

# NEW ZEALAND LOCAL GOVERNMENT: EVOLUTION, INTERVENTION AND INNOVATION

Auckland governance up for grabs: world  
leading innovation in the use of local  
government funding powers

*A presentation to the Ministry of Community Development,  
British Columbia*

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# What this presentation will cover

- The Royal Commission of Inquiry into the governance of Auckland – background, options and possible direction.
- Funding Innovation – councils using their powers to help ratepayer's deal with their own funding issues.

# Auckland looking north over the CBD



# Auckland's local government: Background

- 150 years of relatively ad hoc development.
- By 1989 1 regional authority, 4 counties, 10 cities, 16 boroughs, 1 drainage board, 4 pest destruction boards, 1 harbour board, 2 maritime planning authorities, 7 noxious plants authorities, 3 reserve boards, 1 domain board and 1 scenic board.

# The 1989 reforms(1)

- Existing authorities all abolished.
- New Auckland Regional Council – inherits regional assets including Port business and associated land and bulk water and wastewater assets.
- Four new cities and three district councils (and community boards in some councils, with varying powers).

# The 1989 reforms(2)

- Influence of “new public management”.
- Emphasis on efficiency; customers rather than citizens.
- Policy/management split. Chief executive sole employee of Council (and employer of all other staff).
- Shift from cash to accrual accounting. Greater emphasis on financial accountability, initially retrospective but increasingly prospective.

# Resource management

- Regional councils have statutory responsibility for regional planning and environmental management including air and water quality.
- Territorial local authorities (cities and districts) have responsibility for district plans – these were required to “have regard to” the regional policy statement but must now “give effect to” the RPS.

# The 1992 Axe

- Government strips Auckland Regional Council of major assets and associated liabilities, arguing that the business side of the Council was effectively insolvent.
- Assets and liabilities placed in the Auckland Regional Services Trust with a mandate to reduce debt, apart from water and wastewater assets and liabilities –these went to a separate territorial local authority controlled company.
- Any resultant surplus in ARST to be applied to community purposes – but no expectation this would happen.
- Trust came under the political control of a minority left-wing party. To universal astonishment under its direction debt was repaid.

# The 1998 Axe

- Agitation from councils and others that ARST surplus should not be “wasted” on community purposes.
- Government abolishes ARST and replaces it with Infrastructure Auckland, with a mandate to apply surpluses to regional transport and stormwater infrastructure.

# 2004

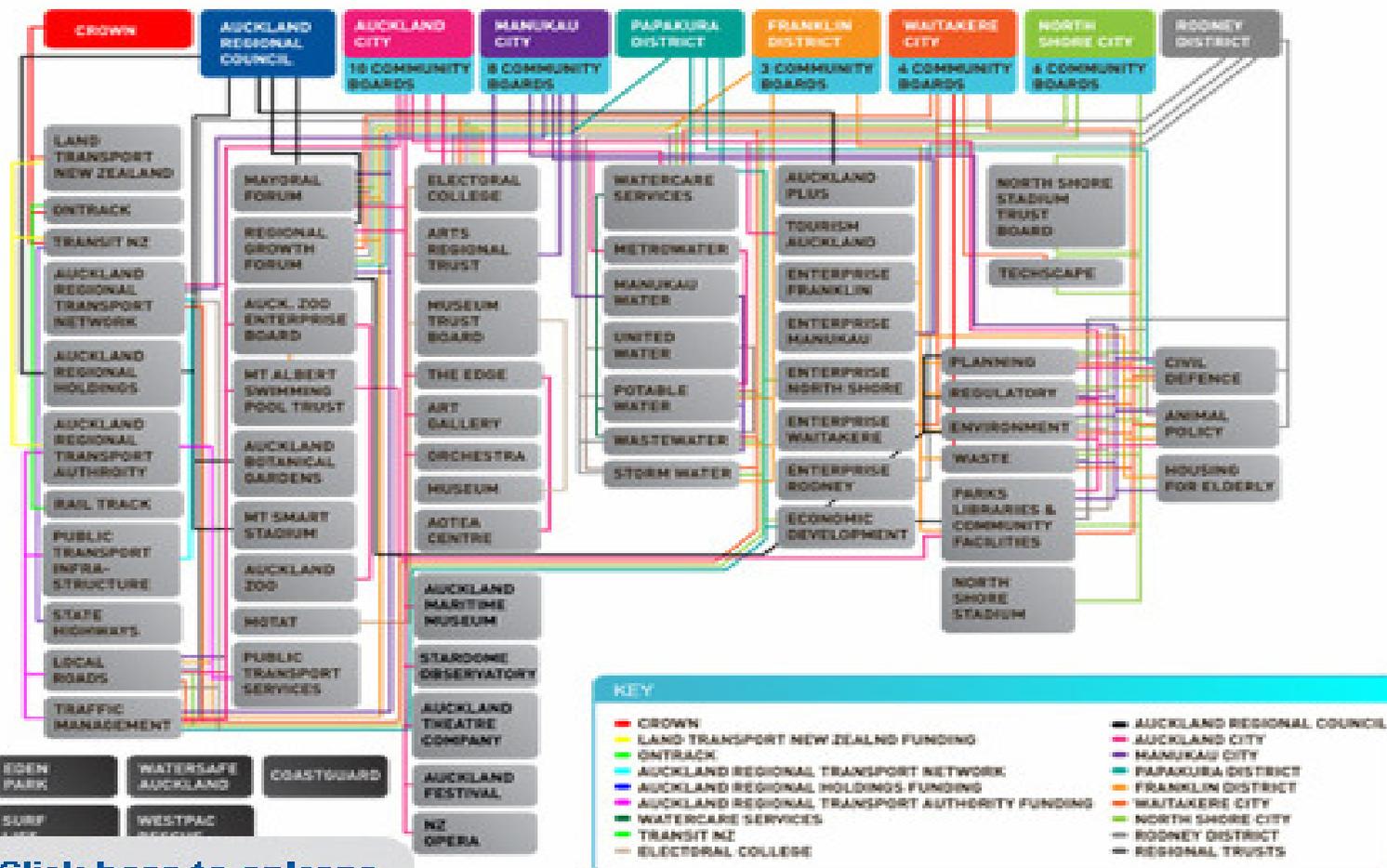
- Infrastructure Auckland abolished.
- Assets and liabilities transferred to Auckland Regional Holdings Ltd, owned by the Auckland Regional Council, as part of a restructuring of transport related entities in the Auckland region.

# Summation

- The 1990s and early 21<sup>st</sup> century a period of ongoing debate and dispute about regional infrastructure.
- Business interests estimate the annual cost of congestion to the Auckland region at \$NZ1billion.

# Current Auckland governance structure

## Current Auckland Governance



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# 2007

- Government invites Auckland local authorities to present proposals for reorganisation to address infrastructure problems.
- Limp wristed proposals result.
- Business interests lobby successfully for the establishment of a Royal Commission of Inquiry into Auckland Governance.

# Perceived problems: as seen by the regional council

- The Auckland region has a history of developing strategy, but often fails to implement that strategy because of fragmented powers and accountabilities for funding and service delivery, and varying levels of commitment to fund regionally agreed priorities.
- There are a number of activities, programmes, and decisions that are regional in impact but are not made by regional agencies, often resulting in the sacrifice of regional outcomes for local or national priorities.
- In the region there is heavy reliance on joint voluntary decision making, usually conducted through regional fora. Getting sovereign organisations to make collaborative decisions is costly, time consuming and challenging. Decisions made at regional fora are not binding on the participating organisations. Resource allocation by participants is seldom sufficient to effectively implement agreed regional strategies.
- A diminution of genuine local government (post the 1989 amalgamation) and consequent degree of public alienation. This is coupled with a perception that the ethic of 'public service' has weakened in Auckland local government post 1989.

# Perceived problems: as seen by the Auckland City Council

- Leadership gaps
- Duplication
- Declining public involvement in local decision-making
- Funding approach is uncoordinated and inconsistent
- Fragmented decision-making
- Lack of regional framework and planning

# Similar views but different solutions

- Many other submissions describe Auckland's problems in broadly similar terms – but the solutions differ widely.
- Some would replace the eight councils by a single greater Auckland Council with community councils, neighbourhood boards or other variations on some form of neighbourhood governance.
- Others would keep existing councils, provide for apparently strengthened regional governance, and strengthen community boards.

# The devil is in the detail

- Should there be an elected mayor for greater Auckland? Executive or non-executive?
- Should greater Auckland councillors be elected or appointed or a mixture of both?
- Should greater Auckland councillors elect their own chair instead of having an elected mayor?
- what form of neighbourhood governance, if any?
- How should major infrastructure be governed – as divisions of Council or as arm's-length entities? what accountability?

# The essence of the challenge

- How do we balance the need for timely and effective decision-making on major infrastructure projects with the demands of democratic engagement and accountability?
- Indeed, can we balance these different imperatives?
- How do we keep the “local” in local government?

# Innovation in the use of Local Government funding powers

- New Zealand local government has an extremely flexible rating (property tax) system.
- includes ad valorem general rates, using land value, capital value or annual value as the base, an annual general charge, fixed charges for services and targeted rates. These can be either ad valorem or a fixed amount and applied to the District, part of the District or a single property for services provided.
- Councils also have ability to adopt whatever remission or postponement policies they wish, so long as they do it in consultation with their communities through their formal planning process.

# Innovation begins

- A group of councils came together as the “rates postponement consortium” to develop the systems and best practice for allowing older people to choose to have their rates postponed until death or sale of the property. The councils charge on a break even basis including interest.
- Gives older people the ability to manage their cash flow more effectively and lessens the attractiveness of other home equity release options.

# Innovation continues – EECA and home retrofits

- The New Zealand government's Energy Efficiency and Conservation Authority promotes programmes to encourage home retrofits including insulation and upgrading of home heating.
- A primary target is older people, many of whom cannot afford the cost.
- EECA and local government have collaborated to use a targeted rate and rates postponement as the funding tool.

# Innovation: further possibilities

- The use of a targeted rate and rates postponement to fund minor home maintenance and other services to enable “ageing in place” for older homeowners of limited means.
- The creation of a health “debit card” as a means of paying for discretionary health care, with any unpaid balance charged against the cardholder’s equity through a targeted rate arrangement.

# Innovation: the real story

- These innovations can be seen as simply the use of technical flexibility within or close to the normal functionings of a local government funding system.
- Alternatively they can be seen as a fundamental shift in how we think about local government – from a tax based service provider, to a new form of community cooperative.