

I hereby give notice that an extraordinary meeting of the Finance and Performance Committee will be held on:

Date: Thursday, 22 November 2018
Time: 1.00pm or at the conclusion of the Governing Body meeting whichever is later
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

**Komiti ā Pūtea, ā Mahi Hoki /
Finance and Performance Committee
OPEN AGENDA**

MEMBERSHIP

Chairperson	Cr Ross Clow	
Deputy Chairperson	Cr Desley Simpson, JP	
Members	Cr Josephine Bartley	Cr Penny Hulse
	Cr Dr Cathy Casey	Cr Mike Lee
	Deputy Mayor Cr Bill Cashmore	Cr Daniel Newman, JP
	Cr Fa'anana Efeso Collins	Cr Greg Sayers
	Cr Linda Cooper, JP	Cr Sharon Stewart, QSM
	Cr Chris Darby	IMSB Chair David Taipari
	Cr Alf Filipaina	Cr Sir John Walker, KNZM, CBE
	Cr Hon Christine Fletcher, QSO	Cr Wayne Walker
	Mayor Hon Phil Goff, CNZM, JP	Cr John Watson
	Cr Richard Hills	Cr Paul Young
	IMSB Member Terrence Hohneck	

(Quorum 11 members)

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Senior Governance Advisor

21 November 2018

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Terms of Reference

Responsibilities

The purpose of the Committee is to:

- (a) control and review expenditure across the Auckland Council Group to improve value for money
- (b) monitor the overall financial management and performance of the council parent organisation and Auckland Council Group
- (c) make financial decisions required outside of the annual budgeting processes

Key responsibilities include:

- Advising and supporting the mayor on the development of the Long Term Plan (LTP) and Annual Plan (AP) for consideration by the Governing Body including:
 - Local Board agreements
 - Financial policy related to the LTP and AP
 - Setting of rates
 - Preparation of the consultation documentation and supporting information, and the consultation process, for the LTP and AP
- Monitoring the operational and capital expenditure of the council parent organisation and Auckland Council Group, and inquiring into any material discrepancies from planned expenditure
- Monitoring the financial and non-financial performance targets, key performance indicators, and other measures of the council parent organisation and each Council Controlled Organisation (CCO) to inform the Committee's judgement about the performance of each organisation
- Advising the mayor on the content of the annual Letters of Expectations (LoE) to CCOs
- Exercising relevant powers under Schedule 8 of the Local Government Act 2002, which relate to the Statements of Intent of CCOs
- Exercising Auckland Council's powers as a shareholder or given under a trust deed, including but not limited to modification of constitutions and/or trust deeds, granting shareholder approval of major transactions where required, exempting CCOs, and approving policies relating to CCO and CO governance
- Approving the financial policy of the Council parent organisation
- Establishing and managing a structured approach to the approval of non-budgeted expenditure (including grants, loans or guarantees) that reinforces value for money and an expectation of tight expenditure control
- Write-offs
- Acquisition and disposal of property, in accordance with the long term plan
- Recommending the Annual Report to the Governing Body
- Te Toa Takatini

Powers

- (a) All powers necessary to perform the committee's responsibilities, including:
 - a. approval of a submission to an external body
 - b. establishment of working parties or steering groups.
- (b) The committee has the powers to perform the responsibilities of another committee, where it is necessary to make a decision prior to the next meeting of that other committee.
- (c) The committee does not have:
 - a. the power to establish subcommittees
 - b. powers that the Governing Body cannot delegate or has retained to itself (section 2).

Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.

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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 Petitions

There will be no petitions section.

4 Public Input

There will be no public input section.

5 Local Board Input

There will be no local board section.

6 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.”

Proposed priorities for the 2019 letters of expectations to substantive council-controlled organisations

File No.: CP2018/22628

Te take mō te pūrongo / Purpose of the report

1. To propose priorities for inclusion in the 2019 letters of expectations to substantive council-controlled organisations (CCOs).

Whakarāpopototanga matua / Executive summary

2. The letters of expectations are important documents that provide direction on:
 - the development of the substantive council-controlled organisations' Statements of Intent for 2019-2022
 - other priorities and issues of importance for the council to inform CCO operations, behaviours and service delivery.
3. These will be the first letters of expectations since the adoption of the Long-term Plan 2018-2028 and the Auckland Plan 2050.
4. The expectations are set out in two parts.
 - Part I: Common organisational expectations and priorities for all CCOs. These include financial accountability and value for money, building on the group approach and Māori responsiveness.
 - Part II: The key strategic areas each CCO should focus on.
5. The key messages have been drafted based on the priorities in the Long-term Plan 2018-2028, those identified in a workshop with councillors and through informal consultation with the CCOs.
6. The letters will be drafted on the basis of the committee's resolutions and sent by Mayor Goff to the board chair of each substantive CCO in early December 2018.

Ngā tūtohunga / Recommendation/s

That the Finance and Performance Committee:

- a) approve the proposed priorities for inclusion in the 2019 letters of expectations for substantive council-controlled organisations.
- b) delegate representatives to discuss the agreed expectations directly with the CCO boards.

Horopaki / Context

Introduction

7. The 2019 letters of expectations are important documents that provide direction on:
 - the development of the substantive council-controlled organisations Statements of Intent for 2019-2022
 - other priorities and issues of importance for the council to inform CCO operations, behaviours and service delivery.
8. The letters should reflect the Long-term Plan 2018-2028 which sets out the investment plans for each CCO.

9. This paper sets out a scheme for the council's proposed expectations in two parts:
Part I: Common organisational expectations and priorities for multiple or all CCOs
Part II: The key strategic areas each CCO should focus on.
10. The focus on fewer key strategic themes or messages should provide a clearer basis for accountability to the council.
11. Ports of Auckland Limited is not a CCO. The Statement of Corporate Intent for Ports of Auckland Limited was approved at the last Finance and Performance meeting (23 October 2018) and council will have the opportunity to set expectations for its 2019-2022 Statement of Corporate Intent next year.

Relation to other accountability mechanisms

12. The letters of expectations are one part of an overall accountability framework for substantive CCOs. Some other important parts of this framework are the:
- **Statement of Intent**: the Statement of Intent (SOI) sets out the activities and intentions of a CCO for the next year, and the objectives it will contribute to (the letters of expectations provide direction to them). CCOs report quarterly on progress towards achieving the objectives set out in the Statement of Intent.
 - **CCO accountability policy**: the CCO accountability policy sets more enduring expectations about CCO priorities and behaviours, is part of the Long-term Plan 2018-2028 and is complementary to the letters of expectations.
 - **CCO governance manual**: the CCO governance manual provides more detailed guidance on governance and operational matters to CCO boards and staff, and brings together key policies and other requirements.

Tātaritanga me ngā tohutohu / Analysis and advice

Proposed issues for the letters of expectations

13. The proposed expectations which are common to all CCOs are set out below. These were workshopped with the Finance and Performance Committee on the 23 October 2018, with the focus being on determining the high-level strategic priorities for each CCO. A summary of the key messages from the workshop were then provided to CCOs in draft format for their initial feedback.

Part I: Common messages

14. The proposed common expectations are focused on the following themes:
- focusing on delivery of council's work programmes and providing value for money
 - being more proactive in communicating with public and stakeholders to build trust and confidence, and to highlight successes; climate change - developing mitigation and resilience
 - focusing on Auckland Plan implementation and Māori responsiveness.
15. The council also expects:
- CCO participation and support in council's review of the Statement of Intent process
 - CCO commitment to board performance reviews
 - CCO commitment to working with council on reviewing performance measures.

Programme delivery

16. Council has set a significant agenda with a record capital expenditure investment of \$26 billion and increased spending on transport, housing, environment and community initiatives. In the 2019/2020 year the focus will be on delivering our substantial capital projects, readying the city centre for the Americas Cup and APEC in 2021 and continuing to pursue savings, efficiencies and alternative financing opportunities.
17. Council would like to be kept informed of progress on this capital programme and the wider programmes of investment and where savings are being made. Council expects the CCOs to work collaboratively with the council group to advance the capital programme and to develop improved governance and capability around the delivery of these programmes.

Building trust and confidence

18. The new funding tools, including the regional fuel tax, and the water quality and environmental targeted rates, along with the council's focus on delivery mean that it will be important for our CCOs to develop strong community engagement programmes. We will expect CCOs to work with the council group to lift trust levels amongst our community and stakeholders, by putting our customers and ratepayers at the centre of their businesses and by providing evidence-based analysis for any decisions made.
19. CCOs will be expected to monitor and report on the delivery of these programmes and their capital investment activity in transparent and easily understood way.

Auckland Plan implementation

20. Our CCOs play a critical role in responding to Auckland's key challenges by delivering on the outcomes of the Auckland Plan 2050. This year, we would expect each CCO to outline in their Statement of Intent how they will:
 - align priorities with the directions and focus areas and show how their activities will contribute to delivering the Auckland Plan outcomes
 - support development and activity envisaged in the nodes, development areas, future urban areas and rural settlement expansion identified in the first decade of the Auckland Plan Development Strategy (including development of structure plans and plan change processes)
 - report annually on activities that contribute to delivering the Auckland Plan 2050.

Climate Change

21. Addressing the challenges that climate change presents for Auckland is a priority for council. The impacts of climate change will require the application of new ideas and approaches to ensure that as a council group we respond to, mitigate and adapt to the effects of climate change.
22. We expect the CCOs to outline how they plan to address climate change in their areas of responsibility, including the development of any measures to assess their performance in this area.

Māori responsiveness

23. The council expects the CCOs to contribute to Te Toa Takatini and the council group Tiriti o Waitangi Audit response as an integral part of their work programme. We expect CCOs to provide detail on their performance in delivering their Māori responsiveness in their quarterly reporting.

Part II: Specific expectations for each council-controlled organisation

24. The specific expectations for each CCO are provided below.

Auckland Transport

25. Auckland Transport's SOI should:

- strongly reflect the directions and focus areas of the Auckland Plan 2050. In particular, the SOI should outline how Auckland Transport will:
 - deliver the safety strategy to reduce death and serious injuries on the Auckland transport network, including safety education for young Aucklanders and our rangatahi
 - continue to increase uptake of public transport and walking and cycling
 - deliver value for money in the approved Regional Land Transport Plan capital programme, including the Regional Fuel Tax initiatives
 - investigate and invest in transport technology that improves the efficiency of the Auckland's transport system
 - improve transparency on critical asset maintenance programming
 - work collaboratively with council to ensure the capital programme takes into account the impact of transport investment on surrounding urban form and incorporates good urban practice
- describe how Auckland Transport will improve communication with councillors, local board and customers, and have clear strategies for community engagement
- respond to emerging issues to prepare for operationalisation of the City Rail Link project.

Auckland Tourism, Events and Economic Development (ATEED)

26. ATEED's SOI should outline how the organisation will:

- encourage sustainable growth of Auckland's visitor economy through the lens of destination management and demonstrate value for money for Accommodation Providers Targeted Rate
- attract investment to Auckland by coordinating and promoting the Auckland Investment Story to grow business and employment in Auckland
- focus on economic development outcomes, especially in Auckland's south and west, to meet challenges of new economy and mobilising central government agencies around Auckland needs
- ensure performance measures provide evidence of ATEED's performance in generating new economic activity

Regional Facilities Auckland

27. Regional Facilities Auckland's SOI should outline how the organisation will:

- work closely with council on any plans for strategic redevelopment of assets, particularly for stadiums
- actively engage with the council and arts and cultural institutions in the co-design of a strategy for the sector, and supporting governance and funding arrangements
- deliver on capital redevelopment programme and manage the business through these works to improve financial performance.

Panuku Development Auckland (Panuku)

28. Panuku's SOI should outline how the organisation will:

- deliver the transform and unlock programme to help create our major centres as community catalysts for good design
- improve capex delivery and business planning
- work with ATEED, council and other CCOs on preparing for and the timely delivery of infrastructure to support the America's Cup and APEC
- ensure community engagement assists decision-making and that the benefits of redevelopment to communities are fully explained
- work closely with council on the marina strategy.

Watercare Services Limited

29. Watercare's SOI should outline how the organisation will:

- continue to work with the council to respond to any changes from the government's review of how water, waste water and storm water services are regulated and delivered
- investigate commercial arrangements and other funding sources which are in the best interests of the council group. Noting that this should not compromise service for Aucklanders. Council expects to be kept informed of any proposals and significant changes will need to be approved by the council.
- stay on schedule and on budget for the delivery of the Central Interceptor project, including participating in ongoing work with the crown and council on its funding and on engaging with the community
- continue to work with the Healthy Waters department of council on the Western Isthmus Water Quality Improvement Programme. Watercare Services Limited should ensure it constructively engages the community on this project.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe /
Local impacts and local board views**

30. The governance relationship between the substantive CCOs and the council sits with the Governing Body, and therefore local boards have not been consulted on issues for inclusion in the letters of expectations.
31. This year there is an increased focus on ensuring that those CCOs with a role in place-shaping (particularly Auckland Transport, Watercare Services Limited, Panuku Development Auckland and Auckland Tourism, Events and Economic Development) are implementing their obligations to engage with local boards and their communities.

Tauākī whakaaweawe Māori / Māori impact statement

32. Māori responsiveness is a priority for the substantive CCOs and this is reflected in the common expectations proposed in the letters of expectations.

Ngā ritenga ā-pūtea / Financial implications

33. There are no financial implications arising from this report. The CCOs are being asked to focus on delivering activities agreed through the Long-term Plan 2018- 2028.
34. The CCOs are also being asked to pursue savings, efficiencies and alternative financing opportunities.

Ngā raru tūpono / Risks

35. There is a risk that CCOs may misunderstand the expectations provided in the letters of expectations. It is suggested that the committee could delegate representatives to discuss the agreed expectations directly with the CCO boards.

Ngā koringa ā-muri / Next steps

36. Council staff will draft the letters of expectations based on the resolutions of this committee and including only the issues that are approved by this committee. The mayor will send the letters to CCO board chairs during December 2018.
37. Each CCO must provide a draft Statement of Intent to the council no later than 1 March 2019.

Ngā tāpirihanga / Attachments

There are no attachments for this report.

Ngā kaihaina / Signatories

Author	Claire Gomas - Principal Advisor
Authorisers	Alastair Cameron - Manager - CCO Governance & External Partnerships Phil Wilson – Governance Director Matthew Walker - Group Chief Financial Officer