



Summary of our report

Governance and accountability of council-controlled organisations



Council-controlled organisations (CCOs) provide local authorities with opportunities and challenges. They give a local authority the opportunity to engage people with the right skills and experience to focus on operating a business or other work for the authority.

The challenge is that the local authority remains accountable to its community for the CCO's performance. However, despite the name "council-controlled", CCOs are most successful where the local authority seeks to influence rather than control the CCO.

CCOs work best at arm's length from the local authority. They operate in a complex, political environment. A CCO must meet the expectations of both shareholders and its community. It is accountable to its community for its use of community assets or ratepayer funds. However, despite the differences between the

public and private sectors, the essential requirements for good governance are the same.

We talked to several local authorities with CCOs and to CCO directors and managers. The information we gathered shows that a CCO's success depends largely on an effective relationship between the CCO and its local authority. Such a relationship is based on mutual respect and trust. It goes beyond the statutory requirements and requires ongoing commitment from both parties.

It is important that the local authority carries out its statutory functions well, to provide the foundations for an effective relationship. In particular, the local authority needs to:

- be clear about the purpose of its CCOs;
- appoint the right people to govern each CCO; and
- meet the requirements for monitoring and accountability.

CCOs have been part of local government since 2002. This report offers guidance on how the principles of good governance apply to setting up, operating, and monitoring CCOs. Although we focus on CCOs, the underlying principles and much of the commentary also apply to other local authority subsidiaries.

The report is intended to be useful for local authorities who have CCOs and, in particular, for those thinking about setting up a CCO. Because of the risks and costs associated with owning a CCO, a local authority should not set one up lightly.

We hope that our discussion of some of the matters that we have come across will help local authorities and CCOs when they deal with similar matters.

Vital statistics:

- 79 pages
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- Contact: reports@oag.govt.nz