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A TURBULENT PAST, A TURBULENT FUTURE?

Reform and disruption in the local government of New Zealand

Michael Reid and Michael Macaulay

Introduction: a fight for legitimacy?

The 2017 general election in New Zealand was arguably the most significant for local government since 1876, which saw the abolition of provincial government and the creation of the local government structure that lasted until 1989. A key issue in 2017 was the very nature of local government itself, and the future of local democracy. Although it was rarely articulated as such, the election presented a choice between a conception of local government as the ‘government’ of New Zealand’s towns, cities and localities and a conception of local government as little more than a service provider with relatively minimal ability to act in the interest of their various publics. Neither of the major New Zealand political parties, National or Labour, went into the election with stand-alone local government policies, but over the last two decades they have each clearly signalled quite different preferences for the roles that local government should play. The full ramifications of the election result will need to be worked through, but it is clear that the future of local government and local democracy in New Zealand will be heavily influenced by the voting preferences of those who voted in October 2017.

In many respects New Zealand has been viewed as an international leader in public sector reform over the last few decades (Reid 2016a; Cheyne 2002), and a comparable situation can be seen in terms of local government. In the aftermath of the reform and reorganisation of local government that took place in 1989, the number of local bodies was reduced from 852 to 87 and the radical changes to the way in which councils worked were introduced, which mirrored central government’s obsessions with what has been characterised as New Public Management (NPM) (Boston et al. 1996). Other countries were following similar paths to reform. The elements underpinning much of the New Zealand approach to NPM (e.g. contractualism, a focus on scale and efficiency, etc.) also influenced the nature of local government reform in many countries, particularly given the endorsement of international agencies like the OECD and World Bank, both of which have strongly endorsed decentralisation as a critical development strategy (OECD 2017; Wollman 2004).

New Zealand local government issues have come under the spotlight a number of times recently. A local governance national dialogue was launched in 2015 by Victoria University of Wellington to look specifically at a number of aspects of central–local relations. Entire special
issues of journals have been dedicated to charting the new research terrain for local government (see Reid and Macaulay 2016); whereas some researchers have been calling for radical reforms to local democracy, along the Swiss model (Krupp 2016).

Such reforms potentially make the case that turbulence is perhaps just the natural state of play for local government. We can see this at a global level. As this book goes to press for example, there are potentially huge changes ongoing with local government systems in countries as diverse as Finland, Wales and the state of Victoria in Australia. There is an extensive literature on the subject of local government reform and the factors that cause or ‘drive’ change in local government (Dollery and Robotti 2008) and while the nature of local government change in each country will be driven by factors specific to that country, that is, reform has a major ‘path-dependent’ nature, there are some underlying themes. Perhaps the most important concerns the tension between changes that are designed to promote efficiency and those designed to promote democracy, and how this tension plays out on the ground, which is the very distinction that was central to debate in the New Zealand 2017 general election.

Underpinning this tension is a more fundamental issue: how local government itself is understood. Is it a legitimate and ‘organic’ expression of a community of people or is it simply an instrument for meeting the objectives of higher level governments. Current discussions in New Zealand, then, do not simply revolve around the limits of local government power and influence, but the legitimacy of local government itself. This chapter will explore these tensions further and will pose the question as to the impact of reforms on the electoral enthusiasm for local government in New Zealand.

The New Zealand local government model

The origins of local government in New Zealand are frequently traced back to British colonisation in 1840, although a more accurate reading acknowledges New Zealand’s indigenous history in which sovereignty belonged to multiple tribal systems of the Māori which were essentially forms of local government. The creation of conventional local government resulted from a combination of settler pressure and the influence of the British Colonial Office (Bush 1995) which sought to replicate the outcomes of the Municipal Reform Act, 1835 in the new colony. For the first 35 years or so of its existence the new colony was a federation in which provincial government held considerable authority and was responsible for establishing local governments. Unlike other local government systems which evolved more organically, the New Zealand system exists as the result of the decisions of it parliaments. This relationship was clear from early on, as the provinces were abolished in 1876 and a national system of county and municipal government established to take their place. It was a system of local government that remained relatively intact until reform and modernisation in 1989.

The current New Zealand model consists of a single tier system of local government consisting of three types of local authority; territorial, unitary and regional. There are 61 territorial authorities (average population is 49,253, excluding Auckland), known as cities or districts, which provide a broad range of local services, such as local roads, parks and libraries. There are also 11 regional councils which tend to have specific environmental and resource management responsibilities with boundaries that largely match water catchment areas. In addition there are six unitary councils (cities or districts) which combine both territorial and regional council functions and responsibilities. In some instances such arrangements have been varied because of relative remoteness and population distribution. Reflecting a growing acceptance of this approach a new unitary authority, Auckland Council which was previously a metropolitan
Reform and disruption in New Zealand

Area consisting of seven territorial councils and one regional council, was created by Parliament in 2010. Not only is Auckland Council the largest local authority in New Zealand, representing nearly one third of the country’s total population, but it is also a new and bespoke approach involving a stronger mayor and a shared governance approach with local boards responsible for neighbourhood services. It also placed responsibility for major infrastructure activities and metropolitan services, such as water, transport and economic development, with corporate type bodies (council-controlled organisations) – a move that was to provide a template for later reforms.

Unlike many other local government systems, where the relationship between local and regional government is hierarchical, the relationship in the New Zealand model was designed to be complementary rather than hierarchical. Emphasising this complementarity regional councils were initially given a narrow range of functions that were outside the responsibilities of territorial councils, except for district and city planning. This reflected the objective, important in the late 1980s, which was to create an institutional environment in which regulatory activities were separate to operational activities (to avoid the ‘gamekeepers turned poacher’ issue). Regional councils, for example, were given responsibility for water quality standards while those activities that use, or pollute, waterways were located with territorial authorities, which were required to seek regional council approval before agreeing to discharges into waterways or establishing new landfills. The growth in unitary councils, particularly Auckland Council, highlights a shift away from that early policy objective (see Duncan 2016).

The New Zealand local government system also contains community boards and local boards which are types of elected sub-municipal bodies. Approximately 45 cities and districts have 109 community boards which have a number of mandatory responsibilities prescribed in the Local Government Act 2002 (hereafter LGA 2002). These are to:

- represent and act as an advocate for the interests of its community;
- consider and report on all matters referred to it by the territorial authority, or any matter of interest or concern to the community boards;
- maintain and overview of services provided by the territorial authority within the community;
- prepare an annual submission to the territorial authority for expenditure within the community;
- communicate with community organisations and special interest groups with the community;
- undertake any other responsibilities that are delegated to it by the territorial authority (LGA 2002: §52).

While the primary roles of community boards are representation and advocacy many councils have delegated additional responsibilities to their boards, through a process of internal devolution.

At the time of writing, local boards are only found in Auckland which has a co-governing arrangement between a governing body and 21 local boards. Local boards are similar to community boards but have a much larger operational role, which involves budgetary control of neighbourhood services within their jurisdictions such as local parks, libraries and recreation services. Local boards are also required by statute to prepare three year plans and develop funding agreements with their governing body of the Auckland Council. The members of Auckland’s local boards are elected and have a range of responsibilities in relation to local services, such as local parks, facilities, libraries and community activities. Each board is required to prepare a three year strategic plan and negotiates an annual funding agreement with the governing body.

New Zealand has a council manager model of local administration with governing bodies restricted to the direct employment of a single staff member, the chief executive, who is
responsible for the employment of all staff on their behalf. Chief executives are employed on contracts and the positions must be re-advertised every five years, although a process is available to extend the original contract for additional two years. Mayors have no executive authority, other than being the presiding member and may have a casting vote at council meetings. The exception, as noted above, is the Mayor of Auckland Council who has a broader range of powers, including a mayoral office with a guaranteed number of staff. In 2012 the Government amended the LGA 2002 to make it clear that a mayor’s role is to lead the members of a council, the community and the development of plans, policies and budgets as a way of strengthening the role of mayors outside Auckland Council.

New Zealand local government has a relatively narrow range of functions and responsibilities. Most social policy responsibilities (e.g. health, welfare and education) sit with central government, although key areas such as housing remain with local governments. The functions of New Zealand local government are outlined in Table 11.1.

Councils are also major providers of local and regional regulations, such as the regulation of dogs, responsibility for bio-security, the location of gaming machines, licensing food premises, building control and the location of premises selling alcohol. Regulatory regimes vary from those that provide councils with minimal discretion to fully decentralised regulatory responsibilities which have extensive discretion.
The financial and constitutional model of New Zealand local government

Reflecting its narrow task profile local government expenditure constitutes less than 4% of gross domestic product and 9.8% of all public expenditure, a figure well down on the share of public expenditure in 1930 which as approximately 50% (Cookson 2007). Consequently central government expenditure is approximately 90% of all public expenditure compared with 72.3% in the United Kingdom, 63% in Australia and 14% in Switzerland (OECD 2011). Despite its small share of public expenditure recent governments have begun to look closely at local government’s functions and responsibilities with a view to driving efficiency, including a greater interest in national steering and direction setting, a tendency not unique to New Zealand (see Vakkala and Leinonen 2016). Although local government expenditure reflects a low level of fiscal decentralisation it is also one of the most fiscally autonomous systems in the world with high levels of political and administrative decentralisation (Reid 2015). New Zealand local government raises approximately 90% of its own income and has full capacity to spend that income according to local preferences although constrained by councils’ reliance on a single tax base, which is on land and/or improvements. Rates are the largest source of local government revenues (see Table 11.2).

Property rates are the sector’s exclusive tax base with councils required by law to operate a balanced budget on an accrual basis. Draft budgets and work programmes must be prepared before the start of each financial year and councils must provide a least a month for citizens and businesses to provide comment and feedback on the draft. Rates are normally set to fill the gap once income from user charges, regulatory fees, interest, dividend income, and government subsidies has been estimated. Depending upon external sources the proportion of income from property rates can be as high as 75% or as low as 35% of a council’s total revenue. Property rates are distributed across residential and business properties on the basis of the land or capital value of each property. Councils can also apply uniform general charges and targeted rates, based on a feature of a property. Valuation is undertaken by independent valuers at least once every three years.

An important aspect of the New Zealand framework is the requirement on councils to prepare a Long Term Plan (LTP) incorporating a ten-year financial forecast and a 30 year infrastructure strategy. LTPs must be reviewed every three years and include a councils financial strategy, which provides, among other information, the forecast levels of rates and debt for the next ten years. The LTP, the original version of which was introduced in 1996, reflects the New Zealand preference for a social accountability approach (community steering), although, as the paper will show, the use of top-down accountability measures is increasing.

Table 11.2 Local government income 2015–2016

<table>
<thead>
<tr>
<th>Source</th>
<th>NZ$ thousands</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates (property taxes)</td>
<td>5,317,234</td>
<td>60</td>
</tr>
<tr>
<td>Regulatory income and petrol tax</td>
<td>580,839</td>
<td>6.5</td>
</tr>
<tr>
<td>Grants and subsidies income</td>
<td>1,029,893</td>
<td>11.6</td>
</tr>
<tr>
<td>Total investment income</td>
<td>540,882</td>
<td>6.1</td>
</tr>
<tr>
<td>Sales and other operating income</td>
<td>1,396,582</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>8,865,430</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: www.localcouncils.govt.nz*
One feature that distinguishes the New Zealand system from many other local government systems is the relatively small proportion of transfers (grants and subsidies) allocated by central government. Grants and subsidies are primarily used for the construction, renewal and maintenance of local roads, which make up 13% of council income. Local government owns nearly 90% of all roads and transport is funded by a hypothecated tax consisting of road user charges and fuel taxes. Councils receive approximately 45% of the fund which is allocated on a matched funding basis with contributions weighted to acknowledge socio-economic status of each community. Another relatively unusual feature of the New Zealand system is the absence of any formal equalisation funding. The expenditure pattern of councils highlights the minor role they play in social services. In contrast, roads, transport, water and waste water make up nearly 44% of total expenditure, indicating that their major focus is infrastructure (see Table 11.3).

A key feature of the shift towards corporatisation, privatisation and outsourcing has been the reduced share of expenditure allocated to employee costs – a share that has fallen from nearly 25% in 1998 to 21% in 2012. Since the early 1990s there has also been an increase in expenditure on depreciation which has grown from under 8% in 1995 to 21% in 2016. This is related to the requirement for councils to balance budgets on an accrual basis which treats depreciation (or the loss in asset value) as an actual cost. There has also been an increase in the level of local government debt although the average cost of debt-servicing continues to be modest at 6% and well below the thresholds set by the government through its financial prudence benchmarks. In 2016 the sector’s liabilities sat at $18 billion set against total equity of $113 billion (www.localcouncils.govt.nz).

Local-central relations are frequently approached through a constitutional lens: local government systems that have constitutional status are seen to be qualitatively different from those that are not. Arguably this creates a false dichotomy, however, as constitutions themselves are social constructs and in most cases, although the existence of a local government system may be guaranteed constitutionally, the systems’ powers and responsibilities will be left to legislation and regulation by state or provincial governments. Yet the constitutional position of New Zealand’s levels of government is, we suggest, crucially important.

Like very few other countries New Zealand does not have a codified constitution, nor a constitutional court. Consequently, local government has no effective constitutional status: its status, powers and even its existence are entirely dependent upon the wishes of the executive and parliament. And in the absence of an upper house the executive has considerable authority.

<table>
<thead>
<tr>
<th>Economic classification</th>
<th>Functional classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>Governance</td>
</tr>
<tr>
<td>Interest</td>
<td>Culture, recreation and sport</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Regulation and planning</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>Solid waste management</td>
</tr>
<tr>
<td>Goods and Services</td>
<td>Water &amp; wastewater</td>
</tr>
<tr>
<td></td>
<td>Environmental protection</td>
</tr>
<tr>
<td></td>
<td>Roads and transportation</td>
</tr>
<tr>
<td></td>
<td>Emergency management</td>
</tr>
<tr>
<td>Total</td>
<td>Total*</td>
</tr>
</tbody>
</table>

*Includes economic development, community development, property and support services.

Source: www.localcouncils.govt.nz

Table 11.3 Recurrent expenditure by local government for the year ending 30 June 2016

<table>
<thead>
<tr>
<th>Economic classification</th>
<th>22%</th>
<th>Functional classification</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>7.5%</td>
<td>Culture, recreation and sport</td>
<td>14%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>21%</td>
<td>Regulation and planning</td>
<td>9.1%</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>11.5%</td>
<td>Solid waste management</td>
<td>4%</td>
</tr>
<tr>
<td>Goods and Services</td>
<td>38%</td>
<td>Water &amp; wastewater</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environmental protection</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Roads and transportation</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Emergency management</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other*</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

Total 100.0% Total 100.0%
Reform and disruption in New Zealand (Drage 2016). Consequently the central–local relationship is markedly asymmetrical which goes some way to explaining New Zealand’s high level of fiscal centralisation and the frequency with which the rules under which councils operate tend to be changed. In place of a consolidated constitution New Zealand’s constitutional status is found in a number of statutes, such as the New Zealand Constitution Act 1986. Some commentators arguing that the core local government statutes should be seen as part of this constitutional framework (Reid 2011). The three core local government statutes are:

- the LGA 2002, which sets out the purpose, powers and accountability requirements of councils;
- the Local Government (Rating Act) Act 2002 which allows councils to levy a property tax; and
- the Local Electoral Act 2001, which sets out local government’s electoral rules.

There are in addition numerous statutes that provide councils with specific powers and duties or define accountability requirements, such as the Local Government Official Information Act 1986 which guarantees public access to information. At least 30 statutes provide councils with specific regulatory powers, including the power to regulate land use.

A whirlwind of reform

The one-sided relationship, politically, financially and constitutionally, has also resulted in the substantial turbulence to which the title of this chapter refers. Changes in government have often resulted in wholesale reform of local government, even within the last thirty years. The ‘modern’ period of local government reform began with the Local Government Act Amendment Act (no. 2) 1989, with 828 local bodies replaced with 86 multi-purpose local authorities. It was this legislation that also introduced some NPM measures designed to modernise the way in which local governments worked, including the introduction of private sector management techniques, such as contracting and performance management; the creation of local authority trading enterprises which were exposed to market competition; a clear separation of governance and management, with chief executive contracts for limited periods; and the introduction of accrual accounting. The massive restructuring of local government bodies led to warnings ‘not to equate size of authority with efficiency’ (Ellwood 1995: 311) and there were frequent concerns that while efficiency was one of the reform objectives, that it should not be achieved at the expense of democracy. It was a view shared by many:

The social, economic and environmental problems confronting New Zealand are not capable of being solved by central government alone. . . . The legislation needs to give local government sufficient scope for it to be able to work in partnership with central government, and with community and business . . .

(Department of Internal Affairs 2000: 3)

This continuing debate between democracy and efficiency meant that with the election of a Labour-led government, that a new local government regime was enshrined in law.

Addressing the concerns about the loss of local democracy, the LGA 2002 essentially ‘repurposed’ local government as an active player in the governance and leadership of communities. Local authorities were granted the power of general competence (which replaced the principle of ultra vires) and gave local government the new purpose as enabling democratic local decision-making and action.
by, and on behalf of, communities; and the promotion of the social, economic, environmental and cultural well-being of communities, in the present and for the future (see LGA 2002: §10).

In addition, LGA 2002 instituted evolution from the requirement to develop Long Term Financial Strategies (LTFS) into a requirement to develop Long Term Council Community Plans (LTCCPs), a form of community strategic planning. There was also a requirement to establish a community based process for defining community outcomes and an obligation to report to citizens on those pre-identified outcomes. Finally there was a move towards increasingly acknowledging the views of diverse communities and to provide opportunities for the Māori to participate in decision-making processes.

This approach did not endure. The notion of local government as a community enabler and proactive facilitator came to an end shortly after the election of a national-led government in 2008. Once again for the drive was to subordinate local to central government, which instituted a series of major legislative changes that removed the LGA 2002 provisions for engaged community governance and simultaneously diminished the autonomy of local governments through the diminution of the policy space in which councils were permitted to operate. The most important policy drivers came to be those of accountability, technical (rather than allocative) efficiency and scale.

The national government reforms embodied an explicitly expedient approach. The reasons given for dismantling the LGA 2002’s community governance orientation were ultimately driven by an apparent need to improve local government accountability and improve efficiency, on the view that the LGA 2002 had encouraged councils to expand into services that Ministers considered were inappropriate for local government. Ministers believed that local government accountability was too weak, despite accountability reforms enacted since 1989, and that councils were too willing engage in ‘non-core’ activities due to a lack of fiscal discipline. Within a year of the election the government released a reform package entitled ‘Improving Transparency, Accountability and Fiscal Management’, which, among other measures, argued the need for core services to be defined. Consequently the 2010 amendment to the LGA 2002 included a list of so called core services including network infrastructure; public transport services; and, libraries, museums, reserves, and other recreational facilities and community amenities (LGA 2002: §11A).

Still unsatisfied with the level of accountability the then-Minister, Nick Smith, developed a reform programme he called ‘Better Local Government’ (BLG), which he described as ‘an eight point programme to improve the legislative framework for New Zealand’s 78 councils. It will provide better clarity about councils’ roles, improved efficiency and more’ (Smith 2012: 2).

The BLG programme was given effect through LGA amendments in 2012 and 2014, both of which were completed by the Minister Smith’s successors, and resulted in significant change to the original LGA 2002, including a new purpose for local government that removed the focus on community well-being and replaced it with requirement to provide local infrastructure and services. Yet these changes were not considered sufficient and a further LGA 2002 amendment was prepared in 2016. This bill was designed to give the Local Government Commission (LGC) the ability to compulsorily establish multiply owned council controlled organisations to operate council services, without any right of a council or its community to object. If enacted it would also greatly increase the power of the Minister of Local Government to decide which areas of New Zealand should be subject to local government reorganisation and set performance measures for council services. While the Local Government and Environment Select Committee made significant changes to many aspects of the Bill, such as making the transfer of activities to multiply owned CCOs subject to council agreement, it still signalled a major increase in the powers available to central government to intervene in local affairs.3

An unexpected change of government in October 2017 brought a Labour-led coalition to power which, while it failed to publish a local government manifesto, quickly began work on
drafting legislation to reverse some of what it saw as the egregious changes introduced by its predecessor since 2009. At the time of writing work had begun on a Bill to re-instate the previous purpose of local government, to promote social, economic, cultural and environmental well-being, which was removed in 2012.

Recent amendments and their impacts are summarised in Table 11.4.

Table 11.4 Summary of recent local government reforms

| LGA 2002 Amendment Act 2010 | 1 Changed name of the Long Term Council Community Plan to Long Term Plan (LTP). |
|                            | 2 Removed any reference to coordination and participation in the purpose of the LTP. |
|                            | 3 Removed the requirement to involve citizens directly in the identification of desired community outcomes. |
|                            | 4 Removed the requirement to report on achievement of outcomes. |
|                            | 5 Introduced a list of core services. |
|                            | 6 Introduced non-financial benchmarks for infrastructure services. |

| LGA 2002 Amendment Act 2012 | 1 Replaced the obligation to promote wellbeing in s. 10, (the purpose of local government) and replaced it with a requirement to deliver good quality local infrastructure, public services and regulation; |
|                            | 2 Defined the leadership roles of mayors and allowed them to access additional powers; |
|                            | 3 Changed the rules governing council re-organisation to favour establishment of unitary councils; |
|                            | 4 Added s.17A which requires regular reviews of the way in which councils deliver services; |
|                            | 5 Introduced significant ministerial intervention powers where there is a ‘problem’; |
|                            | 6 Also introduced fiscal benchmarks and gave the Minister of Local Government new intervention powers. |

| LGA 2002 Amendment Act 2014 | 1 Required the adoption (without consultation) of Significance and Engagement policies. |
|                            | 2 Reduced the requirement to consult on annual plans and budgets to one where significant change is proposed. |
|                            | 3 Introduced a new duty to review efficiency of the way in which services are delivered. |
|                            | 4 Introduced prudent financial benchmarks. |

| LGA 2002 Amendment Bill* 2016 | Proposes a new re-organisation framework that includes: |
|                              | 1 The ability of the Local Government Commission (LGC) and councils to establish multiply owned CCOs. |
|                              | 2 Greater discretion for the LGC to develop reorganisations on its own volition. |
|                              | 3 Powers for the Minister of Local Government to direct the LGC.** |

| Local Government (Community Well-being) Bill 2018 | Designed to reinstate the purpose of local government set out in 2002 and removed by the LGA Amendment Act 2012. |

*Currently waiting for a decision by the Labour-led Government, elected in late 2017, as to whether the Bill will be amended or withdrawn.

**Multiply owned CCOs can be established by the LGC but the agreement of affected councils is required before they can be established.
Implications and impact

By anybody’s standard, the programme of legislation outlined above embodies substantial change over time. Yet they are far from a coherent policy approach: for example, much of the LGA Amendment Bill 2016 simply replaces the local government reorganisation provisions of the 2014 Act. The government decision to change the LGA 2002 and remove the key elements that constituted the community governance approach was based on the view that the Act, with its general powers and broader purpose, had caused councils to expand into new areas of policy and operations consequential significant increases in local taxation, necessary to pay for them. The arguments were a combination of anecdote and highly aggregated data and the use of both, in all cases, was problematic.

One notable example was the misleading argument that:

Rates have increased by 6.8% per annum since 2002; more than double the rate of inflation. If rates had been kept to the rate of inflation the economy would have spent $1 billion per year less ($500 per year for each average household)

(Smith 2012)

While households might have been better off if rates were capped to the rate of inflation, a substantial amount of infrastructure investment ($1 billion per annum according to the Minister of Local Government) would not have occurred which would have had a disastrous impact on social and economic investment (Dollery 2017). The justifications given to show that council expenditure was out of control and measures were required to constrain the scope of local government activity were crude at best, often relying on simple comparisons between increases in rates and household inflation. Yet the 2007 Local Government Rates Inquiry which considered among other matters the fiscal impact of the LGA 2002 concluded: ‘the panel does not consider that this empowerment [the LGA 2002] has been a significant driver of increased

Figure 11.1 Rates as a share of GDP

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expenditures . . . there is little that local government is now doing that it has not previously been doing’ (Local Government Rates Inquiry 2007: 78).

In fact, a commonly used measure of fiscal prudence that Ministers could have taken note of, and one that paints a very different picture, is the relationship of rates to gross domestic product (GDP). In local government’s case there has been very little change over the last century (see Figure 11.1).

Despite the lack of a sound evidence base and incoherent nature of the successive reforms, a number of implications can be discerned. Many of the changes have had the effect of reducing the discretion of elected members, such as the amended §10 of LGA 2002, which removed the references to promoting community well-being in the purpose of local government. The autonomy of local councils has been further eroded by giving increased powers of intervention to both the Minister of Local Government and other Ministers, such as the Minister for the Environment following changes to the Resource Management Act 1991. And democratic decision-making has been clearly diminished by shifting activities into corporate style arms-length delivery arrangements away from the direct democratic oversight of citizens. In attempting to strengthen accountability, the reforms have overlooked the key point that accountability in local democracy must be for local citizens.

The shift of accountability and local democratic principles have been keenly felt in local elections, and the latest data suggests another set of implications that must be taken seriously in the continued battle for the soul of New Zealand local government.

Local elections are held by universal suffrage every three years according to provisions set in statute which allow some variation in forms of election. So, for example, elections can be by ward or at large, with plurality voting or Single Transferable Vote; the number of councillors can be varied; and online voting is currently being explored Territorial authorities have directly elected mayors while regional councils are led by chairs elected from and by councillors. The maximum number of elected members on regional councils is 14 while territorial authorities can have as many as 30 elected members, however, the average number per council is less than 12. As a result New Zealand’s representation ratios are considerably higher than in other jurisdictions, with one councillor per 5056 citizens, as opposed to France’s 1:120 ratio or even Scotland’s 1:4229 (Reid 2016b). Auckland Council, the largest, has a governing body of 21 members, including the Mayor with a representation ratio of approximately one member to 76,000 citizens (it also has a framework of local boards for local matters). Following the 2016 local authority elections the proportion of elected members who are women reached its highest level at 38% of all elected members. There are approximately 880 councillors and mayors and more than 500 sub-municipal elected members (community and local board members) (Reid 2016b).

Recent research sheds light on some of the potential electoral impacts of reform in the 2016 New Zealand local elections. Two surveys were undertaken using a common methodology and a similar set of questions: the first was a survey of Auckland residents involving a sample size of 1,259; the second was a survey of the rest of the New Zealand with a sample size of 1,054. The surveys were conducted in October and November 2016, respectively.

The turnout for the 2016 local elections throughout New Zealand, including Auckland, was 43 per cent, which reflects a downward trend over the last thirty years (in the late 1980s local election turnout was approximately 60%). This cannot be attributed to local awareness: 93% respondents stated that they knew the elections were taking place; over 80% had received information through advertising; and 58% recognised the ‘Vote 2016’ logo, which had been designed specifically to raise awareness (Macaulay and Weinhold 2016).
Respondents clearly evinced principles of democracy for both their reasons for voting and for not voting. In an open-ended questions respondents commonly identified ‘to have my say’, ‘civic duty’ and ‘for a better future’ as common reasons for voting (Macaulay and Weinhold 2016). Perhaps even more interestingly, ennui and lack of interest were not important factors for respondents. Only 10% stated that they had not voted because they were not interested in politics; whereas a mere 2.6% of non-voters did not do so because they felt their vote would not have made a difference (Macaulay and Weinhold 2016).

Conclusion: looking out from the eye of the storm

This chapter has argued that the current turbulence facing New Zealand’s local government sector is not new: far from it, the last three decades alone have seen almost continual reform. Yet it does feel that the sector is facing a genuine crossroads in perceptions as to its place in the political realm: is it simply to be seen as a delivery arm for services or does it have a genuine democratic future? There are a number of reasons for this.

First and perhaps most obviously, current debate can be seen as the logical end to the longer period of reforms, starting with NPM and the 1989 legislation. Ever-growing privatisation and managerialism has shunted democratic accountability to one side, bringing in other forms that do not necessarily reflect the public view. The latest research on the 2016 elections clearly demonstrates that as far as local citizens are concerned, local government maintains its emotional and civic hold on people. In fact it goes further; respondents argued that local government is part of democratic and civic culture in New Zealand.

A second reason must be the lack of constitutional status afforded local government in New Zealand, which has allowed such sweeping and contradictory reforms to be imposed. These in themselves have a very negative trade-off for local democracy. The more time local government needs to spend in responding to such changes, the less time it capacity and capability it has to enact its democratic mandate. The process of continual reform effectively undermines local government’s ability to perform, which creates a vicious circle whereby it faces increased accusations of poor performance. A further issue is that local government in New Zealand is not the instigator of its own discord: in fact it has never stepped beyond its duties or its boundaries. Even in the Local Government Act 1974, which predates the ‘modern’ era of reform its freedoms were clearly legislated:

The Council may . . . undertake, promote, and encourage the development of such services and facilities as it considers necessary in order to maintain and promote the general well-being of the public and may promote or assist in promoting co-operation in and co-ordination of welfare activities in the district.

(Local Government Act 1974: §598(1))

Each subsequent wave of reform played on this theme: the autonomy and political independence of local governments to serve their communities. Yet each wave of proposed change also challenged the extent to which these powers and roles needed to be calibrated. The current challenge is over the principle of local democracy itself. The extent to which local government in New Zealand would have thrived if it had not been subjected to the enforcement of decades of central government direction is, of course, a moot point. But the stakes are now for the future of the New Zealand local government system itself – indeed, for the degree to which it would be able to be described as local government in the future. What is crucial is that political leaders at all levels acknowledge democratic desires rather than ideological orientations. There remains
strong support from New Zealand citizens for local democracy, one that is linked with notions of civic duty and citizenship rather than just receipt and consumption of services. As a result of the change of government in October 2017 there is every indication that citizen engagement will once again come to the fore with an expectation that local government should play a more active role in creating more positive well-being outcomes.

Notes
1 After a number of unsuccessful attempts to establish local government, beginning with the Municipal Corporations Act 1842 passed by the then Legislative Council, a system of provincial government was established in 1852, with provinces empowered to establish local councils although with no national consistency. Parliament abolished the provincial governments in 1876 and replaced them with a national local government system consisting of municipalities for urban areas and counties for rural areas, a system that remained until 1989.
3 While the bill remains on parliament’s order paper it is not expected to proceed in its current form.

References


