

LOCAL GOVERNMENT FORUM

1 June 2010

Dr Don Brash
2025 Taskforce
PO Box 3724
WELLINGTON

Dear Dr Brash,

I understand that you are seeking submissions to help inform the 2025 Taskforce's second report.

The Local Government Forum comprises organisations that have a vital interest in the activities of local government. Its members include Business New Zealand, the Electricity Networks Association, Federated Farmers of New Zealand, New Zealand Business Roundtable, New Zealand Chambers of Commerce, and New Zealand Retailers' Association. The Forum was established in 1994 to promote greater efficiency in local government and to contribute to debate on policy issues affecting it.

Forum members are each significant representatives of ratepayers in their own right but the Forum's perspective is to advance community welfare through the advocacy of sound public policy. We believe that local government can best serve the interests of the community and ratepayers by focusing on the efficient provision of public goods at a local level.

Local government is an important part of the economy. It owns significant infrastructure assets, worth around \$84 billion, and it provides important services to the community. In the 2009 calendar year the sector's operating expenditure was almost \$7.0 billion and operating revenue was more than \$6.7 billion (of which \$3.9 billion came from rates). Local government is also responsible for much local regulation impacting on people and on businesses.

Although the Forum believes that the 2025 Taskforce's first report did a good job at identifying key issues behind New Zealand's poor economic performance and suggested a number of policy options to close the income gap with Australia, we consider it to have been relatively light on local government. We were surprised by this given the comments made about local government in the OECD's most recent report on New Zealand¹.

The Forum is keen to ensure that the 2025 Taskforce considers local government in its second report and we are happy to assist it in coming to grips with the issues and offering solutions.

The Forum's 2007 publication *Democracy and Performance: A Manifesto for Local Government* sets out the Forum's perspectives on local government and outlines "policy

¹ OECD Economic Surveys: New Zealand 2009

directions that would assist local government to make a better contribution to the overall welfare of all New Zealanders"². It suggests that councils should focus on the efficient provision of public goods and to maintain order and key conclusions are summarised below:

- Local government has a vital but limited role.
- The activities of some councils presently extend well beyond their proper role, thereby threatening private property and prosperity through excess and inappropriate spending and regulation.
- The level of rates is excessive and distribution unfair.
- Local government should focus on activities that cannot be undertaken efficiently by individuals, firms and voluntary groups, and that are not performed by central government. It should administer appropriate regulation at the local level.
- Core activities of local government should be enumerated in the Local Government Act 2002. Other significant activities could be undertaken provided that more than a simple majority of ratepayers approve of such activities in a referendum.
- A first principles review should be undertaken of the Resource Management Act 1991, the Building Act 2004 and other regulations that councils administer.
- A first principles review of the funding of local government should be undertaken.
- Part 6 of the Local Government Act 2002, which relates to planning, decision making and accountability, should be revised to reduce the cost to councils and ratepayers of financial management.³

The Forum is pleased that a number of these points are under active consideration by the Minister of Local Government and the Government but we think more can and should be done to advance them.

Two further publications are also relevant to any discussion on focusing councils on core activities. The Forum's 2008 publication *Local Government and the Provision of Public Goods* states that councils should focus on the efficient provision of public goods and examines council activities as to whether they are public or private goods (or a mixture), suggesting that councils should exit from the provision of private goods⁴.

Meanwhile, the Forum's 2009 publication *Income and Wealth Redistribution, Should it be a Role for Local Government?* states that central government has prime responsibility for income redistribution and it recommends that local government should not engage in explicit income redistribution⁵.

Most recently, the Forum, in conjunction with Property Council New Zealand, has produced a report *Taxing Growth and Development, a Critical Review of the Role of Development and Financial Contributions*. It has identified considerable problems with over-reliance on this funding tool and recommends a number of changes⁶.

A hard copy of each of these reports is attached for your information and copies may also be downloaded from the Forum's website: <http://www.localgovtforum.org.nz/LGFDocuments.aspx>

² *Democracy and Performance: A Manifesto for Local Government*, Local Government Forum, February 2007, pg 2.

³ *Ibid*, pg 41.

⁴ *Local Government and the Provision of Public Goods*, Local Government Forum, November 2008.

⁵ *Income and Wealth Redistribution, Should it be a Role for Local Government?*, Local Government Forum, March 2009.

⁶ *Taxing Growth and Development, a Critical Review of the Role of Development and Financial Contributions*
Local Government Forum,

Finally, as you will appreciate, ports are very important for a small, open, trading economy that is separated from all its export markets and import sources by expanses of ocean. Most ports are either wholly or largely owned by local government and concerns have been expressed about such ownership impacting on port efficiency and financial performance. Therefore, the Forum has commissioned a study on *Port Performance and Ownership* and we are hoping that this report (to be published later this year) will help push the case for policies to encourage improved efficiencies and financial performance of our ports.

I encourage you and Taskforce members to read these reports and I would be very happy to meet with you to discuss this submission and the reports.

Yours sincerely,

A handwritten signature in black ink on a light yellow background. The signature is stylized and appears to read 'Finny'.

Charles Finny
Chair