

Strengthening Auckland's Regional Governance

Report on Progress

For Discussion & Feedback

16 May 2007

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Overview

Purpose

This report has been prepared as the next stage of developing and assessing the options identified in the December package to Strengthen Auckland's Regional Governance.

The agreed process provided for a draft document to be presented to the Political Reference Group before being finalised. The feedback from the PRG has been incorporated into this document.

This document is intended to be considered by Councils and Ministers with an opportunity for them to provide substantive feedback and guidance as to the way forward by 5 June. A final document will then be produced for formal consideration and adoption by Councils and Ministers.

This report provides an overview of the issues and assesses the options available with respect to key elements of the proposal. The analysis and commentary has been prepared by officials from both Central and Local Government.

It is not intended that the report provide recommendations at this point. Recommendations may well emerge as feedback is received.

Introduction

This report builds on the package presented to the Government in December 2006. That package was designed to both strengthen regional governance and create a new framework for the delivery and funding of activities within the Auckland Region.

Following consideration by Ministers it was agreed that a joint process be undertaken involving both Central and Local Government officials with a view to providing recommendations on how best to advance the issues associated with strengthening governance.

The key reference point for the work to be undertaken was to be the package presented in December. The key details of the package are set out below:

- The creation of a Greater Auckland Council (GAC) with an appropriate new name, potentially new directly elected representation arrangements, a broader role and responsibilities, and access to new funding sources as well as regional rates.
- The establishment of a Regional Sustainable Development Forum, as a standing committee of the Greater Auckland Council. This Forum would have similarities to the current multiparty Regional Growth Forum led by the ARC.

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- The development by the Forum, of "One Plan" for the Auckland region to promote social, economic, cultural and environmental well being through prioritised action plans. It is envisaged that the process would produce a series of negotiated multilateral and or bilateral agreements with the objective of implementing and funding strategies.
- The development of new national strategies by central government, that link with and guide regional strategies as well as central government funding and delivery.
- Multi-year funding agreements between central and local government.
- Amendment of transport legislation to enable the Regional Land Transport Strategy to specify both major projects and areas for focus and activity.
- Amendment of water legislation to enable Watercare to pay its territorial authority owners a dividend to fund stormwater infrastructure.
- The investigation by the councils of an expansion of shared services arrangements, and ways of optimising current rates bases and tools.

A copy of the letter sent by John Robertson as Chair of the Mayoral Forum is attached as Appendix 1.

Objectives

The overarching objective for this work has been to look for ways to strengthen Auckland's regional governance to achieve:

- A common vision for the future;
- An integrated and prioritised set of strategies for regionally significant issues;
- Clearer mechanisms and incentives to provide more certain implementation of decisions made;
- More alignment between local and central Government strategies and funding;
- A platform to facilitate the creation of Auckland as a world class city;
- Improved economic and social performance of Auckland and the nation as a whole; and
- An improvement in the quality and timeliness of decision making together with agreed commitments for the associated funding to deliver on the decisions taken.

These objectives are derived from both the drivers for the December package and broader national considerations.

The December proposal also stressed the importance of:

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- local democracy,
- sufficient revenue streams; and
- improved value for money
- as key considerations for the development of the way forward.

Key Elements of the Proposal

The proposal does involve a wide number of options with respect to its individual components. In addition, many of the options and choices available are to a certain extent interdependent. Similarly some issues are mutually exclusive.

As a consequence it has been necessary to focus on the key elements of the proposal and in doing so create a framework to address those matters that materially influence, and or impact, on the final shape and feasibility of the proposition. Feedback from Councils on the individual components will assist in developing the potential model(s) for strengthening Auckland Regional governance.

The December proposal sought to move forward on the basis of a compromise between two different approaches to strengthening regional governance that had emerged through its development. Those approaches either:

- addressed the issue by integrating all regional responsibilities under one strengthened regional governance entity; or
- overcame the fragmentation of responsibilities for regionally significant decisions by mechanisms and processes for collaboration and coordination between Councils.

The compromise is reflected by the recommendation of both a regional collaboration mechanism (the RSDF) and a “strengthened” regional entity (the GAC).

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For the purposes of presentation the key elements have been identified as:

- Mechanisms aimed at strengthening governance relating to:
 - The role and accountability of the GAC including its representation
 - The role of the Regional Sustainable Development Forum
 - The scope of the One Plan including the proposed process for development of the One Plan, including the negotiation of funding for implementation actions and the timing and staging of developing the One Plan, recognising that much of the work already undertaken with respect to the Long Term Sustainability Framework and regional strategies represents a first step.
- The advancement of the other regionally significant issues (as identified in the December package) and their associated work streams.

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Strengthening Governance

Greater Auckland Council

Role - The Greater Auckland Council (GAC) is to provide regional leadership for Auckland. It would assume responsibility for regionally significant issues associated with the social, cultural, economic and environmental well being of the region. In that context it would undertake the existing roles of the Auckland Regional Council together with an expanded role in regional economic development, tourism promotion and events management, funding and owning regional facilities and amenities, and advocacy to central government on regional issues.

The December proposal identified the need for additional funding sources as a necessary prerequisite for a strengthened regional body. It was further recognised that the existing rating base was inadequate to resolve the issues of regional significance faced by the region – both in terms of the current shortfall on key services such as transport, the proposed expansion in services relating to economic development and regional facilities and the anticipated increase required with respect to key infrastructure investment and services. The need for new mechanisms was linked to the additional functions that would be assumed by the GAC and would include a range of options/mechanisms such as a regional fuel tax, development levies and departure tax for specific expenditure.

Agreement on the need for the new funding tools was seen as a fundamental aspect of the December proposal and a necessary precondition of moving forward. The exact nature, quantum and timing of the funding mechanisms would be the subject of specific business proposals to Government. Those proposals would be based on specific issues and or investments (such as Electrification) where it was established existing funding sources were inadequate.

The December proposal also recognised that the current alignment of funding mechanisms with governance arrangements was not optimal for achieving the region's and Government's aspiration of Auckland becoming a world-class city. The December proposal canvassed various options to address the perceived misalignment of current funding, including better alignment of existing national, regional and local funding to agreed regional priorities through the One Plan process and full optimisation of the rating base within the region.

Under the December proposal it was also envisaged that the GAC would assume responsibility for convening the Regional Sustainable Development Forum (RSDF);

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Arising from the December proposal there were several key issues left unresolved relating to the following:

Role of the GAC with respect to the One Plan – as noted above, the GAC would be the convener of the RSDF (the developer of the One Plan). On the basis of further work, it is now suggested that the GAC would also:

- Provide Executive Support to the RSDF;
- Receive the One Plan as a recommendation from the RSDF. This could require the prior ratification of the Plan by all parties. The GAC would have the option of adopting the One Plan or being able to refer the One Plan back to the RSDF but its power to unilaterally change the One Plan could be limited;
- Become the implementer of the One Plan decisions for which it has responsibility;
- Undertake the role of Guardian of, and negotiator for, the implementation of the commitments (including funding commitments) arising from the One Plan;
- Monitor the overall implementation of the One Plan.

In addition, the GAC would have a key role in managing the relationship with central Government on issues of regional significance. The RSDF would also have a role with respect to engaging with and aligning Government priorities.

Representation – Two elements were identified here, membership of the GAC and the mechanism by which the leader is appointed.

There are a range of options available with respect to membership including:

- Status Quo whereby up to 14 members are directly elected on a constituency basis (based on Territorial Authority Boundaries).
- An enlarged number of members based on:
 - Parliamentary Boundaries;
 - Status Quo plus the appointment of one person by/from each territorial authority;
 - All GAC members appointed by Auckland territorial authorities;
 - Status Quo plus additional members elected at large across the region (up to half of the total number of GAC representatives).

All alternatives to the status quo would require legislative amendment.

Some of the considerations to take into account when considering these options include:

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- the best means of supporting regional democratic accountability;
- the recognition that although the existing electoral system for the Regional Authority is undertaken on a geographic constituency basis the elected members do take an oath to act in the interest of the Region;
- whether particular representation options will provide greater opportunities for greater alignment between regional and national interests;
- the role and responsibilities of the RSDF.

In terms of the appointment of the leader of the GAC, two options were outlined in the December proposal. These related to a:

- Directly elected regional leader;
- Chair elected by the GAC from within its own membership.

The majority of Councils' resolutions support retaining an internally elected chair. One Council supported the concept of a directly elected leader. In the past, central government agencies have also considered this issue. Proposals to allow directly elected regional leaders (Mayors) were explicitly considered and rejected during the review that led to the Local Government Act 2002.

Legislation would be required if there was to be a directly elected leader.

Regional Sustainable Development Forum

Under the December proposal it was envisaged that the RSDF would be a standing committee of the Greater Auckland Council. It would comprise elected representatives from all the councils of the Auckland region, plus central government representatives.

Depending on the nature of the issue, and recognising the need for alignment across all sections of the community, it is envisaged that the Forum would involve non-governmental representatives from time to time. The Forum would have similarities to the current multiparty Regional Growth Forum led by the ARC.

The role of the RSDF would be the development and recommendation to the GAC of the One Plan. Such a process would:

- improve collective decision making about matters of regional strategic importance (i.e. One Plan content);
- help facilitate a strengthened link to the implementation and funding of regionally agreed priorities;
- develop the vision and outcomes sought for the region, including specifying the priorities and funding envelopes/parameters that parties are prepared to commit to the agreed priority regional strategies.

The December proposal identified but did not reach shared understanding of issues relating to:

- Representation;
- Decision making and voting systems;
- Consultation/Accountability;
- Relationship with existing fora.

Representation – The December Council resolutions identify a number of options concerning Council membership and voting strength on the RSDF. The resolutions conveyed concerns about the effective functioning of the RSDF to ensure that critical regional decisions are made taking into account the views and perspectives of all parties. It was recognised as being important that the RSDF functioned to ensure a focus on regional priorities and the maximum commitment to final One Plan decisions by all parties involved. This would include the involvement of central government.

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The options put forward with respect to Council membership include:

- One representative from each Council;
- RSDF to comprise two (or more) representatives from each Council.

The December package left open for further consideration the position with who would be the Council representative on the RSDF. Depending on the option selected above two options have been identified being:

- the Council representatives on the RSDF would automatically be the Mayor (and their deputy in the event there was to be more than one representative per council); or
- Each Council would appoint a representative or representatives from their elected members.

The decisions about representation on the RSDF need to be considered in conjunction with options for the voting/decision making method (discussed below).

As in the case of local Councils, there are a range of options with respect to Central Government participation including:

- Full membership of the RSDF through representation by one or more Ministers;
- Full membership of the RSDF through representation by one or more especially appointed persons, or through officials with special delegations;
- Subsidiary membership (speaking but not voting rights. This would have a flow on effect to the degree to which the Government could be expected to be bound by the One Plan decisions.

It is also likely that the RSDF will involve a number of key stakeholders in its deliberations from time to time. It is not envisaged that these stakeholders would have formal representation on the RSDF.

The position with respect to Mana Whenua/Tangata Whenua needs to be recognised. Two options have been identified relating to either:

- Full participation with voting rights;
- Direct recognition as a key stakeholder with a separate consultation process.

The December proposal and Council resolutions were also silent on the issue of the Chair of the RSDF. Given the key role of the RSDF in the development and recommendation of the One Plan the role of Chair is critical to the overall

direction, style and level of buy in and commitment of the participants. The key options identified with respect to the issue of Chair are identified as being:

- the Leader of the GAC automatically assumes the role Chair of the RSDF;
- The GAC appoints the Chair of the RSDF, either from within the GAC or the RSDF;
- The membership of the RSDF appoints the Chair in accordance with the voting procedures established for the RSDF.

Decision Making and Voting Systems - Although the model discussed in this paper is that the RSDF would provide recommendations to the GAC, the decision-making processes which the forum employs to reach agreed recommendations remain important because they are a mechanism to:

- Ensure that all parties to One Plan have a fair opportunity to influence the content of the document recommended to the GAC for adoption;
- Encourage buy-in and commitment to One Plan and One Plan priorities, funding and implementation;
- Encourage the development of One Plan priorities which are meaningful and which met the needs of the region (some decision-making models carry the risk of encouraging a 'lowest common denominator' approach).

Assuming that only agencies committed to funding the implementation of One Plan will be party to the decision making, and recognising that there are a range of models already in operation in the region, the range of possible decision making models for the RSDF include:

- An honest attempt is made to make decisions by consensus. However, if this fails, RSDF decisions are made by majority vote. Each agency represented on the RSDF has one vote (as opposed to each member having one vote).
- An honest attempt is made to make decisions by consensus. However, if this fails, RSDF decisions are made by majority vote, but voting is weighted in proportion to population. This is similar to the existing formula for the Auckland Memorial Museum Electoral College;
- An honest attempt is made to make decisions by consensus. However, if this fails, RSDF decisions are made by majority vote, but voting is weighted in proportion to financial commitment to One Plan implementation. This is similar to the model used for Watercare Services Limited.

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A fully consensus-based model of decision-making has not been considered in the options above as, while it may encourage buy-in to decisions made and increase the likelihood of implementation, it may also encourage parties to 'water down' decisions so that all parties can agree. This could result in critical regional investments not being made. A more pragmatic approach might be to aim for consensus decision-making in the first instance, but to use voting arrangements as a circuit breaker in instances where agreement cannot be reached.

An additional issue to consider is whether any voting thresholds should apply to voting within the RSDF. This would mean that decisions could not be made by a simple majority, but that a 75% majority would be required to pass the decision. For example, within the Watercare Services Shareholders Group each shareholder has two representatives, but only one vote. However, only those decisions passed by a 75% majority are binding on the shareholding parties.

Some of the issues to take into account when considering these options include the degree to which:

- the existing regional models (particularly population based models) would be appropriate for the RSDF if central government were a party to the RSDF
- the parties wish to 'insulate' decision-making from dominance by two or three large parties by imposing a voting threshold
- each model would support buy-in of parties to the One Plan vision, priorities and funding proposals and increase the certainty that funding and implementation commitments will be followed through on once the plan is adopted and supporting agreements concluded.

Consultation/Accountability Further analysis and discussion since submitting the December proposal has highlighted the desirability of the RSDF undertaking the consultation and engagement with key stakeholders, Mana Whenua/Tangata Whenua and the general public on the One Plan prior to its recommendation to the GAC. This is consistent with the principle that responsibility for consultation should lie with the developer of the 'product'. It also assumes that the RSDF should be primarily responsible for determining the regional mandate (in conjunction with Central Government) for the priorities and proposed implementation and funding of them.

If the option of the RSDF managing consultation on the One Plan is endorsed, it is proposed that the subsequent implementation and funding agreements to give effect to One Plan decisions should be informed by this consultation and carried forward into LTCCPs, SOIs etc without further consultation at that point.

The options with respect to the participation of Mana Whenua/Tangata Whenua were outlined above.

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Relationship with Existing Fora – A critical success factor for the operation of the RSDF will be the need for RSDF members to be very well informed and conversant with a high level of detail about significant regional issues to enable robust discussion and negotiation. The RSDF needs a well managed process to ensure that members have timely access to the information they need to enable the RSDF to undertake its role.

To achieve the necessary support and flow of information the following options have been identified in relation to existing regional fora:

- retain existing regional fora and committees but subject to RSDF direction and oversight/approval of sector strategies;
- existing regional fora and committees cease to exist entirely, with their functions being undertaken by the RSDF;
- existing regional fora and committees are convened (as appropriate and necessary) by the RSDF as specialist sector representative advisory bodies.

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One Plan

One of the key components of the December proposal was the support for the development of an integrated and prioritised and funded strategy for the region. The concept involved the development by the RSDF of "One Plan" for the Auckland region to promote social, economic, cultural and environmental well being through prioritised action plans.

It was envisaged that the process would produce a series of negotiated multilateral and or bilateral agreements with the objective of implementing and funding the agreed strategies. These agreements would be binding in nature and therefore address one of the key issues impacting on the region with respect to their current inability to deliver and implement agreed strategies.

Along with a stronger GAC, a new regional forum (the RSDF) and new funding sources, the One Plan intended to help address concerns previously expressed by:

- **Business and citizens** that critical infrastructure investments in Auckland are not happening.
- **Auckland local government** that there is little certainty that regional strategies can and will be funded; that alignment between national and regional decision-making needs to be improved; and that a more forward thinking approach is required to help Auckland meet the long-term global challenges that it faces.
- **Central government** that Auckland needs a more unified vision, supported by strong priorities if it is to contribute to national objectives such as economic transformation; and that government needs a more effective vehicle for engaging with Auckland on issues of regional significance.

One Plan is unlikely to meet these expectations without associated changes to governance and funding arrangements for the region.

The development of an effective One Plan will also require willingness from all parties involved to cede a greater degree of autonomy in the interests of regional advancement. It is generally acknowledged that this cuts across the current status of decision making and authority and represents a significant change in culture for parties to the RSDF, GAC and One Plan.

The development of the One Plan would build on, and provide, an integrated umbrella for existing and new regional strategies. In particular it would deal with regionally significant issues, infrastructure, policy and services.

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The purpose of One Plan is effectively to:

- provide a unified strategic vision for the region that integrates regional strategies and prioritises key investments, projects and actions;
- provide a vehicle for ensuring greater certainty that regional priorities will be funded and implemented;
- improve the existing mechanisms for prioritising regionally significant decisions and investments in an environment where the decisions of multiple parties have a sometimes competing impact on the future of the region;
- Achieve commitment (to the extent it is relevant and necessary) for the funding, implementations and delivery of agreed strategies through statutory and contractual mechanisms.

While the December proposal set the strategic objective and direction for the One Plan, the issues associated with the depth and breadth of its content and the extent of enforceability were left for further consideration.

Content of One Plan – The ultimate objective of the One Plan is to create a framework and process where the regionally significant issues are considered by the key participants, prioritised and funding agreements entered into.

At a minimum it is envisaged that the One Plan will cover the four aspects of regional well-being. The ultimate scope of the One Plan will be influenced by the nature of the issues that develop/arise within the region and nationally.

On the basis of previous experience it is difficult to be prescriptive about the exact content at this point. It is recognised that the external operating environment is increasingly dynamic in its nature and therefore there are risks in prescribing at this stage the exact content of a plan.

Regardless of scope the One Plan needs to include a clearly prioritised set of regional proposals and programmes.

Enforceability of One Plan – The December package identified the desirability of the parties to the One Plan being bound, in some way, to the implementation of the One Plan.

The effectiveness of the implementation of the One Plan may be influenced by the extent to which, once they have agreed to a joint strategic vision for Auckland, the parties to One Plan are in some way bound to fund and implement it. Generally, the more binding the arrangements are, the more certainty of implementation there is likely to be, but the more individual sovereignty each of the parties to One Plan will be required to cede.

There are a range of options available to ensure that actions are aligned and delivered across the region. It is apparent from the analysis that the One Plan

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is by its nature strategic. In that context it will have a long term perspective with a more immediate action, funding and implementation plan.

Given this, it is proposed that a graduated process of enforceability/binding be adopted.

The available options to be applied to the various aspects of the One Plan involve:

- Implementation is voluntary. Parties use good faith and their best endeavours to ensure that commitments agreed to within One Plan are implemented over time. (This is similar to the current arrangements for the Auckland Economic Development Strategy and Metro Action Plan).
- Some or all parties are legally required to act in a manner that is "not inconsistent with" One Plan. (This is similar to the current relationship between the Regional Land Transport Strategy and local transport strategies and plans). As they develop budgets, LTCCPs and other planning documents, individual parties "have regard to" One Plan priorities. This is similar to Transit New Zealand's obligation in relation to the Regional Land Transport Strategy.
- Some or all parties are legally required to act in a manner that "gives effect" to specific delivery and funding components in the One Plan. This framework is reflected in enforceable bilateral and multilateral contracts and funding agreements between the relevant parties. (Similar to the current 'sector agreements' used to support the implementation of the Auckland Regional Growth Strategy).

Sanctions and Levers – there are limited number of effective sanctions and levers available to both enforce and encourage the implementation of the One Plan. The principle of collectiveness must be embodied as a key principle. Its observance is fundamental to the success of the One Plan concept.

Various possible levers are outlined in the table below:

Lever	Specific Examples
Incentives that encourage the parties to implement One Plan	<ul style="list-style-type: none"> ▪ Making central government funding for projects within the Auckland region contingent on consistency with One Plan.
Sanctions that can be applied to parties that opt out of One Plan or act in a manner that is inconsistent with One Plan priorities	<ul style="list-style-type: none"> ▪ Moral pressure from other parties and/or stakeholders ▪ Financial penalties (foregone revenue from central Government funding) ▪ Exclusion from benefits of participation in other regional programmes
Strengthening the	<ul style="list-style-type: none"> ▪ Improving the financial capacity and the mandate of the

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Lever	Specific Examples
<p>capacity of individual parties to fund and implement One Plan.</p>	<p>GAC to fund and implement One Plan projects of regional scale and significance</p> <ul style="list-style-type: none"> ▪ legally enabling sovereign local authorities to take the regional interest into account when making decisions in relation to their respective cities or districts ▪ Scope of One Plan focussed mainly on 'fundable' projects and programmes
<p>Mechanisms to encourage buy-in to One Plan priorities (thus increasing the probability that it will be fully implemented)</p>	<ul style="list-style-type: none"> ▪ Only funders contribute to decisions made within the Regional Sustainable Development Forum (thus ensuring that funders buy-in to key One Plan priorities) ▪ Decision-making processes in relation to One Plan that ensure either all or the views of either all, or the majority of parties are reflected in the final document. Consensus or majority decision-making models would encourage this. ▪ Agencies who are not party to one Plan, but critical to its implementation, are actively engaged throughout the process of the developing the plan (over and above formal public consultation).
<p>Mechanisms to strengthen transparency and public accountability of individual parties to implement One Plan priorities.</p>	<ul style="list-style-type: none"> ▪ Require individual parties to publicly identify the regional outcomes and strategies relevant to their jurisdictions, and to report explicitly on how they will/have contributed to these. This could be achieved, for example, by requiring parties to reflect their commitments in their ex ante and ex post accountability documents eg LTCCPs. ▪ Active public promotion of One Plan and One Plan priorities.
<p>Mechanisms to improve alignment between the parties to One Plan.</p>	<ul style="list-style-type: none"> ▪ Joint consultation on One Plan (and perhaps community outcomes) undertaken jointly or by the RSDF, rather than individually. ▪ The statutory mandate of territorial authority councillors could be amended to enable them to take account of broader regional interests when making decisions. ▪ One Plan provides details of what investments are required, when and where, so that all parties have better information about when their investment decisions are required and where they would make the biggest difference. ▪ Extend requirements to take account of One Plan to council-controlled organisations (through their Statements of Intent) and Crown entities.

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The GAC will have a key role in compelling and persuading the parties to the One Plan to honour their obligations and commitments. That will involve a variety of interventions around exercising moral and persuasive authority, utilising other sources of influence such as financial penalties.

Next Steps to Develop One Plan

There are also options available for the process for commencing the development of the One Plan. These include:

- Starting afresh from a zero base
- Building on work already underway, filling in any gaps identified

The work under way in developing the Long Term Sustainability Framework and reviewing the Regional Growth Strategy together with work already undertaken on existing strategies such as the Regional Land Transport Strategy, ATSAP, the Auckland Regional Economic Development Strategy and the Metro Project may be utilised to provide the first step to the development of One Plan.

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Regionally Significant Issues: Related Work Streams

The December package included a number of individual work streams upon which action was sought with a view to advancing a strengthening of the Regional Governance framework and operations. Each of those work streams represented a Regionally Significant issue relevant to strengthening regional governance.

Set out below is a brief summary of, and update on, the progress achieved to date and the next steps to required to advance the issues.

Three Waters

The December proposal identified two key issues associated with Water from a regional perspective, being:

- Fragmentation in the strategy, planning funding and delivery;
- Legislative restrictions on the:
 - Ability of Watercare to pay dividends, and thus provide its owner councils with funding from other strategic areas within the region, namely Storm Water infrastructure.
 - Ability of Watercare to operate as a "standard" CCO.

A range of issues were identified within the Council resolutions relating to the ownership of Watercare. There was a majority view that the ownership of Watercare should remain with its current owners. There was a dissenting view from the ARC who recommended that Watercare be returned to them.

The further work undertaken has clarified the benefits sought through the legislative reform proposed with respect to Watercare. The key immediate objective is to provide alternative funding for Stormwater infrastructure and in doing so allow the redeployment into public transport of ARH funds currently tagged for Stormwater.

Management of water services is both a key regional and national issue. The wider public policy issues will need to be carefully considered as the legislative amendments are considered.

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Regional Facilities

The December package identified a series of issues that needed to be considered including the:

- Determination of national, regional and local priorities with the issues of, funding and ownership to be agreed between the councils of the region and central government over time;
- The transfer of specific regional facilities and/or funding¹ responsibilities to the Greater Auckland Council via a timebound negotiation process; [regional agreement to this appears to be predicated on completion of 1st bullet]
- The recognition that consequent shifts in rating responsibilities between councils to be made transparent; may be transitioned over time; and may need legislation to require showing reduced/increased rating for facilities in LTCCPs;
- Need as part of this process, agreement reached to transfer responsibilities for funding the Auckland Museum and/or MOTAT, this will require amendment to their legislation.

A key component of the way forward was the need to recognise at the outset that additional funding mechanisms were required to be available before much, if any progress, could be achieved in this area.

It was acknowledged that the issues are complex and will take time to clarify and resolve. That must necessarily involve all parties – local, regional and Central Government.

As a first step the following process has been identified for consideration as a way forward once a commitment to new funding mechanisms is agreed:

- Initial research and confirmation of the current facilities, their amenities plus ownership and funding mechanisms;
- Assessment of the future needs of the region and their alignment with National strategies;
- Development of a strategic framework for the regional (and national) facilities based on current investment, future needs;
- Development of criteria to determine national, regional and local interests in regional facilities.

¹ Flexibility needs to be retained regarding regional ownership and/or funding to accommodate possible barriers related to bequest for some facilities (eg Auckland Art Gallery collections)

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- Assessment of ownership, governance and funding arrangements/mechanisms.

It needs to be recognised that much of this work has already commenced albeit without the full and active involvement of Central Government.

Such a process, when complete, will allow for improved and agreed alignment of future investment, facilitation of the management of existing facilities and assist mitigate the risks of poor quality expenditure in the future.

At present there is a proposed local Bill (the Auckland Regional Amenities Funding Bill) which seeks to address many of the issues identified above. While the separate proposals in that Bill may potentially generate confusion, the Bill's promoters are unlikely to be willing to withdraw it before agreement is reached on the alternative process outlined above.

Economic Development

The December proposal recommended that the Greater Auckland Council would take on the following additional responsibilities:

- Funding and governing Auckland Plus with expanded functions, including regional tourism and events management;
- The establishment of a regional agency to undertake urban redevelopment initiatives in the region.

The proposal further suggested that the activities of the Greater Auckland Council would be funded from new funding instruments such as a departure tax for economic development, tourism and regional facilities.

The recommendation was made in the context of recognition that there was a:

- Lack of coordination and alignment between national, regional and local strategy, funding and delivery;
- Gap in regional level economic development activities to support a step change in Auckland's performance;
- Lack of funding for an expanded regional role in economic development, regional tourism and major events.

Further analysis has confirmed the situation and response as identified at December.

The issue then becomes one of process in terms of how the three parties (Local, Regional and Central Government) work towards the identification and resolution of the matters identified above.

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The paper recommends that a process be agreed between the parties, together with a timeline to work through the issues. Such a process, when complete, would have the objective of ensuring that the appropriate strategies, funding, and operations are aligned both within the region and with Central Government investment and expenditure.

Transport

The analysis undertaken prior to the submission of the December proposal identified a series of issues relating to Transport including:

- The mis-located and silo based approach decision making with planning and funding decisions being made by agencies which have no requirement to follow the Auckland region's priorities. ARTA are currently the only transport agency required to give effect to the RLTS. There is a lack of a national land transport strategy.
- A shortfall of funding identified for major projects to implement the RLTS. The quantum of this shortfall is being addressed by the ATSAP process.

The December proposal identified the RSDF as a mechanism whereby central government could develop new national strategies that link with and guide regional strategies, and importantly, guide central government funding and delivery. It also recognised that to provide the certainty required for the nature of the services and investment required Central Government would be invited to assess the merits of negotiating multi-year funding agreements with the region,

The December package also recommended that the Auckland Regional Land Transport Strategy would be able to specify major projects and areas for focus and activity (consistent with other regions). The Regional Land Transport Committee membership would comprise all interested stakeholders although voting would be restricted to those organisations responsible for funding the implementation of the strategy.

In addition to the above, once the amendments with respect to Watercare are enacted the GAC would be able to utilise the revenue freed up by the Watercare dividend (ie current ARH and IA stormwater grants) for transport

The recently completed ATSAP project is recognised as an important first step in the development of a shared vision and strategy and an agreed action plan. This is consistent with the intent of the One Plan concept.

In terms of the steps required to move this issue forward the following is suggested:

- Progress necessary legislation to implement the December proposal including:
 - enabling the RLTS to specify major projects

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- enabling the ARH/IA grant to be used by GAC for transport (as part of enabling Watercare to pay a dividend to its owners)
- Continue to progress work (within the context of ATSAP) to identify and address the funding gap for transport including use of new funding (with tools such as a regional fuel tax);
- Central government to consider development of a National Land Transport strategy to provide framework to integrate national and regional objectives;
- Develop the tools and mechanisms by which Crown Agencies/Entities and CCO's can be held accountable for delivery of the One Plan strategy.

Shared Services

The December proposal 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 with a view to securing efficiencies in terms of the investment and operating expenditures incurred within the region.

The key impediments to moving this concept forward have been identified as:

- Inadequate resourcing
 - Part time staffing by already busy staff;
 - Inadequate funding to support feasibility investigations.
- Lack of strong mandate;
- Lack of sector wide incentives to identify efficiency gains or improved service delivery;
- The differing investment cycles and residual life of operating systems.

At present there are a number of initiatives being advanced – as exemplified by the Auckland City and Manakau City Council who have commissioned a study to explore this issue.

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At a more macro level the options available to move this issue forward is the need to allocate a responsibility to:

- Address capability issues and barriers; and
- Target priority areas for action or investigate feasibility in other high priority areas.

Funding

The issues relating to funding were fully canvassed in the December proposal. The key points identified from the analysis at that time highlighted concerns relating to:

- allocation and certainty of funding in the region specifically:
 - responsibility for funding decisions relating to “regional issues” 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.

Under the December proposal it was recommended that:

- The GAC would have a broader role and responsibilities, and access to new funding sources as well as regional rates; its proposed new funding tools include:
 - Regional fuel tax for transport;
 - regional development levies for infrastructure and
 - departure tax for economic development, tourism and regional facilities.
- The Regional Sustainable Development Forum would involve a series of negotiated multilateral and/or bilateral agreements with the objective of avoiding either unimplemented or unfunded strategies;
- The RSDF would provide a mechanism to guide central government funding and delivery;

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- Central Government would be invited to assess the merits of negotiating multi-year funding agreements with the region, guided by its national strategies, and by One Plan (particularly where national policy direction does not exist);
- The councils of the Auckland region would also investigate ways of fully optimising their respective rating bases;
- Shifts in rating responsibilities between councils will be made transparent and may be transitioned over time;
- Watercare would pay a dividend to its owners, which would be used for stormwater related expenditure and replace the current stormwater grants commitments being funded by the ARC from Auckland Regional Holdings revenue. The Greater Auckland Council would use the revenue redeployed for transport;
- The alignment of central and local government strategy, funding and delivery on transport is of particular priority.

The December package for strengthening Auckland's regional governance is predicated on new funding instruments being provided to the regional entity (GAC) on the basis of a business cases having been made. As an example of this approach, significant progress has been made as part of the ATSAP process regarding alignment of national and regional priorities for transport and agreement on the funding gap. The next step will be to identify appropriate new funding tools.

The ATSAP Process provides a possible model for determining the need for new funding tools. A similar process would:

- Identify required funding for regional facilities to meet the future need of the region and achieve a step up in Auckland's performance (including alignment of national and regional priorities);
- Fully assess the existing mechanisms and funding lines to ensure that they are fully utilised and optimised;
- Identify the funding gap between current funding available and future needs;
- Develop business cases for new funding instruments to address any shortfall between "approved" One Plan expenditure and optimised existing sources.

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The December proposal also recognised that the current alignment of funding mechanisms with governance arrangements was not optimal for achieving the region's and Government's aspiration of Auckland becoming a world-class city. The December proposal canvassed various options to address the perceived misalignment of current funding, including better alignment of existing national, regional and local funding to agreed regional priorities through the One Plan process and full optimisation of the rating base within the region.

The current Rates Inquiry being undertaken by Central Government may well provide critical input into this issue.

Other Issues

During the course of the work and discussion associated with the preparation of this document several issues were identified that will impact on the final shape of, and next steps relating to, the formulation of a proposal that central, regional and local Government can endorse.

Role of Community Boards – Community Boards are an integral element of the Local Government operating framework.

As identified in the original proposal the current representation arrangements of territorial authorities and community boards were maintained. Nothing has changed with respect to that position.

It is envisaged that Community Boards would continue in their existing role. As the new governance mechanisms are developed there will be a need to ensure that Community Boards have appropriate opportunities to engage on those matters considered by the RSDF and the GAC which are of relevance to the communities represented by the respective boards.

Consultation – The need to consult with local communities forms an important part of the Local Government Act. The issue with respect to this proposal comes down to when consultation should occur and on what.

At present all the Councils have identified in their annual plans that there are potential changes under consideration with respect to strengthening regional governance. The process to date has also identified that there would be considerable merit in the consultation being undertaken in a coordinated manner across the various local and regional authorities.

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The current proposition is that as and when agreement emerges between central, local and regional Government as to what the likely shape of the proposal(s) may be, a full assessment of the consultation processes required will be undertaken. At that point there will be sufficient substance to determine what consultation, if any, is required with a view to ensuring that there is an opportunity for communities and interested parties to engage and provide feedback.

That assessment will be undertaken after feedback is received from Councils and Ministers. On the basis that some form of consultation may be required provision has been made within the timetable for that to occur in late July.

Assessment of Benefits and Costs – It is recognised that it will be necessary at some point to undertake an assessment of the likely benefits and costs which may arise from the final proposal(s). That analysis will need to assess the proposal relative to the status quo and highlight the range of costs and benefits both financial and non financial.

Until such time as the feedback from Councils is received and the preferred options relating to the GAC and the RSDF are identified it is not practicable to complete the analysis. It is envisaged that this matter will be addressed at a high level as part of the final report.

Transition Options

While there is general acknowledgement that change is both required and highly desirable within the Auckland region there continues to be some diversity of views and to the nature of the changes required and the timeframe over which they should occur.

Options with respect to how these matters will be addressed will form a key element of the final report. Work will continue in the interim to assess the following three questions;

- What changes can occur within the existing frameworks and mechanisms without legislation?
- What would a logical sequence be with respect to change – should it be done by a specific sector (such as transport) or should it be undertaken more broadly across a wider range of issues?
- What is the nature and extent of the change required and how is that best able to be managed?

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The key determinant of the transition process to be adopted is the need to reach agreement with all parties as to the end point sought and the nature and extent of the commitments and obligations required to achieve the agreed objectives. When that has been achieved it is possible to undertake a more pragmatic assessment of the steps required to achieve a progressive introduction of the changes required. It is recognised that all parties involved will need to accommodate change.

Next Steps

As identified above the objectives of this document is to receive feedback on the various options available with respect to key elements of the December proposal.

That feedback will be analysed with a view to developing a model(s) for consideration and endorsement by central, local and regional Government. The final report will be sent to Councils on the 18 June.

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Summary

Set out above are a series of matters relating to the key components and options available to move forward the objective of strengthening regional governance within the Auckland region.

In terms of that consideration it is important to recap on what the December proposal was trying to achieve. In the main, it was developed to address a number of problems. The problems identified are summarised below:

- There is generally adequate strategy but this is not fully integrated or aligned into an overall direction that indicates the region's priorities
- The region fails to deliver on strategy because of fragmented powers and accountabilities for funding and service delivery and commitment to fund
- Some decisions appear to be "mis-located" (undertaken at the national or local sphere of government when the impacts are mostly regional)
- There is heavy reliance on voluntary and statutory joint decision-making fora but these are not able to 'bind' or influence expenditure and other decisions of sovereign organisations. Non-funders also have significant influence on decision making particularly in the area of transport.
- The result is a lack of certainty (especially in funding), clarity, understanding, mandate, leadership and single voice for Auckland with central government.
- There is insufficient revenue at the regional level.
- There are inefficiencies and inconsistent standards and financial impacts due to duplication and transaction costs.
- The need to improve the timeliness and fundability of decisions.

In addition, the key determinants of how the final December proposal was constructed related to a need to:

- Have an appropriately mandated and accountable regional entity;
- Ensure that the regional entity was appropriately funded;
- Create a regional forum to ensure coordination, agreement and prioritisation of activities and funding across the region.

As part of the consideration prior to reaching agreement on the December proposal several governance options were canvassed including:

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- Voluntary Cooperative Decision Making and Delivery (Enhanced Status Quo)
- Joint Binding Decision Making
- Multifunctional Regional Authority (Integrating Strategy and Delivery)

The final proposal as presented to Government recognised that the expectations and objectives of the December Proposal would not be secured without changes to the governance and funding arrangements for the region.

There was also recognition that given the nature and extent of the issues, and the need to maintain and not diminish current services and investment, progress needed to be made with a clear statement of commitment and direction before this years elections.

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Appendices

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Appendix 1: Cover Letter from John Robertson to Ministers



Office of the Mayor Papakura District Council

15 December 2006

The Honourable Mark Burton
Minister of Local Government
Parliament Buildings
WELLINGTON

Dear Minister

RE: STRENGTHENING AUCKLAND'S REGIONAL GOVERNANCE: FINAL PROPOSAL AND COUNCIL RESOLUTIONS DECEMBER 2006

It is my pleasure to enclose for your consideration, a proposal for strengthening Auckland's regional governance. The proposal is accompanied by the formal resolutions on this proposal by the seven Auckland territorial authorities and the Auckland Regional Council.

You will note from the resolutions that all Councils have endorsed the direction and principles put forward within the proposal. Although supportive of the proposal, individual Councils have raised a range of issues associated with representation and or matters upon which further clarification is sought – these issues will form the basis of further work to be undertaken as part of the next stage. Given the nature of the process, these issues are not surprising, nor do they in any way undermine the collective support demonstrated within the region for the need to make progress on matters of governance.

As part of the process, an international commentary was sought from Mr Greg Clark, an advisor to both the OECD and to United Kingdom government agencies. His commentary supported the governance options put forward and noted that the proposals continue to represent key aspects of mainstream international practice in relation to governance of metropolitan regions. A full copy of his commentary is available on request.

This document is the culmination of a process initiated in September by the Auckland Mayoral Forum to develop proposals to strengthen regional governance in Auckland. The work associated with this project has been undertaken as a collaborative exercise between the Chief Executives of the Auckland councils and central government officials. A political reference group comprising the Mayors and Chair of the ARC, plus a councillor from each authority, has met twice to provide feedback and shape the proposal.

This proposal builds on an earlier Issues and Options discussion paper released on 3 November. The earlier paper identified three broad governance options. The feedback received from all councils has been invaluable in formulating the attached proposal.

Private Box 7 Papakura 35 Dorn Crescent Papakura
Telephone 09 285 1376 Facsimile 09 285 1382 www.papakura.govt.nz

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The proposal is being submitted for submission to central government with a view to implementing the necessary changes required to enhance and strengthen regional governance. The package comprises:

- The creation of a Greater Auckland Council (GAC) with an appropriate new name, potentially new directly elected representation arrangements, a broader role and responsibilities, and access to new funding sources as well as regional rates.
- The establishment of a Regional Sustainable Development Forum, as a standing committee of the Greater Auckland Council. This Forum would have similarities to the current multiparty Regional Growth Forum led by the ARC.
- The development by the Forum, of "One Plan" for the Auckland region to promote social, economic, cultural and environmental well being through prioritised action plans. It is envisaged that the process would produce a series of negotiated, multilateral and/or bilateral agreements with the objective of implementing and funding strategies.
- The development of new national strategies by central government, that link with and guide regional strategies as well as central government funding and delivery.
- Multi-year funding agreements between central and local government.
- Amendment of transport legislation to enable the Regional Land Transport Strategy to specify both major projects and areas for focus and activity.
- Amendment of water legislation to enable Watercare to pay its territorial authority owners a dividend to fund stormwater infrastructure.
- The investigation by the councils of an expansion of shared services arrangements, and ways of optimising current rates bases and tools.

The package identified above has been assessed against both the reasons identified for seeking to strengthen regional governance and the principles to be recognised in any reform. That assessment has confirmed that the proposal addresses many of the issues identified as requiring attention and provides a framework for allowing the region to move forward to the next stage of its development and operation.

A preliminary analysis has been undertaken on the potential legislative changes required to give effect to this proposal. The analysis is attached for your consideration and is provided for the purposes of establishing a base for further discussion with, and work by, officials.

Following your consideration of the proposal and the various council resolutions, there will be a need to engage further to establish the nature and timing of the required legislative, organisational changes and the mechanisms by which public input is achieved. To date public input has been limited and this will need to be remedied through the next phase of this project.

The proposal is designed to both strengthen governance and create a new framework for the delivery and funding of activities within the Auckland region. As noted in the Greg Clark commentary, Auckland is not alone in its drive to strengthen its regional governance, and indeed it should do so if it wishes to equip itself to address current and future challenges and opportunities. In that context this proposal creates a sound platform upon which the Region can position itself for the future. It represents a very important and necessary first step in addressing governance issues within the Auckland region.

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Given the significance of this issue to Auckland I, together with other representatives of the political reference group would very much welcome the opportunity to meet with you and other ministers you consider appropriate to clarify any issues you may have and to agree on the next steps to advance this initiative.

Yours sincerely



John Robertson
Chair
Mayoral Forum

cc: Rt Hon Helen Clark, Prime Minister
Hon Dr Michael Cullen, Minister of Finance
Hon Judith Tizard, Minister for Auckland
Hon Annette King, Minister of Transport
Hon Trevor Mallard, Minister for Economic Development
Hon David Benson Pope, Minister for Social Development, Minister for the Environment

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