

Council-controlled organisation Accountability Policy

Introduction

The Auckland Council is the sole owner of six substantive council-controlled organisations (CCOs) who perform a vital role in helping the Council to achieve its strategic goals for the city. These CCOs also deliver a wide range of services to residents and visitors on behalf of the Council, and make a significant contribution to community wellbeing. The Council has a collaborative and cooperative relationship with its CCOs, and views its CCOs as partners in the delivery of the Council's objectives and priorities for Auckland.

Section 90(1) of the Local Government (Auckland Council) Act 2009 (the 2009 Act) requires Auckland Council to adopt a policy on the accountability of its substantive council-controlled organisations (CCOs). Section 90(2) requires the accountability policy to:

- a) Include a statement of the Council's expectations in respect of each CCO'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 CCO's contributions to, and alignment with, any relevant objectives of central government;
- c) Specify any reporting requirements that each substantive CCO must undertake in addition to those required under the Local Government Act (LGA) 2002 or the 2009 Act;
- d) Specify any planning requirements that each substantive CCO must undertake in addition to those required under the LGA 2002 or the 2009 Act; and
- e) Identify or define any strategic assets in relation to each substantive CCO 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.

This policy has been prepared in response to that legislative requirement.

Section 91 of the 2009 Act further authorises the Council to require a substantive CCO to carry out certain actions. This policy also records the requirements the Council has decided on under this section.

The council recognises that a successful partnership between the council and its CCOs will require a commitment to collaborative relationships based on a shared vision, rather than solely on adherence to a set of rules. However, the accountability framework provides safeguards, and ensures that a similar level of scrutiny is applied to all council operations involving the use of public funds and the management of public assets regardless of whether directly controlled by the Council or via a CCO. Establishing this framework enables the Council to achieve the right balance between enabling the CCOs to operate independently, while ensuring that they deliver in line with the expectations of the council.

Watercare Services Limited will become a substantive CCO on 1 July 2012. Until that date, it will be subject to different accountability arrangements.

Auckland Council's expectations in respect of CCOs contribution to, and alignment with, Council objectives and relevant objectives of central government (section 90 (2)(a) and section 90(2)(b))

The council expects CCOs to contribute to achieving the following objectives/priorities from the council's Long-Term Plan:

- **Transport choices** – connecting the region's people and places, with easy and affordable access to a range of safe and sustainable transport options.
- **Thriving economy** – contributing to a thriving economy that attracts people and investment, provides jobs and supports a good standard of living for all across the region.
- **Outstanding natural environment** – protecting and enhancing Auckland's unique natural environment, including our world-class harbours, waterways, beaches, forests, open spaces, parks and air, for the benefit and enjoyment of current and future generations.
- **Quality built environment** – planning our urban and rural areas to support vibrant town centres and neighbourhoods and a world-class central business district and waterfront while enhancing the region's diverse character and heritage.

- **Strong communities** – contributing to safe, healthy, skilled and inclusive communities that embrace Auckland’s cultural heritage and diversity and provide a range of housing options.
- **Lifestyle choices** – providing access to a wide range of recreation, leisure and arts opportunities, with a network of regional facilities and a world-class programme of international, national, regional and local events.
- **Strong governance** – providing effective and accountable local and regional governance that involves the community in decision-making, effective stewardship of CCOs and investments, and an efficient and capable Council.

In addition the Mayor has expressed his vision of making Auckland “The world’s most liveable city” characterised by its

- Cohesive, resilient communities;
- Excellent transport system;
- Productive high-value economy; and
- Quality urban, rural and natural environments.

This vision highlights the priority areas from the long-term plan objectives.

The Government established six substantive CCOs with clear objectives for each. The council’s expectation is that each CCO will align their activities and act consistently with these objectives. The table below outlines in more detail how the Council expects each CCO to contribute to, and align with, the Council objectives and priorities, and incorporates the Government’s objectives. Government objectives have been sourced from the 5 July 2010 paper to Cabinet “Local Government Auckland Governance Reform: Council-controlled Organisation Structure”, except for Auckland Transport’s which was sourced from section 39 of the 2009 Act, which specifies Auckland Transport’s purpose.

Council-controlled organisation	Council’s expectations
Auckland Council Investments Limited	Strong governance – ACIL is to provide a strong commercial and strategic focus to the ownership and governance of the Council’s major investment assets, and provide an efficient structure for the ownership of those assets.
Auckland Tourism, Events and Economic Development Limited	<p>Thriving economy – ATEED is to play a key role in attracting people and investment, providing jobs and supporting a good standard of living for all across the region.</p> <p>Lifestyle choices – ATEED is to contribute to providing major world-class visitor experiences and events to Auckland.</p> <p>Growth Engine – ATEED is to help support and enhance the performance of the Auckland region as a growth engine in the New Zealand economy.</p> <p>Internationally Competitive – ATEED helps support and enhance the ability of the Auckland region to compete internationally as a desirable place to visit, live, work, invest and do business.</p>
Auckland Council Property Limited	<p>Strong governance – ACPL is to provide an appropriate return on commercial property and activities under ACPL’s management and to contribute a commercial perspective to all council planning initiatives.</p> <p>Quality built environment – ACPL is to contribute a market perspective to spatial planning and place shaping initiatives sustaining quality built environment and heritage, as well as manage property projects that are not directly related to core council operations and encourage private sector collaboration.</p> <p>Efficient use of capital – ACPL is to ensure the efficient use of capital by the Council in respect of property activities in which ACPL is involved.</p>

Council-controlled organisation	Council's expectations
Regional Facilities Auckland	<p>Lifestyle choices – RFA is to play a key role in providing access to a wide range of recreation, leisure and arts opportunities, attractions including the zoo, museums and art galleries, and a world-class programme of international, national, regional and local events.</p> <p>Thriving economy – RFA is to attract visitors and provide jobs through its world-class events, venues and activities.</p> <p>Regional Perspective – RFA is to continue to develop with a regional perspective, a range of world-class arts, culture and heritage, leisure, sport and entertainment venues that are attractive to both the residents of the region and to visitors.</p>
Auckland Waterfront Development Agency	<p>Transport choice – AWDA is to focus on enhancing transport choices, particularly for pedestrians and public transport, for people to access the waterfront.</p> <p>Thriving economy – AWDA is to play a major role in growing the region's economy by making Auckland's waterfront a gateway that attracts business and visitors.</p> <p>Outstanding natural environment – AWDA is to manage Auckland's waterfront with a focus on enhancing our harbours, waterways and water's edge for the benefit of all.</p> <p>Quality built environment – AWDA is to develop property that delivers high quality architecture, quality urban design, marine history and heritage, and public open space, improved connections and integration with the CBD and surrounding city.</p> <p>Strong communities – AWDA, as a "place-maker", is to provide the physical and social infrastructure to provide for community needs and to activate places and spaces enabling residents, workers and visitors to feel welcome and have a strong sense of belonging.</p> <p>Lifestyle choices – AWDA is to provide recreation and leisure opportunities in a prime CBD location through development of public open space around the waterfront and operation of marina facilities and services.</p> <p>Commercial focus – AWDA is to act in a commercial way to achieve development outcomes, including investing in projects and places that secure high quality urban transformation outcomes.</p>
Auckland Transport	<p>Transport choices – Auckland Transport is to connect the region's people and places by helping to provide easy and affordable access to a range of safe and sustainable transport options.</p> <p>Effective and efficient transport system – Auckland Transport to contribute to an efficient, sustainable, energy saving and cost effective land transport system to support Auckland's social, economic, environmental and cultural well-being.</p>

In addition, all CCOs are expected to contribute to the development of the Council's Spatial Plan and Unitary Plan.

In accordance with section 91(1)(a) of the 2009 Act, each CCO must also include in its SOI a narrative of how it will contribute to the Government and the council objectives and priorities specified in this accountability policy.

CCOs must act consistently with and contribute to policies, plans and strategies of the council. The council may notify a CCO in writing at any time¹ of the relevant aspects of any Council plan or strategy (including a local board plan) not specified in this accountability policy. Under section 92(2), the CCO must act consistently with any such plan or strategy.

Reporting requirements (section 90(2) c))

The LGA requires CCOs to provide half-yearly and annual reports on their operations to the council. The half-yearly report must be delivered within two months after the end of the period. 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.

In addition to these legislative requirements, the Council requires all CCOs to report their performance quarterly to the Council. Unaudited first, third and fourth quarter reports will be required no later than six weeks after the end of each quarter. Each CCO's SOI sets out requirements for the contents of quarterly reports. All CCOs must report their performance against their SOI. The Annual Report must also compare the CCO's performance with its SOI, and provide an explanation if SOI performance requirements have not been met.

Each CCO board is required to appear before the relevant council committee when the committee considers the CCO's annual report. The chair and chief executive of each CCO are expected to appear before the relevant council committee when it meets to consider the CCOs quarterly and half-year reports.

Planning requirements (section 90(2)(d))

With the exception of Auckland Transport, all CCOs will prepare and adopt a ten-year plan every three years, in accordance with section 91 (1)(c) of the 2009 Act and in accordance with other requirements specified in this

¹ Including, but not limited to as part of the annual letter of shareholder expectations to each CCO.

section of the accountability policy². The first plan must be adopted by 30 June 2012. It will cover the period 1 July 2012 – 30 June 2022 and give effect to relevant aspects of the Council’s Long-Term Plan over the same period. The ten-year plan must include details of the CCO’s funding requirements and the proposed sources of funding to meet these requirements, consistent with the LTP. In preparing the ten-year plan each CCO will be expected to provide inputs to the Council’s LTP and must do so in a timely manner.

The ten-year plan must also show how the organisation intends to:

- Manage, maintain and invest in its assets;
- Maintain or improve service levels;
- Respond to population growth and other changing environmental factors; and
- Give effect to the council’s strategy, plans and priorities.

Where relevant, CCOs are required to follow the Auckland Council’s asset management framework when developing their ten-year plans, or obtain Council approval for an alternative framework. CCOs must also use accounting standards that are consistent with the Council’s standards.

The council must prepare a Regional Land Transport Strategy (RLTS) every six years covering a period of 30 years. This strategy is prepared under the Land Transport Management Act 2003. Auckland Transport must also prepare a Regional Land Transport Programme (RLTP) for Auckland every three years. The purpose of the RLTP is to give effect to the RLTS and relevant aspects of the LTP.

Strategic Assets (section 90(2)(e))

Under section 90(2)(e) of the 2009 Act, the Council’s accountability policy must identify or define strategic assets in relation to each CCO 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.

Definition and identification of strategic assets

Strategic assets are defined in section 5 of the LGA as being assets that a local authority needs to retain if the local authority 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 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—
 - (i) a port company;
 - (ii) an airport company.

The definition of “strategic asset” applies in the 2009 Act. Accordingly, the Council’s accountability policy must identify all substantive CCO assets that come within this definition.

For the purposes of this policy, the Council considers that the phrase “current or future well-being of the community” means the physical, economic, social, and cultural well-being of the community. Accordingly, the strategic assets owned and/or managed by the Council’s CCOs are:

- Any scheduled heritage buildings or structures and the following assets:

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 295,921,014 shares held in Auckland International Airport Limited freehold interests in waterfront land	none

² Under section 91(2) of the Local Government (Auckland Council) Act 2009, the Council cannot require Auckland Transport to prepare and adopt a ten-year plan.

	held by Ports of Auckland Limited	
Auckland Tourism, Events and Economic Development Limited	none	none
Auckland Transport	public transport network including Britomart	roading network
Auckland Waterfront Development Agency	freehold interests in waterfront land	none
Regional Facilities Auckland	Auckland Art Gallery Auckland Zoo Aotea Centre Civic Theatre Viaduct Events Centre Mt Smart The Council's contractual rights and interest in Auckland City Arena (known as Vector Arena)	none
Auckland Council Property Limited	none	none

Requirements in relation to CCO's management of strategic assets

CCOs must manage strategic assets (including those owned by the council but under the control of the CCO) in order to maximise their long-term benefit to Auckland. In addition, the management of strategic assets by a CCO must be undertaken in a manner that enables the CCO to meet its SOI objectives.

Auckland City Investments Limited (ACIL) must also comply with and take all reasonable steps to promote the council's Auckland Airport Shareholding Policy. In particular, ACIL must not make any decisions that are inconsistent with that policy. ACIL must obtain the approval of the council prior to making any decisions on matters covered by section 3.4 (rights and securities issues) or section 3.5 (takeover offers, mergers and capital restructuring) of that policy.

Process for approval of major transactions in relation to strategic assets

For the purposes of this accountability policy, a major transaction in relation to strategic assets is one which would result in any reduction or increase in the CCO's or the Council's control over, or ownership of that asset, including a transaction resulting in the value of that asset reducing. In the case of the public transport network owned by Auckland Transport and the roading network owned by the Council and managed by Auckland Transport, the disposal or transfer of control of a part of a network, which is integral to the functioning of the network as a whole will be considered a major transaction.

Examples of major transactions include, but are not limited to:

- A transaction that would result in ACIL's shareholding in Auckland International Airport Limited being either reduced or increased; and
- The sale of any part of Britomart or the transport operations undertaken therein.

CCOs may not undertake a major transaction in relation to strategic assets unless approved by the council. In circumstances where a CCO is considering engaging with the Council in regard to a major transaction, the CCO should contact the Council's CCO Governance and Monitoring Unit in the first instance.