

I hereby give notice that an ordinary meeting of the Council Controlled Organisations Governance and Monitoring Committee will be held on:

Date: Tuesday, 7 October 2014
Time: 9.30am
Meeting Room: Reception Lounge, Level 2
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Council Controlled Organisations Governance and Monitoring Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Deputy Mayor Penny Hulse
Deputy Chairperson	Cr Calum Penrose
Members	Cr Anae Arthur Anae
	Cr Cameron Brewer
	Cr Dr Cathy Casey
	Member Precious Clark
	Cr Ross Clow
	Cr Linda Cooper, JP
	Cr Chris Darby
	Cr Denise Krum
	Cr Dick Quax
	Cr Penny Webster
	Member Glenn Wilcox
	Cr George Wood, CNZM
Ex-officio	Mayor Len Brown, JP

(Quorum 7 members)

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2 October 2014

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1 Apologies

At the close of the agenda no apologies had been received.

2 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3 Confirmation of Minutes

That the Council Controlled Organisations Governance and Monitoring Committee:

- a) confirm the ordinary minutes of its meeting, held on Tuesday, 2 September 2014, including the confidential section, as a true and correct record.

4 Petitions

At the close of the agenda no requests to present petitions had been received.

5 Public Input

Standing Order 3.21 provides for Public Input. Applications to speak must be made to the Committee Secretary, in writing, no later than **two (2)** working days prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of **thirty (30) minutes** is allocated to the period for public input with **five (5)** minutes speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

6 Local Board Input

Standing Order 3.22 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to **five (5)** minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give **two (2)** days notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 3.9.14 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.

7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the

public,-

- (i) The reason why the item is not on the agenda; and
- (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
 - (i) That item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

8 Notices of Motion

At the close of the agenda no requests for notices of motion had been received.

CCO Accountability Framework

File No.: CP2014/22148

Purpose

1. To agree the proposed changes to the CCO Accountability Framework.

Executive summary

2. As part of the CCO Review, a workstream was established to review the CCO Accountability Framework.
3. The reasons for the review are to improve the way we work together, improve clarity in decision making and to simplify information flow, whilst ensuring adequate governance.
4. The review primarily focuses on the Statement of Intent (SOI) process (including the Letter of Expectation), governance documents, and reporting and monitoring.
5. The key areas for improvement were identified as:
 - a) greater alignment to the budget and priority decision making through the long-term plan (LTP) and annual plan processes
 - b) consistency in documentation
 - c) greater understanding of the CCO governance documents.
6. Taking the areas for improvement into consideration, the following are the key changes proposed:
 - a) The SOI direction outlined in the Letter of Expectation (LoE) will be set by the Budget Committee through the LTP/Annual Plan process to ensure performance measures, priorities and funding decisions are aligned in the LTP and SOI
 - b) The SOI will still be agreed through the CCO Governance and Monitoring Committee, but will focus on ensuring LoE comments are reflected in the SOI over inclusion of further priorities.
 - c) The content of the SOI should be consistent and concise, and will focus primarily on alignment to council strategies, key priorities and an outlook of performance
 - d) A CCO Governance Manual will be developed which will replace the current Shareholder Expectation Guide and the Board Appointments Policy. The CCO Accountability Policy, which is required under legislation, will be incorporated as a separate section in the manual
 - e) The existing governance content in the SOI will be moved to the CCO Governance Manual
7. The proposed CCO Governance Manual will also provide for greater clarity on the council policies and plans relating to CCOs and how the CCOs should respond to implementing them.
8. Any further material changes to performance reporting will be made after the implementation of the SOI and CCO Governance Manual.
9. It is also proposed to enhance targeted governance monitoring where areas of concern are raised.
10. With the recent changes to the Local Government Act, a binding agreement is required. It is proposed that a pro forma chief executive to chief executive binding agreement will be issued at the end of the SOI process. This will confirm the council's agreement on the SOI and CCO Governance Manual.

Recommendations

That the Council Controlled Organisations Governance and Monitoring Committee:

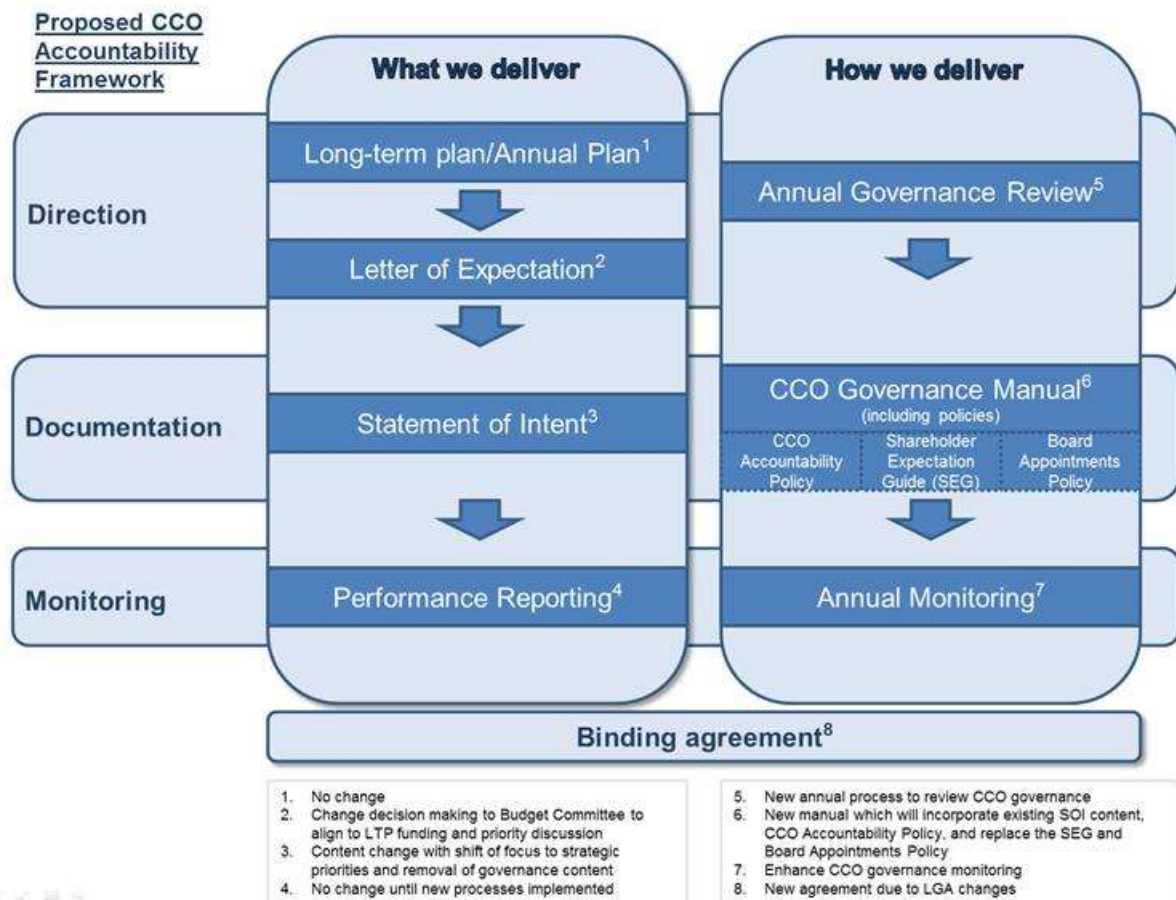
- a) agree the proposed changes to the CCO Accountability Framework, which includes:
 - i) changing the decision making on the Letters of Expectation from the CCO Governance and Monitoring Committee to the Budget Committee
 - ii) the content of the Statement of Intent will focus primarily on outlining strategic priorities and performance over governance
 - iii) the Statement of Intent governance content will move to a new CCO Governance Manual, which will replace the Shareholder Expectation Guide and any other policies that relate only to CCOs
 - iv) an annual chief executive to chief executive binding agreement will confirm the council approved Statement of Intent and CCO Governance Manual.
- b) agree that council staff consult the Independent Māori Statutory Board in further developing the CCO Accountability Framework (including the CCO Governance Manual) to ensure that the council group adequately meets, reports on and evaluates its contribution to Māori outcomes.

Comments

Background

11. The CCO Accountability Framework workstream has been established to review and improve the CCO planning processes, governance documents and reporting. The objective of the workstream is to develop a framework that provides:
 - a) clear, aligned and well understood priorities and accountability
 - b) a high degree of CCO and council engagement at a strategic level
 - c) planning and reporting processes that facilitate effective decision making without unnecessary complexity.
12. The key deliverables of the workstream are:
 - a) an integrated CCO planning process that clearly outlines agreed priorities and deliverables through the alignment of the Statement of Intent and the Annual Plan / Long-term plan (LTP), into a single process that facilitates effective strategic decision making
 - b) a review of current policies to create a well understood accountability document that sets clear expectations on CCOs and council
 - c) continued refinement of the performance reporting to support tracking and discussion of council strategic outcomes and priorities.
 - d) a review of the financial governance of CCOs.

13. The diagram below summarises the proposed changes.



Statement of Intent process

14. The SOI process is an accountability mechanism between council and its CCOs. It documents the CCOs contribution to the strategic objectives of council, key priorities, financial and non-financial performance information and the approach to key governance areas. The Letter of Expectation starts the SOI process by outlining direction for the CCOs for the next year.
15. By the CCO Board approving the SOI, followed by council, it provides an agreed set of outcomes and priorities for three years.
16. Whilst there have been improvements on the SOI process over the last three years, there is still limited engagement with councillors and CCOs, there is duplication with the annual plan process, and CCO priorities are discussed in isolation of budget implications.
17. As a legislated document, CCOs will need to continue to produce a SOI.
18. However, this workstream is proposing to integrate the SOI process into the LTP/Annual Plan process with the objective that the SOI is an output of the LTP/Annual Plan process over a stand-alone deliverable. I.e. priorities and deliverables are agreed as part of the LTP/Annual Plan and feed into the SOI. This is to ensure removal of any duplication, improve engagement with CCOs, and to align the priorities with funding.
19. It is also proposed that the new SOI document will focus mainly on documenting the CCOs agreed priorities, deliverables and funding, with governance content moving to the CCO Governance Manual.

20. Consistency and conciseness across the SOIs will be a focus, with the following proposed sections for the SOI template:
- a) He Mihi
 - b) Purpose of Statement of Intent
 - c) Chairman and chief executive statement
 - d) Strategic objectives
 - i. Mission
 - ii. Who we are and what we do
 - iii. Contribution to Auckland Plan and council goals
 - iv. CCO strategic objectives
 - v. Initiatives to deliver on strategic objectives
 - e) Deliverables for year
 - f) Performance activity outlook
 - g) Approach to governance
 - h) Summary of financials

CCO Governance Manual

21. Generally, the policies and guidelines applicable to CCOs are comprehensive, however they are not 'front of mind', and content tends to be replicated in the SOIs.
22. There are currently two key CCO governance documents:
- a) Shareholder Expectation Guide (SEG) – This outlines the shareholders expectations of the board of CCOs and is designed to help boards to operate effectively in their roles and to clarify their responsibilities. It outlines:
 - i. the CCO framework
 - ii. roles and responsibilities
 - iii. expectations and key relationships, including but not limited to, Local Boards, and Independent Māori Statutory Board (IMSB)
 - iv. financial governance
 - v. board governance.
 - b) Accountability Policy - This policy has been prepared in response to legislative requirement, and outlines:
 - i. the council's expectations in respect of each CCO's contributions to, and alignment with, the council's objectives and priorities
 - ii. the council's expectations in respect of each substantive CCO's contributions to, and alignment with, any relevant objectives of central government
 - iii. any planning and reporting requirements that each substantive CCO must undertake
 - iv. any strategic assets in relation to each substantive CCO and set out any requirements in relation to the organisation's management of those assets, including the process by which the organisation may approve major transactions in relation to them.
23. The objective of the workstream is to review the accountability policies with the intent to create one clear and well understood CCO Governance Manual.
24. This will replace the SEG and Board Appointments Policy. The CCO Accountability Policy, which is required under legislation, will be incorporated as a separate section in the manual.
25. In developing the CCO Governance Manual, both legal and shareholder consideration will be required.

26. The proposed manual will incorporate council policies and plans that are applicable to CCOs, and how CCOs should respond to implementing them.
27. It is also proposed the CCO Governance Manual will be reviewed annually by the CCO Governance and Monitoring Committee to ensure it remains current and continues to meet shareholder expectation.

Binding agreement

28. Changes to the Local Government Act in July stipulate the need for councils to have a binding agreement when outsourcing any local infrastructure, services or regulatory functions to CCOs or private sector.
29. Under the legislation, agreements need to cover service levels, performance measures, risk management and non-performance.
30. The SOI and proposed CCO Governance Manual, which are agreed by the CCO Governance and Monitoring Committee, will document the requirements under the new legislation.
31. However, to meet the legislative requirement, it is proposed a pro-forma management to management (Chief Executive) binding agreement is issued at the conclusion of the SOI process.

Performance reporting

32. For the June CCO Governance and Monitoring Committee, the first steps have been made to provide consistency in CCO performance reporting to council, and focus the content to the pertinent areas for discussion.
33. Further changes to performance reporting will be subject to finalising the changes to the CCO planning process and the CCO Governance Manual.
34. This will include a review on the approach to monitoring adherence to the CCO Governance Manual. For example, how a CCO has engaged with Local Boards or delivered on council policies.

CCO Accountability timeline – 2014/2015

35. It is proposed that the first engagement on the direction of the SOI 2015-2018 is at the 29 October 2014 Budget Committee workshop.
36. At the workshop, an agenda item is proposed to discuss the draft LoEs, prior to agreement of the LoEs at the 5-7 November Budget Committee meeting.

37. The diagram below outlines the proposed timeline:

Proposed CCO Accountability timeline for 2014/2015



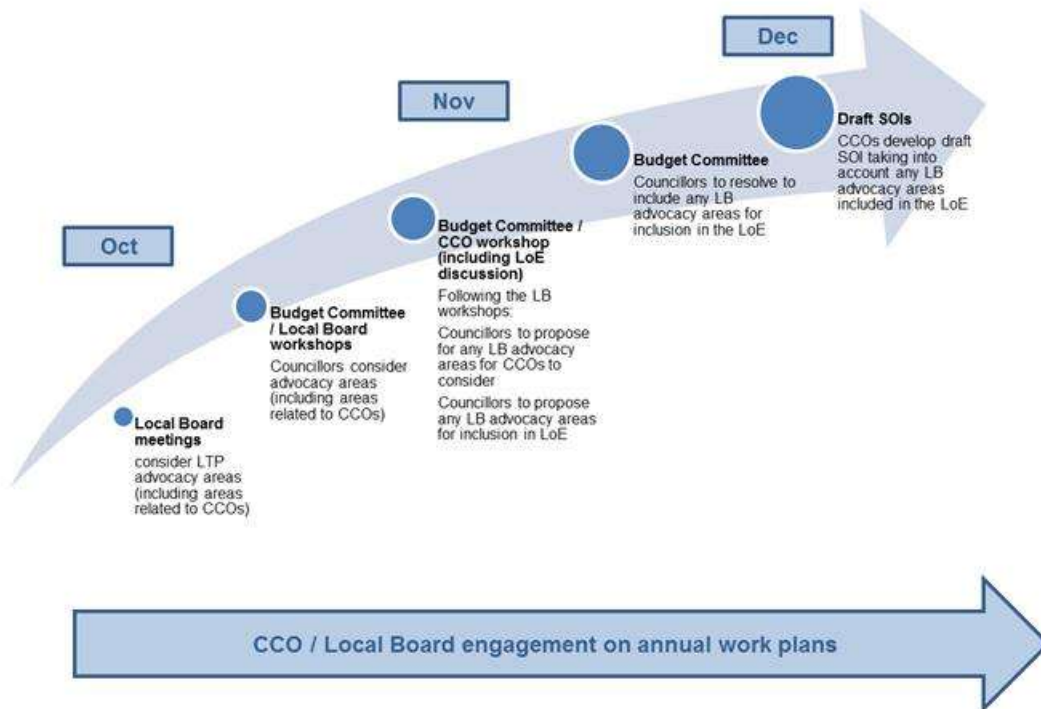
Consideration

Local board views and implications

38. The Governing Body is responsible for the Accountability Framework for CCOs. This includes agreeing the LoEs, SOIs and governance documents.
39. However, the proposed SOI process provides an opportunity for the Budget Committee to have an overview of local board priorities prior to agreeing the LoEs for CCOs. In October, the Budget Committee workshops with local boards occur shortly before workshops with CCOs. This will enable Budget Committee members to engage with CCOs regarding local board priorities if they have concerns about any priorities that are not reflected in CCO proposed programmes.
40. This does not supersede the requirement for CCOs to take into account local board priorities when they develop their proposed programmes, and for CCOs to actively engage with local boards as they do this.
41. The proposed new CCO Governance Manual will include council expectations of CCOs in relation to local board engagement and reporting, and consideration of local board priorities. These have already been articulated in resolutions of the Accountability and Performance committee in December 2012, and the Strategy and Finance Committee in September 2013. The recent elected member survey included questions for local board members to help assess the current level of satisfaction of local board members in relation to these matters. It is intended that this will continue to be monitored annually.

42. The diagram below outlines the proposed process.

Local Board engagement on draft SOI



Māori impact statement

- 43. The alignment of the priority and funding discussions in the LTP/Annual Plan process with the SOI direction setting by the LoE, should provide for greater clarity on the funded initiatives and priorities for supporting Māori outcomes to be included the SOI.
- 44. The Accountability Framework workstream proposes that council requirements of CCOs in relation to statutory obligations pertaining to the Treaty of Waitangi, CCOs' contribution to the Māori Responsiveness Framework; and CCOs' engagement with the IMSB, are included in a new CCO Governance Manual that CCOs are required to comply with. The IMSB will be consulted in developing the content of relevant sections of the manual.

Implementation

45. There are no material implementation issues.

Attachments

There are no attachments for this report.

Signatories

Authors	Robert Irvine - Financial Planning Manager CCOs
Authorisers	Matthew Walker - Manager Financial Plan Policy and Budgeting Stephen Town - Chief Executive

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Council Controlled Organisations Governance and Monitoring Committee:

- a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Substantive Council Controlled Organisations (CCOs) : Director Appointments

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>In particular, the report contains information regarding candidates interviewed by Auckland Council for director vacancies on Auckland Transport and Watercare Services Limited. The report also contains information regarding an additional appointment for Auckland Tourism, Events & Economic Development. This information needs to be withheld to protect the privacy of those individuals.</p>	<p>s48(1)(a)</p> <p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>