

Briefing to Local Government Minister

December 2008



Introduction

"We also need to stop seeing our cities as the problem and start seeing them as the solution ... because strong cities are the building blocks of strong regions, and strong regions are essential for a strong America. (Barack Obama at the U.S. Conference of Mayors in June 2008)

Local government plays a critical role in the operation of democracy. This role is both constitutional, providing an avenue for local citizens to make decisions about local issues and operational, enabling public services to meet the diverse needs and preferences of citizens in different parts of the country.

New Zealand local government is recognised as being at the vanguard of innovation and good practice. After twenty years of substantial reform virtually all aspects of the sector have been modernised to the point where we can say that our cities and districts are well governed, supported by competent professionals and operate within a strongly accountable framework.

We have prepared this briefing paper to provide an overview of the local government system as it is currently operating to highlight both areas that are working well and areas where improvements can be made.

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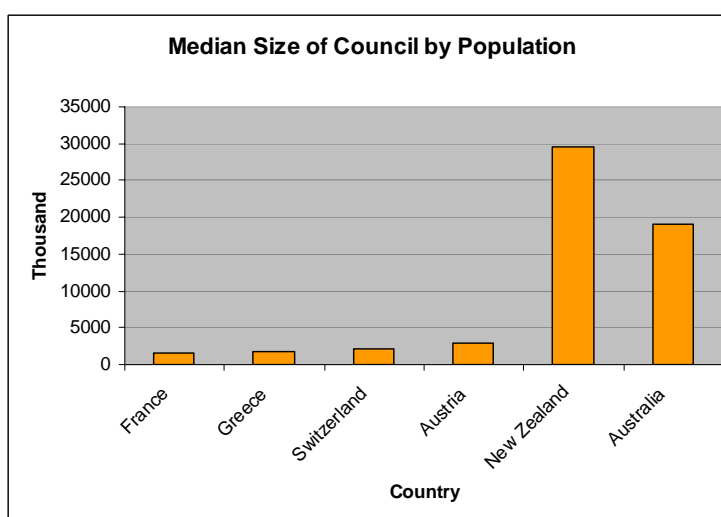
Local government today

Local government today is a very different sector to what it was before amalgamation and reform in 1989. Amalgamation created councils which had greater capacity and were able to employ specialist professional staff and invest in the technical skills necessary to fulfil their statutory and discretionary functions.

How do we compare?

Local government reform in 1989 which oversaw the reorganisation of local government and the introduction of modern management techniques resulted in substantial efficiency gains. From 1989 to today the number of staff in local government has fallen from more than 50,000 to 41,910 (Local Government Rates Inquiry report). The median population of councils in New Zealand is comparatively large by international standards.

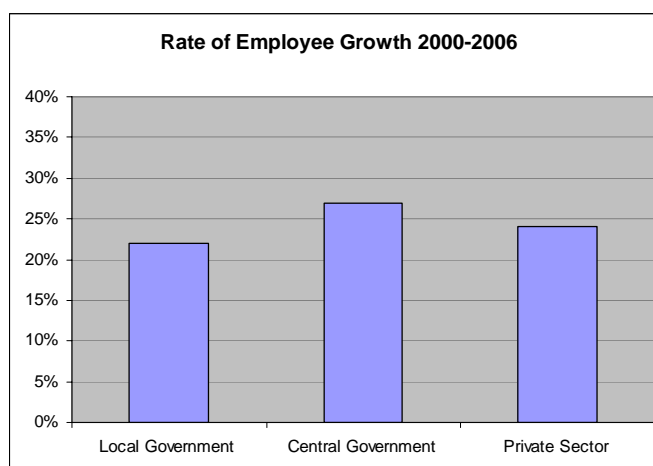
Figure 1: Median size of councils by population¹



Local government's share of the Gross Domestic Product (GDP) remains modest. According to research undertaken by the Local Government Rates Inquiry, rates as a proportion of GDP increased from 1.9 percent to 2 percent between 2001 and 2005. This compares to a peak of 2.2 percent almost twenty years ago. Similarly over the last ten years expenditure in the purchase of goods and services and depreciation has grown noticeably faster than employee costs.

Councils in New Zealand were amongst the first in the world to adopt contestable tendering processes. Between 1991 and 2001 council employment as a proportion of the public sector has fallen from 12.2 percent to 9.5 percent (Dollery 2008). Since that time councils have continued to exercise prudence in relation to growth in staff numbers. This is highlighted in Figure 2, drawn from data in the Local Government Rates Inquiry

Figure 2: Rate of employee growth 2000 - 2006²



¹ Adapted from Norton 1994 and www.localcouncils.govt.nz

² Local Government Rates Inquiry report, 2007.

report which shows that employee growth in local government has been slower than in both central government and the private sector.

Since 1989 the local government sector has also become more diverse with the proportion of women elected members averaging around the 30 percent mark. However, electoral turnout has fallen since 2001 with large metropolitan areas particularly subject to low turnout rates. Since reform the number of elected members has steadily declined causing some academics to suggest that cities in particular were facing a representation deficit (Drage, 2008).

Engagement between central and local government

The economic rationale for local government supports the provision of local services where the preferences of communities are likely to differ and the benefits from provision are largely contained within local or regional jurisdictions. These types of services are generally unsuitable for delivery by national governments which tend to favour “one size fits all” approaches. Neither are there typically national economies of scale that could be achieved.

However, many of the issues facing our cities, districts and regions are complex and beyond the scope of either central or local government working in isolation. These issues range from environmental pollution to violence against children and graffiti. This poses a challenge to ensure governments are not duplicating services and are also building on the strengths of the voluntary and the for-profit sectors. In order to ensure the central and local government sectors are working in alignment we need to identify mechanisms for sharing information and managing ongoing communication.

Case study: Horowhenua District Council

A good example of a local authority acting to improve public service recently has been the “Life to the Max” programme led by the Mayor of Horowhenua. In this programme the council has taken the leadership to encourage government agencies working in the Horowhenua district to work together and out of their silos.

In essence, the programme coordinates different public agencies which are working with a defined number of “problem families” so that resources are not duplicated and agency responsibility is agreed. The goal of the programme is to break a cycle of crime, violence and unemployment. Ratepayers are not required to invest money (except for the Mayor’s salary) and the desired outcome is a safer community. The Mayor of Rotorua is leading a similar initiative in response to violence against children.

If New Zealand is to continue to provide its citizens with a high quality of life, governments, both local and central, need to work together to ensure public resources are used effectively and efficiently. We believe this collaboration needs to be modelled at the top, between central government and *Local Government New Zealand*. We worked hard to build a constructive relationship with the previous government and wish to build on this relationship with yourself and your colleagues.

Government policy and programmes affecting cities, towns and districts need to be informed by good principles and processes and this is more likely to happen if local government, because of its local knowledge, is incorporated into the process. In fact, we would like to see central government departments required to follow similar decision-making requirements as are imposed on councils, for example the requirement to consult stakeholders in the development of policy.

Our priority is that the Central Local Government Forum be maintained and regular meetings between the Prime Minister, and the Minister of Local Government and the President of *Local Government New Zealand* be established.

We also ask that consideration is given to developing a formal agreement between *Local Government New Zealand* and the Government recognising the respective roles of local and central government in the governance of New Zealand and a commitment to continue the Central Local Government Forum.

The legislative framework

Three pieces of legislation underpin local government's basic powers and operation; these are the Local Government Act 2002 (LGA), the Local Electoral Act 2001 (LEA) and the Local Government (Rating) Act 2002. That all three statutes have been subject to parliamentary review at the same time is unusual in our history but has been helpful in ensuring a level of consistency between statutes that we have not had before.

Despite the recent modernisation of our legislation there are still matters that are unresolved and limit the smooth operation of councils and the LGA 2002 and the LEA 2001 have been subject to a comprehensive review recently undertaken by the Local Government Commission.

The Local Government Act 2002

The LGA 2002 is our major empowering statute. In replacing the LGA 1974, a statute that was old and proving costly to comply with, the legislation brought councils in New Zealand into line with local government legislation in other countries, particularly with the introduction of general empowerment. A number of other changes, such as long-term asset management planning, were unique to New Zealand and are already being copied by other jurisdictions, for example Queensland.

When the LGA 2002 was enacted, Parliament gave the Local Government Commission responsibility to undertake a review of both the LGA 2002 and LEA 2001 and report to the Minister as soon as practicable after the 2007 elections.

The Commission's report was sent to the Minister of Local Government in July 2008.

The report makes a number of recommendations, of which we would like to highlight the following:

1. The new Act, and particularly the conferring of full capacity, rights, powers and privileges on local authorities, has not led to a proliferation of new activities being undertaken by councils.
2. The merits of long-term planning and the legislative vehicle for this, the Long Term Council Community Plan (LTCCP), appears to be largely accepted by councils. The benefits are seen in terms of an enhanced strategic focus, improved asset and financial planning and opportunities for public participation.

Local Government New Zealand consulted widely with its members in order to respond to the Commission's review. Our members were generally satisfied with the LGA 2002 however there were some areas that they regarded as problematic.

Councils found the legislation unnecessarily complex, particularly the range of information to be included in the LTCCP, were uncertain about the extent of the consultation provisions and were concerned about the cost of the LTCCP audit.

The Commission addressed the consultation issue and concluded that the problem was a lack of understanding in councils and a failure to use the level of discretion that was available to them. In response it recommended that this is an area where further good practice guidance and training was required.

The Commission highlighted two areas where they believed government action was overdue, namely:

- a review of the remaining provisions of the LGA 1974
- a review of the Local Authorities' (Members Interests) Act 1968.

These also have the full support of *Local Government New Zealand*.

Both issues have been outstanding for some time and we would support the Government including them in its legislative programme over this term. In addition, we would like to highlight two other areas that were matters of concern raised by our members. The first concerns the complexity of the LTCCP framework as currently drafted. *Local Government New Zealand* tends to agree with this view and, in conjunction with SOLGM, highlighted a somewhat simplified planning model in our submission to the Commission.

The other matter of concern to many of our members, particularly smaller councils, was the costs incurred every three years of the draft LTCCP audit. The requirement that draft LTCCPs be subject to an audit opinion was introduced by the LGA 2002 and is, as far as we know, unique to New Zealand. In our view the audit has so far been very important in building community trust in the quality and accuracy of the draft LTCCPs, and auditors also provided significant quality assurance. However, the actual cost to many councils was, and is likely to be again, substantial, representing in some councils more than a 1% increase in rates for that year.

Local Government New Zealand believes the audit has been very important in establishing a quality benchmark for council long-term planning, but at some point in the future we would like to have this provision reviewed to see if it is still necessary.

The Local Electoral Act 2001

Local authority elections have been the subject of three select committee reviews since 2001. Apart from the first, undertaken to assess the working of the statute in its first year, the reviews were triggered by concerns at what was perceived to be low electoral turnouts and a software malfunction in the 2004 elections. The report of the Justice and Electoral Select Committee published in 2005 was a comprehensive look at local voting and a wide range of recommendations were made, covering both policy and technical issues.

The Local Commission's review of the LEA 2001 highlighted and reinforced many of the points made by the Justice and the Administration Select Committee. The previous government failed in the time available to it to take any action in response to the Select Committee's recommendations.

Local Government New Zealand supports the bulk of the recommendations made by both the Select Committee and the Local Government Commission, particularly recommendations dealing with the formula for setting wards and constituencies.

The formula for setting wards and constituencies

Local government has had a long standing problem with the rigid application of the +/-10% population formula for setting ward and constituency boundaries and we have expressed our concerns since the formula was introduced in 2002.

We were pleased that the Commission has endorsed our concerns, which are that the rigid application of the +/-10% rule effectively dis-enfranchises many communities, especially small and rural communities.

If we are to address these problems in time for the 2010 elections then urgent legislative change is required so that councils can apply the new provisions when undertaking their representation reviews in 2009. We believe any amendments to provide councils and the Commission with more discretion when applying the formula must be enacted before April 2009 for it to have any effect for the 2010 local authority elections.

Local Government New Zealand would like the Government to give priority to addressing the issues raised in the Local Government Commission's review of the Local Electoral Act 2001, particularly changes to the formula for setting wards and constituencies.

Strengthening local democracy

Local government is first and foremost the expression of local democracy. Councils are the mechanism through which citizens make collective decisions about the nature of towns, cities and regions. The opportunity to stand and be elected to a local authority and the process of participating in local decision-making processes builds an ethic of citizenship, which not only strengthens communities, but also the country.

The strength of local democracy depends on the ability of citizens to make policy and operational choices about the services to be provided in their communities and the overall quality of life. Government policies that force councils to meet national standards diminish local autonomy and undermine a basic principle of local democracy. Local participation is strongly correlated with citizens' perceived ability to influence political choices.

Local government is seeking a policy environment that is best described as "managed difference", a concept developed by Sir Michael Lyons when undertaking his review of local government in the United Kingdom. Managed difference encourages councils to be innovative and set standards appropriate to local circumstances while ensuring national minimum levels of service are met.

The application of national standards without the right to exercise discretion, such as the drinking water quality standards and Building Act, stifle local diversity, undermine innovation and impose costs on communities which might be greater than the benefits received. Strong democracy requires that as many decisions as practicable be left to citizens working with their elected representatives to determine.

Citizenship education

Strong democracy - locally and nationally - requires informed and active citizens. In New Zealand, as in most developed democracies, voter turnout is falling and levels of

political engagement are low among young people. We have two priorities: working with Government and the sector to encourage participation in the local elections; and participating in projects which will encourage young people's personal understanding, belief and confidence in electoral participation.

Since 2001 turnout in local elections has declined substantially. While similar trends are seen elsewhere in the world, one of the factors widely regarded as contributing to the decline in New Zealand has been the growing complexity of the local voting process. This includes the addition of DHB elections, the introduction of STV, removal of DHB constituencies, and a gradual reduction in the number of elected members. There is some international research that suggests that as the ratio between elected members and voters increases, willingness to vote decreases.

Reversing this trend requires action over a number of different fronts. Many of these were highlighted in the report of the Justice and Administration Select Committee's Inquiry into the 2004 Local Authority Elections, such as a national campaign to encourage voting in the elections. Councils can do their best in their local areas but do not have the legislative mandate to lead a national campaign. Citizenship education is also important.

In collaboration with a range of agencies, we have developed a long term project, Growing Active Citizens, which aims to increase active participation in decision-making locally, regionally and nationally. We are developing a range of resources to support citizenship education for young people and deliver these through schools. These resources are aimed at a range of age groups, are focused on experiential learning, and align with the curriculum.

Kids Voting is our flagship project to raise awareness among young people about New Zealand's electoral processes. Students vote for real candidates, on a real ballot paper, and compare the results from their election with the results of the real election. In October 2007, over 8,000 students took part in Kids Voting in conjunction with the local elections. In November 2008, over 13,000 students took part in Kids Voting for the Parliamentary elections. Our evaluation shows that it has been successful in demystifying the electoral process and emphasising the importance of voting. Kids Voting will run again in 2009 and is intended to continue annually.

Youth Citizens' Juries: A Guide to Setting up and Running a Youth Citizens' Jury is our second major project. Youth Juries provide a unique opportunity for young people to be included in decision-making and participate in the political processes of their community. A guide and associated DVD were developed by young people in Canterbury. It will support schools and councils to run this unique consultation and decision making process for young people in their area.

Remuneration for elected members

Responsibility for setting the remuneration of elected members was transferred to the Remuneration Authority in 2001. The transfer was supported by the local government sector which sought to place decisions about remuneration into an environment which was seen to be objective and not influenced by short term political considerations.

The sector's desire for change was also motivated by a concern that the remuneration of elected members had fallen behind the relativities set in 1989 and was failing to compensate elected members for the demands of their responsibilities. The new model for remuneration established by the Authority set relativities based on

a formula involving councils' population, expenditure, area and rate of population change.

The Authority is currently reviewing the relative and absolute remuneration levels of the different elected member positions. This review largely reflects the fact that many aspects of the elected members' position changed in 2002 and may not be reflected in current remuneration levels. Reasonable remuneration is a critical factor in attracting talented and committed individuals to stand for elected office. The review also reflects more deep seated concerns, such as the views that the operation of the formula advantages larger councils and big city mayors as well as difficulties encountered with determining the proportion of the remuneration pool that should be allocated to community boards.

It is important that the remuneration formula is sensitive to the demands placed on elected members, demands that have increased in response to the greater number of regulatory and compliance requirements placed on councils in recent years. If this is to occur the Remuneration Authority itself needs a good understanding of what local government does and the processes required to undertake our obligations. In the future we would like the Government to ensure that at least one of the appointed members of the Authority has a local government background.

Support Maori engagement

The Local Government Act 2002 (LGA) requires councils to consider and promote the current and future well-being of communities. It also introduced new responsibilities and opportunities for engagement and cooperation between councils and Maori. While much has been achieved since the Act was introduced, feedback from councils and Maori suggests more can be done. Many councils have found the provisions regarding Maori input and capacity building challenging and have asked for further support and advice, while Iwi, Hapu and Maori groups have asked for greater support around participation and engagement with local government. We are keen to respond to these requests, providing support and guidance in this area.

We are working on a long term project to help build stronger relationships between councils and Iwi, Hapu and Maori groups to support community well-being. We have developed some initial resources to support councils in their engagement with Maori including fact sheets, frequently asked questions, and case studies. We are also offering tailored training for councils to support their local engagement with Maori.

Resourcing is one of the key barriers to effective participation by Iwi, Hapu and Maori groups in local government processes. In its review of the Local Government Act 2002, the Local Government Commission noted the range of demands arising for Maori input into local and central government planning, and recommended the development of a whole-of government funding strategy to support Maori participation in iwi management planning, service delivery and related strategic planning.

We encourage the Government to consider developing a coordinated funding mechanism to provide opportunities for Maori groups to access resources to build capacity and participate effectively in both local and central government processes. This will be valuable in assisting to develop local partnerships further and meeting the objectives of the Local Government Act 2002 to strengthen Maori capacity to engage with local government. The development of Iwi Management Plans and early involvement of Maori in local government processes is likely to reduce the impacts of consultation and improve the efficiency and effectiveness of the system for all involved.

Local government funding

The 2007 Report of the Local Government Rates Inquiry begins with the statement:

“The starting point is that, generally speaking, local government works well in meeting the diverse needs of New Zealanders. It provides at reasonable cost, a substantial range of basic services which can be broadly categorised as network infrastructure ... community or social infrastructure ... as well as a range of regulatory activities.”

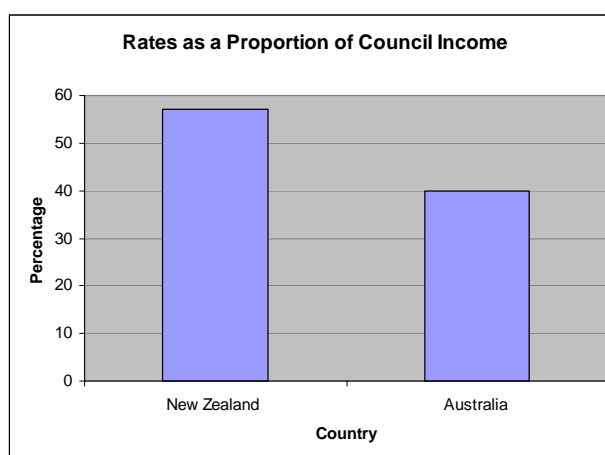
While the Report highlights areas for improvement, particularly in financial decision-making processes (see professional development below) funding is an issue that has always been topical. Since 1945 there have been eight formal inquiries and commissions into rates and local government funding. The key problem identified in almost, if not, all the inquiries is councils' primary reliance on rates. This was also highlighted by the Report, however nothing has changed so far.

Figure 3: Rates as a proportion of local government income³

New Zealand local government is relatively unique in the world for the degree of its reliance on a single funding source such as property rates.

On average 56 percent of a council's income is derived from rates. Figure 3 shows how this compares with Australia.

The problem with our sector's reliance on property tax without any significant supplementary form of income is recognised as affordability and fiscal conservatism.



Rates are determined on the basis of a property's value which has little correlation to the owner's ability to pay. This is a particular problem for retired people on fixed incomes. Fiscal conservatism relates to the likelihood that political challenge can make councils reluctant to make necessary investments in essential infrastructure.

Why do rates increase?

Councils are often asked why they don't keep rate increases in line with the consumer price index. There are a number of reasons why rates may grow at a faster rate, such as the council meeting a request from its citizens to develop a new facility; the imposition of a new responsibility, standard or regulation that imposes costs; and the need to ensure infrastructure is maintained for future generations. Much of the explanation concerns the sorts of activities councils carry out.

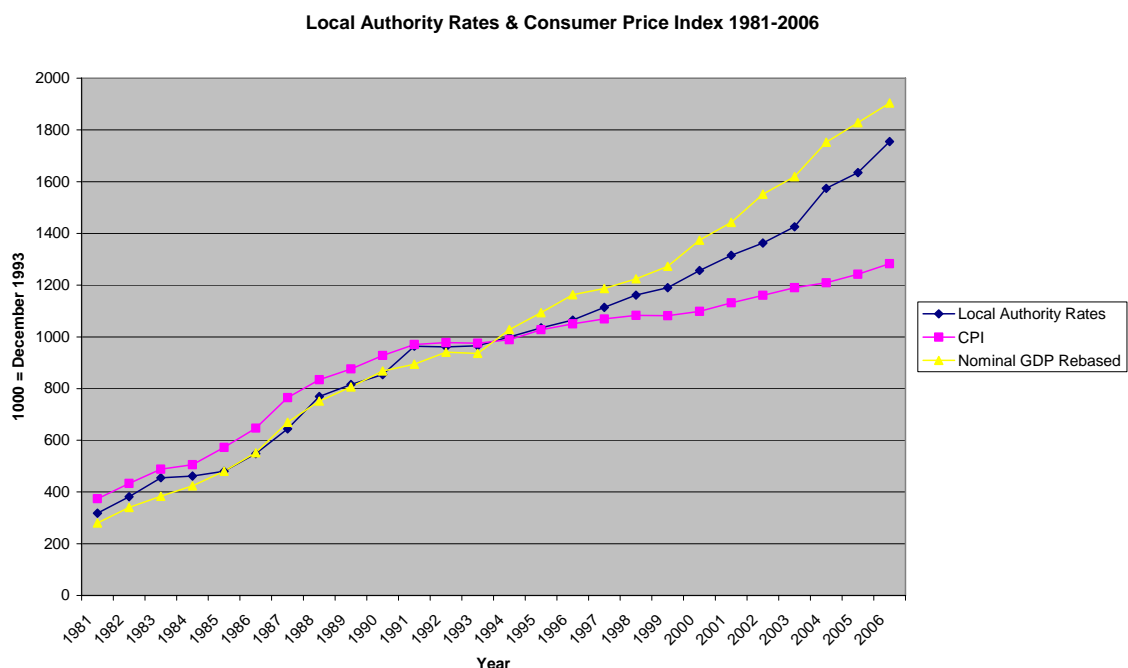
The bulk of council expenditure is concerned with the cost of maintaining and renewing essential infrastructure, like drains and storm water systems and smaller councils can spend up to 80% of their budgets on these functions.

³ Dollery 2008

The cost of infrastructure, such as the price of seal for roading and cement for construction, tends to rise faster than the goods and services that make up the consumer price index. In fact in 2005 the construction index increased by almost 13% in a year. Because councils cannot operate a deficit budget, except in exceptional circumstances, such costs are inevitably passed on to ratepayers.

In fact local government's research shows that council rate increases tend to be influenced by the country's overall rate of economic growth. Figure 4 suggests that as the economy grows faster so does local government expenditure, indicating the effect growth has on demand for more roads and other forms of infrastructure.

Figure 4 Rates, GDP and the CPI⁴



In addition to meeting the demands placed on their infrastructure by a growing economy, council budgets are also facing additional pressures from a number of additional trends.

Imposed Costs

The first trend has been the increase in compliance costs created by new central government regulations, new functions and the imposition of higher standards on council services, such as potable water quality. Our own research suggests the cost of new legislation, like the Building Act and the LTCCP might be as high as \$300,000,000 (Reference: the *Cost Burden of Legislation* Report, 2008).

Environmental challenges.

Climate change is forcing councils to undertake expensive upgrades of their infrastructure before the date that replacement and renewal would normally be scheduled. This is particularly true for storm water systems in urban areas subject to flooding and regional council flood management plans.

⁴ Statistics New Zealand

Infrastructure catch-up

Some councils are trying to catch up and compensate for decisions made by their predecessors to avoid necessary investment in maintenance and renewal of infrastructure. The cost of catch-up can be enormous but is essential if New Zealand is to avoid infrastructure failures like that of the New Orleans' levees.

Community preferences

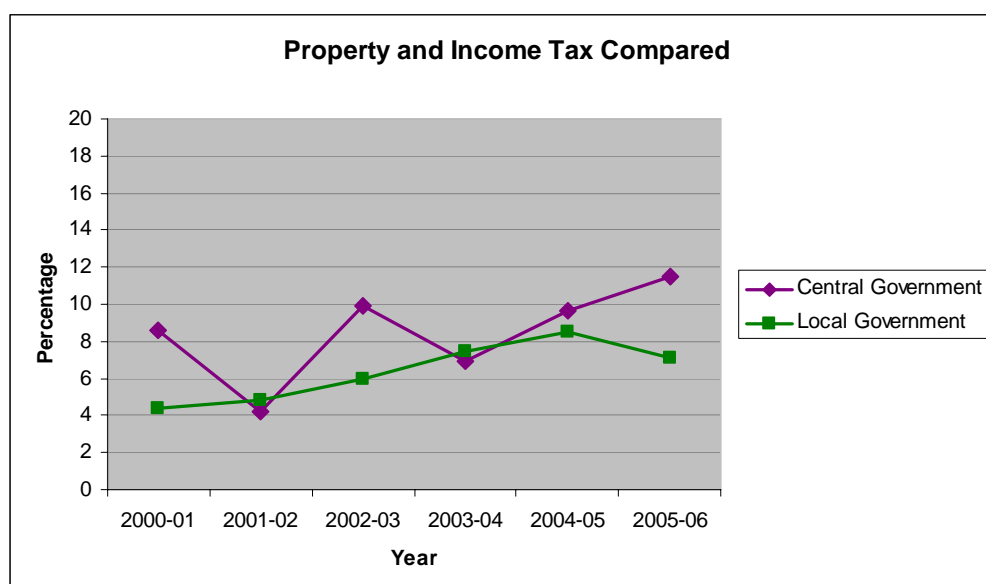
In many areas communities are demanding that council services be delivered at a much higher quality level. This is reflected in areas as diverse as the demand for indoor stadia, and covered swimming pools, to broadband facilities in libraries.

Underpinning many of these pressures is the reality that it is the role of democratically elected representatives to balance these demands with what they believe citizens can pay, given the range of funding tools available to distribute the cost fairly.

Professor Brian Dollery from the University of New England (NSW) has compared the New Zealand approach to funding local government with international practice. Professor Dollery concluded that property taxes by themselves were invariably insufficient to adequately finance local government service provision.

The gap between the cost of providing local services and the sources of revenue represents a "fiscal gap" and is highlighted by what Professor Dollery describes as a "vertical fiscal imbalance". In essence, while the total tax collected has increased over time, the share accruing to central government has increased at a faster rate effectively creating surpluses for the state and financial pressure for local government. Figure 5 shows how central government taxes have grown at a faster rate in recent years.

Figure 5 Central local government taxes compared



Despite these challenges the Local Government Rates Inquiry found that local government works well in meeting the diverse needs of New Zealanders. However, it identified pressures on the funding system of local government because of significant growth in expenditures and growing affordability problems, particularly in single income households.

Household affordability

Because councils rely heavily on property taxes to pay for public services there are limits on their capacity to ensure costs are related to individual's ability to pay.

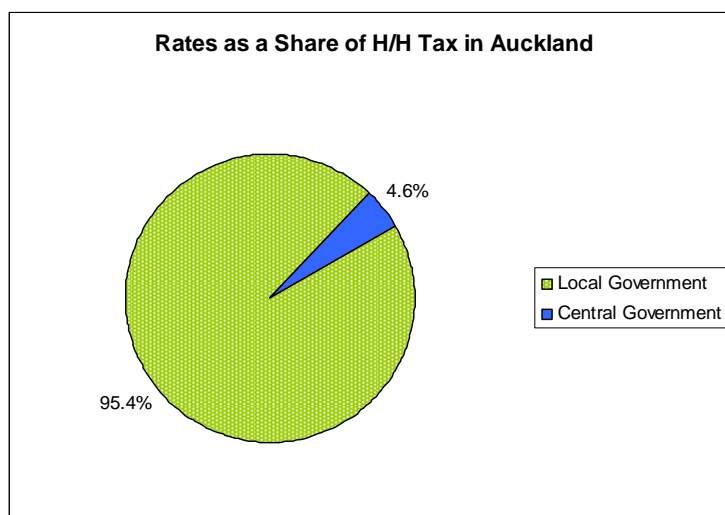
Previous governments have used the rates rebate schemes as a way of addressing these issues and *Local Government New Zealand* fully supports this intervention. We understand that more than 50,000 households benefit from this scheme but are also aware that an equal or greater number would be eligible for support, if they applied.

Rates as a share of household income continue to be relatively small, however it can vary widely, depending on the financial circumstances of households. Although the national average rate per household was 4.7 percent in 2004/5 the range extended from 2.5 percent to over 10 percent (these figures are net of any rebates under the Rates Rebate Scheme).

Affordability issues are particularly problematic for people on fixed incomes with high value properties (asset rich income poor) as well as low socio economic communities where meeting the cost of local public service takes a disproportionately large share of household income

Most household tax however goes to central, not local government. Figure 6 highlights the way in which household tax burden is shared between central and local government. As the figure shows, less than five percent of household tax goes to local government, yet councils pay for approximately half of all infrastructure expenditure in New Zealand.

Figure 6: Rates as share of taxes paid by an average household in Auckland⁵



Solutions

Ultimately the challenge facing councils is how to determine how we pay for the goods and services required to provide our citizens with well functioning towns, cities and districts. For many years these services have essentially been under-funded, leading to the growth of large infrastructure deficits. Since the passage of the Local

⁵ Sunday Star Times, October, 2008

Government Amendment Act No. 3 in 1996 councils have been required to address these deficits which has caused costs to rise at a rate faster than historical trends.

The funding challenges facing councils are complex partly because of the very different circumstances councils face and also because many of the factors that cause demands on council expenditure are external, such as central government requirements, over which councils have no control.

A recent example of the propensity of parliament to force costs on to local authorities was the Auckland Regional Amenities Funding Act 2008. Regardless of the merits of this legislation its effect is to force councils in Auckland to increase their rates to make an annual contribution to a range of regional organisations.

We look forward to working with the Government to find a solution to the challenges faced in funding local services. This includes reviewing many of the recommendations made by the Local Government Rates Inquiry.

This Report highlighted the need for new funding sources for councils in order to hold rates at sustainable levels and to reduce rates as a proportion of council income (the Inquiry suggested that the optimal proportion should be 50 percent).

Important recommendations advanced by the Local Government Rates Inquiry but not actioned so far were:

- the establishment of an Infrastructure Equalisation Fund, worth \$100 million, to assist “needy” councils to meet their infrastructure challenges
- that the Crown pay rates on its land
- that the Local Authority Petroleum Tax be increased by two cents
- that consideration be given to the introduction of a visitors’ levy on overseas visitors to contribute to the environmental costs created by tourism.

We ask the incoming Government to work with the local government sector in responding to the Inquiry’s recommendations that the financial sustainability of councils should be strengthened.

Providing value for money

As the expression of local democracy it is incumbent on councils to show their citizens that public resources are used both efficiently and effectively. The LGA 2002, for example, requires councils, amongst other things, to:

- conduct their business in an open, transparent and democratically accountable manner
- ensure the prudent stewardship and efficient and effective use of its resources
- take account of the interests of future, as well as current, communities
- undertake any commercial transactions in accordance with sound business practices.

Strong accountability

Local government is strongly accountable to its citizens, not only through its democratic structure but also through its consultative and engagement requirements.

Councils that fail to act in accordance with the wishes of their citizens will be held to account at the triennial elections and on average between 35 - 40% of elected members will either retire or lose their seats every three years. Although more can be done to encourage voter turnout in our larger councils competition for seats continues to be high.

The Long Term Council Community Plan (LTCCP) provides a planning discipline which forces councils to consider why they undertake activities, who benefits from them and how they should be paid for. Consultation requirements associated with council decision-making are substantial, and councils receive on average many hundreds of submissions on their LTCCPs.

Councils are also well regarded by their residents. Most councils undertake annual surveys to gauge public satisfaction with their performance and, as an example. Rotorua residents gave their mayor and councillors a satisfaction rating of 87 percent in 2007. The level of satisfaction with council spending was 71%, just above the national average of 70 percent, according to National Research Bureau which undertook the survey. *Local Government New Zealand's* own surveys' indicated that 66 percent of respondents believe their councils do a good job and almost 90 percent of respondents want to have input into decisions that might affect them.

Elected member professional development

Ensuring councils provide "value for money" requires strong leadership working with a competent administration. National local government organisations are taking the lead to ensure elected members and officials not only understand the requirements of their legislative framework but also learn from good practice developed elsewhere.

The strength of local government is the opportunity it provides for citizens of all circumstances to contribute to the governance of their communities. Good government is representative of its citizens and consequently citizens must be supported to take part, whether as community board members, councillors or Mayors/Chairs.

We would like to acknowledge the extensive training programme run by our colleague, the Society of Local Government Managers (SOLGM), which has provided officials with the opportunity to better understand the requirements of the LTCCP framework.

We are working with SOLGM, with the support of The Department of Internal Affairs, to develop a professional development programme for elected members so that they can undertake their governance responsibilities more effectively.

Since the 2001 local authority elections we have offered regionally-based training programmes for new elected members in order to prepare them for their new roles. Many experienced elected members also attend in order to refresh their knowledge.

There are also frequent requests for further training opportunities to be provided during the triennium, however the small size of the market (there are fewer than 1500 elected members, including community boards) works to discourage private and tertiary sector training providers.

The previous government made provision in the 2008/09 budget for a two year contribution to enable a programme of elected member development to be undertaken and we have entered into an agreement with The Department of Internal Affairs to develop an appropriate range of courses.

The funding is committed to develop training around three themes:

- financial governance - helping councillors understand how their LTCCPs work and develop the appropriate questions to ensure local accountability
- decision-making - focussing on good practice in making public decisions, balancing cost and benefits and meeting statutory obligations
- governance generally - increasing knowledge about the nature of the governance role, how it differs from management and an introduction to the necessary skills.

A steering committee representing The Department of Internal Affairs, *Local Government New Zealand* and SOLGM supervises the programme and three pilot financial governance courses have been held. After evaluation twenty further courses are scheduled throughout the country during 2009.

We are committed to ensuring elected members have the support, information and knowledge to exercise good governance in their communities and meet their objectives for standing.

We ask the Government to commit to the undertaking given in the 2008 budget to financially support this professional development programme until July 2010.

Shared services

One of the success stories since amalgamation in 1989 has been the willingness of councils in many parts of New Zealand to work together in order to find efficiencies in different services.

These initiatives are encouraged by both managers and elected members and can be found throughout New Zealand.

Case study:

In the Waikato and Bay of Plenty area thirteen councils have set up a council controlled organisation (CCO) to procure shared services for the participating authorities. Local Authority Shared Service Ltd (LASS) has now been operating for more than two years and is providing a shared valuation database for the region and ensuring stakeholders, the public and the market have timely access to property related data.

Prior to the establishment of LASS each of the participating councils was responsible for contracting with their own valuation providers. The new approach has provided not only economies of scale and reduced the cost of the service, it has also reduced the administration cost faced by the councils. LASS is committed to exploring additional shared service opportunities.

Shared services operate on all scales and levels, for example:

- three territorial councils in the Wairarapa have developed a common set of district planning regulations to provide citizens and developers with a greater level of consistency, whether they live in South Wairarapa or Masterton
- sharing also operates at an individual service level so that all the council libraries in Wairarapa share their collections
- one of the most ambitious shared service projects involves the public private partnership between councils in Canterbury and Canterbury Waste Services Ltd to develop and operate a regional landfill system. The regional landfill replaces 52 old style rubbish dumps that were both expensive and environmentally unfriendly
- at an infrastructure level, Wellington Water Management Ltd is a CCO that has combined the potable water services of both Hutt City and Wellington City to achieve both economies of scale by sharing overheads and making better use of local expertise.

Less progress has been made at the policy and planning level. However we would like to highlight the establishment of the Wellington Regional Strategy (WRS), which involves the nine local authorities in the Wellington Region working in tandem with the government, business, education and voluntary sector interests. The WRS has been established under the authority of the regional council and is the only use, as far as we know, of S17 of the LGA 2002 that allows the transfer of functions between territorial and regional councils.

The WRS describes itself as a sustainable economic growth strategy for the Wellington region and oversees a number of initiatives, including the region's economic development agency.

Despite the examples list above, more can be done to encourage councils to explore the viability of further shared service options and we would welcome any opportunity to discuss such initiatives with the Government.

Royal Commission on Auckland

The Royal Commission on Auckland was established to advance the previous government's objective to facilitate its growth as a world class city. The Commission has undertaken a robust programme of public consultation and will complete its report by 31 March 2008.

We support any initiative that will provide the citizens of Auckland with a governance model that meets their aspirations. While we acknowledge that Auckland, as the country's only metropolitan region, has a series of unique governance challenges, we believe that key democratic principles, such as responsiveness and local accountability, must be maintained in whatever model is finally adopted.

The broader question of interest to our members and all citizens in New Zealand is the degree to which the Commission's considerations have salience to other communities.

We fully support the process the Royal Commission has undertaken and are of no doubt that its research will have identified international experience that might be of substantial relevance to parts of New Zealand. However, we need to highlight the fact that local democracy exists to recognise and respond to the diversity of the country's communities. We must guard against any attempt to impose a "one size fits all solution" to New Zealand's local governance arrangements.

One of the limitations of local government reform since, and including consolidation in 1988/89, was the assumption that one governance model would work in every community, regardless of local circumstances. It was that assumption which in effect gave rise to the work of the current Royal Commission. We ask the Government to give the recommendations of the Royal Commission its full and serious consideration, bearing local representation and autonomy in mind.

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