

21 March 2019

# Memo

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

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Subject: **Accountability Review programme – progress report**

## Purpose

1. To update the Governing Body on the improvements and outcomes made as a result of the accountability review initiated in February 2017.

## Background

1. The accountability review's objectives 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.
2. The Appointments and Performance Review 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. The review programme is at Attachment C
3. Six monthly updates have been provided via memo to the Governing Body.

## Progress report on accountability review workstreams

4. The review is now largely complete, with improvements being made as a result of the review. These are summarised in Figure 1 and include:
  - improvements to CCO governance structures and engagement with council (e.g. board performance review processes, introduction of council / board workshops and improvements)
  - amendments to council policies and direction setting to provide create clarity and guidance (e.g. the CCO accountability policy, more detailed financial reporting in the long-term plan, the board appointment and remuneration policy, review of council's strategic direction and plans);
  - new performance reporting templates.
5. In August 2018, the Finance and Performance Committee requested that the Statement of Intent (SOI) process is reviewed. In February 2019, the Finance and Performance Committee agreed that this review would include an assessment of the SOI performance indicators. Accountability review workstream 2b) will now be addressed as part of the SOI review.
6. More detailed information on the outcomes of each workstreams is provided in Table 1. Some of these mechanisms reviewed will continue to be improved on an on-going

basis, as each cycle of direction-setting and reporting is undertaken (e.g. process for improving strategic alignment, long-term plan financial reporting improvements). This is a comprehensive suite of tools that enable council to set the strategic direction for the CCOs, and to monitor CCO performance. It is recommended that increased focus be given to using the existing tools appropriately.

**Figure 1: Accountability framework and review outcomes**



**Table 1: Accountability review workstreams – summary of progress**

Accountability Workstream	Outcome of review	Committee Reporting	Status
<b>Mechanisms that were originally programmed for review</b>			
<b>1a) CCO accountability policy – review policy</b>	Policy changes clarified: <ul style="list-style-type: none"> <li>council’s expectations of CCOs</li> <li>reporting and planning requirements</li> <li>the management of strategic assets</li> <li>approval of major transactions.</li> </ul>	Governing Body June 2018	Complete
<b>1b) Section 92(2) of LGACA. Explicit direction to CCOs on the council plans and strategies that CCOs ‘must act consistently with’</b>	Review concluded that the best option is to use s92(2) on case by case basis, with a decision required by the Governing Body. This approach was also recommended for local board plans. This approach enables the relevant aspects of the plan that a CCO is being asked to	Local Board Chairs Forum Sept 2018  Joint Working	Complete

Accountability Workstream	Outcome of review	Committee Reporting	Status
	consider to be stated clearly and performance to be assessed more easily. Many plans are currently not written in a manner that provides for this.	Group Feb 2019	
<b>1c) CCO board appointments – review contract for recruitment services and appointment process</b>	The process for appointing directors to CCOs, the size of the CCO boards, the criteria for appointing council’s director recruitment agency and board remuneration were all reviewed and amended.	APRVFM Committee, March and August 2017	Complete
<b>1d) Appointment of councillors to Auckland Transport board</b>	The process for the appointment of directors to the Board of Auckland Transport and the role of councillor appointments for the 2016-2019 electoral term was agreed.	APRVFM November 2016	Complete
<b>1e) Advice to the Auditor General (OAG) on section 104 of LGACA (to review the service performance of the council and CCOs)</b>	Advice provided.	Annual	On-going
<b>1f) Councillor to CCO board workshops – clear protocols for the process</b>	Protocols were developed, setting out the purpose and Councillors and board members roles.	Governing Body memo, March 2018	Complete
<b>1g) Enhanced local decision-making for local boards for CCO Activities</b>	<p>The Governance Framework Review resulted in 38 recommendations agreed to by the Governing Body. An implementation plan has been established and progress reports by Auckland Transport are made twice a year to the Governing Body.</p> <p>The revised Accountability Policy requires CCOs to understand and give effect to Auckland’s shared governance.</p>	<p>Governing Body November 2017</p> <p>Governing Body March 2018</p>	On-going
<b>Mechanisms that are cyclical in nature</b>			
<b>2a) Long-term plan - more detailed level of financial information required of CCOs</b>	During the development of the LTP, more detailed financial information was required of CCOs for budgeting and reporting purposes (provided through the budget books).	Governing Body June 2018	Complete

Accountability Workstream	Outcome of review	Committee Reporting	Status
for budgeting and reporting purposes			
<b>2b) Statement of intent – Review SOI key performance indicators (KPIs) for overall consistency, appropriateness and clarity. Review existing targets to ensure they are appropriate.</b>	<p>The Group Financial Planning team worked with CCOs to review the key performance indicators (KPIs) in the long-term plan. for overall consistency, appropriateness and clarity.</p> <p>A substantive review of KPIs for each CCO will be considered as part of the proposed Statement of Intent review.</p>	Finance and Performance August 2018	To be incorporated into Review of SOI process – subject of a separate report
<b>2c) Quarterly reporting against the statement of intent – improve risk section, support to councilors ahead of meetings for quarterly reports, template</b>	Improvements to the quarterly report template were discussed at the Finance and Performance Committee in November 2018, and the new template was used for the second quarterly report in the 2018/2019 financial year.	Finance and Performance November 2018	On-going improvements
<b>2d) Strategic direction setting and prioritisation – improving how the council specifies the outcomes it wants from CCOs and determines whether CCOs are delivering what the council (representing the public) wants</b>	<p>Staff have met with CCO to discuss how CCOs can implement the Auckland Plan 2050, with a focus on aligning:</p> <ul style="list-style-type: none"> <li>• investment with growth and development in the Development Strategy</li> <li>• strategies to translate the high-level directions of the plan into what needs to be delivered</li> <li>• strategies, place-based plans to inform the council group service and asset management plans</li> </ul> <p>The letters of expectations to CCOs directs CCOs to align with council's strategic priorities.</p>	Planning Committee November 2018	On-going
<b>2e) Update the Governance Manual for Substantive CCOs</b>	The update of the governance manual to CCOs is underway.	To be reported to the Finance and Performance Committee in 2019.	Underway

Accountability Workstream	Outcome of review	Committee Reporting	Status
<b>Additional mechanisms for review</b>			
<b>3a) Operating rules for Auckland Transport (how board operates, appointment of staff, acquire/disposal of assets)</b>	Several accountability mechanisms address the aspects provided for by s49 of LGACA (eg. Appointment and Remuneration Policy, Board Performance Review Framework, Accountability Policy, Our Charter). Development of operational rules would largely duplicate existing mechanisms.	NA	Complete
<b>3b) Additional accountability mechanisms under section 91 LGACA</b> <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 a description of how CCOs comply with council's requirements for management of strategic assets, and processes for approval of major transactions.</li> <li>• Consider the benefit of additional 10-year planning requirements (other than Asset Management Plans)</li> </ul>	Improvements to reporting include: <ul style="list-style-type: none"> <li>• New reporting to the Audit and Risk Committee</li> <li>• Improvements to the risk section of the quarterly report template to improve overall consistency in disclosure.</li> <li>• Updated quarterly reporting template</li> </ul> <p>Addressed in the updated CCO Accountability Policy regarding the management of strategic assets.</p> <p>A review of the planning requirements identified that there are currently appropriate processes and documents in place (e.g. LTP, RLTP, ATAP) to address 10-year planning requirements.</p>	Audit and Risk Committee  Finance and Performance Committee    Governing Body 2018	On-going
<b>3c) Independent CCO board performance reviews led by the council as shareholder</b>	A new framework has been developed and is currently being trialled with Auckland Transport. The other substantive CCOs will trial it in 2019.	APRVFM Committee May 2018	On-going

## **Next steps**

7. The next steps are to:

- complete the updates to the Governance Manual for substantive CCOs
- continue to work with CCOs and council to improve strategic alignment with the Auckland Plan
- continue to refine the information provided to councilors in the regular CCO performance reports, to best enable councilors to perform their governance role of monitoring CCO performance.

## **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

Appointments and Performance Review Committee  
01 February 2017



### 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 Paruku). 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.

