

# The Future Governance of the Auckland Region

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**Submission to the Royal  
Commission on Auckland  
Governance from the Local  
Government Centre**

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# Executive Summary

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## Introduction

- The purpose of this submission is to highlight current trends in local government and local governance, drawing on research and experience relevant for making decisions on the future governance of Auckland. The submission canvasses international research and experience and concludes by drawing implications for the design of future governance arrangements.
- It draws on the Local Government Centre's extensive international networks including its associate membership of the Commonwealth Local Government Forum.
- The focus is on the governance of the Auckland **metropolitan** region - appropriate comparators are other metropolitan regional governance arrangements rather than the governance arrangements for other large cities such as Brisbane and Toronto.

## Governance not Government

- The distinction between **governance** and **government** is crucial recognizing that institutions of government can no longer "go it alone".
- This is a response to influences such as globalisation and the shift from the 'local administration' approach of late 20th-century local government to governance arrangements which can address the 'wicked issues'.
- It includes a focus on the functional boundaries of metropolitan activity, and not just the formal administration boundaries.
- With a governance approach, the scope includes all significant local public institutions which impact on the region's governance, including the Auckland Energy Consumer Trust as majority owner of the region's retail energy networks, and the ASB trust as the region's largest discretionary funder.

## Current trends in metropolitan governance

- Examples are drawn from Canada, Australia and England.
- Characteristics of metropolitan government include strong political legitimacy, meaningful autonomy from both senior and junior governments, wide ranging jurisdiction and 'relevant' territorial cover - the functional region (from a seminal review paper by Lefèvre).
- Metropolitan governance experiments of the 1960s and 1970s, e.g. English metropolitan counties, largely failed - problems of legitimacy and how metropolitan governments were constituted.
- Interest in metropolitan government re-emerged in the 1990s - much more flexible approach, some statutory (Greater London Authority), some non-statutory (regional organisations of councils).

## Canada

- Montréal. Example of forced metropolitan reform. Lack of political consensus, and pressure to accommodate linguistic differences. Result is a complex four-tier system of local government, with an overarching Montréal Metropolitan Council with potentially divided political control.
- Toronto. Metro Toronto formed in 1954 as a metropolitan level governance body with a range of regional functions including spatial planning and transportation. Widely seen as a leading example. Gradually lost relevance as Toronto expanded beyond unadjusted Metro boundaries. By 1996 only 52% of greater Toronto covered by Metro Toronto.
- Major reform in 1998. Provincial government forced merger of Metro - Toronto, City of Toronto and five adjoining local authorities to create new City of Toronto. Driven by expectation of major cost savings (unrealised) and a provincial government agenda to load shed.
- No effective provision for metropolitan level functions. Regional transit now a provincial government function. Toronto has only 53% of census metropolitan area population, and only 37% of the Extended Golden Horseshoe -the full metropolitan area. Most new development is outside city boundaries.
- Toronto reform recognized as a poorly executed restructuring of city governance, **not** an example of metropolitan governance.
- Vancouver. City itself has a population of 600,000 in a metropolitan area of 2 million.
- The Metropolitan governance body, the Greater Vancouver Regional District, is an essentially voluntary set of arrangements enabled by statute. Responsibilities include regional planning, water and sewage, regional parks and public transit. It is governed by elected members from its 15 constituent authorities.
- Widely recognized as an extremely effective approach to Metropolitan governance **but** success is based on 40 years of building up trust amongst constituents and tensions are emerging.
- The provincial government, traditionally "hands off", recently intervened to restructure the Greater Vancouver Transportation Agency arguing that its governance had become too parochial and unable to take major decisions. The new structure distances elected members in favour of appointed professional governance. It can be seen as a compromise between the need to take timely and effective decisions, and the role of the democratic process in major infrastructure decision-making.

## Australia

- Australia has a recent history of State government intervention to effect major restructuring of local government. In most states of Australia, the State government acts as a de facto metropolitan government for the capital region.
- Brisbane is often cited as an example of metropolitan government. However, it is simply a large city (one million people) within a larger metropolitan region (2 million people) with the State government undertaking a major metropolitan governance role, from example, regional spatial planning and bulk water supply.

- Sydney provides an example of fragmented governance with limited strategic capability. Two factors are identified as continuing major barriers to effective metropolitan governance. The first is vertical fiscal imbalance - federal government has the great bulk of revenue but most of public sector expenditure obligations fall at the state and local government levels. The second is the tension between local interests and the regional scope necessary for planning the development of the wider metropolitan area.

## England

- In 1986 the government abolished the Greater London Council (and other metropolitan county councils as well). It was replaced by a fragmented series of largely ad hoc arrangements with no effective metropolitan leadership.
- In 1996 the Labour Party, then in opposition, was both attracted to the idea of an executive mayor, and recognized the opportunity created by the governance vacuum in London. It made a manifesto commitment to restore metropolitan governance, with an executive mayor, provided that this received majority support in a referendum.
- In office, Labour moved quickly to implement the manifesto commitment. The resultant referendum had a turnout of 34% but 72% support for the government's proposals.
- The Greater London Assembly was established in 2000. It consists of an elected assembly of 25 members (part ward election, part election at large) plus an elected executive mayor whose responsibilities include major regional strategies, appointing the boards and setting the budgets for the GLA's functional bodies (including Transport for London, the London Development Agency and the Metropolitan Police).
- The mayoral role is constrained by a number of checks and balances, including the fact that central government provides the bulk of funding, very limited "own revenue" powers, the overview and scrutiny role of assembly members and the fact that they appoint the chief executive.
- The executive mayor model can be seen as an alternative to the TransLink restructuring as an approach to balancing the need for timely and effective decision-making with the democratic process. It is argued that the executive mayor option makes it clear who is responsible and accountable, gives more meaning to the electoral process (voters know that they are voting for someone who will have the ability to implement his or her promises) and makes it easier to take tough political decisions - there is a widespread view that a normal council structure would not have been able to implement the congestion tax.

## Current trends in District Level Governance

- The view that "bigger is better" and the optimal way of achieving efficiency gains in local government services is persistent in New Zealand.
- It has little support in extensive international research on local government efficiency and economies of scale. Evidence from numerous amalgamations suggests anticipated efficiency gains are seldom if ever realised -instead the outcome is usually increased cost. Economies of scale are a function of individual services, **not** of merging local authorities.

## **Australia**

- Two papers from Australia provide valuable evidence. The first, based on research in New South Wales, sounds a note of caution on taking figures at face value, noting the variability of much financial information but also "the potential for political parties to use these flawed financial figures in performance measures designed to assist them in determining the viability and autonomy of New South Wales local councils."
- The second, using reform in South Australia to explore the issue of scale, reports that the Financial Sustainability Review Board itself found little direct relationship between the type of local authority or size and density on the one hand and financial sustainability on the other.
- Local government reform in Australia remains focused on the belief that amalgamation will produce efficiency gains. In the recent Queensland reforms, the Local Government Reform Commission explicitly rejected the alternative of greater use of shared services, clearly believing that Queensland local authorities would not deliver the expected benefits.
- The recently completed review for the Western Australia Local Government Association (WALGA) of the future of local government acknowledges the Queensland experience as a wake-up call for local government in Western Australia. There the State government has been supportive of sector initiatives (including publishing detailed guidance for various voluntary approaches).
- WALGA clearly expects that if its members cannot deliver real efficiency gains, the state will intervene. WALGA draws a sharp distinction between local government's representational role for local communities, and implementing effective service delivery. It has adopted a 10 year plan based on keeping the existing structure of local government, but migrating all service delivery to the regional level through shared services arrangements.

## **England**

- The English approach to improved efficiency is through a variety of initiatives designed to improve the performance of individual councils. Chief among these is an emphasis on back-office shared services (the Audit Commission will release, next month, the results of its research into the efficiency of these shared services).
- The Local Government Delivery Council (a collaboration between local and central government) is now actively promoting front office shared services.
- Changes in the efficiency of service delivery are taking place in conjunction with structural changes. All English local authorities have been required to adopt a form of executive government. Councillors are either executive (part of a Cabinet style structure) or non-executive. A principal role of the latter is to undertake the overview and scrutiny function, effectively acting as the eyes and ears of the community in overseeing the council's policy development and implementation.

## **Current trends in neighbourhood (local) governance**

- Growing and widespread interest internationally in the potential of neighbourhood (local) government.
- "Bringing Government closer to people, passing power from Whitehall to the town hall and direct to local communities, isn't just the right thing to do. It's the best

way to revitalise the local roots of our democracy and help build respect. It is the surest way of making local services reflect people's needs." (Secretary of State for Communities and Local Government).

- Neighbourhood (local) governance is seen as a key component in local area sustainability management.
- In the United States it is associated with the right to choose your form of local government.
- In England and Europe neighbourhood (local) governance is regarded as an important tool in dealing with the "wicked issues".
- It is a means of addressing the 'democratic deficit'. England, and more so New Zealand, have abnormally high ratios of residents to elected members.
- For Auckland's territorial local authorities, the ratio ranges from a low of 8000:1 to a high of 21,000:1. The English average is 2600:1. In most of continental Europe the ratio is below 1000:1.
- There is a strong inference that high resident: elected member ratios are incompatible with the values and practice of local democracy.

### ***Community boards***

- Recent New Zealand experience with neighbourhood (local) governance is limited to Community boards. The submission traces the history of this experience.
- Community boards emerged as a compromise at a late stage in the Local Government Commission's 1989 restructuring of local government.
- The point of the creation of Community boards, as recognized by the Local Government Commission, was "to allow for the recognition of communities within a district".
- Experience has been extremely variable, with some Community boards highly effective but many not.
- Reasons include management resistance - Community boards can be seen as an awkward part of council structure from a management perspective -and a perverse incentive in Remuneration Authority policy which results in many councillors believing that they are personally contributing to Community Board member remuneration.
- Community boards have a largely unrealised potential which could be tapped to play an important role in neighbourhood or local government and in strengthening community engagement with councils.

### **Implications for the Future Governance of Auckland**

This section of the submission commences by drawing attention to the unique, and uniquely powerful, role of chief executives within New Zealand's local government sector. There is a case for ensuring that the recommendations of the Royal Commission do not refer enhancing the role of the chief executive vis-a-vis that of elected members.

The remainder of the section sets out the implications which the Local Government Centre draws from its overview of International research and practice and which the

centre recommends that the Royal Commission take into account in its deliberations. Those implications are repeated in full.

## **METROPOLITAN GOVERNANCE**

Key points:

- Higher tiers of government are generally reluctant to allow the emergence of powerful Metropolitan governance. It is very much as though the power to govern is treated as a zero sum game.
- The primary emphasis should be on governance, not just on government. This will take the Royal Commission into somewhat more uncertain territory, but territory which extensive international experience suggests must be properly explored if Auckland is to have the quality and capability of governance the terms of reference state is required.
- The functional and administrative boundaries of metropolitan regions inevitably differ. It will be important to consider how the future governance arrangements for Auckland are able to manage major functions effectively not just within the region's administrative boundaries but across the functional boundaries of each activity. Obvious examples are regional economic development, strategic spatial planning, and integrated transport planning, all activities which clearly impact well beyond the administrative boundaries of the region in a manner which requires an integrated approach if they are to be properly managed. Addressing this does not require changing the administrative boundaries of the region (as the boundaries of functional activities themselves inevitably vary, it would be impractical to develop a separate set of administrative boundaries for each functional activity). Instead, the Royal Commission may wish to recommend binding collaborative arrangements for each of those activities whose functional boundaries extend significantly beyond the boundaries of the region.
- Generally, the felt need to address questions of Metropolitan governance is driven by infrastructure issues - Metropolitan transport, including both integrated planning and delivery, water and waste water, energy and IT - and to a lesser but still important extent by regional economic development and spatial planning.
- A major challenge which recent initiatives such as the establishment of the Greater London Authority, and the restructuring of the governance of TransLink (the integrated transport planning and delivery entity for Greater Vancouver and environs), have sought to address is the balance between the need for effective, efficient and timely decision-making on the one hand and the democratic process on the other. The dilemma is that most major infrastructure issues will have more than one technically feasible solution within the range of affordable solutions. Each will almost certainly have quite different impacts on dimensions such as the impact on individual properties, neighbourhoods and communities. All too often the decision can become an exercise in NIMBYism as participants in the democratic process jostle to ensure that they get the benefits but someone else carries the negative impacts. For Auckland, the implication is the need to consider whether a similar approach is required if decisions on major infrastructure initiatives are to be taken and implemented in a timely manner.
- There is a marked preference for allocating individual significant functions to "arms length" entities with "fit for purpose" governance. One reason is to ensure that major functions such as transport, or water and wastewater, have high-

quality governance provided by people with qualifications, experience and personal qualities relevant to the specific function, rather than to Metropolitan governance generally. Another reason is to break down the concentration of executive power which could result if all major metropolitan functions were under the direct management of a single board and chief executive. Normally, considerable care is taken with the design of governance arrangements to ensure that they are both accountable on the one hand, but consistent with the principles of good governance on the other. The significance of this issue in the Auckland context is that the conventional "arms length structure", the council controlled organisation, is seen as deficient in governance terms as it is too open to political interference.

- Notwithstanding the preference for "arms length" entities, certain functions are normally seen as "core local government". These include strategic spatial planning, and environmental management, monitoring and enforcement.
- Regionally significant arts, recreational and cultural facilities would normally best be the responsibility of "arms length" entities in order to get the benefit of "fit for purpose" governance, and enable the entities to build up their own regional profiles - of particular importance for entities which are dependent on attracting public support through bequests, donations etc. The ability to create dedicated governance arrangements with people who are committed to the specific activity can be invaluable.
- Good metropolitan governance requires strong accountable leadership. This is the principle which lies behind the executive mayor model for the Greater London Authority and the introduction of an executive structure for councils generally in England. The rationale is that the position of executive mayor makes it very clear who is responsible for decision-making (within the mayor's mandate). This should both make it much easier to hold the decision maker accountable, and also lead to an improved mandate as candidates can campaign on a manifesto which, if elected, they will have the power to implement.
- The executive mayor or executive/non-executive split on the council itself is a potential response to the identified need for Auckland to have stronger accountable leadership both in dealing with central government, and representing Auckland internationally (the ability to speak "with one voice"). The introduction of such a model in Auckland would, however, require great care in the design both of the actual mandate itself (would an elected mayor have all the powers of the Council or just some and if so what?) and of the associated checks and balances. First, New Zealand has no experience with a strong mayor model of this type. Secondly, New Zealand local authorities have both much greater discretion financially, and fewer constraints than either the GLA or English councils generally. Local government funding in England is very tightly controlled by central government - approximately 80% of operating expenditure is funded by central government and the remainder, although raised by the council's own council tax, can be capped. Councils function under tight central government supervision through the continuous performance assessment process, and the mayor/executive face the overview and scrutiny role of non-executive councillors. A New Zealand equivalent would need to have carefully designed checks and balances to ensure, on the one hand, that the power of the Mayor or executive was not unconstrained but that, on the other hand, the power to act is not unduly inhibited.
- The transition costs associated with major organisational change in local government are traditionally underestimated for a variety of reasons including different and often incompatible IT and other systems, organisational cultures

(which can be much more entrenched and organisation rather than industry specific than is the case in the private sector), the tendency of highly capable staff to leave in the course of long drawnout transitional processes and reconciling different rating, bylaws and other systems. This argues for recommending the least possible change to achieve the outcomes the Royal Commission believes are needed for Auckland.

## **DISTRICT GOVERNANCE**

There is no compelling case for further amalgamation of territorial local authorities within Auckland. Instead in terms both of improving the effectiveness and efficiency of territorial local authorities, and helping achieve the system of future governance which Auckland requires, the following measures should suffice:

- Placing at the Metropolitan level functions which are either genuinely regional, or where there is potentially some doubt, but benefits in efficiency terms from building a single organisation. The Centre is aware that some submitters will argue that the retail water and wastewater function comes into this category and should be part of the same organisation as is responsible for bulk water supply.
- Requiring local authorities to enter into shared services arrangements where it is feasible and efficient to do so. This will require some careful handling as simply instructing local authorities to do something which their managements may not want to do is unlikely to prove effective. Instead, it would be appropriate to recommend an approach which contained within it significant incentives for local authorities to embrace shared services.
- Where regulatory functions are retained at a territorial level (land use planning, building consents, dog control, health inspection as examples), encourage individual authorities to adopt common rules and standards, and shared administration, unless there are compelling reasons not to do so.

## **NEIGHBOURHOOD OR LOCAL GOVERNANCE**

- New Zealand is at the upper end of local authorities, internationally, in terms of the ratio of residents to elected members. The research evidence suggests that an international standard for such a ratio somewhere in the order of 1000 - 1500 residents for each elected member at the level of local authority entity the equivalent of a New Zealand territorial local authority.
- New Zealand's principal experiment with neighbourhood or local governance, community boards, has been very mixed. Generally, the greater the delegated authority possessed by community boards, the more effectively they have performed. Conversely, there is anecdotal evidence that community boards which have no more than the formal statutory delegations provided for in the Local Government Act have tended to act as a form of local opposition to the Council of the day, rather than playing a genuinely constructive role on behalf of their communities.
- The research evidence makes a strong case for effective neighbourhood or local governance, both as a means of improving community engagement with the local authority itself, and as almost a prerequisite for dealing with a number of the more complex issues now confronting communities in areas such as housing, social inclusion, antisocial behaviour etc.

- This appears recognised in the terms of reference which invite the Royal Commission to consider:
  - 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.
  
- The Local Government Centre notes that the invitation is cast not in terms of devising any set of governance and representation arrangements which will... but of devising that set which will **best** achieve the desired outcome.
  
- The international evidence would suggest a set of neighbourhood or local governance arrangements which provided effective representation at a population level in the order of 10,000-20,000 on the basis that this is around the size of the normal "community" found within a large local authority - a typically deriving its identity from an early history as a discrete village or small settlement which was ultimately absorbed within the larger entity.
  
- The Local Government Centre makes no recommendation on the number of such arrangements which should be put in place but does recommend that the Royal Commission:
  - Build on the existing community board provisions but propose changes to the legislation (which could be specific to the Auckland region) significantly increasing the minimum delegations so that community boards became responsible for those matters which had their principal impact within the area of the community board itself. The new minimum delegations should include the power to recommend a targeted community rate with the expectation that other than in extraordinary circumstances the parent Council would adopt the recommendation.

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# 1. Introduction

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This submission is presented by the Local Government Centre (LGC; the Centre). The Centre sits within the Institute of Public Policy of AUT University. It is New Zealand's first university-based centre dedicated to research, research-based consultancy, and teaching focused specifically on local government and local governance.

As part of its mission, the Centre seeks to function as a gateway to current research and practice within local government internationally. It does this through means such as:

- Associate membership of the Commonwealth Local Government Forum.
- Maintaining a network of associates and others internationally with whom it undertakes regular exchanges on current developments in local government. Examples of connections within the network include: the Centre for Local Government at the University of Technology in Sydney; the Centre for Sustainable Regional Communities at Latrobe University; the New Local Government Network and the Centre for Cities, both based in London; London Councils, the body which represents London boroughs; the Centre for Local and Regional Research at Cardiff University; the Institute of Local Governance at the University of Birmingham; the Centre for Local Governance at the University of Manchester; the Caucus of Senior Policy Officials which links directors of research and policy in local government ministries across Canada's provinces and territories; and selected academics from universities in Canada and the United Kingdom in particular.
- Regular monitoring of websites of a wide range of government agencies, think tanks and universities internationally.

The purpose of this submission is to highlight current trends in local government and local governance, drawing attention to research and experience relevant to the role of the Royal Commission in making recommendations on the future governance of the Auckland region.

One issue is central to the task facing the Royal Commission. The focus of the terms of reference is on the governance arrangements for the Auckland **metropolitan** region. From this it necessarily follows that the most appropriate comparators, internationally, are the governance arrangements for other metropolitan regions, rather than the governance arrangements for large single cities which happen to form part only of a metropolitan region. The debate over the future of Auckland has referenced a number of cities which themselves are simply larger versions of a major New Zealand city, rather than examples of metropolitan governance. To illustrate this:

- Brisbane is Australasia's largest single local authority with a population of one million people. However, it has only 50% of the population of the Brisbane metropolitan region. More to the point the de facto metropolitan government for the region is not the Brisbane City Council but the Queensland State Government. It is the State government which acts as the regional planning body for South East Queensland, and the State government which owns and manages the bulk water infrastructure.
  
- The City of Toronto, which resulted from a forced amalgamation of the original City of Toronto and five surrounding cities in 1998, is Canada's largest single local authority, and one of the largest in North America with a population of approximately 2.5 million (2005). However, the population of the Census Metropolitan Area at the same time was 4.68 million and the population of what is known as the Extended Golden Horseshoe (the extended Metropolitan agglomerations centred on Toronto) was 6.7 million. The regional transportation function is exercised by the provincial government, and there is no regional spatial planning authority. Sancton (2005), one of Canada's leading authorities on local government, postulates that the provincial government has been content to take on the de facto metropolitan authority role.

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## 2. Governance not just Government

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The Royal Commission is established to consider the **Governance** of Auckland. The use of the term governance is pivotal. Current research and experience with metropolitan governance draws a sharp distinction between the two. It does so on the basis of research evidence which makes it clear that the future of metropolitan regions depends critically on taking a governance rather than simply a government approach.

The difference between government and governance is more than just semantic. Hambleton (2004) describes it thus:

*Government* refers to the formal institutions of the state. Government makes decisions within specific administrative and legal frameworks and uses public resources in a financially accountable way. Most important, government decisions are backed up by the legitimate hierarchical power of the state.

*Governance*, on the other hand, involves government *plus* the looser processes of influencing and negotiating with a range of public and private sector agencies to achieve desired outcomes. A governance perspective encourages collaboration between the public, private and non-profit sectors to achieve mutual goals. Whilst the hierarchical power of the state does not vanish, the emphasis in governance is on steering, influencing and co-ordinating the actions of others. There is recognition here that government can't go it alone. In governance relationships no one organisation can exercise hierarchical power over the others. The process is interactive because no single agency, public or private, has the knowledge and resource capacity to tackle the key problems unilaterally.

### Why the shift in emphasis?

Common explanations include:

- A response to globalisation as city regions become increasingly engaged in the international economy, competing for inward investment, skills and other resources (Lefèvre, C.1998); and
- A shift in the focus of local government from the basically 'local administration' focus of the mid and late 20th-century to an emphasis on well-being - seeking solutions for the so-called 'wicked issues' which now preoccupy public officials (Rittel & Webber, 1973; Clarke, M. & Stewart, J., 1997; Sullivan, H., 2002; Hambleton, R. 2004).

For metropolitan governance, other factors have also been significant. One is the growing realisation that administrative and functional boundaries seldom coincide (Davoudi, S. 2006) - is a region best defined by formal administrative boundaries,

'journey to work' patterns or the extent of economic influence? Another is the ownership, governance, management and funding of major infrastructure. For a recent example see the TransLink governance review (TransLink has responsibility for metropolitan wide transport matters in Vancouver and surrounding areas).

Another factor is the changing understandings of the nature of governmental power at the local and regional level. There is a growing acceptance that the formal legal power of institutions of government is by itself insufficient to deal with many of the issues now confronting local government. We have moved from the certainties of 'local administration' to the uncertainties of modern governance (Jones, G. and Stewart, J. 2007). As one of the leading exponents of urban regime theory has expressed it "The power struggle concerns, not control and resistance, but gaining and fusing a capacity to act – *power to*, not *power over*" (Stone 1989, p229; emphasis in original).

### **Implications for the Royal Commission**

There are two significant implications for the task facing the Royal Commission.

First, for a number of the regional functions and services critical to the future of the Auckland region, there is a need to draw a distinction between administrative and functional boundaries, and consider what arrangements are necessary to ensure that the formal structural provisions for the function or service, and the functional boundaries, are properly aligned whether through structural or less formal arrangements. Examples include:

- Regional economic development where the functional boundaries almost certainly extend as far as Whangarei in the north, Hamilton in the south and Tauranga to the east.
- Regional spatial planning where it is clear that much of the land use development taking place outside the immediate boundaries of the Auckland Regional Council is actually driven by, and should be integrated with, developments inside the regional boundary itself.
- Integrated transport policy. Auckland as New Zealand's major international trading centre is heavily dependent upon efficient, effective and integrated arrangements to ensure the timely and cost effective transport of imports and exports. It is very clear that the functional boundaries for the development of an integrated transport policy must include the Ports of Tauranga and Northland.

Second, in recommending the **governance** arrangements for the future of the Auckland region, the Royal Commission should consider how wide the scope of its mandate goes in addressing the role and governance of local public institutions. As an example, the terms of reference encompass "what ownership, governance, and institutional arrangements and funding responsibilities are required to ensure the effective, efficient and sustainable provision of **public infrastructure...**". One of the most significant infrastructure networks in the Auckland region is the gas and

electricity networks owned and operated by Vector Limited, itself 75.1% owned by the Auckland Energy Consumer Trust. In a somewhat similar fashion, the Commission's mandate could also extend to considering the governance and accountability of the ASB Trust, the largest publicly owned source of discretionary funding within the Auckland region and thus a major contributor to community well-being which itself is a principal role of local government.

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### 3. Current Trends in Metropolitan Governance

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This section provides a brief overview of current trends in the restructuring of metropolitan governance, looking at the three overseas jurisdictions whose systems are closest to New Zealand's: Canada, United Kingdom and Australia. Of these three, two are federal systems in which responsibility for local government rests at the second tier of government - provinces in Canada, states in Australia.

#### **METROPOLITAN GOVERNMENT IN THE 60S AND 70S**

1998 saw the publication of a much cited paper, *Metropolitan Government and Governance in Western Countries: a Critical Review* (Lefèvre 1998). The paper considers both the widespread emergence and then failure of models of metropolitan governance in the 1960s and 70s, and the renewed interest in metropolitan governance in the 1990s following a very different approach.

All of the examples Lefèvre considers involve structures or arrangements which are separate from the basic local authorities within the region and are focused on regionwide activities, whether infrastructure, spatial planning or addressing issues of social inclusion, where one function of the metropolitan government is spreading the cost of doing so across the region as a whole.

He presents the following description of metropolitan government as the basis for his discussion:

The expression 'Metropolitan Government' generally refers to a structure or institutional arrangements for the government of metropolitan areas. In its purest form, which might be termed the 'Metropolitan model', this structure has four main characteristics: (1) strong political legitimacy, obtained by the direct election of its political representatives; (2) meaningful autonomy from both 'senior governments' and basic local authorities, acquired as a result of adequate financial and human resources; (3) wide-ranging jurisdiction; and (4) 'relevant' territorial cover, consisting, roughly speaking, of the functional urban area.

This model of metropolitan government came under strong attack, especially from advocates of public choice theory who claimed that arguments in support of the creation of a single strong metropolitan government lacked empirical support. For example, the claimed benefits from economies of scale had not been empirically verified, there were other means of achieving scale benefits (collaboration; shared services) that did not require such a heavy institutional form, and where economies of scale could exist, these would be functions of the nature of individual services (whose functional areas vary widely) rather than institutional structures.

The best-known experiment with metropolitan governance in the 1960s and 70s was the creation of the English metropolitan counties, including the Greater London

Council. The experiment lasted 10 years, with councils which were created in the 1970s being abolished in the 1980s.

Lefèvre identifies two elements underlying the failure of the earlier experiments with metropolitan government: problems of legitimacy; and the manner in which they were constituted.

In respect of the first element, he makes the point that the establishment of successful metropolitan government requires more than just putting in place the formal institutional structure. As he puts it "local authorities are only legitimate if the population recognizes itself in them and identifies with them, in other words because their legitimacy is above all based on political, psychological and social elements constructed over a period of time. These elements were lacking in the metropolitan governments and they found themselves confronted with three actors (local governments, pressure groups and populations) who did not recognize their legitimacy".

In respect of the second, typically metropolitan governments had been put in place through an authoritarian process – a higher tier of government had simply legislated for them, raising questions about the appropriate means of implementing metropolitan government.

### **RE-EMERGENCE OF METROPOLITAN GOVERNMENT: 1990S**

He then turns his attention to the re-emergence of metropolitan government in the 1990s, noting a renewed interest both in continental Europe and in North America, taking different forms within different jurisdictions but with a commonality of approach which he sees as based on a different process and understanding that has learnt from the lessons of the failed experiments of the 1960s and 70s. He has this to say of the new approach:

The present history of metropolitan governments is a good illustration of the development of institutional policies. Metropolitan governance highlights values of negotiation, partnership, voluntary participation and flexibility in the constitution of new structures. In doing so, it presents us with a radically different idea of the institution. It is no longer presented at the start, created in advance, ready-to-use, but appears as the result of a constitutive process. It is the process which radically transforms yesterday's metropolitan model. Metropolitan governance does not consider the institution to be pre-established - on the contrary. The objective to be achieved (roughly speaking, the form and content of the metropolitan authority) is not fixed in advance, but becomes the product of the system of actors as the process unfolds. Thus, the process has its own dynamic, fed by the actors themselves. But this feeling is not left to chance; it is done through specific forms and negotiated procedures which frame and punctuate the process. Unlike the classic metropolitan model where the process of constitution was generally short but where implementation proved, as we have seen, defective, the process here is long, and may stop or slow down at any time, but the result seems less uncertain because the legitimacy of the institution is produced by all the actors during the process of constituting the metropolitan government.

The precise institutional form may vary. A metropolitan government may be either supra-municipal or inter-municipal in form. The former is a separately constituted institution broadly following the four characteristics identified above. The latter is the product of collaboration amongst the basic local authorities within the region. It may have a statutory form as with regional districts in much of Canada; it may be non-statutory as with Australia's regional organisations of councils.

In the 10 years since the publication of Lefèvre's seminal article, the pace of reform of metropolitan government in the three jurisdictions this submission considers has increased significantly, though not always quite in the way Lefèvre's research suggested would produce the most stable outcomes. One persisting problem is the attitude of higher tiers of government which can be extremely reluctant to support the creation of powerful metropolitan governments (Friskin 2001, OECD 2004). There is a tendency to ring-fence metropolitan governments and, in federal systems, for state or provincial governments to become the default metropolitan government for major functions such as infrastructure and regional planning.

The examples considered below are:

- Canada: municipal reform in Toronto, Montréal and Vancouver.
- Australia: local government reform in South East Queensland; Sydney.
- England: the creation of the Greater London Authority.

## **CANADA**

### **MONTRÉAL**

As a result of a series of reforms over the past decade Montréal now has what is probably the most complex structure of metropolitan governance of any city within the jurisdictions considered in this submission. It is an example of the inherent problems of restructuring a major metropolitan area without first securing a measure of consensus at a political level on the outcomes which should result.

Before the reform process began, the island of Montréal itself comprised 28 local municipalities, and a regional organisation, the Montréal Urban Community which was responsible for region-wide functions such as transit.

The provincial government had been concerned for many years that Quebec had far too many small municipalities. Between 1990 and 1996 the government attempted to encourage voluntary amalgamations but without success. In the year 2000 Quebec had 1306 municipalities, 85% of them with a population of less than 5000. For Montréal itself, the province's principal city, the provincial government's concerns included efficiency and quality in the provision of local government services, fiscal equity (the central city of Montréal itself was seen as carrying a disproportionate

share of costs of facilities and services which benefited the entire metropolitan area) and the need to build a competitive city in response to globalisation.

Following the failure of attempts to encourage voluntary amalgamations, the provincial government, then led by the *Parti Québécois*, instituted compulsory amalgamation. Within Montréal itself the result was:

- The creation of a single city of Montréal.
- Within the city, the creation of 27 boroughs, with a series of locally-based functions, but without any separate revenue raising powers of their own.
- The establishment of a new Montréal Metropolitan Community, covering not just the area of the previous Montréal Urban Community, but a number of rural and semi-rural municipalities on the outskirts of the metropolitan area.

The amalgamation ran into significant political resistance, especially from former municipalities whose populations were majority English-speaking. The Liberal Party of Canada made an electoral commitment, in the provincial elections in 2003, that it would enable referenda on de-amalgamation. By 2006, 15 municipalities had de-amalgamated from the new city of Montréal.

### **The current situation**

To provide for the continuing governance of Montréal, the provincial government has created what is known as the **agglomeration city of Montréal** which comprises the city itself including 19 of the 27 boroughs created in the early reform (the remainder disappeared through de-amalgamation) and the 15 autonomous municipalities resulting from de-amalgamation. The agglomeration city undertakes a range of functions which together consume approximately 60% of the budget of the city of Montréal and the autonomous municipalities. The overall voting control of the agglomeration city will rest with the city of Montréal but the provincial government also retains a significant role in mediating disputes between the city and the autonomous municipalities.

The new Montréal Metropolitan Community is controlled by a Council of 28 persons which includes the mayor of Montréal and 13 members of the agglomeration city, effectively giving the agglomeration city 50% of the voting power within the MMC, with the remaining members from groupings of municipalities outside the agglomeration city. The MMC does not have an independent taxing power but instead pre-empts on its constituent authorities. Once the MMC adopts its budget, funding is distributed amongst the constituent municipalities in relation to their own tax bases. There is an obvious presumption that the governance structure of the MMC will act as a sufficient constraint on excess expenditure.

It is too early to assess the effectiveness of the Montréal reforms, or the implications of the split along linguistic lines which resulted from the de-amalgamation initiative. What does seem clear, though, is that Montréal provides a very good example of the

problems which can arise when significant reform is pushed through without an adequate political consensus to underpin it.

## TORONTO

Metropolitan governance was established in Toronto in 1954 with the formation of Metropolitan Toronto, usually referred to as Metro Toronto, to handle a range of regional issues including water and sewerage infrastructure, roading and regional planning. For many years, the governance of the Toronto area was recognised as a leading example of two tier governance (Sancton 2005). However, in its later years Metro Toronto faced increasing difficulty, largely because its boundaries remained restricted to those established for it on its formation in 1954, and much of the continuing growth of the Toronto region was taking place outside those boundaries. By 1971, only 72% of the population of the Greater Toronto Area was within the boundaries of Metro Toronto. By 1996 this proportion had fallen to 52% (LeBlanc 2006).

Metro Toronto itself was abolished in 1998 as part of the provincial government reform of local government in Ontario. The major focus of the reform was the creation of a mega-city of Toronto largely in response to the provincial government's belief that a larger entity would result in greater efficiency and reduced costs, and be better able to respond to the pressures of globalisation (Sancton 2005).

In Toronto, the reforms merged the city of Toronto with five adjoining municipalities and Metro Toronto itself, with the new single city inheriting the majority of the regional functions of Metro Toronto other than transit which was assigned to a newly created regional entity, the Greater Toronto Services Board. The reform process was also complicated by the "downloading" of a number of provincial functions to local government within Ontario, including police, social housing and forms of social assistance (offset by the province taking over responsibility for elementary and secondary education) (LeBlanc 2006).

The reforms were pushed through with minimal public consultation despite the recommendation of the GTA task force which had reported to the provincial government on the reform of regional government in Toronto that:

The right kind of citistate governance must be developed in a consultative "bottom-up" process involving a wide range of civic players, neighbourhood leaders up to the level of corporate leadership. Mutual trust needs to be built amongst the parties. It would be an error for a state government to impose a regional government without broad consultation with the local community.

A greater influence on the provincial government than the report of the task force appears to have been a KPMG report, *Fresh Start: An Estimate of Potential Savings and Costs from the Creation of Single-Tier Local Government for Toronto*, which had estimated potential savings approaching \$C300 million per annum. Although the city of Toronto web site contains a number of reports from the first two or three years after amalgamation which appear designed to suggest that savings were achieved, the general consensus now appears to be that the reforms generated few if any savings (Deloitte, 2006).

## The current situation

Three years after the reforms created the Greater Toronto Services Board as a successor authority to Metro Toronto, with responsibility primarily for transit, the board was abolished. Its transit functions, Go Transit, were taken over by a newly formed Crown entity, the Greater Toronto Transportation Authority. Go Transit is responsible for transportation between the city of Toronto and the remaining metropolitan area. Public transportation within Toronto itself is the responsibility of a city controlled agency, the Toronto Transit Commission.

The reforms have left something of hiatus at the regional level. There is now no regional entity with responsibility for matters such as regional spatial planning or infrastructure. Instead, a business led group, the Toronto City Summit Alliance, has emerged attempting to provide some leadership for city-region issues, including linking together representatives of Toronto's many different communities and interests (Sancton 2005).

Sancton speculates that, in reality, the provincial government may see itself as effectively the regional government for greater Toronto. He notes that at the time of the formation of the City of Toronto, its population was 2.48 million, the population of the Census Metropolitan Area was 4.68 million and the population of what is known as the Extended Golden Horseshoe (the extended Metropolitan agglomerations centred on Toronto) was 6.7 million. The combination of the provincial government's failure to address the need for regional mechanisms within its local government reform process, and the limited influence of the city of Toronto post reform (most new development takes place well outside the boundaries of the city itself) are both regarded by Sancton as evidence that the provincial government sees no need for any form of strong regional governance within local government.

## VANCOUVER

In contrast with much of the rest of Canada, British Columbia's provincial government has until comparatively recently taken a relatively non-interventionist approach towards local government. It has preferred to encourage the practice of collaboration amongst local authorities, rather than, for example, forcing amalgamations as a means of seeking to improve efficiency.

In a presentation to the World Urban Forum III (Paget and Walisser 2006), two senior officials of the province's Ministry of Community Services described the four key factors of the province's local government architecture as:

- municipal governments are strong – they are equipped to meet real local needs;
- regional governments serve the local government system without dominating it. Political boundaries are fixed, yet functional or service boundaries are soft. There are literally thousands of different boundaries for providing and financing individual services (with new service units forming each year);
- municipal and regional governments provide local services – they regulate people and property, and guide physical and social development of

- communities – but are not responsible for equity services such as health or education; and
- collaborative institutions provide support in areas where local governments can achieve more by acting collectively rather than individually.

40 years ago the province legislated for the creation of Regional Districts. The districts link together groups of municipalities in what is intended to be essentially a collaborative approach to managing inter-municipal issues. The boards of regional districts are made up of elected members from the constituent municipalities, with voting power based on population.

Sancton (2005) observes that:

municipalities can opt out of many regional services or, if they are near the outer boundaries, opt into the services being provided by a neighbouring district." Paget and Walisser (op. cit.) note that "The 27 regional districts undertake literally thousands of responsibilities, quite often to deliver at a regional scale services that cannot be delivered efficiently at the municipal level. The vast majority of these services are undertaken as locally-initiated partnerships, with only a few mandated by the provincial government. What this means in practice is that no two regions are alike and, over time, regional districts acquire service responsibilities one-by-one – they evolve continuously.

### **The Greater Vancouver Regional District**

The best known of the various regional districts is the Greater Vancouver Regional District which serves the city of Vancouver and surrounding municipalities providing services such as public transit (until recently), regional planning, water and sewage services, garbage disposal and regional parks.

Sancton (2005), who is a very well respected writer on metropolitan governance, has clearly concluded that the Regional District approach is the best option yet developed for effective metropolitan governance. In respect specifically of the Greater Vancouver Regional District he comments:

Although it is impossible to determine objectively an ideal institutional model for Metropolitan governance, it is hard to imagine a mechanism that could better combine local self-government through established municipalities with the existence of an institution at the Metropolitan level that can both provide a degree of consensual Metropolitan leadership (the strategic plan) and a framework within which municipalities can voluntarily co-operate with each other.

He goes on to conclude that:

The genius of the Regional-District system in British Columbia is that the Vancouver city-region obtains most of the benefits of having a metropolitan authority without the addition of another competing tier of directly-elected local government. For many of the world's city-regions, the Greater Vancouver Regional District merits at least further study, if not emulation.

People familiar with New Zealand's experience with United Councils, which had many of the same characteristics as Regional Districts, especially at the governance level with a board made up of elected members from constituent authorities, may be surprised by Sancton's views. United Councils are remembered mainly for the inability of the majority to rise above protecting the parochial interests of their constituents. The history of many of Australia's Regional Organisations of Councils, which are similarly constituted, has also reflected the problems of parochially-based governance.

Discussing this issue with officials from British Columbia's Ministry of Community Services elicits the response that the strength of the regional districts today is the product of some 40 years of evolution, with the provincial government prepared to give regional districts, and their constituent councils, the time needed to build trust and move beyond simply protecting parochial interests. Implicit in their response was also a sense that it was better to spend time getting it right than to rush through the development of new structural arrangements that did not work.

Despite the relatively hands off approach which has been traditional in British Columbia, the provincial government has recently intervened in a major reform of transportation governance and management for Vancouver and surrounding areas.

Since 1999, municipal transit, including the building of associated infrastructure, had been the responsibility of the Greater Vancouver Transportation Authority known as TransLink. The authority was the vehicle through which the Greater Vancouver Regional District exercised its public transit function. Transit's governance was through a board made up of elected members from within Greater Vancouver who were directly responsible for major decision-making.

In 2006 the provincial government established a panel to review TransLink with terms of reference including:

- The appropriate division of responsibility and control between the Province and TransLink for transportation matters in Greater Vancouver.
- The appropriate size, composition and appointment processes for the Board of Directors of TransLink.
- The appropriate responsibilities, authorities and powers of the GVRD in relation to TransLink under the *GVTA Act*.
- The appropriate responsibilities, authorities and powers of TransLink to institute revenue measures for funding service delivery and capital projects.
- How to ensure the Province will have effective input into, and oversight of, TransLink activities and decisions as they affect provincial interests.

The background to the decision to establish the review was provincial government dissatisfaction with the decision-making process of the Transit board over a major public private partnership proposal known as the Canada Line. In an interview shortly after the review panel was announced, Kevin Falcon, the Provincial Minister of Transport stated:

Just recognizing that when we're talking about taxpayer dollars on major investments like this, where you've got people from around the world committing huge amounts of dollars and time and people to make commitments to bidding on a process like this, it does not at all help the credibility of the province or the region to have an atmosphere like that taking place. You've got people opposing it for reasons that are not even remotely connected to the actual merits of the project. And people opposing it for issues that are entirely parochial and back-yard local politics in nature, and that's something I said does not do a service to the broader regional needs." (<http://www.straight.com/article/translink-review-defended>).

Considered in a somewhat more objective fashion, the Translink governance structure was coming under pressure from several sources including the rising cost of infrastructure, and the difference between the administrative and functional boundaries of the transport function. A board made up of elected members was finding it more difficult to make decisions that could be seen as being in the "wider regional interest" when this might result in significant tax increases for their own residents and ratepayers. This was compounded by the need to improve transit arrangements for communities outside the regional district itself.

The review report recommended a different approach to governance, distancing the political level from the planning and implementation level.

### **The current situation**

Under the new structure, the ultimate responsibility for transport still rests with local government. At the peak of the governance arrangements is a Mayors' Council made up of Mayors of councils within the metropolitan area and with provision for Mayors of additional municipalities to join the Council to facilitate extension of Translink's coverage. The Mayors' Council is responsible for appointing Translink's Board of Directors who may not themselves be elected members or employees of public bodies.

The board is responsible for preparing and implementing Translink's strategic and operational plans. The Mayors' Council receives these but has limited powers to amend.

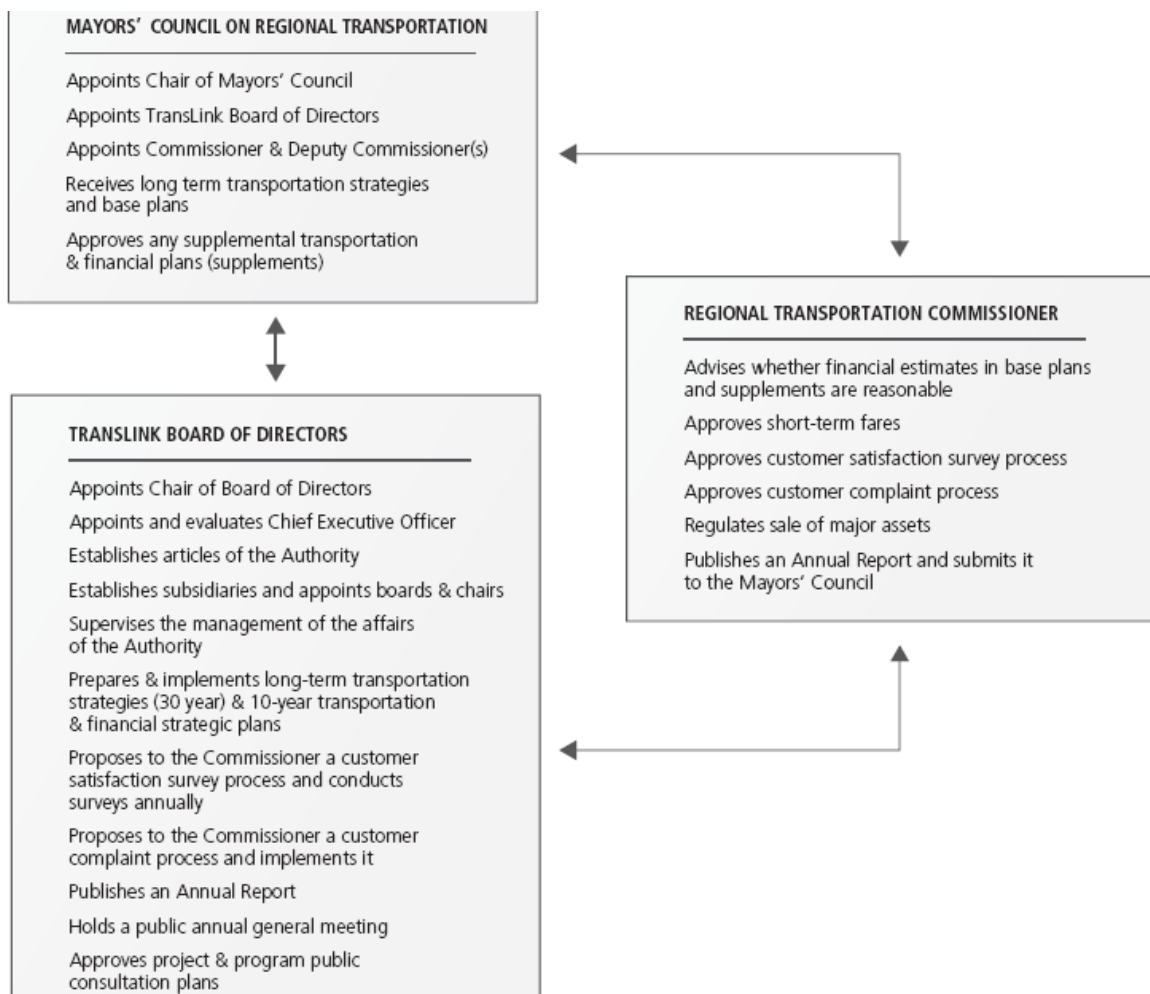
Finally, a regional transport Commissioner is appointed with power to comment on financial arrangements and approve short-term fares.

The arrangements can be seen as a compromise between the public interest in democratic control of major decision-making, and the imperative, especially strong in major infrastructure issues, to be able to get on and make timely and efficient decisions. It addresses what is now a common dilemma in this area that, typically, any major infrastructure issue can be dealt with by more than one possible solution, each of which will impact differently on different interests within the affected community or region. As the provincial Minister of Transport clearly believed, if these kinds of matters were left to be resolved by decision-making groups with individual members whose primary loyalties are to only part of the affected region,

there could be a very real risk of parochial interests overwhelming any rational decision-making process.

In the light of the issues currently facing Auckland, this is an extremely interesting experiment in balancing competing interests, especially as it has been developed within a jurisdiction that historically has eschewed intervention within local government.

The principal elements of the new structure, and the responsibilities, are set out in the following table extracted from the Translink publication *The New Governance Model* (see [http://www.translink.bc.ca/About\\_TransLink/default.asp](http://www.translink.bc.ca/About_TransLink/default.asp)).



## AUSTRALIA

Australia, like Canada, is a federal system in which the constitutional responsibility for local government rests with the second tier of government - in Australia, with the states. Like Canada, Australia has a history of states being proactive in intervening in the structure and functions of local government. Also like Canada, Australia has one state which has generally refrained from intervention - in this respect, South Australia is the equivalent of British Columbia.

In recent years New South Wales, Victoria, Tasmania and Western Australia have all been actively engaged in local government restructuring. This has also been the case in South Australia with the difference that the restructuring process in South Australia was very much a collaborative one with local government itself working in close partnership with the state.

As well as structural intervention, several states also reserve the right to intervene significantly in local government financing. Of these the most significant is New South Wales which maintains a policy on "ratecapping" which is now largely blamed for the systemic underinvestment in New South Wales infrastructure identified by the *Independent Inquiry into the Financial Sustainability of NSW Local Government* (Allan 2006).

## BRISBANE

Brisbane is often held up as an example of large-scale metropolitan governance which has worked, and therefore a precedent other jurisdictions should consider.

The history and practice of metropolitan governance in Brisbane was considered in McKinlay Douglas Ltd (2006) which summarised the Brisbane experience as follows:

The Brisbane City Council is the largest local authority in the southern hemisphere, serving a population of some 900,000 people - approximately 50% of the population of the Brisbane metropolitan area.

The city was created by the City of Brisbane Act 1924 which merged two cities, six towns and 10 shires to form a single city. The city is regarded as a successful example of a metropolitan administration being effective to manage a very substantial undertaking serving a large population. It does not, however, follow that Brisbane's current success as a metropolitan administration is evidence to justify the amalgamation, today, of several large local authorities to create an equivalent sized metropolitan administration.

First it should be noted that the formation of the City of Brisbane was more in the nature of the *de novo* creation of a new entity, than the amalgamation of several existing entities. Next the City of Brisbane in 1924 was a very much smaller entity than the City of Brisbane in 2006 so that the issues involved in bringing together a large and complex administration to create a city of today's scale were not addressed in Brisbane's formation. Finally, the nature of modern metropolitan administration is very different from what it was in 1924 - the complexity of infrastructure requirements, the nature of

technology, the local authority funding environment and much else has changed dramatically over the past 80 years.

For the purposes of this report, the City of Brisbane may be seen as providing an instructive example of apparently effective management of a large metropolitan area under a single administration but does not have a great deal to offer on the merits of amalgamation versus other means of addressing issues of scale and capability in today's local government environment.

The principal reason for this judgment is that it is not possible to draw from the current circumstances of the City of Brisbane any lessons relevant to the immediate questions which arise when considering the merger of several large local authorities to form a mega-city. Brisbane's culture, operating systems (including technology), salary structures funding arrangements and other critical determinants of effectiveness and efficiency must all be regarded as the product of a single long-lived local government entity. Accordingly, they do not allow the drawing of any conclusions on how best to bring together those elements from several different entities into one.

## QUEENSLAND

Of greater interest, in terms of trends in metropolitan governance, is the current restructuring of local government across the whole of Queensland. This process began in 2006 with the establishment of the *Size, Shape and Sustainability Review* as effectively a joint undertaking of the State government and the Local Government Association of Queensland. It followed a series of Queensland state government reports which had raised concerns regarding in particular the financial sustainability of Queensland local government. The review adopted a consultative approach, and showed a clear preference for shared services and collaborative arrangements as the way forward rather than council amalgamations.

Early in 2006 the Queensland State government concluded that the review was making insufficient progress so established a Local Government Reform Commission. The Commission was established on the first of May 2007 and delivered its report on the 27th of July. It drew its terms of reference partly from statute, and partly from ministerial direction, with quite a strong inference that its focus should be on amalgamation, with the Commission stating for example that its terms of reference required:

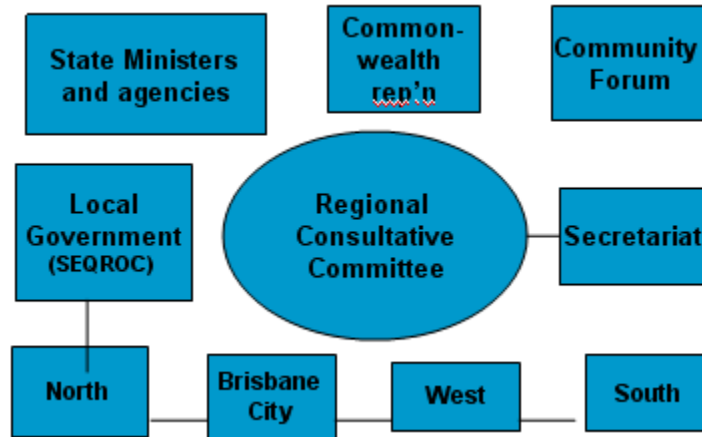
- consolidating, to the extent practicable, regional natural resource management areas, including for example water catchment areas and environmental areas, including for example, coastal wetlands; and
- creating local governments with improved financial sustainability;

The overall recommendations of the Commission have reduced the number of territorial authorities in Queensland from 157 to 73, including a reduction from 17 to 10 of the number in the Brisbane metropolitan area (the boundaries of the city of Brisbane itself remain unchanged).

Of particular interest is the reasoning the Commission applied in arriving at its recommendations for the Brisbane metropolitan area. Over the period since 1990,

the South East Queensland area had gradually evolved a coordinated approach to regional planning which, in 1994, took statutory form.

Organisationally, the regional planning process had been based around a series of sub-regional organisations of councils linked through a South East Queensland Regional Organisation of Councils and working closely with the State government. Diagrammatically the arrangements were:



The structure had provided a form of metropolitan governance, focused on spatial planning, which was somewhat weakened when regional planning was given a statutory basis. This brought it more closely under the direct oversight of the State government, through a newly established Office of Urban Management, and a new Regional Coordination Committee involving six State ministers and four mayors, and placed under the umbrella of the Department of Infrastructure and Planning.

The Local Government Reform Commission determined that the rationale for the restructuring of local government in South East Queensland should be "local governments with the ability to successfully and sustainably respond to the demands of rapid and ongoing population growth." Accordingly, it sought to:

- Build on the broad regional strategy and sub-regional structure of major urban areas underpinning the statutory SEQ Regional Plan; and
- Establish a scale and association of local governments that would best address the planning and infrastructure needs of particular sub-regions, within the overall strategy of the SEQ Regional Plan.

The approach is of interest as reflecting a quite widespread view that for metropolitan areas "Land-use planning can only be provided in a co-ordinated way if the area includes the integrated economic and social metropolitan area as a whole." (Stren and Cameron 2005). Also of interest is that the State Government effectively remains as the regional planning authority for southeast Queensland (as it does for other regions of Queensland as well).

The Department of Infrastructure and Planning's website states: "The Office of Urban Management will expedite the completion and manage implementation of the regional plan for South East Queensland." As part of the current local government reform process, the State government is also assuming responsibility for bulk water and wastewater services (prior to the reforms, Queensland had been the only state in which these services remained a local government function).

It is tempting to conclude that, as with Andrew Sancton's comments in respect of the provincial government of Ontario, the Queensland State government sees itself as the equivalent of the regional government entity for southeast Queensland and other regions of the State.

## SYDNEY

Sydney is included here not so much because of the lessons it can offer for the governance of Auckland, as because of its importance within the broader region of which Auckland is part.

Graham Sansom, director of the Centre for Local Government at the University of Technology in Sydney, has described metropolitan governance in Sydney as a "mess"<sup>1</sup>, identifying amongst others the following influences:

- State jealously guards metro governance but:
  - Lack of vision, ***understanding*** and agreed priorities (attention diverted by crises in service delivery)
  - Weak planning agency and poorly constructed system
  - Poor inter-agency coordination
  - No money so *ad hoc* public-private partnerships
- Fragmented, largely incapable local government with:
  - No clear role
  - Too many small councils
  - Very limited strategic thinking or (sub) regional cooperation
  - Rate-capping and often poor financial management
- At both levels:
  - Strategic planning over-shadowed by development control
  - Infrastructure backlogs, especially transport, environment.

Kübler and Randolph (2007) are somewhat more generous in their assessment, mainly by placing a strong emphasis on the role of the state to "act as a metropolitan government". They document a history of relatively unplanned and unanticipated expansion, especially in western Sydney, combined with a series of strategic plans, suggesting a shift so that "metropolitan planning is no longer seen as the drafting of master plans to be implemented by state agencies, but more as an

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<sup>1</sup> In a presentation to the Local Government Centre seminar "Is Strong Metropolitan governance Feasible? The Dilemma of State Intervention", held at AUT University on 4 February 2008.

activity of managing a process that binds the agencies with a major stake in Sydney's development in a coordinated approach".

However, they also identify two factors which seem likely to remain major barriers to effective metropolitan governance (if by 'effective' is meant governance which is able to deal appropriately with the major needs of metropolitan Sydney).

The first is vertical fiscal imbalance, the fact that the great bulk of tax revenues are raised by the Federal government but the bulk of expenditure obligations fall on state governments in particular, and on local government. This can be seen as an extreme example of the privileged position of the highest tier of government, in most developed countries, in having access to the most productive tax bases - in New Zealand's case income tax and GST.

The second factor they describe as "the tension between local interests and the regional scope necessary for planning the development of the wider metropolitan area" and go on to comment that "it is clear that the implementation of area-wide planning strategies developed by the State government can only be successful if the regional goals and objectives translate into the local planning regulations made by local governments." Although the comment is expressed in terms specific to the structure of local government in Sydney, the theme is one which is consistent in any assessment of metropolitan governance arrangements in developed countries.

## **ENGLAND**

### **THE GREATER LONDON AUTHORITY**

The Greater London Council was abolished in 1986. Ongoing local government within the former GLC area became mainly the responsibility of the 32 London boroughs and the City of London. Other elements of governance were the responsibility of a number of London wide appointed boards and other institutions. Finally, different government departments also played a role. The Department of the Environment was responsible for strategic land-use planning and the Department of Transport controlled major roads. Writing of the situation as it existed in the late 1990s, Travers and Jones (1997) concluded that:

London is a city with much government but little political power. While this contrast has been true in the past, the demands of a modern, advanced democracy make the failures of weak and fragmented government more important than before. Fragmentation of government - and the lack of effective political power that goes with such a system - is now worse than in the past. The recent creation of new London-wide committees and boards, the growth of new Whitehall involvement and the rapid development of partnerships together suggest there is a power vacuum.

The then opposition Labour Party picked up on what it saw as an opportunity, and on discussion which had been taking place within government policy circles on the option of moving to an executive mayor in some circumstances, to put forward the following commitment in its 1997 General Election manifesto:

London is the only Western capital without an elected city government. Following a referendum to confirm popular demand, there will be a new deal for London, with a strategic authority and a mayor, each directly elected. Both will speak up for the needs of the city and plan for its future. They will not duplicate the work of the boroughs, but take responsibility for London-wide issues - economic regeneration, planning, policing, transport and environmental protection. London-wide responsibility for its own government is urgently required. We will make it happen.

Labour, once elected, moved quickly to deliver on that commitment. The July 1997 green paper *New Leadership for London* was followed by legislation providing for a referendum on proposals for the establishment of a Greater London Authority. The referendum attracted a turnout of 34.6% but a majority of 72% for the government's proposals.

The Greater London Authority Act was passed in 1999 and the authority itself established the following year. It contains two separate elements: an elected executive mayor; and the London Assembly comprising 25 members 11 of whom are elected on a London wide franchise and 14 of whom represent constituencies made up of between two and four London boroughs. Under the Act the mayor's responsibilities include developing the authority's strategies for transport, planning and the environment in London, setting the budget for the Authority itself and for its functional bodies (the London Development Agency, the London Fire and Emergency Planning Authority, the Metropolitan Police Authority, and Transport for London). The assembly oversees the mayor's role and has the power, on a two thirds majority, to amend any of his budget decisions. It is also responsible for appointment of senior staff including the chief executive.

### **Assessing the GLA**

Assessing both the performance of the GLA itself, and its replicability in other contexts, is a complex task. This is not made easier by the personality and profile of the initial and still current mayor, Ken Livingstone. He was chair of the Greater London Council at the time it was abolished by the Thatcher government, and a long-standing left leaning member of the Labour Party. When the GLA was created by the Blair government, Ken Livingstone made it very clear he considered himself the natural choice as the Labour Party candidate, but the party wanted nothing to do with him and chose instead a somewhat colourless former Minister. Livingstone stood successfully as an independent, and as a result was expelled from the Labour Party, something which complicated relationships between the GLA and the Labour government for at least the first couple of years (he was re-admitted to the party before the 2004 election).

It seems clear that much of the profile of the GLA itself is a function of the profile of the mayor, making it difficult to assess what the standing of the GLA would be with a different mayor.

There are, though, a number of indicators to suggest that the checks and balances built in to the GLA system have generally worked on the one hand to constrain the

mayor and on the other hand to achieve the intent of a single high-profile decision maker on the strategic matters for which the GLA is responsible.

Rydin et al (2002) report what they describe as tensions between the long-term strategic focus of the GLA's experienced bureaucracy, and the more short-term pragmatic focus of the mayor, suggesting that the policy/advisory function of the GLA, which forms an essential part of even the mayor's decision-making processes, is operating independently - as intended by the model.

Mulholland (2008) reports that the current assembly (elected in 2004) considers that it has achieved a number of successes, especially through its scrutiny role. It has also been successful in achieving a two thirds majority to restrain some of the mayor's budget proposals.

Perhaps the best indicator is the extension of powers of the GLA enacted in 2007. The mayor has been given considerable additional powers in respect of housing, learning and skills, spatial planning and health amongst others. This suggests that the GLA has at least earned the confidence of central government. More significantly, the extension of powers was broadly supported by the Association of London Government, the body which represents the 32 London boroughs and the City of London, who might normally have been expected to resist any moves by central government to increase the power of a body which competes with them in the "political space" of London governance.

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## 4. Current Trends in District Level Governance

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### SIZE, EFFICIENCY AND COMMUNITY IDENTITY

The view that "bigger is better", and that the optimal way of achieving efficiency gains in local government services is through amalgamation, has been widespread and persistent in New Zealand. It was reflected in pre-election policies put forward by the New Zealand First, United Future and National parties in the lead up to the 2005 election. It has been prominent in the current debate over the future governance of the Auckland region.

The persistence of this view appears largely a function of the relative lack of awareness within New Zealand of the extensive research on efficiencies and economies of scale of local government. Robert Bish, a Canadian academic who has spent some 50 years researching this particular topic, sums up the findings of his research career as follows:

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

In 2006 McKinlay Douglas Limited undertook a major project for Local Government New Zealand and a group of local authorities looking at international evidence on experience with amalgamation in terms of the cost and efficiency of local government services as compared with other options, particularly shared services and other options which separate out the provider and production components of those services.<sup>2</sup> The following extract from the project report summarises the findings from international experience:

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<sup>2</sup> The term 'provider' is now commonly applied in the literature to the local authority in its role of determining those services which should be provided for its community, and the term 'producer' to the entity which actually undertakes and delivers the service.

An extensive review of the experience of local government amalgamation, whether sector wide as with recent New Zealand, English, Australian State and Canadian provincial experience, or focused on individual authorities as with Halifax, is at best equivocal on the proposition that amalgamation will produce benefits in terms of reduced costs and/or improved services.

The reasons include the normally unanticipated but common impacts of factors such as alignment of salary scales, incompatibility of systems or the need to upscale, staff morale, and the disturbance associated with major organisational change.

Of particular importance for the current debate in New Zealand is what the literature has to say about economies of scale as a rationale for local government amalgamation. In general, the research argues that larger local authorities tend to be less efficient than medium-sized or smaller authorities. More importantly, although achieving economies of scale matters, they do not provide a rationale for local government amalgamation.

Economies of scale are a function of individual services and, depending on the service, optimal scale will be reached at a street, neighbourhood, community, district or regional level. From this it follows that the better approach to realising economies of scale is to address the organisational arrangements involved service by service. As part of this local authorities should distinguish between their role as service enablers [in current terminology as providers] - determining the nature and quality of services which should be delivered to their communities - and that of the provider [in current terminology producer]. This latter role should be undertaken by the entity or entities best placed to do so on a least cost basis in relation to the nature of the service and the accountabilities involved with it (this should not be seen as an argument for privatisation, although the private sector does have a role to play - internationally, it seems that most arrangements for contracting out, joint venturing etc, are within the public sector often as collaborative arrangements amongst two or more local authorities).

Improving the efficiency with which local government delivers services remains an objective of higher tiers of government in virtually every country. The "bigger is better" view still has a strong following, as can be seen from the rationale for the current round of amalgamations in Queensland. On balance, however, there is an increasing tendency to focus both on the collateral costs of amalgamation, including the loss of community identity, and on the evidence that it is seldom an effective means of reducing actual costs or improving operating efficiency compared with alternatives such as shared services. There is, though, one proviso. The shared services approach needs to be applied in substance as well as in form, and requires a strong commitment at both political and management levels if it is to be effective.

This part of the Centre's submission considers current developments in Australian and English local government. Changes in Canadian local government are also relevant to the question of current trends in district-level government, but have been covered in the earlier section of the submission dealing with trends in metropolitan governance, primarily because the tendency to treat reforms in cities such as

Toronto and Montréal as examples of restructuring metropolitan governance – although the practical reality is that both cities, and particularly Toronto, are much more in the nature of examples of restructuring city-level governance.

## **AUSTRALIAN LOCAL GOVERNMENT**

Reform of Australian local government, and in parallel with that continuing research evidence assessing the costs and benefits of reform, remains extremely topical. The Queensland State government is well through a major restructuring of its local government sector. The Western Australia Local Government Association has just released *Shaping the Future of Local Government in Western Australia*, the draft report of its Systemic Sustainability Study project.

We look first at some recent Australian research evidence, and then consider the implications of the reform processes in Queensland and Western Australia.

### **Recent research evidence**

Two papers provide valuable insights into Australian evidence on whether local government amalgamation results in increased efficiencies and cost reductions.

The first paper, Pilcher (2005), considers the robustness of the financial data on which judgements about potential savings are based using New South Wales as a case study. Initial analytical analysis was carried out on all NSW local councils (170), followed by a more detailed study of 56 councils. The method adopted included archival research combined with interviews and case study analysis. Valuation and depreciation practices as applied to transport infrastructure assets were used as exemplars to investigate the study objective.

The paper's conclusions include the following comment:

Local government councils in NSW are currently facing deteriorating infrastructure, increased costs and lower revenues. A lack of guidelines is making it difficult to report these infrastructure assets and related expenses accurately. Nonetheless, there is the potential for political parties to use these flawed financial figures in performance measures designed to assist them in determining the viability and autonomy of NSW local councils. In an attempt to achieve economies of scale, NSW local councils have been requested to consider amalgamation. However, there is little evidence to suggest that this type of reform alone will alleviate the current problems being experienced by NSW local councils.

A particular issue was different rules and practices regarding depreciation. This would be less of a concern in New Zealand, given the more robust reporting rules and statutory accountability requirements under which New Zealand local authorities operate. This however is not the principal point to take from Pilcher's paper. Instead it directs concern to reports from other jurisdictions on the claimed benefits of amalgamation. Rather than simply taking figures at face value, it is essential to understand the basis on which those figures are prepared and be able to make an informed judgement on just how reliable they actually are.

The second paper, Dollery et al (2006), considering the South Australian case, uses the findings of the Financial Sustainability Review Board<sup>3</sup> to test the issue of whether local government amalgamations had resulted in any improvement in the financial standing of fiscally distressed local authorities in that state. The paper reports that the review board itself found little direct relationship between type of local authority (Metropolitan versus country) or size and density on the one hand and financial sustainability on the other. It comments on the board report that:

With the sole and partial exception of small, sparse and slow-growing rural shires, it demonstrated that there is no systemic relationship between council size and council sustainability, at least in the South Australian local government milieu. This finding severely undermines claims by advocates of municipal amalgamation that 'bigger is better' in Australian local government. Moreover, empirical evidence of this kind supports the view - as the Board itself pointed out - that alternative means of enhancing the effectiveness of local authorities should be actively pursued, including alternative models of local government involving resource sharing and regional alliances.

Strictly speaking, the question of financial sustainability is a somewhat different question from the costs of amalgamation - it seems quite probable that some councils or groups of councils, at least, could be financially non-sustainable both before and after amalgamation, but amalgamation might still result in a reduction in the cost of services. It should, though, be noted that the local government structure and efficiency report itself examined the issue of the claimed savings from the South Australian amalgamations in some depth and concluded that on balance there appeared to be no evidence that savings resulted.

## **Reform processes in Queensland and Western Australia**

### ***Queensland***

In May 2005 the Local Government Association of Queensland released its *Size, Shape and Sustainability* (SSS) discussion paper. The paper described the background to the project in these terms:

This Discussion Paper on shared services, regional cooperation and voluntary boundary changes has been prepared and approved by the LGAQ Executive to assist discussion and debate by member councils on the future size, shape and sustainability of Queensland Local Government. A Special Conference on this topic has also been called for 31May/1 June 2005.

This LGAQ Executive decision recognised the range of drivers, not only in Queensland but also in other states, which point to the need for a Local Government driven response to issues of size, shape and sustainability. The Executive fully supports the current LGAQ policy which opposes forced amalgamations, however it is nevertheless appropriate for individual Councils

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<sup>3</sup> This was an initiative of the Local Government Association of South Australia which, in 2005, undertook a major review of the financial sustainability of South Australian local authorities.

to voluntarily look at structural improvements that can enhance efficiency and effectiveness at the local level.

The Association believed that it had State government support for the initiative, and the State government certainly provided a very significant contribution towards the costs of the project. However, in April 2007 the State government announced the establishment of a Local Government Reform Commission which would be given three months to determine the future shape of local government in Queensland with what amounted to a mandate to recommend wholesale amalgamation.

There is a widespread view that the State government acted because it believed that the local government sector was not addressing serious issues of financial sustainability and service delivery (especially in respect of water) with the commitment and urgency required.

The Commission described its approach to its task in the following terms:

The Act has as its objective the organisation of local governments in Queensland in a way that:

- facilitates optimum service delivery to Queensland communities;
- ensures local governments effectively contribute to, and participate in, Queensland's regional economies;
- manages economic, environmental and social planning consistent with regional communities of interest; and
- effectively partners with other levels of government to ensure sustainable and viable communities.

In undertaking its task, the Commission evaluated various scenarios against these objectives. The scenarios selected for analysis were based on:

- Size, Shape and Sustainability (SSS) review groups and the document prepared by the Local Government Association of Queensland on possible structural reform being contemplated as part of the SSS initiative;
- Commission analysis of regional communities of interest;
- suggestions received from councils, individuals, organisations and community groups;
- retention of current boundaries and the extent to which a "no change" scenario met the objectives of the review; and
- models suggested as alternatives to amalgamation such as shared services.

The Commission then went on to make it clear that it was unimpressed by the different options being considered within the SSS project, taking the view that amalgamation represented a better approach. Its explanation of the basis for this judgement suggests that the Commission members may not have been fully cognisant of the international research evidence on the true costs of amalgamation but assumed, instead, that amalgamations would be relatively straightforward and raise few if any difficulties in areas such as incompatibility of systems, cultures, and

employment terms and conditions and many of the other factors which typically result in local government amalgamations resulting in significantly higher costs than originally predicted. It stated its reasons as:

The Commission has considered the merits of multi-purpose joint boards and shared services as alternatives to amalgamation, both generally and in the specific instances where they were proposed by councils.

Following examination of the various models the Commission concludes:

- multi-purpose joint boards and strategic alliances do not deliver any additional efficiencies in local government service delivery that could not be achieved through amalgamation with less cost and greater accountability to constituents; and
- regional co-operative structures and shared service arrangements generally offer less efficiency and economies of scale than could be achieved through amalgamation (essentially because of the additional overheads they incur). However, they may have applicability in areas where amalgamation is not being recommended by the Commission.

The report itself contains no detailed reasoning, nor does it include any references which would suggest familiarity with the extensive research literature on the costs and benefits of local government amalgamation. This may be understandable, given that the Commission had only three months from commencing its task to delivering its report.

That said, the Queensland experience is a clear demonstration of the risk which a local government sector, and those responsible for considering its future structure, faces if they do not sufficiently understand the consequences associated with a higher tier of government becoming impatient with the focus and pace of sector directed reform.

### ***Western Australia***

In Western Australia the State government has been consistently supportive of local government's self-reform initiatives. Some two years ago it allocated \$3 million to the *Connecting Local Governments* initiative. This initiative had two separate funding streams to assist the capacity and efficiency of local government in Western Australian through collaborative service delivery between local governments. \$1 million was allocated for distribution in the 2006/2007 financial year and \$2 million for allocation in 2007/2008.

The website for the Department of Local Government and Regional Development ([www.dlgrd.wa.gov.au](http://www.dlgrd.wa.gov.au)) sets out a range of possible options which the State government is encouraging individual local governments to consider. It is quoted at length both as one of the more interesting examples of a higher tier of government prepared to encourage local government to find its own solutions, and because it offers a range of useful options which should be of interest within the Auckland region:

## ***Local Government Models of Governance***

There are several governance models that local governments can establish with a view to increasing efficiency and effectiveness of service delivery.

### ***Some Advantages of Structural Reform and Resource Sharing***

- Cost savings through efficiency gains
- Improvements in the long term viability of local government
- Improved buying power through shared purchasing arrangements and
- Increased capacity to afford and access professional and specialist staff.

### ***Structural Reform and Resource Sharing***

There are several governance models that local governments can use to put structures in place to share resources with a view to increasing the efficiency and effectiveness of service delivery.

## **Voluntary Amalgamation**

Voluntary amalgamation involves the creation of one new local government from two or more existing local governments. Amalgamation includes the integration of organisation structures, facilities management, service provision and of policies and regulations across the combined areas.


The Department has published a brochure *Implementing Amalgamation – A handbook for local governments to assist local governments considering amalgamation*.

[Implementing Amalgamation](#)  [PDF 251.09Kb](#)

## **Regional Local Governments**

The establishment of regional local governments, often called regional councils, are governed by the *Local Government Act 1995*. Member local governments and their boundaries retain their elected members.

The South East Metropolitan Regional Council (SEMRC) has published an [article highlighting substantial savings for member councils](#)  [PDF 17.09Kb](#)

The Eastern Metropolitan Regional Council (EMRC) [Corporate Bochure](#)  [PDF 878.35Kb](#) by permission of EMRC.


## **Voluntary Resource Sharing Models**

Voluntary arrangements are generally between councils, irrespective of their distance apart, and are aimed at reducing costs and to also improve the level of service delivery. The sharing of employees and provision of services occurs in such arrangements.

Advantages are:

- Administration and bureaucracy is minimal and flexibility is high;
- Costs of entering or terminating agreements is minimised;
- The independence of individual councils is not compromised.

### **Resource Sharing – Service Level Agreements**

This model is similar to the voluntary model, however the arrangement is formalised through an agreement. Agreements can be entered into with another local government or a private sector organisation. [Sample Memorandum of Understanding](#)  [PDF 81.00Kb](#) (permission of City of Belmont)

With arrangements formalised, the local government providing the service can have greater confidence in planning its work program and making decisions on resourcing issues.

The City of Canning has some good [examples](#)  [PDF 14.90Kb](#) in resource sharing.

### **Voluntary Regional Organisations of Councils**

VROCs are voluntary groups of councils and usually consist of several geographically adjacent local governments. They are financed by a fee from each member council, separately constituted, and governed by a board consisting of members from each constituent council.

There are a number of VROCs operating in Western Australia. They have been established to encourage and promote cooperation amongst local governments in a region, facilitate the exchange of information about common concerns and solutions and to encourage resource sharing. Some of the more prominent VROCs are in the North Eastern Wheatbelt and the Avon.

Key roles they perform are:

- Intermunicipal cooperation
- Regional planning and development
- Elected member and employee development
- Regional coordination of submissions and tendering
- Development of common policy positions and
- Enhance regional lobbying with state and Commonwealth Governments.

### **Regional Centre Model**

With this scenario, a regional centre becomes the hub for providing services such as HR, financial management, while the smaller centres retain governance and independence.

In parallel with the State government support for local government seeking its own solutions, the Western Australia Local Government Association (WALGA) has been taking its own initiative on sector wide reform through its *Systemic Sustainability Study* (SSS) project. This had its origins in 2004 as it became clear that both major

political parties, in the lead up to the 2005 state elections, would be raising the issue of local government reform.

In July 2007 a workshop consisting of the WALGA Executive Team and working party members from the five SSS working parties was convened to establish the level of alignment between the frameworks emerging in their respective areas.

The result of the discussion was a Vision Statement to guide the continuing efforts of the working parties:

***“Local Government will implement and maintain a governance model that integrates effective service delivery (on a regional basis) with appropriate political representation (on a local basis).”***

The Vision was based on the outcome of consultations to that point which had been reported in the SSS Panel Report, confirmed at the April 2007 Forum, and repeatedly expressed in the course of the working parties' efforts.

***“The firmly held view, based on this combined effort, was that the core strength of Local Government lies in its representational base for the aspirations and expectations of local communities. While for numerous and pressing reasons reform was absolutely necessary, measures which sacrificed this strength should not be advocated.”***

*(Shaping the Future of Local Government in Western Australia, WALGA 2008).*

WALGA is supporting a 10 year plan for reform which will move local government on to a basis where, generally, service delivery will be handled at a regional level, whilst representation will remain at the current local level. The approach is of particular interest because of the strong separation which the SSS project has made between political representation on the one hand and effective service delivery on the other. It emphasises that one of the core values of local government is the strength of community, and the social capital built up over many years within existing structures of governance and engagement.

Its approach has also been influenced by an awareness of what has happened in Queensland, with the experience of state intervention being seen as a lesson for other local governments that state governments can become impatient and that, if local government itself does not take reform seriously, it is likely to be pre-empted at the state level. This background is set out in the following paragraphs:

The 10 Year Plan puts forward a reform program based on functional efficiency rather than the outdated notion of structural reform generating the appearance of institutional efficiency. A precondition for having industry-led reform is that Local Governments actively engage in the reform process. It is contended that unless substantial action is taken by individual Local Governments to enact reform on a voluntary basis, the right for the sector to lead the reform process will be questioned and eventually removed.

This likely outcome is based on what happened in Queensland where the State Government cited a lack of engagement by Local Government with the voluntary reform program as being a major reason for halting a voluntary structural reform process and proceeding with forced amalgamations. The Queensland State Government's view was that the sector squandered the opportunity to determine its own future and there is now a dramatically reduced number of Local Governments representing and serving Queensland's local communities.

*Shaping the Future of Local Government* also discusses the rationale for a shift to a regional approach to service delivery, including setting out criteria which should be of interest for local government in Auckland (and for that matter the rest of New Zealand):

However, what is clearly preferred is that the platform for the evaluation of alternative service delivery be regional rather than local. This then permits the capacity to retain some services at the local level where the case can be made, and also to scope upwards to consider the delivery of services and functions on a state-wide basis.

It is suggested that the following criteria should apply in deciding when to consider if Local Governments would achieve benefit by involvement in an alternative service delivery approach:

- The proposal has clear potential to achieve economies of scale and/or provide a financial return to the Local Governments involved.
- The participating Local Government does not have a comparative advantage, which will enable it to provide services more effectively or economically at the local level, rather than through an alternative method.
- A new activity can be introduced through the alternative approach, which may not be practical for the participating member or members to attempt alone.
- Adopting the alternative approach will demonstrably contribute to the viability and long term sustainability of the participating Local Governments. (p145)

## **Comment**

The reform processes in Queensland and Western Australia are both only part way through. Elections of new councils in Queensland had only just taken place as this submission was being drafted. Local government is now going through a transition phase which will conclude in 2011 with the expiry of job protection provisions. Responses to the WALGA draft report are currently being sought. The next phase will be consideration of the responses and completion of the final report for recommendation to both the local government sector and the State government. This is expected to be completed by June 2008.

Queensland and Western Australia will provide two virtually parallel processes for the reform of local government one based on compulsory amalgamation and the other on voluntary reform, including the possibility of amalgamation but focused on

selecting the most efficient structures for service delivery. This should allow a useful comparison between two quite different approaches and perhaps shed further light on the vexed question of whether compulsory amalgamation is more (or at all) capable of producing the claimed gains in costs and efficiency as compared with voluntary arrangements if those are genuinely committed.

## **DEVELOPMENTS IN ENGLISH LOCAL GOVERNMENT - EFFICIENCY INITIATIVES**

The English government continues its emphasis on improving the efficiency of local government through a variety of initiatives including continuous performance assessment, and requirements to achieve savings in baseline expenditure:

Local government is required to improve its efficiency by achieving savings of at least £6.45 billion, or 7.5% of 2004/05 baseline expenditure by 2007/08. All 388 English councils are expected to achieve 2.5% efficiency gains each year, of which 1.25% must be cashable gains. Councils are free to determine how best to achieve gains locally, but are expected to utilise any savings by 'releasing resources to the front-line' (Audit Commission 2007).

In support of continuing improvement, a number of specific initiatives have been put in place. They include:

- Regional Improvement and Efficiency Partnerships in which councils in a region join forces to coordinate and support the drive for improvement, innovation and efficiency.
- The Local Government Delivery Council established in 2007 under the auspices of the Local Government Association. It provides a forum where activity around transformation can be brought together, monitored and developed.

There appears to be little interest in further amalgamation of local authorities, no doubt in part because of the growing recognition that the average English local authority is substantially larger than its equivalents throughout Europe and, associated with this, a concern that sheer size is undermining local democracy. On the other hand, the government is promoting the creation of a number of unitary authorities. England's generally two tier system is made up of counties responsible for the delivery of major social services such as education and social services, strategic land use planning and highways and transport, and districts responsible for more localised services such as housing, parks and reserves, street cleaning and local land use planning.

Increasingly districts, often based on old "cities", are seeking unitary authority status arguing that they are best placed to deliver both tiers of service. The government has been receptive to requests for the establishment of unitary authorities but the changes are proving controversial largely because of arguments over cost and efficiency. Proponents of unitary authorities argue that the savings will exceed the costs. Opponents argue the contrary. The difference between the two sides appears largely a function of whether they believe the changes will be achieved with the minimum of disturbance, system integration difficulties etc, or whether they expect

that the experience, common with local government amalgamation, of legacy systems, organisational cultures, employment conditions etc, blowing out costs will prevail.

On the efficiency front, there is growing activity both in terms of back-office and of front office shared services. The Audit Commission will, in May 2008, release the results of its research into the efficiency of back-office shared services. The objectives of the research include to:

- identify and map the efficiency gains made by local authorities, assessing the value for money; costs and benefits associated with efficiency programmes in back office functions;
- determine the impact of back office efficiency gains on the delivery of local public services;
- identify the key characteristics of those activities that deliver the highest value for money gains;
- assess the sustainability of efficiency gains to date and the scope for achieving future efficiencies, including the potential for future gains; and
- determine notable practice.

The Local Government Delivery Council has a broad-based focus on service improvement within local government. In May 2007 it released *Front Office Shared Services: Delivering Public Service Transformation*. This was a series of case studies of successful front office shared services initiatives not just between groups of councils, but between councils and other public sector agencies.

Although both back-office and front office shared services initiatives are taking place within the context of the very directive relationship which exists between central government and local government in England, there is much in both of these areas of activity which will be of relevance for New Zealand local government and which should also be seen by central government and its advisers as offering a practical alternative to forced amalgamation.

## **DEVELOPMENTS IN ENGLISH LOCAL GOVERNMENT – STRUCTURAL INITIATIVES**

The case of the Greater London Authority is considered above at pages 24-26 of this submission as part of current trends in metropolitan governance.

The initiative which the government took of putting in place an elected executive mayor for the Greater London Authority was paralleled for local government generally in England and Wales in the Local Government Act 2000 which provided for a shift to executive style governance for local government.

Under legislation, all councillors are either executive or non-executive. Major councils were required to choose from amongst one of the three executive models:

- Elected mayor plus appointed Cabinet (12 chose this model).

- Elected mayor plus council manager (one chose this).
- Council elected leader plus cabinet (318 chose this)

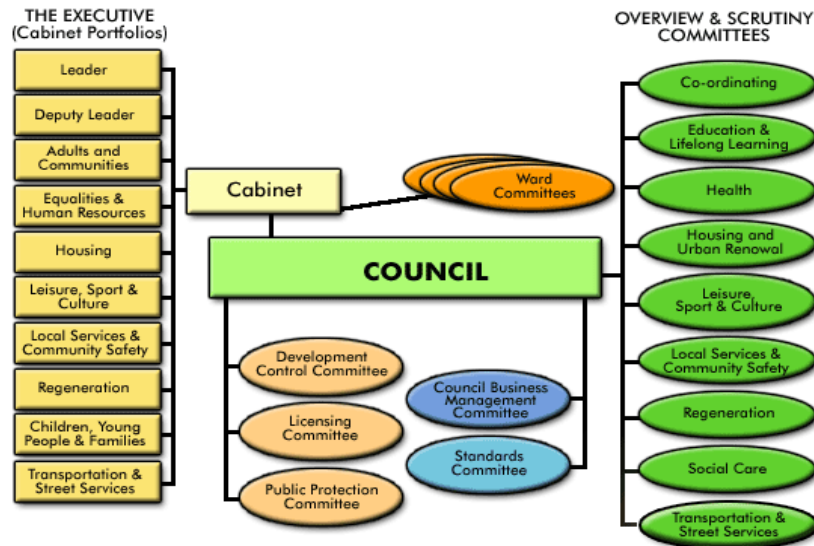
All councils were also required to develop an enhanced system of overview and scrutiny of the executive which is now the primary role of non-executive councillors.

Finally, "smaller" districts (population under 85,000) were able to adopt alternative arrangements, not involving a separate executive, but with acceptable provisions for overview and scrutiny.

This has seen a quite marked change in the structural arrangements for local government. Supporters of the elected mayor option have been disappointed both at the very small take-up, and at the fact that no major cities have adopted the executive mayor model. However this needs to be qualified by acknowledging the role of political parties within English local government. Virtually all elected members stand on the ticket of one of the three main national parties, Labour, Conservative and Liberal Democrat. It is well recognized that the political leader of the majority group on the council is the person who will be elected leader so that voters have some confidence, when voting, that if their political preference becomes the majority party (or the lead party in a coalition), then the leader is likely to be the elected executive leader of the council.

The following table outlines the political structure of the Birmingham City Council, the largest single council in England by population (just over one million residents). The city has 120 Councillors, elected from 40 wards (three per ward). Ward councillors are expected to play an important inter-mediation role between ward residents and the council itself with the support of a ward office and council staff.

# Birmingham City Council – Political management



Birmingham City Council is an extremely large organisation with very substantial assets, income and expenditure. It is widely regarded as a well-run council. It would be relatively easy to see it as a parallel for a Greater Auckland Council, but before any judgement could be made on the suitability of the Birmingham model, it is important to understand the full range of checks and balances which keep both elected members and, more importantly, executive management accountable. The checks and balances include:

- The role of central government as the principal funder and associated with that the continuance performance assessment regime (currently undergoing review) under which councils are inspected by the Audit Commission against a very large number of key performance indicators (previously approximately 1200 and now being reduced to around 200) and ranked on their performance.
- The size of the council itself, with 120 Councillors most of whom as non-executive councillors have their primary role in overview and scrutiny, and representing their individual wards.
- The overview and scrutiny role, described by the chair of the Coordinating Overview & Scrutiny Committee as: Our role is both to help the Executive (i.e. the decision makers) in shaping policy through our Overview work and ensuring that decisions are taken on the basis of all available information though our Scrutiny work. We do this by taking evidence from interested parties.

This is a big responsibility and it is therefore very important that we work in close co-operation and partnership with other service providers, users and customers.

Overview and Scrutiny forms an important part of the City Council's "checks and balances" and provides one of the most important ways in which Councillors can pursue the interests of local people. Nine of our O&S Committees are closely aligned to Cabinet Member portfolios, whilst the Health O&S Committee concentrates on health issues and works very closely with the NHS.

Sharing the nature and outcome of our work is very important because whether you live, work, study or visit Birmingham, there is bound to be an area where your contribution to our work programme can help. As well as regularly updating our website with up to date and informative information, we place articles in a variety of Council publications such as *Birmingham Forward*.

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## 5. Current Trends in Neighbourhood (Local) Governance

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This part of our submission presents an overview of current developments internationally, and then moves on to a discussion of the New Zealand experience with community boards.

We note that the research evidence on community boards is relatively limited, reflecting the relative lack of research on New Zealand local government experience generally.

### **INTERNATIONAL DEVELOPMENTS**

Interest in the role of neighbourhood or local governance, coupled with a growing appreciation of its value, is extremely widespread internationally. It covers both developed and developing countries.

As an example of the latter, the World Bank (2000), in a handbook on working with the local public sector and civil society in developing countries, sets the context in the following terms:

Nowadays, local governments and civil society increasingly perceive poverty and inequality as problems to be confronted more efficiently through the creation of alliances between them and the private sector. Moreover, more transparent, participatory, and efficient governments, open to civic participation and public scrutiny, have become a high priority.

Citizens seek to recover trust in their local authorities and institutions. They demand more information on how public goods are managed, and they want to know how their tax money is spent. They demand better services and they want to participate in the development process and in making policy.

There seems to be no single recipe for improving civic participation in local governance. There are, however, several instruments (anchored in modern management thinking) that can help to establish a framework for policy formulation and implementation at the municipal level. This framework ought to promote further innovative thinking and action by public reformers and citizen groups alike.

In this context, strong political will, citizen voice, appropriate technical support, and a realistic long-term implementation strategy are central to success. Where there is integration among these various factors, significant results can be expected: informed knowledge (with an action program based on in-depth empirical evidence in each setting), coalition building leading to collective action, and transparent political leadership at the local level.

In relation to the developed world, especially the United Kingdom and the United States, Pill (2007) observes:

Neighbourhoods and neighbourhood governance have been features of urban policy and academic discourse in the US and UK since the 1960s and the literature reveals broad acceptance of their perceived intrinsic social value. The prominence of neighbourhood governance can be related to the fact that it fulfils many of what Cochrane (2007: 24) identifies as the main features of urban policy developed in the US in the 1960s (and subsequently adopted in the UK). These include a commitment to co-ordination; a belief that communities should take on responsibility for their own well being; a conviction that existing public service structures are bureaucratic and self-serving; and a belief that current (local) electoral structures are unrepresentative and exclusionary.

The Centre for Local Government at Manchester University provides an interesting interpretation, observing that the recent focus on public participation can be seen within the wider context of a move towards governance, but also recognising the complexities, both theoretical and practical, of comprehending precisely what is happening:

The concept of promoting citizen or community involvement is not a new one but has existed in various guises for at least several decades. Recent focus on public participation can be situated within the wider context of a widely-acknowledged (albeit contested and complex) move towards governance. What has been identified as a 'hollowing out' of the state (Rhodes, 1997) has rendered traditional, hierarchical, elitist models of government control and responsibility inappropriate and ineffective, leading to "a shift towards a more collaborative form of governance," (p 203). As such, government has become one actor amongst many in a network of public, private, and community sector partners in decision-making and implementation; engaging with communities is a central aspect of these networks. With the changing role and scope of government, many have felt the need to supplement traditional mechanisms of representative democracy with more direct and participatory forms. The move to community engagement also reflects the perceived ineffectiveness and inefficiency of existing hierarchical and bureaucratic means of service delivery which were premised upon producer (both professional and bureaucratic), as opposed to consumer, interests (Brannan et al., 2007). On the other hand, individuals and communities are seen to have a valuable role to play in addressing complex social challenges and should be facilitated and encouraged by government to fulfil this role.

However, this politically powerful and intuitively popular concept is fraught with confused intentions which make it difficult to theorise, analyse, and put into practice. These complexities exist on the level of: definition and terminology; motivations, rationales; logistical considerations; outcomes and measurements; types and extent; implications; and power relations.

The Secretary of State for Communities and Local Government in the current UK government, in the foreword to a joint publication of her department and the Local Government Association, reflects her government's rhetorical commitment to neighbourhood governance, stating:

This is an exciting time for everyone who wants to be part of creating flourishing, confident communities. The Prime Minister has called for 'a reinvention of the way we govern'. The Green Paper – *The Governance of Britain* – marks a new relationship between Government and citizens. This means making public involvement the rule, not the exception.

Far from being apathetic about social change, people will leap at the chance to get involved when given the right opportunity.

I know this from people I meet as I travel around the country and I hear, everyday, of the growing enthusiasm and commitment of people in local government, other public bodies and in communities themselves to work together to get the best results for local people.

Bringing Government closer to people, passing power from Whitehall to the town hall and direct to local communities, isn't just the right thing to do. It's the best way to revitalise the local roots of our democracy and help build respect. It is the surest way of making local services reflect people's needs.

Greater community consultation **and participation** has also long been seen as essential for promoting sustainability. The following quotation comes from an Australian paper (Cuthill 2001) considering the experience of the Queensland's Gold Coast City in sustainability planning. It links the interest back both to the United Nations, and to British and Australian government policy statements:

Community consultation and participation are identified as key components within the concept of local area sustainability management (UNCED 1993). The 1990s saw a move towards sustainability management by governments both in Australia and overseas (Commonwealth of Australia 1992; ICLEI 1997, 1999a, 1999b; DETR 1999). Three key principles underline a sustainable community focus: an integrated approach to planning and management, provision of social equity, and participation from all sectors of the community. The Commonwealth (1992: 8) set the basis for this last principle, stating that 'decisions and actions should provide for broad community involvement on issues which affect them'. A key argument presented in this paper is that traditional government perspectives on community consultation must be reconsidered to include greater opportunities for informed community participation in planning and decision making processes for a sustainable community.

In the United States, the interest in neighbourhood or local governance has been closely linked to that country's strong emphasis on the right to choose, with public choice theorists long having favoured smaller units of government, and means for enabling residents and ratepayers to exercise effective influence over local government. The author of a University of Winnipeg thesis on the theme of *Good 'Grassroots' Governance: a Millennium Model for Winnipeg* (Knudsen 2000), in looking at American experience, observes:

In his analysis of grass-roots democracy, Masson wrote that as populations increased and many North American cities became as large as, if not larger than many provinces and states, people became uneasy about the practice of

democracy and the formulation of public policy at the local level. In the United States, the response was a movement to bring the citizenry into the policymaking process and an effort to embrace participatory local democracy.

Known as grass-roots democracy, the movement successfully caught the attention of political theorists.

Fung (2006), in an important paper reflecting on the complex nature of contemporary governance, emphasises the importance of context, and of the design of arrangements to facilitate participation which focus on the actual forms and contributions of participation. He concludes that:

Citizens can be the shock troops of democracy. Properly deployed, their local knowledge, wisdom, commitment, authority, even rectitude can address wicked failures of legitimacy, justice, and effectiveness in representative and bureaucratic institutions. The contemporary ways in which citizens make these contributions, however, assume neither the forms, purposes, nor rationales of classical participatory democracy. These accounts fail to capture what is most attractive about the cases (and many others besides) described here. Their appeal does not lie primarily in shifting sovereignty from politicians and other political professionals to a mass of deliberating citizens (Pitkin and Shumer 1982). Less still does their attractiveness reside in their potential to educate, socialize, train, or otherwise render the mass of citizens fit for democracy. Instead, these cases mobilize citizens to address pressing deficits in more conventional, less participatory governance arrangements.

Reaping— indeed, perceiving— these pragmatic benefits for democracy, however, requires a footloose analytic approach that jettisons preconceptions about what participatory democracy should look like and what it should do in favor of a searching examination of the actual forms and contributions of participation. Toward that end, I have offered a framework for thinking about the major design variations in contemporary participatory institutions. I have argued that participation serves three particularly important democratic values: legitimacy, justice, and the effectiveness of public action. Furthermore, no single participatory design is suited to serving all three values simultaneously; particular designs are suited to specific objectives. I have attempted to identify the distinct regions of the democracy cube that are suited to advancing each of these. The reasoning in that difficult stage of the analysis proceeded inductively. I identified actual participatory mechanisms that advanced each of these values, traced the institutional design characteristics that enabled them to do so, and mapped these characteristics onto the institutional design space. Far from unfeasible or obsolete, direct participation should figure prominently in contemporary democratic governance. Specifying and crafting appropriate roles for participation, however, demands forward-looking empirical sensitivity and theoretical imagination.

Much of the interest in neighbourhood or local governance has stemmed from concerns about how to deal with the so-called "wicked issues" such as the impact of social exclusion, poverty, inequality, poor housing etc. This is evident in the emphasis the United Kingdom government has placed on "partnership

working" in areas such as neighbourhood regeneration and the encouragement of greater tenant participation in the management of social housing.

A European example can be seen from the findings of the European Commission's Neighbourhood Government project ([ec.europa.eu/research/social-sciences/knowledge/projects/article\\_3518\\_en.htm](http://ec.europa.eu/research/social-sciences/knowledge/projects/article_3518_en.htm)). The project's conclusions emphasise the focus on social exclusion, and by inference the importance of neighbourhood governance as one means of addressing this.

A number of conclusions were developed from the project's results, and set down under various headings. These include:

- Mobilising actors: To develop good quality, democratic neighbourhood governance, both residents and professionals from the bureaucracies that deal with social exclusion issues must get together to understand each other's needs and roles.
- Collaboration: Residents and professionals must collaborate to ensure local people are heard when decisions are being made about service provision. Working together will also help resolve any conflicts between residents.
- Residents' participation: In general participation is limited and takes different forms from non-committing, informal, occasional events to formal, regular meeting which ask for a great deal of residents' commitment and time. Informal activities tend to reach more residents, but the formal work is more likely to bridge gaps between different groups of residents.
- Capacity building: The case studies indicate that more needs to be done to understand, use and value residents' capacities. Many local people lack the skills and confidence to take part in activities. Official support and resources are needed to resolve this situation.

There is another dimension to the neighbourhood governance issue as well. This is the importance of the 'democratic deficit'. It often comes as a surprise to people involved with local government to find that, in terms of the ratio of elected local government members to population, countries like New Zealand, rather than being over-governed, are in fact somewhat under-governed.

In a somewhat passionate explication of the under-government issue as it affects English local government, Simon Jenkins had this to say in a recent column in the Guardian newspaper (see <http://www.guardian.co.uk/commentisfree/2008/feb/27/prisonsandprobation.ukcrime>) (emphasis added):

The still stumbling urban revival in Britain requires anonymous party-based councils to plead with regional offices of central government. Local elections no longer make an appreciable impact on policing, health, education or economic development. Councils retain no fiscal discretion to aid communities with social clubs, sports halls, libraries, parks or playgrounds. In my London borough, not only have we no neighbourhood council but we are not allowed to elect our own councillor lest he or she "represents" us alone. We are

merged with neighbourhoods elsewhere. This is no incentive for civic leadership.

In France there is an elected official for every 120 people, which is why French micro-democracy is alive and kicking. In Germany the ratio is 1:250; in Britain it is 1:2,600. In France the smallest unit of discretionary local government (raising some money and running some services) is the commune, with an average population of 1,500. In Germany that size is 5,000 people. In Britain the average district population is 120,000, and even that body can pass the blame for any service deficiency to central government.

Cynics sneer at the "calibre" of local councillors. Yet nobody will exercise leadership in a community if denied the power to make it effective. I do not believe that British citizens are unique in Europe in being incapable of taking responsibility for their communities. They may prefer to sit at home and blame others but **if you reduce local institutions to consultative status, consultation is all you get, not leadership.**

Similar points have been made by other commentators on the English local government scene, notably the New Local Government Network in the context of the Lyons Inquiry. The English ratio of one elected member for each 2600 residents at the level of the principal local government entity (that is ignoring parish or neighbourhood councils which are broadly the equivalent of New Zealand's community boards) is significantly more favourable, in terms of citizen access, than the ratios which would be found with medium and larger scale New Zealand councils. To take an extreme example, Auckland City Council's ratio of elected members to residents, based on a population of 404,000 at the 2006 census, is approximately 1:21,000.

An academic/research perspective on the strength of commitment to local government in France is provided by Lugan (2001) who observes that:

...in France, local government is still seen as important in the eyes of the public. For instance, participation levels for local government elections are appreciably higher than for others, averaging 75 per cent since World War II. Even in these days of political disenchantment, public opinion polls show that, of all political mandates, that of the Mayor is most highly regarded; all agree that elected local representatives perform the most useful roles.

It is beyond the scope of this submission to present a detailed cross-country comparative assessment of scale of local authority, ratio of elected members to residents, and the strength of commitment to local government. However, the contrasting experiences of England and France at the very least raises a prima facie presumption that a scale of local government that makes it easy for residents to engage informally with their elected representatives is an important factor in strengthening local democracy.

## **COMMUNITY BOARDS IN NEW ZEALAND**

The experience with community boards in New Zealand offers a glimpse into the potential of local governance as exercised through electoral representation within the overall structure of local government.

We start this part of the submission by outlining the background to the establishment of community boards, including the roles they were expected to have under the local government reforms of 1989 (and as subsequently expressed in the 2002 Act), and then discuss how the boards have evolved more recently.

There is a perhaps surprising lack of up-to-date material on community boards as a form of local governance in New Zealand. For this submission, along with the Centre's own background, knowledge and contacts, we have drawn on published commentary on developments post-the 1989 reforms (Brown; Department of Internal Affairs), a recent paper on community boards in relation to strategic planning under the Local Government Act 2002 and Resource Management Act (Crawford and Rowan 2007) and, with Local Government New Zealand's permission, interim results contained in draft findings from research commissioned by LGNZ on the roles and relationships of community boards (JHI Consultancy 2008).

### **Establishment and roles of community boards**

Brown (undated but probably 1994) puts community boards in a historical context within the evolution of New Zealand local government, considers the political and economic rationale for their role in what is still a very contemporary way and reviews some of the preconditions for community boards both to add value and to be an accepted part of the governance structure. The following is paraphrased from Brown.

#### ***Brief history***

Prior to 1974 there was legislative provision for small sub-local units confined to townships in rural areas which fulfilled the purpose of allowing some expression to the local authority of a community of interest based on locality.

Small bodies such as reserve and domain boards or local hall committees were also prevalent, operating as part of the local territorial authority and at least partly funded by it.

The Local Government Act 1974 "provided the framework for a substantial network of community councils in urban and rural areas with a certain amount of independence from the local territorial authority and powers in some respects similar to those of community boards."

"Community boards as they now [1993/4] exist were a comparatively late addition to the 1989 reforms. It was always recognised that the creation of larger local authorities would lead to an increased need for administrative decentralisation and for mechanisms for obtaining advice at a sub-local level." (see the Local Government Commission's memorandum to assist in the consideration of final reorganisation

schemes). Elected ward committees were proposed in recognition of “the need for some sort of intermediate body between the council and its electors”, but rather than political decentralisation, submissions from urban authorities to the Local Government Commission at the time argued for an advisory role only for such bodies.

In the event the government made a late decision to legislate for community boards rather than ward committees. Legislation “gave the boards wide powers to communicate, consult and advise but no decision making powers. Their parent councils were, however authorised to delegate to them a variety of such powers.”

**Roles**

Brown noted a lack of clarity in the expected roles of community boards, highlighting the tension between sub-local government as:

- a vehicle for citizen participation, which to be effective requires community boards with sufficient independence and autonomy to act in accordance with the will of those it represents, i.e. community boards able to make decisions on matters affecting their community and influence events; and as
- a vehicle for the expression of citizen preferences, which may be a much more passive role that could be served by closer integration of the community board into the structure of the parent body.

This tension was reflected in the 1989 Local Government Amendment Act under provisions that on the one hand protected the arms’-length existence of community boards, and, on the other, deprived them of the resources and firm delegations that would make them independent.

It is not clear whether a community board is intended to be an independent body, reflecting and advocating the views and needs of its community to the council, with power to make decisions on matters affecting its community, or to be an arm of the council, reflecting and advocating Council policy to the community, providing some input to and feedback from that policy and carrying out a few local government tasks on behalf of the council.

**Experience**

In his review of experience from the initial establishment of community boards to the date of writing his paper (approximately 4 years) Brown concludes that "the establishment of community boards has not been an unqualified success". He provides a variety of examples, some successful, some much less so:

Rodney	“Failed dramatically.” All 3 boards disestablished. Reasons: community boards were developing own policies, rifts developed, no real community of interest in areas represented by the boards.
Selwyn	Lincoln community board disestablished. Council not in favour in the first place; became clear the board couldn’t represent a population of approximately

	20,000 mixed rural/urban with at least 9 distinct townships; Council delegated virtually no decision powers to its community boards. Darfield community board survived, perhaps due to having a coherent rural community of only 8,000.
Central Otago and Southland	Well established community boards based on townships. Conclusion: "Where a community board is able to represent a single existing community and has a range of delegated powers in addition to its statutory functions, it usually works well with wide acceptance at both elector and Council level."
Tasman	Used community boards mainly as advisory. "Strong community boards are not necessarily the norm even for remote and coherent areas."

The variability of experience is perhaps not surprising. As Brown notes, context matters. A locality-based definition may be appropriate for rural areas, but not necessarily for urban areas where community of interest may be dispersed across particular social groups, and people may have fewer interests in common with their neighbours than with others living at a distance. The counter argument is that exactly the same issue applies when seeking to determine community of interest for the purpose of establishing a territorial local authority. Perhaps the reality is that, increasingly, we live in a world in which community of interest is partly locality-based (most of us have an attachment to place), and partly interest based.

### ***Community boards and community outcomes***

Crawford and Rowan (2007) argue that section 52 of the Local Government Act:

" ... can be interpreted as putting community boards right at the heart of local democracy and thus community outcomes processes. Having said that, there are differences of opinion as to the extent to which community boards can exercise the powers set out in section 52. Acting on legal advice, some councils have interpreted the mandate narrowly, arguing that community boards cannot disagree with councils."

They identify a considerable level of uncertainty over the extent to which community boards can get involved in setting community outcomes and in Resource Management Act processes, identifying a tendency to defer to "authoritative" council officers. They recommend that community boards should negotiate their roles early in the new term of the Council.

From their perspective, community boards have a very real role to play in harnessing the joint potential of the community outcomes process under the Local Government Act, and in resource management. They propose that:

The obvious opportunity is for community boards, in conjunction with the community, to develop community outcomes pertaining to their local area. These outcomes, where relevant, could be put into effect through changes to the district plan. For example, a village wanting to protect its local

character could promote both community outcomes for this purpose and a plan change designed to give effect to, say, heritage and landscape protection measures. Ideally, boards would negotiate their terms of reference to include this sort of role not only to ensure access to the council's resources but also to engender collaboration with the council. When collaboration is not successful, boards can propose changes to the district plan (as private plan changes) and make submissions on community outcomes in long-term council community plans.

This would be a very activist role for a community board, and quite likely bring it into conflict from time to time with its parent council. Of itself, this would not necessarily be an undesirable outcome. The very point of the creation of community boards, as recognised by the Local Government Commission, was "to allow for the recognition of communities within a district", something which necessarily implies allowing for the recognition of different perspectives.

### ***Community boards in retreat?***

Current trends, however, suggest that community boards, generally, are in retreat in most areas. Reasons suggested for this include that:

- Some council chief executive officers find community boards an awkward part of the overall management structure.
- The remuneration for elected members of a local authority (apart from the mayor) is set as a single amount or pool to be shared amongst elected members as they determine. If the local authority has community boards, one half of the remuneration of elected community board members and all of the remuneration of appointed community board members (who will be councillors of the parent council) must be paid from the pool. The natural outcome is that, in a number of councils, elected members take the view that in practice half of the salary of the elected members of community boards is paid out of their personal pockets, because their remuneration is necessarily reduced to provide for the pool component of community board members' remuneration. This provides a strong incentive for councils, during a representation review, to recommend the dissolution of community boards.

There are now nearly 30 fewer community boards in place than at the time of the 1989 reforms. Some of those that remain are clearly under threat, but that should not disguise the fact that, in a number of New Zealand's local authority districts, community boards are seen as playing a very important role in local governance. In Central Otago, Clutha and Southland District Councils community boards play a pivotal role in township governance. Some will argue this experience cannot be generalised because the community board approach uniquely fits the structure of those districts, dominated as they are by a number of small townships. However, there are strong community boards in some metropolitan areas as well. Manukau City Council makes very extensive use of community boards with extensive delegations on matters which the council has clearly determined are primarily of impact at the community, rather than whole of council, level. North Shore City

Council has recently revised its delegations to community boards, again providing for extensive delegation.

### ***Community boards and local governance***

The material canvassed in earlier sections of this submission dealing with the arguments in support of local or neighbourhood governance makes a strong case that community boards should form an integral part of the New Zealand local government system, and should generally exercise authority over matters which have their primary impact within the area of the board itself (a proposition supported by the now well-known principle of subsidiarity). Whether or not community boards are empowered to undertake wide-ranging responsibilities for their communities appears to be a function of several matters, including the attitudes of senior management and elected members, the extent to which there are distinctively different communities within the district of the local authority, and how well the community board itself understands the different accountabilities it is expected to have to its community on the one hand and its parent council on the other.

Brown suggests a series of prerequisites for effective community boards, borne out by reviewing the New Zealand literature generally:

1. "Community boards function with greatest success when they represent established communities of interest that can be defined by location, and when they have sufficient delegated power to allow for genuine participation by citizens in local government. It is in this field that their future seems most secure."
2. A necessary pre-condition for the success of a community board/council as an exercise in *participation* is that it should have sufficient geographic and administrative distinctiveness to enable substantive local government functions to be delegated to it.
3. As a vehicle for *expressing preferences*, decision making powers are not necessary. Rather, "the prime requirements are that the board maintain credibility with the people it represents, that they may be sure their views are accurately conveyed to the parent authority, and with that authority, that it may accept the advice tendered as genuine reflection of the needs and view of the community."
4. Community boards must be able to manage the relationship with the parent authority to avoid conflicts over the exercise of policy development functions.
5. Councils need to delegate meaningful decision making powers to the community board. It is best when the community board has a range of delegated powers in addition to statutory functions. Brown observes "It is not uncommon to hear councillors and officers speak of the extensive range of functions delegated to their community boards when on analysis the 'delegation' is almost entirely of advisory functions and all 'decisions' have to be approved at a council meeting." He gives the contrasting examples (circa 1993/4) of:

Selwyn: Of 22 delegated items, only a few allowed the community boards to make decisions, and only on minor matters.

Central Otago: A much shorter list of delegations to community boards than Selwyn, but these cover substantial decision making powers.

6. Effective participation at the sub-local level would seem to require a body with sufficient independence and power to be able to act in accordance with the will of those it represents, even when that will differs from the will of the wider community.

From the material surveyed in this part of this submission, there is a clear impression that a greater use of community boards, with effective delegations on local matters, could make an invaluable contribution to the better governance of New Zealand's communities.

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## 6. Implications for the Future Governance of Auckland

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In this, the final section of our submission, the Local Government Centre puts forward what it regards as the lessons from international research and experience which should guide consideration of the future governance arrangements for the Auckland region.

We separate the discussion into three parts, dealing respectively with metropolitan, district and neighbourhood or local governance.

### **THE 2002 ACT: SEPARATION OF ROLES**

First, though, we consider one unique characteristic of the legal framework for New Zealand local government. This is the extent to which the Local Government Act 2002 (and the 1989 amendment which preceded it) creates a formal separation between the role of elected members and the role of the chief executive.

Under section 41 of the Act "the governing body of a local authority is responsible and democratically accountable for the decision-making of the local authority."

Under section 42 of the act, "A chief executive ... is responsible to his or her local authority for—

- (a) implementing the decisions of the local authority; and
- (b) providing advice to members of the local authority and to its community boards, if any; and
- (c) ensuring that all responsibilities, duties, and powers delegated to him or her or to any person employed by the local authority, or imposed or conferred by an Act, regulation, or bylaw, are properly performed or exercised; and
- (d) ensuring the effective and efficient management of the activities of the local authority; and
- (e) maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the local authority; and
- (f) providing leadership for the staff of the local authority; and
- (g) employing, on behalf of the local authority, the staff of the local authority; and
- (h) negotiating the terms of employment of the staff of the local authority.

This is often described as the policy/administration split, with the elected members responsible for the policy of the local authority, and the chief executive for implementation. One of the purposes is to avoid political interference in the day-to-day management of the local authority, by moving away from the pre-1989 situation in which Councillors frequently acted as though they were part of the management of the local authority (an impression compounded by the fact that, pre-1989, it was elected members who were the formal employers of staff).

The model on which the separation is based is said to be the conventional corporate situation in which the board of directors of a company will typically delegate to the

chief executive the role of managing the business in accordance with the policies and objectives agreed by the board of directors.

The parallel is not exact. First, in the corporate model the separation is not a function of statute but of management practice (as far as the statute is concerned, the Companies Act makes the directors responsible for the management of the company with no reference to the role of a chief executive). Secondly, any competent Board of Directors will reserve the right to intervene in management at any time if it considers it necessary in order to rectify errors or omissions in performance on the part of the chief executive in the management of the company.

In the local authority environment, elected members are effectively prohibited from acting in that manner. Instead they must rely on holding the chief executive accountable in accordance with his or her performance agreement (something which may delay, by many months, the ability to address matters of concern).

The parallel breaks down in other ways as well. A board of Directors will have a number of sources of information to support decision-making on matters which it regards as important, including the ability of the board to call for independent reports, set up committees to handle matters of significance for the company, and generally to ensure that they have a good grasp of how the chief executive is managing the business, including the quality of the advice and performance the chief executive delivers.

In contrast, elected members have only one source of advice, the chief executive. They have no ability to commission independent reviews or reports or seek information outside the channels controlled by the chief executive (other than informally through their own personal networks). Elected members may or may not have any personal expertise or knowledge in areas where the local authority is undertaking significant expenditure or exposed to major risk.

This is in marked contrast to, for example, the situation which applies with central government decision-making which has a high degree of internal contestability through means such as interdepartmental processes, the role of central agencies and the independent advice ministers receive from their own ministerial staff.

It is not unknown for elected members to claim that they have no ability to influence the way in which the chief executive runs the local authority (although this claim must be balanced with the recognition that statements of that sort are often made by elected members who wish to distance themselves from a particular decision for political reasons). The practical reality though is that a New Zealand local authority chief executive has a uniquely powerful position through which he or she can substantially determine not only the way in which the business of the authority is managed, but often much of its policy-making also. It is a legal situation which does not align well with the statutory purpose of local government to enable democratic local decision-making.

Furthermore, New Zealand local government lacks many of the checks and balances found in other jurisdictions, especially England, with both central government

oversight through continuous performance assessment, and the overview and scrutiny role of non-executive councillors.

The point which the Centre wishes to make is not that local authorities have become undemocratic autocracies operating at the whim of the chief executive. This is certainly not the case. Instead, what Centre does wish to stress is that in New Zealand, and especially Auckland with the already large scale of several of its local authorities, the Royal Commission should pay particular attention to ensuring that its recommendations do not risk further enhancing the role of the chief executive vis-a-vis that of elected members.

We turn now to the implications from the research and other material in earlier parts of the submission for the future metropolitan, district and neighbourhood or local governance of Auckland, drawing conclusions from the research which we recommend that the Royal Commission taken into account in its deliberations.

## **METROPOLITAN GOVERNANCE**

Key points:

- Higher tiers of government are generally reluctant to allow the emergence of powerful Metropolitan governance. It is very much as though the power to govern is treated as a zero sum game.
- The primary emphasis should be on governance, not just on government. This will take the Royal Commission into somewhat more uncertain territory, but territory which extensive international experience suggests must be properly explored if Auckland is to have the quality and capability of governance the terms of reference state is required.
- The functional and administrative boundaries of metropolitan regions inevitably differ. It will be important to consider how the future governance arrangements for Auckland are able to manage major functions effectively not just within the region's administrative boundaries but across the functional boundaries of each activity. Obvious examples are regional economic development, strategic spatial planning, and integrated transport planning, all activities which clearly impact well beyond the administrative boundaries of the region in a manner which requires an integrated approach if they are to be properly managed. Addressing this does not require changing the administrative boundaries of the region (as the boundaries of functional activities themselves inevitably vary, it would be impractical to develop a separate set of administrative boundaries for each functional activity). Instead, the Royal Commission may wish to recommend binding collaborative arrangements for each of those activities whose functional boundaries extend significantly beyond the boundaries of the region.
- Generally, the felt need to address questions of Metropolitan governance is driven by infrastructure issues - Metropolitan transport, including both integrated planning and delivery, water and waste water, energy and IT - and

to a lesser but still important extent by regional economic development and spatial planning.

- A major challenge which recent initiatives such as the establishment of the Greater London Authority, and the restructuring of the governance of TransLink (the integrated transport planning and delivery entity for Greater Vancouver and environs), have sought to address is the balance between the need for effective, efficient and timely decision-making on the one hand and the democratic process on the other. The dilemma is that most major infrastructure issues will have more than one technically feasible solution within the range of affordable solutions. Each will almost certainly have quite different impacts on dimensions such as the impact on individual properties, neighbourhoods and communities. All too often the decision can become an exercise in NIMBYism as participants in the democratic process jostle to ensure that they get the benefits but someone else carries the negative impacts. For Auckland, the implication is the need to consider whether a similar approach is required if decisions on major infrastructure initiatives are to be taken and implemented in a timely manner.
- There is a marked preference for allocating individual significant functions to "arms length" entities with "fit for purpose" governance. One reason is to ensure that major functions such as transport, or water and wastewater, have high-quality governance provided by people with qualifications, experience and personal qualities relevant to the specific function, rather than to Metropolitan governance generally. Another reason is to break down the concentration of executive power which could result if all major metropolitan functions were under the direct management of a single board and chief executive. Normally, considerable care is taken with the design of governance arrangements to ensure that they are both accountable on the one hand, but consistent with the principles of good governance on the other. The significance of this issue in the Auckland context is that the conventional "arms length structure", the council controlled organisation, is seen as deficient in governance terms as it is too open to political interference.
- Notwithstanding the preference for "arms length" entities, certain functions are normally seen as "core local government". These include strategic spatial planning, and environmental management, monitoring and enforcement.
- Regionally significant arts, recreational and cultural facilities would normally best be the responsibility of "arms length" entities in order to get the benefit of "fit for purpose" governance, and enable the entities to build up their own regional profiles - of particular importance for entities which are dependent on attracting public support through bequests, donations etc. The ability to create dedicated governance arrangements with people who are committed to the specific activity can be invaluable.
- Good metropolitan governance requires strong accountable leadership. This is the principle which lies behind the executive mayor model for the Greater London Authority and the introduction of an executive structure for councils

generally in England. The rationale is that the position of executive mayor makes it very clear who is responsible for decision-making (within the mayor's mandate). This should both make it much easier to hold the decision maker accountable, and also lead to an improved mandate as candidates can campaign on a manifesto which, if elected, they will have the power to implement.

- The executive mayor or executive/non-executive split on the council itself is a potential response to the identified need for Auckland to have stronger accountable leadership both in dealing with central government, and representing Auckland internationally (the ability to speak "with one voice"). The introduction of such a model in Auckland would, however, require great care in the design both of the actual mandate itself (would an elected mayor have all the powers of the Council or just some and if so what?) and of the associated checks and balances. First, New Zealand has no experience with a strong mayor model of this type. Secondly, New Zealand local authorities have both much greater discretion financially, and fewer constraints than either the GLA or English councils generally. Local government funding in England is very tightly controlled by central government - approximately 80% of operating expenditure is funded by central government and the remainder, although raised by the council's own council tax, can be capped. Councils function under tight central government supervision through the continuous performance assessment process, and the mayor/executive face the overview and scrutiny role of non-executive councillors. A New Zealand equivalent would need to have carefully designed checks and balances to ensure, on the one hand, that the power of the Mayor or executive was not unconstrained but that, on the other hand, the power to act is not unduly inhibited.
- The transition costs associated with major organisational change in local government are traditionally underestimated for a variety of reasons including different and often incompatible IT and other systems, organisational cultures (which can be much more entrenched and organisation rather than industry specific than is the case in the private sector), the tendency of highly capable staff to leave in the course of long drawnout transitional processes and reconciling different rating, bylaws and other systems. This argues for recommending the least possible change to achieve the outcomes the Royal Commission believes are needed for Auckland.

## **DISTRICT GOVERNANCE**

There is no compelling case for further amalgamation of territorial local authorities within Auckland. Instead in terms both of improving the effectiveness and efficiency of territorial local authorities, and helping achieve the system of future governance which Auckland requires, the following measures should suffice:

- Placing at the Metropolitan level functions which are either genuinely regional, or where there is potentially some doubt, but benefits in efficiency terms from building a single organisation. The Centre is aware

that some submitters will argue that the retail water and wastewater function comes into this category and should be part of the same organisation as is responsible for bulk water supply.

- Requiring local authorities to enter into shared services arrangements where it is feasible and efficient to do so. This will require some careful handling as simply instructing local authorities to do something which their managements may not want to do is unlikely to prove effective. Instead, it would be appropriate to recommend an approach which contained within it significant incentives for local authorities to embrace shared services.
- Where regulatory functions are retained at a territorial level (land use planning, building consents, dog control, health inspection as examples), encourage individual authorities to adopt common rules and standards, and shared administration, unless there are compelling reasons not to do so.

## **NEIGHBOURHOOD OR LOCAL GOVERNANCE**

- New Zealand is at the upper end of local authorities, internationally, in terms of the ratio of residents to elected members. The research evidence suggests that an international standard for such a ratio somewhere in the order of 1000 - 1500 residents for each elected member at the level of local authority entity the equivalent of a New Zealand territorial local authority.
- New Zealand's principal experiment with neighbourhood or local governance, community boards, has been very mixed. Generally, the greater the delegated authority possessed by community boards, the more effectively they have performed. Conversely, there is anecdotal evidence that community boards which have no more than the formal statutory delegations provided for in the Local Government Act have tended to act as a form of local opposition to the Council of the day, rather than playing a genuinely constructive role on behalf of their communities.
- The research evidence makes a strong case for effective neighbourhood or local governance, both as a means of improving community engagement with the local authority itself, and as almost a prerequisite for dealing with a number of the more complex issues now confronting communities in areas such as housing, social inclusion, antisocial behaviour etc.
- This appears recognised in the terms of reference which invite the Royal Commission to consider:

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.
- The Local Government Centre notes that the invitation is cast not in terms of devising any set of governance and representation arrangements which will... but of devising that set which will **best** achieve the desired outcome.
  - The international evidence would suggest a set of neighbourhood or local governance arrangements which provided effective representation at a population level in the order of 10,000-20,000 on the basis that this is around the size of the normal "community" found within a large local authority - a typically deriving its identity from an early history as a discrete village or small settlement which was ultimately absorbed within the larger entity.
  - The Local Government Centre makes no recommendation on the number of such arrangements which should be put in place but does recommend that the Royal Commission:
    - Build on the existing community board provisions but propose changes to the legislation (which could be specific to the Auckland region) significantly increasing the minimum delegations so that community boards became responsible for those matters which had their principal impact within the area of the community board itself. The new minimum delegations should include the power to recommend a targeted community rate with the expectation that other than in extraordinary circumstances the parent Council would adopt the recommendation.

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