

VALUE FOR MONEY IMPLEMENTATION PROGRESS REPORT

Review:	Investment Attraction & Global Partnerships	Flag	ORANGE (Overall)
Report Date	22 nd August, 2018	Report Period	July 2018 - Sept 2018

Status Overview for the Review

ATEED has now initiated work on all three elements emerging from the value for money review of investment attraction and global partnership. Initiative 2 is completed, 1 and 3 are delayed due to ATEED's revised SOI and internal restructure. Initiative 1 is more significant in scope and will be a key deliverable as part of ATEED's 2018-19 work programme.

Initiative	Start Date	Completion Date	Flag	Work plan achievements
#1 Develop an Auckland investment story	Sept 2018	Dec 2019	A	Background research and analysis underway
#2 Investment attraction service	April 2018	September 2018	G	Review of best practice underway
#3 Better performance measures	April 2018	December 2018	G	Voice of the customer work underway

#1 Develop an Auckland Investment Story

The value for money review identified the need for a consolidated Auckland Investment Story that presents a shared understanding of Auckland's overarching urban growth and infrastructure development plan to guide investment attraction and financing projects and explain to potential investors the roles of each of the relevant council teams and how they work together. This will be a live environment providing real time investment opportunities to support business attraction to Auckland.

Amber - Due date will be missed due to the internal restructure of ATEED. However, with the newly formed Economic Development team, the outputs of this work will be aligned to meet a broader mandate and ensure that the work undertaken on establishing the Auckland Growth Monitor and Auckland Index is fed into this initiative.

Commentary:

The key findings of the review accepted that the delivery of investment attraction and global partnerships activities were necessary in a gateway city such as Auckland, were logically selected, well-targeted and prioritised. The Review noted that efforts had been made to improve co-ordination between Auckland and central government agencies, but that there would be benefits to be realised through the development of a consolidated investment story to guide investment attraction and financing projects. Based upon this, the proposed objectives for this project are as follows:

1. Clarify and codify the respective roles of Auckland agencies involved in investment attraction, resolving any areas of perceived overlap and/or duplication;
2. Consider how the activities of Auckland and national government agencies can be better aligned and integrated to ensure maximum reach and effectiveness;
3. Develop a coordinated Auckland Investment Story which:
 - a. Clearly articulates Auckland's investment proposition
 - b. Focuses on unlocking maximum potential value from planned investments in transport and housing infrastructure across Auckland
 - c. Sets out tangible investment opportunities of interest and relevance to international investors
4. Establish an ongoing governance and reporting framework to track progress and support collective delivery

ATEED is currently undertaking background research to inform the above activities. A paper was completed by Patrick McVeigh (past GM Business Innovation and Skills) that establishes an approach for undertaking this initiative. Moving forward, the delivery of this programme will be led by ATEED's new General Manager, Strategy, which is currently under recruitment.

Issue

Currently on hold. ATEED needs to complete the process of recruiting the new General Manager, Strategy position and then identify an internal programme manager before progressing the full programme of work on the Auckland Investment Story.

#2 Investment attraction service

ATEED has completed the feasibility study to analyse the potential introduction of a fees for services model to offset costs. As outlined in the previous progress report, ATEED completed an initial desk-based review of models and commissioned OCO Global to peer review the internal work and offer additional advice and guidance on current best practices in investment attraction activities and delivery models. The feasibility study provides some clear recommendations based on best practices from other economic development organisations (EDOs) in the US, Australia, Canada and UK.

Green – As requested under recommendation 2 of the *Investment attraction and global partnerships Value for Money (s17A) Review 2017*, ATEED has adequately investigated the scope for fees and determined through the feasibility study that the introduction of "fees for those investment attraction services that generate clear private benefits to the investors and businesses receiving the investment" (see p. 9, s17A Review) is not recommended.

Commentary

The key finding of the Investment attraction and global partnerships Value for Money (s17A) Review 2017 related to this work was that "some of the information, investigation, matching, facilitation and other brokerage-type services appear similar to those private sector firms would offer at a fee", hence "some services may be candidates for cost recovery or user charges". The feasibility study subsequently shows that the above is clearly misaligned with the reality of how EDOs provide services across the world, especially when it comes to international investors.

- Charging fees to potential investors is not common practice and certainly NOT RECOMMENDED. EDOs interviewed during the study are unanimous in rejecting the notion of charging potential investors for services as they see this role as being the key civic role of the organisation, and that fees would create a barrier to entry.
- Specific fees for other services (e.g. research, export support) are not commonplace and would likely be inconsequential to ATEED's budget. These should be developed cautiously, if at all.

Finally, some EDOs rely on the use of partnership models as their main source of private funding. The findings from the feasibility study by OCO Global show that were ATEED to pursue other funding models in the future, a partnership model (for ATEED-specific example, see Auckland Convention Bureau) is potentially the most impactful approach. The most common approach seen among other EDOs is based on "referrals", i.e. a set of partners who investors are referred to and are charged an annual membership fee by the EDO for doing so, along with other benefits and services. This is, however, outside of the scope of the s17A Review recommendations, and also raises a number of potential risks, especially around neutrality. It would also require additional staff for member acquisition, initial program implementation and servicing of members. It would be a high maintenance model with organisational infrastructure required to service the members. Additional marketing resource and back-end support may also be required. While this could be implemented in the future, ATEED does not consider this a short-term option for two reasons:

1. An ATEED Board Paper was written in November 2015 investigating alternative funding mechanisms across the entire organisation (i.e. not just for investment attraction). This paper also considered a partnership model as an option but the revenue potential was not considered very high and it was not pursued any further. Ultimately this work led to the implementation of the "Accommodation Provider Targeted Rate". Given that the targeted rate is quite recent and is still to "bed in", now is probably not the ideal time for ATEED to introduce other funding mechanisms from a reputational standpoint.
2. At the time the s17A Review was conducted, investment attraction fell under the remit of ATEED's Business Attraction and Investment (BA&I) team, which has now been merged with the former "Business, Innovation and Skills (BIS)" team to form "Economic Development". As part of this process, the new Economic Development team strategy and service offering is still being mapped out.

Risk

None at this stage. Will need to be reviewed again should ATEED pursue "partnership model" in the future.

#3 Better performance measures

The introduction of better performance measures will allow Auckland Council and CCO's to demonstrate that new business and investments attracted to Auckland benefit all Aucklanders. ATEED is currently looking at revising its performance measurement approach to reflect the organisation's new strategic direction. Consequently, the s17a element is being run in parallel with the wider exercise to ensure efficiencies and integration.

The ATEED SOI was presented to Councillors on 21.8.18 and was approved. ATEED's SOI proposes 5 new KPI's (reduced from 28) providing clarity around the value offered by ATEED to Aucklanders. These will be supported by a number of sub-KPI's that are still in development:

- Value – GDP (currently developing an impact model for attribution to accurately capture data)
- Jobs created / retained (developing an attribution model to accurately capture this data)
- No of businesses interacted with (continuation from ATEED's historical KPI's)
- Visitor Nights (currently capture visitor nights associated with business events and major events. Looking to develop a methodology to incorporate tourism marketing activity)
- Customer Satisfaction - Voice of Customer Survey (developing a voice of customer programme. Initial pilot undertaken with the BA&I team. Now looking to roll this out to the broader business following some additional refinement. Neilson was appointed to assist ATEED with this work programme. Anticipated to have the refined system in place by December, 2018, with full roll to the whole organisation subsequently)

NOTE: sitting across all of these measures will be activity related to business attraction.

Flag information

Orange - Work is progressing. Delays due to sign off on ATEED's SOI.

Commentary:

Notes included with the Council report approving ATEED's SOI:

"Staff have some residual concerns about the methodology for calculating the measures, but do not recommend any further changes to the statement of intent at this point. Instead, staff will work with ATEED over the next year in the review of the performance measures."

ATEED is working with Council staff, including Council's Chief Economist on this initiative to ensure that the methodology for calculating the measures is fit for purpose. As part of the work, ATEED will work with GPS to ensure that elements relating to investment attraction are consistently captured, aligned and are applicable to activity across ATEED, GPS and the wider Council group.

Risk

Ensuring the right sub-KPI's are developed to support the reporting on the top 5 measures.