
REPORT 1
(1215/11/IM)

Report of the Strategy and Policy Committee
Meeting of Thursday 8 November 2012

Members: Mayor Wade-Brown, Councillors Ahipene-Mercer, Best (Deputy Chair), Cook, Coughlan, Eagle, Foster (Chair), Gill, Lester, McKinnon, Marsh, Morrison, Pannett, Pepperell and Ritchie.

THE COMMITTEE RECOMMENDS:

1. ITEM 321/12P REVIEW OF COUNCIL CONTROLLED ORGANISATIONS
(1215/52/IM) (REPORT 3)

THAT Council:

1. *Agree that the current governance structures are retained for:*

- a) Basin Reserve Trust;*
- b) Partnership Wellington Trust;*
- c) Positively Wellington Venues Limited;*
- d) Capacity Infrastructure Services Limited;*
- e) Wellington Cable Car Limited;*
- f) Wellington Museums Trust; and*
- g) Wellington Zoo Trust*

Capacity Infrastructure Services Limited

2. *Instructs the Council Chief Executive to agree with the other shareholder of Capacity, the detail of the outcomes model, on the basis that the following are retained by Council:*

- ownership of the three waters assets;*
- ownership of the three waters information and asset management info system (AMS);*
- responsibility for policy and strategic direction;*
- approval of asset management plans;*
- approval of the service level agreement and KPI's; and*
- approval of budgets (and funding) for operating and capital expenditure related to Council's three water activities.*

3. *Instructs the Council Chief Executive in consultation with the Board of Capacity to review and report back on their capabilities to deliver on the objectives of a regional water management unit and the transition plan to an outcomes model, by 31 March 2013.*

Wellington Waterfront Limited

4. *Agree that the implementation of the waterfront project as approved by Council in the annual Waterfront Development Plan continue to be managed by WWL until 30 June 2015, at which time any activities will transfer to Council and WWL be retained for the purpose of holding the waterfront assets on trust for Council.*
5. *Instruct the Chief Executive to agree a transition process with the Board and Chief Executive of WWL to give effect to the recommendations and report back to the relevant Council Committee on the transition plan by December 2014.*
6. *Instruct officers to work with appropriate parties to investigate the merits of operation of a Land Development Agency to advance the City's Urban Development Strategy, noting that if it were determined as a good mechanism, there could be a range of delivery vehicles including Wellington Waterfront Ltd, a new entity, or in house.*

Wellington Venues Limited

7. *Instruct officers to implement the recommendations of the Review as set out in section 5.4 of the Strategy and Policy report of 8 November 2012 with respect to Positively Wellington Venues as part of the 2012/13 SOI process.*

General

8. *Agree that the governance framework attached as Appendix 2 of this report and used in the individual assessment of each Council Controlled Organisation (CCO) will be maintained and used as an aide to decision making when assessing the appropriate governance and delivery model for new and existing services.*
9. *Agree the implementation plan attached as Appendix 1 to this report which relates to process improvements informed by the review recommendations contained within the report entitled "Enhancing alignment and performance".*
10. *Agree that the terms of reference for Council Controlled Organisation Performance Subcommittee (CCOPS) be amended to make it explicit that CCOPS will be responsible for ensuring that the activities of the CCOs are aligned to the Council's strategic direction.*

11. *Agree that the Owner's Expectation Guide will include expectations of councillors in terms of their role in communicating with any entity to which they are appointed, and their role around the Council table in any discussions relating to the entity to which they are appointed.*

Waterfront Project Funding

12. *Agree, with effect from 1 July 2013, funding of the WWL commercial development activities be decoupled from WWL public space development and operation, so that:*
 - *Net operating cost (including depreciation) of the public space activity is funded through general rates;*
 - *Net proceeds from commercial development offset the total general rate requirement through a separate commercial activity*
13. *Instruct officers to provide advice to the Strategy and Policy Committee on the funding impact of these changes and the transition to rates funding as part of the 2013/14 Annual Plan.*

Andy Foster
Chair

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Plimmer Review recommendation	Officers Comment	Implementation steps
Work through a consistent framework before deciding if arm's-length governance will deliver improved performance	The framework developed in the Plimmer review provides a useful aide to the decision making process	The framework attached as Appendix 3 will be maintained and used as an aide to decision making when assessing the appropriate governance and delivery model for new and existing services.
When setting up a CCO, ensure constitution or trust deed reflects the Council's intentions and legal basis for the entity.	Noted	
Review constitution or trust deed for each entity, every 6 years.	Constitutions and trust deeds tend to be more of an enduring nature. Given the nature of Council's CCOs we would not expect the objects to change frequently.	A programme of review will be implemented to ensure all constitutions and trust deeds have been reviewed prior to the next LTP.
Ensure that the legal status matches the Council's expectation.	Noted	
Understand and distinctly manage Council's role as owner and funder, and build strong links with operational areas of Council.	The current organisational review and restructure will implement changes in this area designed to deliver a greater separation to the roles of owner and service delivery	As the new structure is implemented changes will be clearly communicated to CCOs and internally. Clarity around roles will be addressed within an Owners Expectation Guide to be developed.
Adopt an Owner Expectation Guide to explain the roles of the owner, funder and of the entity, and behaviours expected.	Officers agree that there is significant merit in adopting such a guide and note that Auckland has recently developed such a guide for their CCOs.	An Owners Expectation Guide will be developed and implemented clearly setting out respective roles and responsibilities.
Where there is an operating grant, ensure the funding or purchase agreement clearly outlines the deliverables expected. This document can also include additional intervention mechanisms, which can be used if performance is not as expected.	Funding and service level agreements are in place in most instances and where they are not deliverables operating grants are linked to the delivery of outcomes within the agreed SOI for each entity.	Existing funding deeds and service level agreements will be reviewed to ensure they are consistent with the deliverables expected and articulated through the entity's SOI. Whether it is appropriate for additional intervention mechanisms to be included will be considered at that time.
Adopt a process for CCOs to understand how they should work together for the benefit of the wider Wellington area.	CCOs exist to deliver on the objectives of Council. If Council requires CCOs to work together for a collective good then this needs to be clearly articulated to the CCOs via the existing processes of LOEs and SOI's then accountabilities can be clearly understood.	Through the planning processes, where Council requires CCOs to work together for the collective interest of the Council this will be set out clearly in the LOEs and accountabilities will be clearly defined and articulated through SOI's
Ensure there are clear communications about who	The current organisational review and restructure will	As the new structure is implemented changes will be

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within Council is responsible for the strategy, ownership and funding relationships.	implement changes in this area designed to deliver a greater separation to the strategic, ownership and funding relationships.	clearly communicated to CCOs and internally. Clarity around roles will be addressed within an Owners Expectation Guide to be developed.
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Plimmer Review recommendation	Officers Comment	Implementation steps
Enhance the formal relationships with regular cycles of engagement (individual meetings and roundtables), led by the Mayor and Chief Executive.	Officers agree that informal relationships can complement the formal processes and in particular around “no surprises” and communications issues. However there is a risk that too many informal channels blurs the accountabilities and increases the risks around inconsistent messaging. Officers view is that the recommendations outlined in the Plimmer review to increase the level of informal meetings go to far and risk being counter productive.	Officers recommend that the informal processes be enhanced to; include a twice a year meeting of the Mayor/CE and all of the Chairs/CE's of the CCOs with one of these meetings being scheduled to initiate the Council planning round; and for the Mayor/CE informal 1 - 1 meetings with Chairs/CEs be regularised, based on formal agendas and include the key relationship Director for CCOs.
Provide strong and integrated advice about Council's strategic expectations for the entity, developed through a programme of workshops and discussions between Council and CCOs	Officers concur with this view and note that while CCOs were engaged early in the recently completed LOE and SOI process through a series of workshops and reviews the connection to Council's strategic expectations can be better integrated with a stronger strategic focus.	The content and focus for LOEs will be determined through a process of integrated planning and strategic workshops and communications to determine the Council's expected contributions from CCOs as the basis for the next SOI round.
Ongoing, engage the CCOs early in the review of LTPs and the development of key strategies.	Officers concur with this view and note that while CCOs were engaged early in the recently completed LTP process the utility of the engagement would have been enhanced by greater engagement at an earlier stage around the Council's key strategies.	The engagement process with CCOs for the development and communication around SOIs, LTPs and Council key strategies will be set out within the Owners Expectation Guide to be developed.
Articulate these strategic expectations in a Statement of Core Purpose, reviewed every 6 years (alongside a review of continued relevance of the entity's constitution or trust deed.	Given the concern expressed around the alignment of the CCOs activities to Council's strategic objectives clearly re-articulating the Statement of Core Purpose as part of the next planning process will be useful and can then be maintained thereafter.	A Statement of Core Purpose will be developed for each CCO in time for the next SOI process and will be reviewed thereafter as required or no later than whenever the entity's constitution or trust deed is reviewed.

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Ensure that the annual letter of expectation and the SOI reflect the Council's expectations.	Council introduced LOEs to enhance the SOI process and they are now widely recognised as a part of best practice to get alignment to owner's objectives. The LOE is simply a tool to communicate the owner's expectations. The processes that determine the expected contribution is the area where enhancement provides gains.	The content and focus for LOEs will be determined through a process of planning and strategic workshops and communications to determine the Council's expected contributions from CCOs as the basis for the next SOI round.
Encourage memoranda of understandings between CCOs, where appropriate.	There are already many instances where MOUs are used. PWT has a number of MOUs with CCOs with respect to marketing services.	No action required.

Plimmer Review recommendation	Officers Comment	Implementation steps
Ensure there is a board skills matrix specific to each board and it is reviewed regularly.	The board skills required for each specific board is specifically assessed at each appointment round to identify any skills gap on the board and informs the appointment process.	The importance of having robust assessments of the skills requirement on Boards is noted and will continue to be an area of focus.
Include in the Owners Expectation Guide that the Council has a role in inducting Board members in the Council's expectations, as well as the Chair's obligation to induct the members about the entity.	There is already lot of work done in the area of induction for Councillors and new board members. However, Officers agree greater clarity of responsibilities in this area would be beneficial.	Owners Expectation Guide to be developed and implemented.
Decide whether or not Councillors can be on CCO Boards, two options recommended.	This is covered specifically in the body of the report.	Recommendation in the main report.
Enhance the LOE, making them tools for alignment with the Council and specific to each entity, by articulating the contribution Council expects the CCO to make to the Council's strategic objectives.	Council introduced LOEs to enhance the SOI process and they are now widely recognised as a part of best practice to get alignment to owner's objectives. The LOE is simply a tool to communicate the owners expectations. The processes that determine the expected contribution is the area where enhancement provides gains.	The content and focus for LOEs will be determined through a process of planning and strategic workshops and communications to determine the Council's expected contributions from CCOs as the basis for the next SOI round.
Develop a template for SOI's, to enhance the quality of the information provided to the owner and drive a longer term approach.	The focus of the SOI process has been on raising the quality of the SOI's rather than standardising them. Given the progress made in raising the quality of the SOIs and the other changes contemplated from this review there are merits in now looking at a standard SOI template	A standardised SOI template will be developed and utilised for the 2013/14 SOI process.

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<p>Introduce short monthly reports from each CCO to Council, to support the “no surprises” approach and to inform regular meetings between the Council and each CCO.</p>	<p>The “no surprises” approach should not be influenced by the presence or absence of a short monthly report. The purpose of the informal meetings is to get a regular update on material issues if this process is working then monthly reports are not required. Requiring formal monthly reports risks adds an additional reporting requirement and risks blurring accountability between the board and Council.</p>	<p>Review the need for this following the implementation of the enhanced informal meetings and the regularisation of communication channels and respective expectations. This would include the role of the Council appointed board members on CCOs.</p>
<p>For regular quarterly and six-monthly reporting, use a future focused performance and risk approach, and look at ways to streamline reporting requirements.</p>	<p>Currently all CCOs are required to prepare a report (quarterly or six-monthly) to CCOPS. The CCO team prepares a covering report identifying key activities and performance issues. The reports tend to be historic and the CCOPS meeting is updated for any current issues at the time of the meeting.</p>	<p>Reporting requirements will be set out in the Owners Expectation Guide and will be reviewed to ensure they are streamlined and are meeting the requirements of CCOPS and Council.</p>

<p>Plimmer Review recommendation</p>	<p>Officers Comment</p>	<p>Implementation steps</p>
<p>Revise the terms of reference for CCOPS to include responsibility for looking at the collective interest of the Council, in addition to the individual performance of the CCOs.</p>	<p>CCOs exist to deliver on the objectives of Council. If Council requires CCOs to work together for a collective good then this needs to be clearly articulated to the CCOs via the existing processes of LOEs and SOIs then accountabilities can be clearly understood. This already falls within CCOPS terms of reference</p>	<p>Through the planning processes where Council requires CCOs to work together for the collective interest of the Council this will be set out clearly in the LOEs and accountabilities will be clearly defined and articulated through SOIs</p>
<p>Require CCOs to hold an AGM, open to the public.</p>	<p>Officers note that all CCOPS meetings are open to the public and agendas and papers are publicly available in advance of scheduled meetings. At least once per annum each CCO is required to present to CCOPS. The CCOPS meetings are also open for all Councillors to attend.</p>	<p>Officers will work with the CCOs and CCOPS to ensure that at least once each year there is an AGM held in public for each CCO. In addition Officers will work with CCOPS to hold a CCOPS meeting where each CCO presents their annual report.</p>