RETHINKING LOCAL GOVERNMENT CONFERENCE

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INTERNATIONAL AND NEW ZEALAND TRENDS INFLUENCING CHANGE IN LOCAL GOVERNMENT: THOUGHTS FOR THE WAIKATO

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INTRODUCTION AND CONTEXT

Introduction

This paper was prepared as a contribution to a conference for local authorities in the Waikato Region held to contribute to a dialogue about options for the future of local government. In both the paper and the associated presentation my purpose is to draw on insights from working on projects dealing with the role, function and structure of local government in a number of different jurisdictions internationally, primarily Australia, but also England, Canada (especially British Columbia), South Africa, the United States and a number of European jurisdictions. As I hope this presentation will demonstrate, there is a great deal which New Zealand local government can learn from experience elsewhere, including how pivotal the role of local government should be in the governance of our communities.

Context

The immediate context in which this conference is taking place is the government's initiatives for further reform of the legislative and operating environment for local government. Both the government's policy statement, Better Local Government, and the Local Government amendment bill, imply a particular understanding of the place of local government within New Zealand's governing arrangements, and the inherent role of local government.

The apparent government view - and a possible explanation

Although neither document spells out the government's understanding in precise detail, a reading of the two documents and associated public statements by ministers suggest a mental model of local government which sees it as primarily:

- A subsidiary tier of government, properly subject to detailed direction and oversight by central government;
- Primarily concerned with service delivery and local regulation;
- Perhaps best thought of as a set of locally owned but nationally supervised infrastructure companies.

The material also suggests that the primary concern which both government and communities should have in respect of local government is with efficiency leading to "least cost to households and businesses". Finally it also contains within it an underlying assumption of basic homogeneity - that where ever they are found, local authorities are by and large dealing with the same sorts of issues and face the same sorts of challenges.

Local government has been generally critical of much of the government's proposals, arguing that they are not well based in terms of evidence, and do not properly address the needs of New Zealand's communities. In support of this local government has referred to recent reports such as the Local Government Rating

Inquiry. Despite what the sector clearly regards as the logic of its position, there has been little public support for its stance.

Instead, the government has been able to take comfort from a range of different sources which suggest that it is indeed on the right track. Much of media coverage, public feedback such as letters to the editor, and representations from what should be important stakeholder groups for local government - for example business organisations - is by and large supportive of the government approach. There is clearly widespread public support for the proposition that local government is relatively inefficient, spending on low priority activity, and increasing rates well beyond what can be justified.

If local government is indeed performing as well as it argues, why should there be such widespread support for the government's approach? Part of it of course is a combination of the fact that rates as a tax is probably both New Zealand's least popular way of raising revenue for public sector activity, and the least understood, and the fact that too often people's direct interaction with local government is with its regulatory role, where a common experience is to be told that they cannot do what they want to do, or they can but it is going to cost them significantly. The fact that this is typically a consequence of the regulatory environment which central government has required local government to operate is seldom well understood.

But there are other reasons as well, which go to the heart of this presentation. When compared with other jurisdictions with which New Zealand has some real similarities, we are reluctant to invest in research to better understand the role and function of local government, we do very little monitoring of international experience, undermining our ability to learn from others, and local government is relatively closed to input from external stakeholders.

The situation is not peculiar to local government. New Zealand has generally been reluctant to undertake extensive research or evaluation of public sector activity, or to build the networks which would enable us to learn from others. We also lack the extensive think tank activity which, in other jurisdictions, often acts as the means of promoting public debate and especially drawing on learnings from others.

This paper's coverage

In this paper I want to cover three areas which are of great importance for the future of local government in New Zealand, and where learning from international experience has much to offer us. They are:

- Globalisation.
- The role of local government in respect of major social services (managing fiscal risk).
- Developments in community[1] governance.

[1] The word "community" is a much used term in local government, but one which presents very real problems in terms of definition, especially if the purpose of the definition is to draw a sharp boundary

I will then conclude with some observations on the implications for the future of local government in the Waikato region.

GLOBALISATION

Globalisation is normally thought of in terms of the impact on employment, with a sense that jobs are being exported to low-wage countries, either in manufacturing (where China is seen as having taken jobs away in areas ranging from T-shirt production to locomotives), or in service activities such as call centres and data processing with work being outsourced to countries such as the Philippines and India.

The implications for local government, by comparison, are not generally well understood although arguably they are profound. We have moved from an environment in which central governments were largely able to determine the distribution of economic activity, including employment levels, and income distribution, because they operated within borders which were substantially sealed against influences which governments wished to exclude. New Zealand was an extreme example of this. Recall that in 1984, prior to the major programme of reform of the late 1980s, the degree of regulation in the New Zealand economy was compared to that in communist controlled Eastern Europe.

Limitations on the ability of governments

We are now in a world in which increasingly central governments are limited in their ability to influence what happens within their domestic economies. A 2003 paper by the head of the OECD's Territorial Reviews and Governance Division summed this up as "finally, international economic integration is increasing the interdependence of nations, thereby modifying the traditional policy instruments through which governments influence the process of economic and social change, while simultaneously exposing territories to challenges for which they are often ill-prepared. Exchange and interest rates are less and less susceptible to manipulation by administrations….In addition, national barriers to competition are being dismantled and regulations homogenised. In short, the limits to policy-making explain why signs of increased expectations with regard to territorial policies are not only at the core of OECD activities." (Pezzini 2003).

An immediate consequence for local government of these trends is a shift in emphasis on the importance of governance within functional economic regions. Sir Michael Lyons in his 2007 review of local government in England referred to place shaping as the central role of local government - it was to be based on

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between what is community and what is not community. In this paper, the term encompasses communities of place, interest, ethnicity and faith, and also encompasses iwi and hapu.

functional not administrative boundaries, and recognised the crucial role of local government in economic and social development2.

The growing importance of cities

Other researchers, including the OECD, were recognising the growing importance of cities, and the growth of Metropolitan centres in particular as new nodes in a more interconnected world, one which increasingly was functioning city to city rather than country to country. The North American academic, Richard Florida, began making his reputation with the concept of the creative class - highly skilled professionals whose location preferences were very much focused on quality of place, including arts, cultural, recreational,retail and hospitality experiences.

The Economist Intelligence Unit, in a major cross-country research financed by Philips Electrical, identified the critical importance of infrastructure as a factor in locational choice -increasingly, people and firms making cross national locational decisions were focused on ease of movement, not just as an issue of personal convenience, but as an important component of the cost of doing business.

The Internet has been another influence, but not quite in the way we were expecting some 10 or more years ago. At first, the ability to transfer information instantaneously, and to communicate through media such as video conferencing, was welcomed as freeing people to live and work where they pleased. There was a real sense that geographically peripheral economies such as New Zealand would no longer be so locationally disadvantaged, as people could work remotely, but still interact as they needed.

Face-to-face contact matters

Experience, however, has demonstrated that face-to-face contact is becoming more not less important. In an important 2011 article, reviewing research on the relationship between countries, cities and multinational enterprise, McCann and 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 local government concerned with economic development and 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, 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

[2] something which is now being picked up with in the English "cities deals" program.

its city-regions, whose performance in turn increasingly depends on the connectivity, global engagement and competitive performance of its multinational firms.

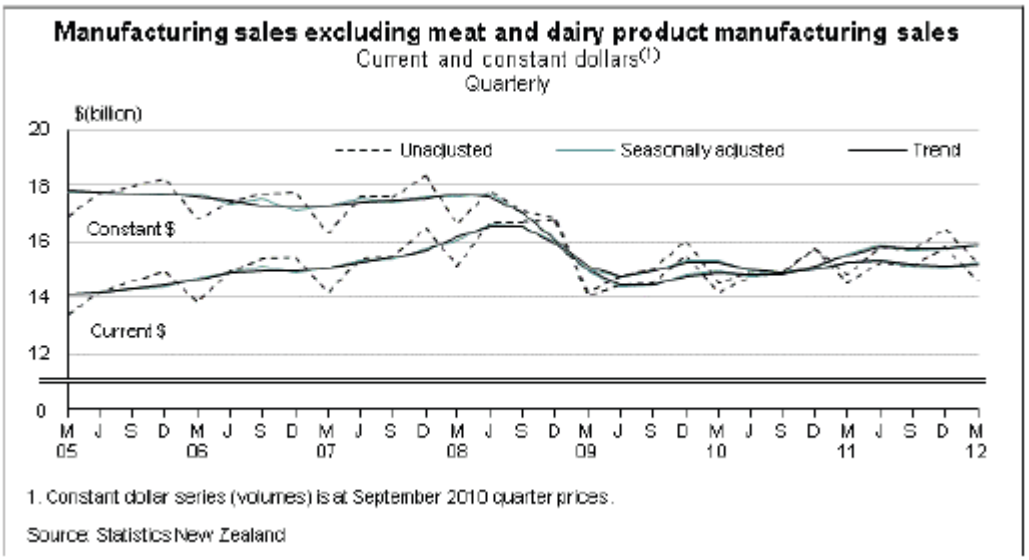
- Obviously, cities that are too small to provide the scale of international transportation infrastructure necessary to be part of these global networks will be unable to sustain global companies in the long term. Yet, infrastructure alone is not the answer, as there does appear to be a minimum threshold 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 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).

The findings from the research on the nature and growth of metropolitan centres point to an important strategic issue for New Zealand; traditionally our different urban centres have seen themselves as competitors, both in terms of attracting investment and activity, and in relationships with central government. What we are now learning about the nature of high-knowledge activities, and the associated knowledge-related agglomeration effects suggests that local authorities outside Auckland may be better placed to focus on how to leverage off and support Auckland's success, rather than how to compete against Auckland.

Declining competitiveness and the needed local government response

We also know that our performance in the production and export of physical goods is lagging. Data on manufacturing sector sales demonstrates this with the trend in the following table showing a decline of approximately 8% in constant dollars as compared with four years ago:



The evidence on the competitiveness of sectors such as manufacturing raises a different set of issues; how do we create an environment in which they can be internationally competitive? An important element in creating such an environment is the extent to which costs arising in the non-tradables sector have the minimum possible impact on the cost structures of firms in the tradables sector.

Local government is an important component of the non-tradables sector. The costs it generates, both direct in terms of rates and user charges, and indirect in terms of things such as decision making processes, regulatory requirements, and standard specifications for engineering and other works can have a major impact.

It has been common for councils to develop their services, regulatory and planning requirements, specifications for engineering works (for example kerbing and channelling) and a lot of their back-office practices on a stand-alone basis, with council staff and occasionally advisors developing what appear to be reasonable provisions drawing from a range of different good practice approaches.

The need to ensure that the competitive environment for our tradables sector is as favourable as we can make is and will remain a major driver for change in the way in which local government undertakes its activities. As a country, we can no longer afford the luxury of individual councils choosing to undertake activities in-house and on a stand-alone basis when there are alternatives which would produce as good or better outcomes for its communities at a lower cost.

This is obviously part of the motivation behind the proposed rewrite of the purpose of local government, but it needs a more strategic approach than the legislation seems to contemplate (it is a matter of almost entrepreneurial initiative, not government driven compliance).

Two recent Australian reports provide an indication of what we can expect to see required of New Zealand local government:

- The final report of the Australian Productivity Commission on the impact of local government's regulatory role has emphasised the importance of consistency - that local government's regulatory requirements should be consistent across councils unless there is good reason otherwise – proposing as a leading practice that:

  > *There is a case for state, territory and local governments to assess the mechanisms available to harmonise or coordinate local regulatory activities where the costs of variations in local regulation exceed the benefits. (See:* http://www.pc.gov.au/__data/assets/pdf_file/0007/118564/local-government-volume1.pdf)

- The Ernst & Young report *Strong Foundations for Sustainable Local Infrastructure* prepared for the Department of Regional Australia, Local Government, Arts and Sport argues the case for greater collaboration amongst councils. This includes the establishment of structures that would allow the joint ownership and management of infrastructure assets as a means of achieving needed efficiencies and economies of scale, as well as the ability to structure financing arrangements not readily available to individual councils. (See: http://www.regional.gov.au/local/lgifr/files/Strong_foundations_20120615.pdf)

The Productivity Commission recommendation, if applied in New Zealand, would see a major emphasis on consistency in requirements such as plans, bylaws, engineering specifications and much of back-office activity. The expectation in Australia is clearly that this approach, once implemented (there are some significant legacy issues which mean it will take time and costs), should be a valuable contribution to reducing the cost burden on the tradables sector.

The Ernst & Young report is a very clear signal that local authorities should put aside their traditional reluctance to share services and instead ensure that their preferred means of delivering services to their communities are designed to capture whatever economies of scope and scale are available.

It seems a reasonable proposition that New Zealand governments, of whatever hue, will increasingly require local government to undertake its activities in ways which minimise the cost on the tradables sector, simply because we cannot afford to ignore any initiative that can improve its competitiveness.

The special case of rural and regional areas

Finally, it is important to acknowledge another aspect of the impact of globalisation and the rise of metropolitan centres. This is the relative shift of population internally in many countries, including New Zealand, as metropolitan and urban centres grow at the expense of more rural and regional areas.

Associated with this are significant divergences in other socio-economic factors such as income per capita and unemployment. To provide a brief overview of what is happening in the Waikato (and which will be addressed in much more detail and with more authority by demographer Professor Natalie Jackson in her presentation) the following table, based on the 2006 Census, shows the expected per annum rate of population change over the period 2006-2031 (using the

medium projection), and the median per capita annual income for local authorities within the Waikato region:

Local authority	Annual percentage change in population 2006-2031	Median income for people aged 15 years and over, 2006 Census
Hauraki	-0.3%	$19,600
Hamilton city	1.2%	$24,000
Matamata-Piako	0%	$25,600
Otorohanga	-0.4%	$24,100
South Waikato	-0.9%	$20,900
Taupo	0.2%	$24,500
Thames-Coromandel	0.1%	$20,300
Waikato	1.0%	$25,700
Waipa	0.7%	$26,500
Waitomo	-0.3%	$23,300

What this does is highlight that local authorities within the Waikato region face very different circumstances. Hamilton city and the local authorities clustered around it can expect continuing population growth and relatively high incomes. The remaining councils face either slow or declining population growth. For one group the challenge is dealing with growth; for the other 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 needs of the region's different councils (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 ROLE OF LOCAL GOVERNMENT IN THE DELIVERY OF MAJOR SOCIAL SERVICES

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 programs). Its main argument has been that central government owns the taxes required to fund social services (income tax, GST), and that social service provision is inappropriate for a property tax funded tier of government.

For many years this 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. There is growing research-based evidence that the so-called "wicked issues" which bedevil modern societies - educational underachievement, 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 which local government is uniquely placed to provide.

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. 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.

But 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.

For central 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.

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 which 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 quite possibly 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.

DEVELOPMENTS IN COMMUNITY GOVERNANCE

International research suggests that there are significant changes taking place in the way in which citizens want to relate to their local governments. 25 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.

Consultation and its shortcomings

In New Zealand this began to shift with the incorporation into the Local Government Act of the statutory requirement for consultation through the special consultation process. At the time this was seen as a significant shift towards greater citizen engagement. 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 which has been critiqued 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 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). 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, Sorabji 2006). 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?

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

used to be. Haus & Sweeting (2006) propose four different concepts of local democracy for political leadership; representative (the conventional electoral engagement), user (as a consumer of services), network and participatory (Haus & Sweeting 2006: 271-283).

Schaap et al (2009) 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) 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, and 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 act as though the mere fact of being elected is a sufficient mandate to take decisions on whatever matters come before the

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?

In terms of organisation, a number of councils are now recognising that the changing nature of the relationship which 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.

Despite this, the overseas experience, and much public comment in New Zealand regarding the nature of current processes for council/community engagement, both 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 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.

IMPLICATIONS FOR LOCAL GOVERNMENT IN THE WAIKATO REGION

It is not the purpose of this presentation to try and spell out how the local authorities within the Waikato Region should go about determining their preferred

future role, function and structure. With that caveat, there are some implications which are worth drawing out for the Waikato Region within each of the three themes discussed in this paper.

Globalisation

The impact of globalisation has been and will continue to be profound. It is reshaping the international economy in ways which for the most part are beyond the control of individual national governments.

For New Zealand, the most significant consequence is the way in which metropolitan centres are developing as the focal points of economic growth and the probability (certainty?) that Auckland is the only New Zealand region which has any realistic prospect of becoming a significant centre in international terms. Whether we like or not, all New Zealand's other urban centres are an order of magnitude too small, and lack the necessary connectivity (where even Auckland's offering is very much at the lower end of the scale).

The implication for the Waikato lies in terms of its future economic strategy; does it try to develop as a competitor with Auckland, or does it instead look to how it can leverage off Auckland's growth? This latter is not a strategy of dependence; it is rather a strategy of looking for strengths within Hamilton and the Waikato, which can complement and add value to Auckland's future strengths.

There is a second implication; the probability that Auckland in particular but Hamilton and surrounds as well will continue to grow whilst the more peripheral councils within the region may be facing long-term decline. Again, this need not be a counsel of despair. Instead, it is more about acknowledging the reality, and then developing strategies which can accommodate to it.

The final and significant implication of what is happening with globalisation is the crucial importance of understanding the need for local government to ensure that, in whatever it does, the cost burden which is transferred to the tradable sector is kept to an absolute minimum. This means making sure that consistency across local authorities (despite legacy issues), unless there are compelling reasons for doing things differently within a single council, is seen as not negotiable. It also means taking shared services seriously, both in terms of back-office services and in customer services.

Unless local government can genuinely demonstrate that it understands the importance of managing costs in these ways, and is actually starting to deliver, then councils should not be surprised that amalgamation continues to be a preferred strategy both by central government and by major stakeholders.

The role of local government in major social services

For the moment, it is unlikely that government realises the extent to which it will need a strong working relationship with local government in order to develop the partnerships and networks essential for the better targeting and delivery of major social services. There are signs that the awareness is starting to emerge (for example in the work of the better public services advisory group) but

government's core policy pronouncements in respect of better local government do not yet acknowledge this.

The main implication for local government in the Waikato comes from the virtual certainty that prudent fiscal management will ultimately require central government to acknowledge and support this role for local government. In the meantime, there is clearly something in the nature of an educational role, including working with local government's stakeholders to help them understand the potential, and not to confuse the facilitative role local government needs to play with the current rhetoric about keeping to 'core services' and not spending ratepayers' money on low priority activity.

Developments in community governance

Place matters. It is very clear that what most people now want from local government (apart from general services) is the opportunity to help shape what happens in the places where they live and work. For most people this is not the full territory for which their local authority has responsibility. Typically it is their local neighbourhood, town centre, rural village or whatever.

It probably doesn't make sense to try and structure local government as a series of separate governing units based on the scale to which most people will naturally relate. It does, though, make very good sense to understand the nature of citizen concerns, and to see the role of local government as enabling people to make choices about their preferred futures. It's a different approach from the standard consultative procedure, and it's a very different understanding of the role of local government from that embedded in the current legislative changes.

It's an approach which recognises the role of local government as a facilitator and advocate, and of supporting communities in developing the capability they need not just to work through their choices, but to understand what is required for actual delivery.

It is also an approach which is virtually a pre-requisite for any effective initiative in addressing some of the challenges now facing local government, such as how to respond to the growing demand for ageing in place, recognising that this is about much more than simply leaving older people alone in their own homes.

Finally, it is almost certainly an essential pre-requisite to rebuilding the community's trust in local government (with the community as local residents, businesses, the third sector, iwi or whoever) and getting past an environment of ongoing government intervention - which in today's political climate is almost always a response to perceived public demand.

CONCLUSION

This is a difficult time for local government but it is also a time of opportunity.

Experience elsewhere not only helps make the case that local government is becoming relatively much more important in the governance of the communities

it serves. It also provides invaluable guidance on how to increase the confidence your communities have in you.

This is especially important in New Zealand, where a comparison with practice internationally suggests that local government would benefit both in its perceived legitimacy, and in its "degrees of freedom" to act, from closer connections with the communities it serves, and with the principal stakeholders which have an interest in how well it performs.

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