



AGENDA

Late Reports

Ordinary Council meeting

Monday, 13 December 2021

Date: Monday, 13 December 2021

**Time: to start at the conclusion of the Strategy,
Finance & Risk Committee meeting**

**Location: Tauranga City Council
Council Chambers
91 Willow Street
Tauranga**

Please note that this meeting will be livestreamed and the recording will be publicly available on Tauranga City Council's website: www.tauranga.govt.nz.

**Marty Grenfell
Chief Executive**

Order of Business

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11 BUSINESS

11.6 Letters of Expectation 2022-2023 for Council-Controlled Organisations

File Number: A13024278

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PURPOSE OF THE REPORT

1. The purpose of this report is to confirm the Letters of Expectation for 2022-2023 from Tauranga City Council to three of its council-controlled organisations. The purpose is also to receive a request from Tourism Bay of Plenty to approve an amendment to their Statement of Intent for 2021-2024.

RECOMMENDATIONS

That the Council:

- (a) Receives the Letters of Expectation 2022-2023 for Council-Controlled Organisations report.
- (b) Approves the Letter of Expectation from Tauranga City Council to Bay Venues Limited (Attachment 1).
- (c) Approves the Letter of Expectation from Tauranga City Council to Tauranga Art Gallery Trust (Attachment 3).
- (d) Approves the Letter of Expectation from Tauranga City Council to Tourism Bay of Plenty (Attachment 4), noting that approval of the Western Bay of Plenty District Council as joint shareholder will be sought at their Council meeting on 16 December 2021.
- (e) Approves the Statement of Intent template for all three council-controlled organisations (Attachment 5).
- (f) Approves the amendment to Tourism Bay of Plenty's Statement of Intent for 2021-2024.

EXECUTIVE SUMMARY

2. Letters of Expectation for three of Tauranga City Council's (TCC) five council-controlled organisations, Bay Venues Limited (BVL), Tauranga Art Gallery Trust (TAGT) and Tourism Bay of Plenty are attached for Council's approval.
3. These provide guidance to the council-controlled organisations on what Council expects to see in their 2022-2025 Statements of Intent.
4. Tourism Bay of Plenty (TBOP) has requested Council approval an amendment to their Statement of Intent for 2021-2024, removing the performance measure for TBOP to support Council to explore alternative funding mechanisms. Staff support this request for the reasons outlined in paragraphs 23 to 29 below.

BACKGROUND

Legislative requirements for council-controlled organisations

5. Part 5 of the Local Government Act 2002 sets out the statutory regime for council-controlled organisations. The key components are:

- appointment of directors/trustees
 - consideration of the draft statement of intent and providing comment
 - regularly monitoring council-controlled organisation's performance
 - including the council-controlled organisation's objectives and performance in the council's long-term plan, annual plan and annual report.
6. Under the Local Government Act legislative framework, Council has minimal opportunity for input into a council-controlled organisation's planning for the following year, until the draft Statement of Intent has been completed and submitted to Council, at which point Council has two months to respond.
 7. A number of councils take a more proactive approach, working collaboratively with their council-controlled organisations and providing them with clear guidance at the early stages of the annual planning process. This helps to ensure that the council-controlled organisation's objectives and strategies are aligned with the councils and is particularly important when council-controlled organisations deliver significant services on its behalf.
 8. Since 2014, TCC has worked with its council-controlled organisations to set clear expectations and to develop expectation documents, in particular the over-arching Enduring Statement of Expectations and the annual Letter of Expectations. The Letter of Expectations outlines key areas of focus for the council-controlled organisations for the following year, usually linked to strategic priorities for the city.
 9. This process has been focused for those council-controlled organisations that TCC has significant control over; BVL, TAGT and TBOP (joint shareholder with Western Bay of Plenty District Council). An Office of the Auditor General Report in 2015 cited this process as an example of best practice when dealing with and managing council-controlled organisations.
 10. The key characteristics of the Enduring Statement of Expectations, Letter of Expectations and Statements of Intent are provided in Attachment 6 for reference.

Letters of Expectation for 2021-2022

11. Letters of Expectation for each of the three main council-controlled organisations have been developed in consultation with staff. These have been socialised with the Commissioners and the council-controlled organisations and are provided as attachments to this report.
12. The Review of Strategic and Operational Alignment of TCC with its council-controlled organisations (Pedersen, February 2020) recommended that:

“Pending the development of new strategies, and to the extent that is possible, annual letters of expectation of the council-controlled organisations specify desired outcomes rather than outputs or tasks.”
13. Given that the City Vision and TCC's own strategic direction is still under development, this year's Letters of Expectation have a focus on Council's recently refreshed community outcomes that are relevant to the areas of service that the council-controlled organisations deliver on behalf of council, being arts and culture, tourism, recreation, sport and events.
14. For BVL, there is a specific request for a continuation of the Board's commitment to implementing all of the recommendations of the recent McGredy Winder Strategic Review, as set out in a previous letter to the BVL Chair on 29 April 2021 (Attachment 2.)
15. This year's Letters of Expectation also make reference to Council's six guiding principles, but in particular prudent financial management, working in partnership with tangata whenua, managing the balance between social economic, cultural and environmental wellbeing of our communities, and transparency of decision-making.
16. In addition, there is a specific requirement of our council-controlled organisations to identify opportunities to deliver operational efficiencies through shared service delivery models with Council and a request that Boards work towards greater public oversight.

17. The Pedersen Review (2020) recommended:
“That the concept of the Council and its council-controlled organisations being part of a ‘TCC Group’ that has common desired community outcomes, be the overarching principle of accountability documents and interactions between the respective organisations.”
18. There is an expectation that our council-controlled organisations work with us on the development of a Tauranga city brand, as well as the implementation of our city events strategy. In the meantime, we expect that all council-controlled organisations actively seek opportunities to utilise the Tauranga City Council logo and to promote them as the main contributor to operating costs.
19. We have also included a Statement of Intent template (Attachment 5) with this year’s Letters of Expectations to provide clearer guidance to our council-controlled organisations and ensure greater group consistency.
20. In addition, the Pedersen Review suggested that:
“The culture and values expected by the Council to be observed by its staff also guide how the staff of the council-controlled organisations are expected to work with the Council and for the community and be incorporated into the accountability documents.”
21. TCC’s values have therefore been included into the Letters of Expectations for the council-controlled organisations to incorporate into their statements of intent.
22. Council expects that the strategic priorities contained in these Letters of Expectation will be reflected by the Boards of our council-controlled organisations in their Statements of Intent. These should be supported by a realistic number of performance indicators measures where appropriate, which should help tell the story of the value back to Council and the community.

Amendment to Tourism Bay of Plenty’s Statement of Intent for 2021-2024

23. Following the presentation of their Annual Report to Council on 4 October, and a subsequent discussion with the Commissioners at TBOP’s ‘Governance-to-Governance’ meeting on 18 October 2021, TBOP have requested approval from Council to remove the following performance measure from page 17 of their [Final Statement of Intent 2021-2024](#):
“Support Councils to explore alternative funding mechanisms.”
24. This performance measure came about following a request from Council provided through feedback to TBOP’s draft Statement of Intent in April 2019.
25. Staff are of the view that this performance measure is now complete and support removing it from TBOP’s Statement of Intent for the reasons outlined in paragraphs 22 to 25 below.
26. In the [Local Government Funding and Financing – Response to Productivity Commission Draft Report](#) (DC257) that went to the Policy Committee on 20 August 2019, staff explored the Commission’s proposal that Government should legislate to allow councils in tourist centres to implement accommodation levies and that councils should explore opportunities for greater use of beneficiary or user pays models for tourism.
27. The staff recommendation at the time was to support this position, noting that it may not be of significant benefit in Tauranga. It was suggested that these issues *“can be further considered as part of the 2021-31 Long-term Plan should the next Council wish to do so.”*
28. Following an initial assessment by staff in August 2019 of the extent to which the ‘beneficiary pays’ in relation to tourism funding, it was found that:
“Funding Tourism Bay of Plenty predominantly through the Economic Development rate was largely a ‘well-allocated’ and efficient way to fund the majority of their costs. The additional costs of their new Destination Management approach are funded from airport revenues, which brings in a user-pays component. They also receive revenues from cruise ship tour operators and tourism experience providers.”

29. And that:

“Initial analysis of an accommodation levy suggested that projected revenues would potentially not warrant the administrative burden and that it may have unintended impacts on the visitor economy and the housing market. Options for charging cruise ships more directly have also been given initial consideration.”

STRATEGIC / STATUTORY CONTEXT

30. While not a legislative requirement under the Local Government Act (2002), when combined with the Enduring Statement of Expectations, the Letter of Expectation is a key document that Council provides clear guidance to its council-controlled organisations.

31. The Letters of Expectation help ensure that the council-controlled organisation’s objectives and strategies are aligned with Council’s, by providing key areas of focus that Council expects to see reflected in their Statements of Intent.

OPTIONS ANALYSIS

Option 1: Approve the Letters of Expectation – RECOMMENDED.

32. Council approves the Letters of Expectation for the council-controlled organisations.

| Advantages | Disadvantages |
|---|---|
| <ul style="list-style-type: none"> • Council-controlled organisations are part of the TCC group and are expected to operate in ways which contribute to the success of the group as a whole. • The community outcomes that are delivered by services provided from the council-controlled organisations assist Council to achieve the community outcomes and four well-beings prioritised through the Long-term Plan. | <ul style="list-style-type: none"> • Nil |

Option 2: Do not approve the Letters of Expectation – NOT RECOMMENDED.

33. Council does not approve the Letters of Expectation for the council-controlled organisations.

| Advantages | Disadvantages |
|---|---|
| <ul style="list-style-type: none"> • Nil | <ul style="list-style-type: none"> • Council may not be able to achieve its long-term plan community outcomes. • Lack of strategic direction, leading to a potential negative impact on Council’s relationship with its council-controlled organisations, who have undergone significant improvement through greater collaboration this year. |

FINANCIAL CONSIDERATIONS

34. There are no financial considerations.

LEGAL IMPLICATIONS / RISKS

35. There are no legal implications or risks.

CONSULTATION / ENGAGEMENT

36. Community consultation or engagement is not required or appropriate for this matter.

SIGNIFICANCE

37. Under TCC's [Significance and Engagement Policy](#), this decision is of low significance as it is consistent with adopted policy and established practice. The letters of expectations are governance documents which affect TCC and its council-controlled organisations only (and WBOPDC, with regards to TBOP).

NEXT STEPS

38. Once adopted, the Letters of Expectation will be incorporated into an official letter to each council-controlled organisation, signed by the Commission Chair and delivered to the Chair of each council-controlled organisation.
39. The Letter of Expectation for TBOP will go for approval by the Western Bay of Plenty District Council, as joint shareholder, at their Council meeting on 16 December 2021.
40. The Letters of Expectation are intended to inform the council-controlled organisations' draft Statements of Intent, which are due to Council on 1 March 2022. Council must then provide feedback on the draft Statements of Intent to the council-controlled organisations by 1 May 2022. The final Statements of Intent must be adopted by the council-controlled organisation boards and submitted to Council by 30 June 2022.

ATTACHMENTS

1. **Letter of Expectations 2022-2023 to Bay Venues Limited - A13099414** [↓](#)
2. **Shareholder Feedback to BVL draft SOI 2021-22 - A13118729** [↓](#)
3. **Letter of Expectations 2022-2023 to Tauranga Art Gallery Trust - A13099435** [↓](#)
4. **Letter of Expectations 2022-2023 to Tourism Bay of Plenty - A13099399** [↓](#)
5. **CCO Statement of Intent Template 2022 - A13083601** [↓](#)
6. **Key characteristics of the Enduring Statement of Expectations, Letter of Expectations and Statement of Intent - A7361498** [↓](#)

