LEADING CHANGE IN LOCAL GOVERNMENT: A COLLABORATIVE PROJECT?

A paper commissioned by the Waikato Mayoral Forum

March 2013

Peter McKinlay
Executive Director
McKinlay Douglas Ltd
PO Box 13125
Tauranga
New Zealand
075794217
Peter@MDL.co.nz
3/25/2013

Leading Change in Local Government: A Collaborative Project?

This paper was commissioned by the Waikato Mayoral Forum as a context-setter for a meeting to consider and recommend Waikato councils adopt a series of four collaborative work programmes with the objective of improving the efficiency and accountability of local government across the Waikato, New Zealand, region.

INTRODUCTION AND CONTEXT

Introduction

The purpose of this paper is to consider the opportunities opening up for local government as the result of a number of changes ranging from shifts in government policy, to demographic change, to the impact of globalisation and other wide ranging shifts in the international economy.

In essence the paper takes a 'dark before the dawn' approach. Readers may agree with Stephen Woodhead, chairman of the Otago Regional Council, that "Many proposed legislative changes flowing out of the Government appear to be a 'sustained attack on local democracy'" (Otago Daily Times 17 March 2013), but there is an alternative argument that, **provided local government is prepared to take a leadership role,** it has a very real opportunity to entrench its position as the natural leader of its communities.

This paper begins by looking on the 'dark side' and turns to the opportunities in front of local government and some strategies for realising them.

After setting the context, the paper describes the major trends shaping the environment for local government (on page 3) and then suggests a leadership response (page 16) and discusses the relationship between strategic capacity and local democracy.

Context

It is some 20-30 years since the fashion for new public management saw governments in New Zealand and Australia begin reshaping local government in the name of greater efficiency and a lesser burden on ratepayers.

Council organisations were restructured in the belief that efficiency would be best promoted by endeavouring to replicate practice in the commercial sector, with elected members as the equivalent of a Board of Directors, responsible for policy and strategy, and management, headed by a chief executive, responsible for implementation.

Most but not all Australasian jurisdictions undertook substantial amalgamation again with the objective of enhancing efficiency, especially through economies of scale and an expected associated reduction in cost. Successive governments in all jurisdictions massively extended the compliance requirements imposed on local government in the name of greater transparency and accountability, requiring councils to report in detail their future financial and operational plans over a multi-year period.

What was the result?

- Undoubtedly some improvement in efficiency, but little or no reduction in cost to ratepayers (the evidence is that any efficiency gains were more than absorbed by additional activity, primarily but not solely in infrastructure development and maintenance).

- Councils generally have become more inwardly focused and process driven (compliance has real costs in terms of culture, and the focus of elected members and senior management).

- There is a serious lack of strategic capacity largely because of a preoccupation with the myriad of day to day activities (including compliance). In contrast with (say) local government in much of North America and Europe, much of local government in New Zealand remains very insular in its approach to how best to meet the needs of the communities it serves and, in particular, the need to draw a fundamental separation between local democracy and service delivery.

- The serious imbalance between the powers (and often the professional skills and experience) of elected members and management in many instances has led to management and especially the chief executive running the Council with little in the way of the normal constraints which a governing body should impose - the practical reality is that the assumption the new structural arrangements for local government would parallel governance in the commercial sector is simply wrong. Elected members have far less influence and discretion than directors of a public company.

- Councils are in practice monopoly providers of local government services and, unlike most other monopolists, armed with a statutory power to extract payment for the bulk of their services regardless of whether or not people want them, or whether or not people actually use them. Even in the best run councils, this can reinforce a culture of 'we know best' because the normal flows of information which come to service providers in a competitive market are absent.

- A continuing loss of trust, especially as the promise of greater transparency and accountability has not delivered. The better view now, supported by research, is that the consultation requirements imposed on local government are largely dysfunctional, and often seen by communities as inviting them to comment on decisions which in practice have already been taken.

- There is a growing disconnect between the all too common perception that local government is based on representative democracy - we have been elected to decide - and the increasing demand from communities for engagement in the decisions which affect them.

- Too often, councils have lost sight of the fact that they are local **government** and not simply local infrastructure companies with some associated regulatory and arts culture and recreation functions. One result is a very real vacuum in terms of the ability to address the most critical issues facing modern communities.

It is fair to say that these statements are generalisations, and like all generalisations there are exceptions. Many smaller rural and provincial councils operate much more collaboratively with their communities, and elected members have much more influence, simply because of small-scale. However the points

made do have general application and are particularly important as the size of councils increases beyond (say) 10,000 in population.

It is also fair to say that most of the issues identified in the foregoing comments result directly or indirectly from government changes to the legislative and regulatory environment for local government and in particular from the failure to recognise that the core business of local government is very much local democracy and working with its communities in identifying their preferred futures and how best to achieve those. The on-going emphasis on local government as a mix of service deliverer and regulator has been at the heart of the policy-making failures of successive governments.

In summary, I argue that 30 years of on-going government intervention has seriously undermined the role of local government as the natural leaders of its communities. More and more councils have been defined by government (and often themselves accepted being defined) as inferior tiers of government responsible for a range of primarily infrastructure and regulatory functions, and properly required to confine themselves to their 'core functions' rather than adopt a 'whole of community' role.

Fortunately there are signs of change beginning to emerge, with at least one jurisdiction, very similar to our own – New South Wales – engaged in a potentially fundamental rethink of the role of local government. The opening statement to the most recent consultation document put out by the Independent Panel considering reform of local government in New South Wales[1]:

> Local government in New South Wales must change. The future is challenging but also full of potential. Local councils must embrace the challenges and realise the potential. They can be catalysts for improvement across the whole public sector. They can demonstrate how to tackle complex problems by harnessing the skills and resources of communities, and how effective place-shaping can boost the State's economy and enhance people's quality of life.

In the rest of this paper I want first to cover some of the major trends shaping the environment in which local government operates. Next I will argue these require a leadership response from local government in a way which has not been a natural part of its role in recent years. Finally, I will put forward some practical suggestions for how councils should respond.

MAJOR TRENDS

The trends I want to consider are globalisation, including the rise of metropolitan centres, demographic change, fiscal pressure and the council/citizen relationship.

Together these trends have been changing the environment within which local government operates, separate from and virtually regardless of the actions of higher tiers of government. One consequence is a need to redefine the space across which many local government services operate. A number which in former years could be treated as being internal to individual councils we now realise need

[1] Better, Stronger Local Government: The Case for Sustainable Change. Available at: http://www.localgovernmentreview.nsw.gov.au/documents/LGR/Stage%20One%20Consultation%20-%20The%20Case%20for%20Change.pdf

to be dealt with at a scale appropriate to the most effective management of what we are seeking to do regardless of existing council boundaries or sensitivities.

In this category come activities as diverse as regional land transport planning, economic development, waste management, the ownership, management and funding of infrastructure, regulatory activity (here consistency across councils is the major issue) and the setting of standards in areas such as roading.

Others need a much more local focus as the increasing demand for community involvement puts an emphasis on place shaping and ensuring that decisions meet very local demands, especially when there are no significant externalities.

Globalisation

In the past 30 years New Zealand has shifted from being one of the world's most protected economies (occasionally compared with Eastern Europe under communism) to an open economy reflecting changing international trade and investment law and practice, and dramatic shifts in international productivity and trading patterns. Australia, although never quite as protected as New Zealand was, has also become a far more open economy.

In common with most developed countries, this has resulted in our exporters, and firms which compete with imported products (together our tradables sector), facing an extremely competitive environment. To compete successfully, firms not only must be innovative and well managed, but must also produce at the minimum possible cost.

This puts a heavy premium on ensuring that costs elsewhere in the economy are kept as low as possible - both the direct costs of providing goods and services to our tradables sector, and the indirect costs resulting from the way in which other sectors of the economy undertake their activity.

For local government this means pressure as never before to keep costs as low as possible consistent with agreed service standards. This is not just rates, fees and charges. It also how local government does its business, ranging from the timeliness of decision-making, to the consistency of regulatory frameworks, the specifications for works it puts out to tender and so on.

In Australia this has been highlighted by recent reports such as that of the Productivity Commission on the role of local government as regulator (http://www.pc.gov.au/__data/assets/pdf_file/0007/118564/local-government-volume1.pdf), and the Ernst & Young report Strong Foundations for Sustainable Local Infrastructure (http://www.regional.gov.au/local/lgifr/files/Strong_foundations_20120615.pdf)

The former highlighted the importance of consistency in local government regulatory and other practices; the latter made the case for a new approach to the design, procurement, ownership, management and funding of infrastructure, arguing that local government generally lacked the scale required (it was not an argument against local authority involvement per se but rather an argument for the need to develop new structures of a scale appropriate to the function involved - for example a national local government funding agency for Australia).

The same themes are being picked up in New Zealand, for example in the recently published draft report of the New Zealand Productivity Commission, Towards Better Local Regulation (available at:

http://www.productivity.govt.nz/sites/default/files/towards-better-local-regulation-draft_0.pdf with its findings (F11.1 and F11.2):

- Delays in obtaining responses from local authorities, and the sequencing of multiple regulatory requirements and decisions by local authorities, can impose substantial holding costs on business.
- The Commission's survey of businesses showed that almost three quarters of businesses had at least some contact with local government through the regulatory process. Of those that did:
- 39% report that local government regulation places a significant financial burden on their business.

The just released Government discussion document, *Improving our Resource Management System*, available at: http://www.mfe.govt.nz/publications/rma/improving-our-resource-management-system.html provides another example, with its premise that "The costs, uncertainties and delays of the current resource management system are affecting New Zealand jobs, infrastructure and productivity, and they place an unfair burden on communities." (Sourced from the ministerial foreword).

We can expect an on-going focus, at least from the present government, on measures designed to ensure that local government activity, as far as possible, creates a favourable climate for business and investment. If local government itself is unable to demonstrate that it is doing everything in its power to do so, then expect further interventions.

Metropolitan centres

But it is not just the impact of globalisation on the trading environment for business, and its implications for local government, which should concern us. It's also, and perhaps even more importantly, the remorseless rise of urban and especially metropolitan centres. In 2007 the proportion of the world's population living in urban centres passed 50%. United Nations projections expect this proportion to approach 70% by 2050.

One of the major drivers is that cities, and especially larger cities, are increasingly attractive places, especially for firms which require high skilled labour. It's a reflection of what economists call agglomeration economies - the additional benefits which come from being based in a location which has 'deep' labour markets, multiple suppliers of the goods and services which businesses require, and capital and other resources which understand the needs of business.

It also reflects the increasing importance of face-to-face contact. A decade or so ago most of us believed that the rise of the Internet would make location virtually irrelevant - people could work from anywhere and connect instantaneously. Experience demonstrates that virtually the opposite is the case; there are significant advantages in the informal aspects of face-to-face contact which cannot be replicated.

Professor Ed Glaeser of Harvard University, one of the world's leading urban economists, in a keynote address to the 2012 International Congress of the Institute of Public Administration Australia made this point in a very telling way. If remote working and telecommuting were the way of the future then, of all the world's businesses, those you would expect to be pioneers are the major Internet firms - Google, Facebook, Yahoo... These firms have all invested multimillions in

building campuses to bring their workforces together recognising the importance of face-to-face contact and informal interaction. Indeed, just a few days ago, the chief executive of Yahoo issued a directive forbidding staff to work from home, and requiring them to come in to the business.

In an important 2011 article[2], *Globalization: Countries, Cities and Multinationals,* reviewing research on the relationship between countries, cities and multinational enterprise, two internationally regarded economic geographers, Philip McCann and Zoltan Acs, highlight the importance of connectivity and the increasing role which multinational enterprise is playing in the success of cities.

Three extracts from the article provide an overview of findings significant for New Zealand, and especially for councils concerned with economic development and the prosperity of the districts for which they are responsible:

- Whereas up until the early twentieth century, city growth was largely a matter internal to the individual nation-empire-state, today the situation is the reverse. In a world of falling trade barriers and increasingly permeable national borders, combined with falling spatial transactions costs for low knowledge activities and rising spatial transactions costs for high-knowledge activities[3], the global connectivity of cities is therefore critical, rather than simply the scale of cities. Modern transportation and communications technologies and the ability to exploit knowledge assets globally mean that the performance of a country increasingly depends on its city-regions, whose performance in turn increasingly depends on the connectivity, global engagement and competitive performance of its multinational firms.
- Obviously, cities that are too small to provide the scale of international transportation infrastructure necessary to be part of these global networks will be unable to sustain global companies in the long term. Yet, infrastructure alone is not the answer, as there does appear to be a minimum threshold of approximately 1.5–2 million people in order for a city-region to achieve sufficient knowledge-related agglomeration effects to sustain the local multinationals.
- However, the individual nation-state is in many ways becoming weaker than ever as an arbiter of its own destiny, and this weakness is magnified the smaller is the nation-state and the less globally connected are its cities. The most striking case is that of New Zealand, a country with some of the world's best institutions, a high degree of international openness, flexible and open factor markets, and a highly educated and entrepreneurial society. Yet, its particular combination of geographical isolation, small cities and a small domestic market means that today the dominant impact of globalization on New Zealand is actually that of the Australian home-market effect, which operates in favour of Australia and against New Zealand.

The implication from the McCann and Acs article, and the research it considers, is that New Zealand is not well placed to compete in the new environment for high-knowledge activities. It is geographically remote, has only one urban centre which is even close in scale to the minimum threshold of 1.5-2m people required to

[2] McCann, P. & Acs, Z. (2011): *Globalization: Countries, Cities and Multinationals*, Regional Studies, 45:1, pp17-32.

[3] The reference here is to the on-going reduction in the real cost of shipping physical goods, and the increasing costs of travel for high skilled individuals - where the costs are not so much air fares and accommodation, as the opportunity cost of scarce and valuable time.

achieve sufficient knowledge-related agglomeration effects, and its one international airport of any significance still has very limited connectivity, compared with the majority of hub airports (the range and frequency of direct international flights is regarded as the most important single element of connectivity). It's also a reasonable inference from the article that centres outside Auckland should regard leveraging off its international potential as a more sensible strategy than seeking to compete.

Demographic change

The impact of demographic change is one of the least understood but at the same time most significant of all of the trends impacting on the environment in which local government functions. Most of us probably still take it for granted that populations almost inevitably grow, and that positive net migration is always going to be a significant contributor to the growth of New Zealand's population (and that of Australia).

The reality is changing quite markedly. Most of our traditional source countries for migration in Europe themselves face declining populations, and within that overall decline, a growing proportion of people are aged 65 and over. In Asia, Japan is facing a crisis of population decline which will see a dramatic reduction in its total population over the next 2-3 decades. Even China, which most people would regard as possessing an almost inexhaustible supply of labour is now facing up to the likelihood of labour shortages, and in the medium term, a quite dramatic decline in the size of its labour force.

Behind this is the end of a period of some three centuries of growth resulting from a combination of a quite dramatic reduction in infant mortality worldwide, and persistence of fertility rates at levels appropriate to a higher infant mortality. Those two trends are now coming to be much more in balance with the result that the world's population will peak not long after the middle of the century, and then begin to decline in total numbers.

So what's happening in New Zealand[4]?

First, consider the situation of territorial authorities overall:

Between 2011 and 2031, all 'growth' in 56 (84%) of New Zealand's 67 territorial authorities is projected to be in the 65+ age group; in those TAs all other age groups combined (0-64 years) are projected to decline.

Some 23 of these 56 TAs are expected to experience overall decline.

Of the remaining 11 TAs:

2 will have 95+ % of growth at 65+ (Christchurch; Whangarei).
3 will have 60-63% of growth at 65+ (Waikato; Palmerston North; Waimakariri).
3 will have 44-46 % of growth at 65+ (Wellington; Selwyn; Tauranga).
3 will have 36-37% of growth at 65+ (Auckland; Hamilton; Queenstown).

Next consider the situation of those territorial authorities whose populations are already declining.

[4] I am indebted to recent presentations by Professor Natalie Jackson, director of the National Institute of Demographic and Economic Analysis at the University of Waikato, for this material.

New Zealand TAs already experiencing decline 1996-2011					
	%		%		%
Ruapehu	-22.5	Gore	-8.9	Clutha	-4.6
Wairoa	-18.5	Opotiki	-7.1	Waitomo	-4.1
Chatham Islands	-15.8	Buller	-6.5	McKenzie	-3.1
Kawerau	-14.7	Otorohanga	-6.4	Invercargill	-2.2
Rangitikei	-11.6	Stratford	-6.1	Waimate	-1.9
South Waikato	-11.6	Whanganui	-5.4	Gisborne	-1.3
South Taranaki	-9.7	Waitaki	-5.0	Grey	-0.7
Tararua	-9.5	Southland	-4.8	Horowhenua	-0.3

Now let's look at expected change in population in the Waikato region to illustrate just how different are the population futures for Hamilton and its two immediate neighbours on the one hand and the rest of the region on the other:

Local authority	Annual percentage change in population 2006-2031
Hauraki	-0.3%
Hamilton city	1.2%
Matamata-Piako	0%
Otorohanga	-0.4%
South Waikato	-0.9%
Taupo	0.2%
Thames-Coromandel	0.1%
Waikato	1.0%
Waipa	0.7%
Waitomo	-0.3%

What these tables highlight is the very different circumstances which urban and peri-urban local authorities on the one hand, and more rural and provincial local authorities on the other, face. Hamilton, Waikato and Waipa can expect continuing population growth. The remaining councils face either slow or declining population growth compounded by the impact of an aging population which will mean that most Waikato councils are facing an absolute decline in the size of their working age populations.

For urban and peri-urban authorities their challenge is dealing with growth; for the remainder the principal challenge looks to be managing decline. This emphasises at least two things in the current environment:

- A 'one size fits all' approach to role, function and structure of local government is unlikely to meet the differing needs of urban and peri-urban councils on the one hand and rural and provincial councils on the other (and for that matter New Zealand's needs).
- The need to address the unique changes taking place in different local authorities suggests that local government has an important role to play, not just in central government's vision of 'core services', but in working with their communities to determine how best to adjust to very different socio-economic circumstances.

The outstanding challenge for much of rural and provincial New Zealand (and for rural and regional Australia where the same impact can be observed) may be addressing how to cope with the implications of the on-going improvement in agricultural productivity. This has seen dramatic improvement in output per head but ironically with the direct consequence of a decline in population - as much of productivity growth has been about replacing people with machines coupled with a more sophisticated use of information technology.

One consequence has been to undermine the support base for local services; with fewer people available, population dependent services lack critical mass, and the rich tapestry of voluntary engagement in and provision of recreational and cultural opportunities is threatened. This is an area where the agricultural sector and local government need to make common cause.

In the long-term, the continuing prosperity of the agricultural sector, and the wealth of the farming community, depend critically on the ability to attract and retain the increasingly high skilled staff needed for modern agricultural (and horticultural and forestry) businesses. They are the very people who want to see high-quality local services, a variety of opportunity for their children, and career opportunities for their partners.

We argue strongly that there is now a compelling case for the agricultural horticultural and forestry sectors, and local government in rural and provincial New Zealand, to work very closely together in order to determine how best to provide and resource those services and other facilities needed to support the quality of life which will increasingly be a critical factor in attracting and retaining a strong rural workforce. We would make the same argument for rural and regional Australia as well.

Fiscal pressure

We all now take it for granted that individual councils are in a situation of permanent fiscal pressure - I don't know of a local government sector anywhere in the world in which individual councils believe they have access to adequate funding for the services which their communities require, especially in terms of modern, well maintained infrastructure.

What we sometimes may overlook is that the fiscal pressures on higher tiers of government are even greater, largely because of the inexorable demand from major social services including health, education, meeting the needs of an ageing population, caring for children, unemployment, substance-abuse… The list goes on.

Traditionally, New Zealand local government has resisted suggestions that it should become involved in the delivery of social services (apart from typically modest involvement in community development and some housing under largely government funded programmes). Its main argument has been that central government owns the taxes required to fund social services (income tax, GST), and that funding social service provision is inappropriate for a property tax funded tier of government.

For many years non - or minimal - involvement has seemed to be a reasonable position for local government to take (and for central government and ratepayers respectively to accept). However, that may now be changing.

First, it's becoming increasingly clear that higher tiers of government simply cannot afford the ever increasing cost of open ended social service programs. The days when we could cheerfully send the bill to our grandchildren have now really gone so that higher tiers of government face what amounts to a double whammy - a combination of a reducing ability to meet ever increasing costs, and the likelihood of a major expansion in demand, especially in health care and services for older people. By itself this is an incentive to find different ways of doing things in order to minimise the demand on taxpayer funds.

Along with this, there is growing research-based evidence that the so-called "wicked issues" which bedevil modern societies – inadequate housing, educational underachievement, youth unemployment, family dysfunction (including child abuse), substance abuse as examples - cannot be solved by relying solely on the traditional top-down interventions and strategies of central governments. Instead, there is now a recognition that issues of this type need a partnership approach able to tap into local knowledge, networks and support – resources local government is uniquely placed to provide. The Mayors' Task force for Jobs, ably led by Mayor Dale Williams of Otorohanga, provides a very good example. The same looks likely to be the case for other major areas of policy, including economic development and responding to the impacts of demographic change, including an ageing population.

It is this understanding that has informed government initiatives in England, beginning with community strategic plans and local strategic partnerships in the early 2000s, and continuing on through Total Place, the Big Society and Open Public Services and now leading onto the community budget initiative in which, in a number of pilots, central government agencies and local authorities are pooling resources around specific services with significant gains in outcomes and efficiency. It is the same understanding that has seen the development of practices such as co-production and co-design (communities, and central and local government agencies working together on policy design and delivery).

Elements of this can also be seen in the report of the New Zealand Government's Better Public Services Advisory Group (see: http://www.ssc.govt.nz/sites/all/files/bps-report-nov2011_0.pdf). In looking at options for improving performance, it uses a case study in the delivery of social services showcasing the potential for local government:

> Determined to improve results for young people in areas such as truancy, educational achievement, offending, alcohol and drug abuse, the Ministries of Social Development, Justice, Education and Health, and the New Zealand Police are working together to trial a change in the way social services are delivered in small communities. Governance is through a mutually agreed joint venture board comprising the chief executives of the departments. The board reports to a group of Ministers.
>
> To ensure the response addresses the unique needs of the community, each trial has a local governance board, often chaired by the mayor. In some communities, the programme contract is led by a government agency; in others by a non-government organisation. The contractor reports to the board on results achieved against an action plan – public accountability is seen as important, and transparency to the local community essential.

Across the Tasman the Municipal Association of Victoria in conjunction with the Department of Human Services has been testing the potential of co-design - communities working with major service providers to make their knowledge and networks available. It has provided some very good evidence of how partnering with communities can lead to better outcomes and potentially at a lesser cost (see: http://www.mav.asn.au/search/Results.aspx?k=co-design).

It's not just the so-called "wicked issues" which require a different approach from what we have been accustomed to employ. We know that a number of the major policy issues now confronting us as a society are crucially dependent on voluntary behavioural change on the part of individuals, households, firms and communities. Responding to climate change is a good example. Governments can only go so far through incentives and regulation. At the end of the day the behaviours required to reduce our collective climate footprint will require voluntary change. Again, this is a question of building support within communities and at a local level - a core role for local government.

None of this is to argue that local government should necessarily begin spending large amounts of ratepayers' (or for that matter taxpayers') funds. It is to argue that local government has a unique role to play in enabling a whole of community approach to dealing with the major challenges we now face. As the New South Wales Independent Panel expressed it "They [councils] can demonstrate how to tackle complex problems by harnessing the skills and resources of communities".

For government there are some very practical benefits. It is reasonably clear that local governments generally know and understand their communities better than central government agencies. They are well-placed to ensure that the design and delivery of policy is well informed and well-targeted. Interestingly, this now seems to be recognised, at least by the Minister of Finance. In a recent article he is reported as responding to a question on whether government should take control of land supply away from local government by stating "that's a dramatic solution, and possible if the situation continues to get significantly worse, but, of course, government doesn't have the knowledge of the local circumstances in the way that councils have, and actually doesn't have a mandate from local voters to make those decisions in entirety." (See http://www.stuff.co.nz/business/industries/8208317/Govt-could-run-housing-land-supply).

Quite a bit of research in England has demonstrated that drawing on the knowledge and networks which local government has can significantly reduce the cost of major social services. The Manifesto for Londoners (see: http://www.londoncouncils.gov.uk/policylobbying/londonmatters/publications/manifesto/default.htm), prepared a couple of years ago, argued the case for a greater involvement of the London boroughs in the design, targeting and delivery of major social services and demonstrated that there would be significant cost reductions available to central government through such an approach. The main barrier, in an ironic parallel with the difficulty local government has in adopting shared services, is the reluctance of individual government agencies to share control.

More recent research has confirmed the potential benefits.

This is important not just in terms of existing services, but in responding to the new demands we can see emerging. The standout example is the impact of an

ageing population with a virtual certainty that the costs of providing what we regard as a minimum level of care and support will grow exponentially - and almost certainly beyond the ability of the taxpayer to fund. There is a clear and urgent case to take a 'whole of community' approach to developing an ageing in place strategy which draws on community resources and capability as well as on taxpayers' and ratepayers' funds.

The Council/citizen relationship

International research, and the practical experience of many councils, both suggest that there are significant changes taking place in the way citizens want to relate to their local governments. Twenty five years ago in most developed countries the principal means of engagement with local government was through the electoral process; you elected your representatives and by and large left them to get on with the job.

The local government restructurings in New Zealand and Australia in the late 80s and early 90s saw a shift from this traditional approach with the beginnings of much greater transparency and accountability (with New Zealand, as an example, moving from cash-based to accrual accounting), and a decision that at least on major matters, councils should consult with their communities. At the time the chosen approach - publishing a proposal, and giving the community typically a month to provide feedback, followed by an opportunity to be heard and then a Council decision seemed likely to be effective. Subsequent experience now suggests otherwise.

Consultation and its shortcomings

In New Zealand the Council/Citizen relationship began to shift with the incorporation into the Local Government Act of the statutory requirement for consultation through the special consultative procedure. With hindsight it is now clear that this process was not well designed to meet local government's need for a legitimate means of engaging with its communities - legitimate in the sense that people were prepared to accept that it is a fair and reasonable process, and that the outcomes, even if they disagreed with them, should generally be seen as acceptable.

It is a process that has been critiqued[5] for reasons including:

- The essence of the process is the council inviting its communities to comment on the council's answer to the council's question. Commonly what people now seek is the right to take part much earlier in the process, helping determine what the question itself should be.
- On any matter which is at all controversial, the process has the potential to divide rather than unite communities - there is no provision for dialogue either between citizens and the council or between citizens and citizens. Instead, there is a single opportunity to submit (initially in writing and subsequently in person) with the council then making a decision which may require it to deal with a wide range of inherently conflicting submissions. People who agree with the council decision will believe they

[5] for a very good discussion of consultation and its alternatives, see *Its more than talk, Listen Learn and Act, a new model of public engagement* available at https://www.gnb.ca/0012/PDF/LLA-e.pdf

have been heard, people who don't agree will believe they have been ignored. Almost certainly, there will be an absence of consensus within the community on how to proceed, and sometimes on the legitimacy of proceeding at all, and the process itself may help undermine confidence in the council.

Declining voter turnout

The present context for the relationship between councils and communities is part of what has been a very substantial shift in citizens' (communities') expectations. This has manifested itself in at least two different and important ways. First, there has been an ongoing decline in turn out at local authority elections, although with some upward blips following changes such as amalgamation, or a shift to postal voting (partly disguised in Australia in those states where voting is compulsory) (Russell 2004[6]). Declining turnout has been associated with factors such as increased representation ratios (the ratio of residents to elected members) and declining trust in local government (Purdam *et al* 2008[7], Sorabji 2006[8]). It remains a preoccupation for many involved in or associated with local government in New Zealand.

The conventional response to declining voter turnout has been to consider means of encouraging greater participation in elections. As an example, for Australia Russell suggests: "The relationship between council size and representation ratio with voter turnout highlights the scope for focused interventions to improve voter turnout. Short of structural change, such interventions could involve targeted voter information/education programs in large municipalities or the selective introduction of compulsory voting in those municipalities." (Russell 2004)

Are new forms of engagement becoming more important than voting?

Next, recent European research suggests that other factors may be at work. Specifically, citizens may be changing their preferences in terms of how they wish to engage with local government, with voting seen as less significant than it once was. Haus & Sweeting (2006)[9] propose four different concepts of local democracy for political leadership: representative (the conventional electoral engagement); user (as a consumer of services); and network and participatory (Haus & Sweeting 2006: 271-283).

---

[6] Russell, W. 2004, *Voting Obligations and Voter Turnout: discussion paper prepared for Local Government Association of Australia*, viewed February 2011 http://www.lga.sa.gov.au/webdata/resources/files/Voter_Turnout_Elections_Discussion_Paper_Prof_Russell_Aug_04.pdf.

[7] Purdam, K. *et al.* 2008, *How many elected representatives does local government need? A review of the evidence from Europe*, Cathie Marsh Centre for Census and Survey Research working paper 2008-06, viewed *February 2011,* <www.ccsr.ac.uk/publications/working/2008-06.pdf*.*

[8] Sorabji, D. 2006, *Pacing Lyons: a route map to localism*, New Local Government Network, London.

[9] Haus, M. & Sweeting, D. 2006, 'Local Democracy and Political Leadership: Drawing a Map', *Political Studies*, vol. 54, pp. 267-288.

Schaap *et al* (2009)[10] adopt a similar approach in an overview of innovation in sub-national government in Europe. This study is of particular interest as they find that notwithstanding quite different political systems, similar trends are evident. They describe the public motivation in these terms:

> ...the public is realigning itself. People are bonding less with the local community and becoming more individualistic. They are demanding more and better services from the government. At the same time, they are more willing to participate, debate and act. The importance of traditional representative democracy is declining. These trends are creating tension between representative democracy and trust in an elected body on the one hand, and public input and participation on the other. All of this is taking place against a background of increasing social fragmentation. (Schaap *et al* 2009)

They identify four different emerging strategies: strengthening the existing model of representation (electoral reform etc); broadening the concept of representation (greater dialogue while maintaining representation as the only source of legitimate authority); the citizen as customer - 'customer democracy'; and direct or participatory democracy (referenda, co-production, self-governance).

Community governance - the emergence of new practice

Recent Australian work has also highlighted the growing interest in direct involvement with council decision making. Research led by McKinlay Douglas Ltd in partnership with the Australian Centre of Excellence for Local Government, the Municipal Association of Victoria and Local Government Managers Australia with the support of the Bendigo & Adelaide Bank Ltd, published as *Evolution in Community Governance: Building on What Works* (McKinlay et al, 2012)[11] shows that different forms of direct community engagement with councils are gaining in importance. It's very much a matter of developing solutions which suit individual circumstances. The range of practice can differ considerably, depending on the size, demographics and composition of different councils.

In some instances, the emphasis is on the council acting as advocate, bringing together communities, service providers and government agencies to develop solutions in areas such as public transport, education and health services. In others it may be the council taking a role in capability development for locally based community organisations, helping them develop as legitimate means of expressing community aspirations and seeking means for delivering on those.

The growing interest in community governance is leading to a rethinking of the way in which councils themselves function, raising questions ranging from the role of elected members to how the council itself is organised. Is it still appropriate for elected members to act as though the mere fact of being elected is a sufficient mandate to take decisions on whatever matters come before the

---

[10] Schaap, L. *et al.* 2009, *Innovations in Sub-National Government in Europe*, Netherlands' Council for Public Administration, viewed *February 2011,* www.rfv.nl/GetFile.aspx?id=903.

[11] McKinlay, P. et al (2012) *Evolution in Community Governance: Building on What Works*, Australian Centre of Excellence for Local Government, http://www.acelg.org.au/upload/program1/1334208484_Vol1_Community_Governance.pdf

council, or is their role now much more one of facilitating a process of dialogue with the community seeking solutions to which all parties can contribute[12]?

In terms of organisation, a number of councils are now recognising that the changing nature of the relationship communities want to have with councils requires a rethink of how councils are organised - with a sense that the need now is to move from a functionally based structure, to place-based management.

Developments in England, also, including the greater rights given to communities under the Localism Act, suggest a growing belief that communities should have a much wider role in decision-making at the local level.

In New Zealand there has been much less enthusiasm generally for developing different channels for engagement between councils and communities, partly because of the somewhat equivocal nature in many instances of the relationship between councils and community boards where those exist. In some respects this can be seen as an unintended consequence of the view taken by the Remuneration Authority that governance should, in effect, be treated as a fixed lump of activity, so that where community boards exist, it is legitimate for a portion of the pool set aside for paying elected members to be used to meet half of the fee for community board members. Leaving aside that the reasoning itself is demonstrably wrong, it is scarcely surprising that many elected members have taken the view that they are personally paying part of the remuneration of community board members and have thus had a somewhat jaundiced attitude towards them. (There is hope that the current review of elected member remuneration being undertaken by the Remuneration Authority will move away from the pool approach, and put an end to the practice of part-paying community board members out of funds which would otherwise be used to remunerate councillors.)

Despite this, both the overseas experience and much public comment in New Zealand regarding the nature of current processes for council/community engagement suggest that finding new ways of working with communities so that people have the opportunity to feel that they have had an opportunity to influence decisions which particularly affect them will become more, not less important. This will be especially the case as councils inevitably become more involved in facilitating the effective design, targeting and delivery of significant social services.

The way in which community engagement is evolving suggests that research based understanding, and council responses, are both very much 'work in progress'. Despite this, we now know enough from research and experience in jurisdictions which have strong similarities with local government in New Zealand to be confident that attachment to place, and the right to have a say about decisions which affect your place, are important aspects of identity for many if not most New Zealanders. This suggests that legislative and other initiatives to

[12] The following quotation from a blog by the general manager of one of Sydney's northern beaches, commenting on findings from a community satisfaction survey, illustrates the way public attitudes are changing: *What has surprised the council about the survey results is the fact that residents appear to be less concerned about what I would call the 'traditional' activities of local government – and much more interested in what could loosely be termed participatory democracy. The survey findings go on to say that out of ten drivers of satisfaction – what residents really want – the top two were access to Council information and support and community involvement in decision-making. development came third, domestic waste fourth and perhaps most surprising of all, maintaining local roads came seventh.*

redefine or refine the role and function of local government need to be very sensitive to the way people now want to connect with the places where they live.

In a final comment on this theme, it is worth noting that the New South Wales Independent Panel has signalled an intention to make recommendations regarding sub-Council governance in the draft report it is to publish in April.

A LEADERSHIP RESPONSE

In this concluding section I want to talk first about a leadership response to managing the impact of the trends I have outlined, and then speak a little about the relationship between strategic capacity and local democracy.

The trends I have outlined are together dramatically reshaping local government's environment, and its stakeholders' expectations of what it needs to achieve. Paradoxically, they have been coming to bear at the same time as central government in New Zealand has been adopting policies which appear to assume that local government has little or no leadership capability, and it is for central government to set the direction for New Zealand's communities - whether it is the activities on which local government should concentrate, how it discharges its planning obligations or how it chooses the structures through which it operates.

For evidence of how little recognition there is of local government's leadership role, look no further than public reaction to the government's Better Local Government program and the analysis on which that initiative has been based. Local government's protests have gone virtually unheard in a clear indication that, as it currently operates, it has very little effective support.

As I hope the introduction to this presentation made clear, I see this situation as the cumulative outcome of 30 years of successive governments treating local government as primarily a subsidiary regulator and service provider, with little or no role to play in contributing to substantive debate and especially leadership on those issues which most concern New Zealand's communities. Among other things, successive interventions have biased local government towards a compliance and regulatory culture, and away from seeing itself as primarily in the business of leadership, including the promotion of local democracy.

It's perhaps some consolation to know that New Zealand is not alone in this. The New South Wales Independent Panel in its overview of the local government system has commented that "too many councils focus on compliance rather than performance." The necessary implication; a need to focus more on performance and enhancing the leadership role of local government, including its role in coordinating the activities of other arms of government within its communities.

In outlining a leadership response for local government, there are two 'mission-critical' tasks. The first is to decide what we actually think local government is and the second is to reflect on the serious imbalance between the leadership role and powers of elected members, especially the Mayor, on the one hand, and Council management on the other.

What is local government?

Earlier in this paper I commented "More and more councils have been defined by government (and often themselves accepted being defined) as inferior tiers of government responsible for a range of primarily infrastructure and regulatory

functions, and properly required to confine themselves to their 'core functions' rather than adopt a 'whole of community' role.

That's a definition which is seriously at odds with seeing local democracy as at the heart of local government, and is also seriously at odds with the growing importance of developing solutions which meet the unique challenges of individual communities, rather than being designed as top-down 'one size fits all' solutions designed at a distance.

Local government now needs to be seen as the single most important resource which New Zealand's communities have to help them build on their resources and capabilities, and develop what will necessarily be innovative solutions to the challenges they face. As examples:

- The present fixation on boundaries as the critical factor in defining services, and the way local government handles regulatory issues, is now one of local government's greatest liabilities. Boundaries - community identity -are critical for local democracy but a huge barrier to delivering effective services when looking at things like consistency in regulation, or the optimal means of procuring, managing, owning, maintaining and funding infrastructure (and it is pleasing to see Waikato councils recognising this in areas such as roading).

- For rural and provincial New Zealand resolving the challenges posed by the combination of agricultural productivity and demographic change is going to require strong partnerships between communities and the primary sector. Local government has a pivotal role to play in this - and we need to get past the tedious arguments about rating as an avoidable cost, to a considered understanding of the long-term investment benefits of building/retaining critical local services.

- Only local government has the capability and networks to help communities resolve challenges which are now beyond the knowledge and resource of central government. Ageing in place provides one of many examples - there is a clear need to apply New Zealand's long-standing cooperative tradition in building the networks and the providers to fill the major gap between the public system on the one hand and the private sector on the other. Doing this will require significant local capability and only local government at the community level has the skills and resources (human rather than financial in many instances) for this purpose.

- We need to stop thinking about local government as some subsidiary form of regulatory agency, and start thinking about it more as a form of social enterprise (remembering that the defining factors for social enterprise are first building social cohesion/strong communities and secondly doing so in a way which generates an appropriate return on the resources involved - this is hand up not hand out territory). For practical examples of what is possible, think of the emergence of community foundations as a way of channelling community benefactions, or Australia's community banking network as a superb tool both for reasserting control over local banking services, and generating an additional and substantial stream of funding for the community. Both are possible in New Zealand but both require local leadership and capability.

Elected members and management

The way in which New Zealand (and most Australian) legislation separates out the respective roles of elected members and management seriously restricts the ability of elected members to lead and implement initiatives for change. It's actually a marked contrast with the role of boards of directors (supposedly the model on which the current local government structures based) which are unconstrained in their ability, if they so choose, to take, lead and resource initiatives, including independently engaging resources external to the company.

This is an imbalance which matters less if the principal focus of local government is in a compliance/regulatory and business as usual mode. This mode poses little need for leadership in the sense of engaging the community and taking it with you - it's more about directing the organisation, and setting requirements for its different components. It becomes a serious weakness, though, if the need for local government is to innovate and take the lead in developing new and potentially major areas of activity - for example creatively responding to the challenge presented by agricultural productivity.

The heart of the dilemma is that appointed managers do not have a mandate from the community to play a leadership role in this sense. That mandate rests with elected members, but until very recently the statutory framework has militated against using the mandate to establish genuine community leadership.

Fortunately, change is on the way. Not just in New Zealand, but in other jurisdictions, we are in the middle of rethinking the role of the Mayor and the need for the Mayor to have the power to exercise effective community leadership.

In England, the Blair led labour government created the Greater London Authority, led by an elected executive Mayor with considerable decision-making powers. That government and its successors have sought to extend this model across English local government, however, with a relative lack of success largely because of a failure to communicate the case for change effectively.

Closer to home, Queensland's mayors were recently given enhanced powers. The New South Wales Independent Panel has signalled it is considering a much enhanced role for mayors including:

- Being the designated 'community leader' and 'principal representative' of the council.
- Oversighting the performance of other councillors, including code of conduct issues.
- Establishing committees and appointing chairs.
- Guiding the preparation of the Community Strategic Plan, Delivery Program and budgets.

The New Zealand Legislation in respect of mayoral powers now includes:

> The role of a mayor is to provide leadership to—
> "(a) the other members of the territorial authority; and
> "(b) the people in the district of the territorial authority.
> "(2) Without limiting subsection (1), it is the role of a mayor to lead the development of the territorial authority's plans (including the long-term plan and the annual plan), policies, and budgets for consideration by the members of the territorial authority."

In support of the new role the Mayor's powers include:

> "a) to appoint the deputy mayor:
> "(b) to establish committees of the territorial authority:
> "(c) to appoint the chairperson of each committee."

What I want to focus on here is the statutory recognition that the role of the Mayor includes "to provide leadership to the people in the district of the territorial authority." This is an extremely powerful statement. It necessarily implies an expectation that the Mayor will be working with other stakeholders on whatever are the community's major priorities, regardless of who has the formal responsibility for implementing or funding any associated activity.

The new role, and the associated powers, also provides the basis for much stronger accountability, and the potential for mayoral candidates not only to stand on a manifesto, but to offer the reasonable expectation they will be able to deliver.

What this implies, I suggest, is that we are seeing a shift which will materially assist councils as organisations - elected members and management working together - to take up the leadership role required to manage the impact of the major trends discussed earlier in this paper, and to start addressing the imbalance between local government and central government around the question of who plays the lead role in determining the future direction of New Zealand's communities.

Shaping the response

Shaping a leadership response is very much a matter of reflecting on the nature of the specific issues confronting local government as a consequence of the different trends shaping its environment. In my view, there are three separate categories which, although the boundaries among them are fuzzy, nonetheless have clear and distinctly different requirements. I describe them as:

- High-level strategic - encompassing issues which go to the heart of how the Council provides strategic leadership for its community, including how it handles major service delivery decisions for both customer facing and back-office services.

- Organisational - partly cultural, partly how the Council structures the services for which it is responsible, including how it builds an understanding within Council staff on how they should deal with the people and organisations affected by the work they undertake.

- Collaborative/facilitative - how the Council works with its communities in determining what the community's priorities are, and how the Council can use its skills and capabilities to facilitate the achievement of the outcomes the community seeks.

High-level strategic

This is about the Council, especially the Mayor and elected members as the community's natural leaders, working across the community in determining what are its major priorities, and the best means for realising those including bringing other contributors to the table. It's essentially a 'whole of community' approach, and a means of picking up on the examples of the type discussed above.

In the present environment, though, the immediate strategic focus needs to be on the choices which councils make about service delivery. In terms of council services themselves, we have been used to a world in which we have taken it for granted that in-house delivery by individual councils of services which they determined were required for their communities (whether customer facing or back-office) was almost invariably the first best option - it apparently presented the least threat to Council autonomy, underpinned local employment, and provided stability for management staff.

Those days have gone. The emphasis on ensuring that services are delivered at the least possible cost, and on building the strategic capacity required to manage complexity, both require councils to apply what I describe as the 'indifference' test. By this I mean that councils should be totally indifferent as to how or by whom any particular service is delivered. Instead, the principal criterion for the choice of delivery means ought to be optimising the benefit for the community.

If, as is very clearly the case, the evidence suggests that individual councils are not well placed to carry out the full range of responsibilities in respect of infrastructure (specification, design, procurement, ownership, management, funding, maintenance…), then councils, as a matter of priority, should be looking for those means which can best deliver what the community needs. This is not an argument for privatisation, but it is an argument for larger structures - perhaps covering a single region, perhaps covering more than one region.

The same argument applies across the board in terms of customer facing services; some, such as rubbish collection, reach economies of scale at a relatively low level, but may nonetheless benefit from an outsourcing or shared services approach (perhaps promoting a social enterprise), simply because of the different incentives involved.

Back-office services, also, offer clear opportunities for improving both cost and effectiveness, although again conditions with different services will vary and there is a need to understand that this is the case.

To be blunt, the need to ensure that councils ensure that the services for which they are responsible are delivered at the lowest possible cost, consistent with the outcomes required, is now an absolute necessity. We simply cannot afford the continuance of the situation in which other parts of the community, especially the tradables sector, face higher costs than necessary because councils have yet to adapt to changing circumstances. In my judgement, this is a change or be changed issue. Councils which value their autonomy will ensure that they are leaders, not just in shared services but more generally in choosing the most appropriate means for delivering each service with which they are involved.

So what about the leadership issue? Some changes, especially in relation to back-office services, are probably achievable as purely organisational change - elected members will need to be involved, and may indeed want to take the lead in setting priorities, but there is probably no great need to directly involve the community (although there will be a need to exercise careful judgement - for example, changes in procurement practice on the part of a small council may have significant impacts on the community.

The situation is very different when you are dealing with major change in how customer facing services are owned and managed, if the change is to be introduced voluntarily - the situation would be different for externally imposed change such as, for example, the successive restructurings which water related services have recently undergone in Queensland and Tasmania. Voluntary

changes of this type need a mandate, and leadership from elected members. It's squarely in the role of the Mayor as providing leadership to the community. In my view one of the most significant things that the mayors of the future will do is build strong networks with community stakeholders as a means of sharing the strategic objectives the Council is developing for the community and building the support for their implementation - we have got to break down the barriers which currently exist across the Council/community boundary on these sorts of issues.

There is a related and quite specific issue which also needs to be addressed; this is how councils go about choosing the appropriate vehicle for undertaking activity. A lot of what councils now do, even if remaining under the control of a single Council, would be better done through an arms-length entity (perhaps a company, perhaps a trust), than in-house.

New Zealand has developed a world leading approach for the governance and management of Council-controlled arms-length entities. Sadly, most councils have not yet acquired the necessary skills and understandings to make this work well. There are couple of reasons at least:

- New Zealanders generally, and elected members are no exception, have a deep antipathy to the use of company structures for undertaking what look like public services which should be accountable to their community. This antipathy has acted as a genuine barrier to understanding how the use of arms-length entities properly handled can actually enhance democratic accountability, whilst at the same time creating a much more 'fit for purpose' structure for the activity itself.

- The lack of effective professional development to bring elected members, and senior management, up to speed with how to manage the Council/Council controlled organisation relationship. The material which I have seen used for professional development in this area treats the relationship as a compliance issue, fundamentally misunderstanding what is required.

So, in this respect, what I'm suggesting to chief executives is twofold;

- If you haven't already got it, develop the capacity to make choices about options for service delivery, which will give you a sustainable long-term least cost option for each of at least your significant services.

- As a matter of priority ensure that you, your staff and ideally your elected members are seriously up skilled in their ability to enable the effective governance and management of Council controlled arms-length entities.

The other aspect of high-level strategic leadership involves the 'whole of community' approach to dealing with the community's major priorities, regardless of who has formal responsibility. This is about advocacy, about facilitation, about enabling co-design and/or co-production. It's drawing on the combination of the Council's capability as the community's most significant resource in terms of providing the necessary research and development capability, and the leadership role of the Council in bringing the community together, along with the relevant service providers, to get the results the community seeks - whether this is around an ageing population, educational underachievement, youth unemployment, substance abuse, or whatever.

For this, the leadership role properly belongs to elected members, and especially the Mayor. The Council organisation needs to develop (if it has not already done so) the capacity to undertake the research and facilitation required, and to support elected members in building networks amongst key stakeholders based on the leadership role of the Council - but remembering that this is facilitative leadership not top-down leadership. Among other things, this is the cultural issue of shifting internal understandings away from a narrow focus on the specific roles which individuals, and council departments might have, to understanding that, in order to respond to the trends now facing New Zealand's communities, councils require a "whole of community" focus.

For New Zealand's rural and provincial councils, I'd venture to suggest that the top priority at the moment is actually working with the agricultural sector in addressing the impacts of agricultural productivity. It's currently not a "top of mind" issue for many, including I suspect most farmers and others in the sector, but is my number one pick as the most significant slow burning long-term crisis confronting rural and provincial councils.

Organisational

This is a combination of culture and process issues; addressing the long-standing practice of different councils developing different systems and practices on the apparent assumption that they and their communities are essentially self-contained - that efficiency is measured in terms of serving this district, this population, as though there were no cross-border implications or possibilities.

Local government is now getting a very strong message that formal boundaries are irrelevant when it comes to issues of efficiency and consistency. We've seen it in productivity commission reports on both sides of the Tasman. Most recently we have seen it in the New Zealand government's discussion document *Improving our Resource Management System.* Differences in practice, specifications, criteria… simply because of council boundaries are now unacceptable. As an example, why should the Waikato region, with 12 territorial authorities, have 12 different approaches to dealing with local roads?

It's squarely within the chief executive's responsibility, but with an obligation to the Council itself to deliver effectively.

The culture issue is shifting the organisation's sense of purpose to understanding the crucial importance of building in consistency wherever that can be done, and giving this priority acknowledging the costs imposed on the wider community when it is not done. It's also about ensuring that professionals making regulatory or related judgements put their own personal views to one side, and seek to apply a consistent approach with an awareness that they are not just regulators, but enablers of community activity (it's a persistent theme behind the government's interventions in resource management that too often planners are seen as applying their own personal views, rather than facilitating consistent outcomes).

The process issue is making sure that whatever the Council does is consistent with what its neighbours do unless there is a good (effective; efficient) reason for differing. It's primarily a chief executive responsibility but is also something that elected members should really focus on - a leading KPI in the chief executive's performance contract?

It can be a tough area; there is so much in the way of legacy arrangements - IT platforms, bylaws, planning documents, specifications for minor engineering

works and so on. Too often this has been an excuse. It no longer is. This is another area where, if local government does not put its house in order, others will do so for it.

Collaborative/facilitative

There are two aspects to this area of leadership; how the council works with its communities on those matters for which the Council itself has responsibility and how it works with them in areas where other parties have responsibility.

At one level, it's very much a culture shift - from a 'we know best' and/or 'we were elected to decide' approach to one of we are here to help the community achieve its preferred outcomes. To do so we need to know the community's preferences and we need to engage the community's support. It's a shift from the standard consultation approach (now as discussed above widely seen as dysfunctional) to much more of a partnership role - ideally with everyone in the organisation approaching every inter-action with someone from the community on the basis of "if it was me approaching the council on this issue, how would I want to be treated?"

But it's more than just a change in attitude; it's also a change in working, with much more emphasis on engaging with community-based groups of different kinds. It's a leadership issue for elected members, with the Council itself setting the tone, reaching out, and understanding that in today's world decisions are increasingly collaborative. It's also a leadership issue for the chief executive - encouraging the appropriate culture change within the organisation, and ensuring that the council's processes, when reaching out across the Council/community boundary, support a more collaborative approach and that council staff have the tools and training they need to work in this way.

The second aspect is the Council as advocate/facilitator in working with its communities to achieve outcomes in areas beyond the Council's immediate control. This is going to be particularly important for rural and provincial councils as they cope, for example, with the on-going impact of demographic change, and the different influences bearing on that ranging from the pulling power of cities, to the impact of agricultural productivity. There is already a need (which a number of councils are recognising) to focus on how rural and provincial communities continue to have access to the range of services they are accustomed to expect when demographic change is undermining the critical mass which service delivery organisations require -from schools, health services, public transport, counselling services, arts, cultural and recreational facilities/clubs to roading, air services and much more.

Ideally, each Council should have a dedicated facility serving the office of the chief executive, and the Mayor to support their respective initiatives in developing a more collaborative/facilitative approach.

Strategic capacity/local democracy

When it comes to thinking about local government reorganisation, cost saving is down the list (notwithstanding the New Zealand government's on-going emphasis in this area) - the basic reason is the research evidence suggesting that amalgamations seldom generate the anticipated or any reductions in costs. Instead the theme now is strategic capacity; the scale, resource and capability to deal with the complex issues which most councils are now required to handle. The New South Wales Independent Panel describes the significance of strategic capacity in these terms:

> Councils need a strong base to achieve economies of scale and scope; to deliver quality services; to provide a pool of talented Councillor candidates; to attract skilled staff; and to develop strategic capacity in leadership, governance, advocacy, planning, and management.

It's about, for example, the on-going ability to manage your infrastructure; not just do you currently have the requisite skills on staff, but do you have built in resilience - what happens if the key manager resigns?

If you value local democracy - communities continuing to have their own local decision-making structures with power to determine local matters - then the argument for strategic capacity should be seen as a very real challenge. The conventional way of delivering a minimum level of strategic capacity is the amalgamation of small councils to form larger councils - probably with a minimum population of at least 40,000 even in rural areas.

There are logical alternatives, but they are alternatives which raise very real scepticism sometimes within but certainly outside local government.

They include:

- Developing 'fit for purpose' structures for managing activities which require a much more substantial catchment - regional holding companies for infrastructure as an example.

- A strong emphasis on shared services, taking the approach now emerging in the UK that there is nothing which can't be shared.

- Specifically designing options for accessing strategic capacity in areas where individual councils are unlikely for reasons of size and scale, or lack of supply in the market, to recruit and retain the kind of skills required. Strategic planning is an obvious example.

Here the leadership challenge is demonstrating that councils can and will develop and implement effective alternatives to amalgamation as a way of achieving strategic capacity. The track record in both New Zealand and Australia is, at best, extremely patchy.

To conclude ….

The task, especially for rural and provincial councils, is to demonstrate that they can achieve the previously unachievable. It should be the primary focus both of elected members, and of the chief executives who advise them. Succeed, and you have gone a long way on the journey of preserving local democracy and empowering your local communities.