REPORT 5

COUNCIL CONTROLLED ORGANISATION ALIGNMENT

1. Purpose of report

This report seeks your agreement to:

- bring the activities of the Wellington Cable Car Limited (WCCL) in-house.
- bring the activities of Wellington Waterfront Limited (WWL) in-house.
- amalgamate the activities of Positively Wellington Tourism (PWT) and Positively Wellington Venues (PWV) within a single Council Controlled Organisation ("CCO")

2. Executive summary

The need to grow and diversify the economy of Wellington is now widely accepted. This will require focus and investment, a growing rating base will support further investment in the economy and in other areas of Council services.

Council has taken a number of steps since the implementation of the Economic Development Strategy. This includes bringing all of Council's internal resources in this arena together within the City Growth and Partnerships business unit and the establishment of the new Council Committee – Economic Growth and Arts. These steps provide a focus on the economy, the proposal to amalgamate the activities of PWT and PWV within a single CCO is a logical next step. The benefits from this come from lower governance and operating costs, increased productivity both within the amalgamated CCO and Council and a range of strategic alignment benefits. This proposal has been worked up with the support of the respective Chairs of PWT and PWV.

Under the proposals WWL and WCCL will both come in-house within Council and their respective external boards will be collapsed. For WWL this provides a more efficient transition into Council, maintains the focus on the delivery of important Waterfront projects, brings to Council needed skills to support Council's urban development work and deliver some modest cost savings. The future of the trolley bus network is a major strategic issue for the company and Council, bringing WCCL in-house brings a greater focus to this issue and the opportunity to work with the Regional Council on the future within the overall transport strategy. In addition the cable car precinct is an important part of the Wellington tourist experience. With WCCL in-house, Council will take the lead in driving the development needed across this important precinct.

These proposals will collectively deliver a range of strategic benefits, increase productivity through freeing resources involved in governance and monitoring to work on other priorities, and deliver cost savings of $500k per annum or $3.5m over the remaining years of the 2012/22 Long-term plan. Together these benefits will support Council's overarching goals in delivering on its Economic Development Strategy.

3. Recommendations

Officers recommend that the Finance and Governance Committee recommend to Council that it:

1. *Receive the information.*

2. *Agree that the Board of Wellington Cable Car Limited be disestablished on 1 April 2014 and that the Chief Executive of Wellington Cable Car report directly to Council through the Chief Asset Officer.*

3. *Agree that the Board of Wellington Waterfront Limited be disestablished on 1 April 2014 and that the Chief Executive of Wellington Waterfront Limited report directly to Council through the Chief Executive.*

4. *Note that subject to recommendations 2 and 3 the effective management of the operations of Wellington Cable Car Limited and Wellington Waterfront Limited will be within Council however the companies will still exist and will require boards for administration and compliance purposes.*

5. *Agree that the Chief Executive be delegated authority to appoint officers to the boards of Wellington Cable Car Limited and Wellington Waterfront Limited for administration and compliance purposes and any necessary actions to give effect to these recommendations.*

6. *Agree that the Council Controlled Organisations Wellington Venues Limited and Partnership Wellington Trust be amalgamated.*

7. *Agree that the Appointments Group will consider and recommend to Council an establishment board comprising up to a maximum of 8 suitably qualified directors to be appointed with effect from 1 April 2014 as common trustees and directors of Wellington Venues Limited and Partnership Wellington Trust who will be responsible for the amalgamation of the entities.*

8. *Note that the savings of $500k are included within the Draft 2014/15 Annual Plan and in the event that the recommendations are not accepted will need to be removed from the plan accordingly.*

4. Background

The Economic Challenge

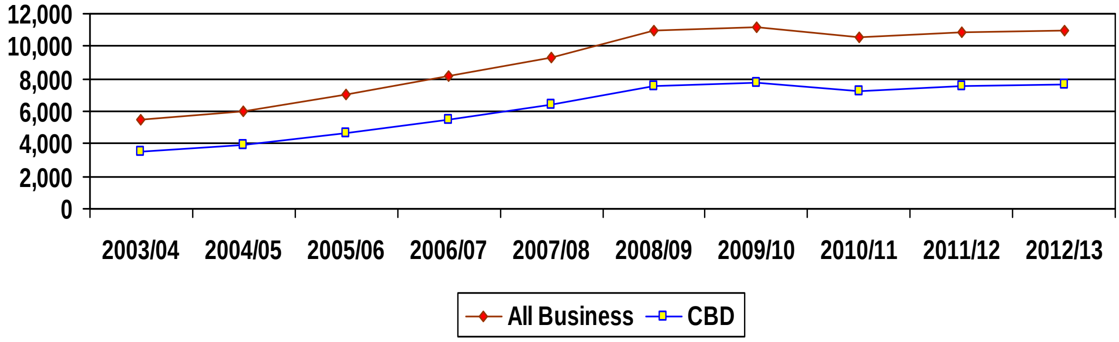
The *Pre-Election Report 2013* succinctly sets out the economic challenge for Wellington City. As New Zealand has moved into a stage of economic growth Wellington is lagging.

- GDP growth in Wellington in 2012 was 0.2% compared to the national average of 2.3%[1]. Over the last five years Wellington GDP growth averaged 1.1% equal to the national average.

- Unemployment has been moving downwards but remains above the national average.

- A disproportionate reliance on the public sector as a driver to Wellington's economy has insulated the city economy following the global financial crisis but will not contribute to growth in the economy. There is a need to continue to diversify the wellington economy.

The need to grow the Wellington economy is widely accepted. The graph below shows the capital value of the business sector in the city. The flat-line trend in capital values since 2008/09 is a clear illustrator of the challenge and reflects the slowdown in investment together with the impact of earthquake issues on the business sector.



Addressing the Challenges

Part of Council's broader response to these challenges includes the potential for more effective integration of service delivery in the tourism, venues and marketing sectors. Significant resource is currently being consumed within the governance and administration of these service delivery vehicles, that resource could be released to 'invest" in the economy and to assist funding Council's broader investment aspirations.

[1] Infometrics

Council's tourism, venues and marketing capability primarily resides within Positively Wellington Tourism (PWT) and Positively Wellington Venues (PWV). With the introduction of the Destination Wellington programme the scope of PWT's activities has broadened to include marketing Wellington as a destination for business, talent and investment.

In addition to PWT and PWV, we consider that the Cable Car is an integral part of the tourist visitor experience in the city both in its own right but also as a precursor to the range of nearby attractions serviced by the Cable Car. However, the Cable Car does not have a single economic/tourist focus as it is also an integrated part of the Wellington public transport.

Each of these entities is operated currently as an arm's-length stand-alone entity with their own governance and support structures. As stand-alone entities each is monitored and reported on individually and multiple relationships are maintained.

This report considers potential alignment options of these entities to provide a more integrated service delivery model. The intention of considering an integrated service delivery model is primarily to achieve outcomes that are greater than the sum of the parts, increase productivity and target resources to support increased investment in economic development activities. The process involved a working group which included the chairs of PWT, PWV and WWL to consider a range of options.

Wellington Waterfront Limited

As part of the 2012 *Review of Council Controlled Organisations,* Council resolved that Wellington Waterfront Limited (WWL) would continue as its waterfront implementation agency for the remainder of the Waterfront Development Plan which runs through to 30 June 2015.

The Chief Executive was instructed to agree a transition plan with the Board to bring the activities of WWL back within Council and report back by December 2014. While the alignment of a range of CCOs is considered it is timely to review the process to bring the activities of WWL back within Council.

5. Discussion

There are five areas Council needs to consider and act upon to support the Wellington economy. These are:-

1. Create some financial headroom
2. Spend wisely
3. Open for business
4. Ensure the organisation is fit for purpose
5. Amalgamation

In the context of the CCOs involved in the economic area this means consideration of merging entities to free resources through lower governance costs, greater opportunities to share back office services internally and with Council and a range of other benefits which are discussed within the paper around synergies and achieving the best returns for the city from the significant investment in these areas.[2]

A more integrated approach will provide greater focus on fewer but more high-value priorities and foster greater focus on projects and works that add value rather than duplication of administration, governance and monitoring.

Step Changes

Step changes are required to deliver on the economic targets set out in the Council's Economic Development Strategy. This means decisions must be made about the effective use of Council's resources in order to grow the economy. Officers have been clear in their advice that by improving the productivity of Council's operations both inside and outside, Council will create greater opportunities to invest in its social, cultural and environment priorities in a more sustainable way. That is, improving Council's opportunity to generate income without further impost on ratepayers.

As a first step, the Chief Executive has already taken significant steps to focus Council's existing resources more effectively with the creation of the Economic Growth and Partnerships Directorate. This is a more effective and efficient use of resources and expertise that reside within Council already.

As a second step, the Mayor has established an Economic Committee to provide greater strategic focus and direction at a governance level for how Council can influence the City's economy.

As a third step, reducing the number of economic service delivery CCOs is logical. Integration of the entities discussed in this paper is expected to create financial headroom through reduced governance and back office costs. Officers estimate that the financial headroom generated from changes recommended in this paper would be around $500,000 per annum.

And finally, serious consideration needs to be given to similarly focusing the activities and resources at a regional level.

Council, City, Regional Potential

The fragmented nature of the City's and regional economic agencies is in contrast to the model now adopted through ATEED[3] in Auckland where there is now a single economic growth agency.

Across Wellington city, we have the Council's own activities, the tourism and Destination Wellington activities within PWT and Cable Car, the conference and

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[2] The Wellington Museums Trust was not considered within the scope of this review as it does not have a primary economic focus.
[3] Auckland Tourism, Events and Economic Development (ATEED)

entertainment activities utilising Council's venues through PWV. Across the Wellington region there is the Wellington Regional Strategy and Office, Grow Wellington and the activities of other local Council's in this space.

This paper does not suggest that the ATEED model delivers better outcomes. However, it is clear that the cost of governance, support and monitoring under a fragmented model is greater and therefore constrains the ability to undertake investment in growth opportunities such as with a more integrated ATEED model.

In the near future, the region will need to consider how the various agencies could work more effectively. While there is a significant investment in economic growth activities generally across the region, it is the early view of officers that the programmes are delivered in a sub-optimal manner involving too many separate entities.

The potential exists to bring these regional activities together through a more aligned approach and consolidation of Council's own economic activities in itself is a sound first step. This has occurred internally within Council through the creation of a dedicated economic growth oriented directorate called Economic Growth and Partnerships, and this proposal to join PWT and PWV is a logical next step in that process.

While Council is considering steps to provide greater operational and strategic focus to its activities, a truly regional approach would see the activities of Grow Wellington also drawn in to the PWT/PWV amalgamation, rational subsequent steps would then see consideration around the inclusion of other local Council activities. Discussions at a regional level are advancing and the respective Mayors will consider regional economic delivery approaches in the New Year.

Positively Wellington Tourism and Positively Wellington Venues

The primary objective of PWT is to "*market and add value to Wellington and to achieve sustainable economic growth*". PWT achieves this through marketing Wellington as a visitor destination domestically and internationally and marketing Wellington as a place to visit, live, learn and earn as part of the Destination Wellington programme.

PWV was established to manage a range of the city's most significant performance and conference venues with the broad objectives of optimising the commercial utilisation of the venues, contributing to the vibrancy of the city through the delivery of "events", cultural, community and business, and contributing to the Wellington economy.

PWT and PWV are important contributors and catalysts to support and grow the Wellington economy. To encourage city growth, there is a need to focus activities and investment to deliver the best return to the city on the investment in these areas. Consolidation and integration will result in more of the available funding being directed towards investment in growth activities rather than the paying the costs of governance and overheads.

Both PWT and PWV have a significant focus on marketing and these aspects have a strong natural synergy. It makes sense for PWT and PWV to have an integrated focus on marketing Wellington as a destination for events and conferences.

Both organisations, as stand-alones, operate with relative success. There is much anecdotal evidence to conclude that there are sufficient benefits, in addition to the cost savings, available from an amalgamation that will produce a whole greater than the sum of its parts and include:

- Greater and more co-ordinated investment in developing the Wellington high value conference market.
- A co-ordinated approach to increasing business and leisure visitation to Wellington.
- A commercial approach to investment prioritisation to direct investment where the city will get the best returns.
- Greater strategic consideration and leadership around the future venue infrastructure needs of the city.

The analysis considered other alternatives including the status quo option and bringing the activities in-house. The bringing of these entities in-house was considered in detail as part of the 2012 CCO review where the clear recommendation was for these activities to continue to be delivered through a CCO structure.

Wellington Cable Car Limited (WCCL)

WCCL is a 100% owned Council Controlled Trading Organisation. It comprises two distinct operations, the running of the cable car and the trolley bus overhead maintenance operations.

The cable car is an integral part of the tourist offering in Wellington in its own right as an attraction carrying around 1.1m passengers per annum, of which around 53% are visitors or casuals. It is also an important connector to a wide range of the city's visitor attractions.

The major strategic issue for WCCL however is the future of the trolley bus overhead network. WCCL owns and maintains the trolley bus overhead network and the pole network.

The maintenance activities are provided and funded under contract to Greater Wellington Regional Council (GWRC) on a cost recovery basis. The contract with GWRC runs until 2017 and in the 2013/14 year GWRC will be reviewing the future of the trolley bus services in the context of the Public Transport Spine Study.

This review will largely determine the future of the trolley bus network as we know it beyond 2017, and if the current network is to continue beyond 2017 - then for how long. If the trolley bus network is to be phased out then the issues around de-commissioning need to be advanced. These are significant strategic transport issues for the city that will have consequential impacts on WCCL:

- The trolley bus overhead network is not a core activity of Council, the current involvement through WCCL is as a maintenance operation and detailed consideration around these activities and the whether they should continue to owned and operated by Council, or alternatively GWRC, should be advanced. These activities are undertaken on a purely cost recovery basis under contract to the Regional Council.

- The pole network that supports the trolley bus network supports a significant amount of the Councils street lighting and other ancillary users such as Citylink and Wellington Electric[4]. The future ownership of pole network along with maintenance contracts and funding whilst they are being utilised to support the trolley bus network needs to be worked through with GWRC.

- In addition the cable car is an integral part of the city tourism offering in its own right and as a connector. The focus on this aspect is important to the city and needs to be elevated and the work to improve the Cable Car precinct, Cable Car lane, signage and integrating the visitor experience need a strong lead agency to advance them.

We have considered alternative options to the status quo with respect to WCCL and how to best to address these strategic issues. The options considered were:

Option 1 – Bring WCCL in-house
Option 2 - Amalgamate WCCL within an enlarged Economic focused CCO

Option 1 - Bring WCCL in-House

Under this option all of the operations of WCCL would be brought within Council. The Chief Executive of WCCL would report directly to the Chief Asset Officer of Council all operational issues and through the Director of City Growth and Partnerships with respect to the marketing, promotion and visitor experience aspects of the cable car. The administrative support for WCCL would be progressively integrated with the Council's systems.

The Role of Council

The Council would be the lead agent in discussions with the Regional Council around the future of the trolley bus overhead network and the implications from a maintenance perspective and whether the long term ownership of the network is more appropriate within the Regional Council.

[4] Of the 3,371 poles owned by WCCL, 1,595 also host WCC street lighting, 1,486 are used to support Chorus infrastructure and 2,803 hold Wellington Electricity lines.

Similarly, the Council would take the lead in addressing the Cable Car precinct, Cable Car lane, the signage leading to and from the cable car and integrating the visitor experience with the range of key attractions feeding off the cable car.

The Role of the Board

The external Board would be collapsed. There will be a need to maintain the company structure and Council's Chief Executive would require delegated the authority to appoint officers to perform the administration and compliance responsibilities for the company.

Financial Outcome

This option would have some estimated financial benefits arising from the collapse of the external Board. The consequential reduction in governance related costs and through lower operating costs from administration, back office support, funding costs and corporate type overheads such as audit, tax and insurance.

Total estimated benefits to Council are $150k per annum.

Option 2 - Amalgamate WCCL within an enlarged Economic focused CCO

Under this option WCCL would be amalgamated into an enlarged CCO with a specific focus on the city Economy. This assumes that this entity would be formed through the amalgamation of PWT and PWV.

While this option addresses the connection and importance of the cable car to tourism and the city economy, the other aspects of WCCL - such as the maintenance of the trolley bus overhead network and poles; the maintenance and operation of the cable car; and the strategic issues around the future of the trolley bus overhead network – are not a natural fit and would be an unnecessary distraction to the newly amalgamated entity.

This option is not recommended.

Wellington Waterfront Limited

At its meeting of 29 November 2012, Council passed the following resolutions with respect to WWL:

- *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 will be retained for the purpose of holding the waterfront assets on trust for Council;*

- *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; and*

- *Instruct officers to work with appropriate parties to investigate the merits of a Land Development Agency to advance the City's Urban Development Strategy, noting that if it were determined to be a good mechanism, there could be a range of delivery vehicles including WWL, a new entity or in-house.*

The decision to bring the activities of WWL back within Council has been made. As part of the CCO re-alignment work, consideration was given as to whether WWL should be part of an enlarged CCO with an Economy focus. It was generally agreed that this was not appropriate and that the activities of WWL were better aligned within Council's core activities.

Council has a number of urban regeneration projects already planned including the sprucing up the Miramar town centre, the Parliament precinct enhancements, the laneway improvements to Opera House Lane and Eva Street.

In addition to those planned activities, Council has the challenges associated with developing and implementing the Miramar Framework, the potential for North Wellington if the Grenada Road progresses and earthquake issues in key areas such as the Cuba Street area.

These will require innovative urban development and regeneration solutions. The skills and experience gained by WWL in the development of the commercial and public space on the waterfront are currently not available within Council and these skills will be required to address these development and regeneration opportunities.

In considering how to give effect to the Council's resolutions an alternative approach has been considered that enables the transition to be managed and staged in an efficient manner. This approach provides certainty to staff, brings the skills and experience of WWL in-house at an earlier opportunity to bolster our own urban design capabilities and offers some modest potential for reduced costs.

While the development activities of WWL are reducing as key projects such as the Overseas Passenger Terminal (OPT) are completed, there remain important development opportunities at site 10, to a lesser extent site 9, and potential future opportunities at Shed 1 and Shed 6.

Retention of the key staff is an important consideration to deliver on these opportunities and to retain those skill sets to complement and support wider urban regeneration initiatives and activities.

The alternative approach is to bring the activities of WWL in-house immediately. This would involve collapsing the external Board of WWL and having the Chief Executive of WWL report directly to the Council Chief

Executive for the day to day operations of WWL including the on-going development projects.

The company structure is required to be retained to hold the assets of the Waterfront in trust for Council with respect to the Marine and Coastal Area Act 2011. The Council's Chief Executive, therefore, would be delegated authority to appoint directors to the company for administration and compliance purposes.

The full integration of WWL into Council would be staged over time starting with the more routine day to day operational aspects. The development aspects would be retained while critical major developments were on-going (i.e. OPT and Site 10), and these skills would be utilised within the Council to support the urban development and regeneration programme of Council.

This alternative approach provides some modest cost savings in the area of governance costs of $76k per annum. The major gains are not in these savings, but come from bringing in-house access to a range of urban development and regeneration skills that are not present within Council and would otherwise need to be sourced externally at additional cost to advance the important work programmes in this area.

5.1 Implementation Plan

PWT/PWV

Governance

The proposed amalgamation of PWT and PWV would be achieved in the first instance through an alignment of the board's of PWT and PWV. This would involve the appointment of a set of common directors, up to a maximum of 8 in total (including an elected member appointment), to the boards of PWT and PWV respectively.

The common board would be charged with the full responsibility for the integration of PWT and PWV into a single entity. The common boards become the "*establishment board*" and once the amalgamation is completed would become the board of the new amalgamated entity.

The selection and appointment process for the common boards would involve the identification and appointment of directors with an appropriate mix of skills and experience to oversee the amalgamation, integration and governance of the enlarged entity going forward.

A priority would also be preserving the breadth of institutional knowledge among the existing pool of external appointments on the PWT and PWV boards. Where an existing board member covers a required skill then they would be considered for appointment to the establishment board.

Officers anticipate that the establishment board would be effective from 1 April 2014 and that it would be charged with completing the implementation planning for the amalgamation of the entities by 1 July 2014.

WCCL and WWL

The activities of WCCL and WWL would be brought in-house by collapsing the external boards of the respective companies with effect from 1 April 2014. This is a straight forward mechanism and can be done in a relatively short timeframe.

The delivery of the services and activities of WCCL and WWL would then be directly under the responsibility of the Council Chief Executive, through a management agreement, and the respective activities would in turn be reported through the appropriate Council Committee.

The limited liability companies of WCCL and WWL will remain in existence as the assets of the companies would remain within the company structures and necessitates the appointment of directors to these companies for administrative and compliance matters. It is recommended that the Chief Executive be delegated the authority to make the necessary appointments.

Communications

The potential for change in these areas has been well signalled with the Chairs of each of the entities. However it will be important to ensure that any changes agreed are communicated to the affected organisations and their respective staff and stakeholders at the earliest opportunity. Retention of key staff through these processes is an important objective and open communication around the changes proposed and associated impacts on staff need to be front of mind and clearly communicated.

5.2 Risk Analysis

Most of the risks associated with the proposed actions relate to ensuring that staff and stakeholders are properly informed throughout the process and in ensuring that through the period of change there is no fall off in service delivery and outcomes.

These risks can be managed through a good communications plan and dedicating the appropriate resource to managing the implementation phases. In this respect the role of the establishment board for the amalgamation of PWT and PWV will be crucial and the retention of institutional knowledge on this group will assist in mitigating any implementation risks.

There is risk associated with the role of PWT as the operator of the Convention Bureau and the fact that PWV is a significant participant in the convention market. Under an amalgamation scenario there is a potential risk that the other partners in the Convention Bureau may perceive there to be a conflict of interest and a vested interest in favouring the PWV venues at the expense of the other members. These types of potential conflicts are not uncommon across organisations and are able to be managed.

A co-ordinated and effective Convention Bureau is an important factor in bringing conference business to Wellington as the destination factors are an important factor in any buyers' decision. Increasing Wellington's market share of the important conference business is an important aspect of the amalgamation, the new entity will be responsible for managing this risk and developing plans for the growth of the conference market in partnership with the Convention Bureau and other partners.

5.3 Consultation and Engagement

The proposals do not involve a change to the services being delivered. The proposal to amalgamate the existing service delivery activities of PWT and PWV within a single entity (most likely PWV) does not need to be consulted on using the special consultative procedure under the Local Government Act 2002. Likewise, there are no specific consultation requirements with respect to the proposals for WCCL and WWL.

The respective chairs of WCCL, PWT, PWV and WWL have been consulted and their views included in the proposal. Other stakeholders will be involved throughout implementation. Appropriate consultation will also be required to meet good employer standards and employment law obligations.

Officers have also considered Council's general obligation under the Local Government Act 2002 to, in proportion to the significance of the matters affected by the proposal, give consideration to community views. Officers consider that these proposals have a relatively low degree of significance in terms of the Act as it will have minimal external impact on the community, is consistent with existing policy and strategy, and will have no adverse impact on Council's capacity and capability. Based on that view of significance, Officers further consider that it is not necessary to seek community views to inform the decision-making process about the issues of governance and structural organisation raised by these proposals.

5.4 Financial considerations

The amalgamation of PWT and PWV within a single entity and bringing WCCL and WWL in-house are expected to deliver on-going lower operating costs of an estimated $500k per annum once the amalgamation and the integration of the entities is completed.

This level of savings has been factored into the draft 2014/15 annual plan on the basis that if the integration goes ahead it will have been substantially completed by 30 June 2014. Over the remainder of the 2012/22 Long-term plan this equates to $3.5m of value that can be released and re-invested in growing the economy rather than administering the delivery agencies.

There are likely to be some one-off costs related to the amalgamation and these will become clearer as the amalgamated entity works through how best to integrate the entities and their support functions. Restructuring costs are likely to arise in the areas of recruitment, legal, IT and systems changes and other personnel related costs. These costs will be able to absorbed in the current financial year by utilising the governance savings in the 2012/13 year estimated to be $65k and if required utilising the Accumulated Reserves held within PWT[5]. Any one-off costs are not expected to exceed these amounts and the financial benefits projected for 2014/15 and beyond should not be diluted by one-off change costs.

The projected $500k of lower operating costs will come through a combination of reduced governance costs of $260k, a shared infrastructure servicing the combined entities and leveraging off the Council's core systems, the reduction of costs associated with operating fewer entities, such as audit fees; and lower other support related costs are expected to deliver annual savings of $240k. This does not include any potential synergy benefits from the integration of marketing activities and any gains from this would be re-invested in the front line service delivery.

Since the formation of PWV the organisation has moved to a position where it is delivering the management of the venues in a commercial manner and has achieved a break-even position in year 2. A continued commercial focus in operating the venues will continue together with balancing the community access aspects.

It is expected that over time surpluses within PWV will be generated[6] and be available to support the investment in the venues and bringing visitors and business to Wellington or return effective dividends to Council. The commercial skills of PWV will complement the marketing agenda and provide a hard edge on investing in the areas that will deliver improved outcomes for the economy.

There are a range of legal, governance and monitoring activities that must be carried out for each individual CCO regardless of size. Each CCO requires: an annual letter of expectation; a draft statement of intent; Council to consider each draft SOI; final SOIs need to be considered and approved; audited financial statements; an annual report; an insurance programme; quarterly reports to Council; directors to be appointed and inducted; and a range of other factors that are common across all of the CCOs.

These activities consume significant resource both at the CCO level and at Council, the opportunity to create more scale and reduce the numbers of CCOs will free up significant resource that can be utilised on other priority activities. These benefits have not been directly factored into the consideration of the

[5] The Accumulated Reserves in PWT at 30 June 2013 were $511k and the net liquidity position was $566,611 which represents the available funds if all outstanding current liabilities were settled.

[6] The risks associated with PWV making trading losses currently reside with Council, this will not change and it is not envisaged that marketing funding would be diverted in the event of any PWV trading losses.

financial benefits referred to above, but increased productivity is an important outcome sought and frees resources to work on the delivery of priority actions.

5.5 Long-term plan considerations

The services being delivered by the CCOs are unchanged from those within the Long-term plan. This report is concentrated on the alignment of the activities of the CCOs and the agency for the delivery of those services rather than the nature of the services. The degree of savings attributed to the changes outlined in this paper of $500k per annum equate to $3.5m over savings over the balance of the Long-term plan.

This approach provides other potential benefits and opportunities for further gains and provides a tangible platform for a more co-ordinated approach and regional collaboration.

6. Conclusion

A collaborative approach working with the Chairs of PWT, PWV and WWL has been undertaken to assess the potential for an amalgamation of the CCOs to form a larger entity with a focus on the economy.

The recommendation is that an amalgamation of PWT and PWV will deliver a lower cost operation freeing resources to be invested in other activities to support the economy and provides a range of other additional benefits.

The proposal to bring WWL in-house and collapse the external board gives effect to the previous Council resolution accelerating the integration and providing benefits from the opportunity to complement the urban development and regeneration work of Council

The proposal to bring WCCL in-house and collapse the external board will enable Council to address the key strategic issues around the future of the trolley bus overhead network and supporting pole infrastructure and take a lead in the development of the cable car precincts.

In total these initiatives will directly deliver annual savings of $500k which over the balance of the 2012/22 Long-term plan equates to $3.5m. These funds will be available to support investment in growing the economy. In addition there will be benefits from greater integration and focus on investment returns and productivity gains from the reduction of the number of delivery agents.

Contact Officer: *Danny McComb, Manager CCOs and City Growth Projects*

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

The policy supports Council's overall vision of Wellington Towards 2040: Smart Capital and in particular the delivery of the economic outcomes.

2) LTP/Annual Plan reference and long term financial impact

Potential savings of $500k have been identified and loaded into the draft annual plan for 2013/14, these savings are new and are not included in the LTP.

3) Treaty of Waitangi considerations

There are no Treaty considerations with respect to this paper.

4) Decision-making

This is not a significant decision. The report sets out a number of options for consideration.

5) Consultation
a) General consultation

The Chairs and Chief Executives of each of the entities affected by this paper have been consulted with during the process of developing the paper.

b) Consultation with Maori

No consultation with Mana whenua has been undertaken as it is not seen as an issue requiring consultation with Maori

6) Legal implications

Council's lawyers have been consulted during the development of this report.

7) Consistency with existing policy

The recommendations of this report are consistent with existing policy and an important outcome of the proposed recommendations is enhancing the delivery of the Council Economic Development Strategy.