Komiti ā Pūtea, ā Mahi Hoki /
Finance and Performance Committee Workshop:
MINUTES

Minutes of a workshop held in Meeting Room 1, Level 26, 135 Albert Street, Auckland on Wednesday, 10 April 2019, at 9.34am.

PRESENT

Chairperson	Cr Ross Clow	
Deputy Chairperson	Cr Desley Simpson, JP	
Members	Cr Josephine Bartley	
	Cr Dr Cathy Casey	
	Deputy Mayor Bill Cashmore	From 9.40am
	Cr Fa'anana Efeso Collins	From 9.47am
	Cr Linda Cooper, JP	
	Cr Alf Filipaina	
	Cr Hon Christine Fletcher, QSO	
	Mayor Hon Phil Goff, JP	
	IMSB Member Terrence Hohneck	
	Cr Mike Lee	
	Cr Daniel Newman, JP	
	Cr Sharon Stewart, QSM	From 9.37am
	IMSB Chair David Taipari	
	Cr Sir John Walker, KNZM, CBE	From 9.47am
	Cr John Watson	From 9.36am
	Cr Paul Young	

APOLOGIES

Members	Cr Chris Darby	For absence, on council business
	Cr Richard Hills	For absence
	Cr Penny Hulse	For absence, on council business
	Cr Greg Sayers	For absence, on council business
	Cr Wayne Walker	For absence, on council business

Note: No decisions or resolutions may be made by a Workshop or Working Party, unless the Governing Body or Committee resolution establishing the working party, specifically instructs such action.

Purpose of workshop:

Purpose: To discuss the nine legacy CCOs and council organisations and seek feedback on proposed options and a work programme.

ITEM	TOPIC
1	**Apologies** Apologies from Cr C Darby, Cr P Hulse, Cr G Sayers and Cr W Walker for absence, on council business; and Cr R Hills for absence were noted.
2	**Declaration of interest** No declarations were received.
3	**Introduction and presentation on legacy CCOs** Sarah Holdem, Principal Advisor, CCO/External Partnerships gave a PowerPoint presentation. A copy of the PowerPoint presentation is attached to these minutes. *9.36am Cr J Watson joined the meeting.* *9.37am Cr S Stewart joined the meeting.* *9.40am Cr B Cashmore joined the meeting.* *9.47am Cr E Collins joined the meeting.* *9.47am Cr Sir J Walker joined the meeting.* A list of the community council-controlled organisations and council organisations was tabled during the presentation. A copy of the list is attached to these minutes. The arms-length community entities – problem definition was also tabled during the presentation. A copy of the document is attached to these minutes. **Next steps:** • Development of criteria, work programme and options • Further engagement with the legacy CCOs on proposed options • Local board engagement • Decisions are within the remit of the Finance and Performance Committee – suggest coming back for formal decisions before the election

The workshop ended at 10.35am.

Governance of community entities

Finance and Performance Committee
19 March 2019

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Purpose of this workshop

1. Discuss current state
2. Seek your feedback to develop:
   - Framework / set of principles for community CCOs and COs
   - Forward work programme relating to legacy CCOs

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Scope of this work

- Existing **legacy** CCOs and council organisations (COs) - community-based organisations
- Excludes substantive CCOs, POAL and joint ventures
- Governance of existing entities, and how and when any new entities would be set up
- We are not looking at funding

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Legacy council-controlled organisations

Council-controlled organisation	Area across which CCO operates
Community Education Trust (COMET)	Regional
Contemporary Arts Foundation	Regional
Mangere Mountain Education Trust	Māngere-Ōtāhuhu
Arts Regional Trust	Regional
Highbrook Park Trust	Howick and Māngere-Ōtāhuhu
Manukau Beautification Trust	South Auckland
Te Motu a Hiaroa Governance Trust	Māngere-Ōtāhuhu
Mount Albert Grammar Community Pool Trust	Albert-Eden
Te Puru Community Charitable Trust	Franklin

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Why now?

- Good practice to review periodically
- Light-touch and ad hoc approach to governance of existing entities
- Some have ongoing issues
- The council is likely to increase partnering with the community (facilities partnerships policy) – which could lead to discussions about governance

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Part I – why do we have arms' length entities?

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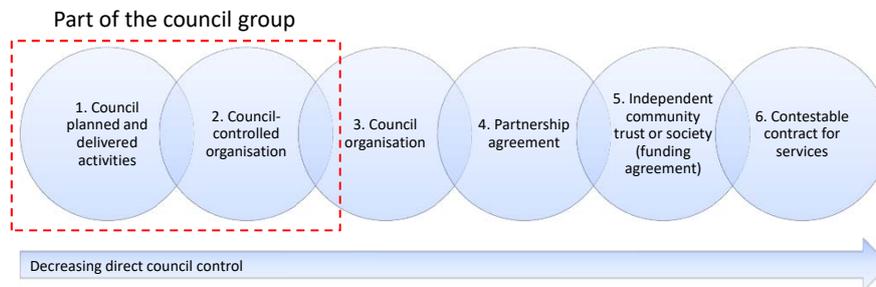
What does it mean to be at 'arms-length'?

Three factors:

- A separate legal identity
- A degree of autonomy from its parent (the council)
- Remains under some degree of government control or influence, through: whole or partial ownership, board representation or another mechanism.

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Definitions

- *Council-controlled organisation*: a local authority appoints >50% of trustees
- *Council organisation*: a local authority appoints <50% of trustees
- Standard accountability mechanisms apply to CCOs
- The council must monitor the contribution of COs to its objectives
- COs are not consolidated into the council's group accounts but they must be audited.

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Spectrum of delivery models

Part of the council group

| 1. Council planned and delivered activities | 2. Council-controlled organisation | 3. Council organisation | 4. Partnership agreement | 5. Independent community trust or society (funding agreement) | 6. Contestable contract for services |

Decreasing direct council control

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Advantages of the CCO model

- Specific and focused attention
- Empowering local communities to manage local assets (through community entities)
- Delivery of services separate from political direction
- More agility to respond to challenges
- Recruiting skilled board members and staff (volunteers)
- In the past, ability to access other funding sources, incl. philanthropic

Disadvantages of the CCO model

- Lack of direct accountability to the public
- Additional overheads for running a separate entity
- Additional costs for monitoring the entity's performance
- Difficulty (for parent) of managing risk
- Fragmentation – lack of connection with other council services
- Can be difficult to exit if no longer fit for purpose
- Regardless of independence, will still be seen as part of parent

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What are the leaders to success?

- Evaluating all options – keeping the desired outcome in mind
- Not necessarily any single 'right' model - will depend on the purpose & its operating environment
- Being clear about the purpose of an entity
- The parent being clear about outcomes and appetite for risk
- Appointing the right people to govern the entity
- Effective monitoring
- A plan for the life of the organisation

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Part II – Auckland Council context

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Current state

	Council-controlled organisations	Council organisations
Council interest	More than 50%	Less than 50%
Separation	In council group	Less connected
How many?	Nine legacy CCOs	~35 council organisations
Form	All charitable trusts	~85% charitable trusts
Group accounts	Consolidated	Not consolidated
Grants	$1.5 million	$3.1 million
Contracts	~$2 million	~$850,000

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Issues

1. No consistent framework for when Auckland Council should deliver an activity at arms-length

2. Some of the existing entities may no longer be appropriate as CCOs or COs

3. The council's governance of existing entities could be enhanced

4. There is variable governance capability across the existing entities

FURTHER DETAIL ON A3 SHEET

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What we are seeking your feedback on

- In your view, are these the right outcomes?

- We propose further work on:
  - Developing a set of principles to guide when the council should have community CCOs and COs
  - Developing a work programme to review the legacy CCOs
  - Options to support the existing entities and build their governance capability

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Next steps

- Development of criteria, work programme and options
- Further engagement with the legacy CCOs on proposed options
- Local board engagement
- Decisions are within the remit of the Finance and Performance Committee – suggest coming back for formal decisions before the election

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List of community council-controlled organisations and council organisations

Name	Entity type
Council-controlled organisations (where the council appoints 50% or more of the trustees or directors)	
Arts Regional Trust	Charitable Trust
Community Education Trust Auckland (COMET)	Charitable Trust
Contemporary Art Foundation (Te Tuhi)	Charitable Trust
Highbrook Park	Charitable Trust
Mangere Mountain Education Trust	Charitable Trust
Manukau Beautification Trust	Charitable Trust
Mount Albert Grammar School Community Swimming Pool Trust	Charitable Trust
Te Motu a Hiaroa Governance Trust	Charitable Trust
Te Puru Community Charitable Trust	Charitable Trust
Council organisations (where the council appoints less than 50% of the trustees or directors)	
Auckland Town Hall Organ Trust	Charitable Trust
Estuary Arts Charitable Trust (TAFI)	Charitable Trust
Find Your Field of Dreams	Charitable Trust
Friends of Arataki Trust Board	Incorporated Society
Friends of the Auckland Botanic Gardens Trust	Incorporated Society
Glen Eden Railway Station Restoration Trust	Charitable Trust
Hunua Quarry Ecological Trust	Charitable Trust
Kaipatiki Community Facilities Trust	Charitable Trust
Mackelvie Trust	Charitable Trust
Merton Trust	Charitable Trust
Mt Eden Methodist Church	Charitable Trust
The Mt Roskill Sports and Recreation Trust	Charitable Trust
Muriwai Lifeguard Services Amenities Trust	Charitable Trust
North Shore Heritage Trust	Charitable Trust
Northcote Citizens Management Trust	Charitable Trust
North West Auckland Airport Limited	Company
Orakei Marina Management Trust	Charitable Trust
Second Nature Trust - Previously Counties Manukau Pacific Trust	Charitable Trust
Sir Peter Blake Marine Education and Recreation Board (MERC)	Charitable Trust
Tag Out Trust	Charitable Trust
Tamaki College Recreation Centre Trust	Charitable Trust
Waiheke Recreation Centre Trust	Charitable Trust
Waitakere City Stadium Trust	Charitable Trust
Waitakere Education Sector Trust	Charitable Trust
Waitakere Playhouse Theatre Trust	Charitable Trust

Arms-length community entities – problem definition

Problem statement	Explanation	Desired outcome
1. There is no consistent policy or framework for when Auckland Council should deliver an activity at arms-length	• There are costs, benefits and risks to having an organisation at arms-length from the council • The true costs of establishing an arms-length entity (and especially its long-term viability) are not always considered when they are set up • Trust arrangements have some permanence • A status as CCO may confer a continued obligation (or the perception of one) to fund	Auckland Council has a clear and consistent framework for when and how it delivers an activity at arms-length through a community entity
2. Some of the existing entities may no longer be appropriate as CCOs or COs	• The nine legacy CCOs and ~30 COs were set up by the previous councils to address different problems in different circumstances • Some of the entities have evolved since amalgamation while others are still in their original form • There is a question about whether some of the entities are the best vehicle for delivering the services • The requirements to prepare an audit are often a material cost	All of the community entities are in the appropriate form
3. The council's governance of existing entities could be enhanced	• Some of the existing entities do not have a clear understanding of the council's priorities or expectations • Some of the entities have multiple accountability documents which duplicate eachother • Monitoring (including of risks) could be improved to meet best practice and statutory requirements • There is potential for a better split between local and regional governance • There is limited resource within the council to support the council to govern its CCOs and COs	The entities which the council has a governance relationship with have a clear understanding of their purpose and strategic direction, and their performance is monitored appropriately
4. There is variable governance capability across the existing entities	• The council's appointments to legacy CCOs and COs are unpaid (often required by the trust deed) • Capability issues are common; appointees often have strong community networks and are passionate, but it can be difficult to attract skills in areas like finance and law (although this is not universal) • Many of the trust deeds for COs require the council's appointments to be an elected member, which could put the member in a position of conflict	The council's arms-length entities have the right skills and capability to govern