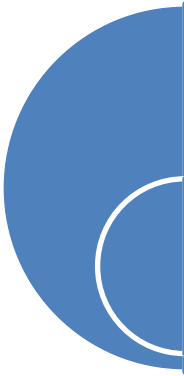


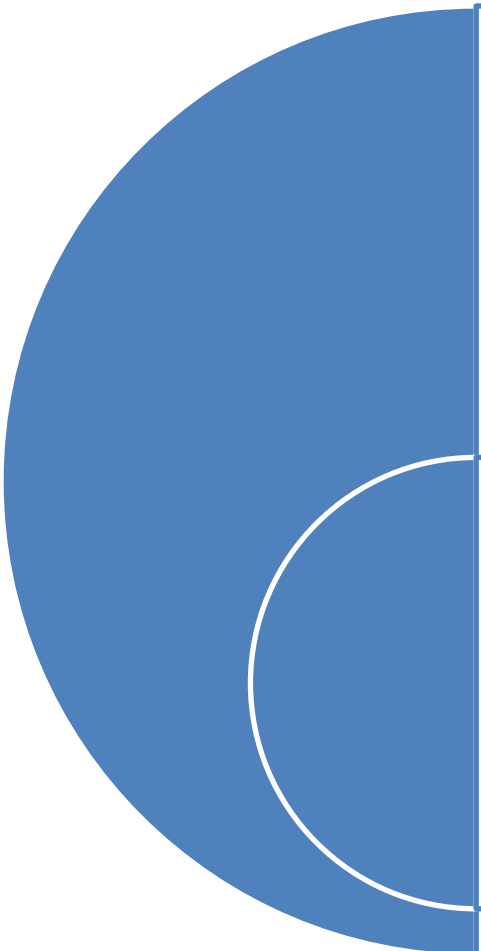
Local Government, Governance And Raising The Quality Of Public Debate



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

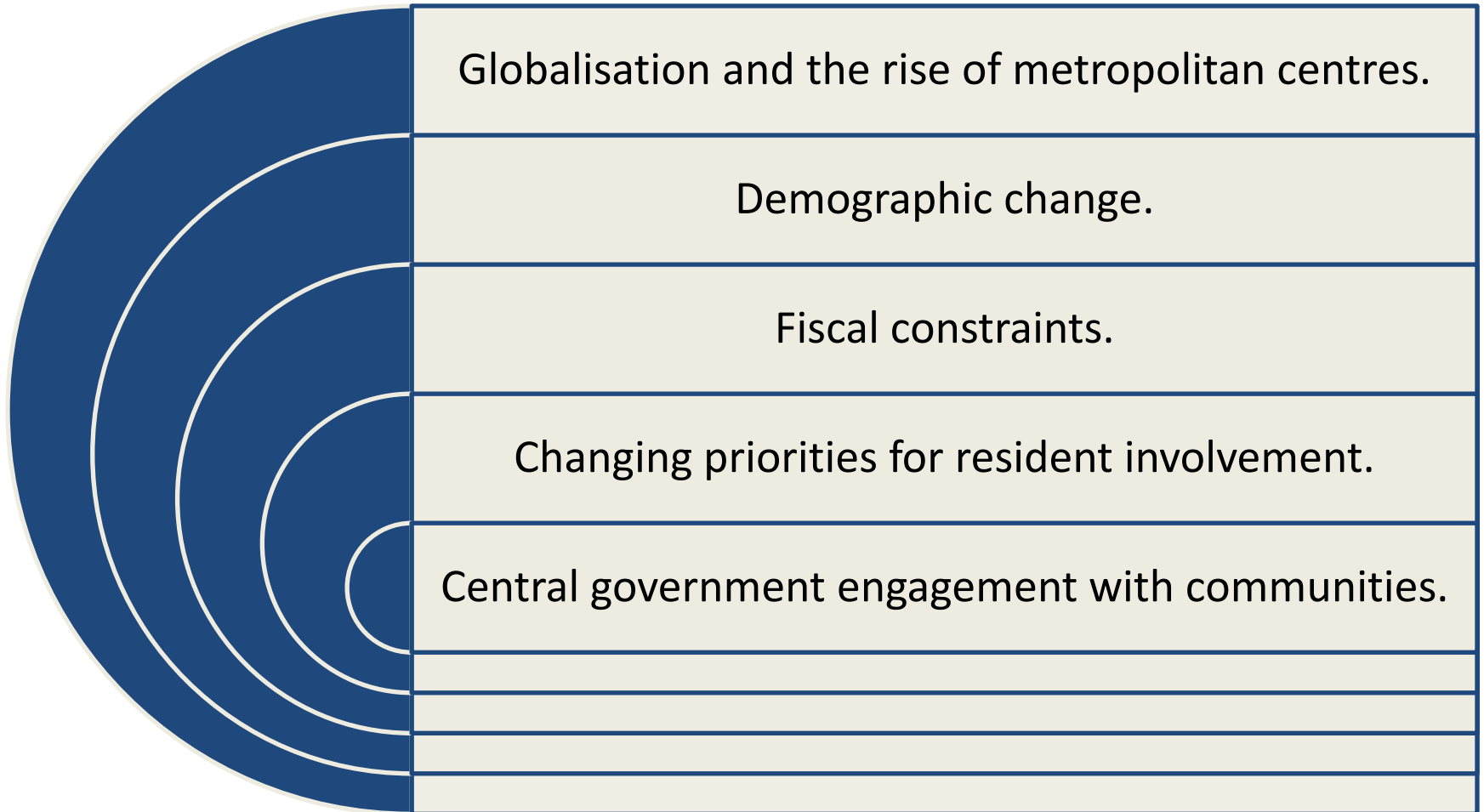
Context: the major issues driving the need for change in how we think about and enable local government and local governance: what's happening with central government/local government relationships.

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



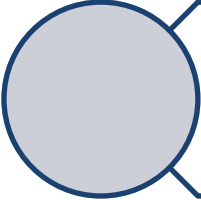
Context – Central Government/Local Government Relationships



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.



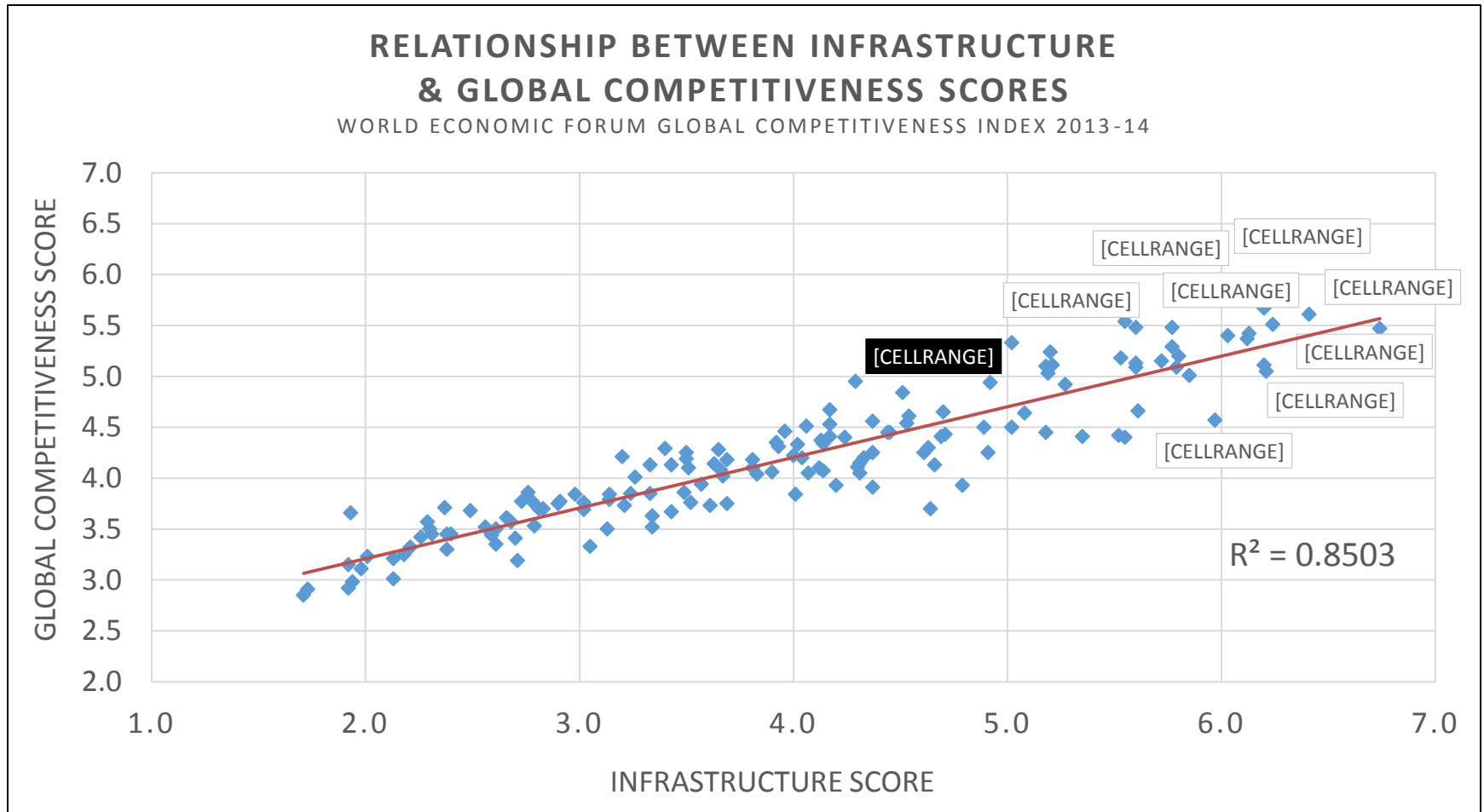
Focus on the peculiarities of a set of subsidiary institutions rather than on the governance needs of New Zealand's communities.

Core functions of local government (existing)

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



National Significance of Infrastructure



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

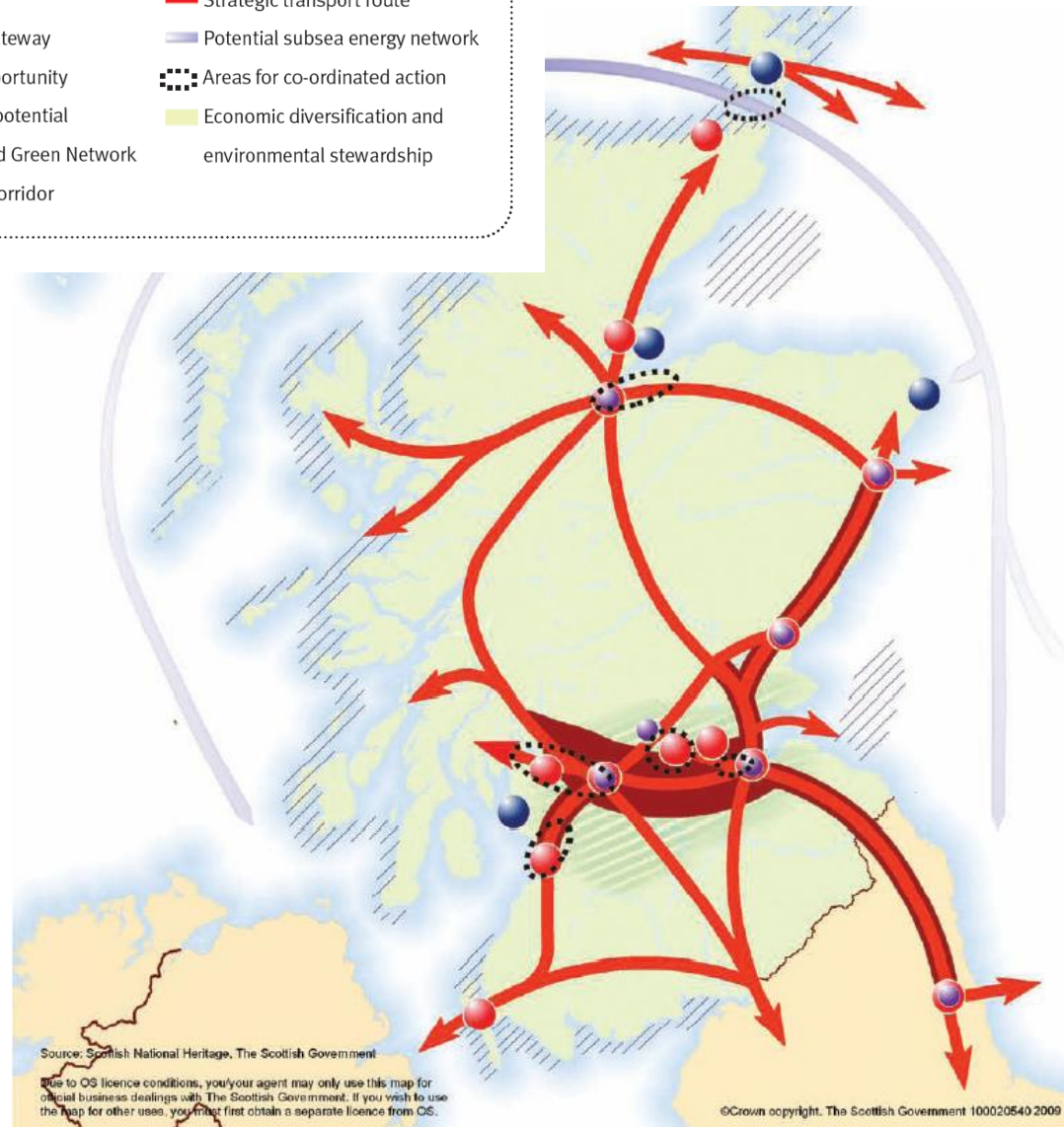
NATIONAL DESIGNATIONS

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 Transshipment Facility;
- 9 New Power Station and Transshipment 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;
- 14 2014 Commonwealth Games facilities.

MAP 9 STRATEGY

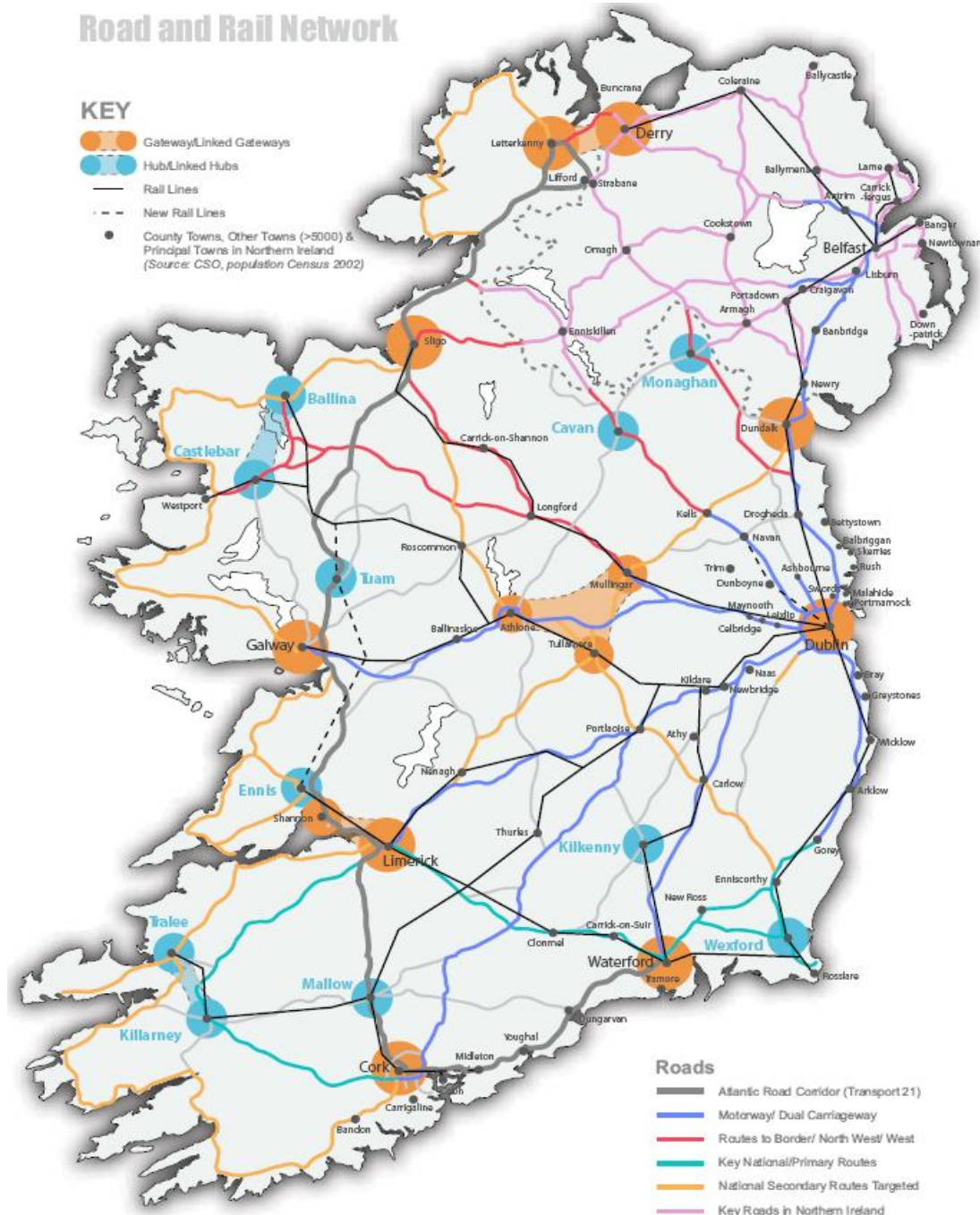
- | | |
|--------------------------------|--|
| City | Strategic transport route |
| International gateway | Potential subsea energy network |
| Deep water opportunity | Areas for co-ordinated action |
| Marine energy potential | Economic diversification and environmental stewardship |
| Central Scotland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



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

Source:
<http://www.ndp.ie/viewdoc.asp?fn=/documents/publications/annual/default.htm&mn=pubq&nID=6>



Ambitious planning & delivery

- Connectivity strategic importance
- Great Belt Bridge opened 1998
- Oresund 2000
- SOE delivery model - 30 year concession
- Tolloed 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

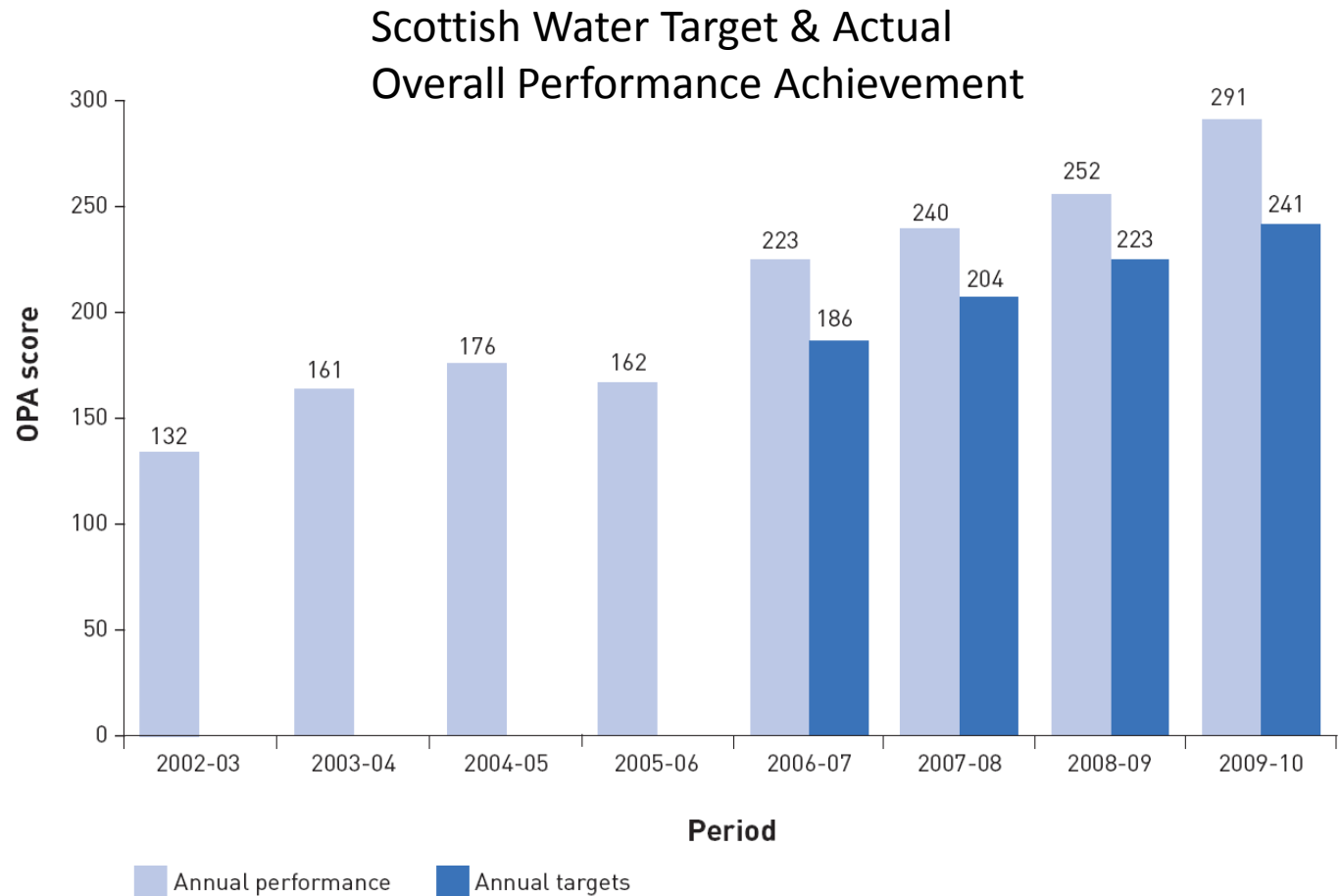


Great Belt Bridge



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



Source: Water Industry Commission for Scotland Performance Report 2010; p5

Water Industry Pilot Study

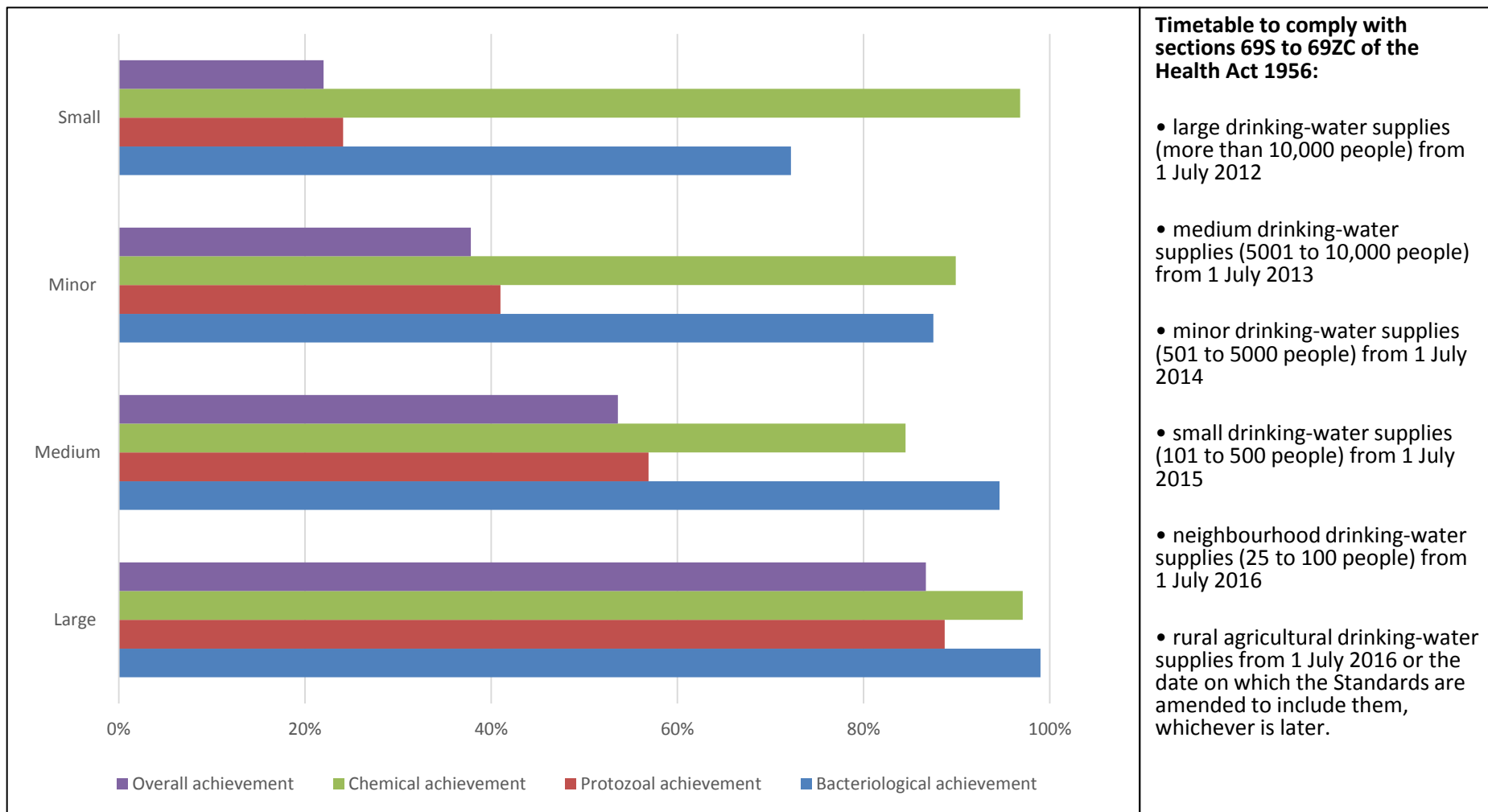
Principles	Watercare	Wellington	Hamilton	Dunedin	Hutt	New Plymouth	Taupo	Waipa	Waikato
Investment Analysis	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Resilience	Green	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow
Funding Mechanisms	Yellow	Red	Red	Red	Red	Red	Red	Red	Red
Accountability and Performance	Green	Green	Yellow	Green	Green	Yellow	Red	Yellow	Red
Regulation	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red
Coordination	Green	Green	Green	Green	Green	Green	Green	Green	Green



- 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

Small councils struggle to meet standards

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



Compliance with monitoring requirements under section 35 (2) of the RMA

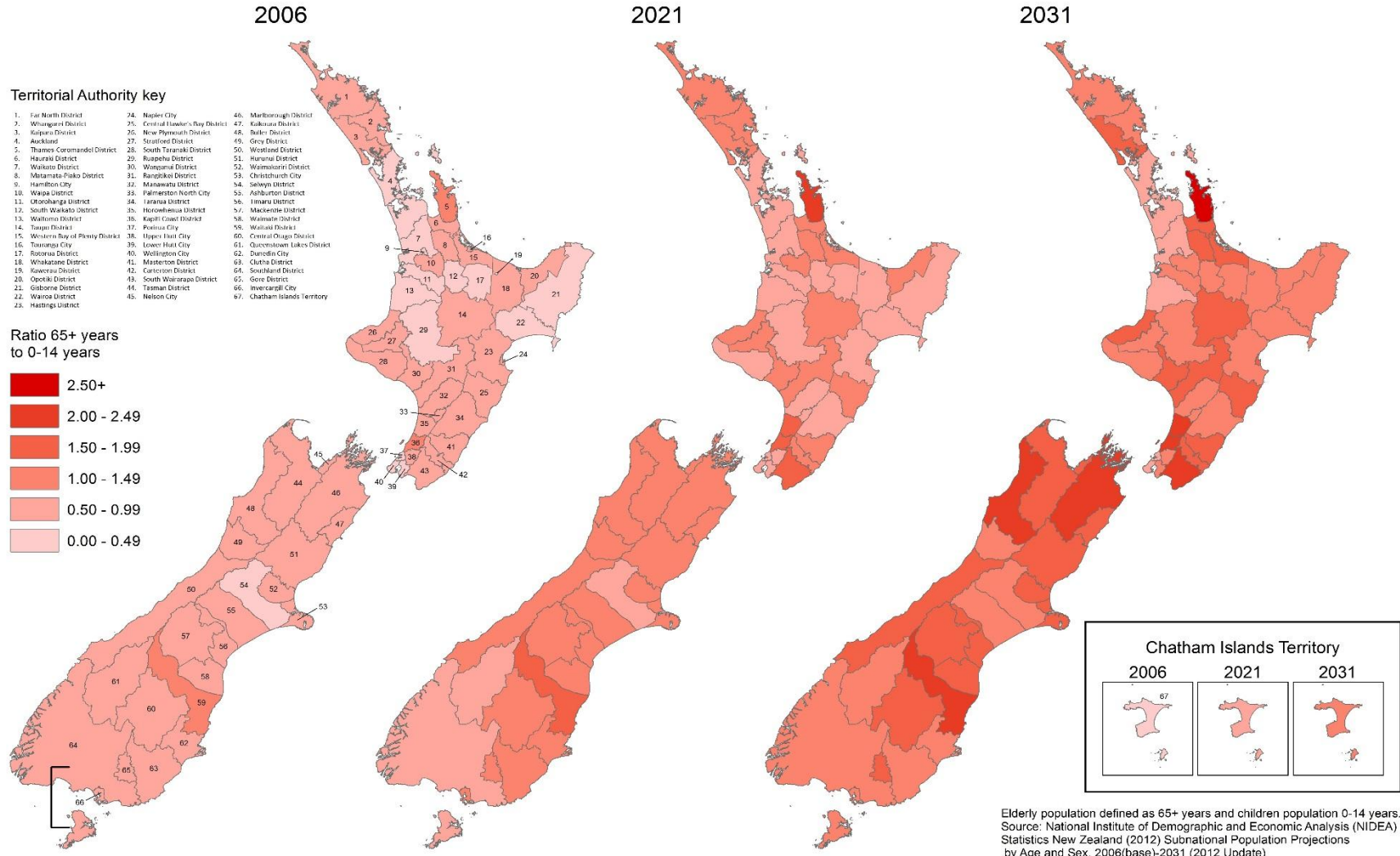
Percentage of local authorities monitoring and reporting, 2007/08 and 2010/11

Responsibility		Regional councils		Unitary authorities		Territorial authorities		All	
		2010/11	2007/08	2010/11	2007/08	2010/11	2007/08	2010/11	2007/08
State of the environment	Monitor	100%	100%	83%	80%	43%	42%	54%	53%
	Report	91%	100%	83%	80%	23%	30%	37%	43%
Suitability and effectiveness of policies and plans	Monitor	91%	100%	33%	60%	64%	64%	65%	69%
	Report	45%	75%	17%	20%	38%	35%	37%	40%
Delegated/ transferred functions	Monitor	55%	73%	50%	20%	34%	44%	38%	46%
	Report	27%	55%	33%	0%	25%	29%	26%	30%
Compliance with resource consent conditions	Monitor	100%	100%	83%	80%	89%	97%	90%	96%
	Report	91%	100%	67%	80%	48%	47%	55%	57%
Compliance with permitted activities	Monitor	91%	n/a	67%	n/a	46%	n/a	54%	n/a
	Report	82%	n/a	67%	n/a	15%	n/a	28%	n/a

Source: Resource Management Act: Survey of Local Authorities 2010/2011 p50

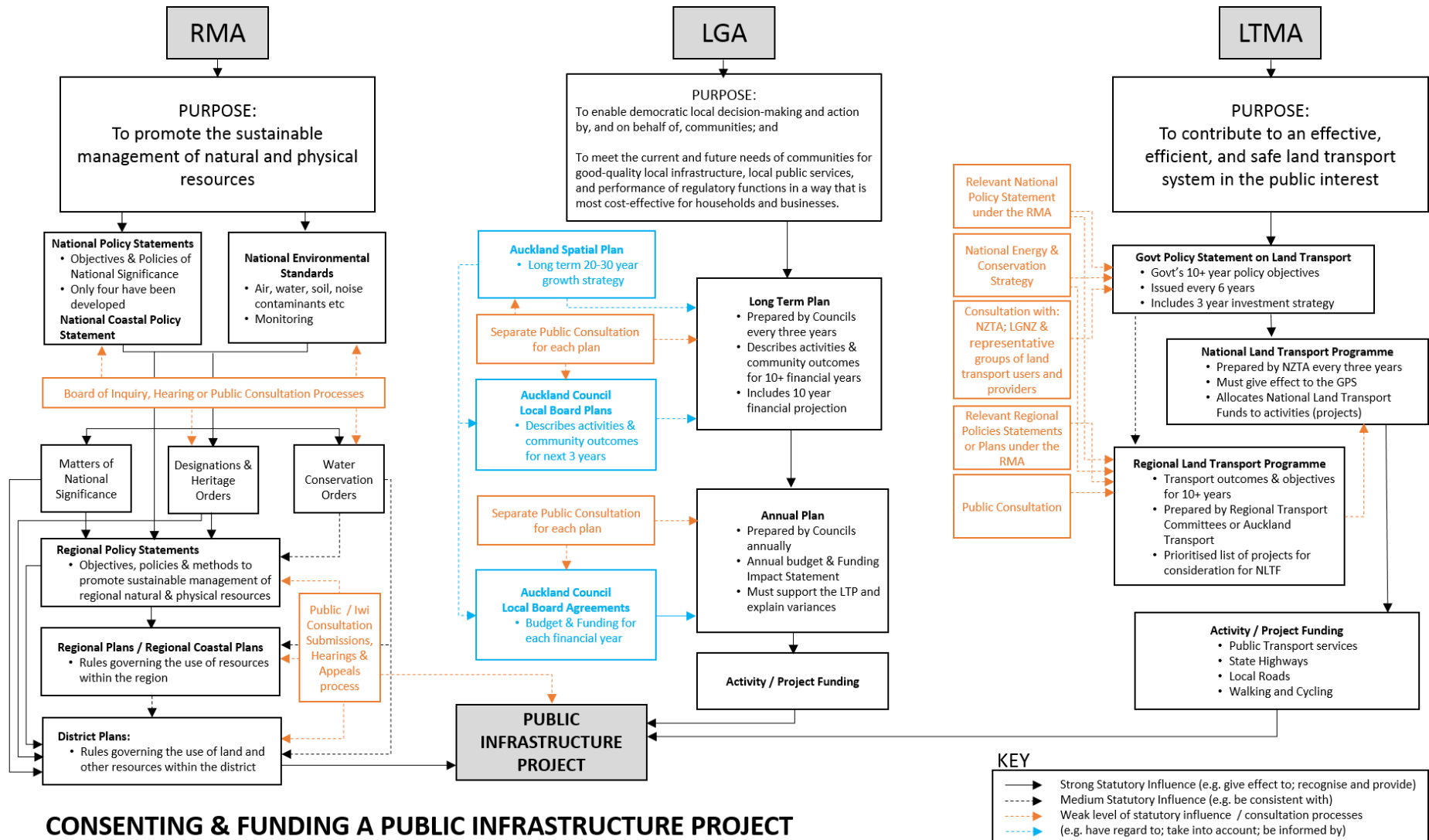
Significant demographic change challenges ability to fund core infrastructure...

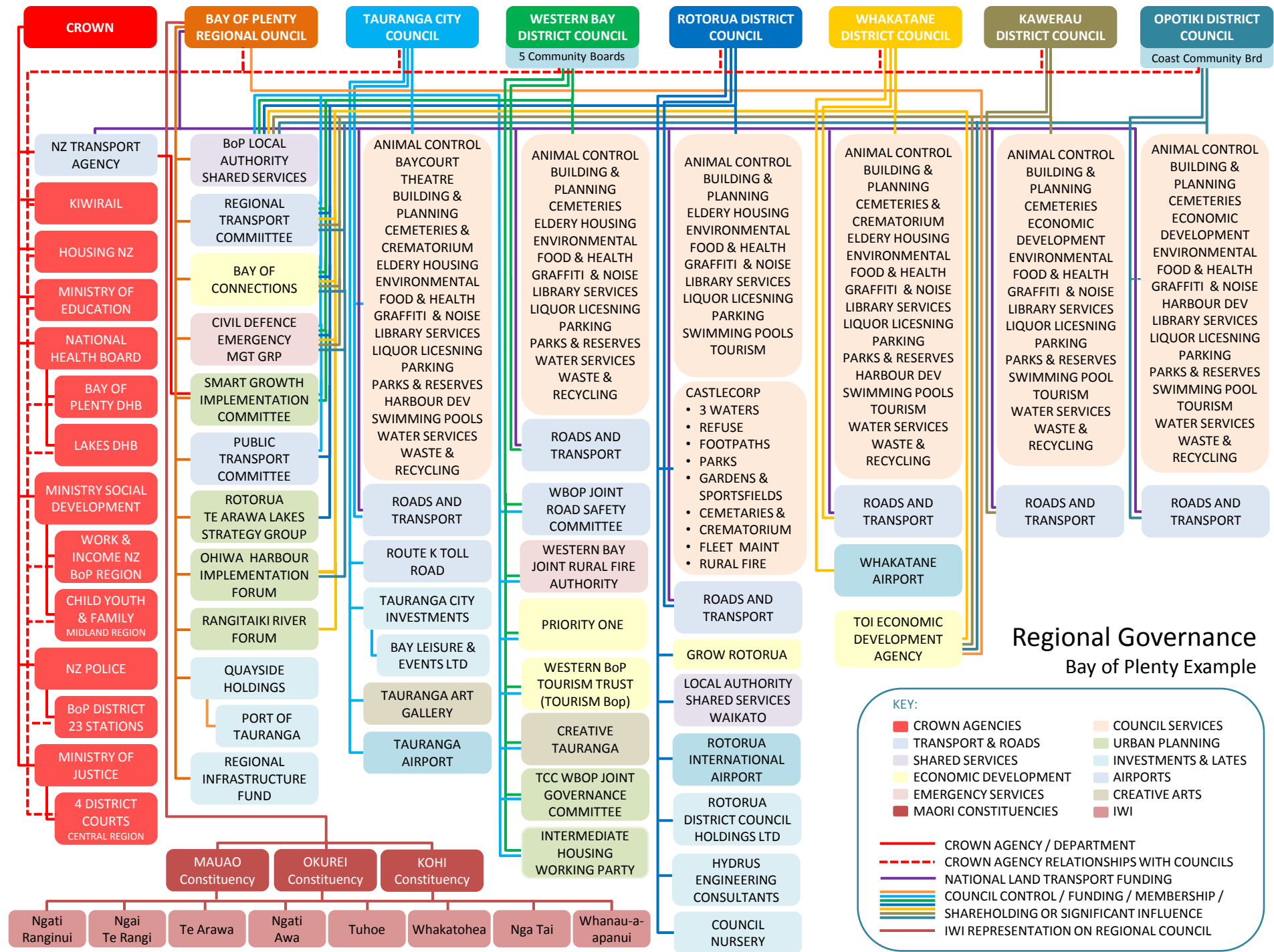
Ratio of Elderly to Children by Territorial Authority for 2006, 2021 and 2031



Elderly population defined as 65+ years and children population 0-14 years.
Source: National Institute of Demographic and Economic Analysis (NIDEA)
Statistics New Zealand (2012) Subnational Population Projections
by Age and Sex, 2006(base)-2031 (2012 Update)

Complex Dis-Integrated Planning Laws





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

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

Democratic

Neighbourhood

Community Voice

Local Arts, Culture & Events

Community Services

Spatial Planning –
infrastructure &
land use

Environmental Protection

Economic Development

Regional

Libraries

Sports Parks & Gardens

Community Halls

Stadia

Rubbish

Regulation

Transport Infrastructure

Power Lines

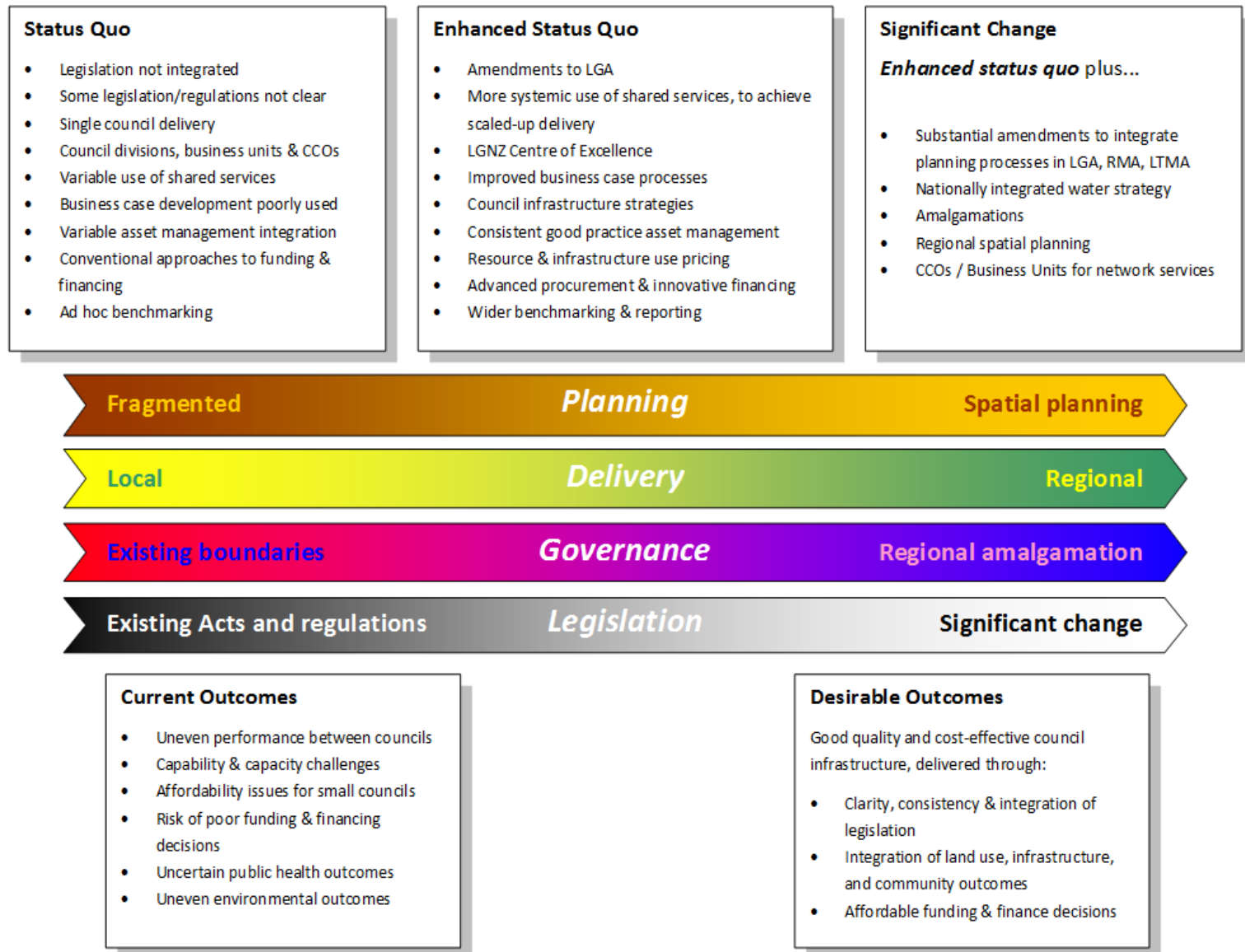
Water infrastructure

Ports

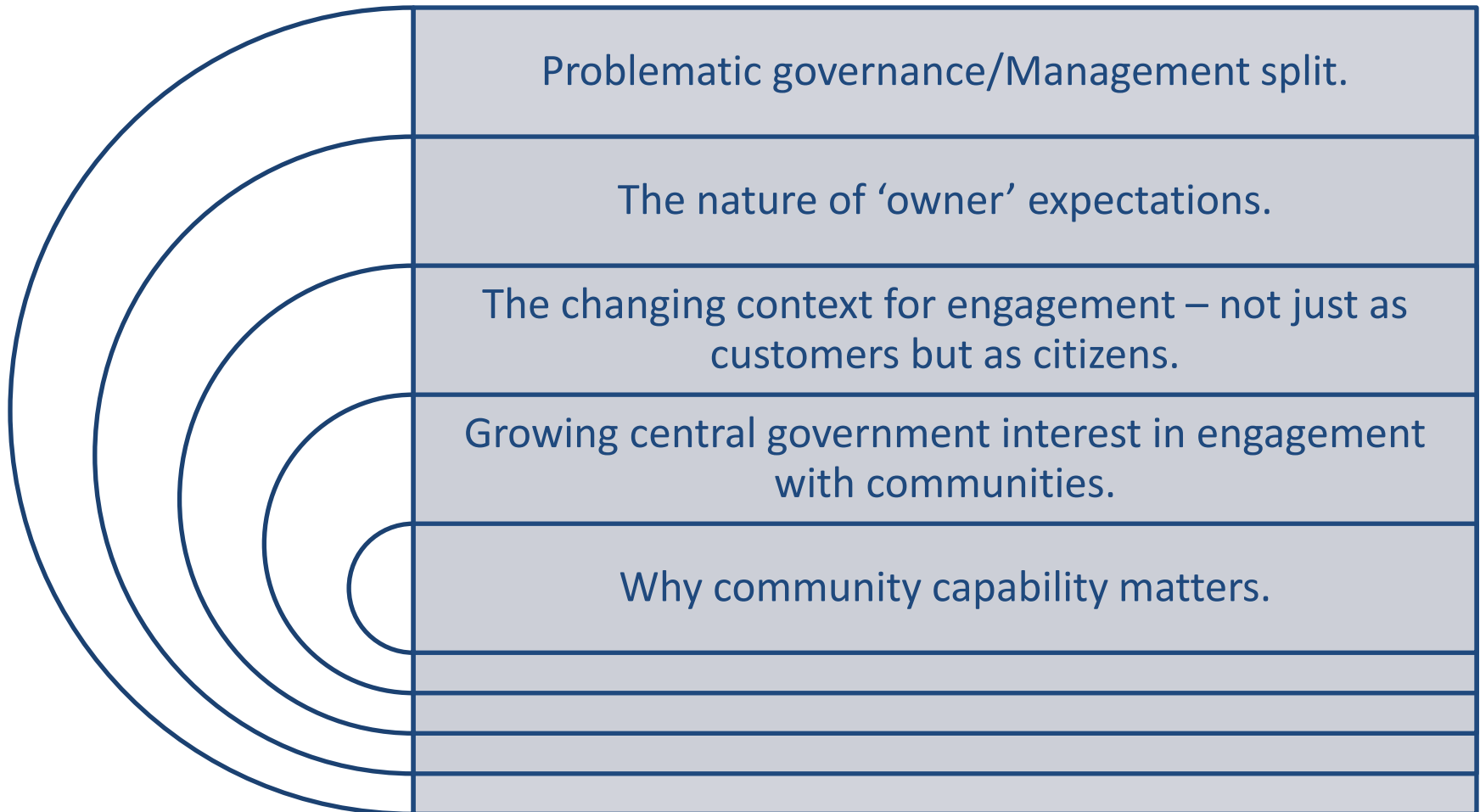
National

Corporate

Improving Infrastructure Planning & Delivery



The 'What' And 'Why' Of Community Decision Making



Conclusions (1)

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.