

# Managing for economic growth, transformation and efficiency

Briefing for the Incoming Minister – December 2015



## OUR KEY MESSAGES FOR YOU

The Society of Local Government Managers (SOLGM) welcomes you back to the Local Government portfolio, this time as Minister. This briefing provides you with further information about who we are and how we can help you implement your Government's agenda.

We've also focused on the role that local authorities and their professional management have in promoting economic growth, transformation and efficiency. Finally we conclude with some views on the issues you and the Government are likely to face in the next three years.

### Our key messages are:

1. *A relationship with SOLGM has a payoff in better quality policy advice, and the implementation of your legislative and regulatory changes.*

We are an independent, apolitical organisation that works proactively on the technical and practical aspects of legislative and regulatory change. Quality policy and legislation should actively seek the input of those who know the technical and practical issues involved in making legislation work on a day-to-day basis. SOLGM and its network of members in New Zealand, and alliances with like organisations overseas, are your best source of this sort of advice. We may not always tell you what you want to hear, but we'll always tell you what you need to know to make things work.

2. *Local government is a key player in the achievement of economic growth, transformation and efficiency.*

In addition to a role as a significant producer in our own right, the local government sector provides key productive infrastructure, and community infrastructure necessary to promote New Zealand as a place. Local government managers are tasked with the day-to-day responsibility for ensuring that services run effectively and efficiently. It is local government management that is generally the source of innovation and efficiency in the delivery of local governance. Our briefing presents six case studies of local managers driving initiatives that promote growth, transformation and efficiency.

3. *Local government managers accept that transparency in performance enhances the story we tell our communities.*

SOLGM has long accepted that effective local government, at its heart, revolves around how well or poorly local authorities demonstrate the value proposition to their communities. Much of our guidance on planning and funding flows from this single principle.

SOLGM has therefore long emphasised the importance of effective performance management. We first developed guidance on performance management nine years ago and review it every three years. We are co-sponsoring a performance benchmarking initiative with our partners, Local Government Professional (New South Wales) and PwC Australia, that about a third of the sector has signed up to. And we've worked with your officials to develop guidance to report both the non-financial performance measures and your own fiscal benchmarks.

We submit that performance management's first and only purpose is as a tool to improve the delivery of services to the community. Measures that become a stick encourage gaming behaviour, stifle innovation, crowd-out other expenditures and generally work against their own stated purpose. We look forward to engaging with you on measurement and reporting that make sense.

4. *Barriers to scale and acquisition of strategic capacity in service delivery should be removed.*

Your predecessor recently launched the Fit for the Future initiative – focusing on more efficient structures for delivering services. SOLGM concurs that those legislative blockages that inhibit local authorities from seeking scale economies and building strategic capacity should be removed.

We sound two notes of caution. First, the largest barrier to arrangements such as joint CCOs is the acceptability of these arrangements to the public, and ultimately to politicians. An evidence-based case for change that shows the benefits must be made – which to date has not occurred. Second, our discussions with officials have suggested that there may be some lack of awareness of options outside the corporate CCO model. Options such as joint ventures, collective contracting, alliances etc can be just as effective. We are surveying the sector to determine how prevalent joined-up delivery actually is and will report to you in the new year.

5. *The costs and funding of infrastructure delivery are ongoing concerns.*

There are two main drivers of increases in local authority expenditure over recent years. The first is that the cost of key local inputs has increased at a faster rate than the Consumers Price Index. The official measure of increases in civil construction costs has increased 44 percent over the past 10 years, while the headline rate of inflation has increased 25 percent. Second, local government is facing increased demands for quantity and quality of services, often driven by changes that central government has made to the policy and regulatory framework. The cost implications of the National Policy Statement on Freshwater are an example of a major future cost driver.

We are aware of, and support the work that Local Government New Zealand has undertaken around complementary sources of funding. We'd also suggest that a more systematic inquiry into the drivers of local authority costs would pay dividends. We also consider that there are policy options that would provide some short-term relief for many, including a review of non-rateable land and Māori freehold land, the extension of pricing powers, and the removal of the last few limits on statutory fees.

Good infrastructural management often involves managing demand and not always just meeting it. One of the more effective ways of managing demand is to ensure that users of the service meet the full costs of their decision to use the service. Proper infrastructure pricing – including options such as tolling, congestion charging and the like are all commonly used tools overseas for managing demand.

6. *Local government in general, and practitioners in particular, want to find ways to lift the bureaucratic burden and eliminate red tape.*

Local government is often criticised for inventing bureaucratic rules and getting in the way of progress. There is always room for the sector to improve but the often the underlying cause is Government legislation and procedures. Local alcohol policies are a case in point – where little implementation guidance has been given, and some local authorities have been forced into litigation as a result.

We direct your attention to the excellent reports from the Productivity Commission and your predecessor's Rules Reduction Taskforce. Their recommendations would go a long way towards improving the quality of advice that your officials provide you, and of policy advice in general.

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## WHAT IS SOLGM?

SOLGM is a professional society of about 520<sup>1</sup> local government chief executives, senior managers, and other managers with significant policy or operational responsibilities.

You won't find us on the front page of any newspaper – we are not a political organisation. Our contribution lies in our wealth of knowledge of the local government sector and of the technical, practical and managerial implications of the initiatives your Government is pursuing.

Our vision is:

*"professional local government management, leading staff and enabling communities to shape their future".*

Our primary role is to help local authorities perform their roles and responsibilities as effectively and efficiently as possible. We have an interest in all aspects of the management of local authorities from the provision of advice to elected members, to the planning and delivery of services, to the less glamorous but equally important support activities such as running local elections and collecting rates.

Although we work closely and constructively with Local Government New Zealand, we are an independent body with a very different role.

### **SOLGM works proactively on the technical and practical aspects of legislative and regulatory change**

SOLGM represents your "number one" source of advice on the managerial, technical and practical implications of legislative and regulatory change. As a managerial organisation we are entirely apolitical – we concern ourselves solely with "what works" and "how things could work". For example, SOLGM provided proactive advice to two of the four inquiries conducted as part of the Better Local Government initiative. Among other things, that advice helped Ministers refine their ideas around simplifying consultation, and the design of the information local authorities use to support consultation that formed part of the amendments you championed in 2014.

### **SOLGM champions good practice in the sector**

We identify and champion good practice in the sector through our Managerial Excellence Awards and our programme of Leading Practice events. For example, the first Leading Practice event scheduled after you take up your role is aimed at improving financial management in local authorities. We also continually scan international developments in practice through our partnerships with our overseas counterparts in the United States, Canada, the United Kingdom and Australia.

### **SOLGM helps develop the next generation of managerial leadership**

We assist local authorities to recruit, retain and develop future managerial leaders and the staff through our Leadership Pathway, and especially through our new Accelerated Leadership Programme.

<sup>1</sup> Correct as of 8 December 2015.

### **SOLGM provides cost-effective advice to the sector**

We provide the sector with cost-effective advice on the implementation of legislative and regulatory change. We are regarded both nationally and internationally as a leading authority on local authority funding and rating, corporate planning, regulation and the management of local elections. Much of our suite of good practice guidance focuses on these areas. We'd be happy to demonstrate our Sector Good Toolkit to you and your officials.

### **SOLGM is 'future proofing' the local government sector**

SOLGM takes a futures perspective and identifies issues that affect, or will affect, the sector. For example, we first championed the cause of online voting in 2004 and were first to devote substantial thought as to how online voting could be implemented in local government elections.<sup>2</sup> On a broader level, our Sector Futures Working Party has released thought leadership pieces covering the impact of technological change on local government and the role of local government in climate change adaptation.

### **And SOLGM does all of this cost-effectively**

SOLGM operates very much as a local authority shared service. Our work is "by the sector, for the sector". Our industry good budget this year is an average of \$10,100 per local authority. We don't duplicate the services that the private sector provides. Any surplus our learning and development events make is reinvested in resources and guidance for the sector.

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<sup>2</sup> See SOLGM (2011), *The Way Forward for E-Voting in Local Elections and Polls*.

## GOOD LOCAL GOVERNMENT MANAGEMENT MATTERS!

### Local government and the economy

From time to time, we see evidence that some within central government view local government as a blockage or impediment to economic growth and transformation. In this section we discuss local government's roles as an enabler of economic growth and transformation, and the role of local authority management.

Throughout this section we provide a number of case studies of local authorities and their chief executives and professional management promoting economic growth, transformation and efficiency.

#### Local government is a significant contributor to GDP in its own right

Local government is, by any measure, a significant player in the economy. In the year to June 2014 local government:

- owned about \$104 billion in fixed assets (and \$134 billion in total assets)
- owed about \$9.2 billion in term debt
- had operating expenditure of about \$8.4 billion
- collected about \$4.77 billion in rates income and received about \$0.94 billion in grants (most from central government). Our rates income was equivalent to 3.1 percent of Gross Domestic Product.

#### Local government is also an enabler of economic growth and transformation

While many local authorities promote local economic development, local authorities make a far bigger contribution as an enabler of economic growth and transformation through the activities we undertake.

Some have a perception that economic development at local or regional levels sits outside the proper role of local government. In fact, much of what local government does in the economic development space involves leveraging off the contributions of others or advocating or promoting on behalf of a district. The case studies on the next pages are good examples of this.

## Case study 1:

### WREDA – A single regional economic development agency for Wellington

As of March 2013 the Wellington regional economy was sluggish in part because it is so dependent on the public sector. New business formation and growth were weak. Wellington, as a region, has been struggling to compete with the likes of Auckland, Sydney and Melbourne, despite Wellington's liveable city status.

Local councils' mind-set is sometimes to compete rather than to collaborate. Government agencies are siloed and have not yet grasped the critical importance of large city-regions for New Zealand Inc.

The first step in the successful implementation of a long-term regionally focused growth plan is to equip the region with a single point of entry and a single actor for growth. This is critical for a city that is looking to develop a high-tech precinct in the central business district, expand the screen industries "footprint" in Miramar, and develop a science park.

Under current arrangements, if you are a global chief executive wanting to set up a base in New Zealand, you often have as many as 12 different phone numbers to call. Obviously this can be a significant impediment to investment, especially if other countries can facilitate new business developments more rapidly.

The establishment of the Wellington Regional Economic Development Agency (WREDA) was the regional response to these challenges. It brings together Grow Wellington, Positively Wellington Tourism, and Wellington City's major events and Positively Wellington venues.

A single agency will help the region to unlock its economic potential in the following ways:

- *stronger economic leadership* – a single agency that prioritises business success will be able to provide leadership and a clear sense of direction for the region's economy
- *one voice* – having a single agency will allow the region to speak with one voice when dealing with government, businesses, investors and research providers
- *clearer strategic focus* – a single agency will be able to set clear priorities and investment decisions, ensuring that funding is used in ways that deliver the best results for the region as a whole
- *improved capacity* – a single agency will have more resources available to use for projects with potential to unlock the region's economic potential
- *more effective regional promotion* – a single agency will be able to promote the region more effectively to businesses, investors, skilled workers and visitors
- *broader pool of talent* – a single agency will have a wider pool of talent to draw on in areas such as governance, management and business expertise
- *better use of resources* – establishing a single agency will reduce duplication in back-office functions such as procurement and technology, creating savings which can be directed to improving the region's economic performance; and
- *improve perceptions* – having a single economic development agency will improve perceptions of the Wellington region among businesses and investors: Wellington will be seen as "open for business".

Wellington has always had the ingredients for a stronger, smarter, more prosperous economy. The present model isn't broken, but nor does it position the region to reach its full economic potential. WREDA provides leadership and a clear direction across all of the region's cities. And it slims the list of telephone numbers to one!



## Case study 2:

### The Ōpōtiki Transformation Project

The Whakatōhea iwi hold the resource consent for the Southern Hemisphere's largest piece of water space for farming multiple marine species. When this space is fully developed it is estimated that this will result in a 20 percent increase in New Zealand's aquacultural output. This is very timely given burgeoning world demand for quality seafood, especially from Chinese consumers.

The Ōpōtiki District Council has provided them with huge community support, as both an advocate, and provider of enabling infrastructure. To enable the aquaculture industry, twin training walls and associated works are needed to create an all year-round navigable harbour entrance at Ōpōtiki with sufficient depth for large vessels.

The project will allow Ōpōtiki to become a service and processing base for the aquaculture industry. The flow-on effects of the harbour development are expected to be \$34 million to the sub-regional economy, an additional \$7 million to the wider regional economy, and create 450 full time jobs. This will, in turn, reduce the ongoing spending on social assistance by up to \$20 million, and every dollar of investment in the harbour redevelopment will have an estimated benefit of \$7.30 in return.

The council has committed \$5.4 million of the estimated \$52 million cost for the redevelopment. But the council's support doesn't end there. The project is entrenched in the council's Long Term Plan and other strategies. It has worked with other partners and has secured support from the Bay of Plenty Regional Council, BayTrust and Bay Connections. The council is exploring avenues of support from central government (these discussions are ongoing, the council describes this as the final piece needed to enable the project).

Local government provides and maintains the majority of the nation's transport and water infrastructure. About 86 percent (by length) and two-thirds (by value) of the road network is owned by local authorities. Virtually all of the nation's "three waters" infrastructure is owned by local authorities (or by subordinate bodies such as council controlled organisations). Regional councils are significant funders and planners (and in some cases owners) of passenger transport services and infrastructure.

Although we agree that network infrastructure is critical for economic growth and transformation, we consider that a nation's network of community infrastructure is also a critical success factor. There is a "virtuous cycle" at work, businesses locate in part to be near skilled workers, who locate in part for employment and in part based on the quality of life within their places.

Local government is charged with managing the nation's natural resources. One of the most important distinguishing features of "brand New Zealand" is our "clean green image". Local authority management of environmental effects under legislation such as the *Resource Management Act* is an important factor in preserving this image. Regional councils have possibly the most economically significant (and contentious) role in their management of freshwater. These functions require prioritising of economic and environmental objectives, and prioritising between competing uses. Much of the "bad press" around local authority performance of these duties arises as a result of these choices, as opposed to under-performance.

Local government also has a substantial role as a regulator of public safety and nuisance. This includes a raft of functions such as building control, food safety inspection, sale and supply of alcohol, dog control and the like. Although it is difficult to place an economic value on these functions, they provide the community with a high degree of confidence in the safety of their homes, workplaces, eating establishments and public places. They have an additional benefit in the costs they save the health, emergency management, and police systems.

## Local government performance

*Imagine entering the cockpit of a plane and seeing only one instrument there. How would you feel about boarding the plane after this conversation with the pilot?*

*Q. I'm surprised that you operate the plane with only one instrument. What's it measure?*

*A. Airspeed. I'm really working on airspeed on this flight.*

*Q. Good. Airspeed seems important. But what about altitude – isn't an altimeter helpful?*

*A. I worked on altitude for the last few flights. I'm good at it. Now I'll focus on airspeed.*

*Q. But I notice you don't even have a fuel gauge. Wouldn't that be useful?*

*A. You're right – fuel is significant, but I can't concentrate on doing too many things well at the same time. So, on this flight I'm focusing on airspeed. Once I get excellent at that, and altitude, I'll concentrate on fuel consumption<sup>3</sup>.*

Local government is a large contributor to the national economy but also raises a significant amount of tax. Even a sector-wide efficiency gain that reduces the rates requirement by 1 percent reduces the size of the required investment by \$48 million.

As an organisation SOLGM accepts that local authorities should exhibit a continuous improvement ethos in all that they do, including being open and transparent about local authority performance both individually and as a sector. One of the critical success factors for a local authority is that it demonstrates and is seen to demonstrate "value for money" to its community.

### A focus on numbers may distract from sector (and community) learning

Having said that, both local and central government need to remember that the first and only purpose is as a tool to improve the delivery of services to the community. The focus of reporting, particularly comparative reporting, should be focused on "what can we learn?" as opposed to "who was first (and last)?"

Performance reporting that becomes seen as a "stick" has the potential to work against service improvement in the long term. Depending on the nature of the measurement, reporting can lead to a misdirection of investment as local authorities manage to the measures. The wrong measures may focus on activity rather than results. The focus on "what the next numbers will show" can discourage local authorities from making innovations "in case something goes wrong".

<sup>3</sup> See Kaplan and Norton, 1996. *The Balanced Scorecard*.

SOLGM has recently engaged with your officials and others around a proposed format (called “the snapshot”) for reporting performance information that draws on certain data already published. We believe that this discussion needs to go back to first principles and establish what information might quickly and simply provide an overview of performance. That might mean that Departments (including your own) need to review what information they require from local authorities.

We look forward to engaging with you on measurement and reporting that makes sense.

### **Smart local authorities are already on their own performance journey**

Many local authorities are making performance gains using performance improvement methodologies adapted from the private sector. The Malcolm J Baldrige framework for Business Excellence (often simply called “Baldrige”) is probably the most common of these. Two local authorities have been assessed against this framework and have achieved gold status and another two have silver. The case study over the page features the journey that one of these local authorities has taken with the Baldrige framework.

### Case study 3:

#### Western Bay's business improvement journey

When Western Bay of Plenty District Council (WBOP) was created in the 1989 local government reforms, the district had inadequate infrastructure and the council had almost no financial reserves. Over the subsequent 20 years more than \$250 million has been invested in improving water supplies, establishing sewerage schemes, sealing roads and improving stormwater networks. Now we have infrastructure with capacity to last well into the future and we are financially sound, with a long term A+ credit rating.

Key to making these gains was developing a culture of continuous improvement – a journey led by senior management, which started in 1996. The first steps involved aligning long term strategies (for improving infrastructure and public services) with financial and general information.

In 2001 WBOP received ISO accreditation, and moved to use of the Balanced Scorecard performance improvement methodology in 2002/3. The council developed a web based "traffic light" reporting tool was developed to deliver balanced performance information, aligned to our key strategic goals, to managers across the business, as well as to elected members.

All these milestones improved WBOP's performance and the quality of its planning, but the chief executive felt there was still something missing. In 2004 he became aware of the Business Excellence framework, based on the Baldrige criteria. In 2005 the council undertook an assessment using the Business Excellence criteria, expecting that the feedback report would identify valuable opportunities for improvement. During the period 2005-2008, these improvements – which included developing tools, policies and plans – were implemented.

In 2009 WBOP applied for our first Business Excellence award and were assessed at silver level. This was the first time a New Zealand organisation had been awarded silver at its first attempt. Once again, the feedback report highlighted areas for improvement, particularly in the customer focus and workforce planning areas. Over the next three years, new initiatives addressed these gaps. One of the most notable was the development of a customer charter and series of training modules delivered to all staff, to improve customer focus across the board. In 2013 the manager responsible was awarded the ALGIM customer services manager of the year award in recognition of her achievements.

In October 2013, WBOP applied for, and became the second local government organisation in New Zealand to achieve gold status.

The Business Excellence principles are now part of everything WBOP does. Staff understand how they contribute to the organisation's outcomes, they are encouraged and enabled to deliver the best results for external and internal customers, to innovate, and ultimately be the best they can be.

WBOP's success has seen them in demand to share its story and learning with others. This sharing of ideas and assistance provides mutual encouragement and support for the benefit of WBOP's residents and those in the other communities.

## Sector agencies are stepping up to the task

Local Government New Zealand and SOLGM also recognise the importance of lifting sector performance. We play separate but complementary roles – with Local Government New Zealand taking the lead with governance and related aspects<sup>4</sup>, and SOLGM taking the lead with people management, financial management, strategic planning and asset management.

SOLGM champions excellence in local government management with the SOLGM Local Government Excellence Awards®. Later in this briefing we'll meet this year's winner of the Excellence Awards, Selwyn District Council's Project Helix. The awards recognise innovation and excellence in five key aspects of management:

- innovation in people and organisational development
- transformational service delivery
- innovation in policy and regulatory development
- council community relations
- collaborative government action, and
- a supreme award drawn from among the five category winners.

The sector is increasingly coming to recognise that carefully designed comparisons can reveal insights for business improvement. SOLGM, in conjunction with our partners Local Government Professionals Australia (New South Wales) and PwC Australia, have offered the Operational and Management Effectiveness Assessment programme.

The programme involves collection of about 145 metrics of performance over

- workforce
- finance
- operations
- risk management, and
- corporate leadership.

Each council receives its own results, with an anonymised graphic advising the council where it sits within the councils in its peer group.

In its first year in operation 26 councils have elected to participate in the programme. A report setting out the New Zealand results (again anonymised by council) will be available at some point in February 2016.

<sup>4</sup> Local Government New Zealand refers to its work in this area as its Performance Uplift Programme.



## LOOKING AHEAD IN THE LOCAL GOVERNMENT PORTFOLIO

### Infrastructure

*"New Zealand has broadly the right infrastructure, in the right place, providing the right level of service – although there are a number of ongoing challenges to be addressed."*

Business Growth Agenda – Future Direction 2014

#### **Infrastructure is critical, but is the servant of the community**

A nation invests in infrastructure not for its own sake but for the economic and social outcomes this investment promotes. That is to say, we invest in roads primarily as a means of moving people and goods efficiently and safely. Three waters infrastructure is provided, in part to protect public health and safety, but also to protect and promote a growing economy.

Infrastructure planning must therefore be aligned with the other planning that local and central government undertake. SOLGM has long considered that land-use planning, infrastructure planning and other strategic planning could be much better integrated. The Auckland spatial plan is one such mechanism, but there are a range of other models that could be considered. SOLGM welcomes, and will be participating in the review of urban planning that the Productivity Commission has commenced.

Local government is more than a collection of roads and pipes. A nation's network of community infrastructure is also a critical success factor. Businesses locate in part to be near skilled workers, who locate in part for employment and in part based on the quality of life within their places. There is a reason the Government has had involvement with the proposed National Conference Centre in central Auckland.

#### **Pockets of 'world best' asset management exist, but overall improvement is necessary**

New Zealand was historically seen as an international leader in asset management – especially at local government level. Much of the sector guidance was viewed as best practice, and central government agencies have learned much from this guidance.

The Office of the Auditor-General's 2014 Water and Roads: Funding and Management Challenges suggested that most practice was adequate for the short to medium term, but improvement was needed to manage for the long-term. In particular local authorities needed a better understanding of their local economies and local demography to meet the long-term challenges.

SOLGM therefore welcomed the (new for 2015) requirement to prepare an infrastructure strategy. These strategies are a device for communicating priority, risk and tradeoffs to the community. They should clearly show the "big" infrastructural issues and decisions that the community faces and provide the ratepayer with information regarding cost and consequence.

The sector has found the infrastructure strategies to provide useful disciplines. In a survey of local authorities seventy percent rated this strategy as critical or very useful to their LTP, three percent said it was not useful.

We reviewed a sample of 30 strategies. We found that they provide a useful basis for further development. Many need clearer linkages to the overall strategic goals the local authority is attempting to pursue. Some could have benefited from better links to the financial strategies. Few provided a clear picture of risks and consequences. In the coming year, we will be upgrading

all of SOLGM's guidance on infrastructure strategies and planning to reflect our observations and learning from this first round.

### **Evidence-based decision making is critical**

The Auditor-General has highlighted the importance of evidence-based decision making in asset management. We concur that decisions that manage risk and make tradeoffs between financial and non-financial consequences must be based on robust data on condition and performance.

Many local authorities collect a lot of data – the challenge is to collect the data that enables good decision-making, and avoid collecting data for its own sake. This can be a costly investment. Emerging technology, particularly monitoring via the so-called internet of things, have the potential to make a lot more data on who is using services, when, and in what way.

There are sector leaders in practice. For example, Wellington City Council has invested heavily in upgrading its collection of data, the systems to manage this data, and the analytical tools to extract meaning from the mass of data. Having accurate information on the actual condition of assets rather than relying on asset "birth dates" and statistical models enables this local authority to better manage its maintenance and renewal programmes. Using augmented reality technology to overlay the location of underground infrastructure over visuals of street location helps the council and other providers save time and money in locating these assets. And the council has married asset and economic data to get an evidence based picture of current and future affordability.

### **Good infrastructure management requires demand management, pricing tools are a long-term necessity**

Effective management of infrastructure usually involves an element of managing user demand for the service, either to make optimum use of an existing asset, or to manage the use of scarce resource. Local authorities can and do use a variety of non-pricing strategies – for example rationing or other physical limits on use (such as prohibiting sprinkler use during dry periods).

Legislation constrains local authority access to pricing mechanisms. We are unconvinced that there is any sound policy rationale:

- for continuing to restrict local authorities use of road-tolling
- explaining why options such as cordon tolling, electronic pricing and the like have sat in the "under further consideration" basket since the late 1990s; and
- explaining why a local authority can meter water consumption but cannot do the same with wastewater (either by using water consumption as a proxy or by utilising new technology to directly meter wastewater) unless they change ownership or governance arrangements.

Pricing for demand management purposes is generally not feasible under the legislation as it currently stands. Legislation that empowers local authorities to set fees and charges either sets a maximum level of fees or refers to "actual and reasonable costs". In either case, as it currently stands, pricing that has any demand management component probably does not comply with the law and would be at risk if challenged through the courts.

Both the Business Growth Agenda and the latest edition of the National Infrastructure Plan recommend that the Government address this gap in the legislation. There is a substantial body of international evidence that shows that the introduction of pricing can have on demand, especially, but not exclusively for water.

Policy work on these matters has, to some extent, 'gone around in circles'. Technology to implement road pricing and tolling sat on policy agendas 15 years ago. Successful introduction of these types of mechanisms cannot proceed without a mandate from the local community – which includes acceptance of the value of the charge, the method for charging, and the use to which funds will be put. Without these mechanisms the Government's environmental, and economic development objectives will not be met. It is time to remove this policy 'blockage' and bring this work to a conclusion.

## Sharing capacity

*"It doesn't matter if a cat is black or white, so long as it catches mice."*

Deng Xiaoping

### **One of local government's strengths is its ability and willingness to share capability**

Your predecessor recently launched the Fit for the Future initiative – focusing on more efficient structures for delivery of services. SOLGM takes a pragmatic approach to these matters, that is to say that we regard the quality of service to the local community as the first consideration. We therefore welcome an initiative that is intended to allow for greater flexibility in the delivery of services, and to better empower the sharing of capability across the sector.

Of course, there is a great deal of sharing of capability across the sector on both formal and informal bases. Local authorities do not generally compete with each other (in the sense that a private sector organisation would), which means that sharing of capability is a strength and has been for many years.

This sharing of capability takes a variety of forms. They can range as informal as Hastings District Council assisting Christchurch City Council to process the backlog of consents that built up during 2013, to the establishment of council controlled organisations.

The case study over the page highlights local government's ability to share, and to innovate for successful outcomes.

## Case Study 4:

### A Successful Shared Initiative - Project Helix

Selwyn District has been New Zealand's fastest growing district for the past six years, and is a major player in the Canterbury rebuild. To ensure the council coped with sustained high levels of building activity it needed a better tool for managing demand and delivering service expectations.

Selwyn District Council in partnership with Alpha Group has developed and implemented an end-to-end, web-based building consent system (AlphaOne) to support its objectives of promoting excellence in service delivery and providing community and industry leadership as a territorial authority.

In an environment where central government is looking at national building consent systems, Selwyn and Alpha designed the product to address aspects such as shared services, faster consenting processes to stimulate the economy, and more efficient interaction with community and businesses. The results to date demonstrate a commitment to local government principles of territorial authorities working together to manage workloads, share resources and reduce compliance costs.

Project Helix was the winner of the Supreme Award at the 2015 McGredy Winder SOLGM Local Government Excellence Awards® (as well as the Transforming Service Delivery category). At the time of writing six councils have bought the tool. To further demonstrate that innovation is a strength in local government, Kaipara District Council's adoption of AlphaOne received a highly commended citation in the same category.

## Recent legislative changes will further encourage sharing capability

Changes made to the *Local Government Act* during 2014 will serve as a further spur to local authorities to explore options for sharing capability. The new *section 17A* of the *Act* requires local authorities to periodically assess the cost-effectiveness of the arrangements for funding, governance and delivery of those services, together with a list of options that must be considered.

Many of these options in these service delivery reviews involve delivery by some combination of local authorities (such as a council owned company or joint venture). SOLGM guidance strongly recommends that local authorities undertake these reviews as a group – it would not be an efficient use of resource if each of the 10 territorial councils in a region each did a separate review of the same services.

The case study over the page shows just a sample of the arrangements for shared capability that exist amongst the four councils on the West Coast, together with their targets for review during the *section 17A* process.

## Case Study 5:

### A Commitment to Regional Efficiency – The West Coast Memorandum of Understanding

The three West Coast territorial authorities and the West Coast Regional Council recently agreed to a unified approach to generate greater efficiencies in service delivery across the region. Guided by what is best for the community as a whole, the four councils agreed a Memorandum of Understanding.

Over time the four councils have worked collaboratively on more than two dozen projects or approaches. Some of the projects of interest include:

- a recent restructure of civil defence staff so they are now joined up and delivering on regional priorities through a new organisation (Civil Defence West Coast)
- a very new project to jointly deliver of economic development at regional level
- Joint procurement of insurance has resulted in substantial savings
- adoption of a Regional Transport Plan focusing regional effort on improving a key strategic route and a key one-lane bridge replacement
- Westland, Buller and Grey have joined up their building permit services (using Selwyn's Alpha One technology)
- joined up library services and about 20 other initiatives.

The four councils may consider the following during the *section 17A* process:

- a shared RMA planning, consenting and compliance monitoring team for the region
- a regional advocacy and policy development advice team
- asset Management Plan and corporate (Long Term) planning as a team
- joint back office services (payroll, valuation & rates collection, accounting services)
- common IT support services
- a shared Communications officer and community engagement expertise;
- a shared Regional Archive;
- common HR and legal services offices
- a road maintenance centre of excellence
- a solid waste management centre of excellence
- a water supply centre of excellence, and
- a wastewater treatment centre of excellence.

### The benefits of amalgamating services may not be uniform

One of the characteristics of much of the network and community infrastructure is that there are a number of small scale schemes and assets that are geographically dispersed. For example, Tasman District Council has no fewer than 15 water schemes and 14 wastewater schemes.

Cost structures are influenced not just by how many people live in a local authority, but also by how spread out they are. Claims that amalgamation of services will automatically generate economies of scale therefore have to be treated with some caution and may vary on a case by case basis.

That is not to say that there are not advantages in agglomerating services. One available to owners of network infrastructure is the ability to "network price". That is to say, set up a funding system



where the bigger or more mature parts of the network cross subsidise the new capital works needed in another, usually smaller, part of the district. There was an observable move towards network pricing in the 2012 LTPs, and still more local authorities consulted their communities on the issue during 2015.

The other benefit that usually comes is the generation of strategic capacity. It can be difficult to attract suitably skilled and experienced engineers and asset managers to local government as a sector, and to rural and provincial local authorities in particular. Agglomerating brings groups together which creates additional learning and sharing of expertise – and is the underpinning of the regional centre of excellence models.

The case study that follows shows the benefits from one region's formation of a regional water body.

### **Case Study 6:**

#### **A single water management agency for the Wellington region**

This is an example of five local authorities<sup>5</sup> and a council controlled organisation working together voluntarily to form an organisation that has maximum capacity to deliver an essential infrastructural network.

Previous arrangements were a mix of joint delivery by CCO (in two councils), delivery in-house (by two others) and regional delivery of bulk water supply. While not fundamentally broken, under these arrangements there was no coordinated body with any decision-making capability in relation to regional issues around water supply. Issues such as freshwater management, land management, biodiversity, regional economic development and transport are shared issues that we recognised could not be resolved by any council alone. The five councils saw a need for a collaborative approach that would be better managed by a single entity, rather than multiple entities.

The importance of integrated, strategic management of assets and service delivery is only likely to increase in line with the scarcity of water resources. As an example, integrated catchment management is likely to reduce the cost and improve the reach of water conservation measures and campaigns.

Capacity Infrastructure Services Limited was established in 2003 after many years of debate about the best way in which integrated water services should be delivered for the greater Wellington metropolitan area. While the original proposal envisaged a vertically integrated entity, managing both the bulk water network of GWRC and the local reticulation systems of the four city councils, initially only Wellington City Council and Hutt City Council joined Capacity on establishment.

Recognising the advantages of co-ordinated water management services over time, Upper Hutt City Council and Porirua City Council joined as shareholders of the company during 2013. The vertical integration of water supply in the region was completed when Greater Wellington Regional Council agreed to merge the regional council's bulk water operation with Capacity (to be renamed as Wellington Water).

<sup>5</sup> Wellington City, Hutt City, Upper Hutt City, Porirua City, Greater Wellington Region and Capacity Infrastructure Services.

A single water management service provider for the Wellington region has a number of advantages.

It will act as a single “centre of excellence” in water management services, with the strategic capacity and understanding of the region to be the trusted advisor to all five councils on water services issues. This proposal provides the ability for the company to provide asset planning advice from a truly strategic and long-term view.

Long term, this proposal is expected to improve service delivery, efficiency and effectiveness, particularly with the removal of any duplication and the increased ability of the company to build capability and expertise. In the medium to long term, this may deliver cost efficiencies.

The model provides a mix of regional political oversight with a degree of local discretion and decision-making power. Regional political oversight is through a joint committee – which monitors performance on behalf of the shareholders, and acts as a forum for discussion of cross-border water issues and strategic planning discussions at the political level. All shareholder councils are retaining ownership of their network assets, and the ability to decide on matters of water policy, levels of service and investment. This allays fears around lack of local control over essential services and assets, whilst providing the benefits of regional co-ordination outlined above

This is a perfect example of the kind of collaboration the most recent changes to the *Local Government Act* were designed to promote, even though it predates the change.

SOLGM concurs that those legislative blockages that inhibit local authorities from seeking scale economies and building strategic capacity should be removed.

We sound two notes of caution. First, the largest barrier to arrangements such as joint CCOs is the acceptability of these arrangements to the public, and ultimately to politicians. An evidence-based case for change that shows the benefits must be made – which to date has not occurred. Second, our discussions with officials have suggested that there may be some lack of awareness of options outside the corporate CCO model. Options such as joint ventures, collective contracting, and alliances can be just as effective.

We are surveying the sector to determine how prevalent joined up delivery actually is and will report to you in the new year.

## Regulatory reform

*"In my view, the lesson is not that regulation or deregulation is bad, but that bad regulation is bad."<sup>6</sup>*

*"It seems to me that the left hand of government doesn't always know what the right hand is doing. And central government's policy making too often adds up to an impact on local government that lacks coherence and clear direction. We can do better. We need to discuss how we do better."<sup>7</sup>*

### **The last dozen of the Rules Reduction Taskforce's recommendations are the most important**

Your predecessor established the Rules Reduction Taskforce to identify what she referred to as "loopy rules". The Taskforce made 74 recommendations covering a range of Acts and regulations and covering legislation, regulation, guidance and practice.

SOLGM has helped your officials (and others) assess the recommendations. While we found it difficult to assess some without seeing the next layer of detail, there were few that we felt were not worthy of further consideration. We wrote to your predecessor in early November highlighting some areas that we considered particularly important.

In particular recommendations 63 to 72 focus on central government's policy making processes. Many of these are central to improving the overall quality of legislation and regulations that impact on local government and would improve the quality of policy advice across the board. These are:

- better engagement between the central government and local government sectors – including with local government managers and staff (i.e. those who will face the task of making the legislation work day to day). To give a recent example, officer level input could have been sought in development of the legislation around regional CCOs that was announced on 4 November
- better analysis of the impacts of policy, especially an identification of the impact on communities and of the cumulative impact of policies
- better consideration of implementation needs as legislation is being developed (i.e. not waiting until the end of the process).

Many of these recommendations appear grounded in SOLGM's eight principles of effective implementation that appear in the Appendix. They are the area for most 'gain' out of the Taskforce process. We therefore offer to work with those government agencies that would be tasked with making these recommendations work at a 'system level'.

### **Regulatory issues cannot be separated from the review of joint and several liability**

One of the charges that is frequently levelled against local government is that it is risk averse. There is some truth to this, but we suggest that it is endemic to most Western societies. The reasons for this are many and varied – adoption of a more litigious mind-set, a media and political culture that focuses on "blame", capture of some processes by special interest groups are just some of the factors.

<sup>6</sup> Ferguson (2012), *The Great Degeneration: How Institutions Decay and Economies Die* (kindle edition)

<sup>7</sup> Hon Rodney Hide (2010), *Smarter Government, Stronger Communities*, speech to the Local Government New Zealand annual conference, 26 July 2010.

Many of the so-called “loopy” rules identified in the Taskforce report, and elsewhere, have their roots in this culture of risk aversion. For example, the *Building Act 2004*, and the Building Code were spawned by so-called “leaky homes”, with many of the local inspection and regulation practices being a response to the public liability issue that past failings created.

New Zealand has not had any real debate about the balance between public safety and personal responsibility. This debate manifests itself all over the policy environment from earthquake strengthening to the settlement and resettlement of properties in areas prone to natural hazard risk. Where risk is known (as for example in the case of land information memoranda that indicate a weather-tightness issue, or location in a risk zone), to what extent should government be accountable when the risk materialises. We see this features in the Productivity Commission’s issues paper covering the review of urban planning, and will do our best to frame this matter for all.

The second is a liability issue. We have noted that the weather-tightness issue spawned the present *Building Act*, Building Code, inspection and enforcement practices. The reason for this is that it is local government and to a lesser degree, central government, that are often the only agency that those caught by building issues are able to have recourse to. In essence then, while local authority action helps prevent risks to their community as a whole, this comes at the expense of cost and compliance to the building industry and homeowners.

In 2013 the Law Commission undertook a review of joint and several liability. The response has now sat largely unanswered for almost two years. Options such as proportionate liability, warranties, better fidelity requirements at industry level, and (even), liability lying with individuals rather than at corporate level are all worthy of consideration.

## Cost drivers and funding

### **Rates are increasing faster than ‘headline’ inflation, a realistic look at local authority cost drivers is needed**

Local government is frequently criticised for the level of rates increases – in particular that rates are increasing “faster than the rate of inflation”. Although this statement is correct, it ignores that the cost drivers for a local authority are quite different from those that a household faces.

Local authority costs are driven by the costs of providing infrastructure – be it roads, water, or community infrastructure. By way of illustration, in the period between June 2005 and June 2015 the Consumers Price Index (CPI) has increased 25 percent, the Producers Price Index (Construction – Outputs) has increased 44 percent.<sup>8</sup> Both measures are developed by an organisation that is independent of central and local government direction and can therefore be regarded as objective.

Each year BERL compile a set of forecast movements in the prices of the goods and services local authorities consume, using the same model BERL uses for its general economic forecasts. This local authority cost index is forecast to increase about 30 percent over the coming years, costs for some components may increase at a much faster rate.

<sup>8</sup> The *Local Government Act* refers to this index as a measure of movements in construction prices. The PPI index we consider most closely approximates movements in infrastructure costs – that for Heavy and Civil Construction increased 51 percent.

Increases in the cost of infrastructure and increases in rates cannot be logically separated. Yet we are aware of only one substantial (but dated) piece of research that assessed and evaluated the drivers of cost increases, and that was limited to roading.<sup>9</sup> That report noted that road construction input costs had increased 30 to 40 percent in the preceding five years, with the report's author's further noting both that the increase was unavoidable and that this trend was mirrored in other countries.

Movements in construction prices are largely beyond a local authorities control – noting that all but the most minor capital work, and much of the maintenance work is “market-tested”, i.e. put to competitive tender.

In addition to the price of the goods and services that local authorities consume, there are additional demands placed on local authorities both in terms of the quantity and quality of services they deliver. This includes:

- increases to service standards and demands for additional services on local government, often as a result of a policy direction from central government. Drinking water standards are a textbook example. A more recent example are the additional costs involved in treating stormwater and wastewater to the standards in National Policy Statement on Freshwater Management
- population growth and change – creates additional demand for infrastructure (both network infrastructure such as roads and water supplies and community infrastructure such as recreation centres); and
- economic growth and transformation – for example, dairy conversions in rural Southland have seen regional incomes move at a faster rate than the national average – but the greater frequency of heavy traffic creates accelerated depreciation on the roading network, demand for road widening and smoothing for safety reasons and the like. In a similar vein, Environment Southland finds itself with a higher volume of resource consent processing and monitoring work. There is a close correlation between movements in GDP and movements in rates, suggesting local authority services expand to keep pace with a growing economy.

At the same time, local authorities are facing constraints on the funding they receive from other sources. The previous Parliament has placed restrictions on the ability of local authorities to use development contributions to fund community infrastructure. Recent changes in the financial assistance rates for local roads will reduce the amount of external funding some local authorities receive, placing more reliance on internal funding. These changes are in addition to changes in 2010 that diverted funding from local roads to the so-called “roads of national significance”.

In short, local authorities are faced with a perfect storm of increasing input costs, increasing demands for quantity and quality of services, and constraints on other sources of funding. Keeping rates to the level of the CPI is therefore de facto a decision to reduce levels of service. If rates increases are of concern to you and your colleagues you might consider seeking independent advice regarding the drivers of increases in construction prices, and what options exist to ameliorate those.

### **Policy options are available that will provide some relief for local authorities**

We are aware that Local Government New Zealand is leading a review to look at “complementary” sources of local government funding. We broadly agree with the results of that review and call on the Government to make a public statement of its view and the reasons for those views.

<sup>9</sup> Ministerial Advisory Group (2006), *Ministerial Advisory Group on Roading Costs – Final Report*.



The thoughts we offer are more in the nature of minor adjustments that make incremental improvements to the overall situation, as opposed to anything that would substitute for any recommendations that the review makes.

There are a small number of cases where the actual fee is constrained by legislation and is not frequently reviewed. We are aware of a local authority where an inspector was required to make a round trip of four hours to inspect an amusement device and could only recover \$12. The empowering regulations, the *Amusement Devices Regulations* have not been reviewed since 1978.<sup>10</sup> All regulations allow for the recovery of the full economic costs of undertaking the function or providing service. This includes not only the direct cost of the function itself, but those costs associated with maintaining the capacity to delivery the function.

*Schedule 1 of the Rating Act 2002* exempts 22 different categories of land from paying most rates. Some apply only to one or two properties, but others are significant (for example National Parks, the education sector, and the road network). The only rates these properties pay are targeted rates for water supply, sewage disposal and refuse collection.

The policy rationale for many of the current set of exemptions is either non-existent or at least highly suspect. Most appear to fall into one of the following five:

- properties are held for public good purposes (i.e. are meeting some purpose that is deemed to be a “national good”)
- properties have little or no real economic use and thus may not be able to meet the cost of paying rates
- properties do not consume services provided by local authorities or consume only limited amounts
- some non-rateable properties provide benefits to the local authority that may not otherwise have been generated. For example it is claimed some national parks generate tourist visits which in turn provide centres such as Ohakune with economic benefits they might not have captured otherwise; and
- exempting properties avoids distortions in the market – this one is most commonly used to justify exemptions for ports, airports and the rail network (if roads are non-rateable then not exempting these properties provides road transport with a cost advantage).

Each of these is superficially attractive, but fails on closer analysis. The national good argument is in reality an argument for national funding of the rates on these properties – to do otherwise effectively expects the local ratepayers in Westland or Dunedin to subsidise the benefits of others. Other properties provide benefits to local communities (for example in some towns the pulp and paper mill, or the freezing works are virtually the sole employer) yet these properties are fully rateable. The “level playing field” argument is possibly the strongest argument of the above – although it should be noted that (with the exception of suburban rail in Auckland and Wellington) ports, airports and rail compete with the state highway network rather than local roads.

It has been estimated that the amount of revenue foregone on non-rateable land lay between \$35 million and \$70 million nationally, of which between 66 and 75 percent is on Crown land (this is net of any rates already collected). This is equivalent to between 1 and 2 percent of the total rate take, but falls unevenly across local authorities.

Few of the current exemptions would survive a first principles review. In cases where a genuine rationale exists, then the exemption needs to be drafted in as clear a manner as possible to avoid providing loopholes and unintended consequences.

<sup>10</sup> These are set under authority of the *Machinery Act 1950* and fall within the purview of the Minister of Labour.

The sector would be willing to discuss arrangements for transition towards the removal of exemptions, and would be willing to help contribute to resolving some of the issues this might raise (such as valuation methods for land where there is no active market).

And finally, that a review *Te Ture Whenua Māori Act 1993 Amendment Act* will be introduced into Parliament in 2016. We understand the intent is to lower or remove the barriers to the economic use of Māori freehold land, and support this objective.

We would like to raise one area of concern. By law this land is fully rateable, but the law also limits the tools that local authorities have to enforce unpaid rates on this land.

We have no objections to land that is of genuine cultural, spiritual or historical significance, or land which physically cannot be placed in economic use, being non-rateable. Land that is in economic use (for example agriculture, silviculture, or aquaculture) places demands on local authority infrastructure (especially roads and water networks).

Retaining restrictions on collection of rates on land that is in economic use places other ratepayers under a legal obligation to subsidise businesses that may compete with others. We do not consider that this promotes sustainable economic growth in the long run. SOLGM considers that a phased regime where land transmits from non-rateable to fully rateable is an equitable solution for all parties.

## Local electoral reform

The 41.4 percent turnout at the 2013 elections represented the lowest level of turnout in local elections since 1962, and was lower than elections held using booth voting in the 1960s and 1970s. Much of the decline in turnout occurred in Auckland and Christchurch and can perhaps be attributed to a pair of lower profile mayoral contests than was the case in 2010. Regardless, most election research suggests that lower turnout begets even lower turnout in future elections, it is therefore concerning that little more than one in three voters in our biggest city cast a vote.

We generally concur with the analysis of factors driving low turnout that your officials presented to the Justice and Electoral Committee inquiry into the last elections. That is to say that:

- the salience (perceived relevance) of local government and local elections is declining
- there is variability in the quantity and quality of information about candidates
- there are some procedural inhibitors to enrolling and casting an informed vote.

## Better public education and engagement are required

A survey undertaken after the last local elections revealed that one in five of the non-voters considered that voting would make no difference to them and one in seven considered local government is not relevant to them. When coupled with the estimated million eligible voters that did not vote in the 2014 general election, it is apparent that a significant proportion of voters have “disengaged” from government.

This points to a need for better voter education. Although (somewhat dated) international research indicates that New Zealand students had a higher than average degree of “civic literacy”, we suspect that this is largely a legacy of the high degree of civic awareness of previous generations. There is a role for civics education and that a first step is to gather New Zealand relevant evidence.

We generally agree that local authorities, and the sector in general, could do more to promote their own elections and improve the quantity and quality of information available to the public. Members of our Electoral Working Party are involved in the Local Government New Zealand led campaign to promote the role of local government and voting in local elections. We are working to improve the standard of pre-election reports. And we would be happy to work with your officials to identify examples of good practice in the promotion of local elections both in New Zealand and overseas.

We also draw your attention to the last Justice and Electoral Committee report has made several suggestions for improvement to the mechanics of local elections. These include moving polling day, change the process for enrolling as a ratepayer elector, casting special votes, access to supplementary rolls and the unpublished roll.

At first glance most of these appear logical – but each has practical issues that need to be resolved. While it is now too late to enact these before the 2016 elections, our experience of the policy process suggests that getting these amendments into the queue for 2019 should happen as soon as possible,.

### **Properly supported, online voting may be a game-changer in the long-run**

SOLGM has long supported the introduction of online voting. It provides another option for people to cast a vote, and with the decline of surface mail, it may be one of a few feasible options in the medium term. We acknowledge that international experience generally suggests it takes 2-3 electoral cycles before a noticeable effect on turnout occurs.<sup>11</sup>

One of the first policy decisions that you are likely to take will be whether or not to proceed with the pilot of online voting in eight local authorities at the 2016 local elections. SOLGM has assisted with the development of the security framework for online voting, and with the policy settings and draft regulations. No service that is online can ever be 100 percent secure, but we take a great deal of comfort in the exhaustive work that has gone into the design of the framework and the testing that the eight are putting into this.

One of the other lessons that international experience teaches us is that online voting has to be supported with a voter education campaign that provides instruction into casting a vote online, but also reminds all voters of the process. It is proper that local authorities should meet this cost.

But there are two sets of central government agencies that are elected during this process – district health boards and licensing trusts. It is also highly unlikely that online voting could be introduced into local government without voters simultaneously or subsequently calling for its extension into Parliamentary elections. We call on central government to recognise these realities and make an equitable contribution to the cost of implementing online voting.

<sup>11</sup> Estonia is often held up as the 'poster child' for online voting – it experienced an increase in turnout from 46 percent to 61 percent over three successive elections to different offices.

## APPENDIX

### Eight principles of effective implementation

1. *Start early* – officials should not turn up in the office the day after the enactment of the legislation and start thinking about what to do about implementation. While the roll-out of implementation support programmes necessarily follows enactment (which in turn follows the policy advice), the design and development of the implementation programme should start earlier. Elements of this should be concurrent with the policy and legislative processes. Indeed it is difficult to see how a rigorous assessment of policy options can be undertaken without commencing the identification of the costs and practicalities of their being implemented.
2. *Work with the stakeholders* – for any legislative initiative impacting on local government there will be a range of groups with a stake in successful implementation. This includes not only the national sector organisations such as Local Government New Zealand and SOLGM but also related professional organisations, and a variety of occupational institutes and associations. Engagement with these stakeholders can do a lot towards achieving effective implementation.
3. *A separate process* – SOLGM has been pleased to see the increasing willingness of central government to engage with local government during the process of policy development. While engagement with local government on implementation is likely to involve many of the same stakeholders, it should be set up as a separate project.
4. *A single shared plan* – SOLGM and other sector stakeholders will often see it as part of their role to support the implementation of the new legislation by local authorities (they may for instance have existing good practice guidance they will need to revise). If the actions of central government agencies and local government sector organisations are not co-ordinated in some way however, then there are risks that some work on some issues will be duplicated while others falls between the cracks. A single agreed common plan of action around the implementation process avoids these risks and is likely to lead to the most effective use of the available resources.
5. *Use the proven technology* – stakeholder organisations will generally have the established and effective channels of communications with their constituents within local authorities. They may already have tools and guidance material that are widely known, recognised and used within local authorities. Government agencies should be encouraged to use these rather than establishing competing channels and tools.
6. *Clarity about audiences and needs* – there are a range of audiences, spanning elected local authority members, managers, and hands on practitioners in the specific affected areas of work. Their needs and the best means of addressing them are likely to differ. For instance, we would argue that the technology developed by our Legal Compliance Programme would often be best available technology for meeting the needs of managers and practitioners, but it does not address the needs of elected members.

7. *Linkage to Select Committee process* – If work on developing guidance material as part of an implementation programme is started early enough there are opportunities for this to feed back in a positive way into the Select Committee process. This reflects our experience with the development of the legal compliance programme modules. The detailed work undertaken to identify the practical means of complying with legislation sometimes highlights technical shortcomings in the legislation that is being worked on – gaps and disconnects, inconsistencies and contradictions, and areas of clarity. If the effort is made to start this work early there is the opportunity for these sorts of issues to be addressed prior to enactment.
8. *Life-cycle approach* – once legislation is enacted there is a necessary ongoing maintenance task for the administering department. New issues may arise, areas of uncertainty or contradiction may come to light, provisions may be interpreted in unexpected ways by either practitioners or the Courts or both. The ability of a department to respond effectively and properly maintain the legislation depends on the strength of its feedback systems from users. Engaging openly with stakeholders on implementation can assist this by establishing the foundation of relationships that can ensure open information flows into the future.





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