

Terms of reference: reviewing Auckland's CCO model to increase efficiency, transparency, accountability and communication

Context

1. Auckland Council's council-controlled organisations (CCO) account for 55 percent of the Council's operational budget and have been in operation since the establishment of the Auckland Council in 2010.
2. The council currently has five substantive CCOs: Auckland Transport, Auckland Tourism Events and Economic Development, Panuku Development Auckland, Regional Facilities Auckland and Watercare Limited. CCOs are managed by boards appointed by Auckland Council and not by elected members. This raises the perception that CCO decision-making and actions lack accountability to the public.
3. The Mayor has stated that 10 years after the new Auckland Council structure was created it is now timely to undertake an independent review of what is working with the CCO model, what is not and what can be improved. The council is seeking a review that also considers the transparency and responsiveness of Auckland's CCO model to the council and Aucklanders, and how greater political oversight, communication and integration could be achieved.

Objectives

4. The objectives of the review are to:
 - ensure an effective and efficient model of service delivery for Auckland Council and Aucklanders
 - ensure a sufficient level of political oversight, public transparency and accountability of CCOs in their decision making

Governance and approach

5. This work will be led by a panel of 3 independent people, one who will be Chair who have relevant skills and expertise. They will have access to and support from the Auckland Council group. Auckland Council staff will provide secretarial support to the panel.
6. Staff will work with the chair to agree and report back on the review's work programme.
7. The independent panel will update the Governing Body via workshops (as necessary) and reports to the Governing Body. All decision-making on the review will be the responsibility of the Governing Body.
8. The panel will seek input from local boards and the Independent Māori Statutory Board.

Scope

9. Considering the original aims of the Auckland governance reforms, the changing context within which the Auckland Council is operating and the current practice, the reviewers will consider the following areas.

The CCO model, roles and responsibilities

10. Council is seeking to understand if there is a better way to achieve operational efficiency, transparency and accountability for council services currently being delivered by CCOs. Particular attention should be given, without limitation, to the following matters:

- what are the perceived and real issues with the current model?
- is the council clear about the purpose of each of its CCOs? Is their duplication with in-house council activity?
- is the purpose still current and is there adequate direction provided to the CCOs by the council?
- are the roles and responsibilities of board members, shareholders, the Mayor/council and staff clearly defined?
- what other viable service delivery models are there (including in-house, amalgamation of CCOs) and what benefits and disadvantages would they have?

CCO accountability

11. Council is seeking to understand if the current processes and mechanisms for holding CCO boards to account are adequate and what improvements (including new mechanisms) are available or required. Particular attention should be given, without limitation, to the following matters:

- do the current accountability mechanisms (e.g. Statement of Intent, quarterly reporting, KPIs) enable council to effectively undertake its monitoring role, assess performance and ensure appropriate responses to the concerns of the governing body, local boards and the public?
- Is council exercising the current accountability mechanisms appropriately?
- do the CCOs understand and act in a manner that reflects that they are accountable to the community and that the council is accountable to the community for their performance?
- are there accountability requirements at the governance and executive levels to ensure that CCOs are meeting their legislative obligations to Māori and have they developed sufficient organisational Māori responsiveness capability?
- are the lines of accountability sufficiently clear, open and transparent for decision-making?
- are there additional accountability mechanisms that could be introduced, such as those provided by the LGA 2002 Amendment Act 2019?
- are there adequate guidelines for when CCOs should be operating as commercial entities and when they should prioritise the public good?
- are the current group policies adequate, and are there additional group policies that should be included (e.g. group remuneration policy)?
- is the CCO board appointment process adequate and the skills criteria used in the appointment process appropriate?
- are there other ways to improve the governance to governance relationship?

Culture of CCOs

12. Council is seeking to understand how the culture of CCOs could be improved with regard to consultation, community engagement and responding to the public and council on issues. Particular attention should be given, without limitation, to the following matters:

- is there an effective governance and working relationship based on trust and respect between the council and the CCO, and between the CCOs themselves?

- does the recruitment and position accountabilities of CCO CEOs and their senior leadership address the requirement to respond to Auckland Council direction and work effectively with council senior executives?
- is there a culture of accountability to Aucklanders at the CCO board, executive and staff level?
- whether council funded activities carried out by CCOs are adequately branded and acknowledged as council activities?
- whether the approach for consultation and community engagement is appropriate and what processes could be put in place to ensure greater responsiveness by CCOs to community concerns?
- how well do the CCOs provide advice to the council?

Engaging with stakeholders and Aucklanders

13. In undertaking this review, the reviewers should consult with, but not be limited to, the CCO boards and senior executives and council's executive team.
14. It is expected that early in 2020 the panel should provide a mechanism for the community to provide input into the review, including the issues they perceive with governance and operational performance of Auckland's CCOs.
15. The reviewers must provide a draft report to the Governing Body incorporating community and stakeholder feedback by April 2020.
16. If required, the Governing Body will carry out public consultation on the reviewers' findings and proposals as part of the Auckland Council 10-year budget process.

Timeframe and outputs

17. A review of this nature creates both commercial risk for the CCOs and uncertainty for their staff. In order to minimise these impacts it is intended that the review is completed without undue delay and that stakeholders, including the community, have a chance to input into the review.
18. The review is expected to provide robust evidence if changes to the model are required. The outputs of this review will guide the process used for any potential CCO restructuring, including proposals for the 10-year budget (refer attached diagram for timeframes). Consultation on any proposals will occur as part of this process.
19. The reviewers will report to the Governing Body as follows:
 - Draft report on the key issues, feedback from the community and stakeholders
May 2020
 - Final report with recommendations
July 2020

CCO review 2020

High-level timeline

