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Report to the Policy & Finance Committee
from Howard Stone, General Manager

WRC Submission on Strategic Directions for Local Government to 2010

1. Purpose

To seek Council adoption of a submission on Strategic Directions for Local Government to 2010.

2. Background

In 1998 the tri-sponsors of the above project – The Minister of Local Government, Local Government N.Z. and the Society of Local Government Managers - launched a discussion document on the future of local government in New Zealand. The document followed the “foresight” format of presenting scenarios of the future in order to stimulate thought on what could happen under various policy frameworks adopted by successive governments at the national and local level.

Over two years or more a great deal of work has been undertaken to bring the deliberation process to its current stage. It is important that this Council actively participates in and promotes the debate on the future of Local Government for all the reasons identified in the submission.

3. Comment

The submission reflects the outcomes of Councillor Workshops on the future of Local Government to 2010. It endeavours to capture both the sentiment and the hard conclusions expressed by Councillors at those Workshops. In

addition it presents a philosophical and historical framework to support the contentions expressed and conclusions reached.

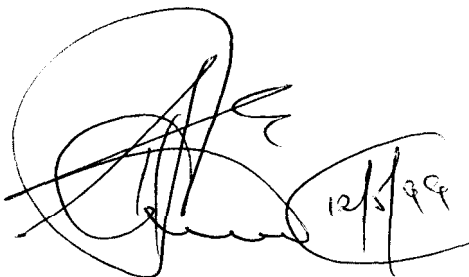
The submission will be received by the Steering Group for the project, on behalf of the three sponsors, and will, together with other submissions, contribute to a final and formal discussion document. This document will carry the title "Strategic Directions for Local Government to 2010" and it will be important to the development of government policy, as it affects Local Government, over succeeding years.

It should be noted that the submission is merely a step on the path towards continuing debate and decision-making and as such, it expresses this Council's views at a moment in time. There will be further opportunities for input and participation at a later stage. In the meantime it is hoped that the Wellington Regional Council's submission, if adopted, is comprehensive enough to add positively to the development of the continuing debate.

4. Recommendations

That the Wellington Regional Council:

- (1) *Adopt the attached submission on Strategic Directions for Local Government to 2010.*
- (2) *Authorise the General Manager to present its contents to the Steering Group of the project.*



HOWARD STONE
General Manager

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INTRODUCTION

The Wellington Regional Council welcomes the opportunity to make a submission on the Strategic Directions for Local Government to 20 10.

The Council's submission does not comment directly on the scenarios presented in the discussion document distributed. Rather it is focussed upon what steps can be taken to make Local Government a key influencer in developing the kind of society which might evolve by the year 2010. It argues that the nature of government needs to evolve in the face of unprecedented social and economic change. It proposes a way forward for better co-operation within New Zealand's governmental system at all levels.

We believe that local government can add significant value and contribution to the future of New Zealand society and we appreciate the opportunity to participate now, and in the future, in this important debate.

EXECUTIVE SUMMARY

What do we want New Zealand society to be like in 2010?

Central government has stated a commitment to achieving a society which is characterised by **economic growth** and **social cohesion**.

While central government clearly has the responsibility for the strategic direction of the nation, local government has a similar responsibility for local communities.

At present, local government has a major part to play in the nation's social and economic life. In financial terms alone it:

- Has an annual operating expenditure of approximately \$3 billion;
- has an annual capital expenditure of about \$770 million;
- manages infrastructure valued at \$21 billion;
- exercises stewardship over \$27 billion of ratepayer equity; and
- employs some 38,000 people

Furthermore, with its regulatory roles under the Resource Management Act 1991, the Rating Powers Act 1988, and other legislation, local government has a major influence on the economic, social and environmental well-being of both individual communities and New Zealand as a whole.

It is, therefore, essential that the sector not only performs to optimum effect at present, but maintains that performance by thinking strategically.

The purpose of this document is to foster discussion on how local government can be equipped to meet the challenges of the future.

In our view there are seven critical steps that must be taken.

1 **Central and local government should agree certain tenets to govern their behaviour and relationship.**

Tenets should be established to:

- set the boundaries and define the roles of each level of government;
- set out the purposes and obligations of each level of government;
- define the nature of the relationship between the parties;
- allow issues of policy, structure, funding and functions to be addressed within an agreed framework; and
- set the attitudinal tone for central/local government co-operation.

Local government is what its name implies - local. It would be inappropriate and inefficient for local authorities to take on the roles of central government unless specifically empowered and required to do so. Local government should recognise and acknowledge the responsibilities carried by central government.

2 Central and local government should establish a Policy Forum to determine agreed strategic goals.

A policy forum should be established on a continuing basis to:

- provide for the rational development of common goals, co-operative policies, and actionable strategies for the benefit of communities at both the national and local levels;
- determine functions to be delegated to local government to achieve national goals;
- promote the development of local government along the lines outlined in this paper;
- foster a culture of intergovernmental co-operation;
- resolve policy differences and jurisdictional disputes;
- apply a holistic approach to key policy initiatives;
- better utilise resources and organisations; and
- review and determine the tenets of central and local government action from time to time.

Within the framework of government it should be possible to identify common goals, the achievement of which will benefit all citizens. When the combined resources of central and local government are applied in a co-ordinated and well managed way, this must add value to the overall effectiveness of government.

3 The functions of each local authority should be decided by the community served by the authority.

Communities with differing needs require different responses. The mix of functions which any unit of local government chooses should be a matter for it and the community to decide. It is fundamentally poor management to throw a generic solution at a series of different and specific problems.

Councils already operate within a powerful accountability and fiscal control framework. As the direct and now almost only source of funds of their local authorities, citizens are entitled to determine the functions on which that money is spent.

In the pursuit of agreed national goals or outputs, local authorities should also be free to take on functions delegated by central government where relevant.

4 **The structure of local government should be determined by local needs and agreed strategies at the national level, subject to principles of efficiency and effectiveness.**

There is no one right way to structure local government. Different areas require different solutions. However, whatever structure is deemed appropriate to an area, services must be able to be delivered in an efficient and effective manner.

There is always the potential for parochial interests to compromise an effective and rational response to changing community needs. Local government leaders need to be alert to this and lead structural change where it can improve the delivery of services to the community. There are few in local government who cannot see how customers could potentially benefit from some or all of the following:

- the rationalisation or amalgamation of authorities;
- the aggregation of assets;
- the integration of service delivery; or
- better application of the principle of subsidiarity

As well as the self-generated re-organisation of local government service delivery, it is likely that local councils will join with central government to deliver delegated functions to meet common goals. In some areas this may necessitate a joint approach to structural development. This could be managed by the Policy Forum.

5 **Local government must develop a culture based on continuous improvement in the quality of the services it provides and the way in which they are provided.**

To be successful, local government needs to meet and exceed its citizens expectations. To do this the sector must continuously improve the quality of the services it provides and the way they are delivered. Although many units of local government have moved down this path since 1989, the respect people have for the sector will depend substantially on all local government agencies striving to achieve this aim.

In the private sector there are competitive pressures which drive the search for smarter and better ways of doing things. In government, this imperative must be generated and driven from within. To achieve this, local government agencies, and their Chief Executives in particular, need to:

- recruit the right people;
- set high standards of service;
- educate staff and promote customer orientated behaviour;
- set benchmarks to ensure that service standards are met;

- give effect to functions efficiently and effectively;
- employ management practices which create customer cultures; and
- deliver on time, to agreed standards and with flair.

If these steps are taken, the “person from the Council” will no longer be the somewhat indifferent bureaucrat of history but a bright, responsive and efficient provider of customer service.

6 Central government must empower local government to determine its functions, structures, and day-to-day operations in the best interests of the communities it serves.

The accountability provisions in place for local government provide a full range of highly transparent safeguards and the means for citizens to have an effective voice in their governance. What is missing is the authority for Councils to respond to local needs beyond a set of narrowly prescribed functions and structures. Responsibility should be accompanied by the authority to act.

The Local Government Act 1974 is clumsy and in need of revision. The Act should empower local authorities to determine their own structures and functions in response to identified community needs. It should also enable them to take on delegated tasks from central government. It should retain the accountability provisions of 1989 and 1996, but should be general in its tone, brief in its content and empowering in its nature.

7 Local and central government must adopt customer and citizen satisfaction as the key criterion for judging their success.

Finally, how can we judge whether the functions or structures we choose are the right ones? In the past we have tended to rely on a combination of theory about the “proper” role for central or local government and ad hoc responses to specific problems. It was enough to “give effect to the Act” in carrying out our duties

For the future, meeting statutory obligations and acting within the law will no longer be sufficient. Customer satisfaction, at the end of the day, is the true measure of success. Producing satisfied citizens will be a huge challenge because government of all kinds is not naturally popular.

The key to success will be to focus on outcomes which lead to tangible community benefits. The identification of people as customers rather than ratepayers will automatically lead to better and more effective identification of their interests and communication with them.

Government supplies a product. It offers to meet demands at a price. The question of whether a government is good, bad or indifferent has mainly to do with the quality of the products delivered, the way in which it delivers, and the price. Getting these factors right leads to satisfied customers who will continue to demand the product.

Some products are best supplied centrally and some locally. Where and how products are supplied should be driven by the potential for customer satisfaction.

It follows that all levels of government have an obligation to test regularly whether, in a changing world, their existing structures or functions are capable of meeting customer expectations in the optimal way.

The citizen reigns supreme and should be the constant point of reference in all that we do.

Conclusion

The main conclusions of this document are as follows:

- That local government draws its legitimacy from the requirement to address the needs of diverse communities and to provide leadership and advocacy on their behalf.
- That the current pace of change in our world makes it increasingly difficult to predict with any accuracy the form and nature of society in the future.
- That being properly equipped to manage and cope with accelerating change should be a fundamental objective for government in leading its communities.
- That, for government in New Zealand, being properly equipped means creating a co-operative environment between local and central agencies so that resources and organisations can be applied to maximum effect in the pursuit of common goals.
- That, for local government, there are five building blocks which need to be addressed if it is to optimise its capacity to meet the needs of its diverse communities.
 - * Leadership
 - * Functionality
 - * Structure
 - * Culture
 - * Empowerment
- That, in co-operation with central government and in the pursuit of agreed goals, these five building blocks should be constantly addressed to ensure that local authorities adapt to the ever increasing pace of change in society.

- That a means of achieving this is the confirmation of, and agreement to, tenets and behaviours which would govern the relationship between central and local government.
- That there is at present a unique opportunity to create a co-operative strategy given that both central and local government are at the strategic stage of their organisational development.
- That a formal vehicle for policy development and co-operation between central and local government would add form to the concepts above and allow the development of actionable strategies.
- That local government will best meet the needs of its communities and fulfil its purpose by gearing its strategies and behaviour to the achievement of citizen and customer satisfaction.

SUBMISSION ON THE FUTURE DIRECTIONS FOR LOCAL GOVERNMENT TO 2010

1. What is Local Government - and Why Have It?

1.1 Human needs and community leadership

We are all unique individuals. Nevertheless, we share some fundamental needs such as the need to:

- survive;
- socialise;
- be secure and safe;
- maintain and enhance our quality of life; and
- make progress.

To meet these needs, individuals seek the company of others. We see that combining our strengths and resources increases the chances of meeting our basic needs. Consequently, in earlier times we had nuclear families, extended families and tribes; now we have communities and tribes, both large and small.

These units had, and still have, leaders. Leaders traditionally achieved their status by birthright or force. In a democratic unit, the authority to become a leader comes with the agreement of group members. Individuals surrender some freedom, but in return get the benefits of a disciplined society. Leaders are able to exercise power over the behaviour of others in the unit and to make decisions on their behalf. Group members accept leaders because they resolve conflict. They bring order, consistency and direction to the group.

Over time we have changed our thinking about the nature and extent of the power we are willing to let our leaders exercise.

1.2 Community choice and democratic government

A democratic government exists to serve the people. It makes decisions on their behalf and for their “good”. We voluntarily surrender many of our individual freedoms in favour of this form of government. Government has our authority to coerce through law-making and to decide on the nature and level of services that we require - all in our best interests.

Yet individual freedom is valued very highly and is, therefore, carefully protected. We only delegate power to a few when it is more efficient and effective to do so and in our own interests, as well as the interests of others.

In fact, we operate an “hierarchy of choice” (Figure 1). In the first instance we choose to act as individuals, free to make choices and decisions for ourselves. When we cannot achieve by ourselves or within families (whanau), we pool our strengths and resources by forming voluntary associations with individuals who have common needs, values and goals (communities). Then, when we cannot achieve by consensus within the group or community, we delegate to a small number of leaders the power to make decisions and choices on our behalf (government). However, there are certain trade-offs when delegating power. Individuals surrender some of their freedoms and in return get leadership. Government gains power but government leaders are always responsible and accountable to the community. If government does not meet the expectations of the majority of individuals, its power to lead is withdrawn.

1.3 Communities vary

Government is accepted by individuals and communities as a means of achieving common goals. But communities differ according to:

- geographic location - climate and topography;
- historic development;
- culture;
- demography; and
- economic and social infrastructure.

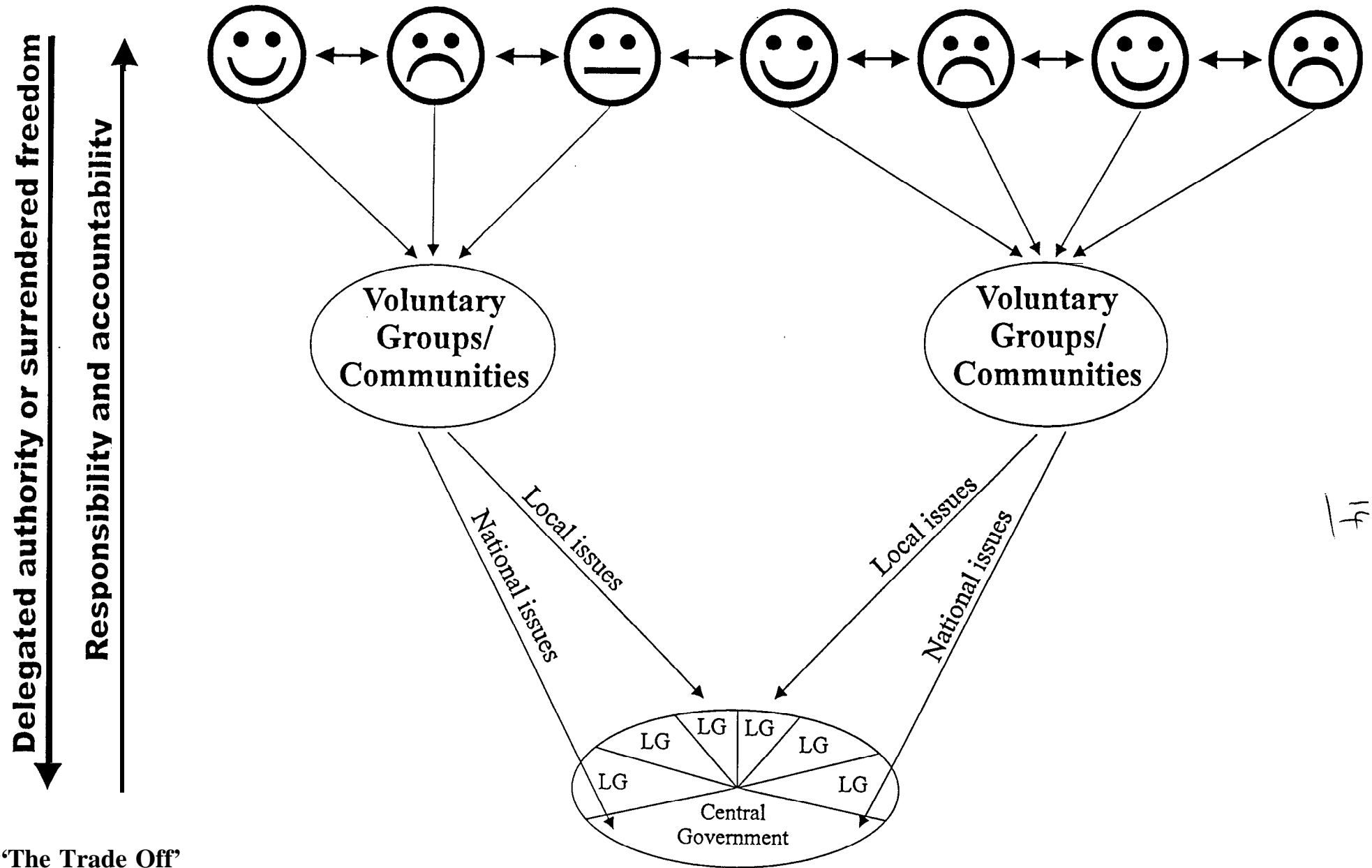
Different communities have different needs, priorities and ways of doing things. However, on some issues and matters there is a commonality which requires a common response. The question is “how should such responses be organised so that the best interests of the communities are met?”

1.4 Government meeting community needs

The modern day contention is that decisions should be made by those most closely affected. This is exemplified in Figure 1.

Figure 1

The Hierarchy of Choice



14

“The Trade Off”

The need for government at the national level is well accepted. It is a means of meeting the collective needs of the "New Zealand community". Although there is a progressive move towards internationalism and global economies, the nation state remains unchallenged.

Similarly, given the differences between communities, local government is a logical means of meeting locally varying needs and aspirations. It is closer to the community and it will respond specifically to the particular needs of that community.

Indeed, the way in which central and local government conducts its business can be paralleled closely with the business community. Businesses are commonly organised with a number of operating units which are empowered with the authority to act in a way that is consistent with the corporate good.

Although the units differ to meet the needs of their local markets, they have a common purpose - the success of the business.

So it is with central and local government. Local government is a local unit meeting needs which can most effectively be met locally. It provides communities with a means of making decisions on matters which are closest and particular to them. However, local government still shares a common purpose with central government - the welfare of the people.

Perhaps the most powerful argument for the existence of local government is the fact that in the global context, central government is nothing more than "local" in nature.

If we accept that local government is an appropriate means of meeting local needs and aspirations, then the real question is "how does today's local government become the kind of local government that we wish to see in 2010?" To answer this we must also ask the following:

- Is the current form and structure of local government the best option for communities in 2010?
- Will the current relationship set between national and local government effectively meet the needs of communities within a national strategic framework?
- How can local government enhance its capacity to meet effectively the needs and aspirations of its local communities?
- How can central government assist local government (and vice versa) to be more effective in working towards desired positive outcomes?

This document attempts to answer some of these questions. Before doing so, we need to consider the history of local government and the environment in which it is operating today.

2. New Zealand Local Government: Past and Present

2.1 The beginnings

This section examines the historical development of local government in New Zealand in order to outline some of the factors which have influenced its form and which may impact on local government in the future.

Early European settlement of New Zealand developed under a colonial system of government emanating from Britain. As the country was populated by European settlers, settlements developed which were separated by large distances and suffered from poor communication. There was a clear need to govern these communities at a local level. After some ill fated attempts at local councils in Auckland and Wellington, a constitution was created in London which established a General Assembly, six provincial councils and the possibility of local bodies where they might be relevant.

2.2 Local government 1876 to 1989

The provincial councils lasted from 1853 to 1876 but were eventually replaced by a mixture of boroughs, counties, and boards, designed to respond to more localised needs for governance and the amelioration of specific issues (e.g., rabbit boards, roads boards, and hospital boards).

This general structure remained in place for over a century. Over the years, new municipalities were added and some consolidation also occurred. Developing needs were given voice (e.g., catchment boards in 1941), while other authorities changed their form and function (e.g., some roads boards became counties). However, this structure of local government, based on ad hoc responses to localised change, remained largely intact until 1989.

Local government functions included services to properties, the provision of community facilities and dealing with the nuisances of urban living. The main revenue source was generally local taxes on property (rates), although central government funds were also an important source of income.

After the second world war the country went through a period of sustained growth. Full employment, a growth in manufacturing and exports, and increased urbanisation all put pressure on local government. Municipal authorities had to provide the infrastructure to cope with urban drift and sustain increases in the manufacturing sector. Towns and cities increased their services, more roads were built, and the legislative basis of town planning was set. In the 1960s regionalism blossomed, with the establishment of the Auckland Regional Authority in 1963, followed some time later by united councils in other areas. In the 1970s there were further changes, including a

major rewrite of the parent statute in 1974, which gave further impetus to regionalism.

2.3 1989 to the present

In 1989 local government was dramatically reformed. The multitude of small authorities and boards which had characterised local government in the past was swept aside and replaced by a smaller number of larger and stronger authorities. Since that date there have been only minor changes to local authority boundaries. Regional Councils were reviewed in 1992, and their powers restricted largely to a regulatory role, with a resource management focus.

The current structure is made up of 12 regional councils, and 74 city and district councils. Four of the latter are unitary authorities, meaning they are territorial authorities which also carry out regional council functions. Increasingly, local authorities are using a more diverse range of means by which to deliver their services, including local authority trading enterprises (LATES) and contracts with the private sector.

2.4 Accountability and management reform

The legal and managerial framework within which local authorities exist and which determines the way they do things has also been significantly improved since 1989. A fundamental change has been to increase the sector's accountability and performance requirements through annual planning and reporting. Each year local authorities must prepare a detailed plan for their operations which the public may scrutinise and comment on. At the end of the year, an annual report compares the authority's achievements against its objectives.

Of singular importance to the future of local government is the Local Government Amendment Act (No3) 1996. This legislation makes **strategic planning** mandatory across the sector. It requires Councils to adopt Long Term Financial Strategies (ten years) which have been through a statutorily defined public consultation process. By providing the long range or strategic context, the ten year plans provide an effective avenue for public participation in Councils' funding and expenditure decisions. They give communities a sense of certainty and security. They tell them what their Council is going to do in the future and what it will cost. The Act requires authorities to manage their operations prudently in the interests of residents and ratepayers, analyse the costs and benefits of spending options, and maintain debt at sensible levels. Annual reports are required to measure the performance of the authority against the content of the long term strategy.

The importance of this legislation is twofold. First, it provides local authorities with modern systems of accountability and management equivalent to those of the private sector. Secondly, it equips local communities with the tools they need to make meaningful decisions about how they want to be governed at the local level. Perhaps without realising it, central government has empowered

local communities beyond any authority they have held over their local governments in the past. In this sense, the Act is one of the most profoundly democratic ever passed by the New Zealand parliament. **It has made possible the “freeing up” of Councils’ powers and functions to pursue the stated interests of their communities in new and positive ways.**

2.5 The organisational cycle

Just as nations rise and fall, and businesses succeed and fail, all organisations progress through cycles of maturity and decline over time. Some go through the same cycle several times. Having briefly reviewed the history of local government, it is worth considering where in this cycle of organisational development the sector is now.

We shall refer to the first phase of an organisation in trouble as the **crisis phase**. The primary issues for an organisation in crisis are its survival, its financial health, and the gaining of control over its internal and external environments. Invariably the solutions to these challenges are action oriented and are usually achieved through a directive, possibly even autocratic, approach to decision making.

Having successfully overcome the crisis and stabilised the operating conditions, the next phase is to create the environment for ongoing success. This is the **reconstruction phase** and it is usually characterised by a mix of directive decision making and consensus management as to the way forward. Typically this phase includes progressive moves to shift the culture of the organisation, encouraging behavioural change, and the creation of incentives to reach the organisation’s goals.

The reconstruction phase is normally followed by the **strategic phase**. In this part of the cycle, with an improved economic position, and any major structural problems solved, organisations can begin to think strategically about the future, refine control systems, and improve their skill base. This stage sets the long term goals of the organisation and the road maps for achieving them.

We do not need to cast back our minds too far to recall the crisis phase of “New Zealand Inc.“. In 1984 New Zealand was in crisis and the Government went into survival mode. Expenditure was cut, assets sold and efficiencies demanded in the public sector.

From 1986 to 1995 the environmental conditions of the country were reset in an attempt to lock in the gains made in the initial phase. Deregulation, the stimulation of competition, and legislative measures such as the Fiscal Responsibility Act 1994, were all designed to reconstruct the economy and create the conditions to assure ongoing success.

In more recent years there has been evidence of a move by central government to articulate strategies for growth and goals to focus on in the years ahead. The documents - *Path to 2010, the Next Three Years, and New Opportunities - Toward 2020* - are examples of the application of a more strategic approach.

Local government has also passed through the cycle of organisations in change. It faced its “crisis” in 1989 as part of central government’s reconstruction programme. The wholesale restructuring of the sector, as well as a range of other measures (e.g., accrual accounting, the policy/implementation split, and various accountability requirements), were statutorily imposed upon it in the interests of the nation. Since 1989 local government has matured considerably, using those measures to reconstruct its operating environment.

As discussed above, the creation of the Local Government Amendment Act (No 3)1996 has pushed Councils firmly into the strategic planning phase of their development.

The key point to be drawn from the preceding discussion is that we have reached a unique position in our history. **As the country nears the start of the next century, both central and local government have converged in the organisational cycle at the strategic phase. It is the contention of this paper that the time is right for the co-operative development of strategies between both levels of government which not only address the needs of local communities but also of the country as a whole.**

With central government and local government both on a successful business path, there is an opportunity to rethink where we are going and devise co-ordinated policy mechanisms to get there. **Indeed, co-operation may be the only worthwhile strategy in a world of rapid change.**

3. A Fast Changing World

3.1 Planning for the future

A business enterprise cannot achieve its objectives without understanding the environment in which it is operating. Likewise, government cannot effectively meet the needs of communities without being aware of what is happening in the world.

Yet we are seeing change at an ever accelerating pace. For example, local government itself has changed more in the last ten years than in the previous hundred. Not surprisingly this rate of change is posing a huge challenge to our local and national leaders who are being called upon to plan for a future, the nature of which is becoming increasingly difficult to predict.

3.2 Changing technology

It would appear that the industrial revolution is only just getting up a head of steam! Chip technology and the micro processor have spawned an information explosion such as we have never seen before. We now have, for example, cell-phones, fax machines, laptop computers, electronic mail and the world wide web - all of which are having a profound effect on human

behaviour and creating a whole new way of living. The use of such technology is no longer optional - it is a given. We are all affected and the way in which we conduct our social and business lives has changed forever.

But can we, as human beings, cope with this technological explosion? It is certainly having a major effect in the workplace. We are having to receive, disseminate and respond to information at a faster and faster rate, creating an increasingly pressured and stressful working environment. Ironically, technology is not only assisting us, it is also creating demands that we, as humans, are finding difficult to manage.

Further, with an increasing array of communication tools at hand, our expectations about receiving information have changed. We now demand to know what is happening. We want to be consulted and listened to. Consequently, government can no longer operate behind closed doors. Transparency and accountability are the orders of the day. In addition, the community, now armed with information, is demanding better performance, value for money, quality services and rational decision-making.

Government, at all levels, is having to operate in this fast track environment. It is having to re-arrange itself to take advantage of and, indeed, to cope with revolutionary technological change and an increasingly knowledgeable and empowered population.

3.3 Increasing interdependencies

Greater accessibility of information, coupled with our increasing ability to travel long distances, means that physical, social, economic and political boundaries are becoming less relevant in our "global village". We are seeing growing inter-dependencies, closer inter-relationships and, in many aspects, a more integrated society. At an international, economic level, these closer relationships are exemplified by global trading agreements, multi-national enterprises and inter-dependent financial markets.

As a trading nation, New Zealand's future will depend on how it competes in the global market place. All sectors of both our rural and urban communities will be affected by such factors as monetary conditions and the productive efficiency of our competitors. Consequently, local, as well as central government, needs to become more aware of international trends and the way in which they will impact on the social and economic needs of our communities.

Likewise, at a domestic level, people increasingly cross territorial local authority boundaries in the course of their daily business and social lives. Existing local government boundaries are becoming irrelevant to the real needs of our communities. Increasingly, economic development, transport, and export earning activities are, like tourism, operating on a regional, or even national basis. **It is, therefore, incumbent on both local and central government to monitor our governmental structures and functions on a continual basis so that our communities are served by the right amount of**

government, in the right place, for the right reasons and with the right powers to act.

3.4 Changing economic and social environment

In 1984 New Zealand faced a major crisis. It was on the verge of bankruptcy and the government of the day had little option but to take remedial action - and fast. Under pressure, it fostered an economic philosophy which has successfully restored fiscal respectability to the nation's accounts. That particular philosophy has now driven the country for 15 years and has touched every corner of New Zealand society.

A key driver has been individual rather than state responsibility. Exemplified by the "beneficiary pays" principle, it has done much to toughen peoples' attitudes. There is now a far greater awareness that we need to take personal responsibility for our welfare rather than rely on the state for support.

For many people the past 15 years have yielded major dividends. For others, outcomes have been less favourable. New Zealand has moved away from its egalitarian base to a society where there is a much greater disparity between the "haves" and the "have nots".

While it would be inappropriate to relate directly the new era of individual responsibility with increasing social ills, there is no doubt that today's government is faced with some serious social issues. Indeed, the second element of its strategic direction, *Path to 2010*, which raises the issue of social cohesion, shows that central government policy-makers are very aware of these challenges.

The Treaty of Waitangi, with all its implications, adds a further and unique New Zealand dimension to our social and economic environment. As a party to the Treaty, central government has a number of particular challenges ahead. Without doubt it will be called upon to establish a more mutually satisfactory relationship with Maori.

3.5 Greater environmental awareness

The importance of a healthy environment is being recognised world wide and New Zealand has not been slow to capitalise on its clean green image. Environmental responsibility is now a trump card in gaining competitive advantage.

With the Resource Management Act 1991, New Zealand has shown that it is a world leader in respect to environmental management. Although there is some disquiet about its implementation, the philosophy behind the Act - sustainable environmental management - has general support.

Nevertheless, the inevitable tensions between economic development and a sustainable environment are surfacing. Society's increasing desire for

environmental protection is coming into conflict with the desire of the business world to increase the nation's productive capacity.

Consequently, all levels of government are being called upon to find ways of resolving these tensions and to bring consistency and balance to the way in which we manage our physical and natural resources.

3.6 Conclusion

The world is a maelstrom of accelerating change. Whereas it was once possible to predict how our communities would look or even behave in 15-20 years time, it is now a brave person who will make such a forecast.

But while the changes mentioned above signal great opportunities and value for New Zealand society, they could also pose a significant threat if they are not capitalised upon and managed properly.

People do not like change. It is feared - and frightened communities are inherently unstable. Consequently, government at all levels has a major role to play in reassuring its communities that it has both the will and the ability to get the best out of change and to minimise the inevitable disruption and dislocation that it so often brings.

4. A Local Government Vision for 2010

A vision is a mental picture. It is always difficult to translate into words and a significant challenge to represent in a very few words. However a local government vision for the year 2010 might read:

“Thriving communities through local democratic choice and action”.

Such a vision would need to manifest itself and be characterised by:

- **active citizenship;**
- **a sustainable natural and physical environment; and**
- **economic and social well-being.**

This brief statement of vision represents a state of affairs which those associated with local government could easily subscribe to as a focus for their endeavours between now and 20 10.

Visions become realities through the actions of people. So, what can local government do to realise the state of affairs captured by its vision?

In contributing to **“thriving communities through local democratic choice and action”**, local government would need to:

- Speak out on behalf of communities and encourage people to speak for themselves.
- Advocate for individuals and groups.
- Safeguard and improve the quality of life of local people through influencing and co-operating with voluntary sectors and service providers whose activities affect local citizens.
- Safeguard the interests of local people and actively promote these interests at local and national level.
- Involve communities in developing strong and positive visions for the future of their areas.
- Work with and support local people and communities and encourage them to become involved with the work of the Council.
- Assist in building citizen and community confidence which will allow them to take control of their own situations and the quality of their own lives.
- Provide a democratic forum where people are represented and local views and choices are acted upon.

In encouraging “**Active Citizenship**” local government would:

- Enable communities to fulfil their true potential.
- Foster the ideals of citizenship and the development of caring communities.
- Devolve decision making and service provision down to the most appropriate community level.
- Work to build confidence in people about the future of their community and encourage a genuine pride of place - a place to stand.

To achieve “**a sustainable natural and physical environment**” local government would:

- Safeguard the environment.
- Reconcile the tensions between economic development and environmental goals so that an appropriate balance of material and spiritual outcomes, suitable for the community, is achieved.
- Work towards creating communities which are safe for both citizens and visitors.

- Encourage and stimulate public debate on environmental issues by raising public awareness and fostering greater individual and community action.

Local government's role in creating “**economic and social well-being**” might be to:

- Encourage the development of a vital community and voluntary sector which works in partnership with the Council and other statutory services.
- Support the principles of social justice and tolerance and encourage community support for those who are disadvantaged so assisting them to play their full part in community life.
- Help individuals, families, groups and local organisations to achieve their full potential and to actively share these benefits with the community as a whole.
- Foster an environment in which as many people as possible can share in the benefits of a buoyant local economy.
- Encourage local business investment and consequently the creation of new employment opportunities so that people in the community may prosper.

Of course, the contributions local government might make to the vision are far from exhaustively described above. However, these points give a strong flavour of the roles which could be played.

Each local authority will differ in the policies it develops to contribute to the realisation of this vision in its community. **It is therefore of critical importance that local government is in a position, not only to deliver on the vision, but also that it has the flexibility to do so.** Much of the content of this submission deals with the strategies to create that environment.

5. Central and Local Government - Inextricably Linked by Community Interest

5.1 Time for co-operation

With many of the country's structural and economic problems under control, it is an opportune time to think again about our national objectives. It is also an appropriate time for central and local government to work together to achieve those objectives. The message of this section is that, for both sectors, the time is right in terms of the cycle of organisational development to move in a co-operative direction.

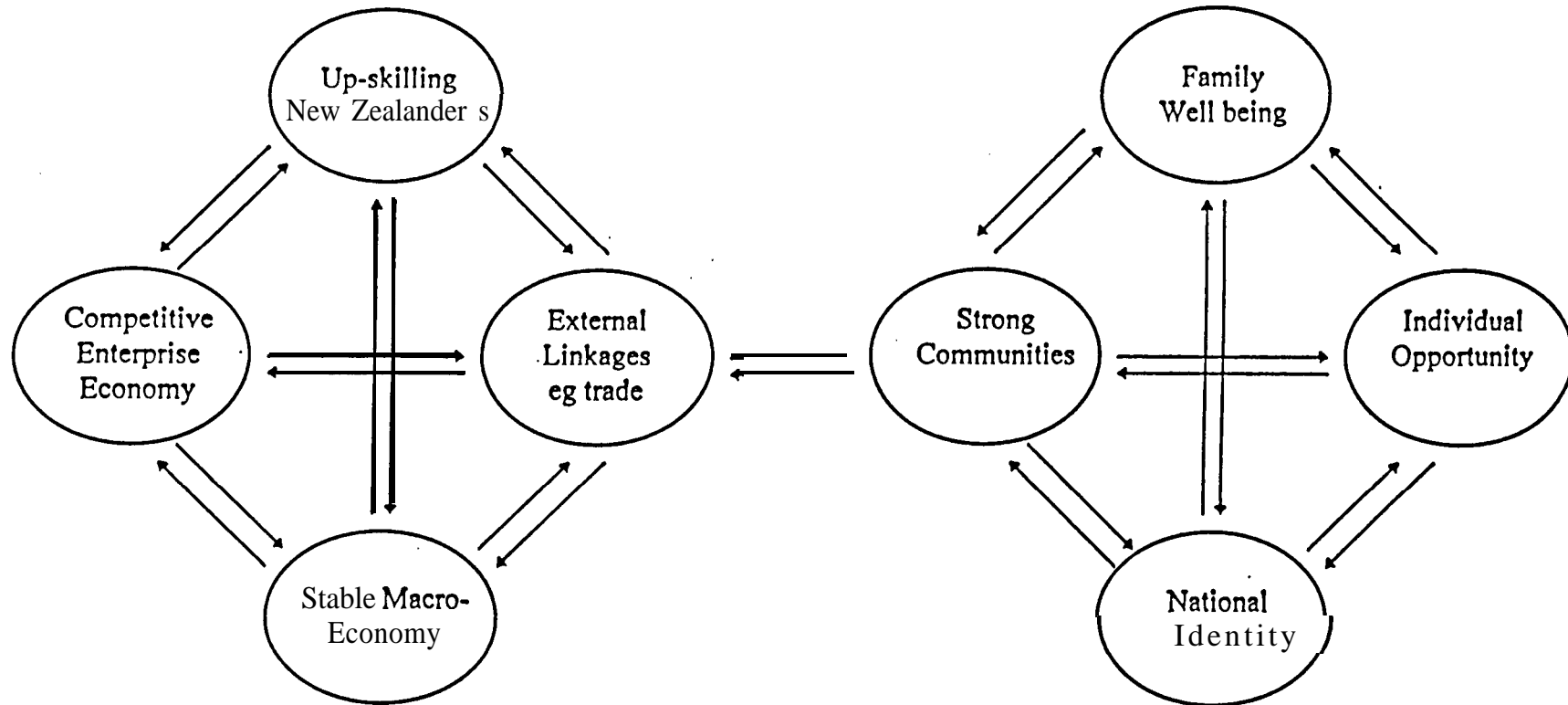
5.2 A starting point

The previous Prime Minister, Mr Bolger, defined two key goals for New Zealand - Economic Growth and Social Cohesion (see *Path to 2010*). These may be represented as follows:

GOVERNMENT'S STRATEGIC RESULT AREAS

Economic Growth

Social Cohesion



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The goal of economic growth has dominated national policy development over the last fifteen years. It is the goal with which we are most familiar. As New Zealand has moved through the reconstruction phase referred to earlier, the environmental conditions have been created for ongoing economic growth. These conditions are based on the philosophy that a deregulated economy will optimise the ability of private enterprise to meet market demands and so enhance the wealth of the nation. To date, the evidence is that this policy has enjoyed some success, even though to begin with it was largely implemented in a directive manner.

Understandably, given the revolutionary nature of some of these economic reforms, not all of their consequences or side effects could be managed or indeed anticipated. Some of these effects have become focal points for political debate now that there is relative stability in the economic arena. It is logical, therefore, that we should now be directing greater attention to the second goal of social cohesion.

It is now accepted that economic growth is not a universal panacea for social problems and does not automatically produce a state of social cohesion. Apart from the fact that there is a greater disparity of wealth in New Zealand now than in the early 1980s, there are a number of social issues causing concern. Some of these issues impact deeply on communities and are a major challenge for the future stability of the nation.

In the period to 2010, social diversity is likely to continue to increase in a variety of ways - diversity of circumstances between rural, provincial and urban residents; Maori, Pakeha and other ethnic groups; rich, poor and middle class; women and men; and different types of families. This diversity could in turn lead to increasing tensions”

Local government has responded to local pressures to address social cohesion and social problems. It is likely that the range of social initiatives under local authority leadership will increase in the next few years in response to local demands. Each local authority will seek to build a strong self-reliant community in ways which are specific to the needs of that community.

Given local government’s obvious and continuing contribution to both of the key goals articulated in *Path to 2010*, the goals represent a common aspiration which local government can readily subscribe to and which should bind the two levels of government together.

Indeed, local government’s commitment may do even more. It may turn an objective index into the tangible reality of economic well-being for New Zealand communities.

5.3 An opportunity for central and local government

If different communities have different needs and priorities, the strategies needed to promote further economic growth and social cohesion are likely to have significant local differences if they are to be effective. It makes sense, therefore, for central and local initiatives to be planned and programmed in co-operation to get local results that are in accord with national goals.

There are already some success stories and informal initiatives where local and central government agencies have co-operated in co-ordinating their respective resources and applying them to the benefit of the local community. It is sensible management to capitalise on the resources and energies of both sectors to achieve common community objectives.

In the past, however, central and local government have not always got on well. Central government has used its authority to act in the interests of all New Zealanders. Local government has equally endeavoured to represent the interests of its communities. Too often in the past these requirements have created adversarial relationships on specific policy or implementation issues. Why should there be any change in the future?

The reasons for optimism are firstly that, compared with the past, there is now an articulated vision for the nation and a set of common goals to which both parties can subscribe. In short, that local and central government are now inextricably linked in the pursuit of the same goal, namely community interest. Secondly, the directive approach to governance needed in the 1980s, when economic circumstances persuaded central government to exercise its power over Councils through statute and prescription, is no longer necessary. Strategic thinking should now be the order of the day. Finally, many local authorities have reconstructed themselves and improved their performance and competencies.

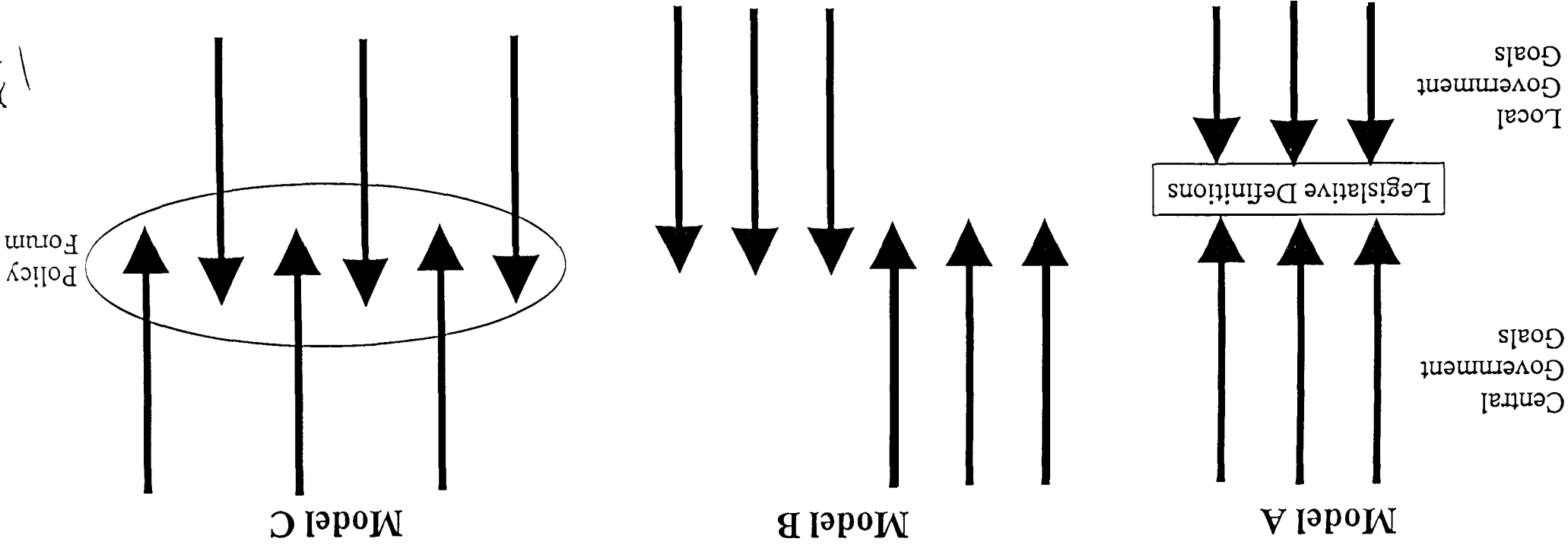
It is the contention of this paper that, for the first time in the history of the nation, these factors have led us to a position where we can develop a form of co-operative government to pursue mutual goals.

5.4 A central/local government relationship

All too often the logic of good ideas can be overtaken by historical “baggage” and groups’ preconceptions of one another. In Figure 3 we suggest some models of how the relationship between local and central government might be structured. Models A and B have tended to characterise this relationship in the past. Model C, on the other hand, describes a more positive and creative relationship and one that should typify the co-operative form of government described above.

Figure 3

Relationship Models



The "Conflict" Model

- Authoritative
- Directive
- Defined in Law
- Adversarial

The "Talking Past" Model

- Poor communication
- No co-ordination
- Poor resource use

The "Co-operative" Model

- Organised approach
- Agreed strategies
- Checks and balances
- Issue resolution

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5.5 Governing tenets

In order to craft this kind of relationship and to make it work effectively there need to be “ground rules” to govern the behaviour of the parties to the relationship. Such statements of principle, charters, contracts, declarations, or agreements as they are variously called, help to create a positive environment of co-operation and mutual respect. It is suggested that a set of principles or tenets should be promulgated to guide the relationship we are suggesting here.

The constitutional status of central government provides it with comprehensive power over local government. If, as some believe, local government’s purpose is to **“undertake inclusive collective activity and decisions on behalf of local geographic communities”**, then central government needs to create an environment in which this can occur.

To achieve this, central government should commit itself to a set of tenets which would enable local government to act with authority within prescribed boundaries. In return local government could commit to a set of obligations and behaviours which would provide comfort to central government that the delegated powers were being exercised appropriately. For central government these tenets could be the following.

Central Government Will:

- **recognise the national benefits of effectively meeting the varying needs and preferences of local communities;**
- **empower local government to identify and meet the needs and preferences of their communities;**
- **enable local government to determine appropriate funding and delivery mechanisms for its activities;**
- **promote effective and appropriate choice and accountability relationships between local authorities and their communities;**
- **respect the autonomy of local government except where significant national interests and values outweigh the benefits of meeting the varying needs and preferences of local communities;**
- **legislate for local government in a manner that is consistent with the principles of the Treaty of Waitangi.**

For its part, local government could also “sign up” to a set of obligations and behaviours. These might be as follows:

Local Government will:

- **give effect to the purpose of local government;**
- **respond to the needs and preferences of its communities;**
- **lead and advocate on behalf of communities;**

- **involve communities in decision-making through participation and consultation;**
- **mediate conflicts between the interests of different groups and individuals within communities or between such interests and those of the community as a whole;**
- **respect diversity within communities;**
- **be open, transparent, understandable and accountable;**
- **be effective and efficient;**
- **act in accordance with clear objectives and a long term strategy;**
- **resolve conflicts of interest and objectives in a clear and proper manner;**
- **manage all revenue, expenditure, assets, liabilities and investment in a prudent and lawful manner in the current and future interests of communities;**
- **have regard to relevant social, economic and environmental factors;**
- **consider significant cross-boundary effects of decisions and activities, including costs and benefits to neighbouring communities; and**
- **apply appropriate criteria consistently.**

If further delineation of the role and responsibilities of the sector was required, it might also be appropriate to devise an “objective” that might describe the overall business of local government. Such an objective might be, for example:

To respond to the needs and preferences of local communities by involving them in decisions concerning the nature and level of activities undertaken, the definition, interpretation and enforcement of rights and to provide leadership and advocacy on behalf of these communities.

If the objective and tenets listed here were to characterise the relationship between central and local government, then the scene would be set for the development of strategies to achieve the common goals of community economic well being and social cohesion.

The agreement between central and local government could well be given real status by being incorporated in the constitution of New Zealand.

6. The Building Blocks of Successful Local Government

6.1 What are the building blocks?

In today’s society, central and local government share common goals. We put forward the proposition that co-operative action would enhance the ability of both central and local government to achieve those goals. We have also argued elsewhere in this document that individual units of local government have as their central obligation the meeting of the legitimate needs of their local communities. The question which arises now is “how can local government

enhance its capacity so that it can perform most effectively both of these roles?"

This section suggests that there are five key factors which underlie the ability of local government to play these roles. We call them "building blocks" because they are the essential raw materials for constructing an effective and dynamic local government sector. They need to be addressed if the sector is to optimise its ability to meet the needs of its diverse communities.

In section one of this document we established the *raison d'être* for local government by answering the question "*why do we have local government?*". The building blocks have been derived by asking the questions that logically follow and which are fundamental to the success of any enterprise. These are:

- How should (the business) be led?
- What should it do?
- How should it organise itself?
- How should it behave?
- What mandate should it have?

We must address questions of this nature because they clarify what is really important to achieving success. For local government, the building blocks are its:

1. capacity to exercise **leadership**;
2. **functional responsibilities** within the public sector;
3. **structure**;
4. organisational **culture**; and
5. level of **empowerment**.

6.2 Leadership: how should local government be led?

In section four we set out a vision for local government in 20 10. A vision is the starting point of any undertaking. It defines where we want to go and what we want to achieve. Those who lead need vision to guide others to the chosen destination. Vision is the articulation of leadership.

The building block of leadership is the driving force of local government. It is the energy which generates innovation and progress in the other building blocks. Without the direction provided by effective leadership, empowerment, restructuring and functional change are likely to be little more than wasted effort.

Recent research tell us that citizens value leadership in community affairs very highly. People want to be consulted before local authorities take action, and without doubt consultation has become an integral part of the business of local government these days. However, having consulted, governments at any level owe it to their citizens to take a strong lead in implementing policy and achieving results.

Quality *political leadership* is the real energiser of effective local government. While there is still much to learn about the nature of leadership, we know that successful leaders exhibit some common characteristics. Such leaders:

- have the *confidence and respect* of those they lead;
- have *vision* and can communicate their vision so that others are inspired to share it;
- push the *boundaries of convention*;
- have *confidence* in their own abilities;
- willingly *take responsibility*;
- exercise *sound judgement*; and
- are *honest* and act with *integrity*

Leadership is not about protecting the status quo. It is about anticipating the future and leading the way forward.

It is worth noting that while progress in advancing some of the other building blocks currently lies partly with central government, how local government is led is firmly in the hands of local government itself. We need to enhance our ability to lead by developing these skills. The nature of the leadership shown in local government today will have a critical influence on the nature and worth of local government's contribution to the community in 2010.

6.3 Functions: what should local government do?

Over the years there have been many attempts to define what local government should do. The array of functions outlined in the Local Government Act defines what we do at present (changing significantly between 1974 and today) but it is just one of a number of lists that theoreticians and practitioners could, and have, developed for the sector.

With the prospect of another rewrite of the Act we are faced yet again with the question of the "proper" role of local government. Given the pace of societal change, governments at all levels need to be able to anticipate and respond to that change flexibly, rapidly, and in a coherent fashion. A statutorily prescribed "functional list" cannot meet these requirements. Consequently we

are not proposing a functional list but rather suggest two generic categories of activity. Local government should have the freedom to:

1. actively pursue its local community needs and aspirations; and
2. apply and implement its delegated roles from central government in the pursuit of agreed national goals.

The former should be essentially self initiated under what could be described as a power of “local competence”. It recognises that the role local authorities play in their communities should and will differ as communities and their needs differ. It will be determined by the willingness and ability of elected representatives to lead and to take initiatives which respond to community needs. The latter would be negotiated by central and local government and reflect agreements reached in the policy forum mentioned earlier.

Of course, as in any business, giving an operational unit such a free hand must be matched by effective ways of calling the unit to account for its actions. For local government, this machinery already exists. **Councils are already operating within the most comprehensive and powerful accountability process yet applied to any form of government in New Zealand.** The process has all the features of the kind of management control system used in business to accompany a significant level of delegation.

As mentioned in section two, the Local Government Amendment Act (No.3) 1996 established a rigorous framework for determining what local government could do. It requires the preparation of a long term financial strategy, one that forces strategic thinking a full 10 years into the future. This must include a specification of what a local authority is going to do; why it is going to do it; when it is going to do it; how much it will cost; who will benefit and who will pay. There is also a requirement to provide performance measures of success and to consult affected communities,

These requirements are in addition to the Annual Plans and Annual Reports required of Councils. These “tools” enable the local community to specify the work it wants done and express its satisfaction or otherwise with the outcomes. In addition, the Auditor General provides an objective external measure of the extent to which authorities are complying with legislation and using sound business practices. Council decisions may be judicially reviewed and, ultimately, citizens can give their views on a Council’s performance through triennial elections.

Together these components make up an effective statutory framework which provides all the checks and balances needed to manage both those initiatives demanded by the community and those agreed for local delivery with central government.

However, enhancing local government’s functional capabilities along these lines will require some initiatives. There is a very real question as to whether the appropriate levels of delegation from central government exist to enable

local authorities to decide on the services their communities need. Similarly, local government does, not have the freedom at present to make a meaningful contribution to the national goals of economic well-being and social cohesion by taking on functions delegated from the centre. This needs to be addressed.

Also missing is the context for local government action supplied by the tenets or policies agreed between central and local government. Only when these are in place will we know the relative spheres of interest of each party in contributing to the achievement of the agreed national goals.

6.4 Structure: what should local government look like?

As with the array of functions, there are many different views of what local government in New Zealand should look like. The structure has been redesigned many times, with the radical restructuring of 1989, and the somewhat lesser modifications to regional councils in 1992, the most recent. By the “structure of local government”, we mean the number, distribution, and form of the agencies providing facilities and services to local communities.

Few would agree that the structure created in 1989 was the definitive answer. The increasing integration and interdependence of society and its communities has raised questions about the need for further structural change. New challenges have arisen. There are pressures for change in many communities, for example:

- population pressures leading neighbouring communities towards merger;
- the desire for self determination amongst smaller communities wishing to retain their individuality;
- the inability of some small authorities to maintain the organisational scale and expertise needed in an increasingly complex world;
- the likely benefits of drawing together the management of some utilities;
- the logic of undertaking some functions across existing local authority boundaries; and
- the pressure for standard approaches to regulation across local authority boundaries from businesses and associations with national interests.

A measure of the increasing maturity of the sector will be its willingness to consider structural change as a way of making a greater contribution to the welfare of the communities it serves. The danger in ignoring pressures for structural change is that central government may force change when that pressure boils over into the national arena. Worse still, it undermines local government’s credibility and reinforces prejudices of the sector as incapable of handling significant delegations of authority.

This document does not suggest a new structure for local government. As with the provision of functions, structural change should be driven by local imperatives, and agreed strategies at the national level, rather than some theoretical notion of the “right solution”. Communities differ; each has its own unique set of issues and needs. Local authorities should respond by changing their structure where this would make the provision of community services more efficient and effective, or increase the level of customer satisfaction. Different structures may also be needed to contribute effectively to the attainment of national goals.

To recommend a possible new structure would be to run the risk of “freezing” yet another a set of institutions at the time when they were suggested, unable to respond to changing community needs and aspirations. **If this document had but one message, it would be that the *possibility of change* must be at the very centre of the system of local governance. The ability to *reengineer* the structure and functions of the sector when required will be the key ingredient in local government’s ability to remain relevant in a fast changing society.** If we do not retain this flexibility, we will deliver substandard services to our communities or, worse, central government will intervene.

Local authorities should be prepared to reconsider their structures (and functions) at regular intervals, particularly those Councils with social, economic, and population dynamics in flux. By asking basic questions about their reason for being (for example, “is the service or function required?”, “can the return or benefits to the citizen be enhanced?” and “what real obstacles are there to effecting change?”), Councils will continuously improve the services they offer and increase their relevance to their customers.

We need to depart from the view that the structure of local government is set in “bricks and mortar” and cannot change without major legislative upheaval. Structure is merely the organisation of people and resources to deliver what should be an optimal result. Local government should be able and willing to change to achieve this.

Clearly, the freedom to change the structure of local government in the manner suggested here will also require a change in how central government relates to the sector.

6.5 Culture: how should local government behave?

The third building block which must be addressed if local government is to head positively into the next century is the *culture* of the organisations which make up the sector. While much can be achieved by getting the structure and functions right, these are of little use without the right culture.

An organisation’s culture is the values, norms, and beliefs which drive its day-to-day behaviour and performance. It is the attitudes, ethics, and sensitivities of the people who make up an organisation and more about “how we behave” in the performance of our obligations than “what we deliver” as outputs. It is

the energiser of organisations and the predominant influence on service quality and standards of performance. Just as the cultures of different countries vary, so too do the cultures of organisations, even those carrying out similar roles, and often with dramatic effect.

The key to developing organisational cultures which have meaning to people within those organisations is to ground the culture in a strong sense of purpose. **For local government this can only be providing citizen or customer satisfaction.** Indeed, the development of a culture that puts the citizen first is critical to the future of local government.

Why customer service? Simply, because there is no other possible option. In the world of commerce, businesses are successful when the market is satisfied with the product or service being offered. While they may appear preoccupied with profits, growth, or dividends, underlying all of these are customers willing to buy. It is for this reason that business leaders are constantly focused on “customer satisfaction”. So it is with government. Local authorities will be successful when our customers needs are being met and our “customers” are our citizens. Communities will willingly empower local government and be prepared to “buy” our services if we deliver what they want and continue to enhance that delivery over time.

A target for local government in 2010 must therefore be the universal development of a culture that is customer/citizen driven, and that seeks continuous improvement over time. With this in place there is a far greater likelihood that the policy directives of Councils will be applied by staff who want to do their jobs more efficiently and deliver more effective services”

What does local government need to do to achieve this? First, local government must recognise that, of the five building blocks discussed here, culture, along with leadership, is largely in its own hands. Unlike structures, functions, or empowerment which are constrained by central government, the cultures we build are up to us.

Secondly, the development of appropriate cultures must be continuous. Once embarked on this course, we must continue to exceed our citizens expectations. Lost ground is extremely difficult to make up, and there is no going back.

Thirdly, cultural improvement must be led from the top. It is the Chief Executive’s responsibility to lead the commitment to a customer oriented culture, to build an organisation with quality management and staff, and to promote the local authority as a desirable place to work.

Finally, to develop a citizen centred culture, we need to recognise that local government is in the business of satisfying needs as much as it is delivering services. We all hope for responsiveness, sensitivity, empathy, and fairness in our dealings with those providing us with goods and services. Being aware that local government is in the business of satisfying such needs is a must for all who are involved.

In the end the development of a citizen service culture across the local government sector should lead to organisations which take pride in doing their work for the community in a positive and outstanding way.

6.6 Empowerment: what mandate should local government have?

The final key to the performance of local government over the next decade is the nature of its empowerment. In our political system legislation is the means by which governments acquire legal powers to act. Consequently, local government can only do those things that its statutory mandate allows it to do. If local government is to be given wider powers and a freer hand, central government must legislate for this and empower local government in law.

Over the years the underlying rationale for local government has become lost as governments have changed the legislation governing the sector. The result is that the current legislation is something of a patchwork quilt in need of significant revision or, as is planned, a complete re-write. This begs the obvious question: what sort of mandate should local government have?

It stands to reason that the empowerment of local government must mirror the overall roles we have already identified for the sector. In other words, the law must accurately define:

1. the extent to which local authorities may seek to meet local community needs and aspirations; and
2. the nature of the central government delegations necessary for local government to give effect to national strategic goals.

It should also reflect any agreements reached between central and local government on these key roles, and spell out the philosophy to be applied to local government. The principles or tenets delineating the roles of central and local government could be embodied in legislation, and provision could be made for the policy forum. However, for the reasons we have already advanced, there would be no need for the empowerment of specific functions or for direction to be given over the structure local government should adopt.

We accept that there are two views of the way in which Councils should be empowered, and that these reflect the two commonly held views of the nature of local government. On the one hand, some people believe local government exists to serve the collective interests of its communities and should be broadly empowered to act on local issues. On the other hand, others see local government as an “agency” of central government, undertaking only those functions central government chooses to give it.

In fact, examples to support both views can be found in the legislation which currently governs the sector. The powers we have suggested allow these views to constructively coexist. **What is essential is that local government’s empowerment must be driven by the desire to achieve the strategic goals**

of social cohesion and economic well-being, and any other agreed outcomes. An ad hoc legislative response to specific issues or pressures will add little to the achievement of desirable outcomes.

Of course, all of this depends on there being a way to develop agreed goals. Until now this has not existed. It is our contention that the policy forum would provide such a mechanism.

6.7 **A template for co-operative action**

At this point it will be helpful to draw together the points we have made in the preceding sections and consider the argument of this discussion paper in its entirety.

We began by suggesting that the reason why we need local government is to meet locally varying needs and aspirations. Local government provides communities with a means of making decisions that are relevant to their circumstances. We have demonstrated that local authorities inhabit a world that is changing rapidly on a number of fronts (advancing technology, increasing interdependence, economic and social change, and increased environmental expectations) and that it is extremely difficult to predict what the needs of local communities will be in 20 10 or any other time in the future.

Together, this fast changing society and diversity of need means any suggested new format for local government is likely to become quickly redundant.

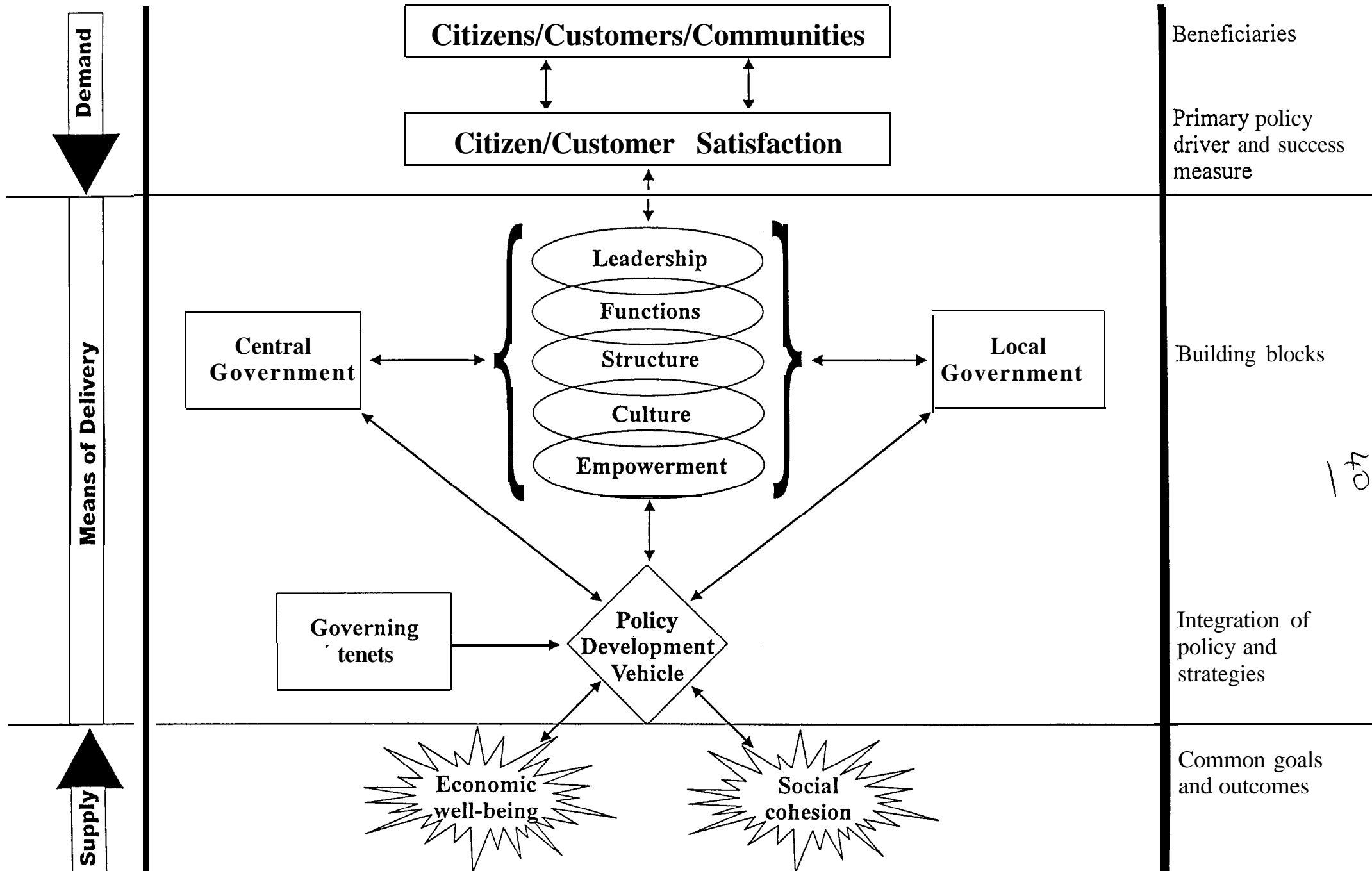
Governments of all kinds need to be properly equipped to manage the pace of change. This means creating a co-operative environment where the resources and strength of local and central government can be applied to maximum effect in the pursuit of goals and outcomes which are common to both. Working together, the two sectors will achieve much more for their customers than working separately.

For the first time in our history we have reached a point where it is possible to create such an environment. This is because both local and central government are at the *strategic stage* of their development and because, as Section 5 makes clear, both levels of government share the *commons goals* of economic well-being and social cohesion.

What is needed is a *mechanism* to make this happen. This mechanism, is illustrated in Figure 4.

Figure 4

Central and Local Government Integrated Outcome Planning



The mechanism portrayed by Figure 4 brings together a number of constituent elements of the political system to form a template for delivering **integrated outcomes**. These are outcomes which address the needs, not only of local communities, but also the nation as a whole.

Of course, to achieve these outcomes, it will first be necessary to identify what they are. While there is agreement over the desired national goals (**economic well-being** and **social cohesion**), we should expect there to be varying views as to what the desirable outcomes are and what policies or strategies should be adopted to reach them. The development of actionable strategies would be the principal task of the strategic policy making forum which, in Figure 4, is called the **Policy Development Vehicle**.

While the flexibility to respond to changing circumstances is fundamental to the model in Figure 4, there need to be some “ground rules” to spell out the expected roles of the two levels of government. Therefore, we have proposed a set of **governing tenets** or principles to explain the boundaries of each party’s authority and to define their obligations and responsibilities. Unlike the purposes of local government in the Local Government Act 1974, the tenets would not be frozen in time but could change to reflect the needs of either sector as the policy forum saw fit. Similarly, the forum could “blow the whistle” on either party if it acted contrary to the tenets and sort out disputes where necessary.

In the centre of the figure are the five building blocks of local government. We have argued that these building blocks need to be addressed now if local government is to deliver enhanced **citizen or customer satisfaction**. They should continue to be addressed in the future if the **leadership, functions, structure, culture, and empowerment** are to remain relevant.

Local government must take action to improve its leadership, both political and administrative, and to develop a citizen focused culture. Properly empowered, the political leadership of the sector could begin to implement the vision described in Section Four. For its part, central government must provide this empowerment, if the right structures or functions are to be developed. Currently councils are unable to address their functional or structural building blocks without the agreement of central government.

In the past change in local government has been piecemeal with little acknowledgement of the sector’s contribution to the strategic development of New Zealand. The issues under consideration at present suggest that this has not changed significantly (e.g., review of Water and Waste Water Services, the Local Government Act, and the Rating Powers Act).

Looking at local government from this perspective, however, is really only addressing half of the problem because, for the most part, the role of central government is not considered when changes are mooted. **The central message of the template is that if citizen and customer satisfaction is to be enhanced at either level, local and central government must consider**

themselves complementary, rather than competing, forces and adopt strategies that advance their mutual interest in community well-being.

Co-ordination, co-operation and common goal setting between central and local government are fundamental to achieving better local government by 2010.

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