

## **Metropolitan Governance: the New Zealand Experience**

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New Zealand is a parliamentary democracy and unitary state comprising approximately 4.1 million inhabitants. It has a single level of local government which consists of two types of local authorities, territorial authorities and regional councils.

- The 12 regional councils are primarily responsible for regional environmental planning and policy with a focus on air and water quality. Some regional councils also manage bulk water supplies, public transport funding and regional parks.
- The 73 territorial authorities are either city councils (urban areas with a population in excess of 50,000) or district councils (rural areas or councils with large areas within their boundaries). Territorial authorities are responsible for local services such as water, waste water, local roads, recreation, libraries and community and economic development. Four territorial authorities also have regional council functions and are described as unitaries.

The local government sector as a whole is relatively small by international standards, its expenditure is equivalent to 3.1% of gross domestic product and less than 10% of all public expenditure. Its major and possibly only metropolitan area is Auckland, which accounts for almost 35% of the country's population. New Zealand as a whole is highly urbanized with roughly 84% of the population living in urban areas.

Auckland is recognised as having the most fragmented governance structure in the country. It consists of eight separate local authorities; one regional council; one transport authority and separate authorities to own bulk water and major assets, such as the port. It is also subject to numerous regional planning and strategy documents, many of which have no binding effect. Auckland is currently undergoing a consolidation process to create a single unitary authority which is expected to be completed to coincide with the local authority elections in October 2010.

### **Reform Ideology**

For more than a century the dominate idea driving the reform of local government has been amalgamation. This has been regarded as the answer to issues of capacity, accountability and devolution and was first promoted by the government in the mid 1890's.

It was not until 1988/89 that systematic structural reform finally occurred with the consolidation of more than 850 multi and single purpose authorities into 86 multi purpose

local authorities. Average council size grew to approximately 45,000 inhabitants, despite a large number of small councils with 10,000 or less inhabitants. Reform also introduced new accountability and transparency features, such as annual plans and consultation, as well as New Public Management type changes, including accrual accounting and employment contracts. In the two decades since those changes two further significant reforms have occurred. In 1996 mandatory long term planning, with a requirement to adopt ten year financial strategies and assess the private and public benefits of services, was introduced and six years later new legislation gave councils a power of general competence and required their long term plans to be focused on community outcomes.

A consistent trend since the reforms in 1988/89 has been the decline in representation with the number of elected members dropping, even as populations rise. Councils were perceived to be more like boards in a private sector sense than units of democratic representation. Neither has there been any comprehensive approach to urban governance. Although the 2002-2005 Labour Government appointed a Minister of Urban Affairs the position was located in an environmental ministry and was discontinued at the end of that parliamentary term.

### **The NZ model**

The New Zealand local government model is characterised by a general reliance on rates as the primary source of local government income; low levels of central government transfers and high levels of local authority autonomy. Politically it has a “weak mayor” elected at large at triennial elections.

A key characteristic of the reforms over the last twenty years was the introduction of a “one size fits all” approach to governance for New Zealand’s localities and regions, regardless of whether they were rural and dispersed or urban and contained. Structural design reflected a primary concern with clarity of roles and accountability, that is, separating the provider from the regulator, rather than a focus on regional coordination and strategic direction. By limiting regional councils to largely environmental standard setting roles large urban areas, such as Auckland, were severely disadvantaged. The absence of a strong regional entity resulted in a lack of leadership and decision-making around regional issues like transport investment and land use.

Changes introduced with the adoption of a new local government act in 2002 (LGA 2002) provided an opportunity to go beyond the “straight jacket” imposed in 1989 by creating an opportunity for regional councils and territorial councils within their regions, to agree to transfer functions between themselves. Seven years on it has been little used, the most interesting example being the decision by the eight territorial councils in the Wellington region to transfer their economic development and tourist promotion functions to the regional council, which is better aligned with the economic region as well as addressing free rider problems. It follows an earlier example by the Taranaki Regional Council which, with the support of the three district councils in its region, sought parliament’s permission to take over the running of tourist facilities and major stadia. This allowed the council to levy a rate across the whole region for what were essentially regional activities.

While the LGA 2002 has empowered local authorities to vary governance arrangements voluntarily and some variation has begun to occur, the degree to which some regions are reluctant to move beyond their traditional environmental 'watchdog' role is notable.

### **The Auckland Story**

Auckland has suffered more than most areas by poorly considered government interventions. As recently as 1992 the Government stepped in to strip the regional council of many of its regional assets and significantly reduced its ability to intervene in regional planning and economic decisions. The result has been a series of voluntary approaches to regional issues, such as managing regional growth through the creation of the Auckland regional growth strategy and more recently the One Plan, which saw the active involvement of government departments and Auckland councils towards the objective of aligning planning documents. The willingness of Auckland's councils to be bound by these voluntary planning arrangements was one of the factors that encouraged the Government to take a closer interest and intervene.

Central government officials began to take a closer interest in the performance of the Auckland region with the formation of the Government Urban and Economic Development Office (GUEDO) in 2005. The purpose of this office is to:

- Identify and develop Auckland specific policy initiatives that will make a significant impact on Auckland and national economic growth.
- Coordinate a collaborative approach for central government engagement in key regional development forums.

It reflected wider concern at relative modest nature of New Zealand's economic performance and, in particular, the lackluster economic performance of Auckland, the country's largest urban community. Auckland was regarded as underperforming compared to large cities overseas and a Royal Commission was established by the Government in 2007 to examine whether or not governance structures could be enhanced so as to address perceived under-performance. There was a generally accepted view that infrastructure development had not kept up with city growth resulting in structural inefficiency. The Commission reported to the new National led government early in 2009 and recommended a radical change to the existing governance arrangements:

- Consolidation of eight councils into a single unitary council of 1.4 million inhabitants
- A council of twenty three elected members
- Three seats reserved for Maori, the indigenous people
- Six subsidiary councils which would deliver most services (all staff would be employed by the metropolitan council)
- A directly elected Mayor with some executive powers i.e. the power to appoint committee chairs
- A social issues board to coordinate all central government social spending in the new city

- A Minister for Auckland and Cabinet committee on Auckland
- A long transition period.

Within days the Government chose to bypass many of the Commission's recommendations and came out with its own scheme. While sticking with the large unitary council the Government considered that six local councils were too few to allow meaningful engagement with citizens and at suggested that a more effective number would be between 20 and 30. The task of defining ward and local board boundaries was given to the Local Government Commission (a government appointed quango) which has recommended 19 local boards. Other defining features of the Government's alternative plan for Auckland involve the establishment of seven Council Controlled Organisations (essentially council owned companies) to oversee major services such as roads and public transport, economic development and water. The new council is to take effect immediately after the local authority elections in October 2010. The Government decided not to proceed with the recommendation for three Seats for Maori, a particularly controversial decision.

The role of the local boards has been a defining feature of the discourse around the new Auckland Council and the Government has committed itself to ensuring that the boards will have decision-making powers. The exact extent of these powers, however, has been given to a transitional authority to determine. The exact nature of their powers, role and relationship to the Auckland Council is yet to be fully resolved and poses a design challenge to legislators.

### **Conclusion**

Questions have been raised as to whether or not the new Auckland governance arrangements will be a template for other metropolitan areas or a unique response to the situation of the Auckland authorities. The Government's immediate response has been to say let's wait and see how Auckland works out.

Despite this its readiness to undertake major reform in Auckland has encouraged councils and organisations throughout New Zealand to question their existing governance arrangements with a growing number of requests for consolidation and the creation of further unitary authorities. The Government, however, has signaled an unwillingness to look at further changes in this current parliamentary term, other than changes that occur as a result of the existing statutory mechanisms for assessing consolidation proposals.<sup>1</sup>

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<sup>1</sup> Despite a number of attempts no consolidation proposal has been successful in the last twenty years.