

Auckland City Centre Residents' Group

**Subject: City Centre Residents' Group Submission to Auckland Council on Council Controlled Organisations (CCO) to Review Panel - 18 March 2020**

Some responses on behalf of the City Centre Residents' Group, to the three issues raised by the Auckland CCO Review Independent Panel.

**CCO model, roles and responsibilities.**

The overriding question that needs to be addressed is whether, and why, Auckland needs its own special local government legislation in order to function effectively and efficiently.

While it is the largest local government area in NZ, there is nothing so unusual to suggest that the same legislative regime that exists in the rest of the country should not apply to Auckland and its CCO's.

The reason for the special legislation has never been overtly stated, other than a re-organisation was certainly needed at that time, but this could have been accommodated within the existing legislation.

Leading up to the 2010 reorganisation in Auckland, vast amounts of ratepayers money was spent on legal disputes between the regional and local government entities – primarily driven by power struggles.

The question we now need to ask is whether less money is being spent on local governance in Auckland now, than it was then, and whether the evidence is available to identify the performance improvement anticipated in the new legislation.

From the 16 April Finance and Performance Committee the following is insightful and suggests that clarity is not as good as it should be.

*Key feedback on CCO Statements of Intent : 16 April 2019 : Finance and Performance Committee:*

*ATEED: The draft 2019-2022 performance measures would benefit from clarification on scope, definitions for key terms and ability to segment results (for example, spatially). Three performance measures also require the establishment of benchmark data for the final SOI.*

*Auckland Transport: Auckland Transport needs to provide some additional detail about delivery of its work programmes and ensure its focus on engagement with the council group is expressed clearly.*

*Panuku: Auckland Council is leading the development of a Council Family Integrated Infrastructure Planning Platform. Panuku should contribute to this initiative, which may include, where required, sharing relevant data across the group subject to agreed protocols. Another key focus is supporting local boards with the service property optimisation approach and providing quality advice for local boards in relation to implementation of this approach.*

*Regional Facilities Auckland: RFA needs to ensure that its commitment to seeking council's direction on its strategic investments is clear, and that these investments will be supported by strategic business cases that reflect council's agreed directions.*

*Watercare: Watercare's draft SOI responds well to council's letter of expectation priorities but should include more detail on its commitment to value for money work programmes and more detail on the proposed Waikato District Council service provision*

What is not known are the costs associated with the development of, and response to, Councils Letters of Expectation that preceded this process, the costs associated with preparing and considering the draft SOI's, the costs associated with amending the drafts and the costs associated with monitoring performance against the final approved document.

Irrespective of how effective and efficient a CCO might be, the question of whether the services they provide could also be carried out in-house would depend on the competencies available within the Governing Body. While Auckland has access to a large market of highly qualified professionals, that may not be the case across every local authority area in New Zealand.

This suggests that the decisions on what functions are carried out in-house, what is contracted out and the mechanism for achieving this balance should be a decision made by the relevant council. Rather than separate legislation, the special consultative process provided for in the LGA should be sufficient for citizens to determine the benefits, or otherwise, of any such proposal. In this regard, there is nothing to suggest that Auckland should be treated any differently from other parts of New Zealand.

From a New Zealand Inc. perspective, a more constructive question might be whether the current functional responsibilities shared between central and local government are rational. In a remote, and sparsely populated country, an argument could be made that infrastructure might be more efficiently managed on a national scale with people services focused at a regional/local level.

### CCO Accountability

Accountability requires that a Governing Body, with whatever nomenclature, has the capacity to require its subsidiary organisations to carry out its instructions. Although the subsidiaries of Auckland Council are legally referred to as Council Controlled Organisations, none use the 'Controlled' word. In their branding, WaterCare, Auckland Transport, Panuku, and Regional Facilities Auckland refer to themselves as An Auckland Council Organisation and ATEED refers to itself as part of the Auckland Council family. Further reading of About Us website sections does inform readers more, but the evidence suggests that none are comfortable with the idea of being 'controlled' by Auckland Council.

Of the above subsidiaries, **Watercare** is the only one who self-funds so accountability in terms of ratepayer funds is much less of an issue. One would expect that an entity of this nature would be in a strong position to act both in their best commercial interests AND the public interest. CCO's that require financial support from ratepayers are in a challenging position in terms of acting in their best commercial interests and for **Auckland Transport**, it is difficult to see how this might work. Transport infrastructure providers have very long time horizons and few work without major public funding so a bias toward public interests, rather than commercial interests, would be the expected norm. **ATEEDs** purpose is to work in the public interest with the business sector being the primary focus of their public delivery success via increased economic development. Given the higher proportion of rates paid by commercial properties, it is likely that ATEED achieve both commercial and public interests. **RFA** is something of an enigma organisation in that it manages only a few of the council owned facilities in Auckland and, from these, there appears to be an expectation that commercial interests will have precedence over public interests.

While that might sound good on paper, the reality is that the costs of this arrangement fails to measure the loss of value in the public interest, especially when the facility involved was paid for with public money i.e. Aotea Centre/Square.

One of the most important measures of a World Class City is the quantity and quality of their public facilities and open spaces so, to reinforce accountability, the public needs to know both the benefits and costs of commercialising those assets.

The primary accountability issue that needs addressing is around the level of control that the Governing Body has over the programmes and performance of their CCO's.

The process is alluded to in the March 2019 minutes, and it does indicate a somewhat fraught procedure.

**A more effective and efficient process would be for the Governing Body to issue the annual Statement of Intent to its CCO's and they respond accordingly.**

**This allows the Governing Body to be absolutely specific about its accountability, performance, monitoring and reporting expectations.**

**It would also be a much faster, cleaner process and, hopefully, be strategically focussed on achieving the Auckland Plan outcomes that the public have agreed is what they want for their city.**

### CCO Culture

It is difficult to comment on a specific CCO culture as this is heavily influenced by the governors and managers in place at any given time.

Some understand the different needs of publicly funded vs commercial entities and some do not.

Of particular importance is the public scrutiny associated with public funding and there has been some documented shortcomings in this regard.

Whether the various relationships are based on mutual trust, respect and confidence is highly dependent on who/what is involved.

If the issue is competition for ratepayer funding the responses/relationships will be quite different compared to an invitation to a major event or a presentation to a council meeting.

Similarly, the CCO interpretation of how the Governing Body's statutory Significance and Engagement Policy applies to them has also been mixed.

Again, if the Governing Body issued the annual Statement of Intent, it could be much more specific about expectation around compliance with this consultation policy.

CCRG's overall view is that the 2010 reorganisation in Auckland has brought huge, and visible benefits in terms of the long term agreed plans for the future development of the city.

Not quite so visible is whether this has come at a lower financial cost and/or whether a more hierarchical organisation structure might now be appropriate.

### **The changes we would like to see from the Auckland CCO Review are:**

- More alignment between New Zealand local government legislation and that applying to Auckland to assist with national comparisons of performance.
- The Governing Body issuing the annual Statements of Intent which then allows citizens to hold the elected members to account for the performance of their CCO's.
- A requirement for CCO's to include the costs associated with commercialisation of public assets so that the benefits/losses to the public realm are made more transparent.



A review of the Governing Body's Significance and Engagement Policy to more clearly reflect the obligations that their CCO's have to consult with citizens.

We look forward to further discussion with the CCO Review Panel on the issues raised in our submission.

### **Additional CCRG Comments via Email 22 March**

During my presentation to the Review Panel, Leigh Auton asked several times, what we might recommend as a better means for delegations to the Local Board in order that the Governing Body may spend more time on strategic/place making work.

Other than to suggest that better governance training is needed, we had no time to consider this in depth.

I am providing below some further thought on how this might be achieved that maybe of interest to the Panel.

It needs to be recognised that the Local Boards in Auckland have a much higher population than the majority of councils in New Zealand.

With the exception of Great Barrier Island, at just 1,000 permanent residents, the lowest population of the 21 wards is 54,200 and the highest is 176,000.

This suggests that the Local Boards should have the capacity to consider, and make decisions, on a wider range of issues related to their area.

Their success however, is determined by how proficient the Governing Body is at making clear strategic decisions and providing quality directions as to how these are to be achieved.

An area that offers an opportunity for improvement is for the various council and boards plans/budgets to be presented under the same headings as those in the Auckland Plan.

This allows all parties to focus their efforts more clearly on achieving the Outcomes of the Auckland Plan – a public document that has been the subject of wide public consultation.

It also provides the public with better transparency as to how their money is being spent and by whom.

As alluded to in our earlier submission, The annual Statements of Intent between the Governing Body and their CCO's could be issued by the Governing Body as a means of assuring clearer lines of accountability and reporting.

There may also be an opportunity to introduce a document, similar to an Sol, between the Governing Body and the Local Boards.

This is a process that already exists, so does not require any additional functional requirements, rather just more of them.

If the Governing Body issues these annually, the outcomes, budgets, delegations and reporting could all be incorporated into the same document.

It may also be possible for this to be a three yearly process, built around the election timeframes, so that changes in Governing Body priorities may then be reflected in a new Sol's. e.g. s40LGA.

A similar process could be applied across New Zealand between the Governing Body and their respective Local Boards as a means of more clearly delineating the strategic governance responsibilities.

This may require minor amendments to the LGA but that does appear to be a major issue.

I hope these additional comments are helpful to the Review Panel.

Nga mihi

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