# The Future Governance of the Auckland Region

## Different options for the structure of Auckland local government: observations on governance

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# 1. Purpose

This report is the final output from the project undertaken by the Local Government Centre (LGC) for a group of co-funders including five territorial local authorities within the Auckland region and the New Zealand Council for Infrastructure Development.

The purpose of the project has been to develop resource material which can help meet the need for access to high-quality, current and objective information on the different possible options for regional, district and local governance for people considering making submissions to the Royal Commission on Auckland Governance.

The preparation of this report, and the three discussion papers which led up to it, has included scoping New Zealand and international experience, examining emerging trends and their strengths and weaknesses, and, in this report, outlining different possible options for the future governance of the Auckland region which, in the words of the terms of reference for the Royal Commission, will " over the foreseeable future… maximise, in a cost-effective manner:

- The current and future well-being of the region and its communities; and

- The region's contribution to wider national objectives and outcomes."

The three discussion papers which preceded this report dealt respectively with current trends in metropolitan governance, local governance – the role of scale, function and engagement in effective local governance , and amalgamation: lessons from international experience - assessment of the costs and benefits of amalgamation versus other options for efficiency gains.

Each of the three discussion papers was, amongst other things, a review of relevant literature related to the theme of the paper. This report references the literature covered in those reviews, where appropriate, but generally does not repeat them. In practice, this report and the three related discussion papers (including the local governance structure and efficiency report which provides the major evidence on amalgamation and alternatives) should be read together.

# 2. Background: Approach

## BACKGROUND

This report's starting point, necessarily, is the terms of reference for the Royal Commission.  The recitals to the terms of reference refer to the changes which the Auckland region will be facing over the next 100 years and states "to face these challenges Auckland requires local and regional governance equal to the best in the world and capable of working effectively with central government to ensure Auckland is a successful, sustainable city in the Asia Pacific region and is recognized as such"

The terms of reference then charge the Commission "to receive representations on, inquire into, investigate, and report on the local government arrangements (including institutions, mechanisms, and processes) that are required in the Auckland region over the foreseeable future...".  The terms of reference then later revert to the use of the expression "governance" both in relation to "the effective, efficient, and sustainable provision of public infrastructure, services, and facilities" and "what governance and representation arrangements" will best enable effective responses to different communities of interest and reflect and nurture the cultural diversity within the Auckland region and provide leadership in the Auckland region and its communities.

The research and other material traversed in the preparation of the three discussion papers, and of this report, is virtually unanimous that any consideration of the governing of metropolitan regions is necessarily a consideration of governance, of which local government is a part, rather than confined to a consideration of instruments of government as such.

Reasons include:

> Many of the issues which metropolitan governments are required to address can only be dealt with effectively through collaboration with a range of different stakeholder interests.  Local government, however constituted, will have part, often a very significant part, of the resources, capabilities and mandate required, but so will the business sector, civil society and others (Hambleton  2004, Stone 2005, Clark 2003).

> Increasingly, there is a substantive difference between the administrative and functional boundaries of metropolitan regions as evidenced by journey-to-work research, economic activity influenced by the metropolitan region and the catchments of major regional services amongst other factors (Lyons Inquiry 2006, Davoudi 2006).

It is unclear from the material which the Commission has released so far whether it intends interpreting its terms of reference to focus solely on instruments of government, or whether it intends taking a wider approach including, in particular:

➢ All locally controlled entities within the broad public sector which have an impact on governance.

➢ Means of engaging significant stakeholders outside local government in the process of governance.

The nature of the Commission's task, and the overwhelming evidence that metropolitan governance is more than just instruments of government, suggests that it should apply a broad interpretation of its terms of reference consistent with the fact that its focus is on the future **governance** of Auckland. The material released so far suggests the possibility of a narrower interpretation. If this is indeed the case currently, it is nonetheless a reasonable assumption that the Commission's interpretation will broaden as the weight of evidence makes clear the nature of metropolitan governance as it is now generally understood.

This report is written on the assumption that the Commission will take a broader approach to an understanding of governance. The implications of this include:

➢ Its deliberations should include the role of all locally controlled public sector instruments engaged in the governance of metropolitan Auckland, and not just the formal instruments of government. Specifically both the ASB Trust and the Auckland Electricity Consumer Trust should be within the ambit of the Commission's review and recommendations. The ASB Trust's discretionary funding capability significantly exceeds that of any one local authority within the region and almost certainly the combined capability of all the region's local authorities. As a consequence its activities clearly have major implications for a principal role of local government, promoting community well-being. The Auckland Electricity Consumer Trust owns a majority interest in one of the region's most significant infrastructure networks, the retail distribution of gas and electricity. It is difficult to consider how the Commission can deliver on its obligation to consider "what ownership, governance, and institutional arrangements and funding responsibilities are required to ensure the effective, efficient, and sustainable provision of public infrastructure, services, and facilities..." without addressing both the role of energy networks, and the optimal use of the significant public wealth currently committed solely to gas and electricity distribution.

➢ The Commission should consider what arrangements, if any, should be put in place to enhance the process of stakeholder collaboration in the governance of Auckland.

**APPROACH**

In this report we:

➢ Consider what the governance of Auckland means. A single focus on one level for the entire region, or some form of differentiation depending on the nature and scope of the activity involved? The conclusion is that separate arrangements are required for regional, district and local or neighbourhood governance, notwithstanding the difficulty of drawing precise boundaries between the three.

➢ Discuss the possible options for future governance at each of the three levels of metropolitan, district and locality/neighbourhood.

➢ Present some concluding comments.

# 3.    What is meant by the governance of Auckland?

The terms of reference themselves are relatively silent on the question of whether the Commission is to focus on governance as a purely pan-Auckland function, or whether governance issues should be differentiated, for example, in terms of region, district and locality/neighbourhood, referring primarily to "the region and its communities".  There is thus at least an inference supporting two levels of governance, one at a regional and one at a community level (whatever community might mean).

The research evidence suggests that metropolitan governance is qualitatively different from conventional local government.  We have moved from the certainties of 'local administration' to the uncertainties of modern governance (Jones and Stewart 2007).  There is a growing realisation that administrative and functional boundaries seldom coincide (Davoudi 2006).  It is a response to globalisation as city regions become increasingly engaged in the international economy, competing for inward investment, skills and other resources (Lefèvre 1998).

At the local or neighbourhood governance level there is a related shift taking place, based on factors such as a "belief that communities should take on responsibility to their own well-being; a conviction that existing public service structures are bureaucratic and self-serving; and a belief that current (local) electoral structures are unrepresentative and exclusionary" (Pill 2007).  "Individuals and communities are seen to have a valuable role to play in addressing complex social challenges and should be facilitated and encouraged by government to fulfil this role" (Centre for Local Government, Manchester University, 2007).  "This is an exciting time for everyone who wants to be part of creating flourishing, confident communities.  The Prime Minister has called for 'a reinvention of the way we govern'.  The Green Paper - *The Governance of Britain* - marks a new relationship between government and citizens.  This means making public involvement the rule, not the exception" (Secretary of State for Communities and Local Government in the forward to An Action Plan for Community Engagement).

"Citizens can be the shock troops of democracy.  Properly deployed, their local knowledge, wisdom, commitment, authority, even rectitude can address wicked failures of legitimacy, justice, and effectiveness in representative and bureaucratic institutions" (Fung 2006).

Discussions in the research literature on core local government - the level which is responsible for the delivery of most of the humdrum daily services on which the functioning of localities is dependent - in contrast is much less visionary.  There is

none of the transformational language which often accompanies discussions of metropolitan governance and local or neighbourhood governance respectively. Instead the focus is much more workaday in its emphasis, concentrating on issues of efficiency and effectiveness in delivering the wide range of services for which most local governments are responsible.  At this level the interest is very much around economies of scale -are they a function of local government structure, or the organisation of individual services - and the per capita cost of operating local governments at different scales.

Typical of this work is the Canadian local government researcher, Professor Robert Bish (Bish 2001), who argues that there is no reason to sacrifice the participation and representation benefits of small units of government in order to achieve economies of scale - there are other means for doing this:

> Three important conclusions can be drawn from the relatively simple research relating costs to size. First, in a wide range of municipalities, size is not the primary determinant of costs. This finding is not unexpected, since no government is the right size to produce everything itself. To obtain services efficiently, governments can contract out to smaller or larger organizations, produce jointly with other governments, or receive the service from a regional organization. In addition, not all residents value lower costs over more, or better, services. Second, although larger municipalities — that is, those with about 250,000 or more people — cost more, it is not clear in what proportion the various cost-increasing influences contribute. Third and most important, there is no evidence that per capita costs are lower in large municipalities or that they are better able to meet their residents' demands for services than small municipalities (Derksen 1988 draws similar conclusions from a survey of local government in Europe). In summary, there is no reason to sacrifice the benefits of greater citizen participation and representation that are a feature of small governments only to create a larger government that costs more and provides services that are less likely to meet local preferences.

The literature, and international research, strongly suggests that there are three separate levels of governance which need to be considered in a metropolitan context. They are:

➢ Metropolitan governance - the governance of functions whose catchment areas extend across, and sometimes beyond, the entire metropolitan area whilst being firmly anchored in the metropolitan area itself.

➢ District governance - the provision, and ensuring the production, of the range of services for which core local government is traditionally responsible.  These will typically be services whose catchment areas are sub-metropolitan in

extent.  To quote Bish again, from his overview of North American research on economies of scale, these are services for which "Most researchers conclude that approximately 80 percent of local government activities do not possess economies of scale beyond relatively small municipalities with populations of 10,000 to 20,000."

> ➤ Local or neighbourhood governance.  This is very much an area of emerging practice.  Questions of definition, scope, scale and nature of engagement are still very much undetermined.  It is described in terms such as " The overall aim of neighbourhood governance initiatives is generally stated as being to enhance the well-being of neighbourhood residents, via improved public services which are more tailored to their needs and priorities, and increasing participation and engagement in the local political process" (Pill 2007) and "The neighbourhood is perceived as the foundation for other levels of governance.  It is seen as the level at which more accessible, responsive and accountable decision making is possible as it is the level at which citizens can most easily access governance and understand the issues at stake" (Lepine and Smith 2007).

Although the distinction between these three levels is clearly supported both by research evidence and by practice, it is less easy to allocate any particular service or activity exclusively to one level of governance rather than another.  Major infrastructure looks to be a function which should, within a metropolitan region, be treated as a matter of metropolitan governance.  But despite the argument from scale which supports that view, ultimately the customers of (the people served by) major infrastructure are individuals who will have their own personal preferences.  The logic for a region wide entity to operate the wholesale level activities associated with the "three waters" does not, of itself, argue that the retail level activity should also be regionally owned and controlled.  Different communities may have different preferences over issues such as pricing, or the recycling of greywater.

Libraries have traditionally been one of the core local government services undertaken at a district level.  Changing technology now means that it makes sense for groups of local authorities to come together both because of economies of scale, and the benefits for individual users from sharing access, as is currently happening within Auckland.  Does this make library services a matter of metropolitan governance or is it simply an example of the benefits of shared services, recognizing that individual local authorities still hold what is the really critical function, that of provision (that is determining the nature of the service which should be available and how the cost ought to be allocated amongst its citizens)?

One of the main drivers for the emergence of local or neighbourhood governance is argued to be the greater potential of addressing many of the so-called 'wicked issues' associated with poverty, poor housing and other aspects of social disadvantage.  But is this truly and solely a neighbourhood issue? One of the strongest arguments put forward by the 'consolidationists' in United States in favour of larger units of local government is that, virtually by definition, poorer communities will lack the resources to address the 'wicked issues'.  Larger units of local government are required so that a form of redistribution can take place, with the stronger resource base which comes from including more prosperous areas used to support the needed initiatives.

In some respects, this kind of debate can be seen as a distraction from the real issue of the level at which governance needs to be exercised.  To take neighbourhood governance as an example, a major rationale is to engage each affected community in the process of determining what the problem or problems are and then finding and implementing solutions.  The fact that a larger unit of local government may be required to handle the resourcing issue is a separate matter, more appropriate for district or even metropolitan level governance.

This distinction is typical of the dilemma which arises when attempting to allocate any particular function solely to one level of governance.  On analysis, there will normally turn out to be more than one logically separate activity involved, with the consequence that different levels of governance may quite properly be involved in dealing with the overall function.

We look now at different possible options for metropolitan governance, district governance and local or neighbourhood governance respectively.

# 4.    Options for metropolitan governance

The emerging emphasis on metropolitan governance has not produced any consensus on the most effective means of ensuring both that metropolitan governance is actually in place, and that it has been structured to deliver the range of services which are genuinely metropolitan in nature in a way which best advances the interests of the region, and the country of which it is part.

Consider some brief examples:

➢ In the late 1990s the Ontario Provincial government drove the forced amalgamation of the city of Toronto and five other large local authorities to form what is now usually referred to as the Metro-city of Toronto.  The research literature makes the point that this had nothing to do with metropolitan governance.  Toronto today has approximately 40% of the population of the so-called Golden Horseshoe, the urbanised area centred on Toronto.  Genuinely metropolitan functions, by default, fall to the provincial government or are not undertaken.

➢ The city of Brisbane is held out as a possible model for Auckland.  The present city boundaries were set in 1926.  The city has had 80 years to evolve to its present size.  It has not had to deal with the challenges of bringing together different operating systems, cultures, IT systems, funding arrangements and so on but rather has been able to "grow its own".  The state government effectively acts as the regional planning authority, and has recently decided to take over ownership and management of water services from the city.

➢ Experience of mergers to create large single local authority entities - Toronto and Halifax as examples - highlights the very substantial costs, usually unanticipated by advisers, which result from trying to overcome the challenges of bringing different entities together.

➢ The Greater Vancouver Regional District is held up as an example of very effective collaboration amongst what, in New Zealand terms, are territorial local authorities to enable regional services.  Sancton (2005) concluded that "the genius of the regional-district system in British Columbia is that the Vancouver city-region obtains most of the benefits of having a metropolitan authority without the addition of another competing tier of directly-elected local government.  For many of the world's city-regions, the Greater Vancouver Regional District merits at least further study, if not emulation." In 2007 the provincial government restructured TransLink, the most important

part of regional governance within Greater Vancouver because of its concern that parochial considerations were preventing TransLink from doing its job.

➢ In 1986 the then Conservative government (Margaret Thatcher) abolished the Greater London Council leaving something of a void in the governance of the metropolitan area which was filled by a mix of ministerial decrees, quangos and groups set up by the London boroughs.  In 1999 the Greater London Authority was created to provide a measure of metropolitan governance headed by an elected executive mayor.  The major functions of the GLA are undertaken through entities which, in New Zealand, would be thought of as council controlled organisations - London Transport, the London Development agency, the Metropolitan Police and the London Fire and Emergency Planning Authority.  The GLA's functions have recently been extended to include strategic planning (the mayor did have some planning responsibility previously), Housing strategy (including the region's housing budget) and strategies for health, climate change and air-quality amongst others.  Apart from relatively minor powers, such as congestion charging, the GLA has no own funding powers.

Two general themes emerge from looking at different approaches to dealing with metropolitan governance.  They are:

➢ Higher tiers of government can be extremely reluctant to support the creation of powerful metropolitan governments (Frisken 2001, OECD 2004).  There is a tendency to ring fence metropolitan governments and, in federal systems, for state or provincial governments to become the default metropolitan government for major functions such as infrastructure and regional planning.

➢ An emphasis on creating function specific regional entities, even if these may be under the overall control of a metropolitan government as with the GLA.

One issue this experience throws up is that there may be quite a strong case for structuring the management and delivery of major metropolitan level services so that there is a degree of separation.  Consider:

➢ The potential for conflict of interest if the same entity is responsible (say) both for regional planning and environmental management on the one hand, and the delivery of major infrastructure services such as water, waste water and transport on the other.

> ➤ The quite different functional boundaries for different services.  As examples, a regional planning boundary by definition follows administrative boundaries but the functional region for economic development may be quite different.  In London, this is often thought of as being the entire southeast including Brighton, a population of about 15 million people or about twice the size of London itself.  For the Auckland region, an argument can be made that the functional boundary for economic development purposes could include Whangarei, Hamilton and Tauranga.

> ➤ The extent to which different organisational cultures may be a crucial factor in the effective management and delivery of metropolitan services.  For example, are there significant differences between the cultures required for the delivery of a regulatory function such as regional planning or environmental management, and an entrepreneurial/innovative function such as economic development?

A further question which the Royal Commission will need to resolve is which services are inherently metropolitan, so that provision (determining what services should be available) should be governed at a metropolitan level, and which are more appropriately governed at a district or even local level, even although delivery (production) arrangements may involve a metropolitan wide entity or entities through (say) some form of shared services.  Considering this question will require the Royal Commission to think about two separate matters.  The first is the inherent nature of the service itself.  Is it divisible or do issues of scale, consistency etc require that its governance be at the metropolitan level?  Services such as regional economic development, and regional planning, are examples of services which are seen as inherently metropolitan even although district authorities may undertake both planning and economic development activities (as an example of how the distinction in the planning area is often drawn, in England counties are responsible for " strategic land use planning" and district councils for "land use planning permission").  Regional land transport strategy or its equivalent is another service regarded as inherently metropolitan.  There is less clarity over water and wastewater, partly because in much of the world these services have often been privatised, or as in Australia, undertaken by state government related entities.  The principal determinants will be issues such as economies of scale, environmental management, and critical mass in terms of technical expertise.

The second matter the Royal Commission will need to consider is the relationship between any given set of ownership and management arrangements, and the ability to take and implement effective and timely decisions.  In the Auckland case, there is at least an argument for services such as water and wastewater that the case for a

single metropolitan structure is not just based on economies of scale, and on the critical mass required to maintain technical expertise, but on the need for more effective decision-making arrangements.

This has been a major focus in much recent activity in local government restructuring internationally. It seems clear that one of the motivations behind the Queensland government's decision to take ownership of bulk water services in South East Queensland from local government was a concern that local political pressures would make it difficult to take decisions the government believed were essential for the future security of supply (a good example is the referendum which saw a proposal for recycling water rejected by voters in Toowoomba despite the parlous outlook for supply from conventional sources).

Both the English adoption of the elected mayor option (especially for the Greater London Authority), and the British Columbian restructuring of TransLink had as one objective the creation of more effective and transparent decision-making (Blair 1998, TransLink Governance Review Panel 2006).

Within each of these decisions, there does appear to be a concern that conventional local government structures, with their close connection to local (that is sub-metropolitan) democratic accountability may actually present a barrier to timely and effective decision-making on major infrastructure and other metropolitan initiatives. In some instances, critics have argued that pure parochialism has been the problem, but seeing it solely in these terms is to somewhat trivialise what may be the real issue. Typically, for major infrastructure initiatives, there may be three or four (or perhaps more) technically feasible solutions. Each of these, however, may have quite different impacts – for example, which properties, what neighbourhoods, will be affected by different land-based transport solutions? A natural result is for democratic processes to focus on the question of who will carry the local impact, rather than on costs and benefits from a regional perspective. Both the elected executive mayor approach to metropolitan governance, and the restructuring of TransLink can be seen as attempts to mitigate the potential this aspect of local democracy can have to delay, significantly, decision-making on major initiatives.

We now look at three possible options for the future of metropolitan governance in Auckland. These have been chosen as representing the three options which, internationally, have featured in discussion of metropolitan governance initiatives since the late 1990s. They are:

> The mega-city option typified by the City of Toronto.

> The executive mayor supported by (primarily) arm's-length delivery agencies.

> ➤ The professional/corporate model represented by the restructuring of TransLink.

We then comment on local governance entities which are not part of local government structures in Auckland as such.

## The mega-city

Within what can be loosely termed the developed "Westminster" local government jurisdictions (United Kingdom, Canada, Australia and New Zealand), Canada's provincial governments have been by far the most active in merging local authorities with the objective of creating larger metropolitan units[1].  Examples include Halifax in Nova Scotia, Quebec and Montréal in Quebec, and Ottawa and Toronto in Ontario. Presumed efficiency gains and cost reduction have been part of the motivation (the evidence is that these have not resulted, although this is compounded in the case of Toronto in particular by the provincial government's related agenda of shifting a number of provincial costs onto the amalgamated city (Le Blanc 2006)).  Judgements on the effectiveness of the new arrangements are difficult to make, partly because they are still very recent, so have not yet stabilised.  Sancton (2005) writing of municipal amalgamations in Canada generally observes "It is almost impossible to generalise about the institutional arrangements for the governance of Canadian metropolitan areas. There is a great variety from province to province. Some provinces, notably Ontario and Quebec, have recently experienced hugely divisive debates about municipal amalgamations and boundaries. Quebec's appears to have been especially damaging, because mergers have given way to demergers and urban agglomeration councils, an institutional morass that will still take years of bickering and conflict to sort out."

He also points out that the Toronto reforms were not about metropolitan governance.  The new mega-city holds only 40% of the population of the Golden Horseshoe, the urbanised region which makes up Greater Toronto.  The provincial government in fact put no arrangements in place for metropolitan wide matters other than a temporary entity to deal with transit which was absorbed into the provincial government some two years after its creation.  In effect, the provincial government is the de facto metropolitan governance body for greater Toronto.

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[1] The English government has eschewed local government amalgamation preferring to encourage a shared services approach.  Its main restructuring focus in recent years has been the creation of unitary councils by abolishing the top tier, county councils, in some areas and allocating their functions to districts.  In Australia amalgamation has generally focused on the presumed efficiency benefits of larger local authorities, rather than on metropolitan governance, with the metropolitan areas of all but Brisbane divided amongst significantly more local authorities than is the case with Auckland.

The Quebec government took a somewhat different approach, creating for each of Quebec and Montréal a metropolitan council with coverage over the entire metropolitan area, and governed by elected members from the territorial authorities within the respective metropolitan regions.  The structure is inherently complex because of the complexities of the territorial structures themselves - Sancton observes that it is too early to make any judgement on the effectiveness of the new arrangements.

Despite the fact that the Toronto amalgamation did not include measures to improve metropolitan governance, it does offer some very valuable experience which should be taken into account in any consideration of a "one city" option for the Auckland metropolitan region.  One of the justifications put forward for the creation of the mega-city was the expectation that it should save in the order of $C895 million in its first three years of operation.  The report on which that estimate was based was prepared by a firm of chartered accountants over a three-week period.  Subsequent assessments suggest that there were no savings and that in all likelihood the merger increased costs (Deloitte, 2006, Frisken, 2001).  There were a number of reasons expected savings did not materialise, virtually all of them related to an inadequate awareness of the costs and complexities of merging six already large local authorities.  Merging different cultures, pay scales, operating practices, IT systems etc proved much more difficult than anticipated.  Public sector mergers typically take a long lead time both to the decision point and to complete the subsequent integration. Uncertainty for staff and others can result in loss of critical skills.

An equivalent merger, within the Auckland metropolitan region, would involve bringing together councils which have quite consciously developed different and distinctive cultures reflecting what they see as the unique characters of their districts and the communities they serve.  It would involve restructuring not just core local government activity, but grafting onto the new entity arrangements to ensure the effective governance and management of a number of regional services.  Frisken's (2001) cautionary words on the lessons from Toronto merit repeating "… the political and financial costs of regional restructuring in the interest of regional empowerment are likely to outweigh the economic benefits (which in any case are difficult to foresee) as a region increases in size, municipal complexity and number of interests with a political stake in the outcome." In weighing the import of that caution, it should also be kept in mind that a mega-city option for Auckland, **as a means of providing metropolitan governance**, would create a structure virtually unique in the developed "Westminster" world.  There is no other example of a single urban authority for an entire metropolitan region being responsible both for the full range of core local authority (territorial) and metropolitan services. In Brisbane, which is an

example often cited, regional planning is effectively a State government function, and the state has just assumed responsibility for water.  Today's Brisbane, in scale, is the result of 80 years of organic growth, not a merger of a number of already large local authority.  Virtually all other metropolitan areas in England, and Australia have multiple local governments.

The creation of a single city for greater Auckland would require very close attention both to electoral arrangements, including the incentives they would provide for electors, and for elected members, and to the governance arrangements for metropolitan services.

A major question for the Royal Commission would be whether councillors should be elected on an "at large" franchise, or on a ward basis.  An "at large" franchise would increase the cost of campaigning quite significantly (a single pamphlet drop to all of the households within the new city would almost certainly cost in excess of $100,000) thus raising the risk that only relatively well off residents could afford the cost of campaigning.  It also carries with it the risk of a strong geographic bias in representation (before the introduction of ward voting, the Auckland City Council was dominated by residents from the Eastern suburbs).  This reflects the fact that voter turnout differs markedly, for example, by age and socioeconomic status.

The alternative of a ward model carries with it the risk that council decisions around the single city council table would still be dominated by geographic divisions, something which the markedly different cultures of Auckland's major local authorities suggests would be a very likely outcome.

The governance arrangements within the new authority would also need very careful attention to minimise risk such as conflict of interest, and maximise the possibility of timely and effective decision-making and implementation.  A new single city council would have amongst its tasks:

➢ Overseeing the integration of four major and three substantial territorial local authorities, including integration of staffing structures, remuneration scales, operating and IT systems, planning and building controls and consent processes, bylaws and much more.

➢ Establishing the governance and operating arrangements for a range of major metropolitan services including water and wastewater, regional land transport strategy , public transport, regional planning, regional economic development and major regional facilities.

The single city would be the largest unitary authority in New Zealand.  Generally arrangements for managing the potential for conflicts of interest within unitary

authorities appear to have worked well so far, but whether they would survive an order of magnitude increase in the scale of the issues being managed is another question which will depend partly on the robustness of the separation which the Royal Commission might need to decree between the planning and operational activities of the new authority.

One option which the Royal commission might wish to consider, if it looks at the one city model for metropolitan governance, it is the executive government model which now operates in English local government.  Under this model the council has either an elected mayor (12 councils have adopted this model) or an elected leader (elected by his or her fellow councillors in much the same way as regional chairs are in New Zealand), together with a cabinet chosen by the mayor or leader.  It is the mayor or leader and the members of the cabinet, typically on a portfolio basis, who have decision-making power.  Remaining councillors undertake what is known as the overview and scrutiny functions, effectively acting as the check and balance on how the executive exercises its powers.

In England, the power of the leader is underpinned by the fact that normally the leader is the leader of the dominant party group on the council (and virtually all councillors in England are elected on the ticket of one of the three major political parties), so that the leader's position is entrenched through the party process. Adoption of an elected leader option in New Zealand, where coalitions on councils are much more fluid, would probably not result in leaders with a strong decision-making mandate rather than leaders who needed to watch, decision by decision, against the risk of being removed.  In contrast, an executive mayor model with a cabinet, if as in England the cabinet was chosen by the mayor, could provide a relatively strong decision-making mandate.  Indeed, the suggestion has been made that the strength of the mayor/cabinet model is such that it does need to be supported by the right to trigger a recall referendum on a petition of (say) 5% of electors.

The diagram at the top of the next page outlines the current organisational structure of the Birmingham City Council (courtesy of Chris Game of INLOGOV at the University of Birmingham).  Each portfolio holder is matched by an equivalent overview and scrutiny committee.  It is a structure designed within a council of 120 councillors.  An Auckland equivalent would almost certainly require a much larger council than has been customary in New Zealand practice.
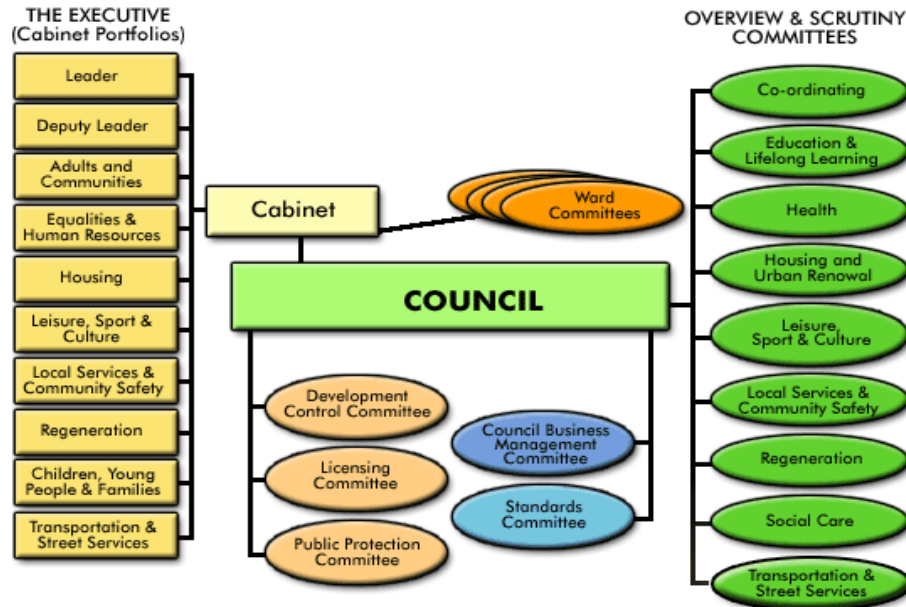
Major metropolitan services, with the possible exception of regional planning and environmental management, would be best placed in arm's-length entities for reasons including scale and complexity of the activities involved, the need for expert "fit for purpose" governance on a service by service basis, the different stakeholder interests for each service, and the desirability of providing some certainty for medium to long-term planning within the different services.

Under current legislation such arm's-length entities would be either council controlled organisations or council controlled trading organisations. The provisions which currently regulate the relationship between local authorities on the one hand and CCOs and CCTOs on the other are unsatisfactory from a corporate governance perspective. Specifically, section 65 and clause 5 of schedule 8 of the Local Government Act allow a council to overrule the decisions of directors or trustees regarding the content of the statement of intent. The risk to good governance is that it allows politics to intrude into the management of a CCO or CCTO, and conflicts with the principal role of a director or trustee to be responsible for the management of the business or activity.

From a good governance perspective, the Royal Commission may wish to consider a somewhat more arms length relationship, with the power of the council to intervene restricted to the normal shareholder rights to receive information (including strategic and operational plans) and replace directors or trustees if they are not satisfied with their performance.

Finally, in any of the options for a single city, the Royal Commission would need to pay in very close attention to the costs of the merger, both financial and non-financial, including matters such as:

➢ Bringing together organisations with significantly different cultures and value systems.

➢ The potential for loss of critical capability as key staff opt for a "safe harbour" option rather than await the outcome of what would inevitably be a long drawn-out restructuring process.

➢ The public acceptability (legitimacy) of different options.

**The executive mayor**

The executive mayor has long been a common feature of American local government (although far from universal with the alternative model of a city council and professional city manager predominating in most small and medium-sized cities - Schragger 2006).

The new Labour government under Tony Blair, which came to office in 1997 , brought with it a commitment to introduce the executive mayor model into English local government (Blair 1998). Within local government in England generally, the executive mayor model has not been widely adopted. All councils, as discussed above, now operate on an executive model but the dominant variety is the elected leader/cabinet option. None of England's largest cities (outside London) have adopted the elected mayor option. Observers generally regard the elected mayor as an option with potential but as yet largely untested. London is regarded as a separate case as the elected executive mayor is at the metropolitan governance rather than territorial level.

From an Auckland perspective, the elected executive mayor within the Greater London Authority structure provides an extremely interesting example of a new approach to metropolitan governance. As discussed earlier, following the abolition of the Greater London Council by Margaret Thatcher's government, there was something of a void in metropolitan governance for London which was filled by a variety of what, in practice, were very ad hoc arrangements.

The Blair Labour government came to office with a commitment to creating what became the Greater London Authority, but to do so only if it were supported through a referendum. The referendum itself from a turnout of somewhat over 30% resulted in a majority of 70% in favour of the Greater London Authority proposal.

The GLA is made up of two separate elements; an elected executive mayor, and the London Assembly comprising 25 members 11 of whom are elected on a London wide franchise and 14 of whom represent constituencies made up of between two and four London boroughs. Under the Act the mayor's responsibilities include developing the authority's strategies for transport, planning and environment in London, setting the budget for the Authority itself and for its functional bodies (the London Development Agency, the London Fire and Emergency Planning Authority, the Metropolitan Police Authority, and Transport for London). The assembly oversees the mayor's role and has the power, on a two thirds majority, to amend any of his budget decisions. It is also responsible for appointment of senior staff including the chief executive.

An amendment to the GLA Act in 2007 gave the executive mayor additional powers including an enhanced role in strategic planning, so that he can be the decision maker on major proposals, and the responsibility to complete health and housing strategies for London, including responsibility for a housing budget on a scale sufficient to produce approximately 50,000 units a year.

The Blair government's rationale for moving to an elected executive mayor model for London (and an elected mayor or leader plus cabinet model for the remainder of local government), apart from restoring an element of metropolitan governance in London, was very much one of improving the quality and transparency of decision-making. Traditionally decision-making within English local government had taken place through a committee structure making it extremely difficult for the public to determine just who was responsible for a decision and hold people accountable. The Blair argument was that vesting power in a single individual, or a single individual plus a cabinet would result in much more transparent and accountable decisions, including decisions which a more diffuse political process might not feel able to make - people would know whom to hold responsible and be able to vote accordingly. It would also become much more feasible, at least in mayoral campaigns, for people to stand on the basis of a platform with an expectation they would be able to implement it if elected, or be held accountable if they failed to do so.

There appears to be a general level of acceptance that the elected executive mayor model for London has been effective, with the caveat of some doubts about whether the checks and balances are as strong as they should be. The Association of London Governments, the body which represents London boroughs, was generally supportive of the proposed extension of powers which was implemented in 2007, suggesting that on balance the London boroughs regarded the GLA as a success. There is also

evidence that the Blair government assumption the executive mayor model would enable decisions which a more diffuse political process might not be able to take both correct and perhaps a necessary precondition for could be termed "politically courageous" decisions.

In February 2003, on the decision of Ken Livingstone as executive mayor, the GLA introduced a congestion charge on vehicles entering inner London. The proposal was widely criticised during its development with virtually no one other than the executive mayor himself being confident that it would produce any benefits. In practice it has proved extremely successful. Among the early impacts – 60,000 fewer car movements per day, of whom up to 60% switched to public transport; journey times decreased by 14%; traffic delays reduced by 30%. Without the power which Ken Livingstone had as executive mayor, it is certain the congestion charge proposal could not have proceeded.

The main check and balance on the executive mayor is the power of the London Assembly, by a two thirds majority, to reject his budget. There are concerns that this majority may be too high to be a practical constraint although there are some minor instances of the assembly using that power to change some spending proposals. The assembly also has an oversight and scrutiny role but again this appears to be relatively underdeveloped.

Of interest from an Auckland perspective is the governance arrangements for three of the GLA's arm's-length entities (Transport for London, the London Development Agency and the London Fire and Emergency Planning Authority - Metropolitan police, although an arm's-length entity, is in a somewhat different category). Each operates under its own board appointed by the mayor, who may also chair the board if he chooses to do so as he has done with Transport for London.

It is a model which is designed to minimise the potential for ad hoc political intervention, on the assumption that the executive mayor will develop and keep to a consistent strategy. It also allows the establishment of governance arrangements for key metropolitan functions on a "fit for purpose" basis, with governing boards chosen for experience, capabilities and qualifications relevant to the function itself.

Currently the jury is still out on one major aspect of the success of the GLA. This is whether the success is inherently a function of the model, including the powers provided for the executive mayor, or whether it is very much a product of the profile and capabilities of Ken Livingstone (who was the chair of Greater London Council when it was abolished and, more than anyone else, would probably be thought of as "Mr London").

Consideration of an executive mayor model for metropolitan governance in Auckland would include decisions on:

> ➢ Would it be part of a package which was solely designed to handle metropolitan level services, effectively creating a two tier system of local government, with the bulk of current services continuing to be provided and produced at a territorial local authority level, or would it be part of a mega-city structure? The magnitude of change would suggest opting for the former option, with an Auckland equivalent of the Greater London Assembly, but somewhat stronger checks and balances.

> ➢ The nature of the relationship between the executive mayor and arms-length entities. Should he have the power in effect to set their strategies and, if he wished to do so, chair their boards, or should his role be restricted to appointing boards, reviewing strategies, and monitoring performance, something more akin to the relatively limited role of the Mayors' Council for TransLink?

**The professional/corporate model – TransLink**

TransLink was established as the Greater Vancouver Transportation Authority and was effectively an offshoot of the Greater Vancouver Regional District. In that role it had responsibility for the planning and implementation of public transport services across Greater Vancouver. It was governed by a board made up of the mayors of the local authorities within the Regional District. As a board, the mayors directly appointed the chief executive, and were directly responsible for major decision-making.

In 2006 the then TransLink board took decisions on a major public private partnership proposal known as the Canada Line which the provincial government regarded as unacceptably parochial and based on reasons that were not even remotely connected to the actual merits of the project. It commissioned a review of TransLink governance which recommended a new approach to governance, and also the extension of its coverage well beyond the then limits of Greater Vancouver - in other words based on a functional area determined by public transport requirements, rather than on administrative boundaries.

Following the publication of the review's report, the government legislated to restructure TransLink. A main feature of the restructuring was a change in the governance arrangements to reduce the potential for parochial interests to influence decisions - it can be seen as a deliberate decision to weight the balance in favour of timely and efficient decision-making over local democratic processes. Under the current arrangements:

> The mayors of local authorities served by TransLink constitute a Mayors' Council which appoints the Board of Directors for TransLink and a Commissioner. It approves plans prepared by TransLink, including the transportation plan, regional funding and borrowing limits.

> The Board of Directors is made up of people appointed on the basis of relevant skills (and who may not be elected members of local government). It is responsible for preparing TransLink's strategic and operational plans and for their implementation.

> The Mayors' Council also appoints a Commissioner who approves cash fare increases above inflation. The Commissioner also approves TransLink's plans for annual customer satisfaction surveys, its customer complaint process and any proposed sale of major assets. The Commissioner reports annually to the Mayors' Council on Commissioner's decisions and the performance of TransLink.

The restructured TransLink has only just commenced operations so that it is far too early to make any considered judgement on the effectiveness of the new governance arrangements for achieving the intended objective of more timely and efficient decision-making, and to weigh that against any genuine loss of democratic participation. The Provincial government argument would basically be that the structure minimises the NIMBY impact in favour of taking into account costs and benefits at a metropolitan or supra-metropolitan level.

Within Auckland it provides a model which could be applied to selected metropolitan services, rather than all metropolitan services. The crucial judgement would be the balance between timely and effective decision-making on the one hand and democratic participation on the other.

**Non-local government governance entities**

There are two essentially public entities within the Auckland metropolitan region which play an important part in local governance, but are not part of the local government structure as such. Both are of such a scale and influence that any meaningful discussion of the governance of Auckland requires consideration of their roles and how they meld with that of local government.

The two entities are the ASB Trust and the Auckland Electricity Consumers Trust (AECT). The ASB Trust administers an endowment of approximately $1 billion for the benefit of the communities of the Auckland and Northland regions. Its trustees are appointed by the Minister of Finance (a hangover from the days when it and related trusts collectively owned a significant bank). Its accountability to its

communities is somewhat rudimentary, especially when compared with the accountability requirements which local governments now face.

Its discretionary funding capability, for purposes which are essentially the promotion of community well-being, rivals that of Auckland's local authorities combined. There is merit in the relative independence of the trust so long as that is offset by a recognition of the important role it plays in metropolitan and local governance, ideally enhanced by a greater measure of community accountability. The Royal Commission should consider the extent to which the current appointment and accountability requirements are consistent with the role the ASB Trust plays in local governance.

The AECT owns 75.1% of the capital of the publicly listed company which provides lines services for gas and electricity to the Auckland region. It thus owns one of the most significant infrastructure networks within the region, and one on which the region's future prosperity is critically dependent. The Royal Commission mandate includes the requirement to consider "what ownership, governance, and institutional arrangements and funding responsibilities are required to ensure the effective, efficient, and sustainable provision of public infrastructure, services, and facilities to support and enhance the current and future well-being of the Auckland region and its communities…". It is not too generous an interpretation of that mandate to treat it as requiring consideration of a major infrastructure network which is 75% owned by a trust whose beneficiaries are the electricity consumers, and local authorities, of Auckland, Manukau and Papakura.

Including AECT within the Royal Commission's purview will impact on some real sensitivities, including the belief that the assets are "electricity assets" which should not be considered in a broader infrastructure context, and the concern of electricity consumers that their entitlement to distributions from annual dividend income should not be threatened. The first point makes little policy sense as electricity consumers have a vested interest in the health of all public infrastructure. The second point should not be an obstacle to considering the future of the electricity and gas networks and of the capital currently invested in the on behalf of the public. Whether or not electricity consumers remain entitled to a distribution is an entirely separate matter to the question of where and how the capital is invested to improve Auckland's infrastructure services.

# 5. Options for district governance

One of the matters which will clearly be considered by the Royal Commission is whether there should be any change to the existing number or boundaries of territorial local authorities within the region.

Suggestions that there should be a three city option, or a single city option, have focused not so much on issues of metropolitan governance as on improving the efficiency of service delivery by territorial local authorities.

The weight of research evidence is now strongly against the view that amalgamation of territorial local authorities is a useful means for improving efficiency and/or reducing costs. Reasons include:

> Economies of scale, where they exist, are a function of particular services, not of local government structures as such. This recognizes that the optimal scale for some services may be as small as a neighbourhood but for others as large as a region (Bish 2001 , Sancton 2005).

> Amalgamating local authorities invariably proves far more complex and costly than is initially assumed. Toronto and Halifax provide good examples.

> The business of local government is not just service delivery. It is also local democracy which is very much based on matters of community identity, attachment to place and the ability to exercise choice. Amalgamation significantly undermines the local democratic function.

> Extensive review of the relationship between per capita cost and size of local authority suggests that, once the size of the local authority exceeds 250,000, cost per capita tends to increase (Bish 2001).

Despite the evidence on the relative drawbacks of amalgamation as a means of reducing cost or improving efficiency, it remains attractive to politicians within higher tiers of government. The recent Queensland local government reforms are a case in point. The Queensland Local Government Reform Commission explicitly rejected arguments that the better way of achieving the objectives of lower cost and more efficient services was through a shared services approach.

Internationally this is increasingly the preferred option. In England, the government has been promoting cost reduction through shared services for some years now, with shared services producing many of the gains sought to achieve the objectives of the Gershon review (a review for the United Kingdom government of options to reduce costs within the public sector).

In North America shared services are regarded as simply one of the approaches which any local government will automatically see as part of the conventional range for ensuring the effective production of the services the authority wishes to provide. The extreme of this approach is the contract cities movement in California (www.contractcities.com) linking together local authorities which operate with little more than a city manager and a personal assistant and contract out all of their services typically to other local authorities.

There is a very understandable reason for the persistent interest in amalgamation to promote efficiency. This is the relative reluctance both in Australia and New Zealand on the part of much of local government to embrace the shared services option fully, although there are encouraging signs that this is now changing for the better. The Queensland restructuring was preceded by a Local Government Association of Queensland review of options which was strongly biased towards shared services and regional organisations of councils as a way of improving local government performance. The problem for the State government appears to have been that the rhetoric was not matched by performance.

This was recognized in the recently published review of the local government sector undertaken by the Western Australian Local Government Association, *Shaping the Future of Local Government in Western Australia,* which explicitly recognized the lesson from the Queensland experience in these terms:

> In all other States of Australia (and in New Zealand) there has been externally imposed reform of Local Government. In Australia, this reform has been driven by State Governments. The common characteristic in all cases has been structural reform and forced amalgamation of Local Governments to generate greater efficiency through the creation of economies of scale.

> The window of opportunity for Local Government in Western Australia has been narrowing throughout the duration of the Systemic Sustainability Study. The WA State Government has honoured its commitment to refrain from imposing reform during the current term of government. But with an election due no later than the first quarter of 2009, the threat of external intervention is renewed. WALGA has also been aware that failing to initiate a determined and disciplined response by Local Government risks testing the patience of the State Government. In April 2007, despite a State Government agreement

to fund a voluntary reform process within Local Government, the Queensland Government moved with enforced change.

The same risk should also be considered a possibility in New Zealand. There is currently within Auckland some positive experience with shared services, especially libraries. However, there is also recent evidence of resistance to a shared services approach. Some eight years ago the Auckland council is prepared a comprehensive proposal for the implementation of shared services (Share Services councils of the Auckland region). The proposal disappeared virtually without trace. Discussion with one of the people involved at the time supports the proposition that management resistance was the reason.

The proposition, supported by research evidence, that amalgamation of local authorities is not an appropriate means of achieving efficiency gains and cost reductions stands partly on the implied assumption that local authorities will pursue alternative means. For Auckland, this means an increased emphasis on a shared services approach.

The Royal Commission should be asked to consider, seriously, the potential of shared services before turning its attention to possible amalgamations. This should include review of international experience. Any recommendations for amalgamation at the district level should make it clear that the Royal Commission has considered the costs and benefits both of amalgamation, and of shared services, for achieving the objectives expected from amalgamation so that both the public and government and its advisers have good evidence that both the financial and non-financial costs had been properly weighed and taken into account.

# 6. Options for local or neighbourhood governance

The section is concerned with that part of the Commission's Terms of Reference which require it to consider "What governance and representation arrangements will best enable effective responses to the different communities of interest and reflect and nurture the cultural diversity within the Auckland region".

This project's discussion paper on possible options for local governance extensively canvasses the emerging interest internationally in local or neighbourhood governance including the underlying rationales. In broad terms, the emphasis is on the importance of the "local" in local government. It recognizes that the complexity of many of the issues which communities are attempting to deal with requires direct engagement with and input from communities of a size and scale significantly less than is typical of English, New Zealand or, for that matter, much of Australian local government.

New Zealand consideration of issues of local or neighbourhood government appears influenced partly by a sense that, if anything, New Zealand is over governed. The evidence suggests otherwise. The average population of a New Zealand territorial local authority district is 56,000. That is smaller than the current UK average of 128,000, but the larger number of councillors in English local government produces a much lower resident to Councillor ratio in England than in New Zealand. However, both New Zealand and England are at an extreme when compared with much of Europe. The average population for the equivalent of a New Zealand territorial local authority is 1600 in France, 4900 in Spain, 5200 in Germany, 7100 in Italy, 17,000 in Belgium 18,200 in Denmark, 25,200 in the Netherlands and 31,300 in Sweden.

The result is that, across much of Europe, genuine local government is a reality under present arrangements in the two senses of:

➢ Ease of engagement between elected members and communities

➢ Local government representing what are genuinely individual communities, rather than collections of communities often with different interests.

In England there is a revised interest in working with parish and neighbourhood councils, under the government's theme of "double devolution" - devolution from Whitehall to local government, and from local government to neighbourhoods accompanied with some scepticism that Whitehall will in fact find it acceptable to devolve real power.

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In New Zealand local or neighbourhood governance has been approached in two ways:

- ➢ Community boards (and occasionally community committees).

- ➢ The recent emergence of purpose-built arm's-length entities under community control to handle functions such as affordable housing.

Community boards were created in the 1989 local government reforms and were often seen as something of a sop to the communities of smaller local authorities which would be amalgamated into larger ones. There is not a great deal of evidence that they were welcomed by the authorities which received them as part of their governance arrangements.

Experience with Community boards has been highly variable. Some councils have moved to abolish them (technically through a representation review which requires endorsement by the Local Government commission). Others have retained them but given them only the minimal delegations required under the Local Government act. Yet others, of which Manukau and North Shore are good examples, have given their community boards quite extensive delegations, especially in decision-making which impacts principally at community level, for example, in the handling of consent applications for decisions such as whether or not to notify.

There is very little current New Zealand research on the role and effectiveness of community boards or on how they are valued by their parent councils. There are some unfortunate incentives affecting them including the requirement that one half of the salaries of community board members should be met from within the remuneration pool creating the impression that councillors on the current council themselves are paying part of the salaries of community board members. There is evidence that this has had a negative impact on relationships at least within some councils.

The larger question for the Royal Commission is how it addresses the mandate requirement for governance and representation which will respond to different communities of interest and to cultural diversity. This does suggest a stronger focus on the potential for community boards, including consideration of those responsibilities best handled at a community board level - this is the general principle of subsidiarity that decisions should be taken at the lowest possible level which encompasses the likely impacts from the decision.

The Commission's consideration should include looking at the "red herring" of additional costs of democracy. This needs to be set against the potential of

community boards to reduce administration costs for the council itself both directly by handling matters which might otherwise be handled by officers, and indirectly by managing the community response to matters which might otherwise end up being handled through formal legal or other processes such as objections to resource consent applications.

The diversity of the different communities within the larger local authorities within the Auckland region suggests that the Royal Commission will make a serious endeavour to find some effective means of providing for greater engagement at a sub-district level despite the apparent lack of success with Community boards generally since the 1989 reforms.  One approach would certainly be to give community boards and enhanced mandate, including budgetary responsibility for matters which impacted at the community rather than district level.  This could include budgets for activities such as minor street works, local parks and gardens and community grants with the community board itself expected to consult its community on how to establish priorities for those expenditures.  An initiative of this sort could be undertaken as a form of "action research" with evaluation built-in.  The Commission might also like, separately, to consider whether the present arrangement that part of the remuneration for community board members should come from the remuneration pool should continue if community boards are to be seen as an integral part of local government.

**Arm's-length entities**

New Zealand local authorities have many years used arm's-length entities for a range of purposes including economic development, the management and sometimes ownership of museums and art galleries, recreational services, and occasionally libraries.  The typical rationale has been the establishment of a "fit for purpose" entity which can focus on one particular function, and be supported by a governance body with skills, experience and capabilities specific to the function.  In this respect, the traditional use of arm's-length entities can be seen as a local authority choice to rationalise the administration of one or more of its own functions.

Recently, there has been the emergence of a new approach to the use of arm's-length entities.  This is the development, by councils in consultation with community stakeholders, of arm's-length entities to undertake activities which are of immediate concern to the community, but outside the council's normal sphere of operations.  Typically, these entities are outside council control in the formal CCOs/CCTOs sense, with governing bodies appointed by the community through an electoral college approach designed to courage creation of a " fit for purpose" governing body.  They are designed to be accountable to the community, work closely with the council, but have sufficient autonomy to develop and implement their own strategies in the areas of focus.  Current examples include the development of an affordable Housing trust

by one North Island local authority, and a "wealth creation" trust by another North Island local authority specifically to bring together high-level business skills within the community to develop council owned and other assets with the objective of creating an ongoing community endowment from the resultant surplus. There is a loose parallel with North American community development corporations or United Kingdom development trusts in the sense that all are based on an approach which recognizes:

➢ Local authorities seldom have the commercial skills or decision-making frameworks needed to manage community related issues which require a high level of commercial skill and competency.

➢ A number of issues now confronting communities, such as affordable housing, do require different capabilities and competencies, including the ability to act commercially where appropriate.

➢ New means are needed for ensuring community engagement, and community accountability, which can also bring the necessary capabilities to bear.

➢ Local authorities can play a pivotal role in facilitating the development of this new form of community engagement.

Mandating or requiring the development of this type of approach within the Auckland region is probably outside the normal expectations of a body such as the Royal Commission. Nonetheless it is a potential development it may wish to take into account as a further means of facilitating greater community engagement in local or neighbourhood government.

# 7.    Concluding remarks

The purpose of this project has been to develop resource material, rather than to make specific recommendations on what should be the governance arrangements for the Auckland metropolitan region.  Nonetheless, there are some common themes which should be highlighted.  They are:

➢ Recent experience with the design of governance arrangements for metropolitan functions shows a strong preference for establishing function-specific arm's-length entities.  Reasons include minimising conflicts of interest, establishing "fit for purpose" governing bodies with skills, experience and capabilities specific to the function concerned, differing functional boundaries and the scale and complexity of individual functions.

➢ A persistent and difficult challenge with the design of metropolitan level governance arrangements, especially for infrastructure, is managing the balance between the demand for democratic participation on one hand and the need for timely and efficient decision-making on the other.  There is an emerging trend to favour arrangements which weight the balance in favour of timely and efficient decision-making.

➢ Three principal options are evolving.  The first, not relevant in New Zealand, is for a provincial or State government to become the default metropolitan governance authority.  The second is the executive mayor model as with the Greater London Authority, concentrating decision-making power in a single individual who is, however, democratically accountable for decisions taken. The third is the development of a two tier board structure, with the top tier made up of indirectly elected members (elected mayors of the local governments within the region of the entity) and the second tier a "fit for purpose" board appointed for relevant skills, experience and capabilities.  The second tier will have a substantial degree of autonomy for planning and implementing the activities of the entity with oversight from the top tier. Preferred options for the future governance of regional functions within the Auckland region are likely to draw strongly on one or both of the executive mayor and two tier board options.

➢ Local government amalgamation, as a means of reducing costs and improving efficiency, is problematic at best with the weight of evidence suggesting that typically it fails to achieve the stated objectives.  Nonetheless, it remains an attractive option for higher tiers of government if only as a means of appearing to do something decisive to deal with perceived local government problems.

➢ Shared services have a potentially important role to play as an alternative to amalgamation as its service by service approach allows a much more direct focus on appropriate economies of scale.  However, the evidence suggests that many local authorities, especially at the management level, may be reluctant to adopt a shared services approach.

➢ Local or neighbourhood governance is increasingly seen as the most appropriate level for effective engagement between communities and local government.  However, practice in this area, including the role of the parent local authority, is still very much "work in progress".  There is considerable evidence that a number of New Zealand local authorities are reluctant to enable substantive local or neighbourhood governance.  This is likely to change as local government becomes increasingly involved with promoting community well-being rather than its traditional roles of providing and maintaining community infrastructure and implementing local regulation.

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