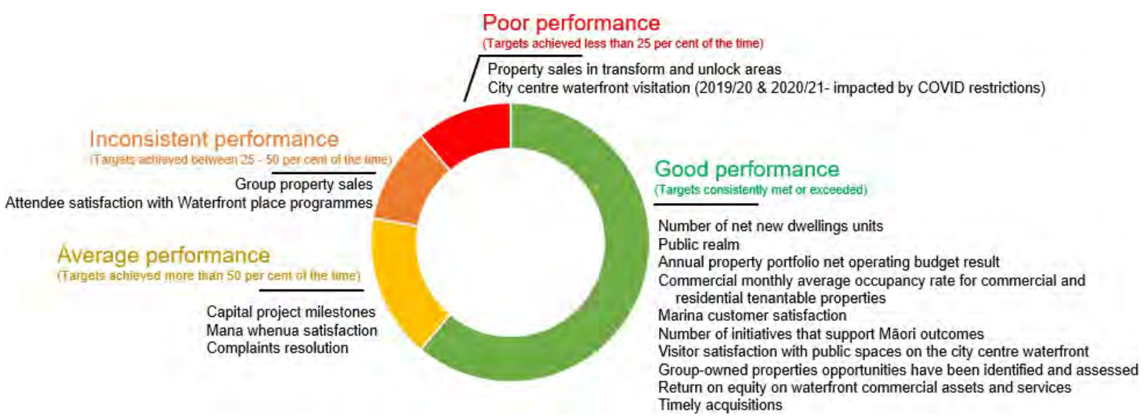
Decision	Rationale or problem statement	Assessment
	expertise could be brought to other locations in Auckland that needed attention	

Table 6: Eke Panuku performance by function against the Mayor and Councillor direction and problem statements

Measures	Draft analysis
Urban regeneration	
Public trust and confidence	• CCO review 2020 noted 'many of the public we spoke to, had little idea what Panuku did'. Sentiment also reflected in Eke Panuku stakeholder insights survey (Aug 2023, p173). • Community support for local regeneration programmes in the areas that have benefited (anecdotal). • Eke Panuku have an active communication and engagement plan (October 2023), annual stakeholder survey, quarterly reports on media stories.
Strategic alignment	• Without subject-matter expertise in council there has been limited discussion about other urban regeneration models, scale or opportunities for urban regeneration. • Council's experience of the CCO model has resulted in lack of sufficiently clear direction for Eke Panuku in urban regeneration. Each location has its own 'high-level project plan', with key projects and outcomes that are approved by council. However the associated costs are not agreed, and there is a limited view of the whole 16 programmes. • Council has asked for the vision and outcomes for each location to be revisited every five-years, but this has not been implemented (KPMG, March 2023). • Eke Panuku 'thriving town centre guidance' provides an overview of high-level outcomes for urban regeneration, but not how they make trade-offs between the outcomes. • Recommendation that council ensures a clear line of sight between its investment priorities and agreed outcomes, has not been implemented (KPMG, March 2023).
Democratic accountability	• Local board satisfaction with Eke Panuku is low, which is concerning given the local nature of urban regeneration programmes – engagement that reflects local board action plan was 37%, ability to influence Eke Panuku projects and decisions was 26%. • GB satisfaction with Eke Panuku is medium – satisfaction with engagement was 57%, satisfaction with quality of advice was 69%. • Many urban regeneration decisions are local in nature, local boards are consulted on projects/ programmes, they make some decisions, but not trade-offs. • Limited subject-matter expertise within council to monitor performance. • Unlike other CCOs, Eke Panuku writes decision-making reports for elected members. This is not good practice for an arm's length entity. • Because urban regeneration programmes are long-term, annual targets do not effectively measure outcomes (KPMG report March 2023). • Eke Panuku is responsive to the letter of expectations and shareholder feedback through the statement of intent process.
Cost effectiveness	Limited ability to judge cost effectiveness, because of: • medium-long term nature of programmes • lack of subject-matter expertise within council • programme costs (for each location) are not agreed by council. The Eke Panuku executive make decisions/ trade-offs on which capital projects to fund in any given year, which are then approved by their board.
Quality of services	• Statement of intent performance measures generally met, but limited subject-matter expertise to set targets or monitor performance. • As above, annual or quarterly targets are not always effective in managing medium-long term performance. • KPMG assessment of urban regeneration performance, in three locations found: o delivery of the Avondale and Manukau programmes are generally on track against the indicative timeframes.

	o Northcote is delayed due to challenges in acquiring multiple freehold and leasehold interests. This major milestone has now been largely achieved. o Eke Panuku has had a moderate to moderately high impact in urban regeneration areas. . Areas of lower impact are due to critical dependencies such as property acquisition (Northcote) and significant third-party projects (Avondale and Northcote). • Multiple awards for urban regeneration.
Property and marina management	
Public trust and confidence	• Political decisions are required on asset sales, can generate community opposition. • Marina customer satisfaction is consistently high (93 per cent satisfaction in 2023/24).
Strategic alignment	• Council does not have an overarching property strategy (see earlier points). • CCO Review 2020 recommended that identifying and deciding which non-service properties to sell should be brought into council (not yet happened). • Long-term plan 2024-2034 states that it is critical to get the best value from non-service assets in parallel to meeting future development objectives (p145).
Democratic accountability	• Political decisions are required on asset sales, often with community opposition. • Limited subject matter expertise within council to set asset sales targets or monitor performance. • Some political concern noted over specific property projects or deals, for example Civic Administration Building (CAB) or Wynyard Bridge. • Unlike other CCOs, Eke Panuku writes decision-making reports for elected members. Can be unclear whether impacts/ views of the council group are included.
Cost effectiveness	• Group property review is considering cost-effectiveness of property management across the council group. • Has been limited ability to judge cost effectiveness of Eke Panuku property management. • Differences in opinion between Eke Panuku and council around sufficiency of information provided.
Quality of services	Statement of intent targets generally met, specifically: • Annual property portfolio net operating budget agreed with council (all targets met for past five years). • Commercial and residential monthly average occupancy rate targets met (all targets met for last four years, all above 93 per cent) • Asset recycling targets met two of the three years of the measure. • Ongoing and impactful issues with Wynyard Bridge. • Marinas have won international awards.

Figure 2: Eke Panuku performance against SOI targets 2020-2024



Tataki Auckland Unlimited

Table 7: Assessment of ATEED against the problem statement and rationale

Decision	Rationale or problem statement	Assessment
Creation of Auckland Tourism, Events and Economic Development Limited	**Problem** • Fragmentation undercuts the region's ability to perform nationally and internationally • Lack of coordinated approach in areas such as regional branding, investment attraction and visitor strategy **Rationale** ATEED would: • Introduce a coordinated approach to sector and business development, events and tourism • Promote regional and local economic development • Provide effective interaction and collaboration with central government agencies • Partner with private sector • Develop a brand strategy	ATEED provided a coordinated approach and scaled up functions undertaken by previous local EDAs. Major host city programmes (including leverage and legacy activities) successfully delivered ATEED developed and managed the Auckland brand (and Brand Playbook) ATEED partners/ collaborates with a range of central government agencies and industries Local economic development activity provision has not met demand/ expectations from local boards

Table 8: Assessment of RFA against the problem statement and rationale

Decision	Rationale or problem statement	Assessment
Creation of Regional Facilities Auckland	**Problem statement** • Duplication and under-utilisation of a range of regional facilities, under a variety of structures • More strategic and coordinated approach needed to funding and managing cultural activities, events and facilities **Rationale** RFA would: • Achieve coordination and make better use of the facilities • Effectively and efficiently operate the facilities and plan for the future • Maintain collections to world class standards • Act as a regional voice for arts, culture, heritage, sport and entertainment issues • Grow the market for facilities through events strategy developed with ATEED • Encourage greater participation in cultural, heritage and arts activities	RFA was transferred existing legacy council interests and contractual obligations of entities not integrated with RFA. Over time, some of these entities were integrated into RFA ownership and operation; NZMM, Bruce Mason Centre and North Harbour Stadium. RFA attempts to establish a Stadium Strategy for the region were not successful.

Table 9: Tātaki Auckland Unlimited performance by function against the Mayor and Councillor direction and problem statements

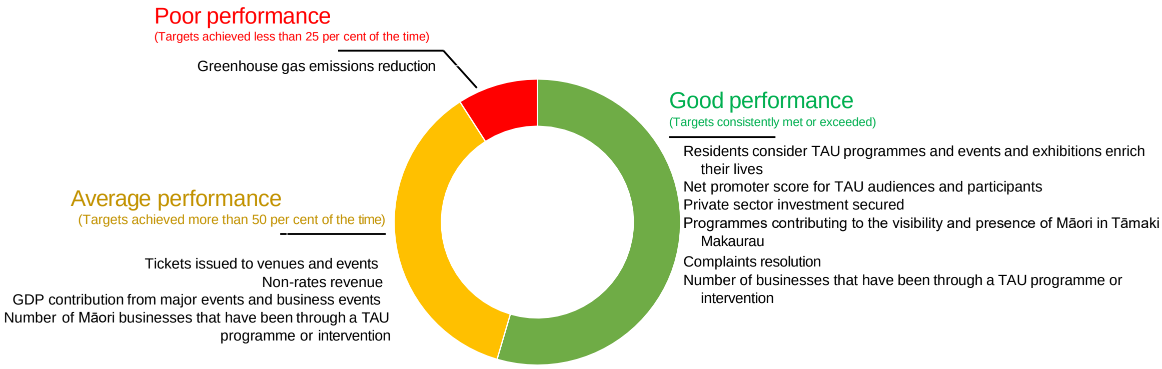
Measures	Draft analysis
Economic development	
Public trust and confidence	• Limited understanding of what Tātaki do in the area of economic development. • Not a service that targets the general public.

Measures	Draft analysis
	• Challenges in building a clear and agreed understanding of what economic development is amongst shareholders and stakeholders.
Strategic alignment	• Political decision making on economic development activity has been limited (with the exception of the Economic Development Strategy 2012 and Economic Development Action Plan 2021-2024). • Council's experience of the CCO model has resulted in lack of sufficiently clear direction for Tātaki to execute in the area of economic development. This is compounded by o A lack of explicit direction from council to Tātaki on its level of risk tolerance for certain interventions and the balance of activity and investments across particular sectors and industries o changing emphasis over time from ATEED to Tātaki in its identified sectors/industries of focus o challenges in building a clear and agreed understanding of what economic development is amongst shareholders and stakeholders o the council group is one actor in a wider economic development ecosystem • Local government has a statutory responsibility to promote economic wellbeing. • Tātaki have committed to Group Shared Services and already utilise Legal, Treasury and other functions.
Democratic accountability	• Overall, Tātaki is responsive to Letter of Expectations and requests in the SOI process. • Opportunity for council to confirm what economic development means for the council group, the role(s) it will play and how it will assess impact and cost effectiveness of the council group's interventions in this area. • Budget cuts in FY24 resulted in reduced support for and engagement with for local board-led economic development by Tātaki. Local boards have decision-making over local economic development so this activity is now a gap for the council group. • No economic development strategy and policy subject matter expertise (outside the Chief Economist) within council.
Cost effectiveness	• Cost effectiveness is difficult to measure given the council group is one actor in a wider economic development ecosystem. • Economic development budget was significantly reduced in FY24.
Quality of services	• Statement of Intent performance measures have generally been met (excluding the impacts of COVID-19). • Performance better than pre-Covid levels for attributable value of private sector investment secured.
Destination and Major events	
Public trust and confidence	• Has successfully attracted and supported a popular range of major events and successfully delivered cultural festivals in a challenging environment (e.g. COVID-19, weather events). • Overall, Aucklanders' perception is that tourism and visitation is good for the Auckland region. • Destination Partnership Programme - $2 million voluntarily provided from industry for promotion and marketing of Auckland. • Programmes, events and exhibitions perceived as enriching lives – 82 per cent support having a variety of appealing events, shows and attractions in Auckland. • No evidence to suggest Tātaki prioritises its own venues in any major event funding allocation decisions.
Strategic alignment	• Council has an outdated Events Policy. • The current Major Events Strategy 2018-2025 was developed by ATEED. It will need to be renewed to reflect the level of current funding Tātaki receives. ATEED also developed the DestinationAKL Plan in partnership with industry (which it is currently planning to review). • Political decision making has largely been focussed on approving strategies developed by Tātaki (e.g. DestinationAKL) and council teams (Events Policy) • Tātaki have committed to Group Shared Services and already utilise Legal, Treasury and other functions.
Democratic accountability	• Overall, Tātaki is responsive to Letter of Expectations and requests. • Limited subject matter expertise within council.

Measures	Draft analysis
	• Inconsistent political support and declining funding for destination and major events activity
Cost effectiveness	• Tātaki activities (major events and business events attracted or supported) contribute to regional GDP ($143 million, Q4, FY244I) • Activity currently attracts $2 million per annum in sector funding (via DPP) • Business cases for major events (FIFA WWC, Sail GP, ASB Classic) must have a positive economic benefit • Tātaki and council both have events teams, albeit with different areas of focus. However, some of the skills sets and expertise (such as event operations and delivery) are common.
Quality of services	• High level of customer satisfaction for delivered events/cultural festivals. • Performance better than pre-Covid levels for regional GDP from major events and business events attracted and supported. • Establishment of citywide events calendar has been a major step forward.
Regional Facilities	
Public trust and confidence	• Auckland Zoo, Art Gallery, Civic and Aotea Centre are trusted and loved facilities (over 80% of survey respondents agreed that these venues and events organised at that venue offered enriching life experiences for Aucklanders). • 81% agree that a thriving cultural sector is important to society and the economy.
Strategic alignment	• There is no effective strategic direction in terms of arts and culture. Toi Whitiki provides a very high-level vision for arts and culture in Auckland – implementation of this strategy has not been monitored. • There is a continuing need for but absence of a clear stadium strategy/stadium investment plan which clarifies the future role, function and purpose of the venues in the network, and associated regional priorities for operating and capital expenditure (including for refurbishment or maintenance). • Tātaki have committed to Group Shared Services and already utilise Legal, Treasury and other functions.
Democratic accountability	• Significant decisions relating to the network of regional facilities requires council approval. • Pace of change in the area of cultural facilities (with AWMM, MOTAT and ARAFA who operate independently under separate pieces of legislation) is reliant on collaboration and goodwill and leadership from council • Overall, Tātaki is responsive to Letter of Expectations and requests. • Limited subject matter expertise within council (for example around stadiums)
Cost effectiveness	• Net cost to serve for the different venues is reported on in quarterly reports. • A focus from Tātaki on reducing net cost of service for venues, facilities and functions. • Over half of trust operating expenses is funded through non-rates revenue (55% at Q4 FY24, previous years result was 51%). • Progress on the joint management and operation of the city's four stadiums with Eden Park Trust has been slower than anticipated.
Quality of services	• Tātaki receives high Net Promotor Scores for its regional facilities (Auckland Zoo 67, Art Gallery 55, NZMM 54 from Q4, FY24). • Surveys indicate Aucklanders value and are engaged with the arts. Tātaki 's activities support this engagement. • Significant improvement in cultural facilities performance with record breaking attendances at Auckland Zoo, and strong recent performance of Auckland Art Gallery, New Zealand Maritime Museum and stadiums. (2.09m ticketed attendees to Auckland Live, Auckland Zoo, Auckland Art Gallery, NZMM and Auckland Stadiums as at Q4 FY24.

Figure 3: Tātaki performance against SOI targets 2022-2024

Note: Performance against SOI targets since Tātaki was established, 2021/22, 2022/23, 2023/24.



Measures of TAU Trust

Appendix C: Options assessment

Request for advice

This Appendix contains analysis in response to specific requests for advice contained in the *Mayor and Councillor Direction to Council Group, September 2024* (**Direction Document, Appendix A**), relating to:

- Options assessment:
  - Identifying options for delivery of CCO functions, including (but not limited to):
    - options for moving CCO functions to Auckland Council; and
    - options that do not require structural change.
  - An assessment of the advantages and disadvantages of those options (including unintended consequences).
- Improvements to CCO oversight: an assessment of council's ability to improve the accountability and oversight of the CCOs, including the limitations of existing tools.

Structure of analysis

This analysis is structured as follows:

- General considerations that apply to the options analysis (e.g. general considerations that apply to bringing services in-house).
- For each CCO:
  - A function-by-function analysis, including:
    - Description of each function delivered by CCO, including its place within the broader Council Group.
    - Except in the case of AT, an options assessment for each function.
  - Analysis of options for CCO reform (taking a "whole of CCO" lens, rather than a function-by-function approach)
    - Identification of options, including those set out in the Direction Document.
    - Assessment against the problem definition / objectives.
- Options to improve CCO direction, oversight and accountability.
  - General accountability and oversight improvements
  - CCO specific accountability and oversight improvements

Note that the approach to AT differs slightly from that taken to Eke Panuku and Tātaki due to the fact that it is a statutory CCO and the relative scale of its functions.

Feedback from the CCOs is included verbatim in **Appendix E**.

General considerations for options analysis

CCO delivery has general advantages and disadvantages

As noted in the analysis in **Appendix B**, the CCO model has advantages, disadvantages and inherent tensions. These were canvassed in that paper and are not repeated here, but need to be considered as part of the analysis of specific options.

Whether a CCO model is the right choice depends on how these are weighed up and the level of confidence in the organisation's ability to realise the potential advantages while managing potential disadvantages in the chosen approach and for a particular function. The CCO model may be appropriate for the delivery of some services, but the wrong choice for others.

Generic factors can also be identified as tending to support a particular delivery model and are also canvassed in that paper. At a general level, **in-house delivery** may be more appropriate for functions if the following are emphasised:

- Democratic accountability and high levels of public interest.
- Political trade-offs required in decisions.
- Strategy and policy setting, including general taxation.
- Functions closely associated with council.
- Integration with other council functions and strengthening council's capability.
- General public interest objectives.
- Public service.

CCO delivery may be more appropriate where the following are emphasised:

- Specific service delivery or implementation benefiting from specialist governance expertise.
- Commercial and operational focus.
- Decision-making does not require democratic decision-making
- Clarity of purpose, and specific and measurable performance objectives
- Independence or non-political decision-making.
- Agility, innovation and risk taking (within an area of control).
- Ring-fenced funding.
- Robust accountability mechanisms.

General practical considerations associated with change

The following are other practical considerations that apply to the options. They are noted in the options analysis only where they are particularly relevant.

- <u>Cost and disruption associated with change</u>. Structural change will generally have the following implications:
  - Short-term disruption to staff and services while change occurs.
  - Short-term costs, including for redundancies and in establishing new structures (including opportunity costs in not pursuing other work).
  - Short-term focus of governance and executive required on change.
  - Risk of losing key staff who may not wish to move to the new structure.
  - Risk of losing key contracts or relationships (some of which may be commercial).

These costs can be mitigated to some extent through effective transition planning and are more apparent for some options than for others. The greater the scale and pace of change, the more they may be apparent.

- In-house provision may reduce some overhead costs, duplication and decision-making inefficiency. As noted in **Appendix B**, the CCO model has an overhead cost associated with it and entails a degree of duplication where functions overlap (e.g. matters needing to be considered by multiple boards/governing bodies and executive or other specialist teams). As such, disestablishing CCOs can be expected to reduce some of these costs, although the extent of these savings has been reduced by the Group Shared Services model. These possible savings have not been estimated.
- In-house provision may increase the size of the Auckland Council parent, and the scope of decisions for elected members and council executive. Moving services in-house will increase the overall headcount and breadth of activities of the Auckland Council parent organisation, which is already large and broad. This will increase the scope of decisions required by elected members (including the Governing Body and Local Boards) and the council executive, possibly requiring greater levels of delegation. This could be seen as both an advantage or disadvantage. Some concerns about elected member workload could be addressed by changes to the committee or organisational structure.
- Loss of governance expertise. Moving services in-house may result in the loss of a layer of independent governance expertise and advice. This might need to be replaced through other mechanisms, such as the use of advisory boards or external members on council committees.
- Structural change may disrupt culture / support change in culture. Structural change may disrupt the culture and ways of working of a CCO. This may have short-term costs as noted above, but may also have benefits if it is an objective.
- Cost of improving CCO policy direction and oversight. Where the CCO model is retained, there may also be costs associated with improving policy direction and oversight if that is the direction.

CCO and in-house delivery can take various forms

If a service is brought in-house, Auckland Council will need to consider a range of delivery models. These include:

- merging a function with an existing department or departments, or creating a new department or directorate;
- establishing a stand-alone business unit or internal agency;
- establishing new committees or advisory boards to oversee a function or certain decisions; or
- contracting-out some of the service under council oversight.

Similarly, CCO delivery has several variations which may be considered by council or the board of the CCO. For example, some CCO services may be delivered directly by CCO staff, or through contracts or partnerships. Another model is a CCO that does not have its own staff, but is instead supported by council staff (such is the case for the Auckland Future Fund).

Auckland Transport

AT is responsible for $28.8 billion of transport assets and currently has approximately 1,900 staff.

AT's functions are set out in legislation (s45, LGACA) and discussed in more detail below. Auckland is unique internationally in having almost all its transport functions undertaken by an arm's length entity. As transport is typically considered a core council / local authority function, with a strong public good element, the provision of transport services (except for public transport services) is typically in-house.

Auckland Council's role is to set the region's growth strategy and the direction for AT, appoint the AT Board and to monitor's AT's performance. The Council's transport strategy team has eight staff and the CCO governance team has 0.6 of an FTE focused on AT.[1]

Note on ability to implement AT options

A different approach is required to Auckland Transport (AT) than for Eke Panuku and Tātaki Auckland Unlimited. This reflects the statutory nature of AT, and the relative scale of its functions.

As AT is statutory entity, legislative change is required for the council to fully implement most of the options discussed below. The Direction Document nevertheless asked council staff to provide analysis on the advantages and disadvantages of these options, so this has been set out on the basis that legislative change would be possible.

This analysis is undertaken at a high level to enable the Governing Body to provide political direction about its preference. Council staff anticipate that, should the Governing Body wish to pursue any of the options that involve significant transfer of functions from AT to council, then legislative change would be sought. Further and more detailed analysis and advice would be provided once the scope of that change was understood.

Function-by-function analysis

This section summarises the functions currently delivered by Auckland Transport.

Roads and footpaths

AT plans, designs, builds, operates, and maintains the roads, cycleways, and footpaths. AT maintains and operates 7,810 kilometres of roads, 1150 bridges, 680 kilometres of shared paths, cycle paths and cycleways, and 7,700 kilometres of footpaths. AT can legally acquire property (for transport related purposes).

Auckland's roading network is integrated with State Highways, which the NZ Transport Agency (NZTA) owns and operates. As part of its monitoring of the operation and efficiency of the network, AT operates an integrated operations centre with KiwiRail, NZTA, the police and other emergency providers.

Funding for roads and footpaths is provided by both NZTA and the Council.

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[1] In contrast, the Ministry of Transport, which has similar functions to council has 147 staff in policy development (Ministry of Transport Annual Report 2023/24).

As noted earlier, Auckland is relatively unique in the world for having the planning, operation and maintenance of roads and footpaths being undertaken by an arms-length entity. The general rationale for delivering **roads and footpaths** via a CCO is the benefits of integrating it with **public transport** and given the scale and size of Auckland maintaining a focused, long-term view. Conversely, the rationale for delivering this function in-house could be to support integration with council's other growth and infrastructure planning functions (e.g. stormwater and engineering approvals). The roading network is Council's largest stormwater asset, and recent storm events demonstrate the need for the optimised planning and maintenance in this area.

Table 1: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/2025 **$000s**	**Roads and footpaths**
Direct operating revenue	$102,176
Capital expenditure	$595,150
Direct operating expenditure	$208,459
FTE	488

Public Transport

AT plans, manages, maintains and develops the Auckland public transport network, comprising the public transport rail network (rail track is owned and maintained by KiwiRail), bus system, ferries and projects to support the City Rail Link. AT holds a range of 'above track' assets including rolling stock and is responsible for the costs of Britomart and Mt Eden Stations. It has some ferry and bus related assets.

AT provides an integrated public transport ticketing system.

AT contracts with third parties to provide public transport services (Auckland One Rail for the rail network, and various bus and ferry companies). These leases cover vehicle lease costs, operating costs (fuel, road user charges, maintenance costs) and driver wages.

Over the 2023-24 year, there were 86.8 million public transport boardings.

Most international cities provide public transport services at arm's length, as this reduces jurisdictional boundary issues between local boroughs, councils, etc. While this is not the case for Auckland being a unitary authority, the expected benefit is in the synergies in managing the movement of people and goods on one integrated network.

Table 2: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/2025 **$000s**	**Public transport**
Direct operating revenue	$614,129

Capital expenditure	$852,986
Direct operating expenditure	$945,433
FTE	387

Parking and enforcement

The rules for road use and parking are mostly made at a national level, with some specific rules made for local conditions via bylaws. Council has delegated to AT the responsibility for managing and controlling off-street parking, including enforcement and setting the fees for parking.

Parking is a key tool in travel demand management, managing traffic flow, providing access to residences and businesses. It is important that parking strategy is integrated with other aspects of transport and land use planning. There are synergies with keeping parking management and operations with roading management and operations, especially as the city grows and demand for road space intensifies and optimising this space becomes more critical. Similarly, there may be synergies in integrating parking enforcement with enforcement functions within council.

This is a function that is traditionally delivered by in-house by councils, and there is no clear rational for why it should be delivered in a CCO, except for the synergies noted above.

Table 3: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/2025 $000s	Parking
Direct operating revenue	$129,805
Capital expenditure	$10,600
Direct operating expenditure	$46,915
FTE	244

Planning for the future transport system

In Auckland, direction setting, planning, investment and delivery for transport is the responsibility of several players (NZ Transport Agency, Ministry of Transport, KiwiRail Auckland Council and Auckland Transport). The result is an overly complex transport ecosystem, where Auckland has multiple sets of published transport priorities that do not align and lack democratic oversight.

AT and its Board are responsible for preparing and the adoption of the Regional Land Transport Plan for Auckland[2] and the Regional Public Transport Plan[3]. AT also develops

[2] LGACA, s45a
[3] LTMA ss119-129

other non-statutory plans such as Future Connect, the Roads and Streets Framework and Auckland Rapid Transit Pathway. AT has requiring authority powers under the RMA. AT have identified approximately 22 staff involved in the preparation of the RLTP. There are 47 FTES in the Strategy and Governance team. These staff are also responsible for board and enterprise governance, engagement with Council committees, delivering Māori outcomes and business planning and reporting. Some staff from other units may also be involved in this function.

Along with the policy functions, AT also includes the planning and implementation of urban and priority growth projects in this function, with $176.4 million of capital expenditure planned in FY 2024-25 (e.g. Drury local road improvements and Kainga Ora joint programme costs).The rationale for why this function should be delivered by a CCO, under the existing arrangements is the close connection between strategy, planning, funding and delivery of functions in Auckland, given the complexity of the transport environment. Conversely, the rationale for planning for the future of Auckland's transport system in-house recognises the importance of transport to a well-functioning and prosperous city and the need for a more holistic view of council's role in achieving this outcome.

Analysis of CCO reform options

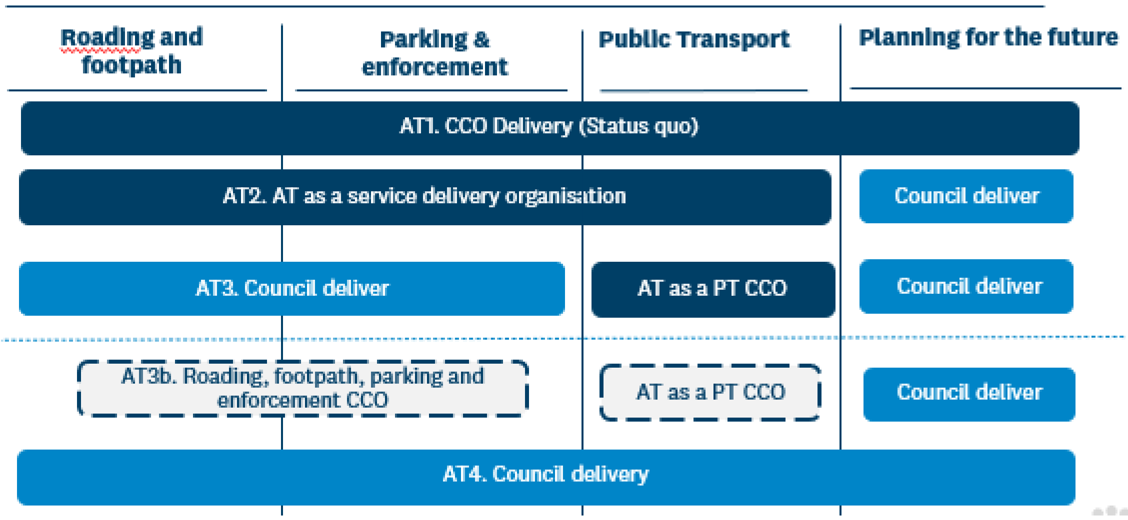
In the Direction Document, in addition to the status quo, three specific options were listed for advice. The options are:

- **AT1 - Status Quo**
- **AT 2 - Refocus Auckland Transport on delivery** by transferring strategy, policy and planning functions to Auckland Council (including Regional Land Transport Plan), and to integrate the enabling functions with the Group Shared Services model
- **AT 3 - Refocus Auckland Transport on public transport delivery** by transferring the functions noted above to Auckland Council, and the transport services including regional and local roads, footpaths, parking and cycling
- **AT 4 - Disestablish Auckland Transport** and deliver all functions via Auckland Council.

These options, when considered on a function-by-function basis, are depicted in the figure below.

There is another way of delivering option AT3 (option AT3b), which we have also considered in our analysis, where transport roading, footpath, parking and enforcement services are delivered by a separate CCO, in addition to the public transport CCO proposed in the Direction Document. Another iteration of this model is to assign strategic and primary arterials to the PT CCO and give it responsibility for planning and management of the traffic function on these roads (e.g. Transport for London). This option has not been assessed.

Figure 1: Organisational options



The following table provides a summary of the advantages and disadvantages of each of these options.

Table 4: Advantages/Disadvantages of options

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies / risks / achievability
AT 1. Status Quo	This option assumes no changes to the delivery of transport functions by Auckland Transport.	• A single entity with expertise and focus on transport system, may support coherent regional development of transport system • Specialist, professional governance– supporting decisions to be made without political or parochial considerations having too much influence, and with greater longevity • Economies of scale and a vertically integrated model	• Does not address the problem statements noted in earlier analysis • Insufficient democratic accountability for key planning decisions and strategy core to role of council • Does not support integration with land-use and financial planning, other infrastructure delivery, and urban regeneration outcomes • Tension between roles of council and CCO	• No change
AT 2. Refocus AT as service delivery CCO	Auckland Council would reset AT as a service delivery organisation. Functions to transfer to council • Key strategy, planning and policy functions associated with RLTP, APTP, rapid transit network and any other planning documents, pending further review, such as Future Connect and Road and Streets Framework (including the growth modelling team) • Shared services model – integrate enabling functions like legal services, risk, marketing	• Consistent with policy / operational division that underpins CCO model • Encourages elected member ownership of transport decisions • Supports strategic alignment Council benefits • Improves democratic accountability and more consistent with principles relating to democratic responsibility for major decisions • Improves role clarity and reduces tension about roles • Council is responsible for strategic planning and policy • Supports integration of transport planning with land-use and financial	• Planning and policy may become too separated from operational considerations • It may be important for some operational planning and strategy functions to remain with AT, and unclear where to draw the line. • Information asymmetry, with AT having all the operational knowledge and information • Loss in the 'natural tension' and challenge between Council and AT in policy development • Many issues with AT are operational in nature, and this option will not completely address that.	• Requires legislative change • Capacity and capability to deliver new function would be developed in Council. • Sequencing of any transition of functions and reducing impact on major project/ programme delivery will be critical. • Careful consideration will need to be given to split of marketing, promotion and communications from delivery

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies / risks / achievability
	Transport strategies and policies approval by Council Committee (already consider or endorse these). Functions delivered by AT • Public transport commercial and contract management, service planning and development, asset management planning, operations, growth and optimisation, maintenance, facility management • Active modes • Road maintenance and renewals, contract management • Parking and enforcement Note that, under this model, AT would need to retain some "operational" planning functions. The allocation of planning responsibilities would need to be worked out carefully with AT as part of the implementation plan. AT Board has a narrower role than currently.	planning & urban regeneration activities CCO benefits • Improved role clarity for AT • Retain synergies in transport delivery functions • Retains a board with commercial skills for the operational functions that are retained in AT • No impact on service delivery		
AT 3. Refocus AT on public transport delivery only	Under this option, AT would be reset as a public transport service delivery CCO. Functions to transfer to council • All strategy and planning functions associated with Regional Land Transport Plan, Public Transport	Council benefits • Integrates roading functions with wider council functions and objectives, some of which are strongly related such as stormwater and parks. Opportunities to have greater value for money with	• Potential for less integrated delivery of a multi-modal network as roads and public transport as now split between two organisations • Loss of operational focus and expertise in transport delivery particularly (i.e. diluted across other functions)	• Requires legislative change • AT Board is responsible for corporate and public transport delivery decisions. • Allocation model for local boards would need to be reviewed • Council committee (s) responsible for transport

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies / risks / achievability
(e.g. Brisbane, Vancouver, Seattle, Portland)	Plan, Rapid Transit Network and any other planning documents. • The growth modelling team • Road maintenance and renewals, contract management • Regional and local roads, footpaths and cycling. • Parking and enforcement • Some business support functions are integrated with the enabling functions of the Group Shared Services model The policy, planning, strategy functions. could transfer to Council's Policy, Planning and Governance division. New directorate could be established for roading and parking functions (approx. 800 FTEs) Local Board responsibilities, like those for Option 2 would also need to be considered. Functions to retain at AT • Public transport commercial and contract management, service planning and development, operations, growth and optimisation, maintenance, facility management • Some business support functions (community engagement, finance, IT)	integrated contracts and coordinate renewals • May provide synergies with engineering approvals, delivering infrastructure (paths & roads), enforcement synergies • Increases councils' capability in infrastructure delivery • Provides greater democratic accountability • Encourages elected member ownership of transport decisions • Supports strategic alignment • No dispute over who owns asset and is responsible for fixing them • Easier for customers to understand CCO benefits • Gives more singular/clearly defined purpose to CCO • Retains a board with commercial skills for the functions that are retained in AT • Board can protect the enduring nature of long-term investment decisions and PT service delivery	• Sequencing of any transition of functions and reducing impact on major project/ programme delivery will be critical. • Requires more significant restructuring of both AT/Council business • High level of disruption • Potentially slower decision-making.	strategies and roading, parking and enforcement decisions • Significantly increases GB decision-making workload • May raise questions around funding mechanisms • Cultural challenges in merger

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies / risks / achievability
3(b) PT CCO and a Roading CCO	Under this option, two CCOs would be established with one delivering PT as above and another delivering roading, footpath, parking and enforcement activities. Auckland Council would deliver functions as per option 3.	Council benefits • Council is responsible for strategic planning and policy CCO benefits • As per Option 3 above	• Increases complexity and fragmentation of transport delivery • As per 3 above	• Requires legislative change • Low achievability by 2025.
AT 4. AT is disestablished *AC delivers all transport functions*	This option assumes all transport functions transfer to Auckland Council. Local Boards' responsibilities would need to be considered as noted above. Delivery options include: • Establish a new dedicated directorate that is responsible for all transport functions (approx. 1,900 FTEs) • Transfer to the Policy, Planning and Governance division the policy, planning, strategy functions. Transfer roading and parking functions to new directorate. • Unresolved where PT would go • Restructure current council divisions to address size and scale and new functions.	• Strongest level of democratic control • Encourages elected member ownership of transport decisions • Strong strategic alignment • Retain ability for multi-modal planning and delivery • Reduced confusion for the public over transport roles and responsibilities	• Loss of focus on transport • Loss of specialist governance expertise • May result in reduction in levels of service during transition • Staff retention may be an issue • Perception of political interference • Adds to Auckland Council executive workload • Does not benefit from commercial disciplines and specialist expertise of professional directors • Scale and size of managing the transport system would be challenging for the Council to manage effectively • Counter to Royal Commission and CCO Review recommendations	• Requires legislative change • Council committee (s) responsible for transport strategies and roading, parking and enforcement decisions • Local boards could be delegated additional responsibilities • Removes AT Board • Significantly increases GB decision-making workload • Auckland Council would become very large organisation, and would require some consideration as to structure and scale

Assessment of options against problem statement

The previous analysis considered the benefits and disadvantages of each option. We have also assessed the options against:

- the problem statement in the *Mayor and Councillor's direction to the Annual Plan 2025-2026*
- the factors identified in the underlying rationale for arms-length delivery, for example: clarity of purpose, commercial and operational focus, specific service delivery or implementation benefitting from specialist governance expertise.

In doing so, we have considered whether the options would deliver a better, same, or worse outcome.

Generally, options AT2 and AT3, which transfer functions in-house improve democratic accountability, strategic alignment and also improve public trust and confidence. These options also simplify and clarify the purpose of AT and accord more strongly with the CCO model concept.

For option AT3b, we consider that the disadvantages of council being responsible for transport strategy, policy and planning and two CCOs separately delivering roading and public transport services outweigh the benefits. For this reason, we have not considered it further.

None of the options are considered likely to improve the quality of the services by themselves, although where there are opportunities to improve strategic direction this may lead to improvements over time.

For option AT4 we consider that there while there would be some improvement in strategic alignment and democratic accountability the size and scale of the shift in functions, combined with the already significant size of Auckland Council's operations mean that there may be some reduction in the quality of services offered, and consequently a flow on negative impact on public trust and confidence.

Eke Panuku

Eke Panuku Development Auckland (Eke Panuku) has three core functions – urban regeneration, property management and marina management.

Eke Panuku deliver 16 urban regeneration programmes across Tāmaki Makaurau / Auckland, with a focus on town centres and locations agreed with Auckland Council. The property portfolio managed by Eke Panuku includes $2.9 billion of council's non-service properties and they provide property-related services to the council group. Eke Panuku also manage three marinas in the city centre.

Function-by-function analysis

A different approach has been taken to assess Eke Panuku and Tātaki, than for Auckland Transport. This section summarises the delivery model options by function, and the advantages and disadvantages of these models. The functions considered are:

1. Urban regeneration
2. Property and marina management (together)

1. Urban regeneration

Urban regeneration is the process of revitalising and improving existing urban areas (brownfield land) to enhance their social, economic, cultural and environmental conditions. It is a key tool in achieving quality compact urban form and is place-based. The vision and goals for different urban areas will be place specific, but the individual projects together achieve multiple outcomes.

In the Auckland context the key regeneration activities are:

- **Crown / Council large-scale projects (LSPs**): Six large-scale projects being led and delivered by Kainga Ora and funded jointly by Crown and Council, centred in areas with significant Crown land-holdings. These projects are planned to see 40,000 houses built in neighbourhoods such as Tamaki, Mt Roskill, Drury and Mangere. They include the Tamaki regeneration project being led by the Tāmaki Regeneration Company owned by Crown and Council. Kainga Ora is currently facing a reset with uncertainty relating to the funding of future stages of its current programmes.
- **Auckland Waterfront / Wynyard Quarter development:** a large-scale regeneration of former Port land owned by Auckland Council, led by Eke Panuku.
- **Eke Panuku priority locations:** small to medium scale regeneration programmes in identified priority locations generally with significant council landholdings, including Northcote, Avondale and Panmure. These include agglomerating land, delivering key urban amenity improvements and selling land to developers subject to certain outcomes.
- **Other city centre, town-centre and urban amenity improvements:** funded by council or local business improvement districts, such as work in the city centre.

This analysis relates to the functions of Eke Panuku. Urban regeneration is also supported through key functions provided by council, especially spatial planning, land-use planning and the delivery of infrastructure (such as key transport infrastructure).

Urban regeneration is complex and time consuming. It involves working in an existing urban area where people already live and work. Typically, there is poor amenity, infrastructure deficits and sometimes contamination. The development economics for higher-density development is difficult in suburban areas. Land aggregation is often required to enable quality comprehensive redevelopment. Intervention may be required:

1. in tired town centres which are in decline with poor amenity, functionality and housing choices and where there is an opportunity to enable growth with access to good transport
2. where council owns unused and underutilised property that if redeveloped provides positive impetus for change that instils confidence, generates revenue and achieves strategic outcomes such as new housing and commercial development
3. to unlock development opportunities and attract investment through an agreed vision, consolidating development opportunities by aggregating sites and partnering with others, in many places it will not happen by itself.

While a significant partner, it can be difficult for the private sector to lead comprehensive brownfield redevelopment. As such urban regeneration requires an integrated and long-term "place-based" approach to preparing a plan, building stakeholder relationships, development of business case, delivery of infrastructure and buying, selling and consolidating land.

The general rationale for delivering **urban regeneration** via a CCO is the need for specialist board and staff expertise, focussed attention on complex and medium-long term programmes, and the benefits of independence in managing commercial deals. Conversely, the rationale for delivering urban regeneration in-house could be to support integration with council's other functions and the need for a more holistic view of council's role in achieving regeneration outcomes.

International models show other cities restructuring between in house delivery and decentralised arms-length delivery in search of the right balance between public accountability, integrated planning, community responsiveness, flexibility and agility and ability to partner with the private sector.

Table 5: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/2025 $000s	Urban regeneration
Direct operating revenue	1,789
Capital expenditure	90,400
Direct operating expenditure	20,733
FTE	143

Options for urban regeneration function

Table 8 is a summary of delivery options for urban regeneration, and their advantages and disadvantages:

- CCO delivery (status quo)
- Stand-alone waterfront [and city centre] agency (as a CCO)

- Multiple location-based urban regeneration agencies (CCOs)
- Delivery only urban regeneration agency
- In-house delivery – urban regeneration function/s delivered in house by council

Table 6: Advantages and disadvantages of options

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies / risks / achievability
Urban Regeneration Option 1 – CCO delivery				
Status quo (CCO delivery)	Eke Panuku deliver urban regeneration function/s in a single CCO.	• Focused and long-term view of delivery of urban regeneration programmes. • Expert governance with property and development skills, and a commercial, long-term view and delivery focus. • Commercial disciplines including negotiating development outcomes and managing relationship with developers. • May support retention of staff with stronger technical and industry knowledge. • Clear oversight via SOI process. • Independence from political intervention, once medium-long term direction and programme approved, may support confidence of commercial partners and reduce inappropriate lobbying. • People with skills and expertise in urban regeneration shared across projects and locations.	• Reduced democratic accountability and oversight. • May create a barrier to integration with other council regeneration activities – including large-scale projects, infrastructure delivery, planning and economic development – where skills and knowledge could be better shared. • Council parent requires expertise in urban regeneration, and may compete for talent and funding with CCO. • Duplicates activities of other parts of council group (e.g. playgrounds or street improvements) if asset owner does not have capacity to deliver. • Additional overheads by way of board costs.	n/a
Variations				
Stand-alone waterfront [and city centre] agency (as a CCO) **(e.g. Waterfront Auckland, South Bank Corporation, Brisbane)**	CCO entity responsible for decisions relating to waterfront and parts of the city centre. Role of the Waitemata Local Board would need to be identified under this model.	• Gives agency a singular / clearly defined purpose. • Provide clear focus on city centre and waterfront, reflecting their regional and national importance, noting that there are significant council landholdings and some significant future regeneration opportunities, such as in Midtown, Central Wharves and Quay Park. • Could support efforts to increase commercial activity and residential development in city centre. • Better co-ordination of council development of city centre and waterfront, including in managing disruption (co-ordination between component activities still required). • Reflects intent of Royal Commission recommendation.	• Some regeneration opportunities in city centre are on private land and so the opportunities may be limited. • May place too much focus on city centre, at the expense of other areas of Auckland. • Leads to duplication, with similar urban regeneration functions (in town centres) across different organisations. Having functions in one organisation allows greater co-ordination, efficiencies, and delivery focus. • Creates additional overheads by way of board, management structure etc, for one urban regeneration area.	City centre role would need to be a coordinating / lead-agency function. This would require cooperation from council group. Achievability by 1 July 2025 – medium, waterfront and city centre activities are relatively small but would require working through staff workloads.
Multiple location-based urban regeneration agencies (CCOs) **Sydney Australia[4]**	Multiple CCOs or council organisations responsible for urban regeneration in different geographic areas. (This is already the case in Auckland to some extent given Tamaki Regeneration Company, Kainga Ora (and formerly Hobsonville Land Company) and Eke Panuku are all delivering different urban regeneration projects. Opportunity for local boards to have a stronger governance mandate.	• Gives singular / clearly defined purpose for each agency. • Governance structures can be bespoke to specific outcomes and project. • Could provide greater connection to the relevant local board/s, ward councillors and communities • Enables boards to draw more on local energy and expertise.	• Multiple agencies with similar functions, leading to greater overhead and governance costs for multiple teams, duplicated functions and boards, business planning, reporting and performance monitoring. • Most current urban regeneration programmes would not warrant a single agency.	For smaller entities, organisations would need to be supported by a central council unit to enable economies of scale. Some small projects could be delivered directly by that central unit. Achievability by 1 July 2025 –Medium / low – take time to separate out functions Option has been dismissed in the past due to the increased costs and limited advantages
Delivery only urban regeneration agency	CCO responsible for delivery of urban regeneration functions.	• Improved role clarity. • Improved democratic accountability. • May support integration with other council regeneration activities.	• Less alignment between urban regeneration planning functions (e.g. master planning, development feasibility, placemaking) and delivery.	Council and CCO would need to work closely together and new processes established.

[4] The city of Sydney has several CCO's working in different locations, in addition to many urban regeneration projects carried out inhouse in the state department of Planning, Housing and Infrastructure. Examples of the arms'-length entities within Sydney are Barangaroo Delivery Agency and the Bradfield Development Agency (Western Sydney Aerotropolis)

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies / risks / achievability
Baltimore Development Corporation [5]	Auckland Council assumes the function to identify priority locations, plan regeneration activities and determine development outcomes. CCO focuses on delivery-only. Local boards could have a greater role in making decisions.	• May support council parent expertise in urban regeneration and delivery. • May reduce overlap where CCO is delivering similar projects in same area, given council could identify and commission projects.	• Potentially lacking in flexibility to respond to developers, if council has set unrealistic development outcomes not informed by delivery. • Would require Council to “negotiate” outcomes with CCO to some extent, which may add costs and time. • Increase in decision making by local boards may need increased advice from staff and advisors.	Achievability by 1 July 2025 – high.
Urban Regeneration Option 2 – In-house delivery				
In-house delivery Hobart, Tasmania Sydney, New South Wales **(hybrid of inhouse property and regeneration, also with a Stand-Alone Business Unit and an Arms’-Length entity**	Urban regeneration function/s delivered by in house by council. Delivery could be via: • An existing council department. • New council department or directorate. • Stand-alone business unit or internal agency. Governance could include: • Governing Body committee(s) (which may have external appointees) • Local boards • An advisory board Urban regeneration functions could be housed with other functions such as economic development.	• May provide greater democratic accountability • Council will have more control and transparency over urban regeneration functions. • May provide some limited financial savings. • Provides for greater integration/alignment with existing council functions relating to urban regeneration e.g. land use planning, consenting, infrastructure provision, economic development, BIDs etc. • Greater ability for elected members to influence and assist with negotiations. • Provides greater local democratic accountability as local boards would have decision-making over agreed local activities • Supports retention in council parent of expertise in urban regeneration and delivery.	• Less focus on urban regeneration programmes, given breadth of council functions and priorities, leading to slower rather than enhanced delivery (impacting current momentum). • May be less willingness from development sector to engage with council rather than arm’s-length entity. • Risk that political interference / lobbying of politicians could undermine confidence in longevity of deals and reduced certainty for the market. • May be harder to attract staff with appropriate commercial skillsets • Reduced governance skill in property and commercial disciplines. • Projects may lose focus among other council functions and implementation could be slowed further. • Increase in decision making by local boards will need an increase in support staff and advisors	Adds to governing body / local board decision-making workload. Will need to provide clarity on allocation of decision-making. Achievability by 1 July 2025 – medium. Risk in transferring functions in-house in terms of providing continuity. A new department or stand-alone business unit, is likely to have less impact on programme delivery than spreading functions across council.

[5] Baltimore Development Corporation does not have any planning powers or functions. It is both an economic development agency and an urban regeneration entity. It advises the Baltimore City Planning Department on areas that may benefit from redevelopment, but the City Planning Department makes decisions based on a comprehensive set of broader considerations.

2. Property and marina management

The council family owns, manages and facilitates the development of a significant asset portfolio, valued at around $70.4bn[6]. The portfolio requires ongoing property management throughout the lifecycle of the assets. These property functions are diverse across the council group and include managing:

- corporate accommodation, including workplace offices, facilities and storage
- reserves, libraries, sports facilities, parks and other service assets
- properties held for transport and water infrastructure and urban regeneration
- stadiums, the zoo, arenas, museums and events
- non-service properties that are not current being used to deliver services and being held for a future service use/public work or properties cannot be sold.

Across the council group, core property roles account for 362 FTEs, of which 67 are in Eke Panuku, 31 in council's corporate property team and196 are in council's Parks and Community Facilities department.

Eke Panuku provides property services to the council group, including managing $2.9 billion of council's non-service properties, land being held for future urban renewal and surplus land awaiting divestment. Activities include:

- property management, including commercial, industrial, long-term leases, marinas, forestry, quarries/landfill and residential leasing of property while it is held for a future service use
- facility and asset management to maintain properties to agreed service levels.
- Third party leases where council is the tenant
- acquisition and disposals as a shared service. This includes acquisitions of category 3 properties and property advice and expertise for the flood recovery programme
- Leading statutory processes on behalf of council to unlock land for disposal, development, optimisation and urban renewal.

Eke Panuku also manage three city centre marinas, which provide facilities for recreational boating, fishing, tourism, and the marine industry. Activities include leasing of berths, repair and renewal of assets and new developments.

[6] Data taken from PWC report for Property Review November 2023 and PWC Programme Plan for Group Property Function optimisation February 2024.

Table 7: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/2025 $000s	Property	Marina management
Direct operating revenue	44,855	22,109
Capital expenditure	8,510	-
Direct operating expenditure	29,737	11,624
FTE	55.5	34.1

Options for property management function

Table 10 is a summary of delivery options for property management, and an assessment of their advantages and disadvantages:

- CCO delivery (status quo)
- Stand-alone property agency
- Auckland Future Fund take over commercial non-service functions
- Property management function delivered within council

Table 8: Advantages and disadvantages of options

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies (and risks) / achievability
Property Management Option 1 – CCO delivery				
Status quo (CCO delivery) (Brisbane, Australia[7])	Some property management functions delivered by CCO. Service property functions and some non-service property functions are split across council group (including council, TAU, AT and Watercare).	• Expert governance with property and development skills, and a commercial, long-term view and delivery focus. • Enables a clear commercial focus to be brought to non-service property management and other property functions. • May be better positioned to leverage commercial opportunities, with stronger commercial focus and operational flexibility, and different risk appetite. • May support retention of staff with strong technical, commercial and industry knowledge • Enables commercial decisions to be made at arms length supporting impartiality and long-term decision making	• Property expertise within the Council Group is split-up between council and CCOs, which may not support benefits of being housed together. • A degree of duplication of property functions across the council group. • May reduce ability for integration with key service delivery areas and identification of creative opportunities to use property to deliver multiple outcomes. • Council may have less oversight and control over property decisions and less ability to direct CCOs to align with council priorities. • Higher average FTE cost in CCO model vs council. • Lack of transparency around asset sales may continue. • Inefficiencies in process between governing body and board decision-making where delegations are not in place. Asset sales are slowed due to split decision-making responsibilities between CCO boards and governing body.	Assumptions for all options (CCO or inhouse): • Development of a property framework and other improvements for effective management of the property function. • Council determine the asset sales pipeline recommendations. • Achievability by 1 July 2025 – n/a
Variations				
Stand-alone property agency (as a CCO) *Examples: previous Auckland Council Property Limited (ACPL), City of Stockholm[8].*	Non-service property and supporting property services moved to a single function CCO, focussed on getting commercial returns from non-service property management and property services to council group. Property services to the council group include acquisition, property management, and sale of properties.	• Entity has a single, clearly defined purpose. • Enables a clearer focus on property function, which may otherwise not receive same focus as urban regeneration. • Ability to reset focus and culture.	• Reduced economies of scale with other property functions. • Additional overhead and governance costs.	Achievability by 1 July 2025 – high
Auckland Future Fund take over commercial non-service functions (e.g. Copenhagen	Management of non-service properties that could deliver commercial returns, currently manged by Eke Panuku are moved to the Auckland Future Fund Trustee Limited (AFFTL). AFFTL could also manage disposal or development of property assets. AFFTL is a substantive CCO which manages the Auckland Future Fund (the Fund). The Fund is protected by way of a non-charitable trust (the Auckland Future Fund Trust), for which AFFTL is the corporate trustee. The purposes of the Fund are to:	• Provides particularly clear commercial focus. • Clarity about purpose for which property is held and of performance measurement. • Provides a mechanism to protect the real value of council's assets while making a strong financial return. • May provide economies of scale.	• Dilutes the investment management focus of the entity (even though both functions have a commercial focus). • Sale of non-commercial property needs to be approved by governing body creating duplication. • Not appropriate for property that does not have a commercial return or is being held for service in the short-term. • If income from disposal is kept in the AFF, then this would reduce ability to use proceeds to pay off debt or invest in infrastructure. • Costs associated with set up of function.	• Property expertise would be added to current staff and board. • A new property fund could be added to portfolio. • In any case, AFF could be used as a vehicle to transfer non-service property for disposal or the proceeds of that property. Achievability by 1 July 2025 is medium - it requires analysis of which properties to transfer.

[7] *Brisbane City Council manages public assets, including parks, community centres, and municipal buildings. Economic Development Queensland (EDQ) handles urban regeneration projects. BCC retains direct control of service properties, while EDQ manages development projects. South Bank Corporation is an arms'-length urban regeneration entity working in the former dockyards adjacent to the Brisbane CBD.*
[8] *Stockholm's Stadshus AB is owned by the City of Stockholm and delivers services including housing, school buildings, care homes, stadia and culture, port facilities, car parks, district heating, fibre networks, water and waste.*

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies (and risks) / achievability
City and Port Development Corporation[9] Brisbane Investment Corporation)	• Maintain or increase the real value of assets that are put into the Fund over time so they can continue to benefit future generations; and, • Provide a strong return to Auckland Council to fund services and infrastructure. Responsibility for non-service property functions could be transferred to this CCO, either under the existing AFF Trust or by an additional mandate to AFFTL, to ensure a similar commercial focus for this function. Some functions may be moved to council.			
Property Management Option 2 – In house delivery option				
Property management function delivered within council (e.g. City of Adelaide[10])	Non-service and general property management functions of Eke Panuku would transfer to council and be delivered in-house. Includes all property transactions, sales and acquisitions This could be in a council department, standalone business unit or via contract management. An internal advisory could be established to advise council on property transactions, such as the Enterprise Property Board hosted by the former ACC.	• Simplified group property operating model and reduced decision-making "churn" between CCO and council • Centralised decision-making and control over the function may improve level of council control and oversight • Support retention of people with strong property, technical and industry knowledge in same organisation • May support better integration of property data and systems across the council, leading to more effective performance tracking. • May support creative use of property to achieve multiple outcomes, including non-commercial community outcomes. • Better alignment with council service delivery owners.	• Less focus on property function, given breadth of council functions and priorities. • May be less willingness from development sector to engage with council rather than arms-length entity. Further testing of this assumption is needed. • May dilute commercial focus and result in greater confusion about the goals for specific property assets (e.g. council staff may be more likely to pursue multiple and non-commercial goals and be subject to community pressure).	• All options (CCO or in house) assume development of a property framework and other improvements for effective management of the property function. • Achievability by 1 July 2025 is high – Council has existing activities and supporting structures that could support the transition of non-service property to in-house.
Marina management				
The marina management function does not necessarily benefit from being in a CCO. However, given the nature of the work still to be completed in Wynyard Quarter and the waterfront more generally, the CCO review 2020 noted there is likely to be benefit to the marina function remaining in the same entity that manages the regeneration of the waterfront (economies of scope). This conclusion will be tested in the upcoming value for money (section 17A) review.				

[9] *Copenhagen City and Port Development Corporation, fully owned by the City of Copenhagen and the state of Denmark. Purpose is using the revenues of redevelopment to finance the construction of infrastructure*
[10] *City of Adelaide oversees public property management internally, including parks, community spaces, and commercial properties. The council has full control over strategic decisions and daily operations, ensuring that property management supports the city's long-term goals*

Analysis of CCO reform options

This section considers the options outlined in the Direction Document. This section also contains analysis on 'alternative delivery models to deliver urban regeneration, which may have a greater focus on economic growth and an enhanced role for local boards' which was also requested in the direction document. An analysis of the advantages and disadvantages of these options is provided below.

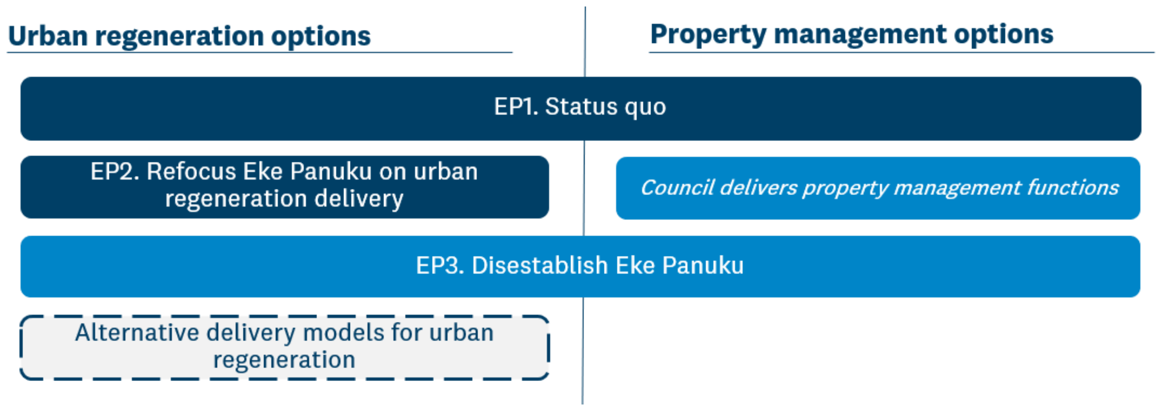
Identification of reform options

Building from the functional analysis in tables 8 and 10 above, there are three options for consideration to delivery Eke Panuku functions:

- **EP1. Status quo**: Eke Panuku deliver urban regeneration, property management and marina management functions.
- **EP2. Refocus Eke Panuku on urban regeneration delivery** by transferring strategy, policy, planning and property management functions to Auckland Council.
- **EP3. Disestablish Eke Panuku** and delivery all functions via Auckland Council.

These three options are depicted in the figure below.

Figure 2: Organisational options



EP1. Status quo

The status quo option is for Eke Panuku to continue (as a CCO) delivering urban regeneration, property and marina management functions.

Table 9 advantages and disadvantages of EP1. Status quo

Advantages	Disadvantages
• Focused and long-term view of delivery of urban regeneration programmes • Expert governance with property and development skills, and a commercial, long-term view and delivery focus • Commercial disciplines including negotiating development outcomes and managing relationship with developers • May support retention of staff with stronger technical and industry knowledge	• Reduced democratic accountability and oversight • Inefficiencies in decision-making • May create a barrier to integration with other council property and regeneration activities – where skills and knowledge could be better shared • Duplication of functions and activities of other parts of council group (urban regeneration and property) • Additional overheads by way of board costs

• Independence from political intervention, once medium-long term direction and programmes approved • May support confidence of commercial partners and reduce inappropriate lobbying • Operational flexibility and different risk appetite	

EP2: Refocus Eke Panuku on urban regeneration delivery

In this option, Eke Panuku would be responsible for delivery of urban regeneration programmes and projects only. Auckland Council would assume the function of identifying priority locations, plan regeneration activities and determine development outcomes.

Table 10: advantages and disadvantages of EP2: Refocus Eke Panuku on urban regeneration delivery

Advantages	Disadvantages
• Entity has a clearly defined purpose • Ability to reset focus and culture • Moving policy and planning activities to council, supports integration with policy functions in council • Improved democratic accountability • May support integration with other council regeneration activities and reduce overlap where CCO is delivering similar projects in same area, given council could identify and commission projects • May support council parent expertise in urban regeneration and delivery.	• Would require council to “negotiate” outcomes with CCO, could add costs, reduce flexibility • Care needed to ensure alignment between planning and delivery • Potentially lacking in flexibility to respond to developers, if council has set unrealistic development outcomes not informed by delivery • Increase in decision making by local boards may need additional advice from staff.

EP3. Disestablish Eke Panuku

This option is for urban regeneration, property management and marina management functions to all be delivered in-house by council.

Table 11: advantages and disadvantages of EP3: Disestablish Eke Panuku

Advantages	Disadvantages
• May provide greater democratic accountability, with greater control and transparency • Provides for greater integration/alignment with existing council functions relating to urban regeneration and property functions • Provides greater local democratic accountability as local boards would have decision-making over agreed local activities • Supports retention in council parent of urban regeneration and property expertise • Easier to simplify group property operating model, integrating systems and reduce decision-making “churn” • May provide some limited financial savings.	• Less focus on urban regeneration programmes (given breadth of council activities) leading to slower delivery • May be less willingness from development sector to engage with council rather than arm’s-length entity. • Risk that political interference could undermine confidence in longevity of deals and reduced certainty for the market. • May be harder to attract staff with appropriate commercial skillsets • Reduced governance skill in property and commercial disciplines. • May dilute commercial focus and result in greater confusion about the goals for specific property assets (e.g. council staff may be more likely to

	pursue multiple and non-commercial goals and be subject to community pressure).

If urban regeneration functions were moved to council, governance and decision-making responsibilities between the governing body and local boards would need to be considered. Current allocation of decision-making is listed in table 12 below. Increased decision-making by local boards may also require additional staff resourcing.

Table 12: Allocation of decision-making between Governing body and local boards on topics relating to urban regeneration

Governing body	Local boards
• Regional strategies, policies and plans (currently this includes high-level project plans for new urban regeneration areas). • Auckland-wide place-shaping activities, including regional leadership to create Auckland's identity. • Street environment and town centres strategy and policy, including the classification of town centres. • maintenance of, and improvements to, the local street environment and town centres that are within spatial priority areas as set out in the Future Development Strategy.	• Local place-shaping activities, including local leadership to create a local identity. • Local strategic visioning, policy making and planning within parameters set by regional strategies, policies and plans. • Maintenance of, and improvements to, the local street environment and town centres (excluding spatial priority areas as set out in the Future Development Strategy) within parameters set by the Governing Body. • Coordinating local events, including attraction, development, delivery and promotion. • Facilitating community-led placemaking and development initiatives.

Alternative delivery models to deliver urban regeneration

Alternative delivery models have been considered, which may have a greater focus on economic growth and provide an enhanced role for local boards. It is **recommended** that these options are considered further following decisions on organisational form as they can be delivered by a CCO or within council.

Urban regeneration programmes improve the economic, social, physical, and environmental conditions of an urban area. Programmes aim to enhance economic growth by creating thriving businesses, attracting investment, and generating jobs. Auckland Council could increase its focus on key intervention areas as set out in table 13 below.

There are opportunities for an enhanced role for local boards, to provide political leadership, ownership of decision-making and oversight. Options where local boards can have an enhanced role is set out in table 14.

Table 13: Options for urban regeneration to focus more on economic growth

Options	Initial analysis

Enhanced place management, involves a multifaceted approach to creating and maintaining attractive, functional, and vibrant urban spaces. This may include place and visitor marketing, events, graffiti, crime and litter control. Potentially partnering with local business improvement districts (BIDs).	Much of the work involved is business-as-usual. Increased resources and funding (or prioritisation of existing resources) is the key factor in implementing enhanced placed management.
Collaborative developments – this involve a systematic approach to engage property owners in an urban area to understanding the potential for redevelopment and aligning their interests with the city's vision and regeneration objectives.	A development advisory activity needs to take place over many years, can be time and resource intensive. Results are likely to be variable and the value of intervention difficult to measure.
Increased acquisition and consolidation of land to create large-scale opportunities for developers, which can include using compulsory acquisition powers. This is an existing activity available to council and delegated to Eke Panuku in their priority location areas. An example is the consolidation of commercial land in the Northcote town centre (by Eke Panuku).	Increasing this activity would require significant additional funding for land purchases. Also further analysis / planning and engagement with development sector to identify opportunities. The uncertain property market creates a high-degree of risk for this activity.
Attracting new businesses and industry as part of urban development initiatives that are place-based – for example the Te Puna creative sector in Henderson. These usually involve medium-long term engagement with the relevant sector.	Engagement with the sector would need to be done by people with relevant experience, requires staff resourcing. Results are likely to be variable as they rely on sector people open to opportunities proposed.

Table 14: Enhanced role for local boards in urban regeneration

Option	Analysis
Greater local board decision-making over council group urban regeneration programmes, projects and funding in their local board area.	This option will be more applicable where urban regeneration functions are delivered by council. Further analysis is need on how budgets (currently allocated annually by Eke Panuku) could be distributed across the relevant local boards. Not all local boards are currently part of urban regeneration programmes.
Local board **decision-making on place-making** budgets and activities. This is currently undertaken by multiple parties, inside and outside the council group.	Further investigation of alignment and co-ordination activities is required, co-ordination through local board work programmes, could be an option here.
Enhanced champion role promoting urban regeneration activity and engaging with stakeholders. For example a local board spokesperson being involved in all media communications for local projects.	Option is reasonably easy to implement, could be discussed further with local boards. This would be more meaningful if it was tied to greater local board decision-making.
Further integration of local projects – additional local board and business improvement district	The more empowered local boards work is considering a wider use of targeted rates and other financial levers including giving local boards the opportunity to adjust levels of service or

funded projects to local urban regeneration programmes.	provision standards. This could include local boards funding urban regeneration projects.

Assessment of options against problem statement

The previous analysis considered the benefits and disadvantages of three options: EP1. status quo, EP2. Refocus Eke Panuku on urban regeneration delivery and EP3. Disestablish Eke Panuku. We have also assessed these options against:

- the problem statement in the Mayor and Councillor’s direction to the Annual Plan 2025-2026
- the factors identified in the underlying rationale for arms-length delivery, for example: clarity of purpose, commercial and operational focus, specific service delivery or implementation benefitting from specialist governance expertise.

In undertaking this analysis we have considered whether the options would deliver a better, same, or worse outcome than the status quo.

Generally options EP2 and EP3, which transfer functions in-house would be expected to improve democratic accountability, with additional decision-making by the governing body and local boards.

Strategic alignment is also improved in these options, with Eke Panuku policy and planning expertise moving to council, allowing greater integration with other policy functions (including transport and infrastructure planning).

As service levels will remain the same, it is not expected that the two options would improve quality of the services or cost effectiveness. There may be less duplicated activities, however there may also be additional resources needed to support increased local board decision-making.

Tātaki Auckland Unlimited

Tātaki Auckland Unlimited (Tātaki) has three primary functions – economic development, destination and major events (through Tātaki Limited) and regional facilities (through Tātaki Trust). There are specific charitable purposes for which the regional facilities, other assets and fund of the Tātaki Trust are held (set out in the Trust Deed). Tātaki is responsible for $2.3 billion of assets (across both the company and trust).

Tātaki also has a number of services which operate on a shared services based across the organisation including marketing and communications, people and capability, finance, digital and Māori outcomes.

Function-by-function analysis

This section summarises delivery model options by function, and the advantages and disadvantages of these models. The functions considered are:

1. economic development
2. destination and major events
3. regional facilities.

1. Economic development

Economic development within the council group has many strands. Council facilitates economic growth through land use planning and consenting functions, Eke Panuku through urban redevelopment, Auckland Transport and Watercare through the provision of infrastructure which aids growth and creates jobs. Local Boards and Business Improvement Districts (BIDs) also play an important role.

The council group is one actor in a wider economic development ecosystem comprising corporates, central government agencies, mana whenua, business representative bodies and tertiary institutions (amongst others).

Tātaki functions include providing economic intelligence, work across council family to support key economic place-based developments; lead delivery of Tech Tamaki Makaurau strategy, operate GridAKL innovation network[11]; lead place-based precinct delivery to support growth of regional creative economy (Te Puna Creative Innovation Quarter); attract screen productions to Auckland, facilitate permitting, convene Screen Taskforce; operate Kumeu Film Studios and Auckland Film Studios, attract and retain business, talent and foreign direct investment into key Auckland sectors; lead the climate innovation hub Climate Connect Aotearoa and implement the Tātaki Climate Change and Environment Strategic Plan.

[1111] GridAKL Startup and Scaleup Hubs, Te Ngahere/GridMNK, Reservice and Click Studios.

Table 15: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/25 $000s	Economic development
Direct operating revenue	18,156
Capital expenditure	2,000
Direct operating expenditure	27,898
FTE[12]	56

Options for economic development function

Table 15 is a summary of delivery options for economic development and an assessment of their advantages and disadvantages:

- CCO delivery (status quo)
- Stand-alone economic development agency (as a CCO)
- Independent economic development agency
- Economic development function delivered within council

[12] FTEs include an allocation of shared services including finance, people and capability, digital, marketing and communications etc.

Table 16: Advantages and disadvantages of options

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions constraints / dependencies / risks/ achievability by 1 July 2025
CCO delivery (status quo)	Some economic development activity delivered by CCO. Governance of function is a CCO board/independent entity responsibility.	• Operational flexibility/agility required to pursue partnerships • Benefits from commercial disciplines and specialist expertise of professional directors • Supports model in which intervention provided is temporary and can help avoid expectations of ongoing council role • May support retention of staff with strong technical and industry knowledge (can also be achieved in-house) • May benefit from being grouped with destination marketing/major events, which also have specific economic goals • Could maintain willingness to engage from private sector/other partners • Maintains platform for recent successful performance e.g. SOI KPI in the attributable value of private sector investment secured. • Auckland 'A' brand owner and key users located within a single entity supports coordinated use	• Less democratic accountability • May not support greater integration/alignment with existing council functions relating to economic development e.g. land use planning, consenting, infrastructure provision, BIDs etc • Council does not have in-house economic development strategy and policy capability to provide direction to Tātaki • Unclear if achieves sufficient economies of scale • Unclear to what extent there are synergies with destination marketing, • Council has less oversight and control over economic development decisions (including potential risks)	N/A
Stand-alone economic development agency (as a CCO), excludes destination, major events and regional facilities functions (e.g. Barcelona Activa, Spain)	This option assumes all current economic development functions of Tātaki would be delivered by a CCO (governance by CCO board) and would not include destination and major event and regional facilities functions. To make this option successful, council would also need to confirm what economic development means for the council group, the role(s) it will play and provide explicit direction on its level of risk tolerance for the scale of certain interventions.	• Gives singular/clearly defined purpose	• Currently council lacks clarity about what it would be seeking to achieve through a separate economic development agency • Reduces economies of scale • Reduces synergies with tourism promotion • Auckland 'A' brand owner and key users located in different entities may dilute/fragment its impact and limit coordination	• Assumes alignment to/integration with other CCO or council functions is not necessary • Assumes group shared services programme progresses at pace Achievability by 1 July 2025 - High
Independent economic development agency (e.g. Priority One – Western Bay of Plenty)	This option is based on some or all current economic development functions of Tātaki would be delivered by an organisation or company that is not a CCO and not part of the council group. There are options where for example Council could be a partner/minority shareholder and funder amongst other industry/trade bodies, business representative organisations, major employers and tertiary institutions. For example, the Committee for Auckland, Auckland Chamber of Commerce. Governance of the function would be shared amongst the partners. Some functions that are not appropriate for this model could be transferred to council or stay with a CCO.	• Potentially reduces governance and funding burden on council • Could be appropriate for "business support" type functions • Involves a wide range of sector players, reflecting wider ecosystem • Accountability could be through contract for services • Enables private sector to exercise greater leadership	• Risks of diluting focus • Some business support functions have already been transferred to private parties • May not be appropriate for all existing economic development functions provided by Tātaki • Reduced council ability to control outcomes • May not maintain a balanced portfolio of activity over time – but rather reflect the priorities of others involved • Requires more monitoring and specifying if council is providing funding	• Risks of reduced/varying commitment from partners • Assumes clarity and agreement on objectives from all parties • Council would no longer deliver economic development functions (it would be through a contract for service with the independent agency) • Assumes there is sufficient interest and scale in the wider/ private sector to achieve this Achievability by 1 July 2025 - Low/Medium – subject to sector/industry commitment

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions constraints / dependencies / risks/ achievability by 1 July 2025
Economic development function delivered within council (e.g. Greater Manchester Combined Authority – United Kingdom)	Delivery of economic development function in-house, with governance by the council's Governing Body and Local Boards. There are a range of in-house delivery options which include through a council department or stand-alone business unit (SABU) or agency within council. Governing Body is responsible for: • regional economic development strategy and policy (such as BID policy, EDAP[13], investment framework) and; • Auckland-wide economic development programmes and initiatives, including regional business events, and branding and marketing for the city centre, metropolitan centre and spatial priority areas as set out in the Future Development Strategy. Local Boards are responsible for local economic development activities. Governing Body would assume the current Tātaki responsibilities for major events, tourism, visitor centres and business attraction and development. [14] Some form of advisory board could be established, or a GB committee with external members (as recommended by the Royal Commission) Could merge the economic development function with the urban regeneration function	• May provide greater democratic accountability • Provides for greater integration/alignment with existing council functions relating to economic development e.g. land use planning, consenting, infrastructure provision, BIDs, CSI etc • Could provide greater economies of scale • Council has greater oversight and control over economic development decisions (including potential risks) • Improve council's internal capability • May provide some limited financial savings • Elected members (LBs and GB) could exercise greater leadership in articulating plan for economic development in local areas and the region • Reflects intent of Royal Commission recommendations (economic development as agency within Council)	• Less operational flexibility/agility • Does not benefit from commercial disciplines and specialist expertise of professional directors • May be less willingness from private sector/other partners (e.g. screen) to engage with council rather than arm's-length entity, given the potential for political interference in decisions and deals (even once negotiations are concluded) • May be harder to attract staff with appropriate skillsets • May disrupt existing relationships	• Assumes this function can be accommodated within an existing council directorate(s) • Council assumes roles across the full value chain (strategize, plan, regulate, fund, deliver and monitor) • Assumes council takes on Tataki leases associated with economic development (e.g. GridAKL, Te Puna) • Assumes group shared services programme progresses at pace Achievability by 1 July 2025 - Medium/High - economic development is relatively small function. However, there would be some disruption.

[13] This three-year plan will be retired as it expires in 2024.
[14] Section 3.5 of 2024-2034 Long-term Plan: Decision-Making Responsibilities of Auckland Council's Governing Body and local boards

2. Destination and major events

The council group is one actor in a wider destination and events ecosystem comprising corporate/private sector partners, central government agencies, mana whenua, sector/industry bodies, community groups, tourism operators, event promoters, organisers, and sponsors (amongst others).

Destination

Tātaki destination functions include: developing domestic and offshore campaigns with the Destination Partnership Programme[15] (DPP) and other partners; coordinating regional and subregional destination marketing across council group; working with partners to develop regional and local destination management plans; working with the sector on sustainable development of Auckland as visitor destination.

These functions utilise the Auckland Place brand, represented by the Auckland 'A' or 'host city' logo.

The destination function is generally recognised as requiring a balance of funding by ratepayers and by the sector which benefits from tourism and visitors (which has been secured by Tātaki through the DPP and may not have been possible from within council).

In their feedback, Tātaki note that a number of issues being considered outside of the CCO reform process (including the future funding model for destination and major events activity) which are likely to have an impact on the best delivery model for the future.

Events

Destination activity is largely confined to Tātaki within the council group (except for some small Local Board initiatives). However, there are other parties involved in events across the group. Council's events team facilitates, delivers in partnership and directly delivers local and regional events. Public space activation and programming (particularly in the city centre) is undertaken by multiple parties both inside and outside the council group, including Eke Panuku, Tātaki and council's City Centre Programmes team.

Tātaki events functions include: – delivering three cultural festivals (Diwali, Lantern, Pasifika) and Moana Ocean Festival; attracting, supporting, facilitating, funding and sponsoring major sporting, culture and entertainment events (to attract visitors and spend into Auckland); working with partners to attract significant business event activity to Auckland (including conferences, conventions and incentive activity). These functions also utilise the Auckland Place brand.

An identified area of some duplication is in the event delivery of the three cultural festivals by Tātaki (which is a subset of its major events function) and the delivery of other regional festivals/events by council's events team, and as such the consolidation of Tātaki's cultural festival delivery with others (either in-house or CCO) is specifically identified as an option for change in the table below.

The Tātaki-delivered festivals are ratepayer funded (albeit with sponsorship and commercial revenues to offset this cost) which are free to attend and targeted at Aucklanders. They

[15] This was developed by Tātaki in partnership with industry as an interim solution to fund Auckland's tourism marketing and business event attraction in key markets. It also funds the Auckland Convention Bureau within Tataki. It now has 129 financial partners with a funding value of $2.1m.

attract between 31,000 to 110,000 attendees.[16] They may not fit as well with the rest of Tātaki's destination and major events function, which are generally directed at events attracting paying visitors.

Council's Events team delivers regional festivals/events which include the Auckland Heritage Festival, CultureFest and World of Cultures. They are fully ratepayer funded, free to attend and attract between 15,000 and 47,695 attendees[17] (the latter being across 70-plus events).

It is recommended that this issue be considered further following wider decisions on where the destination and major events functions should be delivered.

Regardless, there may be wider opportunities for greater alignment, leverage and coordination between the Tātaki and Council Events teams in areas such as marketing and communication, tools, systems, programming and resources.

In their feedback, Tātaki note it has a proven ability to horizontally integrate a wide variety of activity and events across Auckland to maximise the value of Aucklanders for these events. Tātaki states that if it were involved in delivering a much broader range of events on behalf of the council family, it could further leverage its expertise, scale and private sector relationships for enhanced outcomes for the region.

Context

The Auckland Council Events Policy (2011) sets out three categories of events; local, regional and major. Decision-making on events is set out in Section 3.5 of 2024-2034 Long-term Plan: Decision-Making Responsibilities of Auckland Council's Governing Body and local boards.

Tātaki's major events and business events teams are part of the Destination function and comprise 34 FTE.[18] Acquisition of creative and commercial content and programming of live performance events and conference and business event content into Auckland Live venues occurs through the regional facilities function and team. Broadly the focus of the major and business events teams are events that relate to contribution to regional GDP (e.g. via temporarily increased spending in the hospitality sector), visitor nights generated (and associated tourism opportunities), as well as a contribution to the vibrancy of the region.

Council's Events team are part of the Community Wellbeing Department and comprise a total of 20 FTE and a further 13 FTE for event permitting on public open space or council owned land[19]. The team delivers regional and local board events, including those that may have a civic function e.g. Anzac Day services, citizenship ceremonies. The vast majority of the team's event delivery programme is focussed on local boards.

Broadly the focus of this team is events relating to community belonging and participation, social cohesion, Auckland and its peoples, civic pride and commemorative occasions.

[16] Diwali 60,000 (October 2023), Lantern 110,000 (February 2024) and Pasifika 31,000 (March 2024).
[17] For FY24: CultureFest (15,000 attendees), the Auckland Heritage Festival (29,628 attendees across 160+ events) and World of Cultures (47,695 attendees across 70+events).
[18] Tātaki Auckland Unlimited 2024/25 service profile. Note FTE include an allocation of shared services including finance, people and capability, digital, marketing and communications etc.
[19] Community Wellbeing 2024/25 service profile.

Table 17: Financial and FTE summary table (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/25 $000s	Destination and major events
Direct operating revenue	11,328
Capital expenditure	Nil
Direct operating expenditure	29,700
FTE[15]	49

Options for destination and major events function

Table 16 is a summary of delivery options for destination and major events and an assessment of their advantages and disadvantages:

- CCO delivery (status quo)
- Stand-alone destination and major events agency (as a CCO)
- Independent destination and major events agency
- Destination and major events function delivered within council
- Variation: Consolidate delivery of cultural festivals (either in-house or CCO).

Another variation that could be contemplated (not detailed below) is separating delivery of the destination and major events function, whereby destination activity is delivered through a CCO (Tātaki) and major events funding activity is delivered within council. As signalled earlier in this document, if an activity is brought in house there are a range of delivery models available. In this variation, council could contemplate establishing a major event funding board to make non-political decisions about allocation of this funding, particularly if supported by non-ratepayer funding.

Table 18: Advantages and disadvantages of options

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies (and risks)/ achievability by 1 June 2025
CCO Delivery (status quo)	Destination and major events delivered by CCO / arms-length entity. Governance of function is a CCO board/independent entity responsibility. Note: under this model some other council events delivery functions could be transferred to Tātaki to reduce duplication.	• Requires commercial disciplines and specialist expertise of professional directors • Strong synergies available with the running of regional event facilities, creating an organisation with a broadly coherent purpose • May support retention of staff with strong technical and industry knowledge (can also be achieved in-house) • Lends itself to achieving economies of scale • Operational flexibility/agility • Some need for integration with other services in council • CCO model has been useful in attracting private sector funding and partnerships to support the function (e.g. DPP) • Maintains independence from political decision making on major events investments • Supports strong pipeline of events for Auckland through strong shared industry relationships • Auckland 'A' brand owner and key users located within a single entity supports coordinated use	• Less democratic accountability • Council has less oversight and control over destination and major events decisions (including potential risks) • May not support sufficient accountability for ratepayer funding being used to subsidise a specific sector • Some duplication in event operational delivery (e.g. cultural festivals)	Long-term funding and accountability approach still needs to be resolved
Stand-alone destination and major events agency as a CCO (Regional Tourism Organisation)	This option assumes all current destination and major events functions of Tātaki would be delivered by a CCO (governance by CCO board) and would not include economic development and regional facilities functions. Such entities that undertake these activities are usually called a Regional Tourism Organisation (RTO) but may have varying structures or delivery models.	• Gives singular/clearly defined purpose • Function considered more suited to CCO model	• Removes synergies and benefits between destination, major events and regional facilities functions (shared focus on marketing, promotion, visitor attraction, Discover Auckland, a coordinated citywide events calendar, Auckland Place brand and delivery of a strong events, exhibitions and experiences programme). • Not benefit from economies of scale • Auckland 'A' brand owner and key users located in different entities may dilute/fragment its impact and limit coordination	• Assumes clarity on future destination and major events funding • Assumes group shared services programme progresses at pace • Assumes stand-alone CCO retains control over specialist customer facing destination and major events technology Achievability by 1 July 2025 - High
Independent destination and major events agency	This option assumes all current destination and major events functions of Tātaki would be delivered by an organisation or company that is not a CCO and not part of the council group. There are options where for example Council could be a partner/minority shareholder and funder amongst other industry/trade and sector bodies, major tourism/hotel operators and central government agencies. Governance of the functions would be shared amongst the partners.	• Potentially reduces governance and funding burden on council • Involves a range of sector/industry players • Builds on success of Destination Partnership Programme • Potential to leverage additional private sector/industry funding • Could achieve accountability through contract for services	• Fewer legislative accountability mechanisms for council/ability to control outcomes • May not be appropriate for all existing destination and major events functions provided by Tātaki • Requires more monitoring and specifying if council is providing funding	• Risks of reduced/varying commitment from partners • Assumes clarity and agreement on objectives from all parties. • Council would no longer deliver destination and major event functions (it would be through a contract for service with the independent agency) Achievability by 1 July 2025 - Medium – subject to sector/industry commitment

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies (and risks)/ achievability by 1 June 2025
Destination and major events functions delivered within council	This option assumes all current destination and major events functions of Tātaki would transfer to council and be delivered in-house. Governance of the functions would be a Governing Body responsibility, in addition to existing decision-making responsibilities for regional events which cover: • coordinating regional events, including attraction, development, delivery and promotion • regional events sponsorship, funding and grants • regional events programmes, which can be tailored to local needs.[20]	• May provide greater democratic accountability • May support greater accountability for ratepayer funding in this sector • Provides for greater integration/alignment with existing council event functions • May reduce overhead costs • Reduces duplication in cultural festival delivery • May provide some limited financial savings	• Likely to be less willingness from private sector/other partners to fund and/or engage with council rather than arms-length entity, given political decision-making • Function considered more suited to CCO model • Does not benefit from commercial disciplines and specialist expertise of professional directors • May be harder to attract private sector funding/sponsorships and partnerships to support the function • May create market expectation that function will be fully ratepayer funded • May be harder to attract staff with appropriate skillsets • May disrupt existing relationships • May not provide a clear entry point for funders/partners on RTO matters • Less common model internationally	• Risks of losing private sector/partner funding • Council assumes roles across the full value chain (strategize, plan, regulate, fund, deliver and monitor) • Assumes group shared services programme progresses at pace Achievability by 1 July 2025 -High
Consolidate delivery of cultural festivals (either in-house or CCO)	Under this option the three cultural festivals (Diwali, Pasifika and Lantern) that Tātaki delivers would be consolidated with regional cultural festivals/events delivered by council's events team to reduce duplication (either in-house or CCO). Regional cultural festivals/events delivered by council's events team include CultureFest, the Auckland Heritage Festival and World of Cultures, and potentially others. Governance of the festivals would be either a Governing Body or CCO board responsibility.	• Provides for greater integration/alignment with existing event delivery functions • Reduces duplication in cultural event delivery	• May disrupt existing relationships • May limit leverage opportunities with Auckland Live functions and activities	• Assumes these components of the current functions can be accommodated within either an existing council directorate(s) or within Tātaki Achievability by 1 July 2025 -High

[20] Section 3.5 of 2024-2034 Long-term Plan: Decision-Making Responsibilities of Auckland Council's Governing Body and local boards. Note definitions of local and regional events are set out in schedule 2 of the allocation table, in accordance with the Auckland Council Events Policy.

3. Regional facilities

Tātaki (through the Tātaki charitable trust[21]) is responsible for operation of a range of regional arts, culture and sporting venues and facilities as outlined below. Within the council group, regional community facilities are operated in the areas of libraries, parks, arts and culture, sports and recreation. Local boards have decision making over local community services.

The council group is one actor in a wider regional facilities ecosystem that includes independent institutions (such as Auckland War Memorial Museum, MOTAT), Eden Park Trust, sporting codes, arts and culture organisations, corporate/private sector partners, central government agencies, mana whenua, community groups, event promoters, organisers, philanthropic and grant organisations (amongst others).

Tātaki's regional facilities functions include operation of Auckland Art Gallery, Auckland Zoo, Auckland Live (responsible for delivery of performing arts, culture and entertainment events in Auckland and owns and/or operates Aotea Centre, Auckland Town Hall, The Civic, Bruce Mason Centre, Shed 10, Viaduct Events Centre, Aotea Square and The Cloud), Auckland Conventions and Events (management of venues for business events), Auckland Stadiums (North Harbour, Go Media, Western Springs), New Zealand Maritime Museum. Tātaki also provides security service and facilities management for a range of regional facilities and venues.

Related work

There are other current pieces of work underway relating to stadiums (main stadium feasibility studies by Eden Park Trust and Te Tōangaroa) and cultural facilities (a two-track approach comprising enhanced collaboration amongst cultural sector organisations and strategic legislative reform). Council leadership and support to Tātaki in these areas will be important if progress is to be maintained.

Table 19: Financial and full-time equivalent staff (FTE) summary table (from 2024/2025 Service Profile)

LTP 2024/25 $000s	Regional Facilities
Direct operating revenue	70,372
Capital expenditure	71,864
Direct operating expenditure	123,675
FTE	704

[21] Tataki Trust's assets and funds must be managed and applied to advance the charitable purposes of the Trust. These purposes relate to a)engaging the communities of Auckland b)providing world-class facilities. The Trust has been established, and is to be maintained, to promote the effective and efficient provision, development and operation of regional facilities throughout Auckland for the benefit of Auckland and its communities (including residents and visitors to Auckland) and in particular the: c) development and operation of regional facilities, d) provision of high-quality amenities and e) prudent commercial administration.

Options for regional facilities function

Table 20 is a summary of delivery options for regional facilities and an assessment of their advantages and disadvantages:

- CCO delivery (status quo)
- Destination, major events and regional facilities delivered through a CCO
- Arts and cultural facilities functions are separated from stadium functions in different agencies or within council
- Regional facilities functions delivered within council.

Table 20: Advantages and disadvantages of options

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies (and risks)/ achievability by 1 June 2025
CCO Delivery (status quo)	Regional facilities delivered by CCO / arms-length entity. Governance of function is a CCO board/independent entity responsibility.	• Requires commercial disciplines and specialist expertise of professional directors • Management of regional facilities have generally clear purpose, capable of arms-length delivery and performance measurement • Support retention of staff with strong technical and industry knowledge (can also be achieved in-house) • Lends itself to achieving economies of scale • Greater operational flexibility/agility • Limited need for integration with other services in council • Continues strong synergies and benefits between destination, major events and regional facilities functions (shared focus on marketing, promotion, visitor attraction, Discover Auckland, a coordinated citywide events calendar, Auckland Place brand and delivery of a strong events, exhibitions and experiences programme). • Reflects Royal Commission recommendations • Maintains platform for recent successful performance of council cultural facilities (e.g. record breaking attendances at Auckland Zoo) • Trust structure protects important regional assets which require long-term decisions • Trust objectives provide clear governance parameters • Maintains platform for headway with integrating stadiums and cultural facilities (as envisaged by ATA). • Maintains important commercial and other sector relationships	• Less democratic accountability • Council has less oversight and control over regional facilities decisions (including potential risks) • CCO may make decisions or plans about facilities without properly taking account of community or council views (noting major transactions and some other decisions require Governing Body approval) • Does not function well if council does not provide leadership in terms of directing purpose of facilities and network	• Assumes council will provide leadership and support to Tātaki in work to integrate stadiums and cultural facilities
Destination, major events and regional facilities functions delivered through a CCO (excludes economic development)	This option assumes all current destination, major events and regional facilities functions would be delivered through a CCO (governance by CCO board) and would not include economic development functions.	• Continues strong synergies and benefits between destination, major events and regional facilities functions (shared focus on marketing, promotion, visitor attraction, Discover Auckland, a coordinated citywide events calendar, Auckland Place brand and delivery of a strong events, exhibitions and experiences programme). • Provides opportunity for tighter/more clearly defined mandate and purpose • Function considered more suited to CCO model • Retains in one entity Auckland's integrated suite of technology that supports customer relationship management, ticket sales and service, aggregates regional events through the Citywide calendar and populates Auckland's digital storefront Discover Auckland.	• Improvements may not meet expectations	• Assumes clarity on future destination and major events funding • Assumes group shared services programme progresses at pace • Assumes council will provide leadership and support to Tātaki in work to integrate stadiums and cultural facilities Achievability by 1 July 2025 -High – economic development is relatively small function
Arts and cultural facilities functions are separated from stadium functions in different agencies or within council	This option assumes all current regional arts and cultural facilities functions of Tātaki (Auckland Art Gallery, Auckland Zoo, NZ Maritime Museum, Auckland Live,) would be separated from stadium functions (North Harbour, Go Media and Western Springs). Auckland Conventions and Events venue management functions would need further consideration. Governance of the functions would depend on the delivery model (arm's-length, in-house or some other possibly independent configuration).	• Supports alternative models contemplated in previous cultural heritage reviews and 2020 CCO Review	• Removes synergies and benefits between destination, major events and regional facilities functions eg. conventions and events sales make a strong contribution to optimising venue or asset utilisation, which in turn supports Auckland Live performing arts programmes • Conditions not yet ready to support this model • Would split current single ticketing solution that currently applies to Auckland Stadiums and Auckland Live	• Would likely require addition of other non-council facilities for effectiveness, which are subject to their own legislative frameworks • Achievability by 1 July 2025 - Medium – complexity of separation and inclusion of non-council facilities

Option	Description (including governance)	Advantages (includes benefits, financial and non-financial)	Disadvantages	Assumptions / constraints / dependencies (and risks)/ achievability by 1 June 2025
Regional facilities functions delivered within council	This option assumes all current regional facilities functions of Tātaki would transfer to council and be delivered in-house. Governance of the functions would be a Governing Body responsibility, in addition to existing decision-making responsibilities for regional arts and culture and regional sport and recreation which cover: • acquisition of new arts and culture, sports and recreation facilities for an Auckland wide purpose or function • the use of regional arts and culture, sports and recreation facilities (including sports stadiums) • regional public artwork and regional public art programmes • development, maintenance and access to the regional visual arts collection, including exhibitions and interpretive programmes • region-wide community funding and grants • regional arts and culture programmes and events • regional arts and culture, sport and recreation programmes, which can be tailored to local needs • the use of regional campgrounds coordination of the use of sport and recreation facilities on a regional basis.[22]	• May provide greater democratic accountability • May reduce overhead costs/provide some limited financial savings • Potential for capability building and skill-sharing with council staff involved in facilities management	• May be some complexity associated with changing the corporate trustee for the Tātaki Trust • Function considered more suited to CCO model • Does not benefit from commercial disciplines and specialist expertise of professional directors • May weaken focus on improving performance of entities • May disrupt existing commercial, industry and artistic relationships/create instability in these sectors • May disrupt progress on integrating stadiums and cultural facilities • May disrupt momentum of recent successful performance of council cultural facilities (e.g. record breaking attendances at Auckland Zoo) • May limit capacity for external funding from corporate and grant sources	• Risks slowing progress with cultural organisations collaboration/strategic legislative reform • Council assumes roles across the full value chain (strategize, plan, regulate, fund, deliver and monitor) • Assumes group shared services programme progresses at pace • Adds to GB decision-making workload • Risks diluting strengths of brands within Tātaki • Achievability by 1 July 2025 - Medium – Tātaki Trust parameters need working through.

[22] Section 3.5 of 2024-2034 Long-term Plan: Decision-Making Responsibilities of Auckland Council's Governing Body and local boards

Analysis of CCO reform options

This section considers the options outlined in the Direction Document, the status quo (CCO delivery) and an option which refocuses Tātaki on delivery of destination, major events and regional facilities functions, and provides an analysis of the advantages and disadvantages of these options.

Identification of reform options

Building from the functional analysis in the tables above, four organisational options have been identified for consideration to deliver Tātaki functions, with a sub-option which can apply once wider destination and major event function delivery decisions are made. These organisational options include those the Mayor and Councillors have specifically requested advice through the Annual Plan 2025/26 Direction Document. The options are expressed visually in the figure below.

- **TAU1: Status quo -** Tātaki continues (as a CCO) delivering economic development, destination and major events and regional facilities.
- **TAU2: Refocus Tātaki on destination, major events and regional facilities –** council delivers economic development.
    - o **2A/2B: Consolidate delivery of Tātaki cultural festivals with others (in-house or CCO)**
- **TAU3: Refocus Tātaki on regional facilities** – council delivers economic development, destination and major events
- **TAU4: Disestablish Tātaki** – council delivers economic development, destination, major events and regional facilities.

Figure 3: Organisational options

An analysis of the advantages and disadvantages of these four options is provided below.

TAU1: Status quo

The status quo option is for Tātaki to continue (as a CCO) delivering economic development, destination and major events and regional facilities.

Table 21 Advantages and disadvantages of TAU1: Status quo

Advantages	Disadvantages
• Benefits from commercial disciplines of professional directors • Could maintain willingness to engage/fund from private sector and other partners • Operational flexibility/agility • Trust structure protects important regional assets which require long term decisions	• Does not adequately address the problem statements • May not support greater integration/alignment with existing council functions relating to economic development • Some duplication in event operational delivery (e.g. cultural festivals) • Does not function well if council does not have clarity about its strategic intent (e.g. group role in economic development, purpose of facilities and networks)

TAU2: Refocus Tātaki on destination, major events and regional facilities

Table 22 Advantages and disadvantages of TAU2: Refocus Tātaki on destination, major events and regional facilities

Advantages	Disadvantages
• As above • Provides opportunity for tighter/more clearly defined mandate and purpose • Continues strong synergies and benefits between destination and major events and regional facilities functions (e.g. shared focus on marketing, promotion, visitor attraction, Discover Auckland, a coordinated citywide events calendar, Auckland Place brand and delivery of a strong events, exhibitions and experiences programme). • Maintains momentum of recent successful performance/results (e.g. Auckland Zoo visitation) • Support greater integration/alignment with existing council functions relating to economic development	• Improvements may not meet expectations • May not provide sufficient oversight of ratepayer funding for destination marketing activities

2A/2B. Consolidate delivery of Tātaki cultural festivals with others (in-house or CCO)

Table 23 advantages and disadvantages of TAU2: 2A/2B. Consolidate delivery of Tātaki cultural festivals with others (in-house or CCO)

Advantages	Disadvantages
• Provides for greater integration/alignment with existing Tātaki or council event functions • Reduces duplication in cultural event delivery	• May disrupt existing relationships • Events have different focus – commercial vs community

• May provide some limited financial savings	• If brought in-house, reduces synergies with Tātaki's 's other functions • If consolidate with Tātaki, some events may not be appropriate for CCO model

TAU3: Refocus Tātaki on regional facilities

In the Mayor and Councillor Direction Document, this option was described as 'retaining Tātaki Trust and disestablishing Tātaki Limited (Company) and transferring all functions to council.' Under this option the Tātaki Auckland Unlimited Limited Company would remain but its sole function would be as the corporate trustee of the Tātaki Auckland Unlimited Trust.

Table 24 advantages and disadvantages of TAU3: Refocus Tātaki on regional facilities

Advantages	Disadvantages
• Greater integration/alignment with existing council functions relating to economic development and events • Independence of event funding from venue management may be fairer • Retains Trust structure that protects important regional assets which require long term decisions • May support greater accountability for ratepayer funding in these functions/sectors	• Disrupts synergies and benefits between destination and major events and regional facilities functions (e.g. shared focus on marketing, promotion, visitor attraction, Discover Auckland, a coordinated citywide events calendar, Auckland Place brand and delivery of a strong events, exhibitions and experiences programme). • May be harder to attract private sector funding/partnerships to support destination and major events functions and/or create market expectation that functions will be fully ratepayer funded • Less operational flexibility/agility • Does not benefit from political independence on major event investment decisions

TAU4: Disestablish Tātaki

In the Mayor and Councillor Direction Document, this option was described as 'disestablishing Tātaki (Trust and Company) and deliver all functions via council'.[23]

Table 25 advantages and disadvantages of TAU4: Disestablish Tātaki

Advantages	Disadvantages
• May provide greater democratic accountability • May reduce overhead costs/provide some limited financial savings • Greater integration/alignment with existing council functions relating to economic development and events and facilities management • Greater oversight and control of decision-making (including potential risks)	• Does not adequately address problem statements • May disrupt momentum of recent successful performance/results (e.g. Auckland Zoo visitation) • Does not benefit from commercial disciplines of professional directors • May be harder to attract private sector or grant funding/partnerships to support functions • Less operational flexibility/agility

[23] Implementation options relating to the disestablishment of the Tātaki Trust will be informed by legal and tax advice.

Assessment of options against problem statement

The previous analysis considered the advantages and disadvantages of each option. We have also assessed the options against:

- the problem statement in the *Mayor and Councillor's direction to the Annual Plan 2025-2026*
- the factors identified in the underlying rationale for arms-length delivery, for example: clarity of purpose, commercial and operational focus, specific service delivery or implementation benefitting from specialist governance expertise.

In undertaking this analysis we have considered whether the options would deliver a better, same, or worse outcome.

Generally, options TAU2, TAU3 and TAU4, which contemplate transferring some (or all) functions in-house, improve democratic accountability, strategic alignment and also improve public trust and confidence. Options TAU2 and TAU3 may also support a more focussed Tātaki with a tighter/more clearly defined mandate and purpose.

For option TAU4, while there would be some improvement in democratic accountability, we consider that the regional facilities function (and associated trust structure) may be more suitable to CCO delivery, given the factors identified in the underlying rationale for arms-length service provision.

None of the options are considered likely to improve the quality of the services by themselves, although where there are opportunities to improve strategic direction this may lead to improvements over time.

A sub-option to consolidate delivery of Tātaki cultural festivals with others (in-house or CCO) can be contemplated once wider destination and major event function delivery decisions are made.

Please refer to **Appendix E** for the full final feedback from Tātaki.

Accountability and system improvements

Current accountability arrangements

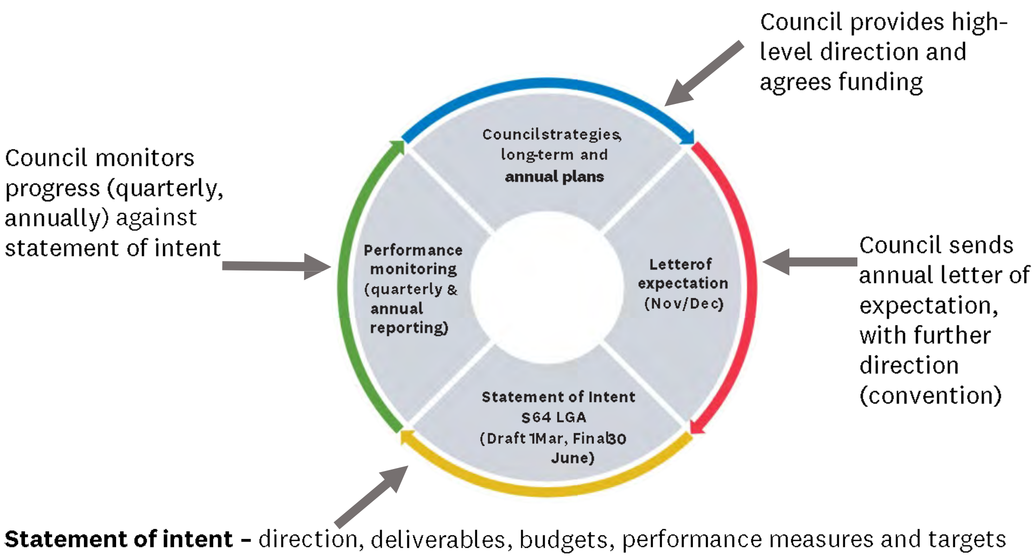
The governance framework for CCOs provides for council to set direction and budgets for CCOs, monitor their performance against agreed plans and appoint (and remove) board members. General accountability expectations on CCOs are required by Part 5 of the Local Government Act 2002 and Part 8 of the Local Government (Auckland Council) Act 2009. A summary of the main elements of the governance framework is provided below.

Council sets strategic direction and budgets. Council can review policies and strategies or create new strategies to change the outcomes and strategic direction for CCOs. Substantive CCOs must give effect to the relevant aspects of the Long-term Plan (s92, LGACA 2009), including direction, high-level budgets for activities and delivery. Annual plans also make changes to budgets and CCO priorities. Council also has the ability to specify that CCOs must act consistently with the relevant aspects of any other plans.

CCO Accountability Policy. The policy in the Long-term Plan outlines key expectations for what CCOs need to do (s90, LGACA 2009), CCO contribution to council's objectives, major transactions where shareholder approval is needed and defines strategic assets. It includes requirement for quarterly performance reporting by CCOs to council and audit and risk reporting. It outlines climate change and Māori outcomes requirements. Under the policy CCOs must also prepare a local board engagement plan.

Letters of Expectations and Statements of Intent. The mayor issues a letter to each CCO outlining the council's priorities and expectations for the next year to help inform the development of each CCO's statement of intent (**SOI**). SOIs establish the objectives, activities and performance measures of each CCO for the next three years. SOIs serve as a basis for accountability to the council, as the shareholder, and provide an opportunity for the council to influence each organisation's direction. Council provides comments on draft SOIs each year, approves final SOIs and can require modification of a statement of intent (schedule 8, s6, LGA 2002).

Figure 4: Statement of Intent high-level process



Statements of expectation. The CCO Statement of Expectations (**SOE**) sets out how CCOs should conduct their business and manage relationships with the council, stakeholders and others in the community, including iwi, hapū and Māori organisations. It highlights the importance of 'no surprises', how the group should work together and implement group policies, and operate in a transparent and open manner. The SOE also includes a performance framework for CCO boards.

CCO board appointments. Council has an Appointment and Remuneration Policy for Board Members of Council Organisations (in accordance with s57(1) LGA 2002) that sets out how council identifies the skills and experience required of directors, the appointment process and remuneration of board members.

Additional accountability mechanisms. Council can conduct value for money, section s17A LGA reviews or independent reviews of CCO activities. Through its group budget responsibility and transparency guidelines, the council has directed CCOs to undertake cost/benefit analysis for new projects

2020 CCO review

The review panel found in 2020 that council has available to it all the mechanisms it needs to hold CCOs accountable to it and to the public and made recommendations for using them more effectively.

The following changes were made in response to the recommendations of the CCO review:

- Council's letters of expectations now provide more specific direction to CCOs.
- A new template for SOIs was provided in 2021. It is in two parts. Part 1: Strategic Overview focuses on the three-year horizon setting out strategic objectives, nature and scope, how the CCO will deliver on council's outcomes and the 10-year budget (long-term plan) performance measures. Part 2: Statement of Performance Expectations provides an annual work programme, financial information and responses to specific requests by the shareholder. The aim was that Part 1 would be more enduring and Part 2 would be updated annually. The result is more consistency in the format of SOIs. However changes in the operating environment due to government reform, council budget changes and direction in the council's letter of expectation has meant there has been significant year-to-year changes in the SOIs.
- Quarterly performance reports have been improved to provide summary dashboards of performance. Measures on capital programme delivery have been enhanced.
- Clear expectation of 'no surprises' was included in the newly developed SOE and also reflected in all CCO SOIs.
- As part of the review of the elected members code of conduct, in 2021 the governing body approved a policy and protocol for the sharing of confidential information between council and governing body members and this forms the basis of the protocol for CCOs. There are processes in place for governing body members to ask for non-confidential information from CCOs.
- There is more evaluation by the council of the activities, priorities and performance measures in SOIs, and more advice to committees on CCO performance on quarterly reporting is now occurring. There has been positive feedback from councillors and CCOs on the new approach to deep dive performance discussions with Eke Panuku, TAU and Watercare at the CCO Direction and Oversight Committee, which provides

for more detailed discussion of performance issues, with focus areas at each session. Auckland Transport presents to the Transport and Infrastructure Committee monthly, covering performance quarterly and addressing specific issues and topics in intervening months.

However, council's monitoring framework for CCOs and scrutiny across all group policies (not just SOIs) remains relatively lightly resourced given their relative size, budgets and scope of activities and compared to Ministries' monitoring of Crown entities. The framework for Crown entities is focused on the tripartite relationship between the responsible minister, entity and monitoring department. The range of expectations include:

- The 'Enduring Letter of Expectations' from the Minister of Finance
- 'Ministerial expectations', which inform entities' strategic direction over at least the next 4 years (set out in their SOIs) and priorities for the coming year (in their Statements of Performance Expectations)
- 'Operating expectations', which guide engagement between the statutory entity, its responsible minister and the monitoring department to help the parties achieve trusting and productive relationships.

- The SOE is clear that CCOs may have commercial and public good objectives. LGACA provides high level direction for Watercare and AT via their purpose statements. The SOE states that the balance of different objectives of each CCO should be reflected in the SOI and agreed with the council.
- As required under the CCO Accountability Policy, CCOs must prepare a local board engagement plan following the framework set by council. Implementing the CCO review recommendation for an engagement reset, Joint CCO Engagement Plans were first completed in August 2021. The objective was that this would provide a foundation for better and joined up CCO and local board work programme planning and public engagement. Joint quarterly update reporting across the CCOs to local boards was in place from 2022. The Joint CCO Engagement Plan model has evolved since this time:
  - *Auckland Transport.* Auckland Transport has been developing Project Kokiri under which it will develop local transport plans which it considers can replace its local board engagement plans.
  - *Eke Panuku and Watercare.* Eke Panuku and Watercare are producing individual engagement plans with local boards modelled off the CCO Joint Engagement Plan reports.
  - *Tātaki Auckland Unlimited.* As a result of reduced budgets from 2023/2024, TAU do not have the resource to provide individual engagement plans.
- Following the completion of Kia Ora Tāmaki Makaurau - Māori Outcomes Performance Measurement Framework guidance was provided to CCOs on Achieving Māori Outcomes plans. Houkura - Independent Māori Statutory Board secretariat, Ngā Mātārae and Tāmaki Makaurau Mana Whenua Forum secretariat have developed guidance material to explain their respective roles for council and CCO staff.

- The review recommended council give CCOs clear strategic direction so they could translate them into practical work programmes. A strategy was developed for water to guide the work of the council group and an Economic Development Action Plan was in place 2021-2024 but gaps in strategic direction provided by the council to CCOs currently exist for stadia, arts and culture, economic development and property.

Accountability improvements

There are some changes that can be made to the CCO system to improve accountability and overall performance of the model. These will not deliver comprehensive solutions to the problems identified but they may address, in part, the general performance challenges outlined in the earlier analysis (see **Appendix B**). The improvement options listed below apply to *all* CCOs. Improvements relating to the status quo arrangements for individual CCOs are provided below.

The improvements can be made irrespective of decisions on structural changes but the exact nature of the improvements, and any resourcing impacts, will depend on any decisions to move CCO functions within council. For example, it is recommended council should develop strategy and policy capability for CCO functions where there are gaps currently, but this will depend on decisions on what functions are delivered by CCOs and whether any strategy or policy functions move from CCOs to council.

1. **Improve the policy/ operational split between council and CCOs**. For a well performing system council needs to provide clear strategic and policy direction to enable CCO operational focus and efficiency. There are several options to improve the shortcomings in how the policy/ operational split is currently implemented which would also start to address any areas where there is 'silo' thinking.

   a. <u>Clarify the process for policy advice to elected members</u>. Good practice policy development would include CCOs providing technical and operational input rather than CCOs leading any policy work. Council and not CCOs should provide policy advice reports to the governing body, its committees and local boards.

   b. <u>Strengthen council policy capability</u>. For a more effective policy/ operational split council will need to develop strategy and policy capability in areas where gaps exist currently (economic development, stadia, urban regeneration).

   c. <u>Provide strategic or policy direction in key areas</u>. Although there has been improvement since the CCO Review 2020, in some crucial areas there is no current strategic direction to CCOs. Council should develop clear, implementable strategic direction for stadia, economic development, arts and culture, and property. Council could also clarify its role in urban regeneration. Additional detail is provided in the specific CCO sections. Note that this direction is needed whether the function is delivered by council or a CCO.

   d. <u>Ensure that CCO performance and alignment against council's strategic direction is regularly monitored</u>. Council receives reports annually on implementation of key strategies (Auckland Plan, Kia Ora Tāmaki Makaurau, Te Tāruke-ā-Tāwhiri, Auckland Water Strategy). In setting out progress, the annual implementation report should identify where work is advancing well and where it is not, across both council and CCOs. Following this, any concerns over strategic alignment and delivery should be raised in integrated performance discussions with the relevant CCO.

2. **Enhance CCO accountability to the public.** As they are arm's length from council CCOs have less direct accountability to communities. Improvements to consider that could support greater CCO responsiveness to communities are:

    a. Enhance CCO engagement with local boards. CCOs should ensure local boards have appropriate input to projects, from the early stages of project planning through to delivery. It should also be noted that if functions are moved from CCOs to council the council can consider changes to the allocation of decision making between the governing body and local boards.

    b. Clarify communications protocols. Council needs to communicate clearly, and the Direction Document has requested that a communications strategy be developed that focuses on communicating the value of council's activity. Improvements to consider on the approach to communications between council and CCO are:

        - increase coordination between council and CCOs when communicating on issues of public concern so that council communicates with one voice.

        - CCOs more consistently attributing council's role when making public announcements on significant projects and initiatives. The approach could also potentially improve public understanding of the CCO model.

    c. Expand CCO information provided to elected member candidates. To ensure candidates have a good understanding of the CCO model, including any changes made through CCO reform, comprehensive up-to-date information on the role of governing body and local board members in CCO governance and engagement should be provided to prospective candidates for the 2025 election. Following the election, the information can be further elaborated on through the elected member induction process.

3. **Reform board appointment and performance reviews.** Expert boards can drive focus and delivery for arm's-length entities. Appointing directors to the boards of CCOs is a critical role of council as shareholder. The update of the policy on the appointment of board members should ensure that council has a robust process for attracting and appointing directors to meet the specific governance needs and strategic purpose of a CCO. The policy should also establish a strong framework for regular board performance reviews to ensure ongoing improvements to the effectiveness of CCO governance.

4. **Review decision making roles.** There is currently some "churn" where decisions are made by both council and CCO boards. Decision-making delegations and practices should be reviewed to eliminate inefficiencies and provide CCOs with a clearer mandate to make decisions within their zone of influence.

5. **Strengthen oversight and monitoring.** Options for improving the existing accountability mechanisms include:

    a. More visible leadership of CCO board chairs. Currently, strategic and performance discussions at council committees are frequently led by CCO executives. It would be more effective if these were "governor to governor" discussions with CCO board involvement and leadership from the CCO chair.

    b. Letters of expectations. The letters of expectations (**LOE**) provide direction from council to CCOs on the development of statements of intent. More explicit guidance could be supplied from council to CCOs on balancing commercial objectives with social, environmental, cultural, and economic objectives and identifying where trade-offs may be required. This would allow CCOs to reallocate resources to prioritised areas and conversely reduce effort in others. LOEs could also provide stronger direction on non-financial and financial performance measures and targets that council expects to be included in statements of intent, including where a common approach is sought across CCOs.

c. Update the CCO Accountability Policy. The CCO Accountability Policy contained within the Long-term Plan focusses at a high level on *what* CCOs must do. Any structural changes to the functions delivered by CCOs will have to be reflected in an updated policy.

d. Update the Statement of Expectations. The SOE specifies *how* CCOs should undertake their business and relationships. Three years after the initial SOE was established it is opportune to review and update it so that it reflects any improvements agreed as set out in this section.

e. Learning and development for elected members. Council could consider offering tailored governance training to governing body members to support them in their oversight of CCOs. This would require more resourcing. Oversight functions are included within the responsibilities of the Transport, Resilience and Infrastructure Committee and CCO Direction and Oversight Committee.

f. Appoint independent members to council oversight committees. Council could consider appointing external specialists as members of the committees that have responsibility for CCO oversight and monitoring and for functions previously delivered by CCOs. This would be a similar approach as for the Audit and Risk Committee which has several independent members.

g. Increase resourcing for shareholder scrutiny. Given the size and scale of CCOs, council could consider increasing the resource allocated to the provision of CCO governance and monitoring advice to be more commensurate with monitoring of Crown entities in central government.

6. **Support better integration of land-use and infrastructure planning**. As previously noted, a key driver of the Auckland local government amalgamation was the need for integrated infrastructure and land-use planning. The Direction Document has requested advice to inform the Mayor's Proposal on Auckland's growth story. Alongside this, council could explore ways to provide increased political oversight of the alignment of CCO planning and delivery to regional growth plans.

7. **Review and improve cost effectiveness of CCO delivery**. Ensure that the rolling programme of service delivery reviews, which focus on service efficiency and effectiveness in council and CCOs, is implemented so that reviews are undertaken on a regular six-yearly cycle. This programme approved by the Revenue, Expenditure and Value Committee includes value for money Section 17A reviews under the LGA. Previous reviews have been undertaken of Three Waters and Group Procurement which included services delivered by CCOs.

8. **Consider expanding and accelerating the group shared services programme**. Implementation of group shared services is reducing duplication in corporate support activities. This currently covers People, Procurement, Customer experience and digital, Technology, Corporate support, and Data services functions. Council could consider opportunities to widen the scope of support functions included and further speed up the roll out of the programme.

CCO-specific accountability and system improvements

Regardless of whether there is structural change to the model, there are some improvements that can be made to the arrangements for individual CCOs. As with the general improvements outlined in the previous section, these may not deliver significant improvements to the problems identified but they may address, in part, the specific performance challenges outlined in the earlier analysis (separate paper). The improvements listed below are specific to the functions delivered by Auckland Transport, Eke Panuku and Tātaki Auckland Unlimited.

Auckland Transport

In the absence of legislative change, council could look to make the following improvements to the model with respect to the functions delivered by Auckland Transport:

- Develop and implement Operational Rules (LGACA s49), setting rules for how the AT Board must operate, how AT must appoint and employ staff (including its chief executive) and how AT must acquire and dispose of assets.
- Increase monitoring expertise inside the council parent.
- Set conditions of council's local share of funding that enable council to exercise a greater degree of oversight via funding decisions.
- Consider which of AT's non-statutory strategic and planning related functions might better sit in council. Potential examples for consideration may include parking strategy and the rapid transit plan.
- Implement the outcomes from the work currently underway on Auckland Council's More Empowered Local Boards work programme. AT can also involve local boards more extensively in decision-making over projects, budgets and timelines and its project Kokiri is developing local transport plans on this basis. Decision-making, funding and whether proposals make it onto AT's work programme are still made by AT. Now that local boards can move their budgets anywhere they like, there is an opportunity if local boards wish, and AT agrees for boards to fund transport activities.

Eke Panuku

Council could look to make the following improvements to the model with respect to the functions delivered by Eke Panuku:

Urban regeneration

- Resource urban regeneration policy and strategy expertise inside the council parent. This would require new resources or reallocation of existing resources.
- Assess and re/confirm what role(s) council wants to play in urban regeneration, desired outcomes and the scale of intervention. This should include assessing options to increase the focus on economic growth and an enhanced role for local boards.
- Greater political oversight of urban regeneration budget allocation and delivery of contributing projects across the group. There should be three-yearly budgets allocated per location, with clearly defined roles and responsibilities for each part of

the council group. High-level project plans for each location should be reviewed at least every five years (as already agreed).

- Clarify the lead agency role and consider whether this is best delivered by an arm's-length agency.
- Address any duplication across the council group, through greater role clarity on project delivery. This is of particular concern in the city centre.
- Public space activation and programming is currently undertaken by multiple parties, further investigation and alignment and coordination of activities is required. Council could instruct the parties in the group undertaking events and public space activation and programming to achieve greater alignment and coordination of activities to reduce duplication by 1 July 2025. Council could also determine maximum percentage of budget to be allocated to place-making activity (semi-discretionary activity). There is the opportunity for local boards to also add funding or direct resources to this activity or there may be opportunities for greater co-ordination with local business improvement districts.

Property management

- Development of a property framework to guide decision-making and effective management of the property function.
- Implement streamlined executive decision-making through a cross-council governance forum.
- A centres of excellence approach with key property staff – this is a virtual way to bring together key expertise across council and group for aligned advice.
- Council takes on responsibility for the development of the asset sales pipeline.
- Investment in data, systems and process improvement required to achieve efficiencies.

Marina management

- Conduct a value for money assessment (section 17A review) on council's marina management function.
- Identify thresholds for final milestones for development of Wynyard Quarter.

Tātaki Auckland Unlimited

Council could look to make the following improvements to the model with respect to the functions delivered by Tātaki Auckland Unlimited:

Economic development

- Resource economic development policy and strategy expertise inside the council parent (outside of Chief Economist). This would require new resources or reallocation of existing resources.
- Building from work on Economic Development Action Plan (EDAP) 2021-2024 and reflecting on current operational context, council confirms what economic development means for the council group, the role(s) it will play and how it will

assess the impact and cost effectiveness of the council group's interventions in the economic development area.

- Resource local economic development activity. This would require new funding or reallocation of existing funding.
- Provide explicit direction to Tātaki on its level of risk tolerance for the scale of certain interventions (e.g. taking operating leases) and the balance of activity and investments across particular sectors and industries such as screen.

Destination and major events

- Council provides clarity on funding major events, destination marketing and visitor attraction for 2025/2026 and beyond
- Council instructs the Tātaki major events team and council's events team to pursue greater alignment between their functions to reduce duplication and to give effect to these new arrangements by 1 July 2025.

Regional facilities

- Resource stadium strategy and operation expertise inside the council parent. This would require new resources or reallocation of existing resources.
- Council leads the development of a clear stadium strategy/stadium investment plan which clarifies the future role, function and purpose of the venues in the Auckland stadium network, and associated regional priorities for operating and capital expenditure (including for refurbishment or maintenance).

Appendix D: International models

Request for advice

This appendix outlines international examples of the governance of several functions in scope of Council-Controlled Organisation (CCO) reform: economic development, destination marketing and major events, urban regeneration, property management and transport. This is requested in the *Mayor and Councillor Direction to Council Group, September 2024* (**Direction Document, Appendix A**).

The central question in the advice sought has been about where the functions currently delivered by Auckland Transport, Eke Panuku and Tātaki Auckland Unlimited should best sit to achieve council's Long-term plan.

The Direction Document specifically requested advice on international models and comparisons.

International examples are provided of delivery across a spectrum from in house of council, arm's-length entities, joint arrangements and by independent entities, and insights are identified relevant to Auckland.

Each international model has responded to its own political, social, cultural, geographic and economic environment, so whilst examples are useful, no individual example should be taken as being necessarily 'best practice'.

Scope

The report provides examples of different governance structures for functions that are in scope of CCO reform. For each of these functions it is important to note that the particular mix of activities delivered within the Auckland Council group may be different from that undertaken by other jurisdictions and this has been noted where relevant.

The examples were gathered and are set out with reference to Figure 1 on page 7. Searches for examples ranging from 'inhouse' governance examples to those that were governed independently allowed for analysis on which were of the most common models and ensured a broad range were covered.

Regional facilities activities have not been included in this report as the cultural heritage component review in 2018 is reasonably recent.

Methodology and limitations

The focus of this research has been on models of governance – on who and how public service functions are managed and controlled.

The following process was followed:

- relevant research already undertaken within the council was collected and analysed
- a web search was made on entity variants and models
- annual reports were reviewed to ascertain entity structure, scope of operations, funding sources etc
- where possible academic books and articles were reviewed to understand the context of the entity within its jurisdiction and to gain reflections of the governance structure.

Case studies were not chosen on their effectiveness, but on information available about the governance model and its relevance to whether services should be delivered by a parent entity or by an arm's-length entity, which is the central question of this reform. Models, research and case studies may have been unintentionally overlooked.

Not all of the individual examples contained in this report may be directly comparable to Auckland based on differing governing models, size, demographic and industry make-up, economic scale, and rural-urban mix. However, they do reflect jurisdictions where there is adequate industry and academic research and comparable experience.

Insights from international models

Economic development

The international examples show that:

- There are many examples of localities where this activity is business-led but still heavily reliant on rates or taxpayer funding.
- In most case studies there was a strong Economic Development Strategy (including joint understanding/definition of economic development) guiding the work, developed either by council or jointly with an arm's-length entity.
- Different activities exist within the broad grouping of "economic development" depending on the local context. For some countries the focus will be on investment and visitor attraction (and potentially using economic incentives) others may focus on innovation, industry development or educational uplift.
- International examples show that there are some entities that include urban regeneration as part of the economic development activity and vice versa. Both types of organisations are involved in efforts to revitalise communities, stimulate local economies, and attract investment, which can lead to shared goals and overlapping functions. Economic development agencies typically focus on broad economic growth, including job creation, business attraction, and improving economic infrastructure. Urban regeneration entities, meanwhile, concentrate on revitalising specific urban areas, particularly those that have suffered economic decline.[1]
- Many examples have the mayor or other elected member on the board of the Regional Economic Development entity.[2]
- In the UK, several of the Regional Economic Development entities played a critical role, along with the local authority, in negotiating City Deals with central government.
- Regardless of the actual governance model most regional economic development functions saw themselves as effectively a form of public-private partnership, relying on close collaboration between industry sectors, business and regional or local government.

Destination marketing and major events

[1] Examples of an entity with both economic and urban regeneration goals is Waterfront Toronto and Prosper Portland. Examples where a hybrid department or agency undertakes both economic development and urban regeneration are the Greater Manchester Combined Authority and the Osaka City Economic Strategy Bureau

[2] Under s93(1) LGACA, Auckland Council governing body and local board members are prohibited from being appointed to the board of a substantive CCO (with the exception of Auckland Transport).

- No examples were found where the destination marketing or major events activity was solely undertaken by the public sector without collaboration with an external (member subscription or not-for-profit) entity.
- No international examples could be found where destination marketing and major events were solely undertaken inhouse. However, there was an example where a subnational public-sector Stand-Alone Business Unit worked with arm's length entities at the city or local scale.
- No examples were found of a single entity (arm's length, joint or independent) that combined economic development, destination marketing, major events and the management of cultural or sporting facilities or heritage facilities. There were many examples of destination marketing (only) and separately, cultural facilities management (only) being undertaken at arms'-length.
- There is a trend towards organisations with a broad set of functions. Many regions are streamlining their destination marketing organisations by merging them with broader tourism or economic development bodies to create more cohesive strategies and reduce duplication.
- In every example, strategic direction was documented, and readily available online. Activities and outcomes in annual reports referenced these (and other relevant strategies). Strategic documents had usually been collaboratively developed with stakeholders and facilitated by the entity.
- The range of funding sources for destination marketing and major event attraction was varied with many entities having a degree of funding from member organisations. All entities within this report received public funding which came from a variety of sources which often included a bed tax. This includes Tourism Whistler which is an independent organisation.
- The UK is an outlier internationally as destination marketing organisations receive very little public sector funding. A 2021 report recommended a new framework for supporting destination marketing organisations, with an emphasis on reducing fragmentation, enhancing collaboration, and improving funding models for regional tourism organisations. The government accepted most recommendations, including the creation of a new accreditation system for Local Visitor Economy Partnerships (LVEPs), and the implementation of a pilot scheme for multi-year funding in certain regions.
- In a similar way, countries such as Canada, are moving towards a national approach for destination marketing organisations, where Destination Canada plays a central role, with regional offices aligning their strategies for more unified marketing effort.
- There is growing acknowledgement of the negative impacts of tourism on locations and more research on the 'optimisation' of tourism as an alternative to the 'maximisation' of tourist numbers, leading to a growing focus on destination management rather than just marketing. This has led to an increased focus on addressing sustainability concerns and ensuring that tourism benefits local communities.

Urban Regeneration

The international examples show that:

- There are trends, particularly in Australian examples, of regular restructuring in the governance of urban regeneration, oscillating between in house and arm's length.
- Because of the ease of obtaining information in the UK, Canada and Australia, the following trends have been identified about changes to governance structures and how this restructuring has been a response to the local political and fiscal context:
    - **In Canada,** urban regeneration in cities like Toronto and Vancouver remains largely reliant on a mix of public-private partnerships, where entities collaborate with various levels of government. Although federal involvement has increased in specific cases, the overall trend still leans towards collaboration through intermediaries rather than centralising urban regeneration fully under core government departments.
    - **The United Kingdom** context is of high central government policy leadership for urban regeneration, and significant sums of centralised and contestable funding. While urban regeneration efforts are often still managed by arm's-length agencies or development corporations, there is increasing focus back on the role of the core public sector. There remains significant collaboration between councils, government, and the private sector, particularly in complex, large-scale projects that benefit from a public-private partnership model.
    - **In Australia**, there is a mix of approaches regarding urban regeneration and the involvement of arm's-length entities. Australian state governments are overseeing some shift of urban regeneration back into state government departments. This is because of a growing recognition that urban regeneration projects could benefit from greater integration within government structures. The shift is not uniform across Australia however, as independent urban renewal bodies continue in some states, especially to manage complex projects that require commercial expertise.
- **Many arm's-length entities own the land in urban regeneration locations**. This is a fundamental difference between international models and the Auckland model with Eke Panuku.
- **Financial Innovation.** Models like public-private partnerships and special purpose districts demonstrate that innovative financing mechanisms, such as tax increment financing or bonds, can support the funding regeneration projects while reducing reliance on public funds. Another example familiar to Auckland is the Business Improvement District model, where businesses themselves fund town centre upgrades.
- **The role of government funding.** In most countries there has been significant central or state funding put towards urban regeneration. These funds often have criteria that advance central government planning and economic priorities.
- **Focus on city centre and waterfront.** In many global cities the sites of large tracts of underutilised industrial land, waterfront areas, and their relationship to city centres remain a key focus of urban regeneration. These sites are often where private investment is interested in participating in both residential and commercial development.

- **Hybrid approaches.** In the Australia state example where there has been a shift to an inhouse approach to regeneration the use of arm's-length agencies and Stand-Alone Business Units has also been maintained. In NSW where the department of Planning and Development NSW undertakes a lot of precinct development and regeneration activity inhouse, the overarching Department of Planning, Housing and Infrastructure also uses subsidiary statutory entities (both with and without separate boards) to carry out regeneration and in one case the building of a new township on the outskirts of Sydney.
- **Community engagement.** Involving local communities in the planning and decision-making process fosters ownership and ensures that projects meet the needs of residents. This can lead to more sustainable and accepted regeneration outcomes.

Property management

- **In-house vs arm's-length models.** There are many examples internationally where property services are delivered solely inhouse. There are also examples where property management is managed by an independent state or regional body e.g. Crown Estate UK[3] and the Public Buildings and Property Agency (Denmark).[4] In cases where large property portfolios are managed in house, there is typically greater control and alignment with public service outcomes. However, some international examples favour an arm's-length or joint control approach for non-service properties, allowing for more operational flexibility and commercial expertise.
- **Close integration between property management and council strategy**. Many international property management models demonstrate that property management functions as being closely aligned with the council's strategic objectives, ensuring that property decisions support broader urban development, sustainability, and community service goals. Most successful international models ensure that property management is closely tied to long-term strategic planning.
- **Operational efficiency in large portfolios**. For portfolios comparable in size to Auckland's, many international examples emphasise the importance of centralised governance and streamlined decision-making. In-house models often use a centralised approach to manage diverse property types effectively. This is also seen in hybrid models where service properties are managed in house, and non-service properties are managed through more commercially focused entities.
- **Revenue generation and financial sustainability**. International property management models often prioritise revenue generation from non-service properties.
- **Commercial focus**. Semi-autonomous entities such as Prosper Portland demonstrate that these models can manage large, diversified portfolios with a strong commercial focus. These entities often focus on optimising asset value and supporting broader economic objectives (such as urban regeneration and economic development), maintaining a level of strategic alignment with local government goals.

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[3] Crown Estate UK actively manages a diverse portfolio of assets, including significant land, property, and the seabed around England, Wales, and Northern Ireland. It operates under the framework of the Crown Estate Act 1961, with responsibilities to grow the value of its portfolio for the benefit of the nation. The Estate's revenue is returned to the UK Treasury, contributing to public finances.

[4] The Danish Building and Property Agency functions as a part of the Danish Ministry of Transport, overseeing the construction, management, and maintenance of state properties. The agency manages public sector projects including state offices and university buildings, handling tasks related to both development and long-term facility management.

- **Public-private partnerships**. In many international examples, public-private partnerships play a critical role in property management, particularly in urban regeneration and non-service property portfolios. For example, HafenCity Hamburg GmbH uses joint control with private sector developers to manage urban regeneration sites.[5]

Transport

There is a limited amount of international research on transport governance which may be attributed to a few factors. First, transportation is often seen as a core public service, typically governed within specific national or local frameworks. This focus on public provision means that transport governance structures tend to be closely tied to local and regional councils, making it challenging to apply uniform models across different countries.

Additionally, the field of transport governance is complex, involving multiple levels of government, private sector players, and stakeholders with diverse interests and regulatory constraints. Due to this complexity, transport research often emphasises operational aspects, such as network efficiency, funding, and sustainability, rather than overarching governance structures. Academic and policy research may focus on specific case studies or best practices rather than on comparative studies of governance models.

International governance models for transport are diverse and context specific, but do show some similarities, those being:

- The major role that state and central government agencies play in regional transport planning and prioritisation of funding, compelling the need to integrate with inter-regional networks, priorities and national planning frameworks.
- The nature of central, regional and local government funding arrangements drives complex governance entity arrangements. Auckland's arrangements are significantly less complex than many other cities primarily because of the scale of Auckland governance arrangements being both regional and local and the single transport agency responsible for all modes of transport.
- Most international cities provide public transport services at arm's length, as this reduces jurisdictional boundary issues between local boroughs, councils, etc. While this is not a challenge for Auckland (being a regional scale unitary authority), the expected benefit is in the synergies in managing the movement of people and goods on one integrated network.
- There is a shift to interdisciplinary planning (land use and transport) and between transport modes at the regional and national scales, although this varies across countries and cities. Some academic research argues that achieving land use and transport planning integration is still relatively difficult and that organisational structure can play a part, but also that institutional cultural norms can hinder integration.[6]
- Whilst hard to be definitive, higher public trust and confidence tends to be supported through factors including strong alignment between transport policy and broader city growth, a focus on intermodal integration, responsive public transport service planning, and structures that incentivise operational efficiencies.

[5] https://www-hafencity-com

[6] Duman et al, 2022. Challenges in Land Use and Transport Planning Integration in Helsinki Metropolitan Region – A Historical Perspective.

- No examples could be found of an international city where all transport functions and modes were managed inhouse by the local authority.

Figure 1: Models of service delivery

	In-house	Arms-length	Joint control	Independent
Model	Activity managed by council	**Activity managed by a wholly ownedCCO**	Activity managed jointly	Activity managed by an **independent entity**
Description	The activity or group of activities is run directly by the local authority who operates and manages all aspects of the activity/ in-house. Planning, strategy, and execution are conducted by the authority's own staff and departments.	These are entities where the local authority has the controlling stake in the entity. The local authority appoints most board members and retains full control over the CCO's strategy and operations. The CCO is able to undertake joint-ventures.	These entities are jointly owned by a local authority and other parties, such as private companies or the Crown. The local authority has less than majority control and may appoint some, but not all, of the board members.	The activity or group of activities is managed by an entirely independent entity that operates separately from the local authority, with its own governance structure and strategic objectives. It may be a non-profit organisation, a private company, **or** a public-private partnership. This is the least common model.
	Highest level of council control& accountabilityto council	Council retains complete ownership and appoints all board members	**Significant council ownership and influence but decision-making shared with other parties**	**Lowest level of council control and accountability to council**
Funding	Primary Source: • Direct funding allocated from the local authority's budget. Secondary Sources: • Grants and Subsidies from national government • Revenue from local taxes or fees related to business and economic activities. • Public-Private Partnerships	Primary Source: • Direct funding from the local authority. Secondary Sources: • Revenue-Generating Activities (income from services, projects, or investments) • Grants from government and non-government sources • Public-Private Partnerships	**Primary Sources:** • Direct funding from the local authority • Partner contributions **Secondary Sources:** • Revenue-Generating Activities • Grants from government and non-government sources • Public-Private Partnerships	**Mixed** funding sources: • Private Investment • Grants from government and non-government sources* • Revenue-Generating Activities • Sponsorships and Donations • Public-Private Partnerships *Note: Local government funding remains a significant proportion of most independent entities

Economic Development – case studies by model

‘In house’ – Regional economic development managed by a local authority

Greater Manchester Combined Authority – UK

Population: 2.8 million (predominantly urban)

Governance: The GMCA is a combined authority of ten metropolitan borough councils, responsible for regional economic development, transport, housing, and strategic planning. GMCA plays a central role in managing regional economic development for Greater Manchester and is run jointly by leaders from the ten councils. The GMCA political body comprises the Mayor of Greater Manchester, who acts as chair, along with the leaders of Greater Manchester's ten local councils. The GMCA also exist as an organisation with a chief executive reporting and staff that report to the political body. The is no separate board of directors

Scope: Attracting investment, supporting local businesses, infrastructure development, and creating jobs across the region. Has an explicit equity focus with several initiatives focused on reducing economic inequality. GMAC developed the Greater Manchester Local Industrial Strategy, run a Social Enterprise Advisory Group, offer a Foundational Economy Innovation fund, and negotiated the City Deal for Greater Manchester.

Funding: Local business rates, transport taxes, levies commercial property funds. National government grants including from a city deal, the housing investment loans fund, UK Shared Prosperity Fund, Life Sciences Fund etc.

Strategic direction: Work towards the Greater Manchester Strategy for sustainable economic growth which was jointly developed by the GMCA and Greater Manchester Business Board.

Regional Municipality of Durham Region Economic Development and Tourism Department – Canada

Population: 700,000 (rural/urban mix)

Governance: The Durham Region Economic Development and Tourism Department is a part of the Regional Municipality of Durham and manages economic development across eight local municipalities.

Scope: The division's main objectives are to create job opportunities, increase the property tax base and nurture private sector investment. It also holds a tourism responsibility and also undertakes regeneration activity. The GMCA also oversee policing, fire and emergency and waste services for the combined area.

Funding: Local property taxes, user charges, government funding

Strategic direction: Works to a collaboratively developed strategy ‘Ready Set Future’ which delivers on the third pillar of Durham Regional Council’s Strategic Plan: “To build a strong and resilient economy that maximises opportunities for business and employment growth, innovation and partnership.”

Osaka City Economic Strategy Bureau – Japan

Population: 2.7 million (urban)

Governance: The Economic Strategy Bureau operates as a part of the Osaka City Government, functioning under the city's administrative structure. The Bureau is led by a Director-General, who reports to the Mayor and the Osaka City Council.

Scope: This bureau is responsible for shaping and implementing Osaka's economic policies and strategies, with a focus on urban regeneration, and international trade. (Osaka City Government have a separate Tourism Strategy Bureau)

Funding: Its funding mechanisms are diverse, relying on municipal budgets, national grants, public-private partnerships and corporate sponsorships, and revenue from tourism and international events.

Strategic direction: The Bureau's governance and funding are closely aligned with Osaka City's strategic goals of regional revitalisation, internationalisation, and innovation. These goals shape how resources are allocated and how the Bureau operates in collaboration with other entities.

'Arm's length' – Regional economic development managed by a wholly-owned CCO

Brisbane Economic Development Agency (BEDA) – Australia

Population: 1.3 million (BCC local government area)

Governance: BEDA is a wholly owned subsidiary of Brisbane City Council and is the city's official economic development board. Council formed BEDA, formally Brisbane Marketing Pty Ltd, in 2000. BEDA is structured like a private sector organisation and operates autonomously where executives can exercise and action decisions within a remit.

Scope: To advise and deliver programs and campaigns to support existing and attract new economic opportunities to the city, includes a tourism function.

Funding: Jointly funded by Brisbane City Council and private sector contributions, BEDA also generates income from events, sponsorships, and international delegations. 2022-23 revenue of AU$32 million came from: Brisbane City Council (87%), State Government (6%); revenue generation (5.7%); other (1.3%).

Strategic direction: BEDA jointly delivers the Brisbane Economic Development Plan 2012-31 and Brisbane's Future Blueprint with Brisbane Council. The Brisbane City Council and BEDA are aligned on BEDA's strategic operations.

Adelaide Economic Development Agency (AEDA) – Australia

Population: 1.4 million (urban)

Governance: AEDA was established in 2020 and is a subsidiary of the City of Adelaide with a Board appointed by the Council. The Board includes the mayor or their delegated representative Councillor.

Scope: To accelerate economic growth in the city by attracting investment and supporting businesses, growing the visitor economy, supporting residential growth, growing an annual events calendar and marketing the city including Rundle Mall.

Funding: AEDA is funded by the local authority, the City of Adelaide. There is also specific funding raised through the Rundle Mall Differential Separate Rate that is used only to support the delivery of the marketing plan, actions and operation of the Rundle Mall Precinct and not the broader city. 2022-23 revenue of Aus$ 14 million came from: Adelaide City Council (69%); Rundle Mall rate (27%); revenue generation (4%).

Strategic direction: AEDA's Annual Business Plan and Budget is approved by Council and AEDA reports quarterly to the Audit and Risk Committee and Council on progress against key performance indicators as outlined in the City of Adelaide's Strategic Plan 2024-2028.

Barcelona Activa – Spain

Population: 1.6 million (urban)

Governance: Barcelona Activa is a Public Trading Company integrated into the Economy and Economic Promotion function of Barcelona City Council. It has the legal status of a Private Municipal Company of Barcelona City Council. Half of the board members may be appointed from among the Barcelona City Councillors. The Chair is the Mayor of Barcelona City Council or a person they appoint.

Scope: Promote quality employment, entrepreneurship and business competitiveness in order to achieve a sustainable, inclusive and fair economic model.

Funding: Funds come from the City Council, the Government of Catalonia, the management of its own assets, the European Union and other institutions, and the Government of Spain.

Strategic direction: Works toward the Barcelona Green Deal urban and economic agenda and the Municipal Action Plan.

'Joint' – Regional economic development managed jointly

Highlands and Islands Regional Economic Partnership – Scotland

Population: 493,000 (rural with small urban centres)

Governance: Operates through a collaborative governance structure that includes public, private, third sector, and academic representatives. It is chaired by the Leader of Highland Council and includes key stakeholders such as local authorities, Highlands and Islands Enterprise, Skills Development Scotland, VisitScotland, and representatives from private businesses and social enterprises. It is structured as a collaborative partnership with a secretariat funded by the Highlands and Islands Enterprise (central government sector).

Scope: To enable inclusive and sustainable economic growth and build resilience throughout the region. It has a remit that extends across policy development and delivery oversight. The REP also plays an advocacy role, engaging with both the Scottish and UK governments on regional economic opportunities and funding challenges. It complements the work of local growth deal partnerships by coordinating efforts across local authority boundaries and ensuring regional priorities are addressed.

Funding: contributions from its member organisations, which include Highlands and Islands Enterprise, local authorities, and Skills Development Scotland. Additionally, the Partnership aligns its work with other strategic initiatives and funding mechanisms, such as the Convention of the Highlands and Islands and regional growth deal investments.

Strategic direction: Works on delivery of the Scottish Government's National Strategy for Economic Transformation.

Medellín's Ruta N – Colombia

Population: 2.5 million (urban)

Governance: Ruta N operates as a public-private partnership. The Medellín city government is a key partner, but private sector representatives, universities, and innovation-focused entities also hold governance roles. The board consists of both public and private members.

Scope: Ruta N focuses on innovation, entrepreneurship, and attracting international business to Medellín. Its projects are designed to foster technology-driven growth.

Funding: Ruta N is funded through a combination of public money, international development grants, and private sector investment.

Strategic direction: the organisation is guided by the Strategic Science, Technology, and Innovation Plan. This framework prioritises developing Medellín's economy through sectors like information and communications technology (ICT), energy, and health. The strategic plan was designed to position Medellín as an innovation hub, creating an environment that supports knowledge-based business, local talent, and innovation-focused infrastructure, such as the Medellínovation District adjacent to the University of Antioquia.

Helsinki Partners – Finland

Population: 675,000 (urban)

Governance: The City of Helsinki combined the operations of two of its subsidiaries, Helsinki Business Hub and Helsinki Marketing, into Helsinki Partners. It is governed by both public sector representatives and private sector stakeholders.

Scope: Helsinki Partners promotes investment, tourism, and business development in the city and surrounding region.

Funding: The organisation's funding comes from a mix of public sources (city and municipalities) and private sector contributions.

Strategic direction: Its main mission is to foster sustainable growth by attracting businesses, investors, and skilled individuals to Helsinki, aiming to bolster the city's economic resilience and environmental goals. The agency also markets Helsinki internationally as a prime destination for tourism and business, leveraging its status as a WWF Green Office to underscore a strong commitment to sustainability and carbon neutrality.

‘Independent’ – An independent organisation or company

London & Partners - UK

Population: 8.9 million (urban)

Governance: London & Partners is a not-for-profit company that operates as a social enterprise. The five shareholders are the Mayor of London and four trade bodies: ABTA, the London Chamber of Commerce and Industry, UK Hospitality and the Society of London Theatre. There are up to 10 non-executive directors and two executive directors. The Mayor of London appoints the chairman and one other director. Other non-executive directors are appointed by the members on the recommendation of the board.

Scope: Supporting high-growth sectors and small businesses; attracting visitors and running events, growing London’s global reputation, and creating partnerships and profit-making ventures to reinvest into our economic growth activity. L&P run three subsidiary companies.

Funding: L&P is half funded by the Greater London Authority (GLA) and half funded from other sources, including a portfolio of commercial ventures. 2022-23 revenue of £29 million from: the Greater London Authority (69%); income from partners (13.8%); commercial income (8.5%); other grants (5%); other (3.7%).

Strategic direction: The L&P Business Plan is strategically aligned with the Mayor of London's Economic Development Strategy for London. The Greater London Authority has an Economic Development Unit that manages the GLA arm's-length business partnerships, including L&P. The involvement of the GLA Economic Development Team with L&P comprises a series of formal and informal meetings with L&P throughout the year.

ONLYLYON – France

Population: 1.4 million – greater region (predominantly urban)

Governance: ONLYLYON Invest is managed by ONLYLYON & CO, a non-profit association bringing together the region’s main local authorities and economic institutions. Co-chaired by the President of the Métropole de Lyon and the President of the CCI Lyon Métropole Saint-Etienne Roanne, the governance of the Agency is made up of a Board of Directors of 23 members, representing around sixty active members and partners, regional players.

Scope: ONLYLYON Invest is the economic attractiveness program responsible for identifying, attracting, supporting and connecting the companies, skills and technologically or socially innovative solutions that enrich the region.

Funding: ONLYLYON operates through contributions from 12 founding institutional and business partners, including Lyon Métropole, the Lyon Chamber of Commerce and Industry, Aderly (Lyon Area Economic Development Agency), and local business stakeholders.

Strategic direction: Boosting metro area attractiveness to business, education and research, events tourism.

Greater Washington Partnership – USA

Population: 7.7 million (urban)

Governance: A nonprofit alliance of the region's employers that drives regional economic development across Maryland, Virginia and Washington, D.C. The Board is made up of private sector and tertiary education leaders.

Scope: Focuses on inclusive growth and fostering unity through three pillars of work: Inclusive Growth, Skills and Talent, and Regional Mobility & Infrastructure. The Partnership has one subsidiary, Capital CoLAB (Collaborative of Leaders in Academia and Business), an alliance of educators and business leaders working together to develop talent in the region.

Funding: Through contributions from business leaders and philanthropists.

Strategic direction: Lead by their own strategical plan, the Regional Blueprint for Inclusive Growth, developed in collaboration with a range of public and private stakeholders.

Priority One – Western Bay of Plenty, NZ

Population: 60,800 (mostly rural)

Governance: Priority One is structured as an Incorporated Society that operates as a partnership between business, communities, mana whenua, and local government. It was established in 2001 by the Tauranga and Western Bay of Plenty business community in partnership with the sub-region's local authorities. The CEOs of Tauranga City Council, Western Bay of Plenty District Council, and Bay of Plenty Regional Council are all members of the Board and their councils are members of Priority One.

Scope: Creating a prosperous and sustainable region through enabling business success; fostering innovation; attracting talent and investment; and developing skills and talent.

Funding: 2022/23 funding of NZD 3,992,149 came from: Local Authority funding (49%); Project and other funding (21.4%); membership fees (18.4%); central government (11%).

Strategic direction: Jointly defined by members across the key pillars of Talent, Innovation, Māori Economic Development, City Centre Rejuvenation, Sustainability and Infrastructure.

Destination marketing and major events – case studies by model

‘In house’ – Destination marketing and major events managed by a local authority

No international examples could be found where destination marketing and major events were solely undertaken inhouse. However, there were examples where a subnational public-sector Stand-Alone Business Unit worked with arm’s length entities at the city or local scale. One such example is in Queensland Australia as follows.

Queensland, Tourism and Events Queensland (TEQ)

Population: 5.2 million

Governance TEQ is managed by a CEO, who reports to the Minister of Tourism, and its governance structure is integrated within the larger governmental framework, rather than being led by an independent board.

Scope: Branding, destination marketing, market research, major event attraction and sports tourism, events strategy, regional tourism industry development, visitor centres, international partnerships.

Funding: Primarily through a state budget allocation but also through federal grants, partnerships and sponsorships, commercial activities and revenue

Strategic direction: Towards Tourism 2032 – is the core document guiding TEQ’s work. It focuses on creating a strong, sustainable tourism industry that balances growth with environmental responsibility and has three stages which encompass 1) building the capacity of the industry 2) increasing the growth trajectory with fresh product, experiences and new ways of working and 3) capitalising on the previous phases and maximising Queensland’s hosting of the Olympics in Brisbane in 2032.

‘Arm’s length’ – Destination marketing and major events managed by a wholly-owned CCO or state entity

Tourism Tasmania

Population: 571,000 Tasmania

Governance: Tourism Tasmania is governed by a board of directors who are appointed by the Governor of Tasmania under the recommendation of the Minister of Tourism.

Scope: destination marketing, strategic planning and research, event promotion, product development, collaboration with industry.

Funding Primarily through a state budget allocation but also through federal grants. In addition to public funding, Tourism Tasmania also engages in partnerships with private sector companies, such as airlines, accommodation providers, and tourism operators, to jointly fund marketing campaigns and tourism development initiatives. Additionally**,** event sponsorships and collaborations with industry stakeholders contribute to its funding base.

Strategic direction: Tasmania 2030 Visitor Economy Strategy.

'Joint' – Destination marketing and major events managed jointly

Experience Oxfordshire (UK)

Population: 750,000

Governance: Experience Oxfordshire is governed by a Board of Directors and Trustees. It is the trading arm of the parent charity, the Experience Oxfordshire Charitable Trust, and is a not-for-profit public and private sector partnership organisation.

Scope: Destination marketing and branding, product development, event promotion, industry support and development, collaborating with local authorities and tourism bodies, research and advocacy, venue promotion.

Funding: Primarily funded through membership schemes where local businesses and organisations in the tourism sector contribute financially. It also receives support through grants and partnerships with local councils and tourism agencies**.**

Strategic direction: EO follows the regional destination management plan. At the national level, the UK has overarching strategies like the Tourism Sector Deal and frameworks provided by VisitBritain (the national tourist board). These strategies offer guidance and objectives for the whole country, including destination marketing, sustainable tourism, and sector support. Local destination marketing organisations like Experience Oxfordshire create more specific plans that support these national objectives while focusing on their regional priorities.

Destination Vancouver (BC, Canada)

Population: Vancouver 662,000 with the wider metro area being 2.68 million.

Governance: Destination Vancouver is a not-for-profit, member-based organisation responsible for promoting the city's tourism industry. It serves over 1,000 members, including hotels and tourism businesses. The organisation is governed by a Board of Directors that oversees its operations, strategy, and financial planning.

Scope: Destination marketing, convention and business tourism promotion, product development, collaboration with local government, private sector businesses and industry organisations. Destination Vancouver plays an active role in bringing international conferences and trade shows to the Vancouver Convention Centre, but the centre itself is operated by the provincial government of British Columbia through its crown corporation BC Pavillion Corp (PavCo) which oversees the venue's management, operations and maintenance.

Funding: Primarily through private sector revenue (memberships and business activities), government funding and hotel taxes. Historically the city of Vancouver council provided some financial support, but the organisation has become increasingly less reliant on municipal funding with the hotel tax emerging as a more significant revenue source.

Strategic direction: Destination Vancouver's activities are guided by several strategic documents and frameworks, which align with both regional and national tourism goals.

Meet Minneapolis

Population: 425,000

Governance: Meet Minneapolis is a non-profit destination marketing organisation. The organisation is governed by a board of directors, with the Mayor of Minneapolis and several city council members among its members.

Scope: Attracting conventions, sporting events, and cultural tourism, working closely with local businesses and stakeholders to boost the city's profile and economy. Meet Minneapolis does not directly manage the Minneapolis Convention Centre (which is owned and operated by the City of Minneapolis through its department of Convention Centre Operations). However, Meet Minneapolis works closely with the Convention Centre, promoting it as a key venue for conventions, conferences, and large events as part of its broader destination marketing efforts.

Funding: Primarily through the city of Minneapolis taxes – made up of a mix of hotel/motel taxes, sales taxes, and revenue generated by events held at the Minneapolis Convention Centre.

Strategic direction: Destination Transformation 2030 plan which focuses on visitor attraction, metro wide branding, the development of an iconic visitor centre on the central riverfront together with an urban walkway, unified transportation and wayfinding, ensuring the convention centre stays competitive.

‘Independent’ – An independent organisation or company

Tourism Whistler (BC, Canada)

Population: Whistler 15,500 residents (fluctuates significantly in winter), wider Vancouver metro area 2.68 million.

Governance: Tourism Whistler is governed by a board of directors composed of representatives from Whistler's tourism, business, and community sectors.

Scope: Destination marketing and development, supporting the attraction of conferences, visitor services, research.

Funding: Tourism Whistler is funded through a variety of sources, including the Municipal and Regional District Tax (hotel tax). This funding supports marketing and tourism development efforts. The organisation also generates revenue through services like the Whistler.com central reservations and conference sales.

Strategic direction: Long term Tourism Vision and Strategy was developed in 2006 and had a planning horizon of 2020. In 2023 Tourism Whistler began developing a sustainable Tourism framework to guide the organisation’s events, conferment and marketing. The area faces significant pressure on its resources in peak seasons. The new strategy seeks to address this seasonality.

Urban Regeneration – case studies by model

Over time, the main governance structures that have evolved for urban regeneration are:

Inhouse council urban regeneration or renewal. Many local authorities undertake significant renewal or regeneration projects in-house but their role is usually in master planning and facilitating a range of state and private actors in a locality over a given period. In these projects, the council or state usually provides significant upgrades to the public realm such as promenades, wetland restoration, landscape and park upgrades. These departments also play an important role in setting standards, leveraging underulitised council properties and facilitating micro scale community driven renewal projects such as the City of Melbourne's green laneways.

Development Corporations (1980s). These corporations operated independently often over derelict inner-city sites, focussing on attracting investment and managing development with little government oversight e.g. London Docklands Development Corporation. These corporations often were given title to the land and had planning powers to streamline the planning process. Although successful at regenerating old industrial sites where there were few existing residential communities, they came under criticism for not integrating with other nearby areas, gentrification, poor social outcomes and private sector profiteering.

Urban Renewal Authorities (1990s onward). These agencies operate at arm's length from local, regional/state or central government to revitalise specific urban areas. Their roles vary but often involve master planning through implementation and community support programmes. Earlier examples had formal planning powers (plan approval, consenting) and compulsory acquisition powers though these are less common in recent times. Some are single location entities and may wind up once the renewal project has met its goals. Others cover multiple locations within a region.

Public Private Partnerships (1990s). PPPs feature collaboration between public entities and private developers to fund, design and manage urban projects e.g. the High Line in New York City. PPPs in this context are often limited to a particular site rather than regeneration of a whole town centre or area.

Special Purpose Districts. SPDs are established by property owners to enhance specific areas. They are funded through additional taxes. Some operate independently from local government and others do not. Example – Times Square Alliance, Manhattan, NY and Business Improvement Districts (BIDs) in many cities including Auckland.

'In house' – Urban regeneration managed by a local authority

Property and Development, a Stand-Alone Business Unit of New South Wales

Population: New South Wales – 8.2 million

Governance: Statutory Entity representing the Crown under the management of the Department of Planning, Housing and Infrastructure (DPIE). A group of executive directors report via the Deputy Secretary of a division of DPIE (who is also the chief executive of Property and Development, NSW) to the responsible Minister. It could also be considered a stand-alone business unit (SABU).

Scope: Property and Development NSW (P&DNSW) operates across the entire New South Wales (NSW) region. It focuses on managing government-owned land and properties, facilitating development projects, and delivering housing solutions throughout the state. This includes a wide range of properties, such as public land, buildings, and infrastructure. As such, this is an entity that manages both property functions and urban regeneration.

Funding: NSW funding and federal government grants, revenue from leasing, disposals. P&DNSW do not own the underlying assets but being a public entity are operating as agents of the relevant Minister.

Strategic direction: PDNSW is responsible for the strategic management, development, and leasing of state and city government assets to maximise their value for the government and the community. The agency focuses on facilitating urban development and regeneration projects that align with government policies and objectives.

Hobart, Tasmania

Population: 541,000 (Tasmania), 240,000 (Hobart)

Governance: Urban renewal activity is undertaken by the Tasmanian State Government with input from local authorities who undertake community consultation to understand local needs. Many regeneration programs are underway under the auspices of the local authorities in Tasmania such as The Inveresk Precinct in Launceston, Salmanca Place in Hobart, Moonah Central Redevelopment in Glenorchy, Burnie City Waterfront in Burnie.

There is an arm's-length entity however within this mix, which is the Macquarie Point Development Corporation which is a statutory authority established in 2012 to regenerate 9.3 hectares of former Hobart railyard land in Hobart, adjacent to the Port of Hobart and the CBD.

Scope: State agencies in Tasmania take lead roles in specific projects, especially those that require investment or infrastructure development. The Macquarie Point Development Corporation is responsible for the remediation, redevelopment and transition of Mac Point into a mixed-use precinct. It has also been given responsibility for master planning the development of a new stadium on the site.

Funding: Local and state government in Tasmania are funded by taxes but also have access to other sources of revenue as a result of owning revenue generating assets (land, building, infrastructure assets).

Strategic direction: The Department of State Growth in Tasmania has developed a Population Growth Strategy in 2015 which local authorities use to guide their growth planning. Greater Hobart developed a 30-year Greater Hobart Plan in 2022 focussed on development opportunities, greater housing diversity, transit options, heritage, climate change and liveability.

Helsinki, Finland

Population: Helsinki city centre 650,000. Wider metropolitan area 1.5 million

Governance: City of Helsinki project staff report to a chief executive responsible to Elected members. Additionally these projects have access to several advisory boards and working groups composed of experts in urban development, architecture and sustainability. Helsinki Port Authority has a board appointed by the elected members.

Scope: In Helsinki, the majority of urban regeneration projects are primarily undertaken by the **City of Helsinki** through its various municipal departments, such as the Urban Environment Division. Projects such as the Kallio District Revitalisation and the Hernesaari District have been delivered inhouse by providing new zoning and infrastructure to support mixed use developments. The city also owns an arm's-length entity to manage the port and its regeneration – the Helsinki Port Authority. The wider urban area of Helsinki has approximately 12 regeneration locations of varying scale.

Funding: Local and central government funding and funding from the European Union. Private sector funding in individual site projects.

Strategic direction: Guided by the Helsinki City Strategy, which is updated each term of council.

'Arm's length' – Urban regeneration managed by a wholly-owned CCO or state entity

London Legacy Development Corporation (single site agency)

Population: London 8.9 million

Governance: The LLDC is a Mayoral Development Corporation, established by the Greater London Authority (GLA) and owned by the local authority. It operates under the powers of the GLA Act 2007. The Mayor has the power to designate development areas in Greater London. The Mayor appoints the LLDC board members and allocates its capital and revenue funding through the annual Mayoral budget setting process.

Scope: The LLDC was created to promote and deliver the regeneration of the Queen Elizabeth Olympic Park and surrounding areas following the London 2012 Olympic Games. This regeneration includes residential, commercial and community spaces in the surrounding area. The LLDC acts as the local planning authority for its area. It is responsible to co-ordinating the strategic investment in the area. The corporation has a specific focus on economic development, providing support for small and medium local businesses, including workshops, mentoring and funding opportunities. It partners with local organisations to offer training and apprenticeship programs that equip residents with skills needed for available jobs in the area.

Funding: The LLDC receives funding from the Greater London Authority and the UK government for specific projects and initiatives, especially those related to regeneration and infrastructure. As owner of the majority of the land the LLDC keeps the income from leases and sale of public buildings in the designated area, shares the risk and reward of joint venture projects, collects business rates in the area, attracts grants and contributions and generates revenue from events.

Strategic direction: The strategic direction of the LLDC is set out in the Local Plan 2020-2036 and includes the policies that it will use to direct development and determine application for planning permission.

South Bank Corporation, Brisbane Australia

Population: 1.3 million (BCC local government area)

Scope: A Queensland Government statutory corporation, the Corporation was established under the South Bank Corporation Act 1989 (the Act) to oversee the development and management of a new South Bank.

In 2013, the control and management of South Bank's assets were transferred from the South Bank Corporation to the Brisbane City Council as part of a broader effort to streamline governance and improve financial oversight. The decision aimed to integrate the management of South Bank into the city's overall planning framework, with the goal of enhancing the area's development and ensuring that it aligned with broader city priorities.

This shift was intended to provide more consistent management across the city and leverage the resources of the council for maintenance and event planning. However, over time, some stakeholders felt that this approach led to challenges in managing the unique character and vibrancy of South Bank, ultimately prompting a decision in 2023 to return full control to the South Bank Corporation. This change aimed to improve the overall management of assets, maintenance, and activation of the precinct, allowing for more responsive and effective oversight.

Funding: Queensland government, revenue from assets, event income, PPP profit sharing.

Strategic direction: The South Bank Master Plan was approved by the Brisbane City Council after consultation with the public.

'Joint' – Urban regeneration managed jointly

Barangaroo Delivery Authority, Australia. Now disestablished.

Population: Sydney 5.2 million

Governance: The Barangaroo Delivery Authority (BDA) was established as a statutory authority under the New South Wales Government. The BDA was governed by a board of directors who reported to the Minister of Planning. Lendlease (a private company), were given extensive powers as the master developer for Barangaroo South precinct by the BDA. The BDA retained oversight and strategic control over the broader Barangaroo redevelopment, setting objectives and guidelines for the precinct. Lendlease, as the master developer for the southern precinct, was given significant autonomy to execute the vision within the framework provided by the BDA.

The BDA was disestablished in 2019 and its functions transferred inhouse to the New South Wales (state) government.

UrbanGrowth NSW Development Corporation which was an arm's-length entity was also in existence at the time that the BDA was in existence. It had the role of leading major renewal projects across the state. It was also disestablished in 2019.

The BDA and UrbanGrowth NSW Development Corporation were disestablished as part of a broader restructuring of New South Wales government agencies. The changes were designed to create a more integrated approach to urban development and planning in New South Wales, and centralise planning, development, and environmental management under one umbrella, enhance long-term planning and better coordinate development across the state, and improve financial oversight and accountability in development projects.

Scope: The BDA was responsible for overseeing the redevelopment of the Barangaroo site of 22 hectares of waterfront land (formerly warehouses and shipping operations) into a mixed-use development including commercial, residential and recreational spaces.

Funding: Significant state funding provided to infrastructure, urban amenities, master planning and planning modifications. Private capital for the commercial and residential buildings. Lendlease are still major developers within the area

Strategic direction: The Barangaroo Redevelopment Project was guided by the 2007 Barangaroo Concept Plan and Master Plan. Since the disestablishment of the BDA, the project is now guided by an updated Barangaroo Concept Plan.

Grand Lyon Urban Development Agency (Lyon Métropole Aménagement)

Population: Lyon 522,969, broader metropolitan area 1.4 million

Governance: Lyon Métropole Aménagement (LMA) is the primary public entity responsible for urban development and regeneration in the Lyon metropolitan area. It plays a key role in the Lyon Confluence, one of Europe's largest urban regeneration projects, covering 150 hectares of land. LMA is owned by Greater Lyon (the metropolitan authority), which holds 89% of the shares while private entities make up the remaining 11%. These private stakeholders are typically private real estate companies and investors. It has its own urban planning agency (Urbalyon) which focuses on data analysis, urban planning policy and territorial support.

Scope: The LMA does not hold ownership of the land that it works on. The ownership remains with the local authority. The agency serves more as a project manager and developer, ensuring that public interests are represented while working with private sector partners for the execution of these projects

Funding: The LMA is primarily funded through a combination of public and private sources. Additionally, LMA partners with private developers and investors to fund specific urban regeneration projects, especially those that require extensive commercial input.

Strategic direction The LMA's work is directly influenced by broader strategic planning frameworks, with its projects reflecting goals like increasing affordable housing and fostering economic development.

‘Independent’ – An independent organisation or company

Prosper Portland (formerly Portland Development Commission)

Population: 2.5 million in the metro area – 650,000 in the city proper

Governance: A public agency of the city of Portland. Prosper Portland is headed by an executive director who reports to a five-member Board of Commissioners appointed by the mayor and approved by the City Council. The Board is authorised by City Charter to administer the business activities of the agency and once the budget and strategic priorities are set, Prosper Portland has significant independence in implementing its projects.

Scope: Prosper Portland has the authority to designate urban renewal areas and implement plans within those areas, including managing funding and development projects. Prosper Portland is an example of an entity that is responsible for both economic development and urban regeneration. It uses its resources to focus public attention in specific areas of the city, which helps Portland realise capital projects, commercial growth, and small business expansion within 11 tax increment finance districts. It also carries out a comprehensive range of economic development programs that support small business, improve access to workforce training, manage events and activations, and create jobs for all Portland residents across the city.

Funding: City of Portland, funds from eleven tax increment funding areas. The funding is requested of the Portland City Council and once a draft budget is settled, public hearings are held before final adoption.

Strategic direction: Guided by Advance Portland, a citywide plan for inclusive economic development and urban regeneration. The city council directed the creation of an external advisory committee to advise on implementation and monitor progress against the strategy.

High Line Trust, New York City (a Public Private Partnership)

Population: 8.2 million NYC

Governance: The Trust was made up of local residents, local government representatives (Department of parks and recreation), community and business leaders, design and planning experts.

Scope: Established in 2003, this nonprofit organisation was created to manage and maintain the High Line Park after its transformation from an elevated railway into a linear public park. Many parks in NYC are managed by not-for-profit organisations e.g. The Central Park Conservancy, the Prospect Park Alliance. The High Line is considered both an urban regeneration project and a park. The City of New York played a critical role in supporting the project through various agencies, including the Department of Parks and Recreation. They provided regulatory approvals, funding, and oversight throughout the planning and implementation phases.

Funding: Development cost of US$152 million approximately 33% percent of which was public funding. The remaining was raised through private donations, corporate sponsors and philanthropic organisations primarily through the High Line Trust.

Strategic direction. The High Line project was guided by a Masterplan which involved extensive community input. The redevelopment was carried out in phases, with each section being planned to integrate with the surrounding neighbourhoods.

Other examples of PPPs for urban regeneration

- **Hudson Yards, NYC** – 28 hectares of former industrial area on Manhattan's West Side. This project began in 2009 with initial planning and the first phase was officially opened in 2019. Approximately two-thirds of the project is complete. This is a PPP between the private sector and City of New York which provided infrastructure improvements and zoning changes.

- **King's Cross London** – 67 hectares of former industrial area transformed into a mixed-use neighbourhood (residential commercial, cultural spaces and public parks). This is a PPP between private developers and various public sector actors. Public bodies involved are Greater London Authority, Transport for London, London borough of Camden and various government departments. This project began in 2000 and is approximately 70 percent complete (residential, commercial and public urban space - Granary Square).
- **Toronto Waterfront** – A public agency owned by three levels of government (city, province and federal) that was established in 2001 as a non-profit corporation responsible for revitalising the waterfront areas of Toronto. This is a large waterfront revitalisation project covering multiple neighbourhoods including parks, residential areas and commercial development. The project area is 30-40 percent completed.

Property Management – case studies by model

‘In house’ – Property management by a local or state authority

City of Adelaide Council

Population:1.3 million (metropolitan area)

Governance: The Adelaide City Council oversees public property management internally, including parks, community spaces, and commercial properties. The council has full control over strategic decisions and daily operations, ensuring that property management supports the city's long-term goals.

Scope: Adelaide City Council undertakes strategy, acquisition, management, and disposal of public assets. The council emphasises financial sustainability, ensuring properties generate income to support other city services. The council also engages in public-private partnerships to enhance property development and financial returns including urban regeneration projects (e.g. the AU400 million Central Market Arcade Redevelopment) – some of these with an economic development focus under the auspices of their Economic Development Agency.

Funding: Local rates and property taxes. Rental income from commercial leases, government grants, and public-private partnerships.

Strategic direction: Aligning property management with financial sustainability while supporting broader urban planning and community needs.

‘Arm’s length’ – Property management by a wholly-owned CCO or state entity

Hobart City Property Holdings, Australia

Population: 240,000 (Greater Hobart)

Governance: Hobart Property Holdings manages commercial properties on behalf of Hobart City Council. The council retains strategic oversight and appoints board members, but the property management is done independently by the entity.

Scope: Council retains ownership but delegates day-to-day property operations. Hobart Property Holdings manages management and disposal functions of commercial properties. Beyond the value chain, the entity also focuses on long-term financial planning to ensure commercial properties support the council's revenue objectives.

Funding: Rental income from commercial property leases, contributions from the council for public projects, Australian and Tasmanian State Government.

Strategic direction: Ensuring long-term financial sustainability while maximising returns from commercial properties. It manages and develops the city’s land and property assets in line with the council's strategic goals and objectives and engage in urban regeneration activities also, including collaborations under the Hobart City Deal.[7]

Toronto Community Housing Corporation, Canada

Population: 2.9 million

Governance: Toronto Community Housing is an arm's-length property and urban regeneration entity managing affordable housing across the city. The organisation oversees property management, maintenance, and leasing services. Portfolio size is estimated at CAD 9 billion

Scope: Affordable housing, community services properties.

Funding: Government funding/subsidies, rental income from properties.

Strategic direction: Ensuring access to safe, well-maintained housing for low and moderate income residents. The corporation engages in regeneration of its property portfolio to ensure that housing remains functional and meets community needs, including the creation of new affordable housing units and the improvement of existing facilities

'Joint' – Property management delivered jointly

City of Greater Geelong & G21 - Geelong Region Alliance, Victorian Planning Authority (VPA), Regional Development Victoria (RDV)

Population: 265,000

Governance: The City of Greater Geelong collaborates with regional agencies like G21, VPA, and RDV to jointly manage public assets, including parks and community buildings. This shared governance ensures that property management aligns with both local and regional priorities.

Scope: The council and regional agencies share responsibility for acquisition, management, and disposal of public properties. Additionally, the council engages in regional planning to coordinate with neighbouring municipalities, ensuring property decisions benefit the broader Geelong region.

Funding: Local authority budget (rates and taxes), contributions from regional agencies, state government grants, and public-private partnerships.

Strategic direction: Focusing on regional collaboration to ensure public properties meet both local needs and broader regional planning objectives.

Gold Coast City Council & Queensland Department of State Development, Infrastructure, Local Government and Planning

[7] The Hobart City Deal involves the Australian and Tasmanian Governments, and the councils of Hobart, Clarence, Glenorchy, and Kingborough. This deal, established in 2019 and valued at approximately AUD 300 million, focuses on urban development and infrastructure improvements in the Greater Hobart area.

Population: Gold Coast 635,000, Queensland 5.16 million

Governance: Gold Coast City Council collaborates with the Queensland Department of State Development to manage public properties, including parks, community spaces, and public infrastructure. Shared governance ensures that property management aligns with local, regional, and state planning objectives, particularly around infrastructure and urban growth.

There is shared control between Gold Coast City Council and the state government, with decision-making powers distributed across local and regional levels.

Scope: Gold Coast City Council manages the acquisition, management, and disposal of public assets in collaboration with the Queensland government. The partnership focuses on urban growth and regional planning, ensuring that property management supports both local and state-level development strategies.

Funding: Local rates, state government contributions, public-private partnerships, and infrastructure grants.

Strategic direction: Aligning property management with the broader urban and regional growth strategies of the Queensland government, focusing on sustainable development.

'Independent'– An independent organisation or company

Brisbane Housing Corporation, Australia

Population: 2.5 million (Greater Brisbane)

Governance: Brisbane Housing Company is an independent community housing provider (CHiP) and a registered charity. BHC operates independently of the council but aligns with Brisbane's strategic housing and urban development goals.

Scope: BHC undertakes property management and development focused on managing affordable housing and public properties in the Greater Brisbane area, working with the Queensland Government and the local councils, overseeing all aspects of property management to align with the city's growth and affordable housing strategies. BHC oversees acquisition, management, disposal, and development of properties. The entity also engages in public-private partnerships to increase affordable housing stock while maintaining financial sustainability.

Funding: Revenue from property rentals and sales, Government grants and partnerships with private developers, e.g. the Queensland Government's Housing Investment Fund (AU$2 billion) and the Australian Retirement Trust to deliver new social and affordable homes for seniors.

Strategic direction: Balancing affordable housing development with long-term financial sustainability and urban growth.

Transport – case studies

Entity structures for the delivery of transport functions in cities around the world is less easy to fit into an 'inhouse vs arm's-length' structure as used in Figure 1 of this report as often transport delivery is split by transport mode i.e. rail, bus, roads (national, state and local). Modes are also split across entities, showing some entities owning and operating the assets, while other jurisdictions services may be privately operated under franchises by the asset owning entity.

A range of examples was considered including Seattle, Vancouver, Hong Kong, Singapore, Santiago, Busan, and Sydney. The models presented below are the most relevant examples that show the variety of delivery models involved in transport functions.

Brisbane, South East Queensland, Australia

Population: 1.3m City of Brisbane, 2.5m Greater Brisbane, 3.98 million Southeast Queensland (Greater Brisbane, Gold Coast, Sunshine Coast, and Ipswich).

Governance: There is a council of Mayors and various SEQ committees in place for strategy, planning, and operational issues across council boundaries or where there is overlap between local and state government functions. Brisbane City Council (BCC) holds most urban functions, similar to Auckland Council. The Queensland Government owns and operates the state-controlled roads via the Department of Transport and Main Roads (the Department) and undertakes the provision of regional scale planning and policy. Local roads are owned by the responsible local authority and councils are responsible for bus and ferry stops and associated facilities.

Operational entities

Queensland Rail is a statutory authority. It discharges its functions through its wholly-owned subsidiary entity Queensland Rail Limited. The board members of Queensland Rail are also appointed as Directors of QRL. The board are accountable to Ministers via an operational plan and a performance agreement. Queensland Rail primarily operates the **Citytrain network**, which connects major areas within South East Queensland, including Brisbane and the Gold Coast. Additionally, Queensland Rail provides long-distance rail services under the Queensland Rail Travel brand, connecting regional areas and offering tourist experiences

TransLink is a hybrid arm's-length entity of the Queensland Dept of Transport & Main Roads (DTMR). It has responsibility for integrating bus, train, ferry and tram services across SEQ and Citytrain services provided by Queensland Rail. It is governed by executive directors appointed by the Queensland government but directly managed by the DTMR. The executive team appointment process is overseen by an independent panel and in the case of the Director General the independent recruitment panel is often chaired by a representative from the Public Service Commission.[8]

[8] The Public Service Commission in Queensland is supporting a review of director-general appointments following the change in government in 2024. The review is part of a broader initiative to boost performance and integrity within the Queensland public service, responding to concerns about political influence and a need for a merit-based selection process for top bureaucratic roles.

Funding

- Queensland Rail is funded by user charges and state and federal government appropriations. The Queensland Government receives royalties, stamp duties, car registration plus GST distributions from the Federal government.
- Translink funds the overall PT system, with only minor local share contributions for bus and ferry services and no local share for rail services.
- BCC provides funding assistance for bus stops and ferry terminals from rates.
- The Federal government also pay 50-80 percent of the cost of national highway upgrades such as Bruce Highway and Gold Coast Highway.

Strategic direction

Queensland Government: Queensland Transport Strategy (2019) focuses on enhancing safety, efficiency and sustainability. It is aligned to the State Infrastructure Plan.

Brisbane City Council: Long-term Infrastructure Plan 2012-2031; Long-term Asset Management Plan 2022-2042; plus a range of other strategies relating to transport.

Portland, Oregon, USA

Population: Portland 652,000. The wider Portland metropolitan area 2.5 million.

Governance: Oregon Department of Transportation (ODOT) oversees transportation at the state level, including highways and interstates that run through and connect to Portland. They manage road maintenance, safety programs, and produce the Oregon Transportation Plan which informs local and regional plans.

Oregon Metro is the only directly elected regional government and metropolitan planning organisation in the US with its council and president elected by voters in the region (six councillors elected from designated districts). Its primary functions are land use and urban planning including transport planning. Working at the regional scale, it collaborates with local governments to plan and co-ordinated regional transportation projects thus overcoming the problems associated with integration of planning across small local jurisdictions.

The joint Policy Advisory Committee (JPAC) on Transportation involves local elected officials and representatives of transport agencies directly in decisions that help Oregon Metro develop regional transportation policies, including allocating transportation funds.

The City of Portland includes Portland Bureau of Transportation. The Bureau manages transportation within the City of Portland, including planning, building and maintaining a safe and effective transportation system. It is responsible for the planning development and maintenance of the city's transportation infrastructure, including streets, footpaths, bike lanes, traffic signals, safety initiatives and local policy development.

Operational entities

TriMet: The primary public transportation agency in the Portland metropolitan area, TriMet operates bus, light rail (MAX), and commuter rail (WES) services. It provides an extensive network of public transit options throughout the region and collaborates with other agencies to coordinate regional transit services and improve connectivity. The TriMet board is appointed by the governor of Oregon and each member represents one of the seven geographic districts within the TriMet service area. These four-year appointments are subject to confirmation by the Oregon State Senate.

Portland Streetcar: Owned by the City of Portland, this entity operates streetcar services in the city, connecting various neighbourhoods and districts which means that the Portland Bureau of Transportation is ultimately responsible for the service. The Bureau undertake planning, funding and oversight ensuring that the streetcar aligns with city goals such as enhancing transportation accessibility. Portland Streetcar, Inc. (PSI) is a nonprofit organisation that partners with PBOT to manage and support streetcar operations.

Funding: Portland Bureau of Transportation manages $21b in assets with an operating budget of $589m, 9% of the City of Portland's budget. The primary source is Federal funding from petrol taxes, tolls, vehicle licensing fees, income taxes and heavy truck taxes

TriMet are funded by a combination of local, state and federal sources. Funding for the Portland Streetcar comes from a combination of sources, including TriMet funds, city contributions, passenger fares, sponsorships, and grants from federal, state, and local sources. The streetcar also benefits from funding through Local Improvement Districts (LIDs), where property owners in areas served by the streetcar contribute to its development and maintenance.

Strategic direction: Oregon State produces the Oregon Transportation Plan which informs local and regional plans.

Oregon Metro is authorised by Congress and State of Oregon to coordinate planning investments in the transport system for the Portland Metropolitan area and it approves the Regional Transportation Plan following consultation with minority community committees, indigenous groups, state and federal government agencies and the general public, and following recommendations of the Metro Policy Advisory Committee and JPAC.

Transport for London (TfL) – United Kingdom

Population: Greater London 8.9 million people. The area covers 32 boroughs

Governance: The Governing body of TfL is a board of 15 members appointed by the Mayor of London. The members are chosen based on their expertise in areas like finance, transport, urban planning and community engagement. The Mayor of London directly oversees TfL, setting its strategic priorities and appointing board members, ensuring democratic accountability through the mayoral office. The Mayor may be the chair. TfL plan and manage:

- all public transport functions (rail, bus, Docklands light rail, Trams, cable car
- river services, bike share
- around 580 km of key roads in London Transport for London Roads
- Taxi and Private Hire (licencing and regulation)
- Pedestrian and cycling infrastructure

Local roads are managed by London's 32 borough councils and the City of London Corporation.[9] Although TfL does not control all roads in London, it plays a coordinating role across the entire network by setting strategic policies, especially around congestion management and emissions reduction.

Operational entities: There are several operational entities in the London area that have contractual arrangements with TfL. The main modes are listed below

London Underground. TfL directly manages and operates the London Underground. This is one of the few services that TfL operates entirely in house, covering all 11 Tube lines.

London Overground. Overground services are contracted to private operators. Since 2016, Arriva Rail London has been the contracted operator for the Overground network. Arriva operates the trains, while TfL manages fares, timetables, and customer service standards.

London buses. While TfL designs routes, sets fares, and manages the overall bus network, the bus services themselves are operated by private companies contracted by TfL.

Tramlink. TfL contracts the operation of Tramlink, which serves South London, to a private company. Currently, it is operated by FirstGroup.

National Rail Services. While not under TfL control, several national rail operators provide suburban and intercity rail services within Greater London and beyond. Many of these services accept TfL's Oyster and contactless payments within the London fare zones, and some routes are integrated into the TfL fare structure, although these operators remain independently managed.

Funding:

Source	Description
Passenger fares	Largest income source from Tube, bus, and rail fares
Government grants and funding	Includes capital grants and emergency funding
Congestion Charge and Ultra Low Emission Zone Fees	Road user charges to manage traffic and emissions
Commercial Activities	Advertising, property leases, and retail partnerships
Borrowing and Bond Issuance[10]	Largest income source from Tube, bus, and rail fares
Business Rates and Special Levies[11]	Business rate supplements from the Greater London Authority
Other Income	Taxi licensing, retail, and bike-share fees

TfL's funding model has been under strain in recent years, especially due to the impact of COVID-19, which drastically reduced passenger fare income. To address these challenges,

[9] The City of London Corporation is a unique local authority with both traditional municipal duties and a distinctive role in promoting the financial and business sectors. Its governance structure, with a mix of elected officials representing both residents and businesses, sets it apart from other local councils in the UK..
[10] TfL has the ability to borrow money to fund large-scale capital projects. It issues bonds and takes out loans. TfL's borrowing is capped by the UK government, meaning there are limits to how much debt it can take on.
[11] The GLA collects a portion of business rates (a tax on commercial properties) to help fund TfL investment.

TfL has relied on additional government support, cost-cutting measures, and efforts to expand its commercial revenue streams.

TfL's reliance on fares and commercial revenue makes it more susceptible to changes in ridership and economic conditions than transport agencies that receive consistent government subsidies for operations. This has led TfL to explore more stable funding models for the future, such as increased government support or alternative income sources, to maintain and expand London's transport network sustainably.

Strategic direction: TfL is responsible for developing the Transport Strategy for London. Borough councils are responsible for local transport planning, including managing local roads, parking and specific PT initiatives. The Department for Transport (UK Government) sets broader transport policies and funding priorities which must be considered by TfL.

Network Rail are responsible for managing the majority of the rail network in the UK. Plans for upgrades, maintenance and expansions of rail services must be coordinated with TfL, especially for the rail lines that serve Greater London.

Île-de-France Mobilités – Paris, France

Population: 2.3 million Paris, 11.3 million (broader metro area - Île-de-France)

Governance: Île-de-France Mobilités (IDFM) is an arm's-length entity and is responsible for the overall planning and coordination of public transport services in the Île-de-France region. This includes ensuring that different modes of transport (buses, trams, trains, and metro and regional rail) are integrated and operate efficiently together. The authority manages funding for public transport infrastructure and services, deciding on budget allocations to various transport operators. This includes financing capital projects and operational costs and fare setting. It contracts the RAPT and other operators for services. The representatives on the Île-de-France Mobilités (IDFM) board consists of representatives from the various member municipalities, and these representatives often include local elected officials.

Operational entities

Régie Autonome des Transports Parisiens (RATP) manages the buses and the Paris Metro, several tram lines and some suburban train services, including infrastructure development. It is also responsible for integrating its services with other transport operators Île-de-France Mobilités (IDFM)

Société Nationale des Chemins de fer Français (SNCF) is the state-owned railway company of France, responsible for operating the country's national rail services. It connects major cities and regions across France. It is very similar to NZ Rail in the New Zealand context.

Funding: Although funded by the regional government and subject to regional policies, IDFM has the autonomy to make decisions regarding transport planning, fare setting, and operational management. A major source of funding for IDFM is the "Versement Mobilité," a transport tax paid by companies with over 11 employees. This tax is based on payroll and helps finance public transit infrastructure and operations. It is a unique feature of the French system, aimed at involving employers in the cost of public transportation. Various local taxes and fees also contribute to IDFM's budget. These can include specific levies on businesses and other regional funds allocated to support public transportation. IDFM also generates revenue from advertising in stations and on transport vehicles, as well as through rental income from commercial spaces within its facilities.

Strategic direction: The transport strategy for Île-de-France Mobilités (IDFM) is developed collaboratively and approved by its board, with significant input from regional and national stakeholders. The main transport strategy is outlined in a document called the Schéma Directeur de la Région Île-de-France.[12] Another key strategic document specifically focused on transport is the Plan de Déplacements Urbains d'Île-de-France[13] which is a medium-term strategy focusing on operational aspects, such as increasing public transit use, reducing emissions, improving service quality, and enhancing accessibility across the network.

[12] which translates to the "Master Plan for the Île-de-France Region." This plan is created in collaboration with the Île-de-France Regional Council and includes long-term goals for urban planning, transport, and sustainable development. It is similar to the Auckland Plan in its scope.
[13] which translates as Urban Mobility Plan for Île-de-France.

Appendix E: Feedback from CCOs

This appendix contains the feedback received from Council-Controlled Organisations (**CCOs**) on options for CCO reform, as requested in the *Mayor and Councillor Direction to the Council Group, September 2024* (**Appendix A**).

CCO feedback was provided on 14 November 2024 on the analysis of the CCO model and system performance and options for delivery of CCO functions (the analysis in Appendices B and C).

Feedback is provided from:

- Auckland Transport
- Eke Panuku
- Tātaki Auckland Unlimited.

14 November 2024

Phil Wilson and Max Hardy
Auckland Council

By email

Tena koe Phil and Max,

Thank you for the opportunity to review and comment on the penultimate drafts of Workstreams 1, 2 and 3 of the Council Controlled Organisation (CCO) Reform including the options assessment.

In summary, Auckland Transport's (AT's) overall response to the options for change is:

1. We welcome the review and agree there is room for change to deliver better outcomes for users of the transport networks across our region.
2. Auckland Council should have a statutory role in approving the Regional Land Transport Plan (RLTP) and be central to the longer term planning for transport in Auckland.
3. We agree the Regional Transport Committee (RTC) should be restructured and be responsible for the 30 year Auckland Integrated Transport Plan as well as the RLTP and Regional Public Transport Plan (RPTP)
4. We balance the above noting the significant intent in the establishment of AT as a discrete entity under statute was to ensure long-term infrastructure investment strategies and plans were not disrupted by regular changes in the political landscape, including Auckland Council. Long-term infrastructure investment requires certainty beyond the political cycle, which is somewhat 'protected' by AT's arm's length status. There are risks created to cost effective sustainable long-term infrastructure and services delivery if they are too closely aligned to significant changes in political direction. The direct impact being starting and stopping programmes of work leading to inefficiencies and increased costs.
5. There are enhancements to the status quo that can be made immediately to the current AT CCO model without requiring any legislative change that provide solutions to the issues raised in the Mayor's proposal.
6. We see significant risks and challenges presented by Options 2, 3a, 3b and 4, in particular the sequencing of change required, and potentially disruptive impacts to delivery of in-flight programmes of work, some of which are significant financial and operational investments (for example those related to the City Rail Link).
7. Many of the changes proposed under Options 2, 3a, 3b and 4 are likely to be time consuming, costly and complex to implement, and risk creating unnecessary uncertainty.
8. Options 2 and 3a and 3b have a real risk of creating operational disconnect between short to medium term strategy and planning, and funding and delivery. We believe the continuation of a close connection between these functions is vitally important for a successful transport system.

Attached is our Additional Proposed Option For Councillor Consideration which provides the detail to points 2, 3 and 4 above.

Over the past 18 months, we have seen much positive progress to deliver a fundamental change in approach, through a period of significant change and uncertainty. There have been many areas of success including the delivery of a record capital programme last year and achieving 18 of 19 Statement of Intent (SOI) measures. We believe these most recent, and sustained, results are a better indicator of the organisation’s current status than past history and are concerned that proposals for change are based on historic performance. We also believe there is an opportunity to continue to build on this positive momentum through accelerated enhancements to the current model.

This response has again been reviewed by, and has the full support of, the AT Board.

Please note that, due to the tight timeframes for preparing this response, we have not been able to undertake extensive engagement with the broader organisation. However, we will do this over the coming two weeks and send our considered staff feedback to Council.

If you require clarity on any element of our response, please contact Scott Campbell, Director, Strategy and Governance.

Ngā mihi

Dean Kimpton
Chief Executive

cc: Richard Leggat, Scott Campbell

ADDITIONAL PROPOSED OPTION FOR COUNCILLOR CONSIDERATION:

We are of the view that a more achievable and lower risk option that responds better to the problem statement identified as part of Workstreams 1 and 2 is set out below. This option focuses on two key elements:

1. A review of the role and construct of the RTC for Auckland. This will require legislative change.
2. Accelerated enhancements to the status quo model. These can be made by Council and AT.

Role and construct of the RTC for Auckland

We propose the membership of the RTC is reviewed and is made up of the following:

- New independent chair appointed. Our suggestion is this appointment is agreed by Council and the Crown.
- 2 Auckland Council members appointed by Council.
- 2 Crown representative members appointed by the Minister of Transport.
- 2 AT members appointed by the AT Board.
- 1 New Zealand Transport Agency Waka Kotahi (NZTA) voting member maintained.
- 1 KiwiRail member maintained, with a change from non-voting to voting status.

Auckland Council or the RTC would be responsible for preparing a 30-year Integrated Transport Plan, supported by Council officers. This would guide the development of the RLTP and RPTP.

Responsibility for preparation of the RLTP and RPTP would pass to Council, with AT providing support and advice from a transport system integration and a technical perspective.

We recommend continued constructive engagement with Houkura, mana whenua, mātāwaka and Rangatira representatives from each of the Auckland iwi in development of the RLTP, as undertaken during preparation of the RLTP 2024 – 2034.

Auckland Council would review and endorse both the RLTP and RPTP. The AT Board would review and endorse elements relevant to AT including how integration of all the inputs delivers the transport services Aucklanders expect. This would form an input to Auckland Council review and endorsement. Final approval of both plans would rest with the RTC, given the fact that the RLTP encompasses all transport investment undertaken across the region, not just that provided by AT.

AT, as a CCO defined in legislation, would retain responsibility for preparing operational or implementation focussed strategy and policy settings guided by the RLTP, RPTP and 30-year Integrated Transport Plan.

The advantages of this option are

- Council has greater democratic influence on transport outcomes for Auckland and the long-term integrated vision.
- The Government is more closely involved and has greater influence on transport outcomes for Auckland.
- It is a solution to the lack of a statutory role for Auckland Council in development of the RLTP.

- Auckland Council has direct democratic accountability to Aucklanders for transport related outcomes.
- It provides for contestable and constructive tension between Council and AT during preparation of the RLTP and RPTP, which improves decision making.
- It would be less disruptive, more effective and lowers the risk of loss of momentum than the other options proposed (save for the status quo option).
- It reduces the risk of separation of strategy and policy development from implementation and funding activities, given operational elements would be retained in AT.

We would note this option requires legislative change under the Land Transport Management Act (2003) and Local Government (Auckland Council) Act (2009).

Accelerated Enhancements to the Status Quo Model

In our view Options 2 and 3 have a real risk of creating operational disconnect between short to medium term strategy and planning, and funding and delivery. We believe the continuation of a close connection between these functions is vitally important for a successful transport system.

We believe there are further opportunities for Council and AT to work together in a more collaborative way that provide solutions to the issues raised in the Mayor's proposal. Some of these have already been identified in the earlier workstreams and in some cases are already underway. In summary:

- Council providing clearer and more consistent direction.
- Enhanced SOI preparation and robust monitoring.
- Further improvements for joint engagement on strategy and policy setting activities.
- More structured and regular meetings with the AT Board Chair and Chief Executive and the Transport, Resilience and Infrastructure Committee (TRIC) Chair and Deputy Chair (already commenced).
- Continued accountability through monthly reporting to the TRIC on both operational and strategic issues.

We also emphasise the great progress made in the past 18 months in terms of delivering a change in approach to delivering transport outcomes for Aucklanders.

We provided commentary on this in our response to Workstreams 1 and 2, however in particular, we would note:

- Delivery to the 2024 SOI with 18 of 19 measures achieved.
- A 9 point increase in the last quarter on the "listen and responds to Aucklanders' needs" SOI metric, this now sits just below our revised SOI target.
- Recent improvements in reputation, with a 6 point lift.
- Recent examples of good practice and collaboration with Council including delivery of the RLTP 2024 – 2034 and the Time of Use work programme.
- An increase in Local Board satisfaction ratings from 41% to 56% over the 12 months to May 2024, which is representative of the positive impact AT's changed approach has delivered in dealing with key stakeholders.

LIST OF APPENDICES RESPONDING TO COUNCIL ANALYSIS

Appendix 1:

- analysis that applies to all CCOs;
- analysis specific to AT and in particular conclusions of the performance of the CCO model as it relates to AT; and
- a response to the assessment of AT's performance against the problem statement, rationale and SOI.

Appendix 2:

- a high-level response to the general considerations for options analysis;
- analysis specific to functions provided by AT; and
- our brief comments on the advantages and disadvantages of the options proposed.

Appendix 3:

- an overview of the Te Tupu Ngātahi Supporting Growth (SG) programme, to provide clarity and accurate information on this programme given the number of observations around its effectiveness in the Council analysis.

APPENDIX 1

ANALYSIS THAT APPLIES TO ALL CCOs

We have no specific feedback on this section and agree with the assessment and the rationale for the CCO model as it applies to AT.

ANALYSIS THAT APPLIES TO SPECIFIC CCOs

Conclusions on performance of CCO model relating to AT

1. **Regional transport delivery and decision-making has improved, and benefits from a focused board**.

   We agree with Council's analysis on this conclusion, and provide the following additional information:

- AT's statutory purpose is "to contribute to an efficient, effective and safe Auckland land transport system in the public interest". As noted in the initial analysis, being a single regional transport agency has advantages, including a clear focus on delivering positive outcomes for transport investment and delivery across the region.

- Our role as a separate entity means that AT can (mostly) successfully undertake large regional scale change programmes that might otherwise be caught in local processes. Key examples of this are:

  - The 2018 reorganisation of the bus network, which was implemented smoothly in Auckland, despite similar examples faltering, or even failing in other cities.
  - Focus on supporting the City Rail Link, and national programmes such as the National Ticketing System.
  - Revising public transport (PT) operations in response to the COVID-19 pandemic in 2020-22 and introducing new technology – e.g. bus load monitoring, and extra safety measures.
  - Reponses to emergency or disaster recovery situations as proven in the response to the 2023 flood recovery. For example, by October 2024, repairs are 12 months ahead of schedule and have been completed for over 90% of impacted sites including 2,875 minor and 118 major slips.

- Board members bring a clear professional skill set, and wider perspective and experience. This results in improved alignment between strategic outcomes decision making and delivery, particularly for complex and larger programmes.

2. **The allocation of responsibilities between Auckland Council and AT are wrong in principle.**

   The allocation of responsibilities is defined by legislation. Auckland Council is unique amongst regional councils in that it does not have a statutory role in developing and approving the RLTP.

An original design principle by the government of the day in creating AT, was an entity focussed on planning, securing funding and delivering transport infrastructure and services across political and annual budget funding cycles. The trade-off was Auckland Council's role in developing and approving the RLTP.

We also note a significant intent in the establishment of AT as a discrete entity under statute was to ensure long-term infrastructure investment strategies and plans were not disrupted by regular changes in the political landscape, including Auckland Council. Long-term infrastructure investment requires certainty beyond the political cycle, which is somewhat 'protected' by AT's arm's length status. There are risks created to cost effective sustainable long-term infrastructure and services delivery if they are too closely aligned to significant changes in political direction. The direct impact being starting and stopping programmes of work leading to inefficiencies and increased costs.

As stated above we support a close connection between strategy, plan development, funding and delivery which would help ensure a long-lasting model to provide improved transport outcomes for Aucklanders. While restructuring the RTC and RLTP process may lessen the link between planning and strategy functions and ultimate delivery we support a review of the RLTP preparation process, including the role and construct of the RTC.

3. Reduced democratic accountability has impacted on public and political confidence.

We partly agree with Council's analysis leading to this conclusion. However, as we outline further in this document, we are on a journey towards fixing this.

4. Progress on delivery of smaller local projects, but issues remain.

We partly agree with Council's analysis on this conclusion and add the following additional information:

- Additional funding has been prioritised for community-initiated projects, this will lift responsiveness and capacity to focus on lower value high impact programmes of low-cost low risk work.

- AT is focussed on delivering all projects better, faster and cheaper. All projects are designed to meet current regulations and New Zealand Standards, and resilience requirements.

- Where possible roading projects are delivered together with other utility providers, CCOs and Auckland Council departments in a coordinated 'dig once' approach. This achieves cost efficiency and minimises disruption and re-work and is an approach previous endorsed by Council.

- The Meola Road and Great North Road corridor projects are useful examples. They included Healthy Waters stormwater and flood resilience upgrades, Vector and Chorus utility integration, road pavement renewals, road corridor and safety improvements, and new cycleways. Yet these are often incorrectly referred to as 'gold plated cycleways'. They are examples of the politicisation of cycling and safety investment.

- Under previous government funding and policy, a programme of minor safety improvements and speed reduction changes were prioritised. This programme whilst effective in reducing deaths and serious injuries (DSI), did not have universal political and community support. As a programme of smaller interventions, it was and remains controversial, therefore affecting AT's social licence. The approach has since been modified, and new legislation has been passed.

5. **A more mature partnership between Auckland Council and Government and its agencies is required**.

   We agree with Council's analysis on this conclusion.

   We welcome participating in further discussions to support engagement between the Mayor and the Minister of Transport around any future legislative reform, in particular as this relates to the construct of the RTC for Auckland.

6. **Land use and transport infrastructure planning are not sufficiently integrated.**

   We mostly disagree with Council's analysis on this conclusion and add the following additional information:

   - The SG programme (formerly known as Transport For Urban Growth - TFUG) has been heavily integrated with Auckland Council's land use and growth planning over the last 9 years.

   - Officers from AT, NZTA and Council worked together to develop the Strategic Transport Networks (STNs) needed to support Auckland's future urban growth areas and ensure land use transport integration is achieved.

   - There have been regular engagements between SG and Council, including bi-monthly partnership forums.

   - There has been significant consultation with communities, local boards, and ward councillors in impacted areas over many years. An example of this was the Drury stations project. SG prepared a detailed business case and consulted on this with impacted parties over several months.

   - SG has won several national and international awards as a result of this type of engagement and its innovative approach to planning for the future.

   - Please refer to Appendix 3 for more information on the SG programme.

7. **Council has limited ability to determine the cost effectiveness of AT's service delivery.**

   We welcome further discussions with Council to determine SOI measures, which should provide comfort around the delivery of quality and cost-effective investment. We also welcome the opportunity to benchmark cost effectiveness with other comparable transport entities.

AT PERFORMANCE BY FUNCTION AGAINST THE MAYOR AND COUNCILLOR DIRECTION PROBLEM STATEMENTS

We provide the following response to the assessment against the problem statements.

Public trust and confidence
AT has been tracking Trust and Confidence since December 2020.

- The default level for our reputation, trust and confidence, is around 30% - this represents the underlying beliefs and perceptions about AT, which have been built up over years of customer and community experience. We understand this is low, and we agree not desirable. We believe we can achieve higher ratings as Aucklanders experience improved performance from AT, and we demonstrate effective listening and understanding of our customers and community.

- Based on data, we observe that our reputation rating fluctuates from quarter to quarter depending on what is happening on the PT network, particularly following the COVID-19 pandemic and the resulting disruptions and rail infrastructure performance. Public perception is also affected by prominent stories being covered in the media.

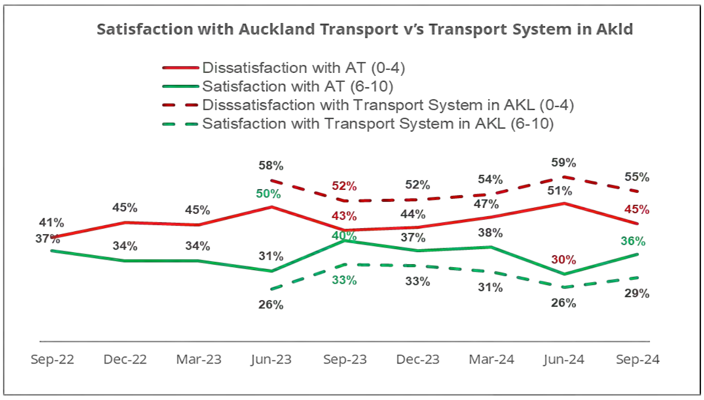
- While our broad reputation metrics are stable over the long term, we have seen an increase in the proportion of Aucklanders who speak critically of AT since March 2022.

- Satisfaction with AT also closely mirrors satisfaction with the overall transport ecosystem. Aucklanders generally believe AT is responsible for *everything* that happens on the network, including for example roadworks not led by AT (70% of all disruption), congestion on motorways (which falls within NZTA's area of responsibility) and infrastructure issues on the rail network.

- KiwiRail is the rail infrastructure owner with AT paying for track access to the KiwiRail controlled environment via the Auckland Network Access Agreement. AT has advocated for changing the current model due to the impact track infrastructure has on train reliability. Pleasingly the Metropolitan Rail Operating Model is currently being reviewed by the Ministry of Transport with input from AT and KiwiRail.

- AT is frequently if not unfairly criticised for the proliferation of road cones across the region. This has largely been a function of national policy settings in relation to Temporary Traffic Management. (TTM). Recent changes have enabled a risk-based approach with suppliers and those working in the road corridor. It enables AT to address its 30% share of disruption (and therefore cones) in the road corridor and to try and positively influence the entities responsible for the remaining 70%.

- The following chart shows the close relationship between satisfaction with AT's overall performance against satisfaction with the Transport System as a whole:



- Over the past 18-months there has been a stronger emphasis on being a customer-centric and action driven organisation.

- The metric "AT listens and responds to Aucklanders' needs" has pleasingly increased significantly, from 22% to 31% in the first quarter of FY25.

- We note the public sector suffered a decrease in public confidence in 2021 following COVID-19, through to the early part of 2024, according to the Verian Reputation Index[1].

- We would welcome the opportunity to discuss how we might enable political championing of AT's work programmes and support for these.

Strategic Alignment

- Noting the guidance and direction of the RLTP, AT primarily relies on the Letter of Expectation, for strategic guidance on behalf of its shareholder, Auckland Council. In response, the organisation then develops the SOI, which covers the subsequent three years.

- The process for development of the SOI each year, and in particular review of a draft document and feedback from Council, appears to be a typical and effective mechanism as employed across other CCOs (either in New Zealand or elsewhere). We would welcome any ideas around how this process could be improved.

RLTP 2024 - 2034

- Development of the RLTP 2024 – 2034 reflected a combination of the new approach to strategic advice and implementation of the guidance from the 2020 CCO Review.

- Councillors were provided with advice on the broad options for the scale of capital and operating investment – with associated outputs and outcomes – to align with strategic direction set for the LTP. Council officers played a key role in the working group that undertook prioritisation of the projects within the agreed funding level.

- Overall, councillors were heavily involved in the development of the draft RLTP through an extensive process, and this was well received with positive comment as the Transport and Infrastructure Committee (TIC) endorsed the draft document.

[1] PowerPoint Presentation (veriangroup.com)

- We note while the RLTP is currently approved by the RTC, the RTC cannot approve investment in programmes or for values that Council has not approved through its LTP process. In this respect Council has material 'control' of the RLTP in the same way Government does through the Government Policy Statement on Land Transport and National Land Transport Fund.

<u>Other Case Studies of Council Strategic Engagement</u>

The Cycling Programme Business Case

- Council was engaged through a political reference group and workshops with the TIC. A combined Council, AT and NZTA working group provided scrutiny of AT's cycling delivery practices.

The 2023 Regional Public Transport Plan (RPTP)

- Strategic direction for the development of the RPTP was endorsed by Council, including for example decisions on the allocation of unassigned resources between 'coverage' and 'patronage' goals.

- The RPTP document was influenced by Council direction towards faster, cheaper, smarter delivery – particularly to address the short-term reliability challenge PT was facing at the time.

Transport Emissions Reduction Pathway (TERP)

- A joint initiative primarily led by Auckland Council, development of the TERP did not follow the desired model of providing Councillors with strategic options or advice on achievability, costs and trade-offs associated with emissions reduction options.

- The final TERP was consequently aspirational in nature, did not have AT buy-in as a realistic plan and did not give Councillors a good sense of the challenges associated with the plan. This led to strategic misalignment, and some frustration, between the ambitious targets included in the TERP document, what Auckland Council could afford to fund and what AT can practically achieve.

Ineffective democratic accountability

<u>SOI</u>

- AT is accountable to Council via the SOI (which reflects the requirements provided annually by Council in the Letter of Expectations). Performance against the SOI is reported on a quarterly basis.

- Over the past five years, AT has achieved the following results against the KPIs listed in the SOI:
  - FY19 / 20: 14 / 25 measures met or exceeded (including 2 measures not recorded).
  - FY20 / 21: 19 / 25 measures met or exceeded (including 2 measures not recorded).
  - FY21 / 22: 18 / 28 measures met or exceeded (including 1 measure not recorded).
  - FY22 / 23: 13 / 31 measures met or exceeded (including 2 measures not recorded).
  - FY23 / 24: 18 / 19 measures met or exceeded.

- We note the assessment of AT's performance against the SOI for 2019/2020 and 2020/21 (in particular) does not take into account the impacts of the COVID-19 pandemic. COVID-19 lockdowns, illnesses, and public anxiety had a substantial impact on SOI metrics relating to PT patronage, PT boardings, cycle movements, and trust and confidence ratings. For example, monthly PT patronage reduced from an average of 8m passengers to as low as c. 500,000 passengers in April 2020 as a result of lockdown.

- AT delivered extremely well against agreed SOI targets in the 2023/24 year, despite navigating major change. Over that period, we navigated:

    - Significant change in government policy.

    - Headcount reduction of around 150 FTE in response to Council's budget challenges.

    - Significant governance disruption (four chairs, 20 directors and 2 chief executives in the last 2 years). Currently, there are no members of the Board (all appointed by Council) who were in place two years ago, this is highly unusual for a board of a large infrastructure business, or in fact any organisation. Significant change within the executive leadership team reducing from 11 to the current 8.

- FY23 / 24 saw delivery of the highest level of annual capital investment ever for the organisation. At 99% delivery, this is amongst the highest and best performing capital delivery agencies in New Zealand. This included completion of the largest renewal programme by length since 2017/18 with almost 400km of sealed roads, 46km of unsealed roads strengthened, 60km of footpaths and 48km of kerb and channel - - 102% of the annual target.

- The 2023/24 SOI performance of AT shows the progress made. With a refreshed board, new chief executive and restructured senior management team, this most recent performance is a better indicator of AT's performance than the four year review alone.

Local Board Engagement

- AT also recognises its obligation to engage appropriately with local boards.

- In November 2023, AT commenced a programme to improve relationships with local boards to give them greater opportunity to shape local transport priorities.

- Over this time the percentage of local boards who were either satisfied or very satisfied with AT engagement increased from 41% to 56% (May 2024). The survey results indicate that local board members continue to notice an improvement in the frequency and quality of communications from AT. The biggest improvement in satisfaction was in response to the question 'AT understands your local issues and priorities.'

- As part of this programme, AT has worked with local boards to give them greater influence into and visibility of AT's work programme. This approach continues to be developed with more regular opportunities to input thus ensuring it better reflects local board needs and priorities.

Public transparency

- We disagree with the comment that AT Board Committee work programmes have no public transparency:
  - No Board Committee has a delegation to make a decision on behalf of the Board (except a minor delegation to the Finance and Assurance Committee to approve submission of quarterly reports to Council).
  - All material or substantial decisions are made by the full board, and in an open board meeting unless commercial confidentiality requires a closed board decision.
  - Where a decision is made in a closed board session, this must align with the relevant legislation and processes are in place to ensure timely release of information and the decisions to the public. This occurs in the majority of cases, except when there is commercially sensitive or personally sensitive information.

Cost effectiveness and duplication of services

- AT has a significant focus on ensuring value for money for rate payers. Two wide ranging reviews have been undertaken into organisational structure in the past 18 months which have delivered both cost reductions and efficiencies.

- As agreed in the SOI 2024 - 2027, in future AT will be reporting a broader view of its capital performance including timeliness (number of projects delivered against plan or similar). In terms of quality of investment, the Long-Term Plan and RLTP are processes the Council is either leading or a part of. In short, AT does not spend money in areas that have not been agreed to by Council.

- Cost effectiveness and ensuring value for money is managed through internal processes, controls, and governance structures such as project control groups, Investment Committee, the board and through policies and guidelines (e.g. Procurement Policy). NZTA also requires regularly reviews asset performance and planning.

- We are confident that AT benchmarks well with its peers in New Zealand.

Progress on dynamic lanes and bus and cycle lanes has been slow

Special Vehicle Lanes (SVLs)

- We are committed to constructing 2 SVLs and delivering 10 designs this year.

- AT is on track to complete the construction of the 2 projects by the end of Quarter 2, and we anticipate completing the designs for 10 Special Vehicle lanes by the end of Quarter 4. These designs will encompass a mix of freight, T2, and T3 lanes.

- The delivery timelines for designs have been impacted by the approval of National Land Transport Plan funding by the government, as we are awaiting final approval from the Council. We have developed a long list of over 50 SVLs, and we are finalising a delivery programme for the next 3 years.

Dynamic Street Solutions

- The SOI target this year is to construct 3 dynamic lanes and design 4 more by the end of the year.

- The first dynamic solution pilot has been installed at Main Highway in Penrose and is currently in the evaluation phase. The pilot will be completed by the end of this financial year.

- The Kingdon Street dynamic loading zone pilot in Newmarket is currently evaluating technologies, with implementation expected in Q3/4.

- AT is progressing with designs for Park Road, Dairy Flat, and other solutions, such as dynamic right turn bans and dynamic active mode crossings.

- This will ensure that AT pilots and implements a variety of dynamic solutions over the next 3 years to make the network more efficient with low-cost solutions.

- Technology is moving fast in the area of dynamic solutions, but many of these are new to New Zealand. This means AT often sources appropriate technology from overseas, and therefore requires approval from NZTA as it is a new type of Traffic Control device. This adds to implementation timeframes.

- An essential part of the implementation is ensuring support of the community and elected members. The Great North Road dynamic bus lane is an example of a solution that has been delayed even though design and consultation have been completed due to the benefits vs costs not being high enough. As congestion increases and demand for PT grows over the next few years, the project is expected to provide improved benefits and AT will implement it.

Active Modes (cycle lanes)

- Budget uncertainty (particularly this year), changes to design priorities, and political ‘noise’ have impacted progress. This turbulence has led to late stage relitigating of designs and projects being re-reviewed or going on hold. Changing policy and funding settings have further ‘frustrated’ delivery. Our refreshed approach is for low-cost simplified cycleway programme.

APPENDIX 2

GENERAL CONSIDERATIONS FOR OPTIONS ANALYSIS

We have no specific feedback on this section and agree with the assessment of general considerations for options analysis.

As a general comment, we would caution against a heavy or exclusive reliance on the Royal Commission into Auckland Governance as a basis for considerations into the future model for AT. The findings of the Royal Commission, whilst well thought through and constructed, are based on observations made 16 years ago. Much has changed in the region since then, in particular the views, perspectives and expectations of Aucklanders.

FUNCTION BY FUNCTION ANALYSIS AS IT APPLIES TO AT

Roads and footpaths
We would question the benefits of integrating road and footpath infrastructure development activity in Council given there are significant other areas, such as water and utility infrastructure, which are provided by other CCOs or commercial organisations (such as Watercare or Vector). Both AT and Healthy Waters already work well together, there is marginal if any improvement to be found in this approach.

PT
As per our feedback on Workstream 3, we remain confused by the following statement in the analysis provided:

"Most international cities provide public transport services at arm's length, as this reduces jurisdictional boundary issues between local boroughs, councils, etc. While this is not the case for Auckland being a unitary authority, the expected benefit is in the synergies in managing the movement of people and goods on one integrated network."

PT services in Auckland are currently provided at arm's length – via AT.

Parking and Enforcement
We are not clear on the rationale for a transfer of enforcement activities to Council, nor that this will lead to an improvement in delivery to Aucklanders for this function. As the city grows and demand for road space intensifies the integration of movement and allocation of road space is best integrated. In fact, this is often looked at by other agencies as an advantage they do not enjoy.

Planning for the Future Transport System
The comment in the Council analysis that there are 47 FTEs in the Strategy and Governance directorate is correct, although its inclusion in this section implies that all of these employees are involved in strategy, planning or policy work, which is not correct. The individual teams within this directorate are also responsible for board and enterprise governance, engagement with the TRIC, delivering improved outcomes for Māori, business planning and operational performance reporting.

As outlined earlier, we see significant risks associated with the wholesale transfer of strategy and policy development responsibilities to Council.

ADVANTAGES AND DISADVANTAGES OF PROPOSED OPTIONS

We present below our comments and observations in addition to those already outlined in the Council analysis.

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
1. Status Quo	This option assumes no changes to the delivery of transport functions by AT.	We provide the following comments: • An enhanced status quo option is available without the need for legislative change. • Progress is already being made. • Examples of this include delivery to the 2024 Statement of Intent with 18 of 19 measures achieved. • There have been recent improvements in reputation. • There are recent examples of good practice and collaboration with Council including	We feel that issues around the integration of transport planning with land-use and financial planning and urban regeneration activities are overstated.	Nil.	Nil.

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
		delivery of the RLTP 2024 – 2034. This option would ensure retention of the positive momentum underway, be least disruptive to staff and ensure retention of intellectual property and talent. We also question the benefits of transferring accountabilities to Auckland Council and whether this would in fact address the underlying challenges being faced around reputation and trust.			
2. AT as a Service Delivery CCO	This option assumes Auckland Council would reset AT as a service delivery organisation. We note the comment under this option and options 3a and 3b that there are approximately	We question some of the advantages to this option as listed. We have concerns around separation of strategy and policy development from funding and	We would add the following disadvantages to this option: • There is likely to be significant attrition of key staff and intellectual property if a move to Council was proposed. We would also note there is a small and finite	Nil.	We would note that legislative change would be required for both preparation of the RLTP and RPTP responsibilities.

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
	100 FTE in policy, planning, strategy functions that could transfer to Council's Policy, Planning and Governance division. As previously noted, this number is incorrect. There are 30 FTE in these functions of which around 22 FTE across various directorates involved in preparation of the RLTP over a 6 month period every 3 years. We therefore do not see much, if any, reduction in headcount as AT will need to retain implementation strategy and planning capability under our suggested model.	implementation activities. We query where the delineation of responsibilities for strategy development and policy setting would lie.	pool of staff with the requisite skill sets and knowledge to complete this work in New Zealand. • There would also be further impacts (on top of significant recent change) on morale and momentum at AT associated with uncertainty during any transition. • This option could also create risks associated with a loss of 'arm's length' independence during changing political cycles that could result in stopping and starting of projects and inefficiencies. • There is likely to a loss in the 'natural tension' and challenge of strategy and policy development being undertaken collaboratively between Council and AT.		

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
			• Sequencing of any transition of responsibilities to Council will be critical. There is significant transition risk and potential unintended consequences of a 'lift and shift' on delivery of major programmes and projects. • Separating marketing, promotion and communications from the /activity (infrastructure and services) will be problematic. • Likely to require further delegation or transfer of functions to local boards; decentralising functions which could create inefficiency and misalignment. We note the following comment in the Council analysis which we believe is incorrect:		

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
			• "Many issues with AT are operational in nature, and this option will completely address that." • Presumably what is meant is that "Many issues with AT are operational in nature, and this option will **not** completely address that."		
3. a) AT as a PT Service Delivery CCO only	This option assumes Auckland Council would reset AT as a PT service delivery CCO.	Nil.	We would see this option as significantly impactful and disruptive with questionable benefits. As for Option 2, it would likely lead to attrition of key staff and loss of intellectual property. Sequencing of any transition of responsibilities to Council will be critical. There is significant transition risk and potential unintended consequences of a 'lift and shift' on delivery of major programmes and projects.	This option would raise questions around funding mechanisms.	Nil.

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
			We would also question the ability of Council to be able to make substantial improvements on the current model given the significant increase in scale required.		
3. b) Creation of a PT CCO and Roading CCO	Under this option, two CCOs would be established with one delivering PT as under option 3a) and another delivering roading, footpath, parking and enforcement activities. Auckland Council would deliver functions as per option 3 a).		As for Option 3 a). In addition, we query whether this option delivers to the intent of the CCO Reform process given it will increase fragmentation without delivering any material benefits.		
4. AC delivers all transport functions	This option assumes all AT functions would transfer to Auckland Council.	Nil./	This option would be highly disruptive and costly to implement. Auckland Council delivering transport functions directly was considered by the Royal Commission as well as Cabinet and rejected. Subsequent CCO Reviews, including the one completed in 2020, also rejected this as a model. The rationale for	Nil.	Nil.

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
			this as summarised by the independent panel was: • The CCO model brings together business disciplines, agile decision-making, a streamlined administrative structure, operational efficiencies and specialist skills and expertise that would not be possible if the council assumed direct control of CCO functions. • Such a step would add an onerous workload to the mayor and councillors' already heavy responsibilities. It would also distract them from pressing strategy matters. • The size and complexity of managing the transport system would make it especially untenable to bring these functions back into Council.		

Option	Description	Comments on Advantages	Comments on Disadvantages	Comments on Assumptions	Comments on Achievability by 1 June 2025
			The panel also noted that the size of (transport) operations (in Auckland) "*requires the very highest standards of governance practice and commercial directors of the highest quality*".		

APPENDIX 3

SUPPORTING GROWTH ALLIANCE – OVERVIEW PRESENTATION

Supporting Growth Programme

Think before you print

Background

By 2052, Tāmaki Makaurau is expected to grow by:

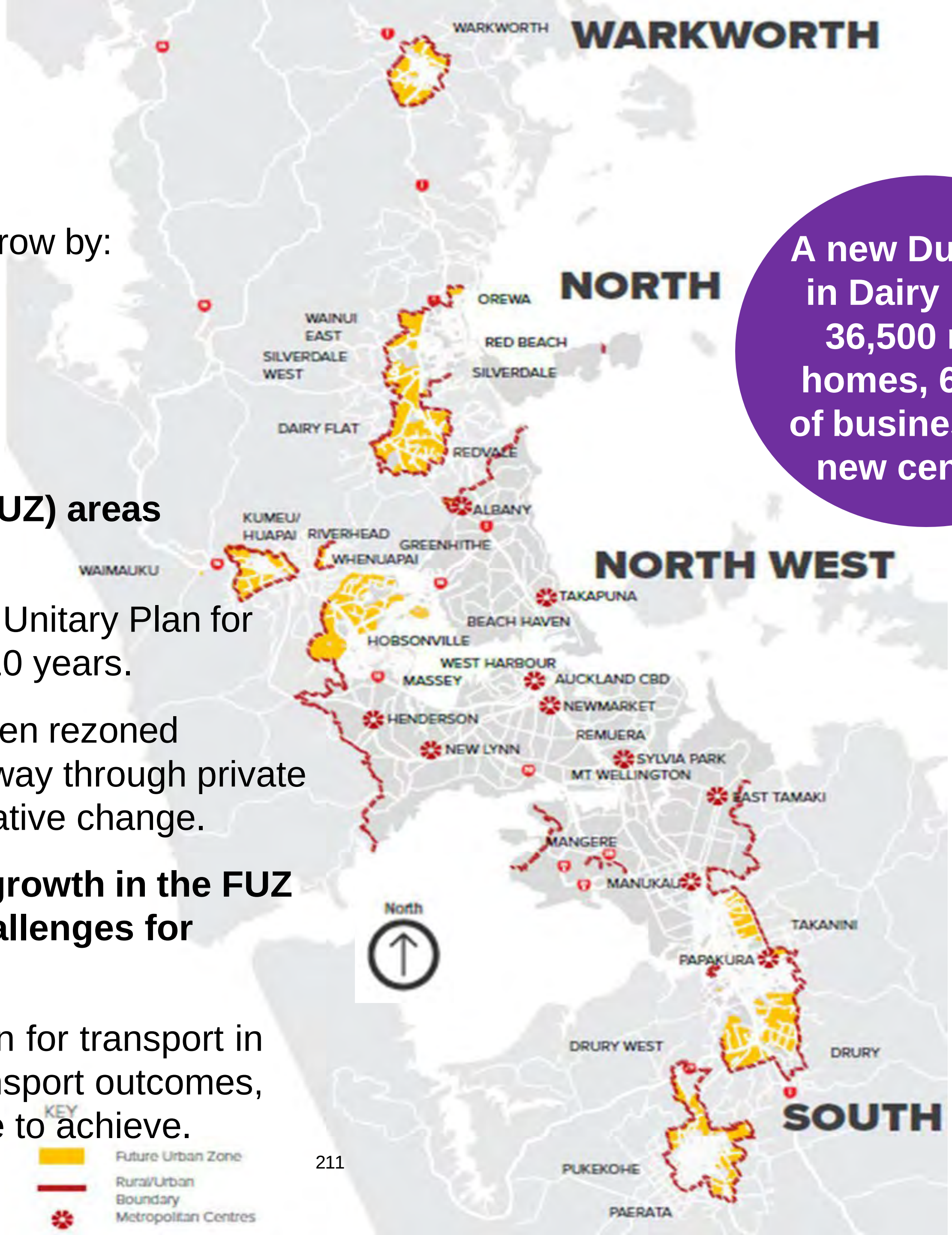
- **770,000 people**
- **200,000 more homes**
- **260,000 more jobs**
- **1/3 of this in the Future Urban Zone (FUZ) areas**

15,000ha of FUZ has been identified in the Council's Future Development Strategy and Unitary Plan for urban use, predominantly beyond the next 10 years.

Well over 1/3 of the FUZ areas have now been rezoned by developers and more pressure is on the way through private plan changes, government policy and legislative change.

The scale and pace of this unrestrained growth in the FUZ areas will create significant transport challenges for Auckland in the future.

If we are not prepared there will be no vision for transport in these FUZ areas and strategic land use transport outcomes, opportunities and savings almost impossible to achieve.



A new Timaru in Warkworth – 7600 new homes, 69ha of business & a new centre

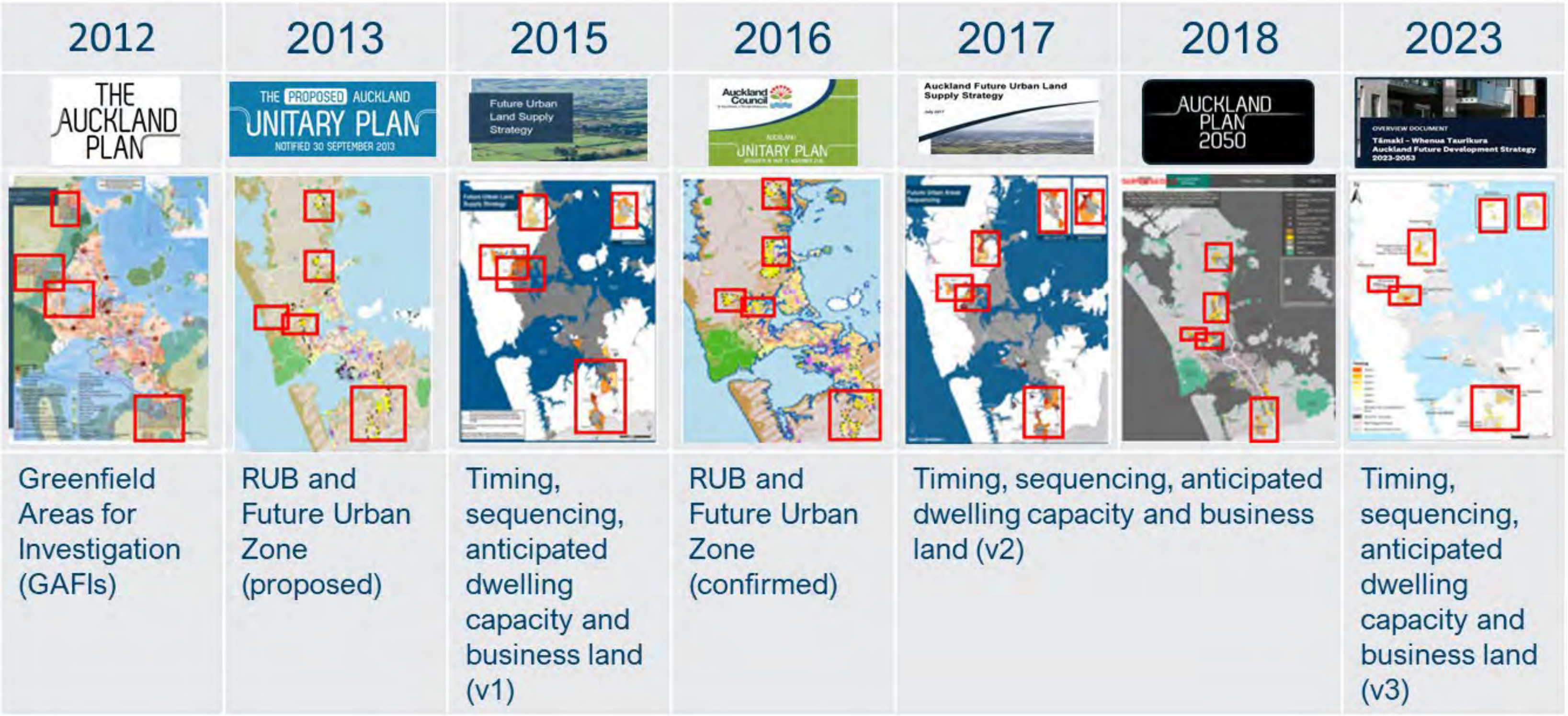
A new Dunedin in Dairy Flat - 36,500 new homes, 617ha of business & 6 new centres

A new Dunedin in the North West - 42,300 new homes, 617ha of business & 2 new centres

A new Tauranga in the south - 70,000 dwellings in south with 50,500 in the FUZ, 366ha of business & 8 new centres

Future urban growth momentum

- **15,000ha of future urban growth has been identified in the Auckland Council strategies and plans since 2012 (see diagram)**
- 75% of the main future urban areas of Warkworth, North, North West and South Auckland have been structure planned by Auckland Council
- **40% of these main future urban areas have now been rezoned urban**
- **Auckland Council has 35 current private plan change proposals or expressions of interest to rezone to urban**
- A high proportion of the future urban growth areas are now owned by developers and land bankers
- **Unprecedented demand for future urban growth as identified in the updated Future Development Strategy 2023 (see excerpt)**



"March 2023, 10 private plan changes were fully operative in the future urban area. A number of other private plan changes (10) are being processed with more expected. In effect, private plan changes are driving the strategy and have effectively resulted in council not progressing any plan changes in line with the FULSS timing. Together, this has removed any degree of certainty in sequencing and timing of growth and has forced the council group to become more reactive to ever changing priorities – both in the timing of development and the number and spread of areas being live zoned. This also results in council having to amend planned infrastructure provision, which undermines both strategic planning and the confidence of those who participate in it." **p43, Future Development Strategy 2023**

What is Supporting Growth?

- In 2013, Council made the decision to rezone 30-years of future urban (greenfield) growth in the Auckland Unitary Plan.
- **In 2015, Council, AT and NZTA established the Transport for Future Urban Growth Programme, championed by senior executives to understand the future transport to support this growth.**
- The subsequent Programme Business Case was endorsed by the Planning Committee in 2016 and recognised
    - ❑ the significant transport challenges for Auckland that would result from this growth and
    - ❑ recommended identifying and route protecting the strategic transport networks ahead of the growth happening
- **In 2017, Supporting Growth Alliance was contracted by AT & NZTA to identify and route protect the strategic transport networks required to support Auckland's FUZ areas.**
- **Working in partnership with Council, Mana Whenua and KiwiRail.**

An alliance between

WAKA KOTAHI NZ TRANSPORT AGENCY

Supported by professional services to plan the future strategic transport networks to support the future urban growth areas.

BELL GULLY · BUDDLE FINDLAY · Beca · AECOM

Working in partnership with

Ngā Manawhenua o Tāmaki Makaurau

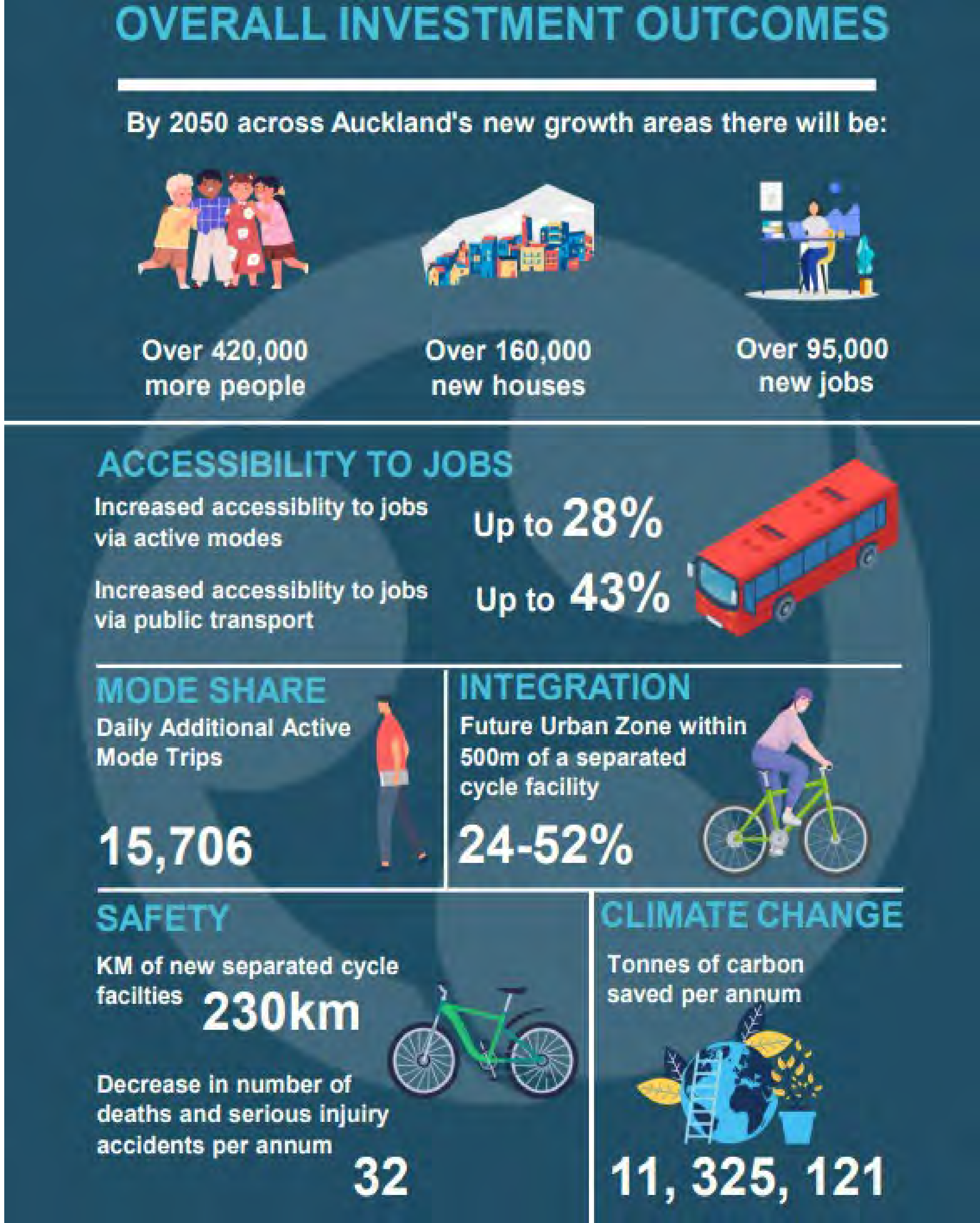
Auckland Council

KiwiRail

TE TUPU NGĀTAHI SUPPORTING GROWTH

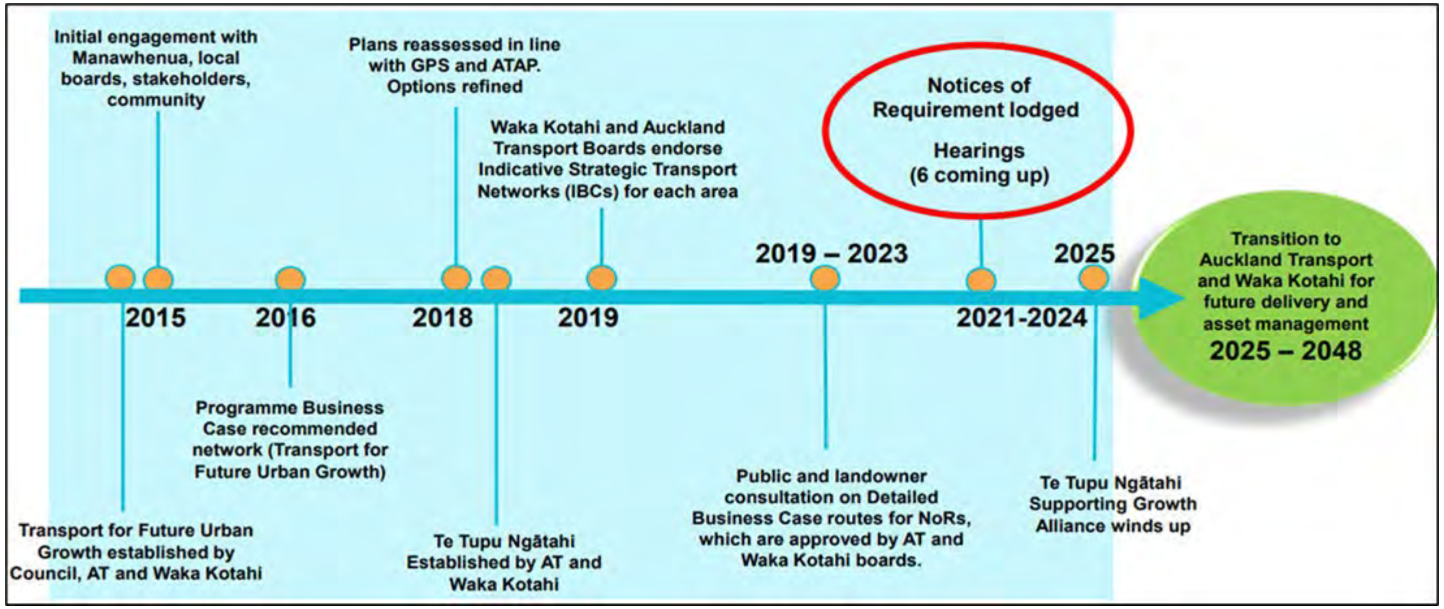
Why we plan transport ahead of growth

- **Integrated transport network solutions (local roads, rail, state highway and rapid transit)**
- **Lock in climate change, resilience, mode shift and land use transport integration outcomes**
- **Avoid getting built out of the future transport corridors by development and minimise the social and economic impacts of reactive transport planning**
- Provider certainty to AT, landowners and developers and ensure future communities have the transport options they need to to live, work and play
- **Identify, cost and implement tools to recover and share the cost of growth**
- **Enable transport projects to be ready for delivery opportunities (i.e. developers/government/new funding)**
- **Significant saving for ratepayers (i.e. 50% plus)**

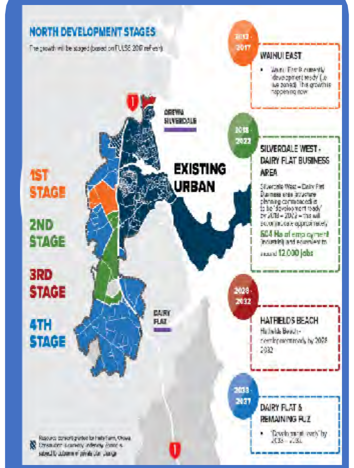


Where are we at with Supporting Growth?

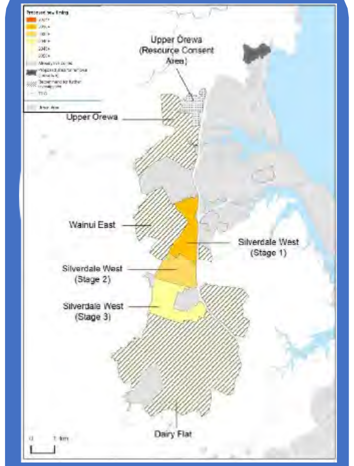
- **Programme output at 84% with:**
  - ❑ **all 16 Business Cases complete,**
  - ❑ **all 70 Notice of Requirements (NoRs) lodged**
  - ❑ **all 8 hearings complete**
  - ❑ **80% of decisions issued**
  - ❑ **20% of appeals resolved**
- Only appeals and transition back to the owners will remain beyond 2024 with alliance closure expected 2025/2026.
- **Alliance cost of circa $180 million shared by AT and NZTA. Significant saving from the scale of the alliance procurement model and forecast to complete under budget.**



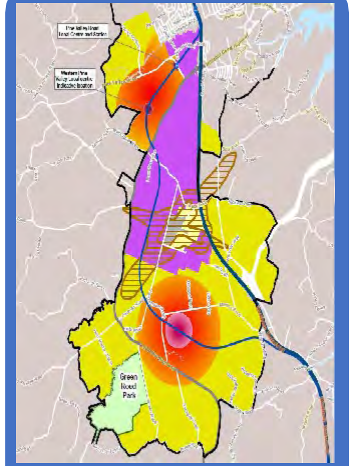
Alignment with Council planning processes



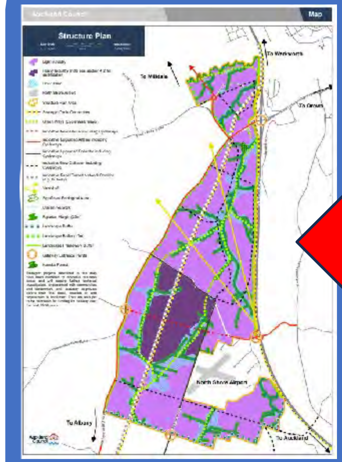
Auckland Plan



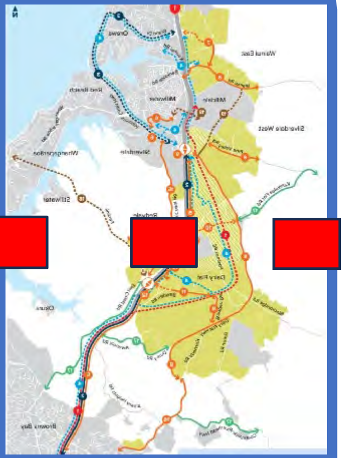
Future Development Strategy 2023



Unitary Plan

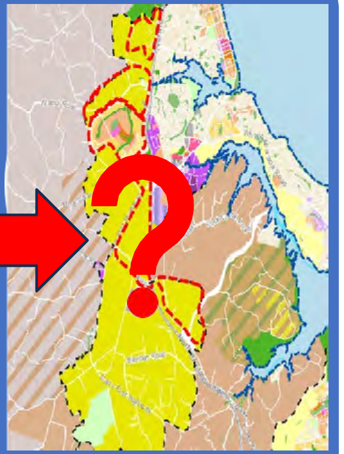


Structure plans



Plan and route protect infrastructure

Cost recovery tools for future infrastructure



Plan changes and private plan changes

The Supporting Growth Programme meets the strategic planning approach set out in the Auckland Plan, Future Development Strategy and Unitary Plan.

The key concerns and challenges that Council faces are that it can't stop greenfield growth under current regulatory or political settings. It is also concerned about the cost of growth and its infrastructure.

Oversight & partnership with Council

Ellected Members

88 — Update memos and supplementary infonnation packs 1o llocal boards — 2016-2024

69 — Presentations, workshops and site visits with local boards (predominantly Franklin, Papakura and Rodney) — 2016-2024

49 — Meeti11gs, bniefings or commrunity eve11ts witl'l Cou11cillois — 2016-2024

34 — Memos 1o Councillors — 2016-2024

24 — Update memos to the Mayor's Office — 20-

10 — Non-specific AT Pilarmi11g Committee or eq1uivalent presentations i.1e. RLTP Workshops — 2018-2024

3 — Pila11ni11g Commitlee presentations or equivalent — 2016 2019

1 — Auckland Conversations with Deputy Mayor Bill Cashmore and Councillor Baker

1 — Joint IMayor and Minister press reilease — 217 2017

Council Staff

Council s.taff seconded

To lile Supporting Growth office to provide land use in1egmliion advice

Regular workshops

And updates with Auckland Co11111cil's Strategy Di.rector and managers of the Future IDevelo;pmelilt Strategy

OVER 400

Meetirngs with Awckland Council staff arnd S111bject Ma er Experts

125

Partnership Forums dilaired by Awckland Cmmcil.'s Plus & Places Direaor in,volving wider senior mlllilagers, AT, **NZTA,** KiwiRail and SupportinlJ Growth

32

BlliSiness Case Workshops for project objectives, optiorns assessments and preferred opliion feedback

64

Cmmcil Integration Meetings witlil lower order manageis and staff

Counciil Commissioning and Request

- Integrated transport .ass essmelilts to sup.port Auckland Council's stmctnre plans ilil Wukworlh, North, North West and So1111h Auckland
  Advice to, Auckland Council Olilrpl'an changes and resource consents in the future 11rb11n areas
- Preparation of the Drury limnsport Investrne.11t Programme for Auck11arnd
  Development o.f the Drury and Nlorth West Develo.pmemt Conl:ributio11s Policy

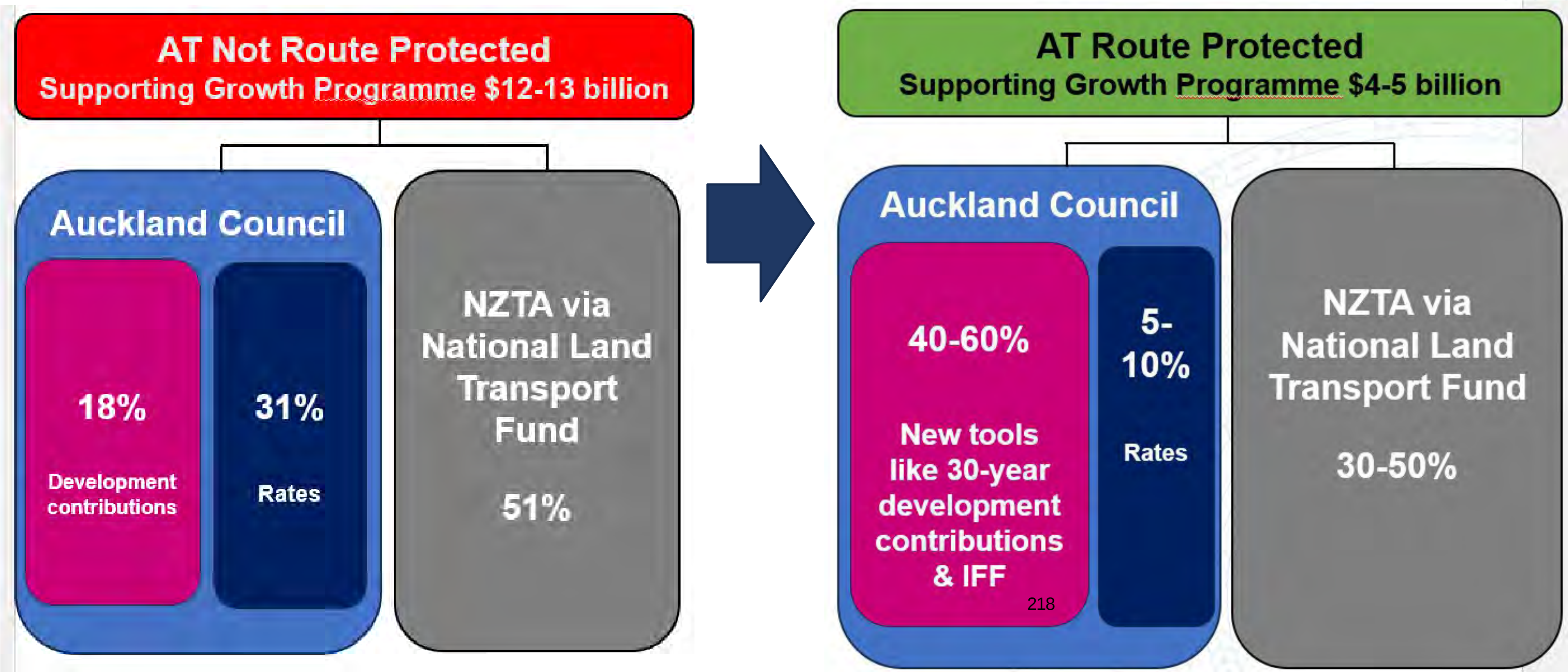
Sharing the future cost of growth

Planning ahead and route protection has enabled an understanding of the transport infrastructure costs needed to support future urban growth, and how this can be shared. Potential savings of 50% plus if early planning and route protection opportunities are fully realized.

When implemented as a cost sharing policy such as Drury Development Contributions Policy, this enable the cost of growth to be shared with those that will benefit and reduce the burden on other revenue sources such as rates.

Traditional funding model

New 30-year funding models



Drury case study

- **$510 million of AT Supporting Growth projects being delivered by NZTA & KiwiRail**
- $50 million of AT/Supporting Growth projects being delivered by developers independently or in partnership with AT
- Auckland Council have worked with AT/Supporting Growth to implement a 30-year development contribution policy in Drury
- **<u>AT has only invested $7 million in business cases and route protection in Drury</u>**

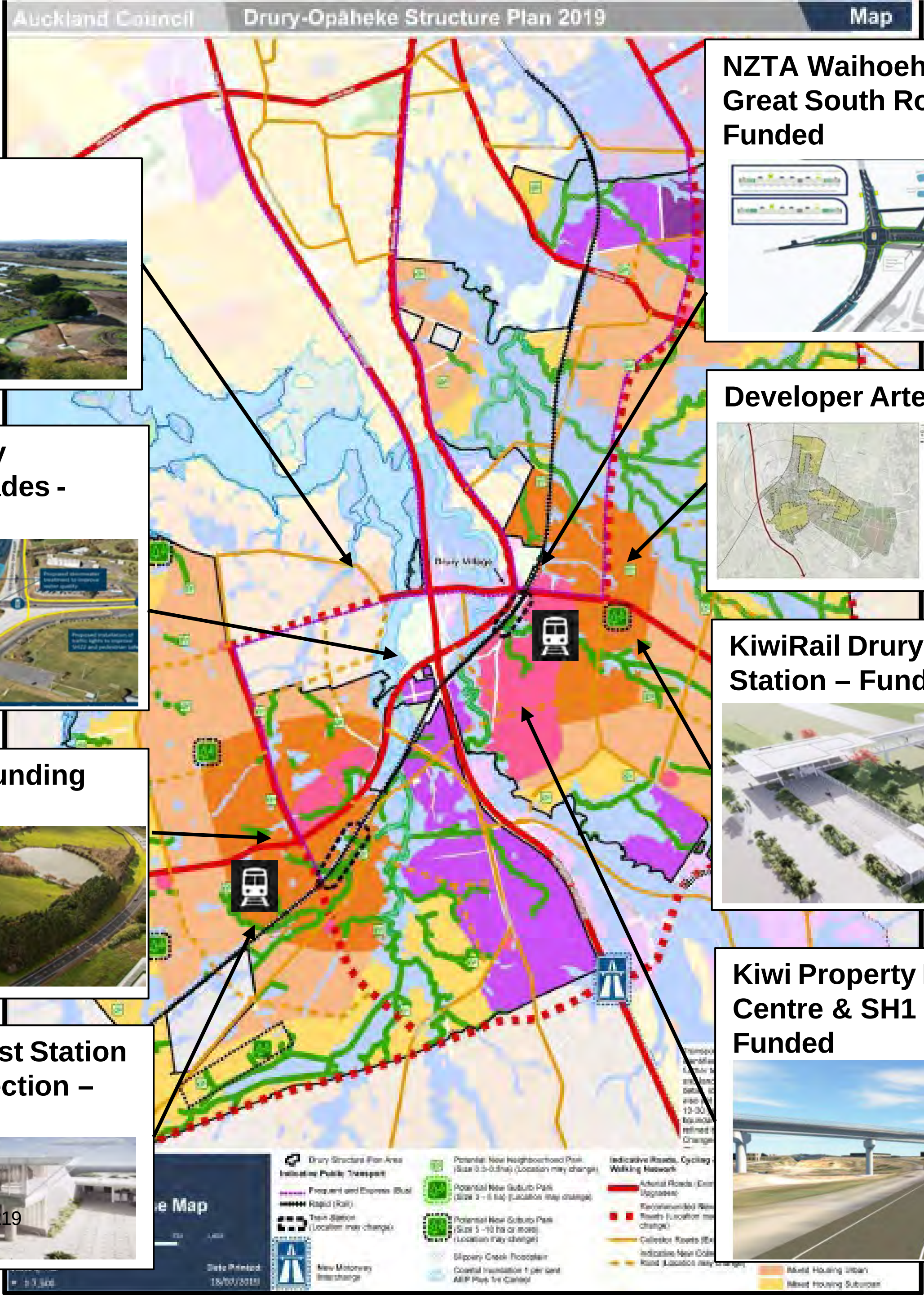

Sharing the cost of Drury's growth

Contributions Policy 2022 Variation A

Consultation Document

25 August 2022, Version 1.0

aucklandcouncil.govt.nz



Developer Arterial upgrades

NZTA SH1 & Drury Interchange upgrades - Funded

SH22 upgrade – Funding TBC

KiwiRail Drury West Station and access connection – Funded

NZTA Waihoehoe Road & Great South Road upgrade – Funded

Developer Arterial upgrades

KiwiRail Drury Central Station – Funded

Kiwi Property Metropolitan Centre & SH1 Off Ramp – Funded

14 November 2024

Max Hardy
Director Group Strategy and Chief Executive Office
Auckland Council

max.hardy@aucklandcouncil.govt.nz

Kia ora Max

We are pleased to submit our response regarding Eke Panuku's position on the shortlisted options currently under consideration as part of the council-led 2024 CCO reform process.

Nāku iti noa, nā

David Kennedy
Chair
EKE PANUKU DEVELOPMENT AUCKLAND

David Rankin
Chief Executive
EKE PANUKU DEVELOPMENT AUCKLAND

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Eke Panuku Development Auckland Submission to the CCO Reform

14 November 2024

Executive summary

1. This submission summarises the Eke Panuku position on the short-listed options being considered as part of the council-led 2024 CCO reform process.
2. Eke Panuku was established with two core functions – leading urban regeneration for the council and managing the non-service property portfolio. In addition, Eke Panuku provides a shared service to other parts of the council group for property related services including disposals (for Auckland Council and Auckland Transport) and acquisitions (for Auckland Council) which is also a core role of urban regeneration. It plays a lead role in supporting council to divest and optimise its assets.
3. Urban regeneration is the process of revitalising and improving urban areas to enhance their economic, social, cultural and environmental conditions. It is more complex and time consuming than typical urban development.
4. Auckland Council has determined through the Auckland Plan, that a quality compact urban form is the most effective way to provide infrastructure and services now and in the future. Its main tools are the Unitary Plan and infrastructure investment. It has a direct intervention role through the urban regeneration programme facilitated by Eke Panuku. This is because there are places where council is encouraging growth and where there are opportunities to optimise council property and leverage the investment in public transport, but it will not happen without intervention.
5. The delivery of urban regeneration by arm's length organisations is common throughout the world working on behalf of national, state or local governments. While the urban regeneration organisations vary in their scope and set up, the key reason is to bring a focused effort to place-based urban regeneration programmes, enabling delivery of complex and long-term projects by a focused team. Placemaking and investment in the public realm to support the commercial development strategy is typically part of the integrated approach of many urban regeneration agencies. Examples include Development Western Australia, Development Victoria and the Copenhagen City and Port Development Corporation.
6. The independent and comprehensive CCO review in 2020 reconfirmed that a CCO to deliver urban regeneration is the right model.
7. The CCO model provides consistency and certainty to the public to ensure that works programmes are managed over a longer period. Boards provide industry insight and independent governance and can focus on longer-term outcomes and future users. It means the urban regeneration function has a governance capability and senior executive team focus consistently overtime. It is not constantly distracted by all the other issues council faces.
8. Locally, urban regeneration programmes have been successfully delivered by former organisations such as Waterfront Auckland and HLC, and currently by Eke Panuku and Kāinga Ora, on behalf of Auckland Council and the NZ Government respectively. Across a number of urban regeneration programmes ranging in size and scope, Eke Panuku has delivered financial and non-financial benefits for council and Auckland.

Urban regeneration delivery options

9. The council staff advice sets out different models for the delivery of urban regeneration and high-level pros and cons. In addition to the status quo, the options variously move the

function to council, in whole or part, consider new CCOs (multiple CCOs, city centre only CCO) and split the core work between council and a CCO.

10. The options propose moving the functions of an experienced CCO to new entities, departments and teams where there is no institutional competence, relevant skills or experience.
11. The key disadvantages of the moving the functions in-house are
    - the loss of singular focus on urban regeneration delivery
    - the loss of momentum and the reputation risk of not delivering on agreed plans
    - the lack of certainty for the private sector and the risk that the private sector is less willing to engage; fewer potential development partners will impact outcomes
    - the rework and costs involved in establishing new systems and processes including accountability mechanisms
    - reduced oversight and visibility within the sheer scale of the council work programme; Eke Panuku budget is around 2% of the council group capital budget and opex over 10 years
    - the loss of commerical expertise, independence and impartiality and focus on the longer term brought by the skills-based board
    - slower decision making and execution
    - the potential for a lack of clarity of roles and responsibilities.
    - Loss of continuity, engagement, goodwill and culture of the highly engaged team.
    - Significantly expanded workload for elected members and council management which requires sustained focus.
12. Eke Panuku does not agree with the analysis that it does not have the tools it needs to lead urban regeneration (noting that none have been highlighted) or that that programmes are small or are, in any way, misaligned with council strategic direction or lack integration. For example, the Manukau programme will enable around 900 new homes and $162m in gross sales ($114m to date). Over the programme life, close to 1000 new homes and $47m gross sales will be enabled in Avondale. In Onehunga around 900 new homes and $61m in gross sales. And in Takapuna 550 new homes and $38m gross sales.
13. Increased funding availability for urban regeneration to be undertaken in more locations, including the ability to acquire sites, was discussed in the LTP process. The scale of the programme is determined by Auckland Council.
14. One option suggests resetting Eke Panuku as a 'delivery-only' agency and moving the responsibility for urban regeneration planning, property management, property services (such as acquisitions and disposals) and setting development outcomes into council.
15. Developing and executing a commerical strategy to attract investment in residential and commerical development and divest of underutilised property is at the heart of urban regeneration and of urban regeneration planning. All urban regeneration plans to date have been developed with council group and mana whenua and are endorsed by the Planning Committee and relevant local board. This has enabled Eke Panuku to build an understanding of the place, the community and core relationships overtime, starting from the planning. The urban regeneration planning needs to be developed by the team that is accountable for its delivery, to ensure that the plans are feasible and have realistic delivery expectations. Separating implementation planning from delivery will be deeply problematic.

The split in responsibilities and the overlap area can be hard to define and get right, leading to duplication or delay.

16. A strong property team with specialist skills has been established to deliver all forms of property transactions, including disposals and acquisitions which are critical to urban regeneration and also providing a service to Auckland Council and Auckland Transport.
17. Of the 149 active projects in FY25, 40% are capital projects (urban amenity and infrastructure), 49% are urban development projects (site sales, commercial strategy) and 11% are other (largely acquisitions and masterplanning). These projects are of different scales and are in different stages from inception to delivery. All urban regeneration programmes have been approved by Council and the budget is approved each year.

Property management options

18. Eke Panuku manages the $2.9 billion portfolio of council assets that are not being used to provide a service to the community and provides a significant revenue stream. The assets include commercial, industrial, long-term leases, marinas, forestry, quarries/landfill and residential leasing of property while it is held for a future service use. There is a mix of independent business and trust entities, joint ventures, commercial contracts, leases, complex development agreements and commercial negotiations. One third of these assets are leased on a commercial basis and are achieving full market related revenues with an average Return-on-Investment (surplus divided by asset value) of around 6.1%.
19. The proposed options for the management of the non-service property portfolio suggest different places where the function could be delivered, in new CCOs as well as in council. The options oversimplify the range of reasons property is held and its diversity of purpose. It is not clear there are significant savings or benefits to be made by moving the management of non-service property or establishing a new CCO or bringing it in-house.
20. The current model benefits from the external governance with property skills, and a commercial, long-term view and delivery focus. Eke Panuku is positioned to leverage commercial opportunities, with stronger commercial focus and operational flexibility and an appropriate risk appetite, enabling returns from non-service property to be optimised and opportunities for commercialisation to be identified.
21. The challenge for council is finding a logical place for the management of properties that are not used by council (non-service) and have commercial tenants. The property management and urban regeneration functions do not logically have to stay together. The arguments are not the same for property services to be delivered through a CCO. There is however clear rationale for its continued delivery by Eke Panuku:
    - Eke Panuku has the necessary multidisciplinary skill set and expertise that is required focused on delivering commercial outcomes that provide value for money. This supports retention of staff with strong technical, commercial and industry knowledge and offers development opportunities across the property industry.
    - A portion of the non-service property portfolio (250 assets) is in the urban regeneration locations. This property is managed to achieve commercial returns where possible and in alignment with the urban regeneration plans. Some property has been acquired by us for urban regeneration for future redevelopment.
    - Together with urban regeneration, the non-service property management benefits from the input of the skills-based board experienced in all aspects of property and development.

Opportunities to enhance the current model

22. Eke Panuku would welcome the opportunity to discuss the issues of the CCO model that have been identified by the mayor and councillors and how they relate to Eke Panuku. We have highlighted some opportunities to enhance the current model, as follows:

- Increased opportunities for all elected members to receive updates through more regular reporting to a 'committee of the whole' such as the Planning and Policy Committee, building on the regular engagement with the CCO Direction and Oversight Committee (quarterly reporting, 'deep dives')
- Council leading the process to select new urban regeneration locations with support from Eke Panuku
- Building increased capacity within council to engage with Eke Panuku on the issues and complexities of urban regeneration, to provide strategic oversight and advice and to monitor performance as suggested in the 2020 CCO review.
- The SOI and associated interactions are used to convey changes in priorities if the council is seeking a stronger focus on economic development or affordable houisng or commerical returns, for example.
- Address any 'duplication' through increased partnering across the group and role clarity on project delivery.
- Address 'churn' through greater clarity of roles and responsibilities and enhanced strategic direction from council.
- Strengthen the council group integrated efforts in the city centre through increased support for the 'One team' and 'One plan" approach as agreed by the Group CEs. Clear political direction and support will enable greater success.
- A continued focus on community and local board engagement in the areas that we work and maintaining a positive reputation through the delivery of agreed plans.
- Continue to progress the Group Property Review to develop a group property framework and implementation actions.

Eke Panuku has delivered considerable benefits for Auckland and for Auckland Council

23. Benefits of the current urban regeneration programmes include:

- facilitating 2,304 dwellings to 1 August 2024 of a total of 12,000 new sustainable homes planned across the programmes
- returning significant revenue to council through the sale and optimisation of sites and property. Almost $1 billion in sales ($970m) in past 10 years against a target of $700m. This has catalysed significant private sector investment in residential and commercial development
- supporting economic development by facilitating investment in new residential and commercial spaces, supporting business and employment growth and town centre vitality. Examples include MIT Manukau, Laidlaw College in Henderson; mall redevelopment and new supermarkets (Papatoetoe, Onehunga), food and beverage, hotels (WQ, Manukau), and medical services in Pukekohe
- improving amenity – increasing the safety, connectivity, amenity and resilience of town centres and attracting visitation and private investment
- demonstrating high quality intensification, sustainable building, supplier diversity (8.3% against target of 7.5% 2023/24)

- mana whenua realising cultural and commercial opportunities. Mana whenua iwi are commercial partners in development opportunities in Avondale, Manukau, Papatoetoe. Māori design, art, placemaking, kaitiaki are evident in our projects expressing local history and cultural narratives.

Auckland needs continued momentum in urban regeneration

24. The economic, cultural, and sustainability benefits of urban regeneration are vital for Auckland's future as a competitive, desirable, and equitable city. The Auckland region and council have faced significant challenges and volatility over the past five years. These include the Covid-19 pandemic, the storm events, major budget challenges and the economic recession. Auckland needs continued momentum in urban regeneration to leverage the transport investment and untapped opportunities for housing and development. Eke Panuku has performed well through this time and supported Auckland Council to achieve budget and revenue targets and maintain good progress on urban regeneration. When strong performance exists within the human capital of an organisation there is significant enterprise value in achieving continuity. Retention is important as we need to ensure resilience exists to proactively handle the inevitable next challenge. Not only is momentum lost through significant change, but also the continuity, morale, goodwill and culture of the team.
25. The rationale for the establishment of Eke Panuku remains more important than ever. We need more affordable homes and more intensive use of suburban land and centres, to leverage off the public transport investment, attract private capital and optimise the use of council assets.
26. Eke Panuku has been seen as the appropriate and capable entity to support the resolution of a number of challenging situations for council in recent times and has shown agility and responsiveness in picking up new work requested by council.
27. While the market has been challenging in recent years following the disruption of the covid pandemic and economic recession, developer interest and sentiment is beginning to turn and together with a reduction in construction costs for projects, it's a good time to maintain momentum.

Submission format

28. This submission is set out as follows:
    - Urban regeneration context
    - Feedback on short-listed urban regeneration options
    - Property management context
    - Feedback on short-listed property management options
    - Property disposals and acquisitions – shared services
    - Key issues of the CCO reform and opportunities to address them.

Urban regeneration context

Urban regeneration is a key role for Auckland Council

29. Urban regeneration is the process of revitalising and improving urban areas to enhance their economic, social, cultural and environmental conditions.
30. Eke Panuku urban regeneration programmes incorporate new sustainable homes, greenspaces and support public and active transport. By creating vibrant public spaces, community facilities and recreational areas, we foster social interactions, a sense of community and improved health and wellbeing. Our programmes attract investment by others, creating employment opportunities and boosting local businesses. Working with mana whenua and through our wider community placemaking, we support local arts and culture and integrate cultural elements to strengthen the local sense of place and identity.
31. Urban regeneration is the most difficult type of urban development. It is complex and time consuming. It involves working in an existing urban area where people already live and work. Typically, there is poor amenity, infrastructure deficits and sometimes contamination. The development economics for higher-density development is difficult in suburban areas. Land aggregation is often required to enable quality comprehensive redevelopment. Intervention is required:
    - in tired town centres which are in decline with poor amenity, functionality and housing choices and where there is an opportunity to enable growth with access to good transport
    - where council owns unused and underutilised property that if redeveloped provides positive impetus for change that instils confidence, generates revenue and achieves strategic outcomes such as new housing and commercial development
    - to unlock development opportunities and attract investment through an agreed vision, consolidating development opportunities by aggregating sites and partnering with others, in many places it will not happen by itself.
32. While a significant partner, it is difficult for the private sector to lead comprehensive brownfield redevelopment and to meet the broad objectives. Investment by the private sector will need to trade off against the need for a short-term return.
33. Auckland Council plays a number of roles in supporting urban regeneration, such as:
    - setting the spatial and landuse plan and direction for the region through the Auckland Plan and the Unitary Plan
    - investing in infrastructure for growth, including passenger transport and jointly funding crown priorities such as the Large-Scale Housing Programme led by Kāinga Ora on crown land

- identifying priority locations and funding a programme of urban regeneration including city centre and suburban town centres, delivered by Eke Panuku.

34. Other investment by council and local boards, such as in community facilities, walkways, town centre revitalisation or local events, while important and popular, do not meet the accepted definition of urban regeneration. They are not delivered as part of a comprehensive integrated urban regeneration plan to support the redevelopment of council surplus sites, attract investment or intensification.
35. Urban regeneration requires an integrated approach with key elements being:
    - preparing the urban regeneration plan with multidisciplinary input (design, development, property, engagement and placemaking) and engagement with community and stakeholders. This is to ensure the plan is deliverable and focused.
    - building relationships with stakeholders and communities to support change
    - development of the business cases and programme of investments; managing this programme and the budget across multiple locations
    - managing the timing and delivery of projects with the market conditions
    - buying, selling and consolidating land, using tools such as the Public Works Act (PWA). Developing a commercial strategy which is integrated and supported by placemaking, engagement and public realm investment.

The CCO model for urban regeneration is proven

36. Stand-alone or arm's length Urban Development Agencies are used in a range of countries to achieve a broad range of policy goals, including regeneration of brownfield areas within urban areas and development on the urban fringe.
37. The benefits of a stand-alone entity include commercial focus, efficiency and cost effectiveness, agility and flexibility in decision making, and the ability to attract specialist skills. To drive urban change a focused team, including board and maangement, is needed with an integrated skill set, which includes commercial and property skills, together with the capability to partner and work with others.
38. Auckland Council is a very large organisation with a wide mandate, many pressing issues such as of local, regional, short and long-term nature and limited budgets. The need to focus efforts and coordinate use of land, infrastructure and public assets to maximise public benefits from complex urban development projects has been recognised.
39. Councils can find it hard to hold together the skills sets and closely integrated teams for complex multi-year place-based projects. The challenge is facilitating urban regeneration at scale and in a number places at one time.
40. This is why Auckland Council established Eke Panuku Development Auckland in 2015 with the mandate to pursue a structured programme of urban regeneration in suburban locations in addition to the waterfront. It was also to have a more active, implementation focused role in property on behalf of the council group.
41. Kāinga Ora delivers its large-scale housing programme on crown land and is not focused on town centre urban regeneration required to support the council's growth strategy. A reset of Kāinga Ora is soon to be announced with many programmes and projects on hold.

Feedback on urban regeneration options

42. We have only provided feedback on the shortlisted options included in the council analysis of CCO reform options.

Option UR1 - CCO Model Status Quo

43. Eke Panuku supports the status quo reflecting the strong team, clear focus and solid performance. The financial and non-financial benefits delivered by Eke Panuku have been summarised in paragraph 23 and opportunities to enhance the current model in paragraph 22. The benefits of a stand-alone agency have been described above.
44. The urban regeneration programme has grown in agreement with council as capacity and capability has been built and to take advantage of new opportunities for achieveing strategic and financial outcomes and to optimise council's assets investment.
45. The analysis underplays the role of 'lead agency' to integrate and align the council group, stakeholder and community around a shared vision. Eke Panuku has been seen as the appropriate and capable entity to support the resolution of a number of challenging situations for council in recent times and has shown agility and responsiveness in picking up new work requested by council. For example, the storm recovery programme acquisitions, leadership of the city centre and development of the Port Framework Plan.

Option UR1.3 - Delivery-only urban regeneration agency

46. This option splits the core functions of urban regeneration between the council and the CCO. However best practice and experience suggests that implementable plans need to be developed by the people who are going to be accountable for implementing them.
47. The urban regeneration plans are developed by Eke Panuku with council group, local board, stakeholder and mana whenua input. The urban regeneration plans set out the vision, key moves, the preliminary commercial strategy including the council surplus sites considered suitable for redevelopment. The plans are endorsed by the Planning Committee and the local board. All site sales are approved by council. The urban regeneration plans are prepared by the multidisciplinary project teams with planning, design, development, property, engagement and placemaking skills. These teams will be responsible for implementing the plan. The teams build detailed knowledge of the place, the community and core relationships overtime, starting from the planning.
48. The risk is that if the plans are not prepared by the CCO they will lack feasibility, lack market knowledge and experience and may have unrealistic delivery expectations. For communities and stakeholders there will be a lack of continuity of urban regeneration leadership and relationships. Also, the capacity of the CCO may be significantly reduced leaving it less agile and able to work through the complex issues that arise in implementing urban regeneration. The split in responsibilities and the overlap area can be hard to define and get right, leading to duplication or delay.
49. Eke Panuku has a small strategy and planning team focused on implementation. It does not undertake any 'blue skies' planning or policy development, rightfully the role of council. The team translates council direction into deliverable plans and standards, scopes projects and prepares business cases. It provides consenting advice to the project teams and prepares consent applications for Eke Panuku projects. It develops the annual Statement of Intent (SOI), business plan and the non-financial aspects of the Annual Report. This is not the same role played within council planning teams.
50. Eke Panuku has staff expertise and skill sets that all contribute to urban regeneration. Retaining these skill sets within Eke Panuku rather than splitting between two entities allows

greater co-ordination, efficiencies, and focus on delivery of urban regeneration projects across the region and reduces the likelihood of duplication.

Option UR2 – In-house delivery

51. There is no obvious place that the urban regeneration function would sit logically within council and enable the same quality of service and focus in delivery of place-based urban regeneration plans. The sheer scale of the council will add complexity and process, and significantly slow down response times and delivery of urban regeneration.
52. A particular challenge is that place-based programmes do not fit well within the council structure, which is based around functions, service delivery and network planning. Within this structure it is extremely difficult maintaining multidisciplinary teams on place-based projects over the long time period associated with complex urban regeneration projects. Changing staff, priorities and budgets as well as unclear leadership of programmes is why urban regeneration is typically delivered by arm's length agencies.
53. A loss of commercial and development skills, from both staff and the board, and the ability to transact at arm's length, will likely mean a reduction in potential development partners. Further detrimentally impacting value for money, achievement of asset sales targets and innovation in the delivery of urban renewal and commercial functions.
54. There would be a significantly expanded workload for elected members and senior management which requires ongoing focus. Over the last 18 months the board has received around 150 decision and information papers, processing a significant volume of information to make informed and complex decisions on behalf of Auckland Council. There are also local board engagements, priority location site visits and health & safety inspections. The board has also been involved in complex litigation discussions, adding to the strategic and legal demands.
55. Independence and impartiality is required in relation to complex, large commercial negotiations. Urban regeneration programmes are implemented over many years and electoral cycles. There is a risk of short-term political decision making not aligning with long-term property requirements or urban regeneration outcomes.
56. There is the potential for less elected member oversight and visibility due to the broad responsibilities and priorities of council and the political issues of the day. Urban regeneration is unlikely to get the focus that it currently gets through the annual Letter of Expectation/SOI, quarterly reporting etc. and may be more difficult to monitor performance and manage within a council department.
57. It is suggested that local boards could have an increased decision-making role. Local boards can only do more in supporting (or leading) urban regeneration or economic development where there is more funding and significant staff resource to support them. This includes assessing property development feasibility, leading amenity improvements, advocating for stronger and more effective Business Improvement Districts or specific economic or social opportunities. If this is not new funding and a new team, then it will be at the expense of the current urban regeneration programmes.

Property management context

58. The council total property portfolio is considerable and complex, made up of many classes of assets with different purposes and characteristics. The objectives for the properties vary from community and service uses to commercial returns and business services. Eke Panuku manages the $2.9 billion portfolio of council assets that are not being used to provide a service to the community (855 assets) and provides a significant revenue stream. The options put forward oversimplify the range of reasons property is held and its diversity of purpose.

59. The portfolio is not an investment grade portfolio. Eke Panuku has provided council with detailed categorisation of the portfolio and committed to increasing the return from the portion (27%) that can achieve a full market return. Eke Panuku is not enabled to buy and sell assets within the portfolio for investment purposes to maximise returns to council group. Where we see an opportunity, we undertake a strategic assessment and make a recommendation to council. Ultimately the council group is looking to achieve public good outcomes while exercising robust commercial practices to optimise the net return over the longer term.
60. Across the Eke Panuku portfolio, 49% are non-revenue generating, which includes bare land and public access spaces across the waterfront, as well as over 130 properties associated with the Eastern Busway project. 24% are market restricted meaning that the revenue able to be received is reduced due to the nature of the property or conditions attached, such as short-term rentals or prepaid ground leases. 27% of properties are achieving market related revenues with an average Return-on-Investment (surplus divided by asset value) of around 6.1%.
61. Eke Panuku manages the property in line with its strategic intent and purpose and brings a commercial lens to the management of the portfolio. Commercial leases require a different skill set.

Feedback on the property management options

62. We have provided feedback on the short-listed options.
63. The non-service portfolio is only a small segment of the council's asset portfolio. It is not clear that there is a more logical place for this function to be delivered without creating something new for council and Auckland Transport non-service property management. It is different to the council-managed community assets such as community pools and libraries where the focus is on public good outcomes, the level of service and the leases are to community organisations. There is no real relationship between the non-service and service portfolios and the benefits of bringing the management of all differnt types of property together is unclear.

Option PM 1 – Status Quo

64. The current model benefits from external governance with property skills, and a commercial, long-term view and delivery focus. It enables a clear commercial focus to be brought to non-service property management and other property functions. This recognises the complex nature of council owned land and property which comprises independent business and trust entities, joint ventures, commercial contracts, leases, complex development agreements and commercial negotiations. It also recognises the necessary multidisciplinary skill sets and expertise that is required and supports retention of staff with strong technical, commercial and industry knowledge.
65. Eke Panuku is positioned to leverage commercial opportunities, with stronger commercial focus and operational flexibility, an appropriate risk appetite, enabling returns from non-service property to be optimised and opportunities for commercialisation to be identified. It enables commercial decisions to be made on an arm's length basis.
66. There is a clear rationale for its continued delivery by Eke Panuku:
    - the shared skill sets across urban regeneration and property management and ability to build a centre of excellence for property skills and offer development for staff across the property functions
    - a portion of the non-service property (250 assets) are in the urban regeneration locations. This property is managed to achieve commercial returns where possible and

in alignment with the urban regeneration plans. Some property has been acquired by us for urban regeneration for future redevelopment

- together with the urban regeneration, the non-service property management benefits from the input of the skills-based board experienced in all aspects of property and development.

Option PM3. Property management function delivered within council

67. Where this would logically sit and how it would be incorporated in council has not been detailed. There would likely be less oversight and a lack of focus from senior management due to the small scale of this function relative to core council activity and given it is a small part of the council's overall property holding.
68. From a practical experience, it will the dilute commercial focus and result in greater confusion about the purpose of holding property. The risk of non-service properties getting utilised for quasi-service purposes such as community leases/leases to community groups on non-commercial terms, would reduce the revenue generated from commercial leasing and opportunity for properties to be identified for sale.
69. On the commercial side, arm's length transactions for the sale of properties are better undertaken by an experienced board with a long-term focus.

Property disposals and acquisitions – shared services

70. Eke Panuku provides a shared service to council facilitating the disposal of council surplus property and undertaking acquisitions. This is a different function to property management although it has been combined in a number of the CCO reform options.
71. Council makes the decisions on assets to be divested. Eke Panuku executes and works out the best way to achieve outcomes. It understands the drivers for developers and matches these requirements with council objectives. This is not duplication but good role clarity.
72. Eke Panuku has been consistent in exceeding its SOI asset sales targets over the last 10 years, delivering almost $1b in property sales against an SOI target of $700m to contribute towards council's LTP. This has been through various difficult market cycles.
73. Eke Panuku has consistently worked to unlock the disposals and development pipeline, unlocking the properties to enable them to be sold to contribute towards future asset recycling targets. If property disposals were led in-house, there is an increased risk of political relitigating of decisions and a loss of focus on the sales targets.
74. The key issue for the shareholder, and real opportunity, is for the more effective use of council owned property, including better utilisation of the council's community assets. Throughout the city there are underutilised and unsuitable property and sites that can be used more intensively through redevelopment and more intensive use or released for sale for reinvestment in other community assets.
75. Within council there needs to be a stronger and more consistent focus on, and commitment to, identifying such underutilised and unsuitable property. The 2020 CCO review recommended that council take more responsibility for the identification of surplus property to sell and the approvals process with Eke Panuku restricted to the transaction process. We supported this proposal, but it hasn't been advanced. It is easier to undertake the transactions at arm's length by a specialist team with a clear mandate from council.
76. Decisions to sell sites without the appropriate due diligence leads to increased time, cost and complexity. The process established by Eke Panuku with council ensures that the sites can be sold and any restrictions are understood prior to the decision to sell.

77. Eke Panuku also provides a shared service to council for the acquisition of property. Council decides what it needs, and we acquire it. This split supports the council focus on policy and direction with a specialist role (transactions) being outsourced to the CCO. We have the delegations from council to undertake compulsory acquisition and acquire land for infrastructure, parks, cemeteries etc.

78. Eke Panuku also has the delegation from council to undertake compulsory acquisition under the Public Works Act 1981 for urban renewal. We have used these powers extensively and successfully. For example, sites have been acquired using the PWA in Northcote, Avondale and Onehunga. A key requirement of the act is a clear urban renewal plan fully exploring options. These are prepared by a multidisciplinary team with planning, urban design, development and property specialists. There are also long-term obligations to implement the urban renewal plan.

79. It can be difficult for elected members to oversee compulsory acquisition given their close relationship with communities.

80. We are also in the process of acquiring 900+ properties for council for the storm recovery programme. To date 286 properties have been purchased at a value of $294m. This service was stood up at speed.

81. A strong property team with specialist skills has been established to deliver all forms of property transactions, critical to urban regeneration and also providing a service to Auckland Council and Auckland Transport.

Key issues of the CCO reform and opportunities to address them

82. The Mayoral and Councillors Direction to the Council Group sets out a number of issues with the CCO model, listed below. This section provides a response and offers opportunities for improvement within the current model.

- Public trust and confidence.
- Strategic alignment.
- Democratic accountability.
- Cost effectiveness, including reduced duplication.
- Quality of services and council capability.

Public trust and confidence

83. Unlike the other CCOs, Eke Panuku is not delivering a service across the whole region and therefore low public awareness is understandable. Eke Panuku has not sought to build public recognition but focuses scarce resources on engagement with stakeholders and communities in which we are working.

84. Eke Panuku has largely positive and responsive relationships with communities, local boards, elected members, mana whenua, stakeholders, development partners and across the council group. Our independent stakeholder research shows that over the past four years Eke Panuku has experienced a significant improvement in sentiment and knowledge amongst stakeholders. We have developed 'best practices' in working with mana whenua on urban regeneration. Feedback and research, including the Houkura-led Treaty Audit, has shown that Eke Panuku consistently excels in our interactions with mana whenua through employing a collaborative approach with mana whenua from the inception of our projects.

85. Change is hard however, and selling and developing sites where there are different opinions on outcomes and options, can lead to public complaints and concerns. There can also be challenges in negotiating development agreements particularly in difficult economic times.

Eke Panuku is charged with disposing of sites that the council has approved to sell, and of moving urban regeneration plans forward. Community acceptance of change is supported through placemaking and engagement. Being at arm's length, impartial and with a long-term view supports this function.

86. In the city centre Eke Panuku, as lead agency appointed by council, has worked hard to rebuild the trust of property owners and stakeholders.
87. As reported quarterly, Eke Panuku receives few complaints, and in the marinas achieves very high customer satisfaction.
88. Public trust and confidence can be improved by a continued focus on community and local board engagement in the areas we work and maintaining a positive reputation through the delivery of agreed plans.

Strategic alignment

89. The Eke Panuku urban regeneration programme is a key Auckland Council lever to focus growth in town centres, to build communities not just houses, to leverage the investment in transport infrastructure, improve the liveability and amenity and enable low carbon lifestyles.
90. The Eke Panuku contribution to the Auckland Plan and to other council plans, strategies, actions and targets is set out in our Statement of Intent.
91. All key aspects of Eke Panuku mahi are aligned with council direction. Auckland Council selects the locations for urban regeneration, approves any changes to the programme and endorses the urban regeneration plans for each location. Auckland Council approves the Eke Panuku annual budget in the LTP and annual plan and approves any property to be sold and directs Eke Panuku to sell certain assets.
92. Through the annual LoE, Auckland Council also provides any new strategic direction or requirements. Eke Panuku is agile and responsive in supporting the council to address issues quickly and efficiently. Examples include the Port Framework Plan and storm recovery acquisitions.
93. Strategic alignment could be further enhanced by:
    - council leading the process to select new urban regeneration locations, with Eke Panuku support
    - The SOI and associated interactions are used to convey changes in prioirties if the council is seeking a stronger focus on economic development or affordable housing or commerical returns, for example.

Democratic accountability

94. Elected members are accountable to their communities for the quality of services delivered by the council group. In setting up Eke Panuku as a CCO, the accountability for implementing the urban regeneration programmes and portfolio management shifts to the board and senior management. The role of council becomes one of monitoring performance.
95. Elected members, both council and local boards, need to know what is going on in their communities and to be well across the work of the CCOs and have an open opportunity to raise issues. Eke Panuku has regular meetings with elected members, in particular chairs of committees, to provide updates on specific projects and address any matters of interest to elected members. These relationships are important and are therefore led by our priority location directors and executive team.
96. Democratic accountability can be enhanced by:

- increased opportunities for elected members to receive updates. Presenting progress on the current locations to committee for review will commence this year (SOI commitment)
- more frequent updates to the Planning and Policy Committee with the mandate for urban regeneration, noting there are regular updates for the CCO Direction and Oversight Committee (quarterly reporting, 'deep dives')
- increased capacity of council governance team to engage with Eke Panuku on the issues and complexities of urban regeneration, to provide advice and to monitor performance. This does not require the movement of the whole function into council.

Cost effectiveness, including reduced duplication

97. Eke Panuku is working hard to ensure cost effective processes and value for money. It is already a high user of shared services. Eke Panuku has faced two rounds of material budget cuts in 2020 (Emergency Budget) and again in 2023.
98. There is some concern that Eke Panuku delivers urban amenity projects that other parts of the council also deliver. The difference here is that all public realm and placemaking investment by Eke Panuku is to support an urban regeneration plan and a community going through change. These investments are not ad hoc. They are specifically focused to achieve more value from the sale and redevelopment of underutilised council property, to attract investors, new residents and businesses. There is no formal agreement as to which part of the group delivers the projects, it has been 'horses for courses'. Eke Panuku collaborates with the asset owners throughout the design, procurement, delivery and handover stages. This is typically Auckland Transport, Community Facilities or Healthy Waters. In some cases, the projects are delivered by the future asset owners with joint funding from Eke Panuku. In other cases, we may deliver jointly or Eke Panuku may lead but with shared project governance. We are open to the delivery of urban amenity projects by others where there is a natural owner, with Eke Panuku acting as "internal client". This could be more formalised.

Quality of services and Council capability

99. The council has chosen to deliver urban regeneration through a CCO with a sufficient scale programme to build up the core skill sets. It would be a duplication to have the same skill sets within the council and the CCO. The 2020 CCO review highlighted the need for council to resource the function of managing the performance of the CCOs. The skill set required for this is a good understanding of the nature and purpose of urban regeneration alongside performance management and governance skills. If council wishes to undertake some limited recruitment to augment its current resources it can do so. These would not be part of an implementation agency.
100. Eke Panuku does not agree that the quality of services will be maintained or improved by moving the functions in-house.
101. The delivery of urban regeneration through a CCO does not have any real bearing on the capability of the council in planning for growth and infrastructure. The rational or benefits of 'better integration' with functions such as policy, resource consents, BIDs, as suggested in the analysis, are unsubstantiated.

15 November 2024

Max Hardy
Director Group Strategy and Chief Executive Office
Max.hardy@aucklandcouncil.govt.nz

Tena koe Max,

Thank you for the opportunity to provide feedback on the Council staff's analysis of options for moving some or all Tataki's functions to Auckland Council, and on options to improve CCO oversight.

The status quo is successful

The Tataki Board and senior management consider retaining all Tataki's functions in the existing CCO (with modifications) best meets the concerns identified in the analysis and provides the best value for Aucklanders. We base this view on the following:

- Tataki is already performing very well, including delivering a number of record results in the last financial year (confirmed by the council's analysis);
- Improving performance is being achieved by sharing specialist resources across the cultural organisations, moving to common technology, customer data and marketing platforms, introducing more sophisticated pricing products, and achieving better coordination of programming to have greater impact for Aucklanders;
- We have responded to the 2020 CCO Review recommendation to merge ATEED and RFA so as to build stronger connection between cultural organisations, tourism and major events with a "city-wide event and attractions calendar" and launched the "Discover Auckland" visitor portal.
- At the same time, we have built commercial partnerships through the Destination Partnership Programme (130 partners contributing $2m per annum); with the BNZ as naming-rights sponsor of the Lantern and Diwali festivals; with Go Media at Mt Smart Stadium; and with key promoters to bring live content to Auckland.
- Our economic development functions complement the destination and cultural organisation functions through attracting major international screen productions to Auckland ($1.7 billion per annum sector in Auckland), attracting foreign investment and investors to Auckland (using major events and cultural diplomacy), and working with MFAT, NZTE, Immigration NZ, Callaghan Innovation and key businesses such as Auckland Airport, airlines and hotels to build greater connection with other international cities.
- Taken together, Tataki is helping the council address important gaps identified in the *State of the City* reports, in particular assisting the visitor economy to recover to pre-pandemic levels, attracting talent and retaining our existing workforce, supporting our innovation ecosystem and reinforcing positive perceptions of the city among external global audiences, including entrepreneurs, visitors and investors.

Sharpen the line between policy and delivery

However, the CCO model as it relates to Tataki can and should be improved. There is weak formal linkage between the services Tataki is delivering and the council's overall goals and objectives. There is a policy gap that was highlighted in the 2020 CCO Review which has not been properly filled.

For example, the council does not have an agreed view on why it seeks major events, the range of outcomes it is seeking from major events, what kind of events it is seeking, how much risk it wishes to take and what the funding investment model should be. There is an opportunity to develop a much richer story with better targets and measures to communicate to Aucklanders and the industry and to hold Tataki to account against.

The staff analysis makes this same point with respect to stadiums. The council needs to establish a stadium strategy. Tataki should be an active contributor to the development of the strategy and be held to account for implementing the strategy as it applies to facilities we control.

In the absence of clear policy and direction, Tataki often fills the vacuum through necessity or by default. This has happened with economic development where Tataki has invested in reports such as *State of the City* and the Koi Tu *Reimagining Tamaki fVlakaurau Auckland.* We agree with the staff analysis that there is a lack of a clear agreed definition of what economic development is and that the council is one actor in a wider system. There needs to be better agreement on overall risk exposure by intervention and by industry sector, including clear exit strategies.[1]

Place-branding (city reputation) is another problematic area. The *Destination AKL 2025* tourism industry plan, developed by Tataki with the industry and endorsed by the council in 2018, prioritised the need for investment in place-branding and marketing of Auckland. Tataki advanced work on Auckland's place-brand. That work informed several campaigns which taken together won Auckland the international "place brand of the year" in 2021 from London-based City Nation Place.[2]

The recent Eerik happiness campaign aimed at improving sentiment towards Auckland has been controversial. While we argue strongly based on research evidence that it has been successful measured against its objectives, it raises a question as to whether the council ought to spend ratepayers' money on campaigns to improve sentiment, a policy question.

There are problems with moving Tataki functions into the council

Decision-making capacity

Establishing an internal council governance and management structure that provides as much oversight as the current structure will be more costly. Instead, it is more likely that moving the functions into the council would lead to less oversight capacity, coupled with a desire for greater direct control. With less capacity to make decisions there will be slower decision-making, a loss of entrepreneurial effort and initiative, and a reduction in activity.

Non-rates revenue

More than half of Tataki's income is derived from non-rates sources including commercial, philanthropic and government sources. The existing arm's-length company and trust structures are more conducive to generating this revenue. For example, the trust structure allowed the COVID-19 wage subsidy ($11m) to be paid to the cultural organisations, but it was not available to council employees.

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[1] This is more apparent than real. Major transactions including operating leases are agreed by the council, there have been clear exit strategies and actual exits (Foodbowl and Regional Business Partner Programme among others), while the apparent shift in industry sectors of focus is limited and largely a function of resourcing.
[2] The brand work led to the video we produced in-house at almost no cost during C0VID-19 lockdown *Papatuanuku is Breathing* which went viral globally and was widely acclaimed. https://www.youtube.com/watch?v=YKyekQ1njNQ

Meanwhile, the separate company structure was decisive in allowing the Government to fund $65m into the *Activate* and *Reactivate Auckland* economic development programmes developed by Tataki.

There is a real risk to the substantial Auckland Art Gallery donor programmes if donors perceive the council using donor funding as a reason to defund Gallery operations. Being at arm's-length creates better transparency and governance of these trade-offs. Other examples include risks to attracting quality sponsors such as BNZ for cultural festivals, QBE for Auckland Live and Go Media for Mt Smart Stadium, and risks to the Destination Partnership Programme.

Destination and major events international experience

Any proposal to bring destination and major event functions into the council would be unusual when looking at comparable cities. It is hard to find any other major city in New Zealand and Australia that operates an internal council delivery model (the exception in New Zealand is Dunedin). Instead, the cities who have successfully used their visitor economies to drive vibrancy, regional and city economic benefits like Melbourne and Brisbane[3] have pioneered stand-alone agency models. These models are preferred because the city needs to work with businesses operating commercially who want confidence in decision-making affecting investment and risk management over multi-year timeframes[4].

Future industry funding for destination and major events

The major issue Auckland faces with destination and major events is a sustainable funding model. Auckland is arguing for a bed night levy. The industry expects that it will be involved in the governance of the funding raised and favour the transparency of an arm's-length structure.

Loss of synergies between cultural organisations, destination and major events

There is a risk that the benefits gained by merging ATEED and RFA (referred to above) will be lost if the cultural organisations in the Trust are left at arm's-length in a CCO and the economic development, destination and major events functions are moved into the council.

Tataki is not contributing to concerns with the CCO model

Provided a stronger line is drawn between policy and delivery, then Tataki is not contributing in any material way to concerns with the CCO model.

Aucklanders value their experiences with our cultural organisations and major events very highly. We measure this through strong net promoter scores, through growing levels of patronage and revenue, and through brand recognition.

Tataki is not a separate entity to these cultural organisations experienced by Aucklanders. The corporate brand is confusing for Aucklanders and work is required to improve the communication of the positive experiences Aucklanders have of Tataki's activities and Auckland Council Group.

While there are clearly examples of challenges to strategic alignment and democratic accountability, these almost always come down to improving the policy and delivery line between the council and Tataki.

[3] More recently Perth and Adelaide have been using these models very aggressively to drive visitation.

[4] Auckland has built up capability and won international awards over the last decade for its major events successes.

In terms of cost effectiveness, duplication of services and service quality, Tataki has demonstrably made improvements in the last 24 months. Indeed, we will continue to do so given the time and space to bed in the management programmes we are implementing.

We are actively working to implement Group Shared Services as quickly and effectively as we can and are open to new and creative ways as part of the group to take advantage of the council's scale and reach for Aucklanders.

Other Opportunities

We believe there are two other areas of opportunity for Tataki to support the council group.

1. As recently agreed by the Governing Body, Tataki is currently working with the Auckland War Memorial Museum, MOTAT and Stardome to formalise our working relationship by forming an alliance of the council-funded cultural organisations (the Alliance). TAU is included in the Alliance to ensure our resources and expertise are effectively utilised across the sector.

2. There is an opportunity to consolidate events, activation and marketing of the city centre. Tataki has capability in destination marketing and management and major events, including cultural festivals, and though Auckland Live content, facilities and venue management. We bring partnerships with the tourism sector and event promoters. However, there is duplication in funding, marketing and delivery diluting the impact of public investment on driving foot traffic, bed nights, programming and marketing.

Summary

Tataki supports retaining the status quo, but there are important changes required to sharpen the line between policy and delivery that will improve performance and reduce areas of tension that exist in the CCO model.

Nick Hill
Chief Executive

Vicki Salmon
Chair

Appendix F: Feedback from early engagement with Council and CCO staff

This appendix outlines the feedback received from early engagement with Council and CCO staff on options for Council-Controlled Organisation (**CCO**) reform, as requested in the *Mayor and Councillor Direction to the Council Group, September 2024* (**Direction Document, Appendix A**). It is important to note that this engagement was not intended as consultation, as there is not yet any clear proposal to put to staff.

This appendix includes feedback from early engagement with:

- Auckland Council staff
- Eke Panuku staff
- Tātaki Auckland Unlimited staff.

Early engagement opportunities

The collective employment agreement between Auckland Council and the Public Service Association (PSA) requires early engagement on any possible restructure process. As some of the options included in the Direction Document could have impacts on staff, a series of opportunities have been made available for Council staff to provide their feedback. The approach taken and format used was shared in advance with the three CCOs to allow them time to consider running similar sessions.

Both Tātaki Auckland Unlimited and Eke Panuku have run sessions with their staff. The staff feedback results from these sessions are also included within this Appendix. Auckland Transport have signalled they plan to hold sessions with their staff, but have not provided any staff feedback to date.

For Auckland Council staff, four sessions were held through the week of 11 November, 2024. In these sessions staff could self-select attendance. All of these sessions were run online with feedback gathered through online engagement tools. The four sessions held were arranged around the following functions:

- Roads and footpaths; public transport; parking and enforcement; transport planning for the future
- Urban regeneration and economic development
- Major events and destination marketing
- Property management, marina management and regional facilities.

For each of these functions staff were asked - *If these functions were moved into Auckland Council:*

- *What are the opportunities?*
- *What risks would be created?*
- *What impacts would occur?*
- *Is there anything else you think we should be aware of?*

It was an expectation of staff who attended these sessions that their input would be available to help shape the final advice to the mayor and councillors and inform the Mayoral Proposal. To meet this expectation the themed feedback reflects the functional groupings for these sessions responding to the key questions posed. Where relevant, this feedback has been incorporated into the final advice received in the body of this advice document.

PSA engagement

Council staff have maintained regular meetings and communication with PSA delegates. It is understood that the PSA has held meeting with their members to consider the proposals.

Feedback themes from early engagement with Auckland Council staff

Auckland Transport

Roads and footpaths *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• Efficiency and integration: Improved cost-effectiveness, coordination, and integration of assets (e.g. integrating vehicle crossings with building consents, land use and transport planning). • Consistency and control: Increased control over transport outcomes, alignment with council policies (e.g. climate change, equity), and standardised practices across Council and AT. • Service quality and responsiveness: Ability to provide higher quality, consistent services that reflect community and elected member input directly. • Strategic prioritisation: Opportunity to prioritise active modes and manage resources more effectively, including leveraging scale for better contract negotiations.
Risks	• **Operational and structural risks**: Potential inefficiencies if council becomes too large, risks of fragmented decision-making, and challenges in restructuring to integrate AT's functions. • **Political influence**: Increased risk of political interference in technical decisions and public expectations that may not align with council capacity. • **Loss of expertise**: Risk of losing technical expertise and institutional knowledge from AT, and potential staff retention issues. • **Financial and strategic alignment**: Concerns about budget allocation, financial liabilities, and potential loss of AT's focused service delivery for roads and footpaths.
Impacts	• **Structural and cultural shifts**: Need for restructuring, including potential impacts on roles and challenges in merging council and AT cultures. • **Decision-making and accountability**: Greater alignment between strategy and delivery, with potential for improved political oversight and responsiveness. • **Resource requirements**: Increased costs and workload for council, along with the need to standardise technology across merged functions.

	• **Service continuity**: Potential for improved long-term service outcomes, but risks of short-term disruption and increased political involvement in operational functions.

Public transport *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• Enhanced control and accountability: Greater council oversight and direct influence on PT network, contracts, and strategic alignment with council's policies. • Integration and efficiency: Better integration of land use and transport planning, funding cycles, and potential cost savings through contract consolidation. • Community and democratic engagement: Opportunities for elected members to have a say, aligning PT decisions with community growth and needs. • Operational improvements: Streamlined services, elimination of intermediary roles, and potential to expand benefits (e.g. free bus cards for council staff).
Risks	• **Operational and structural risks**: Potential inefficiencies due to capability gaps in PT planning, risk of cannibalising dedicated PT funding, and challenges in maintaining service standards. • **Political interference**: Increased susceptibility to political decision-making over operations, which may compromise technical quality and strategy execution. • **Cultural and staff transition**: Risks of staff resistance, knowledge loss, and cultural integration challenges with the council. • **Funding and technical limitations**: Potential constraints from central government, risk of disassembling PT resources, and integration issues with existing systems.
Impacts	• **Increased accountability**: Potential for greater democratic ownership and alignment with council's vision and goals for public transport. • **Resource and operational adjustments**: Council would assume responsibility for contracts, budget allocations, and facility requirements, with potential for increased costs. • **Strategic alignment**: Better alignment with council strategies, particularly for growth planning and sustainability. • **Potential disruption**: Initial disruption to service continuity and integration challenges with staff, systems, and processes.

Parking and enforcement *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• Enhanced control and integration: Increased council control over parking enforcement, aligning policies with public good objectives and council strategies. • Resource synergies: Potential to multi-skill staff across council functions, enhancing efficiency and resource allocation. • Improved community engagement: Greater ability to respond to community input and implement policies like the Room to Move Programme. • Revenue and process improvements: Opportunities to improve revenue management, increase efficiency, and set consistent standards for enforcement.
Risks	• **Operational and systemic challenges**: Need for system upgrades, automated enforcement, and risk of process overload during transition. • **Public perception and staff transition**: Risks of public pushback, staff transition issues, and potential decrease in efficiency if enforcement is misaligned with other functions. • **Political and legal risks**: Increased likelihood of political interference in enforcement and revenue decisions, legislative complications, and reputational risks. • **Reputational risk**: Potential for reputational damage if enforcement decisions are politicised or perceived as unfair.
Impacts	• **Enhanced transparency and accountability**: Potential for increased transparency, democratic accountability, and public trust in parking enforcement. • **Operational and budgetary implications**: Additional resource requirements, technology investments, and training needs. • **Efficiency gains**: Improved coordination in managing parking policies, service delivery, and customer experience. • **Staff and structural changes**: Need for a dedicated facility for enforcement vehicles, integration of systems, and management of large-scale staff transitions.

Transport planning for the future *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• **Strategic integration:** Alignment of land use, transport planning, and funding cycles, supporting growth and sustainability in line with council's goals. • **Enhanced engagement and partnerships:** Better engagement with local boards, iwi, and mataawaka, leveraging council's relationships for integrated planning. • **Improved accountability:** Increased democratic control over transport strategy, allowing elected members to shape long-term decisions. • **Cost and resource efficiencies:** Savings from integrated planning and elimination of duplicate roles, achieving value for money.
Risks	• **Political and strategic misalignment:** Potential for short-term political priorities to overshadow long-term planning goals, resulting in inconsistent strategies. • **Capacity and capability issues**: Risks of insufficient staff capacity, lack of technical expertise, and challenges in maintaining accountability across functions. • **Loss of focus and fragmentation**: Concerns over potential fragmentation of strategic and operational functions, leading to inefficiencies. • **Cultural and institutional memory loss**: Risk of losing institutional knowledge during staff transitions, impacting continuity and corporate memory.
Impacts	• **Greater democratic accountability**: Improved democratic accountability, with potential for long-term strategic alignment with council goals. • **Resource and structural adjustments**: Additional costs, resource requirements, and careful structuring needed to integrate complex transport and land use planning. • **Increased community focus**: Potential for council to prioritise transport strategies that benefit the public, integrating transport with other council services. • **Service delivery risks**: Increased workload and budget pressures, as well as possible impacts on existing structures and partnerships.

Other considerations for any changes to transport functions

- **Legislative and strategic complexity**: Awareness of the legislative requirements and potential need for a clear vision to avoid delays in implementation.
- **Staff transition and cultural integration**: Importance of involving staff in the transition process to maintain morale and reduce resistance.
- **Role clarity and vision**: Need for clarity in organisational roles, boundaries, and long-term vision to streamline functions and avoid prolonged discussions.
- **Coordination with external entities**: Ensuring alignment with NZTA, Kiwi Rail and other stakeholders for improved outcomes across transport networks.

Eke Panuku

Urban regeneration *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• **Alignment with council strategy and investment:** Improved alignment with council programmes, policies, and investment priorities, allowing for a more cohesive approach. Council should set strategic direction. • **Increased efficiency, consistency and reduction of duplication:** Opportunities to streamline operations, reduce overlapping functions. • **Enhanced local input and collaboration:** More involvement from local boards in regeneration projects, as well processes and community needs. More local decision-making, greater democratic accountability, political oversight and community trust. • **Transparency and public trust:** Increased public trust and transparency as council can take a more accountable and integrated role in urban regeneration and economic development. • **Greater links between urban regeneration and economic development**: Potential create greater connections more links between key areas of work.
Risks	• **Loss of specialised talent and expertise**: Potential for loss of staff and local knowledge • **Increased political interference**: Risks of political decision-making impacting regeneration projects, leading to potential conflicts and misaligned priorities. • **Challenges with council processes**: Council's slower decision-making processes and lower risk tolerance may hinder agile and innovative approaches to regeneration. Dilute urban regeneration focus. • **Loss of independence**: Potential for conflicts of interest if council directly manages both regulation and development, impacting relationships with external partners.
Impacts	• **Greater engagement and transparency**: Increased public awareness and input, as regeneration activities align more closely with council's wider community focus and governance structures. • **Improved strategic alignment and coordination**: Greater integration across urban regeneration, economic strategy, planning, and policy functions. Better collaboration. • **Increased accountability and community alignment:** Council would take greater ownership of regeneration outcomes, providing a clearer policy loop from strategy to implementation.

	• **Disruption during transition**: Possible delays in service delivery and a need for structural adjustments as functions are integrated into council. • **Staff and knowledge retention challenges**: Potential loss of staff with expertise in urban regeneration, which may disrupt continuity.
Other considerations for any changes to urban regeneration (note same session as economic development)	• **Evidence-based decision-making**: It's crucial that any integration is underpinned by clear strategic direction and evidence to justify the benefits of changes. • **External stakeholder engagement**: Input from stakeholders, including private sector and community representatives, should be considered to understand their perspectives on integration. • **Maintaining international credibility**: from international investors expecting economic development and urban regeneration arms-length entities. • **Alignment with council's governance structure**: A clear framework is needed to ensure council's governance model supports efficient and responsive decision-making.

Property management

Property management *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• **Reduction of duplication:** Consolidating property management functions could reduce overlap, eliminate public confusion, and provide clear responsibilities across council assets. • **Efficient use of resources and alignment:** Streamlined property portfolio management, enhanced asset utilisation, and a unified community of practice to improve efficiency and alignment with council's strategic goals. • **Career and expertise development**: Increased career opportunities within a larger council group, as well as better integration of property management expertise across teams. • **Transparency and data-driven decisions**: Consolidated oversight of property portfolios offers one source of truth, greater transparency, and more informed decision-making on asset utilisation. • **Procurement and shared systems:** Improved ability to go to market for specialist contracts, enhanced procurement power, and the potential adoption of industry-standard property management systems.
Risks	• **Loss of specialised staff and expertise**: Potential for loss of skilled property management staff unwilling to move into council, leading to a decrease in institutional knowledge.

	• **Complexity in system and process alignment**: Challenges in harmonising processes, culture and systems across organisations could impact efficiency and create confusion. • **Budget and resource allocation**: If budgets do not transfer with properties, there may be inadequate resources to manage the expanded portfolio effectively.
Impacts	• **Clearer accountability and better transparency**: Improved visibility and clearer lines of responsibility. • **Short-term disruption**: Initial confusion and increased workload as systems are integrated and processes realigned. • **Potential cost savings**: Consolidation of property functions could reduce duplication, lower operating costs, and leverage council's scale for better procurement contracts. • **Improved oversight and service consistency**: Council's consolidated property team would allow for consistent management, more unified customer service, and streamlined decision-making. • **Enhanced internal collaboration**: Increased opportunities for collaboration within council and between CCOs, aligning property management with council-wide strategic outcomes.
Other considerations for any changes to property management (note same session as marina management and regional facilities)	• **Centralised data and system integration**: A unified approach to data and systems would improve operational efficiency, reduce silos, and enhance customer experience. • **Clear communication of changes to staff and public**: Effective communication on the purpose, timing, and benefits of integration is critical to ensure smooth transitions and reduce confusion. • **Consideration of unique needs across units**: Different groups have distinct customers, purposes, and requirements; council should respect these to avoid a "one-size-fits-all" approach. • **Long-term strategic goals**: Merging functions should align with council's climate commitments, public accessibility, and sustainable development.

Marina management

If this function was moved in-house, what would be the opportunities, risks and impacts?

Opportunities	• **Improved co-ordination with council's waterfront activities:** Integrating marina management with council's waterfront and foreshore planning offers potential for coordinated events and strategic alignment. • **Enhanced asset management and utilisation**: Council could optimise marina assets for broader community use, such as public events, while ensuring sustainable and efficient operations.

	• **Clearer lines of responsibility and governance:** Centralised management could improve accountability and provide a more direct line for public enquiries and service requests. • **Shared resources and cost savings:** Opportunities for shared administrative services, reduced overheads and streamlined governance, potentially leading to cost efficiencies.
Risks	• **Loss of specialised marina expertise**: Ensuring that knowledgeable staff and expertise transfer into council is essential; otherwise, there could be a decline in service quality. • **Commercial and regulatory complexities**: Marina management involves unique legal and commercial requirements that may be challenging for council to adapt to effectively. • **Customer expectations and service levels**: Boat owners and berth holders typically expect high service levels, which could be affected by council's broader service focus and any associated restructuring. • **Funding and resources**: Marinas may face competition for funding and resources with other council assets, potentially impacting maintenance and service quality.
Impacts	• **Improved alignment with council's coastal planning**: Integrating marina management with council's foreshore and coastal strategies and programmes can enable better coordination and planning. • **Potential customer dissatisfaction**: Marina berth holders may experience service impacts and dissatisfaction, particularly if council's processes do not align with their expectations. • **Synergies with public event spaces**: Council could utilise marina spaces for public events and community activities, potentially increasing their value to Auckland residents. • **Operational integration challenges**: Ensuring continuity in marina operations during the transition may be challenging, particularly in maintaining service standards and infrastructure.
Other considerations for any changes to marina management (note same session as regional facilities and property management)	• **Centralised data and system integration**: A unified approach to data and systems would improve operational efficiency, reduce siloes, and enhance customer experience. • **Clear communication of changes to staff and public**: Effective communication on the purpose, timing, and benefits of integration is critical to ensure smooth transitions and reduce confusion. • **Consideration of unique needs across units**: Different groups have distinct customers, purposes, and requirements; council should respect these to avoid a "one-size-fits-all" approach. • **Long-term strategic goals**: Merging functions should align with council's climate commitments, public accessibility, and sustainable development.

Tātaki Auckland Unlimited

Economic development *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• Alignment with council priorities: Greater potential for economic development to support council's strategic objectives and integrate with broader council functions (e.g. urban regeneration, arts and events, CSI). • Defined economic development objectives: Chance to define what economic development means for Auckland Council and align delivery behind it. • Improved support for local boards: Enhanced ability to address local economic development needs, with increased support and resources for local boards. • Transparency and accountability: Increased public awareness of economic development outcomes, along with enhanced transparency and accountability in council decision-making. • Resource efficiency and capacity building: Potential to scale up resources for economic development, allowing for a broader and more impactful regional approach. • Increased partnership opportunities: Better alignment with private sector, philanthropic, and central government stakeholders, fostering collaboration and mutual understanding.
Risks	• **Loss of specialist skills and capabilities**: Risk of losing skilled staff and established expertise, particularly if the function loses its independence. • **Reduced flexibility, innovation and ambition**: Potential difficulty in maintaining an agile, innovative approach if economic development becomes embedded in council's traditional structures. • **Increased political influence**: Greater exposure to short-term political priorities, which could undermine long-term economic strategies and discourage private sector engagement. • **Lack of strategic direction**: Lack of understanding of economic development in the absence of clear strategy and lack of priority given to the function. • **Uncertain organisational alignment**: Risk of ineffective integration without a clear organisational structure, potentially reducing the function's strategic impact. • **Diminished external engagement and reputational capital**: Risk of reduced private sector and community involvement due to perceptions that council is bureaucratic and commercially unresponsive.

Impacts	• **Greater local engagement**: Local boards would have improved access to economic development expertise, enhancing community-focused outcomes. • **Enhanced alignment with council goals**: Economic development would align more closely with council's broader strategic planning and objectives. • **Increased accountability and public perception**: Public understanding and appreciation of council's economic development role would improve, potentially enhancing council's reputation. • **Transition and restructuring challenges**: The transition may require significant organisational restructuring, with potential delays and adjustment periods for new structures. • **Opportunity for long-term alignment**: If managed well, integration could lead to stronger leadership in economic development and alignment with council's growth vision.
Other considerations for any changes to economic development (note same session as urban regeneration)	• **Strategic direction and evidence-based decision-making**: It's crucial that any integration is underpinned by clear strategic direction and evidence to justify the benefits of changes. • **External stakeholder engagement**: Input from stakeholders, including private sector and community representatives, should be considered to understand their perspectives on integration. • **Risk of ratepayer funding concerns**: Public perception of ratepayer funding use should be managed, especially in areas traditionally handled at arm's length by CCOs. • **Maintaining international credibility**: Auckland's economic and regeneration agencies have previously built credibility with international investors; any integration should consider how to retain this trust. • **Alignment with council's governance structure**: A clear framework is needed to ensure council's governance model supports efficient and responsive decision-making in economic and urban regeneration functions.

Destination marketing

If this function was moved in-house, what would be the opportunities, risks and impacts?

Opportunities	• Coordinated campaigns and consistent branding: Enhanced alignment on branding and campaign coordination, ensuring a unified place brand without redundancy (e.g. avoiding multiple pōhutukawa logos on marketing materials). • Cross-promotion across council entities: Greater opportunities for shared marketing resources and cross-promotion with other council teams, allowing for streamlined promotion of events and related council initiatives. • Increased expertise and resource-sharing: Potential for shared expertise and upskilling pathways for staff within destination marketing, promoting consistent skills development and resource availability. • Strategic alignment and reduced competition: With coordinated campaigns, council entities would avoid competing on marketing spend (e.g. Adwords), fostering a more cohesive, citywide marketing strategy. • Closer alignment with council's local event teams: Enhanced opportunities to work alongside local event teams, leveraging council's existing expertise to create integrated marketing initiatives.
Risks	• **Political influence on marketing strategy**: Destination marketing strategies may become susceptible to political views or priorities that are not evidence-based, potentially impacting strategic consistency. • **Reduced autonomy for specialised marketing functions**: Moving destination marketing under council may limit the flexibility and responsiveness typically available within CCO structures. • **Impact on established partnerships**: Major commercial partners may prefer working with CCOs, and moving destination marketing functions to council could impact these relationships. • **Dilution of destination focus**: Integrating destination marketing with the council's core brand may risk diluting Auckland's unique destination appeal, potentially diminishing its effectiveness in attracting visitors.
Impacts	• **Potential dilution of destination marketing identity**: Integrating destination marketing under council's brand may lead to a reduced focus on Auckland's distinct appeal as a destination. • **Changes in partner perceptions and collaboration**: There may be shifts in how partners, especially commercial ones, perceive council's ability to deliver on destination marketing initiatives, potentially affecting collaboration.

	• **Localised partnership management**: Council would need to ensure that current destination marketing partnerships, such as those with BIDs, remain a priority to maintain strong community-focused marketing initiatives. • **National and international coordination needs**: Coordinating national and international bids for major and mega-events could require additional council collaboration and resource alignment.

Major events

If this function was moved in-house, what would be the opportunities, risks and impacts?

Opportunities	• Alignment with citywide event strategy: A more integrated citywide strategy for major events, including clearer visibility of the funding pipeline and alignment with Auckland's broader objectives. • Resource-sharing across event portfolios: Potential to share resources, equipment, and expertise across event portfolios, optimising resource use and creating efficiencies in event delivery. • Increased purchasing power and contractor coordination: Improved management of contractors and suppliers with the potential for greater purchasing power and cost savings. • Enhanced cross-functional expertise: Opportunities for major event staff to work more closely with local event organisers, providing expertise to support smaller community events and build skills across the team.
Risks	• **Approval process delays**: Council's potentially more complex approval processes could introduce delays and impact the agility needed to deliver major events. • **Risk of decreased appeal for major partners**: Major commercial partners may prefer the independence of CCOs, and transitioning these functions to council could affect partnerships. • **Challenges with council's capacity for major events**: Council's existing structure may lack the specialised capacity to deliver high-profile, large-scale events, impacting event success and brand reputation. • **Impact on the major events pipeline**: Council's slower processes may exacerbate existing issues in Auckland's major events pipeline, risking future event attraction and planning.
Impacts	• **Capability gaps in delivering major events**: Council may lack the in-house capabilities and resources to deliver large-scale, high-profile events, potentially affecting the quality of Auckland's major events. • **Potential impact on community events**: While community events may benefit from major event expertise, there is also a risk

	that they could be overshadowed by larger events, impacting perceived value. • **Perception shifts among event partners**: There is a risk that partners, who often view CCOs as more flexible, may see council as a less agile collaborator for major events. • **Increased integration with public space management**: For venues like Aotea Square, aligning public space management and major events under council could create efficiencies and improve event delivery.

Other considerations for any changes to destination and major events functions

- **Existing destination marketing partnerships and funding**: Council's city centre team currently provides substantial funding and works with BIDs, maintaining key local partnerships that support visitor attraction.
- **National and international coordination**: Effective coordination across major event bids, especially at the national and mega-event levels, is essential and may require additional council focus.
- **Integration with public space management**: Major events, especially those in high-traffic areas, would benefit from integrated public space management, helping ensure efficient use of shared resources.
- **Cross-organisational collaboration**: Integration between Tātaki, Eke Panuku, and council on central wharf and cruise management would support seamless visitor experiences in Auckland's key tourism areas.

Regional facilities *If this function was moved in-house, what would be the opportunities, risks and impacts?*	
Opportunities	• Reduced duplication and increased efficiency: Integrating regional facilities into council can reduce duplicated efforts and streamline operations, leading to cost savings and operational efficiencies. • Unified management approach and systems: A cohesive strategy for property, asset, and facilities management would be possible, with unified IT, HR, and administrative systems. • Enhanced alignment with council goals: Regional facilities would be better aligned with council's broader strategic objectives and community-focused goals, strengthening council's capacity to meet public service objectives. • Improved collaboration and visibility: Bringing these functions in-house increases visibility across facilities and enhances collaboration with council departments, supporting holistic economic development initiatives.

	• Expanded job and career opportunities: A unified council structure could open up more job roles, upskilling, and career pathways for employees within a larger operational framework.
Risks	• **Loss of specialist skills and facility focus:** Moving specialised facilities (e.g. zoo, theatres, museums) under council may dilute specific expertise and hinder service quality due to lack of focused operational knowledge. • **Increased political influence on facility management**: Council involvement could subject facilities to political interests, affecting funding allocation, project prioritisation, and potentially compromising facility management. • **Challenges in maintaining facility identity and quality**: Facilities risk losing their unique identity and operational flexibility, which may impact public perception and facility reputation. • **Funding competition and allocation issues**: Regional facilities may face intensified competition for budget resources, potentially impacting their ability to maintain high service standards. • **Complexity in managing specialised facilities**: Integrating distinct facility types within council may prove challenging, as council does not currently have the breadth of skills required to manage such diverse operations effectively.
Impacts	• **Increased operational efficiencies**: Consolidating regional facilities could improve efficiencies in areas such as maintenance, cleaning, lease transactions, and legal processes, reducing back-office duplication. • **Enhanced transparency and accountability**: Integrating facilities into council would increase transparency in funding and decision-making, allowing council to maintain a centralised, public-facing view of facility management. • **Potential for reputational risk during transition**: If the integration is not well-managed, there could be reputational damage due to service disruptions, loss of facility quality, or misalignment with community expectations. • **Talent shifts and cultural integration challenges**: Bringing regional facilities into council may lead to shifts in organisational culture and stakeholder relationships, requiring careful management to retain talent and ensure smooth transitions. • **Greater alignment with council's strategic priorities**: In-house management could strengthen council's focus on public value and community access, supporting long-term strategic goals for Auckland's public assets.
Other considerations for any changes to regional	• **Centralised data and system integration**: A unified approach to data and systems would improve operational efficiency, reduce siloes, and enhance customer experience.

facilities (note same session as marina management and property management)	• **Climate change and sustainability alignment**: Centralised property and marina management could benefit council's climate response, allowing for integrated planning across relevant assets. • **Clear communication of changes to staff and public**: Effective communication on the purpose, timing, and benefits of integration is critical to ensure smooth transitions and reduce confusion. • **Consideration of unique needs across units**: Different groups have distinct customers, purposes, and requirements; council should respect these to avoid a "one-size-fits-all" approach. • **Long-term strategic goals**: Merging functions should align with council's climate commitments, public accessibility, and sustainable development.

Eke Panuku Development Auckland Staff feedback, November 2024

Eke Panuku held two staff briefings on 12 and 14 November, with attendance from around 130 staff in-person and 100 on-line (Total FTE 235). There was support from staff for the responses that Eke Panuku has made to the CCO reform options. Staff appreciated ELT taking the time to comprehensively walk through the process and options and the visibility and responsiveness of the ELT.

A limited opportunity (48 hours) to provide written feedback was made available, as an opportunity for input was being provided to council staff. Recognising the tight timeframes for decision making and that it is not an Eke Panuku-led process, only a small number of staff (15) took up this opportunity. The feedback is summarised below.

Urban Regeneration Moving into Auckland Council
Staff feedback raised significant concerns about the risks of moving urban regeneration into Auckland Council, particularly the potential loss of specialised expertise, increased bureaucracy, and shorter-term political decision making that could impact project prioritisation and implementation. Respondents feared that this shift could dilute the effectiveness of urban regeneration efforts, slowing down progress due to red tape and shifting the focus towards short-term financial gains at the expense of long-term urban planning. While there were mentions of possible benefits, such as increased alignment with elected members and improved communication across services, the feedback clearly emphasised maintaining specialised expertise and minimising political influence to safeguard the effectiveness of urban renewal.

One respondent articulated:

"The risks are considerable. Regeneration projects can easily be politicised, with incumbent and aspiring elected members opposing change, or seeking in-ward projects for personal/political reasons, rather than optimising development projects across the region on their social, economic, environmental and cultural merits. The current governance structure sees elected governance determining the strategic and regulatory parameters, appointing technical governance, setting and monitoring budgets and performance measures. Any suggestion that Eke Panuku is somehow unaccountable to communities is difficult to reconcile with the high level of reporting to and liaising with elected members, as well as community stakeholders."

Eke Panuku as an Urban Regeneration Delivery-Only Agency
While staff noted some benefits of Eke Panuku concentrating exclusively on urban regeneration, the feedback was more heavily weighted toward risks, particularly the potential loss of property management expertise and the narrowing of Eke Panuku's scope. Respondents cautioned that removing strategic and planning functions could result in projects that lack market responsiveness and deliverability. A strong emphasis was placed on the critical role of placemaking to ensure community identity and inclusivity remain central to urban regeneration projects. Respondents stressed that restricting Eke Panuku's role to delivery-only could compromise the balance and community-driven outcomes of its work.

One respondent articulated:

"Strategic Planning in an Urban Regeneration context is work to translate strategic policies, plans, objectives and goals of a Council into capital delivery projects and development outcomes. This work involves assessing options, anticipating challenges, optimising risk and financial resources to deliver on the desired outcomes for a location. The strategic planning role requires an implementation focus where you are required to navigate complexities that arise at pace throughout a programme and project lifecycle. As a result in an urban regeneration context, strategic planning is a delivery function rather than a policy role."

"Please understand that delivery of urban regen is highly complex, and you can't just strip out core parts of project delivery teams without fundamentally obstructing the benefits of these projects. Acquisitions and disposals are PART of project delivery. Strategy and planning are PART of project delivery. These are not simply 'strategic' or 'high level' teams. Transferring these functions to Council just creates further inefficiencies for delivery and fundamentally misunderstands what their role even is."

Property Management Moving into Auckland Council

Feedback on moving property management to Auckland Council predominantly highlighted the risks, with particular concern about losing valuable specialist talent and the potential for a profit-driven, short-term approach that could conflict with sustainable property management practices. Staff commented on the benefits of having property management and urban regeneration together.

One respondent articulated:

"In an urban regeneration location properties that are held for urban renewal require different property management and renewal approaches. This would be harder to manage if it was being run by a separate location"

General Feedback

In the general feedback, staff expressed scepticism about the benefits of disrupting a high-performing organisation, with significant concerns about turnover and the impact of change on staff morale. Respondents reiterated the effective strategic alignment already existing between Auckland Council and Eke Panuku, recognising Auckland Council's role in setting strategy, the democratic accountability of elected councillors, and the high usage of group shared service. Many believed that enhanced oversight and involvement could be achieved without restructuring.

One respondent articulated:

"Overall - Eke Panuku has a relatively small number of people, is more than meeting it's targets and the engagement scores show a very positive culture. My experience of working in central and local government is that restructures can invariably lead to a loss of that positive culture - and once it is gone it is incredibly hard to get back."

CCO Reform: Staff Survey Results

1. Introduction

This document presents the key results of a staff survey conducted to capture staff views of proposed CCO reform. Two staff information sessions were held (via Teams), on November 12 and 13, to provide a high-level overview of the CCO reform process and high-level options being considered by the council.

Following the information sessions, staff were asked to provide their insights via the survey which was open from the morning of November 12 to the morning of November 14 – a tight window of engagement. Questions were based on a high-level approach followed by the council in its staff engagement sessions, focussed on capturing perceived opportunities, risks and impacts of review options. All questions were open to all staff. A total of 296 full and partial responses were received.

2. Summary of Key Results

The majority of staff favour the retention of all services delivered by Tātaki within the CCO model. Support for retaining services was strongest for regional facilities (73%) followed by destination and major events (69%) and economic development (63%).

Best model for service delivery	Economic Development (%)	Destination and Major Events (%)	Regional Facilities (%)
Transferred to Auckland Council	20	13	9
Remain in Tataki	63	69	73
Other	6	8	5
Don't know	12	11	14

Staff acknowledged that across all three services, there could be some opportunities from a transfer of services into council. Key opportunities mentioned were:

- Stronger and clearer alignment with council strategic direction
- Reduced duplication, greater efficiency and associated costs savings
- Certainty of funding and stability of functions.

However, staff were much more inclined to raise risks associated with a transfer of functions. Key risks raised were:

- Increased political influence in decision-making
- Potential for some reduced agility in decision-making and delivery of services
- Loss or distancing of key relationships with private sector partners and associated potential loss of funding/revenue streams
- Operational disruption and increased cost
- Reduced commercial focus in operations and governance
- Loss of key staff and specialist expertise.

The key perceived impacts of a transfer of Tātaki services into the council were:

- Less responsive/agile service delivery
- Reduced customer satisfaction
- Loss of momentum on gains made in efficiency and service delivery from the merger.

3. Economic Development

Best model for delivery

Staff were asked, "*In your view, what is the best model for delivering the economic development services provided by Tātaki Auckland Unlimited?*

- 63% per cent of staff thought economic development services should be delivered by Tātaki
- 20% per cent of staff thought economic development services should be delivered by Auckland Council

	%
Economic development services should be transferred into Auckland Council for delivery.	20
Economic development services should remain being delivered by Tātaki.	63
Other (please specify)	6
Don’t know	12

Opportunities
Staff were asked *“What, if any are the key opportunities that could be created if the economic development services delivered by Tātaki were transferred to Auckland Council?”*

Key themes were:
- Potential for greater clarity of council strategy and vision for economic development, leading to better strategic alignment
- Potential for greater council and political understanding of economic development
- Greater stability of function and funding; access to increased funding or resourcing.

Risks
Staff were asked *“What, if any are the key risks if the economic development services delivered by Tātaki were transferred to Auckland Council?”*

Key themes were:
- Political influence affects and slows decision-making where agility and responsiveness to market opportunities is needed
- Increased bureaucratic processes affect quality and responsiveness of services
- Disconnect between industry and council: private sector reluctance to partner or fund council-based services, lack of council understanding of industry, investor needs.

Impacts
Staff were asked *“What impacts if any, would occur if the economic development services delivered by Tātaki were transferred to Auckland Council?”*

Key themes were:
- Loss of expert staff, professional expert governance, institutional knowledge/intellectual property, and critical relationships
- Damage to city reputation, credibility and progress in competitive international environment
- Slower, less agile, focused and responsive economic development services; lost opportunities to leverage destination, major events, venues and cultural organisation synergies.

4. Destination and major events

Best model for delivery
Staff were asked, “*In your view, what is the best model for delivering the destination and major events services provided by Tātaki Auckland Unlimited?*
- Approximately one in eight respondents (13%) thought destination and major events services should be transferred to council.
- Approximately seven in ten (69%) thought destination and major events services should continue to be delivered by Tātaki.

	%
Destination and major events services should be transferred into Auckland Council for delivery.	13
Destination and major events services should remain being delivered by Tātaki.	69

Other (please specify)	8
Don't know	11

Opportunities

Staff were asked *"What, if any are the key opportunities that could be created if the destination and major events services delivered by Tātaki were transferred to Auckland Council?"*

Key themes were:

- An aligned approach and reduction of duplication - integrate overlapping service areas and consolidate talent to more efficiently carry out various cultural and arts activities
- Cost savings to be made if council streamlines its service procedures, and joins skills and teams working with solid goals to uplift Auckland
- Increased funds available for bigger, better events.

Risks

Staff were asked *"What, if any are the key risks if the destination and major events services delivered by Tātaki were transferred to Auckland Council?"*

Key themes were:

- Concerns about reduced funding for destination projects and reduced opportunities for enhancing major events
- Considerable operational disruption - a change of delivery model risks loss of key connections, key relationships and intellectual property and external funding
- Potential erosion of regional identity and brand
- Risk of slower processes, bureaucratic delays and a lack of commercial agility.

Impacts

Staff were asked *"What impacts if any, would occur if the destination and major events services delivered by Tātaki were transferred to Auckland Council?"*

Key themes were:

- Council's more structured, layered processes could delay decision-making, impacting Auckland's ability to secure and execute major events quickly – Auckland's growth would be stunted
- Significant changes in how events are planned and delivered, affecting their scale and quality
- Loss of specialist destination marketing capability and place-brand intellectual property.

5. Regional Facilities

Best model for delivery

Staff were asked, "*In your view, what is the best model for delivering the regional facilities services provided by Tātaki Auckland Unlimited?*

- Approximately one in ten respondents (9%) thought regional facility services should be transferred to council.
- Almost three quarters (73%) thought regional facility services should remain being delivered by Tataki.

	%
Regional facilities services should be transferred into Auckland Council for delivery.	9
Regional facilities services should remain being delivered by Tātaki.	73
Other (please specify)	5
Don't know	14

Opportunities

Staff were asked "What, if any are the key opportunities that could be created if the regional facilities services delivered by Tātaki were transferred to Auckland Council?"

Key themes were:

- Most saw few real opportunities, and flagged concern that transferring the facilities to the council would disrupt progress being made through the merger of RFA and ATEED
- Some saw opportunity for improvements in efficiency and streamlined operations where requirements or activities are same or similar
- However, the skill set required to manage regional facilities with their specialised requirements is considered very different to core council facilities.

Risks

Staff were asked *"What, if any are the key risks if the regional facilities services delivered by Tātaki were transferred to Auckland Council?"*

Key themes were:

- Amalgamation into council would limit TAU's ability to operate Auckland's regional facilities commercially, as council's focus is much more on community access and services
- Widespread concern that the regional facilities would lose partners and funders who don't want to be aligned to a political agenda
- Retention of specialist staff with skills and knowledge required to run the regional facilities; specialist functions diluted within the council
- Loss of the benefits and momentum of the RFA/ATEED merger, with many consolidated common functions introduced to create efficiencies and optimisation now well embedded and difficult to unpick; amalgamation widely seen as a step backwards
- Concerns about increased bureaucracy and administrative delays affecting the speed of decision-making and project implementation; TAU is agile and can operate better, faster and cheaper than the council
- Concerns about political interference in day-to-day operations and decision-making.

Impacts

Staff were asked *"What impacts if any, would occur if the regional facilities services delivered by Tātaki were transferred to Auckland Council?"*

Key themes were:

- Short-term impacts on service delivery due to disruptions of transition, and significant costs for one-off items such as data and systems transfer
- Potential loss of commercial focus and more limited partnership opportunities may affect Auckland's cultural appeal and the financial sustainability of its facilities; the council becomes directly responsible as both owner and operator of these facilities, so has a greater obligation to put in all funding required to run them
- Potential impact on TAU Trust tax status
- Reduced customer satisfaction for both clients and patrons due to reduced levels of service
- Loss of momentum of getting the cultural organisations in Auckland more closely integrated.

6. Other

Staff were asked *"Is there any other feedback you would like to provide or anything else you think Auckland Council staff and/or the Mayor and Councillors should be aware of in considering this service review?"*

Key themes were:

- The cultural or values appeal of working at Tātaki, feeling many specialist staff would be reluctant to be part of the council
- Concerns about the inability to be agile, nimble or responsive should TAU functions moved into the council
- Disruption of established relationships or partnerships with private sector partners and funders
- Auckland falling behind other New Zealand and international cities, in its attraction of visitors, investment, major events, arts and entertainment programming.

Appendix G: Legal advice on consultation requirements

Request for advice

This appendix provides high level guidance on consultation requirements for the options for Council-Controlled Organisation (**CCO**) reform, as requested in the *Mayor and Councillor Direction to Council Group, September 2024* (**Appendix A**).

The focus of this guidance is whether consultation may be required under the planning and decision-making provisions in subpart 1 of part 6 of the Local Government Act 2002 (**LGA**). The key triggers for consultation in part 6 of the LGA are:

a. a long-term plan (**LTP**) amendment if the council chooses to do so, or if the decision triggers s 97 of the LGA;

b. annual plan consultation; and/or

c. the council's general decision-making requirements in part 6 of the LGA.

For completeness, we note that based on our understanding of the options, no other express requirement to consult is likely to be triggered. However, the implementation of the options will likely require consequential updates to the CCO Accountability. The CCO Accountability Policy can only be amended as part of the next LTP or by way of an LTP amendment (which requires consultation using the special consultative procedure).

LTP amendment

The council may amend its LTP at any time and must use the special consultative procedure when amending its LTP.[1] An LTP amendment is subject to audit requirements.[2]

The council is required to amend its LTP if it proposes to make a decision to which s 97 of the LGA applies. In that case, the council must ensure that the proposal to provide for that decision was consulted on using the special consultative procedure and in accordance with s 93E of the LGA. The relevant decisions that s 97 applies to are decisions to:

a. alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the local authority, including a decision to commence or cease any such activity (s 97(1)(a) of the LGA); or

b. transfer the ownership or control of a strategic asset to or from the local authority (s 97(1)(b) of the LGA).

Annual plan consultation

The council's consultation requirements for an annual plan are set out in ss 95 and 95A of the LGA. The council must consult on its annual plan in a manner that gives effect to s 82 of the LGA if the proposed annual plan includes significant or material differences from the content of the LTP for the financial year to which the proposed annual plan relates.

[1] Section 93(4) and (5) of the LGA.
[2] Section 94 LGA.

The council has broad discretion to determine if a proposed annual plan includes a significant or material difference from the content of the LTP, and so requires consultation. While not exhaustive, the following identified differences must be explained in the consultation document in accordance with s 95A(2) of the LGA:

a. any significant or material variations or departures from the financial statements or the funding impact statement (s 95A(2)(a)(i) of the LGA);

b. any significant new spending proposals (s 95A(2)(a)(ii) of the LGA); and

c. proposals to substantially delay, or not proceed with, a significant project (s 95A(2)(a)(iii) of the LGA).

Of further relevance, s 95(A) of the LGA provides that "a difference, variation, or departure is material if it could, itself or in conjunction with other differences, influence the decisions or assessments of those reading or responding to the consultation document."

General decision-making requirements

Where no express statutory requirement to consult is triggered (including in relation to s 97 LTP amendment, or s 95 annual plan consultation), the council's general decision-making requirements in part 6 of the LGA will apply. The council has a broad discretion in terms of how it complies with these requirements.

The general decision-making provisions in part 6 of the LGA do not include an explicit requirement to consult.[3] However, under s 78(1) of the LGA the council must consider the views and preferences of persons likely to be affected by or interested in a proposal. There are different ways the council can comply with this requirement. For example, the council may rely on its existing knowledge of views and preferences, it could carry out targeted engagement with relevant stakeholders, or it might choose to consult publicly.

When exercising its discretion as to how to comply with the general decision-making provisions in part 6 of the LGA, the council should consider the significance of the proposal assessed in terms of the council's Significance and Engagement Policy (**S&E Policy**). This includes consideration of matters such as:

a. the number of people affected, the degree to which they are affected and the likely impact of the proposal or decision

b. whether this type of matter is likely to generate wide public interest within the local board area (for a local board decision or a Governing Body decision that affects a particular local board area) or Auckland or New Zealand generally (for a Governing Body decision)

c. the impact of the proposal or decision on the Governing Body's or a local board's ability to deliver on actions that contribute to the Auckland Plan or perform any statutory responsibility

d. the impact of the proposal or decision on intended service levels for a group of activities, including the start or stop of any group of activity

e. the degree to which the proposal or decision can be reversed should circumstances warrant.

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[3] See particularly ss 76 to 83.

It is for the council to assess the significance of each option and determine what, if any, consultation is appropriate, with reference to the principles in s 82 of the LGA.

Application to CCO reform options

We set out a summary of the consultation requirements for the CCO reform options identified in the Directions document **below**. For the purposes of this guidance, we do not consider the consultation requirements for the Auckland Transport options (as those options require legislative change) or the option which does not involve structural change (effectively an enhanced status quo option).

In summary:

a. None of the options trigger a requirement for LTP consultation under s 97(1)(a) of the LGA, based on the indication in the Directions document that there is no intention to change levels of service.

b. Only the option of disestablishing Tātaki Auckland Unlimited (**TAU**) (including the trust and company) and delivering all functions via Auckland Council triggers a requirement for LTP consultation under s 97(1)(b) of the LGA, as only this option involves a transfer of ownership or control of a strategic asset to or from the council (being those assets owned by the trust that are listed as strategic assets in the council's S&E Policy).[4]

c. The remaining options do not trigger a requirement for annual plan consultation.[5] This is on the basis that the options do not constitute a significant or material change from the content of the LTP for the financial year to which the proposed annual plan will relate. This presumes that any transfer of assets, liabilities or activities will not give rise to a significant or material change to the council's financial statements or funding impact statement, and that the options do not significantly change the council's groups of activities set out in the LTP.

d. For each of the options, the council's general decision-making requirements in part 6 of the LGA, including the requirement under s 78(1) to consider the views and preferences of persons likely to be affected by or interested in an option, apply. The council has discretion as to how it complies with those requirements, including in relation to whether it consults publicly on the relevant option. That discretion should be exercised with reference to the significance of the option. If it does decide to consult, the council has discretion as to how it consults and how to comply with the consultation principles in s 82 of the LGA.

[4] This assumes that the option of disestablishing Eke Panuku does not involve the transfer of ownership or control any freehold interests in central Auckland waterfront land, on the basis of our understanding that Eke Panuku does not own any freehold interests in land. If our understanding of the facts is incorrect, this guidance will need to be reconsidered.

[5] The option of disestablishing TAU would trigger a requirement for annual plan consultation, but this would need to be dealt with as part of the LTP amendment required by s 97(1)(b) of the LGA.

Appendix H: Indicative Implementation Pathway

Request for advice

This appendix provides staff analysis on an indicative implementation pathway, as requested in the *Mayor and Councillor Direction to Council Group, September 2024* (**Appendix A**).

Overview: indicative implementation pathway

Key elements of an implementation pathway will be organisational design, people change processes and transition planning. A high-level implementation pathway is shown in Figure 1. This shows key elements of work underway now, to consider where functions best sit in the council group (focus on functions). More detailed organisational design would be next (focus on transition planning) and then following structural change, further work to refine priorities, remove duplication and monitor performance (focus on performance).

It should be noted that before any structural change could be considered for Auckland Transport, legislative change is required. The implementation timeline is therefore different for Auckland Transport. Council would need to understand what the legislation would enable, submit submissions on any Bill and be heard through the select committee process, before it could commence the processes outlined below.

Figure 1: High-level indicative implementation pathway

Organisation design

To complete a change process by June 2025 the design process would start in January 2025.

If bringing functions in-house, in order to the achieve the predicted benefits, consideration should be given through the organisational design process for whether teams or divisions should be 'lifted and shifted' together to create new departments or directorates within the council parent, or whether there are opportunities to better integrate teams and individual roles into established council departments.

If the decision is made to move entire functions or teams into new directorates, options include operating that directorate as a stand-alone business unit (SABU). The benefits from doing this could be greater flexibility to operate, nimbleness and focus, while still within council governance and Group Shared Services support structures.

Alternatively, integrating teams into existing teams within the council parent could result in additional benefits from shared capability, clearer career pathways and greater alignment of resources to priority areas.

People change process

Any structural change to the CCO model is likely to involve the movement of roles and people between CCOs and council parent. Council change management principles to follow are that:

- we make sure we do the right changes and that solutions are positive for employees and Aucklanders
- we build trust by collaborating with and involving those effected in decision making
- we share ideas and plans and ask for feedback early and often so people and choose to help create the future
- we ensure those affected clearly understand why change is needed and what it means for them.

The process must include collaboration with relevant stakeholders including senior leaders within affected entities and the PSA on possible design options, consultation with potentially impacted people and teams, and decisions made resulting from consideration of feedback received.

Change can be unsettling and therefore any change process can have temporary negative impacts of the delivery of services and staff morale. To reduce the impact, it is important to have key stakeholders involved in the design process, communicate widely and often the reason for the change and for potentially impacted kaimahi to be supported.

Transition planning

If functions delivered by CCOs are brought in-house the overall goal would be to minimise any impacts on services throughout the transition. This would require staff resource to be dedicated to support the process so that the transition is well planned and executed.

From a legal perspective, bringing functions in-house could happen quickly. This would then be followed by a period of consolidation and integration. It would require contractual transfer of assets, staff and contracts. If the changes are to be implemented from 1 July 2025, work will need to commence early in 2025.

Māori outcomes

Each CCO is committed to its Treaty-based obligations, and to delivering outcomes for Māori and supporting their aspirations, as articulated in their individual Achieving Māori Outcomes plans. Under any new or revised model for delivering CCO functions, the council group will continue to be committed to the Treaty and to Māori outcomes.

Careful consideration will be needed to manage the following risks in any changes to how the CCO functions are delivered:

- impacting relationships with Māori. Relationships are key in working with Māori, and any loss or dilution will take time to repair.
- diluting Māori specialist knowledge and capacity in the transfer of specialist functions that are currently delivered by the CCOs to Auckland Council. For example, Auckland Council does not currently have a Māori economic development (or wider economic development) function that Tātaki Auckland Unlimited performs. The successful delivery of specialist functions within CCOs has required Māori outcomes expertise to be embedded and integrated with the technical mahi, and that practice would need to continue.
- disrupting momentum in delivering programmes that advance outcomes or create opportunities for Māori.
- creating uncertainty relating to processes and approaches that have been agreed with Māori, which may lead to duplication or rework.

Notwithstanding the above risks, bringing any of the CCO functions within Auckland Council may also present opportunities to strengthen the council group's delivery of outcomes for and with Māori.

Impact of totality of change on council

If it is decided to bring multiple CCO functions in house this will have significant impacts on the council organisation, its elected members and executives. It is likely to increase the scope of decision making for elected members and may increase the size of the council executive team and/ or the span of control of executives.

The Mayor could consider changes to the committee structure of the governing body to accommodate the additional decision-making responsibilities. Council would also have the opportunity to consider establishing advisory panels or other mechanisms to access specialist advice on some functions.

Allocation of decision making (post structural change) between the Governing Body and Local Boards

For functions bought in house, the responsibilities between the governing body and local boards would need to be considered. This may involve considering the allocation of decision making as set out in the Long-term plan 2024-2034.

Non-structural options for change

Appendix C: Options assessment, outlines potential accountability and system improvements where the CCO model is retained. These should be considered as part of the implementation pathway. Note that there are costs associated with many of the improvements, for example additional staff allocated to improve policy direction and oversight.

Risks

The following risks with structural change have been identified at this stage of the process:

- Short-term cost and disruption, particularly where the pace and scale of change is significant. A prolonged process, long period of uncertainty and unclear

implementation pathway could impact on service delivery, stakeholder relationships and commercial partnership confidence.
- Risks of not meeting the 1 July 2025 implementation timeframe for changes to functions being delivered by Eke Panuku and Tātaki.
- Disruption of the culture and ways of working of a CCO. This may have short-term costs but may also have benefits for functions working together across the council group.
- Continued uncertainty in the delivery of functions through CCOs could impact on attracting and retaining good quality CCO directors and staff.

Mitigation strategies for the risks associated with any structural changes will be developed as part of implementation planning for the decisions made on CCO reform.

Attachment C:
Funding major events, destination marketing and visitor attraction

Purpose

1. This advice considers the options for funding the council group's expenditure on destination marketing and major events.

Executive summary

2. Public investment in destination marketing and major events is widely practised in New Zealand and internationally. Tātaki Auckland Unlimited (TAU) investment in major events, destination marketing and visitor attraction produces economic, social and cultural benefits.
3. The Long-term Plan 2024-2034 (LTP) planned for continuing general rates funding of key cultural events and a reduction of $7 million in general rates funding for destination marketing and investment in mega, major, or regional events from the 2025/2026 financial year. The funding reduction was to be made up by a bed night visitor levy. Without a levy there would be a budget gap of $7 million for destination marketing and major events from 2025/2026.
4. The funding options this advice considers are:
   - no bed night levy and no additional rates funding
   - a bed night levy
   - the reintroduction of the Accommodation Provider Targeted Rate
   - an increase in contributions from the Destination Partnership Programme
5. Other options including adopting an independent Regional Tourism Organisation model to deliver destination marketing and major events and additional rates funding
6. To better align funding sources for destination marketing and major events to to the benefits generated from that investment, the council would ideally have access to funding tools such as bed night visitor levies or a share of the tax income generated from increased economic activity. These options require central government agreement and/or legislative change.
7. If the $7 million budget gap is not addressed there would be no funding available for mega, major or regional events. This would mean that events such as ASB Classic, Auckland Marathon, Synthony, and Auckland Writers Festival would not be funded. Some major events where the investment has already been made will continue to be delivered.
8. A bed night visitor levy of between 2.5 per cent to 3 per cent would raise around $27 million in Auckland. Investment at this level would enable the delivery of a full destination marketing and major events programme, including ongoing national sport content and major one-off international events (e.g. World Rally Championship, National Rugby League content).
9. There is insufficient time to undertake the work required to support consultation and decision making on the reintroduction of the Accommodation Provider Targeted Rate for Annual Plan 2025/2026. The council could undertake an "in principle" consultation on its reintroduction as part of the Annual Plan 2025/2026 with a view to a more detailed proposal to reintroduce it in the following year.

10. It may be possible to increase revenue from the Destination Partnership Programme. However, any additional revenue is uncertain and would be insufficient to cover the $7 million gap.

11. Changing the Regional Tourism Organisation operational model does not address the funding issue. An arms-length model might encourage additional private funding, however without any other dedicated funding sources it would still rely on council funding.

12. To fund the gap from general rates would require an additional $7 million which would require reprioritisation of existing budgets (with impacts on other service levels) or an additional rates increase over and above the 5.8 per cent increase for the average value residential property consulted on and planned in the LTP.

13. Other options such as additional City Centre Targeted Rate funding relies on the agreement of the City Centre Advisory Board, while a share of visitor spend GST or the International Visitor Conservation and Tourism Levy will rely on central government agreement.

Context

Mayoral and councillor direction

14. Auckland needs a sustainable long-term solution for the funding of major events, destination marketing and visitor attraction. The council has long advocated to central government for some form of bed night visitor levy or tax to support the funding of these activities, as is seen in many cities overseas. A bed night levy would directly link those who primarily benefit from this expenditure with funding for the activity.

15. The LTP set out that without a bed night visitor levy there would be a budget gap of $7 million for 2025/2026 for the funding of major events. The assumption of the bed night visitor levy was noted as being “highly uncertain”. Central government have indicated they might look at a bed night visitor levy, however it is unlikely this will be in place by 1 July 2025. If the levy sought by council is in place in time for 2025/2026, the council would be able to support up to $20 million of additional spending above what has been included in the LTP.

16. Without a bed night visitor levy, a range of options need to be considered by the council, via the Annual Plan 2025/2026, including:
    - reducing expenditure on events for that year
    - a higher rates increase for 2025/2026
    - other potential funding sources as noted above.

17. Funding and facilitating the funding of major events, destination marketing and visitor attraction is not a required activity for the council. There is a case for the council to engage in this activity where there is a net benefit to society.

Analysis

18. This section sets out background to, and analysis of, reasonably practical options for destination marketing and major events expenditure and funding. The key considerations for the analysis are the relative distribution of benefits, drivers of costs and their ability to be implemented.

19. All rates impact numbers included in this advice are estimated based on budget and property information available to officers as at the time of writing and may be subject to change.

Expenditure and funding options

Introduction

20. Auckland Council activity underpins economic activity and productivity growth, as well as wider wellbeing. It does this through its legislative roles in infrastructure delivery, maintenance, and land use regulation. This is achieved by enabling households and businesses to locate together and for people and goods and services to move around. Activities such as major events and marketing also contribute but are not legislatively prescribed.

21. Tātaki Auckland Unlimited (TAU) invests in major events, destination marketing and visitor attraction to drive prosperity through creating jobs, attracting international and domestic visitors, and building Auckland's brand. Public investment in economic activity unlocks additional returns to Auckland that would otherwise be lost if left to private investment. However, providing ongoing investment in destination marketing and major events activity requires certainty of future funding.

Services funded

22. Major events, destination marketing and visitor attraction investment currently includes funding a range of initiatives to attract visitors to Auckland. Evidence of the benefits of these services across the groups of visitors, residents and businesses is included as Appendix A.

23. TAU's expenditure and funding sources for 2024/2025 and 2025/2026 (assuming a bed night visitor levy of $27m) are set out in the table below.

Activity	Funding Source	Funding 2024/2025	Funding 2025/2026
Cultural festivals	General rates	$3.0m	$3.0m
City centre attraction	City Centre Targeted rate	$2.0m	$2.0m
Tourism and business events (Auckland Convention Bureau)	General rates	$4.0m	$2.5m
	Destination Partner Programme (DPP)	$2.0m	
	Bed night visitor levy		$3.5m
Major events Investment	General rates	$5.5m	
	Reserve fund	$4.5m	
	Bed night visitor levy		$23.5m
Total investment in DME		**$21.0m**	**$34.5m**

24. The LTP provides funding for the delivery of cultural festivals including the Lantern, Diwali, and Pasifika Festivals. This analysis focuses on the expenditure on, and funding for, investment in destination marketing and major events. The table below sets out these activities.

Expenditure	Activity
Major events	Includes: Sponsorship and attraction of major events such as the ASB Classic, Synthony, All Blacks fixtures, Sail GP and international music acts such as Coldplay and P!nk.
Destination Management • **Tourism**	As the Regional Tourism Organisation, TAU is responsible for; • Development and implementation of Destination AKL 2035 - Auckland's visitor strategy. • Māori tourism development

• **External relationships**	• Building a sustainable visitor industry in Auckland by building capability of the visitor sector. • Cruise sector oversight - Partnering with the cruise sector to promote Auckland as a destination and exchange port. Work with Cruise New Zealand and cruise lines on becoming a sustainable cruise destination. • Working with external parties such as MBIE, Regional Tourism New Zealand, Tourism New Zealand, Hospitality New Zealand, Business Events Aotearoa, and Tourism Industry Aotearoa to ensure Auckland is represented at a national level.

Destination Marketing
• **Destination Partnership Programme**
• **Auckland convention bureau**
• **Discover Auckland**
• **Brand**
	Includes:
	• Oversight of the Destination Partnership Programme -
	  o this includes - advertising campaigns in Australia with partners such as Tourism NZ, Air New Zealand, Qantas and trade partners such as ANZCRO
	  o Domestic marketing campaigns promoting Auckland to visitors
	  o Trade marketing activity in international markets to ensure Auckland products and experiences are known and bookable.
	• Auckland Convention Bureau (ACB) marketing and sales activity
	• Partnering with Tourism New Zealand and the New Zealand International Convention Centre to attract major business events to Auckland
	• Generating content for Discover Auckland the official visitor website for Auckland, and our owned social channels.

25. Auckland's Major Events Strategy (2018) focuses on four key drivers:

- expand Auckland's economy (GDP)
- grow visitor nights
- enhance Auckland's liveability
- increase Auckland's international exposure.

26. The table below sets out the type of benefits received from major events investment. A more detailed assessment of benefits can be found in Appendix B: Assessment benefits from major events.

Benefit type	Detail
Social and cultural impacts	• inspiring a sense of community belonging and helping to strengthen our identity and build a sense of pride • making Auckland a more vibrant place that delivers benefits that can be shared by all Aucklanders • encouraging participation and volunteering, motivating Aucklanders to get out into their communities
Economic impacts	• spending from out of region visitors on Auckland: accommodation, food and beverage, entertainment, retail • boosting our global reputation as a destination to hold international and national events (for events, but also flow on benefits i.e. potential benefits to talent and investment attraction)

27. Independent evaluation of the 2023/2024 major event portfolio showed that the key outcomes of the portfolio for the financial year were:

- 354,680 visitor nights (includes 175,28 visitor nights FIFA WWC), or 5% of the 7.4 million visitor nights in Auckland in that period

- $114.1 million change in regional GDP (includes $89.1 million FIFA WWC), 0.1% of regional GDP
- 886,760 attendees (includes 147,030 attendees FIFA WWC), of which 21% were visitors and 79% were residents.

28. In Auckland, the benefits of visitor expenditure are spread across a wide group of industry categories. The table below shows visitor expenditure by industry category from electronic card transactions for domestic and international visitors for the year ending August 2024.

Industry category	Domestic visitors share of spend	International visitors share of spend
Accommodation	4%	10%
Cultural, recreation, and gambling	3%	2%
Food and beverage services	20%	24%
Other public transport	1%	4%
Other tourism products	9%	5%
Retail sales – alcohol, food, and beverages	20%	18%
Retail sales – fuel and other automative products	11%	4%
Retail sales – other	32%	33%

29. The majority of revenue that the accommodation sector receives comes from visitors. Other industry categories receive significant portions of revenue from local residents. A bed night visitor levy would ensure that almost all the revenue raised comes from visitors to Auckland. The table below shows the share of revenue that each industry category receives from visitors at a national level[1].

Industry category	New Zealand total expenditure ($m)	New Zealand visitor expenditure (int. and domestic) ($m)	Share of New Zealand industry category expenditure from visitors
Accommodation	$2,463	$2,439	99%
Cultural, recreation and gambling	$3,951	$995	25%
Food and beverage	$8,256	$3,356	41%
Other passenger transport	$5,172	$3,626	70%
Other tourism	$43,987	$1,965	4%
Retail	$112,306	$9,820	9%

30. Public investment in destination and major events is widely practised in New Zealand and internationally. The widespread nature of this activity recognises the value that visitor attraction brings to the local economy. As a result, a common theme of Regional Tourism Organisations is that they are funded by a mix of general taxes and industry specific taxes (bed night visitor levy, sales taxes, business rates).

[1] Figures drawn from Tourism Satellite Account:2016 prepared by Statistics New Zealand for 2015

Funding options

31. This section provides advice on the following options for funding major events, destination marketing, and visitor attraction:

    1. Do nothing – assume no bed night visitor levy
    2. Assume bed night visitor levy
    3. Accommodation provider targeted rate
    4. Extension of the current destination partnership programme.
    5. Other options – including a sector-led regional tourism organisation, funding from general rates, other partnerships or models

32. Where possible it would be desirable for funding sources for major events, destination marketing and visitor attraction to be better aligned to the benefits generated from that investment. Ideally the council would have access to funding tools such as bed night visitor levy or a share of the tax income generated from increased economic activity.

33. The following analysis focuses on the key issues associated with each option.

34. Other considerations that the council is required to undertake when deciding funding sources under the Local Government Act 2002 in this context include:

    - the extent to which visitors benefit from other ratepayer funded services, such as the provision of public transport, stadia, and parks and open spaces
    - the extent to which visitors impact on or contribute to the need to undertake the activity, such as destination management
    - how these activities are funded in other jurisdictions
    - the administrative and transparency implications of funding the activity separately
    - affordability of the charge on ratepayers and visitors
    - impact on the number visitors coming to Auckland.

    A full consideration of the matters set out in section 101(3) of this act will be undertaken if a bed night visitor levy or other funding tool becomes available to the council.

35. A comparison of funding sources across all options can be found in Appendix B: Funding source comparison. A comparison of the impact on the events portfolio of the different funding options can be found Appendix C: Impact of funding options on 2025/2026 event portfolio.

Option 1: Do nothing

36. Under this option funding available for 2025/2026 would be $7 million less than in the LTP. This would deliver:

    - reduced delivery support and other programme development across tourism, eg: destination management activity, and business events, eg: supporting attraction of major conferences and conventions

37. activity associated with the Destination Partnership Programme (DPP), such as tourism and business events, Regional Tourism Organisation/Auckland Convention Bureau

    - event attraction funded from the City Centre Targeted Rate, such as business event subvention funding, cruise activity, city centre marketing.

38. There would be no funding available for mega, major, or regional events. This would mean that events such as ASB Classic, Auckland Marathon, Synthony and Auckland Writers Festival would not be funded. Some major events where the investment has already been made will continue to be delivered.

39. Building and maintaining Auckland's reputation as an event friendly city has been developed over several years. If funding for major events ceases there will be a loss of capacity within

TAU to deliver events along with an impact on Auckland's event friendly reputation. Recovering the capacity and reputation would take additional time if funding for major events was resumed. An international example of this occurring is shown when Tourism Colorado ceased in 1993 and its promotion budget was reduced to zero. Within two years Colorado lost 30 per cent of its market share of United States tourism. Funding was reinstated in 2006 and it wasn't until 2015 that it was able to recover its lost market share.

Option 2: Bed night visitor levy

40. It is estimated that a bed night visitor levy of between 2.5 per cent and 3 per cent would raise around $27 million in Auckland. Investment at this level would enable delivery of a full destination marketing and major events programme, including ongoing national sport content and major one-off international events (e.g. World Rally Championship, NRL content). It is important to note that revenue would fluctuate with movements in visitor numbers and with the mix of the type of visitors i.e., backpackers or business travellers.

41. Bed night visitor levies applied as a percentage of accommodation revenue provide a clear link to the benefits accommodation providers receive from expenditure on increasing visitation and match with the ability to pay (higher taxes for higher priced accommodation). All those staying in commercial accommodation would pay a bed night visitor levy whether or not they stayed due to destination marketing and major events activity.

42. Bed night visitor levies are widely applied internationally and are generally well understood. They are used in both the US and Europe and commonly fund regional tourism organisations, similar to TAU. Where applied, they range from around 3 per cent to over 17 per cent.

43. The cost of any tax on the industry will be borne by visitors and providers in the long-run. Higher accommodation prices will lead to lower visitation. However, at the low levels of tax indicated above this effect would be marginal and offset by the increased visitation generated by the visitor attraction expenditure.

44. New administrative systems would be required for both the collection agency and accommodation providers. As bed night visitor levies are widespread internationally, the systems required to apply a bed night visitor levy in Auckland should be able to be implemented relatively easily. However, they will likely require some initial investment from both the collector and accommodation providers.

45. Staff consider the IRD would be best suited to administer a collection scheme. The IRD already has information gathering and enforcement powers and is better suited to administration and collection of a bed night visitor levy. However, if Auckland Council was empowered to administer a bed night visitor levy, then the potential revenue would make any administration costs worthwhile.

46. Implementing a bed night visitor levy requires legislative change and central government has indicated that it is unlikely this will be in place by 1 July 2025. However, it is possible that legislation could be passed to enable the bed night visitor levy starting before the end of 2025/2026. If this occurred some funding may be available for funding destination marketing and major events activity for 2025/2026.

47. The process for implementation would depend on the legislation passed. The government could choose to implement a bed night visitor levy for the whole country which it operates and to distribute the revenue to local councils or tourism organisations. Alternatively it could choose to bring in enabling legislation that empowers regions to bring in levies for their areas.

48. If a national scheme is implemented no further decision-making would be required by the council, apart from around the allocation of the funds and approving expenditure budgets.

49. If enabling legislation is passed the council would likely need to make decisions (within the parameters of that legislation) on whether, and how, to implement a levy, including in relation to the following:

    - level of levy

- expenditure the revenue could be used to fund

50. application of the levy universally or at different levels to different types of providers or providers in different locations.

Option 3: Accommodation Provider Targeted Rate (APTR)

51. An APTR was introduced in 2017/2018 to fund 50 per cent ($13.5 million) of TAU expenditure on destination expenditure, particularly on visitor attraction and major events ($27 million). It was suspended, and associated expenditure reduced, when borders closed in 2020 due to the COVID-19 pandemic. Reintroduction of an APTR would require public consultation as part of an annual or long-term plan.

52. To support consultation and decision making would require a fresh consideration of the policy rationale given the changes since pre-COVID of TAU investment levels and economic conditions. As an APTR lacks industry support, it would likely lead to industry withdrawal from the Destination Partnership Program, further widening the funding gap.

53. Key elements required for reconsideration are:
    - the level and areas of expenditure now being undertaken
    - outcomes being sought by this activity
    - where the benefits from current expenditure are received
    - impact on visitor economy.

54. Reintroduction would also require reestablishment of the rating database of accommodation providers. The accommodation provider rating database has not been maintained since 2020/2021 and needs to be updated to capture changes to the accommodation provider market (new hotels opening, motels being used for social housing, etc). The estimated cost of this is around $360,000 and carries a significant risk around availability of valuation expertise given that this is a revaluation year. Officers do not believe that this work could be undertaken in time to provide advice to support consultation and decision making for the Annual Plan 2025/2026. The council could undertake an "in principle" consultation on its reintroduction as part of this Annual Plan 2025/2026 with a view to a more detailed proposal to reintroduce it as part of the Annual Plan 2026/2027.

55. Unlike the bed night visitor levy, the APTR is not closely tied to sector revenue as it is based on the capital value of a property and is payable regardless of the number of visitor nights the accommodation provider has. Expanding an APTR to include other tourism-related businesses is extremely difficult as "tourism-related" business properties are not easily identifiable. This would lead to significant implementation issues with identifying business properties that specifically benefit from tourism related activity.

Option 4: Destination Partnership Programme

56. The Destination Partnership Programme is currently supported by 120-150 destination partners and raises around $2 million of revenue each year. This revenue is used to fund expenditure on tourism and business events. Activity includes marketing, sales and promotion of Auckland in Australia and within New Zealand to potential visitors (leisure and business travellers), connecting with international travel trade partners and professional conference organisers to ensure Auckland is included in itineraries and in future conference and convention activity. Funding also contributes to promotional activity in North America and China as well as helping to unlock opportunities in developing markets like India.

57. The majority of contributions come from Auckland Airport and hotels. Hotels comprise around 33.6 per cent of members and provide 49 per cent of revenue towards the programme. Around 43 per cent of total hotel rooms are currently covered by Destination Partnership Program membership.

58. There are two potential opportunities for increasing revenue from the programme, these are:
    - increasing contributions from Auckland Airport (single largest contributor) alongside a robust programme to market Auckland

- increasing the charge of 38 cents per room (based on full occupancy). Given the economic conditions this may result in some accommodation providers withdrawing from the programme.

59. Any additional revenue would be uncertain and would not be sufficient to cover $7 million funding gap for major events in 2025/2026.

Other options

60. Funding and operational models vary nationally and internationally. As shown in the diagram below, funding mechanisms tend to be linked to the operational model and governance arrangements. While funding can come from multiple sources a common theme among all models is that they tend to have a reliance on ongoing public funding to deliver some programmes, such as cultural festivals.

61. Regional Tourism Organisation (RTO) and Convention Bureau models are commonplace in NZ (31 in NZ) and overseas. TAU's tourism/business events team operate as the Regional Tourism Organisation and Convention Bureau for Auckland. The core function of a Regional Tourism Organisation is to market the city to domestic and international visitors and attract major and business events as well as undertake destination management.

62. In Auckland a stand-alone, sector-led, Regional Tourism Organisation entity would:
    - need to rely on industry support
    - require a service agreement with Auckland Council to deliver cultural events, major events and visitor promotion
    - be more likely to leverage additional private sector/industry funding as less influence by council.

63. To fund the $7 million funding gap from general rates, and avoid a drop in investment, would require either:
    - reprioritisation of existing expenditure provided for in the LTP, with consequential impacts on service levels, or
    - an additional general rates increase of around 0.24 per cent, on top of the already planned 5.8 per cent for the average value residential property. This would equate to around an additional $9.26 per year for the average value residential property.

64. Additional funding may be able to be sought from the City Centre Targeted Rate. There are currently no plans to increase the City Centre Targeted Rate beyond planned inflation. The City Centre Advisory Board will be considering whether to increase and extend the targeted rate, beyond its current end date of 2031, over the next 12 months and provide any recommendations for proposed changes to be consulted on as part of the Annual Plan 2026/2027. Any additional funding from the City Centre Targeted Rate for 2025/2026 would need to be met from within existing revenue and require agreement from the City Centre Advisory Panel to reallocate existing planned expenditure. It would also need to be linked to outcomes directed to the city centre. Any decisions to reallocate City Centre Targeted Rate funding will be updated as part of decision making in May 2025.

65. Other funding options that are linked to tourism activity include a share of GST from visitor spend in Auckland and a share of the International Visitor Conservation and Tourism Levy. Accessing either of these funding sources requires central government agreement.

Māori impact statement

66. TAU has a strong focus on pursuing Māori outcomes through the events they support, and destination marketing and visitor attraction activities more generally. This focus is clearly articulated in the TAU Te Mahere Aronga 2024-2026: Māori Outcomes Plan, which takes its strategic direction from the Auckland Plan and Kia Ora Tāmaki Makaurau.

67. For example, Te Mahere Aronga 2024-2026: Māori Outcomes Plan contains long-term objectives focused on:

- enabling opportunities for Māori economic and business development through major event investment
- growing the Māori tourism capability in Tāmaki Makaurau
- showcase kaupapa Māori through programming and cultural elements in TAU venues
- support Māori cultural leaders, performing arts, and artists

68. Reducing the TAU events programme, destination marketing and visitor attraction activities could impact on the ability to achieve the long-term objectives in the plan. These support the core long-term priorities of growing Māori business, tourism and employment, as well as Māori identity and culture.

69. The impacts on the long-term priority of growing Māori business, tourism and employment includes such things as lost business opportunities for Māori businesses, and lost employment opportunities. Potential job losses could impact Māori disproportionately with Māori over-represented in the hospitality-related sector.

70. Events provide a platform to promote Māori identity and culture. Evaluations of previous events have demonstrated how these have been used as a platform to promote Māori culture. For example, during the FIFA Women's World Cup 2023 showcasing of Te Ao Māori and Reo included:

- pōwhiri conducted by Ngāti Whātua Ōrākei to welcome FIFA and teams
- various initiatives in the official FIFA Fan Festival zones (e.g. mana whenua related entertainment, activities and experiences)
- Te Reo signage
- the Hine Te Kura Youth Symposium
- a tree planting programme, which incorporated a Māori biodiversity session.

71. Post-event surveys aimed at evaluating the effectiveness of these initiatives found that most match spectators (75 per cent), fan zone spectators (59 per cent) and volunteers (77 per cent) felt that there was a strong Māori cultural theme within the event. Similar results are available on the Women's Rugby World Cup 2021 and the 36th America's Cup 2021 where 93 per cent and 57 per cent of spectators surveyed said they felt there was a strong Māori cultural theme running through the event.

Climate impact statement

72. Events result in additional greenhouse gas emissions through travel, tourism, and the operational activity they create. Actions can be taken to reduce or mitigate these impacts, through for example, waste management initiatives and low carbon transport options to/from events. For large international events, international travel is the largest contributor to emissions which is difficult to mitigate.

73. Detailed evaluations of major events like the FIFA Women's World Cup 2023 and the 36th America's Cup have measured the additional greenhouse gases generated by the events to include these in the cost-benefit analysis.

74. In the case of the FIFA Women's World Cup 2023 it was estimated that of the 79,411 tonnes of CO2e created by the event, 88 per cent or 69,879 tonnes was directly attributed to the event. Of this, 50 per cent or 34,651 tonnes of CO2e was allocated to Auckland based on ticketing data. For Auckland, this had a net (unpriced) cost to society of $1.49 million. The main source of emissions was attributable to international and domestic travel.

75. The 36th America's Cup produced 28,484 tonnes of CO2e directly attributable to the event. Transport to/from New Zealand was the largest source of CO2e due to the emissions caused by long-haul air travel and superyachts. This equated to a net (unpriced) cost to society of $1.51 million.

76. TAU's Climate Change and Environment Strategic Plan outlines actions aimed at reducing carbon emissions and waste resulting from events. A planned and funded events programme offers opportunities to lessen climate impacts and boost our global reputation. Events also serve as a platform to showcase climate-friendly practices and behaviours, and when infrastructure upgrades are necessary, incorporating sustainable features, such as energy efficiency, can delivery long-term benefits.

77. TAU is also focused on working with the local tourism and destination sector to improve their sustainability and reduce their environmental impact. One example of this is the Taurikura Initiative, a collaboration between Tourism Industry Aotearoa and TAU, that supports tourism and hospitality businesses to gain the knowledge and skills to transition to a low carbon and resilient future. Reduced funding to TAU may result in these kinds of programmes being undelivered.

Council group impacts and views guidance

78. The analysis in this advice has been prepared using input from the following departments or business units of the Auckland Council group:

- Strategic Advice and Research
- Chief Economist Unit
- Tātaki Auckland Unlimited.

79. This advice has been reviewed by Legal Services.

Appendices

Title
Appendix A: Evidence on the distribution of costs and benefits
Appendix B: Assessment benefits from major events
Appendix C: Funding source comparison
Appendix D: Impact of funding options on 2025/2026 event portfolio

Appendix A: Evidence on the distribution of costs and benefits

1. The Auckland major events programme in 2023/24 attracted 886,000 attendees across 32 events, of which residents accounted for 79% (703,000) and visitors 21% (183,000), for a ratio of approximately 4 to 1. The benefit to attendees is their gain in utility or happiness from the experience. Their net benefit, or consumer surplus, is the difference the costs of attending and what they would have been willing to pay. The evaluation programme estimates this, using spending and survey data (averaging at $57 per resident attendee). If, on average, residents and visitors value the event equally, then the attendee ratio indicates the relative benefit gained by each group. For the benefits to be equal across these groups, a visitor would, on average, need to value their experience four times as much as a resident.
2. From an Auckland perspective, cost benefit analyses show the net benefits of the events mainly fall to residents (gains in utility) and businesses (profit from visitor spending). For the 2023/24 programme, the share of net benefit, estimated to be $87 million overall, was approximately 2 to 1 for businesses to consumers (or 1 to 1, absent the FIFA WWC). Alongside, there are also unquantified benefits to society in the form of gains in social cohesion (i.e. building shared values that contribute to trust and cooperation).
3. Taken together, this evidence suggests the following.
    a. Visitors benefit from the major events programme but, as a group, residents likely benefit more.
    b. Visitor guest (bed) nights attributed to the 2023/24 major events programme (356,000) accounted for 5% of guest nights in Auckland over the same period.
    c. Within Auckland, residents and businesses benefit from major events, with the amount varying depending on the event, but for the programme overall, at a ratio between 2 to 1 and 1 to 1.
4. Destination marketing can benefit Auckland businesses by encouraging visitation, leading to higher spending than would otherwise occur (i.e., net of spending that would have occurred in the absence of destination marketing). Visitors gain utility from choosing Auckland as their preferred destination over their next best option.
5. In 2023/24, Auckland recorded 7.4 million guest nights, with 60% from domestic visitors and 40% international visitors, according to the Accommodation Data Programme. Among international visitors to Auckland, 54% came for tourism (holiday / vacation) while 46% came for non-tourism reasons (e.g. business, visiting friends or relatives), according to the International Visitor Survey. While the share of domestic visitors coming for tourism is unknown, if it mirrors the international share, then 54% of total guest nights would be for tourism purposes.
6. If all accommodation providers are taxed on visitor night revenue, for example, under a bed night levy, they face a choice of absorbing that additional cost (and so reducing profit) or attempting to pass it on through a price increase. In seeking to pass on that cost onto customers (guests), providers will be aware that: demand is sensitive to price; and that their in-region competitors face the same burden and choice.
    a. If the additional cost is partially or fully passed on to guests, then it can be expected that demand, and so revenue, would be lower than otherwise (fewer bed nights).
    b. The proposed visitor bed night levy may have negative distributional impacts on other visitor sub-markets not associated with major events or tourism.

c. Visitors may have less budget to spend on other goods and services, including those they may purchase while visiting Auckland.

d. The extent to which forgone spending from a tax on bed nights can be offset by additional spending to attract additional visitors depends on the effectiveness of the destination marketing and major events investment programme.

Appendix B: Assessment benefits from major events

A range of economic, social, and cultural benefits result from hosting major events in Auckland. These are captured in the table below, along with potential measures and examples of these benefits from recent events.

Evaluations are undertaken of all events in TAU's major events portfolio every year (underpinning their annual KPIs). Mega events (e.g. FIFA Women's World Cup, America's Cup, NZ Lions Tour) are evaluated in even greater detail, covering aspects such as media exposure, number of jobs generated, number of volunteering opportunities, and non-monetisable impacts (social and cultural). The table captures some of the benefits quantified in these evaluations, but it is not an exhaustive list.

Economic benefits	Social and cultural benefits
• Increased visitor spending • Enhanced business opportunities • Job creation and skill development opportunities (also a social benefit) • Increased global profile -> as destination for event, and possible flow on benefits to talent and investment attraction • Catalyst for infrastructure upgrades	• Strengthen identity and sense of pride • Enhanced city vibrancy • Strengthen social cohesion • Encourages participation and motivates Aucklanders to get out into their communities • Provides skills development through volunteering opportunities
Can be measured by • GDP contribution • Visitor nights • Visitor spending • Number of jobs in tourism and events-related sectors, such as hospitality, entertainment and logistics • Media exposure in target markets	***Can be measured by*** • participation numbers and satisfaction • sense of pride from events • role and number of volunteers • Other non-measurable benefits

Examples from recent events
• In 2023/24 (FY) the 32 events supported by TAU generated $114 million in regional GDP, all but one had a cost benefit ratio above 1 (range 1.10 – 1.48), and they resulted in a total of 355,884 visitor nights
• Job creation: NZ Lions Series 2017 (NZL): 2,507 FTEs in lead up to and during tour (direct 1,764, indirect 743); Auckland 764 - 851 FTEs.
• Global profile:
  o NZL: 20 per cent of UK residents and 19 per cent of Ireland residents surveyed more likely to consider NZ as a place to work and 23 per cent/20 per cent respectively as a place to live
  o America's Cup 2021: amongst domestic and international visitors, 28 per cent of respondents to a post-event survey said that attending the event had improved their perception of Auckland as a place to live (39 per cent) and as a place to do business (28 per cent).
• Business opportunities: the America's Cup presented an opportunity to marked New Zealand's boating and marine products,
	Examples from recent events
	• In 2023/24 (FY) the 32 events supported by TAU had strong attendance from Aucklanders. Over 700,000 Aucklanders attended the events, making up almost 80 per cent of all attendees.
	• Civic pride
	  o Resident pride – when surveyed residents who participated in events agree that hosting events (like FIFA) increase their pride in Auckland (FIFA, 90 per cent; 89 per cent 36th America's Cup, 88 per cent for 2022 Women's Cricket World Cup.
	• Resident liveability:
	  o Resident liveability – when surveyed residents who participated in events agree that hosting events makes Auckland a more enjoyable place to live (FIFA 90 per cent, 85 per cent 36th America's Cup).
	• Intangible benefits e.g. women's involvement in sports: a range of intangible benefits for football and women in Auckland and New Zealand resulted, including achievement of the

technology and services in key offshore markets.
• Media exposure: FIFA Women's World Cup and America's Cup 2021 generated estimated \$8.6 million and \$5.3 million respectively of media exposure for Auckland
• Infrastructure investments:
  o FIFA led to investments in stadiums, community parks and facilities, and football club infrastructure across Auckland co-funded by central and local government, charities, and community organisations
  o America's Cup: Planned waterfront projects brought forward, saving an estimated \$67 million of avoided future infrastructure costs.
	key objective of "increasing the visibility of, and value placed on, women in sport and wider society".
	  o 97 per cent of Auckland resident match spectators agreed that FIFA Women's World Cup 2023 has increased the visibility of women's sport in New Zealand (compared with 99 per cent for Rugby World Cup 2021).
	  o 86 per cent of Auckland resident match spectators agreed that FIFA Women's World Cup 2023 has improved their understanding and appreciation of women's sport in New Zealand (compared with 99 per cent for Rugby World Cup 2021).
	• Educational benefits: America's Cup delivered education benefits through Yachting New Zealand's new Kōkōkaha – Powered by the Wind programme for schools. This programme used the excitement around AC36 to inspire year 5 – 10 students to engage in science, technology, engineering and math (STEM) subjects and the marine environment. Around 14,000 students across 150 schools were involved in Yachting New Zealand's Kōkōkaha programme.

Appendix C: Funding source comparison

Activity	Funding Source	2024/2025	2025/2026				
		Current funding	**Option 1** No levy, no additional rates funding	**Option 2** Bed night visitor levy $27m	**Option 3** APTR $9m	**Option 4** Enhanced DPP	**Other Options** Additional rates funding of $7 million
Cultural festivals	General rates	$3.0m	$3.0m	$3.0m	$3.0m	$3.0m	$3.0m
City centre attraction	City Centre Targeted Rate	$2.0m	$2.0m	$2.0m	$2.0m	$2.0m	$2.0m
Tourism and business events (Auckland Convention Bureau)	General rates	$4.0m	$2.5m	$2.5m	$2.5m	$2.5m	$4.0m
	Destination Partner Programme (DPP)	$2.0m	$2.0m			$2.0m + ?	$2.0m
	APTR				$3.5m		
	Bed night visitor levy			$3.5m			
Major events Investment	General rates	$5.5m	-				$5.5m
	Reserve fund	$4.5m	-				
	Bed night visitor levy	-	-	$23.5m			
	APTR				$5.5m		
Total investment in DME		**$21.0m**	**$9.5m**	**$34.5m**	**$14.5m**	**$9.5m +**	**$16.5m**

Note: Pre COVID funding - $28m (50/50 APTR and general rates)

Appendix D: Impact of funding options on 2025/2026 event portfolio

No bed night visitor levy **No additional funding**	**No bed night visitor levy** **Additional funding of $7 million** (General rates and/or APTR)	**Bed night visitor levy of $27 million**
Cultural Festivals (Lantern, Pasifika, Diwali)	Cultural Festivals (Lantern, Pasifika, Diwali)	Cultural Festivals (Lantern, Pasifika, Diwali)
Moana Auckland	Moana Auckland	Moana Auckland
SailGP	Sail GP	Sail GP
World Street Dance	World Street Dance	World Street Dance
Rainbow Games	Rainbow Games	Rainbow Games
All Blacks	All Blacks	All Blacks
One off Events/Concert Programming	One off Events/Concert Programming	One off Events/Concert Programming
ASB Classic	ASB Classic	ASB Classic
Auckland Marathon	Auckland Marathon	Auckland Marathon
Synthony	Synthony	Synthony
Aotearoa Arts Fair	Aotearoa Arts Fair	Aotearoa Arts Fair
Rally NZ	Rally NZ	Rally NZ
NZ Fashion Week	NZ Fashion Week	NZ Fashion Week
SPLORE Music & Arts Festival	SPLORE Music & Arts Festival	SPLORE Music & Arts Festival
NZ International Comedy Festival	NZ International Comedy Festival	NZ International Comedy Festival
Auckland Writers Festival	Auckland Writers Festival	Auckland Writers Festival
National Sport Content (e.g. international netball)	National Sport Content (e.g. international netball)	National Sport Content (e.g. international netball)
Major one-off International Events (e.g. WRC, NRL content)	Major one-off International Events (e.g. WRC, NRL content)	Major one-off International Events (e.g. WRC, NRL content)

Items in red indicate events that would not be delivered under each option

Major one-off events such as the recent Rugby World Cup, FIFA Women's World Cup, will require additional funding outside of the list above

Attachment D: Planning and paying for growth

Planning and paying for growth

Response to Mayoral and Councillor Direction for the Annual Plan 2025/26

Budget Committee Workshop – 13 November 2024

Agenda & key messages

An initial response to Mayoral & Councillor request for a growth story

1. How we've been growing
2. Our current growth plan – including use of growth funding tools
3. Future directions & opportunities – including the National Infrastructure Plan

Based on Annual Plan direction document

Specific Options	
How we best utilise the tools currently available	Options available to Auckland Council under the existing legislation (including Infrastructure Funding and Financing Act 2021 (IFFA)) for specific growth-related projects.
National Infrastructure Plan	Current and potential future options for Auckland's contribution to the National Infrastructure Plan, including as part of a Regional Deal.
Develop Auckland's growth story	Develop Auckland's growth story (in line with the bullet points in the section above) for use with central government officials & ministers.

1. How we’ve been growing

Outline

a. Auckland’s significance to the national economy
b. Auckland Council influences growth & productivity
c. Acknowledging considerable progress
d. Challenges and addressing them

(a) Auckland's significance to the national economy

LARGEST URBAN AREA

34% OF POPULATION

38% OF ECONOMY

FINANCIAL & PROFESSIONAL SERVICES

LARGEST SHARE OF MANUFACTURING

IMPORTED GOODS & DISTRIBUTION

GATEWAY FOR TOURISM

- Our national living standards depend on our productivity
- Improving low productivity requires Auckland to function better

(b) Auckland Council influences growth & productivity

- Roles in land use, planning, urban regeneration, infrastructure, amenity provision
- Influence over:
  - where households & businesses locate
  - how people & goods move around
  - attractiveness / competitiveness
  - how Auckland grows spatially

- Decisions affect land values
- Incentives on participants in land & housing markets and their decisions

(c) Acknowledging considerable progress

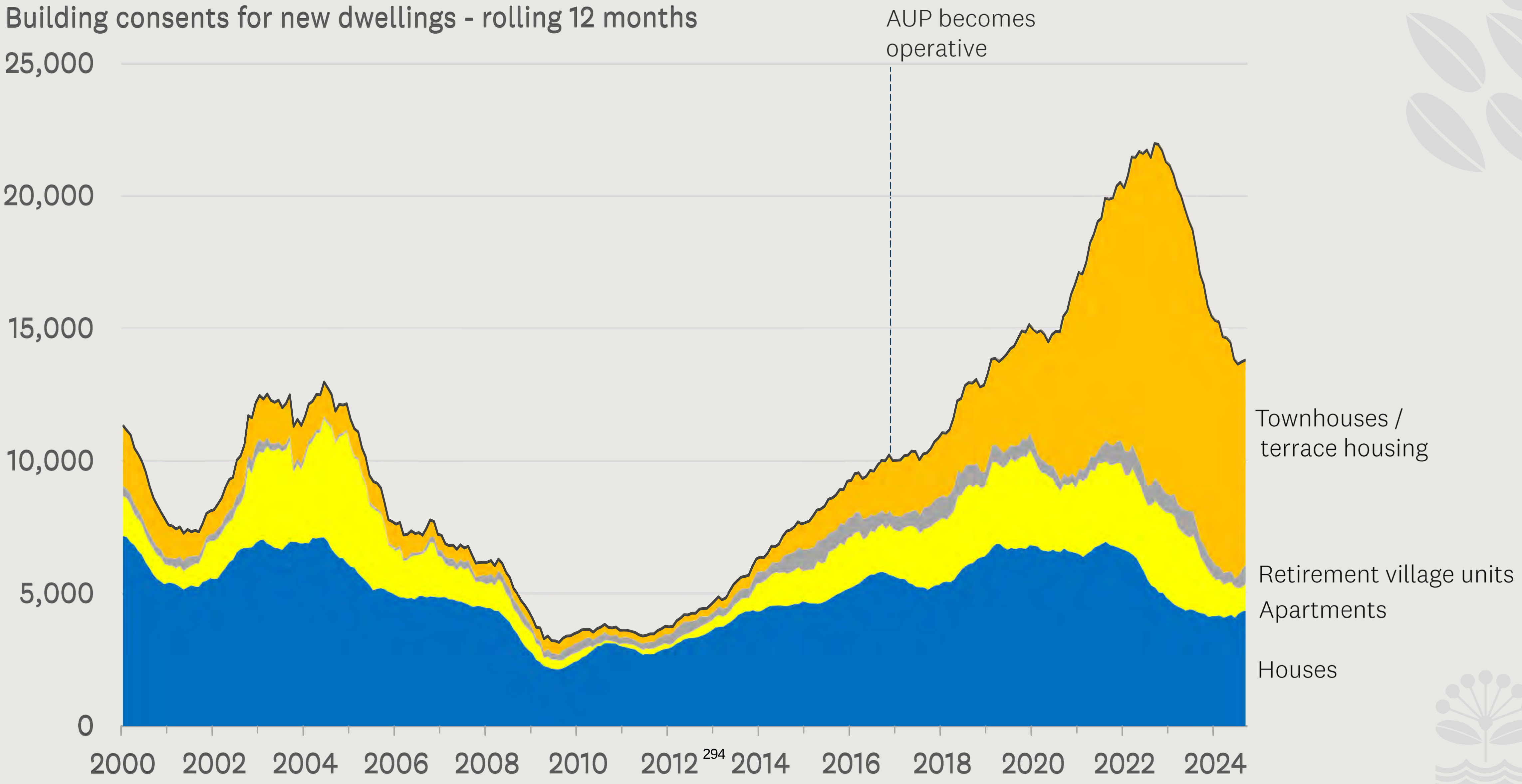
Elected member decisions have led to:

- Future Development Strategy (2023) – identifies Spatial Priority Areas and Future Urban Areas
- Auckland Unitary Plan (2016) – allows more flexible land use

Evidence of gains made:

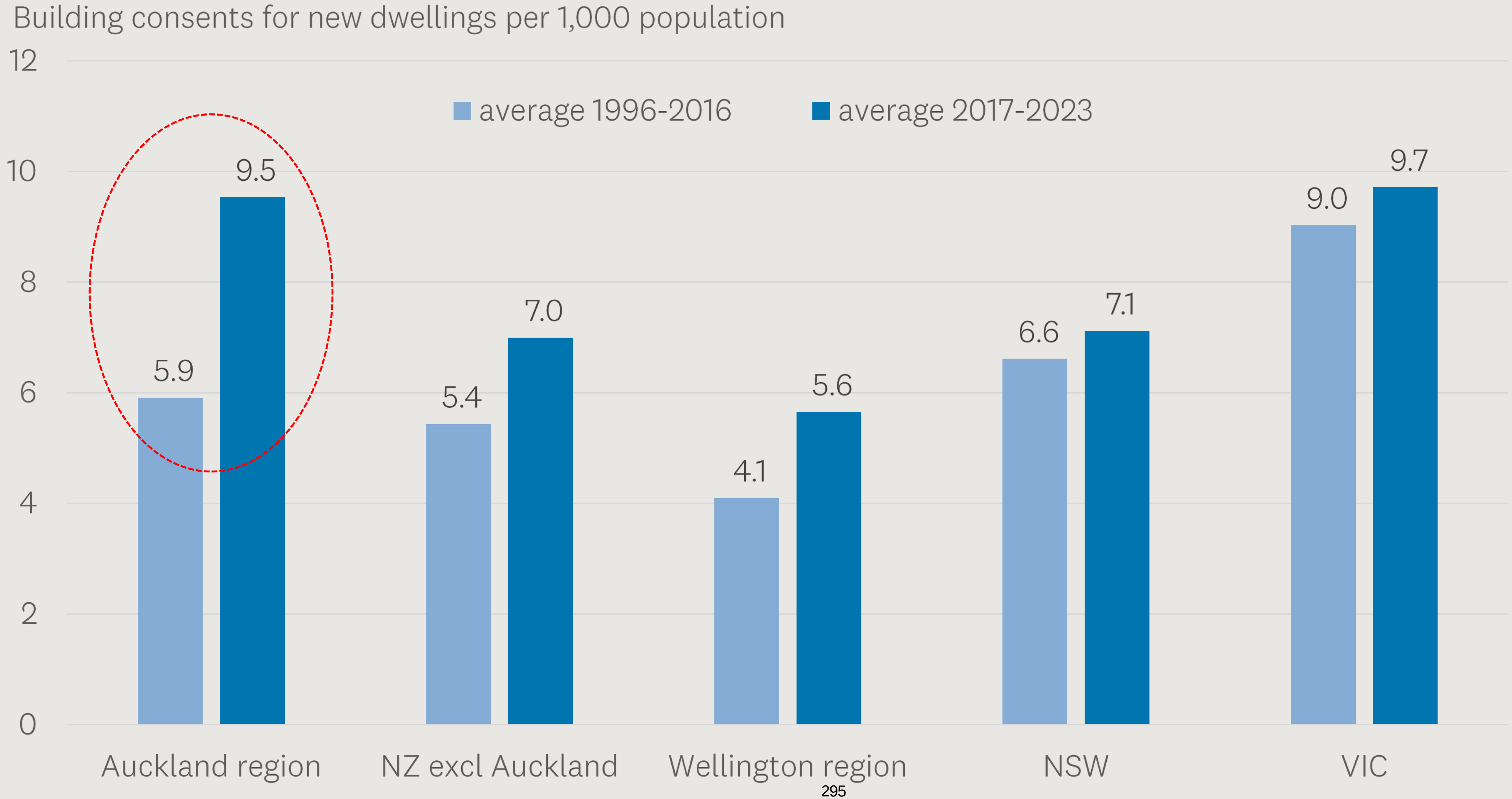
- ✓ Record numbers of new homes – more than otherwise
- ✓ More new homes accommodated in existing urban area
- ✓ Supportive of housing being more affordable

Evidence: Record numbers of new homes



Evidence: more new homes per 1,000 people

Performance since the Unitary Plan (2016) has been stronger than key comparators



Source: data from Stats NZ; Chief Economist Unit

(d) Challenges and addressing them

Despite gains, challenges remain, including:

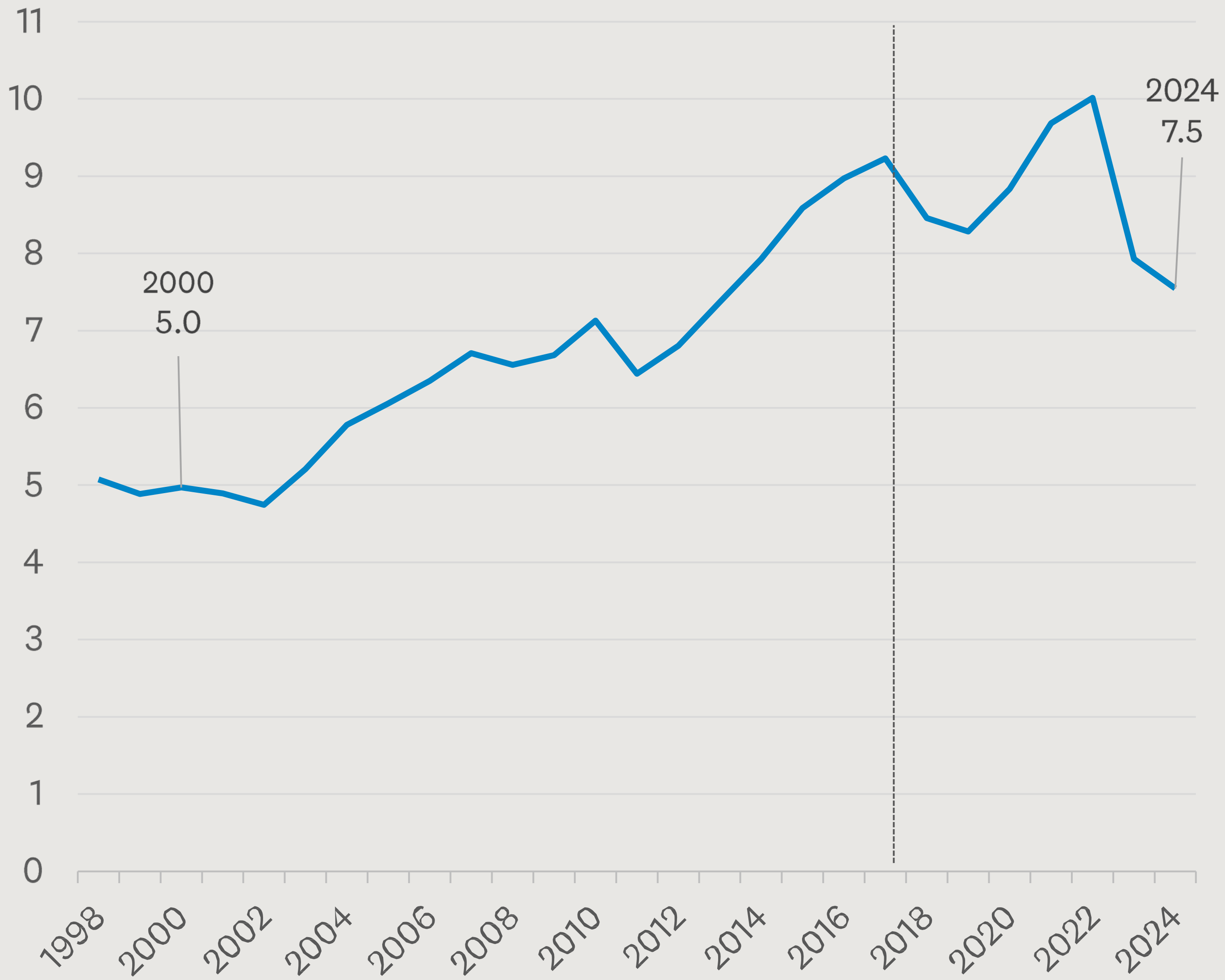
- House prices – expensive relative to incomes
- Pattern of growth – costly & could be better aligned with demand
- Funding system – risk onto councils, suboptimal for developers

Opportunities for you to influence:

- What Council can do
- What Council would like to work with central government on

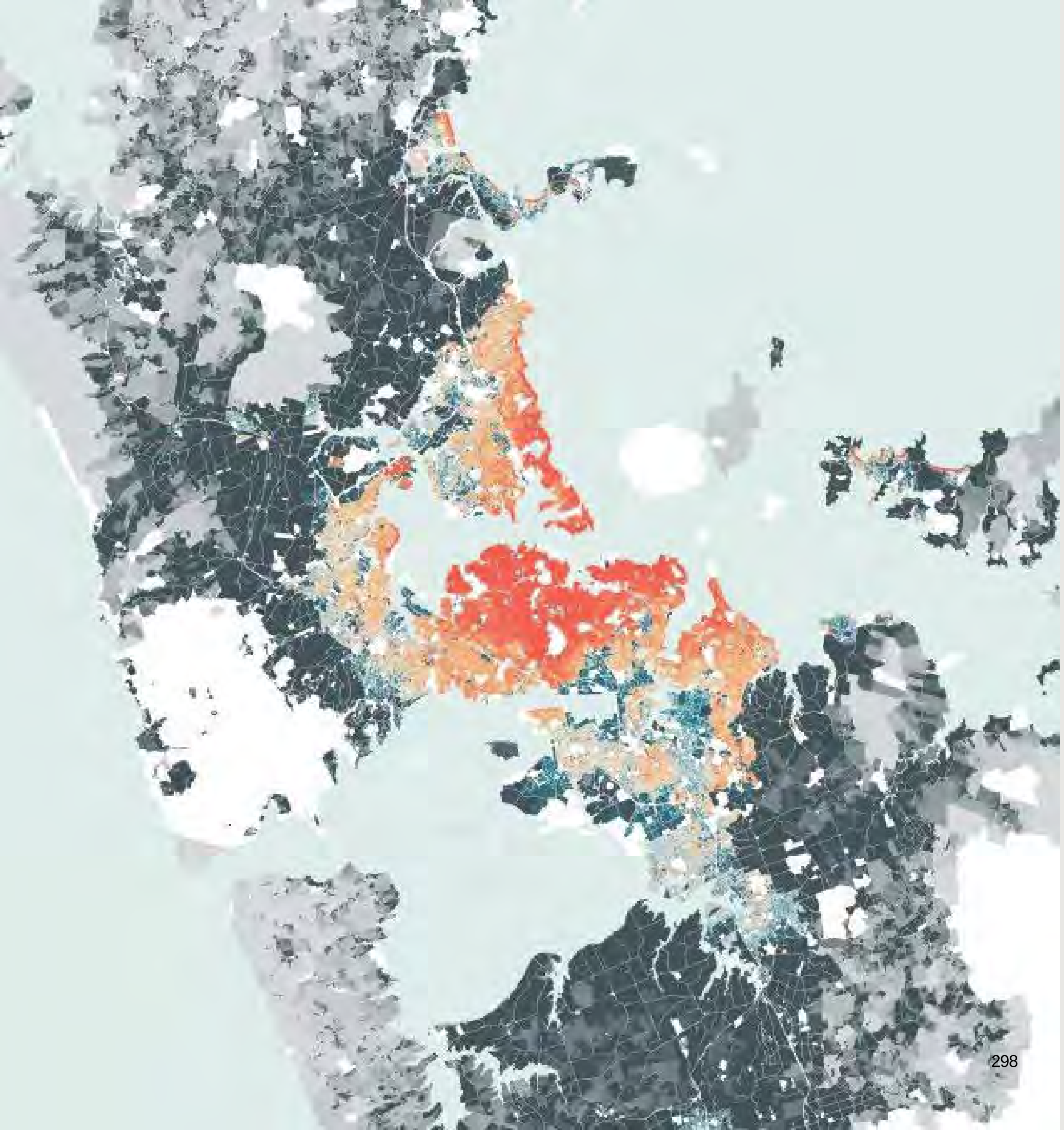
Evidence: Housing affordability remains a challenge

Ratio of median house price to median household income



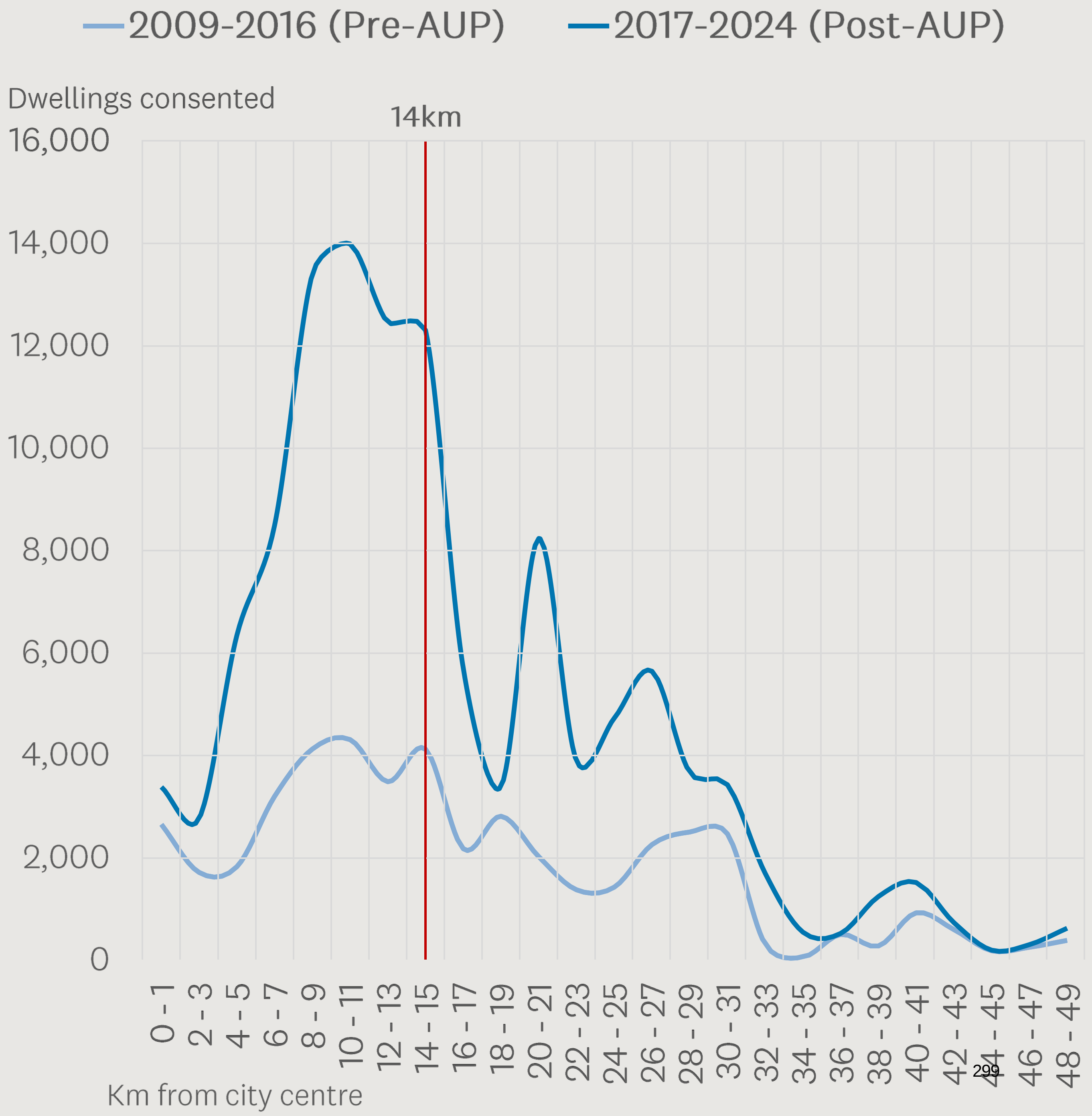
- Median price ~ $1 million
- If ratio was still 5, median price would be $680,000
- Home ownership rate fallen from 69.2% in 1996 to 59.5% in 2023

Source: REINZ, Stats NZ; Chief Economist Unit



Pattern of demand
Heat map of land values per sqm

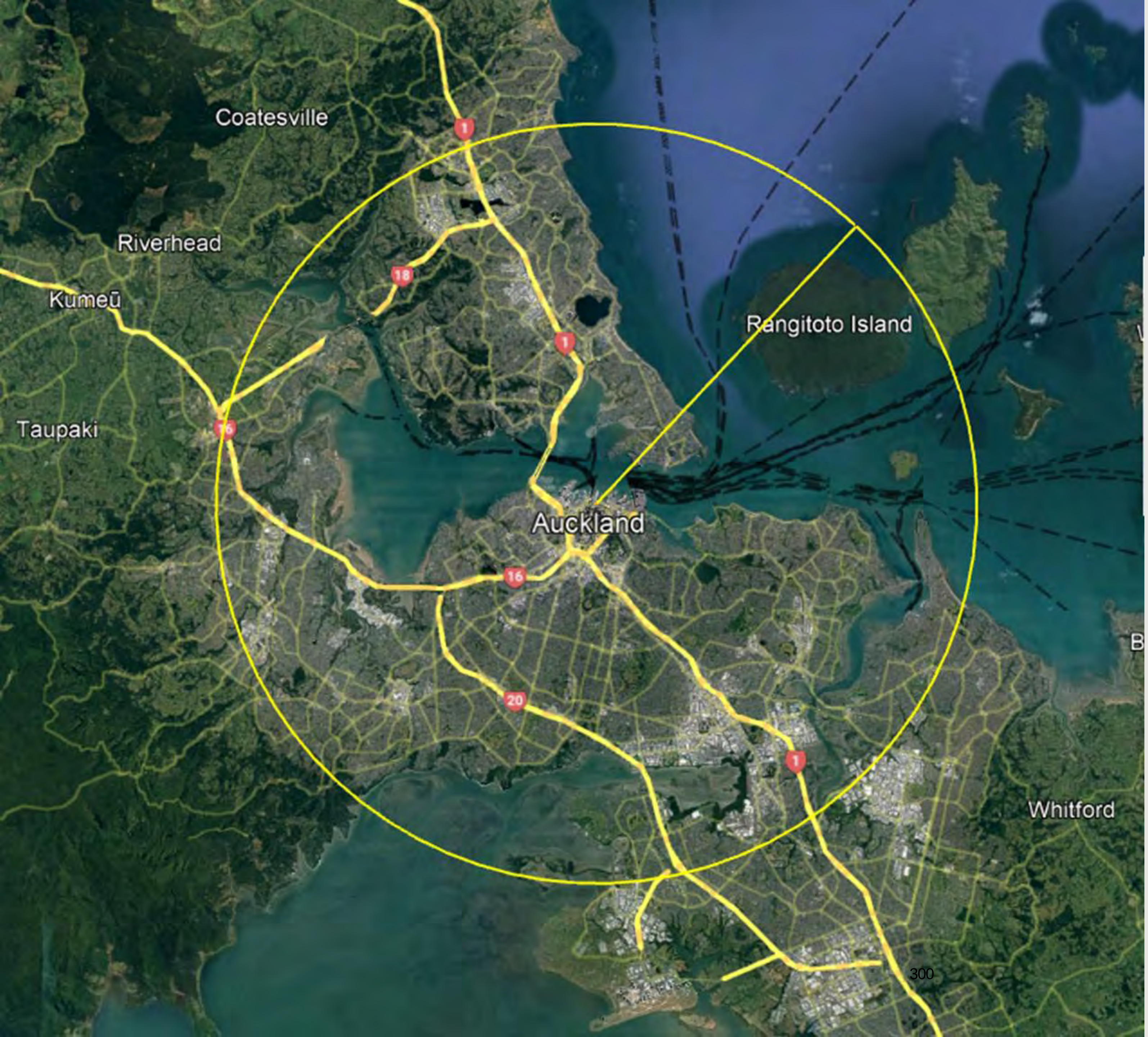
Source: Housing and Business Development Capacity Assessment 2023 (HBA)



Distribution of new homes from city centre

14 km from city centre

- Pre-AUP 46% or 21,000 out of 46,000
- Post-AUP 51% or 61,000 out of 119,000



14km radius
from city centre

Opportunities to address challenges

What Council can do, e.g.

- Acknowledge central government rationale & direction
- Examine options for land use policy, while recognising need for local input

Working with central government, e.g.

- Develop clear positions to influence proposed direction
- Seek reform to funding tools to ensure 'growth pays for growth',
  - e.g. better signal of price & uncertainty to the market

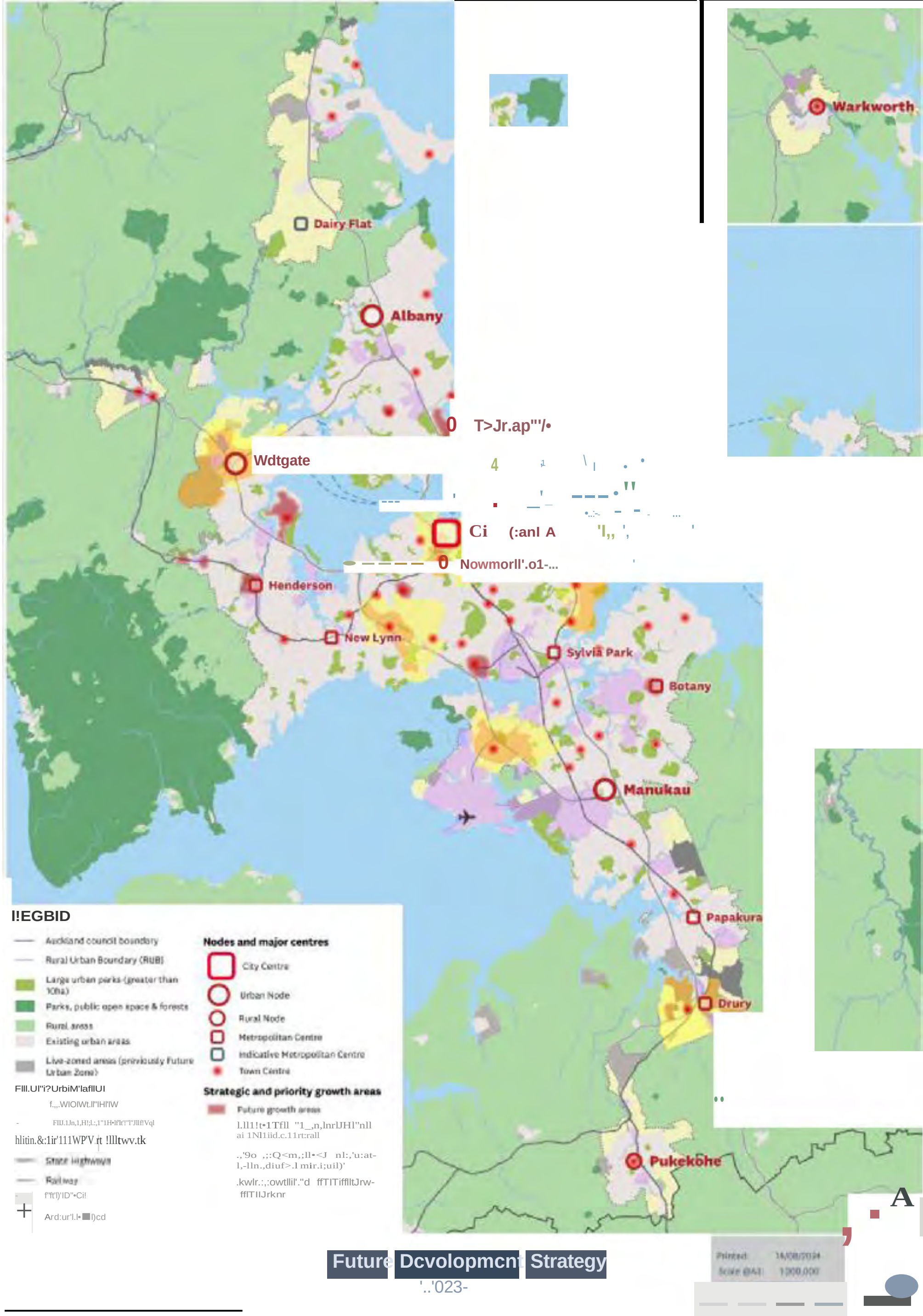
2. Our current growth plan – including use of growth funding tools

Auckland's plan for growth

The FDS (2023) continues the council's approach to growth over past decade:

- Multi-nodal approach
- Most growth in brownfields, some in greenfields, limited rural
- Growth focused around centres, rapid transit stops, walkable catchments
- Identifies Spatial Priority Areas for investment (to inform the 2024 LTP) - incudes large-scale Kainga Ora projects
- Direction to make efficient and equitable infrastructure investments

Infrastructure required comes with significant costs in future decades



Decisions made to prioritise investment in the existing urban areas

Future Development Strategy

Short to medium term prioritise for investment (years 1-10) are the Auckland Housing Programme areas, the City Centre, Westgate and Drury (live-zoned sections), and Infrastructure deficit areas.*

Long-term Plan 2024-2034

While we want to support growth in priority areas, we need to take a prudent approach to spending in this long-term plan.^

*Future Development Strategy page 57-58
^Long-term Plan 2024-2034, Vol 1, page 9

Growth funding tools

The funding tools we have

Development contributions

- Long-standing approach to funding growth infrastructure - designed for simple growth paradigm
- Simple and transparent cost to developer, incident on development
- Costly and complex to administer
- Limited in ability to recover all growth costs

Targeted Rates

- Spread cost over time – creates a holding cost for land and could discourage land-banking
- Financed by council – limited balance sheet capacity
- Hard to target cost and incidence

IFF Act levies

- Similar to targeted rates but third-party balance sheet and likely higher finance costs

Other tools we have

- Long-term planning for investment and services: signals to market where and when new or upgraded infrastructure will be provided

- Land use planning and resource consenting: informed by infrastructure provision and plans

Challenges

- Cannot limit growth to just the areas with planned infrastructure
- Funding tools require planned and costed infrastructure
- Cannot plan and budget for all possible infrastructure requirements under all development possibilities

- Development happening without appropriate infrastructure = lower living standards
- Not all growth costs can be recovered from growth – cost burden on ratepayers

What are we already doing?

- Focused approach to investment in growth infrastructure
- Extend DC policy to match full infrastructure costs with full projected growth
- Making better use of existing networks
- Opposition to plan change applications outside of planned areas
- Investigating targeted rate and IFF possibilities
- Watercare reviewing Infrastructure Growth Charges

Charging for growth - a principled approach

What is it we are looking for?

- Good quality infrastructure and services
- Growth paying for growth
- Risk transfer from ratepayers
- Services can be delivered efficiently and sustainably
- Development decisions are informed by cost and risk

3. Future directions & opportunities

Decisions in response to government direction

- Some change may be mandatory
- Some change may come with choices
- Specific changes can be viewed in context of whole package
  - e.g. if rural urban boundary removed – outcomes depend on future of infrastructure charging, competition from higher demand locations
- Current plan for growth would need to be updated in response to those changes – e.g. Future Development Strategy

Discussion points

- Partnering with Central Government with local decision making
- Spatial planning
- Land use policies - next iteration
- Funding tools to ensures growth pays for growth
- Relooking at how Council delivers its functions
- Planning for long-term resilience

Attachment E: Group Shared Services – information in response to Mayoral Proposal

Te take mō te pūrongo

Purpose

1. To provide information about Group Shared Services (GSS) to inform the final draft of the Mayoral Proposal and decision making on the Annual Budget 2025/2026.

Whakarāpopototanga matua

Executive summary

2. A Well-Managed Local Government is one of the seven priorities outlined in Auckland Council's Long-Term Plan 2024-2034. Group Shared Services has been identified as a key strategy to achieve this goal. The goal of GSS is to streamline common functions and activities across council entities, eliminating duplication and ensuring consistent, high-quality shared services.

3. The draft Mayoral Proposal for the Annual Plan 2025/2026 proposes that all eligible functions within Auckland Council and the CCOs (including Watercare) are formally moved into GSS by 1 July 2025 (and that none of the functions currently in the GSS construct would exist anywhere in the group except for within GSS).

4. This report provides an update on the implementation of GSS and information about considerations should implementation be accelerated.

Horopaki

Context

5. Since Auckland Council was amalgamated, various reviews (EY, Value for Money, CCO Review) have identified a group shared services opportunity.

6. In 2022 a Feasibility Study was conducted and in December 2022, the Governing Body resolved to direct the Auckland Council Chief Executive to implement GSS (including corporate accommodation changes) as part of the Annual Budget 2023/2024's operating savings target (GB/2022/134).

7. In August 2023, the Mayor and Councillors issued a direction to the Auckland Council Group ahead of the Long-term Plan 2024/2034 Mayoral Proposal and decision making. The request was:

Specific Options for Well-managed local government in LTP 2024-34 advice	
Options for group shared services	Options for consolidation of duplicated services across the council group. The goal is to eliminate duplication and enhance efficiency. By exploring various options, the council aims to optimize resource allocation and improve overall operations. Through this initiative, the council aspires to achieve a more integrated and cohesive approach to service delivery. This should include options on the property management function.

8. In November 2023, a working group made up of representatives from Auckland Council, Tātaki Auckland Unlimited, Eke Panuku Development Auckland and Auckland Transport provided advice to the Governing Body on options to accelerate Group Shared Services.

9. In December 2023 the Mayoral Proposal for the Long-term Plan 2024/2034 was released, including an expectation that a plan was set-up to accelerate shared services and that it included the requirements for which services will fall into a GSS model and a structure to deliver GSS.

10. Following Group Chief Executive discussions from December 2023 onwards, in March 2024, the Governing Body was updated on (and endorsed) the steps being taken to accelerate Group Shared Services (GSS) implemented under delegation of the Auckland Council Chief Executive and in collaboration with the Chief Executives of the Council-Controlled Organisations (CCOs).

11. The first step was the setting of principles for which services are shared, which were:

    a. the services are common across all entities and where there is currently duplication

    b. the services are transactional / process intensive and can potentially be simplified, automated and digitised

    c. inclusion of the service in GSS has the potential to leverage the group's size and scale

    d. it will deliver rate-payer value and contribute towards the proposed LTP savings target

    e. inclusion of the service in GSS does not negatively impact on board's accountabilities

    f. inclusion of the service in GSS contributes towards a single 'Aucklander' interface with the council group.

12. The second step noted was the implementation of a refreshed operational management governance structure with a "GSS operational delivery governance group" made up of an independent chair with strong board and shared service experience, and the group Chief Executives. The group (now the GSS Board) would oversee the implementation of the GSS outcomes and deliverables with progress reported to the appropriate committee.

13. The report noted that the GSS operational management group and functional leadership roles would be established by 1 July 2024.

14. In June 2024 the Governing Body adopted the Long-term Plan 2024/2034, including "Well-managed Local Government" as one of the seven priorities. Accelerating Group Shared Services was identified as one of a number of value for money initiatives, and a key strategy to achieve this goal (GB/2024/45, GB/2024/86). The 2024/2034 LTP budgets reflected this acceleration by setting further savings targets to be achieved from the GSS programme. These savings were in addition to shared services targets set in the Annual Budget 2023/2024.

Context - Letters of Expectation and Statements of Intent

15. In December 2023, letters of expectation to the CCOs included an expectation that CCOs should not set up any separate technology functions and should share generic technology functions; and that CCOs are expected to deliver group shared services and consolidation of service functions (letters stated that council will set the mandate for this). CCO Statements of Intent reflect a commitment to implementing GSS with each CCO commenting on the nature of their support.

Context - Scope of services

16. In February and March 2024 the Group Chief Executives agreed the high level scope for GSS being 6 functional areas that met the principles outlined in point 11 above (but were subject to final business case approval by the GSS Board):

    a. Technology Services

    b. People Services

    c. Procurement Services

    d. Corporate Support Services

    e. Data Services

    f. Customer Experience and Digital Services

17. In June 2024 the GSS Board agreed at a more specific level the services in scope for GSS for Technology Services, People Services, Corporate Support Services and Procurement Services (in summary in the image below, and still subject to final execution business case approval by the GSS Board), with further work requested for Data and Customer.

18. The next step for Data Services was the development of a group data strategy (including service specificity) and the next step for Customer Experience and Digital Services was more detailed engagement on customer interactions to inform service specificity.

19. In October 2024 the Board reaffirmed the high level GSS services scope, noting the detailed activities of what is in or out of scope will be validated as part of future execution business cases.

Context - Progress to date

20. From 22 June 2024 the leadership structure for the Group Shared Services model was formally established to deliver services to all five entities in the Auckland Council Group. Legally it operates as part of Auckland Council, but is functionally separate, with specific governance arrangements in place.

21. From May/June 2024 the regular Group Chief Executives meetings evolved into formal meetings as the GSS Board. The Board adopted an Auckland Council Group Shared Services Board Terms of Reference. The Terms of Reference provide that "*The primary purpose of the Board is to provide strategic oversight and decision-making for shared services across Auckland Council Group. The Board is accountable for ensuring the shared services are delivered effectively and efficiently by holding the Director GSS to account*". In August 2024 an Independent Chair was appointed.

22. Work is now underway to progress services being shared across the Auckland Council Group. Implementation progress includes:

    a. In July 2024 the business case for a Group Human Resources Information System (Project Galaxy) was approved by the GSS Board. With the end-of-life timeframe for HRIS and Payroll set for December 2025 and March 2026 respectively, Project Galaxy will drive strategic changes necessary for leveraging the council group's size and scale effectively. This initiative aims to deliver a more effective and aligned HR service, ultimately benefiting ratepayers and Aucklanders through a 10-year NPV of $11.3m.

    b. In November 2024 (minutes draft only) the Strategic Business Case was conditionally approved by the GSS Board subject to final feedback and changes. The business case represents the foundational basis of GSS and acts as a reference point supporting the rationale for the recently established GSS model and GSS governance. It also re-validates the economic case and provides a more updated view of where the opportunities and benefits might exist from GSS post-feasibility study.

    c. In November 2024 (minutes draft only) the GSS Board approved data sharing across and within the council group subject to ensuring that we have a robust control framework in place to meet prudent data sharing practices.

    d. In November 2024 (minutes draft only) the next step for Customer Experience and Digital Services was agreed to be further collaboration on current state to inform a potential consolidation of customer channels recommendation.

23. There has been some adoption of group collaboration and shared services across the council group to date, largely focussed on the provision of some support functions to Tātaki Auckland Unlimited and Eke Panuku Development Auckland. Examples of services and systems that are currently shared **across three or more entities** include:

    a. GSS provide **fleet, catering, digital print**, **mail, contact centre services** and **official information request** services and **technology** platforms (e.g SAP, Ariba, Service Now) to all entities except Watercare.

    b. GSS provide **recruitment, HRIS, payroll support, recruitment policy** and support to

Auckland Council, Tātaki Auckland Unlimited and Eke Panuku Development Auckland.

c. A '**Group Source**' network exists for group procurement initiatives across all entities and to align on policy and supplier panels.

Tātaritanga me ngā tohutohu

Advice – implementation by current approach

24. The current transition approach is through the three stages summarised below.

    a. **Leadership and governance** –The GSS leadership structure and governance (GSS Board) are in place. The leadership structure is responsible for leading work on the functional transition planning for the GSS Board to consider and approve if agreed.

    b. **Functional implementation planning** – This is currently a collaborative approach, with cross entity functional working groups established and developing the design of the future state operating model for GSS functions (this is a staged approach including implications and costs and benefits) for GSS Board approval.

    c. **Functional integration** – If, when and how integration is phased is to be approved by the GSS Board via execution business cases.

25. In addition, the delivery of in-flight initiatives and critical priorities are incorporated into functional implementation planning where early benefits could be realised or are triggered by a system lifecycle or contract renewal dependency.

26. Indicative implementation timelines (based on current planning, and technology system end of life dates and subject to GSS Board approvals and decisions) had key operating model business cases being considered by the Board in Q4 FY25 and through FY26. This is under active consideration by the GSS Board who have asked for advice to reset and accelerate the business case approval process and pipeline.

Advice – implementation considerations regarding draft Mayoral Proposal

27. A requirement to further accelerate implementation of GSS as set out in the draft Mayoral Proposal would have a range of impacts.

28. Any formal structural change required to implement both CCO reform and GSS changes could potentially be managed as one aligned process. This process for GSS could include input from GSS and the entities.

29. Managing work and delivery of the services in GSS through an acceleration could be managed as set out below, with GSS governance (e.g. Steerco) playing an oversight role:

    a. Ahead of any relevant go live date, all BAU work and service delivery would continue, with service quality being maintained unless otherwise agreed.

    b. After any relevant go live date, functional Delivery Plans would be updated to ensure that benefits from consolidation are delivered and duplication is removed, and customer/entity input can be sought to ensure service delivery meets the needs of all entities.

    c. Agreed high priority work would be protected and cherished.

    d. New or change work would be scanned to ensure reduction or removal of regrettable work (given the consolidation of services) is progressed.

    e. A higher level of oversight of all major change activity would be put in place to ensure all change is visible, is managed in an integrated way, and lands safely.

    f. For Technology Services, a single integrated technology lifecycle and architecture roadmap would be developed, and changes would need to be secure by design so that cyber risk continues to be mitigated.

    g. From a procurement perspective, contracts across the group would need to be reviewed urgently to enable planning for any necessary novations and for expiring contracts.

30. The current GSS implementation roadmap plan phasing could be adjusted to allow for front loading of as much operating model design work as possible to inform proposals.

    a. Given dependencies on technology and system change and to manage service delivery risk, roadmap plans would consider and be updated based what change can and should be implemented ahead of any go-live date, and what follows later.

    b. Non-critical change activity currently taking place across GSS may slow down to re- focus effort towards the above.

    c. Planned work on service catalogues and other aspects of operating model such as systems, group policies, service blueprints, process standardisation and performance management, can be progressed (as possible) in parallel, with GSS Board decisions at an appropriate point.

31. Budgets for GSS could be refreshed through the Annual Budget 2025/2026 process.

Ngā ritenga ā-pūtea

Financial implications

32. Currently the delivery of the existing GSS scope for FY25 has approved budget of $261m opex and $76m capex. This includes programme funding that has been provided through the Long-term Plan to enable the transition to the proposed GSS model. The programme funding for FY25 is $4m.

33. Expected financial benefits included in the LTP for FY25 are $5m, increasing to $7.5m for FY26, $10m for FY27, $12.5m for FY28 and $14m from FY29 onwards. Based on the collaborative approach across the group, and the current forecast rate, there is a risk that expected FY25 benefits are not achieved (with benefit delivery dependent on the sharing of additional services over and above current state). This is under active consideration by the GSS Board who have asked for advice to reset and accelerate the business case approval process and pipeline, and therefore benefit delivery.

34. Budgets for GSS would be refreshed through the Annual Budget 2025/2026 process. The expectation would be that the proposed acceleration would be cost neutral across the council group initially, apart from consideration of any additional costs to implement, with a view to acceleration of benefits.

35. Further considerations such as tax consequences have not been considered in this feedback.

Ngā raru tūpono me ngā whakamaurutanga

Risks and mitigations

36. In October 2024, an assessment of principal risks for GSS was undertaken, facilitated by the Auckland Council Risk and Assurance team.

37. 12 principal risks were identified, with the residual risk in all but one being medium or high:

    a. Innovation (rate of change and keeping ahead)

    b. Data and information

    c. Funding Model

    d. Commercial value and performance

    e. Governance and decision making

    f. IT currency and security

g. License to operate

h. Implementation of major projects and programmes

i. People

j. Privacy

k. Strategic alignment and execution

l. Partner relationships

38. Accelerating the implementation of the GSS model may decrease the risk profile in some areas and increase the risk profile in others. The key impacts can be summarised as follows:

   a. Taking a further accelerated approach may reduce the risk profile in areas such as implementation costs and financial benefit; governance and decision making; and strategic alignment and execution. This is because greater certainty will have been created around the scope and timelines.

   b. In addition, there are areas where leveraging the group's size and scale may reduce the risk profile through managing the risk at a group level (rather than on a smaller scale across five entities). Examples of this would include Data & Information and Innovation.

   c. Where the risk profile may be increased is related to any significant change and disruption risk for GSS and all five of the partner entities through any accelerated transition of services to the GSS model. This risk would need to be carefully managed through the programme management processes and include working closely with all five partner entities, such as through the functional leadership forums to manage resource and prioritisation risk.

Attachment F: Long-term Plan 2024-2034 implementation update

Purpose

1. To provide an update on the implementation of the Long-term Plan 2024-2034 (LTP) to date, in response to the Mayoral and Councillor Direction to Council Group for Annual Plan FY2025/2026.

Summary

2. As part of the annual plan we are providing an update to the mayor and councillors on implementation of the LTP, including particular projects requested as part of the plan.
3. Delivery of the LTP is reported on a regular basis through various council committees and monthly, quarterly and annual reporting.
4. Along with the specific progress outlined in this report, implementation in the first year of the LTP (for the 2024/2025 year) is progressing well with investment, revenue and costs largely in line with forecasts. The implementation of fairer funding for local boards on 1 July 2025 presents a number of challenges but these are being worked on by cross-department teams.
5. The successful progress with implementation is reflected in the latest reviews by credit ratings agencies Moody’s and S&P Global, both of which have assessed council’s ratings as unchanged with a stable outlook. They noted that while the New Zealand's local government sector is under pressure, Auckland Council has maintained a sustainable approach to managing its debt levels.
6. There continue to be challenges in implementing the LTP- including ambitious ongoing capital investment programmes and challenging savings targets. Councillors will continue to be updated through regular reporting processes.

Context

7. The Mayoral and Councillor Direction to Council Group for Annual Plan FY2025/2026 requests an update on the implementation of the Long-term Plan 2024-2034, specifically including:
    - The Auckland Future Fund
    - $50 weekly public transport pass uptake
    - Operating cost savings
    - Group Property Review
    - Corporate emissions reduction
8. There are several key programmes in the LTP that this memo also provides an update on.
9. This memo is a point-in-time update of a multi-year programme of work.

Discussion

10. Auckland Council has refreshed its approach to business planning by standardising how departments plan, document and monitor programmes. As part of this process the organisation has incorporated the key programmes of the LTP into departmental delivery plans for FY25 (the current year, year one of the LTP)
11. Attachment A documents the key programmes in the LTP outside 'Business-as-Usual'. Where reporting is better to take place as part of the Council Group Quarterly Performance Report this is called out.
12. Further details on specific key programmes noted in the Mayoral and Councillor Direction to the Annual Budget as follow:

Update topics	Progress to date
The Auckland Future Fund	The establishment of the Auckland Future Fund continues to progress well. Key milestones include: • The appointment of the inaugural directors (Christopher Swasbrook (Chair), David Callanan and Craig Stobo) on 6 September 2024. • The incorporation of the Trustee (Auckland Future Fund Trustee Limited) on 24 September 2024. • The first AFFTL Board meeting on 27 September 2024. • Execution of the Trust Deed by the Mayor and Deputy Mayor following approval by the directors. • Signing of the Fund Administration Services Agreement between AFFTL and council. • Formal launch of the Auckland Future Fund in Our Auckland on 30 September 2024. • Adoption of the AFFTL Statement of Intent Work on appointing an Investment Manager and matters associated with the potential sale of the AIAL shares continues. Staff are also continuing to work closely with the Parliamentary Counsel Office and the Office of the Clerk of the House to finalise the drafting of the Auckland Council (Auckland Future Fund) Bill, which the council has agreed to promote to provide legislative protection for the Fund. The next steps will be for staff to publicly notify the Bill and then the Bill to be submitted for introduction to the House The financial risks associated with the establishment of the Fund include: • The funds received from any sale of AIAL shares being less than we estimated in the LTP. The LTP has an estimated sale price of $7.97 (and allowed 1 per cent for transaction costs). The share price as at 14 October is $7.41. With the council holding approximately 163 million shares the difference in value between the price in the LTP and the current price amounts to approximately $91 million.

Update topics	Progress to date
	• The sale of the AIAL shares not occurring before 1 January resulting in returns being generated for a shorter period of time than in the LTP (which may be partially offset by additional AIAL dividends). Council staff and the Mayor's office, are continuing to collaborate to develop the process and draft criteria for the $20 million 'Fix and Finish' Fund, which is to be set aside from the projected returns of the Auckland Future Fund in 2024/2025. Further details can be found in Appendix B Memorandum - Fix and Finish fund.
$50 weekly public transport pass uptake	The $50 cap, which was a key initiative provided for in the LTP, was introduced on 21 July 2024. In the 12 weeks since the introduction, Auckland Transport has reported that over 20,000 Aucklanders have benefited from this. Along with other initiatives like more frequent routes, the addition of electric buses, a full ferry timetable, and bus booster technologies, public transport trips have increased by 22% compared to last year. These improvements have expanded the accessibility and convenience of public transport, allowing the $50 cap scheme to reach and benefit even more Aucklanders. The cap applies to AT buses, trains, and inner harbour ferries, limiting travel costs to $50 over any seven-day period expiring at 11:59 pm seven consecutive days after the initial HOP card tag on. This initiative has been especially beneficial for people in outer areas like Warkworth and Pukekohe. The fare cap offers budget certainty, ensuring customers won't spend more than $50 per week. Once the cap is reached, customers see a $0.00 fare on the HOP card reader, allowing them to travel for free for the remainder of the week. This feature has made budgeting for transportation more predictable and attractive, especially during a time when many are facing financial pressures.
Operating cost savings	Operating cost savings targets have been set through successive annual and long-term plans: • $90 million per year from the 2021-2031 Long-term Plan (the Recovery Budget). • Plus $33 million per year for Auckland Council and $5 million per year for the Revenue, Expenditure and Value Committee from the 2023/2024 Annual Plan. • Plus $28 million for 2024/2025 from the 2024-2034 Long-term Plan (increasing to $47 million in 2025/2026 and $67 million per year from 2026/2027 onwards). The $90 million per year ongoing permanent savings target from the Recovery Budget has been fully achieved. . A combined savings target of $66 million has been included for the current financial year, it includes the $38 million savings target from the 2023/2024 Annual Plan in addition to the further $28 million target set through the 2024-2034 Long-term Plan. This combined savings target is growing to $107 million by 2026/2027 and the target builds upon the $90 million per annum

Update topics	Progress to date
	that was already permanently achieved through the previous Long-term Plan. In the three months to 30 September 2024 Auckland Council has achieved $13.1 million in savings. Combined with $18.8 million recurring savings already achieved, a total of $31.9 million or 48 per cent of the $66 million target for the 2024/2025 year has been achieved. There is a plan in place to implement the remainder of the $66 million savings target with initiatives at various stages of validation and implementation. The plan continues to evolve as opportunities are investigated and decisions are made. For example, since the adoption of the LTP, the service delivery model for Pools & Leisure has been confirmed and expected savings revised down to $3 million. This has resulted in a portion of the savings target now requiring alternative solutions to be identified.
Group Property Review	The Group Property Review was identified by the Revenue, Expenditure and Value Committee as part of the forward work programme for service reviews in November 2023 (Resolution ECPCC/2023/46). The proposed review will assess the core functions of real estate management, the various council group entities involved, and seek to resolve the challenges posed by the current delivery of the property function. The objective of the review is to design and implement an optimal group property function that will enable improved property portfolio outcomes, and value for money from the property portfolio. Work has commenced with key staff from across the group and analysis is included in the CCO reform staff advice.
Corporate emissions reduction	Several programmes and projects are underway to reduce our corporate emissions, focusing on gas boiler replacements, increasing solar on our buildings, decarbonisation of our stadiums and energy monitoring. **Stadium Decarbonisation** Quarter 1 of FY2024/2025 achievements include decarbonisation of Go Media Mt Smart Stadium, with the West Stand complete with the gas boilers now replaced by CO_2 Heat pumps. Also, large solar arrays are also progressing for both stands. **Leisure Centre gas boiler replacements** Heat pump replacement for gas boilers has occurred at six of our leisure centres to date, which is proving to be delivering significant savings against previous gas running costs. **Solar Investment highlights** Solar investments in quarter 1, as part of Project Gigawatt have delivered the following improvements:

Update topics	Progress to date
	• Two regional parks with farming interests (Anawhata and Pae o te Rangi) have had electric pumps for water supply, previously run by petrol generators, upgraded to solar water pumps. • Lloyd Elsmore Pool has had Solar Photovoltaic Array (PV) 263kWp system installed. • Whatipu Lodge and Campground received an off grid solar 4.2kWp PV completed. • Other completed solar upgrades this quarter also include: Blockhouse Bay Community Centre, Waitakere Waste Transfer station. **Energy Metering** Energy Metering has been installed at the Civic Theatre and Auckland Art Gallery to help understand energy use.

Other items

13. **Fairer Funding-** the implementation of fairer funding for local boards on 1 July 2025 presents a number of challenges. The current level of accuracy of budgets and actual financial results at site or facility level has some limitations. Our business processes for budgeting and reporting at a local board level need to evolve to meet the challenges of managing cost pressures, savings targets and other budget items effectively at the more granular level. A number of practical implementation issues have been identified. A cross-department team is working on the issues and potential solutions, but there is a risk to full implementation of fairer funding within the current timeframe.
14. **Moody's and S&P credit ratings** - Moody's released their updated credit opinion on 18 September 2024. The rating is unchanged at Aa2 on a "Stable" outlook. S&P Global released their updated credit opinion on 25 September 2024. The rating is unchanged at AA on a "Stable" outlook. S&P Global noted that while the New Zealand's local government sector is under downward pressure, Auckland Council has maintained its debt levels consistent with an AA rating.

Next steps

15. Reporting on key programmes from the LTP is included in Council Group Quarterly Performance Reports to the Governing Body.

Appendices

Appendix	Title
Appendix A	LTP Programme Update
Appendix B	Memorandum - Fix and Finish Fund

Appendix A: LTP Programme Update

Programme establishment	Scoping, resource planning, confirming milestone and programme governance, etc.
Programme implementation	Executing programme towards planned milestones
Close-out and benefit reporting	Programme completion and evaluation against programme intent

Investment Area	Programme	Programme establishment	Programme implementation	Close-out and benefit reporting
Transport	**Auckland Integrated Transport Plan** Provide an aligned and integrated policy and investment strategy.		X	
	Time of use charging Progress a "time of use" charging scheme for certain roads		X	
	Transport package including: • Reduced cost and disruption of temporary traffic management • Northwest Rapid Transit • Regional Land Transport Plan (RLTP) • Support for City Rail Link • Auckland Transport capital expenditure $14.5 billion • Eastern Busway • Optimising the network using 'dynamic' lanes to control the flow of traffic at peak times • Fareshare • Address level crossings • A $50 capped weekly public transport pass • Increased safety for bus drivers	Refer to CCO Quarterly Performance Report		
Three waters	**Making Space for water programme** • Category 2C Risk Mitigation Projects (including blue-green networks) for three severely storm-impacted areas over two years • Risk Mitigation and Resilience Projects (including blue-green networks) for nine severely storm-impacted areas over ten years • Regional flood resilience projects delivered over 10 years.		X	
	Flood-risk property buyouts Continued storm recovery and response activities including property buyout		X	
	Watercare capital programme • North Harbour Watermain duplication • Waikato Water Treatment Plant expansion 2 • Huia Water Treatment Plant upgrade • Redoubt Road Reservoir Expansion	Refer to CCO Quarterly Performance Report		

Appendix A: LTP Programme Update

Investment Area	Programme	Programme establishment	Programme implementation	Close-out and benefit reporting
	• Central Interceptor • Northern Interceptor Integration • Puketutu Island • South-west Wastewater Servicing • Southern Auckland Wastewater Servicing • Warkworth growth servicing stage 2			
	Water Quality Targeted Rate (WQTR) Western Isthmus Water Quality Improvement Programme		X	
Built Environment	**Infrastructure to support housing** • Going for Housing Growth • Infrastructure Funding and Finance • Resource Management Reform • Development Contributions Policy Review • Auckland Unitary Plan • Future Development Strategy • Spatial Priority Areas	X		
	Plan for the port - Masterplan for Central Wharves Completing a masterplan to develop the central wharves into a public space and aligning cruise facilities and ferry services with POAL operations, to provide a boost to economy.	Refer to CCO Quarterly Performance Report		
	Plan for the port - Port enhanced earnings A new tripartite accord between Port of Auckland Limited, Auckland Council and the Maritime Union of New Zealand and other Unions in POAL Operation unions		X	
	Plan for the port - Upper North Island Supply Chain Investigate rationalisation of Port ownership in the Upper North Island	X		
	Implement City Centre Masterplan Implementing the City Centre Masterplan, including delivery of the Midtown Regeneration Programme		X	
	Urban regeneration Continuing to regenerate our neighbourhoods in Wynyard Quarter, City Centre, Takapuna, Northcote, Henderson, Avondale, Maungawhau, Panmure, Onehunga, Papatoetoe, Manukau, Pukekohe and Ormiston.	Refer to CCO Quarterly Performance Report		

Appendix A: LTP Programme Update

Investment Area	Programme	Programme establishment	Programme implementation	Close-out and benefit reporting
Natural Environment	**Natural Environment Targeted Rate (NETR)** Regional Pest Management Plan and increased funding and extension of NETR in delivering pest plan, animal and pathogen control and restoration activities		X	
	Waste diversion Reduce waste from key commercial waste sources particularly construction and demolition waste, organics, and plastic waste and Council's own activities	X		
	Rates-funded refuse collection Complete the standardisation of the kerbside refuse service		X	
	Volunteers and communities to care for green spaces Continue investing in community stewardship of public and private green spaces and partnership support for mana whenua to exercise kaitiakitanga	X		
Community	**Community services capital programme and deliver differently** Transition to a lesser dependence on assets and more innovative ways of delivering council services	X	X	
	Fairer funding – better support local boards on additional operational spend and capital investment	X		
	Fairer funding – support local boards on asset optimisation decisions	X		
	Animal management Support for animal control officers, improvements and increasing capacity at our animal shelters.		X	
	Community safety Safety hubs in the city centre and compliance wardens to fill the gaps in safety across the city		X	
	Review of seismic rules	X		
Economic and Cultural Development	**Main stadium plan** Progress Auckland main options through feasibility	X		
	Funding tools for visitor attraction and economic development	X		

Appendix A: LTP Programme Update

Investment Area	Programme	Programme establishment	Programme implementation	Close-out and benefit reporting
	North Harbour Stadium Clarify the future purpose, vision, and role of North Harbour Stadium		X	
Well-managed Local Government	**Group Procurement Strategy**	X		
	Māori Outcomes – programme delivery		X	
	Māori Outcomes - review of Māori Outcomes Fund	X		
	Fit for purpose technology		X	
	Asset sales A general asset recycling target of $300 million over 10 years		X	
	Group shared services Accelerating group shared services and consolidation of service function to reduce duplication amongst council organisations		X	
	Auckland Future Fund establishment			X
	Saving targets Additional $27.8 million in year-one rising to $67 million in year three of the LTP from: • changes to fees and user charges to better reflect costs of services • reductions to communications, marketing and engagement activities • implementing more cost-effective service delivery models for the provision of local services that are part of a regional network • reducing the built heritage acquisition fund. • reducing the reliance on general rates for funding destination marketing and major events • further reducing activity in a range of discretionary areas, including the use of professional services		X	

Appendix B:
Memorandum - Fix and Finish Fund

Auckland Council
Te Kaunihera o Tāmaki Makaurau

Memorandum

24 October 2024

To: Governing Body and all local board members

Subject: Update on the process for ‘Fix and Finish’ fund.

From: Hao Chen - Manager Local Board Financial Advisory

Mark Purdie - Manager Group Financial Planning and Analysis

Contact information: hao.chen@aucklandcouncil.govt.nz, mark.purdie@aucklandcouncil.govt.nz

Purpose

1. To provide an update on the draft process and criteria for the ‘Fix and Finish’ fund, ahead of further engagement with relevant local board chairs and ward councillors.

Context

2. Through the Long-term Plan 2024-2034 (LTP) decisions, Auckland Council established the Auckland Future Fund and an associated reserve fund set up to fix and finish community projects that fell in the boundaries of the legacy Manukau City and Auckland City areas. This fund will be referred to in this document as the Fix and Finish fund.

3. The concept of the Fix and Finish fund was introduced in the Mayoral Proposal for the LTP for the Budget Committee’s consideration as shown below:

AIAL Legacy Fund

37. I know there are some strong feelings about the airport shares.

38. My view is that the Future Fund honours the legacy of the councils that retained airport shares by making sure we protect the value of that intergenerational investment for future generations. It means that legacy continues and can be improved upon.

39. It has been pointed out that some areas of Auckland have already benefited from the sale of AIAL shares by legacy councils, which used the proceeds to provide better local infrastructure. This was compounded by a funding formula for Local Boards that locked in unfairness.

40. I am also proposing to do two more things to address this:

- Fairer Funding: Finally fix the unfairness in how Local Boards are funded based on legacy assets by accelerating Fairer Funding over the next 4 years.
- Reserve Fund: Set aside the increased returns from the Future Fund for Year 1 (which we weren’t counting on in the central proposal) in a Reserve Fund to “fix and finish” community projects in the legacy areas. This is expected to be $20 million which could go to some important projects and help address imbalances.

4. As part of the LTP decision-making, the Governing Body resolved (Resolution number GB/2024/45) the following as clause a) ii) D):

   - $20 million of the enhanced returns from the Auckland Future Fund in 2024/2025 will be set aside in a reserve fund to fix and finish community projects in legacy Manukau City and Auckland City areas.

5. As we are now entering the planning phase for the Annual Plan 2025/2026, councillors and local board members have asked for a progress update on developing a draft process and set of criteria for discussion.

6. This memo contains draft processes and criteria, and local board and councillor engagement will be essential as part of the process.

Discussion

Purpose of the Fix and Finish fund

7. The purpose of the Fix and Finish fund is to provide capex funding to priority projects within the legacy Auckland City and Manukau City Council areas that provide a direct benefit to local communities and residents. Funding must go towards projects that are already in the pipeline and may not have full funding.

Draft criteria for the establishment of the Fix and Finish fund

8. Staff note that the fund is created on the assumption of:

    - the Auckland Future Fund (AFF) being operational, and
    - making 'increased returns' by 30 June 2025.

    There is some risk on both the initial capitalised value of the AFF (based on the AIAL share price at time of the AFF becoming operational) and the level of financial returns achieved by 30 June 2025, so we will need to consider what impact that would have on the establishment of the $20 million Fix and Finish fund, and delivering projects allocated to this fund. The fund is expected to be a one-off.

Draft rules and criteria for projects

9. Staff have developed a draft set of criteria, with input from the Mayor's Office, for identifying and assessing projects to be funded with the $20 million 'Fix and Finish' budget as follows:

    - must be in previous Manukau City or Auckland City boundaries.
    - must be a local board project.
    - is a 'community project' per the Governing Body resolution. This is limited to projects which fall under the local community services activity.
    - projects which renew existing assets (fix) or have undergone planning and awaiting funding to deliver (finish).
    - are included in the latest local board plan as a key priority, including projects that were highlighted as advocacy items to the Governing Body.
    - project value is over $1 million. Given the increases in budgets (fairer funding for local boards) and local board decision-making, a materiality threshold is proposed as appropriate. An exception may be required for Waiheke and Aotea/Great Barrier.
    - was not included in the recently adopted 3-year work programme, as these projects are planned and funded, but potentially could be in years two and three and brought forward. Ideally these would be projects that have already been scoped and could commence soon.
    - the project will be fully funded and planned for delivery in a timely manner to achieve community outcomes. If the Fix and Finish allocation is insufficient to fully fund the project, the local board should demonstrate commitment from other funding sources for the shortfall.
    - projects could include unfunded stages of a multi-stage project that have funding for initial stages and are in the adopted work programme for delivery.

10. Other considerations

    - projects for consideration are subject to an approved business case.
    - Auckland Council has capacity to commence the delivery of the project within the next three years (scope of the 3 year capital work programme).
    - local boards have the option to work together on a project where it is appropriate, to jointly fund projects which benefit communities within more than one local board area.

Options for allocation of funding towards local boards

11. There are 13 local boards with partial or complete geographic boundaries within the legacy Auckland City and Manukau City areas. These are: Waitematā, Ōrākei, Albert-Eden, Puketāpapa, Whau, Waiheke, Aotea/Great Barrier, Maungakiekie-Tāmaki, Howick, Ōtara-Papatoetoe, Māngere-Ōtāhuhu, Manurewa and Franklin.

12. The following is a list of funding allocation options which could be implemented. Each option has its benefits and drawbacks. These are developed on the assumption that funding is allocated only to local boards.

    A) Equitable funding model: This option involves allocating funding across local boards using some or all elements of the equity model: population, deprivation, and land area.

Pros	Cons
Aligns closely with the recently adopted Fairer Funding model and is a relatively fairer way to allocate funding	There may be differing views on the appropriateness of underlying statistics and its point in time used for the funding model.
Supports the empowered local board decision-making approach, noting local board funding allocation decisions will still need to align with the eligibility criteria	Local boards may not have sufficient qualifying projects to be funded from their allocation, resulting in funding not being utilised, which could go towards completing another eligible local project.
	The Fairer Funding model was intended to be used for all 21 local boards. With 13 local boards there may need to be consideration of adjusting the model, and adjusting Waiheke and Aotea/Great Barrier local boards.

B) Contestable: This option involves an application process from local boards to the reserve fund approver based on criteria and by a set date. A decision will be made to allocate funding available towards the list of projects from applicants.

Pros	Cons
Funding is allocated to projects with the highest assessed benefits (subject to assessment criteria)	Should there be a risk of oversubscription, prioritisation criteria may need to be developed for eligible projects and this may result in more administrative work.
Allows the allocation of larger funding amounts to enable completion of a larger community project.	The allocation of funding to local boards may be considered unfair or inequitable, as contestable processes are subjective.

A first-come first-served option was considered but was ruled out as it would not provide a fair opportunity for all local boards to partake in the process as some local projects may be more ready than others.

Draft process to manage the Fix and Finish Fund

13. Establish criteria for:
    - the establishment and amount of the Fix and Finish fund
    - rules for eligible projects
    - funding allocation method.

14. During 2024/2025, monitor the performance of the Auckland Future Fund and assess when the criteria for the establishment of the $20 million Fix and Finish Fund is met.

15. Recommendations will be made on final allocations of funding to the Governing Body or other relevant committee for decisions.

16. Include projects as part of Local Board Capital Work Programme adoption in June 2025. The process would be the same as for a discrete project, and to be considered along with the entire local board capital work programme through the annual planning process.

17. Administration of the fund would sit with the Finance Division, with funding to be released for use on receipt of approved business case.

18. The Fix and Finish fund is to be kept as a reserve on council's balance sheet. This will be reported at year end through the annual report by Financial Control.

19. Progress of these projects will be reported through ongoing quarterly monitoring at the local board level via local board work programme reporting.

20. Six monthly monitoring and reporting of the overall fund and the allocation of funding to local boards will be provided to the Governing Body.

Risks

21. There are likely to be risks relating to:

- the performance of the Auckland Future Fund, which may impact the establishment and amount available in the Fix and Finish fund
- the chosen funding allocation option
- delivery of projects.

Next steps

22. Allow the opportunity for local boards to workshop and provide informal feedback through the local board chairs.

23. To hold a workshop with affected local board chairs and councillors to discuss the criteria and options set out in this memo and seek feedback.

24. Update memo with feedback, receive final Mayor sign-off, and circulate to all elected members and relevant staff.

25. The process to receive final sign-off from the Mayor is expected to be completed by the end of December 2024.