Suffering the consequences – should we be worried?

A study into corporate governance practices in New Zealand Local Government

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Abstract

This paper is about corporate governance practices in the local government sector in New Zealand. Research conducted by the author via survey and interviews in 2011 compared actual practices in local government with corporate governance best practice. The findings of the research are that the local government sector is demonstrating some good corporate governance practices, but that there are also some key areas of concern related to understanding of corporate governance, organisational culture and the discrepancies between articulated policies and actual practices. Specific findings relate to the definition of roles of elected members and the separation of management and governance duties and the level of experience knowledge and skill of elected members. The author concludes with a set of recommendations and the identification of areas requiring further research.
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Those who participated in interviews and those who responded to the survey made this report possible. The author would like to recognise their contribution. The author is also grateful to the Society of Local Government Managers and in particular CEO David Smith for his support and willingness to help.

This report, and indeed the completion of this Masters of Business Administration, would not have been possible without the love, eternal patience and support of my wonderful husband and children. They have scarified much during this journey.

Finally but by no means least, the author would like to recognise the continuous motivating force that has been the staff and student group of NZ2, and especially those in NZ2P – what an amazing group of people each of whom should take some credit for getting the author to this stage.
Statement of Academic Integrity

I declare that this research report is entirely my own work. When the ideas, quotations, data and diagrams of others have been used in the report, the work has been properly cited in the text.

________________________________________    ___________________________
Signature                                      Date

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### List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CC</td>
<td>City Council</td>
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<td>DC</td>
<td>District Council</td>
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<td>DHB</td>
<td>District Health Board</td>
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<td>LGNZ</td>
<td>Local Government New Zealand</td>
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<td>NPM</td>
<td>New Public Management</td>
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<td>OAG</td>
<td>Office of the Auditor General</td>
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<td>RC</td>
<td>Regional Council</td>
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<td>SEC</td>
<td>Securities Exchange Commission</td>
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<td>SOLGM</td>
<td>Society of Local Government Managers</td>
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<td>TLA</td>
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Chapter 1: Introduction and Background

Purpose of the Study

This paper is about corporate governance practices in the local government sector in New Zealand. Corporate governance is the series of checks and balances that support the administration of separation between ownership and control of an organisation. ‘Fundamentally, governance is about stewardship of someone else’s property’ (Matheson, 2010). In 2003, local authorities were stewards of over $30bn of assets, employed around 40,000 people and contributed around 3.5% of New Zealand’s GDP (Jayne, 2003). The New Zealand public needs to be confident that the stewardship of these assets and resources is well governed. For example, according to Statistics New Zealand, in the quarter to March, 2011, local authorities had an operating deficit of $127 million (Statistics New Zealand, 2011). Whilst an operating surplus or at least a balanced budget is preferable, local authorities might be justified in arguing that a deficit at a particular stage has been planned for, will be recovered in a given period and represents an investment for future benefits. Such arguments might be valid, but the public of New Zealand needs to be confident that effective checks and balances are in place to monitor decisions behind such arguments. This study investigates these checks and balances.

For the local government sector governance decisions are funded directly by the rate payer and the outputs have a direct impact on the quality of life of rate payers and citizens. Therefore rate payers and citizens are the key stakeholders in local government governance decisions. Jayne (2003) questions:

‘Financial stakeholders, who are probably more risk tolerant than most, undoubtedly lament the impact poor corporate governance has on their personal fortunes. But, if the quality of governance in the public sector is not up to scratch, we all suffer the consequences. Should we be worried?’ (Jayne, 2003).

Given that local government is the steward of valuable assets and resources, should we be worried about how it is governed? Corporate governance practices, which will be explored further in chapter two, are designed to establish a set of checks and balances that ensure an organisation is well directed and that decisions regarding resource utilisation and organisational outputs are made in the interests of the stakeholder – in this case, the rate payers and citizens.

The purpose of corporate governance is to translate the expectations of stakeholders into performance whilst ensuring trusteeship for the capital and other resources provided (Matheson, 2010). Whilst in the private sector corporate governance is the role of an appointed Chair and Board of Directors, in the local government environment, corporate governance is the role of the Mayor or Chair (in the case of regional councils) and council of elected members. Under the Local Government Act (2002), local authority elected members have governance responsibilities for representation of stakeholders, monitoring and review of operations, setting policy and effecting change. There has been research into representation – this will be explored further in chapter two - but little research has been done into the governance focus areas of setting policy, and monitoring and reviewing activities in New Zealand local government.
Objective and Hypotheses

The objective of the research is to answer Jayne’s question in relation to the local government sector – should we be worried about corporate governance practices in New Zealand local government?

The specific purpose of this study is to explore how well local authorities in New Zealand are governed in line with good corporate governance principles. The study will also investigate some of the causes and consequences of actual governance practices. This will be achieved through the examination of the following hypotheses; that:

1. The role of councillors and the Mayor are clearly defined and the separation of duties between the Mayor and elected members, and the CEO and council officers is apparent.

2. Councillors complete standard governance tasks of setting policy, and monitoring and reviewing performance.

3. Local Authorities adhere to good practice corporate governance standards.

If these hypotheses are confirmed it can be concluded that the practices of corporate governance in the New Zealand local government sector are in line with good practice.

It is hoped that this research will contribute to the debate on the effectiveness of local government organisations in New Zealand and make recommendations that support more effective outcomes of the governance process for citizens and rate payers.

Background

The local government sector has specific, mandated governance responsibilities under the Local Government Act (2002) and councils are also subject to planning and management controls. There are 78 local authorities in New Zealand, comprising 67 territorial authorities whose focus is on the provision and management of infrastructure, the planning and development of land and land use and the development of community well being. In addition, there are 11 regional councils whose focus is primarily on environmental and resource management issues, civil defence and transport (LGNZ, 2011). In New Zealand elected members are returned by a single ward and the mayor is elected across a district as a whole. Whilst there is no clear standard job description for elected members, there are guidelines and training is provided by LGNZ\(^1\). There are some additional responsibilities attributed to the Mayor/Chair. This study investigates how well the local government sector in New Zealand is performing against corporate governance best practice.

In 2004, the then Securities Commission of New Zealand (SEC)\(^2\) published guidelines which identified the nine key principles which would enable New Zealand corporations and not for profit organisations to sustain good corporate governance standards. These include the responsibility of directors for fostering high ethical standards. They recommend that boards should be balanced, demand integrity, use committees, foster

\(^1\) See http://www.lgnz.co.nz/knowhow/governance/for governance training information.
\(^2\) SEC has since been replaced by the Financial Markets Authority, New Zealand
relationships and respect the interest of stakeholders. The SEC guidelines also recommend boards be responsible for ensuring transparent, fair and reasonable director and executive remuneration, verify the organisation’s processes and ensure quality and independence of the external audit process (SEC, 2004). This remit is complex and requires a well-developed governance skill-set which is not necessarily available in a council of newly elected members.

Similar to local government, the district health boards (DHBs) in New Zealand are stewards of billion dollar budgets and responsible for complex organisations and large workforces. The governance of DHBs however, is performed through a board of both elected members (returned by the community) and government-appointed directors. This approach gives central government the opportunity to appoint professionals with appropriate experience to ensure the good governance of DHBs.

Section 39 of the LGA (2002) sets out the governance principles for local government. These principles cover the following key elements: clarity in governance roles; effective, open and transparent process; separation of regulatory and non regulatory responsibilities; to be a good employer; and, effective, understood relationships between elected members and management.

The areas of corporate governance that are focused on in this study are: setting policy; and, the monitoring and review of performance in the governance context. In the corporate sector, setting policy is about identifying a goal and a direction and indicating some key steps towards the achievement of these. In the local authority arena, setting policy refers to deciding the direction of the community, determining what activities the organisation should be engaged in and why. LGNZ describe this role as “deciding what the local authority should be doing, i.e. what activities should the local authority engage in and why, what regulatory intervention should the local authority make and why etc.” (Local Government New Zealand, Society of Local Government Managers, and The Department of Internal Affairs, 2003). These decisions should address the long term requirements of stakeholders. In addition, the decisions made need to address specific elements as directed by law. This is the responsibility of the council, the corporate body of elected members. The employees of local government organisations are then directed to implement the wishes of the elected members. Whilst the Council is the employer of only one person – the CEO, who then in turn is the employer of all other council officers, for the purposes of this study the CEO and officers will be referred to collectively as council employees. Elected members review achievement of objectives and performance through formal monitoring and review processes. Monitoring is the evaluation of performance against objectives during a particular project or period. Review relates to evaluating performance at a given point in time – such as the annual report or the review of the CEO’s performance.

These challenges are not necessarily easy for elected members who are often elected on a particular policy or agenda and are then expected to fulfil the governance role with or without background knowledge and experience. This study investigates how current governance practices are working for local authorities. The study follows a standard format. Chapter two discusses the key areas of literature that have influenced this study and shaped the questions to be addressed. Chapter three outlines the two major stages of the research and the methodologies employed.
These major stages are: i) a questionnaire; and, ii) a series of interviews. The research outputs of the general survey and key points from the interviews conducted are provided in chapter four. Chapter five provides discussion of the findings, including comments, reflections and areas for further research. Conclusions are presented in chapter six.

**Conclusion**

This introductory chapter has established the scene for this research project, introducing the major concepts and research methodologies employed to address the issue of corporate governance in local government in New Zealand. The format of the research report has been outlined. The following chapter introduces the key literature which has had an influence on this study, the major theory in both local government and corporate governance and the overlapping area of focus.
Chapter 2: Literature Review

Introduction
In this chapter relevant literature will be reviewed relating to both local government, and corporate governance. Specifically this chapter will cover the definition of governance for the purposes of this research, the importance of governance at a local level, the legislated role of corporate governance, the call for corporate governance; and, corporate governance within the public sector both within New Zealand and overseas. This chapter also identifies gaps within the literature which this study attempts to address.

Governance
For the purpose of this research paper, governance is defined in line with corporate governance practices in the private and non profit sector. Governance refers to what Kooiman (2003) calls ‘governance in the traditional sense… about the process of governing’, rather than the ‘institution of government’. In private sector literature, the two key aspects of governance theory are that those responsible for the governance of an organisation are obliged to fulfil legal and fiduciary responsibilities, more specifically the board of directors must comply with the duty of care and the duty of loyalty (Monks and Minow, 2008; Matheson, 2010; and Hart, 2010). This is also reflected in literature pertaining to the nonprofit sector which focuses on governance as taking prudent action, maintaining appropriate fiduciary oversight, and demonstrating loyalty to the organisation’s purpose and not one’s own self-interest (Brody, 2002; Stone and Ostrower, 2007; Carver, 1997; Fama & Jensen, 1983; Oster, 1995).

The key responsibilities that fall under the umbrella of corporate governance, discussed frequently in the literature include (Stone and Ostrower, 2007; Monks and Minow, 2008; Matheson, 2010; Diplock, 2003; Diplock, 2010; Hart, 2010; and, Banks, 2004):

- setting the direction of an organisation and establishing major policies;
- overseeing financial management and ensuring adequate resources are in place;
- assuring basic legal and ethical responsibilities are met;
- ensuring that the activities of the organization align with its mission;
- hiring and overseeing the chief executive officer; and
- representing the stakeholders

Whilst for the purposes of this study the private sector roles of governance have been reallocated to the local body equivalents (Mayor/Chair replacing chairperson and elected members replacing directors of the board). It is important to note that the focus of elected members should remain on the representation of their electorate. As Drage (2008) notes, whilst councillors should perform duties not dissimilar to those undertaken by nonexecutive directors of private businesses, “Councillors are not directors of a board making decisions about their local communities. They are representatives of their communities elected by their communities, advocating for them and representing them. The other big difference between an elected council and a board of directors is that councillors are accountable to those who elect them.”
Governance at a Local Level

Governance is an important area of focus in both corporate and public policy literature. Until the latter part of the 20th century, governance in public policy literature was largely associated with the process of government and representation. Proponents of local governance for efficient service delivery included Sharpe (1970) who claimed local governance is better able to respond to local demands for service and provide balance to the ‘policy preferences espoused by powerful professional groups’. In the latter part of the 20th century and first decade of the 21st, political pressure has been applied to the development of government at a local level. “The level of government in a political system that is closest to the citizen and that bears or shares responsibility for a relatively wide range of services and policies, rather than regional or other levels of international government” (Denters and Rose, 2005).

In support of governance at a local level, arguments have centred on several key themes; the decentralisation of power; the promotion of citizenship; and, that only through local governance can efficiency of service delivery be attained. Localist theory advocated by Jones and Stewart (1983) and Young (1986) amongst others suggested that the first governance role local authorities play is in providing a check on central government through the decentralisation of partial power. For Wilson and Game (2006) the strongest argument relates to the encouragement of ‘active participation’ at a local level.

On of the most vociferous and respected authors in the topic of local governance is Gerry Stoker. Stoker advocates governance through elected representatives ‘to oversee the work of full time officials’ Stoker (1996). Stoker oversaw the publication of The New Management of British Local Governance (1999) in which recent UK local government public sector improvements are applauded, but others, including some elements of governance are criticised. Despite the support for governance at a local level there remains a degree of criticism at its effective deployment. Stoker claims that instead of providing independent checks on the control of the full time officials, elected members represent just one of many players who have an influencing capacity at a local level including ‘political parties, pressure groups, trade unions, social groups and the media’. He also claims that whilst local government provides an opportunity for participation by citizens, local government is ‘a poor performer in the market’. Beetham (1996) takes this one step further identifying the issue that elected local representation whilst encouraging participation does not automatically lead to effective service delivery. In particular he questions the “decisional competence of elected councillors… who are publicly accountable for their decisions”.

Judge (1999), and Hambleton (2005) enter the debate on local government claiming that local representation does not enhance democracy, but rather challenges it by shifting responsibility for long term planning and community advocacy away from central government to willing representatives of the private and voluntary sectors. “This displacement of responsibility can also obscure lines of accountability to the citizens and the shift to governance certainly poses a major challenge to local democracy” (Hambleton, 2005). There is also an argument that public involvement in decision making ‘threatens the quality of public decisions and that consultation with, and participation by, the public can impede timely decision-making’ (Forgie, Cheyne and McDermott, 1999). According to Thomas (1995), this threat can have detrimental
affects on quality standards, costs, innovation and progress. Thomas goes on to emphasise that involvement of some vocal special interest groups can be contrary to broader public interests and can result in fragmented decision making.

These criticisms of the local government process, decision-making and representation support the call for strong corporate governance within the sector. Local Authority Governance Statements were introduced in the LGA (2002) as a way, among other things, for councils to define their roles and decision-making processes (Drage, 2008).

### The Public Sector and Corporate Governance

The application of corporate governance principles to the public sector was explicitly achieved during the New Public Management (NPM) revolution of the 1970’s and 80’s. According to Berg and Rao (2005) “NPM set out how public sector organisations should be led, and called for the need to distinguish more sharply between what are considered political matters on the one-hand, and administrative ones on the other.” – Dollery et al (2008) note NPM principles were energetically adopted in NZ in particular to address the separation of regulatory and commercial functions to increase transparency and reduce conflicts of interest. More recently in the UK, the ‘Seven Principles of Public Life’ (also known as the Nolan Principles) specifically relate to corporate governance, have been applied explicitly to each areas of public sector governance and were applied to local government in the Nolan committee’s third report (The Committee on Standards in Public Life, 1997).

### Legislation

The reorganisation of the public sector in New Zealand has been one of a number of similar changes taking place in European and English-speaking countries in the 1980s (Wistrich, 1992). Prior to reform, the New Zealand local government sector comprised over ‘800 separate territorial and ad hoc councils of local government dealing with diverse functions, from multi-purpose city authorities to ad hoc catchment, drainage and pest destruction boards in the rural areas and harbour boards for the ports’ (Wistrich, 1992). The first tranche of reform in the 1970’s resulted in the establishment of yet more organisations – 22 additional ‘united councils’ were introduced to support regional planning.

The reforms of 1989, following the Local Government Amendment Act 1989, resulted in the establishment of a new structure, reducing the number of multi-purpose authorities from 219 to 74 (14 cities and 60 districts) and introduced regional councils. In terms of governance, under the Local Government Amendment Act the financial management of councils were to be monitored by the Audit Office. Representation was still not consistently delivered in the local government arena, only once the thrust of the 1989 reorganisation was determined, did the consultation process begin to take place (McClay, 1989). A further result of the 1989 legislation was that most local authorities chose to implement the CEO model of leadership as opposed to management through a collective senior executive team, as was the second proposed option available to them. Asquith (2008) states “the adoption of a private business sector model of leadership was seen as a prerequisite in order to implement the raft of managerialist reforms contained within the LGAA (No.2) 1989.”
The role of local authority governance today is defined in Part 4 of the LGA (2002) (see Appendix 1). Part 4 is focused on governance and management of local authorities and sets out the key governance principles. The governance principles relate to democratic governance and conduct of elected members; effective, open and transparent processes; the separation of regulatory and non-regulatory duties; the local authority as an employer; and the separation of governance and management.

Under section 40 of the LGA (2002) (see Appendix 1), local authorities are obliged to make available governance statements which provide details of governance responsibilities and policies within their specific council. In her 2008 publication Jean Drage bemoans the difficulties of tracking down local authority governance statements. For the purposes of this study, the author identified that 76% of governance statements are now available (can be easily found) on Council websites (See Appendix 2 for a complete list). Whilst this suggests a process improvement, Drage’s criticism is still valid in that “It appears from reading all the governance statements that most appear to be documents put together by management, with data drawn from various templates for councillors to approve. It is therefore assumed that many councils did not use this opportunity to debate and discuss these roles” (Drage, 2008).

The Call for Corporate Governance

Corporate Governance has become a buzz word in the private sector following high-profile business failures that dogged the late 1990s and early 2000s (such as Enron and WorldCom). As Monks and Minow (2008) point out “the most important reason these scandals became the most widely reported domestic story of the year was the sense that every one of the mechanisms set up to provide checks and balances failed at the same time.” At the turn of the millennium governance failures led to a flurry of legislative activity, particularly in the US, with the introduction of the Sarbanes-Oxley Act, and the UK with the Financial Services and Markets Act, 2000. The purpose of these acts was not only to dictate how organisations should be financially managed but the legislation also gave private ventures ‘hooks on which to hang’ governance principles (Baron and Shane, 2008).

According to Diplock (2010), Lockhart (2008) and Matheson (2009), solid corporate governance practices are vital to prevent dishonest, agenda driven or unsustainable practices “corporate governance can never be an optional add-on - it is essential... Individuals acting rationally in their own short-term self-interest brought global markets to their knees. Their practices were unsustainable in the longer term and threatened the entire system.” (Diplock, 2010). For Steane (2008) governance in the public sector is vital, particularly “the need for key actors to be clear about the principles of governance and responsibilities needed to adhere to [good governance] principles”.

In the local government sector there is a clear need for corporate governance to avoid what Newton (1976) calls ‘government by neglect’. Without solid governance practices, Newton suggested “decisions makers…. Are most likely to respond to pressures from their own social group, whose social situation and political demands they know and understand.” (Newton, 1976). The available research demonstrates that there is a need for clarification of roles and responsibilities of elected members (Drage, 2008; Jayne, 2003; Cooper, 2010; and, Berg and Rao, 2005). This call is for
governance behaviours as opposed to dictated accountability emphasised by the new public management practices proposed in the 1980s which purported “emphasis on hierarchical forms of accountability, regulation, inspection and performance management demand… which militates against networking and partnership” (Smyth, Reddel and Jones, 2005).

In the local government setting, the separation of the representational and governance role of elected members from the management role of CEOs should be clear and transparent. According to The Local Government Forum (2007), Chief Executives (and their staff) should provide independent professional advice to councils, which councils can accept or decline, rather than report the views of councillors as is common in some councils today. Hass (2004) clarifies “Chief executives of local authorities act on council’s strategic direction, funnel advice and report on action from staff.”

To an extent the checks and balances required in the monitor and review of local authorities has been outsourced away from elected members to central government functions. Most notably the Office of the Auditor General (OAG) whose roles is to “enable public oversight of local authorities and their controlled entities by reporting and providing information to parliament, local authorities and to other stakeholders.” (Hass, 2004 b). The OAG carries out an annual review of authorities and confirms whether or not resources have been effectively used, activities are conducted ethically and statutory powers have been exercised properly, local authorities have planned and prepared. (Haas (b)).

**When Governance Goes Wrong in Local Government**

There are various well publicised examples of corporate governance issues creating controversy in New Zealand local government. One prime example is the case of Rodney District Council. In 2000 a Review Authority was appointed by the Minister of Local Government as a result of “dysfunction that has developed in the Council, the relationship problems existing among elected members and between the elected members and the Council’s General Manager, and that there are risks to the Council in meeting its statutory obligations.”(Rodney District Council Review Authority, 2000).

The review called for a commissioner to be positioned in place of the council until the election of 2001 could legitimately establish a new council.

More recent examples include the relationship challenges between former Hamilton mayor David Braithwaite and the former CEO Tony Marryatt whom Braithwaite claimed had ‘created an environment of fear and bullying’ whilst at Hamilton (Braithwaite v Maryatt: Part 2. Waikato Times, 2011). A further example is ongoing at Hutt City Council where councillors have conducted their own review of the operational activities of the organisation, clearly in breach of their mandated governance role (Boyack, 2010).

**Gaps in the Literature**

One of the key gaps in the literature is the effectiveness of corporate governance outside of the private sector. Research has questioned the extent to which boards of nonprofit organisations actually function according to defined governance principles (Stone and Ostrower, 2007; Harris, 1989; Holland, 2002; Miller, 2002). This is also true of local government. There is also a key gap in the literature around current corporate
governance practices in New Zealand local government, the extent to which good governance is followed and in particular the quality of transparency and accountability (Drage, 2008). This study attempts to begin to address this gap.

Conclusion
This chapter has outlined the key theories and ideas that have in some way shaped this study. Literature has been drawn from both published items and internal documents relevant to local government. A clear gap has been identified in available research in the areas of delivery against councillor responsibilities of monitoring and review and policy setting. This study attempts to address this gap in some way. The following chapter demonstrates how the gaps identified in this literature review have influenced the design of this study through the description of the methodology and key stages of the research.
Chapter 3: Research Design

The literature review above has highlighted specific gaps in the research related particularly to the monitoring and review and policy setting responsibilities of elected members within New Zealand local government. The objective of this research is to in part address this gap, but also to highlight specific areas of concern related to corporate governance practices. Actual corporate governance practices in local government and performance against good practice will be explored by this study along with some of the causes for concern and some of the consequences of poor corporate governance practice. Because representation is a broad area of theory and is well covered by existing research, this is not a focus of this study, although elements related to representation are touched on.

Research Overview

The research questions asked by this study have been formulated to specifically investigate the hypotheses as identified in the introduction. Each hypothesis has a series of research questions which are investigated by the research instruments described in this chapter. The research questions are then addressed through the research instruments. Table 11 provides a clear picture of how the instruments address the questions to validate the hypotheses.

Hypotheses

The specific hypotheses being investigated by this study are:

1. The role of councillors and the Mayor are clearly defined and the separation of duties between the Mayor and elected members, and the CEO and council officers is apparent.

2. Councillors complete standard governance tasks of setting policies, and monitoring and reviewing performance.

3. Local Authorities adhere to good practice corporate governance standards.

Research Questions

The following research questions have been designed to address the hypotheses:

1. Is the role of elected members (including Mayors and Chairs) clearly defined?
2. Is the separation of duties between elected members and CEOs and officers clearly distinct?
3. Is the separation of duties specified adhered to within every local authority?
4. Do all local authorities have an identical approach to separation of duties?
5. Do councillors set the policy direction or vision within each local authority?
6. Do councillors regularly monitor performance of the local authority?
7. How are performance reviews achieved?
8. What are good practice corporate governance standards?
9. How well does each local authority deliver against each element of corporate governance good practice standards?
Research Design Analysis

Table 1 shows how the interview and survey instruments have been employed to address the research questions in order to validate the hypotheses:

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Research Questions</th>
<th>Utilisation of Instruments</th>
</tr>
</thead>
</table>
| 1. The roles of councillors and the Mayor are clearly defined and the separation of duties between the Mayor and elected members, and the CEO and council officers is apparent. | 1. Is the role of elected members (including Mayors and Chairs) clearly defined? 2. Is the separation of duties between elected members and CEOs and officers clearly distinct? 3. Is the separation of duties specified adhered to within every local authority? 4. Do all local authorities have an identical approach to separation of duties? | Survey  
Questions are asked specifically addressing the definition of the roles of the Mayor/Chair and CEO. Questions asked respondents to identify who carried out specific duties. Comparisons were drawn between the answers of different local authorities.  
Interviews  
Interview discussions covered the definition of the role of councillors, duties and responsibilities. |
| 2. Councillors complete standard governance tasks of setting policies, and monitoring and reviewing performance. | 5. Do councillors set the policy direction or vision within each local authority? 6. Do councillors regularly monitor performance of the local authority? 7. How are performance reviews achieved? | Survey  
Questions asked respondents to identify who carried out specific duties. Comparisons were drawn between the answers of different local authorities.  
Interviews  
Interview discussions covered monitoring and reviewing and specifically the skills required to carry these out effectively. The interviews also covered direction setting and long term strategy. |
The survey asked specific questions about elements of good corporate governance.  
Interviews  
Interviewees were asked about understanding of corporate governance responsibilities and the training, skills and role definitions in place to support good practice. |

Table 1 Research design analysis
**Instrumentation**

According to Leedy and Ormrod (2009) research is only a viable approach when there are data to support it. Given the breadth of the topic, both qualitative and quantitative data were sought by this research. Two instruments have been employed to collect data to support this research study:

1. A quantitative survey of Mayors/Chairs and CEOs in current local government roles.
2. A series of qualitative interviews with a sample of Mayors and CEOs who had already contributed to the survey.

Other instruments considered included observation and group interviews. An observation study was discounted because of the length of time it would take to establish a set of valid results through which the research questions and hypotheses could be tested. Group interviews were discounted because of the physical challenge of getting more than one CEO and/or Mayor in the same place at the same time. In addition it was felt that CEOs and Mayors/Chairs would not necessarily be comfortable, and not necessarily be entirely honest in a group situation when discussing potentially sensitive issues such as roles and responsibilities and the degree to which policies are adhered to.

A description of the two instruments used in this study follows:

**The Survey**

For Nesbary (2000), survey research is “the process of collecting representative sample data from a larger population and using the sample to infer attributes of the population”. A survey is used to estimate, with some precision, the percentage of a population that represents a specific characteristic by collecting data from a population which can then be extrapolated out as an estimate of the total population. (Dillman, 2000).

The purpose of the questionnaire was to ask specific questions that would address particular elements of the research questions (as per Table 1). A copy of the blank survey can be viewed under Appendix 2. The identified audience for the survey was local government Mayors/Chairs and CEOs. The rationale behind this selection is not only would information be provided in direct response to the questions, but indirect information could also be elicited based on the differences of opinion between Mayors/Chairs and CEOs. Given the sensitive nature of responding to questions that could be deemed to refer to the performance of elected members or officers within the respondent’s organisation, respondents have been guaranteed anonymity.

Questions asked related to the following:

- The respondent – particularly their length of service and whether they had received governance training.
- The definition of the roles of the Mayor/Chair and the CEO within their organisation.
- Governance tasks in the areas of: strategy; projects and activities; monitoring and review; and, representation.
• Codes of behaviour/conduct for both elected members and officers, and the existence of measures for dealing with breeches of any existing codes.
• Relationships between elected members and officers.

Each of these areas was surveyed using structured dichotomous or multiple-choice questions. The answer options were tested for legitimacy with help from staff at both LGNZ and Society of Local Government Managers (SOLGM). In particular the testers were asked to identify any missing responses or terminology concerns.

The survey was conducted using internet tool Survey Monkey\(^3\) which provided a link which could be included in an electronic mail message. An internet tool was chosen because internet based surveys are ‘more cost effective, easier to use, had quicker response rates, and greater responses’ (Nesbary). The survey was sent to all current New Zealand local government Mayors and Chairs by the researcher directly using an address list provided by Local Government New Zealand. David Smith, CEO of the SOLGM emailed a link to the survey to all existing local government CEOs. Support from David Smith and SOLGM in sending out the survey to CEOs added credibility to the research and anecdotally supported a positive return rate.

The survey was sent out on Tuesday 7\(^{th}\) June, 2011 immediately after a public holiday weekend. The survey remained open until Friday 17\(^{th}\) June. The decision was taken to send the survey to the total population (all Mayors, Chairs and CEOs) because it was recognised by the researcher that the return rate would not necessarily be large due to business of potential respondents and the challenges on their available time, particularly at annual plan time in a Long Term Planning year. Exactly 50 responses were returned to the survey representing 32% of the total population, although only 40 respondents completed the survey.

Validity of the Survey
According to Fraenkel and Wallen (2009) an instrument is valid if it measures what it is intended to measure and accurately achieves the purpose for which it was designed. Whilst validity is subjective, Fraenkel and Wallen (2009) identify key measures of validity as appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected. In order to test these factors, the survey was reviewed by two relevant organisations for comment. The organisations were chosen for their sector relevance and their in depth knowledge of the population. These organisations were the SOLGM and LGNZ. Both organisations provided a degree of helpful feedback. As a direct result of feedback provided by David Smith some key changes were made to the survey. These changes related to terminology, wording and length of questions.

The validity of the survey might be questioned as respondents in the main represent smaller than average local authorities. In addition, 20% of the respondents did not complete the whole survey. Questions might also be raised regarding those who did not respond to the survey and why they did not.

\(^3\) For further information see www.surveymonkey.com
The Interviews

The survey presented a question which asked respondents to provide contact information where they would be prepared to be interviewed following the survey. Of the respondents, 21 indicated a willingness to be involved further. Interviews were set up over the period of 1st to 8th July, 2011. Due to diary constraints, only seven of those demonstrating a willingness were able to be interviewed – two Mayors and five CEOs.

These interviews took place over the telephone and were recorded using a Livescribe smart pen. The audio files were not uploaded to online Livescribe storage facility but were hosted locally until they were fully transcribed, then deleted. Telephone interviewing was chosen on account of its moderate cost and elimination of the need for the interviewer to travel. Telephone interviewing can result in less thorough responses (Cooper and Schindler, 2008), however a single interviewer was used (the author) who had a vested interest in the completeness of the results.

Good practice interview procedures as defined by Cooper and Schindler were followed: ‘make the respondent comfortable; probe for detail without making the respondent feel harassed; remain neutral; listen carefully; follow the participants’ train of thought; and, extract insights’ (Cooper and Schindler, 2008).

The purpose of the interviews was to elicit deeper, more targeted responses to some specific questions. Whilst the interviews were semi structured and each interviewee was asked a prescript set of questions, conversation ranged organically through a selection of additional relevant material. The key questions asked were in the following three areas:

Corporate Governance
The following areas were specifically covered:
- levels of understanding of corporate governance;
- understanding of governance roles and responsibilities;
- understanding of the separation of duties; and,
- job descriptions and training.

Elected Members’ Skills
The following areas were specifically covered: The balance of skills in the council; and, discrepancies between a person’s skills and required skills for governance practices (specifically monitor and review) and their skills for agenda setting.

Consequences of governance practices
Specific topics discussed under this final heading included: the three year election cycle; professional advice available to support elected members; and, how to improve governance practices across the sector.

\[^4\text{For further information see www.livescribe.com}\]
Validity of the Interviews

Cooper and Schindler (2008) identify seven frequent interviewer errors. The author recognised this potential for response error and put in place a set of mitigating elements. These errors and the mitigation approaches are outlined in Table 2.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to secure full participant cooperation (sampling error)</td>
<td>Participants volunteered to be interviewed and were given a choice of time for their interview to take place. At the start of the interview the interviewer confirmed that the participant was happy with the environment and continued to be taking part voluntarily.</td>
</tr>
<tr>
<td>Failure to record answers accurately and completely (data entry error)</td>
<td>The interviews were recorded at the time and transcribed at a later stage. Once transcribed the audio recordings were deleted to ensure confidentiality of interviewees cannot be compromised.</td>
</tr>
<tr>
<td>Failure to consistently execute interview procedures</td>
<td>In order to execute the interviews consistently, terminology requiring definition was avoided and the questions were written out in advance. The same set of questions was asked to each interviewee, although additional questions for clarification were sometimes added.</td>
</tr>
<tr>
<td>Failure to establish appropriate interview environment</td>
<td>As the interviews took place over the phone the environment was outside of the control of the interviewer. However, at the start of each interview, participants were asked if they were comfortable and if they were happy to proceed with the interview.</td>
</tr>
<tr>
<td>Falsification of individual answers or whole interviews</td>
<td>The interviews were all carried out by a single researcher (the author) avoiding the need to train and rely upon external interviewers. By recording and transcribing the interviews, unintentional falsification of responses was avoided.</td>
</tr>
<tr>
<td>Inappropriate influencing behaviours</td>
<td>Again, by using a single interviewer and consistent set of questions, some influencing behaviours were mitigated. However, there was no way of completely ensuring tone and register of the interviewer was identical for ever interview.</td>
</tr>
<tr>
<td>Physical presence bias</td>
<td>The interviews were conducted over the telephone and as such physical presence bias was avoided.</td>
</tr>
</tbody>
</table>

Table 2 Interview Error Mitigation
Ethical Considerations

Cooper and Schindler (2008) identify the ethical considerations in business research. They establish that a participant must not suffer physical harm, discomfort, pain, embarrassment or loss of privacy. Given these criteria it was identified that participants were unlikely to suffer in any way as a result of this research. Procedures set forth by the Massey University Human Ethics Committee revealed this research to be of low risk. A low risk notification was made to the Committee and all participants were advised of this. Participants were advised of the purpose of the research and how their privacy would be protected. They were also invited to ask questions, should they have any concerns and participants were under no obligation to complete the research should they feel uncomfortable with any element.

Limitations of the Methodology

Whilst every opportunity has been taken to ensure the validity of this research where possible there remain some key limitations. This research is limited by the sample of the population. The interview outputs are particularly limited because of the small sample spoken to about these topics and because their viewpoints are very personal with no checks applied to them. A further limitation of the survey is that, respondents may only reflect those willing to express an opinion relating to governance practices within their authority, which may equate only to those who fully understand corporate governance and the local authority governance roles and responsibilities.

Conclusion

This chapter has outlined the methods employed in the conducting of this research project and has identified how the survey and interview instruments are used to answer the research questions which in turn are used to validate the hypotheses. This has included rationale and purpose behind the two key approaches of the survey and interviews. The design of both the questionnaire and the interviews has been explained along with the methods of analysis of the responses that emerged. The following chapter presents the findings of the survey and interviews, the data and outputs for later discussion in Chapter 5.
Chapter 4: Research Results

Introduction
In his chapter the results of both the survey and interview stages of the research are presented. These results will be analysed and interpreted in Chapter five. For each of the research instruments information is presented on the respondents and the organisations they represent. Care has been taken to ensure that identifying features have been removed.

The Survey Results

Survey Sample – Responding Authorities
50 individuals took the survey representing 41 different local authorities. 52% of local authorities were represented in the survey sample.

33 District Councils (DCs) were represented in the responses, 6 City Councils (CCs and 2 Regional Councils (RCs).

There are only two geographical regions that are not represented by respondents. These were Marlborough and Northland.

The following geographical regions are represented:

- Auckland
- Waikato
- Bay of Plenty
- Gisborne
- Hawkes Bay
- Taranaki
- Manawatu-Wanganui
- Wellington
- Nelson
- Tasman
- West Coast
- Canterbury
- Otago
- Southland

The size of local populations represented by participant’s authorities ranged from 3,621 to 1,305,018. Figure 1 below shows the spread of population figures of those usually resident in each of the responding catchment areas as at 2006.

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5 Based on figures relating to population usually resident in the catchment for each given authority in 2006. Information taken from Department of Internal Affairs owned website: http://www.localcouncils.govt.nz/lgip.nsf/wpg_url/Profiles-Index#VCC
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Figure 1 Population usually resident in the catchment for each given local authority in 2006.

Figure 1 demonstrates that of the 78 possible councils who might have responded, with a mean average resident population in 2006, of 84,002, the councils represented by those who did respond were generally smaller with a mean average of 64,105. This is significant because smaller and larger councils operate quite differently. The interviews discussed later in this chapter identified that elected members in smaller councils are clearly identifiable by members of the community. In a recent speech to LGNZ, the Honourable Rodney Hyde, Minister of Local Government recalled a weekend he had spent with Mayor John Forbes and his council. “Walking around with him, I realised that everyone in Opotiki knows John. But what’s more, John knows everyone in Opotiki. That’s the local in local government” (Hyde, 2011). It may be true that larger councils are not as familiar with ratepayers and citizens.

Survey Sample – Responding Individuals

A total of 50 individuals responded to the survey representing 32% of the total population of local authority Mayors/Chairs and CEOs. Of the responses, 62% were completed by CEOs and 38% of responses by Mayors/Chairs. Nine local authorities are represented in the findings by both the mayor and the CEO. However, 20% of the total respondents did not complete beyond question 3 and their responses have been omitted from the results presented here for questions 4 and beyond.

Table 3 provides a breakdown of the respondents by role and by local authority type. It is worth noting that Regional Council Chairs are not represented by the survey. Regional councils perform different tasks to district and city councils, as such it is important to note their absence as their governance practices might be quite different.

<table>
<thead>
<tr>
<th>Authority Type</th>
<th>Mayor/Chairs</th>
<th>CEOs</th>
<th>Total Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Council</td>
<td>17</td>
<td>25</td>
<td>42</td>
</tr>
<tr>
<td>City Council</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Regional Council</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Responses</strong></td>
<td><strong>19</strong></td>
<td><strong>31</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

Table 3 Breakdown of Individual Respondents (actual numbers of respondents)
Respondents were asked for how long they had been in their current role. Of the 50 answers, the most frequent response is 7 years. The mean length of time in their current role is 5.43 and the standard deviation from the mean is 4.54. The histogram presented below in Figure 2 graphs the length of time respondents have been in their current roles. The graph highlights the high percentage of respondents who have been in their role for less than 5 years.

![Histogram showing respondents time in current role](Image)

**Figure 2** Histogram showing respondents time in current role (actual numbers of respondents)

**Governance Training**

Respondents were asked whether they had ever received formal corporate governance training. Of the respondents, 26% said they had never received any formal corporate governance training. 74% of respondents, said they had received formal governance training, either in their current role, in another role or whilst in another local government role. These responses are depicted below in Figure 3 below.
General Governance Practices

The respondents were asked whether or not the Mayor/Chair and the CEO always demonstrates the organisation’s values through their own behaviour. The responses are presented in Table 4 below by role.

<table>
<thead>
<tr>
<th>Demonstrates value through their behaviour</th>
<th>Mayor/Chair</th>
<th>CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolutely True</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>Somewhat True</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Somewhat Untrue</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Not True</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 4 Demonstration of values by role (actual numbers of respondents)

Respondents were also asked whether or not the roles and division of responsibilities for these roles was clear. Responses are presented below in Table 5.

<table>
<thead>
<tr>
<th>Has well defined role and the division of responsibilities is clear</th>
<th>Mayor/Chair</th>
<th>CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolutely True</td>
<td>19</td>
<td>29</td>
</tr>
<tr>
<td>Somewhat True</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Somewhat Untrue</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Not True</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 5 Role definition and division of responsibilities (actual numbers of respondents)

Additional governance statements were tested around elected members and officers working together to achieve a common purpose and whether or not respondents believed there was a good balance of independence, skills, knowledge, experience and perspectives among elected members and that the council uses these attributes effectively. Table 6 Additional Governance Questions provides the responses given to these questions.
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Elected members and officers always work together to achieve a common purpose

There is a good balance of independence, skills, knowledge, experience and perspectives among elected members and that the council uses these attributes effectively

| Absolutely True | 14 | 14 |
| Somewhat True   | 27 | 27 |
| Somewhat Untrue | 5  | 4  |
| Not True        | 1  | 2  |

Table 6 Additional Governance Questions (actual numbers of respondents)

Governance Tasks

Respondents were asked to indicate whether specific tasks are the formal duty of the Mayor/Chair, CEO, The Council, A Committee of Council, Senior Officer(s) or another. The tasks were divided into four specific areas of:

- Strategy
- Projects and Activities
- Monitor and Review
- Representation

The tasks related to strategy are presented below in Table 7. The respondents identified who within their council was responsible for these tasks.

<table>
<thead>
<tr>
<th>Strategic Tasks</th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of specific projects</td>
<td>1</td>
<td>11</td>
<td>20</td>
<td>1</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Prioritisation of projects</td>
<td>1</td>
<td>1</td>
<td>36</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Leading the consultation process</td>
<td>15</td>
<td>8</td>
<td>7</td>
<td>1</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Determining the relationship with neighbouring authorities</td>
<td>22</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 7 Responsibility for strategic tasks (actual numbers of respondents)
Respondents were also asked about tasks related to projects and activities. Specifically they were asked about formal responsibilities for:

- determining activity budgets, policy formulation;
- identifying specific projects;
- negotiating contracts;
- prioritising projects and activities;
- educating the public about democracy;
- developing and maintaining revenue and financing policies;
- facilitating communications between councillors and officers; and,
- ensuring council is prepared for a civil emergency.

The responses are presented in Table 8 below.

<table>
<thead>
<tr>
<th>Projects and Activities</th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determining activity budgets</td>
<td>0</td>
<td>10</td>
<td>16</td>
<td>0</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Policy formulation</td>
<td>1</td>
<td>7</td>
<td>23</td>
<td>1</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Identifying specific projects</td>
<td>1</td>
<td>7</td>
<td>19</td>
<td>0</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Negotiating contracts</td>
<td>0</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Prioritising projects and activities</td>
<td>1</td>
<td>2</td>
<td>34</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Educating the public about democracy</td>
<td>8</td>
<td>5</td>
<td>8</td>
<td>1</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Developing and maintaining policies on revenue and financing</td>
<td>0</td>
<td>24</td>
<td>4</td>
<td>1</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Facilitating communications between councillors and officers</td>
<td>10</td>
<td>27</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Ensuring readiness for a civil emergency</td>
<td>2</td>
<td>27</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 8 Responsibility for project and activity tasks (actual numbers of respondents)

To identify responsibilities for monitoring and review, respondents were asked questions relating to ensuring budgets were met – both overall, and activity specific, monitoring spend against budgets, reviewing operational activity, managing senior officer disciplinary cases, reviewing other senior officer performance other than the CEO, and ensuring the organisation is meeting legislative requirements. The responses are presented in Table 9.
## Monitor and Review

<table>
<thead>
<tr>
<th></th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring overall budgets are met</td>
<td>0</td>
<td>30</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ensuring activity budgets are met</td>
<td>0</td>
<td>20</td>
<td>2</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Regularly monitoring spend</td>
<td>0</td>
<td>13</td>
<td>9</td>
<td>5</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Reviewing operational activity</td>
<td>1</td>
<td>26</td>
<td>2</td>
<td>2</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Managing senior officer disciplinary cases</td>
<td>0</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reviewing the performance of senior officers other than the CEO</td>
<td>0</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ensuring Council is meeting legislative requirements with regards to elections</td>
<td>0</td>
<td>35</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

**Table 9 responsibility for Monitor and Review (actual numbers of respondents)**

Table 10 below provides the response to questions about representation. Specific questions related to who is responsible for representing the local authority in specific situations.

## Representation

<table>
<thead>
<tr>
<th></th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front the media on council operational matters</td>
<td>26</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Act as intergovernmental liaison</td>
<td>18</td>
<td>18</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Build relationships with community groups</td>
<td>26</td>
<td>2</td>
<td>8</td>
<td>0</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Represent the council at formal events</td>
<td>39</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Represent to community, town or city in the media</td>
<td>39</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

**Table 10 Responsibility for Representation (actual numbers of respondents)**
Codes of Behaviour/Ethics

Respondents were asked to indicate whether their organisation had a code of behaviour/ethics for officers and for elected members, and if so, whether there were clear measures for dealing with breaches. The responses are provided in Table 11 below.

<table>
<thead>
<tr>
<th></th>
<th>Is there a code of behaviour/ethics?</th>
<th>Where yes, are there clear measures for dealing with breaches of the code?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Officers</td>
<td>33</td>
<td>2</td>
</tr>
<tr>
<td>Elected Members</td>
<td>39</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 11 Codes of Behaviour/Ethics (actual numbers of respondents)

Relationships

The final question asked by the survey related to how direct the relationships are between the CEO and Councillors and between the Mayor/Chair and officers. When asked, ‘within your organisation does the Mayor/Chair have a direct relationship with officers?’

- 78% of respondents answering the question responded – Yes
- 22% of respondents answering the question responded – Yes, but always via the CEO

When asked ‘within your organisation does the CEO have a direct relationship with Councillors?’

- 97% of respondents answering the question responded – Yes
- 3% of respondents answering the question responded – Yes, but always via the Mayor/Chair

Interview results

The 7 interviewees (Mayors and CEOs) came from council types as illustrated in Table 12 below.

<table>
<thead>
<tr>
<th>Authority Type</th>
<th>Mayor/Chairs</th>
<th>CEOs</th>
<th>Total Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Council</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>City Council</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Regional Council</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Responses</td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 12 Breakdown of Individual Interviewees (actual numbers of respondents)
The following section identifies common themes and related points made by the interviewees.

**The Role of Elected Members**
There was consensus amongst the interviewees that the role of elected members is not clearly understood across the board. According to respondents, it is rarely thoroughly understood by an elected member before they stand for election and takes a while (one interviewee suggested 18 months as a minimum) to understand the job once elected to their first term. The impact on governance is that some elected members do not understand the boundaries of their role and specifically try to get involved in operational or management matters. Each interviewee with the exception of one, stated that on their council there are varying degrees of understanding of the role of the elected member. One interviewee stated ‘some elected members will just never get it.’ Of those interviewed five stated that further definition of the role of the elected member through a formal job description would be a positive step to supporting newly elected councillors in helping them to understand their role. One commented that new councillors arrive with very different expectations of what the job is about and a formal job description would ‘help them settle in’.

**Training for Elected Members**
All of those interviewed with the exception of one (who was not asked) expressed that the training available to elected members through LGNZ is of a high standard. However, interviewees stated that not all elected members are keen to attend training. One interviewee also added the point that for some councils the burden of training is costly and they cannot afford to put all elected members through relevant courses.

**The View of the Public**
There was also common agreement amongst the interviewees that the general public does not understand the role of the elected member. This was deemed particularly apparent in the two smallest organisations represented by the interviewees, in one instance elected members are sometimes pressured by the public to get involved in operational matters, and in the other, elected members are phoned at home about matters such as street lights not working or potholes in the road. Three of those interviewed stated that they felt the public thought elected members are more powerful than they are in reality and have intimate involvement with operational issues, that they are able to address specific operational issues. One interviewee particularly pointed out that the general public thought the Mayor to be all powerful, not realising that the Mayor has just a single vote on Council.

**Skills of Elected Members**
Each of the interviewees stated that their council is made up of elected members with a mix of skills and specialisations. Two of the seven interviewees stated that there is a balanced mix of skills on their council. Both stated that on their council there are several elected members with strong backgrounds in corporate governance from either the corporate sector or from other non-profit based organisations. However, four of the remaining councils stated that there is a mixture of skills on their council from some elected members with very strong governance skills to some with almost no understanding of corporate governance. Whilst most interviewees embraced this mix as part of ‘the rich tapestry of democracy’, one interviewee in particular was concerned by
this going as far as to suggest mandatory skills testing on election. This particular interviewee recommended that those failing basic elected members skills test should be stripped of their post before being sworn in.

Whilst most of those interviewed expressed variances in the understanding of corporate governance by elected members, one interviewee commented that within their council “most elected members understand corporate government better than they understand local government, but we are very lucky.” Several interviewees commented that the nature of democracy and local government is bound to result in a rich melting pot of skills and experiences.

**Separation of Duties**

Answering from opinion rather than in relation to their specific authority, several of those interviewed felt that issues of separation of duties between the CEO and the Mayor stemmed from personality challenges. Where one party is particularly strong and the other less so, there can be an effect on the governance roles. It was felt that this could lead to blurring of the roles between the CEO and the Mayor. Conversely, it was stated by one interviewee, that where the parties get on particularly well, this can also lead to a blurring of roles. Specific examples were provided of governance practices in the sector relating to separation of duties. These included the example of Hutt City Council where the Mayor has commissioned the deputy mayor to carry out an operational review (Boyack, 2010).

**Cultural Factors**

One issue that was mentioned by six of the seven interviewees was the impact on governance of the organisation’s culture and in particular the element of trust. Where there is a lack of trust between officers and elected members, there are potential issues with agenda setting by either officers or elected members. It was also felt that where there is no trust in officers, elected members are not always able to make effective decisions.

Several of those interviewed stated that governance issues arise as a result of personalities and the mix of personalities rather then due to a lack of supporting policies. Four interviewees suggested that tighter policies and definitions would not necessarily prevent this from occurring.

An additional comment from one interviewee was that the culture of the Council was set by elected members and that they never fully represent the full scope of public opinion. The Council tends to be made up of “retirees or self employed people.” The interviewee observed that “we do not make it easy for a whole sector of our society to be involved for example, those between 35 and 55 who have other pressures in life are rarely represented.”

**Professional Advisors**

Professional advisors are appointed as DHB directors in the New Zealand health sector. This idea was discussed with the interviewees. Several examples were provided of where councils (not necessarily represented by interviewees) employ professional advisors who advise or interpret technical information for the elected members. The examples provided included the use of a financial consultant at Thames Coromandel.
D.C. and the employment of Maori cultural advisors at several councils. Whilst there is legislative provision for the employment of these advisors, it was felt that their use is not common. It was also stated that the Councils who might have the most significant need for such professional advisors may not be aware that they need such support.

Governance Practices
The particular issue of policy versus actual practice was raised by one interviewee who stated that the actual practices of a council may differ somewhat from the policies or procedures as they appear on paper. The interviewee commented “whilst a Council officially operates in a certain manner detailed in the policy and procedure documents, this may not be how things are actually done behind closed doors.” Where trust exists in a territorial authority, one interviewee commented, “99% of council decisions are simply a matter of ratifying the views, plans and activities of the officers who know best.” Another interviewee commented that governance is not regularly discussed, that the formal Governance Statement is not generally debated but drawn together by relevant officers and signed off at a Council meeting. An interviewee stated “sometimes I wonder if the elected members have even read our Governance Statement”, another stated “the governance statement is certainly not hotly debated before it is signed off.”

The Three-Year Electoral Cycle
During one of the early interviews the interviewee commented that the three-year electoral cycle is detrimental to the governance process. He felt that the electoral cycle led to short-termism by elected members and in turn this led officers to focus on the detail of smaller decisions and forget the bigger long-term picture. This was discussed with the five subsequent interviewees. One agreed that it was easier for elected members to make decisions about smaller projects with fewer ramifications than larger projects. One stated that the three-year electoral cycle is expensive and disruptive, that elected members struggle to make good long term plans when they are faced with such a short term cycle. On the other hand, one interviewee stated that the problem with short term thinking was not necessarily caused by the electoral cycle and would not be solved by changing it. One interviewee observed that the introduction of a longer electoral cycle could have both a positive and negative effect. “When you have a great Council in place the electoral-cycle is far too short, however when there are personality challenges and highly political personal agendas, three-years can seem like an age”. Another commented “it is very rare for an elected member to be elected for just one term, so the cycle is not that important.” One recommended that a four-year cycle would be ideal.

Conclusions
The results of the survey and interviews have raised some interesting points, questions and issues that would benefit from further research. The key overarching themes from the results of the survey are that the roles of elected members and the roles of CEOs and officers are fulfilled in different ways in different organisations. The interviews clarified some of the survey points and added context. In particular the interviews confirmed that there is no single approach to governance within territorial authorities in New Zealand.
There are several factors contributing to the differences outside of the size and type of organisation, these include:

- personalities and personality differences;
- the definition of roles;
- the culture of the organisation;
- the impact of the electoral cycle; and,
- the availability of sound advice.

The results of the survey and interviews will be analysed in the next chapter along with the strength of local government governance practices against identified corporate governance best practice. Some recommendations will be made following the analysis of these results.
Chapter 5: Discussion – Analysis of Findings

Introduction

Chapter 4 presents the results of the survey and interviews conducted as part of this study. This chapter discusses these results in response to the research questions and considers to what extent the results answer the hypotheses outlined in the introduction. The findings of the research are compared to good practice corporate governance standards as discussed in the literature review presented in chapter two and conclusions drawn. In addition, this chapter introduces some recommendations for the local government sector and also highlights some areas for further research. The key themes identified by this research relating specifically to corporate governance have been:

- The differences between policy and practice in local government;
- The definition of roles for elected members and the articulation of responsibilities – specifically clarity regarding separation of duties.
- The impact of personality and organisational culture on governance practices; and,
- The challenges of working with councils comprising of a range of skills and experiences, and which has the potential to change every three years.

An analysis of these themes in relation to the research questions, good governance practices and the hypotheses of this study are provided in this chapter.

Addressing the Research Questions

The outputs of the survey and interview instruments used to collect data for this study returned a series of interesting observations which are discussed below in reference to the research questions. The research questions are posed and the research results discussed below:

1. Is the role of elected members (including Mayors and Chairs) clearly defined?

The survey asked respondents to indicate whether or not the role of the Mayor/Chair is well defined. 91% responded that it is either absolutely true or it is somewhat true that the Mayor/Chair has very well defined role and the division of responsibilities is clear. However during the interviews a common theme emerged that the roles of elected members are not well defined. There was support for better definition of the role of Councillors and the Mayor/Chair. The interviewees generally indicated that the roles were not understood by councillors before they are elected to their first term and that it takes a while (a different length of time in the case of each individual) for the elected member to fully understand the role. One of the additional concerns raised by the research is that the general public are not aware of exactly what elected members are elected to do. In governance terms this can lead to elected members getting involved with operational matters which are outside of their realm.

Appendix 2 shows the number of councils whose Governance Statements can be found online. However, 27% of those available were out of date at the time of the investigation. One interviewee admitted that the governance statement was
not debated but rather signed off by the Council. The purpose of the governance statement is to define the governance practices, roles and responsibilities of the organisation. Clearly the definition provided by these statements is either symbolic and remains undigested by elected members and councils or it is not well understood.

The interviewees supported the notion that greater definition of the role of elected members and also Mayors/Chairs is needed and that job descriptions are one way of achieving this. However, several interviewees also raised the point that putting in place structures, documentation and policies is only successful where they are supported through the organisation’s culture, attitudes and behaviours. Well articulated definitions of roles will not change the current situation without a programme of education and buy in.

The final point of interest raised by the research on the topic of role definition of elected members is the concern that the general public has a very limited understanding of what elected members are in place to achieve and what their role actually is. The author of this study is aware of various efforts by central government and quasi-governmental organisations to educate the public on the roles of elected members through LGNZ and publications such as the decision maker guide to local government (Decision Maker Publications, 2004), the Local Government Forum (2007), and Forgie, Cheyne and McDermott (1999) and education programmes. The message from this research is clear that the public is not aware and the message is not getting through. The survey also asked a question about whose responsibility it is to educate the public on democracy. There was a clear split in the responses with 47% believing it to be the role of the CEO or senior officers and 41% believing it to be the responsibility of the Mayor/Chair, elected members or a council committee. However, a specific question asking whose responsibility it is to educate the public on the roles of elected members was not asked. It is the opinion of the author that this responsibility should not lie with the Mayor/Chair or the CEO, but with national level government and the education sector, managed through the Department of Internal Affairs.

These findings mirror those of Asquith (2008) who also found that “while there were a small number of councillors within each authority who were unable to grasp that their role was akin to that of a director in a private sector company, and as such needed to focus their attention on the strategic issues facing their council, the majority were able to grasp this role.” The research findings call for more effective training of elected members to support them in understanding their role, this reiterates Birchfiled and Mueller’s call for further education in the health sector “if directors who stand for election to DHB boards don’t have the necessary skills, they should either think again or be prepared to go through a comprehensive learning process.” (Birchfield and Mueller, 2010).

2. Is the separation of duties between elected members and CEOs and officers clearly distinct?

Whilst the survey indicated that there is a good definition of the roles of both the Mayor/Chair and the role of the CEO the interview responses suggested that the separation of these roles is less distinct. The spread of survey answers
responding to separation of responsibilities suggested that the separation of certain duties are very clearly understood such as the performance management of senior officers, whereas others, such as setting financial policy, are not so clear. Aside from the results of this research there is regular evidence in the press that the separation of duties is not always adhered to. An example of where the separation of duties has not been clearly understood is presented by Hutt City Council where the Mayor announced elected members would be conducting a review of operations and activities themselves, stating clearly that the “review will be conducted by a group of councillors under the leadership of Cr Bassett.” (Boyack, 2010).

One of the concerns noted by the researcher on this topic is that the separation of duties can come down to personality strengths and weaknesses. A particular example is that of Tennant and Kerr-Newell (Hendery, 2006) where despite strong personalities the Mayor and CEO have a strong relationship. Whilst they experienced blurred responsibilities their relationship and partnership approach ensured this did not become a problem. However other evidence presented by the example of Maryatt v Braithwaite (Waikato Times, 2011) is that relationship and personality issues can be very damaging to execution of duties of the Mayor/Chair and the CEO.

3. **Is the separation of duties specified adhered to within every local authority?**

The research identified that whilst separation might be clear on paper, the actual practices of a local authority come down to culture, trust and behaviour. The adherence to policy is driven by the personalities of those in leadership roles (the Mayor/Chair and CEO) who set the tone for acceptable practice. This illustrates that despite institutional reforms in 1989 and the formal separation of duties, these reforms have not necessarily filtered down to the psyche of the elected member and officer.

The influence of behaviour on culture has strong ramifications for corporate governance. The effects of leadership on culture are well documented. Llopis, Gonzalez and Gasco (2007) state “In short, leadership by corporate governance goes beyond management, since it also includes the concepts of encouragement, help and service to others with the purpose of carrying out the organisational mission through ethically correct work.” What Llopis et al. determine through their research is that having governance documentation in place and up to date will not necessarily result in good practice governing behaviour. The culture of the organisation plays a key role in actual practices.

Legislation dictates specific governance practices for local government in terms of representation, policy setting and also for monitor and review practices. These governance practices relate to the policies and procedures local authorities must have in place and abide by, which are in turn audited by the Office of the Auditor General. Ideally these should lead to good governance practices and like behaviours across the sector. Elected members have the mandated responsibility for setting the organisations direction and overall strategy by way of the establishment of policies. Establishing policies is important for enabling the organisation to achieve the vision set out by the
council. One survey question asked who within the respondent’s local authority is responsible for developing and maintaining policies on revenue and financing and 88% responded that this was the responsibility of the CEO or senior officers. This clearly indicates that elected members are not fulfilling their duties and responsibilities for policy setting.

In the corporate sector, the board of directors and employees of the organisation should only have a formal relationship through the CEO and the chairperson. However, for the organisation to work effectively there needs to be a strong relationship between the directors and senior managers. According to Monks and Minow “It is… important for [the directors] to have direct access to top corporate officers and managers” (Monks and Minow, 2008). In local government the role of the board of directors is played by elected members and the chairperson by the Mayor of the council or the Chair in the case of regional councils. When asked whether the Mayor/Chair has a direct relationship with staff and whether the CEO has a direct relationship with elected members, 78% and 98% respectively responded “Yes”. Whilst good governance states that relationships should be managed formally through the Chair or CEO of a company, there is evidence to support the development of direct informal relationships. Governance and audit researcher Zaman has proven that direct relationships between the directors involved in audit and the organisation’s management has positive results. Turley and Zaman’s research on the effectiveness of the audit committee (a formal governance tool) indicates that the informal networks between committee members and staff members actually condition the impact of the audit committee on the business and that the most significant effects of the committee on governance outcomes occur outside the formal structures and processes (Turley and Zaman, 2007). Strictly speaking the direct relationship between elected members and officers is contrary to good practice corporate governance. However, this was not recognised as detrimental to governance practices by any of the interviewees and might improve the flow of information. The only instance raised by interviewees in which direct relationships might be disadvantageous are where there are specific agendas at play and some parties might not be receiving all appropriate information.

4. Do all local authorities have an identical approach to separation of duties?
The evidence of the survey indicates that there is no single approach across the sector. For example when asked who within the organisation is responsible for leading the consultation process, the spread of answers (38% answered the Mayor/Chair, 20% answered the CEO, 17% answered Council and 17% senior officers) indicates that there is no common way of addressing this task. For some tasks there were common responses. For example the vast majority of respondents indicated that the responsibility for representing the council at formal events and representing the community, town or city in the media lay with the Mayor/Chair and there was clear common understanding that the CEO is responsible for managing the performance of senior officers and the majority indicated the CEO is responsible for preparing the organisation for a civil emergency.
5. **Do councillors set the policy direction or vision within each local authority?**

The survey results presented a mixed response on the responsibility for policy setting. This was investigated further in the interviews. Whilst all respondents indicated that elected members have the final word on policy setting and strategic direction, the reality in many instances is that they are simply authorising the agenda set by officers and the CEO. This was explored in more detail and appears to happen for one of two reasons – either the elected members trust and have faith in the officers as dedicated professionals who understand their field and are best placed to recommend strategies, or, the elected members do not have the skills and understanding or motivation required take such decisions so effectively leave it to officers.

The skills of elected members were discussed at length in the interviews. For some local authorities the skills were balanced and the interviewee felt that the council was well capable of making decisions. This was reflected by the survey where 82% of respondents felt that it was either absolutely true or somewhat true that within their organisation there is a good balance of independence, skills, knowledge, experience and perspectives among elected members and that the council uses these attributes effectively. The interviewees from two of the smaller authorities interviewed felt that their elected members may lack some of the skills held by elected members of larger councils such as governance experience gained in the commercial sector.

The question of the impact of the three-year electoral cycle on the ability of elected members to set long term strategic directions was raised. The interviewees had mixed responses to the suggestion that this might adversely affect the ability to achieve long term planning. One suggestion was that the three year cycle made councillors focus on smaller, more immediately achievable tasks (such as fixing potholes) which in turn diverted the attention of the officers onto those smaller tasks. It was even suggested that this led to mediocrity of performance across the board of officers and elected members as they were unable to rise above the detail level. However, in discussions with subsequent interviewees it became apparent that again this ability to set high level strategic direction came down to the council at the time, their skills, abilities and motivations and the leadership and personalities of the Mayor/Chair and CEO.

6. **Do councillors regularly monitor performance of the local authority?**

Under the section on monitoring and review, responsibility for tasks was largely placed at the feet of the CEO. Respondents were asked to identify who had responsibility for ensuring overall budgets are met and for monitoring spend. 70% responded that these factors should be monitored by the CEO or senior officers.

The monitoring of performance was discussed with interviewees. Given the responses provided the researcher felt that these tasks were too often left to officers and not conducted regularly enough by elected members. Again, this may come down to a lack of skills or motivation.
Each council employs the Office of the Auditor General (OAG) to provide ‘Parliament with independent assurance that public sector organisations are operating, and accounting for their performance, in keeping with Parliament’s intentions’ (Office of the Auditor General, 2011). The OAG reviews policies and procedures and confirms that the organisation is operating in line with the policies. However, their work is limited by the information available to them at the time. They can confirm that policies are in place and they can confirm that in name they are adhered to. However, practices described by the interviewees during this research project highlight that the reality can be quite different from the written policy. Specifically interviewees suggested that elected members can operate as a sign off point for policy as opposed to acting as the policy setter.

7. **How are performance reviews achieved?**

The key review of council performance each year is achieved through the direction of Council employing Audit New Zealand to review operations. One of the interviewees identified that this is the sector’s way of ensuring procedures are up to scratch without relying on the skills and knowledge of the councillors of the day. Whilst Audit New Zealand reviews formal processes and procedures and also reviews the financial position in detail there is no formal review of the culture of the organisation. Several of the interviewees indicated, having formal policies in place does not necessarily mean the organisation will operate in a particular manner.

This research has identified that many governance tasks, whilst they may be articulated in policy, are driven by the personalities and culture of the organisation. Whilst formal reviews are conducted into financial performance there is little review of the validity of the strategic direction aside from confirming there is a long term plan and the public has been consulted on it.

The final two research questions, ‘what are good practice corporate governance standards?’ and ‘how well does each local authority deliver against each element of corporate governance good practice standards?’ are discussed below in the section Local Government and Good Practice Standards.

**Local Government and Good Practice Standards**

As identified in the literature review, in New Zealand standards for good corporate governance have been established by a set of standards articulated by the SEC. The securities commission established nine principles which are intended to guide organisations in achieving a good standard of corporate governance. This section of the report investigates how the results of the research demonstrate the performance of corporate governance in the local government sector against these good Corporate Governance principles. Table 13 below, provides commentary as to how the researcher believes the research responds to each of the principles:
**SEC Principle:** | **What the research shows:**
---|---
**Principle 1** – Directors should observe and foster high ethical standards. | Each council is committed by law to have a code of conduct for elected members. Each of the councils who fielded responses to the questionnaire said that yes they had codes of conduct for both elected members and for senior officers. Fewer, but still a high proportion said that they had ways of dealing with breaches of the code. However, the interviews did identify that the effect of culture and personality can also play a significant role in this area.  
**Yes, local government is meeting this principle.**

**Principle 2** - There should be a balance of independence, skills, knowledge, experience and perspectives among directors so the board works effectively. | Whilst all but 12% of respondents said that it was absolutely or somewhat true that their council had a good balance of skills and abilities in response to the survey, the evidence of the lack of interest or responsibility for financial and legislative elements of the job suggest that the professional skills of the council may be lacking. The evidence of the interviews indicated that there is a mix of skills within each council which is a direct result of the democratic process. This can lead to difficulties with elected members discharging specific duties and can also lead to low motivate for some tasks.  
**No, as a result of the democratic process this principle is not met.**

**Principle 3** the board should use committees where this would enhance its effectiveness in key areas while retaining its responsibility | This principle is legislated. Councils use committees to review carry out specific tasks as a matter of course and as such, performance against this principle was not tested. However, the researcher believes this principle is met across the sector.  
**Yes, local government is meeting this principle.**

**Principle 4** - The board should demand integrity both in financial reporting and in the timelines and balance of disclosures on entity affairs | Legislation dictates the timeliness of local authority reporting so this was not tested. However, questions were asked about the demands of councillors in terms of financial reporting. Only 22% reported that the council or the mayor regularly monitored spends against budget. This demonstrates poor governance. Further research is required to investigate the cause, extent and impact of this situation. The author suspects that the lack of strong financial skills amongst councillors and the reliance on Audit New Zealand may be a contributing factor here.  
**No, local government is not meeting this principle.**

**Principle 5** - The remuneration of directors and executives should be transparent, fair and reasonable. | This was untested as the remuneration of councillors, the Mayor/Chair and Chief Executives are a matter of public record.  
**Yes, local government is meeting this principle.**

**Principle 6** - The board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks. | The evidence presented by the interviews indicated that this is left largely to Audit New Zealand. However, whilst Audit New Zealand reviews process and procedures it was apparent that actual practices can differ considerably. As a result the author believes that this standard is met in part but that further work is required to identify how far actual practices differ from articulated policies and processes.  
**Local government is meeting this principle in part.**
Continued from above:

<table>
<thead>
<tr>
<th>SEC Principle:</th>
<th>What the research shows:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle 7</strong> - The board should ensure the quality and independence of the external audit process</td>
<td>Audit New Zealand is a government entity and is therefore a rigorous audit process. However, as indicated above, actual practice can differ significantly from the policies which are formally audited. The official audit process does not allow for personalities and organisation culture. Local government is meeting this principle in part.</td>
</tr>
<tr>
<td><strong>Principle 8</strong> - The board should foster constructive relationships with shareholders that encourage them to engage with the entity</td>
<td>Local government is mandated to represent and also to consult with stakeholders. As such this was not explicitly tested. However, the survey did ask questions relating to the responsibility for building relationships with neighbouring local authorities and with community organisations. The vast majority of responses indicated that it is the Mayor/Chair or council’s responsibility to build relationships with neighbouring authorities and with the local community. This indicates that practices within the sector do meet his principle. Yes, local government is meeting this principle.</td>
</tr>
<tr>
<td><strong>Principle 9</strong> - the board should respect the interests of stakeholders within the context of the entity's ownership type and its fundamental purpose</td>
<td>This question is answered above under principle 8 as the same response applies. Yes, local government is meeting this principle.</td>
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</tbody>
</table>

Table 13 Local government performance against SEC good governance principles

**Testing the Hypotheses**

In the introduction three specific hypotheses were identified to meet the overall objective of this research which is to address the question ‘should we be worried about corporate governance practices in New Zealand local government?’ The introduction stated that proving these hypotheses to be true will demonstrate that there is no cause for concern in local government corporate governance practices. The implications of the research on these three hypotheses are discussed below:

1. The role of councillors and the Mayor are clearly defined and the separation of duties between the Mayor and elected members, and the CEO and council officers is apparent.

   This hypothesis has been disproven. Whilst there is some centrally legislated or locally articulated clarity around the role of the elected member and the Mayor or Chair of a territorial local authority, there remains some confusion around the role of the elected member. This confusion is evident in both the elected members and also in the general public.

   In addition, this research has proven that the separation of duties between the Mayor/Chair and the CEO is either not clear or not adhered to consistently across the sector.

2. Councillors complete standard governance tasks of setting policies, and monitoring and reviewing performance.
This hypothesis has also been disproven. Whilst elected members do conduct some specific tasks of setting policy, and monitoring and reviewing performance, standards are not consistent across the sector. In addition there is a concern raised by this research that the completion of these tasks elected members might be subjected to personality and cultural influences within the local authority. This research has also raised the point that whilst some practices are conducted by elected members in principle, the elected members might be performing a symbolic act of ratifying the tasks that are in practice conducted by officers.

3. Local Authorities adhere to good practice corporate governance standards. 
This hypotheses has been proven in part. When reviewed against the SEC good corporate governance principles, the New Zealand local government sector is performing well, although not completely meeting the principles. Five of the nine principles are being met completely, two are being met in part, and just two are not being fully adhered to.

The fact that two of these hypotheses have been disproven and one proven only in part, this research identifies that, yes, there is reason to be concerned with corporate governance practices in the local government sector.

Key Findings

This research has identified that in some very specific areas local government is demonstrating solid corporate governance principles and is demonstrating good practice. However, the research has also identified some specific areas of concern.

The areas in which the local government sector is doing well, either as a result of legislation and mandated behaviour, or as a result of local procedure, include:

- Representation of and consultation with stakeholders
- Independence of the audit process
- Transparency of remuneration of elected members and the CEO
- Formal policies and codes are in place to identify governance, ethical and behavioural standards of elected members and officers.
- The use of committees.

The following issues have been identified by the researcher and represent opportunities for further clarification or research.

1. Lack of understanding of the role of governance 
There is a general lack of understanding of the roles, responsibilities and duties, that make up corporate governance in New Zealand local government. Whilst some guidance is provided by legislation and through training available from LGNZ, it remains apparent that elected members begin their roles as councillors without fully understanding the role. Nor is the role well understood by the general public who are voting for individuals mandated to carry out specific corporate governance tasks. This lack of clarification has a direct impact on corporate governance practices. For some local authorities, elected members have solid understanding of corporate governance from other roles they have held. However, this is not true across all councils or all terms of government.
This mix of skills and abilities can also have a negative impact on the practices of corporate governance. It can take time for elected members to develop the level of knowledge required for them to be effective in the governance role they are expected to perform. In some instances specific tasks are left to officers and merely signed off by elected members because of this lack of skill. In the health sector, each DHB has a number of professional directors appointed by central government. Birchfield and Mueller (2010) claim that appointment of directors has recently been used as a tool specifically to upgrade the governance capability of the board.

2. **Lack of formal clarification of roles and responsibilities.**
   This research has also identified that there is a lack of clarification of the roles and responsibilities of elected members and how personalities and organisation culture (including elements of trust) can be allowed to affect the performance of the elected members and their decision making as a result of this lack of clarification.

3. **Personalities and organisational culture impact on the governance of local authorities.**
   As mentioned in point 2 above, the personalities of individuals in key leadership roles, and the culture of the organisation have an impact on how governance processes are conducted. This is not necessarily a negative impact. Strong personalities may have a positive impact on governance practices. However, it is important to note that policy alone does not determine the nature of governance practices. In addition the impact of strong personalities can be affected significantly by the skills and experiences of the elected members. If there is a strong personality in a leadership role and a council of elected members who have limited experience and expertise, the personality strength may determine the flavour of governance practices. By shoring up the knowledge and expertise of the elected members, this personality issue may be mitigated. There is also a concern about the separation of duties between the Mayor/Chair and the CEO or senior officers. Evidence has been presented of this happening quite publicly (Boyack, 2010) and of the challenges this can create (Braithwaite v Marryatt: Part 2, 2011).

4. **Discrepancies between written policy and actual practice.**
   Whilst the corporate governance practices of local authorities are well documented in most instances, this research has identified that there are often discrepancies between what is written in the policies and what is practiced in reality. The research has identified that formal policy is not necessarily followed in practice.

**Recommendations and Further Research**

The author recommends that following the findings of this study, the local government sector would benefit from additional research in some specific areas.

**Impact on the quality of governance**

One of the key related areas this study has not resolved is whether or not there is a negative impact of poor corporate governance practices in the local government sector.
Whilst the author has identified that corporate governance practices do not always follow best practice, it does not prove that this is detrimental to council outputs. This research study has identified that there is probably an impact on corporate governance practices of corporate culture (particularly the elements of trust and strong personalities in key leadership roles) within councils.

The author believes there would be benefit in additional research which identifies the effect of poorly-experienced elected members on the quality of relationships and interactions with the public. It would be particularly interesting to identify any relationship between the quality and frequency of interactions with voter turn out. Given the low voter turn out in local government elections in New Zealand, this research might have a practical impact on interactions and voting behaviour.

Comprehension of governance
One of the main themes of this study has been the lack of comprehension of corporate governance by elected members and also the general public. It would be beneficial to the sector to explore the depth and impact of this problem. In addition to the levels of understanding it would be valuable for the sector to explore new ways of bringing elected members up to speed with corporate governance issues more quickly following their election to their first term. This would improve the speed with which they can become effective as elected members and perform their duties appropriately.

Separation of duties
The author also recommends that further work is required to identify how the role of the elected member, Mayor/Chair and CEO and particularly the separation between these roles, might be better defined and explained to all stakeholders, including those holding the roles.

The use of professional advisors
One of the ideas considered by the author and explored in the interviews is the potential for the use of professional advisors as a support tool for elected members. The suggestion is that professional advisors might support elected members in understanding the information presented to them and the potential impacts of decisions. The professional advisors would not be decision makers per se; rather they would support the decision makers. The interviewees felt that there may be a role for advisors in some councils particularly where trust between elected members and officers might be an issue, but that there would not be a requirement for this support at all councils. This idea warrants further research. This research should consider the role of appointed directors in the district health boards in New Zealand and their impact on decision making. Lessons learnt from the health sector may be transferable to the local government arena.

The impact of the three-year electoral cycle
The final recommendation of the author is that amongst those interviewed it is commonly believed that there is an impact of the three-year electoral cycle on corporate governance practices. However, there was no agreement on what that impact is and indeed whether it is detrimental or beneficial to governance in local authorities. Further research might explore whether this impact is positive or negative, and whether or not three years is the optimal electoral cycle.
Limitations of the Research

This research has been limited by the sample of the population. Whilst approximately a third of the population responded to the survey, Figure 1 Population usually resident in the catchment for each given local authority in 2006. Figure 1 demonstrates that the respondents generally came from smaller councils. The interview outputs are limited because of the small sample spoken to about these topics and because their viewpoints are very personal with no checks applied to them.

A further limitation of the survey is that, as stated by one interviewee, answers may not be truly reflective of practices, born out by some of the discrepancies between survey answers and interview responses. Another limitation of the research is that some elements have not been tested. For example the public understanding of the role of elected members has not tested by the research.

Whilst this research has identified that there are issues with actual corporate governance practices within New Zealand, it is not strictly possible to answer the question as to whether or not we should be concerned. This is because the survey does not clearly identify what the impact of current corporate governance practices is and whether or not there are negative impacts of these current practices.

Conclusions

The findings of this research have proven that yes, there is a reason to be concerned about corporate governance practices in local government. The research questions have proven that two of the three hypotheses are false and one is only partly true. The key findings have been that there is not sufficient definition of roles of elected members and the separation of duties is not clear enough or not clearly adhered to. Elected members do not always complete governance tasks and in some instances elected members simply ratify decisions made elsewhere. The local government sector is demonstrating some good corporate governance practices, when compared to the SEC good governance principles. The key areas of concern related to understanding of corporate governance, organisational culture and the discrepancies between articulated policies and actual practices.
Chapter 6: Conclusions

Introduction
The purpose of this research has been to identify whether or not there are any issues of concern in corporate governance practices in New Zealand local government. The findings demonstrate that whilst there are some good practice corporate governance, such as formal policies and documentation, quality of training, codes of conduct and independent audit practices; there are also some practices that are of concern to the author. The key areas of concern identified are:

1. The lack of understanding of the role of governance
2. The lack of formal clarification of roles and responsibilities.
3. The impact of personalities and organisational culture on the governance of local authorities.
4. Discrepancies between written policy and actual practice.

Research Overview
By using a survey and through interviews the author has explored issues of corporate governance with a sample of current Mayors/Chairs and CEOs of New Zealand local government. The purpose of the survey was to answer the question ‘should we be worried about corporate governance practices in New Zealand local government?’ To achieve this, the validity of three hypotheses was explored, through nine research questions. These hypotheses are:

1. The role of councillors and the Mayor are clearly defined and the separation of duties between the Mayor and elected members, and the CEO and council officers is apparent.
2. Councillors complete standard governance tasks of setting policies, and monitoring and reviewing performance.
3. Local Authorities adhere to good practice corporate governance standards

The first two of these hypotheses have been disproven and the third proved in part.

Findings
Councils in general appear to adhere well to the legal requirements for governance set out in the LGA 2002, although this research has identified that some of this adherence is in name only. This research has identified that corporate governance practices in New Zealand local government may be cause for concern. Some corporate governance good practices are adhered to, particularly in the areas of:

- consultation with stakeholders;
- independence of the audit process;
- transparency of remuneration of elected members and the CEO;
- formal policies and codes are in place to identify governance, ethical and behavioural standards of elected members and officers; and,
- the use of committees.
However, this research has identified that there are specific issues with other governance elements. The most significant of these elements are the separation of duties between elected members and officers; the impact of culture and leadership personalities on corporate governance practices; the understanding of the role and duties associated with corporate governance; and, the performance of some of these roles. Whilst these issues have been identified by this study, the impact of these issues on the outputs of local authorities has not been explored.

Corporate governance practices within local government have a significant impact on the way decisions are made relating to the expenditure of public money and the use of publicly owned resources. Because New Zealand local government is the steward of $30bn of public assets, the employer of 40,000 New Zealand taxpayers and a key local decision maker across the country, the process of making decisions and governing the organisations is of vital importance. Corporate governance practices are an indicator of how well decisions are being made. The author hopes that this research will prove important in understanding how decision making practices in New Zealand local government might be improved.

**Recommendations and Further Research**

The author recommends that following the findings of this study, the local government sector would benefit from additional research in the following areas:

- The impact of corporate culture (particularly the elements of trust and strong personalities in key leadership roles) on corporate governance practices within councils.
- The impact of poor corporate governance practices on the outputs of local government.
- The general public’s level of comprehension of the roles and responsibilities of elected members.
- How the understanding of corporate governance principles could be hastened following an elected members appointment to their first term.
- How the role of the elected member, Mayor/Chair and CEO and particularly the separation between these roles, might be better defined.
- The impact of the three-year electoral cycle on corporate governance practices.
- Whether or not the use of professional advisors to the council should be encouraged.

This research has demonstrated that there are some good practices and some challenging practices in the corporate governance of New Zealand local government. However, its validity is limited by the strength and reach of the sample interviewed and the fact that the survey was responded to in the main by Mayors/Chairs and CEOs representing smaller than mean average sized local authorities. One of the key limitations of the research is that whether or not the impact of poor governance on local government is detrimental has not been explored.
Conclusion

This research has explored the surface layer of corporate governance practices within New Zealand local government. The results of the research make apparent the differences between documented practices and actual practices in corporate governance and has raised some specific concerns about governance practices. However, one of the key findings of the research is that local government in New Zealand does reflect good corporate governance practices in a number of areas. The major finding of this research is that many of the issues stem from personality or cultural challenges within local authorities causing discrepancies between governance policy and governance behaviour. The specific areas of concern that do need to be explored further identified by this study include the separation of duties, the effects of the three-year electoral cycle and whether or not corporate governance practices have an effect on decision making. Recommendations of the study include the call for a greater degree of clarity around the role of the elected member, improvement in the speed with which elected members are brought up to speed on corporate governance matters and the need for research on the impact of specific personalities and organisation culture on corporate governance practices. Whilst this study appears to raise more issues than it addresses, the author is satisfied that this study serves as a sound high level introduction to any further research.
Appendix 1 – Relevant Sections of the Local Government Act, 2002.

Part 4 of the LGA 2002 is focused on governance and management of local authorities and provides the key principles as:

A local authority must act in accordance with the following principles in relation to its governance:

(a) a local authority should ensure that the role of democratic governance of the community, and the expected conduct of elected members, is clear and understood by elected members and the community; and,

(b) a local authority should ensure that the governance structures and processes are effective, open, and transparent; and,  

(c) a local authority should ensure that, so far as is practicable, responsibility and processes for decision-making in relation to regulatory responsibilities is separated from responsibility and processes for decision-making for non-regulatory responsibilities; and,

(d) a local authority should be a good employer; and,

(e) a local authority should ensure that the relationship between elected members and management of the local authority is effective and understood.

Under section 40 of the LGA 2002 local authorities are obliged to make available governance statements covering the following governance elements:

the functions, responsibilities, and activities of the local authority; and

(b) any local legislation that confers powers on the local authority; and

(ba) the bylaws of the local authority, including for each bylaw, its title, a general description of it, when it was made, and, if applicable, the date of its last review under section 158 or 159; and

(c) the electoral system and the opportunity to change it; and

(d) representation arrangements, including the option of establishing Māori wards or constituencies, and the opportunity to change them; and

(e) members' roles and conduct (with specific reference to the applicable statutory requirements and code of conduct); and

(f) governance structures and processes, membership, and delegations; and
(g) meeting processes (with specific reference to the applicable provisions of the Local Government Official Information and Meetings Act 1987 and standing orders); and

(h) consultation policies; and

(i) policies for liaising with, and memoranda or agreements with, Māori; and

(j) the management structure and the relationship between management and elected members; and

(k) equal employment opportunities policy; and

(l) key approved planning and policy documents and the process for their development and review; and

(m) systems for public access to it and its elected members; and

(n) processes for requests for official information.

(2) A local authority must comply with subsection (1) within 6 months after each triennial general election of members of the local authority.

(3) A local authority must update its governance statement as it considers appropriate
Appendix 2 – Council Governance Statement Availability

Below is a list of all local authorities in New Zealand. Those for whom a governance statement is available on their website are categorised as ‘Yes’. Those for whom no governance statement could be found on their website are categorised as ‘No’.

<table>
<thead>
<tr>
<th>Council</th>
<th>Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashburton District Council</td>
<td>Northland Regional Council</td>
</tr>
<tr>
<td>Auckland Council</td>
<td>Opotiki District Council</td>
</tr>
<tr>
<td>Bay of Plenty Regional Council</td>
<td>Otago Regional Council</td>
</tr>
<tr>
<td>Buller District Council</td>
<td>Otorohanga District Council</td>
</tr>
<tr>
<td>Carterton District Council</td>
<td>Palmerston North City Council</td>
</tr>
<tr>
<td>Central Hawke’s Bay District Council</td>
<td>Porirua City Council</td>
</tr>
<tr>
<td>Central Otago District Council</td>
<td>Queenstown Lakes District Council</td>
</tr>
<tr>
<td>Chatham Islands Council</td>
<td>Rangitikei District Council</td>
</tr>
<tr>
<td>Christchurch City Council</td>
<td>Rotorua District Council</td>
</tr>
<tr>
<td>Clutha District Council</td>
<td>Ruapehu District Council</td>
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<tr>
<td>Dunedin City Council</td>
<td>Selwyn District Council</td>
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<tr>
<td>Environment Canterbury</td>
<td>South Taranaki District Council</td>
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<tr>
<td>Environment Southland</td>
<td>South Waikato District Council</td>
</tr>
<tr>
<td>Far North District Council</td>
<td>South Wairarapa District Council</td>
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<tr>
<td>Gisborne District Council</td>
<td>Southland District Council</td>
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<tr>
<td>Gore District Council</td>
<td>Stratford District Council</td>
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<tr>
<td>Greater Wellington Regional Council</td>
<td>Taranaki Regional Council</td>
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<tr>
<td>Grey District Council</td>
<td>Tararua District Council</td>
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<tr>
<td>Hamilton City Council</td>
<td>Tasman District Council</td>
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<tr>
<td>Hastings District Council</td>
<td>Taupo District Council</td>
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<tr>
<td>Hauraki District Council</td>
<td>Tauranga City Council</td>
</tr>
<tr>
<td>Hawke’s Bay Regional Council</td>
<td>Thames-Coromandel District Council</td>
</tr>
<tr>
<td>Horizons Regional Council</td>
<td>Timaru District Council</td>
</tr>
<tr>
<td>Horowhenua District Council</td>
<td>Upper Hutt City Council</td>
</tr>
<tr>
<td>Hurunui District Council</td>
<td>Waikato District Council</td>
</tr>
<tr>
<td>Hutt City Council</td>
<td>Waikato Regional Council</td>
</tr>
<tr>
<td>Invercargill City Council</td>
<td>Waimakariri District Council</td>
</tr>
<tr>
<td>Kaikoura District Council</td>
<td>Waimate District Council</td>
</tr>
<tr>
<td>Kaipara District Council</td>
<td>Waipa District Council</td>
</tr>
<tr>
<td>Kapiti Coast District Council</td>
<td>Wairoa District Council</td>
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<tr>
<td>Kawerau District Council</td>
<td>Waitaki District Council</td>
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<tr>
<td>Mackenzie District Council</td>
<td>Waitomo District Council</td>
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<tr>
<td>Manawatu District Council</td>
<td>Wanganui District Council</td>
</tr>
<tr>
<td>Marlborough District Council</td>
<td>Wellington City Council</td>
</tr>
<tr>
<td>Masterton District Council</td>
<td>West Coast Regional Council</td>
</tr>
<tr>
<td>Matamata-Piako District Council</td>
<td>Western Bay of Plenty District Council</td>
</tr>
<tr>
<td>Napier City Council</td>
<td>Westland District Council</td>
</tr>
<tr>
<td>Nelson City Council</td>
<td>Whakatane District Council</td>
</tr>
<tr>
<td>New Plymouth District Council</td>
<td>Whangarei District Council</td>
</tr>
</tbody>
</table>

Whilst 76% of local authority Governance Statements were found on their website, 27% of them were out of date.
Appendix 3 – The Survey presented to Mayors/Chairs and CEOs

Corporate Governance in Local Authorities

1. Corporate Governance in Local Government

As part of my Massey Executive MBA studies, I am required to carry out a research project. I have chosen to investigate Corporate Governance practices in local government, stemming from both a personal interest and also a career context.

In particular I am looking at the separation of duties between the Mayor/Chair of a council and the CEO.

The first part of my investigation is this survey which will provide me with a high level picture of current practices within local authorities in New Zealand. A second stage will be to clarify some of the issues identified with a panel of interviewees.

I will be very happy to provide the finished report to anybody participating in the surveys and/or interviews.

This survey will close on Friday 17th June, 5pm.

This survey should not take more than 5-10 minutes. I assure you that any information provided will be treated with the utmost confidentiality and any identifying factors will be removed before information is used. I thank you in advance for your time which I know is precious.

Best regards and many thanks,

Liz

Liz Stockley
Mobile: 021 2888832
## 2. About you

*What is your role?*
- Mayor
- Chair
- CEO

**From which Council?**

**For how long have you been in this role?**

<table>
<thead>
<tr>
<th>Years</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

**Have you ever had any formal Corporate Governance Training?**

- Yes, whilst in current role
- Yes, whilst in another local government role
- Yes, in another role
- No
### Corporate Governance in Local Authorities

#### 3. Governance standards and practice

The following statements are based on Corporate Governance Best Practice guidelines. Please indicate the extent to which the following statements are true of your council in your opinion:

**The Mayor/Chair...**

<table>
<thead>
<tr>
<th></th>
<th>Absolutely True</th>
<th>Somewhat True</th>
<th>Somewhat Untrue</th>
<th>Not True</th>
</tr>
</thead>
<tbody>
<tr>
<td>...always demonstrate the organisation’s values through their behaviour</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>...have very well defined roles and the division of responsibilities is clear</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
</tbody>
</table>

**The CEO...**

<table>
<thead>
<tr>
<th></th>
<th>Absolutely True</th>
<th>Somewhat True</th>
<th>Somewhat Untrue</th>
<th>Not True</th>
</tr>
</thead>
<tbody>
<tr>
<td>...always demonstrate the organisation’s values through their behaviour</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>...have very well defined roles and the division of responsibilities is clear</td>
<td>○</td>
<td>○</td>
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</tbody>
</table>

**Additional statements:**

<table>
<thead>
<tr>
<th></th>
<th>Absolutely True</th>
<th>Somewhat True</th>
<th>Somewhat Untrue</th>
<th>Not True</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected members and officers always work together to achieve a common purpose</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>There is a good balance of independence, skills, knowledge, experience and perspectives among elected members and the council uses these attributes effectively</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tbody>
</table>
## Corporate Governance in Local Authorities

### 4. Governance Tasks

Some tasks of the Mayor/Chair and CEO are legislated under the Local Government Act. However, responsibility for other tasks is not as clear cut. Please indicate whether, within your Council, each of the following is the role of the Mayor/Chair or the Chief Executive, the Council as a whole, a Council committee, senior officers or another:

#### Strategy

<table>
<thead>
<tr>
<th>Task</th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Council Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify specific projects for the organisation to conduct</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Prioritise projects and activities in the long term plan</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Lead the consultation process</td>
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<tr>
<td>Determine the nature of relationships with neighbouring local authorities</td>
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</tbody>
</table>

#### Projects and Activities

<table>
<thead>
<tr>
<th>Task</th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Council Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine the budget for each council project/activity</td>
<td></td>
<td></td>
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<tr>
<td>Policy formulation</td>
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<tr>
<td>Identify specific projects for the organisation to conduct</td>
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<tr>
<td>Negotiate and execute contracts with key suppliers and third parties</td>
<td></td>
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<tr>
<td>Prioritise projects and activities in the long term plan</td>
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<tr>
<td>Educate the public about democratic local government</td>
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<tr>
<td>Ensure council develops and maintains policies on revenue and financing</td>
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<tr>
<td>Facilitate communications between councillors and officers</td>
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<tr>
<td>Ensure the council is prepared to respond to a civil emergency</td>
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</table>

#### Monitor and Review

<table>
<thead>
<tr>
<th>Task</th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Council Committee</th>
<th>Senior Officer(s)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure the organisation’s overall budgets are met</td>
<td></td>
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<tr>
<td>Ensure project/activity budgets are met</td>
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<tr>
<td>Regularly monitor spend against budget</td>
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<tr>
<td>Review operational activity</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Manage senior officer disciplinary cases</td>
<td></td>
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<tr>
<td>Review the performance of key senior officers (other than the CEO)</td>
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<tr>
<td>Ensure the council is meeting legislative requirements</td>
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</tr>
</tbody>
</table>
**Corporate Governance in Local Authorities**

<table>
<thead>
<tr>
<th>Representation</th>
<th>The Mayor/Chair</th>
<th>The CEO</th>
<th>The Council</th>
<th>A Council Committee</th>
<th>Senior officer(s)</th>
<th>Other</th>
</tr>
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<tbody>
<tr>
<td>Front the media on council operational matters such as budget</td>
<td></td>
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<tr>
<td>overspend, major project announcements</td>
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<tr>
<td>Act as intergovernmental agency liaison on behalf of the council</td>
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<tr>
<td>Build the council's relationships with community groups</td>
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<tr>
<td>Represent the council at formal events</td>
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<tr>
<td>Represent the community, town or city in the media</td>
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</tbody>
</table>
Does your organisation have a code of behaviour/ethics for officers?

- Don't know
- No
- Yes
Corporate Governance in Local Authorities

6. Breaches by Officers

Are there clear measures for dealing with breaches of the code by officers?

- Yes
- No
- Don't know
### Corporate Governance in Local Authorities

#### 7. Additional Questions

**Does your organisation have a code of behaviour/ethics for elected members?**

- [ ] Don't know
- [ ] Yes
- [ ] No
8. Breaches by Elected Members

Are there clear measures for dealing with breaches of the code by elected members?

- Yes
- No
- Don't know
### Corporate Governance in Local Authorities

9.

**Within your organisation does the mayor/Chair have a direct relationship with officers?**
- [ ] Yes
- [ ] Yes, but always via the CEO
- [ ] No

**Within your organisation does the CEO have a direct relationship with Councillors?**
- [ ] Yes
- [ ] Yes, but always via the Mayor or Chair
- [ ] No
Corporate Governance in Local Authorities

10. Final questions

Please indicate if you would like to be involved in this study further, and if you would like to receive a copy of the report.

Further interest
Please provide a contact phone number and/or email address if you would like to be involved in this study further:

If you would like to receive a copy of the final report please provide an email address to which it can be sent:


11. THANK YOU

Thank you very much for supporting me in this research. Your input will be treated confidentially.
Best regards

Lic Stockley
021 289 8032
lic.stockley@mowgli.net.nz
References


Suffering the consequences – should we be worried?  

Elizabeth Stockley


Suffering the consequences – should we be worried?

Elizabeth Stockley


Legislation

Local Government Act 2002 (New Zealand)

Local Government Amendment Act, 1989 (New Zealand)

Sarbanes-Oxley Act 2002 (United States of America)
Retrieved from: http://www.soxlaw.com/

Financial Services and Markets Act 2000 (United Kingdom)