

Auckland City Council

Our region's future as a world-class city

24 January 2008



Table of Contents

	Page
Key messages for the Commission	1
Regional Governance Committee	2
1 Executive summary	3
2 Vision and outcomes	6
3 Key drivers	9
4 International experiences	14
5 Process and timing	17
6 Key questions for the Royal Commission	21
Appendices	
1 Future focus data and detailed implications	22
2 Background - Community outcomes and expectations	25
3 Background - International experiences	29
4 Acknowledgements	43

Key messages for the Commission

- Auckland City Council appreciates the opportunity to discuss the processes and priorities for a future Auckland with the Commission informally.
- We consider the Commission's appointment to be an important milestone in Auckland's history. In recognition of this opportunity, we have established a Regional Governance committee to ensure that council delivers a high-quality submission to the Commission.
- Council are excited by the opportunities for change and believe that the appointed Commissioners and broad terms of reference can deliver the solutions needed in the region.
- As the largest territorial authority in the Region, we believe that we have a significant contribution to make to the work of the Commission and the region's future.
- Maintaining the status quo, or tinkering will not achieve the outcomes required as history has shown.
- A future outlook and understanding of the key drivers will be needed to deliver the solutions required. The key drivers are important to identify as they define what is causing the need for change. We have defined six drivers as key to Auckland's future.
- Whilst early consideration of 'geographic' administrative approaches and models is easy to do, we do not believe this will deliver the future focused, step change required in the region.
- The Auckland region issues are not unique as shown by international experiences. What will be unique is how the Auckland region responds.
- We have developed a suggested two part approach for the Commission, which we believe enables a clear focus on outcomes and delivery solutions. It also provides an opportunity to build regional and stakeholder consensus early in the process.
- Although we have not defined the optimum solution/s, they will need to be democratic, mandated, accountable and have the tools to give effect to the accountabilities.
- We are keen to work with the Commission to achieve the transformational change required to make Auckland a world-class city and region.

Regional Governance Committee

- In reviewing its committee structures for 2007-2010 and with the announcement of the Royal Commission on Auckland governance, Auckland City Council has established a new committee for Regional Governance.
- The committee is chaired by the Deputy Mayor, Councillor David Hay and has cross party representation. The members bring a diverse range of experience on local government issues and the Auckland region to the committee.
- The committee will focus on all issues relating to council's submissions and representations to the Royal Commission. In doing so, the committee will identify key drivers for change and possible delivery solutions for council's consideration.
- The Royal Commission marks an exciting point in Auckland's future. The committee believes that the appointed Commissioners and broad terms of reference can deliver the solutions needed in the region.

Committee member profile



John Banks QSO
Mayor of Auckland

Independent



David Hay
Deputy Mayor
Chairman

Citizens and Ratepayers



Aaron Bhatnagar
Deputy Chair

Citizens and Ratepayers



Richard Northey
Member

Labour



Douglas Armstrong QSO
Member

Citizens and Ratepayers

Section 1

Executive Summary

Executive Summary

Purpose and Scope

- In response to the Royal Commission's initial visit on 24 January, council has developed this package of information to assist the Commission in its work. This package incorporates consideration of the key drivers that are important to the city and region's success, along with the offer of a suggested way forward by way of a process that will address them.
- Specifically, the information package includes:
 - A snapshot of future trends
 - Visionary outcomes sought by citizens
 - Identification of key drivers that need to be considered in any future governance solution
 - Successful international approaches to the key drivers
 - A recommended process to enable the key drivers and solutions to be identified within the Commission's timeframe
 - Key questions arising from the terms of reference

Background

- Defining Auckland's problems in its journey to becoming a truly competitive international city is not the issue, rather resolution of these problems is the key.
- Auckland's problems have been identified and documented on numerous occasions, most recently the progress report on *Strengthening Auckland's Regional Governance* dated 16 May 2007.
- Resolution of the identified problems as evidenced by the progress to date is not a straight forward process. A greater emphasis on resolution as opposed to problem definition must therefore be a priority for the Commission.

Our thoughts on the Royal Commission

- **Future focus** - the rapid growth in the Auckland region over the past decade is predicted to continue into the foreseeable future. This will have a huge impact on infrastructure demands whether it be hard physical infrastructure such as drainage and roading or recreational facilities such as parks and libraries. Although the present situation cannot be ignored, there is a need to recognise the challenges of the future and focus on what is needed to address them.

Executive Summary

- **Key drivers** – the Auckland region and its key drivers are creating the need for change. If the region is to make a quantum shift in the way it operates and responds, it will need to address these key drivers. These six key drivers are:
 - **Regional leadership**
 - **Infrastructure governance and planning**
 - **Auckland everyday elements working together**
 - **Central/Local government collaboration**
 - **Local decision making**
 - **Paying for the future**
- **International Experiences** – the Royal Commission will be able to draw on a rich mix of international experience in local government reform in making critical changes to the key drivers identified. However, no two cities are alike so the approach to international experience will involve seeking examples of best practice with each individual driver, whilst taking account of the particular NZ and Auckland context.
- **Process and framework for decision making** – given the breadth of the Commission's terms of reference and the diversity of stakeholder interests, there is a need for the Commission to develop a manageable process that can deliver the outcomes. A two stage approach is suggested:
 - The first stage is focussed on identifying the region's key drivers and the necessary outcomes to become a world-class city and region.
 - The second stage is about developing the delivery mechanisms to achieve the outcomes.
- This suggested approach will provide a high value, low risk framework for decision making that will achieve long lasting results. It will also enable the wide range of stakeholders to think about the key drivers before they commit to solutions. Given the commonly held belief that geographic based solutions will address Auckland's needs, it may mitigate the early adoption and advocacy of solutions which are unlikely to produce the long term results needed.
- **Questions for the Commission** – questions for the Commission on the terms of reference and Commission process are outlined in section 6 of this report.

Conclusion

- The Commission provides a one off opportunity for the Auckland region's drivers to be addressed and provides the platform for it to become a world-class city and region.
- Experience of regional initiatives to date highlights that an incremental approach will not enable the region to become a world-class city.

Executive Summary

- Auckland City Council would strongly support the Commission if it decides to go beyond an incremental approach – being bold, visionary and working towards a major transformational change for the region.
- The Commission has the opportunity to learn from major local government reforms in New Zealand and internationally. The recommendations need to be best suited to Auckland, whilst making the step change required to ensure the region's success.
- Auckland City Council currently does not have a view on what local and regional governance changes are required to support the region's development into a world class city.
- Council supports the view that a proper framework and process be developed given the need to study actual resolution to each of the drivers and options arising. Tinkering with the status quo is unlikely to lead to resolution as past history has shown.

Section 2

Vision and outcomes

Vision and Outcomes*

The Auckland region will face enormous change brought about by global economic, environmental and political forces. A challenge for the Commission will be to focus on the future and how this impacts on Auckland and New Zealand. If Auckland is to become a world-class city, these future trends and challenges need to be the Commission's focus, rather than the present.

Future focus

- Auckland confronts a significant demographic challenge over the next 25 years with implications across a wide range of areas (infrastructure, transport, urban planning, economic development etc).
- The Auckland Sustainability Framework report prepared by the Regional Growth Forum highlights the region will be subject to several strong global forces such as climate change, rising energy prices, and increasing global integration.
- The challenge is to create a local government structure and decision making framework that is appropriate to meet a growing, mobile and more culturally diverse population's needs in an uncertain environment.

Key trends

- Population - The region is expected to grow by 41% between 2006 and 2031, with the population increasing by 560,000 from 1.37 million to 1.93 million.
- Mobile - 37% of Auckland's population was born overseas compared with 23% for NZ.

*See Appendix 1 and 2 for detailed analysis

- Culturally diverse - Currently 54% of Auckland's population is European compared to 65% for NZ, and projected to decline further.

World Stage – Global Positioning

- Auckland is increasingly competing on the world stage for a mobile skilled workforce and for international investment.
- Auckland is a gateway to New Zealand in terms of trade, tourism, migration and communications. It is a large metropolitan region within a small country that neighbours a relative giant in Australia, where Australia's east coast metropolitan areas are both many times larger in terms of population and economy and also key competitors for talent and investment.

Implications

- This growing, mobile and more culturally diverse population presents both challenges and opportunities for government.

Challenges

- This growing population will need to be up skilled to create and benefit from opportunities in the international market.
- Existing vehicle ownership rates and projected population growth could lead to an additional 300,000 cars and 40,000 trucks on Auckland's roads.
- The increased population will result in greater competition for land use, with the need to manage conflict between different users and housing affordability issues.

Opportunities

- Projected population growth means a larger, more dense consumer and labour market creating business and employment opportunities.

Vision and Outcomes

- Potential increases in density of population and employment may lead to a city critical mass that is positive for productivity and infrastructure development.
- The significant number of new immigrants could boost international connectivity with the rest of the world. That connectivity has the potential to boost the national economy through strong regional linkages, contributing to the government's economic transformation objectives.
- As the gateway for New Zealand with the global economy, and as the major commercial hub within New Zealand, Auckland is New Zealand's best prospect for a world-class city.

International city expectations*

- Future orientated cities are focused on global competition and local leadership.
- Future orientated cities have also identified a number of significant challenges that need to be considered when creating a strategic plan for the future. These challenges include:
 - Infrastructure to meet changing needs
 - Financial capacity and flexibility
 - Community participation of citizens
 - People and talent
 - Environmental quality and community safety
 - Cultural and leisure opportunity provision

* Cities of the future, PricewaterhouseCoopers (2006)

Globalisation - the city context

- As globalisation continues, most major cities want to be prepared to attract an influx of business. They must be cities of opportunity if they want to retain their most talented citizens.
- The requirements and features of 21st-century cities of opportunity have changed—and will continue to change—in areas that impact new economy competitiveness and attractiveness: areas ranging from intellectual capital and transportation assets to such fundamental requirements as safety and security.

Optimising democratic participation

- Voter participation, particularly in western countries, has been declining in recent years. This is particularly significant in local government as evidenced by the recent October 2007 elections.
- To counter this apparent apathy, modern cities need to address new forms of participation. They need to encourage citizens, associations, networks, interest groups and neighbourhoods to participate in the political decision-making process.

Value for Money

- The affordability of Council long term plans as evidenced by current and planned rises in rates has become a major issue for the city residents.
- A key aspect of this expenditure relates to infrastructure renewal and enhancement for growth. City residents expect councils to show restraint in their rating demands whilst maintaining services.

Vision and Outcomes

National Expectations

- The following government priority outcomes were released in April 2006:
 - Economic Transformation
 - Families – young and old
 - National Identity
- The Ministry of Economic Development has specifically identified making Auckland a world-class hub of innovation and internationalisation as a priority to achieve these outcomes. This level of priority which has been accorded to Auckland is specifically highlighted as an objective in the Commission's terms of reference.

City Outcomes

- Auckland City Council released in late 2007, the following city outcome priorities:
 - Distinctive City which reflects its cultural identity
 - Compact urban environment which enables the City to work more efficiently
 - Connected City with affordable transport choices
 - Sustainable land use and natural environment
 - Designed to create beautiful places worthy of a unique city
 - Designed for people and personal safety

Section 3

Key Drivers

Key Drivers

- There has been a considerable number of reviews and reports since the last major local government reform in 1989 on regional issues. Many plans and strategies have also been developed for the region over this time.
- The experience of all this work indicates that there are six key drivers, behind the success and failure of local government decision making. In Auckland's case, these factors are creating the need for change. If the region is to make the significant changes needed, these key drivers will be part of any solution.
- Stakeholder solutions to regional governance, previous discussions and reviews of regional governance have involved considerable debate around a "geographic" administrative approach. This has been seen in the one city versus three or four city models. The appointment of the Royal Commission has reignited the belief by some stakeholders that a "geographic" administrative approach will address all the region's issues.
- Problems arising with this approach include:
 - Not addressing the question of the vision as expressed by the city outcomes
 - Not taking account of the step changes required in the region's key drivers
 - Ignoring the reality that major infrastructure does not usually take account of local administrative boundaries
- Another downside in the rush for solutions whether they be geographic or not leads to stakeholders taking fixed positions very early on, making change extremely difficult.
- The Royal Commission presents an opportunity to develop a process which seeks to ensure consensus is achieved on the key drivers required for regional success before moving directly into solutions. Whatever the future brings, the Commission has the opportunity to deliver the step change required through a focus on key drivers.

1 Regional Leadership

- International experience highlights that consistent, committed leadership underpins the success of any city/region.
- The recent Strengthening Auckland's Regional Governance process identified a number of shortcomings which indicate true regional leadership is a significant gap within the current local government arrangements.
- Issues highlighted include:
 - Strategy not fully integrated or aligned with an overall direction that indicates the region's priorities
 - Fragmented powers/accountabilities leading to a failure to deliver on strategy and a commitment to fund
 - Mis-location of regional decision making to national or local levels
 - Strong reliance on voluntary decision making which is not able to 'bind' or influence expenditure and other decisions of the sovereign organisations.

Key Drivers

- Outcomes of the gap in regional leadership include :
 - A lack of a consistent regional voice with central government
 - Inability to fund key regional projects/priorities
 - Inefficiency in processes and practices
 - Inability to decide on and implement projects
- Consideration of regional leadership issues presents an opportunity to take account of generally accepted good governance principles. These are generally based on the following principles:
 - Accountability – being answerable for decisions
 - Transparency/openness – having clear roles and responsibilities and clear procedures for making decisions
 - Integrity – acting impartially, ethically and in the best interests of the institution.
 - Stewardship – using every opportunity to enhance the value of the public assets
 - Efficiency – ensuring the best use of resources to further the aims of the entity.
 - Leadership – achieving entity wide commitment to good governance through leadership from the top.

2 Infrastructure Governance and Planning

- The enormous complexity of cities today means that the demands on their infrastructure are relentlessly challenging.
- Not only are the 'basic' needs of transport, housing, water and energy under pressure, but new demands for effective communication make the supply of, for example, broadband and electronic networks an increasingly important element of infrastructure provision.
- The *Strengthening Auckland's Regional Governance report on progress, May 2007*, identified a number of issues relating to infrastructure governance and planning issues including:
 - Fragmentation in the strategy, planning, funding and delivery of water based services.
 - Regional facility issues that include the determination of national, regional and local priorities, funding and ownership.
 - Within regional transport, mis-located and silo based decision making with planning and funding decisions being made without reference to regional priorities. ARTA is currently the only transport agency required to give effect to the Regional Land Transport Strategy.
 - An unresolved funding gap for infrastructure, passenger transport, local roading and state highways.

Key Drivers

- Other major infrastructure providers to the city such as the power companies also report difficulties when trying to address regional priorities such as power transmission due to the fragmented nature of local government in Auckland.
- Physical infrastructure needs to be delivered as a package which is integrated with people, spaces and places creating a 'sum' greater than the 'parts'. This could be done in a manner which reflects local character whether it be Onehunga, Otara or Oratia whilst ensuring basic infrastructure is provided.

3 Auckland everyday elements working together

- Everyday Auckland elements and functions all have to work together to create a great city.
- The future city if it is to be driven by the Auckland everyday elements must take account of the functional interdependences required to serve the basic needs of the community, residents, visitors and investors (e.g. roads, parks and public transport).
- Auckland's everyday elements and future challenges can only be dealt with effectively by breaking down the silos and having well-informed leadership that encourages people to work together.

4 Central/Local government collaboration

- There is a general lack of understanding and linkage between local government and central government in Auckland; 7/8^{ths} of public spending undertaken within the city is funded by central government taxes with no overall strategy for Auckland. Conversely, local government only accounts for 1/8th of the public expenditure but is expected to deliver well beyond this mandate.
- Internationally, there is a growing emphasis on local-national co-ordination. A revised regional governance arrangement should include consideration of how local and national decision making bodies work together to co-ordinate their activities and ensure the viability of long term strategies. This approach of working together has to be underpinned by the development of strong relationships between the different levels of government.
- There is the opportunity through the Royal Commission process to consider how a revised regional governance arrangement could address wider Government outcomes, (e.g. how as a region we address low decile schools?) The city would improve its basic people skill mix and ultimately economic outputs if this single question was addressed.

Key Drivers

5 Local Decision Making

- Under section 14 of the Local Government Act 2002, which the Commission is not able to inquire into with a view to change, a local authority must act in accordance with the following principles:
- Openness and transparency
 - Democratic accountability
 - Effectiveness and efficiency
 - Considering the views of its communities
- When making decisions take account of;
 - the diversity of the community
 - the interests of future and current communities
 - the impact on social, economic, environmental and cultural well-being (see section 10, Local Government Act 2002)
 - the need to maintain and enhance the quality of the environment
- Provision of opportunities for Maori to contribute to decision-making processes.
- Ensuring prudent stewardship in the use of its resources.
- Undertaking commercial transactions in accordance with sound business practice.
- Local government should be democratically elected. Its primary accountability should be to its electors taking account of the good governance principles and in particular:
 - Ensuring roles and responsibilities are clearly defined
 - Promotion of effective decision making
 - Enabling achievements of the city's desired outcomes
- Internationally, cities grapple with the issue of keeping connected with their local communities whilst trying to keep their organisations focussed on the bigger issues. People accordingly feel remote and disempowered from local government.
- Local community involvement in local government is essential both to engender citizen support for city aspirations and to undertake the multitude of local level decisions.
- It would be highly desirable for the Commission process to consider how it could empower local people in Auckland and provide a local voice in decision making going forward.
- In the Auckland context, councils also have mixed views on their representation and decision making arrangements. Community boards and their operations are an area of ongoing debate across the country.
- The Commission process now provides an opportunity to move this debate around the actual institutions to a debate around the concept of “primary” and “secondary” decision making. This could be a vital component in providing clarity around decision making. Potential outcomes could include unlocking major infrastructure projects whilst ensuring local communities are involved at a meaningful level.

Key Drivers

6 Paying for the Future

- Budgets are under intense pressure from a host of competing demands. At the same time, citizens demand better services but are reluctant to pay more for them. The familiar dilemma of having to do more with less is one that all cities are facing.
- Within transport the allocation and certainty of funding in the region has specifically been identified as a combined public sector issue. It also represents a good example of the wider regional funding problem. Generic matters arising include:
 - responsibility for funding decisions relating to “regional initiatives” often lies at the local or central government level rather than the regional level.
 - funding decisions tend to be fragmented with a lack of long-term agreements to provide certainty of funding between parties.
 - sufficiency of funding - additional revenue sources were identified as being needed by the regional entity in order to deliver services and investment required to transform Auckland into a world-class city.
- The 2006 Metro Auckland report identified a dozen key transformational projects that required investment beyond what the public sector can currently fund. They recommended an examination and assessment of each to find the best means to finance them. The Royal Commission process could provide the impetus to complete this assessment and find solutions to this growing problem which is limiting regional infrastructure delivery.

Section 4

International Experiences

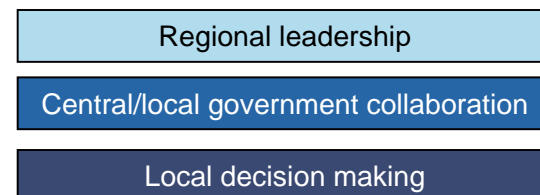
Unique cities, common challenges

- While each city has its own unique identity and circumstances, they also face numerous common challenges and opportunities. A wide range of skills and capabilities are needed to respond to those challenges.
- There is no city that provides a comprehensive blueprint for best practice in all the six drivers which need to be addressed by the Royal Commission. Fortunately there are some cities internationally which can lay claim to best practice to a blend of some of the drivers.
- Throughout Australia and internationally, reform of the local government sector has been taking place to remove structural inefficiencies to enable more responsive and professional local governments.
- The case studies selected link back to one or more of the drivers and are examples where each city's response to a change in the drivers has been positive. This section provides the higher level observations and conclusions from each case study and highlights the drivers which have been addressed to a best practice or world class standard. Further background on each case study is contained in **Appendix 3**.

United Kingdom – London

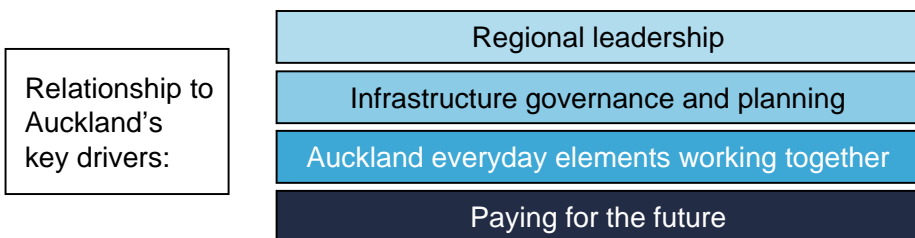
- London secured a new form of strategic government in 2000 with the introduction of the directly-elected Mayor of London and the Greater London Assembly (GLA). The Government is currently reviewing the Mayor and Assembly's powers.
- The Mayor is the executive arm of the Authority, with responsibilities for devising London-wide strategies and plans, proposing a budget, making appointments to the bodies under his control and co-ordinating actions to implement his strategies. The Assembly is the scrutiny arm of the GLA providing essential checks and balances to the power of the Mayor.
- That London is distinct from the rest of the country is a principle that has been accepted by successive national governments. Regional government is now firmly established and accepted. London's local and regional government is working well; there is cross-party working in both the Greater London Authority (GLA) and at the Association of London Government (ALG). London is delivering; the Audit Commission's most recent report reveals that London borough councils are leading the way in England.
- The new and improved settlement for London means more streamlined service provision and better understood governance arrangements. The London Governance Review Commission reported in 2006 that this can best be achieved by strengthening the commissioning and community leadership roles of London councils. This will enhance the councillors' right to be consulted to ensure better capture of local knowledge and need, greater accountability of the service providers and democratic representation of their local community.

Relationship to Auckland's key drivers:



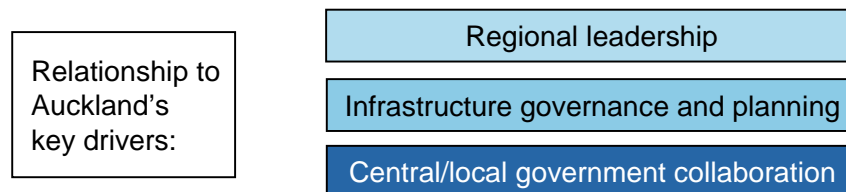
Australia – Victoria

- Local government reform undertaken by the Kennett Government between 1993 and 1996 included the following key elements:
 - A strong belief in economies of scale
 - Awareness of the need to reflect community of interest
 - Wholesale reductions in the number of councils (eventually from 210 to 78)
 - Requirement that councils privatise or put to competitive tender most of their services
 - Utilisation of public private partnerships to deliver infrastructure
 - Introduction of rate-capping, with annual increases limited by the Minister for Local Government
 - State monitoring of local government performance through a series of key indicators.
- The focus of the Victorian reforms was therefore small government, economic efficiency, cost-cutting and councils operating as businesses. Implementation highlighted local government's accountability and subservience to the state government.
- There was little consultation and no negotiation: with only one exception councils were simply dismissed and replaced by appointed commissioners who carried out the required changes under the Minister's close supervision.



Australia – Brisbane

- To this day, the formation of Brisbane City Council, in 1925, stands out as a beacon of the success of large-scale amalgamation. The formation of Brisbane City demonstrated that while reform will always have its detractors, it provides the opportunity to look beyond the present and deliver an outcome that meets future community needs, a situation relevant to the Auckland context.
- The Greater Brisbane legislation in revolutionary fashion swept away 50 separate governmental bodies – city councils, town councils, shire councils, joint local authorities, ad hoc authorities and utilities. Out with them went some 200 part-time aldermen and shire councillors, together with government nominees to boards, all of whom contributed to the confusion of the city's previous governmental arrangements.
- The task of governing the city was turned over, instead, to one Greater Brisbane Council comprising 21 aldermen, including the mayor. All were directly elected by the citizens.
- Brisbane City Council is still the largest local government authority in Australasia, with a population of around 850,000 and a budget of well over \$1 billion. It also takes a considerable leadership role in the ongoing development of South Eastern Queensland and its associated infrastructure.
- A review of the State's 'Size, Shape and Sustainability' programme indicated the programme was unable to deliver further necessary reform of local government before the 2008 council election. The state government has taken the initiative to reform Queensland local government by the 15th March 2008 local government elections. This work will be completed by the Local Government Reform Commission.



Canada – Vancouver

- The city of Vancouver in recent years developed a means by which it could take a “packaged” approach to planning within the city. This has involved the consideration of how physical infrastructure requirements such as roads and transportation mixes and integrates with people and place based requirements.
- Vancouver’s ability to take a “packaged” approach to planning is enhanced by mechanisms which maintain a view of the big picture whilst avoiding the pitfalls of “silo” based planning approaches which is common amongst large city administrations. By way of example during the metropolitan study relating to job growth and job accommodation it identified a number of other issues that all impact on the health of the metropolitan area. These included such diverse subjects as housing affordability, property tax policy and port planning. As a result other work streams were immediately initiated to address them.
- The City of Vancouver has also considerable experience in engaging the public to make choices about policies and spending, including its planning programmes and annual budget reviews.
- The City has been able to address many of the challenges of public engagement ahead of many cities because during the mid 1990s it initiated a Public Involvement Review to improve the overall corporate approach to public involvement.



Canada - Toronto

- The new City of Toronto was created on January 1, 1998. The amalgamated city was the result of legislation passed by the Province of Ontario merging seven municipal governments into one with the objective of improved city coordination and financial effectiveness. With a population of 2.5 million people, the unified Toronto is the largest city in Canada and the fifth largest in North America.
- The citizens of Toronto are the most important judges of the success of amalgamation. When the amalgamation announcement was first made by the province in 1996, there was considerable public opposition. In a referendum held by the former municipalities in the spring of 1997, over 70% of citizens voted against the amalgamation proposal.
- During the first three years of amalgamation, residents have been asked regularly their opinion on amalgamation and the city’s quality of life. Consistently polls have shown that Toronto residents are satisfied. For example, 87% of residents polled in October 2000 believed that amalgamation was the right decision for Toronto.
- Toronto’s governance model is still evolving. Its challenge is to ensure the development of an effective governance framework that will best serve the citizens of Toronto.
- A comparison of the estimated costs in the study relative to Toronto’s actual experience reveals: an under-estimation of savings as a result of consolidation; an overestimation of immediate savings as a result of efficiency gains; and an under-estimation of the one-time costs associated with amalgamating seven large corporations.



Section 5

Process and timing

Process background

- The substance of the suggested approach or idea for the Commission is to potentially divide the process into two parts. This will provide an opportunity to undertake more targeted consultation given the breadth of the Commission's terms of reference whilst dealing with the key drivers at a strategic level but with enough detail to deliver implemental solutions.

Part One – Drivers and outcomes of change

- Part One of the process would provide a focus on the key drivers and high level outcomes described earlier in the report as:

Key Regional Drivers

- Regional leadership
- Infrastructure governance and planning
- Auckland everyday elements working together
- Central / Local government collaboration
- Local decision making
- Paying for the future

Regional Outcomes

- Distinctive city which reflects its cultural identity
- Compact urban environment which enables the City to work more efficiently
- Connected city with affordable transport choices
- Sustainable land use and natural environment
- Designed to create beautiful places worthy of a unique city
- Designed for people and personal safety

- This focus by the Commission at an early stage would enable the priority drivers to be confirmed. The six drivers also provide the basis for the Commission to consult on its wide terms of reference.

Part Two – Delivering the change needed

- Part Two of the process would then provide a focus on the delivery mechanisms to achieve the outcomes. The Commission may then have the opportunity to develop the intermediate steps to get to the desired end point.
- Whatever configuration the Commission finally decides on as a process, it will need to resolve the issues highlighted by the key drivers given they cover the breadth of the matters raised in the terms of reference.
- Separating the process into two parts would provide an opportunity to filter the terms of reference into a manageable but strategic approach whilst providing an opportunity to build consensus. Consensus will be difficult to achieve if the process immediately focuses on solutions given many organisations have already formed positions on solutions.
- Given the factors outlined around how this process could work, it would provide a high value, low risk framework for decision making and long-lasting results.

Process background

- The key steps are summarised on the following process chart and described as follows:

Part One – Drivers and Outcomes of change

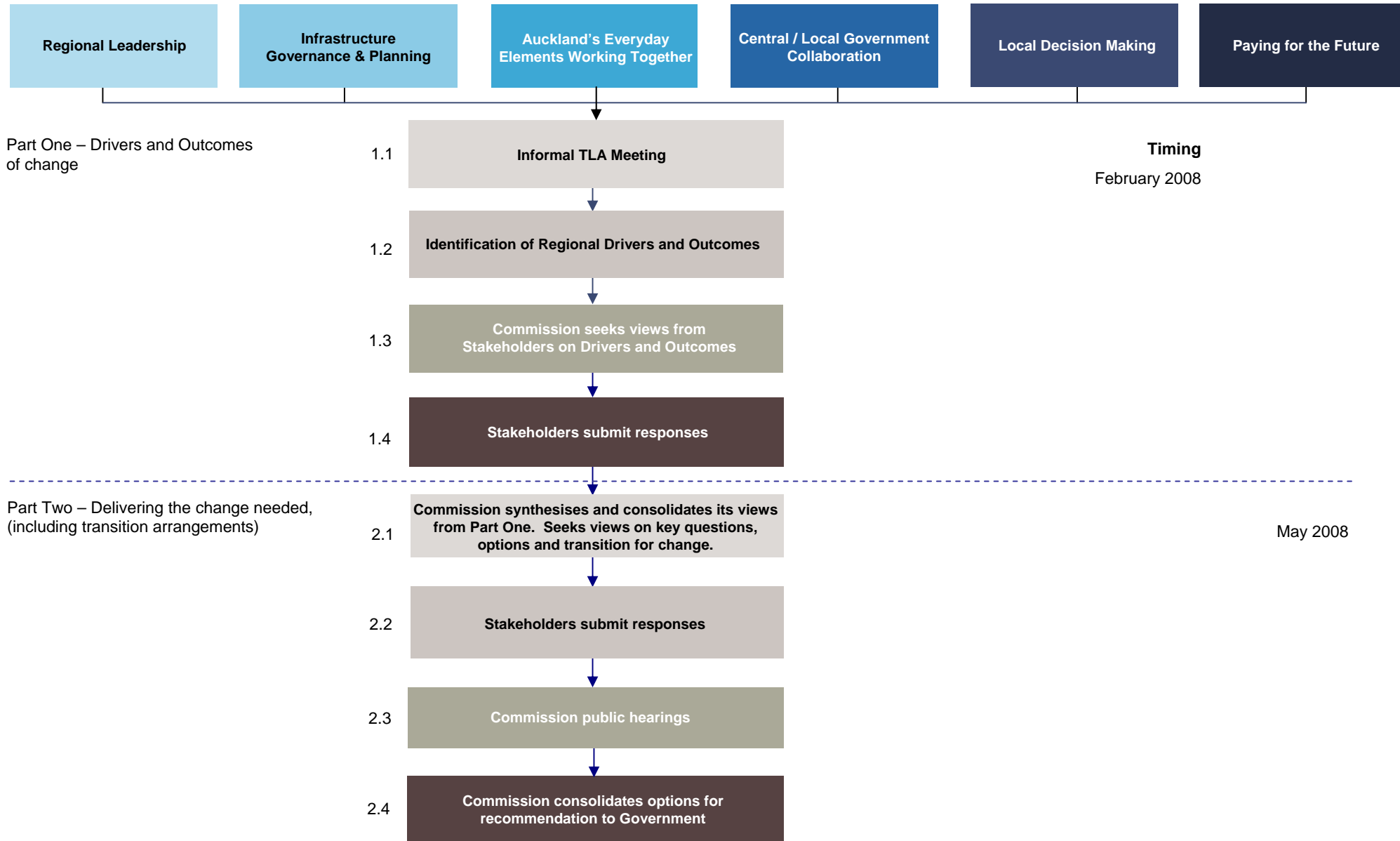
- 1.1 Informal meeting with all 8 councils as key stakeholders to explain and seek feedback on the Commission's process. This opportunity for informal dialogue could be repeated at other appropriate steps if the Commission felt it added value.
- 1.2 Identification and confirmation of regional drivers and outcomes required to be addressed within the context of the big picture in the terms of reference.
- 1.3 Communication by way of a preliminary paper to stakeholders seeking views on the identified key drivers and outcomes.
- 1.4 Stakeholders respond with:
 - Answers to the questions posed by the regional drivers
 - Views on what the future would look like, and what outcomes there would be as a result of the change

Part Two – Delivering the change needed

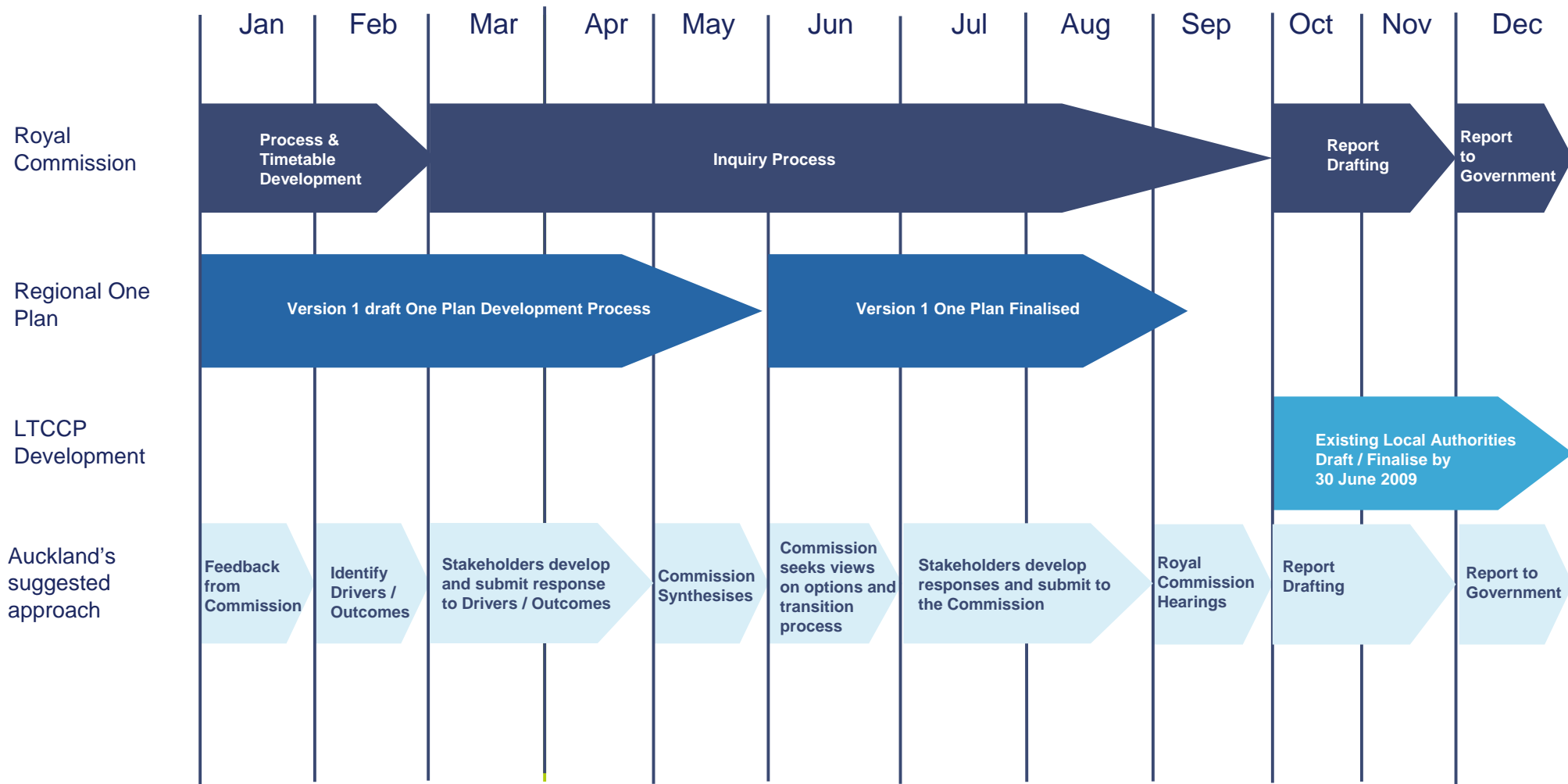
- 2.1 Commission synthesis and consolidation of its views as a result of Part One and seeks responses on:
 - Outcomes / drivers determined by the Commission
 - Options to address the drivers arising
 - Transition process
- 2.2 Stakeholders develop responses to questions raised by the Commission in Step 2.1.
- 2.3 Commission would hold public hearings on the responses received from stakeholders in order to contextualise and clarify stakeholder positions.
- 2.4 Commission would consolidate its options for recommendation to Government.

A final point to highlight is the fact that Part One could be completed fairly efficiently and timed to coincide with the release of the draft 'One Plan' due in May 2008. This has been incorporated within the associated timeline in this section of the report. The One Plan will provide guidance and prioritisation for the region's transformational projects and initiatives.

Process



Timing and milestones



Section 6

Key Questions for the Royal Commission

Key Questions for the Royal Commission

Key Questions – Commission Processes

1. What should Auckland City Council focus on within the Terms of Reference to provide the greatest benefit to the Royal Commission process?
2. What work will the Commission be completing in preparation for its proposed February/March announcements?
3. Would the Commission consider further informal meetings with all eight Councils at key points during the process to provide an opportunity for informal dialogue?
4. Has the Commission appointed a trusted advisor or considered whether they could utilise key stakeholders to provide a feedback mechanism on initiatives proposed?
5. How will council and the public be able to participate in the Commission's process?
6. Will the Commission be holding public hearings?
7. Will there be an opportunity for Auckland City Council to facilitate expert briefing opportunities for the Commission?
8. Can the Councils assist the Commission with engagement of the wider community through existing community stakeholder networks?
9. Does the Commission need assistance with their work requirements including meeting facilities?

Key Questions – Terms of Reference

1. The Commission is directed to "take into account" the findings of the Independent Inquiry into Local Government Rates. This implies that the Commission could recommend changes to the findings in relation to the Auckland region. Will the Commission receive representations on that matter?
2. Will the Commission receive representations on any matters relevant to the "inquiry's objectives" or will they restrict representations to the listed "relevant matters"?
3. In relation to "relevant matters" subpara (d), can the Commission clarify to what extent it will investigate the type and/or level of "public infrastructure, services and facilities" that are required to "support and enhance" (i) to (iv)?
4. Subpara (f) refers to "alternative transition processes". Can the Commission clarify if they consider that this is a reference to the provisions in Part 3 and Schedule 3 of the LGA relating to reorganisation of local authorities?
5. In relation to exclusions, subpara (a), can the Commission confirm whether this exclusion is limited to the purpose and principles in ss10 and 14 of the LGA?
6. The "consultation and procedures" are based on a presumption of a public process, including public hearings. This has implications for information and/or evidence provided by Auckland city council to the Commission in the pre-hearing phase. Can the Commission confirm whether this information will be kept in confidence or if they intend including the information in a discussion paper or to otherwise disclose the information?
7. How does the Commission view the status of any 'informal' meetings?
8. Can the Commission confirm whether international benchmarking is inherent in the terms of reference?

Appendix 1

Future Focus Data and Detailed Implications

The future of Auckland will be more culturally diverse and a growing population

Future focus

- Auckland confronts a significant demographic challenge over the next 25 years with implications across a wide range of areas (infrastructure, transport, urban planning, economic development etc).
- As the Auckland Sustainability Framework document points out, the region is also subject to several strong global forces such as climate change, rising energy prices, increasing global integration.
- The challenge is to have a local government structure that is appropriate to meet a growing, mobile and more culturally diverse population's needs in an uncertain environment.

Growing Population

- The region is expected to grow by 41% between 2006 and 2031, with the population increasing by 560,000 from 1.37 million to 1.93 million.
- To put this into perspective, the Wellington and Canterbury regions have approximately 450,000 and 520,000 people living there respectively in 2006.
- By 2031, Auckland is expected to be home to 38% of NZ's population compared to 33% now.

Mobile Population

- 37% of Auckland's population was born overseas compared with 23% for NZ.
- 13% of Auckland's population in 2006 was not resident in NZ five years ago compared to 8.5% for NZ.

Cultural Diversity

- Currently 54% of Auckland's population are European compared to 65% for NZ.
- With the European population expected to grow at a far slower rate (2.1%) up to 2021 than other ethnicities (39% growth), Auckland is expected to become more culturally diverse.
- Other language (than English, Maori or Samoan) spoken represented 22.5% of the Auckland region compared to 12.6% of NZ.
- Auckland's distinctive Maori foundations have shaped the city and its sense of place over the last 1,000 years.
- Recent waves of migration of European, Pacific Island, Asian and South African migrants has increased the cultural diversity.
- Auckland is now the largest "Pacific" city in the world and this along with the Maori indigenous culture provides Auckland with a unique identity on the world stage.
- Population projections suggest that within the next 25 years, the Asian population will be larger than the Pacific or Maori population resulting in a more multicultural society.

Auckland is establishing itself as an international city

Rising energy costs

- Like many other cities, the Auckland region is heavily reliant on fossil fuels.
- The Auckland Sustainability Framework document points out that international estimates of when oil production will peak generally range from 2020 to 2050.
- NZ and global oil consumption has increased significantly, and along with supply issues this has led to rising energy costs.

World Stage – Global Positioning

- Auckland is increasingly competing on the world stage for a mobile skilled workforce and for international investment.
- Auckland is a gateway to New Zealand in terms of trade, tourism, migration and communications and is a large metropolitan region within a small country that neighbours a relative giant in Australia, where Australia's east coast metropolitan areas are both many times larger in terms of population and economy and also key competitors for talent and investment.

The implications of the changing Auckland are far reaching

Implications

- This growing, mobile and more culturally diverse population presents both challenges and opportunities for government.

Challenges

- The increased population means approximately 260,000 more jobs have to be created in the region based on existing employment ratios. The growing population will need to be up skilled to create and benefit from opportunities in the international market.
- Existing vehicle ownership rates mean, all else being equal, an additional 300,000 cars and 40,000+ trucks will be on the road. The resulting congestion and likely demand on other resources presents sustainability challenges and highlights the need for an integrated plan.
- The increased population will result in greater competition for land use, with the need to manage conflict between different users and housing affordability issues. Growth will have to be accommodated either through higher population densities or an expansion in the metropolitan urban limit.
- A more mobile population and increased cultural diversity may make current participation opportunities/practices less relevant, adversely affecting ability or willingness to influence decision-making. Greater diversity and mobility of the population presents challenges for the development of a strong regional identity.

Opportunities

- Increased population growth means a larger, more dense consumer and labour market creating business and employment opportunities and benefiting from connections with universities and research centres.
- Potential increases in density of population and employment may lead to economies of scale effects that are positive for productivity.
- A more diverse population could lead to better growth prospects, as advocated by Professor Richard Florida's research findings*.
- The significant number of new immigrants could boost international connectivity with the rest of the world. That connectivity has the potential to boost the national economy through strong regional linkages, contributing to the government's economic transformation objectives.
- As the gateway for New Zealand with the global economy, and as the major commercial hub with New Zealand's largest clusters of business, finance and professional services, Auckland is New Zealand's best prospect to be a global city. As one commentator puts it "... if Auckland is not our first global city, there won't be a second".

*Cities and the Creative Class 2002

Appendix 2

Background - Community Outcomes and Expectations

Auckland's future

International city expectations

- Best practice status indicates that future orientated cities are focused on global competition and local leadership.
- Future orientated cities have also identified a number of significant challenges that have to be taken into account when creating a strategic plan for the future. These challenges include:

Infrastructure

- The demands on a city's infrastructure change and expand constantly. Cities have to ensure that their physical and technological assets can support the changing needs of their citizens.

Financial capacity and flexibility

- Growing demands on cities' budgets, combined with diminishing revenue bases mean that cities need to be creative and flexible in their financial strategies.

Community participation

- City administrations need to improve their accountability and the transparency of their dialogue with citizens in order to achieve the commitment of the whole city on its journey into the future.
- New policies have to find solutions to this, in order to determine how citizen engagements and political participation can be enhanced.

People and talent

- Competing in the international knowledge economy means ensuring that the appropriate people, skills and capabilities are developed.

Environment and community safety

- As quality of life becomes an important source of competitive advantage, cities have to provide a clean, green and safe environment for their citizens.

Cultural and leisure opportunities

- The competition among cities is intense, and a strong city brand is a potent weapon to maximise the visibility of a city's qualities and allow it to differentiate itself from its international city competitors.

(Cities of the future, PricewaterhouseCoopers 2006)

Auckland's Future

Globalisation - the city context

- As globalisation continues, most major cities want to be prepared to attract an influx of business. In short, they must be cities of opportunity if they want to retain their most talented citizens.
- At the beginning of the 20th century, conventional indicators such as port capacity and manufacturing capabilities were used to define cities of opportunity.
- While still significant, such indicators have given way in the 21st century to technological factors such as broadband availability and telecom infrastructure and to cultural characteristics such as diversity.
- These changes suggest that in addition to being a global city in the conventional sense, a city of opportunity in the 21st century must offer more.
- The requirements and features of 21st-century cities of opportunity have changed—and will continue to change—in areas that impact new economy competitiveness and attractiveness: areas ranging from intellectual capital and transportation assets to such fundamental requirements as safety and security.

(Cities of opportunity: Business-readiness indicators for the 21st century, PriceWaterhouseCoopers)

Optimising democratic participation

- Voter participation, particularly in western countries, has been declining in recent years. This is particularly significant in local government as evidenced by the recent October 2007 elections.
- To counter this apparent apathy, modern cities need to address new forms of participation. They need to encourage citizens, associations, networks, interest groups and neighbourhoods to participate in the political decision-making process.
- Single issues, rather than ideologically-based traditional politics, are increasingly the driver of political participation and debate. Cities need to reflect this changed reality in their engagement with citizens. Whenever major city issues are at stake, concerned citizens should be able to participate formally and informally.
- Cities need to find ways to combat some of the negative trends associated with the ever growing scale of large cities in the 21st century. Increased individualism and the associated decline in shared social values are issues that have to be addressed through new forms of participation and engagement that 'reconnect' citizens to their city.
- The impact of globalisation and increased mobility can lead to a sense of fragmentation. City governments therefore also have to introduce new democratic strategies that can help create a sense of coherence and vision for their city and all of its inhabitants.
- Three major trends are emerging that, taken together, provide city governments with the tools to bring all the players in a city's future together. These are:

Auckland's Future

- The drive for greater transparency and better communication;
- The creation of new forms of democratic participation; and
- The development of partnerships between private and public sectors and citizens

(Cities of the future, PricewaterhouseCoopers 2006)

Value for Money

- The affordability of Council long term plans as evidenced by current and planned rises in rates has become a major issue for city residents.
- A key aspect of this expenditure relates to infrastructure renewal and enhancement for growth. City residents expect Councils to show restraint in their rating demands whilst maintaining services.
- The Strengthening Auckland's Regional Governance process identified the need to explore and secure economic and service efficiencies from the various entities within the region working in a more integrated way. In particular this entails securing efficiencies in terms of the investment and operating expenditures incurred within the region.
- The recently completed National Rates Review captured the value for money sentiments of citizens generally.
- The pressure on cities to operate more efficiently and at the same time improve their services to citizens is increasingly responded to by the adoption of technological solutions. Improving processes and workflows within the city administration itself is a key focus for many cities.

National Expectations

- The following government priorities were released in April 2006:

Economic Transformation

- Working to progress economic transformation to a high income, knowledge based market economy, which is both innovative and creative and provides a unique quality of life to all New Zealanders;
- The economic transformation theme has been advanced by the Ministry of Economic Development (MED) releasing a paper which focussed on the following six priorities:
 - Improving access to quality, fast, reliable broadband services
 - Positioning as world-leading in smart innovative responses to environmental issues
 - Developing workplace skill, with an emphasis on basic literacy and numeracy
 - Supporting business to go global and extract full value from the global supply chain
 - Focusing government investment in six proposed areas that reflect and extend strengths
 - Making Auckland a world-class hub of innovation and internationalisation.

Auckland's Future

Families - young and old

- all families, young and old, have the support and choices they need to be secure and be able to reach their full potential within a knowledge based economy.

National Identity

- All New Zealanders to be able to take pride in who and what they are, through arts, culture, film, sports and music, appreciation of the natural environment, understanding of history and a stance on international issues;
- Although Auckland has been specifically identified as a specific focus within Economic Transformation, it will also be a significant contributor to the outcome of the Family and National Identity priorities given it represents a third of the country's population.

(Department of the Prime Minister and Cabinet website)

Appendix 3

Background - International Experiences

International Experiences

Australia – Victoria

- Local government reform undertaken by the Kennett Government between 1993 and 1996 included the following key elements:
 - A strong belief in economies of scale, although tempered to some extent by awareness of the need for local councils to reflect communities of interest
 - Wholesale reductions in the number of councils (eventually from 210 to 78)
 - Requiring councils to privatise or put to competitive tender most of their services
 - Utilisation of public private partnerships to deliver infrastructure
 - Requiring councils to employ senior staff on performance-based, fixed term contracts
 - Introducing rate-capping, with annual increases limited by the Minister for Local Government
 - State monitoring of local government performance through a series of key indicators.
- The focus of the Victorian reforms was therefore small government, economic efficiency, cost-cutting and councils operating as businesses. Implementation highlighted local government's accountability and subservience to the State.
- There was little consultation and no negotiation: with only one exception councils were simply dismissed and replaced by appointed commissioners who carried out the required changes under the Minister's close supervision.

Australia – Queensland

- The 'wedding' of State and local government in Queensland is a rather different story. Queensland has a history of relatively strong local government. This reflects a number of factors:
 - Brisbane City Council is the largest local government authority in Australia, with a population of around 850,000 and a budget of well over \$1 billion.
 - Queensland is Australia's most decentralised State, with a smaller proportion of the population in the capital city metropolitan area (although this has now become contiguous with the subsidiary Gold Coast metropolis), a number of quite large regional centres remote from the capital both inland and along the north coast and a strong rural tradition.
 - Throughout Queensland, local government retains responsibility for water supply and sewerage, and continues to exercise considerable autonomy in planning.
- A large number of State-local government agreements and protocols have been negotiated over the years, covering various areas of shared activity (such as the planning system and roads and transport) as well as a protocol on respective roles in the system of local government itself.
- Importantly, these agreements have extended to financial relationships: Queensland is the only State to agree to pass on to local government a substantial share of payments received from the federal government under National Competition Policy arrangements.

Australia

- Cross-boundary and regional planning are areas where the structure of local government has made it difficult for Queensland councils to move from an internally focused, parochial mindset to looking at the 'bigger picture'.
- Councils have struggled to collectively develop, and more importantly adhere to collaborative regional planning frameworks.
- This has been particularly true of high growth areas. In South East Queensland, the State Government assumed control of the regional planning agenda in 2004, through the introduction of the statutory South East Queensland Regional Plan. A similar State Government-led statutory regional plan will also be introduced for Far North Queensland in 2008.

Formation of Brisbane City Council; a merging of 17 Local Governments

- To this day, the formation of Brisbane City Council, in 1925, stands out as a beacon of the success of large-scale amalgamation. The formation of Brisbane City demonstrated that while reform will always have its detractors, it provides the opportunity to look beyond the present and deliver an outcome that meets future community needs, a situation very pertinent to the Auckland context.
- The City of Brisbane Act 1924 created a metropolitan city, unique in Australia, from two cities (Brisbane and South Brisbane), six towns, ten shires, and portions of two other shires.
- The huge area of 1,220 square kilometres was included because of alleged lack of community interest between urban and rural portions, and because the central areas would be burdened by the costs of developing the suburbs, and defended as necessary to incorporate the various joint and ad hoc authorities already in existence, to provide for proper public health and an adequate drainage system, and to allow effective planning. (The Government of Queensland, Colin A Hughes, 1980, Page 236)
- "The Greater Brisbane legislation in revolutionary fashion swept away fifty separate governmental bodies – city councils, town councils, shire councils, joint local authorities, ad hoc authorities and utilities. Out with them went some 200 part-time aldermen and shire councillors, together with government nominees to boards, all of whom contributed to the confusion of the city's previous governmental arrangements.

Australia

- The task of governing the city was turned over, instead, to one Greater Brisbane Council comprising twenty-one aldermen, including the mayor. All were directly elected by the citizens. The outcome was increased citizen control of civic affairs..”. (Tucker, D 1981 “Queensland”, J.Power, R. Wettenahll, J. Halligan (ed.) Advisory Council for Inter-government Relations Information Paper No. 7: Local Government Systems of Australia, AGPS Canberra)
- The Size, Shape and Sustainability (SSS) initiative was aimed at enabling local governments to improve the capacity, efficiency and sustainability of council services across Queensland.
- The SSS initiative was a cooperative program between the Queensland Government and the Local Government Association of Queensland. The program was founded on the premise that councils would voluntarily review their arrangements and work together to achieve common goals.
- The voluntary nature of SSS has led to the formation of review groups that are too small and do not consider broader regional issues; groups that find it difficult to agree on a common path forward and councils that flatly refuse to be part of the initiative
- It is clear that SSS as presently configured, will not deliver the required reforms to ensure local governments throughout Queensland can adequately provide services to their communities, particularly in the medium to long term.
- The State Government has taken the initiative given slower than expected progress to complete the reform by the 15th March 2008 Local Government elections. This work will be completed by the Local Government Reform Commission.

(Local Government Reform, A New Chapter For Local Government in Queensland, April 2007)

Canada

Canada – Vancouver

- The city of Vancouver in recent years developed a “packaged” approach to planning within the city. This has involved the consideration of how physical infrastructure requirements such as roads and transportation mixes and integrates with people and place based requirements.
- The objective is to optimise the city “fabric” in order that a balance is achieved to the sometimes competing requirements of these different city elements.
- In 2005 the City launched the “Core Job and Economy Land Use Plan”, a recent example of the City’s drive to take an integrated approach to city “fabric”. The goal of this particular plan was to ensure there is enough development and transportation capacity to accommodate future job growth and economic activity in the core metropolitan area. As a result of this plan, the City identified that it was potentially facing a job space capacity shortfall and developed strategies to mitigate this mismatch between employment and building size and scale.
- Vancouver’s ability to take a “packaged” approach to planning is enhanced by an approach which maintains a view of the big picture and accordingly avoids the pitfalls of “silo” based planning approaches which is common amongst large city administrations. By way of example during the metropolitan study relating to job growth and job accommodation it identified a number of other issues that all impact on the health of the metropolitan area. These included such diverse subjects as housing affordability, property tax policy and port planning. As a result other work streams have been initiated.
- The City of Vancouver has also considerable experience in engaging the public to make choices about policies and spending, including its planning programmes and annual budget reviews. In recent times there has been increasing pressure globally to increase public involvement in government decision-making and priority setting.
- Like many cities, Vancouver’s approach to public involvement has evolved over the last century. While major decisions such as freeway expansion were usually made in isolation from wider public consultation, the city now engages the public on a wide variety of levels ranging from overall planning for the city to traffic calming in specific neighbourhoods. The City also acknowledged that no single involvement technique will work for all programmes or all audiences.
- The City was able to address many of the challenges of public engagement ahead of many cities because during the mid 1990s it initiated a Public Involvement Review to improve the overall corporate approach to public involvement. Through a three phase approach, a number of initiatives were undertaken in the areas of departmental improvements: a corporate framework for public involvement, public involvement skills, civic awareness, ongoing contact with communities and multicultural outreach and translation.
- The success of the programme was based on an interested and active public, as well as a partnership between all city departments that involve the public.

Canada

Canada - Toronto

Three Year Status Report on Amalgamation,
January 1998 – December 2000

- The new City of Toronto was created on January 1, 1998. The amalgamated city was the result of legislation passed by the Province of Ontario merging seven municipal governments into one. With a population of 2.5 million people, the unified Toronto is the largest city in Canada and the fifth largest in North America. The municipal government's gross 2000 operating budget of \$6.3 billion is larger than the budgets of the majority of Canadian provinces.
- The Corporation has also had to respond to a number of other significant issues during this period. These included:
 - taking on additional responsibilities and costs resulting from a realignment of provincial and municipal services (provincial downloading)
 - responding to the introduction of a new property reassessment system
 - undertaking immediate action on year 2000 technology issues
 - addressing the budgetary impact of implementing a zero property tax increase for three consecutive years.
- At the same time, Council began city building initiatives in many areas including environmental, social, public health, urban planning and economic development matters. It has taken leadership on complex, multi-year undertakings such as the proposed redevelopment of the Toronto waterfront.
- Even as it was undergoing major internal change and addressing external challenges, Toronto's municipal government has continued to deliver regular services to the public in a wide range of areas. Surveys on citizen satisfaction with municipal services have continued to show high ratings during this three-year period.

Governance Issues

- Toronto has faced many governance challenges since amalgamation. The first 18 months included: deciding on a seat of government; defining and refining the council-committee structure; clarifying the role of Community Councils; and addressing issues of citizen participation.
- Prior to amalgamation there were 106 Toronto municipal elected officials. This number was reduced by nearly half as a result of amalgamation.
- In 2000 Toronto Council requested enactment of a City Charter for Toronto by the provincial government. The purpose was to redefine the relationship between the city, the province and the federal government. This need has arisen as a result of municipal restructuring and the expanded scope of responsibilities from the realignment of provincial – municipal services.

Canada

- Toronto's governance model is still evolving. While a local government in name, it can no longer easily govern itself as a small city or county. The challenge is to ensure the development of an effective governance framework that will best serve the citizens of Toronto.

Human Resources Integration

- The integration of staff and human resources systems, policies, procedures and practices of the seven former municipal governments has been one of the greatest challenges of the Toronto amalgamation. In 1997 the former municipalities employed a total of approximately 46,000 full time equivalent (FTE) staff, including those working for agencies, boards and commissions.
- This number included those working in amalgamating programs as well as those working in previously amalgamated services under the former Metro government.

Consolidation of Services & Operations

- Toronto inherited thousands of services and programs from the former seven municipalities. There were very few cases in which a non-amalgamated program or service was provided in exactly the same way by each government. The harmonisation of services, programs and operations has presented a major challenge for the new Council and administration.

Information Technology Systems Integration

- Amalgamation has presented many challenges and opportunities for establishing state-of-the-art information and technology (IT) capacity for Toronto.

Status of Special Purpose Bodies

- Since the beginning of amalgamation, Toronto has adopted the principle that all bodies belonging to the city would continue to operate until the city had reviewed them and determined what was required for the new organisation.

Financial Issues

- The first three years of amalgamation have been very challenging from a financial perspective. The fiscal constraints under which the city has operated have translated into limited or lost opportunities. The city simply has been unable to pursue initiatives which require large up-front capital investment. It has meant considerable stress on an organisation trying to do more with fewer resources.
- By 2000 the city had realized \$136.2 million (\$153.5 million including rate-supported operations) in annual savings as a direct result of amalgamation. The majority of these savings was achieved through a reduction in staff positions. A total of 1,753 positions (1,935 including rate supported operations) have been eliminated.
- These reductions represent a 9% reduction in gross expenditures and staff positions in amalgamating programs. This is a significant reduction given that for nearly a decade prior to amalgamation, the former municipalities had been reducing staff and maintaining or decreasing expenditures.
- One-time amalgamation transition costs as of the end of 2000 are estimated at \$275 million. Annual costs to finance these one-time transition costs are estimated to be \$28 million for 10 years.

Canada

- In 1996 the province commissioned a study to estimate the potential savings and costs associated with amalgamating Toronto. A comparison of the estimated costs in the study relative to Toronto's actual experience reveals: an under-estimation of savings as a result of consolidation; an overestimation of immediate savings as a result of efficiency gains; and an under-estimation of the one-time and annual costs associated with amalgamating seven large corporations.

Building the Future

- Major challenges continue to confront the city. These include: strengthening the fiscal capacity of the Corporation; addressing difficult choices with respect to core programs and service delivery options; completing the harmonisation of service levels, jobs and wages; and integration of operations; further consolidating corporate assets including yards and facilities; and further streamlining selected agencies, boards and commissions.
- Three significant areas that need to be addressed include: ensuring alignment of the strategic and sectoral plans to the city's fiscal capacity; focusing on improving employee morale, with completion of job and wage harmonisation as a key element; and further improving customer and citizen service.

Citizens Judge Amalgamation

- The citizens of Toronto are the most important judges of the success of amalgamation. When the amalgamation announcement was first made by the province in 1996, there was considerable public opposition. In a referendum held by the former municipalities in the spring of 1997, over 70% of citizens voted against the amalgamation proposal.

- During the first three years of amalgamation, residents have been asked regularly their opinion on amalgamation and the city's quality of life. Consistently polls have shown that Toronto residents are satisfied. For example, 87% of residents polled in October 2000 believed that amalgamation was the right decision for Toronto. 66% believed that amalgamation of the former municipalities provides better government than the previous two-tiered system (Toronto Star/EKOS).
- To realise the full benefits of amalgamation, there must be proper alignment between increased responsibilities and financial capacity. This requires a new relationship between the federal, provincial and city levels of government.

(Building the New City of Toronto, Three Year Status Report on Amalgamation, January 1998 – December 2000)

London

London

- London faces a remarkable combination of opportunities and challenges in the years running up to the 2012 Olympics, when it will become the focus of world attention, and beyond. London's ability to maintain future economic, social and environmental improvements will depend on the extent to which public services become more efficient, effective and accountable.
- London will see further growth during the coming ten years with projections of big increases in population and employment.
- London secured a new form of strategic government in 2000 with the introduction of the directly-elected Mayor of London and the Greater London Assembly (GLA). The Government is currently reviewing the Mayor and Assembly's powers.
- One of the current barriers to Londoners participating in the way the city is run is the extreme complexity of London's governance arrangements, which involve not only the GLA and boroughs but many other agencies and organisations.
- The price of this lack of local engagement can be failure of efforts to reform services, poor performance and low public satisfaction. Inadequate accountability therefore has practical and economic as well as democratic implications, leaving Londoners deprived as both citizens and users of public services.
- The London Governance Review Commission which is tasked with reviewing how well London works, is clear that organisations which plan, procure or provide public services should be answerable for their decisions and actions to those who fund or receive those services.
- Moves in recent years towards a more mixed economy of service delivery, with public agencies increasingly commissioning services rather than providing them directly, have made it more difficult to ensure proper accountability in London's already complex governance structures.
- In the Commission's view which was reported in 2006, strengthening the commissioning and community leadership roles of democratically elected councils, and enhancing the councillors' right to be consulted, is crucial to any attempts to improve accountability and local community representation.
- The quality of local service delivery would be improved by strengthening boroughs' powers to build and lead local partnerships and commission services which more accurately reflected local need. Such an approach would see the London boroughs building up their commissioning role in health, social services and education, and setting local strategies for regeneration, health, social services, skills and policing.
- The Commission proposes that elected local councillors should be supported to become the "human face" of all publicly funded local services in their areas. Under this vision councillors would be true local champions, not micro-managing services but equipped with statutory powers to engage with their planning, policy development and delivery. The ward councillor would be residents' first port of call when they had concerns about the quality of any local service provision.

London

- That London is distinct from the rest of the country is a principle that has been accepted by successive national governments for generations. Regional government is now firmly established in the capital and accepted. London's local and regional government is working well; there is cross-party working in both the Greater London Authority (GLA) and at the Association of London Government (ALG). London is delivering; the Audit Commission's most recent report reveals that London borough councils are leading the way in England. There is a need for greater freedom and flexibility in our institutional arrangements to build on this success.
- The objective for this Commission is to concentrate on how well London works - on the effectiveness, quality and accountability of local public services. London faces unique challenges in delivering its public services and yet so much of what happens in London takes place outside any locally accountable body.
- The public is confused as to who is responsible for what service, how to hold providers to account, how services are funded and how they can influence or engage with different service providers. Public expectations are rising yet, despite decades of new initiatives and schemes, public satisfaction levels are in long-term decline and voter participation rates are low.
- An "accountability gap" between central and local government has been identified, with local government held accountable by local people for choices on spending over which it has little control.

Past Reviews

- The Herbert Royal Commission (1960) was tasked to make recommendations as to "whether any, and if so, what changes... would better secure effective and convenient local government" and led to the abolition of the London County Council (LCC) and the establishment of the Greater London Council (GLC) and the 32 boroughs plus the unchanged Corporation of London. For Herbert, the key challenge lay in "holding a vision of London in mind". London's "astonishing quality of vitality" needed to be "guided and directed for the general good through the medium of self-government". Herbert saw the growth of London outwards as a single great city, rather than a merging of important urban centres once separate, and recommended a rationalisation of existing local government. For Herbert the "extraordinary complication of local government", which included 29 Metropolitan boroughs in inner London, Middlesex County Council, boroughs within Essex, Hertfordshire, Kent and Surrey, three county boroughs and 24 urban districts, was confusing to the electorate and led to poor government. He recommended the creation of the Council of Greater London (GLC) and 32 Greater London boroughs and the Corporation of London.

London

- The evidence we received indicated that accountability by service funders and providers to the users of London's public services is a key driver for change. Tony Travers, Director of the Greater London Group, London School of Economics, argued in evidence to the Commission "Democratic principles would suggest that, unless the public can broadly understand what is going on when it is explained to it, it is not going to be very democratic and pressures will not be brought to bear on services that would be likely to achieve the most efficient and effective results". Accountability will improve performance, public engagement and public satisfaction.
 - The Commission believed that clearer lines of service delivery would help the public identify how and when they can better engage with a provider to better tailor the service to meet their needs.
- ### More Accountable Local Services
- Crucially there needs to be:
 - clarity about who does what;
 - clarity about who pays for what;
 - clarity about service policies, objectives and standards;
 - the opportunity for the community to input to the various stages of policy, planning, procurement, provision and performance review;
 - public review of policy and performance; and
 - interaction between decision takers, service providers, service users and those who pay for those services.
 - The Commission believes that to improve transparency of service delivery in London, government should make clear the distinct roles of the different tiers of government:
 - at the regional level (Mayor and Assembly) - strategies and accountability;
 - at the Association of London Government - co-ordination and lobbying; and
 - at the boroughs – representation and articulation of local needs, accountability to local communities, the commissioning of and delivery of services, and leadership in local partnerships.
 - Because service provision is complex we need constantly to be aware of:
 - the citizen's perspective;
 - the appropriate roles of different levels of London's government;
 - the particular exigencies of different service areas.
 - A new settlement for London means more streamlined service provision and better understood governance arrangements. The Commission believes that this can best be achieved by strengthening the commissioning and community leadership roles of London councils and enhancing the councillor's right to be consulted to ensure better capture of local knowledge and need, greater accountability of the service providers and democratic representation of their local community.

London

The boroughs as administrative units for service delivery

- For many service providers the borough is a useful administrative unit at which to marshal resources to meet local need. Working with the local authority, valuable relationships are developed to tackle issues that require a cross-agency response. The boroughs are the right size for the development of working relationships at both the strategic level and coalface.
- Current London boroughs vary in size of residents from 164,000 in Barking and Dagenham to 340,000 in Croydon, with the average borough size around 240,000.

Is Big Really Better?

- The Commission noted there are however different views as to whether big really is better. In its interim report “The future of local government” the Cabinet Office’s Strategy Unit examines the factors that account for cost effective service delivery. The report argues that, while economies of scale have long been seen as a critical issue in determining the appropriate size of local authorities, “overall, the evidence base on this issue is extremely poor.””.

The role of the Mayor and the GLA

- At the London-wide level, the Greater London Authority (GLA) is made up of the Mayor of London and the London Assembly. The GLA is a focused, strategic authority providing a vision and voice for London.

- The Mayor is the executive arm of the Authority, with responsibilities for devising London-wide strategies and plans, proposing a budget, making appointments to the bodies under his control and co-ordinating actions to implement his strategies. The Assembly is the scrutiny arm of the GLA providing essential checks and balances to the power of the Mayor.

(A New Settlement for London, A Report by the Commission on London Governance, Volume 1)

- The Commission believed that to improve transparency in governance in London, Government should make clear the distinct roles of the different tiers of government, as follows:
 - at the regional level (Mayor and Assembly) - strategies and accountability;
 - at the ALG - co-ordination and lobbying
 - at the boroughs – representation and articulation of local needs and views, service delivery and leadership in local partnerships.
- The Commission allocated for Mayoral/GLA powers to examine ways to enhance the role of the Assembly, to devolve powers to a more local level (the boroughs and wards), the promotion of joint working across borough boundaries, funding of London’s public services and the rebalancing of the relationship between local government and national service providers.

London

Arts Funding in the City

- London's cultural organisations contribute to a wider creative industries sector which forms one of the most dynamic areas of the city's economy, with a £21 billion annual turnover.
- The Mayor is statutorily required to produce a cultural strategy, and in this the Mayor calculates that London's cultural sector receives financial support from all sources of £1.33 billion a year. Most of this comes from the public sector, with the arts the biggest single recipient (£320 million in 2002).
- But the structures for spending public subsidy are complex, vary from one sub-sector to another, and produce an inconsistent patchwork of delivery. Some boroughs receive significant subsidies: others, particularly the outer London boroughs, very little.
- Funding of some of London's most famous cultural institutions – its national museums – takes place through direct agreements with the Department of Culture, Media and Sport, and in many cases their trustees are appointed by the Prime Minister. Arts Council England, created in its present form in 2002, channels both the Government's contribution and National Lottery money to arts organisations.
- The Mayor created a London Cultural Consortium (LCC) and shown the benefits of elected regional government becoming actively involved in promoting and lobbying for the cultural sector.

- It was noted there is a case for extending the Mayor's powers to help bring greater cohesion to a highly fragmented sector. As well as reducing ambiguity and overlap in the present funding arrangements, this would position cultural activities within the framework of broader social and economic policies.
- Closer working relations between the Arts Council, the ALG and the boroughs could help avoid duplication, ensure a more equitable distribution of support across the whole of London and, by providing a mechanism for combining funding streams, create greater pools of upfront capital to draw in private sponsors.

Checks and Balances

- The Commission is clear that in any discussion about revising Mayoral and GLA powers, consideration needs to be given to how the checks and balances to Mayoral power should be refined.
- The Assembly's statutory role is to hold the Mayor to account, primarily through the formal process of consultation and approval of the Mayor's budget, but also through Mayor's Question Time and Plenary sessions and through its various Committees, which are tasked with, among other things, scrutinising the Mayor's policies.
- The Assembly's 25 Members, elected on a constituency and pan-London basis, are resourced to scrutinise the finances, policies and outputs of the Greater London Authority, which includes the Mayor's Office and the four functional bodies (Transport for London (TfL), the Metropolitan Police Authority (MPA), the London Fire and Emergency Planning Authority (LFEPA) and the London Development Agency (LDA)).

London

- The London Assembly is a vital partner to the Mayor in ensuring good governance in the capital, the delivery of value for money policies and the input of the views of all local people in the Mayor's decision-making process.
- To date there have been eight Mayoral statutory strategies and seven non-statutory strategies. The Assembly has a preferred stakeholder status, being consulted before other interested parties by the Mayor on any statutory strategy or change to the strategies.
- This provides some input into the formation stage of the Mayor's policies, but no real power to check or balance his ability to dispense resources. The Mayor can listen but take no notice. The electorate provides a broad mandate to govern but the Assembly provides the day-to-day accountability and challenge for specific policies and programmes.
- The GLA's four functional bodies deliver transport, policing, fire and emergency planning, regeneration and business support services. Collectively they have a budget of some £10 billion, the bulk of which is government grant. Each of the functional bodies has slightly different governance arrangements:
 - TfL is directed by a management board whose members are chosen for their understanding of transport matters and appointed by Ken Livingstone, Mayor of London, who chairs the TfL Board. No Assembly members or London councillors are permitted to sit on the Board.
 - The LDA Board is a business-led board, which is appointed by the Mayor. It gives strategic leadership to the organisation and is accountable to the Mayor for the Agency's performance and targets. Its 14 members include Assembly Members, councillors and business representatives.
 - LFEPA's 17 members are the Authority's main decision making body. They focus on the organisation's strategy and policy; its responsibilities include appointing senior staff and hearing disciplinary cases. Members, and the Chair, are appointed by the Mayor; nine members are from the London Assembly and eight are nominated by the London boroughs via the Association of London Government.
 - The MPA has 23 members: 12 from the Assembly appointed by the Mayor, four magistrates selected by the Greater London Magistrates' Courts Authority and seven independents, (of whom one is appointed directly by the Home Secretary). The MPA is tasked with increasing community confidence and trust in London's police service, setting policing targets and monitoring performance. The Chair is elected by its members.
- These boards are part of the executive, and appointments to them an important patronage power of the Mayor. Yet these arrangements lack consistency and offer different forms of accountability.
- For example the Chair of the MPA is elected by the MPA Board but the Chair of LFEPA is appointed by the Mayor. There appears to be no rationale for these different arrangements, nor any underlying principles to guide membership and appointments.

London

- The Commission believes that there does need to be reform of the boards of the functional bodies, but that the direction of travel should be in order to make them more representative of London's government as a whole.
- The board for LFEPA, which includes Assembly members and representatives of the boroughs, is recommended to become the template for them all.

Appendix 4

Acknowledgements

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