

## 5.2 CCO Accountability Policy

This policy sets out the council's expectations for its substantive council-controlled organisations in accordance with section 90 of the Local Government (Auckland Council) Act 2009 (LGACA). This policy is designed to be read in conjunction with the Governance Manual for Substantive Council-Controlled Organisations (CCOs). The Governance Manual brings together key policies and documents relating to the governance of CCOs, and provides further detail about how this policy should be implemented. It provides guidance for boards, executives and senior staff on the effective governance of the substantive CCOs<sup>1</sup>.

### 1. The council's expectations for CCO's contribution to the council's objectives and priorities

Section 90(2) of the LGACA sets out the requirements of the accountability policy, and states that:

*"(2) The policy must—*

- a) include a statement of the Council's expectations in respect of each substantive council-controlled organisation's contributions to, and alignment with, the Council's objectives and priorities.*
- b) include a statement of the Council's expectations in respect of each substantive council-controlled organisation's contributions to, and alignment with, any relevant objectives and priorities of central government."*

Central government departments have been involved in the development of plans and strategies of the council, including the Auckland Plan and the Auckland Transport Alignment Plan. Therefore, the objectives and priorities of central government are reflected in the expectations set out in this policy.

#### 1.1 Common expectations

Auckland Council has a number of expectations of each of its substantive council-controlled organisations in respect of their contribution to, and alignment with, the council's objectives and priorities. Each substantive CCO is to meet the common expectations set out below and the specific expectations for each.

##### 1.1.1 Build public trust and confidence in the council group

Each substantive CCO is to be responsible for building public trust and confidence in itself and the council group. This is to be achieved by:

- Acting in the interests of all Aucklanders, both current and future.
- Recognising that the services and assets it may own or manage are public services and assets, which should be managed in the best interests of Aucklanders.
- Meeting the public's expectation of transparency and accountability, and always considering the council group's reputation.
- Improving the public's perception of transparency and accountability by tracking and reporting investment and performance data in a clear and accessible manner.

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<sup>1</sup> The Governance Manual for Substantive CCOs can be accessed at:  
<http://temp.aucklandcouncil.govt.nz/EN/AboutCouncil/representativesbodies/CCO/Documents/governancemanualforsubstantiveccos.pdf>

- Operating under a no surprises policy, which means informing the Mayor, councillors or local boards (as appropriate) well in advance of any events, transactions or issues that could attract public interest, whether positive or negative.
- Ensuring excellent customer service, including understanding the communities it serves.
- Ensuring that any conflicts of interest or potential conflicts of interest (whether actual or perceived) are declared and managed appropriately.
- Providing transparent information about the activities and services it provides to the community.
- Including customers and communities in decision-making where appropriate, using the principles in the Significance and Engagement Policy.
- Being aware, as a public entity, of the need to be especially prudent around sensitive expenditure such as travel and entertainment, and ensuring that it only occurs where there is a justifiable business purpose.
- Engaging with central government on central government policy through the council parent. Engagement on operational matters does not need to be carried out through the council parent.
- Improving the recognition of ratepayer funding for public services and assets through the use of consistent, group-wide branding in accordance with the council's Brand Navigation Guidelines.
- Ensuring that it acts as a good employer.

### 1.1.2 Provide value for money

Each substantive CCO is to ensure that it provides value for money for Aucklanders, which means achieving the outcomes and levels of service specified by the council in an efficient and effective way. This is to be achieved by:

- Being accountable for decisions about spending and the use of council group resources and assets.
- Ensuring that all activities and services are underpinned by prudent use of resources and assets.
- Ensuring that there is a high degree of transparency in financial planning, budgeting, and sources of revenue.
- Informing the council well in advance of entering into any commitments or obligations that may:
  - have financial impacts which are outside of approved funding; or
  - negatively affect the group's prudential ratios<sup>2</sup> through a significant increase in group debt or reduction in revenue.
- Providing transparent information to Aucklanders on financial and non-financial performance to demonstrate value for money.
- Ensuring that there is a justifiable business purpose for all spending.
- Ensuring that investment is supported by robust business cases which meet the standards of any relevant group policies and provide a clear and strategic rationale for investment.
- Ensuring that the delivery of activities and services is as efficient as possible, and that corporate spending is kept to a minimum.

### 1.1.3 Building a group approach to achieve outcomes for Aucklanders

The substantive CCOs are to work with the council and with each other to achieve outcomes for Aucklanders. This is to be achieved by:

- Working together to align and achieve group strategies as set out in the Auckland Plan and prioritised through the Long-term Plan.
- Building and maintaining a culture of collaboration across the group to achieve the objectives and priorities of the council and to provide value for money.
- Open and transparent sharing of information where that is required to achieve outcomes for Aucklanders.

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<sup>2</sup> The council has established prudential limits for the group that ensure borrowings (which can include things such as lease commitments) and interest expense do not grow too large relative to rates and other revenue. These are set out in Section XX of the Long-term Plan.

- Presenting a unified front with the parent and with other CCOs on key issues facing Auckland.
- Implementing agreed group policies such as those on Treasury, Insurance and Procurement<sup>3</sup>, and participating in the development of any further group policies, for example 'Our Charter', which includes foundation principles and standards for staff behaviours.
- Participating proactively and constructively in efforts to achieve efficiencies and savings for the council group and make the most of its size and scale, including group procurement and the use of shared services.
- Acknowledging the council's wider policy settings in its own decision-making and considering issues from the perspective of the council.

#### 1.1.4 Improve outcomes for Māori

The substantive CCOs are to give effect to the council's Māori responsiveness framework and foster more positive and productive relationships between the council group and Māori, develop the ability of the council group and its people to respond more effectively to Māori and contribute to Māori wellbeing by developing strong Māori communities in Tāmaki Makaurau. This is to be achieved by:

- Ensuring that the principles of te Tiriti o Waitangi, such as shared decision-making, partnership and mutual benefit, are applied consistently in activities and decision-making.
- Fulfilling statutory obligations to Māori under the Local Government (Auckland Council) Act 2009, Local Government Act 2002 and other statutes.
- Enabling Māori outcomes.
- Valuing te ao Māori – the Māori world view.
- In addition, the substantive CCOs are to contribute to achieving a collaborative and aligned approach across the council group to working with mana whenua and matāwaka.

#### 1.1.5 Health and safety

Each substantive CCO is to give effect to the group Health, Safety and Wellbeing Policy and Behaviours Statement. This sets out principles and behaviours to give effect to the health and safety vision of the group.

#### 1.1.6 Manage risk appropriately

Each substantive CCO is to proactively manage all their risks including strategic, financial, operational, and reputational risks (including the risk of fraud and/or corruption). Each CCO must:

- Manage, monitor and report on their risk management activities undertaken in accordance with either the council's Enterprise Risk Management Policy and Framework, or the CCO's own risk management framework.
- Actively report on the effectiveness of their risk management processes and outcomes.
- Proactively report on all significant risks and issues and their management to ensure no surprises, transparency and that the significant risks are being appropriately managed.

Section 2.5 contains specific reporting requirements relating to these provisions, including quarterly reporting and appearing before the Audit and Risk Committee for the purpose of addressing risk management and risks.

#### 1.1.7 Understanding and giving effect to Auckland's shared governance

Both the governing body and the local boards are responsible and democratically accountable for the decision making of Auckland Council.

The governing body has, among other decision-making roles, decision-making in relation to the governance of the council's CCOs. Therefore the substantive CCOs are directly accountable to Auckland Council through the

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<sup>3</sup> The group policies on insurance and procurement were approved by the Finance and Performance Committee on 19 September 2017 (Resolution FIN/2017/121). The same committee approved the policy on treasury management subject to receipt of a signed service level agreement between Watercare Services Limited and Auckland Council on 21 November 2017 (Resolution FIN/2017/161).

governing body, and the board of each CCO has a direct governance relationship with the governing body. The substantive CCOs should:

- Understand the role of the governing body.
- Proactively build and maintain good relationships with members of the governing body.
- Actively engage with the relevant ward councillors on projects and issues within their ward.

Local boards make decisions on local activities and services, and play an important role in representing local communities. The activities of CCOs are very important in local communities, and each CCO must ensure that it works effectively with local boards. The substantive CCOs should:

- Understand the role of local boards, both their role as local decision-makers and their responsibility to identify and communicate the views and preferences of the communities in its local board area.
- Proactively build and maintain good relationships with each local board.
- Consult with local boards genuinely and early in a way that allows them to influence decisions that may:
  - affect a local board's governance role.
  - have a significant local impact (taking into account any mitigation measures).
  - require a CCO to undertake local or regional community consultation.

Substantive CCOs will need to recognise local interests while ensuring that regional priorities and strategies are achieved.

### 1.1.8 Climate change and reducing carbon emissions

Each substantive CCO is to contribute towards reducing carbon emissions and contributing towards a climate resilient future. This is to be achieved by:

- Working with the council in the review and update of Low Carbon Auckland to deliver an integrated approach to climate change, addressing both emissions reduction and climate resilience.
- Implementing actions identified in the current and future iterations of the plan as appropriate for each CCO.
- Embedding climate change considerations into decision-making, planning and policies regarding both emissions reduction and addressing the impacts of current and on-going climate change.

## 1.2 Auckland Council Investments Limited

### A. Objectives of Auckland Council Investments Limited

The objectives of Auckland Council Investments Limited (ACIL) are<sup>4</sup>:

- To provide a strong commercial focus to the ownership and governance of the Auckland Council's major investment assets.
- To provide an efficient structure for the ownership of those assets.

### B. The council's expectations of ACIL in relation to its objectives and priorities

ACIL is to:

- Provide substantial financial returns to the council which are financially sustainable in the long term.
- Maximise the contribution of its assets to the Auckland economy.

### C. Methods

ACIL is to meet these expectations by:

- Encouraging Ports of Auckland Land (POAL) to be a good neighbour, supporting the Auckland waterfront becoming a key destination and events venue for businesses, residents and visitors.

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<sup>4</sup> Auckland Council Investments Limited company constitution

- In particular, ACIL shall give guidance to POAL in the management of its boundary issues associated with the broader development aspirations associated with Panuku Development Auckland and the Waterfront Development Master Plan.
- Maintain an effective working relationship with Auckland International Airport Limited (AIAL).
- Ensure that it acts consistently with the council's policy on its shareholding in AIAL, and makes the council aware of any issues that may significantly affect this shareholding.

### 1.3 Auckland Tourism, Events and Economic Development

#### A. Objectives of Auckland Tourism, Events and Economic Development

The objectives of Auckland Tourism, Events and Economic Development (ATEED) are<sup>5</sup>:

- To lift Auckland's economic wellbeing.
- To support and enhance Auckland's performance as a key contributor to the New Zealand economy.
- To support and enhance Auckland's ability to compete internationally as a desirable place to visit, live, work, invest and do business.

#### B. The council's expectations of ATEED in relation to its objectives and priorities

ATEED is to give effect to the objectives and priorities of the council in the Auckland Plan, and the Auckland Economic Development Strategy, and in particular by:

Opportunities and prosperity

- Create the conditions for a resilient economy, innovation, and employment growth, and raise productivity
- Attract and retain skills, talent and investment
- Develop skills and talent for the changing nature of work and life-long achievement

Māori identity and wellbeing

- Showcase Auckland's Māori identity and vibrant Māori culture
- Promote Māori cultural innovation and enterprise that contributes to economic, social and environmental success

ATEED is to contribute to other relevant outcomes in the Auckland Plan, including:

- Belonging and Participation

In doing so, ATEED is to:

- Advance Māori employment and create the environment for Māori business and iwi organisations to be a powerhouse in Auckland's economy
- Leverage Auckland's position to support growth in exports and a competitive New Zealand economy
- Increase ongoing learning and training in new and emerging areas, with a focus on those most in need

#### C. Methods

ATEED is to meet these expectations by:

- Ensuring that its funding, policies and activities are directed towards achieving the council's objectives and priorities.
- Collaborating with the council, council-controlled organisations and the relevant central government agencies to maximise benefits for Aucklanders and ensure value for money.

### 1.4 Auckland Transport

#### A. Purpose of Auckland Transport

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<sup>5</sup> ATEED company constitution

The purpose of Auckland Transport is to contribute to an effective, efficient, and safe Auckland land transport system in the public interest<sup>6</sup>.

**B. The council's expectations of Auckland Transport in relation to its objectives and priorities**

Auckland Transport is to give effect to the objectives and priorities of the council in the Auckland Plan, and in particular by:

- Creating an integrated transport system that efficiently connects people, places, goods and services
- Increasing real travel choices to support a vibrant, equitable and healthy Auckland
- Minimising harm from the transport system on people and the environment

In doing so, Auckland Transport is to:

- Make better use of existing transport networks, including a greater focus on influencing travel demand.
- Target new transport investment to the most significant challenges to support key long-term outcomes.
- Maximise the benefits of existing and emerging transport technology.
- Make walking, cycling and public transport preferred choices for many more Aucklanders.
- Better integrate land-use and transport decisions to support quality urban living, including a balance between the movement and place-making functions of our roads and streets.
- Move to a safe transport network free from death and serious injury.
- Develop a resilient transport system that achieves the most positive environmental and health impacts.

Auckland Transport is to contribute to other relevant outcomes in the Auckland Plan, including:

- Māori Identity and Wellbeing
- Belonging and Participation
- Homes and Places
- Environment and Cultural Heritage

**C. Methods:**

Auckland Transport is to meet these expectations by:

- Ensuring that its capital and operating expenditure, policies and plans are directed towards achieving these objectives and priorities.
- Implementing, through its role as a provider of infrastructure critical to urban development, the Development Strategy set out in the Auckland Plan. The Development Strategy sets out how Auckland will change and grow over the next 30 years, through a quality compact approach.
- Engaging early with the council to ensure any proposed major investment decisions, city-shaping projects or significant policies align with the council's objectives and priorities, in accordance with the policy on Strategic Assets in Section 5.
- Working with the council, other council-controlled organisations and infrastructure providers to achieve the council's objectives and priorities in an efficient and effective way, including in particular the integration of transport infrastructure with land use.
- Aiming to secure co-funding from the New Zealand Transport Agency for all eligible investments which are aligned with the council's priorities to maximise value for money for Aucklanders.

## **1.5 Panuku Development Auckland**

**A. Purpose<sup>7</sup>**

The purpose of Panuku Development Auckland (Panuku) is to contribute to the implementation of the Auckland Plan and encourage economic development by facilitating urban redevelopment that optimises and integrates

<sup>6</sup> Section 39, Local Government (Auckland Council) Act 2009.

<sup>7</sup> Panuku Development Auckland company constitution

good public transport outcomes, efficient and sustainable infrastructure and quality public services and amenities.

Panuku will manage council's non-service<sup>8</sup> property portfolio and provide strategic advice on council's other property portfolios. It will recycle or redevelop sub-optimal or underutilised council assets and aim to achieve an overall balance of commercial and strategic outcomes.

#### B. The council's expectations of Panuku in relation to its objectives and priorities

Panuku is to give effect to the objectives and priorities of the council in the Auckland Plan, and in particular by:

##### 1. Facilitating redevelopment of urban locations

Panuku is to facilitate private sector, third sector<sup>9</sup>, iwi and government investment and collaboration into the sustainable redevelopment of brownfield urban locations consistent with the Development Strategy in the Auckland Plan. It will also co-ordinate the provision of the council's infrastructure and other investment in these locations.

##### 2. Accommodating urban growth through redevelopment

Panuku is to contribute to accommodating residential and commercial growth through facilitating the quality redevelopment of urban locations with excellent public infrastructure and services. Redevelopment of the overall portfolio should offer a range of residential choices and price points to cater for diverse households.

##### 3. Facilitating vibrant places

Panuku is to facilitate the creation of adaptable and resilient places that contribute to wellbeing, promote health and safety and are fully accessible to people with disabilities and older people. It will harness and incorporate the local community's unique identity, attributes and potential to create vibrant communities.

##### 4. Developing the Auckland waterfront

Panuku is to continue to lead the development of the Auckland waterfront in a way that is consistent with the Waterfront Plan 2012, and which balances commercial and public good objectives, including high quality urban design.

##### 5. Strategically create value from assets

In partnership with the council group, Panuku is to use its commercial expertise and knowledge of land and property markets to:

- Panuku may facilitate quality redevelopment of underutilised council landholdings within current urban boundaries.
- Manage the council group's non-service properties in a way that optimises the returns to the council group.
- Acquire land consistent with the council's specifications.
- Optimise returns from the disposal and development of land in a commercially robust way<sup>10</sup>.

##### 6. Promoting Māori identity and wellbeing

Panuku is to promote Māori identity and wellbeing by:

- Showcasing Auckland's Māori identity and vibrant Māori culture.
- Recognising Te Tiriti o Waitangi and supporting mana whenua in their unique role as kaitiaki of Tāmaki Makaurau.

#### C. Methods

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<sup>8</sup> Non service properties are defined in the Local Government (Tāmaki Makaurau Reorganisation) Council-controlled Organisations Vesting Order 2010 as property that is not infrastructure or used to deliver services.

<sup>9</sup> The third sector refers to organisations that are not for profit or non-government organisations.

<sup>10</sup> The council has set targets for the return from disposals of assets and land in the Long-term Plan.

Panuku is to meet these expectations by:

- Ensuring that its capital and operating expenditure, policies and plans (including locally-specific development plans) are directed towards achieving these objectives and priorities.
- Working with the council, other council-controlled organisations and infrastructure providers to facilitate urban redevelopment.

## 1.6 Regional Facilities Auckland Limited

### A. Purpose

The purpose of Regional Facilities Auckland Limited (RFA) is to engage the communities of Auckland through cultural, heritage, and lifestyle opportunities. This will be done primarily by operating, administering and developing various regional facilities on a prudent, commercial basis<sup>11</sup>.

### B. The council's expectations of RFA in relation to its objectives and priorities

Through its activities and the facilities and venues it operates, Regional Facilities Auckland is to contribute to several of the outcome areas in the Auckland Plan. These include:

- Belonging and participation, and specifically to support arts and cultural initiatives, and providing opportunities and spaces for people to connect with one another.
- Environment and cultural heritage, and specifically contributing to our cultural heritage, valuing and enhancing our environment, future-proofing infrastructure for a changing Auckland and supporting and enabling Aucklanders to be stewards of our cultural heritage.
- Māori identity and wellbeing, and specifically celebrating Māoritanga through cultural facilities.

In addition, Regional Facilities Auckland is to give effect to the relevant objectives and priorities set out in council strategies including:

- Toi Whitiki: Arts and Culture Strategic Action Plan.
- The Auckland Sport & Recreation Strategic Action Plan.

### C. Methods

Regional Facilities Auckland is to meet these expectations by:

- Ensuring that its planning and investment in, and management of, regional venues and facilities is aligned to these objectives and priorities.
- Focussing on commercial operation of venues and facilities.
- Taking a regional perspective to the provision of facilities for Aucklanders, including working closely with the council to ensure that plans for regional venues and facilities and plans affecting national-level venues and facilities are aligned with the network of local and community facilities.
- Ensuring that the development of significant plans and strategies to achieve its aims are carried out in collaboration with the council, to ensure major investments are aligned with the council's broader development strategies and intentions.
- Recognising central government as a strategic partner, and aligning, where appropriate, with its policy for and investment in facilities providing cultural, heritage, and lifestyle opportunities.

## 1.7 Watercare Services Limited

### A. Purpose of Watercare Services Limited

The purpose of Watercare Services Limited (Watercare) is to provide Auckland's integrated water supply and wastewater services.<sup>12</sup>

### B. The council's expectations of Watercare in relation to its objectives and priorities

<sup>11</sup> Regional Facilities Auckland deed of trust

<sup>12</sup> Constitution of Watercare Services Limited

Watercare is to give effect to the objectives and priorities of the council in the Auckland Plan, and in particular by:<sup>13</sup>

Environment and cultural heritage:

- Ensuring Auckland's environment and ecosystems are valued and cared for
- Applying a Māori world view to treasure and protect our environment (taonga tuku iho)
- Using growth and development to protect and enhance Auckland's environment
- Ensuring Auckland's infrastructure is future-proofed

Homes and places:

- Developing a quality, compact urban form to accommodate Auckland's growth

Māori identity and wellbeing:

- Recognise Te Tiriti o Waitangi and support mana whenua in their unique role as kaitiaki of Tamaki Makaurau.

### C. Methods:

Watercare is to meet these expectations by:

- Ensuring that its capital and operating expenditure, policies and plans are directed towards achieving these objectives and priorities.
- Implementing, through its role as a provider of infrastructure critical to urban development, the Development Strategy set out in the Auckland Plan. The Development Strategy sets out how Auckland will change and grow over the next 30 years through a quality compact approach.
- Working with the council, other council-controlled organisations and infrastructure providers to achieve the council's objectives and priorities in an efficient and effective way, including in particular the optimisation and integration of water, wastewater and stormwater (the three waters) outcomes for the benefit of current and future Aucklanders.
- Actively facilitating the participation of Māori in the management of natural resources.

## 2. Additional reporting requirements

Section 90(2) of the LGACA states that:

*"(2) The policy must—*

*...*

- c) specify any reporting requirements that each substantive council-controlled organisation must undertake in addition to those required under Part 5 of the Local Government Act 2002 or this Act."*

### 2.1 Statutory requirements

Sections 66 to 68 of the Local Government Act 2002 (LGA) set out requirements for CCOs to provide half-yearly and annual reports on their operations to the council.

The half-yearly report must be provided within two months after the end of the first half of each financial year. The annual report must be delivered to the council no later than three months after the end of the financial year, and must be publicly available on the CCO's website, with a hard copy available to any member of the public upon request. The release of the half-yearly and annual reports are required to be managed in accordance with the New Zealand Stock Exchange (NZX) continuous disclosure requirements as noted under Section 2.4.

In addition to the statutory requirements, each substantive CCO is to provide additional reporting as set out below.

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<sup>13</sup> Watercare also has specific statutory obligations as the 'Auckland water organisation', which are set out in sections 57 and 58 of the LGACA.

## 2.2 Quarterly reporting

In addition to the statutory requirements for half-yearly and annual reports, the council requires all substantive CCOs to provide a quarterly report on their performance to the council, no later than 1 month after the end of the first and third quarter of each financial year<sup>14</sup> or as per the instructions of the Group Financial Controller.

The quarterly report must report against the performance targets set out in its SOI, and must be in the format required by the council.

## 2.3 Attendance at council committee meetings

The chair and chief executive of each substantive CCO are expected to appear before the relevant council committee when it meets to consider the CCO's performance against its SOI.

The board of each substantive CCO may be required to appear before the relevant council committee when it meets to consider its annual report and/or fourth quarter report.

## 2.4 New Zealand Stock Exchange requirements

Substantive CCOs must adhere to the New Zealand Stock Exchange (NZX) requirements and work with the council on the timing of public release of financial information. In particular, CCO and group information must remain confidential until the group interim report and full Auckland Council annual report have been adopted by the council and released to the NZX at the end of February and September, respectively.

Substantive CCOs must also comply with the requirements of the continuous disclosure policy.

## 2.5 Audit and risk reporting requirements

Each substantive CCO is to:

- Provide a risk report and top risks register (as presented to its own audit and risk committee, board or equivalent) to council staff on a quarterly basis. This information will be reported to the council's Audit and Risk Committee as a confidential item.
- Ensure relevant board members (or their delegates) attend the meeting of the council's Audit and Risk Committee as requested by the council. This will be every six months or as the Committee requires.
- As part of end of financial year processes, report all Audit New Zealand findings through council staff to the council's Audit and Risk Committee.

## 2.6 Provide information as required

Each substantive CCO is required to provide information on any aspect of a CCO's performance against its statement of intent if required to by a resolution of the relevant council committee.

# 3. Additional planning requirements

Section 90(2) of the LGACA states that:

*“(2) The policy must—*

*...*

- d) specify any planning requirements that each substantive council-controlled organisation must undertake in addition to those required under Part 5 of the Local Government Act 2002 or this Act.”*

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<sup>14</sup> As provided for in s91(1)(b) of the LGACA.

### 3.1 Inputs to Long-term Plan and Annual Plan

Each substantive CCO is to have asset management plans, activity plans, performance frameworks and supporting financial information as inputs to the council's Long-term Plan and Annual Plan in accordance with the timeframes and other requirements specified by the council.

### 3.2 Further requirements

Each substantive CCO must:

- Use the council's asset management framework, or obtain the council's approval for an alternative framework.
- Use accounting policies and standards that are consistent with the council group's accounting policies and standards.
- Comply with council tax initiatives and policies.
- Follow any other planning requirements specified by the council and notified to CCOs.
- Prepare a Māori Responsiveness Plan, and work with the council to monitor and report against it.
- Prepare a local board engagement plan in accordance with the framework set out in the Governance Manual for Substantive CCOs.

## 4. Management of strategic assets by council-controlled organisations

Section 90(2) of the LGACA states that:

*“(2) The policy must—*

*...*

- e) identify or define any strategic assets in relation to each substantive council-controlled organisation 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.”*

### 4.1 Definition and identification of strategic assets

Strategic assets are defined in section 5 of the Local Government Act 2002 (LGA) as assets that a local authority needs to retain if it is to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future well-being of the community. This includes:

- a) any asset or group of assets listed in the local authority's Significance and Engagement Policy; and
- b) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and
- c) any equity securities held by the local authority in—
  - a) a port company;
  - b) an airport company.

For the purposes of this policy, the council considers that the “current or future well-being of the community” means the economic, social, environmental and cultural well-being, and the health and safety of communities.

The strategic assets owned and/or managed by the council's CCOs are any scheduled heritage buildings or structures and the assets set out in table 1.

**Table 1 – Strategic assets owned or managed by substantive CCOs**

Council-controlled organisation	Strategic assets owned and managed by the CCO	Strategic assets owned by the council and managed by the CCO
Auckland Council Investments Limited	100% shareholding in Ports of Auckland Limited, including its freehold interests in waterfront land Shares held in Auckland International Airport Limited	none
Auckland Tourism, Events and Economic Development Limited	none	none
Auckland Transport	The public transport network including Britomart	The roading network
Regional Facilities Auckland	Auckland Art Gallery (including the arts collections owned by Regional Facilities Auckland) Auckland Zoo Aotea Centre Civic Theatre Viaduct Events Centre Mt Smart Stadium North Harbour Stadium (known as QBE Stadium) The council's contractual rights and interest in Auckland City Arena (known as Spark Arena)	none
Panuku Development Auckland Limited	The freehold interests in central Auckland waterfront land	none
Watercare Services Limited	The wastewater network The water supply network	none

## 4.2 Requirements in relation to the management of strategic assets by CCOs

### 4.2.1 Principles for the management of strategic assets

Each substantive CCO must manage the strategic assets set out in Table 1 in a way that:

- maximises the long-term benefit of the strategic assets to Auckland.
- gives effect to the expectations set out in Part 1 of this policy and the performance measures set out in this long-term plan.
- enables the CCO to achieve the objectives and performance measures set out in its statement of intent.

In making a decision about a strategic asset that may affect the council's long-term interest in that asset or the associated service delivery to Aucklanders, each substantive CCO must consider the following factors in relation to the proposal, in addition to any of its own considerations:

- the contribution of the issue or proposal to meeting the expectations set out in this policy and in the statement of intent.
- any impacts on the council's other objectives or priorities (both positive and negative).
- its consistency with the council's other plans and strategies, including area-specific plans.
- the likely financial impacts of the proposal, noting the opportunity cost of any investment or expenditure.

## 4.2.2 Additional requirements for Auckland Council Investments Limited

Auckland Council Investments Limited (ACIL) must:

- give effect to the council's Auckland Airport Shareholding Policy.
- not make any decisions that are inconsistent with that policy.

## 4.2.3 Shareholder oversight of strategic assets and major transactions

The table below sets out the approach to shareholder oversight of decisions about strategic assets and major transactions. Even if a decision does not require shareholder approval, CCOs must ensure that they comply with the no surprises policy, and engage with local councillors and local boards on issues of local significance (as set out in Section 1.1.7).

**Table 2 – Shareholder oversight of strategic assets and major transactions**

Where a CCO proposes to	Examples	The shareholder must be involved in the following way
<ul style="list-style-type: none"> <li>• Carry out a <i>major transaction</i> (defined below)</li> <li>• Undertake an action or make a decision which may affect the council's long-term interest in a strategic asset or the associated service delivery to Aucklanders and: <ul style="list-style-type: none"> <li>○ which represents or may represent a departure from an agreed strategy of the council; or</li> <li>○ where there is no agreed strategy of the council</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The sale of any part of Britomart</li> <li>• A 20-year lease on waterfront land</li> </ul>	Approval of the governing body of Auckland Council is required except where it is already provided for in the Long-term Plan. Note that some major transactions must be set out in the Long-term Plan. <sup>15</sup>
<ul style="list-style-type: none"> <li>• Undertake an action or make a decision which may affect the council's long-term interest in a strategic asset or the associated service delivery to Aucklanders which is consistent with an agreed strategy of the council</li> </ul>	<ul style="list-style-type: none"> <li>• Feasibility studies of a significant activity or investment</li> <li>• The development of a water efficiency strategy</li> </ul>	<p>Provide information to the governing body through a workshop or memorandum.</p> <p>Engage with relevant local boards in accordance with Section 1 of this policy and the Governance Manual for Substantive CCOs.</p>
<ul style="list-style-type: none"> <li>• Undertake any operational actions that are part of day-to-day business, or which implement agreed decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Entering into a contract for the provision of food and beverage services at Mt Smart Stadium</li> </ul>	No governing body oversight is required.

Where it is not clear if the proposed action or decision is consistent with an agreed strategy of the council, a CCO should engage with council staff.

## 4.2.4 Definition of major transaction

For the purposes of this accountability policy, a "major transaction"<sup>16</sup> is:

- a) Any acquisition, disposal or replacement of a strategic asset, other than ongoing asset renewal in accordance with a CCO's asset management plan

<sup>15</sup> Some decisions must be included in the long-term plan: section 97 of the Local Government Act 2002 requires that (a) a decision to alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the local authority, including a decision to commence or cease any such activity and (b) a decision to transfer the ownership or control of a strategic asset to or from the local authority must be consulted on during the development of a long-term plan.

<sup>16</sup> Note that this is a different definition of "major transaction" to that provided for in the Companies Act 1993, which has different requirements associated with it.

- b) Any transaction or dealing in relation to a strategic asset:
  - Reducing control over the asset (whether directly or indirectly)
  - Reducing or materially affecting the asset's value
  - Granting any legal interest in the asset to a third party
  - Affecting the CCO's or council's ownership of the asset
- c) Any long-term contracts for the development or operation of a strategic asset (being a contract binding the CCO to a term exceeding fifteen (15) years, including any renewals at the contractor's option)
- d) Any matters covered by Section 3.4 (rights and securities issues) or Section 3.5 (takeover offers, mergers and capital restructuring) of the Auckland Airport Shareholding Policy.

In relation to network infrastructure, a transaction only qualifies as a major transaction if it relates to any part of a network which:

- is integral to the functioning of the network as a whole, or
- substantially affects the level of service provided to the community.

A lease granted by a CCO on a strategic asset is not a major transaction if the lease:

- i. is granted in the ordinary course of the CCO's business on arms-length terms; and
- ii. does not exceed fifteen (15) years in duration (including any renewals at the lessee's option); and
- iii. does not exceed \$500,000 in rent per annum.

#### **4.2.5 Situations where the council's approval may not be required**

Where a proposal requires the approval of the shareholder according to Table 2 above, but is not material to the council's long-term interest in the strategic asset and the associated service delivery to Aucklanders, approval from the council may not be required. This can be granted at the discretion of the Mayor, Chair of the Finance and Performance Committee and the council's Chief Executive, according to the criteria in the council's Significance and Engagement Policy.

#### **4.2.6 Process where the council's approval is required**

Where approval of the council is required, it will be assessed against the following criteria:

- The contribution of the proposal to meeting the expectations set out in this policy and in the statement of intent, and other plans and strategies of council.
- The financial impacts of the decision.
- Whether the relevant CCO's Board has considered all of the relevant information which would influence the decision, including the risks and mitigations; and
- Any other factor that the council considers to be relevant.