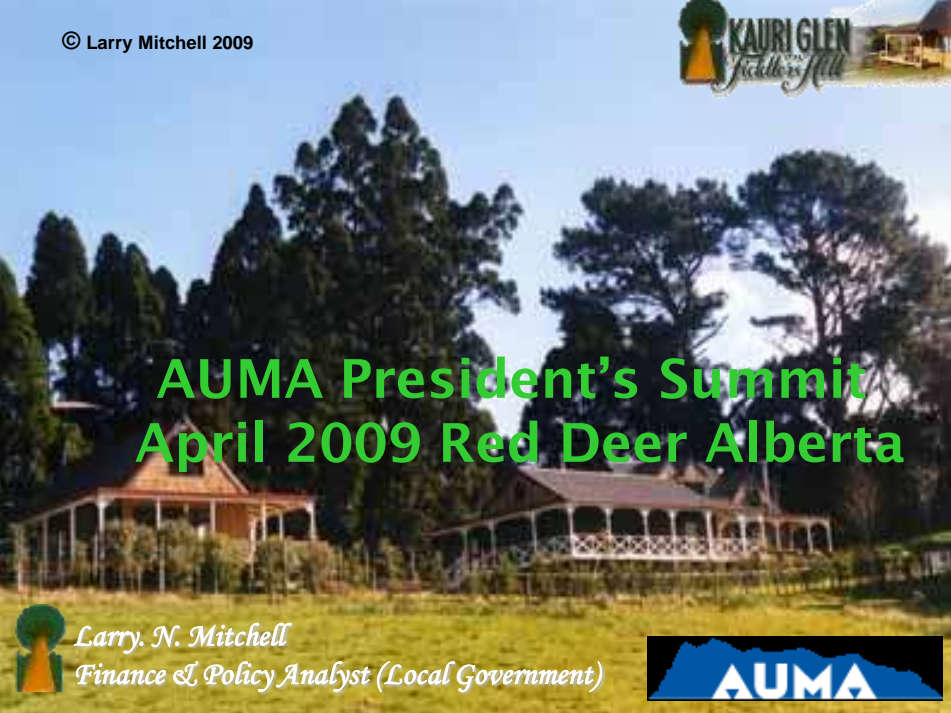





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AUMA President's Summit April 2009 Red Deer Alberta

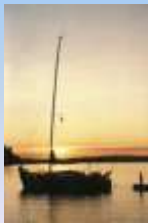
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Introduction and session plan

- Introductions and objectives
- The three parts of the Summit paper
- Further ruminations
- Discussions

Puhoi Tourism Promo ...



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Primary Products and Tourism

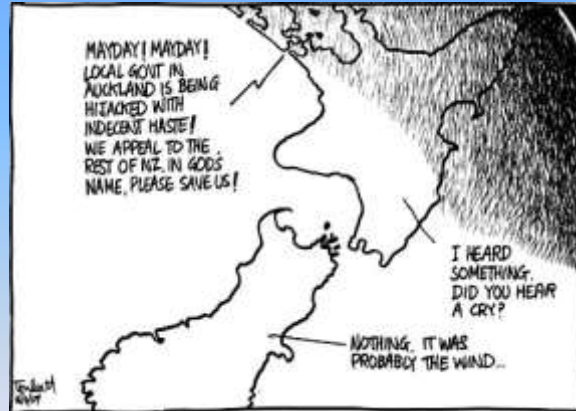


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NZ Local Government geography lesson



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Objectives

- My subject chosen for the AUMA President's Summit simply put and according to the event's agenda is ...
- *'The New Zealand local government experience ... Reflecting on New Zealand'*.



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The paper is in three sections:

- The first section covers **the process** of New Zealand local government reforms
- The second section covers the subject of **financial management best practice** as adopted
- The final section addresses the importance of **integrated 'holistic' long term financial plans** coupled with asset (facilities) management disciplines.



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The four process models

- 1989 Act ... radical and rapid
- 1996 ... financial management reforms
- 2002 Local Government Act ... policy-driven thorough-going improvement
- 2009 Auckland City proposed amalgamation ... A more consultative approach?



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The triple whammy

New Zealand LEGISLATIVE FRAMEWORK FOR PERFORMANCE-BASED GOVERNMENT

New Zealand LABOUR GOVERNMENT:

- State Sector Act, 1988
- Public Finance Act, 1989
- Local Government Act, 1989



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Mandated Best Practice

NEW ZEALAND PUBLIC FINANCE ACT "CREATING TRANSPARENCY"

- Information allows measurement and accountability
- Accrual accounting replaces cash accounting
- Framework to compare the real costs and benefits of policy options
- Cost of outputs includes capital charges, depreciation, allocated overheads and taxes
- Incentive for buying the least cost output
- Balance sheets, income statements and cash flow statements, measure financial performance



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Financial Management Best Practice

- Long term (ten year) financial planning ... a detailed 'comprehensive' strategic plan
- Mandated funding of the loss of service potential (assets related costs)
- Integration of asset (facilities) management plans into budgets



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Performance becomes an issue

CREATING HIGH PERFORMANCE GOVERNMENT Some Lessons

- **New Zealand Performance Framework**
 - Accrual accounting
 - Competitive vs monopoly delivery
 - Elected officials separated from service delivery
- **Phoenix Model (Indianapolis)**
 - In-house Personnel have to compete
 - Activity based costing
 - Separate Council from operations



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Integrated 'Holistic' Long Term Planning

- Integrated long term planning and asset (facilities) management practice
- Adoption of GAAP and more recently IFRS accounting standards
- A performance framework



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Performance Framework ... leads to Hutt City

NZ LOCAL GOVERNMENT ACT "GETTING THE FRAMEWORK RIGHT"

- Replicated structural reforms at National level
- **Framework** for competition, accountability and measurement
- Purchaser-provider "separation"
- Outputs not inputs, **results not spending**
- Local authority trading enterprises (lates)
- Consolidated local governments

RESULTS

- 20%-40% Savings without service reductions
- Falling costs of services
- Highly successful performance and customer service focus



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Latest developments

- Auckland's Super City ... Update
- Amalgamations ... Economic arguments verses social ones
- A sampling of current views of the Auckland mergers



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Super? City



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One View of the Super City

- Critical mass – one voice – competitive with Brisbane -Vancouver - common management of large networks ... **Yes**
- Less democracy more corporate decision making ... **Probably**
- Sets metropolitan – rural limits but complicates boundary issues ... **Yes**



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Further Ruminations - a sample of views - Source: NZ Herald April 15

- Columnist Garth George ... *“My concern however is not the economic failure of local government amalgamation, but the social failure ...”*
- *“The bigger a local authority is the less say ratepayers have in what happens to the place where they live”*
- a quote from Balzac ... *“Bureaucracy is a giant mechanism operated by pygmies”*



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Further Ruminations - a sample of views - Source: NZ Herald April 15

- Another headline ... *Bigger-is-better disease ... a growing cancer*
- A letter to the Editor headed *No consultation ... "I am not against one council but there should be benefits with reduced rates (taxes) Why otherwise would more than 1.3 million people agree to a new regime that will increase rates for less democracy"*



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Further Ruminations ... What the Royal Commission said

- NO detailed cost benefit study of the Super City in fact ... at pains not to conduct any definitive analysis
- Little support for any amalgamation based on cost savings (economies of scale) but based upon their extensive research of other amalgamations



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Further Ruminations ...

What the Royal Commission did **not** say

- There is the strong sense when reading the Commissioner's report that in the absence of hugely positive financial projections the Commissioners have resolved to support this major amalgamation because of the benefits that could not be measured in dollar terms ... that is the synergies and the intangibles!



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Intangibles?



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Royal Commission cost savings?

- *“The Commission is aware of past New Zealand and international experiences that suggest that savings do not necessarily arise from major local government reorganisations. It notes, however, that savings may have occurred but have been reallocated to new functions or to enhancements in service”.*



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Royal Commission cost savings?

- *“Although only indicative, the analysis suggests at least modest savings in both operating and capital expenditures are achievable. Allowing for the additional costs that will be incurred in establishing the new Auckland Council (and which cannot be accurately determined until an implementation plan is developed) there is a positive net present value of the proposal”*



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Final thoughts of the Commission

- *Amalgamation or other structural change should not be combined with financial realignment of responsibilities or other initiatives. Amalgamation should be dealt with separately.*
- *Unrealistic expectations about the magnitude of financial savings to be achieved resulted in some public disillusionment with amalgamation when these savings were not achieved.*
- *It costs money to amalgamate, and it is necessary to ensure that these costs are built into a realistic business plan.*



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Others ... Toronto ... Australia

- The relationship between the Province of Ontario and the City of Toronto was critical ... the province needed to work in partnership with the city at the time of amalgamation to assist the city to succeed.
- The Transition Team in Toronto was made up of councillors. This was problematic, in part because they lacked the necessary experience in managing change of the magnitude that occurred in Toronto.
- Australia ... Leave to Brian Dollery



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Just bigger flies?



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Modest cost-effectiveness objectives of the Auckland City Super City Plan

- 'Modest' is right
- Risk management of Commissioner's views based on overseas experience leads to low challenge levels - low expectations - low performance ... however
- Performance Auditor appointed
- A culture of performance improvement
- **Mark out of 10 ... Maximum 7 out of 10**



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A Manitoba model for Alberta?



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Frontier's best practice model

WHY ARE WE LOW PERFORMERS?

Best Practices:
 High transparency
 High neutrality
 High separation
i.e. New Zealand, City of Phoenix

Canada/Mb/Winnipeg:
 Low transparency
 Low neutrality
 Low separation
"Bulgarian Post Office" Model

 A small image of a red tractor, likely representing the 'Bulgarian Post Office' model mentioned in the text.


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A Frontier view

HIGH PERFORMANCE GOVERNMENT

- Spend less without cutting service
- Do not have to be direct providers of service to achieve particular outcomes
- Creating the Performance Framework
 - Transparency
 - Neutrality
 - Separation
- Customer Focus

COMPETITIVE FRAMEWORK IS THE KEY



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Frontier ... use the NZ model

NZ LOCAL GOVERNMENT PRINCIPLES “GETTING THE FRAMEWORK RIGHT”

Accountability Framework based on Separate Roles
for Council and Management

- Council **sets** policy
 - Council is board of directors (set global vision and outputs)
 - Council has one employee - the CEO
 - Council has no involvement in service delivery
- CEO **implements** policy
 - Manages resources to best achieve outputs desired by Council
 - Employs all staff
 - CEO on performance pay limited term contract
 - Pay tied to financial results and customer service measurements



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Frontier suggests ...

NEW ZEALAND
PUBLIC SECTOR REFORMS

PERFORMANCE-BASED GOVERNMENT

- Focus on results (outputs) not spending money (inputs)
- Legislated competition (purchaser-provider split)
- Performance contracts/open staffing
- Private sector accounting allows measurement
- Departments pay taxes and cost of capital (no hidden subsidies to public sector)
- Departments manage and control assets
- Major savings without service reductions

“END OF BULGARIAN POST OFFICE MODEL”




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Frontier suggests ...

**10 POLICY IDEAS
TO GET THE ECONOMY GOING**

1. ...
2. ...
3. ...
4. ...
5. ...
6. ...
7. ...
8. ...
9. Copy New Zealand Local Government Reforms
10. ...




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Conclusions – Alberta's local government jigsaw - Discussion



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