

LOCAL GOVERNMENT FORUM

14 February 2014

Clerk of the Committee
Local Government & Environment Select Committee
Parliament Buildings
WELLINGTON 6140

SUBMISSION: LOCAL GOVERNMENT ACT 2002 AMENDMENT BILL (NO 3)

Introduction

The Local Government Forum welcomes the opportunity to make a submission to the Local Government & Environment Select Committee on the Local Government Act 2002 Amendment Bill (No 3).

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

Some individual members of the Forum will be making their own submissions on the Bill and we acknowledge their submissions.

The Forum does not wish to be heard by the Committee.

Background

This Bill completes the *Better Local Government* (BLG) reform programme. The Forum has supported BLG, including the 2012 amendments to the Local Government Act 2002. BLG was motivated by concern about rapid growth in local government spending, rates, and debt after 2002 with the solution being a set of reforms designed to encourage councils to be more efficient.

BLG was progressed in two phases. The Phase One reforms were implemented through the 2012 amendments to the Act. These changed the purpose statement for local government, introduced financial benchmarking and a framework for central government assistance, made some changes to governance provisions, and adjusted the process for local government reorganisation. The Forum supported these changes.

Phase Two of the reforms were a medium-term work programme, the results of which are the amendments in his Bill. The main features of the Bill are:

- Making local boards available more widely as an option that can be used by the Local Government Commission during reorganisations of local government.
- Measures to encourage and facilitate shared services, joint delivery, and other collaborative arrangements between councils.
- Changes to consultation provisions, such as introducing a new document for long-term and annual plans, removing many of the existing requirements for councils to use the special consultation procedure, and modernising techniques for communicating and consulting with the public.
- Requiring an infrastructure strategy to be incorporated into long-term plans.
- Changes to development contributions provisions to limit what contributions can be charged for, introduce an objection process, and encourage developers to provide infrastructure themselves.

Comment

The Forum supports the Bill and has only a few comments to make on the key provisions. These follow below:

Local Boards

The Forum has no national position on changes to the structure of local government. Individual Forum members' positions on specific proposals are generally determined by their respective regional and local entities.

However, the structure of local government is an important issue and the Forum has recently released a short discussion paper on issues for people to think about and questions to ask when considering proposals to restructure local government in their areas. This paper is available from the Forum's website¹.

The Forum supports the provisions in this Bill to make local boards more widely available for consideration of the Local Government Commission when considering reorganisation proposals. This additional option could help better provide for effective democratic governance while achieving benefits associated with larger organisations.

Delivery of Services

Making greater use of shared services is a useful way to achieve more effective and efficient local government. The Forum is aware that there are already many cases of councils undertaking shared services, joint delivery and other modes of collaboration, but as noted in the Bill's regulatory impact statement "these are largely in 'back-office' services and fall short of the potential for such arrangements to improve the efficiency and cost-effectiveness of core service delivery"².

¹ See: <http://www.localgovtforum.org.nz/Documents/Documents-and-Reports/Local-Government-Restructuring--Better-Local-Gover.aspx>

² *Regulatory Impact Statement, Better Local Government: Opportunities to Improve Efficiency*, Department of Internal Affairs, pg. 27.

It is useful to encourage further uptake of these sorts of arrangements by removing barriers and sending a clear message to councils that they should be considering their potential. The Forum therefore supports the Bill's changes in this area, including the new requirement for councils to undertake regular reviews of the cost effectiveness of current arrangements.

Consultation Provisions

Current consultation practices are cumbersome and ineffective in engaging with communities. The documents themselves remain lengthy and complex, despite previous attempts to make them more useful. The Forum supports changes to reduce costs associated with consultation and giving councils more flexibility and discretion over how and what they consult on.

While supporting these changes, the Forum reminds the Committee that ratepayers should continue to be able to have a say on long-term plans and the annual budgets. The retention of consultation on the three-yearly long term plans and on 'significant' changes in annual plans is therefore welcomed.

However, in the context of the annual plan it is important to recognise that what may seem a relatively 'insignificant' change to a council's funding and rating policy (such as the outcome of a rating revaluation, or changes to a uniform annual charge or rating differential) could be very significant to individual ratepayers or groups of ratepayers. Anomalies arising from such 'insignificant' changes often only come to councils' attention during an annual plan consultation process.

The Forum recommends that the Committee carefully looks into this issue.

Infrastructure Strategy

Infrastructure is universally recognised as one of local government's most core roles. The sector owns almost \$100 billion of fixed assets, most of which is roading and the 'three waters'. It is very important that infrastructure assets are managed in a way that ensures they deliver quality services cost effectively. Although asset management planning is 'good practice' it is not mandatory and there are shortcomings, such as those identified by the Auditor General³.

The Forum therefore agrees there should be greater rigour for asset management planning and we support the changes in the Bill.

Development Contributions

Although the Forum is not opposed to development contributions per se, our concerns revolve around the lack of clarity in their use and the tendency for such contributions to extend beyond a use that is justified. With this in mind, in March 2010 the Forum, in conjunction with the Property Council of New Zealand, published a paper on development contributions, *Taxing Growth and Development*. The paper, available

³ Office of the Auditor General: *Matters Arising from the 2009-19 Long term Council Community Plans* (August 2010). It commented that "a significant number of local authorities' asset management plans were not complete, did not reflect other available information or management practice, and did not support the information included in long-term plans".

from the Forum's website⁴, identified problems with over-reliance on this funding tool and recommended a number of changes.

In 2013 the Forum submitted on the Department of Internal Affairs' Review of Development Contributions⁵. Many of the resulting changes in this Bill are consistent with the recommendations from *Taxing Growth and Development*. They are therefore supported by the Forum.

A matter which has been brought to the Forum's attention is uncertainty about the ability for a council controlled organisation (CCO) to apply or set development contributions for infrastructure or amenities administered or managed by the CCO, including confusion between what is a network connection charge, which should not exceed the actual cost to the CCO of the new connection, and what is a 'tax' to fund community infrastructure and amenities.

The Forum understands that only territorial authorities have the ability to apply a development contribution for an activity controlled or managed by a CCO and this is appropriate as it is the territorial authority that has the democratic accountability for this taxation decision. The Forum does not think this need be changed but what might need to be clarified is how councils apply these types of development contributions and how they relate to network connection charges.

Thank you for considering the points raised in this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. A. Barnett', written in a cursive style.

Michael Barnett
Chair

⁴ See: <http://www.localgovtforum.org.nz/Documents/Documents-and-Reports/Taxing-Growth-and-Development.aspx>

⁵ See: <http://www.localgovtforum.org.nz/Documents/Submissions/15-March-2013--Submission-to-Internal-Affairs-on-t.aspx>