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Auckland Council Governing Body
Auckland Council
Private Bag 92300
Auckland 1142

akhaveyoursay@aucklandcouncil.govt.nz

Submission to Independent Panel on the Council-Controlled Organisations Review

Introduction

The Independent Panel is seeking feedback about Auckland Council's five council-controlled organisations (CCOs): Auckland Transport (AT); Auckland Tourism, Events and Economic Development Limited (ATEED); Panuku Development Auckland (Panuku); Regional Facilities Auckland (RFA); and Watercare Services Limited (Watercare). The Independent Panel are interested in opinions about the issues, what is working, what is not and what could be improved.

The Rosebank Business Association ('Association') - 'Rosebank – Gateway to the West' - welcomes the opportunity to make this submission.

The Rosebank Business Improvement District is a commercial and industrial hub of 575-600 businesses located on the Rosebank Peninsula in the West Auckland. It has direct access to the SH16 North-Western Motorway and once the Waterview tunnel is completed, will link to the SH20 Airport Motorway. Businesses in the area generate an estimated \$1 billion in revenue, pay rates of \$4.5 million and employ about 9,000 FTEs. The predictions are that this workforce will increase to 20,000 by 2025.

Our feedback is set out below.

Background

Established as part of the 2010 reorganisation of Auckland's local government (but also changed in 2015), the Auckland Council CCOs account for 55 percent of council's operational budget.

The Independent Panel has noted that over the last ten years the context within which the CCOs operate has changed. They say that as a region Auckland has, and continues to face, unprecedented growth and social change. "Our diverse population has created a wealth of cultural values and lifestyles as well as differing expectations and demands for housing, transport, local amenities, services, civic engagement and democracy. In addition, the need to protect our natural environment and respond to climate change will continue to put pressure on resources, impacting council's decisions on what to prioritise and invest in." At a central government level, legislative changes and the establishment of new agencies may also affect the decision-making processes of Auckland Council and CCOs. To meet these challenges, the council is exploring new ways of working, hence this review.

The objectives of the Review are to ensure: • an effective and efficient model of service delivery for Auckland Council and Aucklanders, and; • a sufficient level of political oversight, public transparency and accountability of the CCOs in their decision-making. More particularly, Auckland Council has asked the Independent Panel to examine the following three areas.¹

¹ <https://www.aucklandcouncil.govt.nz/about-auckland-council/how-auckland-council-works/council-controlled-organisations/Documents/cco-review-terms-of-reference.pdf>

- The CCO model, roles and responsibilities: The key question that the Independent Panel are investigating is whether the CCO model delivers council services with the maximum of efficiency and transparency.
- CCO accountability and responsibility to Auckland Council and Aucklanders: Here, the key issue the Independent Panel will be examining is whether the Council's current approach to holding CCOs to account on behalf of Aucklanders (through appointing CCO directors, setting CCO strategy and monitoring CCO performance) could be improved.
- CCO culture: This issue is whether CCOs need to improve how they consult, engage with and respond to the wider community and council.

Although no mention has been made in the Terms of Reference of this being a review of delivery of services under section 17A of the Local Government Act 2002, we suggest the relevant key findings of these Value for Money reviews undertaken of Council services be considered by the Independent Panel.

The Independent Panel have been asked to deliver a draft report on the key issues, including feedback from the community and stakeholders, to the council in May 2020. The Independent Panel will then provide its final report with recommendations by July 2020.

Our General Feedback

Although the restructuring of Auckland's governance in 2010 removed geographic silos, we are concerned it created instead – especially with the CCO model – functional silos, and has also unnecessarily advanced 'regionalism' (where services tend to be delivered with a predominantly regional perspective) at the expense of localism (where multiple services should be delivered with a sense of local place and integration).²

Business Improvement Districts

As a business improvement district, our activities naturally focus geographically within our Rosebank precinct boundaries.

Through our constitution template, we share similar objectives to other BIDs including: to assist the advancement of businesses through communications, marketing and economic development programmes; to promote the welfare of the business community, especially through networking of members and the sharing of information; to improve the environment; to establish an identity for the precinct; and to advocate for the improvement of amenity, streetscapes, utilities, transport, services or other infrastructure in the precinct.³

Nonetheless, our activities within these overall objectives do differ from other BIDs as local interests and circumstances dictate. This is especially the case as between the smaller mainstreet BIDs, town centre BIDs, metropolitan centre BIDs and ourselves as industrial/commercial BIDs.

Although our members comprise businesses and we largely respond to their needs, the geographic boundaries within which we operate also mean we have a strong sense of local place and local community that goes beyond just a focus on business. A number of BIDs including our Association have been involved developing geographically focused precinct plans (alongside Auckland Council and the CCOs), which demonstrate this sense of place.⁴ Although containing many well-considered actions, we have generally been disappointed at the slow pace of implementation of the Rosebank 2030 precinct plan.

² See also, the Policy Observatory (AUT), *The Governance of Auckland: 5 years on* (2016), p 26.

³ See BID Programme Constitution Template. <https://bid.aucklandcouncil.govt.nz/core-documents>

⁴ Business precinct plans provide the guiding framework to support business and employment growth within key business areas and aim to assist in the delivery of the economic objectives set within the Auckland Plan and Auckland's Economic Development Strategy. See, for example, the East Tamaki Business Precinct Plan (July 2013), Rosebank 2030 Business Precinct Plan, and the Business North Harbour 'Bridge to the Future' Discussion Document (October 2019).

Within that context we interact with all the CCOs (though some more than others, such as Auckland Transport and ATEED) and Auckland Council. Further, most BIDs existed before amalgamation and have experienced the 'before and after' changes that amalgamation brought to our activities (or the two differing models of local government in Auckland).

Council-Controlled Organisations

Council-Controlled Organisations have been a common feature in Auckland's local government environment since the Local Government Act 2002. Put simply, we understand that they are usually established to create some distance between the council that owns them and the trading operations or services provided by the CCO.⁵

Prior to amalgamation over 40 CCOs existed in the Auckland region. Some of these were local Economic Development Agencies (such as Enterprising Manukau, Enterprise North Shore and Enterprising Waitakere). The Royal Commission on Auckland Governance recommended a transfer of the existing CCOs to the new council, where they would be rationalised, and for the CCO model to continue to be used for 'major commercial, trading and infrastructure activities' ... 'which may benefit from operating autonomy' and so that the new council could 'access the best commercial and engineering expertise and resources'.⁶

The CCOs were a contentious part of the amalgamation design, with those making submissions divided. A number of BIDs held concerns that the local focus of the Economic Development Agencies would be 'regionalised' under a single economic development agency and therefore lose their local or sub-regional focus. Many who supported the use of CCOs wanted 'robust governance frameworks' to ensure transparency and accountability. Opponents expressed concern that the CCO model would remove major assets and services from direct council control, reducing local accountability. Others were concerned that large, powerful, commercially focused CCOs would not be well placed to meet broader economic and social goals.

Although the Auckland Transition Agency ('ATA') was tasked with establishing the CCO model for Auckland Council, central government specified the model for Auckland Transport and Watercare Services through legislation. Consequently, the statute governing these two CCOs limits the ability of Auckland Council to redesign them itself without Parliamentary approval. By contrast, the lack of any legislative barriers allowed Auckland Council to bring together Auckland Council Property Ltd and Waterfront Auckland to create Panuku Development Auckland following a review of all CCOs in 2014-15.⁷

By comparison with CCOs established by other councils in New Zealand, both Auckland Transport and Watercare are also unusual CCO models in that they combine both policy and regulatory functions along with 'trading/operational' functions (although Watercare to a lesser extent). Auckland Transport is not a CCO in the usual sense, but instead a 'regional transport agency'.

As a consequence, the Auckland CCO model does highlight a dilemma for the governance framework of local government functions. Although there is a tendency for some to regard governance in the public and private sectors as synonymous, there are important distinctions to be made. In local government, governance needs to enable democratic local decision-making within the context of statutory responsibilities. Ultimately, local government exists in make collective/democratic decisions on behalf of diverse community interests. CCOs must by statute operate within that overall framework.

This dilemma is most evident in the governance arrangements for transport in Auckland which were a major consideration in the amalgamation. The Minister of Transport at the time illustrated this with his comment that a having a regional transport CCO would 'provide a level of focus on transport issues and continuity of decision-making that could not be provided by the full Auckland Council with its multiplicity of responsibilities'.⁸ As a result, as noted above, Auckland Transport is not so much a CCO in the usual sense, but instead a regional transport agency (with AT having all the transport functions and powers usually held by a local authority). While the goal of a single regional agency focused on transport has been achieved, this has made balanced integration with the multiplicity of other place-making local government responsibilities more difficult to achieve and for Auckland

⁵ The Policy Observatory (AUT), *The Governance of Auckland: 5 years on* (2016), p 25.

⁶ *Royal Commission on Auckland Governance*, pp. 13 and 457.

⁷ The Policy Observatory (AUT), *The Governance of Auckland: 5 years on* (2016), p 25.

⁸ Joyce, S. (2009) *Auckland Governance: Regional Transport Authority*, Wellington, Office of the Minister of Transport, CAB(09)476. See also, The Policy Observatory (AUT), *The Governance of Auckland: 5 years on* (2016), p 26.

Transport to operate efficiently and effectively at a local level. As BIDS, we can point to numerous examples where transport goals have tended to be put ahead of community and economic development objectives, especially at a local level. In addition, as one agency, Auckland Transport must at the same time make decisions on whether to paint no parking 'Broken Yellow Lines' on a local road and also deliver significant transport projects, such as AMETI.

Recently, in light of these concerns raised by BIDs, Dr Stephen Rainbow was commissioned to prepare a report for the Auckland Transport Executive Team.⁹ His recommendations to Auckland Transport have been to: (1) treat BIDs as key stakeholders; (2) take a structured approach to the engagement of BIDs (as there are too many entry points within Auckland Transport); (3) address the lack of geographic focus and planning; (4) break down the functional silos that exist within Auckland Transport and reorient the management structure with a place-based focus; (5) recognise the significance of parking to BIDs (acknowledging that the AT Parking Team is over-stretched, but also that a review of the Parking Strategy is underway); (6) establish a dedicated line of contact for operational issues within AT; (7) involve BIDs early in the design and development of projects; (8) place an emphasis on Development Response and take a consistent approach across all projects in terms of Development Response; and (9) ensure AT staff are upskilled about the needs of 'business' generally and/or the impacts of transport projects on 'business' (especially for new graduates). Although the Report naturally had a focus on Auckland Transport, we believe many of the recommendations could equally be applied to the other CCOs.

⁹ The key findings were presented to a BID Manager's meeting on 17 February 2020.

Our Specific Feedback

Our specific feedback is set out below:

- (1) Overall, how well do you think each of the CCOs is providing services?
- (2) Provide specific feedback to support your ratings
- (3) Other Feedback

(1) Overall, how well do you think each of the CCOs is providing services?

	Poor				Excellent	Don't know
Auckland Transport			3			
Auckland Tourism, Events and Economic Development			3			
Panuku Development Auckland			3			
Regional Facilities Auckland			3			
Watercare Services			3			

(2) Provide specific feedback to support your ratings

	What are the main issues or areas for improvement	What are they doing well
Auckland Transport	(1) treat BIDs as key stakeholders; (2) take a structured approach to the engagement of BIDs; (3) address the lack of geographic focus and planning; (4) break down functional silos within Auckland Transport and reorient management with a place-based focus; (5) recognise the significance of parking to BIDs; (6) establish a dedicated line of contact for operational issues; (7) involve BIDs early in the design and development of projects; (8) place an emphasis on Development Response; (9) ensure AT staff are upskilled about the needs of 'business'	Recognising the importance of these issues
ATEED	(1) treat BIDs as key stakeholders; (2) take a structured approach to the engagement of BIDs; (3) approach local economic development with a geographic focus; (4) reorient local economic development with a place-based focus;	Recognising the importance of these issues

	<p>(5) establish a dedicated line of contact for local economic development;</p> <p>(6) involve BIDs early in the design and development of local economic development projects;</p> <p>(7) engage in Development Response;</p>	
Panuku	<p>(1) treat BIDs as key stakeholders;</p> <p>(2) take a structured approach to the engagement of BIDs;</p> <p>(3) recognise the significance of parking to BIDs;</p> <p>(4) establish a dedicated line of contact for BIDs;</p> <p>(5) involve BIDs early in the design and development of projects;</p> <p>(6) place an emphasis on Development Response;</p> <p>(7) ensure Panuku staff are upskilled about the needs of 'business'</p>	Recognising the importance of these issues
RFA		(1) as appropriate, RFA already treats BIDs as key stakeholders (eg Auckland Museum and Parnell Inc);
Watercare	<p>(1) treat BIDs as key stakeholders;</p> <p>(2) take a structured approach to the engagement of BIDs;</p> <p>(3) involve BIDs early in the design and development of projects;</p> <p>(4) place an emphasis on Development Response;</p> <p>(5) ensure Watercare staff are upskilled about the needs of 'business'</p>	Recognising the importance of these issues

(3) Other Feedback

CCO model, roles and responsibilities

Your Consultation Document says that the essential question here is whether the CCO model delivers council services with the maximum of operational efficiency, transparency and accountability, or whether there are better ways to deliver such services. In particular you have asked:

• Are there any problems, real or perceived, with the current model, including the risk of duplication with in-house council activities? • Is the purpose of each CCO clear and current, and is the council giving each adequate direction? • Are the roles and responsibilities of CCOs and the council towards one another clearly defined and well understood? • Are there viable alternatives and what are their advantages and disadvantages?¹⁰

Local authorities tend to organise activities in CCOs to: • improve commercial focus; • ring-fence financial risk; • empower local communities to manage facilities; • achieve tax-effectiveness; • create independence from political direction; • streamline bureaucracy; • achieve economies of scale; and • enable recruitment and retention of high-quality board members and staff. As we noted earlier, Auckland Transport in particular was not established entirely with these reasons in mind, but was instead created as a ‘regional agency of scale’ alongside Auckland Council.¹¹ As a consequence, we suggest it should be treated differently in your review.

Generally speaking, the disadvantages we have experienced of Auckland Transport and the other CCOs include: • the lack of democratic accountability to the community for the services the CCO delivers (both at Governing Body and Local Board levels); • tensions between the objectives of pursuing commercial efficiency and delivering community outcomes (for example, with Panuku); • additional ongoing costs (for example, the costs of separate governance and management for each CCO as well as the transaction costs incurred by Auckland Council in monitoring the performance of each CCO, and the CCO’s own costs in demonstrating performance);¹² and • the reduced ability of the Governing Body and Local Board elected members to manage CCO activities and risk.¹³

With regard to purpose, as the Independent Panel will be aware, the purpose of Auckland Transport is set out in section 39 of the Local Government (Auckland Council) Act 2009 (‘LGACA’).¹⁴ Although the LGACA does not set out the purpose of Watercare (and perhaps it should be amended to do so), the purpose of Watercare can nonetheless be gleaned from the water supply and wastewater provisions of LGACA. The purpose of Panuku is set out in its company Constitution.¹⁵ The purposes of ATEED and RFA are set out in clauses 8 and 9 of the Local Government (Tamaki Makaurau Reorganisation) Establishment of Council-controlled Organisations Order 2010.¹⁶ We suggest that the purposes of each CCO should be refreshed to ensure they are clear and current.

¹⁰ Auckland CCO Review Independent Panel, *Independent review of council-controlled organisations: list of issues*, <https://www.aucklandcouncil.govt.nz/have-your-say/topics-you-can-have-your-say-on/review-council-controlled-organisations/Documents/cco-review-list-of-issues.pdf>

¹¹ Auditor-General, *Governance and accountability of council-controlled organisations* (2015), paras 3.6 to 3.9.

¹² Although setting up the Auckland CCOs to manage services may have resulted in cost efficiencies, there were additional overhead costs associated with establishing them and continuing to oversee them. The CCOs also have their own overhead costs with governance, management and administration structures separate from Auckland Council. They incur costs in preparing statements of intent and in reporting against them, as well as audit fees. Some have additional accountability requirements under legislation, such as the Companies Act 1993.

¹³ Auditor-General, *Governance and accountability of council-controlled organisations* (2015), paras 3.6 to 3.9.

¹⁴ See section 39, LGACA: “The purpose of Auckland Transport is to contribute to an effective, efficient, and safe Auckland land transport system in the public interest”.

¹⁵ Panuku will: contribute to the implementation of the Auckland Plan and encourage economic development by facilitating urban redevelopment that optimises and integrates good public transport outcomes, efficient and sustainable infrastructure and quality public services and amenities; manage councils non-service property portfolio and provide strategic advice on council’s other property portfolios; recycle or redevelop sub-optimal or under-utilised council assets and aim to achieve an overall balance of commercial and strategic outcomes; undertake, assist or advise on any other property-related development, management or transformation activities specified by Auckland Council.
<https://app.companiesoffice.govt.nz/companies/app/service/services/documents/9491345E85D61B8306F21DE7D4B8684>

¹⁶ The objectives of ATEED are: to lift Auckland’s economic well-being; and to support and enhance Auckland’s performance as a key contributor to the New Zealand economy; and to support and enhance Auckland’s ability to compete internationally as a desirable place to visit, live, work, invest and do business. The purpose of Regional Facilities Auckland is to support the vision of Auckland as a vibrant city that attracts world-class events and promotes the social, economic, environmental, and cultural well-being of its communities, by engaging those communities (and visitors to Auckland) daily in arts, culture, heritage, leisure, sport and entertainment activities; and to continue to develop, applying a regional perspective, a range of world class arts, cultural, heritage, leisure, sport, and entertainment venues that are attractive both to residents of and visitors to Auckland.

In addition, as the purpose of Auckland Council (or local government) itself has been amended by statute over time, consideration should be given to whether the purposes of the Auckland Council and its CCOs are aligned appropriately.¹⁷

On the question whether the roles and responsibilities of CCOs and the council towards one another are clearly defined and well understood, an example BIDs have been affected by is town centre cleaning. Here, after amalgamation, Auckland Transport had responsibilities for cleaning the roads in town centres, while Waste Solutions (Auckland Council) had responsibilities for cleaning other areas in town centres. The roles and responsibilities of Auckland Transport and Auckland Council towards one another were not clearly defined and disputes arose which resulted in a long period where town centres were not adequately cleaned. This has hopefully recently been resolved through 'Project Streetscape' where streetscape services have been transferred from Auckland Transport and Waste Solutions to the Community Facilities' Full Facilities suppliers.

In terms of viable alternatives, we note our earlier overriding concerns that the current model for local government in Auckland replaced geographic silos with functional silos and localism with regionalism. In addition, Our experience over the last decade is that this needs to be re-balanced and, indeed, we suggest both the Council and the CCOs have already recognised this and are beginning to respond. The outcomes of the Stephen Rainbow work for Auckland Transport echo this. The outcomes of the review of town centre cleaning contracts echo this. The urban regeneration work of Panuku, now focused largely on town centres echo's this. We suggest that an important aspect of your Review will be to make recommendations for how to further re-balance the work of the CCOs and Council so the best outcomes can be achieved.

Without going into detail, we note in this regard the work of the Royal Commission on Auckland Governance and the balance it struck in its recommendations between localism with regionalism. We expect it will be worthwhile revisiting their work.

<http://www.legislation.govt.nz/regulation/public/2010/0253/11.0/DLM3174949.html>

¹⁷ The purpose of local government was changed in 2012 to focus on the needs of the local authority's own district or region for local infrastructure, local public services, and regulatory functions. The purpose of local government has now reverted to promoting the social, cultural, economic, and environmental well-being of communities, in the present and in the future. See Local Government (Community Well-being) Amendment Act 2019.

CCO accountability

Your Consultation Document says that the key question here is whether the council has adequate mechanisms to hold CCOs to account and is using them appropriately, and whether improvements, including new mechanisms (such as those provided for through the Local Government Act 2002 Amendment Act 2019), are needed. In particular:

- Do current accountability mechanisms, monitor CCOs' performance effectively and ensure CCOs respond appropriately to the concerns of the council, local boards and the public?
- Do CCOs understand the need to act in a way that reflects their accountability to the community, as well as the council's accountability to the community for CCO performance?
- Are there adequate mechanisms to ensure CCO board members and senior management meet the legislative requirements towards Maori, and that CCOs have developed sufficient capability to achieve this?
- Do CCOs have adequate guidance about when to act in their best commercial interests and when to act in the best interests of the public?
- Are council policies that are applicable to all CCOs (group policies) adequate, or should they be extended to other areas, such as remuneration?
- Is the process for appointing CCO board members, including the skills criteria used in the selection process, appropriate?¹⁸

In terms of accountability, we note that beyond the usual accountability requirements for CCOs set out the Local Government Act 2002, there are a number of additional accountability requirements that apply to Auckland's CCOs.

These include, for example, a specific accountability policy for Auckland's substantive CCOs¹⁹ and a requirement that the CCOs must give effect to the Council's long-term plan and act consistently with other plans (including local board plans) and strategies as the Council directs them to do so.

We understand that Auckland Council has also imposed additional accountability requirements, including:

- specific additional planning and reporting requirements;
- requirements for managing strategic assets;
- requirements for quarterly reporting; and
- requirements to adopt 10-year plans covering asset management, service levels, how the CCO will respond to population growth and environmental factors, and how the CCO will give effect to the Council's plans and priorities (other than Auckland Transport).

Our sense is that although consideration should be given by the Independent Panel about whether all these accountability mechanisms are effective and efficient, perhaps the nub of the concern is that there is inadequate guidance about when a CCO should act in its best commercial interests and when it should act in the best interests of the community. Although even that is somewhat counterintuitive because the CCO model, in and of itself, requires a CCO to act first in its best commercial interests (or to act in the most efficient way in delivering a service). If an activity requires decisions about how to achieve an outcome in the best interests of the community, that is usually not a decision a CCO should be making. It is a decision the elected members of the Auckland Council should be making.

In that regard, another ongoing issue of concern to us is that the accountability mechanisms presume the elected councillors to whom the CCOs are ultimately accountable have the capacity, skills and experience to oversee such large entities with such complex functions. In its Report, the Royal Commission on Auckland Governance suggested that the councillors would need to have support and extra capacity to oversee and monitor the CCOs effectively. The Commission made a number of recommendations in this regard (including developing a capacity building toolkit to assist councillors monitor the performance of large infrastructure CCOs).²⁰

Although we understand that there is an in-house monitoring unit within Auckland Council for the CCOs, we have concerns that it is under-resourced and likely insufficiently independent to ensure robust accounting of CCO activities. Indeed in this regard, the Royal Commission went as far as suggesting an independent Auckland Services Performance Auditor to provide assurance to the council and the public that the CCOs would be providing high-quality services in a cost-effective manner, including reviewing the

¹⁸ Auckland CCO Review Independent Panel, *Independent review of council-controlled organisations: list of issues*, <https://www.aucklandcouncil.govt.nz/have-your-say/topics-you-can-have-your-say-on/review-council-controlled-organisations/Documents/cco-review-list-of-issues.pdf>

¹⁹ This policy must set out how the Council expects the CCOs to contribute to the priorities of the Council and the Government. The Council may require the CCOs to say how they will do this in their statements of intent.

²⁰ *Royal Commission on Auckland Governance*, p. 470.

adequacy and relevance of CCO targets and the accuracy of performance reported against those targets.²¹ We suggest the Independent Panel revisit this recommendation of the Royal Commission.

Finally, as a more minor point we note that there is also a requirement for all of Auckland Council's CCOs to hold two meetings in public each year. At one meeting, the CCO considers feedback from the public on its draft statement of intent for the forthcoming financial year and at the other, the CCO considers feedback on its performance in the previous financial year. We understand that the value of these meetings in terms of opportunities for the public to address each CCO is under-utilised.

²¹ *Royal Commission on Auckland Governance*, p. 469-470.

CCO culture

Your Consultation Document says the central issue here is whether CCOs need to improve how they consult, engage with and respond to the community and council. In particular: • Are the working relationships between the various levels of council (political, executive and staff) and CCOs (and between CCOs themselves) based on mutual trust, respect and confidence? • Do recruitment processes and job descriptions sufficiently address the need for CCO chief executives and senior managers to respond to council directions and work effectively with senior council managers? • Do CCO boards, executives and staff demonstrate accountability to Aucklanders, including by consulting sufficiently with Aucklanders and responding sufficiently to their concerns, or could their performance be improved? • Are CCOs giving adequate public acknowledgement (such as through branding) to council-funded activities? • Do CCOs give the council quality advice?²²

In terms of culture, we would like to refer back again to the recommendations of Dr Stephen Rainbow for the Auckland Transport Executive Team.²³ In particular, we take from his observations the need for CCOs generally to better identify and work with key local stakeholders, to involve these stakeholders early in the design and development of projects, to place an emphasis on responding to local needs and business needs consistently (such as during Development Response); and ensure management (especially new graduates) are upskilled about the needs of 'business' generally and/or the impacts of projects on 'business'. We believe suggest you ask for and consider the complete report written by Stephen Rainbow.

However, the engagement of Dr Stephen Rainbow also demonstrates is that Auckland Transport is now responding to the concerns of BIDs. This builds on the Auckland Transport Local Board Engagement Plan, which includes requirements for site meetings with business groups as appropriate.²⁴ We are looking forward to his recommendations being adopted and the implemented.

We would also like to note that the Auditor-General recently added the following principle to its 'Principles of good governance for CCOs', that "The local authority and subsidiary must establish an effective working relationship based on mutual respect and trust."²⁵ Our experience immediately following amalgamation was that private sector or commercial models of management in the CCOs and council were emphasised over public sector models and this, along with the new relationships that had to be built, resulted in some degree of mistrust, including between ourselves and the CCOs and Council. That has naturally improved over time, but we suggest further emphasis needs to be placed on building and maintaining trust. We can also point to examples of mistrust that persist between ourselves and Auckland Transport over parking, cycleways, project management and development response.

ATEED is an interesting CCO in that it was established 'to help lift the Auckland region's economic wellbeing, and to support and enhance the ability of the region to compete internationally'. The framing of economic development within a CCO that also has responsibility for tourism and events has shifted the focus of economic development to regional branding and promotion. This shift in the mandate and direction of economic development aligns with those wanting to advance a regional strategy for the economy with a focus on the hosting of major events and the promotion of tourism, but it is a top-down strategy that has moved away from its local foundations and particularly its connections with local business and skills training as well as local employment opportunities (that was the model emphasised through the previous Economic Development Agencies). As noted by the AUT Policy Observatory: "Clearly Auckland was in need of a regional strategy to advance its development as a regional economy - but in the process it has neglected significant forms of local development that respond to the economic and social conditions of different neighbourhoods across Auckland."²⁶ Our observation here is that ATEED is now looking to restore its local foundations, connections with BIDS and local business as well as local employment opportunities. The sub-regional geographic focus of The Southern Initiative and The Western Initiative align with this.

²² Auckland CCO Review Independent Panel, *Independent review of council-controlled organisations: list of issues*, <https://www.aucklandcouncil.govt.nz/have-your-say/topics-you-can-have-your-say-on/review-council-controlled-organisations/Documents/cco-review-list-of-issues.pdf>

²³ The key findings were presented to a BID Manager's meeting on 17 February 2020.

²⁴ [https://at.govt.nz/media/imported/3890/AT-Agenda-item-10-\(i\)-Open-Session-Local-Board-Engagement-Plan-Attachment-1.pdf](https://at.govt.nz/media/imported/3890/AT-Agenda-item-10-(i)-Open-Session-Local-Board-Engagement-Plan-Attachment-1.pdf)

²⁵ In its 2001 report, *Local Authority Governance of Subsidiary Entities*, the Auditor General proposed five principles for good governance practice for subsidiary entities: The subsidiary entity should have a clearly defined purpose; The subsidiary entity's governing body should be effective; The parties involved should be assigned clear roles and responsibilities; The local authority should be able to hold the subsidiary entity to account; Mechanisms for accountability to the community must be in place. See Auditor-General, *Governance and accountability of council-controlled organisations* (2015), paras 2.3 and 2.4.

²⁶ The Policy Observatory (AUT), *The Governance of Auckland: 5 years on* (2016), pp 27-28.

A further difficulty with the scale of the CCOs and Auckland Council is the culture that comes with large public sector organisations. We have observed, compared with the smaller organisations that existed prior to amalgamation, that the larger scale has placed limitations on innovation and responsiveness.

Conclusions

As noted above, although the restructuring of Auckland's governance in 2010 removed geographic silos, we are concerned it created instead – especially with the CCO model – functional silos, and has also unnecessarily advanced 'regionalism' (where services tend to be delivered with a predominantly regional perspective) at the expense of localism (where multiple services should be delivered with a sense of local place and integration).

The Association would be pleased to be heard at any hearings to consider these and other submissions.

Yours sincerely,



Mike Gibson
CEO
Rosebank Business Association