Building a sustainable future: New Zealand’s new local democracy

Helen Mexted
Today’s agenda ...

- The big ticket issues before local government
- The organisational need
- LGNZ’s strategic approach
- Maintaining momentum
The need
The mandate ...

- Ground rules set during recruitment of the new CEO
- Comprehensive review of organisational effectiveness
- As a lobby group – how were we doing with the customers?
  - Members
  - Influencers
The diagnosis ...

> No effective vision

> No defined strategy

> No alliances or friends

> No cohesive organisational culture

> No fun – why were people working here?
For each group:
- Needs of LGNZ
- Current view of LGNZ
- Objectives (ours)
- Plan to engage – approach, strategy and tactics
- Relationship owners
- Timeframe

LGNZ Members
- National Council members
- Mayors & Chairs
- Other Elected members
- Council Chief Executives/
  Management
- Policy staff
- Planning managers
- Communications staff

Central Government Politicians
- Ministers
- Coalition partners
- Opposition parties
- Advisers / media staff in minister’s offices

Ministries & other Government Agencies
- Chief Executives, DCE’s
- Policy Staff
- Funding partners
- Communications staff

NZ Community
- NZ Public /Ratepayers

Media
- Business commentators
- Online/Print
- Radio
- TV
- Social media

Other Organisations & Lobby Groups
- Federated Farmers,
- Business NZ etc
- Iwi
- Chambers of Commerce
- Businesses (local)
- Infrastructure groups
- IOD

Other LG Organisations & Business Partners
- EDANZ, EDAs, RTONZ, RTOs
- LGOL, SOLGM, IPWEA etc
- Sponsors
- Business Partners

Stakeholder Map
Metrics get attention ...

> Arms-length stakeholder audits introduced

> Measures strategic direction, performance, reputation, influence and communications

> Culturally very challenging - people might say what they think!

> 2012 - 20% (5/25)
“What’s your purpose? What’s your cause? What’s your belief?...Why does your organisation exist? Why do you get out of bed in the morning and why should anyone care?”

“People don’t buy what you do, they buy why you do it”
Local Democracy Powering Community and National Success
What would success look like?

A political force, with lobbying clout

Driving better efficiency of action and effect throughout local government activity

A national resource of advice and best practice for councils: promoting collaboration and knowledge sharing

One strong voice

Enabling economic growth and wellbeing

Better communication with the public: highlighting our successes, a better recognition of our abilities and our responsibilities
Business Plan - key actions ...

- Reset the Vision
- Rebrand the organisation
- Get early runs on the board to demonstrate new positioning
- Prioritise stakeholder engagement – emphasise the break with the past
- Take ownership of key issues and position in the media
- Instigate nationwide campaign to reconnect with the public
- Introduce new communications tools to improve member engagement
- Establish a reputation index and conduct regular research to gauge progress
Who’s putting local issues on the national agenda?

We are. LGNZ.
The new public positioning of LGNZ ...

- Passive, reactive → An active leader
- The economic handbrake → The economic enabler
- Crisis management → Growing sector capability
- Terms dictated → Setting the agenda
The new public positioning of LGNZ ...

- Fragmented, parochial → One united voice
- Timid → Assertive
- Dismissed or ignored → A respected voice and a critical partner
- Consensus is everything → Fighting for what’s right
LGNZ Business Plan & Communications Strategy

**Policy**
- Resource management system
- Earthquake Strengthening
- Transport
- Housing Affordability
- Health & Safety
- Economic development

**Relationship Management**
- Political
- Officials
- Business
- NGOs
- Sector

**Performance Support**
- EquiP
- CEO Recruitment & Performance Management
- Digital Tools
- Training
- Dispute Resolution

**Vision** is a destination, a fixed point to which we focus all effort

**Strategy** is a route, an adaptive path to get us where we want to go

**Strategic Projects**
- Funding Review
- 3 Waters Project
- Risk Management Review
- Freshwater and Climate Change
- Economic Development/Trade & Investment

**Strategic Themes**
- Performance & Communications

< Our vision: Local democracy powering community and national success. >
In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.

– Jack Welch

Winning
The big ticket issues
Solving big problems is easier than solving little problems.

(Sergey Brin)
What’s the problem?

Demographics, affordability, increasing expectations

- Converging trends that increase cost and accentuate affordability concerns
- Fundamental demographic change: retirement + reliance on state pension for “boomer” generation = affordability concerns
- Growth areas need more infrastructure
- All areas face a large renewals requirement
- Base standards are increasing – environmental, health and resilience

% of the population over 65: 1996, 2013, 2031
Rates as a percentage of income
NZ Local government funding sources

- Development & financial contributions: 2%
- Interest & dividends: 4%
- Regulatory income, petrol tax: 5%
- Vested assets: 7%
- Capital grants**: 8%
- Current grants***: 11%
- User fees & charges: 15%
- Rates: 49%

* excludes valuation changes  ** mostly NZTA capital contribution to transport  *** mostly NZTA operational contribution to transport

We are. LGNZ.
NZ Local government expenditure by activity

- Transport & roading: 29.1%
- Water & waste water: 14%
- Council support services: 14.9%
- Recreation & sport: 8.5%
- Culture: 6.4%
- Planning & regulation: 5.3%
- Environmental protection: 3.9%
- Other activities: 3.8%
- Solid waste/refuse: 3.5%
- Economic development: 3.0%
- Governance: 2.3%
- Community development: 1.6%
- Emergency management: 0.5%
% of local government tax raised by tax type, international comparison, 2010

[Bar chart showing the percentage of local government tax raised by tax type for various countries, including NZ, Australia, Ireland, United Kingdom, Canada, United States, Germany, Austria, Norway, Denmark, and Belgium.]
Policy projects that move the dial
2016-2019 Business Plan – 7 key priorities

> Governance and performance excellence
> A shared national approach to addressing regional development and growth across all of New Zealand
> Developing a sustainable funding model for local government
> Leading effective infrastructure development and funding policies
> Setting an agenda of regulatory reform and development of more effective policy-setting in areas impacting local government
> Sector-led policy on important environmental issues for effective management of natural capital
> Strengthen local democracy and the value of local government

We are.
LGNZ.
Leading via policy that matters ...
The 10 point plan

> Deliberately written in a short pithy manner

> We wanted this to be accessible to the wider public and to business

> Essentially it’s a “manifesto” for measured change

> We are using it in our interaction with political parties and stakeholders as a plan for change
What it is and what it is not ...

> It is **not** - a plan to increase the country’s tax burden

> It is **not** – a desire to avoid prudent fiscal management

> It is **not** - wishful thinking (these ideas are not novel)

> **It is** - a plan to change the incentives that operate in the local government sector

> **It is** – a genuine desire to share the funding burden (reduce the reliance on property tax)

> **It is** – a genuine desire to address looming demographic issues
Incentives & performance

> Public costs and benefits of development separated

> Taxes on economic activity go to central government

> Costs associated with increasing economic activity (esp. infrastructure) are borne locally

> Almost by definition central government is pro-growth and local government becomes an obstacle to growth
Four Key Themes

- Need for central-local government partnership
- A local government sector that constantly innovates and seeks to improve its value to ratepayers
- Diversity of New Zealand’s communities raises different challenges
- An appropriate funding mix required
The 10 ideas ...

1. Special economic zones
2. Cost sharing
3. Remove rating exemptions
4. Simplify the rates rebate scheme
5. User charges vs. rates
6. Road user charges etc. where economically efficient
7. Share in value uplift
8. Minerals royalties
9. Tourist levies
10. Fit for purpose development contribution regime
How would these options deliver value?

> Greater surety of long-term affordable funding lines = more sustainable communities across New Zealand

> Stronger links between asset/service provided and funding stream heightening public’s understanding of value

> Encouraging councils to ensure policy settings promote new funding options
Reputation
New Zealanders are seeking stronger leadership and performance from our sector than what they perceive us to currently provide.

Whether fair or unfair, right or wrong, perception is reality.

We are.
LGNZ.
Local Government: A Financial Snapshot was prepared using the criteria that LGFA employs when assessing a council’s prudential position. These criteria include:

1. Debt levels relative to asset base
2. Debt levels to population
3. Ability to repay debt
4. Ability to cover interest (finance cost) obligations
5. Population forecasts

The local government ratio of debt to assets is at a prudent 9 per cent-equivalent of a $36,000 mortgage on a $400,000 home. 26 councils now have “A” or better ratings from S&P/Moodys etc.
Turning it around ... 

**WHAT TO FOCUS ON TO INCREASE REPUTATION?**

**PUBLIC**
- Performance
- Value for rates dollars spent
- Trust in spending decisions
- Managing finances well
- Council staff performance

**BUSINESS**
- Performance
- Trust in spending decisions
- Efficiency and effectiveness
- Locally elected representatives’ plans for developing prosperity and wellbeing
- Leadership of mayors/ regional council chairs
De-bunking the myths ...

> Work with Government, all political parties, media and stakeholders - regular meetings, Quarterly Media Briefings, form partnerships and alliances – have them speak for us

Two specific strategies:
1. Focus on “performance”
2. Better tell our story
Building alliances ...

> Alliances and partnerships a key strategy

> Targeting

- Localism
- Revenue sources
- Regulatory reform
- Climate change and risk management
- Economic development
Achieving our vision

Lifting performance and public perception of the sector is critical to achieving our vision:

**Local democracy powering community and national success**
Leading the charge for our sector

> Central government initiatives underway to drive more effective and efficient delivery of council services and infrastructure

> However, we have a choice

When you come to a fork in the road, take it.  
- Yogi Berra
Local Government Excellence Programme
Why is this different?

A sector programme designed to engage with residents and businesses about their council’s performance

> Complementary to SOLGM’s Local Government Operational and Management Effectiveness Programme
What are our priorities?

> Centred around the sector lifting **service** and **value**

> **Communication** and **engagement** underpins all priorities
Performance measurement system

Develop performance measures
Specified set of performance measures that feed into independent assessment of councils

Improve performance
Improved data on councils’ performance encourages councils to develop plans and strategies to lift performance – leading to overall improvement in sector performance and reputation

Quality of Services Continuous Improvement

Assessment
Councils are independently assessed on the specified set of measures

Ratings awarded
Councils are given overall rating as well as a rating under each of the 4 priorities (similar to S&P framework)

LGNZ develops shadow rating system to assist councils to lift performance
Journey so far

2013 – 2014
Hypothesis that local government’s reputation may be hampering the sector

April 2014
EquiP, LGNZ’s Centre of Excellence is established

Mid 2014
Colmar Brunton undertakes independent research on reputation of local government

May 2015
LGNZ publicly releases research as New Zealand Local Government Survey

June 2015
Launch of Communications Programme

Sept/Oct 2015
4 priority areas confirmed.
Framework developed for establishing performance measures

Nov/Dec 2015
Pilot workshops with councils

Jan 2016
Test programme with the public, using focus groups led by Colmar Brunton

March/April 2016
Roadshows with councils to discuss programme

July 2016
Commence first year of programme with Foundation Councils

May 2016
Release of prospectus. Call for registrations of interest.

We are. LGNZ.
Sector Communication Programme
WE
MAINTAIN
The roads you drive on.

We are. LGNZ.

www.lgnz.co.nz
WE GROW
The life and vibrancy of regional New Zealand.
We are. LGNZ.

www.lgnz.co.nz
WE WORK.
To create jobs in our community.

We are. Hastings.

HASTINGS DISTRICT COUNCIL
We are. Local Government.

hastingsdc.govt.nz
WE PROTECT.
The things that make Aotearoa great.
We are LGNZ.
Showing leadership
We are. LGNZ.

首届中国-新西兰市长论坛
1st New Zealand China Mayoral Forum
We are LGNZ.

1st New Zealand-China Mayoral Forum
Maintaining momentum
Why is this important?
Strategic projects 2016/17

1. Reputation and performance
2. Increasing local democracy – Vote2016
3. LGNZ 2050 – a sustainable future
4. Climate change
5. Freshwater
So how are we doing? – our metrics revisited

LGNZ Annual Stakeholder audit – measures strategic direction, performance, reputation, influence and communications:

![LGNZ External Stakeholder Audit Score](image)

- 2012
- 2013
- 2014
- 2015

We are.
LGNZ.
We are. LGNZ.