

# **Governance framework review discussion document: Funding and Finance workstream**

## **Introduction**

This document is designed to assist the political working party and the executive steering group overseeing the implementation of the governance framework review.

It sets out the work of the project team on specific issues in a structured way to facilitate discussion of the options and the development of recommendations for the governing body. It is one of a series of papers that will be presented to the working party as part of the process of considering the governance framework review's recommendations.

The first part of the paper gives a brief outline of the purpose of this paper and the problem definition, it also provides context and outlines any previous relevant decisions.

The second part of the paper outlines potential options or proposed responses to specific issues. It also provides an indicative assessment of the various options against the agreed criteria.

Each paper will be considered by the political working party at one of its workshops in May and June and will be supported by a presentation by workstream leads and other relevant staff e.g. finance, legal, local board services.

## Purpose and problem definition

1. The purpose of this paper is to explore a range of options for budget allocation and decision making for local activities and services. It seeks direction from the political working party on which options should be further explored and reported back.

## Background

2. The Gareth Stiven report identified a level of dissatisfaction with the current status in regard to the funding of local boards and the level of control over their budgets, including the procurement process.
3. The following table extracted from the overview of the work programme (previously presented to the political working party) summarises the report findings.

| Issues  | Recommendations   |
|---|---|
| <p>There is inflexibility of the current funding policies to empower local board decision-making in their statutory role: local boards feel they have little or no real control over 90% of their funding which is for “Asset Based Services”.</p>            | <ol style="list-style-type: none"> <li>1. Continue to allocate funding on the current basis.</li> <li>2. Remove restrictive rules around how local boards use their funding to enable more flexibility at a reasonable frequency, and ensure the organisation has the flexibility to adapt to local board decisions that have operational implications.</li> <li>3. Continue to use targeted rates to generate funds for local projects</li> <li>4. Investigate the viability of introducing local rates to fund local activities.</li> </ol> |
| <p>There is a lack of flexibility and nimbleness of current procurement processes.</p> <p>There is disagreement and a lack of clarity about what a “major contract” is, and whether groups of local boards can undertake procurement for major contracts.</p> | <ol style="list-style-type: none"> <li>5. Continue recent changes that emphasise more outcome-based procurement.</li> <li>6. Develop guidelines in relation to what constitutes a “major contract”, and create a process to provide a clear decision upfront about whether a specific contract is considered major or not, and include local boards in this process.</li> <li>7. Establish mechanisms that support procurement on behalf of a group of local boards (without reverting to the governing body for decisions).</li> </ol>       |

## Problem definition

4. The current approach to decision making for budgets and funding allocation is an attempt to balance the desire for regional control over financial parameters and basic levels of service with some devolvement of decisions to the local board level.
5. Budgets for those services and activities that are classified as “local” are currently in the order of \$350 million of annual operating costs. These budgets are allocated to each local board but, in practice, local boards have full discretion over less than 10% of this amount. There is also limited ability for local boards to influence some procurement decisions for operational activities. New investment decisions (purchase and major upgrades of assets) for local services and activities are primarily made at the governing body level. The local board role is confined to influencing the design and specific location of these assets.
6. The situation is further complicated by the fact that the budget allocation between Local Boards is primarily based on legacy funding and levels of service which, inherently, are uneven in approach. There are different levels of service, operating models and age of assets driving the allocation of the budgets.
7. Another exacerbating factor is the limited availability of additional funding to address the historic issues. The desire to keep rates at a level considered affordable, along with the need to address core infrastructure issues does not leave any capacity for addressing some of the legacy funding issues for local activities and services.

## Analysis

8. As already noted the current model of funding allocation and decision making on budgets is a hybrid of regional and local decisions. It lacks clarity and accountability, but does allow a balance between regional efficiency gains, control of financial parameters and basic levels of service, with some local decision making.
9. The current model was initially developed by the Auckland Transition Agency (ATA) leading into the amalgamation of the Auckland councils. It has had minor refinements over the past few years but with 6 years of experience of operating the model it is timely to consider how it could be improved.
10. In considering how to improve the situation, it was felt it would be helpful to take a “first principles approach” of looking at the range of other decision making models and consider whether there were models that better delivered on the criteria that were set by the working party at its last meeting.
11. Five additional models of decision making have been described and evaluated, along with the current model.
12. It is recognised that all of these models would also require changes to the “Allocation of Decision Making” table and that should any model(s) be further progressed that would be part of the process.

## Options and analysis

### Option 1: Current - mixed decision making

#### Description

13. The current model of budget allocation and control has a mixture of regional and local decision making. This has evolved from the initial set-up by the ATA when Auckland Council was formed. There have been some minor changes along the way but the basic principles have not altered.
14. New investment – The governing body decides on timing, budget and general location for new investment. Once agreed the budget is transferred to the local board budget but any under or over expenditure is funded from, or returned to, the regional budget. The local board decides specific location and “look and feel” of the facility.
15. Disposals – Recent policy changes have enabled the local boards to dispose of a “service” asset i.e. one that is currently used to deliver a local activity, and to utilise the funds realised for investment in another local asset (new or existing). This process does however require final approval of the governing body.
16. Renewals – The governing body set the budget for renewals by asset class (libraries, parks, pools etc). The local board has some ability to prioritise but generally only within asset class and only for assets within specific categories of need.
17. Operations – The governing body set the overall budget and allocates between local boards. There are often significant regional parameters around what must be delivered from within the budget. The local boards can modify service levels and shape some local programmes. Any savings the local boards make from service level reductions are returned to the regional budget and local service level improvements that cannot be funded from the budget allocation are funded from the Locally Driven Initiatives (LDI) budget.
18. Procurement – In theory a mixture of governing body and local boards. However, when procurement value exceeds staff delegation, it is likely to be considered as a major contract and be dealt with by the governing body.
19. Funding – The primary source of funding for local activities is general rates - the governing body sets the rates. Fees are also a source of funding, the governing body sets the baseline fees and local boards have the ability to modify these. Any additional revenue from increased fees can be utilised by the local board, and any reduction in revenue from lowered fees must be topped up from the LDI. The local boards also have the ability to recommend a local targeted rate for additional local services or levels of service.

## Assessment

| Criterion  | Assessment   |
|--|--|
| Consistency with the statutory purpose of local government (s10 LGA)   | Yes tries to meet the efficient and effective criteria and the local decision making – but it could be argued it does not meet the latter particularly well  |
| Does the option contribute to improving <b>role clarity</b> between the two arms of governance, both internally and for the public?                        | No – status quo – so doesn't contribute to improvement   |
| Does the option provide for <b>decision making at the appropriate level</b> , as set out in s17 of the LGACA and reflect the <b>subsidiarity principle</b> | Yes and no – tries to balance local decision making within regional parameters and financial constraints. Not considered to be optimal. Might be better if all local boards had the same resources and flexibility – this is not currently the case. |
| Does the option provide for <b>increased empowerment of local boards</b> , especially in their place shaping role?   | No – status quo – so doesn't contribute to improvement. In this model local boards have limited control over their budgets   |
| Does the option ensure <b>accountability and incentives</b> for political decisions?   | No – the governing body raises all funding and no incentive for local board to make savings as they become regional savings  |
| What is the <b>administrative feasibility</b> of the option, including efficiency and feasibility of implementation?                                       | This is status quo and is therefore feasible. Some regional efficiencies are achieved with this model.   |
| Does the option contribute to <b>improved community engagement</b> with and better services for Aucklanders?   | No – status quo – so doesn't contribute to improvement   |
| Other factors  | Capacity for local boards to improve their delivery of activities is uneven – due to legacy issues.  |

20. The current model tries to balance some local decision making with maximising regional efficiency gains and a regional approach to service delivery. The control of budgets is almost completely a governing body function, as is the setting of rates.

21. Staying with status quo will not deliver the improved outcomes sought in terms of role clarity, increased empowerment of local boards and improved community engagement. However, over 6 years the support systems have been largely put in place to enable this model to work as well as it can within these limitations.
22. One of the significant issues that this model does not address, is the unequal playing field for local boards. Service levels and budgets have largely been carried forward from the legacy councils and this results in different service levels and modes of delivery across Auckland.

## **Option 2: Entirely Local**

### **Description**

23. In this model all decisions related to the funding and operation of a local activity would be determined at a local board level. The local board would determine whether, and to what extent, they delivered the activity including the option of not delivering the activity at all.
24. New investment – The local board would decide on all issues related to investment in new facilities i.e. budget, timing and location.
25. Disposals – local boards would make decisions on disposal of an asset involved in delivering a local activity and the funds realised from the disposal would be available to the local board.
26. Renewals – The local board would determine the budget and prioritisation of the renewal programme for its assets.
27. Operations – The local board would determine the service levels, method of delivery (in-house, contracted out, in partnership with the community) for both the assets and the programmes delivered. sponsorship and commercial activities associated with the assets would also be the local board's decision. budgets required for operational delivery would be set by the local board.
28. Procurement – Procurement of both capital and operating contracts (above management delegation) would be the responsibility of the local board.
29. Funding – The local board would be responsible for raising revenue to meet the budget requirement from a mixture of fees and local targeted rates (recommended to the governing body).

## Assessment

| Criterion  | Assessment   |
|--|--|
| Consistency with the statutory purpose of local government (s10 LGA)   | Yes although may not be the most efficient and effective   |
| Does the option contribute to improving <b>role clarity</b> between the two arms of governance, both internally and for the public?                        | Yes – much clearer than current situation  |
| Does the option provide for <b>decision making at the appropriate level</b> , as set out in s17 of the LGACA and reflect the <b>subsidiarity principle</b> | Delegating to the Local Board is consistent with the subsidiarity principle but could be argued that some decisions (depending on the activity) extend beyond a local board boundary and there could be benefits of a co-ordinated approach  |
| Does the option provide for <b>increased empowerment of local boards</b> , especially in their place shaping role?   | Yes – far more decision making in the hands of the local board   |
| Does the option ensure <b>accountability and incentives</b> for political decisions?   | Yes – activities funded from local rates therefore accountable at local level, decisions will reflect back in budget, but could undermine regional financial strategy  |
| What is the <b>administrative feasibility</b> of the option, including efficiency and feasibility of implementation?                                       | High transactional costs supporting 21 additional decision makers with operational policy, administrative, procurement and contract management activities. Efficiency gains from procurement and centralised admin functions would be lost. Management of debt would become more difficult and potentially lose credit rating. |
| Does the option contribute to <b>improved community engagement</b> with and better services for Aucklanders?   | Yes more local decision making, closer to the community. However not necessarily optimal service for Aucklanders as a whole – best regional distribution of facilities and consistency of services and charging lost.  |
| Other factors  | Raising local rates for the activity will result in a redistribution of rates which may  |

| Criterion | Assessment   |
|-----------|--|
|           | <p>impact unfavourably in lower income communities but rates will reflect the level of investment</p> <p>Enables local boards to address issues of historic uneven funding</p> |

30. This option is strongly aligned with the subsidiarity principle in that it devolves the decision making to the level closest to the local community. This would contribute to improved community engagement by having these decisions made at the local level. It would clarify the role of the local boards in relationship to the activity and empower them by giving control over the budget and all decisions related to the operations.
31. Raising revenue for the activity from fees and local rates will ensure accountability and incentivise good decision making.
32. However, this will be a less cost effective model. There will be considerable transactional costs in having an organisation geared up to support the 21 local boards in all of the decision making required e.g. individual policy considerations for programmes, service delivery models, commercial activities, sponsorship, rating etc.
33. Staff supporting the procurement processes, asset management activities and operational decisions would also need to be expanded to service the local boards. Over recent years savings have been made by procuring outsourced services such as maintenance and renewal on a region wide basis. Operational efficiencies and procurement savings would be lost and it would be unlikely that future efficiency gains could be achieved.
34. There is also a risk that decisions on new facilities would not be optimal when viewed from a regional perspective e.g. the potential to locate new facilities too close or too far apart across local board boundaries. Also a serious risk in this model is that the regional financial strategy has the ability to be compromised. In particular, unconstrained local board decisions on capital programmes could breach the council debt limits and result in a credit downgrade.
35. Using local rates to fund the activity would result in a redistribution of rates across Auckland which, apart from the uncertainty that any such redistribution causes, may impact on the affordability of rates in some communities.

### Option 3: Local with parameters

#### Description

36. This is a version of the “entirely local” model which would enable decision making by local boards but within certain parameters that are set at a regional level. The parameters used to describe and evaluate this model are at the minimal end of the scale but could be expanded. They are designed to mitigate some of the potentially negative impacts of the model described as “entirely local”. Any expansion of the parameters would likely impact on the assessment, particularly in the empowerment of local boards criteria.

37. The initial parameters, considered to be at the minimal end of the spectrum, are as follows:

- Debt – to manage the overall level of council debt some restrictions would need to be applied to the capital programme for local boards. finding a way of applying this fairly and pragmatically to individual local boards would be difficult and further work would be required to see if this could be made to work
- Depreciation and financial policies – local boards would be required to apply council policies such as the level of funding of depreciation, consistent application of debt versus revenue funding of activities etc
- Policy on capital investment – this would guide local board decisions on major new facilities and take into consideration factors such as forecast population growth (at a local level) and optimal location from a regional perspective.
- Cap on local rates – this would cap the amount that local rates could be raised in any one year.
- Governance statement compliance – the Auckland Council governance statement sets out the activities and services that the council delivers. Local boards would be expected to deliver in accordance with the governance statement.

#### Assessment

| Criterion  | Assessment  |
|--|---|
| Consistency with the statutory purpose of local government (s10 LGA)   | Yes although may not be the most efficient and effective  |
| Does the option contribute to improving <b>role clarity</b> between the two arms of governance, both internally and for the public?                        | Yes – much clearer than current situation   |
| Does the option provide for <b>decision making at the appropriate level</b> , as set out in s17 of the LGACA and reflect the <b>subsidiarity principle</b> | Delegating to the local board consistent with subsidiarity principle and has some mitigation of the issues of decisions that extend beyond the local board boundary |

| Criterion  | Assessment  |
|--|---|
|  | and alignment with decisions of the governing body  |
| Does the option provide for <b>increased empowerment of local boards</b> , especially in their place shaping role?   | Yes – far more decision making in the hands of the local board  |
| Does the option ensure <b>accountability and incentives</b> for political decisions?                                 | Yes – local rates therefore accountable at local level, decisions will reflect back in budget, and parameters should prevent undermining of regional financial strategy   |
| What is the <b>administrative feasibility</b> of the option, including efficiency and feasibility of implementation? | High transactional costs supporting 21 additional decision makers with policy, administrative, procurement and contract management activities. Efficiency gains from procurement and centralised admin functions would be lost.                                 |
| Does the option contribute to <b>improved community engagement</b> with and better services for Aucklanders?         | Yes more local decision making, closer to the community. However not necessarily optimal service for Aucklanders as a whole – depending on parameters – issues of optimal facilities and consistency of charging etc  |
| Other factors  | Raising local rates for the activity will result in a redistribution of rates which may impact unfavourably in lower income communities but rates will reflect the level of investment<br><br>Enables local boards to address issues of historic uneven funding |

38. This model is well aligned with the subsidiarity principle with decision making largely being devolved to the level closest to the community. It also improves community engagement, role clarity and empowerment of the local board. However, the regional parameters do limit all of those positive factors slightly but, in doing so, reduce the risk of:

- less than optimal decision making on location of new facilities; and
- compromising the regional financial strategy particularly in regard to breaching debt limits.

39. Raising revenue locally has the same positive and negative factors associated with it as in the “entirely local” model i.e. accountability and incentives for good decision making remain, but the redistribution of rates may impact negatively on some communities.
40. The issues of cost effectiveness of this model are largely identical to those identified in the “entirely local model: i.e. operational efficiencies and procurement savings already made would be lost and it would be unlikely that future efficiency gains could be achieved.

## **Option 4: Entirely Regional**

### **Description**

41. This model is at the opposite end of the spectrum to the “entirely local “option. The governing body (or its committees) would make all decisions related to the funding and operation of the activity. the role of the local boards would be confined to advocacy. In effect the activities would cease to be local and become regional from both a budget and decision making perspective.
42. New investment – The governing body would decide on all issues related to investment in new facilities i.e. budget, timing and location.
43. Disposals – The governing body would make decisions on disposal of an asset involved in delivering a local activity and the funds realised from the disposal would be considered as regional funds.
44. Renewals – The governing body would determine the budget for the renewal programme and prioritise this across individual local boards.
45. Operations – The governing body would determine the service levels, method of delivery (in-house, contracted out, in partnership with the community) for both the assets and the programmes delivered. sponsorship and commercial activities associated with the assets would also be the governing body’s decision. budgets required for operational delivery would be set by the governing body.
46. Procurement – Procurement of both capital and operating contracts (above management delegation) would be the responsibility of the governing body.
47. Funding – The governing body would be responsible for raising revenue to meet the budget requirement from a mixture of fees and general rates.

## Assessment

| Criterion  | Assessment   |
|--|--|
| Consistency with the statutory purpose of local government (s10 LGA)   | Yes and No – Could be considered to not meet democratic local decision making but would meet the efficient and effective criteria  |
| Does the option contribute to improving <b>role clarity</b> between the two arms of governance, both internally and for the public?                        | Yes very clear   |
| Does the option provide for <b>decision making at the appropriate level</b> , as set out in s17 of the LGACA and reflect the <b>subsidiarity principle</b> | Only if the asset is considered a regional network; otherwise no.  |
| Does the option provide for <b>increased empowerment of local boards</b> , especially in their place shaping role?   | No – removes any semblance of control of the activities and services   |
| Does the option ensure <b>accountability and incentives</b> for political decisions?   | Yes – the governing body is accountable for setting rates and budgets  |
| What is the <b>administrative feasibility</b> of the option, including efficiency and feasibility of implementation?                                       | Reduces transaction costs to a minimum and enables region wide procurement savings. Regional financial parameters are within governing body control. However some elements of political decision making may be inefficient at governing body level |
| Does the option contribute to <b>improved community engagement</b> with and better services for Aucklanders?   | No and possibly yes – the decisions would be one step removed from the local level and therefore community engagement reduced but services could be more cost effective and consistent across Auckland   |
| Other factors  | Issues of historic uneven funding are unlikely to be addressed in this model.  |

48. This model delivers greater cost efficiency by centralising all of the administrative functions associated with the governance decisions related to this service. It also enables procurement savings to be achieved through a regional approach.

49. However, it completely detaches local boards from any decision making related to the activity and therefore does not meet the criteria for empowering local boards, aligning with the subsidiarity principle or improving community engagement.

## Option 5: Joint governing body/local board decision making

### Description

50. It is envisaged in this model that a joint governing body/local board committee would be formed with a representative of each local board and a sub-set of governing body members (number to be determined). there may be different committees for different local activities or groups of activities. the activities would be classified as regional and the governing body would delegate decision making to these committees for the relevant local activities.

51. New investment – The committee would decide on all issues related to investment in new facilities i.e. budget, timing and location.

52. Disposals – The committee would agree to any disposal and as the activity is regional the funds would be considered regional and utilised by the committee for new investments or upgrades where the committee determines.

53. Renewals – The committee would both set the budget for the renewals overall and then allocate to specific local boards and prioritise.

54. Operations – The committee would determine the service levels, method of delivery (in-house, contracted out, in partnership with the community) for both the assets and the programmes delivered. Sponsorship and commercial activities associated with the assets would also be the committee’s decision. Overall budgets required for operational delivery would be set by the committee and allocated between local boards.

55. Procurement – Procurement of both capital and operating contracts (above management delegation) would be the responsibility of the committee.

56. Funding – The committee would recommend the level of rating required to fund the activity. The recommendation could be from general rates, a differentiated targeted rate, local targeted rates or a combination.

### Assessment

| Criterion   | Assessment   |
|---|--|
| Consistency with the statutory purpose of local government (s10 LGA)                            | Yes – attempts to balance local decision making with regional parameters (represented by governing body members) |
| Does the option contribute to improving <b>role clarity</b> between the two arms of governance, | No – joint decision making confuses the  |

| Criterion  | Assessment   |
|--|--|
| both internally and for the public?  | roles.   |
| Does the option provide for <b>decision making at the appropriate level</b> , as set out in s17 of the LGACA and reflect the <b>subsidiarity principle</b> | Yes and no – tries to balance local decision making within regional parameters and financial constraints – but may not achieve either  |
| Does the option provide for <b>increased empowerment of local boards</b> , especially in their place shaping role?   | Yes and No – could give local boards as a group more decision making but not necessarily at a local level  |
| Does the option ensure <b>accountability and incentives</b> for political decisions?   | Questionable – local board members are not elected to look at a wider regional view and make trade-offs between areas. Would be difficult to achieve consensus. Those who didn't agree would not feel accountable or incentivised.                                       |
| What is the <b>administrative feasibility</b> of the option, including efficiency and feasibility of implementation?                                       | Organisationally could be supported but decision making could be slower – local board reps would need mandate before and possibly after the joint committee meetings. Also regional financial parameters (such as debt) could be breached resulting in credit downgrade. |
| Does the option contribute to <b>improved community engagement</b> with and better services for Aucklanders?   | Possibly – local boards being able to participate in a wider range of decisions than currently but individual Board decisions diluted.   |
| Other factors  | Depending on funding model could impact on rates distribution<br><br>Committee size likely to be an issue<br><br>May not address issues of historic uneven funding   |

57. A joint decision making model would attempt to balance regional considerations with local needs. While this would potentially address the downsides of the entirely regional or entirely local models it does not improve role clarity and is unlikely to improve accountability or empowerment of local boards as individual entities.

58. Having an individual representative from each local board empowered to negotiate on behalf of the local board is likely to be difficult to achieve. The local board members are elected to act in the best interests of their local community but potentially will be asked to make trade-offs based on regional best interest. A similar issue for the governing body could also be expected where a sub-group of councillors would be committing to decisions with budget implications of concern to the governing body as a whole and in particular the Mayor who leads the budget process. However, from a community perspective having both arms of governance working collaboratively would be positive.
59. The size of any such committee could be a problem in terms of efficient decision making, exacerbated by the potential for individual members to have seek mandate on any decisions from their respective local board or governing body as a whole.

## **Option 6: Multi- Board decision making**

### **Description**

60. This model would have two or more local boards coming together to make decisions. They are likely to be local boards with shared boundaries, although not necessarily so. The activities would be considered regional but delegated by the governing body to joint committees, formed from groups of local boards, for decision making. The delegated activities would be funded by a mixture of fees and local targeted rates.
61. New investment – The joint local board committee would decide on all issues related to investment in new facilities i.e. budget, timing and location.
62. Disposals – The committee would agree to any asset disposal and determine the use of the funds.
63. Renewals – The joint committee would both set the budget for the renewals for its members and then allocate to specific local boards and prioritise.
64. Operations – The committee would determine the service levels, method of delivery (in-house, contracted out, in partnership with the community) for both the assets and the programmes delivered. Sponsorship and commercial activities associated with the assets would also be the committee's decision. Overall budgets required for operational delivery would be set by the committee and allocated between local boards.
65. Procurement – The joint committee would be responsible for procuring capital and operational contracts.
66. Funding – The joint committee would set fees for the member Boards and for the balance of the required funding recommend to the governing body a local targeted rate for the area covered by the relevant boards.

## Assessment

| Criterion  | Assessment   |
|--|--|
| Consistency with the statutory purpose of local government (s10 LGA)   | Yes – attempts to balance local decision making with co-ordination across local board boundaries   |
| Does the option contribute to improving <b>role clarity</b> between the two arms of governance, both internally and for the public?                        | Yes and no – all local board decisions but in collaboration with other local boards  |
| Does the option provide for <b>decision making at the appropriate level</b> , as set out in s17 of the LGACA and reflect the <b>subsidiarity principle</b> | Yes and no – as above  |
| Does the option provide for <b>increased empowerment of local boards</b> , especially in their place shaping role?   | Yes and No – could give local boards a as a group more decision making but not necessarily at a local level  |
| Does the option ensure <b>accountability and incentives</b> for political decisions?   | Yes – decisions are made by groups of local boards and funded from the area covered by the group.  |
| What is the <b>administrative feasibility</b> of the option, including efficiency and feasibility of implementation?                                       | Higher transactional costs supporting several additional decision makers (depending on number of joint committees) with policy, administrative, procurement and contract management activities. Efficiency gains from procurement and centralised admin functions would be less. Management of debt would become more difficult and potentially downgrade credit rating. |
| Does the option contribute to <b>improved community engagement</b> with and better services for Aucklanders?   | Possibly – local boards being able to participate in a wider range of decision than currently but individual Board decisions diluted.  |
| Other factors  | <p>Could impact on rates distribution and affordability</p> <p>Committee size may be an issue</p>  |

| Criterion | Assessment  |
|-----------|---|
|           | <p>depending on number of local boards involved.</p> <p>Has the potential to address the issue of historic uneven funding</p> |

67. The multi-board decision making model attempts to address the need to co-ordinate some activities across local board boundaries to remove the risk of issues such sub-optimal location of new facilities, different fee structures etc, while leaving the decision making at the local rather than the regional level.
68. The model partially addresses issues such as role clarity, decision making at the appropriate level, increased empowerment and accountability - the decisions are all with local boards. However there could be trade-offs required between local boards which may not sit well with their role and there are higher costs of support of the model. Some efficiency gains could be lost and there is risk of regional financial parameters, such as debt, being breached.
69. Practical considerations of how a joint committee would operate – would it consist of all local board members and if so would size of the committee become a problem – may also be a barrier.

## Assessment

70. Each of the models above has been assessed against the criteria on the assumption that that all activities and services classified as local and all elements of the process (from new investment through to funding) would have the model applied. It is apparent that there is no one option that meets all the criteria and that the critical issue is finding the balance between the need to reap the benefits of regional efficiencies, control the significant regional financial parameters and devolve relevant decisions to the level of governance closest to the local community.
71. In order to maximise the improvements sought, there are potential options to “mix and match” the different models by applying them to:
- different services within the local activity group e.g. community halls and houses maybe “entirely local”, while swimming pools and recreation centres could be regional or multi-board;
  - different elements of the process e.g. new investment decisions could be regional while operational decisions could be entirely local; or
  - a combination of both of the above could apply.
72. Some combination of two or more of the options may well deliver a better outcome than the current approach. In order to progress the work some discussion with the working

party on the range of options outlined in this report and what are considered the key issues is important.

## **Conclusion and potential recommendations**

73. While the current model of funding allocation and budget decision making is unsatisfactory, there is no simple solution. Any change will require trade-offs to be considered in a number of areas.

74. The working party could usefully give direction on a number of these issues to give focus to the next stages of work.

## **Next steps**

75. Following the workshop, it is intended to develop strawman options based on some combination of the models endorsed for further work.