

Governance for Auckland

Leadership - What Are We Looking For?

A presentation
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LEADERSHIP - WHAT ARE WE LOOKING FOR?

Introduction

New Zealand Herald columnist James Griffin looking forward to the new Super City draws as his inspiration for its future leadership Superman, Batman, Spiderman and the Incredible Hulk - as well as Wonder Woman and other comic strip heroes! Unlikely that any of them will actually be candidates - as far as I'm aware none are New Zealand citizens - but a colourful way of highlighting at least one aspect of Auckland's future leadership: just how challenging the mayoral role will be.

The Royal Commission's report and the government's decisions are united in the firm view that Auckland needs to change. This means being able to take and implement major regionally significant decisions in a timely way. It means being able to develop and implement the vision to position Auckland as a leading city in the Asia-Pacific region. It means powering up the Auckland economy so that it is fully competitive with its international peers. It means understanding the costs of failing to change. It places a strong premium on visionary and inclusive leadership able to line the entire Auckland community up behind a program of significant change.

The status quo is not a choice

For anyone who believes that we can continue to muddle along as we have, it's worth looking at the recent analysis¹ by Stephen Jennings, an expat New Zealander who has built up major business interests in developing world economies.

He notes the dramatic changes which have taken place in the past decade and a half in a number of developing economies and the certainty that unless New Zealand's economic performance improves at a far greater rate than recent experience we will drop much further down world rankings. The main conclusion he draws is not so much that New Zealand investors will be less wealthy than they might otherwise be. It is that New Zealand will be less and less able to attract and retain the skilled people we need not just to power the economy but to design and deliver solutions needed for our manifold social problems - and this also is only partly an issue of income. As he sees it, it is much more the fact that highly skilled and capable people want to be working at the leading edge of their profession or occupation, they want to feel that they are undertaking genuinely challenging work and making a very real difference. Coasting in a backwater is not consistent with this.

His summary, which essentially could set the economic agenda for the restructuring of Auckland, but with the wider purpose of achieving the means for being able to deliver on the social and environmental agendas which the Royal Commission rightly notes are inseparable from the economic agenda, is that:

¹ OPPORTUNITIES OF A LIFETIME: LESSONS FOR NEW ZEALAND FROM NEW, HIGH-GROWTH ECONOMICS available on the web at www.nzbr.org.nz

Basically we are living in a world that is more competitive than in any other era; where change is faster and less predictable; and where long-established orders - whether they are economic, political or industrial – are being challenged and supplanted. In this world the difference between “success” and “failure” is greatly magnified. This applies to specific labour market skills, businesses, industries and entire countries.

A clear general direction?

It's clear from much of the public reaction to both the report of the Royal Commission and the government's decisions that we are very far from having unanimity on what ought to be done. However, it seems also clear that the general direction, including the importance of leadership for the whole of Auckland, is largely accepted - but with the obvious hope in much of the Auckland community that the importance of enhancing local democracy will come to the fore as government develops the details for the implementation of its decisions.

What this presentation does

This presentation is not about the nature of leadership as such, so much as the conditions precedent the new arrangements for Auckland will need to satisfy to ensure that Auckland has strong and effective leadership at both the regional and local level. It does two separate things. First it considers the nature of leadership in a local government environment looking particularly at the vexed issue of parochialism. Secondly it looks at three separate aspects of leadership in the future governance of Auckland. The objective is to tease out what is required to create effective regional and local governance to meet both the objectives which government has clearly set, and the needs of the Auckland regional community, regionally and at a local level. The three aspects are:

- Creating an effective decision-making structure at the regional level.
- Accountable and transparent leadership.
- Local democracy.

Leadership in a Local Government environment

Leadership is a persistent theme both in the terms of reference for the Royal Commission, in its report, in the Government's decisions, in media commentary on Auckland local government and increasingly in academic and general discussion of the role of local government.

The impact of globalisation

Robin Hambleton and Jill Simone Gross commence the opening chapter of "Governing Cities in a Global Era" by observing:

The world is changing very rapidly. As a result, new challenges now present themselves to those in leadership positions in the public, private, and non-profit sectors - particularly those who exercise civic leadership. In our view, these challenges create remarkable, new opportunities for bold and imaginative city leadership. But, in a dynamic, fast moving environment, it is also the case that these dramatic changes magnify the risks of error.

They were speaking of the same context as that which drove the terms of reference - the impact of globalisation - which in the terms of reference was expressed as:

WHEREAS, over the next 100 years, the Auckland region before will face enormous change brought about by global economic, environmental, and political forces. Local trends, including high population growth, add to the challenges and opportunities for the region. Auckland has to compete in a global market place to sell its goods and services and to attract the talented people it requires to secure a sustainable and prosperous future.

Globalisation sets the context in which the Royal Commission was required to determine:

- (e) what governance and representation arrangements will best—
 - (i) enable effective responses to the different communities of interest and reflect and nurture the cultural diversity within the Auckland region; and
 - (ii) **provide leadership for the Auckland region and its communities**, while facilitating appropriate participation by citizens and other groups and stakeholders in decision-making processes. (Emphasis added)

The report makes it very clear that the Royal Commission understands the global context within which metropolitan governance now takes place. As it states in the executive summary "And there can be no doubt that Auckland is in direct competition with other international cities for talent and investment. The world is becoming more urbanised and, as a consequence of globalisation, smaller and more connected. As this happens, place, and the attributes of place, matter more than ever in attracting talented and productive people and capital. The difference is that Melbourne, Sydney, Brisbane, Singapore, and others are all investing more aggressively and more effectively in their future than Auckland is to secure their position as leading cities." (executive summary para 9)

The same perspective comes through in the government's announcement of its decisions. The Prime Minister in his Foreword to Making Auckland Greater states "Not only must Auckland be very local, but it must be very national, and very international. And these objectives should be reflected in the way the city is run."

The Royal commission view on leadership

At the heart of the Royal Commission's report are its recommendations on leadership, especially at the level of the mayor and the Auckland Council. Emphasis is placed both on the personal qualities and characteristics, and on the structural arrangements to facilitate the leadership roles which the Commission envisages both at the level of the Auckland Council and more locally within its proposed local councils.

In speaking of the governance of the Auckland Council itself, the report's executive summary states "Auckland needs an inspirational leader, inclusive in approach and decisive in action. Auckland needs a person who is able to articulate and deliver on a shared vision, and who can speak for the region, and deliver regional priorities decisively." (executive summary para 35)

This is a new departure for New Zealand local government. Traditionally, our mayors have had relatively little power, other than the power they have been able to garner to themselves by virtue of their own personal skills and standing. Today, the formal powers of the mayor are limited to chairing council meetings and, if the council's standing orders provide for it, exercising a casting vote in the event of a tie on any matter.

Some New Zealand mayors have been able to develop a high profile and wield influence both within the Council, and the wider community, far beyond the purely formal powers they have. Well-known examples include Sir Barry Curtis in his time at Manukau City, Tim Shadbolt in Invercargill and Peter Tennent in New Plymouth. Other mayors have found that they are little more than figure heads with minimal or no ability to influence Council decisions. Dick Hubbard at Auckland City is the best-known recent example of the problems which confront a New Zealand mayor who lacks the support of a majority on council.

There is a clear expectation that Auckland needs a mayor who is more than just a figurehead but who can genuinely lead the region. The position as described both by the Royal Commission and by the government is going to be one of the most significant executive positions within New Zealand. Even although the council itself will have a chief executive responsible for delivering the council's outputs, the mayor is intended to play a crucial role in determining council priorities with powers to propose the budget, and strategic policy. This is going to require outstanding strategic and management skills with large-scale high-level organisational experience virtually a prerequisite. At the moment there is a lot of speculation that the mayoralty could be captured by a media or other celebrity. If that were to happen it will be disastrous both for Auckland and for the celebrity - the scale and the pressure of the job will do great damage to anyone who is not capable of delivering effectively. Currently, it looks as though both the media and the celebrities who have allowed their names to be placed in contention have not turned their minds to the nature of the job itself, confusing cutting ribbons and attending cocktail parties with a critical role in managing what will be the country's largest business complex.

For our present purposes the immediate issue is whether the Royal Commission recommendations, and the government's decisions which broadly follow the recommendations as far as mayoral powers are concerned, will actually enable this type of mayoral leadership.

The Auckland Council will be led by a mayor who is elected by Aucklanders and with councillors who "will play important leadership roles for the region. Their key focus should be on developing "big picture", long-term strategy/policy, and setting goals. It is essential that they remain conscious of the strategic importance of their roles, and that they do not become sidetracked into issues of day-to-day service delivery, or, worse, political point-scoring." (19.77).

Councillors serving on the local councils "will have a more local, place-based perspective than the councillors on the Auckland Council. They will be highly focused on community engagement, and will need the trust and respect of their communities in order to fulfil their roles effectively." (19.89) There is an implication of equivalent local leadership within the government's proposed local boards with the Minister of Local Government's statement in the Introduction to Making Auckland Greater that "the functions that are best performed at the local level should have advocacy and decision-making at that local level. That is why we intend to strengthen community representation."

Both the Royal Commission and the Government have placed strong emphasis on leadership. Both clearly believe that the root of the problem which Auckland faces is inappropriate structures resulting in local politicians acting in ways which are contrary to the regional interest simply because the structures within which they function encourage this behaviour.

The problem definition

In public policy terms, this can be seen as the essential "problem definition" which is a necessary first stage in finding a solution which will enable effective regional leadership. The following extract from the Royal Commission report spells this out in terms of the inherent parochialism of current territorial local authorities:

Territorial authorities were also criticised by a number of submitters for parochialism and inability to work together in the interests of the region. It was said that the current councils lack unity of purpose and a willingness to think outside their own boundaries. While they readily engage in joint regional policy making (together with the ARC), each council advocates for its own interests and, it would appear, they are sometimes selective about which aspects of regional agreements they implement.

This reflects in part the fact that councillors' electoral responsibilities are to the people of their city or district, not the wider Auckland region. The very nature of the roles of the territorial authorities and their elected members can make it difficult for them to act in the best interests of the region as a whole. (11.15)

As the Local Government Centre sees it, this is a crucial element in the way the Royal Commission report defines the nature of the problem which Auckland faces. It centres on the "parochialism" of the current local government structure.

Parochialism

Parochialism as a term enjoys very poor press. An Internet search of political dictionaries produced the following definitions:

parochialism - thinking in small, local, narrow ways, opposed to universalism.

Parochialism means being provincial, being narrow in scope, or considering only small sections of an issue.

It is a powerful term in its application. The simple act of describing a person or an organisation as 'parochial' is normally sufficient for them to be seen as guilty as charged. The term itself is sufficient to make the case.

In the Local Government Centre's view the ready application of the term 'parochialism' and the equally ready acceptance that this is a dysfunctional characteristic of much of local government has seriously distorted discussions about the role of structure, leadership and the preconditions for effective decision-making over areas greater than the territory of an individual council. It blinds us to the important role of local governance in building inclusive communities, and to the importance of place as an essential element of quality of life.

The Royal Commission appeared to recognise this in the header to its chapter on leadership:

"I loved my years as both a ward councillor and council leader: it was endlessly fascinating, demanding and exhilarating. We know that the majority of councillors say that they derive 'enormous satisfaction' from their role. Why on earth do we not shout this from the roof tops?"

Dame Jane Roberts, Chair of the Councillors Commission [UK], *Representing the future: The report of the Councillors Commission*, December 2007, p. 6 (foreword).

This quote speaks volumes for why it is that people become engaged in local government at all. Often, and ideally, it is because of their passion for the community or place where they live. It is a wish to develop and support the unique characteristics of their own local community and often to protect it against what are perceived as the negative impacts of external influences, whether it is a motorway through a valued part of the district, or an externally imposed change in the way in which the services are delivered.

The term parochialism devalues the commitment which local politicians bring to their role. It also results in a misinterpretation of what is taking place. The commitment which local politicians have to their local community is not constructed solely by the politicians themselves; it is a response to the dictates of local democracy. Citizens want representatives who reflect their interests in their local place. It may be that these interests include a narrow focus on protecting their own self-interest regardless of the impact on the wider regional community. The reality which we need to recognise is that this is the nature of local politics, not just the behaviour of individual local politicians.

There is a need to shift from seeing this practice as the negative behaviour implied by the label 'parochialism' to the more positive behaviour of 'local patriotism'. We want people to be committed to the well-being of their local community, to be passionate about it, to work to improve their local quality of life and to be part of the 'soft' infrastructure needed to deliver the social and economic outcomes we all seek. As policymakers we need to recognise that 'local patriotism' is inherent in local democracy. To deny it is to misunderstand critical drivers in the local political process, and more importantly to approach the restructuring of local government on a totally wrong premise. The view that changing the structure will change the

behaviour completely misses the point that the behaviour is driven by the preferences of local people.

The Toronto experience

An excellent example of this is provided by the mega-city of Toronto. This was the product of a merger of six large (in New Zealand terms) territorial local authorities and one (in New Zealand terms) regional Council to form a single Council. An important objective was creating a unified administration able to address the major strategic issues confronting the core Toronto region (core as in practice the city of Toronto still only covers approximately 30% of the population of the metropolitan area). The clear assumption was that creating a single regionwide structure would result in politicians taking a regional perspective. The council itself comprises an elected mayor (at large) and 44 councillors elected on a ward basis.

The amalgamation took place in 2000. In February 2008 the Fiscal Review Panel appointed by the mayor presented its report. It had this to say about the council itself:

The politics of Toronto City Hall has been considered highly parochial for years, making it difficult for the City to agree on macro directions and identify priorities. This has in turn contributed to a "credibility gap" about the effectiveness of Toronto City Council. Unlike the federal and provincial governments, which have cabinet solidarity and party discipline, Toronto City Council is riven by factions and dependent on having a Mayor with a big personality and persuasive powers sufficient to override local concerns.

The obvious conclusion from the panel, despite the high reputation of David Miller who is the current mayor, is that a Mayor with significant political skills is not sufficient to offset the inherent parochialism of ward-based councillors. The lesson is not that councillors are inherently parochial. The lesson is that electors focus on local concerns and vote for candidates who will support those.

The nature of local politics

This should not be surprising. Local politics are fundamentally different from national politics. At the national level, the issues being debated are much more abstract even although they may have passionate supporters and opponents- questions about employment law, taxation policy, the level of national superannuation and the other large questions of the day are all distant from the local. They are not typically seen as invasions of private space. In this respect it is fascinating to contemplate the implications of the public reaction to the decision of the previous Labour led Government to regulate the light bulbs which householders might use. This was national politics intruding into the private space of householders and the reaction was furious. Much the same happened with the belief that government was proposing to regulate how people showered.

The only surprise about the way in which people are surprised at the passion which can be invoked through local politics is the fact that people are surprised. Local government is very much about the intimacy of local space - what you are allowed to do with your own property, how your own local neighbourhood will be managed, what rights you have to use your property and more importantly what rights your neighbours have to act in ways which you see as impinging on your own privileges.

The conclusion we draw from this analysis of the nature of 'parochialism' is simple but fundamental for the design of the structure of the proposed Auckland Council. Local parochialism will strongly influence the decision-making capability of any regionwide body unless the potential for it to do so is explicitly designed out of the structure.

Leadership in the future governance of Auckland

Creating an efficient decision-making structure

The principal decision-making body within the Auckland region will be the Auckland Council. Whether the decision-making objective has been met is directly a function of how the Council's structure is likely to aid or impede making and implementing decisions on matters of major regional significance, especially matters which are likely to be controversial.

The Commission consciously adopted a weak mayor model, rejecting the strong executive mayor example of cities such as London. The Commission's reasoning is stated as:

The Commission rejects the adoption of a "strong mayor" model for Auckland. It considers that it is desirable for the mayor of Auckland to muster majority council support for his or her policies before being able to implement them. This is consistent with New Zealand's central government model." (19.55).

The government has accepted the broad thrust of the Royal Commission's recommendations on the powers of the mayor.

As set out in the government's decisions, the Mayor's additional powers (as compared with other New Zealand mayors) are the right to appoint a deputy mayor and committee chairs and the power to propose the budget and strategic direction. The council will have all remaining decision-making powers, including whether to adopt the budget and strategic direction. It is hard to assess the strength of the power to propose the budget without knowing the precise rules - does the mayor and his or her team prepare the budget without engagement with the council, and present it for adoption in (say) early April potentially limiting the council's ability to engage with individual items, or is the mayor required to adopt a more consultative process of engaging with the council as the proposed budget is developed? Either way, the mayoral power is at best seen as recommendatory rather than decision-making.

The Mayor will have the benefit of public support for the mandate on which he or she is elected (although depending on the proportion of electors who actually vote, and the share of the vote won by the successful mayoral candidate, that mandate may not necessarily be a strong one). However neither this nor the limited patronage accorded the mayor are likely to prove sufficient to enable the mayor to push through decisions which the Council is unwilling to accept.

Accordingly, it is the council itself which should be seen as the critical decision maker on regionally significant matters and thus the composition of the full council will be the crucial factor in satisfying the 'capable structure' criterion. This emphasises the

importance of ensuring, amongst other things, that the design of the council structure is effective to exclude any risk of the decision-making process being undermined by parochialism.

What might the electoral process deliver?

20 councillors are proposed, 8 elected 'at large' and 12 elected from wards.

It is certain that the 'at large' positions will result in the formation of tickets. Citizens & Ratepayers have already made it clear they will be putting up a full slate of candidates for the 'at large' positions and may also put up candidates in individual wards. The most recent indications are that they will combine with like-minded groupings across the Auckland region to put up a full regional ticket for all 20 seats and in all likelihood the mayoralty as well. It seems certain that there will be at least one other full slate from a centre-left or left of centre grouping, quite likely Labour Party backed but possibly under a different branding. The likely outcome from this approach is a 5:3 or 4:4 split of 'at large' positions between two main tickets.

International experience is that ward-based elections for larger metropolitan councils are fought on the basis of what the candidates will do for the ward (the main exception is where there is a strong tradition of party political control as with the Brisbane City Council). As already discussed, the closest parallel to the Auckland restructuring is the creation of the mega-city of Toronto in 2000. The election of Toronto councillors on a ward basis has resulted in a parochial council which has great difficulty in setting macro-directions for the city or establishing priorities.

Despite the likelihood of a ticket approach to all 20 councillor seats, there is every possibility that successful ward-based candidates for the Auckland Council will similarly take a parochial approach (which could be reflected in one or more tickets - for example a ticket-based campaign to 'put the local back into local democracy'). This possibility will be compounded in the 2010 elections by the virtual certainty that a number of the people putting themselves forward as ward candidates will be current high profile council politicians. There is a real risk that their motivation will be as much to protect what they see as the risk of losing local identity from the reforms, as it will be to advance regional interests.

One probable outcome under the current proposals is an elected council with no single majority grouping, divided both politically, and by parochial interests.

This should not be surprising. International experience is that at the metropolitan level achieving a structure capable of taking controversial strategic decisions requires either a single decision maker (subject to appropriate checks and balances) as with the Mayor of London, or party political control as with Brisbane City Council. The more normal fallback position, as with most Australian metropolitan centres, and much of English local government, is that the next tier of government (state or Central) is in practice the main decision maker.

The proposed structure carries with it the high risk of simply transferring to a single council table the parochial divisions which have frustrated regional decision-making in Auckland for decades.

It is important to acknowledge the dilemma which the government faces. Party political control is not a feature of New Zealand local government, and is unlikely to

become so in Auckland after the restructuring. The fallback position of central government becoming the de facto decision maker is not an option. This leaves the choice between the high risk of simply replicating parochialism, or creating a strong mayoral position. Clearly this lacks appeal to the present government, even although it may be the only effective means of creating the capable structure it wishes to put in place. The lack of appeal is compounded by the fact that, because the Royal Commission rejected this option, it did no work on the checks and balances needed to make the strong mayor option acceptable as an option for Auckland.

An immediate consequence of this is the absence of any credible information in the public domain about how the strong mayor model could work effectively in a New Zealand context. An examination of the workings of this type of model, especially in jurisdictions such as London, makes it clear that the strong mayor is not simply an un-guided autocrat but someone whose decisions are quite significantly constrained by a number of different processes including some which are unknown in New Zealand such as overview and scrutiny. In the Local Government Centre's view, after considering the way in which strong mayor models operate in other jurisdictions, it should be possible to design a strong mayor model for Auckland which would both ensure a single decision maker on major regional decisions, but also ensure that those decisions were strongly grounded in a legitimate democratic process.

With the timetable the government has set for the transition to the new regime, there may no longer be the opportunity to revisit the proposed structure for the Auckland Council despite the potential that it may simply result in the transfer to a single council table of the parochial debates which currently take place between different Auckland councils. However, it still does matter to do what can be done to ensure not only a quick transition, but a transition to a superior set of governance arrangements which can give Auckland the credible and united leadership it requires at the regional level.

At the very least, government should undertake an in-depth risk assessment of the different possible scenarios for performance of the proposed Auckland Council under its intended structure and alternative possibilities. It should make the creation of a 'capable structure' its top priority even if that means compromising concerns it has about a strong mayor model - especially as it seems so far not to have had any in-depth advice on how to make that model work effectively in a New Zealand environment. As the Prime Minister himself has said "New Zealand needs Auckland to do well."

Accountable and transparent leadership

An important task for the leadership of the Auckland Council will be to establish its credibility with the region it serves. Numerous submissions to the Royal Commission made it clear that, currently, there is a high level of discontent right across the Auckland region with the transparency and accountability of existing councils. It should be a priority for the Auckland Council, and an objective for the government in designing the details of the new arrangements, to ensure that there is a marked improvement in the transparency and accountability of Auckland local government. This needs to encompass both retrospective and prospective accountability:

- Retrospective accountability in terms of telling the public in the Auckland region what the council has done, what it has achieved, and at what cost to whom.
- Prospective accountability in terms of telling the public what it intends to do, what results it expects to achieve, what it will cost and how that cost will be met.

The Minister of Local Government has made it clear that one of his top priorities is improvement in this area. "The second thing I want is more accountability and transparency" (speech to the New Zealand community boards conference 20 March 2009).

He correctly recognises that New Zealand local government as a whole falls well short of desired standards for transparency and accountability. One important reason is the difficulty in determining the costs of individual services and the effectiveness with which they are performed (the Auditor-General has on a number of occasions commented on the poor quality of performance reporting). It can be extremely difficult for even the well-informed citizen to determine from perusing public documents such as the long-term council community plan, annual plans and annual reports what individual services are likely to cost, whether the council is delivering them efficiently or not, and what performance is both expected and achieved.

In this part of the presentation the focus is on what steps the government might take (what legislative provision it might propose) to ensure that the Auckland Council meets high standards of both retrospective and prospective accountability and transparency.

The Auckland Council itself will be an order of magnitude larger than any existing council as the sole asset owner, employer, service deliverer and fundraiser for local government across the entire region. It will face demands for accountability and transparency from three principal and demanding groups:

- Its own elected members.
- The ratepayers of the Auckland region who can be expected to be especially concerned to satisfy themselves that creating a larger council results in savings (without compromising on services), rather than in increased costs and if not why not.
- The proposed local boards.

Elected members

Elected members will require financial and other information which allows them to identify the costs of the different services and activities in which the council is engaged and the results which are achieved. Without that information it will be extremely difficult for them to make judgements about the priorities which the council should adopt, or the levels of service which it is appropriate for it to offer - especially in situations where the services concerned are local in impact and thus

involve individual local boards negotiating with/advocating to the council. This means that both the council structure, and its reporting arrangements, should be designed so that cost and performance is transparent, service by service.

They should also want to know that they have the ability to hold the people directly involved accountable for performance. With any services which are undertaken as part of the activity of the Auckland Council itself, rather than through arm's-length but council controlled organisations, the sole accountability relationship is with the chief executive through his or her performance agreement. For an organisation the size of the proposed Auckland Council this is entirely inadequate as a means of holding the directly responsible management accountable or for that matter of setting appropriate performance targets and measuring them. It would face at least two significant problems. The first is that under current local government law it would be primarily a matter for the chief executive rather than elected members to hold internal business units or functions accountable. The second is that the only instrument which elected members would have for securing accountability from individual council activities is through the chief executive's performance agreement. The prospect of establishing a single performance agreement incorporating the necessarily detailed performance measures, service by service, across a council the scale of the future Auckland Council is to put it mildly daunting, especially given local government's relatively patchy record on performance reporting².

By far the better option, from the elected members' perspective, will be a separate entity approach under which it is the elected members who have the primary right to set the terms of the statement of intent, including the performance measures by which they assess performance and against which they can hold the responsible management accountable. This points to requiring the Auckland Council to favour establishing arm's-length entities for each individual service or service provider group.

Ratepayers

The Auckland region has been the centre of most of the agitation about high levels of council rates, and inappropriate or inefficient council spending. There will be a strong expectation that the restructuring will result in greater transparency and accountability - that ratepayers will know where their money is being spent and what value they are obtaining. Again, this will point to adopting arrangements for the structure and management of service delivery which do allow separate reporting and identification of cost and performance.

² the auditor-general's most recent commentary on its local government audits includes the statement "Reporting on local authorities' achievements under the LTCCP is important – both on the levels of service they planned to provide to the community and on how they are contributing to promoting the well-being of the community. Local authorities are required, under clause 15 of Schedule 10, to report on these aspects in their annual reports, and we have continued to analyse and comment on this reporting. While the results are getting better there are still substantial improvements to be made.

We have raised this matter with the sector and identified that it will be an important focus of the audit of the 2009-19 LTCCPs." See <http://www.oag.govt.nz/local-govt/2006-07/>

Achieving this will be a challenging task. As one example, how effective in promoting greater transparency and accountability will it be for the Auckland Council to prepare a single long-term council community plan for the whole of Auckland? The LTCCP is intended under current legislation to set quite tight constraints on what the council may actually do, service by service, across the whole of its district. On the reasonable assumption that different parts of the Auckland region will have different preferences or priorities in terms of local service delivery, developing a single LTCCP - and engaging in effective community consultation on its contents - may be a challenging task indeed. One possibility which should be considered is for the proposed local boards each to develop a mini LTCCP for its own area covering local service delivery and funding.

Local boards

Perhaps the area of greatest uncertainty in terms of how the future governance arrangements for Auckland will operate is the role of local boards and the relationship between them and the Auckland Council. They can be expected to be the most demanding group of all in respect of transparency and accountability, especially as they will be the natural channel for any ratepayer concerns about cost or service delivery. The government has a real opportunity to ensure that, despite the apparently limited role of the local boards, they can be very effective tools in ensuring that the Auckland Council itself meets high standards of transparency and accountability.

If they are being elected to be advocates and decision-makers on local matters (as the Minister of Local Government asserts in his introduction to 'Making Auckland Greater'), then they are going to want to know the costs of the different local services which the Council is delivering and they are going to want to have good information about the costs of variations, or of new services, which might trigger an Auckland Council requirement for a local rate or a targeted rate to finance that. They are likely also to want a role in setting service level standards within their area, and the performance measures against which to assess performance. Again this will require good information, both on a service by service basis and often on a locality by locality basis.

Satisfying transparency and accountability requirements is going to be much more than just rules about information which should be reported. Fundamentally it is an issue of structure, of ensuring that different services are set up in such a way that their costs are transparent and that any common overheads are allocated in a robust and appropriate manner - an area in which the local government track record is not outstanding. Effective accountability is also a matter of giving local boards decision-making power. The reason is simple. Accountability without consequences is not accountability so that local boards will need the power to hold the Auckland Council to account for performance in the sense of requiring consequences, not just the right to complain.

It is also a matter of ensuring that the potential for the Auckland Council to become a large and relatively uncontested monopoly, with all the associated risks of declining efficiency and rising cost that implies is minimised. Making local boards decision makers on local matters could provide much of the necessary discipline.

There can only be substance to the decision-making role if the local boards have genuine choice about the services for which the Auckland Council has responsibility within their area. It's partly a matter of knowing the costs and being satisfied that they are being properly and fairly allocated within the Auckland Council's budget for the local board but it's also something else. Unless the local boards have the right to insist on different standards or mixes of service than the standard package the Auckland Council has on offer (subject to dealing with any resultant budgetary impacts, including the possibility of a local or targeted rate), then they will not genuinely be decision-makers for the community. For the government to deliver what has been promised it will need to ensure that local boards have at least those powers. It will also need to have one other requirement in place - and it is one which will go a long way to constraining the monopoly potential. This is a right for the local boards to require that the Auckland Council put the delivery of a proposed service to tender so that the Auckland Council's own service delivery arrangements are required to meet a market test.

The importance of ensuring effective transparency and accountability also emphasises the importance of the Royal Commission's recommendations on the proposed statutory position of an independent Auckland Services Performance Auditor. The Auditor's power should extend to being able to require that the Council present information in a way which allows elected members, the public at large, and local boards to understand the costs of individual services and assess the effectiveness of the council in delivery.

Local democracy

The immediate reaction from the majority of Auckland local government politicians who have commented on the local boards decision is that it further diminishes local democracy. Typical is the reported comment of the Mayor of Manukau that "The boards are toothless and will have less authority than our community boards have now."

What does the decision on local boards actually mean?

It is possible that the government decision has been misunderstood. Local politicians seem to have focused on the emphasis placed on advocacy, and the rather gratuitous comment that "They will have responsibility for such things as dog control and graffiti" which in a local government context is a bit like saying you have been promoted to manage the night soil cart!

The Prime Minister in his press statement emphasised "community control of what matters in our neighbourhoods.". The Minister of Local Government in the introduction to 'Making Auckland Greater' stated "the functions that are best performed at the local level should have advocacy **and decision-making** at that local level" (emphasis added).

The statements can only have meaning (and integrity) if the resultant structures give local boards genuine decision-making power over the nature and quality of the essentially local services within their areas - and this is a very much wider range of services than simply dog control and graffiti. The statements suggest that the relationship between the Auckland Council and the local board, as far as local services are concerned, will be in the nature of that between a service provider and a

service specifier. It is unfortunate that the government's presentation of the local board option has left the impression that the boards will simply be relatively powerless advocates. It would be immensely helpful if the government corrected this as soon as possible.

It is certainly the case that, if the local boards are to be the toothless wonders which Auckland local government politicians currently fear, the government will be very much swimming against the international trend to seek greater engagement at a community level, through local government structures, as a means of dealing with the complex social and related issues which most communities now face. An excellent example of the way the emphasis shifting is the 2008 English local government White Paper. It explicitly states the government's concerns about the relative lack of community engagement, and focuses on the size of local authorities and what it sees as the relatively high ratio of residents to elected members (2600:1 as compared with the 65,000:1 proposed for the Auckland Council) as one matter which needs to be addressed. An important strategy is the encouragement of the creation of parish or neighbourhood councils with decision-making powers over local matters.

The Royal Commission report makes a powerful case that there is a need for much greater integration between central government social service delivery and local government. One rationale is that "deprivation is typically concentrated at the neighbourhood level - a situation that demands a stronger, place-based approach. The changing socio-demographic characteristics of the population must be well understood, and there must be effective engagement with disadvantaged communities to achieve this." And "Auckland requires an overarching regional social well-being strategy with clearly articulated issues.... and implementation/funding plan is also required to operationalise the strategy. This plan needs to clearly define implementation roles for the key agencies, and the central and local government funding streams. Implementation requires dedicated resources, and must focus on neighbourhoods in order to address areas of greatest deprivation."

This places a strong priority on ensuring that the local boards are able to play a central role in enabling the place-based approach which is essential to address deprivation (a term which itself is shorthand for the many complex social issues which drive much of government social expenditure within the Auckland region).

There is another factor at play as well, which has yet to be given much attention. This is the impact of the economic downturn on the government's long-term fiscal situation, and what it implies for innovation in addressing deprivation. We have come through a decade or more of government surpluses which have encouraged an attitude within the central bureaucracy that the best answer to a pressing social problem is to write another cheque. That is no longer feasible. If at all possible government wishes to reduce rather than increase its social services spending. The obvious implication is a need to work better and smarter, getting more outcomes from any given level of expenditure. In dealing with place-based social issues this places a premium on being able to tap into local networks, local knowledge and local support. In turn, this makes the case that the proposed local boards could be a critical component in a government strategy to maximise the return it gets from its social expenditure.

For the moment, the Local Government Centre position on the potential leadership role of local boards on behalf of their communities is that all the incentives

encourage government to ensure that this is real and significant. As with much of the rest of the government's decisions on the future governance of Auckland, the 'devil is in the detail'. We will not really know what is intended until we see the draft legislation. However, the intelligent approach at this stage is to assume that the government does mean that local boards should be genuinely decision-makers, and has real incentives to make sure that this happens.

Concluding remarks

First, the Royal Commission deserves substantial credit for producing a very well researched and thorough overview of the issues which are important to the future governance of Auckland. It has made it clear that city-regions matter, and that it is in the interests of all New Zealanders to ensure Auckland is able to realise its full potential.

Next, both the Royal Commission and the government have clearly signalled the importance of a strong mayor as an essential element in ensuring Auckland's future success.

Finally, there is still much to be done to ensure that the aspirations raised both by the Royal Commission, and by the government's emphasis on "making greater Auckland great" result in governance arrangements which are equal to the task. There are clear risks associated with the decisions on the structure of the Auckland Council itself, real concerns about transparency and accountability, and doubt over the role of local boards. In each case it is clearly in the best interests of both of the Auckland community (regional and local) and in the interests of the country as a whole that these matters are addressed quickly, clearly and effectively. As the Prime Minister himself has said "New Zealand needs Auckland to do well". This will only happen if the government delivers Auckland and New Zealand a governance structure which both enables effective and timely decision-making at a regional level, free from the clog of parochialism, and ensures a vibrant local democracy at the local level.

References

Lowery, D. (2000), A Transactions Costs Model of Metropolitan Governance: Allocation Versus Redistribution in Urban America, *Journal of Public Administration Research and Theory* 10(1)49-79 <http://www.fsu.edu/~localgov/papers/index.htm>