

WHAT SHOULD WE WANT FROM LOCAL GOVERNMENT REFORM?

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This article was published in the Tauranga and Rotorua property investor. Its principal theme is the need to change the way local government operates so that our most talented leaders from business and other sectors of the community can afford to stand for office.

What should we want from local government reform? Read the government's paper on "Better Local Government" and it all looks pretty obvious. Rates are too high; local government is inefficient; the change in 2002 making the purpose of local government the promotion of social, cultural, environmental and economic well-being has led to a blowout in non-core expenditure.

It's very understandable stuff. Most of what politicians get told by constituents, and most of what we read in the media, in letters to the editor, or hear on talkback radio absolutely supports this view of local government.

So, should we put limits on rates (and debt) and restrict local government to "good quality local infrastructure, public services and regulatory functions at the least possible cost to households and business"?

Dig into the background and the picture changes. Yes, rates have been rising faster than inflation – but local government costs have different drivers than the CPI and have been rising a lot faster. More to the point, though, the increase in expenditure (and debt) since 2002 has been mainly on infrastructure. A lot of that is driven by government requirements (for example, drinking water standards).

Dig even deeper and you find that under the 1974 Act local government had wider powers to spend on community welfare than it now has with the four well-beings. Does this mean that the reform proposals are just a political storm in a teacup? No. Efficient, well-performing local government really matters.

Think of the real estate agents' mantra "location, location, location". Then think what creates location. Some of it is natural endowment, but much of it is how places develop – quality of infrastructure, the range of cultural, recreational and artistic resources (something emphasised time and again when comparing cities as preferred locations), and how well the council handles its regulatory and other functions.

Most of this is at the heart of what good local authorities do – it is now almost a cliché in the public policy and economic literature to emphasise the role of local government as "place shaping", and highlight the importance of good governance.

Consider local government from an investor's perspective. Sure, you want it to be efficient and keep costs down (even if you pass most of those costs on to your tenants). But even more you should want local government to make the place where you own your investments attractive. How well your council performs in

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place shaping is one of the major determinants of the return you will get on your investment.

So, what should we want from local government reform? Not narrowly focused cost-cutting, but intelligent and effective governance – and an ongoing openness to finding new and better ways of delivering the services our communities need. How could reform contribute to this? First, think about the key role of councillors and the importance of attracting the best possible people. Being a councillor has become a full-time job – not because it needs to be but because of the way councils organise their affairs. This means standing for council is only attractive if your alternative income is little more than \$60,000 a year. We shut out many of the best people.

Probably the most important reform is changing the way councils operate so that our most talented leaders from business and other sectors of the community can afford to stand. After all, it's common in other areas of life – business, sport, health care – to want to have the best possible people in place. Why should local government be any different?

Next, we do need to focus on structure – not the old arguments about amalgamation but the way we structure councils. We have got some really great tools, such as the potential through council-owned companies or council-controlled trusts to get fit-for-purpose governance across a large part of council activities.

As the Auckland Council is now demonstrating, this can be a really powerful way for lifting performance. Partly, it is about improved transparency around individual activities and the greater accountability that comes from this, but it is also very much about placing activities under the direct oversight of people whose experience and training has equipped them for the task of governing complex activities in order to get the best balance between efficiency and delivery.

Finally, let's get behind the proposal for elected executive mayors. It's the best idea in a generation, and should set the scene for genuinely effective leadership.