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**THE 1990S
LOCAL GOVERNMENT REFORMS
IN NEW ZEALAND:**

**WHAT WAS ORDERED AND WHAT HAS BEEN
DELIVERED**

**A paper prepared for
Local Government New Zealand**

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READERS GUIDE TO THIS PAPER

This guide is intended to give the reader a brief overview of what to expect. It does so by providing brief details of the content of each of the substantive parts of the paper.

Part 1: Introduction

This paper is a re-write of a paper first delivered in 1994 and written to assess the major reforms to local government introduced by New Zealand's Labour Government in 1989/90. This re-write assesses the impact of the reforms a further three years on. It does so in a context of continuing change, highlighting the major changes to financial management legislation introduced in 1996 and the forthcoming changes to the ownership and management of New Zealand's roading system.

Part 2: What was ordered

This part puts the local authority reform process in context with the Labour Government's approach to public sector reform. It outlines the problems identified by the Labour Government and the approach which it decided to take to reorganisation.

It then goes on to outline how the main objectives for the reform process were set and what they were.

Part 3: What was delivered

In this part, the actual reforms, as they emerged, are outlined and compared with the objectives set. Particular emphasis is placed on the decisions taken in respect to regulatory powers and where they should be placed, the new powers given local government in respect of commercial activities, and the changes in respect of accountability and consultation.

Part 4: Post 1989/90 changes

New financial management legislation has been put in place with the intention of requiring local authorities to apply a public good framework to decisions about the activities they undertake, who benefits from those activities and how they should be funded. This section also discusses forthcoming changes in the ownership and management of New Zealand's roading system and the implications that will have for local government as the sector loses one of its major functions.

Part 5: What is still to come

It is obvious that we are only part way through the reform process. In this part, the paper identifies a number of major items which still need to be addressed. An immediate priority for central government is rewriting the legislative framework for water and waste water

infrastructure so that it is neutral as between public and private sector management or ownership. Other priorities include rewriting the Rating Powers Act and the Local Government Act both of which are increasingly out of tune with the needs of local authorities and the communities they serve.

Ongoing reform is likely to be evolutionary rather than imposed. Further structural change is likely as local authorities consider the benefits of scale, especially if they lose their roading functions; there is also an increased interest in revisiting the separation between regulatory and service delivery functions, with a growing interest in the creation of unitary authorities (local authorities combining the functions of territorial local authorities and regional councils).

Finally, it also seems likely that local authorities will play an increasingly important role in the delivery of core central government social services both as a co-ordinator/facilitator and possibly as a provider under contract.

Part 6: The role of consultation

The new requirements for consultation, and the associated accountability requirements, were clearly intended to act as constraints on local government activity. Initially, there were signs that the special consultative procedure, with its requirement that local authorities consult with their communities before taking defined types of major decisions, might significantly increase the legitimacy of local government action. The process appeared to offer the potential to obtain a public mandate for specific courses of action thus strengthening local government's hand.

More recently, it seems that the process may also have the potential to risk undermining the legitimacy of local government, largely because of differing expectations between local authorities and the publics whom they consult. The latter have expected consultation to be about deciding whether or not to go ahead with a proposal whereas, for local authorities, it has been seen (correctly from the legal perspective) as simply one further step in gathering information on which to make a decision.

Partly in response to this local authorities are increasingly drawing a distinction between the formal legal requirement to consult, and what makes for good communication and are experimenting with a variety of ways of building understanding between themselves and their communities.

Part 7: Local Authorities as local government

This part argues that local authorities, increasingly, are becoming the local governments of their districts. It speculates that a number of different factors are, possibly irrevocably, shifting the balance of governance from central to local government.

PART 1: INTRODUCTION

P In the past eight years, New Zealand's local government sector has undergone a series of major reforms. In 1989, the Government, through the Local Government Commission, undertook the most comprehensive reform of local government New Zealand has ever seen. The number of local authorities was reduced from more than 800 to 87. Most special purpose local authorities were abolished and the number of territorial authorities reduced by two thirds.

This was accompanied by quite major changes in the legislative framework for local government. Chief Executives were formally designated as the employers of local authority staff (previously, staff had been employees of the elected Council) in a move intended to mirror the policy/operations split which central government had adopted as a principle for public sector reform. The Government also legislated new and demanding requirements for consultation and for disclosure of information. At the same time, New Zealand's environmental and planning regulation underwent a comprehensive rewrite.

Change continued. In 1992, the Government refined the role of Regional Councils and legislated for the compulsory corporatisation of electricity distributors, a number of which were owned by local authorities.

In 1996, it legislated a comprehensive rewrite of the financial reporting and accountability requirements for local government and, at the end of 1997, is part way through a process which will fundamentally change the role of local government in the provision of roading (which for many of New Zealand's rural authorities has been their principal undertaking). Further change is foreshadowed with indications that central government would like to make the provision of water and waste water services and infrastructure contestable.

At the same time, within social services, there are signs that the Government sees an increasing role for local government in the co-ordination and, possibly, delivery of key social services.

The purpose of this paper is to provide an overview of the changes of the past eight years or so and something of a crystal ball for the changes yet to come. Looking forward, the emphasis is on the potential for local authorities to become truly the **local government** of their districts.

In keeping with that approach, this paper is divided into six parts:

- What was ordered; an overview of the 1989/1990 changes;
- What was delivered;
- Post 1989/90 changes;