

Auckland Council is it too big to last?

Auckland is a city-region under intense political pressure. Migration and development are transforming streetscapes and communities. Local government has to plan and budget for significant investments in infrastructure as the city grows, and there is no strategy that pleases all sectors of residents at once. Property owners love their rising asset wealth, but central government is under pressure to address homelessness and home affordability. The Reserve Bank and the Treasury, moreover, watch Auckland's over-heated housing market nervously, as it poses risk to the whole economy (Makhlouf, 2016).

In the midst of this, a major restructuring of Auckland's local governance and administration has been undertaken. The formation of the Auckland Council in 2010 unified four metropolitan city councils, two and a half district councils and one regional council, comprising a large urban, rural and marine area

(encompassing 4,894 sq km of land and 3,702 km of coastline and embracing 30% of New Zealand's population). This new entity was popularly dubbed the Super City, somewhat misleadingly given that, in terms of area, the new authority is mainly rural, although its population is mainly urban-dwelling. Being formally named

simply Auckland Council, a middle term is conspicuous by its absence. 'City', 'District' and 'Regional' could not be used, as they were the kinds of entities being abolished. Auckland Provincial Council would have resurrected an entity abolished in the 19th century; 'Shire' sounds too Australian; State of Auckland would have raised the spectre of federalism.

Auckland's basic problem is one that many other regions would love to have: growth. But then, how do you manage it? Its population was 1,415,550 in the 2013 census, and is predicted conservatively to reach 2 million by 2033. 'Three-fifths of New Zealand's population growth between 2013 and 2043 will be in Auckland' (Statistics New Zealand, 2015). Providing for this growth is costly for ratepayers (new infrastructure and amenities) and for central government (new schools, state highways, etc), and there is no end of argument over how to plan for it. A struggle arose over whether the urban space should intensify (grow up) or sprawl (grow out), and a political compromise was reached when the council passed the unitary plan in August 2016.¹

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Blakely (2015) summarised the planning issues in a previous issue of this journal; the present article considers the new governance structure of the Auckland Council itself, but not the council's administrative organisation. Central government considered that a unified governance structure was needed in order to provide the policy and planning effectiveness necessary to manage the city's growth. In the view of the Royal Commission on Auckland Governance,² the aim was to achieve strategically cohesive and effective planning and decision making across the region, and to improve local participation and engagement. Efficiency and cost reduction were not the primary concerns. Businesses and central government were frustrated with having to deal with seven local authorities; it was considered desirable that Auckland should 'speak with one voice' (Chen, 2014). The reforms were set down in the Local Government (Auckland Council) Act 2009, without the endorsement of a local referendum.

This significant reform of governance was more than just an amalgamation. It introduced a two-tier structural model with an office of the mayor that was new to local government in New Zealand at the time. Proposals for similar unifications in other regions (Northland, Wellington and Hawke's Bay) were roundly rejected after consultation and, in the case of Hawke's Bay, a referendum. And most Aucklanders' attitudes are negative or indifferent towards the new local authority. The council's own performance-monitoring survey found that few residents express trust in the council or satisfaction with its services. Only 15% expressed satisfaction with the council's overall performance; 17% trust the council to make the right decisions; and 20% were confident that the council is heading in the right direction. Critics of the council are especially prevalent in the Rodney and Hibiscus and Bays areas (Auckland Council, 2016). Those in rural areas feel that the new administration has an urban bias (Rose, 2015). Local advocacy groups in North Rodney and Waiheke Island formally proposed the formation of separate unitary authorities to the Local Government Commission,

arguing that Auckland Council does not represent or address the needs of their communities. So, how well have the Auckland reforms worked out in practice? Is the new model fit for purpose? As a decision-making entity (or group of entities), is it achieving what it was supposed to achieve? And, even if it is working well, what further problems or needs for modifications have become apparent?

The unification aimed for cohesive Auckland-wide planning within a single policy framework, and the new model has settled in surprisingly well, given the sheer size and scope of the restructuring and the lengthy and contentious process towards a unified plan. My qualified

ward on the council's governing body (which has 20 councillors and the mayor), and select a team (of between five and nine members) to make up their local board. The 21 local boards play an important role in local policy decisions and place-shaping, but they are not mini-councils, as they have no powers to raise rates or to pass by-laws. They do have non-regulatory functions, and they have input into region-wide policy through their local strategic plans. It is the governing body that approves the budget, makes the critical policy and planning decisions and passes by-laws. The mayor has a 'first mover' role, initiating budget proposals and strategic plans, but has only one

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endorsement of the unified governance model should not be taken as an evaluation of the particular actions and decisions of the Auckland Council. The unitary governance model and the actual performance of the council itself are obviously closely related, but they need to be assessed separately. Dissatisfaction with rates rises and planning processes has emerged, but it is not sufficient simply to 'blame the Super City' for this, as one cannot prove that people would have been better off under the former seven councils. Although the Auckland model has some flaws, the challenge for the time being is to make it work as well as possible. The present article identifies aspects of the governance model that may require refinement. Looking long-term, it also asks whether Auckland Council, in its present form, is simply too big to last.

The 2016 election, then, was the third time that Aucklanders have participated in this governance structure as electors. They vote at large for one mayor, vote for a councillor to represent their local

vote on the governing body. This briefly summarises the main elements of Auckland's governance. Aspects of this new model of local government have become politically controversial, however; this article sets out some of those contentious issues and seeks to put them into context.

The governing body

The mayor of Auckland appoints the deputy mayor, chairs the governing body, establishes its committees and appoints their chairpersons. The inaugural mayor, Len Brown, distributed the roles of committee chairs evenly among councillors across the political spectrum. This helped to avoid partisanship of a kind that, at worst, could mean a stand-off in which a majority opposes the mayor. So, while there was a noticeable left-right political spectrum, no cohesive factions (and certainly no whipped caucuses) emerged under Brown's mayoralty. Nonetheless, the mayor is given significant powers. Councillor Christine Fletcher observed that the inaugural mayor, the

deputy mayor and the chair of the finance committee had ‘much of the control and authority for day-to-day organisation and gatekeeping between the chief executive and senior management, and access to information’ (Fletcher, 2015).

The ward system for the election of councillors means that they are based geographically across the whole of Auckland. This creates a tension, however, between representing their local voters, on one hand, and the need to vote in the interests of the region as a whole on the other.

Some governing body councillors think regionally ... but a few are still very parochial and not all work well with their local boards, creating a

The office of the mayor

The legislation gives the mayor the leading (but not decisive) role in planning and budgeting, and authorises him or her to be the voice of Auckland as a whole. To support this higher executive function, it provides for an office of the mayor with a guaranteed operational budget. The mayor can staff this office as he or she sees fit, but all the employment agreements come under the human resources controls of the council’s chief executive. The office of mayor and its executive powers have nonetheless been attacked for giving the mayor too much power, independently of the governing body and removed from public scrutiny. Christine Fletcher commented in 2015 that democracy is ‘lacking’, that ‘Councillors are not driving

Zealand, but the boards have no regulatory powers. They cannot pass by-laws or levy rates; their budgets are granted by the governing body. The legislation states that the local boards and the governing body ‘share’ decision making, but the governing body can override a local board if a local matter is deemed to have region-wide policy implications or impact. A formal submission seeking to split North Rodney off from Auckland Council stated that ‘we do not regard the present local boards as any more than *advocates*, as they have very limited areas of empowerment’ (Northern Action Group, 2013, p.15). This may underestimate the consultation, planning and place-shaping roles of local boards, but nonetheless it reflects a certain perception of the two-tier model. If one includes all of the elected officials on local boards and the governing body, the representation ratio in Auckland is still a relatively high 1:8,820 and growing. This indicates that a significant weakness in the Auckland model may be at this local level, in terms of representation and engagement. Local board members are part-time in their roles, and not all meetings are open to the public. The claim that they lack the resources and powers to be meaningfully working with, and making decisions for, their communities will continue to be heard.

Māori representation

The government rejected the royal commission’s recommendation to have Māori represented directly on the governing body through two wards, based on the Māori electoral roll, plus one appointed by a Mana Whenua Forum. Instead, the legislation created an independent board tasked with assisting the council in ‘promoting cultural, economic, environmental, and social issues of significance’ for both mana whenua and mataawaka (urban Māori), and ensuring that the council complies with statutory provisions that refer to the Treaty of Waitangi.³ The Independent Māori Statutory Board consists of seven mana whenua and two mataawaka representatives. They are appointed by a selection body which includes one representative from each mana whenua group. The board then appoints up to

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situation whereby the governing body councillor and local board members cut across each other’s work. In theory, given their regional mandate, governing body councillors should be visiting and meeting with residents and local boards outside their own wards to get a more-regional view of issues, and this does happen with some councillors. (Shirley et al., 2016, p.23)

Moreover, this body of 21 representatives makes the key regulatory, budgetary and rating decisions for a population of 1.5 million and growing: a representation ratio of roughly 1:71,500. Given the scope of the unitary planning process, it is simply impossible for councillors to be ‘across the details’ in their own wards, let alone the region, and hence unelected officials are likely to exercise greater influence.

policy’, and that the public did not get enough information about decisions affecting them (Fletcher, 2015). To mitigate such concerns, the mayor’s role as first mover in policy development is subject to the support of the governing body, and budgeting and planning processes are open to the public once they reach the governing body. Having the mayor elected at large is appropriate to the purposes of the unitary governance model, as it means there is a single figurehead for the whole region. Given the scope and responsibilities of this new civic leadership role, it also appropriate that a distinct office be resourced to support it.

Representation and participation

Auckland Council has 21 local boards with between five and nine elected members each, or 149 members altogether. The population covered by any single local board is larger than many of the local territorial authorities elsewhere in New

two of its members to sit on each sub-committee of the governing body.

Some have criticised this arrangement on the grounds that it places unelected members onto committees that are otherwise composed of elected councillors (Rudman, 2015). On the other hand, by representing each of seven mana whenua groups, this arrangement provides a more inclusive, yet independent, avenue for local Māori participation in decision making than would have occurred under the royal commission's proposal for only two wards. The boundaries of such wards would cut across and/or incorporate distinct rohe. But with no Māori wards, there is no guaranteed Māori representation on the governing body itself, only on its subordinate committees.

Moreover, the selection body's appointments of mataawaka representatives have been controversial. One unsuccessful applicant disputed the selection process, and the Court of Appeal (in *Te Rangi v Jackson*) agreed that the process had been hasty and failed to take into account the views of mataawaka. But the controversy has not ended there. Although the selection body consists only of mana whenua representatives, it appoints the mataawaka representatives. Urban Māori leaders complain that the views of their community groups are still not being taken into account, and they say that mataawaka representatives should be appointed by urban Māori (Radio New Zealand, 2016). That would require amending the statute.

Direct representation by indigenous people in governance over their traditional territories is consistent with the Treaty of Waitangi and necessary for heritage and development purposes; hence some form of guaranteed representation for Māori – and not only through 'mainstream' systems – is warranted. Māori wards could still be implemented in Auckland, but they are politically contentious (Edwards, 2016). The current independent board is a compromise that has caused controversy among Māori and non-Māori.

Financial situation

Some observers assume that the unitary model was set up with 'alluring promises

of a cheaper and more efficient council' (Hill, 2015). No such promise was made, however. The royal commission and others (McKinlay Douglas Limited, 2006; Reid, 2009) were aware that, while some efficiencies may be gained through combining services and resources, the overall costs may not be reduced due to past underinvestment in infrastructure and population growth. Empirical research from Australia suggests, moreover, that, beyond a certain scale, amalgamation of local authorities may even lead to diseconomies (see below).

An independent analysis of Auckland Council's finances concluded that rates increases, on average, 'are well above the

rate of inflation, but allowance needs to be made for Auckland's growth and the pressures this creates, as well as for addressing the infrastructure deficit', and that 'debt appears to be within prudent limits, although compared to other councils it is high and growing' (Shirley et al., 2016, pp.40, 69). In June 2016 the council group's total tax-supported debt was reported to be at 246.5% of its adjusted operating revenue, and it aims to keep this under 270%. Auckland has large capital expenditure requirements to upgrade existing infrastructure, due to increased population densities and the need to modernise, and also has to provide new infrastructure as urban development expands. Hence some difficult decisions have to be made about financing this in future, through debt, rates, user charges, public-private partnerships and/or asset sales.

Council-controlled organisations (CCOs)

The CCO model has also been a controversial aspect of Auckland governance. Given the sheer size of the assets and costs, especially in Auckland Transport and Watercare, there have been claims that there should be more direct

democratic accountability over them. The Ports of Auckland Ltd (a company wholly owned by a CCO) has been subject to public controversy, for example, due to its management of the workforce and a proposed wharf extension. The CCOs have their own governing boards and are required to act as commercial entities. This opens up the risk of role conflict and poor co-ordination between the business goals of a CCO, the wishes of a local community and the region-wide policies and planning priorities of the unitary plan. The Auckland model could thus be accused of replacing geographical fragmentation with functional fragmentation.

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public management' of the 1990s publicly-owned trading organisations such as state-owned enterprises and CCOs were required to act like business enterprises, although some social responsibilities may be mandated as well. Commercially-oriented business decisions were at arm's length from the political process, and hence subject to less 'interference'. A minister or a council might instead purchase services from them. For Auckland's CCOs, however, the pendulum is now swinging back towards centralised control and democratic oversight. The Governance Manual for Substantive CCOs (issued by the Auckland Council's CCO governance and monitoring committee in August 2015) requires them to act in the best interests of 'the council group' and to make decisions that align with the council's plans and policies. Agency theory and the autonomy to act as a commercial entity have given way to 'partnership' and closer co-ordination of activities between council entities.

Too big to last?

Experts largely agree that the unification was a good idea (Chen, 2014; Shirley et al.,

2016), but very few residents hold positive opinions about the council (Auckland Council, 2016). Even some councillors are sceptical. Mike Lee (Waitematā and Gulf ward) expressed qualified support for a 'greater level of self-government' for North Rodney on the grounds that the unitary Auckland Council 'cannot be defended as optimal in terms of efficiency and cost-effectiveness' (Lee, 2016, p.26). The council has work to do to build the

number of councils from 157 to 73 and the number of elected representatives from 1,250 to 526. But a before-and-after analysis 'cast doubt on whether the Queensland forced amalgamation program has improved the operational efficiency of local councils' (Drew, Kortt and Dollery, 2016, p.12). As a result of the amalgamations, this study found, a greater proportion of Queensland residents were represented by local

Victorian councils between 161000 and 174000 residents' (Drew, Dollery and Kortt, 2016, p.74).

Given that Auckland's average rates increases have been well above inflation and that there is significant public dissatisfaction with the council, the results of this Australian research reinforce the contention that the Auckland model is well beyond the optimum size from the viewpoint of both efficiency and public satisfaction. Auckland is now the largest local authority in Australasia in terms of population, and the comparative evidence cited above does not support the notion that its size will lead to greater efficiency and economy of scale, or to greater public satisfaction.

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reputation of the unitary model among its own elected members and Aucklanders at large. Even if disaffected communities in North Rodney and Waiheke Island do not win their case to break away from Auckland Council, the fact that they have put formal proposals forward to do so shows that many residents see the council as too big and too remote for effective local democracy. If this trend were taken to its logical conclusion, however, more powers would be devolved to all local boards, and eventually Auckland would have 21 boroughs and a regional council, and be back at square one.

On the other hand, an argument in favour of the unitary council is based on its sheer size. It may create greater buying power with suppliers, reduce duplication, allow for efficient sharing of services, and provide scope for trialling innovative service models. Empirical evidence from Australia, if comparable, suggests that Auckland Council could be well above the optimal size, however. The forced amalgamations of local bodies in Queensland in 2007 reduced the

authorities that exhibited diseconomies of scale. The optimal population size was found to be just under 100,000. In addition, Sinnewe, Kortt and Dollery (2016) conducted a comparison of the very large Brisbane City Council with Sydney City Council, an average of six south-east Queensland councils and an average of ten metropolitan New South Wales councils on measures of financial performance. If the notion that 'bigger is better' holds true, then Brisbane (with 380,800 households) should out-perform those comparators. But, on measures of financial flexibility, liquidity and debt-servicing ability, the Brisbane City Council performed comparatively poorly. On non-financial performance indicators too the evidence does not look good for larger municipalities. Using data from community satisfaction surveys of local councils in the state of Victoria, Drew, Dollery and Kortt found, for metropolitan councils, an inverted U-shaped relationship between population size and community satisfaction. These results suggest 'an optimal population size for

Conclusion

Is Auckland Council now simply too big to be efficient, democratic and sustainable? Will it be branded 'a failed experiment'? Once the unitary spatial plan has been approved and put in place, will the next step be to devolve powers to, say, ten or 12 smaller councils?

Empirical evidence and public sentiment weigh against Auckland's unified governance model. Aucklanders disapprove of it; the rest of New Zealand refuses to emulate it. This particular pendulum may have further to swing towards centralisation (meaning central government takes over some powers to shape Auckland), or it may have reached its extreme position and be on the cusp of swinging back towards a devolved model (multiple boroughs under a regional council). In the meantime, the council has to earn a better reputation with the people of Auckland, improve local engagement and participation, implement the new unitary plan and ensure financial sustainability. Its long-term fate rests in the balance.

- 1 At the time of writing, legal appeals threaten to delay the full application of the unitary plan's zoning maps.
- 2 The *Report of the Royal Commission on Auckland Governance* (2009) and related papers have been archived by the National Library at <http://ndhadeliver.natlib.govt.nz/ArcAggregator/arcView/frameView/1E1055203/http://www.royalcommission.govt.nz/>.
- 3 Local Government (Auckland Council) Act 2009, s81.

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