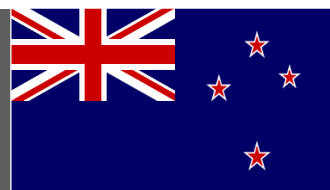


UCLG COUNTRY PROFILES

New Zealand



Capital: Wellington

Inhabitants: 4.252.000 (2007)

Area: 268.680 km²

1. Introduction



New Zealand is a constitutional monarchy located in the South Pacific. The country consists principally of two islands, North Island and South Island, which cover a land mass of 270,534 square kilometres. The population in 2005 was estimated by Statistics New Zealand, the official statistical arm of the New Zealand Government, to be 4,116,900. The population is split between North Island and South Island, 3,102,500 and 1,013,800 respectively. The majority of the population are of European descent, principally from the United Kingdom, with around 15% of the population being indigenous Maori.

As in many countries, there is a tendency for the majority of the population, some 85% (2,956,000 people), to be concentrated around 16 urban areas – the largest of which are the Auckland area (which contains the largest city); Wellington (the national capital); Christchurch; Dunedin; Hamilton and Napier-Hastings. By far the biggest of these urban areas is Auckland which accounts for some 1,300,000 of the total population. The area covered by the city-region or conurbation of Auckland is governed by one regional council and seven territorial local authorities. The scope and scale of the population of New Zealand is demonstrated by Table 1. The table also shows the population disparities between North and South Islands – with the most densely populated area being on the North Island, and the most sparsely being on the far more rural South Island.

Table 1: General population and examples of local authorities size and population density within New Zealand.

| Location | Population | Area (sq km) | Population density (inh/sq km) |
|-------------------|------------|--------------|--------------------------------|
| New Zealand | 4,098,300 | 270,500 | 15.15 |
| Auckland Region | 1,173,639 | 16,282 | 72.08 |
| Auckland City | 380,154 | 633 | 600.56 |
| West Coast Region | 34,464 | 36,117 | 0.95 |
| Kaikoura District | 4,401 | 2,046 | 2.15 |



National government is based upon a unicameral, unitary system located in Wellington, headed by the Prime Minister. The national parliament is elected using a mixed member proportional system along the lines of the system used in Germany. Electors vote for both a constituency representative and for a party on a list. A Prime Minister is chosen and a Government is normally formed by the party with the largest number of seats in Parliament. Political horse trading after an election as parties vie to form a workable majority coalition is not uncommon. The current Government which was elected in 2005, is a minority one in which the largest party is the Labour Party supported by members from three of the smaller political parties.

Whilst New Zealand's local government system can be traced back to the Municipal Corporations Act 1876 (Bush, 1995), the current structure and functions are clearly based on the raft of New Public Management or managerialist reforms which have swept the world since the 1980s (Boston et al, 1996; Bush, 2005). In New Zealand there are three Acts of Parliament which have fundamentally transformed the role and structure of local government as it exists in 2008. The Acts are:

- Local Government Amendment Act (No. 1) 1989

This Act was the major vehicle for the implementation of the managerialist reforms within local government in New Zealand. The Act contained three main objectives. Firstly the desire to separate the policy and operational activities within local government – the so-called 'steering and rowing' functions (Osbourne and Gaebler, 1992). Secondly, for the first time local authorities were compelled to employ a chief executive officer who would be responsible for the implementation of the elected councils policy agenda. Thirdly, the Act compelled local authorities to instil

commercial disciplines into their trading operations through the creation of Local Authority Trading Enterprises, and to transform non-trading activities into business units. Hence, this Act led to extensive outsourcing, externalisation and privatisation of considerable areas of local authority activity.

- Local Government Amendment Act (No. 2) 1989

This Act radically reduced number of local authorities from 675 to 86, thus providing economies of scale to local government and providing clarity and cohesion in areas where development had outgrown existing local government structures and boundaries. This process is still referred to as 'amalgamation'. The 86 local authorities were reduced to 85 in 2006.

- Local Government Act 2002

Whereas the Local Government Amendment Act (No. 1) 1989 sought to managerialise the activities and functions performed by local authorities, the Local Government Act 2002 sought to redress some the reforms which resulted from the 1989 legislation. Specifically, the Local Government Act 2002 sought to fundamentally re-focus local governments relationship with society. It did this in two ways. Firstly the Act categorically states the importance within society of locally elected democratic decision-making, with local authorities being the vehicle to achieve this outcome – the 'local voice, local choice' argument. Secondly, the Act provides local authorities with powers to promote wellbeing within their community in four distinct policy areas: social, economic, environment and cultural. Whilst the Act does not specifically state that these responsibilities amount to local authorities being granted the power of general competence, it is interpreted in this way by a number of practitioners and observers.



2. Territorial Organisation

Local government generally consists of two tiers of local administration and is the result of the Local Government Amendment Act (No. 2) 1989. (i) *Regional Councils* (of which there are 12), and (ii) *Territorial Local Authorities* of which there are 73, composed of city councils (15), district councils (58) and the Chatham Islands Council. Four of the district councils also have regional council responsibilities and are therefore classified as *unitary authorities*.

In addition to the two tiers outlined above, there is a third tier of local government which exists solely at the discretion of the territorial local authority. The Local Government Act 2002 empowers territorial local authorities to create, should they so desire, a further, lower tier of organisation in the form of *community boards*. Approximately 50% of all territorial local authorities have established community boards. In 2006 there are some 150 community boards in operation nationally (Commonwealth Local Government Forum, 2006; Institute of Policy Studies, 2006). Table 2 shows the economic scope and scale of local government in New Zealand in comparison with the activities of the central government:

3. Local Democracy

3.1 The Council

Each council – irrespective of whether it is a regional or territorial local authority, is elected en masse every three years. The type and style of the electoral process differs from authority to authority. Some authorities are elected ‘at large’, whilst others use a system of electoral wards. The Local Electoral Act (2001) gives local authorities the discretion as to whether to use the First Past The Post system or the Single Transferable Vote system. For the 2004 cycle of elections, 10 councils opted to use Single Transferable Vote. The last two electoral cycles in 2004 and 2007 were conducted solely via postal voting. Since the reforms of 1989, the turnout in local elections has been around 50%, although in the 2007 elections, this fell to 40%. Interestingly, turnout in local government elections tends to be higher in the South Island and in the more rural localities. The eligibility to participate in local government elections is granted to all adults over the age of 18 who are on the electoral roll for parliamentary elections and who have resided at an address for one month. A second form of eligibility is provided to ratepayers (local property tax payers) within a local authority. Citizens may vote on either of the above grounds – but **not** on both.

Table 2: Local government's economic impact compared to national government.

| | % of GDP | GDP/ Capita (NZ\$) | Assets (NZ\$bn) | Employees | Revenue Expenditure (NZ\$bn) | Capital Expenditure (NZ\$m) |
|--------------------------------|----------|--------------------------|--------------------|-----------|------------------------------------|-----------------------------------|
| Local Government | 2.8 | 208 | 79.40 | 35,000 | 5.30 | 800 |
| National Government | 34.1 | 38,000 | 144.96 | 523,000 | 52.30 | 4,891 |

Sources: Local Government New Zealand, Statistics New Zealand and New Zealand Treasury.



Anyone who is entitled to vote in a local government election is also eligible to seek office as either a councillor or mayor. However the law prohibits individuals from being a member of a regional council, a territorial local authority or a community board at the same time.

Nationally there are some 1,152 elected councillors serving on regional and territorial local authorities, around one third of whom are female. In addition there are nationally 950 individuals serving as community board members. The Local Electoral Act 2001 specifies the number of councillors each local authority may have. Each regional council must have at least 6 councillors, but no more than 18. For territorial local authorities the minimum number of councillors is again 6, with a maximum of 30 to include the separately elected mayor (see below). A number of rural territorial local authorities consist of the minimum of 6 councillors, whilst Auckland City Council has the largest number of councillors with 19.

Of interest within New Zealand local government is the almost total absence of political party activity. In the election process, mayoral candidates may seek to form loose coalitions of candidates seeking election to council around certain key issues of local importance. Once elected (assuming the coalition is victorious), there is no guarantee that the loose agreement will survive the rigours of office. Within Auckland City in recent elections the Labour Party has run clearly identifiable party candidates, whereas the main Opposition party, the National Party, had tended to run its candidates under the 'Citizens and Ratepayers' banner. Nationally, approximately 15% of councillors are elected on a political party platform.

3.2 *The Mayor*

Alongside the election of a council, each territorial local authority also elects a Mayor via a popular vote. The fact that the Mayor is elected at large gives him/her a moral authority not enjoyed by any other member of the Council. The Mayor is often perceived therefore as being the ambassador for a particular locality. There is considerable confusion as to the scope of the role that a Mayor may fill – both amongst citizens, councillors and not least, the Mayors themselves (Cardow, 2005). Whereas former holders of the mayoral office have often been seen to have achieved great benefits for their locality, such as major improvements in infrastructure, the nature of their power and ability to accomplish such feats is often misunderstood.

There is a perception that mayoral 'power' is something enshrined in law, whereas, in reality, such feats have often been achieved via sheer force of personality and astute coalition building, both within the council and externally amongst diverse groups of stakeholders. In reality, the Mayor legally is little more than a figurehead who chairs council meetings, within which s/he has a vote. Additionally, a number of councils have amended their own rules and conventions to provide the Mayor with a casting vote in the event of split decision on issues. The casting vote is not universal amongst all local authorities. Within each Regional Council, after the elections, the councillors elect a Chair from within their group. The Chair fills a similar role to that claimed by the Mayor in a territorial local authority – albeit not one elected by popular mandate.

Levels of citizen participation in local authority decision-making, over and above the triennial electoral process, differ considerably from local authority to local authority. This is despite the fact that the Local Government Act 2002 in Section 10



states that local government's purpose is 'to enable democratic local decision making and actions by, and on behalf of communities'. It was however observed above that around 50% of all local authorities have instituted some form of community board structure as a means of providing linkages between the community and elected council members. Given the relatively small number of elected members on each council, and the distinct role of councillors, akin to that of a director of a company, it is somewhat surprising that the patchwork is so broad. Further, the somewhat restrictive role of the elected councillor in terms of being a community and citizen advocate, these disparities in initiatives to enhance direct democracy is most striking. Work carried out under the auspices of the 'Local Futures' research project has sought to redress some of these shortcomings by identifying best practices in an attempt to replicate these across many more local authorities in New Zealand (Institute of Policy Studies, 2006).

3. Central-Local Relationship

Central and local government are independent of each other from an administrative, political and financial perspective – albeit they co-exist within a unitary state. The Local Government Act 2002 has provided a new co-operative framework within which central-local government relations now exist. For the first time in New Zealand, central government legislated to clarify the role, legitimacy and importance of strong democratic local government. The provision of powers to act in order to pursue community well-being, free from central government controls underpins the new relationship. Whilst opponents decried this move as one which provides local authorities with unchecked power, the reform is one in keeping with a global trend – the so-called 'Third Way' approach

to government advocated by, amongst others Bill Clinton in the US and recently by Tony Blair in the UK. Perhaps an appropriate description of the position of local authorities post 2002, is that they are now no longer organs of *government*, but rather they are organs of *governance*.

Supporters within local government of the raft of reforms contained in the Local Government Act 2002 point to a number of checks and balances which exist to ensure that the wider powers afforded local authorities are not abused. Here, a number of safety devices exist, principally: judicial review; the Local Government Commission; the Auditor General and the electoral process itself. Further, the Local Government Act 2002 placed limitations on the ability of local authorities to use regulatory powers. More generally, the Local Government Act 2002 compels all local authorities to complete a 10 year plan, the Long Term Community Consultative Plan (LTCCP), within which to explicitly state its objectives. The LTCCP must be revised every three years .

Although local government is autonomous from central government, a reserve power exists by which the central government Minister for Local Government may intervene in the running of a local authority. Such powers of intervention may be used when the Minister considers that a local authority has significant or persistent organisational weaknesses which prevent it from meeting its statutory obligations, from performing its functions in an efficient manner or where there are deficiencies in the decision making process. The *current* powers are specified under the Local Government Act 2002. The last time the power of intervention was used was in 2000 in relation to Rodney District Council when the council was deemed to be dysfunctional and was therefore removed from office and replaced by a central government appointed Commissioner.



Central-local relations are conducted principally on a four different levels:

The primary level is through the auspices of Local Government New Zealand. This organisation is the 'official' voice of New Zealand's local authorities and seeks to position itself at the centre of the policy making process in Wellington. The key role of Local Government New Zealand is in seeking, wherever possible, to ensure that local authorities collectively have a continuous influence upon the policy-making processes of the national government.

The second level is filled by the Society of Local Government Managers. Whilst this organisation was originally the 'voice' of local authority chief executive officers, in recent years its conditions of membership have been broadened. Whilst the organisation now has a much wider membership amongst managers at all levels within local government, it is suggested by some that this serves to dilute the strength and force of the Society of Local Government message, and therefore reduces the impact the organisation might once have enjoyed.

The third tier is occupied by a number of professional organisations representing a number of functional specialisms such as town planning or engineering.

The fourth means of conducting central-local relations is through individual councils themselves, in particular the Mayor in his/her capacity as the representative of the whole locality, and through the office of the electorate Member of Parliament

4. Local Responsibilities

The role and responsibilities afforded to all local authorities in New Zealand were fundamentally transformed by the Local Government Act 2002 which, whilst stopping short of granting local authorities the Power of General Competence, nevertheless provided wide-ranging powers. In addition, the Local Government Act 2002 also specifically states that local authorities are bodies empowered via the democratic process to take decisions locally on behalf of their community (Institute of Policy Studies, 2006). This is seen as an implicit acknowledgement of the importance and legitimacy of local government's role in New Zealand. Principally these powers provided by the Local Government Act 2002 revolve around the pursuit of so-called 'well-beings':

Within the two tiers of local government functional responsibility is broken down. Regional authorities perform the following functions:

1. management of the effects of use of freshwater, coastal waters, air and land
2. biosecurity control of regional plant and animal pests
3. river management, flood control and mitigation of erosion
4. regional land transport planning and contracting of passenger services
5. harbour navigation and safety, marine pollution and oil spills
6. regional civil defence preparedness

The arrangements surrounding Auckland Regional Council are somewhat different to those found in New Zealand. Given the strategic economic importance of the Auckland Region, the Auckland Regional Council, through two 'holding' organisations, Auckland Regional Holdings and Auckland Regional Transport Authority, controls a sizeable portfolio of assets deemed to be of strategic importance to



Auckland (and as many would argue, to New Zealand as a whole). The Wellington Regional Council also has a small number of additional responsibilities.

Territorial Local Authorities perform the following functions:

1. community well-being and development
2. environmental health and safety (including building control, civil defence, and environmental health matters)
3. infrastructure (roading and transport, sewerage, water/storm water)
4. recreation and culture
5. resource management including land use planning and development control

By international comparison, the functions performed by local government in New Zealand are minimal. Functions which elsewhere would be deemed to be within the jurisdiction of local authorities, such as education, housing, the police and social services are all within the remit of the national government. The major argument for this apparent lack of delegation is that with these strategic services, the economies of scale needed to provide a coherent national service just would not exist within a country of little over 4 million citizens.

5. Local Finance and Management

Although the statutory functions of local authorities in New Zealand may be somewhat limited, they are nevertheless largely financially autonomous of central government. Around 90% of local authority expenditure is raised locally through a combination of rates (a property tax), charges and fees, investment income and operating profits. As we shall see below, all local authority operations are required to function upon a commercial basis.

Recent rounds of local authority budget making have focussed much attention on the issue of local government finance, most notable the increases associated with the LTCCP. In Auckland in particular, there is a growing feeling that it will soon be untenable to continue to use the rates as the major source of local authority finance. Planned increases in rates and other charges (principally water) have in some circumstances led to an almost doubling of household bills. The level of investment needed to simply maintain, let alone improve, the region's infrastructure is the primary cause of the current debate (Barnett, 2006). The resultant outcry over rate increases led to the establishment of an independent inquiry into the rating system which reported in mid 2007. As of January 2008, the government had yet to formally respond to the 96 recommendations the report made (Asquith, 2007).

The issue of the Auckland Region is the most pressing. Given the size and complexity of the region, housing one third of the population and in effect acting as the economic engine for the country, Aucklanders are questioning why the whole burden for infrastructure development should fall on them. Linked closely to this, is the vexed question of the whole issue of the most appropriate governance structure for the Auckland region. After much heated debate and speculation, in late 2007 the central government resolved to tackle this problem through the establishment of a Royal Commission to examine the issue of Auckland's governance, to once and for all resolve this very pressing national issue.

The reforms instigated since 1989 have given the whole management and operation of local government in New Zealand a distinct business-like feel. The managerialist or New Public Management reforms which transformed the scope, scale and modus operandi of central



government have been unleashed upon local authorities. Whilst the passing of the Local Government Act 2002 to some extent sought to curtail some of the 'harder' elements of the managerialist reforms, local authorities still nevertheless operate in a very business-like manner.

The Local Government Amendment Act (No. 1) 1989 compelled local authorities to employ for the first time a designated chief executive officer. Indeed, the Act requires a council to employ just this one individual. Prior to this, most authorities had employed a Town or County Clerk. The means of employing the chief executive is still an issue of considerable debate. A council may employ a chief executive officer on a 5 year fixed term contract, which subject to agreement by both parties, may be extended for a further two years. The post must then be re-advertised, and the incumbent may if they wish, reapply for their position. The 7 year total duration is in line with similar conditions of employment of chief executives in central government departments.

However, within local authorities the introduction of the fixed term contract caused considerable disquiet, the net effect of which was a substantial turnover of chief executives during the first 13 years after its introduction. This led to 2 reports by the Audit Office (1994) and the Controller and Auditor General (2002) into the employment of chief executive officers in local government. The reason identified as being the principal cause of the high chief executive officer turnover was the collapse of relationships between the council, principally the Mayor, and the chief executive officer. Whilst the rate of turnover appears to have slowed down, there is still some disquiet within the Society of Local Government Managers as to the rate at which the sector is losing its most experienced managers. Another issue of concern raised by the introduction of the

fixed term contract has been the perception that those who occupy second tier positions below chief executive officers, and who enjoy tenure of employment and the security it affords, are not seeking chief executive positions because of the uncertainty offered by a 5 year term of employment. The relatively small number of female chief executives (4 in total) is cited as one of the major reasons for this concern.

The Local Government Amendment Act (No. 1) 1989 specified that there should be a clear split between the policy aspects of local government and the operationalisation of such policies – the so-called 'steering/rowing' distinction. Such a clear distinction, proponents of managerial change argued, would allow for greater clarity and transparency within local authority activity. In seeking to have its policy implemented, a council should use the chief executive officer as its *modus operandi*. The chief executive officer, as the sole employee of the council, is then charged with creating and staffing an organisation with the appropriate resources in order to effect the policies of the council. As such, whilst the council has only one employee – the chief executive officer – s/he in turn is the legal employer of the other individuals in the local authority who are charged with implementing council policy. Within this arrangement, the council acts as a Board of Directors or Trustees, acting on behalf of their shareholder – the community. The relatively small number of councillors on each authority aids this process.

Dr. Andy Asquith