Local Government, Governance And Raising The Quality Of Public Debate

A presentation in the Treasury Academic Lecture Series by Stephen Selwood of the New Zealand Council for infrastructure development and Peter McKinlay of McKinlay Douglas Ltd

25 June 2014
Introduction

This paper’s basic proposition is the need to lift the scope and quality of public debate on the role and purpose of local government and local governance.

Above all there are two matters we need to get right – the means for taking and implementing decisions with regional or supra-regional impact, and what must inherently be managed at a neighbourhood or community level, by whom and what does that imply.
What We Will Cover

Context: the major issues driving the need for change in how we think about and enable local government and local governance: what’s happening with central government/local government relationships.

What needs to be decided at a regional or supra-regional level and the options.

The ‘what’ and ‘why’ of decision-making at the neighbourhood or community level.

Conclusions.
Context – Major Influences

- Globalisation and the rise of metropolitan centres.
- Demographic change.
- Fiscal constraints.
- Changing priorities for resident involvement.
- Central government engagement with communities.
Context – Central Government/Local Government Relationships

- Seen as a principal/agent relationship?

- Local government trapped in a compliance culture.

- Distrust between the sectors; central government often misunderstanding local government; public misunderstanding and lack of trust.

- Focus on the peculiarities of a set of subsidiary institutions rather than on the governance needs of New Zealand’s communities.
Core functions of local government (existing)

- Local democracy
- Community services
- Land use planning & regulation
- Environmental protection
- Infrastructure
National Significance of Infrastructure

RELATIONSHIP BETWEEN INFRASTRUCTURE
& GLOBAL COMPETITIVENESS SCORES
WORLD ECONOMIC FORUM GLOBAL COMPETITIVENESS INDEX 2013-14

R² = 0.8503
International trends

• National & Regional Spatial Planning
  – Ireland, Scotland, Wales, Denmark, the Netherlands, Australian States

• Strong national leadership for major cities
  – Australia, Denmark, Sweden

• Advanced planning, design, funding, tools
  – Housing market assessments, urban design commissions and capability building, value capture instruments, innovative financing instruments, master-plans and specialised zoning, urban regeneration/development agencies, and instruments to enable land assembly in strategically important areas, such as compulsory purchase

• Consolidation in capital intensive infrastructure
  Empirical research signals broad consensus regarding the existence of scale economies for capital intensive infrastructure provision
  – Evidence of scale economies for local services is mixed and inconclusive
  – Efficiency gains from consolidation is more likely to be reflected in enhanced strategic capacity or improved service delivery than reduced rates
Scottish National Planning Framework

NATIONAL DESIGNATIONS

**National Developments**

1. Replacement Forth Crossing;
2. West of Scotland strategic rail enhancements;
3. High-speed rail link to London;
4. Strategic Airport Enhancements;
5. Grangemouth Freight Hub;
6. Additional Container Freight Capacity on the Forth;
7. Port developments on Loch Ryan;
8. Scapa Flow Container Transhipment Facility;
9. New Power Station and Transhipment Hub at Hunterston;
10. New non-nuclear Baseload Capacity at other existing Power Station Sites;
11. Electricity Grid Reinforcements;
12. Central Scotland Green Network;
13. Metropolitan Glasgow Strategic Drainage Scheme;

**MAP 9 STRATEGY**

- City
- International gateway
- Deep water opportunity
- Marine energy potential
- Central Scotland Green Network
- Key economic corridor
- Strategic transport route
- Potential subsea energy network
- Areas for co-ordinated action
- Economic diversification and environmental stewardship

*Source: Scottish National Heritage, The Scottish Government*
Irish National Development Plan – 2007 to 2013

- €184 billion investment programme to deliver National Spatial Strategy
- €54bn economic infrastructure
- Transport 21 targets road and rail connectivity Dublin to provincial cities to the west
- Mixture public and private funding
- Pricing thru user tolls

Ambitious planning & delivery

- Connectivity strategic importance
- Great Belt Bridge opened 1998
- Oresund 2000
- SOE delivery model - 30 year concession
- Tolled DKK250 ($NZ60) to match ferry
- Fully funded by tolls but debt backed with govt guarantee
- Extensive assessment of environmental impact
- Now planning Germany Copenhagen link by 2018
Scale Matters for Infrastructure: Scottish Water since inception in 2002 to 2010

- Operating Costs reduced by 40%
- Capital programme delivered well below budget
- Significant increase in Service Performance standards
- Future bill target 2015 to 2021 is CPI – 1.75%
- Smart technology solutions manage over 30,000 reactive and routine work order tasks undertaken every month across Scotland

Water Industry Pilot Study

- Scale matters
  - improved strategic focus, specialisation of technical staff, purchasing power & economies
- Shared services can achieve some (but not all) of these benefits
- Direct pricing enables strong customer supplier link

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<tr>
<th>Principles</th>
<th>Watercare</th>
<th>Wellington</th>
<th>Hamilton</th>
<th>Dunedin</th>
<th>Hutt</th>
<th>New Plymouth</th>
<th>Taupo</th>
<th>Waipa</th>
<th>Waikato</th>
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Small councils struggle to meet standards

Proportion of population with water that complies with NZ Drinking Water Quality Standards 2012/13

Source: Annual Review of Drinking-Water Quality in New Zealand 2012/13

Timetable to comply with sections 69S to 69ZC of the Health Act 1956:

- large drinking-water supplies (more than 10,000 people) from 1 July 2012
- medium drinking-water supplies (5001 to 10,000 people) from 1 July 2013
- minor drinking-water supplies (501 to 5000 people) from 1 July 2014
- small drinking-water supplies (101 to 500 people) from 1 July 2015
- neighbourhood drinking-water supplies (25 to 100 people) from 1 July 2016
- rural agricultural drinking-water supplies from 1 July 2016 or the date on which the Standards are amended to include them, whichever is later.
Compliance with monitoring requirements under section 35 (2) of the RMA

Percentage of local authorities monitoring and reporting, 2007/08 and 2010/11

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Regional councils</th>
<th>Unitary authorities</th>
<th>Territorial authorities</th>
<th>All</th>
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<tbody>
<tr>
<td>State of the environment</td>
<td>Monitor</td>
<td>100%</td>
<td>100%</td>
<td>83%</td>
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<td>Report</td>
<td>91%</td>
<td>100%</td>
<td>83%</td>
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<tr>
<td>Suitability and effectiveness of policies and plans</td>
<td>Monitor</td>
<td>91%</td>
<td>100%</td>
<td>33%</td>
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<td>Report</td>
<td>45%</td>
<td>75%</td>
<td>17%</td>
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<td>Delegated/ transferred functions</td>
<td>Monitor</td>
<td>55%</td>
<td>73%</td>
<td>50%</td>
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<td>Report</td>
<td>27%</td>
<td>55%</td>
<td>33%</td>
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<tr>
<td>Compliance with resource consent conditions</td>
<td>Monitor</td>
<td>100%</td>
<td>100%</td>
<td>83%</td>
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<td>Report</td>
<td>91%</td>
<td>100%</td>
<td>67%</td>
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<tr>
<td>Compliance with permitted activities</td>
<td>Monitor</td>
<td>91%</td>
<td>n/a</td>
<td>67%</td>
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<tr>
<td></td>
<td>Report</td>
<td>82%</td>
<td>n/a</td>
<td>67%</td>
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Significant demographic change challenges ability to fund core infrastructure...

Ratio of Elderly to Children by Territorial Authority for 2006, 2021 and 2031

Territorial Authority key

Chatham Islands Territory

Elderly population defined as 65+ years and children population 0-14 years.
Complex Dis-Integrated Planning Laws

RMA

PURPOSE:
To promote the sustainable management of natural and physical resources

- National Policy Statements
  - Objectives & Policies of National Significance
  - Only four have been developed
  - National Coastal Policy Statement
  - Board of Inquiry, Hearing or Public Consultation Processes
  - Matters of National Significance
  - Designations & Heritage Orders
  - Water Conservation Orders
  - Regional Policy Statements
    - Objectives, policies & methods to promote sustainable management of regional natural & physical resources
  - Regional Plans / Regional Coastal Plans
    - Rules governing the use of resources within the region
  - District Plans:
    - Rules governing the use of land and other resources within the district

LGA

PURPOSE:
To enable democratic local decision-making and action by, and on behalf of, communities; and
To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

- Auckland Spatial Plan
  - Long term 20-30 year growth strategy
  - Auckland Council Local Board Plans
    - Describes activities & community outcomes for next 3 years
  - Auckland Council Local Board Agreements
    - Budget & Funding for each financial year
  - Separate Public Consultation for each plan

LTMA

PURPOSE:
To contribute to an effective, efficient, and safe land transport system in the public interest

- Relevant National Policy Statement under the RMA
  - National Energy & Conservation Strategy
  - Consultation with: NZTA, LGNZ, & representative groups of land transport users and providers
  - Relevant Regional Policies Statements or Plans under the RMA
  - Public Consultation
  - Govt Policy Statement on Land Transport
    - Govt’s 10+ year policy objectives
    - Issued every 6 years
    - Includes 3 year investment strategy

PUBLIC INFRASTRUCTURE PROJECT

- Activity / Project Funding
  - Public Transport services
  - State Highways
  - Local Roads
  - Walking and Cycling

CONSENTING & FUNDING A PUBLIC INFRASTRUCTURE PROJECT
## Summary Attributes of Different Forms of Consolidation

<table>
<thead>
<tr>
<th></th>
<th>Amalgamation</th>
<th>Boundary Change</th>
<th>Shared Services</th>
<th>Regional Collaboration</th>
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</thead>
<tbody>
<tr>
<td><strong>Efficiency and Economies of Scale</strong></td>
<td>Strong link</td>
<td>Potentially strong link subject to size/disposition of re-shaped councils</td>
<td>Strong link</td>
<td>Weak link</td>
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<tr>
<td><strong>Strategic Capacity</strong></td>
<td>Strong link</td>
<td>As above – benefits will flow to larger ‘new’ council/s</td>
<td>Potential medium-strong link subject to organisation structure and governance</td>
<td>Weak link</td>
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<tr>
<td><strong>Service Improvement and Innovation</strong></td>
<td>Strong link</td>
<td>As above</td>
<td>Strong link (but limited to those services that are effectively shared)</td>
<td>Potential link subject to nature and scope of collaboration</td>
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<tr>
<td><strong>Potential Diminution of Local Democracy</strong></td>
<td>Distinct risk, but can be managed</td>
<td>Some risk depending on nature of ‘new’ councils – can be managed</td>
<td>Risk where shared services are extensive and decision-making is ceded to joint authority – may be difficult to manage</td>
<td>Little or no risk</td>
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Source: 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” p7
Form follows function

<table>
<thead>
<tr>
<th>Democratic</th>
<th>Neighbourhood</th>
<th>Corporate</th>
<th>National</th>
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<tr>
<td>Community Voice</td>
<td>Community Services</td>
<td>Local Arts, Culture &amp; Events</td>
<td>Spatial Planning – infrastructure &amp; land use</td>
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<td>Environmental Protection</td>
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<td>Libraries</td>
<td>Transport Infrastructure</td>
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<td>Sports Parks &amp; Gardens</td>
<td>Power Lines</td>
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<td>Community Halls</td>
<td>Water infrastructure</td>
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<td>Stadia</td>
<td>Ports</td>
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<td>Rubbish</td>
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- Economic Development
- Environmental Protection
- Local Arts, Culture & Events
- Library
- Parks & Gardens
- Community Halls
- Stadia
- Rubbish
- Transport Infrastructure
- Power Lines
- Water infrastructure
- Ports
Improving Infrastructure Planning & Delivery

**Status Quo**
- Legislation not integrated
- Some legislation/regulations not clear
- Single council delivery
- Council divisions, business units & CCOs
- Variable use of shared services
- Business case development poorly used
- Variable asset management integration
- Conventional approaches to funding & financing
- Ad hoc benchmarking

**Enhanced Status Quo**
- Amendments to LGA
- More systemic use of shared services, to achieve scaled-up delivery
- LGNZ Centre of Excellence
- Improved business case processes
- Council infrastructure strategies
- Consistent good practice asset management
- Resource & infrastructure use pricing
- Advanced procurement & innovative financing
- Wider benchmarking & reporting

**Significant Change**
- Enhanced status quo plus...
  - Substantial amendments to integrate planning processes in LGA, RMA, LTMA
  - Nationally integrated water strategy
  - Amalgamations
  - Regional spatial planning
  - CCOs / Business Units for network services

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**Planning**

**Spatial planning**

**Local**

**Delivery**

**Regional**

**Existing boundaries**

**Governance**

**Regional amalgamation**

**Existing Acts and regulations**

**Legislation**

**Significant change**

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**Current Outcomes**
- Uneven performance between councils
- Capability & capacity challenges
- Affordability issues for small councils
- Risk of poor funding & financing decisions
- Uncertain public health outcomes
- Uneven environmental outcomes

**Desirable Outcomes**
- Good quality and cost-effective council infrastructure, delivered through:
  - Clarity, consistency & integration of legislation
  - Integration of land use, infrastructure, and community outcomes
  - Affordable funding & finance decisions

Source: Local Government Infrastructure Efficiency Expert Advisory Group
<table>
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<tr>
<th>The ‘What’ And ‘Why’ Of Community Decision Making</th>
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<tr>
<td>Problematic governance/Management split.</td>
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<td>The nature of ‘owner’ expectations.</td>
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<td>The changing context for engagement – not just as customers but as citizens.</td>
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<tr>
<td>Growing central government interest in engagement with communities.</td>
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<tr>
<td>Why community capability matters.</td>
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</table>
Our purpose 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.
Conclusions (2)

The present legislative and regulatory framework for local government is basically unchanged since the reforms of the late 1980s/early 1990s.

This contrasts markedly with the fundamental changes which have taken place in local government’s operating environment.
Conclusions (3)

We contend present arrangements for an 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 for regional issues on the one hand and neighbourhood issues on the other.
Conclusions (4)

Further reasons:

• Increasing duplication, complexity and often incompatibility of a wide range of local regulatory instruments as a consequence of fragmented responsibility – and a mismatch between regulatory and economic boundaries.

• Inadequate funding arrangements.

• The evolution of new and different approaches to governance at a community level.
Recommendations

Establish a Royal Commission to undertake a first principles consultative review of the purpose, structure and funding of local government and the legislative and planning framework in which local government operates.

The Royal Commission should report to Parliament on options for local government and planning law reform as early as practicable in the next triennial term with a view to legislation being introduced in 2018 – following the next general election in 2017.