

The Auckland Super-City: News from New Zealand

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What We Will Cover

- ▶ Quick overview of role and function of New Zealand local government.
- ▶ The Auckland issues.
- ▶ The Royal Commission.
- ▶ Structures, incentives and service delivery – council controlled organisations.

Role and Function of New Zealand Local Government

- ▶ Infrastructure including local roads, water, sewerage and stormwater.
- ▶ Arts, culture and recreation.
- ▶ Land use planning (clean air, water and strategic parameter setting at the regional level; local planning at the district level).
- ▶ Local regulation (e.g dog control, public health).
- ▶ Economic development.
- ▶ Minimal role in social service delivery; some community development activity.

Political Structures

- ▶ Regional councils – regional level environmental planning, management and monitoring including catchment control.
- ▶ Territorial authorities (cities and districts) – the principal service delivery level of local government.
- ▶ Unitary councils – combining within their districts the functions of regional councils and territorial authorities.
- ▶ Community boards – a lower tier beneath territorial authorities. Essentially paid community advocates plus whatever functions territorials delegate.
- ▶ Major representation deficit – resident to councillor ratio may exceed 5000:1 and can exceed 10,000:1.
- ▶ Council/chief executive split equates to a policy/implementation split.

The Auckland Issues

- ▶ Geographically and economically a single metropolitan region.
- ▶ Politically, 1.3 million people represented through one regional Council, four city councils and three district councils.
- ▶ Inability to take and implement critical regional decisions e.g. land-use planning and transport.
- ▶ Regional economy significantly under-performing its peers (primarily Australia's metropolitan centres).
- ▶ A problem of “who speaks for Auckland?”

The Royal Commission: The Brief

- ▶ Auckland will face enormous change brought about by global economic, environmental and political forces compounded by local challenges. It “requires local and regional government equal to the best in the world”.
- ▶ Themes included:
 - Effective relationships and collaborative arrangements between central and local government.
 - The performance of the Auckland region as a growth engine in the New Zealand economy.
 - Effective responses to different communities of interest and cultural diversity
 - Leadership.

The Royal Commission: Principal Recommendations

- ▶ A single unitary council as the sole asset owner, employer, and rating and funding body.
- ▶ Six local councils, largely based on the existing territorials, to be local decision-makers as agreed with the Auckland Council.
- ▶ 23 councillors, 10 elected at large, 8 from four urban wards, 2 from two rural wards and three representing Maori.
- ▶ A Minister for Auckland, a Cabinet Committee responsible for Auckland matters and a Social Issues Board as a joint decision maker.
- ▶ Generally existing CCOs (with one exception, those in water, relatively small) to transfer to the Auckland Council.
- ▶ A three yearly governance agreement between the Auckland Council and the six local councils.

The Royal Commission: The Mayor's Role

- ▶ Rejected the adoption of a “strong mayor”.
- ▶ “Desirable for the Mayor of Auckland to muster majority council support for his or her policies”.
- ▶ The Mayor to appoint the deputy mayor, and chairs of Council committees, to propose the budget, to initiate and formulate major policy for consideration by the council, to propose the major corporate planning documents and to establish an appropriately staffed office in consultation with the council's CEO.

The Government's Response on Structure

- ▶ Yes to a single Auckland Council as a unitary council for the metropolitan region and to be the sole employer, asset owner and rating and funding body.
- ▶ No to a minister or cabinet committee, the social issues board and six local councils, but establishment of a social policy Forum.
- ▶ Instead 21 local boards with power to take decisions on non—regulatory matters as determined by the Auckland Council which will also set the budgets for delivery on those matter (individual boards and the council to negotiate a local board agreement).
- ▶ Great majority of service delivery to be through a series of council controlled organisations – essentially council owned companies – with complex and currently confusing powers for council oversight

The Government's Response on the Role of the Mayor

- ▶ Leadership – promoting a vision for Auckland.
- ▶ Leading the development of council plans, policies and budgets.
- ▶ Ensuring effective engagement between the council and the people of Auckland.
- ▶ Appointing the deputy mayor.
- ▶ Establishing committees of the governing body, and appointing chairpersons to those committees.
- ▶ Establishing and maintaining an appropriately staffed office of the Mayor within a budget being not less than 0.2% of the council's total operating budget, and in consultation with and acting through the CEO.

The Transition Process

- ▶ Transition from existing structures to the new structures is being managed by a government appointed body the Auckland Transition Agency which has no accountability to the public of Auckland.
- ▶ Its principal task is to ensure that all new structures are in place at the commencement of the next triennium, 1 November 2010.
- ▶ This means, for example, that Auckland's CCOs will be developed by the ATA and not by elected members – as the CCOs commence business on the same day the new council comes into being – although there are powers for the new council to review CCO.

Public Opinion

The more Aucklanders get to know about the super city plan, the less they like it. In February, the *Herald on Sunday* published a Buzz Channel poll showing that nearly 57% of respondents wanted to keep their eight local councils, while just 43% favour change. It found 71% think the changes have been rushed, and two-thirds of respondents think Aucklanders have been ignored.

David Beatson, Current affairs specialist

Hide's Super City merger mess

It is hard to fathom why John Key [New Zealand's Prime Minister] continues to allow the leader of a minority party to drive the biggest "corporate" merger in New Zealand's history when he is making such a pig's arse of it.

Fran O'Sullivan, NZ Herald columnist

City powerless on its biggest issue

Transport is the number one issue facing the Super City - but the Government wants to prohibit elected representatives from tackling congestion, improving public transport and fixing footpaths.

Acting against the advice of the Treasury and other government departments, the Cabinet has decided to place transport in the hands of a largely unelected board of business people far removed from the accountability and transparency norms of local government.

Bernard Orsman, NZ Herald local government reporter

The Political Incentives: the Council

- ▶ New Zealand does not have party political control in local government – but some local tickets especially in Auckland.
- ▶ All local boards are entirely within the boundary of a ward.
- ▶ An overarching objective for the Auckland Council is to establish the body able to take critical regional level decisions.
- ▶ Ward members, collectively, will be decision-makers on what powers their local boards have and what budgets they receive.
- ▶ The track record of ward-based metropolitan restructurings, in the absence of political control, is parochialism – Toronto and Ottawa.
- ▶ Will the unique structures being created for Auckland reinforce parochialism? Would an Auckland equivalent of London Councils help mitigate this risk?

The Political Incentives: The Mayor

- ▶ New Zealand has traditionally had a “weak mayor” model but occasionally strong mayors as a result of skill and personality.
- ▶ As with the London mayoralty, the Auckland mayoralty is potentially at least the second most significant political position in the country.
- ▶ Astute use of mayoral powers could turn a “almost weak mayor” model into a “strong mayor” model.
- ▶ The power to create committee structures implies the power to set terms of reference. Coupled with the power to appoint committee chairs, does this set the scene for incipient cabinet government?

The Organisational Incentives: Staff

- ▶ The CEO will be the sole employer of council staff.
- ▶ The CEO will be responsible for providing advice both to the Auckland Council and to local boards.
- ▶ The structure provides very real opportunity for significant differences of view between one or more local boards and the Auckland Council.
- ▶ How does the CEO manage the inherent conflict of interest?
- ▶ What risks do staff advising local boards face if their advice does not please the CEO or the Council? How can their positions and be adequately protected? (Is there a parallel with the role of scrutiny staff in English local government?).

Service Delivery - CCOs

- ▶ Virtually all service delivery is to be through a series of CCOs including:
 - Watercare to be responsible for wholesale and retail services for water and wastewater across the region.
 - Auckland Transport with responsibility for planning and purchasing transport services across the region, including the management of all aspects of local roads (and about 54% of the council's total rate take).
 - Other CCOs include the Waterfront Development Agency, a regional facilities CCO (major stadium, convention centres, art galleries, zoos etc), an economic development and tourism CCO, and council investments and property holdings CCOs.

Council Controlled Companies

- ▶ New Zealand councils have had legal powers to establish companies for over 20 years.
- ▶ Main legal requirement has been public consultation.
- ▶ The legal framework has been refined on several occasions – began with what were called local authority trading enterprises, and has expanded out to recognise both trading and non-trading (i.e. both activities conducted for profit and other activities).
- ▶ Has been a strong emphasis on both transparency and accountability – marked contrast both with Australia where the focus is on ministerial consent to establish an entity, and England with the uncertainty of the well-being power.

Accountability

- ▶ Directors of a local authority owned company must prepare what is called a statement of intent, and run the business in accordance with that statement.
- ▶ It covers a wide range of matters including the nature of the business, its objectives, performance requirements, reporting requirements, and conditions under which major assets or other businesses can be acquired.
- ▶ The shareholders – the council – has the power at any time to resolve to change the statement of intent and the directors must adopt that change.
- ▶ In contrast, activities conducted by the council itself are effectively ‘shielded’ from elected members by the role of chief executive

Transparency

- ▶ CCOs, as separate legal entities, are required prepare statements of account which comply with International Financial Reporting Standards. Elected members, and the public, can thus get information activity by activity.
- ▶ In contrast, the same activity as a council business unit may be part of consolidated accounts of accounts which do not provide activity by activity information.

Use of CCO's

- ▶ Extremely varied. Some councils have made quite extensive use, especially where they hold significant business assets.
- ▶ Christchurch City Council provides an example. Prior to the 1989 reforms it owned the local electricity distribution business, and the majority partner with the government in the local airport. In the 1989 reforms is 'inherited' majority ownership of the local port company.
- ▶ Electricity and the airport were both corporatised on the government's initiative.
- ▶ Faced with the obligation of managing ownership of major commercial businesses (now with a gross asset value in excess of \$NZ 2.2 billion) the council formed a single CCO as a holding company, and adopted best practices of corporate governance to manage its relationships, including appointment of directors.

Two Other Examples

- ▶ Wellington City Council has performed superbly in redeveloping its waterfront. It did this through a council owned company, Wellington Waterfront Management Ltd. It was able to combine effective political control, with significant public input.
- ▶ In contrast, Far North District Holdings Ltd, a holding company for a range of commercial assets in New Zealand's northernmost local authority, has been regarded as a relatively poor performer.
- ▶ The critical difference influencing quality of performance is the understanding which elected members have of corporate governance in a public sector environment coupled with their willingness to put in the effort required. This is a factor which should not be underestimated in any jurisdiction considering the use of council controlled companies.

CCOs and Auckland Service Delivery

- ▶ Some critical differences between what government is putting in place, and normal practice:
 - Extremely limited public consultation.
 - No public mandate.
 - Initial directors being appointed by Wellington-based cabinet ministers, not by Auckland-based local authority politicians (a necessary function of timing).
 - The huge scale has raised real concerns about accountability and public engagement – and the real world ability of the Auckland Council to influence its CCOs.

Auckland Transport: An Example

- ▶ Control over local roads has been a traditional and highly valued role of councils – it's not just traffic, its traffic calming, street trees, berms, street furniture, pedestrian crossings, bus stops, foot paths and much more.
- ▶ Auckland Transport will be the controlling authority with, currently, limited requirements for public engagement – which may change through the select committee process.
- ▶ It will have both the statutory responsibility to deliver transport services within the framework of the council's regional land transport strategy, and most of the skilled specialist staff who understand transport – perhaps making it rather than the Council the dominant party.

Auckland's CCOs: An Initial Assessment

- ▶ The case for using structures with 'fit for purpose' Governance, and commercial capability for services which require that, is strong as is the related case that public-sector compliance regimes can seriously undermine the ability to perform in areas where commercial disciplines are required.
- ▶ The Auckland experience highlights other issues which should be considered in jurisdictions themselves wanting the benefit of council owned companies including:
 - ▶ The 'balance of power" between the council and the CCO is critical.
 - ▶ Public acceptance, and local democratic accountability still matter.
 - ▶ Above all, it is crucial both that the governance arrangements underpin effective democratic accountability, and that elected members, and council managements, understand how to exercise effective oversight and monitoring.