



QUEENSTOWN  
LAKES DISTRICT  
COUNCIL

# Organisational Review

*Assessment of the council-controlled  
organisation model*

March 2013

## Contents

1. Executive Summary.....	3
1.1 Background .....	3
1.2 Recommendation.....	4
2. Background .....	6
2.1 Purpose of this report.....	6
2.2 Overview of council-controlled organisations .....	6
2.3 Potential benefits and disadvantages of CCOs .....	7
2.4 Types of council-controlled organisations.....	9
3. Criteria for the assessment of council-controlled organisation model .....	10
4. Lakes Environmental Limited.....	11
4.1 Activities of Lakes Environmental Limited .....	11
4.2 Lakes Environmental Limited – CCO model assessment .....	11
4.3 Lakes Environmental Limited recommendation.....	22
5. Lakes Leisure Limited .....	23
5.1 Activities of Lakes Leisure Limited .....	23
5.2 Lakes Limited Limited – CCO model assessment .....	24
5.3 Lakes Leisure Limited recommendation .....	37
Appendix 1: Recreation and Venue Facilities-Related CCOs.....	38

# 1. Executive Summary

## 1.1 Background

As part of the organisational review of Queenstown Lakes District Council (QLDC or the Council), an assessment has been undertaken of the suitability (in terms of cost, efficiency and effectiveness) of the council-controlled organisation (CCO) model for the governance of Lakes Environmental Limited and Lakes Leisure Limited.

Given the impact that the governance model adopted for these entities will have on the potential organisational structure of QLDC, it is appropriate that this issue is considered by Council prior to the formulation of the broader organisational review recommendations.

This report sets out the Review Team’s assessment of the suitability of the council-controlled organisational model and its recommendations for the ongoing governance of Lakes Environmental Limited and Lakes Leisure Limited.

In order to assess the ongoing suitability of the CCO model for Lakes Environmental Limited and Lakes Leisure Limited, an assessment has been made against a range of criteria based on the benefits and perceived disadvantages of the CCO model, namely:

Criteria	Description
<b>Commercial Focus</b>	Ability to apply a commercial focus to the activities with the objective of achieving greater operational efficiency.
<b>Independence</b>	Ability to remain independent and separate from political direction.
<b>Transparency and Accountability</b>	Ability to set clear measures for the delivery of the activities and transparency of the level of achievement against these measures.
<b>Funding</b>	Ability to source funds from external sources and ability to sustain financial independence.
<b>Fragmentation and Customer Service</b>	Degree of fragmentation of activities and impact of this fragmentation on overall customer service.
<b>Risk</b>	Ability to ring-fence risk, financial, legal or reputational.
<b>Community vs. Commercial Outcomes</b>	Tension between the need to deliver community outcomes vs. the incentive to pursue commercial initiatives.
<b>Level of Control required by Council</b>	Ability and need for the Council to control outcomes and delivery of activities.
<b>Governance Costs</b>	Costs incurred in supporting the governance structure surrounding the activities.
<b>New Skills and Perspectives</b>	Ability to access new skills and perspectives through Board members.
<b>Nimbleness &amp; Agility</b>	Ability to make and implement decisions, systems and innovations quickly.

<b>Service Quality</b>	Ability to ensure that the quality of the service delivered is appropriate and respond to service delivery failures.
<b>Overall Cost Effectiveness</b>	Overall ability to deliver cost-effective services across the breadth of council responsibilities.

## 1.2 Recommendation

Although there are advantages and disadvantages of the CCO model relative to providing services in-house or outsourced to a private provider, on balance it is considered that it would be most appropriate to provide the regulatory activities of Council (as currently provided by Lakes Environmental Limited) and the recreation and leisure activities of Council (as currently provided by Lakes Leisure Limited) in-house within Council. It is recommended that Council give consideration to transferring the activities of these CCOs in to the Council and disestablishing the CCOs.

It is considered that given the nature of the activities, and with good management from within Council, providing these activities in-house within Council should result in:

- the ability to apply an appropriate commercial focus to the activities with the objective of achieving greater operational efficiency being equal to that which could be achieved under a CCO model;
- the ability to remain independent and separate from political direction being equal to that which could be achieved under a CCO model;
- the ability to set clear measures for the delivery of the activities and transparency of the level of achievement of these measures being equal to that which could be achieved under a CCO model;
- the ability to source revenue from external sources of a similar nature and quantum to that which is currently sourced being equal to that which could be achieved under a CCO model in relation to Lakes Environmental Limited and not significantly different to that which could be achieved under a CCO model in relation to Lakes Leisure Limited. If major fundraising efforts are required to fund significant capital projects then specific one-off mechanisms could be put in place to access the full range of grants/donations that might be available e.g. many Councils set up trusts to undertake specific fundraising activities for capital projects with the trust being dissolved once the fundraising task is complete;
- the degree of fragmentation of activities and the negative impact of this fragmentation on overall customer service being less than under a CCO model;
- the level of risk borne by the Council in relation to the activities being similar to, but less than that under a CCO model, reflecting greater ability to manage risk and reputational risk in particular;
- the ability to positively manage the tension between community and commercial outcomes being greater than under a CCO model;
- the level of control of Council being greater than under a CCO model;

- the costs incurred in supporting the governance structure surrounding the activities being less than under a CCO model;
- the ability to reduce overall costs of Council services being greater than under a CCO model;
- the ability to improve integration between policy development and regulatory functions being greater than under a CCO model;
- the ability to access relevant skills and perspectives being not significantly less than could be achieved under a CCO model; and
- the ability to make and implement operational decisions quickly, although lesser under an in-house council model should not significantly impact the delivery of services.

## 2. Background

### 2.1 Purpose of this report

As part of the organisational review of Queenstown Lakes District Council, an assessment has been undertaken of the suitability (in terms of cost, efficiency and effectiveness) of the council-controlled organisation model for the governance of Lakes Environmental Limited and Lakes Leisure Limited.

Given the impact that the governance model adopted for these entities will have on the potential organisational structure of QLDC, it is appropriate that this issue is considered by Council prior to the formulation of the broader organisational review recommendations.

This report sets out the Review Team's assessment of the suitability of the council-controlled organisational model and its recommendations for the ongoing governance of Lakes Environmental Limited and Lakes Leisure Limited.

### 2.2 Overview of council-controlled organisations

Part 5 of The Local Government Act 2002 provides for the establishment and operation of council-controlled organisations. CCOs can be best described as any organisation in which one or more local authority controls 50 per cent or more of the voting rights or has the right to appoint 50 percent or more of the directors.

CCO's may be either set up with the intention of making a profit (referred to as a council-controlled trading organisation) or with some other non-profit objective in mind. A CCO can be a company, a trust, an incorporated society, an incorporated charitable trust or a joint venture. The laws relating to each of those different legal entities apply as well as the Local Government Act requirements.

The Local Government Act 2002 specifies that the principal objective of any council-controlled organisation, irrespective of its individual purpose, is to:

- Achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and
- Be a good employer; and
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- If the organisation is a council-controlled trading organisation, to conduct its affairs in accordance with sound business practices<sup>1</sup>.

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<sup>1</sup> Local Government Act 2002, section 59

QLDC has ownership interests in four council-controlled organisations. Three of these are set up under a corporate structure:

- Queenstown Airport Corporation Limited (A council-controlled-trading organisation in which QLDC has a 75.01% shareholding);
- Lakes Environmental Limited (in which QLDC has a 100% shareholding); and
- Lakes Leisure Limited (in which QLDC has a 100% shareholding).

The remaining CCO, Lakes Combined Forestry Committee, is a joint venture with Central Otago District Council in the ownership and operation of a forest at Coronet Peak.

Queenstown Airport Corporation Limited and Lakes Combined Forestry Committee are outside the scope of the organisational review and therefore no further consideration has been given to the structure of these CCOs in this report.

Lakes Environmental Limited and Lakes Leisure Limited have both been operating for 5 years and, as with any organisation, is it appropriate to periodically assess whether the organisation continues to meet its original objectives and its form remains appropriate. In particular, the Review Team have been asked to analyse the ongoing suitability (in terms of cost, efficiency and effectiveness) of the CCO model for the activities of both Lakes Environmental Limited and Lakes Leisure Limited.

## 2.3 Potential benefits and disadvantages of CCOs

In order to analyse the ongoing suitability of the CCO model for these entities, it is useful to more generally identify the expected benefits and disadvantages of delivering activities through a CCO model, rather than delivering them from either within the council organisation itself, or outsourcing their delivery in its entirety.

In the Report of the Royal Commission on Auckland Governance<sup>2</sup>, it is noted that the reasons councils have typically given when placing activities into separate council-controlled organisations include:

- Improved commercial focus by operating a company with a professional board of directors with the objective of achieving greater operating efficiency;
- Ring-fencing financial risk by using an incorporated structure to insulate a council from financial liability for an activity or venture involving other parties such as joint ventures;

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<sup>2</sup> Report of the Royal Commission on Auckland Governance, March 2009

- Empowering local communities by creating a trust with a set budget funded by council, but managed by a community for a specific purpose such as maintaining a community centre; or
- Tax effectiveness by obtaining dividend imputation credits on the tax that councils pay on dividend income.

In addition, other benefits of adopting a CCO model which have been identified in our discussions with stakeholders during the organisational review include:

- **Independence:** Providing independence and separation from political direction;
- **Attracting new skills and perspectives:** There may be people with key skills who although not interested in taking on the role of an elected officer, would be interested in sharing their skills through appointment to a CCO Board;
- **Increased transparency and accountability:** Specific performance measures are put in place and there is regular reporting against these measures which is often more rigorous than that which would be in place if the activities were provided from within Council;
- **Broadening funding sources:** A trust, for example, can have support from an organisation such as a council, but still be eligible for grant, sponsorship and donations, that might not be available if the activity was delivered in-house by council;
- **Nimbleness and agility:** The ability to make operational decisions more quickly without having to go through the Council's internal processes;
- **Commercial Focus:** For fully commercial trading activities, or more commercial undertakings that have a mix of commercial and public good qualities, a company structure can bring the commercial disciplines that would be expected for profit maximisation.

Balanced against these expected benefits of the CCO model are also a number of disadvantages:

- **Fragmentation:** Pursuing a CCO model can result in fragmentation of service if there are multiple entities involved in the delivery of these services;
- **Lack of direct accountability to the community:** This will occur if there is not adequate alignment between the objectives of the CCO and its parent;
- **Community vs. commercial outcomes:** Tensions between the delivery of community outcomes and pursuing commercial initiatives;
- **Lack of responsiveness to owner:** CCO's may be slower than in-house business units to respond immediately to issues raised by its owner;
- **Governance costs:** The cost of service delivery may not be less overall, as the overheads of running a separate entity also have to be factored in;
- **Limited ability to manage risk:** Delivering services through a CCO can significantly reduce the ability of the Council to manage risks that it cannot contract out of. With both regulatory functions and public good services, arms length delivery makes managing reputational risks difficult.



## 2.4 Types of council-controlled organisations

A study of council organisations commissioned by the Department of Internal Affairs in 2009<sup>3</sup> identified that as at 30 June 2007 there were 257 council controlled organisations (including CCOs, CCTOs and other council organisations) in 69 of the 85 councils at the time. Half of these CCOs were trading companies; with trusts comprising approximately 25%; and the remainder being largely joint ventures and holding companies. These CCOs were primarily operating in 15 activities, and principally in economic development (21%), transportation (17%), recreation and culture (17%) and corporate functions (12%).

A review of the latest available annual reports of New Zealand local authorities for CCOs that operate in similar activities to those of Lakes Environmental Limited and Lakes Leisure Limited has indicated the following:

- No councils, other than QLDC, were identified as delivering their regulatory functions through a CCO;
- A number of councils were identified which deliver elements of their recreation and venues and facilities management through a CCO, however no other council appears to operate a totally comparable model to Lakes Leisure Limited where all sports and recreation facilities are provided through a CCO. In most other examples, a specific facility might be owned and/or managed through a CCO which, except in the case of predominately commercial venues, takes the form of a Trust. A list of other councils' recreation and venue- related CCOs can be found in Appendix 1.

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<sup>3</sup> Department of Internal Affairs – Local Government Information Series – Analysis of Council Organisations.

### 3. Criteria for the assessment of council-controlled organisation model

In order to assess the ongoing suitability of the CCO model for Lakes Environmental Limited and Lakes Leisure Limited, an assessment has been made against a range of criteria based on the benefits and perceived disadvantages as noted above, namely:

Criteria	Description
<b>Commercial Focus</b>	Ability to apply a commercial focus to the activities with the objective of achieving greater operational efficiency.
<b>Independence</b>	Ability to remain independent and separate from political direction.
<b>Transparency and Accountability</b>	Ability to set clear measures for the delivery of the activities and transparency of the level of achievement against these measures.
<b>Funding</b>	Ability to source funds from external sources and ability to sustain financial independence.
<b>Fragmentation and Customer Service</b>	Degree of fragmentation of activities and impact of this fragmentation on overall customer service.
<b>Risk</b>	Ability to ring-fence risk, financial, legal or reputational.
<b>Community vs. Commercial Outcomes</b>	Tension between the need to deliver community outcomes vs. the incentive to pursue commercial initiatives.
<b>Level of Control required by Council</b>	Ability and need for the Council to control outcomes and delivery of activities.
<b>Governance Costs</b>	Costs incurred in supporting the governance structure surrounding the activities.
<b>New Skills and Perspectives</b>	Ability to access new skills and perspectives through Board members.
<b>Nimbleness &amp; Agility</b>	Ability to make and implement decisions, systems and innovations quickly.
<b>Service Quality</b>	Ability to ensure that the quality of the service delivered is appropriate and respond to service delivery failures.
<b>Overall Cost Effectiveness</b>	Overall ability to deliver cost-effective services across the breadth of council responsibilities.

## 4. Lakes Environmental Limited

### 4.1 Activities of Lakes Environmental Limited

Regulatory and resource management services for the district are provided by Lakes Environmental Limited, a council-controlled organisation. This CCO was established by the Council in 2007 and facilitated the acquisition of Civic Corporation Limited, a private company that had previously been contracted to provide regulatory and resource management services on behalf of the Council. Lakes Environmental Limited is a limited liability company incorporated under the Companies Act 1993. It is also a Council-controlled organisation as defined in Section 6 of the Local Government Act 2002. QLDC is the sole shareholder of Lakes Environmental Limited.

### 4.2 Lakes Environmental Limited – CCO model assessment

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<b>Commercial Focus</b>  <i>Ability to apply a commercial focus to the activities with the objective of achieving greater operational efficiency</i>	<p>Lakes Environmental Limited’s (LE) ability to generate commercial income is limited given it is a monopoly provider of regulatory functions. Therefore, the focus of management and the Board is mainly on cost management, cashflow management and debt recovery.</p> <p>Approximately 2% of LE’s income is generated by offering regulatory services to local and central government agencies outside of the Queenstown Lakes district; 28% originates from Council either as payment for “public good” activities or purchase of regulatory services. The remaining 69% of income originates from</p>	<p>As noted, the ability to generate commercial income from regulatory functions is limited and therefore any commercial focus will be in the application of sound commercial disciplines in the areas of cost management, cashflow management and debt recovery. These disciplines should be familiar to and applied by management of any service delivery activity, regardless of whether the activity is undertaken by local government, central government or the private sector.</p> <p>With the recruitment and appointment of managers with appropriate skills, in our assessment, there is no reason why a similar commercial focus to that applied under a CCO</p>	<p>The focus of an outsourced provider will inevitably be profit maximisation, a model which may not lend itself to the provision of a regulatory function.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>private purchasers of regulatory services. This income is demand-driven i.e. LE has little influence over the volume of revenue activity.</p> <p>The market for the provision of the regulatory services that LE provides is fundamentally limited; no other local authority has contracted out regulatory activity to the extent that QLDC has.</p> <p>Given the absence of a profit motive and the monopoly supplier position of the business, the commercial pressure on the organisation is very limited. The principal commercial challenges relate to cashflow, variability in the number of consents processed and the staff complement and skill set retained.</p>	<p>model could not be achieved with the delivery of these regulatory activities in-house within Council.</p> <p>The Council would be in a better position to manage the short to medium term fluctuations in work load through increased ability to reallocate staff to other council priorities.</p>	

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Independence</b></p> <p><i>Ability to remain independent and separate from political direction</i></p>	<p>LE staff believe that the fact that they operate as a CCO rather than a division of Council provides a degree of separation that ensures that they are not influenced by political direction in carrying out their regulatory functions.</p>	<p>If Councillors and Council management both have a clear understanding of the separation between governance activities/decisions (undertaken by Councillors) and operational activities/decisions (undertaken by officers of the Council), then there should be no more likelihood of political influence then would exist under a CCO model.</p> <p>Given the role that Councillors hold, it is inevitable that they will, at times, receive comment/feedback from those using regulatory services. It is appropriate that this feedback is passed on to the relevant management within Council if it relates to a current service delivery matter or highlights an opportunity to improve service delivery in future. Similarly, it would be appropriate for Councillor feedback to also be communicated to management under a CCO model.</p> <p>Feedback is an essential element of service improvement and is essential in understanding the impact of policy decisions.</p>	<p>The provision of regulatory functions through an out-sourced private provider would provide a degree of separation that ensures that they are not influenced by political direction in carrying out their regulatory function.</p> <p>However, in order to manage perception of bias and conflicts of interest any private provider would need to limit the scope and nature of any other undertakings, making the provision of these services a risky business proposition that would bring with it a substantial risk premium.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Transparency and Accountability</b></p> <p><i>Ability to set clear measures for the delivery of the activities and transparency of the level of achievement against these measures</i></p>	<p>Measures for the delivery of the activities of LE are set out in the annual Statement of Intent and the service level agreement with QLDC. Regular reporting is provided to QLDC on the achievement of these measures.</p>	<p>A similar level of accountability and transparency to that achieved by a CCO could also be achieved in relation to the in-house provision of regulatory services by setting clear and measureable performance standards and providing regular reporting against these.</p>	<p>The service contract would set out the deliverables, performance standards and reporting requirements.</p>
<p><b>Funding</b></p> <p><i>Ability to source funds from external sources and ability to sustain financial independence</i></p>	<p>LE's total income amounted to approximately \$7 million for the year ended 30 June 2012. Of this amount approximately 22% was received from QLDC as payment for "public good" services (being services that benefit the community rather than a specific applicant.) In addition, QLDC has purchased \$400k of regulatory services from LE (6%). LE provides environmental health services to the Central Otago District Council; resource consenting services to Dunedin City Council; building services to Selwyn District Council; and HSNO services to the Department of Labour. In total these external contracts</p>	<p>Outsourcing arrangements as currently provided to other councils and departments could continue to operate if regulatory activities were provided in-house within Council.</p>	<p>Any arrangements with outsourced private providers would probably aim to limit the nature of the providers other revenue-generating activities in order to limit actual or perceived conflicts of interest with the provision of regulatory activities. As noted above this limitation would bring with it a risk premium associated with any contract.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>provide revenue of approximately \$125k per annum. The remainder of LE's income (\$4.8 million) originates from its monopoly position in providing regulatory services on behalf of QLDC. As noted above the scope for further work of this nature is limited.</p> <p>The same limitations on the potential scope of the business as are noted regarding an out-sourced provider apply to LE. It will not be able to take on work that has the potential to conflict with its core regulatory role.</p> <p>QLDC has provided a guarantee and indemnity to the BNZ for LE's indebtedness. QLDC has also supplied a letter of comfort for external audit purposes indicating its support for the continued operation of the company.</p> <p>LE's most significant asset of \$2.4million in an intangible asset described as "goodwill".</p>		

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Fragmentation and Customer Service</b></p> <p><i>Degree of fragmentation of activities and impact of this fragmentation on overall customer service</i></p>	<p>The regulatory functions undertaken by LE form an integral part of the responsibilities of the Council and involve the exercise of a number of statutory delegations. There is a need for a close linkage between the planning policy functions (which QLDC undertakes) and the service delivery functions of consenting (which is carried out by LE) ensuring a two-way flow of information in relation to the practical implications of policy matters. This two-way interaction does not currently appear to be operating at an optimal level.</p> <p>Overall customer service offered in relation to Council’s activities appears to be fragmented between a number of entities, including LE, and this causes confusion for some customers in relation to which entity they should be liaising with in relation to which matters. This issue is compounded by the fact that QLDC and LE are in separate locations.</p>	<p>An appropriate structure within QLDC could facilitate the necessary interaction between planning policy and service delivery.</p> <p>Customer service would be more unified with all activities provided by Council. Unified and integrated service delivery would provide substantial benefits to customers / ratepayers, improving the reputation and standing of the Council.</p>	<p>Fragmentation and its impact on overall customer service would be greater under an outsourced private provider model.</p>



Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Risk</b></p> <p><i>Ability to ring-fence risk, either financial, legal or reputational</i></p>	<p>The CCO structure in relation to LE provides little practical opportunity to ring-fence risk and little opportunity for the Council to manage the risks to which it is exposed.</p> <p>In relation to certain regulatory functions, for example resource consenting, the Council has not delegated its statutory authority for the granting of these consents to LE and therefore, any risk in relation to the issue of those consents lies with the Council.</p> <p>Although LE operates as a separate company, QLDC is the guarantor of its bank loan and provides a letter of comfort as required for external audit purposes. Any legal claims that might arise, if not covered by LE's insurance, would ultimately need to be met by QLDC as LE does not currently have the capital depth to meet substantial claims. It should be noted that any weathertightness claims are specifically excluded from the insurance cover provided.</p> <p>Given the integral part that LE plays in delivering the regulatory functions of</p>	<p>Risks associated with the activities would lie with the Council. The Council would also have the ability to more directly manage its financial, legal and reputational risk.</p>	<p>Under an outsourced private-provider model, financial risk may be able to be ring-fenced, however other legal and reputational risks would likely still remain with the Council.</p> <p>In relation to certain regulatory functions, for example resource consenting, a similar model would likely operate to that which currently exists in relation to the CCO model and therefore legal and reputational risk would likely remain with the Council.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>behalf of the Council, reputational risk will, in practical terms, remain with the Council.</p> <p>Given the insubstantial nature of the LE as a company, the Council is exposed to any commercial risk that may stem from the work that they are undertaking for other local authorities.</p>		
<p><b>Community vs. Commercial Outcomes</b></p> <p><i>Tension between the need to deliver community outcomes vs. the incentive to pursue commercial initiatives</i></p>	<p>LE has a strong incentive to manage its costs in line with its revenue. However, in the performance of its regulatory functions no evidence has been found to suggest that it is putting the need to pursue commercial initiatives ahead of community outcomes.</p> <p>Anecdotal evidence from staff within QLDC indicates that LE's strong incentive to capture chargeable time and transfer this cost to the Council, sometimes discourages use of LE resources by Council staff. The pressure to maintain billable hours will also incentivise a confrontational, conservative and slow approach to processing consents. This perverse incentive mitigates against an enabling / supportive culture of assisting applicants to comply with policy and legal requirements.</p>	<p>Council would be able to manage the tensions between community and commercial outcomes as it sees fit.</p>	<p>Given that an outsourced private providers incentive would be profit maximisation the Council would only ever receive what is prepared to pay for, or can charge for.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Level of Control required by Council</b></p> <p><i>Ability and need for the Council to control outcomes and delivery of activities</i></p>	<p>The majority of the activities of LE involve the exercise of a statutory delegation vested in QLDC. In some instances these delegations have been delegated to officers of Lakes Environmental. In the case of resource consents however, the Council has delegated its authority to grant consents to Commissioners that it has appointed to review and give approval for resource consents (both notified and non-notified consents.)</p>	<p>Statutory delegations would be able to be exercised by officers of Council or by independent commissioners as deemed appropriate.</p>	<p>Statutory delegations would likely remain with Council.</p>
<p><b>Governance Costs</b></p> <p><i>Costs incurred in supporting the governance structure surrounding the activities</i></p>	<p>Governance costs include the cost of the Board and internal costs in supporting the governance structure. Total governance costs are estimated to be in the region of \$430k per annum or 6% of total expenditure. This includes Directors fees (\$94k, during the financial year 2011/12); CE remuneration (\$260-\$280k during the financial year 2011/12); a portion of the audit fee representing an estimate of the additional cost required in order to issue a separate audit opinion on LE (\$15k); and a portion of corporate-office activities which are required over and above that which would be required if the activities were not undertaken by a CCO (approximately \$50k).</p>	<p>Governance costs of approximately \$430k per annum would be avoided if the regulatory activities were provided in-house within Council. This is the estimate of the difference between the current governance costs under a CCO model and that which would exist if the activities were provided in-house within Council.</p>	<p>The recovery of the outsourced private provider's governance costs would be factored into the contract pricing. Given the limitations to the scope of such a business as discussed above, these governance costs are likely to be of a similar order to those associated with a CCO.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<b>New Skills and Perspectives</b>  <i>Ability to access new skills and perspectives through Board members</i>	<p>The Board of LE has a range of skills and experiences, however given that LE performs a regulatory function the opportunities to fully utilise the full range of these skills and experiences is limited. All functions of Council, whether delivered in-house or through a CCO, benefit from having strong management with a focus on cost management, productivity and customer service.</p>	<p>The Council would not have the benefit of Board members skills and perspectives. However, external specialist views on specific matters could be sought through advisory groups (although this would likely be at a cost).</p> <p>All functions of Council, whether delivered in-house or through a CCO, benefit from having strong management with a focus on cost management, productivity and customer service.</p>	<p>The Board of an outsourced private provider would likely have a range of skills and experiences, however given the regulatory nature of the activities, opportunities to fully utilise the full range of these skills and experiences is limited.</p>
<b>Nimbleness &amp; Agility</b>  <i>Ability to make and implement decisions, systems and innovations quickly</i>	<p>Given that LE performs regulatory functions there is limited ability to benefit from being nimble and agile at a strategic level. There is however the ability at a management/operational level to implement new internal systems and processes in a timely manner.</p>	<p>Although the Council structure may necessitate certain process to be followed around decision-making and implementation matters, clearly defining appropriate delegations at Council and management level should ensure that operational decisions are able to be made in a timely manner.</p>	<p>Given the regulatory nature of these functions there is limited ability to benefit from being nimble and agile at a strategic level. There is however the ability at a management/operational level to implement new internal systems and processes in a timely manner.</p>
<b>Service Quality</b>	<p>Service quality measures can be</p>	<p>The Council has the ability to set service</p>	<p>The Council could establish clear service</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<i>Ability to ensure that the quality of the service delivered is appropriate and respond to service delivery failures</i>	<p>expressed through the Statement of Intent with performance reported regularly.</p> <p>The measures that a Council has to improve CCO performance once reporting identifies performance failures are formal, blunt and time consuming.</p>	<p>quality expectations through the Long Term Plan, Annual Plan, and its performance expectations of the CEO. The Council can also monitor service quality through regular reporting.</p> <p>The ability for a Council to direct a CEO to address identified service delivery failures is considerably more direct and immediate than is possible with a CCO.</p>	<p>delivery expectations through a contract. However, it is often difficult to establish contractual frameworks that adequately capture both the quantifiable elements of service (timeliness, cost, etc) and the more qualitative side of customer experience.</p> <p>The opportunities that a Council has to rectify service delivery failures under a contract are limited by the effectiveness of the contract, the ability to enforce contract provisions and the commercial nous of the Council. It is often impractical to terminate a contract and this limits potential action to rectify failures.</p>
<p><b>Overall Cost Effectiveness</b></p> <p><i>Overall ability to deliver cost-effective services across the breadth of council responsibilities</i></p>	<p>The CCO model provides mixed incentives for the delivery of the most cost effective delivery of Council services overall. LE is not strongly incentivised to contain its costs, and is incentivised to maximise what it charges back to the Council. LE has limited incentives to provide integrated services that minimise costs either to applicants or to Council.</p>	<p>In-house service delivery provides the greatest scope to deliver the mix of services that achieves the lowest overall cost to Council and the public. This is largely due to increased scope to integrate service delivery and remove fragmentation and duplication.</p>	<p>An out-sourced service delivery model has less scope to deliver the least overall cost than the CCO model due to – the likely risk premium in any contract price, the limited scope to remove fragmentation and duplication, and the need to provide strong contract management and oversight from within the Council.</p>

### 4.3 Lakes Environmental Limited recommendation

Although there are advantages and disadvantages of each of the governance structures assessed above, on balance it is considered that it would be most appropriate to provide the regulatory activities of Council (as currently provided by Lakes Environmental Limited) in-house within Council. It is considered that given the nature of the activities, and with good management from within Council, providing these activities in-house should result in:

- the ability to apply an appropriate commercial focus to the activities with the objective of achieving greater operational efficiency being equal to that which could be achieved under a CCO model;
- the ability to remain independent and separate from political direction being equal to that which could be achieved under a CCO model;
- the ability to set clear measures for the delivery of the activities and transparency of the level of achievement against these measures being equal to that which could be achieved under a CCO model;
- the ability to source revenue from external sources of a similar nature and quantum to that which is currently sourced being equal to that which could be achieved under a CCO model;
- the degree of fragmentation of activities and the negative impact of this fragmentation on overall customer service being less than under a CCO model;
- the level of risk borne by the Council in relation to the activities being similar to, but less than that under a CCO model, reflecting greater ability to manage risk and reputational risk in particular;
- the ability to positively manage the tension between community and commercial outcomes being greater than under a CCO model;
- the level of control of Council in the exercise of its statutory delegations (through appropriately delegated QLDC officers) being greater than under a CCO model;
- the costs incurred in supporting the governance structure surrounding the activities being less than under a CCO model;
- the ability to reduce overall costs of Council services being greater than under a CCO model;
- the ability to improve integration between policy development and regulatory functions being greater than under a CCO model;
- the ability to access relevant skills and perspectives being not significantly less than could be achieved under the CCO model; and
- the ability to make and implement operational decisions quickly, although lesser under an in-house council model should not significantly impact the delivery of regulatory functions.

## 5. Lakes Leisure Limited

### 5.1 Activities of Lakes Leisure Limited

Lakes Leisure Limited was incorporated in January 2008 by QLDC to operate and manage leisure and recreation facilities and to deliver leisure and recreation services within the Queenstown Lakes District. Lakes Leisure Limited is a limited liability company incorporated under the Companies Act 1993. It is also a council-controlled organisation as defined in section 6 of the Local Government Act. Its sole shareholder is QLDC. Lakes Leisure Limited is registered as a charity under the Charities Act 2005.

Lakes Leisure Limited's constitution extends its principal objectives beyond those defined in the Local Government Act 2002 to specifically define the objectives of the Shareholder to include:

- To promote, encourage and facilitate the widest practical community participation in recreation and leisure within the facilities under its control; in pursuit of that objective, to make access to facilities as affordable as possible to the community and users;
- In partnership with Council, to plan for the further development of facilities under its control to meet the ongoing demands of growth; and
- To assure the value of assets under its control and promote their enhancement.

## 5.2 Lakes Limited Limited – CCO model assessment

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Commercial Focus</b></p> <p><i>Ability to apply a commercial focus to the activities with the objective of achieving greater operational efficiency</i></p>	<p>Lakes Leisure’s (LL) activities comprise the delivery of a mix of quasi-public goods/services (e.g. provision of a public swimming pool, community participation programmes open to all) and private good/services (e.g. health and fitness centre, learn to swim classes etc.)</p> <p>The current mandate of Lakes Leisure Limited as outlined in its constitution is fairly broad and includes objectives “to promote, encourage and facilitate the widest practical community participation in recreation and leisure within the facilities under its control” and “to make access to facilities as affordable as possible to the community and users.”</p> <p>Given these objectives, LL’s mandate to generate truly commercially-driven income is limited given its required focus on community participation and use of its facilities.</p> <p>Therefore, the focus of management and the Board is mainly on increased community participation and cost</p>	<p>As noted, the ability to generate truly commercial income is limited and where it does exist is likely to result in competition with private sector competitors and potential crowding out of private sector activity. Therefore any commercial focus will be in the application of sound commercial disciplines in the areas of participation and cost management. These disciplines should be familiar to and applied by management of any service delivery activity, regardless of whether the activity is undertaken by local government, central government or the private sector.</p> <p>With the recruitment and appointment of managers with appropriate skills, in our assessment, there is no reason why a similar commercial focus to that applied under a CCO model could not be achieved with the delivery of these activities in-house within Council.</p>	<p>Given the on-going public good interest in the ownership of the assets used to deliver public goods and services the only potential out-source arrangement would be a management contract.</p> <p>The focus of an outsourced provider will inevitably be profit maximisation, a model which may not lend itself to the provision of community outcomes at affordable cost. The opportunities for profit in a management contract will incentivise a provider to adopt a least cost model and defer maintenance and other large expenditure until after the end of the contract. These incentives will make it difficult to realise the full extent of commercial opportunities that are available.</p>



Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>management.</p> <p>During the financial year to 30 June 2012:</p> <ul style="list-style-type: none"> <li>• approximately 47% of LE's income (\$3.1 million) was provided by operational or capital grants from QLDC;</li> <li>• 20% (\$1.3m) was generated from the provision of a Health and Fitness Centre;</li> <li>• 18% (\$1.2 million) from the aquatics centre; and</li> <li>• 10% (\$641k) from hireage fees from the use of the facilities and turf; and</li> <li>• And the remainder (approximately 5%) from community participation programmes.</li> </ul> <p>The majority of charges for the services provided by Lakes Leisure are determined by Council (with input from Lakes Leisure) and published in the Community Facility Funding Policy with the exception of the use of the James Davies Oval and the commercial use of the Queenstown Events Centre which is by negotiation. For the 7 months to 31 January 2013, the revenue from commercial use of all Lakes Leisure facilities amounted to \$92k.</p>		

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Independence</b></p> <p><i>Ability to remain independent and separate from political direction</i></p>	<p>The CCO model for Lakes Leisure Limited provides a degree of separation that ensures that they are not significantly influenced by political direction in carrying out their operational functions. The CCO structure is also enduring, ensuring that it is not overly influenced by changes resulting from the political cycle.</p>	<p>If Councillors and Council management both have a clear understanding of the separation between governance activities/decisions (undertaken by Councillors) and operational activities/decisions (undertaken by officers of the Council), then there should be no more likelihood of political influence then would exist under a CCO model.</p> <p>Given the role that Councillors hold, it is inevitable that they will, at times, receive comment/feedback from those using recreational services. It is appropriate that this feedback is passed on to the relevant management within Council if it relates to a current service delivery matter or highlights an opportunity to improve service delivery in future. Similarly, it would be appropriate for Councillor feedback to also be communicated to management under a CCO model.</p> <p>Given the inherent public good nature of the services provided, in-house service delivery offers the greatest scope for Councils to make and implement policy decisions relating to the level of service provided.</p>	<p>The provision of recreational functions through an out-sourced private provider would provide a degree of separation that ensures that they are not overly influenced by political direction in carrying out their function.</p> <p>An out-sourced private provider arrangement would limit the opportunity for legitimate changes in policy and levels of service to be made by politicians to what could be negotiated as a variation to a contract, or until the re-tendering of a contract at the end of its term.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Transparency and Accountability</b></p> <p><i>Ability to set clear measures for the delivery of the activities and transparency of the level of achievement against these measures</i></p>	<p>Measures for the delivery of the activities of LL are set out in the annual Statement of Intent and the service level agreement with QLDC. Regular reporting is provided to QLDC on the achievement of these measures.</p>	<p>A similar level of accountability and transparency as achieved by a CCO could be achieved in relation to the in-house provision of recreational services by setting clear and measureable performance standards and providing regular reporting against these.</p>	<p>The service contract would set out the deliverables, performance standards and reporting requirements.</p>
<p><b>Funding</b></p> <p><i>Ability to source funds from external sources and ability to sustain financial independence</i></p>	<p>As noted above, in the 2011/12 year 47% of Lakes Leisure Limited income was provided by QLDC in the form of operational or capital grants. The majority of the remaining income was generated through charges for the use of the pool, gym, programmes and facilities hire. Charges for the majority of these activities are set by Council under its Community Facility Funding Policy.</p> <p>Lakes Leisure Limited believes that its charitable status benefits donors and third party providers, making Lakes Leisure an attractive organisation to support through grants, donations etc. Lakes Leisure is concerned that if this charitable status was not available (as it would not be to Council) then</p>	<p>Funding from QLDC and the sale of other services would continue in a similar manner to currently if recreation and leisure activities were provided in-house by Council.</p> <p>The currently received grants in the form of OSCAR WINZ subsidies and OSCAR MSD holiday programmes grants do not specifically relate only to entities that have charitable status and therefore, eligibility for these grants should continue if the programmes were provided in-house by Council (provided other criteria continued to be met.)</p> <p>We are unable to assess whether the future grant as indicated by the LL Board of \$200-300k would continue to be available if recreation activities were provided in-house within Council given that details of this grant</p>	<p>Any arrangements with outsourced private providers would be funded in a similar manner to under the CCO or in-house Council model. However, it may be difficult to provide the right incentives for a facility manager to actively pursue third party grant funding.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>grant/donation income would be forgone. In the past financial year, external grants/donations received by Lakes Leisure amounted to approximately \$62k (excluding those provided by Council) being:</p> <ul style="list-style-type: none"> <li>• OSCAR WINZ subsidies for holiday programmes of approximately \$11k per annum;</li> <li>• OSCAR MSD holiday programme grants of approximately \$24k per annum;</li> <li>• Rugby World Cup grant of \$27k.</li> </ul> <p>Similar levels and types of grants have been received in the current financial year. In addition, in-kind sponsorship and support has been provided by a number of local businesses and sporting groups.</p> <p>The LL board have informed us that another substantial grant in the region of \$200-300k is imminent. The details of which could not be made available at the time of writing this report due to the fact that negotiations are ongoing.</p>	<p>are unable to be made available to us at this time.</p>	

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>To date, capital expenditure for the development of facilities has been funded by way of capital grant from the Council (except for a financing arrangement with BNZ for an amount of \$780k entered into in the 2009/10 year for the purchase of equipment for the Health and Fitness Centre). Capital funding provided from QLDC since the formation of LL amounts to approximately \$3.3 million or approximately 70% of the cost of total fixed assets.</p> <p>The Lakes Leisure Board has informed us that funding for the further development of the Events Centre (in the region of \$20m) will be 30% funded by Council, with the remaining 70% being the responsibility of Lakes Leisure to source through grants, donations and other commercial financing arrangements. (It should be noted that Lakes Leisure has minimal tangible assets over which to secure any commercial loans on its own account without recourse to the Council.) This information differs from that included in the Queenstown Events Centre Master Facilities Plan which indicates that approximately 18% of the</p>		

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	<p>total funding would be sourced through grants, donations and financing, with the remaining 82% being funded by Council. It should be noted that the development of the Queenstown Events Centre is scheduled for after 2015 and will therefore be revisited in the next Long-Term Plan.</p>		

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Fragmentation and Customer Service</b></p> <p><i>Degree of fragmentation of activities and impact of this fragmentation on overall customer service</i></p>	<p>There are several areas in which fragmentation occurs in the provision of activities between the Council and Lakes Leisure, these include, but may not be limited to:</p> <ul style="list-style-type: none"> <li>• Maintenance of sports fields. Lakes Leisure provide maintenance of the playing surface and Council provide (through a contractor) maintenance of the playing field surround;</li> <li>• Community events are undertaken by both QLDC and Lakes Leisure under their respective brands;</li> <li>• Community events are supported in kind or through sponsorship by both Lakes Leisure and QLDC, but under their respective brands;</li> <li>• Public bookings for some facilities require the public to deal with multiple council entities e.g. Lakes Leisure for booking; LE for consents; and QLDC (through their contractor APL) for licences to occupy.</li> </ul>	<p>Delivery of all recreation and leisure activities in-house within Council should facilitate the elimination of fragmentation in service delivery.</p>	<p>Fragmentation and its impact on overall customer service would be greater under an outsourced private provider model.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><b>Risk</b></p> <p><i>Ability to ring-fence risk, either financial, legal or reputational</i></p>	<p>The CCO structure in relation to Lakes Leisure provides little practical opportunity to ring-fence risk.</p> <p>Although Lakes Leisure operates as a separate company, QLDC provides approximately 47% of its funding.</p> <p>Ultimately, the Council remains responsible for the delivery of community services and the provision of the resources needed to provide these services. The Council retains ownership of all facilities and venues managed by Lakes Leisure and ultimately provides the financial resources to maintain and develop them.</p> <p>Any legal claims that might arise against Lakes Leisure, if not covered by LL's insurance, would ultimately need to be met by QLDC as Lakes Leisure does not currently have the capital depth to meet substantial claims.</p> <p>Given the integral part that Lakes Leisure plays in delivering the recreation and leisure activities on behalf of the Council, reputational risk will, in practical terms, remain with the Council.</p>	<p>Risks associated with the activities would lie with the Council, as would the ability to manage and mitigate the risks.</p>	<p>Under an outsourced private-provider model, some financial risk may be able to be ring-fenced, but this is difficult to do through a facilities management contract. Legal and reputational risks would likely still remain with the Council.</p>



Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<b>Community vs. Commercial Outcomes</b>  <i>Tension between the need to deliver community outcomes vs. the incentive to pursue commercial initiatives</i>	<p>Although there are always likely to be isolated instances where commercial events/use of venues may prevent community groups from accessing resources at the time required, Lakes Leisure has measures in place to ensure that this does not occur more than specified in its performance standards.</p> <p>A review of the use of the facilities managed by Lakes Leisure indicates a high proportion of the usage relates to community activities.</p>	<p>Council would be able to manage the tensions between community and commercial outcomes as it sees fit. The Council would also have the ability to set service standards and performance expectations through the Long term plan, Annual Plan and CEO performance framework.</p>	<p>Given that an outsourced private providers incentive would be profit maximisation there may be an incentive to favour commercial initiatives.</p>
<b>Level of Control required by Council</b>  <i>Ability and need for the Council to control outcomes and delivery of activities</i>	<p>Ultimately, the Council remains responsible for the delivery of community services and the provision of the resources needed to provide these services. However, Council does not need to be able to control day-to-day outcomes and delivery of service.</p> <p>Charging for the use of Council owned facilities is controlled by the Council through the approved Community Facilities Funding Policy.</p>	<p>Ultimately, the Council remains responsible for the delivery of community services and the provision of the resources needed to provide these services. However, Council does not need to be able to control day-to-day outcomes and delivery of service.</p>	<p>Ultimately, the Council remains responsible for the delivery of community services and the provision of the resources needed to provide these services. However, Council does not need to be able to control day-to-day outcomes and delivery of service.</p>
<b>Governance Costs</b>	<p>Governance costs include the cost of the</p>	<p>Governance costs of approximately \$300k per</p>	<p>The recovery by the outsourced private</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<p><i>Costs incurred in supporting the governance structure surrounding the activities</i></p>	<p>Board and internal costs in supporting the governance structure. Total governance costs are estimated to be in the region of \$300k per annum or 5% of total expenditure. This includes Directors fees (\$84k); a portion of the audit fee representing an estimate of the additional cost required in order to issue a separate audit opinion on LE (\$10k); and a portion of management/corporate-office activities which are required over and above that which would be required if the activities were not undertaken by a CCO (approximately \$206k).</p>	<p>annum would be avoided if the regulatory activities were provided in-house within Council. This is the estimate of the difference between the current governance costs under a CCO model and that which would exist if the activities were provided in-house within Council.</p>	<p>provider's governance costs would be factored into the contract pricing.</p>
<p><b>New Skills and Perspectives</b></p> <p><i>Ability to access new skills and perspectives through Board members</i></p>	<p>The Board of Lakes Leisure has a range of skills and experiences, however given that Lakes Leisure is managing existing Council facilities, the opportunities to fully utilise the full range of these skills and experiences is limited. The Lakes Leisure Board has indicated that one of the primary benefits that it brings is its networks and relationships which facilitate the delivery of Lakes Leisure's services and programmes.</p> <p>All functions of Council, whether delivered</p>	<p>The Council would not have the benefit of Board members skills and perspectives. However, external specialist views on specific matters could be sought through advisory groups.</p> <p>All functions of Council, whether delivered in-house or through a CCO, benefit from having strong management with a focus on cost management, productivity and customer service.</p>	<p>The Board of an outsourced private provider would likely have a range of skills and experiences, however given the nature of the activities, opportunities to fully utilise the full range of these skills and experiences is limited.</p>

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
	in-house or through a CCO, benefit from having strong management with a focus on cost management, productivity and customer service.		
<b>Nimbleness &amp; Agility</b>  <i>Ability to make and implement decisions, systems and innovations quickly</i>	Given that Lakes Leisure currently manages existing Council facilities and has no financial scope to undertake significant new business there is limited ability to benefit from being nimble and agile at a strategic level. There is however the ability, at a management/operational level to implement new internal systems and processes in a timely manner.	Although the Council structure may necessitate certain process to be followed around decision-making and implementation matters, clearly defining appropriate delegations at Council and management level should ensure that operational decisions are able to be made in a timely manner.	Under the current model where Council owns the facilities and is responsible for their development, there is limited ability to benefit from nimbleness and agility at a strategic level. There is however the ability, at a management/operational level to implement new internal systems and processes in a timely manner.
<b>Service Quality</b>	Service quality measures can be expressed through the Statement of	The Council has the ability to set service quality expectations through the Long Term	The Council could establish clear service delivery expectations through a contract.

Criteria	Council-controlled organisation	In-house by Council	Out-sourced to private provider
<i>Ability to ensure that the quality of the service delivered is appropriate and respond to service delivery failures</i>	<p>Intent with performance reported regularly.</p> <p>The measures that a Council has to improve CCO performance once reporting identifies performance failures are formal, blunt and time consuming.</p>	<p>Plan, Annual Plan, and its performance expectations of the CEO. The Council can also monitor service quality through regular reporting.</p> <p>The ability for a Council to direct a CEO to address identified service delivery failures is considerably more direct and immediate than is possible with a CCO.</p>	<p>However, it is often difficult to establish contractual frameworks that adequately capture both the quantifiable elements of service (timeliness, cost, etc) and the more qualitative side of customer experience.</p> <p>The opportunities that a Council has to rectify service delivery failures under a contract are limited by the effectiveness of the contract, the ability to enforce contract provisions and the commercial nouse of the Council. It is often impractical to terminate a contract and this limits potential action to rectify failures.</p>
<p><b>Overall Cost Effectiveness</b></p> <p><i>Overall ability to deliver cost-effective services across the breadth of council responsibilities</i></p>	<p>The CCO model provides mixed incentives for the delivery of the most cost effective delivery of Council services overall. LL is not strongly incentivised to contain its costs, and there will always be more demand for community public good recreation services than the Council is willing or able to fund. LL has limited incentives to provide integrated services that minimise costs to Council.</p>	<p>In-house service delivery provides the greatest scope to deliver the mix of services that achieves the lowest overall cost to Council and the public. This is largely due to increased scope to integrate service delivery and remove fragmentation and duplication.</p>	<p>An out-sourced service delivery model has less scope to deliver the least overall cost than the CCO model due to – the likely risk premium in any contract price, the limited scope to remove fragmentation and duplication, and the need to provide strong contract management and oversight from within the Council.</p>

### 5.3 Lakes Leisure Limited recommendation

Although there are advantages and disadvantages of each of the governance structures assessed above, on balance it is considered that it would be most appropriate to provide the recreation and leisure activities of Council (as currently provided by Lakes Leisure Limited) in-house within Council. It is considered that given the nature of the activities, and with good management from within Council, providing these activities in-house should result in:

- the ability to apply a commercial focus to the activities with the objective of achieving greater operational efficiency being equal to that which could be achieved under a CCO model;
- the ability to remain independent and separate from political direction being equal to that which could be achieved under a CCO model;
- the ability to establish service level expectations and the scope of the undertakings being equal to or better than the CCO model;
- the ability to set clear measures for the delivery of the activities and transparency of the level of achievement of these measures being equal to that which could be achieved under a CCO model;
- the ability to source revenue from external sources of a similar nature and quantum to currently achieved would not be significantly different to that which could be achieved under a CCO model. If major fundraising efforts are required to fund significant capital projects then specific one-off mechanisms could be put in place to access the full range of grants/donations that might be available e.g. many Councils set up trusts to undertake specific fundraising activities for capital projects with the trust being dissolved once the fundraising task is complete;
- the degree of fragmentation of Council activities would be less than under a CCO model;
- the level of risk borne by the Council in relation to the activities would be the same as under a CCO model, but the ability to manage and mitigate risk would be better than under the CCO model;
- the ability to positively manage the tension between community and commercial outcomes would be greater than that which could be achieved under a CCO model;
- the level of control of Council being greater than under a CCO model;
- the costs incurred in supporting the governance structure surrounding the activities being less than under a CCO model;
- the ability to deliver a lower overall cost of services being greater than under the CCO model through the ability to remove duplication and fragmentation;
- the ability to access relevant skills and perspectives being not significantly less than could be achieved under the CCO model; and
- the ability to make and implement operational decisions quickly, although lesser under an in-house council model should not significantly impact the delivery of recreation and leisure activities.

## Appendix 1: Recreation and Venue Facilities-Related CCOs

Council	Recreation and venue facilities Delivery
Auckland Council	Regional Facilities Auckland Limited operates and manages a range of major venues and stadia e.g. Aotea Centre, Mt Smart Stadium, Auckland Zoo, Auckland Art Gallery, etc.
Tauranga City Council	Aquatic facilities and operations overseen by Tauranga City Aquatics Limited. Baypark assets owned and developed by Tauranga City Venues Limited
Hutt City Council	Communities Facilities Trust established to develop and own Taita community and recreational centre.
Palmerston North City Council	Caccia Birch Trust Board operates a meeting and conference centre to help fund the preservation of the building. Globe Theatre Trust Board operates, develops and maintains the Globe Theatre. Regent Theatre Trust Board operates, develops and maintains the Regent Theatre.
Upper Hutt City Council	Expressions Arts and Entertainment Centre operated and maintained by Expressions Arts and Entertainment Trust.
Wellington City Council	Wellington Venues Limited manages and operates four commercial venues. Basin Reserve Trust manages and operates the Basin Reserve.
Christchurch City Council	Vbase Limited owns and manages four commercial venues.
Dunedin City Council	Dunedin Venues Limited and Dunedin Venues Management Limited own and operate the Forsyth Barr Stadium.
Invercargill City Council	Invercargill Venue and Events Management Limited operates and markets the Civic Theatre and Stadium Southland.
Nelson City Council	Nelmac Limited manages, constructs and maintains key facilities, infrastructure such as water and waste, parks, reserves, sportsfields.
New Plymouth District Council	Yarrow Stadium Trust own and operates the Yarrow Stadium.
Rangitikei District Council	Taihape Community Development Trust operates the Taihape swimming pool which is owned by the Council.
Tararua District Council	Tararua Aquatic Community Trust maintain an indoor swimming pool
Whangarei District Council	Northland Events Centre Trust manages the Northland Events Centre
Ashburton District Council	Ashburton Stadium Complex Trust manages the Ashburton Stadium