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# Decentralisation does the New Zealand local government system measure up?

Decentralisation continues to be well received as a strategy for improving the governance of countries and delivering more responsive and efficient services. Cheerleaders include multilateral agencies like the World Bank and developed countries, like England, which seek to reverse years of centralisation. Evaluating the effectiveness of decentralised models raises the question of what it means to be ‘decentralised’, and how decentralisation itself is measured. This article describes the World Bank’s diagnostic framework for assessing decentralisation and applies the framework to the New Zealand local government system.

Alongside globalisation, localisation (the demand for local autonomy) has been one of the main forces shaping the world since the turn of the current century (Boschmann, 2009; Gemmel, Kneller and Sanz, 2009). It is a trend that shows no

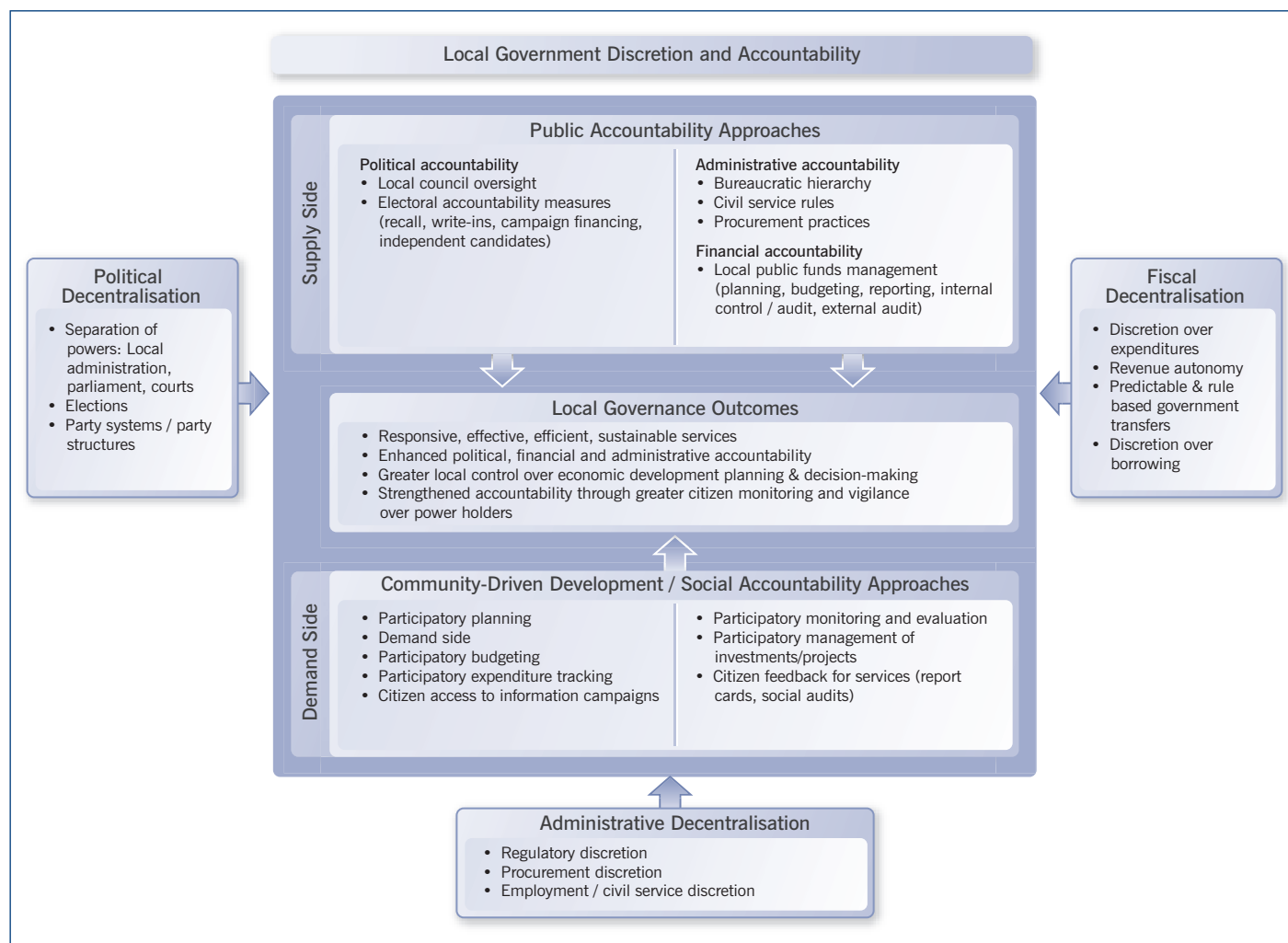
sign of decreasing. By 2010 almost 95% of the world’s democracies had some form of elected sub-national government, with the devolution of political, fiscal and administrative powers being widespread.

Bringing government closer to the people so as to promote greater participation and active citizenship is an objective that is difficult to oppose. Not only does it remind us of the origins of democracy and its virtues, it also reinforces stereotypical conceptions of ‘big’ government, namely unresponsive bureaucracies, wasteful spending and poorly targeted public services. Yet not all decentralised governance systems deliver expected improvements in social and economic outcomes for citizens. It is an issue that has led the World Bank to look at what needs to be in place for the benefits of decentralisation to be realised. What, for example, distinguishes a decentralised governance system from a system in which local and regional authorities simply deliver responsibilities delegated by higher-order governments?

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Figure 1: Framework for local government discretion and accountability



Source: Yilmaz, Beris and Serrano-Berthet, 2008, p.3

To answer such questions, the World Bank has developed what it describes as a diagnostic framework, designed to assess the potential of a local government system to exercise effective decentralisation. It examines systems of local government through the lens of discretion and downward accountability. This article applies the World Bank framework to the New Zealand local government system to assess its suitability for effective decentralised governance should a time come when such an objective is desirable to national authorities.

#### Defining decentralisation

Decentralisation tends to be promoted on the basis that it leads to better social and economic outcomes for communities (see UCLG, 2008 and Blöchliger and Égert, 2013). This is partly explained by the concept of information asymmetry: that local governments have a more informed

knowledge of local conditions than higher-level governments and are therefore better placed to provide public services that match the preferences of their citizens. Because of this proximity they are more open to scrutiny by local citizens, which should result in more effective, efficient services than if these were provided by higher-level governments, as well as greater innovation.<sup>1</sup> In contrast, critics of decentralisation argue that competition between councils can lead to a ‘race to the bottom’: for example, councils cutting taxes to attract investment to the point where local infrastructure is not maintained and a post-code lottery results.<sup>2</sup>

Definitions of decentralisation vary, with many coalescing around the concept of fiscal autonomy and the level of fiscal discretion able to be exercised by sub-national governments (Gemmell, Kneller and Sanz, 2009). A broader perspective is provided by United Cities and Local

Governments (UCLG) in its major comparative study of decentralisation:

Decentralization is ... characterized by the existence of locally elected authorities, distinct from the state’s administrative authorities, and exercising, in the framework of the law, their own powers and responsibilities for which they have a degree of self-government ... . (UCLG, 2008, p.314)

The UCLG definition stresses the democratic nature of decentralised governance arrangements, separation from the state apparatus, and the existence of guaranteed powers, functions or roles. It is underpinned by three distinct elements:

**Political decentralisation:** the range of functions or authority, transferred

from higher to local levels of government, which are governed by locally accountable political representatives: for example, well-defined decision-making powers and systems of accountability.

**Administrative decentralisation:**

the way in which programmes are actually administered ‘on the ground’ and may involve measures such as shifting staff from their respective national ministries and bringing them under the control of a local authority, along with necessary administrative support and human resources functions.

**Fiscal decentralisation:** the ability of local governments to levy local taxes, determine the rate of tax and exercise discretion over the allocation of their financial resources – essentially the guarantee of fiscal discretion (Boschmann, 2009; Bailey, 1999; UCLG, 2008). Fiscal decentralisation can be measured from the perspective of spending, revenue, the proportion of sub-central revenue in general government tax revenue, or the share of sub-central tax revenue in general government tax revenue.

The assessment model is designed for assessing the degree to which the three elements are present within a specific local government system, as all three are essential if the capacity for decentralised governance is to be optimised. A correlation is required between the assignment of responsibilities (political decentralisation), the provision of sufficient resources (fiscal decentralisation) and the administrative discretion to deliver those responsibilities (Bailey, 1999).

**The diagnostic framework**

One of the challenges facing the World Bank and other agencies promoting decentralisation is to understand why some forms of decentralisation are more successful than others. Are policy makers, for example, too focused on fiscal decentralisation without giving enough attention to the administrative and political dimensions? Yilmaz, Beris

**Table 1: Local political settings**

Measures	
Institutional separation of powers at the local level	New Zealand uses the council-manager form of local government, with a contract-based relationship between governing bodies and chief executives. Councillors manage management through an annual performance-based contract; however, governance competence varies and the degree of separation can vary according to the size of a local authority. Recent legislative changes, such as allowing councils to set the number and overall remuneration of staff, may further undermine the separation.
Existence and quality of local electoral systems	Local elections are governed by clear statutory provisions which limit the risk of political influence, such as redistricting. The government has recently amended legislation governing the transparency of electoral donations. Campaign expenditure limits are in place.
Nature of party systems and structures	Due to the dominance of local political alliances, national political parties are often less visible at the local level. While individuals can be elected on party tickets, the rules governing predetermination effectively rule out the ability to caucus, diminishing their effectiveness. Consequently, councillors are primarily accountable to communities rather than to national political organisations, with stronger downward accountability.

and Serrano-Berthet (2008) argue that the failure of some states to achieve the promoted advantages of decentralisation is often a result of failing to find the balance between the supply and demand sides of the accountability equation, with the result that accountability to citizens is undermined (see Figure 1).

The diagnostic framework has been designed to identify areas of misalignment, where, for example, levels of discretion and accountability are insufficient to allow a sub-national government to adequately implement the policy and operational matters assigned to it (Yilmaz, Beris and Serrano-Berthet, 2008). Central to the framework are the three dimensions, political, administrative and fiscal, creating what the authors describe as ‘discretionary space’. Discretionary space refers to the scale of public decision-making available to a local government system which is free from direct intervention from senior governments. Effective use of this space is often dependent upon an accountability system that is downward-focused in both the public and social spheres. The framework describes these two spheres of accountability as public accountability and social accountability.

Public accountability (the supply side) represents the rules which have been set by higher-level governments to provide a safeguard against the misuse of a council’s discretion. Yet by itself the effectiveness of public accountability is limited, and it needs to be backed up, and complemented, by social accountability or community-driven development (the demand side). Social accountability refers to the degree of direct engagement citizens have with their councils, such as the right to make submissions and speak directly to council or committee meetings. Where public accountability refers to formal rules, social accountability operates at the more informal level, governing the interaction of institutions with citizens. To be effective, public and social accountability must be downward-focused, with both acting to strengthen the ability of citizens to hold their local governments to account, as well as ensuring that councils have the means and incentives to respond to citizen demands. Complementarity, once achieved, should be reflected in more responsive, effective and efficient local governments.<sup>3</sup> In addition, local services should be more sustainable, more accountable, and provide for more local control over decision-making (ibid.).

**Table 2: Local political accountability**

Public accountability	
Ensuring representation of disadvantaged groups through quotas and reserve seats	Not practiced in New Zealand local government, although a few councils have established separate Māori seats.
Allowing independent candidates to run for office	There are no constraints on the ability of independents to run for office.
Introducing term limits	Not practiced in New Zealand.
Allowing for the recall of elected officials from public office	Not practiced in New Zealand.
Ensuring local elected officials have oversight responsibilities	The Local Government Act 2002 sets the framework by which elected members scrutinise and hold management to account.
Limiting council employees and government appointees as elected members	Council employees can stand for election for the council that is their employer but must resign from their positions if elected.
Social accountability	
Ensuring the right of citizens to demand public hearings and public petitions	The local government legislative framework includes a range of mechanisms for ensuring citizens' voices are heard in planning and decision-making. Polls are optional and not binding except for certain electoral-related polls.
Establishing specific bodies empowering citizens to demand accountability	There are no equivalent provisions in the New Zealand system, although councils are subject to the law and citizens can seek judicial review of council decisions.
Using multi-stakeholder forums, citizen juries and forums to increase citizen influence by specific groups	Councils have the ability to make use of forums and citizens' juries to provide groups and sectors, such as youth, with an opportunity to express their views.
Introducing participatory budgeting	Participatory budgeting is not practiced, although councils are required to undertake formal consultation when adopting budgets and many use complementary mechanisms to involve under-represented groups.

The diagnostic framework examines each form of decentralisation, political, administrative and fiscal, from three perspectives. These are the level of political discretion held by local politicians (local settings); the nature of the accountability framework; and the degree to which accountability is downward-facing.

**Political decentralisation**

Within the diagnostic framework, political decentralisation, the degree of local political discretion and accountability, is measured by the capacity of local elected leaders to exercise independent

action. Determining the level of political decentralisation involves the nature of existing political settings and whether or not the direction of accountability is downward. Three criteria are employed to assess a local government system's local political settings: the separation of powers; the nature of the electoral system; and the existence of a functioning party system.

In New Zealand the separation of powers can be traced back to the influence of New Public Management during the reforms in 1988–89, which limited governing bodies to the direct employment of a chief executive only

who employed the remainder of the staff on their behalf. The new governing approach required elected members to operate at the strategic level, setting outcomes and policies for management to achieve while at the same time remaining distant from operations and the implementation of those policies. Influence was to be exercised through the chief executive's annual performance contract. The second criterion, ideal electoral systems, are those that enable the participation of marginalised groups, provide local politicians with sufficient power to influence local outcomes, and are free from manipulation by higher-level governments. The third criterion addresses the role of national political parties at the local level. On this issue, Yilmaz et al. refer to research suggesting that the inclusion of parties at the local level can result in policy-making being 'contaminated by patronage and clientelism instead of focusing on local benefits' (Packel quoted in Yilmaz, Beris and Serrano-Berthet, 2008, p.9); the framework explicitly values a local politics that is downward-focused (see Table 1).

The second test in each of the three dimensions examines the degree to which the accountability framework is downward-focused in terms of both public and social accountability. These are examined in Table 2.

In terms of political decentralisation, the New Zealand system scores well for its political settings. There is a degree of separation of powers between governance and administration, albeit variable according to size of council; electoral systems are set in legislation and free of the kind of patronage by higher-level governments that occurs elsewhere, such as the ability of governments to adjust the date of council elections so that the outcomes are likely to be favourable for a political grouping; and electoral processes tend to be locally oriented, without a dominant party presence. Shortcomings, however, were identified. These are:

- the lack of any mechanism for recalling elected members (usually through a petition which, if successful, triggers an election);
- the lack of incentives to encourage councils to make greater use of



third-party organisations to oversee performance and/or provide policy input, such as citizens' juries; and the absence of any form of participatory budgeting to enable citizens to set local authority budgets and priorities.

The model also highlighted two other shortcomings: the lack of quota seats for minority and/or disadvantaged groups, and the absence of term limits. Although neither of these features is present in New Zealand local government, other options are available, to address the shortcomings. For example, councils have the ability to appoint citizens, such as minority group representatives, to council committees; establish advisory groups; and adopt a proportional voting system (STV: single transferable vote). Proportional systems are regarded as more representative than the more commonly used first-past-the-post electoral system. There is also a process for creating Māori wards, although not a process that councils, or Māori, can implement easily. While the model promotes term limits as a way of strengthening downward accountability, there is considerable debate about the value of term limits, and as an approach to avoid elite capture it is primarily relevant to emerging rather than mature democracies.<sup>4</sup>

Despite a history of strong political discretion and the downward trend in both political and social accountability, recent legislative changes represent a risk to local political discretion. Amendments to the Local Government Act 2002 in December 2012 gave the minister of local government an extensive suite of intervention powers, such as the power to appoint commissioners or call an election where he or she believes there has been a substantial governance failure, or a council is unable or unwilling to perform its functions and duties. Arguably, the additional intervention powers have weakened downward political accountability and undermined at least part of the local government sector's ability to exercise effective decentralised governance, should that ever become an option. Other changes, such as the introduction of a list of core services that must be considered and a more restricted

**Table 3: Administrative settings**

Measures	
Autonomy to recruit staff	New Zealand councils have full autonomy.
Ability to control staff numbers, including the authority to remove surplus staff	New Zealand councils have full control over numbers of staff and tenure.
Autonomy to set pay levels for staff and pay staff from their own budgets	New Zealand councils have full autonomy to set pay levels (which reflect market realities) and are required to fund salaries from their own budgets.
Discretion to procure and administer services	Councils have the flexibility to develop procurement strategies and set levels of service, although in some policy arenas national standards may exist.
Authority to control career management, such as to shift staff to de-concentrated units within the organisation	New Zealand councils, through their chief executives, have full discretion, within national employment law, to manage the allocation of staff and career development.
Control over their own performance management	Internal performance management of staff is under the control of councils and their chief executives. Some council activities are required to meet standards or benchmarks set by central government.

purpose for local government, also work to diminish elected members' discretion. Added to local government's lack of any constitutional status, the overall effect of these changes is to further undermine downward accountability.

Similarly, changes to the reorganisation provisions which appear to be weighted in favour of the creation of much larger local authorities risk diminishing citizens' influence. Larger councils tend to be less responsive to citizens' wishes, increase the distance between citizens and their political representatives, and reduce the effectiveness of both voice and exit (moving out of a local authority area) (Slack and Cote, 2014). It is also increasingly common for other legislation to include provisions that allow ministers to overrule specific council decisions: for example, decisions about the number and location of aquaculture farms. The overall picture is one of a system with strong historic levels of political accountability which are gradually diminishing.

#### **Administrative decentralisation**

If decentralisation is to work local governments need sufficient administrative autonomy to enforce regulatory decisions,

govern their own procurement arrangements (within the context of national standards) and control and manage their workforces. In addition, councils need the authority to issue generally enforceable regulations on public issues within their jurisdictions (also subject to higher-level government laws) which reflect local concerns and address local threats to health and well-being. This requires an ability to make decisions about fundamental aspects of their internal administration and performance. The diagnostic framework identifies critical settings, which are described in Table 3.

Administrative decentralisation is critical if decentralised governance arrangements are to deliver expected efficiency and responsiveness. Without it there are risks that officials will fail to implement their councils' policies responsively, and, as Yilmaz, Beris and Serrano-Berthet suggest, the result can be a 'situation where field officers maintain strong links with their original line ministries, thereby enjoying some insulation against local control' (Yilmaz, Beris and Serrano-Berthet, p.17). Strengthening downward accountability

**Table 4: Local administrative accountability**

Public accountability	
Accountability structures within the bureaucratic hierarchy	Councils are required to establish annual performance agreements with their chief executives.
Independent bodies able to conduct administrative audits	New Zealand councils are subject to supervision by both the Office of the Ombudsman and the Office of the Auditor-General.
Administrative courts able to review councils' regulatory and administrative decisions	New Zealand councils are subject to judicial review.
Social accountability	
Openness of information to allow citizen monitoring	The Local Government Official Information Act operates on the assumption that all information is public except for in a narrow range of circumstances, e.g. commercial sensitivity. Satisfaction surveys provide decision-makers with information about local perceptions of their services.
Monitoring procurement and implementation of contracts	It is increasingly common for councils to provide details of tenders and successful bidders on their websites.
Monitoring local service provision	Councils set performance targets annually and report on performance in their annual reports.

**Table 5: Fiscal settings**

Measures	
Expenditure assignment should enable councils to set and allocate budgets sufficient to meet their responsibilities.	New Zealand councils have the discretion to set budgets and determine spending levels to meet statutory roles and community expectations, within a financially prudent framework; however, reliance on a single taxing power, rates, can act as a constraint on the ability to raise sufficient revenue to meet community needs.
Revenue assignment should be sufficient to meet local government's roles and responsibilities	Councils have a single taxing power covering land and property. They have discretion to set tax rates, define the tax base (property-related) and administer the collection of taxes. Since 1958 there have been at least seven funding reviews that have recommended that councils should be given additional revenue sources.
Financing the fiscal gap	Fiscal transfers are not used; however, there is a hypothecated fund for roading and public transport which pays for both national and local roads. <sup>6</sup> The rates rebate scheme, which assists low-income home owners to pay rates, is a form of supply-side transfer mechanism. A strong case exists for some form of equalisation scheme.
Options for financing infrastructure	Councils have wide discretion for financing infrastructure, including public-private partnerships; however, road tolling can only be used with the agreement of the government. <sup>7</sup>

is one way of addressing the principal agent problem (see Table 4).

The New Zealand system of local government scores well against the criteria for administrative decentralisation. Councils have a clearly defined range of by-law-making powers and a conditional ability for enforcing by-laws. They are in charge of their own procurement policies and practices and an increasing number are now posting information about successful tenders online. In most cases councils can determine their own levels of service, although the increasing use of national standards is gradually diminishing discretion in some areas, especially in regulatory functions. Councils also have full control of employment and remuneration. In terms of public and social accountability, councils are subject to scrutiny by the Office of the Auditor-General, which reports annually to Parliament with the results of its audit of council annual reports, and the Local Government Official Information Act ensures citizens have access to public information. Most councils also undertake resident satisfaction surveys, with the resulting information also utilised in their performance management systems.

**Fiscal decentralisation**

Without the appropriate fiscal instruments and the discretion to use them, decentralisation is 'doomed' (Yilmaz, Beris and Serrano-Berthet, 2008). Fiscal decentralisation represents the degree to which local governments have the fiscal capacity to fulfil their allocated responsibilities and whether the scope of their decision-making responsibilities corresponds to the breadth of their duties and responsibilities. The diagnostic framework employs four criteria to assess the local fiscal settings of a system: expenditure assignment roles; revenue assignment; intergovernmental transfers (fiscal gap); and infrastructure funding.

*Expenditure assignment.*

Decentralisation requires that higher-level governments assign a substantial range of expenditure responsibilities to local governments, along with sufficient autonomy for them to respond to local circumstances. In

addition, a well-defined institutional framework with clearly defined roles and responsibilities for each sphere of government is required. This helps clarify accountability and reduces the risk of local agencies of higher-level governments attempting to constrain councils' autonomy and responsiveness.

**Revenue assignment.** Local government accountability is enhanced when the services they provide are funded from their own tax base (Oates, 1972; Bailey, 1999). Consequently, councils need access to at least one tax base, along with the ability to set the tax rate and administer the revenue collection. Any efforts by higher-level governments to constrain revenue-raising ability are likely to result in inefficient investment decisions.

**The fiscal gap.** Because fiscal transfers from higher-level to lower-level governments have implications for fiscal autonomy, consideration must be given to the design of any transfer instruments. Transfers can often leave little room for local decision-making and priority-setting, and can result in perverse incentives. For example, councils receiving transfers might be tempted to blame any under-performance on the funding agency, thus undermining accountability.

**Financing infrastructure.** Having the ability to make financing choices when planning to invest in infrastructure is an essential element of fiscal autonomy and downward accountability. On the other hand, financing choices can create macroeconomic risks: for example, the level of sub-national debt. There are four generally used methods for limiting local government borrowing, some with greater consequences for fiscal decentralisation than others. These are the use of market discipline, cooperative arrangements between local and central governments, rule-based controls, and administrative constraints. The

**Table 6: Local fiscal accountability**

Public accountability	
Strengthening capability for public budgeting and financial management in local government systems	A wide range of accredited courses and training opportunities exist for financial managers in local government and elected members. Most councils have audit and risk committees.
Setting standards for the control of inter-governmental transfers	Payments from the hypothecated transport fund are allocated according to a transparent formula developed in consultation with local government.
Publishing transfer figures	Yes.
Making audit results public	Yes.
Clear rules for borrowing	Yes.
Rules for hard-based budget constraints	Councils are required by law to balance their budgets on an accrual basis. They must also adopt a revenue strategy which sets out planned increases in council taxes for the coming decade.
Social accountability	
Making budgets and end-of-year financial statements publicly available	Councils are required to publish audited annual reports by the end of October each year. Audit results are reported to Parliament by the Office of the Auditor-General.
Participatory budgeting practices	No.
Participatory budget-tracking processes	Budgetary reporting arrangements are up to each council. The normal practice is for councillors to be provided with a quarterly financial update. Councils must now report progress annually against a nationally determined set of six prudent financial benchmarks, such as debt servicing as a proportion of expenditure. Before each election councils must publish a 'pre-election' report summarising key financial performance data.

two methods that are most consistent with downward accountability are market discipline and cooperative arrangements.

As a general principle a local government system should be provided with the necessary taxing and funding powers to fulfil its functional responsibilities, with a correspondence between the two. Questions, however, can be asked as to whether this is the case in New Zealand, with local government responsible for 10.5% of all public expenditure but receiving only 8.3% of all public revenue, a ratio that suggests the presence of a vertical fiscal imbalance. Indeed, the allocation of responsibilities between the two spheres of government has been incremental, without rational

or coherent doctrine for making specific allocation choices (Bush, 1980), an issue which Yilmaz, Bersi and Serrano-Berthet (p. 21) note can become a source of tension which, if not resolved, can constrain local autonomy.

In terms of revenue assignment, councils currently have wide discretion to define their various forms of property tax and administer revenue collection; however, concerns are frequently raised about whether property taxes are sufficient to fund local government and its services. If these concerns are not addressed, New Zealand's level of fiscal decentralisation is likely to decline. Fiscal accountability also requires that public funds are managed transparently and prudently and that decision-making is accountable. Criteria for assessing whether or not local

government's fiscal decision-making is downwardly accountable are applied in Table 6.

In terms of the diagnostic framework, fiscal accountability is generally strong. Councils have broad financial discretionary powers, including access to a range of funding options for infrastructure construction and maintenance, ranging from bank debt to bonds. Borrowing is regulated by market discipline and the requirement to develop, after consultation, a financial strategy which includes debt limits. In addition to having built up considerable expertise and experience in long-term financial planning and management, many councils are now credit-rated. Many have audit and risk committees, and financial information is publicly available. Councils publish draft annual plans and budgets which are subject to community consultation, as well as annual reports which are audited, with the results tabled in Parliament. Public and social accountability frameworks are both downward-focused.

Participatory budgeting, however, is not practiced, although councils undertake formal consultative procedures to seek community views on budget and operational priorities. In fact, recent changes have removed the requirement to consult annually on the setting of council budgets; consultation is only required where a council decides to make a material variation to its ten-year financial strategy. Many of the financial decision-making constraints under which councils operate, such as the adoption of a ten-year financial strategy, the balanced budget requirement and the funding of depreciation, would appear to make it difficult to introduce a pure participatory budgeting approach, as a significant proportion of council expenditure is literally 'pre-allocated'.

Downward accountability is also diminished by recent legislative changes that have given the minister of local

government extensive ministerial intervention powers. Among the factors that can trigger the use of these powers is the failure of a council to achieve the government's prudent financial benchmarks over time. While at one level this might be very reasonable grounds for intervention, the history of local government in New Zealand over the past century provides little justification, and, while the financial benchmarks themselves should strengthen downward accountability, there is uncertainty about the manner in which ministers will respond to the information, and that in itself affects the way in which local decision-makers feel able to exercise discretion.

### Conclusion

As an option for arranging public affairs, decentralisation continues to be popular, with supporters arguing that it has the potential to improve the efficiency of the public sector, strengthen social cohesion and promote long-term economic development and growth (Oates, 1972; Gemmell, Kneller and Sanz, 2009). For a country to achieve these benefits, its local government system needs to be able to exercise political, administrative and fiscal discretion. Indeed, as Bailey emphasises, true local government will only exist 'when democratically elected bodies have well defined discretionary powers to provide services to their citizens and finance them with the proceeds of one or more exclusive local taxes of which they can determine the base and/or rate of tax (Bailey, 1999, p.224). This requires a legislative framework that provides local politicians not only with the responsibilities to achieve local outcomes, but also with the necessary decision-making discretion and policy levers. As the framework is designed to highlight, decentralisation is unlikely to achieve expected benefits if not accompanied by the right fiscal, administrative and political settings.

Since reform in 1988–89, local government has arguably been well placed to take on greater responsibilities and exercise decentralised governance. The councils that emerged from reorganisation and modernisation had greater strategic capacity than their predecessors, as well as a requirement to operate in a more consultative and accountable manner. Twenty-five years on, the sector still conforms relatively well with the criteria employed in the diagnostic framework; however, recent changes are undermining downward accountability by diminishing local discretion and increasing national oversight. In addition, the problem of local government's lack of constitutional certainty remains to be addressed. For New Zealand local government to meet the levels of public and social accountability recommended by the diagnostic framework, a new constitutional arrangement for local government is required: one that gives greater certainty and predictability to its role, functions and powers, and protects against what often appear to be poorly considered changes to its core legislation. Without such moves there appears little likelihood of any change to New Zealand's ranking as the most centralised state in the OECD.

- 1 The evidence in favour of decentralisation will be looked at in more detail in a subsequent article.
- 2 Post-code lottery refers to situations where a person's access to public services depends on where they live and the capacity of their local government to provide services that might be taken for granted in more well-off communities.
- 3 A New Zealand example of complementarity might be the requirements to deliver a balanced budget (public accountability) and provide opportunities for citizens to engage in the process of setting priorities (social accountability).
- 4 Furthermore, local authority elections tend to result in a turnover of elected members of between 35% and 40%, probably reducing the need to consider term limits.
- 5 As long as council debt is not guaranteed by national governments (as is the case in New Zealand), banks will ensure councils' credit worthiness when considering requests for credit.
- 6 Local government currently receives 47% of the National Land Transport Fund, with the remaining 53% used to fund state highways, road safety, etc. Councils own and operate 87% of roads.
- 7 A large proportion of council debt is provided by the Local Government Funding Agency, a council-owned trading company which has the ability to raise international bonds and lend at less than market interest rates.

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