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Local Government, Governance and Raising the Quality of Public Debate

This paper is a joint presentation by Peter McKinlay, Executive Director of McKinlay Douglas Ltd, and Stephen Selwood, the chief executive of the New Zealand Council for Infrastructure Development. It has been prepared as part of a wider initiative being supported by the Institute of Governance and Policy Studies at Victoria University with the objective of raising the quality of public debate on local government and local governance. The authors are indebted both to Prof Michael Macaulay, the director of the Institute, and to Girol Karacaoglu and colleagues within the Treasury for their encouragement.

INTRODUCTION

The basic proposition this paper puts forward is the need to lift the scope and quality of public debate on the role and purpose of local government and local governance. The rationale is that New Zealand both through its instruments of government and through its many communities needs to undergo a radical rethinking of the nature of local governance in order that individual communities (local, district, regional depending on the issue) can realise the full potential they have to contribute to economic and social development.

The proposition is not an argument for yet another round of central government intervention in the structure, legislative framework and compliance requirements which currently shape local government. Instead, it is an argument that our current understandings and practices are seriously out of line with what is needed to deal with the challenges New Zealand's economy and society face now and for the foreseeable future.

A major theme which will emerge through the paper is that there are two matters we need to get right, in terms both of understanding the drivers and putting in place the appropriate structural arrangements, incentives etc so that they are properly addressed. The first of these matters is what needs to be managed at a regional/supra-regional level, operating on the principle that only those matters which must be handled at that level should be. The second is what must inherently be managed at a neighbourhood or community level, by whom and what does that imply?

The argument in the paper will treat much of standard local government service delivery as something that should be decided locally and need not attract any particular concern on the part of central government policymakers other than ensuring the existence of some very generic, and ideally light handed, compliance requirements. It will also argue that a condition precedent for this is revisiting the legislative framework for local government and, in particular, the respective roles of elected members and executive management.

The paper is divided into four sections:

1. Context: first, what are the major influences driving the need for change in the way we think about and enable local government and local governance; and secondly, what is happening with central government/local government relationships?

2. How to determine what needs to be decided and implemented at a regional/supra-regional level and the options for doing so.
3. The 'what' and 'why' of decision-making at the neighbourhood or community level.
4. Conclusions.

1 CONTEXT – INFLUENCES AND RELATIONSHIPS

a) THE MAJOR INFLUENCES AFFECTING LOCAL GOVERNMENT AND LOCAL GOVERNANCE

This part of the paper covers briefly a number of major influences some at least of which should already be well known to this audience.

Globalisation and the rise of metropolitan centres

Globalisation has had a major impact on the competitiveness of large sectors of the economies of most developed countries. Supply chains have become much more internationalised. The ability of national governments to implement protectionist policies in a seemingly costless way has largely gone (although creativity in areas such as bio security regulation should not be underestimated).

The world is increasingly urban with an inexorable movement of population from rural areas to towns, regional centres and increasingly metropolitan centres. The evidence suggests that the locational advantages of larger metropolitan centres, especially those with significant international hub airports, are increasingly driving locational decisions both by individuals and by firms. The value of 'face-to-face' interaction is a major influence especially for activities which rely significantly on a combination of innovation and high skill levels.

Endeavours by governments to encourage location outside major centres whether through subsidy, immigration policy, or even relocating elements of the public sector have proved ineffective in seeking to counter the drift to metropolitan centres. If anything is likely to counter the drift, it's almost certainly going to be innovation led within local and regional areas themselves and supported by demonstrating compelling economic advantage. Necessarily this will be situation and sector specific.

Demographic change

Professor Natalie Jackson's excellent work is demonstrating the very profound impacts which demographic change is having on the size and composition of the populations of New Zealand's communities. It provides strong empirical evidence of the extent of the drift to metropolitan centres, but also highlights the way in which the age structure of the population is changing in large part as a result of changes in fertility rates (see her presentation to this lecture series at <http://www.treasury.govt.nz/publications/media-speeches/guestlectures/iejackson-may14>).

Among the implications for policy makers are issues such as:

- Should a number of communities now be consciously planning for decline rather than continuing growth?

- What are the implications of the very different age and ethnic make-up of different parts of the country especially the contrast between Auckland and the rest of New Zealand?
- How do we cope with the needs of an ageing population especially when we recognise this is not just a matter of the cost of superannuation or health care but crucially a question of whether, for example, there will be sufficient people in the labour force able and prepared to provide the services older people will need?

Fiscal constraints

Over the past decade New Zealand, along with many other developed countries, has moved from a fiscal setting in which the typical response to the identification of a new problem was a new government spending programme, to what seems a permanent situation in which demands for central or local government intervention will increasingly outweigh ability to pay. This is likely to remain the case even as advisors and politicians become more innovative in identifying new sources of revenue.

The implication for local government is twofold. First, it's unlikely that central government of whatever hue will be prepared either to provide significant additional funding from its own revenue sources, or to legislate for significant new revenue streams for local government. (There will probably be some exceptions to this – for example, it seems likely that central government will ultimately agree to one or more new taxes or charges to help fund Auckland's transport investment.) Secondly, local governments themselves are going to need to be much more innovative, and much more collaborative in working with their communities, in making choices about what services should be provided collectively, and how those should be owned, managed and resourced.

Changing priorities for resident involvement

There still seems to be a very widespread view that the primary way in which residents should engage with their local government (and for that matter central government) is as electors: casting their vote to determine who should act as their representatives to take decisions on their behalf. The low and declining level of turnout in local government elections is the subject of much angst, leading to various suggestions for steps central or local government might take to increase voter turnout. Is the three-week voting period too long? Should we shift to electronic voting to make it easier for people who do most of their interaction through social media and the Internet? Do we need to increase civics education in schools so that young people understand the 'importance' of voting?

There is growing research evidence and practical experience¹ suggesting that for many people voting is now only one of the ways in which they want to engage with local government, and not necessarily the most important. Instead, priorities include the opportunity to influence decisions affecting their 'place' – which typically, even in a large city, will be a neighbourhood or community of a size around 5000-10,000 people at most.

Central government engagement with communities

¹ See *Evolution in Community Governance: Building on What Works*
http://www.aceig.org.au/system/files/publication-documents/1335499377_Vol1_Community_Governance_20_April_2012.pdf.

We are seeing the first signs of what is likely to be a significant trend of central government agencies wanting to engage directly with communities in order to get better outcomes from the policies for which they are responsible. There is a sense that doing so needs the knowledge, networks and support that can only come from working directly with communities. This has seen the emergence of terms such as co-production and co-design. It's also seeing an increased emphasis on collaboration amongst government agencies at a local level.

Examples close to home include the Social Sector Trials being led by the Ministry of Social Development (see <https://www.msd.govt.nz/about-msd-and-our-work/work-programmes/initiatives/social-sector-trials/>), and the Australian Federal Department of Human Services 'Better Futures Local Solutions' initiative with its emphasis on the development of community-led strategic plans (for an example see <http://www.humanservices.gov.au/spw/corporate/government-initiatives/resources/shepparton-lag-strategic-plan.pdf>)

This trend raises some profound questions about the proper role of local government in the governance of its communities, questions which have yet to be addressed either by central government or by local government in any substantive way.

Assessment

Considered cumulatively, the implications of the different trends now affecting local government and local governance seem increasingly clear. Like it or not, individual communities are going more and more to be responsible for finding their own solutions to the changes they now face. This looks to be so regardless of whether central governments share this view, or believe that they have a role to intervene to promote more equal outcomes across the country.

From a policy perspective we suggest this puts a special responsibility on central government to ensure that the legislative/regulatory and accountability environment for local government facilitates strong local leadership and the ability to be proactive in seeking solutions, rather than being increasingly hamstrung by a series of more and more detailed regulatory requirements. Achieving this will require both revisiting some of the basic components of the Local Government Act (for example the way the Act specifies the respective roles of elected members and executive management) and reassessing the purpose and nature of local government's accountability regime.

b) THE CENTRAL GOVERNMENT/LOCAL GOVERNMENT RELATIONSHIP

Local government around the world takes a surprisingly diverse range of forms, may have quite different constitutional underpinnings and is responsible for widely varying ranges of service activity. It may be elected or appointed. It may be substantially responsible for raising its own revenue, or largely dependent on transfers from higher tiers of government.

The extent to which local governments are autonomous, that is, able to take their own decisions free of intervention by higher tiers of government, varies widely but can be usefully categorised into two broad albeit contrasting models well described in the following extract from a paper prepared for the United Kingdom government as part of a major cross country review of local government funding:

There "are two contrasting models of central-local relationships: (i) a principal/agent model and (ii) a 'choice' model. The 'principal agent' approach envisages local government primarily as an agent of delivery of

priorities and objectives that are determined by 'higher' tiers of government – the region, Land, province or national government – and relies on bureaucratic/legal controls. A 'choice' model emphasises the needs and preferences of local people – service users, citizens, local business etc – and depends on mechanisms by which local stakeholders express their priorities – for example through voting or public engagement and stakeholder engagement/consultation. In many countries the principal-agent model came to underpin central-local relations in the post-war welfare state era when local authorities were used to implement welfare policies (such as the provision of public sector housing, state education and health services). In recent years there has been growing recognition of the limitations of this model and some interest in new forms of central-local relations." (Loughlin and Martin 2004).

The New Zealand case falls squarely within the 'principal/agent' model even although New Zealand local government raises most of its own revenue and has a lesser involvement in major social services than is the case with local government in many other jurisdictions. Successive central governments have seen it as their prerogative to undertake very major restructurings, and intervene frequently to direct local government in areas such as governance, accountability and 'core activities' (sometimes not always entirely successfully from government's perspective).

Not surprisingly the result is very much a situation recently described by the NSW Independent Local Government Review Panel, in respect of its own jurisdiction, as:

"Much of NSW local government exhibits a strong culture of compliance: have the required processes been completed and the right boxes ticked, rather than, has something valuable been achieved? This culture reflects a number of factors, notably progressively increasing demands imposed over the years by the many State agencies that assist or regulate local government..."

There are other and significant consequences of a regulatory/interventionist approach on the part of central government to local government rather than a collaborative or partnership approach. They include:

- A quite high level of distrust between the two sectors.
- A serious lack of understanding of local government on the part of many in central government, which prompted the following comment in the recent Productivity Commission report 'Towards Better Local Regulation': "It is important to note that, while local authorities were created by statute, they are not, as sometimes characterised, 'agents' of central government that are required to implement national priorities, and be accountable to central government for operational performance. This agency characterisation seems to reflect a misunderstanding of the respective roles of, and relationship between, local and central government."
- A high level of misunderstanding in the general public regarding the role and function of local government, accompanied by a measure of distrust occasioned in part by government-imposed regulatory requirements such as the special consultative procedure intended to promote better

accountability of which the Local Government Rates Inquiry² had this to say: "Most importantly, the special consultative procedure contained within the LGA 2002, which relies heavily on giving public notice of consultation, is not working. The burden of consultation for individual citizens, community groups, elected members, and officers must be reduced by implementing more effective techniques such as focus groups. Better-designed, rather than more, consultation is required."

Years of a regulatory/interventionist approach on the part of successive central governments, intended among other things to 'improve' the transparency and accountability of local government, has seriously distorted understandings of the essence of local governance, focusing the debate instead on the peculiar characteristics of the set of subsidiary institutions councils have become. In practical terms this means discussions about local government have become discussions about the peculiarities of a particular set of regulatory requirements and the institutions to which they apply, rather than being what they should be, a discussion of what is required for effective local governance. Indeed, as a personal judgement, I'm now inclined to argue that it is almost necessary to put local government itself to one side and instead discuss what's required for the effective governance of New Zealand's communities, a judgement which I find reinforced by observing what is happening within the various reorganisation proposals now under consideration by the Local Government Commission.

Assessment

The relationship between central government and local government in New Zealand appears based primarily on the premise that local government is primarily a set of subsidiary institutions with the set of functions ideally confined to the delivery of local physical and regulatory services together with the provision of arts cultural and recreational facilities. This premise underpins a regulatory/accountability framework which increasingly appears designed primarily to constrain local government to its 'core functions' and micromanage the way in which it manages both its operating and its capital expenditure.

There appears as yet little understanding of the extent to which this approach severely restricts the development of a governance approach at a local level - an approach which would require local institutions able to exercise leadership in the sense of taking a 'whole of community' approach to determining priorities, setting strategic direction and putting in place initiatives designed to address the challenges facing New Zealand's communities. Separately, rewriting legislation to deal with the present imbalance between governance and management is also the most promising approach to ensuring that local services are designed and delivered cost effectively. As one example, there is good reason to believe that defects in the governance arrangements in legislation are at least partly responsible for the relatively poor performance of New Zealand local government in developing shared services and other innovative approaches to the production of the services which councils have decided they should provide for their communities.

² *Funding Local Government* available at [http://www.dia.govt.nz/Pubforms.nsf/URL/RatesInquiryFullReport.pdf/\\$file/RatesInquiryFullReport.pdf](http://www.dia.govt.nz/Pubforms.nsf/URL/RatesInquiryFullReport.pdf/$file/RatesInquiryFullReport.pdf)

2 HOW TO DETERMINE WHAT NEEDS TO BE DECIDED AND IMPLEMENTED AT A REGIONAL/SUPRA-REGIONAL LEVEL?

Keeping pace with globalisation

It's been a quarter of a century since the 1989 local government reforms in New Zealand. Twenty five years may not seem a long time in the context of domestic affairs. But in the wider global political economy, the last two decades have seen remarkable change. The Soviet Union has collapsed and its largest member Russia has witnessed both near economic collapse and energy-fuelled resurgence. Japan in the same timeframe has moved from the global 'poster child' for economic efficiency to deflation, stagnation and then recovery, while its then impoverished neighbour, China, has become the second largest economy in the world and a burgeoning superpower.

Global connectivity through the Internet has transformed knowledge transfer across borders, cultures and political jurisdictions.

The actions today of a banker on Wall St, a technocrat in Brussels or a party official in Beijing are just as likely as any emanating from the offices of local mayors and members of Parliament to impact materially upon the daily lives of New Zealand residents. And yet many of the rules, institutions and activities characteristic of the New Zealand we know in 2013 are indistinguishable from those in 1993.

When residents of a town or suburb lose their jobs or demand something different, they no longer look to the next town or city, but to Australia or elsewhere. Instead of striving to improve their communities, those with transferable education, skills and expertise increasingly abandon that community and search the globe for one that meets their need.

When businesses look to expand and entrepreneurs to invest, return on investment must take precedence over historical ties, or competitiveness will be lost and the venture will fail. The ubiquity of English and free movement of capital has made the greater part of the planet one single economy, and all actions by Governments and businesses that fail to attract skills and money increasingly damaging.

The challenge before us then is to ensure that our systems of planning, governance, funding, regulation and delivery of infrastructure and services that support New Zealand's social and economic development are as effective and efficient as they can be.

Are local government structures in New Zealand fit for purpose?

For a nation of just 4.5 million people, seeking to punch above its weight on a global stage, New Zealand's local government structures are complex. When viewed within the context of the communities and geographic areas represented, local government structures are highly inconsistent and lacking coherent rationale.

For example, community infrastructure (including potable water, storm and waste water, roads, public transport, footpaths and street lighting) and most of the planning approvals for national and regionally significant infrastructure come under the responsibility of one or more of 78 local authorities. These comprise: 11 regional councils; 61 territorial authorities, including cities within cities; 6 unitary councils (territorial authorities with regional council responsibilities); 116 community boards; and 21 local boards.

While averaging 65,000 residents, populations per council range between 1.4 million residents in Auckland to just 650 in the Chatham Islands.

The numbers of councils within a range of population bands is set out in Table 1. Of the 61 territorial authorities, 13 councils have a population of less than 10,000 people, a third have fewer than 20,000 and just 10%, seven councils including Auckland, have over 100,000 population.

Table 1: Council Population Bands

Population	Number of Councils	Cumulative Number of Councils	Cumulative Percentage of Councils
Less than 10,000	13	13	19%
10,000 to 20,000	12	25	37%
20,000 to 30,000	7	32	48%
30,000 to 40,000	7	39	58%
40,000 to 50,000	11	50	75%
50,000 to 60,000	4	54	81%
60,000 to 70,000	2	56	84%
70,000 to 80,000	2	58	88%
80,000 to 90,000	2	60	90%
90,000 to 100,000	0	60	90%
100,000 plus	7	67	100%

Auckland covers less than 2 per cent of New Zealand's total land area, but, with 1.5 million inhabitants, Auckland's unitary authority governs a third of the population. Marlborough, also governed by a unitary authority, is well over twice the geographic size of Auckland but contains less than one-thirtieth of the population.

Wellington, meanwhile, is governed by one regional and eight territorial authorities, despite the vast majority of its 500,000 residents living within one continuous metropolitan conurbation. The four territorial authorities which share

responsibility for Wellington's urban area govern fewer residents than Christchurch City Council and two of those, Upper Hutt and Porirua cities, are comparable in size to Gisborne and much smaller than the New Plymouth and Rotorua districts.

Excluding Auckland, regional populations in New Zealand range in size from West Coast's 33,000 to its neighbour Canterbury's 560,000. Canterbury also contains the country's most and one of its least populous territorial authorities, with around 370,000 residents in Christchurch City and just 4000 in Mackenzie District. Mackenzie's 4000 residents oversee an area substantially larger than the Auckland region, but are outnumbered by a factor of two by Auckland Council employees alone. In fact, Auckland's Howick Local Board area contains a population 30 times that of Mackenzie District and is larger than Tauranga, but carries no independent representation other than its Local Board which receives all its funding through the Auckland Council.

Small councils can enhance community participation and local democracy by enabling connection between politicians and the communities that they serve. But, in terms of planning, funding and delivery of infrastructure – a core service of local government – small councils face significant disadvantages over larger councils. These include:

- a small rate payer base which constrains their ability to fund investment in infrastructure
- high fixed costs per rate payer
- reduced purchasing power
- insufficient scale to warrant specialist staff
- difficulty in attracting and remunerating the levels of expertise required
- lack of in-house expertise and dependence on contracted services
- reduced capacity to cope with complex change and keep pace with emerging trends

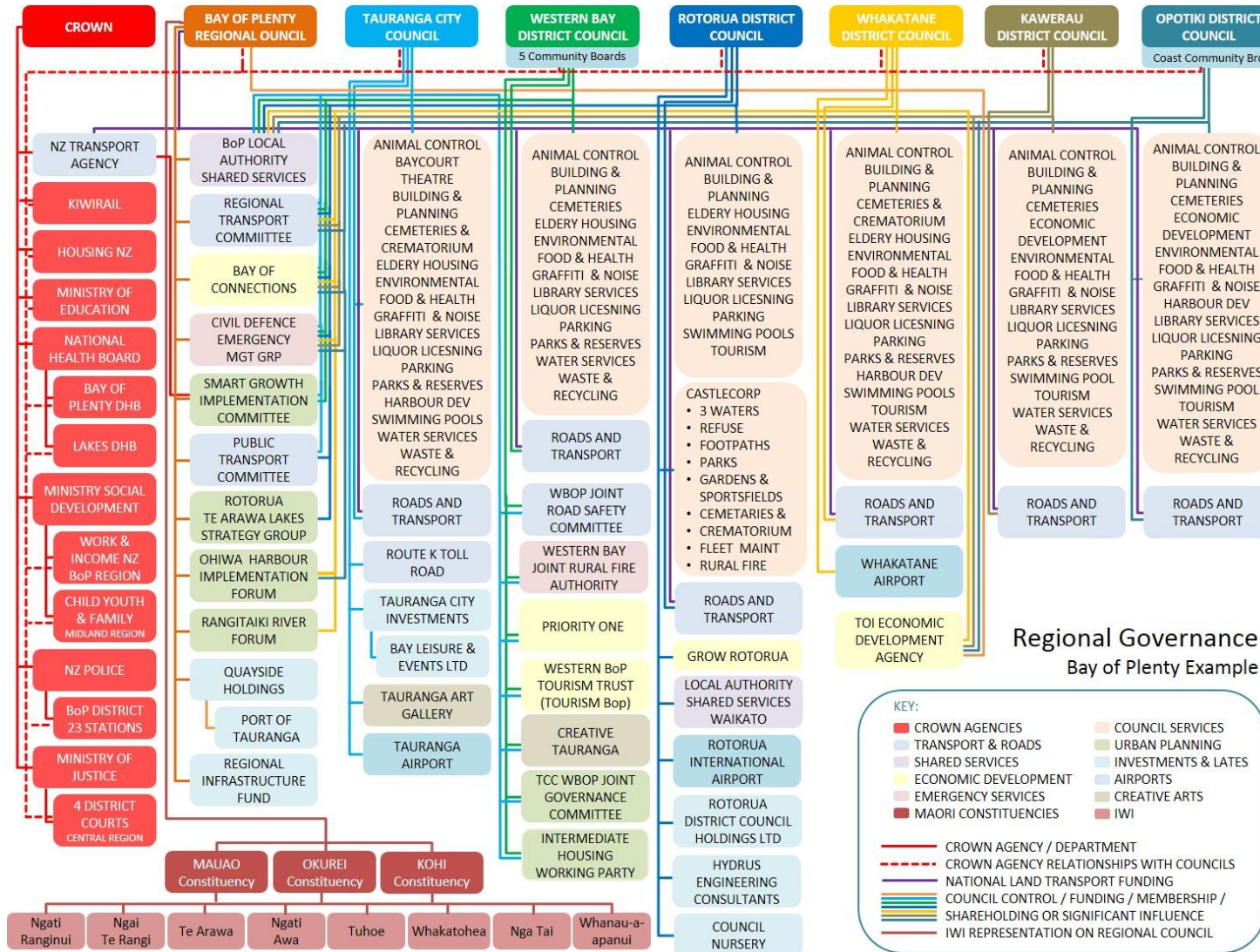
Complexity

Under current governance structures, local councils interact by means of complex relationships with regional councils, council controlled organisations, central government ministries, governmental agencies and other public and private sector agencies.

For example, Figure 1 illustrates the complexity of organisational relationships and structures within the Bay of Plenty (BoP) Region – a region that is often commended for its preparedness to collaborate and its initiatives in shared service arrangements.

The level of complexity depicted in the illustration is typical of most regions across New Zealand.

Figure 1: Central and Local Government Structures in the Bay of Plenty Region



As clearly demonstrated by the BoP example, there is significant duplication of function across Regional, City and District Council jurisdictions. These include:

- democracy and associated support costs
- governance activities (in addition to the democratic role)
- strategic planning, policy, research, and economic development
- District and Long Term Plan processes
- policy, planning and delivery of services
- contract management of devolved activities and projects,
- corporate overheads and accommodation
- corporate support functions such as HR, IT, finance, insurance, risk and audit.

While existing structures allow a form of local representation, from an infrastructure planning, funding and delivery perspective sub-regional governance creates many issues.

These generally include:

Inadequate Funding:

Councils are funded by a combination of rates and central government funding (primarily in the form of local roading and public transport subsidies). However, local authorities are facing difficulties funding increasing infrastructure needs on a limited rate payer funding base. Many local authorities are very small scale entities. Local funding mechanisms lack economies of scale. Within the transport sector central government funding is skewed by subsidy rates that favour state highway solutions (funded at 100%) over local roads (which require 50% local funding). Failure to meet local share requirements reduces funding for local roads in favour of state highways. The net result is insufficient money to do the job. New, more effective funding mechanisms are required.

National and Regional needs subordinated to local interests:

Regional Councils' responsibilities include regional planning, environmental management, flood protection, provision of regional parks, planning and funding of public transport. However, Regional Councils have limited funding mechanisms available to them. City and District Councils possess the bulk of local funding and control land use planning and the key infrastructure assets, albeit within policies set by Regional Councils. Within that context, decisions are made by locally elected lay people whose political accountability is local rather than regional or national. This creates an environment where leaders compete politically at the local level rather than contribute to regional or national outcomes.

Regional and rural urban divide:

The number of council boundaries creates division rather than unity. While cities can be seen as the educational, social, cultural, manufacturing and logistical centres of regional economies, existing boundaries often exacerbate the divide between rural and urban New Zealand.

Dilution of Expertise:

High quality political and staff resources can be wasted in duplicated functions across the 78 regional and local authorities. Similarly, a considerable amount of skilled management time is taken in transactions and consultation among and between parallel organisations.

Complex decision making processes and weakened accountability

Planning, decision making, funding and implementation processes are complex with consequential lack of responsibility and accountability. Vague national level policy frameworks means local body politicians may not be held to account for decisions that affect regional or national outcomes. Lack of comparative data across local councils further weakens accountability to rate payers.

Complexity for business and communities:

Businesses and communities operate in a regulatory environment which includes 78 sets of strategies, rating systems, plans and by laws, building authorities, water network operators, roading and public transport agencies and finance, information technology and human resource systems.

Land use and infrastructure decisions are typically taken by district or city councils – the lowest level of local government. In many cases agencies charged with planning responsibilities are too fragmented or too reliant upon central funding to deliver plans. Dependency on outside resources and cooperation limits the efficacy of planning agencies and causes delays to implementation. Regionally, planning can be undermined by fragmented local authority structures as well as political and professional frictions, giving rise to compromise or indecision.

This is particularly problematic for network infrastructure providers such as telecommunications, power and transport who have to navigate a complex maze of district and regional planning processes.

Many local authorities have recognised the need to strategically manage their land use and infrastructure planning. While several informal LGA strategic or spatial planning documents exist, such as the Auckland Plan or the Tauranga Smart Growth Strategy or the former Canterbury Regional Growth Strategy, these strategies are not statutory documents under the RMA and have limited authority. Because of their limited legal status, and consequential lack of funding support through LGA and LTMA processes, non-statutory strategic plans face significant challenges in their implementation.

The absence of central government

As discussed in previous sections central government remains indisputably New Zealand's preeminent governing institution, with local government playing a much more minor role in domestic affairs. In addition to legislative and executive power, health, education, housing, welfare, and justice, as well as universally centralised activities including defence and economic management, are all overseen by central agencies.

However, despite these critical responsibilities central government plays almost no role in land use planning resource allocation.

When compared with other countries, New Zealand's transport infrastructure spending decisions are highly centralised, whereas land use decision-making is highly decentralised. Central government has generally not been explicit about what it wants to achieve in terms of land use management or how it wants to 'shape' places. This has led to a separation of planning from implementation and ad hoc and inconsistent decision making.

Although they are now beginning to evolve, the absence of critical national policies under the RMA and LTMA has given rise to inconsistency and differing approaches between regional and local plans.

While reforms are proposed and are being hotly contested, tinkering with the RMA alone will not solve this problem. Instead the wider systems, structures, funding arrangements and responsibilities of all parties need to be addressed.

However, central government capacity to undertake major policy reform is limited. When reform is proposed, it tends to be led by government departments in silos focused on individual statutes rather than addressing the underlying or integrating problems between the statutes. Auckland reforms have evolved in response to unique growth challenges in New Zealand's largest city; local government reforms have been driven by rapid rates increases; RMA reforms have resulted from specific concerns regarding consenting; and the Land and Water Forum is a response to freshwater management issues.

Yet, each of these initiatives is related. The underlying cause of issues across all these apparently disparate sectors is a fundamentally flawed domestic governance system and disjointed planning framework.

Without addressing the structures, responsibilities, tools and incentives supporting domestic governance and resource management, piecemeal changes over the past five years will help to improve processes within a disjointed governance and planning framework but are unlikely to materialise as a substantive improvement in economic, social and environmental well-being of New Zealanders.

The larger question about how best to provide a planning framework for overall resource allocation, land use, transport and infrastructure planning isn't being addressed.

The benefits of scale in infrastructure delivery

Internationally there has been a strong trend to consolidation especially in capital intensive infrastructure provision.

Empirical research signals broad consensus regarding the existence of scale economies, up to a point, for capital intensive infrastructure provision³. Scale

³ S. Berg*, R. Marques "Quantitative Studies of Water and Sanitation Utilities: A Literature Survey March 3, 2010; Australian Centre of Excellence for Local Government, Local Government Association of South Australia and Local Government New Zealand "Consolidation in Local Government: A Fresh Look" Volume 1 Report May 2011; Ministerial Road Maintenance Task Force Research Support for Collaboration and Clustering Prepared by Rationale for: NZTA And Technical Working Group Research Team – Collaboration and Clustering, p26.

efficiencies arise when entities are able to lower the unit cost of delivering goods and services by increasing in size. Larger councils that are able to lower administrative costs per resident, increase purchasing power, improve facilities utilisation and leverage financial capability. In addition, larger councils are also likely to exhibit superior technical, managerial and strategic capacity, may be better able to plan and contribute to economic development, can be more effective community advocates and typically also interact more successfully with government and business.⁴

However, it is important to note that a poorly conceived consolidation risks increasing, rather than decreasing, the net costs of local government services. Greater scale requires a larger and more complex bureaucracy and the centralization of services can lead to a loss of local knowledge, expertise and reduced community engagement.⁵

In addition, not all services provided by local government may benefit from economies of scale, or may benefit only up to a point before diseconomies of scale emerge (i.e. the per resident cost of a service stops declining and begins to increase).

Evidence from international studies tend to show that, unless specifically mandated, efficiency gains from consolidation are more likely to be reflected in enhanced strategic capacity or improved service delivery than in reduced rates.

The evidence suggests the need for structures that deliver strategic oversight of planning and economies of scale for capital intensive infrastructure service provision, whilst building local representation at the community level.

The Australian Centre of Excellence for Local Government (ACELG), Local Government Association of South Australia (LGASA), and Local Government New Zealand (LGNZ) came to similar conclusions in their collaborative research venture which sought to review consolidation in local government, free from any current political or other pressures to recommend any particular approach towards structural reform.⁶

They used the term 'consolidation' to embrace a wide range of options that may deliver economies of scale or scope, or other benefits in terms of more effective local government. Options investigated included shared services delivery, various models of regional collaboration, boundary adjustment, and voluntary, forced and failed amalgamations of councils.

PWC GHD: Implementing the National Infrastructure Plan in the Water Industry – A Pilot Study July 2012; Urban Water Services, IPENZ, Ingenium and Water New Zealand (2013)

⁴ See in particular summaries of different reports in Brian Dollery, Joel Byrnes and Lin Crase, *An Analysis of the New Perspective on Amalgamation in Australian Local Government*, February 2007; United States Environmental Protection Agency, *Restructuring and Consolidation of Small Drinking Water Systems*, October 2007, p.iii; PWC and GHD, *Implementing the National Infrastructure Plan in the Water Industry*, July 2012.

⁵ See for example, the literature review featured in McKinlay Douglas Ltd, *Local Government Structure and Efficiency*, October 2006; Brian Dollery, Joel Byrnes and Lin Crase, *An Analysis of the New Perspective on Amalgamation in Australian Local Government*, February 2007.

⁶ Australian Centre of Excellence for Local Government, *Local Government Association of South Australia and Local Government New Zealand "Consolidation in Local Government: A Fresh Look" Volume 1 Report* May 2011

The headline conclusions sourced directly from this review are reproduced in the table below.⁷

Figure 2: Summary attributes of different forms of consolidation

	Amalgamation	Boundary Change	Shared Services	Regional Collaboration
Efficiency and Economies of Scale	Strong link	Potentially strong link subject to size/disposition of re-shaped councils	Strong link	Weak link
Strategic Capacity	Strong link	As above – benefits will flow to larger 'new' council/s	Potential medium-strong link subject to organisation structure and governance	Weak link
Service Improvement and Innovation	Strong link	As above	Strong link (but limited to those services that are effectively shared)	Potential link subject to nature and scope of collaboration
Potential Diminution of Local Democracy	Distinct risk, but can be managed	Some risk depending on nature of 'new' councils – can be managed	Risk where shared services are extensive and decision-making is ceded to joint authority – may be difficult to manage	Little or no risk

The concept of collaboration or clustering was also examined by the NZTA Ministerial Road Maintenance Task Force. Its Collaboration and Clustering research group developed a model to describe the potential benefits of collaboration and clustering to deliver improved outcomes in road maintenance in the New Zealand context.⁸

The group considered "in principle" the benefits or dis-benefits that network size might have on a range of key success factors. These included: fiscal efficiency, administration, governance, policy and strategy; asset management; network management; physical works; transparency; political acceptability; public acceptability; economic efficiency and private sustainability. A regionalised network structure was considered by the group to be closest to an optimal network size in the New Zealand context when considered against each of the criteria.

Similarly, a recent pilot study of nine council water providers in New Zealand (PWC and GHD) identified a number of related factors that supported or inhibited good performance.⁹ Several different governance models were included in the study, ranging from council department, business unit, shared service, CCO asset manager/operator and fully dedicated water utility. The study found a clear correlation between an operator's scale and its results. Put simply, larger

⁷ Ibid, p7

⁸ Ministerial Road Maintenance Task Force Research Support for Collaboration and Clustering Prepared by Rationale for: NZTA And Technical Working Group Research Team – Collaboration and Clustering p26

⁹ PWC GHD: Implementing the National Infrastructure Plan in the Water Industry – A Pilot Study July 2012

operators scored better than smaller operators. Increased size enables improved strategic focus, specialisation of technical staff, purchasing power and economies of scale. Single-purpose entities have a greater degree of strategic focus thereby enabling better overall performance.

Governance models that enabled inter-council sharing or integration provided leverage for both scale and strategic focus. These models also provided greater opportunities for funding network infrastructure in smaller townships, which are subject to affordability challenges. However, while shared service arrangements were found to achieve many benefits, the study concluded that they cannot fully replicate the benefits of amalgamated water operators.

A range of factors were found to inhibit good performance including regulation and RMA consenting issues, affordability issues, failure to consider alternative methods of funding, community resistance to change - especially in relation to alternative governance arrangements and application of volumetric pricing, and understanding of risks, vulnerabilities and condition of their networks.

Specific issues that relate to the smaller operators included:

- affordability of schemes for small towns
- operation of multiple schemes, making compliance difficult, impractical and involving higher compliance costs
- capacity of smaller councils to allocate resources to all compliance requirements.

Further work in respect of water services, a recent report prepared by IPENZ, Ingenium and Water New Zealand¹⁰ concluded:

“It is apparent that economies of scale and to some extent of scope, sufficiency of funding and use of commercial disciplines in decision making are the key factors that determine the efficiency of a water entity. Nevertheless, it is important to recognize the trade-off between accountability and economies of scale. Overall, our assessment suggests there are opportunities for greater water industry efficiency and effectiveness by creating greater economies of scale and to a lesser extent utilising scope. Detailed analysis of the options suggests rationalising smaller entities into larger, single-focus groupings combined with a commercial approach, should be encouraged in many circumstances.”

In summary, reviews of international empirical evidence on local government amalgamation show there is no universally recognised optimal population size for local authorities that will maximise economies of both scope and scale over the full range of services. It is very much a “horses for courses” situation. Some services, particularly those which are people-related, are more efficiently provided locally; others such as high capital intensive infrastructure services show significant economies of scale.

It is not unreasonable to conclude therefore that an optimum institutional arrangement is one that achieves economies of scale in the provision of capital intensive infrastructure services and regional spatial and economic planning, whilst enabling more local decision making on service provision where the need for strategic integration and economies of scale, scope and density do not apply.

¹⁰ Urban Water Services, IPENZ, Ingenium and Water New Zealand (2013), page 14.

Form Should Follow Function

As the previous discussion argues, current governance structures enable at least a limited form of democratic local decision making but have substantial weaknesses in other areas. A better balance needs to be found between keeping the “local in local government” whilst ensuring better value for money in infrastructure delivery and that national and regional opportunities are integrated so that New Zealand can keep pace on a global stage.

A better understanding of regional systems is needed, including of resources (energy, water, and materials), people (migration, travel to work patterns), investment, and governance.

Equally however local democracy must be protected and enhanced and engagement within and across communities strengthened. This is key to providing a sense of well-being, participation and inclusion and to providing essential oversight and controls on more centralized decision making and service delivery.

While some decisions are better made at a national or regional level other decisions must be made locally where community engagement is strongest. Connections between decision-making made at different levels need to be acknowledged and provided.

It follows that change in local government structures should satisfy a set of fundamental guiding principles potentially including:

- (a) alignment between national regional and local strategies
- (b) ensuring the financial sustainability of local government
- (c) having the scale, resources and ‘strategic capacity’ to govern effectively and to provide a strong voice to central government
- (d) being cost efficient and effective and providing for clear accountability to the public for outcomes, use of public funds and stewardship of public assets
- (e) having effective mechanisms for central government-local consultation, joint planning, policy development and operational partnerships
- (f) ensuring that decisions are taken at the level of governance best informed and best placed to deal with consequences, and coordinated between the different spheres of government.
- (g) enabling community involvement and influence at a level where people feel they can influence decisions that impact on their lives,
- (h) enabling democratic local decision-making and action by, and on behalf of, communities
- (i) delivering equitable impacts across communities
- (j) encouraging more active citizenship with more people taking responsibility to their communities being resilient into the future, and be able to deal with increasing uncertainty, complexity, diversity and change.

Fundamentally, the problem with reforms to date is that they have avoided the difficult, publicly contentious structural issues at the heart of domestic governance and resource management. With the partial exception of the reform of Auckland governance, none of these, nor any other responses, address underlying structural anomalies in the overall domestic governance and planning system.

More fundamental change is required to overcome existing issues and modernise governance activities to progress future outcomes.

Despite several attempts at local government reform in New Zealand, there has never been a coordinated, first-principles review of the purpose of local government within the overall administration of New Zealand, its role in this

process and the legal framework supporting these activities. Ad hoc revisions of 19th century British legislation led to piecemeal reforms and an incoherent framework for domestic decision making and policy implementation.

Until the structures supporting this framework receive a fresh appraisal in light of the wider New Zealand context in the 21st century, band-aid policy responses will only achieve short term deferral of superficial problems.

The priority over the coming term should be to shift from piecemeal incremental improvement to a system-wide approach that provides:

1. A fully integrated and aligned resource management and planning framework
2. Rational allocation of planning functions between national, regional and local institutions
3. Enhancing regional capability to plan deliver and fund sustainable regional social and economic development whilst fostering community and engagement and participation
4. Agreement of common goals, policies, plans and linkages nationally, regionally and locally to guide infrastructure and land use planning outcomes
5. Coordination of processes for planning, consulting and decision-making
6. Funding and assessment processes that support land use and infrastructure integration.

New Zealand's small scale is both a challenge and an opportunity. On the one hand our small size makes it difficult to compete at scale with larger nations to attract and retain talent, resources and investment. But on the other hand smallness should enable us to be nimble, adaptive to change and responsive to niche global market opportunities. But the more we create complexity within and across our laws, administration and governance structures, the more we weaken New Zealand's competitive advantage.

The challenge before us then is to ensure that our systems of planning, governance, funding, regulation and delivery of infrastructure and services that will support New Zealand's social and economic development are as effective and efficient as they can be.

3 THE 'WHAT' AND 'WHY' OF DECISION MAKING AT THE NEIGHBOURHOOD OR COMMUNITY LEVEL

The present structure of New Zealand local government draws heavily on what was thought, in the late 1980s, to represent the nature of decision-making in the corporate sector. The purpose in adopting this approach was to improve the efficiency of decision-making and the delivery of local government services.

The presumption was that separating the policy making responsibility from the responsibility for implementation would improve outcomes, clarify roles, and lead to an improved quality of governance.

A problematic governance/management split?

The parallel with what was thought to be good practice in the corporate sector is flawed in some very serious respects. First, separation of the roles of governance and management in the corporate sector is not absolute, and is not statutory. The Companies Act is quite explicit, with section 128 providing in respect of the

management of the company that "(1) The business and affairs of a company must be managed by, or under the direction or supervision of, the board of the company. (2) The board of a company has all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the company." The Act contains no reference to executive management.

This is in marked contrast with section 42 of the Local Government Act (see the Appendix below for the wording) which explicitly makes the chief executive responsible for implementation, a provision which has been commonly interpreted as giving the chief executive discretion in terms of how he or she goes about ensuring the effective delivery of the Council's services. There is growing evidence that this way of defining the powers of the chief executive is, in a number of councils, giving rise to increasing tensions. Essentially the issue is that the legislation as drafted both misconceives the nature of governance in a corporate environment, and significantly undermines the potential for effective elected member leadership of the business of the Council, as well as the ability of elected members to form an independent view of the policy advice put forward by the chief executive (arguably a factor in the problems encountered by both Kaipara District Council in respect of the Mangawhai sewerage scheme and Hamilton City Council in respect of the V8 races).

The differing nature of 'owner' expectations for corporates and councils

The second problem arises from the difference in the outcomes which the 'owners' look for from the governing body. In the case of a corporate entity it is a single metric, shareholder value, with a presumption that all shareholders have a common interest in maximising this metric. In the case of a council, the 'owners' – residents, ratepayers – may be looking for some overall common outcomes in terms of affordability, for example, but very typically put greater weight on outcomes that are specific to their own place and circumstances, and will often assess outcomes service by service rather across the council as a whole. Councils in practice are going to be judged by a potentially bewildering range of different outcomes assessed against different often subjective criteria.

Linking the expectations/preferences of individual residents/ratepayers or groups of residents and ratepayers is, under current arrangements, presumed to take place through a combination of the representative role of elected members, and the consultation processes mandated under the Local Government Act, most particularly the special consultative procedure.

Neither of these is 'fit for purpose' to deliver what is required of them. The representative model works best either when the matter involved is inherently generic across the district of the local authority, or the representation ratio (the ratio of residents to elected members) is low enough that it is feasible for all residents to interact informally with one or more elected representatives. Although some matters which local authorities address are generic (broad issues such as rates increases) most are very specific to particular groups, whether geographic, interest based or otherwise – such as, what's the council going to do about street widening in a particular place, about management of the local park, about development decisions and so on. It is simply impractical for the affected residents to have the kind of dialogue they need. (New Zealand's representation ratios, at least in urban areas, are typically above 10,000:1. In contrast, in much of continental Europe, representation ratios are typically below 1000:1, and in the case of France approximately 120:1.)

Requirements for councils to consult and, in particular, the special consultative procedure, were put in place in the genuine belief, at the time, that they would allow for effective engagement. The belief proved to be misplaced. As the 2005 Rates Inquiry observed, the special consultative procedure is not working. The Ottawa-based Public Policy Forum¹¹ which has undertaken extensive research on this type of consultative process has concluded that in practice it divides communities rather than building agreement, largely because it has no provision for dialogue, or iterative process. Instead, people simply present their views, there is very little interaction, especially between different submitters, and the Council then decides.

The changing context for engagement - not just customers but citizens

There is mounting evidence that the context for engagement is changing very significantly. In New Zealand, the primary focus in recent years has been on residents and ratepayers as customers. This is only one role. Often of greater importance is the increasing interest in being engaged as citizens, as people who have an entitlement to be involved in decisions affecting where they live and work (see the research and experience quoted in *Evolution in Community Governance: Building on What Works* cited at page 3 above).

Next is the growing awareness that individuals, communities and neighbourhoods hold very significant knowledge about 'their place' and have significant capability which can be tapped to contribute to delivering the outcomes both communities and public sector service deliverers seek. The NSW Independent Local Government Review Panel cites examples where councils have been able to save very significant sums by tapping into community knowledge about what matters for them, and conducting a genuine dialogue about matters such as service level standards, rather than simply following criteria spelt out in asset management plans and practice.

Further afield is the experience of a number of American cities (Portland and Seattle are exemplars) which have put significant investment into building networks of non-statutory neighbourhood associations which play a significant part in decision-making on local matters.

The localism agenda in England is based on the premise that government institutions have intruded too far into the lives of individuals and communities and there is a need to hand back responsibility through devolution and other means. Although there is considerable uncertainty about the government's motivation (is it small government ideology? is it an attempt to load-share as part of an austerity program? is it a genuine commitment to empowering communities?), there is clearly a strong appetite at a community level for greater involvement.

This has been evidenced, for example, in the shift to England's new four-tier land use planning system. The two lower tiers are what we would think of as district level planning and neighbourhood planning respectively. At the district level, councils have the power to determine, for example, the number of new dwellings that will be built within the area over a given period of time. At the neighbourhood level communities do not have the power to change the number, but they do have the power to determine where that new housing might be located.

¹¹ See <http://www.ppforum.ca/>

Formal local government at the neighbourhood level in England is provided by what are variously known as parish, neighbourhood or town councils. These cover only parts of the country. Under planning legislation the neighbourhood planning responsibility is to be taken by neighbourhood forums. Where parish, neighbourhood or town councils exist, they have a statutory right to act as the neighbourhood forum for planning purposes. Locality, the NGO which was contracted by the government to provide capability development and support for neighbourhood planning, reports that even where those local councils exist, typically the initiative has been taken by communities themselves although the formal legal arrangement might be as a committee of the neighbourhood and parish or town council.

These are but a few of the examples of communities and neighbourhoods asserting their interest in sharing or leading decision-making about what happens in 'their place'.

The central government interest in engagement

Of perhaps greater interest from a central government policy-making perspective is the extent to which government agencies are increasingly seeking to work with communities in order to improve the effectiveness and efficiency of their own service delivery. At page 4 above we referred to New Zealand's Social Sector Trials and the Australian Federal Department of Human Services *Better Futures Local Solutions* initiative. Both of these can be seen not just as initiatives on the part of central government agencies to engage directly with communities, but as initiatives which are almost explicitly seeking to bypass local government rather than work through and with local government as representatives of its local communities. It's an approach which, among other things, risks different forms of duplication at a local level, and may fail to build on the potential within local government. (The common response when this issue is raised is that local governments themselves do not have the requisite capability. As a 'point in time' judgement that may well be correct, but it almost certainly fails to take account of the reality that, in both New Zealand and Australia, councils have had only limited involvement in the design, targeting and delivery of core social services so it is hardly surprising that currently they lack the capability required. Rather than bypassing local government, the better approach is almost certainly to explore how to enable the requisite capability.)

Further afield, successive English governments, since at least the turn of the century, have sought to find ways of working more collaboratively at a local level, with the overt objective of breaking down departmental silos and tapping into local knowledge and resource. The experience has been variable, largely because of bureaucratic inertia and the persistence of a silo mentality (coupled with quite significant difficulties associated with different departmental boundaries, complexities with public sector spending controls and so on).

More recently there has been a significant improvement initially with work through the then Labour Government's total place initiative and more recently with the coalition government's emphasis on community budgeting, where a number of pilots are starting to show very significant potential. (See the discussion of recent research in a think piece prepared for the Treasury late in 2013, '*Reflections on the Role of Local and Central Government in the Delivery of Social Services*' and available at <http://www.mdl.co.nz/site/mckinley/files/pdfs/Local-central-govt-socialservicedelivery-Dec13.pdf>.)

The growing importance of community capability

The argument for a much more collaborative approach to engagement between instruments of government (both central and local) on the one hand and communities on the other is not just about responding to a growing demand from people to be involved in decisions which affect 'their place', or to give councils better information about how best to target expenditure and services locally, or to assist higher tiers of government in the better design targeting and delivery of services. It is also, and crucially, about building capability to deal with matters that need a collective response but that will increasingly be beyond the fiscal and other capabilities of governments whether central or local to manage by themselves.

Examples that come to mind include dealing with the consequences of demographic change, especially in communities which are losing population or will be in the near future and responding to climate change and other environmental challenges. In 2005 the CSIRO released a fascinating piece of research looking at the conditions under which governments (local, State) could implement the use of recycled water to supplement potable water supplies¹². The research clearly has application not just for the specific topic it was exploring, but for quite a wide range of different issues where a critical component is the willingness of communities to change their behaviour. The main finding was that for this class of activities, it was not sufficient for governments to demonstrate that there was a logical case, and the evidence supported the solution proposed. Community support, and the 'licence to operate' to implement the solution, would depend on people believing that they had shared in taking the decision – a classic illustration of the importance of effective community engagement.

More recently (April 2014), a London-based think tank, the Institute for Public Policy Research, published *The Generation Strain: Collective Solutions To Care In An Ageing Society*¹³. The report examined the future of social care for older people. In England, notwithstanding significant state involvement, the majority of social care is actually provided by families (it's likely that the same situation prevails in New Zealand). The report's analysis concluded that by 2017 the number of older people in need of care would outstrip the availability of family-based care leaving an increasing number of older people without any access to care. The authors' primary recommendation was the need to build "New neighbourhood networks to help older people to stay active and healthy, help busy families balance work and care and reduce pressures on the NHS and social care."

What we can see through exploring different approaches within different jurisdictions to working collaboratively with communities and encouraging the growth of community based networks (neighbourhood associations, community forms, whatever) is a very wide variety. Some will be driven by bottom up initiatives from within the community itself, others represent what are effectively interventions on the part of institutions of government (whether central or local) seeking to find ways of improving the delivery of services for which they are responsible (or reducing the cost). Currently what we have is a plethora of ad hoc

¹² Po, M., et al (2005). Predicting Community Behaviour in Relation to Wastewater Reuse : What drives decisions to accept or reject ? Water for a Healthy Country National Research Flagship. CSIRO Land and Water Perth. Accessed 24 April at:

http://www.clw.csiro.au/publications/consultancy/2005/WfHC_Predicting_Reuse_Behaviour.pdf

¹³ See <http://www.ippr.org/publications/the-generation-strain-collective-solutions-to-care-in-an-ageing-society> .

initiatives and interventions. In some respects this can be seen as a strength. There is no 'one right way' to create better means for community engagement. However there is a very serious risk ad hoc approaches will replicate at a community level the silo issues that have plagued endeavours to achieve collaboration across central government agencies.

This is further complicated by the emergence of non-governmental institutions which themselves are playing an increasingly important role in community governance (interpreting community governance as the process or processes through which choices are made about preferred futures for a community and then implemented). Examples within Australasia include:

- The community banking network of the Bendigo & Adelaide Bank Limited within which individual community banks have become significant funders of activity in their communities, with an increasing focus on improving community outcomes.
- The grantmaking activities of New Zealand's community trusts and some energy trusts which, at least on the part of the larger trusts, play a significant part in shaping the futures of the communities they serve.

With each of these, the issue is not immediately one of how should the state regulate, constrain or mandate these activities – it's critically important that we enable initiatives at a community level to deal with community issues. Instead we should be asking questions such as how to disseminate good practice, how to build understanding across central government, local government and the wider community about their respective roles, how to shift from a 'government knows best' approach to one of how do we build effective partnerships?

4 CONCLUSIONS

Our purpose in this paper has been to demonstrate that current understandings and practices in respect of local government are seriously out of line with what is needed to deal with the challenges New Zealand's economy and society face now and for the foreseeable future.

The present legislative and regulatory framework for local government is basically unchanged since the major local government reforms of the late 1980s and early 1990s (apart from an on-going preoccupation with increasing compliance requirements in the belief this would result in greater transparency and accountability).

This contrasts with the fundamental changes which have taken place in local government's operating environment as the result of influences ranging from globalisation to demographic change and ever increasing technological innovation with significant impacts on the nature and viability of local economies. In essence there has been a shift from what in the late 1980s could still be seen as a relatively homogenous society, to a society where different communities face very different outcomes and opportunities.

Our contention is that the present arrangements for and understanding of local government are no longer 'fit for purpose' for reasons including:

- An increasingly dysfunctional set of governance and accountability arrangements.

- A persistent failure to address the quite different requirements and capabilities associated with major infrastructure development, strategic land use planning and other regional or supra-regional responsibilities, and those required for effective community and neighbourhood governance especially in a world in which increasingly localities are going to need to take much of the responsibility for determining their own futures.
- Increasing duplication, complexity, and often incompatibility of a wide range of local regulatory instruments as a consequence of fragmented responsibility, in part because of a failure to recognise the importance of ensuring a reasonable complementarity between the boundaries of economic activity (typically thought of in terms of the journey to work area surrounding a population centre), and the jurisdictional boundaries of the entities responsible for developing and applying those regulatory instruments.
- Inadequate funding arrangements with an often relatively weak rating base required to carry the responsibility for increasingly significant investment especially in infrastructure.
- The evolution of new and different approaches to governance at a community level including the growing interest on the part of central government agencies in working directly with communities, and the emergence of new institutions of local governance such as New Zealand's community trusts and energy trusts.

The immediate purpose of this presentation has been to demonstrate the need to lift the scope and quality of public debate on the role and purpose of local government and local governance. More fundamentally our purpose is to encourage a coordinated, first principles review of the purpose of local government within the overall administration of New Zealand, its role in this process and the development of a 'fit for purpose' legal and regulatory framework. The ultimate objective is to ensure that our systems of planning, governance, funding, regulation and delivery of infrastructure and services that will support New Zealand's social and economic development are as effective and efficient as they can be to support New Zealand's diverse communities as they deal with the challenges of a rapidly changing world where, increasingly, local communities will be responsible for determining their own futures.

APPENDIX: SECTION 42 LOCAL GOVERNMENT ACT (NEW ZEALAND)

42 Chief executive

(1) A local authority must, in accordance with clauses 33 and 34 of Schedule 7, appoint a chief executive.

(2) A chief executive appointed under subsection (1) is responsible to his or her local authority for—

- (a) implementing the decisions of the local authority; and
- (b) providing advice to members of the local authority and to its community boards, if any; and
- (c) ensuring that all responsibilities, duties, and powers delegated to him or her or to any person employed by the local authority, or imposed or conferred by an Act, regulation, or bylaw, are properly performed or exercised; and
- (d) ensuring the effective and efficient management of the activities of the local authority; and
- (e) maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the local authority; and
- (f) providing leadership for the staff of the local authority; and
- (g) employing, on behalf of the local authority, the staff of the local authority (in accordance with any remuneration and employment policy); and
- (h) negotiating the terms of employment of the staff of the local authority (in accordance with any remuneration and employment policy).

(3) A chief executive appointed under subsection (1) is responsible to his or her local authority for ensuring, so far as is practicable, that the management structure of the local authority—

- (a) reflects and reinforces the separation of regulatory responsibilities and decision-making processes from other responsibilities and decision-making processes; and
- (b) is capable of delivering adequate advice to the local authority to facilitate the explicit resolution of conflicting objectives.