

11. Council-controlled organisations

11.1 What are council organisations and council-controlled organisations?

- a. Council-controlled organisations (CCOs) perform a vital role in helping the council achieve its strategic goals, delivering a range of services to residents and visitors on behalf of the council. Taken together, their activities make a significant contribution to community wellbeing. The council has a collaborative and cooperative relationship with its CCOs as partners in the delivery of the council's objectives and priorities for Tāmaki Makaurau.
- b. Councils in Aotearoa New Zealand can provide services to their communities in a number of different ways:
 - via their own in-house staff and operations
 - by contracting a third party or organisation
 - through an entity that is council-controlled but is governed, managed and operated at arm's-length through an independent board of directors.
- c. Councils can hold or control any proportion of rights to appoint directors in a range of organisations [1], including:
 - **Council organisation (CO)** - An entity is a CO when the council has the right to appoint fewer than 50 per cent of its directors [2]. Currently, Auckland Council has more than 70 COs.
 - **CCO** - Entities in which the council has the right to appoint 50 percent or more of the directors are CCOs.
 - **Substantive CCO** - Substantive CCOs are wholly-owned council entities responsible for delivering a significant service or activity on behalf of the council or owning or managing assets with a value of more than \$10 million [3]. Substantive CCO is only a concept in Auckland local government.
 - **Council-controlled trading organisation (CCTO)** -The council can also have a stake in organisations which trade with the purpose of making a profit. These CCOs are known as council-controlled trading organisations. Auckland Council currently has only one CCTO, a joint venture called Waste Disposal Services.

11.2 Purpose of Council-controlled Organisations

- a. A CCO's main purpose is to help achieve the council's objectives. When a council decides to deliver public services through a CCO, it effectively transfers responsibility to a board of directors or trustees. This is common practice internationally and is often referred to as delivering services at arm's-length.
- b. Auckland Council commissioned an independent review of its CCO model in 2020 to ensure it was working for our city and our people. The review considered criteria for deciding whether or not to deliver activities through CCOs. These include whether activities:
 - require the commercial disciplines and specialist expertise of professional directors
 - require people with strong technical and industry knowledge and rely on the ability to recruit and retain highly skilled staff with private sector skills
 - require fast decision-making, innovative thinking and the application of relevant commercial disciplines, including those relating to risk management
 - can be made more efficient by aligning the CCO's systems and processes to its specific business needs
 - lend themselves to achieving economies of scale
 - are not duplicated by other CCOs or the council.

11.3 Auckland Council COs and CCOs

Auckland Council provides a range of services and programmes to the region through five substantive CCOs and nine others that are smaller in scale and budgets. All CCOs participate in, and contribute to council plans, as well as managing services, such as transport. The Long-term Plan contains information on the activities of Auckland CCOs and COs.

11.3.1 Substantive CCO services and activities

- a. **Auckland Transport (AT)** was established as a statutory entity [1], a fact that restricts the level of change the council can make to its structure without a change to the legislation. AT's purpose is "to contribute to an efficient, effective and safe Auckland land transport system in the public interest" [2]. AT operates under the Local Government (Auckland Council) Act 2009 [3], and is also subject to the Land Transport Management Act.
- b. **Eke Panuku Development Auckland Limited (Eke Panuku)** was established by council resolution in 2015. Eke Panuku is an amalgamation of two former council CCOs - Auckland Council Property Ltd and Auckland Waterfront Development Agency. Eke Panuku is the urban regeneration agency for Auckland Council and has a dual purpose to:

- redevelop urban areas through its priority location programmes and other council group programmes.
 - manage the council's non-service property and provide property-related services to the council group.
- c. **Watercare Services Ltd** provides integrated water and wastewater services to Auckland. Watercare is governed by the Local Government (Auckland Council) Act 2009 [4], and must manage its operations efficiently, with a view to keeping the costs of water and wastewater supply at minimum levels while maintaining the assets' long-term integrity [5]. Watercare is prevented from paying a dividend or distributing any surplus to the council as owner [6].
- d. **Auckland Unlimited Ltd** was established in 2020 through the merger of earlier CCOs Auckland Tourism and Economic Development Limited (ATEED) and Regional Facilities Auckland Limited (RFAL), following recommendations from an independent review of council-controlled organisations. Auckland Unlimited is New Zealand's largest producer of cultural, entertainment, sporting and wildlife experiences and the largest regional economic development agency in the country committed to delivering outcomes that meet its purpose of 'enriching cultural and economic life in Tāmaki Makaurau.'

11.3.2 Smaller CCOs and COs

- a. The council has a further eight CCOs that are smaller in scale and budgets than the substantive CCOs. These entities provide services to a range of stakeholders and contribute to delivering council programmes and services.
- b. The following CCOs are required to meet governance requirements such as half-year and annual reports and Statements of Intent
- **Community Education Trust Auckland, Te Hononga Akoranga (COMET)** - supports education and skills across Auckland, contributing to social and economic goals in the Auckland Plan.
 - **Contemporary Art Foundation** - promotes the arts through ownership and management of the Te Tuhi Centre for the Arts, a public gallery in Pakuranga which hosts local, national and international art exhibitions.
 - **Manukau Beautification Charitable Trust** - promotes, supports and undertakes programmes, actions and initiatives to beautify Auckland
- c. The following CCOs are exempt from the above requirements:
- **Arts Regional Trust (ART)** - aims to grow entrepreneurship in the Auckland's arts, culture and creative sectors to generate cultural, creative and economic outcomes that benefit the region
 - **Māngere Mountain Education Trust (MMET)** - the trust administers the Māngere Mountain Education Centre which provides educational

opportunities for Aucklanders of all ages to learn about Māngere Mountain and its people.

- **Mount Albert Grammar School Community Swimming Pool Trust** - supports the Mt Albert Aquatic Centre, a local community pool
- **Te Motu a Hiaroa (Puketutu Island) Governance Trust** - Watercare established this trust to oversee and hold the fund for developing, managing, maintaining and operating Puketutu Island. The trust works with the council and iwi to transform the island into a regional park, after the deposition of biosolids in an excavated site
- **Te Puru Community Charitable Trust** - manages the community centre at Te Puru Park and supports sports, leisure, community and cultural groups in the Beachlands, Maraetai and Whitford areas.

11.3.3 Control and accountability of Auckland's substantive CCOs

- a. The council is accountable for a CCO's actions and spending; it is, therefore, essential that a CCO's decisions align with the council's plans and policies. The council uses the following tools and processes to achieve this alignment and accountability:
 - **Appointments to a CCO board of directors** – the council appoints all directors to the board of each substantive CCO and the majority of directors on a number of smaller CCOs. The council's approach to these appointments and directors' remuneration is outlined in its Appointment and Remuneration Policy for Board Members of Council Organisations. While the Companies Act 1993 requires the directors of CCOs that are companies (all but AT) to act in the CCOs' best interest, their constitutions also allow them to act in the best interests of the shareholder, the council. The council may also appoint up to two councillors onto the board of Auckland Transport.
 - **The annual Statement of Intent (SOI)** – each CCO must annually document strategic priorities in its SOI for the following three years and agree these with the council [1].
 - **Reporting requirements** - Each CCO's SOI sets the performance measures for the three-year period. Each CCO must provide the council with half-yearly and annual reports [2]. The council also requires all substantive CCOs to report on their performance at the end of the first and third quarters and explain if SOI performance measures have not been met. The council has face-to-face performance discussions with CCO boards for the half-year reports and for the fourth quarter results.
 - **Strategic Alignment** – Each substantive CCO must give effect to the Long-term Plan and act consistently with any relevant aspect of council plans and strategies [3]. The overall direction for CCOs is also set in line with the Auckland Plan.
 - **The CCO Accountability Policy** - The council is required to have a policy on the accountability of its substantive CCOs [4]. This policy is set out in the

council's Long-term Plan [6] and establishes the council's enduring expectations for each CCO. Important elements of the Accountability Policy are:

- **Additional planning and reporting requirements** - all substantive CCOs are required to have asset management and activity plans, performance frameworks and supporting financial information to feed into the council's Long-term Plan and Annual Plan.
- Among other requirements substantive CCOs must:
 - use accounting policies and standards that are consistent with the council group's accounting policies and standards
 - follow any other planning requirements specified by the council and notified to CCOs
 - prepare a Māori Responsiveness Plan and work with council to monitor and report against it
- **Major transactions relating to strategic assets** - the Accountability Policy identifies the strategic assets owned or managed by each substantive CCO and sets out the requirements for management of them. In particular, CCOs may not undertake a major transaction (as defined in the CCO Accountability Policy) in relation to a strategic asset unless approved by the council or already provided for in the Long-term Plan. Certain transactions, such as a decision to transfer the ownership or control of a strategic asset to or from the local authority, must be provided for in the Long-term Plan [5], and may trigger consultation requirements [6].
- **Statement of Expectations.** Section 64B of the Local Government Act allows Council to issue a statement of expectations and in October 2021 Auckland Council approved its first iteration of this document. The SOE is read in conjunction with the CCO Accountability Policy, and focusses on how CCOs should conduct their business and manage their relationship with Council and other stakeholders. Both documents have statutory status and work in complementary fashion. The SOE encompasses a range of principles for CCOs, such as:
 - Giving effect to Auckland Council's shared governance (governing body and local boards)
 - Achieving outcomes for Aucklanders is paramount
 - Operating as a group, not individual organisations
 - The no-surprises principle
 - Common use of branding
 - Openness with the public.

- b. The council also has a range of additional mechanisms to achieve alignment and accountability, including:
- **Local Board Engagement Plans** – CCOs are accountable to the council through the governing body. They are required to proactively build relationships with local boards, as well as develop engagement plans with them.
 - **Governance relationships** – Following the recommendation of the CCO Review in 2020, the governing body is visiting each substantive CCO annually to better understand its business and culture and to informally build relationships.
 - **Liaison councillors for substantive CCOs** – Liaison councillors roles were established in the 2019-2022 term with the purpose of developing the relationship between the council and each CCO's board, and enhancing the flow of information between the parties.
 - **Letters of expectation** – Council issues an annual letter of expectations to each of its substantive CCOs to inform the development of the CCOs' Statements of Intent. Following the recommendation of the CCO Review in 2020 a workshop has been introduced to support the development of letters of expectation between CCO chairs, chief executives and the governing body.

11.3.4 Strategic assets managed by council-controlled organisations

The table below describes the strategic assets that are owned or managed by the council’s substantive CCOs:

Council-controlled organisation	Strategic assets owned and managed by the CCO	Strategic assets owned by the council and managed by the CCO
Auckland Transport	the public transport network	roading and footpath assets
Auckland Unlimited Limited as corporate trustee of the Regional Facilities Auckland Trust	the network of stadiums and venues Auckland Art Gallery (including the associated art collection) Auckland Zoo	none
Panuku Development Auckland Limited	None	freehold interests in central Auckland waterfront land
Watercare Services Limited	the water supply and wastewater networks	none

11.4 Footnotes

11.1 What are Council Organisations (COs) and Council-controlled Organisations?

[1] This includes companies or any entities that are a partnership, trust, arrangement for the sharing of profits, union of interest, cooperation, joint venture, or other similar arrangement, set up with the intention of making a profit or with some other non-profit objective in mind.

[2] Local Government Act 2001, section 6(1).

[3] Local Government (Auckland Council) Act 2009, section 4(1).

11.3.1 Substantive CCO services and activities

[1] Local Government (Auckland Council) Act 2009, section 38

[2] Local Government (Auckland Council) Act 2009, section 39

[3] Sections 38 to 56

[4] Local Government (Auckland Council) Act 2009, Part 5

[5] Local Government (Auckland Council) Act 2009, section 57(1)(a)

[6] Local Government (Auckland Council) Act 2009, section 57(1)(b)

11.3.3 Control and accountability of Auckland's substantive CCOs

[1] Local Government Act 2002, section 64

[2] Local Government Act 2002, sections 66 and 67

[3] Local Government (Auckland Council) Act 2009, section 92

[4] Local Government (Auckland Council) Act 2009, section 90(1)

[5] Local Government Act 2002, section 97

[6] See the council's Significance and Engagement Policy.

Key Documents

Appointment and Remuneration Policy for Boards Members of Council Organisations

Civil Defence Emergency Management Act 2002

Code of Conduct

Code of conduct for elected members

Interpretation Act 1999

Ngāti Whātua Orākei Claims Settlement Act 2012

Ngāti Whātua o Kaipara Claims Settlement Act 2013

Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008

Local Boards Standing Orders

Local Electoral Act 2001

Local Government Act 2002

Local Government (Rating) Act 2002

Local Government (Auckland Council) Act 2009

Local Government Official Information and Meetings Act 1987

Public Audit Act 2001

Standing Orders