

The Future Governance of the Auckland Region

A Discussion Paper on Implications for the Remainder of the Local Government Sector

Prepared by
The Local Government Centre
AUT University

April 2009

CONTENTS

Page

<u>The Future Governance of the Auckland Region.....</u>	<u>1</u>
<u>1. Purpose and Introduction.....</u>	<u>2</u>
<u>Purpose.....</u>	<u>2</u>
<u>Introduction.....</u>	<u>2</u>
<u>2. Background: How to Understand the Royal Commission Report.....</u>	<u>4</u>
<u>Background.....</u>	<u>4</u>
<u>How to understand the report.....</u>	<u>5</u>
<u>The 'big picture' recommendations.....</u>	<u>6</u>
<u>Some context.....</u>	<u>10</u>
<u>3. Initial reactions and their significance.....</u>	<u>12</u>
<u>4. The Implications for the Remainder of the Local Government Sector- and the</u> <u>Opportunity.....</u>	<u>16</u>
<u>Implications.....</u>	<u>17</u>
<u>The opportunity.....</u>	<u>20</u>
<u>5. Conclusion.....</u>	<u>23</u>

1. Purpose and Introduction

PURPOSE

This discussion paper has been prepared by the Local Government Centre (LGC) with the purpose of assisting local authorities outside Auckland determine how best to respond to forthcoming changes to the governance of the Auckland Region following the publication of the report of the Royal Commission on the Governance of Auckland and the delivery by the government, on Tuesday 7 April, of its decisions on the Royal Commission recommendations.

INTRODUCTION

This paper begins with a brief overview of the role of the Royal Commission and then discusses how to understand the report. It strongly recommends that, for local government outside Auckland, the report's importance, and that of the Government's response, should be considered in a two-stage timeframe. The immediate impact will come from the 'big picture' context and recommendations/decisions. These include the strong case the Commission makes for regional governance as a separate but integral part of New Zealand's governance, and the argument for close integration between central government and local government on social issues as well as the traditional areas of infrastructure. In the medium term there could also be quite significant implications in terms of local governance, including the impact on local democracy.

The paper then outlines the Commission's principal recommendations concentrating on the governance arrangements including the new Auckland Council as adjusted by the Government's decisions.

It then briefly puts the commission's recommendations and the Government's response in international context, demonstrating that what looks like radical reform is in reality much more like bringing New Zealand into the mainstream of local government internationally.

The next section discusses initial reactions and their significance. Most have been concerns at the loss of local democracy - important for people within the Auckland region but of little significance in terms of the wider impact, at least in the short term. Development of the detailed proposals is likely to address concerns over the loss of local democracy. The main thrust of the reforms seems likely to proceed especially given the very strong support from the Auckland business community. This impression is reinforced by the Government's decisions. What is emerging is an impression of a government which has decided that New Zealand's economic future is too important for change to be held back by what it regards as inefficient, ineffective or unfocused decision-making at a local government level.

Its determination to proceed has probably been reinforced by arguments such as those put forward in this year's Business Roundtable's annual Sir Ronald Trotter by Stephen Jennings, an expat New Zealander who has developed substantial business interests internationally with an emphasis on emerging economies. He paints a picture of emerging economies growing at a much faster rate than New Zealand with the likelihood we will slide further down international rankings for business and economic performance. A principal implication he draws out is a decreasing ability to compete for highly skilled people because we are less and less able to offer the challenging and well resourced work environment they increasingly seek.

The outcome of the reforms should be a much stronger and more capable regional body which will significantly enhance Auckland's competitive position both domestically and internationally. Economic development will become a core function with an emphasis on major strategy. Auckland's restructuring should fundamentally change the context within which New Zealand local government functions, requiring the rest of New Zealand to lift its game markedly if it is to be competitive.

There will be some immediate positive spin-offs for other regions, for example the Bay of Plenty, Northland, and the Waikato as the reforms drive a more rational approach to the management of Auckland local government businesses. This should see a more rational approach to the development of the ports sector, and associated land transport, as the Auckland Council is both required to make a normal business return on its investment, and the further development of the waterfront area comes under the direct control of the proposed Waterfront Development Agency. This will

Overall, however, the message for the remainder of local government is the need to lift its game in response to the Auckland changes. It presents an opportunity to focus on what issues need to be dealt with at a regional level and through what mechanisms. As well as the traditional regional functions such as environmental management and regional land transport, areas which are going to be in critical need of a regional governance focus in response to the increased emphasis on economic development will include broadband, skills training, tertiary education, research and development, health care and inward investment as well as social issues including affordable housing (recognising that for many of these Government will remain the principal or sole public-sector funder). There will be a need, also, to ensure at the regional level a critical mass of strategic capability.

2. Background: How to Understand the Royal Commission Report

BACKGROUND

The single most important outcome the Royal Commission was expected to deliver was a new local government structure **capable of making and implementing decisions on matters of major regional strategic significance without being obstructed by parochialism.**

The Royal Commission was established following years of largely unsuccessful attempts both by Auckland local authorities themselves, and occasionally by central government, to reform Auckland's local government so that it was better able to deal with regionwide issues.

The Commission itself summed up the situation it was required to address in the following terms:

Auckland's regional council and seven territorial authorities lack the collective sense of purpose, constitutional ability, and momentum to address issues effectively for the overall good of Auckland. Disputes are regular among councils over urban growth and the development and sharing of key infrastructure, including roads, water and waste facilities, and cultural and sporting amenities. Councils cannot agree on, or apply, consistent standards and plans. Sharing of services among councils is limited, yet there is scope for so much more activity in this area.

The terms of reference were comprehensive. They required 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 in order to maximise, in a cost effective manner,
(a) the current and future well-being of the region and its communities; and
(b) the region's contribution to wider national objectives and outcomes.

This was a broad brief, and the Commission interpreted it broadly. The result is a very wide-ranging report which considers every aspect of current local government activity within the Auckland region, the respective roles of local and central government and crucially international developments in the role of governance especially at the level of what is now known as the city-region.

HOW TO UNDERSTAND THE REPORT

The report is extremely complex and deals with a very wide range of issues to a considerable level of detail. A number of these are likely to be controversial (witness the current debate over whether the Royal Commission recommendations, and subsequently the government's decisions, have made adequate provision for local democracy).

The detail and wide coverage are going to be important in terms of restructuring Auckland's local government. There is a very real risk that they will become a distraction in thinking about the immediate implications of the report for other regions (although as discussed below there are medium-term implications which the rest of local government will need to address). The LGC strongly recommends understanding the report from a 'big picture' perspective rather than seeking to engage with all of the detail, as it is the 'big picture' issues which hold the major immediate implications for the remainder of the local government sector.

From a 'big picture' perspective the report does two main things:

- Makes an incontrovertible case for the importance of governance at the regional level as a process of bringing together decision-making on a very wide range of issues from planning, to major service delivery (for example the three waters, transport, regional economic development, regional recreation, art and cultural facilities and waste management) to dealing with the complex social problems confronting our communities. It underpins the argument for a single capable and effective decision maker at a regional level on matters of major regional strategic significance, and with the power to ensure its decisions are implemented.
- Provides a very strong argument for close integration between central government and local government at the regional level not just on infrastructure and related activity but crucially on addressing social issues including allocating the related budgets.

From a New Zealand perspective this may seem radical, and greatly extending the role and obligations of local government. Set against local government practice generally, it looks much more like simply bringing New Zealand into the mainstream, as is discussed under the heading 'some context' below.

In approaching its task, the Commission adopted four principles, common identity and purpose, effectiveness, transparency and accountability and responsiveness. From a reading of the report, effectiveness and transparency and accountability appear to have driven much of what the Commission has recommended. There is a very strong emphasis on clear and orderly structures, consistent rules and processes, common pricing and rating, value for money and efficiency. It states those two principles as:

Effectiveness

The structure should deliver maximum value within available resources, in terms of cost, quality of service delivery, local democracy, and community engagement. It should allow services to be delivered locally, where appropriate. It should also be more efficient than the current system, and provide improved value for money.

Transparency and accountability

Roles must be clear, including where decision making should be regional and where local. Appropriate accountability must be achieved for delivering outcomes, use of public funds, and stewardship of public assets. Institutions should work in an open manner and should communicate clearly about their activities, how much they spend, and the results.

The Commission acknowledges that there are inherent tensions among the four principles and that stronger Auckland-wide local governance, for example, can be achieved only at some cost to local responsiveness. It recognises that balancing these is a matter of judgement.

The widespread public reaction against the Commission's proposals on local governance, and subsequently against the Government's decisions especially about local boards, as an example, suggests that in some instances the judgement of the public will differ from that both of the Royal Commission and of the Government.

In the LGC's view, though, it is important not to be distracted by the public reaction on what in many quarters will be seen as matters of detail that need to be corrected, but instead to focus on the 'big picture' future which Commission has recommended for the governance of Auckland.

THE 'BIG PICTURE' RECOMMENDATIONS

The Commission's principal recommendations are:

- The merger of Auckland's eight local authorities into a single unitary authority, the Auckland Council (with some boundary adjustments between the Auckland and Waikato regions), which will hold all of the region's assets, employ all staff, develop a single LTCCP and adopt a single rating policy.

Government response: the Government has accepted this recommendation.

- The creation of six 'local councils' comprising four urban (with some adjustments these will be the existing North Shore, Waitakere, Auckland and Manukau City Councils) and two rural (Franklin with the rural part of Papakura, and Rodney minus the hibiscus coast). These councils will own no assets, employ no staff and have no rating powers. Generally, they will undertake local services within a budget agreed with and funded by the Auckland Council.

Government response: the Government has opted instead for between 20 and 30 local boards with around five elected members each (with the number of boards and their boundaries to be determined by the Local Government Commission). At the moment most Auckland councils see this as a further watering down of local democracy. A close reading of the government announcements suggests that the local boards may have the power, in respect of local services within their boundaries, to determine what services and how those services are delivered provided that ratepayers within their boundaries carry the cost of the budgetary impacts of any changes from what the Auckland Council proposed. If this is the case the result could be a significant strengthening of local democracy

- The Auckland Council will have a mayor elected at large with some executive powers (appointment of the deputy mayor and committee chairs, proposing the LTCCP and initiating policy). With the exception of those limited executive powers, the council will be the decision-maker.

Government response: the Government has accepted this recommendation.

- The Auckland Council should have 23 councillors, 10 elected at large 10 on a ward basis by general electors, two on a ward basis by electors on the Maori electoral roll and one appointed by the mana whenua forum.

Government response: the Government decision is for a council 20 councillors, eight elected at large and 12 elected on a ward basis. There will be no separate Maori representation (although the Government acknowledges that the Auckland Council could move to make provision for separate Maori representation).

- A statutory position of an independent Auckland Services Performance Auditor (to be appointed by the elected Auckland Council on the joint recommendation of the Chair of the Commerce Commission and the Auditor-General) should be created to provide assurance to the council and the public that the Auckland Council is providing high-quality services in a cost-effective way.

Government response: the Government announcements on Tuesday were silent on whether this recommendation will be adopted.

- The 'local council' councillors will be elected on a ward basis, two to a ward, with ward populations around the 40,000 level. Each council will elect its leader from amongst councillors. The elected leader will cease to be a ward representative and will be succeeded by the highest polling unsuccessful candidate in the ward.

Government response: local councils are replaced by local boards. The Government has not yet specified how members of local boards will be elected but it is a reasonable assumption they will be on a ward basis.

- Existing community boards other than those for Great Barrier and Waiheke should be abolished.

Government response: the Government has accepted this recommendation including the retention of the Great Barrier and Waiheke community boards which will become local boards.

- Separate governance arrangements for the CBD and waterfront area recognising its seminal importance as Auckland's face to the world including the creation of a City Centre and Waterfront Development Agency to undertake planning and any further development of the waterfront area.

Government response: The Government has accepted the recommendation to establish a Waterfront Development Agency but not those regarding either a council committee, or a community board. However, it would not be surprising if the Local Government Commission determined that one of the future local boards should encompass the same area as the Waterfront Development Agency.

- Integration of regional spatial planning and regional land transport planning, and the creation of a single district plan.

Government decision: this recommendation has been adopted.

- An enhanced economic development function capable of working effectively with central government to address major regional issues as well as meeting the localised needs of Auckland's communities and businesses.

Government response: The Government has emphasised the importance of economic development. Its decisions include the requirement for preparation of a regional economic development plan but the recommendation for a separate Regional Economic Development Agency has not been adopted. It will, of course, be within the powers of the Auckland Council itself to set up a separate agency, rather than treat economic development as an in-house activity, if it deems it advisable to do so. It is likely that the powers of the proposed Establishment Board could also allow it to set up a separate agency.

- A new Regional Transport Authority ("RTA") for Auckland should be established as a council-controlled organisation with responsibility for the planning, development, and management of arterial roads and all public transport infrastructure service planning and procurement. Local roads should be controlled by local councils with the RTA exercising a funding approval role

and ensuring consistency with the regional spatial plan. The New Zealand Transport Agency and the RTA should establish a joint management structure to oversee the operational management of the State highway and arterial road system in the Auckland region. The RTA and ONTRACK should establish a joint management structure to oversee the operational management of rail in the Auckland region.

Government response: The Government has adopted the recommendation for a single Regional Transport Authority and will make it responsible for local roads as well. The recommendations for joint management structures have been replaced with a decision to "improve coordination".

- Watercare Services Ltd, as a CCO, should have sole statutory responsibility for wholesale and retail potable and wastewater services (subject to United Water's existing franchisee rights in Papakura), owning all of the water and wastewater assets of existing councils other than perhaps the rural areas of Rodney and Franklin. Stormwater arrangements are still to be resolved. There should be a single pricing structure based on volumetric pricing for both potable water and wastewater. Prices should be held to a minimum consistent with efficiency and maintaining the network. Watercare Services should also have a focus on demand management.

Government response: the Government has agreed in principle that there should be a single provider of water and waste water services but the detail is yet to be confirmed.

- A Social Issues Board should be established as the main governance body for social issues to enable local and central government to share decision making and accountability for improving the effectiveness of resources spent, and addressing the critical social issues in Auckland.

Government response: the Government's decision is "government to find better ways of aligning central and local government action on social well-being". The Ministry of Social Development is to report on options by the 27th of April.

- Creation of the post of Minister for Auckland as a senior cabinet position supported by a Cabinet Committee for Auckland.

Government response: This recommendation has been declined.

- In order to deal with cross-boundary issues the Commission recommends the convening of an annual forum comprising the Auckland Council and relevant interest groups (including regional and territorial councils and business groups) from the Northland, Waikato, and Bay of Plenty regions on matters of mutual and topical interest. This might include discussion of economic

development initiatives, infrastructure, growth management issues, environmental issues, and tourism.

Government response: the government decisions do not contain any reference to cross-boundary issues. The convening of such a forum will, of course, be within the discretion of the Auckland Council and other proposed participants.

SOME CONTEXT

Debate generally on the role of local government in New Zealand has not been strongly influenced by developments in other jurisdictions. As a result, the far-reaching changes which have been taking place internationally in governance at the local and regional level and, **of greater importance**, the reasons for those changes have largely passed New Zealand by. The most significant achievement of the Commission's report is to place discussions about local governance in an international context, with a very well researched and empirically based argument which makes the incontrovertible case for the importance of governance at the regional level. Two brief excerpts from the report, based on what the Commission has learned both from its research, and from its consultations internationally, illustrate the conclusions which follow from this:

.... it is necessary to understand the connections between the urban challenges that Auckland faces. Environmental and social goals can no longer be seen as being in competition with economic goals, but must all be viewed as part of an integrated strategy essential to Auckland's prosperity. The four strands of well-being identified in the Local Government Act 2002 – social, environmental, cultural, and economic well-being – are inextricably linked and highly interdependent. Outcomes in each of these domains will impact on outcomes in the others. For example, a growing economy creates employment, but it also depends upon a healthy, skilled workforce. In turn, a healthy, skilled workforce depends upon a range of factors that are boosted by a growing economy, such as stable and affordable housing, efficient and accessible transport options, a safe environment, access to health care and education, recreation opportunities, and a sense of connection. The challenge for local government is to take a systemic approach, and manage the inevitable tensions, so that balanced and positive outcomes can be achieved. (Executive summary para 10).

The communities of successful cities are able to adjust to the types of societal changes encountered by Auckland in recent years including immigration, other demographic shifts, and the challenge of maintaining the affordability of a decent standard of living, including housing. The Commission observed in the cities it visited that local governments often play a facilitative role, spearheading acceptance of the benefits of diversity, proactively addressing developing social problems, and factoring the needs of communities into decisions about urban form and public transport planning. (Para 1.27)

Selected examples from international work on metropolitan governance provide some more background to the Royal Commission's conclusions. The first is from the

work of Prof Tony Travers, head of the Greater London Group at the London School of Economics, who is acknowledged as one of the leading international authorities on metropolitan governance. He had this to say at a 2005 OECD conference on sustainable cities:

Governance systems in major cities are required to achieve many (often competing) objectives. At the simplest level, they must secure the provision of public services to a population that is likely to live in densely-populated neighbourhoods and which may be transitory and/or new to the city. Such services are generally best delivered at a local or metropolitan level, though there may be tensions between the two. There are also demands for cities to achieve economic competitiveness. It is rarely possible for a traditional 'core' city or metropolitan authority fully to represent the economic needs of a city region. Either federal/national government must secure effective governance at this level, or a regional authority must be created, or weaker voluntary arrangements put in place, or there will be no capacity for the city to deliver at this wider economic level.

The second extract is from work by Prof Robin Hambleton, the Royal Commission's adviser on metropolitan governance, who has this to say in a recent publication on governing cities in the global era:

Globalisation, as we have seen, unleashes competition not only between groups within the city, but also between cities in the global system. Thus, London now competes with Tokyo to lure or maintain corporate finance, and Pittsburgh competes with Shanghai for steel industry contracts. This leads governments at all geographic scales to pay more attention to urban economic development and, more specifically, to take steps to support projects and infrastructure designed to attract private sector inward investment. As cities come to be recognised as serious players in the international economy, their role is changing and, in some countries at least, higher levels of government are paying much more attention to the performance of their urban economies.... Central government policymakers have come to realise that cities and city regions are key drivers of national economies and that, therefore, the local institutions running cities can come to play a crucial role for national economic policy. In the European context Le Gales confirms that economic growth has tended to become an urban phenomenon, partly because of the growth in the importance of the "knowledge economy". In Europe, then, cities and city regions are now seen as engines of national economic prosperity. Not surprisingly, this has led to the introduction of new forms of city leadership designed to enhance the visibility and effectiveness of city governments as leaders of economic development. For example, directly elected mayors have recently been introduced in England, Germany, and Italy, partly for this reason.

3. Initial reactions and their significance

Initial public reactions to the Commission's recommendations and to the Government's decisions, as reported through the media, have focused on the apparent loss of local democracy. This has included criticism of:

- The proposal that a proportion of the councillors for the Auckland Council should be elected at large. Criticisms include claims that this will introduce a bias in favour of wealthier European electors (as was the case when Auckland city councillors were elected at large), will largely disenfranchise Pacific Island voters and will make it difficult for people who are not supported by well resourced regionwide interests to stand for office.
- The removal of existing community boards apart from those for Great Barrier and Waiheke - many submitters argued for and were expecting an expansion in the number and roles of community boards.
- The much reduced role of the 'local councils' recommended by the Commission, even more the perceived lack of power of the Government's proposed local boards, and the more dominant role of employed council staff.

The Minister of Local Government joined in the criticism of the Commission's recommendations and made it clear that he wanted to have a close look at the recommendations on local democracy. The decisions announced on 7 April were the Government's answer to the criticism that the Royal Commission recommendations paid insufficient regard to local democracy. In turn, its proposals for between 20 and 30 local boards have attracted initial reaction, especially from existing local government politicians, that this is even worse than the Royal Commission recommendations. Critics seem to have taken the word "advocate" in the description of the functions of the local boards as implying that they will have no power to influence or control decisions. In fact, both the media statements put out by the Prime Minister and the Minister of Local Government, and the wording of the government decisions themselves, imply that there will be quite extensive decision-making powers at the local board level. The extent to which this is the case will only become clear as Government publishes more detail and, in particular, introduces legislation.

One matter which the Government appears to have picked up on is the political risk associated with appearing to reduce the opportunity for democratic engagement by groups such as South Auckland's large Pacific Island population that remains to see how it will address this issue as its decisions are implemented.

The public reaction although significant at one level, especially in terms of the political risk it identifies for Government, does not go to the heart of the Commission's recommendations. Selected changes to the proposed governance

arrangements could deal with the public criticisms without making changes of any import to the basic structural elements of the report.

The reaction from the business community, including those business organisations whose lobbying was largely responsible for the establishment of the Royal Commission in the first place, has been extremely positive. The Employer's and Manufacturers Association has publicly welcomed the Report. Although neither has yet made public statements, both the New Zealand Council for Infrastructure Development and the Committee for Auckland are known to be very pleased with the report's recommendations.

The LGC's initial judgement was that the broad-based business support for the recommendations substantially strengthened the likelihood that the Government would accept the general thrust of the report, with any changes coming in areas such as local democracy, and those recommendations which would be seen as significantly intruding on the prerogatives of Government itself. This has been borne out by the 7 April announcements amongst other things confirming the rejection of the Minister for Auckland and Cabinet committee recommendations and suggesting that the Government will reject the recommendation for the establishment of a Social Issues Board. It will, however, be much more difficult for Government to reject the underlying arguments about the need for much greater collaboration between central and local government on social issues, including how their respective resources are committed, if Government genuinely wants to see improved social outcomes. The case which the Royal Commission has made in this area is simply too strong to be ignored - and applies not just in Auckland but in virtually every other significant population centre in the country.

Will the structure deliver?

One matter which is causing some 'behind-the-scenes' concern is whether the proposals for the structure of the Auckland Council will be able to deliver the single focused decision-maker on major regionally significant strategic matters which is seen as the single most important outcome from restructuring. The Commission decided not to follow the London model of a strong executive mayor as the single decision maker within a set of checks and balances designed to constrain how the mayor takes decisions and how the mayor's performance is monitored. Instead, it relied on providing for 10 at large councillors as the alternative means of creating a strong regional focus and countering the parochialism which has undermined decision-making at the regional level. There were strong doubts that this would be effective especially as the majority of councillors would still be ward-based.

Initially this raised the possibility that Government may prefer a strong elected mayor, something which would require complementary changes to the role of councillors. However, the 7 April decisions make it clear that the Government intends running with the general approach of the Royal Commission for a mix of at large and ward-based representation. This is going to require very careful management in

order to ensure that the Auckland Council does become an effective decision maker. There is a real risk that the interests different councillors could bring to the Council table might lead to deadlock on major regional issues, perpetuating the problems which triggered the restructuring in the first place.

Implementation

From responses so far, including the announcements from the Government, from what can be observed of the way in which government departments are preparing to work on implementation, and from the strong support from the business community, it is now clear that the main features of the Royal Commission report will be implemented. In the LGC's view these should be seen as:

- The establishment of a strong regional body with authority to take and implement decisions on all major regional strategic matters within the purview of local government. Although the Government has presented its decision on the structure of the Auckland Council as final, the LGC would not be surprised if further work was done on the risk that, under the proposed structure, the Auckland Council may not be the single strong and capable decision maker which Auckland needs. Recent experience confirms the tendency of ward-based regional level councils to take a parochial rather than a regional perspective (something which has severely limited the effectiveness of the Toronto City Council, the closest parallel to what is being proposed for Auckland, since its formation in 2000).
- A much more streamlined planning and consent process with the district planning function being held by the Auckland Council.
- A single regional transport authority which the Government has determined will also include responsibility for local roads. Whether the Government will accept the separate recommendation that The New Zealand Transport Agency and the RTA should establish a joint management structure to oversee the operational management of the State highway and arterial road system in the Auckland region is less clear, especially given the express decision to "improve coordination". The recommendation does not suggest that the Government should give up any of its current decision-making powers in respect of funding, and there are obvious practical advantages from joint management. However, the New Zealand Transport Agency itself may have a different view from the Royal Commission. It has a stronger view on the significance of cross border issues than appears from the report and might want to take the logic of joint management further to encompass Northland, Waikato and Bay of Plenty.
- Watercare Services Ltd as a single organisation to be responsible for the wholesale and retail functions for water and wastewater.

- An enhanced economic development function. The Royal Commission was clearly unimpressed with the relative lack of focus and performance on economic development across the Auckland region. The previous and the present Government both see the Auckland economy as the powerhouse to drive the New Zealand economy as a whole. This strongly suggests that regional economic development will be seen as a crucial function of the new regional level council (whilst also recognising the need to maintain a local capability through local EDAs), something which is borne out by the wording of the Government's decision.

4. The Implications for the Remainder of the Local Government Sector- and the Opportunity

Once Auckland's governance reforms are completed, it should have a single strong regional body which will:

- Be able to take and implement decisions on regionally significant strategic matters.
- Be responsible for integrated regional spatial planning and regional transport planning as well as a much more streamlined consent process.
- Through a single Regional Transport Authority control all of the regional aspects of land transport, as well as local roads, and be well placed to work in partnership with the New Zealand Transport Agency and ONTRACK.
- Own the CCO responsible for all wholesale and retail potable and wastewater services (with some relatively minor exceptions in rural parts of the region which already have their own stand-alone arrangements).
- Have a greatly enhanced regional economic development function.
- Be well placed to engage internationally representing Auckland to the outside world and with a strong focus on inward investment, economic development and cultural ties.

The outcomes can be expected to include:

- More consistent and streamlined planning and consenting processes enhancing Auckland's relative competitiveness as an investment location.
- A higher profile both domestically and internationally as the mayor is able to act as leader and spokesperson for the Auckland region, and speak internationally as the representative of a significant city within the Asia-Pacific region where the status of Mayors is particularly important.
- Enhanced credibility as a partner in dealings with central government, major business interests, and international parties, because of its greater decision-making and implementation capability, and perceived ability to keep to the commitments it makes.
- A much greater strategic capability as the scope and scale of its function increases both the need for the Auckland Council to have a strong strategic

capability, and its attractiveness as an employer for people with high-level strategic skills (and quite likely also enhanced attractiveness for high-quality candidates for election).

- A stronger commitment to earning commercial returns on business assets as a result of the framework the Royal Commission has recommended for CCOs. This, coupled with the dedicated waterfront development agency, should have major implications for the future management of the Ports of Auckland.
- A stronger focus on working collaboratively across the four well-beings as the council will be a natural partner with central government in determining how best to achieve improved outcomes across the Auckland region.
- A marked uplift in the quality and performance of the economic development function which will move to centre stage as one of the mission-critical functions for the Auckland Council. This is likely to include a shift to a leadership role in advocacy and planning for service delivery in areas such as skills development, tertiary education (and possibly education generally), research and development, the creative industries and health care amongst others. Inward investment will also be a priority area which will benefit greatly from the restructuring. The overall result will be a marked transition from the relatively low-key and under resourced approach to economic development typical of this activity within local government at present.
- A greater focus within both local government and ultimately central government on the importance of regional governance as a critical element in dealing with complex social, economic and environmental and cultural issues.

IMPLICATIONS

At the regional level

The proposed restructuring of the governance of Auckland will fundamentally change the context in which the remainder of the local government sector operates. The Auckland region will emerge as a much more capable, high profile and effective competitor on both the domestic and international stage. The changes will increase its attractiveness as a location for business, as a place in which to live, work and play, and its effectiveness in delivering services and supporting the four well-beings.

Inevitably, it will also have a stronger voice at a national level, if only because it will be a united voice speaking on behalf of one third of the country's population and more than one third of its economy.

For both regional spatial planning, and regional transport planning, it seems virtually certain that the Auckland region will increasingly be seen not just as an entity by itself, but as the central node of a much wider zone of influence. This is an issue which the Royal Commission has not closely addressed apart from its

recommendation for an annual forum of Auckland and the adjoining regions. However this approach is already influencing policy development in bodies such as the New Zealand Transport agency.

In the medium term the most significant impacts are likely to come from the enhanced economic development function. Across much of New Zealand economic development, and especially regional economic development, is still relatively un-strategic and too often focused on business rather than economic development. Expect that to change quite dramatically within Auckland.

The change will be at its most marked in areas which are also critical for other regions, including infrastructure, especially broadband, skills training, tertiary education (Auckland-based tertiary institutions are already planning on the basis that the Auckland Council's economic development function will be a major ally for their further development), research and development and healthcare (including the potential for Auckland to become a centre for what is sometimes described as medical tourism) and inward investment.

There should be some immediate positives. They include:

- A more rational approach to the further development of the ports sector.
- Growing recognition within central government of the importance of taking a regional approach in dealing with complex social issues, including ensuring effective coordination at a regional level amongst Government's own agencies and with local government and other stakeholders.
- A greater acceptance of the need for regional spatial planning and regional transport planning in particular to take full account of cross-boundary effects.

Overall, however, the changes will substantially alter the playing field in Auckland's favour for reasons including:

- The obvious commitment at a government level to the importance of developing Auckland as New Zealand's only international city with the potential to compete at the level of cities such as Sydney, Melbourne, Brisbane and similar cities further afield. This suggests the potential for an increased proportion of government investment going into the Auckland region because of the perceived economic gains for the New Zealand economy as a whole.
- The critical mass of capability which the Auckland Council will be able to apply to a wide range of issues including but not restricted to economic development. This is especially important in a world in which long-term strategic capability is at a premium (well-known economic commentator Rod Oram recently observed that New Zealanders are famously tactical and not

the least bit strategic - turning this around is clearly one significant expected outcome from the changes proposed for Auckland).

- The very real benefits which being able to speak and act on a unified basis will bring. Consider, as an example, what the ability to undertake planning for skills training and tertiary education on a region wide basis will mean for achieving a much better integration between education, business and research and development (sometimes recognised as the Finnish model).
- The advantages the Auckland Council will possess in attracting inward investment ranging from the ability to offer a genuine 'one-stop shop' approach to dealing with planning and consent issues through to infrastructure provision and expertise in dealing with government agencies such as the Overseas Investment Commission. Auckland will also be sufficiently large to justify its own representation in selected overseas destinations as many international cities already do in the pursuit of inward investment, skilled migrants etc.
- The attraction to Government of having a major, well resourced and capable partner to deal with.

At the local level

Under the Royal Commission's recommendations, six local councils would have been established broadly following the boundaries of existing territorial local authorities. All assets, staff and rating powers would be held by the Auckland Council but the local councils would oversee the delivery of services within their districts.

The Government's rejection of this recommendation in favour of establishing between 20 and 30 local boards has been greeted generally as a significant further watering down of local democracy. A careful examination of what both the Prime Minister and the Minister of Local Government have said points to an alternative scenario; that the local boards will have decision-making power over local matters which should imply the power to direct the Auckland Council (subject to carrying the budgetary consequences of doing so).

The Minister's statement suggests that he thought the local councils would be too large and too distant from the communities they serve for effective community engagement.

Certainly, there seems no particular reason why the government would want to be painted as deliberately destroying local democracy in Auckland when there is no political advantage to be gained from doing so, and when the result could also be too significantly undermine government's own objectives.

It is very clear that in the current and likely medium to long-term fiscal situation the government is going to need to make much better use of the expenditure which it commits to social services, including especially addressing the multiple aspects of disadvantage. We are no longer in an environment in which the immediate response to negative social statistics, or to the impression that existing programmes are not working, is for central government to design another programme and write another cheque. Instead, managing the government's fiscal position is going to require it to work better and smarter, especially in being able to tap into local networks, knowledge and support in the process of designing and delivering solutions which actually work. Internationally, it is increasingly common for governments to focus on how best to work through local government (and local governance) to develop arrangements which can address social issues through locally based initiatives in which government is but one player.

It is entirely possible that one motive behind the government's decision on local boards is to start creating a more locally-based and community focused network across Auckland which can facilitate the kind of engaging it will increasingly require in order to make better use of its own social expenditures.

THE OPPORTUNITY

At the regional level

The opportunity is to build on the strong case the Royal Commission has made for the importance of governance at the regional level - not as a way of advancing the powers of regional councils versus territorials, but as a necessary step in enabling regions to reach their full potential.

None of the factors discussed above are reasons for resisting change. The evidence is overwhelming that New Zealand's future prosperity will be very strongly influenced by the performance of the Auckland economy. Instead, the issue is how other regions respond by similarly developing their own capabilities. A number are already looking at options. The motivation is partly one of creating a more effective decision-making structure but very much one of recognising the need to respond to the likelihood of a much improved level of performance within Auckland (and hopefully a recognition that better regional governance across the board is going to be an important factor in lifting New Zealand's economic performance).

In the LGC's view the real opportunity is to focus on what are the issues, within any given region, which need to be dealt with regionally, and through what mechanisms. The Auckland structure is in part a response to a particularly Auckland set of circumstances, including the existence of a number of very strong councils each of which often pursued its own agenda rather than sharing a regional agenda. It is also, though, also obviously a response to a government concern that ineffective or uncoordinated decision-making at a local or regional level has potentially serious negative implications for the New Zealand economy as a whole. This does raise the

implication that if local government cannot reform itself, government will do it for it and not necessarily in a way which would best suit local conditions or preferences. The good news is that there is probably 2-3 years of opportunity for local government outside Auckland demonstrate that it can with the capability of regional governance without the need for government intervention - it seems likely that government will have its hands full, both in terms of the legislative process, and as far as its implementation capability is concerned, until the Auckland reforms are completed.

Most regions are not the single metropolitan focused region which Auckland is currently perceived to be. In most of New Zealand's regions one of the more contentious issues is how to manage public investment across a region which combines growth areas with areas which are relatively stable and in some cases suffering a population decline. Would the Auckland equivalent of a single strong decision-making body be acceptable in such a context? In part this may simply be a matter of the nature of the mandate.

What is clear post the Auckland restructuring for other regions is that ensuring each region as a whole makes the progress it needs to in areas ranging from infrastructure to skills training and tertiary education, research and development, health care and inward investment as social issues including affordable housing (recognising that for many of these Government will remain the principal or sole public-sector funder) will require significant change. It will also require a critical mass of skills and capability with a strong bias towards strategic capability.

What are the possibilities for change? One is to promote legislation enabling other regions to restructure themselves broadly along the lines of the Auckland restructuring. However, no other region has quite the same situation as Auckland, with its combination of inability to take regionally strategic significant decisions, and the extent of the need for major investment in infrastructure in particular.

The report of the Technical Advisory Group on the Resource Management Act with its questioning of the continuing existence of regional councils might provide some additional leverage for a legislative intervention, simply because it highlights the question of what the role of regional councils should be once an Environmental Protection Agency is in place. It arrives at the wrong conclusion, but at least it does help get the issue on the table.

Another possibility is a reorganisation proposal under the Local Government Act, ideally initiated by resolution of all the local authorities within a region.

A third possibility would be by voluntary agreement amongst existing local authorities, setting out binding provisions on how decisions within certain areas of activity were to be taken and resourced. Generally, the legal powers for doing so already exist - in concept it is simply a matter of enhanced shared services through the establishment of one or more entities which do have strong mandates from the

councils as a group. The question is whether voluntary action on the part of a number of councils with differing mandates, local contacts and agendas will deliver what is required.

Following North American experience, a fourth possibility is a much stronger community leadership role, probably led by the business community, and reflecting the urban regime approach which has driven development in a number of the leading city regions of North America. This would require a much greater degree of engagement, and commitment of resources, from within the community than is currently the norm within the New Zealand experience of local governance.

At the local level

Currently there are two interpretations of the government's decisions on local governance for Auckland. One is that the government has little regard for local democracy and sees the reform process as a means of effectively excluding local communities from any significant role in determining their own futures. The other is that government is drawing a sharp distinction between what it sees as the preconditions for efficient local government (a single regional strategic decision-maker, a single entity responsible for service delivery, rating and so on) and the preconditions for effective local democracy. Under the latter scenario, Auckland's local boards can be seen as a first step towards creating more of a community scale of governance (albeit still rather large-scale as compared with much of international practice) as a means of enabling better engagement over place-based activities, including dealing with the complex social issues which confront many of our communities.

On the latter assumption, and recognising also the fiscal context in which government now functions (the importance of working better and smarter), with its incentives for more effective working at a local level, there is a very real opportunity for local government to take the lead in exploring what the relationships should be both with communities and with central government, including the role of local government in acting as the facilitator in bringing different stakeholders together around developing local solutions.

5. Conclusion

The restructuring of the governance of the Auckland region will fundamentally change the context for the rest of local government as well. The new Auckland Council will represent a quantum shift in the competitiveness of the Auckland region as a place in which to do business, and a place in which to live work and play.

It will also represent a genuine shift to regional governance in the sense of wholly or partly shifting the locus of decision-making from the centre to the region and a number of critical areas including skills training, tertiary education, research and development, health care and the promotion of inward investment.

Unless other regions take the opportunity presented by the Auckland restructuring to similarly embrace regional governance (although not necessarily within the same structural format) they risk falling behind as their relative attractiveness suffers by comparison with Auckland.