

9 April 2018

# Memo

To: Governing Body  
cc: Stephen Town, Phil Wilson, Taha MacPherson, Robert Irvine  
From: Alastair Cameron, Manager CCO Governance and External Partnerships

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Subject: **Update on the accountability review of council-controlled organisations**

## Summary

1. The purpose of this Memorandum is to update the Governing Body on progress made on the accountability review of council-controlled organisations (CCOs) since the last Memo to the Governing Body, dated 20 December 2017.
2. The objectives of the accountability review are to increase the accountability and value for money of CCOs by:
  - increasing the transparency of CCO decision-making
  - increasing the responsiveness of CCOs to the public and council
  - improving the recognition of ratepayer funding for CCO activity
  - increasing the ability to align CCOs to the direction set by the council.
3. The Governing Body approved the review and approach on 23 February 2017. The review consists of 17 workstreams (12 existing mechanisms; five are new) plus consideration of the resource required to ensure effective monitoring of the CCOs. These workstreams are being carried out across a number of council departments, overseen by the CCO Governance and External Partnerships department.
4. Since the last update, progress has been made against all of the workstreams, with the exception of reviewing Watercare's compliance with Section 57 of the LGACA.

## Background

5. On 1 February 2017 the Appointments and Performance Review Committee agreed to the objectives and scope of the review. The committee resolved to review 17 accountability mechanisms, plus monitoring practices and resourcing. The relevant resolutions are at Attachment A. This was then confirmed by the Governing Body, as set out in the resolutions at Attachment B.
6. The review programme is at Attachment C.

## Update

7. A summary of progress on the review is set out in the table below. This shows that:
  - three workstreams have been completed
  - all of the workstreams, with the exception of reviewing Watercare's compliance with Section 57 of the LGACA and the additional accountability mechanisms under section 91 LGACA are progressing.

- The workstream relating to Watercare is unlikely to be completed by the end of the financial year 2017/18 (red) as it is part of a wider work programme being undertaken in response to the section 17A value for money review on three waters.
- Components of the additional accountability mechanisms workstream (amber) have been progressed. However, considering the benefit of additional 10-year planning requirements (other than Asset Management Plans) has not yet commenced.

Workstream	Status	Detail on progress
<b>Mechanisms already in use</b>		
<b>1. CCO accountability policy</b> – review policy		The revised policy is currently being consulted on as part of the long-term plan and final changes will be reported as part of this process.
<b>2. s 92(2) of Local Government (Auckland Council) Act 2009 (LGACA)</b> – review council policies relevant to CCOs and provide direction to CCOs on those		<p>A paper on the s92(2) will come to the Finance and Performance Committee. This paper considers the strategic implications from the refreshed Auckland Plan, and identifies the issues and options for using s92(2).</p> <p>The Governing Body recently approved Council’s Our Charter for council staff, including CCOs, which has developed a group approach to corporate behavioural policies.</p>
<b>6. Councillor to CCO board workshops</b> – clear protocols for the process		<p>Protocols have been developed and are attached to this memo (refer Attachment D). These will be attached to the agenda for each of the scheduled workshops.</p> <p>A series of workshops have been programmed for 2018.</p>
<b>7. Enhanced local decision-making for local boards for CCO activities</b>		<p>The Governance Framework Review was reported to the Governing Body on November 2017. In March, the Governing Body endorsed Auckland Transport’s initial response to the Governance Framework review and requested that Auckland Transport report back on further progress as part of its fourth quarter report in September 2018, and thereafter annually as part of fourth quarter reporting.</p> <p>A report addressing the request by the Governing Body to review whether section 92(2) should be applied to direct CCOs to act consistently with local board plans is currently being worked through with Local Boards and will be reported to the Governing Body in June.</p>
<b>8. Long-term plan</b> - more detailed level of financial information required of CCOs for budgeting and reporting purposes		This workstream is led by the Group Financial Planning team and is progressing well.

<p><b>9. Statement of intent</b> – Review key performance indicators (KPIs) in the statement of intent for overall consistency, appropriateness and clarity. Review existing targets to ensure they are appropriate.</p>		<p>The Group Financial Planning team has worked with CCOs to undertake a high-level review of key performance indicators (KPIs) in time for the finalisation of the long-term plan in June 2018.</p> <p>A substantive review of KPIs for each CCO should be undertaken. This will require additional resource and will be addressed in a report to Governing Body on required monitoring and resourcing at the end of the review.</p>
<p><b>10. Quarterly reporting against the statement of intent</b> – improve risk section, support to councilors ahead of meetings for quarterly reports, template</p>		<p>The Group Financial Planning team is leading work on improvements to the quarterly report template. The introduction of this template will be introduced following the adoption of the Long-term Plan.</p>
<p><b>11. Strategic direction setting and prioritisation</b> – improving how the council specifies the outcomes it wants from CCOs and determines whether CCOs are delivering what the council (representing the public) wants</p>		<p>Consultation on the Auckland Plan 2050 and draft LTP ends on the 28 March. These two documents play a significant role in specifying the outcomes council is seeking from its CCOs. The CCO Governance and External Partnerships team is working with the Auckland Plan Strategy and Research team to determine whether there are any gaps, and the implications, in strategic direction setting for CCOs in Council's strategic framework.</p>
<p><b>12. CCO Governance Manual</b> – update post-review</p>		<p>This will be completed by the CCO Governance and External Partnerships to incorporate the outcomes of this review.</p>
<p><b>New tools</b></p>		
<p><b>13. Operating rules for Auckland Transport</b> – consider current AT practices including board meetings, release of information, employment practices and acquisition/disposal practices</p>		<p>Section 49 of LGACA provides that Council may make operating rules for AT. Conversations have commenced with Auckland Transport to consider the issues and options relating to this provision.</p>
<p><b>14. Additional accountability mechanisms under section 91 LGACA</b></p> <ul style="list-style-type: none"> <li>• review all current reporting and planning requirements and whether additional planning/reporting required from CCOs.</li> <li>• Consider the benefit of additional 10 year planning requirements (other than Asset Management Plans)</li> <li>• Consider a description of how CCOs comply with council's requirements for management of</li> </ul>		<p>Aspects of this workstream have been initiated, including:</p> <ul style="list-style-type: none"> <li>• improvements to the risk information provided by CCOs to the council</li> <li>• the CCO Accountability Policy has been updated to clarify the policy on strategic assets</li> </ul> <p>Consideration of the benefits of additional 10 year planning requirements has not yet commenced.</p>

strategic assets, and processes for approval of major transactions.		
<b>15. Service delivery reviews of CCO activities under section 17A of LGACA</b>		<p>The expectation of CCOs to implement the recommendations of section 17A reviews have been set out in the letters of expectation and CCO accountability policy.</p> <p>A series of reviews have been programmed and these will be reported separately to committee. The CCOs are participating in these reviews.</p>
<b>16. Independent CCO board performance reviews led by the council as shareholder</b>		<p>Discussions have been initiated with CCOs on the development of Board Performance Review Framework, including reviewing current processes, areas for improvement and developing a common framework for board performance reviews.</p> <p>Outcomes of the workstream will be reported to the Appointments, Performance Review and Value for Money Committee in the first quarter of 2017/18.</p>
<b>17. Watercare's compliance with section 57 of LGACA (cost effectiveness of service delivery)</b>		<p>This workstream is related to the recommendations of the section 17A review on three waters. As recommended by the review, Auckland Council is leading the development of the Auckland's Waters Strategy which Watercare is playing an active part in, and which will impact on asset management and funding plans. In February 2018, the Finance &amp; Performance Committee agreed that the other workstreams, including economic regulation would begin after the completion of Auckland's Waters.</p> <p>The economic regulation recommendations include steps to achieve transparency and consistency for pricing reviews. This includes requiring Watercare and Healthy Waters to publish an explanation of the funding required to deliver on the asset plan, projects, service levels, and how proposed prices, rates components, and charges are calculated, including the impact on pricing of cost-efficiencies.</p>
<b>Monitoring and resourcing</b> – review resource required to ensure effectiveness of CCOs		This will be considered at the end of the financial year 2017/18 at the end of the review.

### Completed Actions

<b>3. CCO board appointments – review contract for recruitment services</b>	Completed.
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<b>and appointment process</b>	
<b>4. Appointment of councillors to Auckland Transport board</b>	Completed.
<b>5. Advice to the Auditor General (OAG) on section 104 of LGACA (to review the service performance of the council and CCOs)</b>	Completed.

### **Next steps**

8. A comprehensive report on the review will be provided to the Governing Body in June 2017.
9. The following workstreams will also be reported separately in 2018:
  - the CCO accountability policy will be reported as part of the long-term plan
  - the CCO statements of Intent and quarterly reporting will be reported to Finance and Performance Committee
  - Section 92(2) provisions will be reported to the Finance and Performance Committee
  - updates to the CCO governance manual will be reported to Governing Body
  - further work on the three waters section 17A value for money review will be reported to the Finance and Performance Committee.

## **Attachment A**

### **Appointments and Performance Review Committee resolutions**

#### **11. Accountability of Auckland Council Controlled Organisations**

A PowerPoint presentation was provided. A copy has been placed on the official minutes and is available on the Auckland Council website as a minutes attachment.

Resolution number APP/2017/4

MOVED by Mayor P Goff, seconded by Deputy Chairperson C Fletcher: \_

**That the Appointments and Performance Review Committee:**

- a) **recommend to the Governing Body, at its 23 February 2017 meeting, the approval of the following objectives as the basis for the council-controlled organisations accountability review:**
  - i) **to increase the accountability and value for money of council-controlled organisations by:**
    - **increasing the transparency of council-controlled organisation decision-making**
    - **increasing the responsiveness of council-controlled organisations to the public and council**
    - **improving the recognition of ratepayer funding for council-controlled organisation activity**
    - **increasing the ability to align council-controlled organisations to the direction set by the council.**
- b) **recommend to the Governing Body at its 23 February 2017 meeting, the approval of the scope and timing of option 2 outlined in the agenda report, which recommends that five mechanisms be added to the existing twelve-mechanism work programme within the same timeline and budget.**
- c) **note that the existing work programme of council-controlled organisation accountability mechanisms will review the use of twelve out of twenty available tools and will proceed even if the committee does not agree to the enhanced programme described as option 2 in the agenda report.**
- d) **agree that the progress of the council-controlled organisation accountability review be reported to Governing Body meetings as a programme of work on a quarterly basis.**
- e) **request that as part of the council-controlled organisation accountability review, staff report back on the cost-effectiveness of the existing monitoring regime and the resource that is currently allocated to this function.**

**CARRIED**

## **Attachment B Governing Body resolutions**

### **17 Accountability of Auckland Council Controlled Organisations - Recommendations from the Appointments and Performance Review Committee**

A PowerPoint presentation was provided. A copy has been placed on the official minutes and is available on the Auckland Council website as a minutes attachment.

Resolution number GB/2017/17

MOVED by Mayor P Goff, seconded by Cr D Simpson: \_

**That the Governing Body:**

- a) **approve the following objectives as the basis for the council-controlled organisations accountability review:**
  - i) **to increase the accountability and value for money of council-controlled organisations by:**
    - **increasing the transparency of council-controlled organisation decision-making**
    - **increasing the responsiveness of council-controlled organisations to the public and council**
    - **improving the recognition of ratepayer funding for council-controlled organisation activity**
    - **increasing the ability to align council-controlled organisations to the direction set by the council.**
- b) **approve the scope and timing of option 2 outlined in the 1 February 2017 Appointments and Performance agenda report, which recommends that five mechanisms be added to the existing twelve-mechanism work programme within the same timeline and budget.**

**CARRIED**

# Attachment C

## CCO accountability review



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## Attachment A: Expanded description of proposed scope, timing and contribution of each CCO accountability mechanism

Table 1: CCO accountability mechanisms already programmed for review/use.

Accountability mechanism	Proposed scope and timing of improvement/use
<p><b>1a) The Accountability Policy for substantive CCOs – contained in the LTP. The policy must contain: council's expectations on contributions and alignment to council objectives and priorities and any additional reporting and planning requirements (over and above normal legislative requirements).</b></p>	<p><b>Current state:</b> Not comprehensively revised since amalgamation (with the exception of Panuku). Because the accountability policy is contained in the LTP, CCOs must give effect to it.</p> <p><b>Proposed scope of improvements:</b> The expectations council has for individual CCOs should be reviewed to ensure they match current council priorities.</p> <p>Improvement of the transparency of investment decision-making undertaken by CCOs – likely to be in the form of an Investment Policy that will determine when 'business cases'<sup>1</sup> should be approved by the shareholder (council). An investment policy will also contain expectations on how reporting and accountability of business case projects should occur. This work will improve the linkage of budgeted spend to key outcomes set by council.</p> <p>Also propose to clarify the decision-making parameters around the combined wastewater/stormwater network in the strategic assets/major transactions section.</p> <p>Staff will investigate whether there is any matter that will benefit from additional planning or reporting requirements.</p> <p><b>Contribution to review objectives:</b> increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> a revised policy would need to be ready for consultation as part of the LTP process (workshopped September – December 2017).</p>
<p><b>1b) Section 92(2) of the Local Government (Auckland Council) Act 2009 (LGACA). Explicit direction to CCOs on council plans and strategies that CCOs 'must act consistently with'.</b></p>	<p><b>Current state:</b> This mechanism been used in a limited way at this point. Council has a comprehensive array of strategies and policies, some of which CCOs lead the implementation of, some which apply to all entities within the council 'group' and some which CCOs contribute to.</p> <p><b>Proposed scope of improvements:</b> since this mechanism has been used in a minor way to date, there is a significant opportunity to communicate the relevant aspects of adopted council policies to CCOs. Given that council has many policies, plans and strategies, it is proposed that this work is carried out in several tranches. The first tranche will cover the policies that councillors and</p>

<sup>1</sup> The term 'business case' refers to the council investment decision-making tool that scrutinises investment decisions using five lenses (or cases): the strategic, economic, financial, commercial and management cases.

	<p>staff have indicated can bring the most immediate benefit including the brand identity guidelines, the procurement strategy, and the corporate sponsorship policy. Further detail of the approach and timelines for the roll-out of this direction to CCOs is outlined in Attachment A.</p> <p><b>Contribution to review objectives:</b> increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> first tranche of policies considered by end May 2017, second tranche between June and November 2017 depending on available resource.</p>
<p><b>1c) Appointment of the CCO board of directors (including the appointment of the chair and deputy chair)</b></p> <p>Two elements: review of the process to appoint directors and potentially some additions to the policy</p>	<p><b>Current State:</b> Legislation requires that council has a robust and transparent director appointment policy. The Auckland Council Board Appointment and Remuneration Policy is contained in the Governance Manual for Substantive CCOs (<a href="#">available on council's website</a>). Council updated and approved this policy in May 2016.</p> <p><b>Proposed scope of improvements:</b> An additional update of this policy has been anticipated for the beginning of the new political term to ensure we are attracting the best candidates to apply for board director positions.</p> <p>The procurement process for external recruitment services will begin shortly and will have Mayoral Office input. Council will make use of the Government Electronic Tendering System and will review the procurement brief to ensure it is attracting the best proposals.</p> <p>Review of appointment process to ensure that there is sufficient political input.</p> <p><b>Contribution to review objectives:</b> increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> 4 May 2017 report to Appointment and Remuneration committee which will outline the recruitment programme for 2017; recruitment services will need to be in place by mid-March; potential policy refinements by September 2017.</p>
<p><b>1d) Appointment of councillors to the board of Auckland Transport (AT)</b></p>	<p><b>Current state:</b> On 10 November 2016, council resolved to use a competitive process to determine whether councillors would be directors on the board of AT. This resolution indicated a change from past practices and was made possible by the May 2016 update to the board appointment policy.</p> <p><b>Proposed scope of improvements:</b> New process underway as per direction of 10 November 2016 Governing Body meeting.</p> <p><b>Contribution to review objectives:</b> increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> The Board Appointment and</p>

	Remuneration Policy will be updated to reflect the decisions of the 10 November meeting once the director appointment process review (above), has been completed <sup>2</sup> .
1e) Advice to the Auditor General (OAG) on areas of interest for CCO audits under section 104 of LGACA	<p><b>Current state:</b> At present the OAG canvases council for a range of ideas on things that would be useful to audit. This advice can come from a number of sources in council and are not necessarily well integrated within the wider audit programme.</p> <p><b>Proposed scope of improvements:</b> Integrated advice from both a political and senior executive level should be developed. There is no obligation for the OAG to take this advice.</p> <p><b>Contribution to review objectives:</b> increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> Advice provided by staff by March 2017 for communication to OAG in time to inform their annual planning round.</p>
1f) Councillor to CCO board workshops	<p><b>Current state:</b> Pilot programme run in 2016. The 2017 programme will run from 15 February to 22 November.</p> <p><b>Proposed scope of improvements:</b> Feedback on the pilot programme was sought in September 2016 and is being incorporated into the 2017 programme. Lessons learned from each workshop will be incorporated into each successive workshop for continuous improvement.</p> <p><b>Contribution to review objectives:</b> increasing the ability to align CCOs to the direction set by the council, increasing the responsiveness of CCOs to the public and council.</p> <p><b>Proposed timing:</b> continuous improvement but with most significant changes in place ahead of 6 April workshop.</p>
1g) Enhanced local decision-making for local boards for CCO activities	<p><b>Current State:</b> On 15 December 2016 the Governing Body considered a report on the process for implementing the Governance Framework Review<sup>3</sup>.</p> <p><b>Proposed scope of improvements:</b> The Governance Framework Review is likely to explore opportunities for increasing local board decision-making about activities carried out by CCOs, in particular AT. The analysis on this matter will be primarily led by the Governance Framework Review but is likely to require a link through to an accountability mechanism listed in this report (e.g. section 92(2) direction) to ensure that new expectations are communicated to the CCO board.</p> <p><b>Contribution to review objectives:</b> increasing the</p>

<sup>2</sup> Although the policy could be updated now to reflect the decisions of 10 November 2016, staff will delay updating until the completion of the director appointment process review, because there may be additional updates to be included to reflect a revised process.

<sup>3</sup> The Governance Framework Review considers the options for improvement of the Auckland Council governance model (governing body and local boards).

	<p>transparency of CCO decision-making, increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> It is envisaged that the political working party that has been established to oversee the Governance Framework Review will make recommendations in July 2017.</p>
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**Table 2: CCO accountability mechanisms that are subject to continuous improvement**

Accountability mechanism	Proposed scope and timing of improvements
<p><b>2a) The Long-term plan (LTP) – three year cycle covering a period of ten years.</b></p> <p>The Annual Plan – annual cycle covering the upcoming financial year (July to June)</p>	<p><b>Current State:</b> Although primarily a budget setting mechanisms the LTP also contains policies which CCOs must give effect to e.g. financial strategies and the CCO accountability policy.</p> <p><b>Proposed scope of improvements:</b> Work has begun on specifying the more detailed level of financial information required of CCOs for budgeting and reporting purposes. Once these more detailed budget envelopes are developed, work will commence on how best to track and report against these areas.</p> <p><b>Contribution to review objectives:</b> increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> Specification of more detailed CCO financial budgeting and reporting will be undertaken as part of the 2017/2018 annual plan process (adoption by June 2017).</p> <p>Because the LTP must follow a legislatively prescribed process which includes consulting with the public, any changes to policies affecting CCOs contained in the LTP must be well planned and fit within the time bound LTP process (adoption by June 2018).</p>
<p><b>2b) The Statement of Intent (SOI) – annual cycle covering a period of three years. Some content of the SOIs is legislatively prescribed and cannot be omitted.</b></p>	<p><b>Current State:</b> The SOI document is developed according to a template set by Council. The template can be amended annually ahead of each SOI cycle.</p> <p><b>Proposed scope of improvements:</b> The number and type of Key Performance Indicators (KPIs) contained in the SOI at present are not consistent across the six CCOs (i.e. some CCOs have measures relating to staff engagement and health and safety, but others do not). The measures are also very difficult to understand so SOIs should include information that improves understanding for the reader. The KPIs will be reviewed by council staff with a view to improving overall consistency, appropriateness and clarity</p>

	<p>of the measures in addition to whether the targets continue to be appropriate.</p> <p><b>Contribution to review objectives:</b> increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> Amendments to the template (and therefore the content and structure of the resulting SOI) need to be finalised by December of any year for the next SOI cycle.</p> <p>The KPIs will be reviewed in time for the finalisation of the LTP (June 2017).</p>
<p>2c) Reporting against the SOI – quarterly reporting covering the previous 3 months, plus annual report covering the previous year.</p>	<p><b>Current state:</b> The quarterly reports are developed using a template set by council.</p> <p>The CCO Board and Chief Executive are expected to participate in a discussion with the Finance and Performance Committee of council about CCO performance against their SOI objectives and targets (half year and fourth quarter results only). There is no evidence to suggest that more frequent meetings would be beneficial, however, councillors have indicated that they require further support to carry out their responsibilities at these meetings to ensure that any non-performance of CCOs has been identified..</p> <p><b>Proposed scope of improvements:</b> The risk section of the quarterly report template should be updated to improve overall consistency in disclosure across the CCOs. The traffic light indicators (Red, Orange, and Green) for progress towards the achievement of targets should have a specified threshold so that all CCOs reports are consistent (e.g. Red light equals target not met (more than 2.5% below target)). Improve to support for councillors prior to half year and fourth quarter meetings.</p> <p><b>Contribution to review objectives:</b> increasing the transparency of CCO decision-making, increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> If council decided to make amendments to the structure or content of the quarterly report, it would need to update the template approximately two months ahead of the end of the quarterly period. Some content of the reports is legislatively prescribed and cannot be omitted.</p>
<p>2d) Strategic direction setting and prioritisation.</p>	<p><b>Current state:</b> Most council policies are refreshed on a regular basis. Although not necessarily cyclical, these updates take place when there is a significant change to the priorities and goals of council. The Auckland Plan is</p>

	<p>refreshed every six years. The Regional Land Transport Plan (which is approved by NZTA and AT) is revised every three years.</p> <p>Council must maintain the ability to specify the outcomes it wants from CCOs and also the ability to determine if CCOs are delivering what council (representing the public) want. There have been instances where the strategic capability of council (as the overall direction setter and monitor) has been eclipsed by the technical/strategic capability of CCOs.</p> <p><b>Proposed scope of improvements:</b> This is a complex topic and no work has yet been undertaken recently on the relative merits of enhancing council's strategic/technical capacity with respect to CCO activities. A report will be prepared by end 2017, outlining the current state and issues and options for the future. This work relates to the section on monitoring later in this agenda report and may be combined with that workstream.</p> <p><b>Contribution to review objectives:</b> increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p>
<p>2e) The Governance Manual for Substantive CCOs (the manual). The manual is a document that records all of the enduring expectations of council, including policies and templates.</p>	<p><b>Current state:</b> The manual was adopted in December 2015. It was envisaged that it would be updated approximately annually.</p> <p><b>Proposed scope of improvements:</b> In addition to the mechanisms listed in this report for review which are contained in the manual, there are other policies and expectations which will benefit from revision (e.g. the no surprises protocols)</p> <p><b>Contribution to review objectives:</b> increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> Due to the dependencies with other elements of this accountability review, we propose that the manual is updated twice during the course of the review – once after the director appointment process review has been completed and again at the completion of all elements of this review (June 2018).</p>

Table 3: CCO accountability mechanisms that are not currently in use.

Accountability mechanism	Proposed scope and timing for improvement
<p>3a) Operating rules for Auckland Transport - Council may make rules by</p>	<p><b>Current state:</b> Not used. There is little indication in cabinet papers on the intention behind these legislative provisions. The provisions are broadly worded but do give</p>

<p>which Auckland Transport must operate, including rules in relation to—</p> <ul style="list-style-type: none"> <li>• how the governing body of Auckland Transport must operate:</li> <li>• how Auckland Transport must appoint and employ staff (including its chief executive):</li> <li>• how Auckland Transport must acquire and dispose of significant assets.</li> </ul>	<p>some specific indication of their intent.</p> <p><b>Proposed scope:</b> To review and consider current AT board practices including the way the AT board holds meetings and releases information, its employment practices and its acquisition and disposal practices.</p> <p><b>Contribution to review objectives:</b> increasing the transparency of CCO decision-making, increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> Issues and options paper - end May 2017.</p>
<p><b>3b) Section 91 of LGACA provides that council may impose <u>additional accountability requirements</u> on its substantive CCOS including:</b></p> <ul style="list-style-type: none"> <li>• the provision of first and third quarter reporting against the SOI (in addition to half year and annual reporting),</li> <li>• the provision of a 10 year plan ( but not from AT)</li> <li>• a description of how the CCO will comply with council's requirements for the management of the assets identified by council as strategic assets and processes for the approval of major transactions in relation to those assets</li> </ul>	<p><b>Current state:</b> Council already requires first and third quarter reports of its CCOs. Since December of 2015 however, only half yearly and fourth quarter results have been discussed in public with CCO boards, in order to allocate time to forward looking workshops with CCO boards. First and third quarter CCO results are circulated by memo to councillors and consolidated into the council group reporting.</p> <p><b>Proposed scope:</b> Staff will review all current reporting and planning requirements and the conventions relating to them to ensure they are fit for purpose and consider whether there are any matters requiring additional planning or reporting from CCOs (e.g. use of business case methodology). Staff will also consider whether there is any benefit from additional 10 year planning other the current requirements relating to Asset Management Plans (which are 10 year plans).</p> <p><b>Contribution to review objectives:</b> increasing the transparency of CCO decision-making, increasing the responsiveness of CCOs to the public and council, improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> Initial analysis provided to council by September 2017</p>
<p><b>3c) Shareholder-led independent CCO board performance reviews</b></p>	<p><b>Current state:</b> CCO Boards are required to undertake their own reviews of their performance (board-led reviews). Council has no input as to the scope or supplier for these reviews. Council does not undertake its own independent board performance review.</p> <p><b>Proposed scope:</b> Consider the best way of assessing and improving the performance of the CCO boards. Preliminary external advice has been sought to assist with scope.</p>

	<p><b>Contribution to review objectives:</b> increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Indicative timing:</b> Issues and options (scope and methodology) by May 2017. If a review is agreed to then it could be completed and reported by December 2017.</p>
<p><b>3d) Requirement for Watercare to report against section 57 of LGACA (cost-effectiveness of service delivery)</b></p>	<p><b>Current state:</b> there is no explicit and identifiable public reporting against this legislative requirement nor any agreed conventions or methodology around doing so.</p> <p><b>Proposed scope:</b> Requires discussion with Watercare to determine achievable methodology. This is likely to be an additional reporting requirement under s 91 of LGACA (item b) above)</p> <p><b>Contribution to review objectives:</b> increasing the transparency of CCO decision-making, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> initial findings reported by end September 2017.</p>
<p><b>3e) Service Delivery Reviews under section 17 of LGACA</b></p>	<p><b>Current state:</b> Council last undertook s17A service delivery reviews of CCO activities as part of the 2014/2015 CCO review.</p> <p><b>Proposed scope:</b> A report will be taken to the 23 February 2017 Finance and Performance Committee on s17(A) reviews. The activities that will be subject to these reviews and the timing of them will be considered at that time.</p> <p><b>Potential for contribution to review objectives if CCO activities are included:</b> improving the recognition of ratepayer funding of CCO activity, increasing the ability to align CCOs to the direction set by the council.</p> <p><b>Proposed timing:</b> not yet determined.</p>

**Table 4: CCO accountability mechanisms that are not possible or useful to review**

Accountability mechanism	Rationale for not reviewing
<p><b>4a) CCO company constitutions</b></p>	<p>CCO constitutions were last updated in 2012, to include the ability for council to issue a binding management directive. Due to the nature and purpose of company constitutions it is not likely that any change will contribute to the review objectives.</p>
<p><b>4b) Public Audit Act 2001</b></p>	<p>Council cannot change an Act of parliament. No problems have been identified that would warrant lobbying for change to this Act</p>
<p><b>4c) The Local Government Official Information and Meetings Act 1987 (LGOIMA).</b></p>	<p>Council cannot change an Act of parliament. No problems have been identified that would warrant lobbying for change to this Act.</p> <p>However, council will consider whether the existing LGOIMA guidance for CCOs contained in the CCO</p>

	Governance Manual is working effectively. If not, staff will consider turning this guidance into a policy and including it as a s92 policy (table 1 b).
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**Ongoing monitoring to ensure CCO effectiveness**

1. In addition to council having assurance that it is making the best use of the available accountability mechanisms, it should give equal consideration to the effectiveness and resourcing levels of its monitoring activities for CCOs.
2. The Office of the Auditor General has noted the importance of both the health of the CCO/council relationship and the appropriate administrative processes for monitoring<sup>4</sup>.
3. In recent years, council has focused on building strong working relationships with its CCOs and, has held resourcing for the monitoring function at a modest level.
4. The effectiveness of the existing ongoing CCO monitoring regime and the resources needed for additional accountability mechanisms should become a separate workstream alongside any option chosen for the CCO accountability review.

<sup>4</sup> Office of the Auditor General. (September 2015). Governance and accountability of council-controlled organisations. Page 40.



Attachment D  
Te Pae Tāwhiti Protocolsāā

PROTOCOLS

# Scanning the Horizon

## Te Pae Tāwhiti

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### **Purpose**

The Te Pae Tāwhiti: Scanning the Horizon workshops have been designed to ensure that the Governing Body and CCO Board members have the opportunity to meet to better understand each other's roles, priorities and ways of working.

The focus is on discussing the medium to long term opportunities and challenges.

These workshops are not meetings where decisions are made and are confidential in nature.

### **Te Pae Tāwhiti attendance**

- Attendance is open to the Mayor and councillors, CCO board members and senior executives.

### **Workshop Agenda**

- To be agreed jointly by CCO senior staff and CCO Governance and External Partnership in consultation with the Mayor and Councillors, and CCO Board chairs.
- Relevant supporting material to be developed and circulated at least 3 days prior to the workshop.

### **Roles and Responsibilities**

#### ***Joint Chairs – Mayor and Board chair***

- Conduct workshop in a timely manner (i.e. workshop to commence and end on time).
- Procedural Matters - Welcome members, list apologies, agree the agenda, close the workshop.
- Maintain order and focus on workshop priorities.
- Lead and encourage relevant discussion on items.
- Ensure that all members' voices are included and actively support participants to engage in discussions.
- Ensure discussion is conducted in a relevant and timely manner.
- Ensure there is agreement on future actions, if any, to be taken, within the limits of the workshop format
- Manage and appropriately deal with any grievances and complaints arising from or between members.

#### ***Workshop Members***

- Ensure that they are prepared for the workshop by thoroughly reviewing the agenda and papers.
- When speaking to an item, ensure that they address the issue/agenda item under discussion.
- Express opinions during debate, but listen to and value others when they have the floor; Provide full attention to discussion and refrain from using mobile phones and other technologies (which should be set to silent mode) for non-workshop purposes.
- Adhere to professional and respectful behaviour during workshop.
- Respect the role of the Chair as leader of the workshop.
- Respect the nature of the business of the workshop.