

The Future of Arms Length Bodies

Presentation to the LGIU Workshop on Arms Length Bodies

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What This Presentation Will Cover

- ▶ From Quangos to Crown Entities.
- ▶ The Crown Entity governance and accountability framework.
- ▶ Arms Length Bodies in local government – the general framework.
- ▶ The Auckland Council and CCOs – a quantum leap?

From Quangos to Crown Entities

- ▶ Sir Geoffrey Palmer's quango hunt of 1985.
- ▶ 1995 report with a brief to identify categories and types of Crown entity and the principles for establishing new Crown entities.
- ▶ The Crown Entities Act 2004 established three categories, Crown Agents (CAs), Autonomous Crown Entities (ACEs) and independent Crown entities. Responsible ministers have the power to direct CAs to give effect to government policy and ACEs to have regard to government policy but no power to direct independent entities.

The Crown entity governance and accountability framework

- ▶ The governance and accountability framework is based largely on that for Crown owned companies – state-owned enterprises.
- ▶ The board or other governing element of a Crown entity must prepare a statement of intent outlining proposed activities and specifying a range of financial and non-financial performance measures and objectives.
- ▶ There is a statutory obligation on the Responsible minister in appointing members of the board of a Crown entity to have regard to relevant skills and experience.

Arms length Bodies in local government – the general framework

- ▶ The 1989 local government reforms included provision for councils to establish council owned companies to undertake trading activity. The governance and accountability framework generally followed that for state-owned enterprises.
- ▶ Separately it was accepted councils had the power to establish council controlled trusts.
- ▶ The Local Government Act 2002 provided for council controlled organisations – companies, whether trading or not, and other entities with council controlled boards.
- ▶ Comparatively little enthusiasm, understanding or uptake, partly because of a fear of public concerns that this was a way station to privatisation.

The Auckland Council and CCOs – a quantum leap?

- ▶ 7 major council owned companies are responsible for the majority of council service delivery across the Auckland Metropolitan region – water and wastewater, transport (including local roads), regional facilities, investment, property, waterfront development and tourism, events and economic development.
- ▶ Significant public resistance – reference to “unelected directors”, the “Minister’s mates”, a hidden agenda to promote privatisation, and lack of accountability.
- ▶ Little public consideration of the counterfactual; seven large council business units reporting through a single council chief executive (the New Zealand model is very different from the English executive government model).

Auckland CCOs governance and accountability

- ▶ The Auckland Council appoints and can dismiss directors (councillors are generally not eligible).
- ▶ Detailed statements of intent will require CCOs to comply with relevant council policies, contribute to achieving the mayor's vision for Auckland and achieve strategic priorities identified by the Council.
- ▶ Directors must manage CCOs in accordance with the statement of intent (SOI).
- ▶ SOIs will require CCOs to hold open board meetings, to consult with local boards, and to prepare a local boards engagement plan.

CCOs as local democracy?

- ▶ Will the Auckland model set a precedent for local government generally?
- ▶ The governance and accountability arrangements clearly give elected members much greater influence than the alternatives such as council business units – and may also enhance public accountability.
- ▶ The arrangements also provide the opportunity to bring in a wider range of skill, experience and relevant backgrounds to the governance of specialist areas of activity than may emerge from the electoral process.
- ▶ Is the New Zealand experience worth drawing on as English local authorities use the power of general competence to establish their own council owned companies?