



Is NZ Local Government Fit for Purpose?

A Cynical View...

September 2015



What I'll cover...

- Why is local government important?
- How are we performing?
- Strategic challenges
- Government's response
- What does it mean for the sector?
- Where to from here?



The Work We Do

- Infrastructure service provider
 - \$120 billion of assets
 - All 3 waters assets
 - 88% of NZs roads
- Regulatory agency
- Community leader and advocate



Why local government matters...

- Local government activities are a key foundation of
 - Economic development
 - Environmental performance
 - Social outcomes
 - Community vibrancy

- It is the experience that people have with government



Importance to Central Government

- #5 Paula Bennett - Minister of Local Government
- #2 Bill English - Infrastructure responsibility
- #4 Steven Joyce – Economic Dev. & Regulatory Reform
- #9 Simon Bridges – Transport & Energy
- #12 Nick Smith – Environment, Building & Housing



Government Priorities – October 2014

- Housing affordability
- RMA Reform
- Rules Reduction Taskforce
- Water Quality NPS
- RONS
- Canterbury
- More for less from the public sector



How is the sector performing?



A ratepayer view

LG

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29/100

Could
do better!

How to lift perceptions
of your council p16

SEPARATING FACT FROM FICTION

Stephen Town on Auckland's amalgamation p22

STATE OF PLAY

How good is your website? p30

WELLINGTON CITY COUNCIL'S KEVIN LAVERY

On just going for it p26

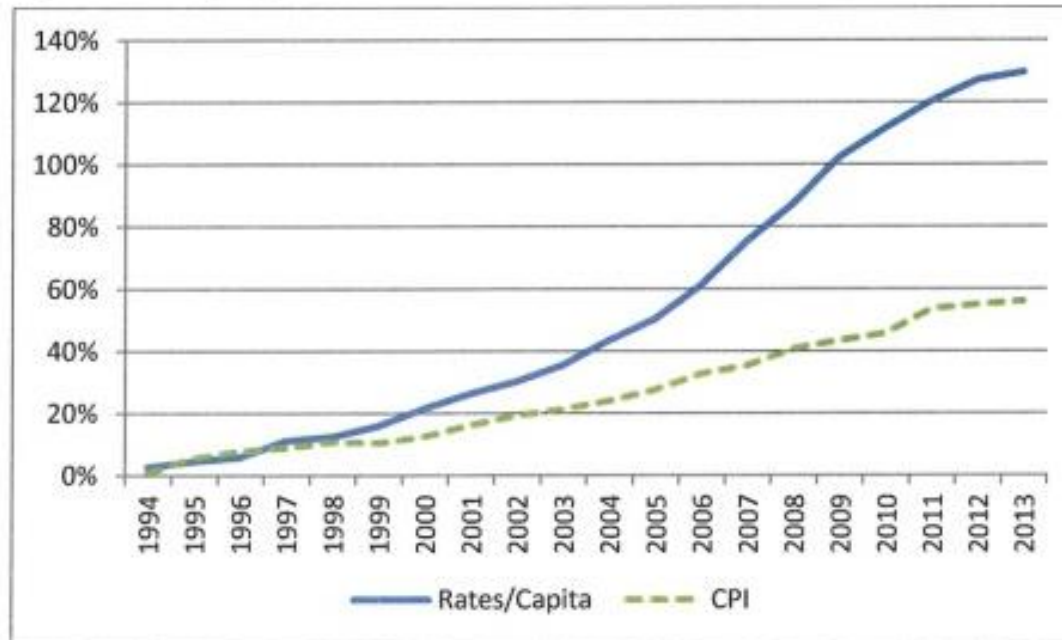
IT'S IN YOUR HANDS

Building a more accessible New Zealand p32



Local Authority Rates

Figure 7: Rates/Capita and Consumer Price Index movement (cumulative increase)

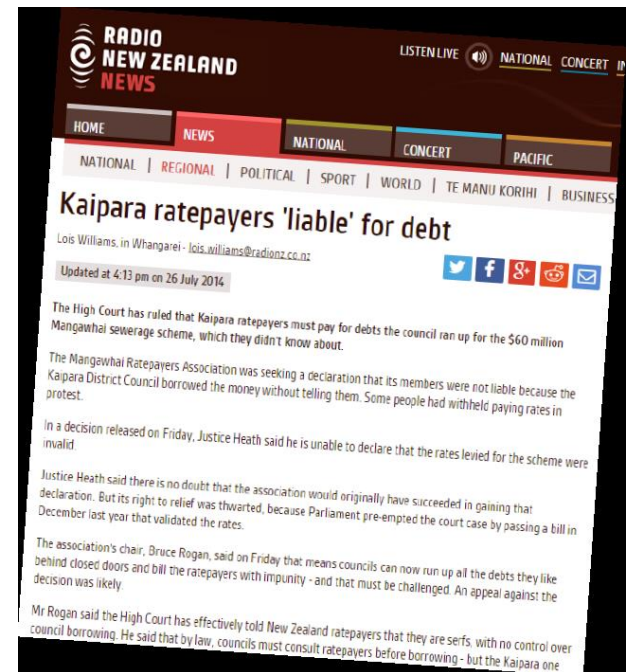


Source: Statistics New Zealand Local Authority Financial Statistics



High Profile Problems

- Environment Canterbury
- Hamilton – V8s
- Kaipara
- Christchurch City
- Tasman
- 4 Validation Acts in 18 months





Land Transport Validation Act

- Speed limits bylaw
 - Wrong legislation
 - Review of bylaws provision
- 22 local authorities had it wrong
 - Website review
- How many really had it wrong??



Local Government Rating Practices - OAG

- *... the rates practices of most local authorities did not meet statutory requirements*
- *... most local authorities had some problems with rating compliance for 2012/13*
 - *Potentially serious breaches "technical" legal breaches*
 - *Some had many problems with rating compliance*



Rating Practices

- Christchurch
 - *... the rates never became legally due (and so were unenforceable)...*
- Taupo – may not have adopted LTP correctly
- Ruapehu
 - *Had to meet on three separate occasions to resolve to set rates ... because of errors*
- Waimate
 - *Failed to resolve to set rates and penalties for 2012/13*



LGNZ - 3 Waters Issues Paper

- Finds that the sector is not broken but can improve
- Identifies gaps in the data particularly condition
 - 48 out of 60 councils report back on asset life
 - 26 out of 60 were able to report back on water asset condition
 - 29 out of 60 reported back on wastewater asset condition
 - 5 & 6 of 24 rural councils reported back on water and wastewater condition
 - 14 & 11 of 24 rural councils confirmed renewals profile for water & wastewater
- Expertise a challenge for smaller councils
- Ability to fund will be a significant challenge for some councils

Exploring the issues facing New Zealand's water, wastewater and stormwater sector

An issues paper prepared for LGNZ by Catalyst Strategic Advisors
10/09/19



We are LGNZ



OAG Infrastructure Report

- Don't use AMP information well
- Must link decisions to communities and their needs
- Under investment in recent years in renewals
 - Result of drive to reduce costs and rates
 - Use of district-wide funding for small communities
 - Sweating assets
 - Capex less than planned
- Need for long term view on investment
- There is a problem coming!



Ten Year Renewals (2012 LTPs)

Asset class	Average renewals expenditure to depreciation
Roading	91%
Water supply	72%
Wastewater	58%
Stormwater	32%



Regulatory Services

- 39% business see local govt regulation as a financial burden
- 1/3rd businesses see regulation as barrier to growth
- 1/3rd see keeping up to date difficult
- 42% change in last two years
- 49% say regulators don't work together

Productivity Commission
Regulatory System Reviews



Strategic Challenges



Demographic Change

- 30% TLAs declined in last census
- Aging – 2011 to 2031 growth in 84% TLAs will be 65+
- By 2045 expect another 1.2 million people
 - 60% in Auckland
 - 92% across five regions
- Growth is in urban/peri-urban areas
- Rural and provincial are declining



Other Challenges

- Financial sustainability
 - Price deflation expectations
 - Aging population impact
- Technology is changing our lives
- Viability of rural/provincial towns
 - Earthquake Prone Buildings



Challenges for Rural NZ

- Efficiency of agricultural sector
- Demographic change
- Declining communities
- Rising service standards
- Importance of urban communities
- Getting our fair share
 - Politics is about votes



Government's Response



How are we seen by Government?

- Subsidiary tier of government
- Concerned with service delivery & local regulation
- Locally owned but nationally supervised infrastructure companies
- “*paternalistic*” relationship – Justice Miller
- Hence, they change the rules when not happy...



Government Responses to date

- Taskforce reviews
 - Infrastructure taskforce
 - Efficiency taskforce
- Productivity Commission reports
- RMA reform
- LGA reforms – 3 major amendments
- Make structural reform easier
- Intervention



Purpose of Local Government

*“to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is **most cost-effective** for households and businesses”*



Why Amalgamation?

- Bigger is better focus
- Assumed efficiencies from scale
 - Removes duplication
 - Removes complexity of structures
- Greater strategic capacity
- Service innovation



Amalgamation – International Picture

- Queensland - de-amalgamation
- NSW – slow boat
- Perth reform abandoned
- NZ reform
 - Auckland & Banks Peninsula
 - 25 years later we are still waiting...
- Keeping the local in Local Government



The Ministers Dilemma

- Communities don't want reform
- Not politically attractive
- Sector that needs to change
- What lever do I pull next?



Minister Bennett – LGNZ Conference

- *There are regions having the same conversations for the past 30 years*
- *We simply have to look at growth across a region, and your current structure does not support that*
- *It is time for sustained, locked in change*
- *LGC are going to work alongside you to ensure we have the right structure...and the right accountabilities to ensure sustainable growth...*



Hon Paula Bennett cont...

- *This might mean a CCO on water or transport across a region*
- *It could even mean in areas with a number of CCOs that there is no longer a need for a Regional Council*
- *Some Councils may even choose to amalgamate*
- *Be brave – own the change, and both the Commission and I will support you*
- *But let me be clear, there will be change!*



Hon Paula Bennett cont...

- *The public want better services, modern infrastructure, and strong leadership*
- *Ratepayers are not prepared to pay more for services while they see waste*
- *I expect you to look closely at your costs...*
- *Think strategically, be innovative, remain focused on the issues that matter...*
- *But most of all – be brave.*



The Messages...

- Economic development is vital
 - More jobs matters
- Core infrastructure
 - Reliable and resilient infrastructure
 - Long term view
- New governance structures such as CCOs
- Transformational change needed in some regions
- *Sustained, locked in change*



What does it mean?

- The sector needs to lift its game
- Debate needs to be about ‘more for less’
 - *Administrative efficiency* not *political amalgamation*
- New thinking is required
 - Not shared services & nice talk
 - Look beyond NZ & local govt
- Everyone is on notice
 - A Wellington answer
 - Reform is always an option



Possible Change Principles

- Linked up thinking - national, regional and local
- Decision-making at right level
- Financial sustainability
- Strategic capacity to govern effectively
- Efficient and effective
- Local democracy is important
- Local input where it can make a difference
- Able to cope with changing world in which we live



What does it mean – Community Leader

- Strategic leadership role in our communities
 - Long term view
 - Set local priorities and how achieved
 - Owner and funder role – the what question
- Collaborative/facilitator role
 - Pull agencies together to design solutions for communities
 - Extract the most out of all public \$\$
- Leader of change



What does it mean - Service Delivery

- The how question
- Section 17A reviews
 - Cost effectiveness
 - Governance, funding & delivery options
- Economies of scale vs local need
 - Will be different between services
 - Look beyond your own organisation & region
- Get the cost down
- Show you have considered all options



What does it mean – Regulator

- Plan for growth
 - Consistent set of rules across region
 - Link planning and infrastructure plans
- Open for business
 - Standardised processes & fees
 - Make it easy
- Legislative compliance



Where to from here - LGC

- New focus for Commission – support change
- Guidance material
 - Alternative models
 - Principles to guide thinking
- Regional and multi-regional perspective
- Will look for scale where it matters
- Local democracy doesn't have to = Council



Where to from here? - LGC

- Northland & Wellington
 - Alternative solution in 12 months
- Hawkes Bay will be added to that list
- Northern Rodney & West Coast
- Others will follow...
- Will go 'around the traps' promoting change



Where to from here? - LGNZ Solutions

- National training programme
- Performance Uplift programme
 - Communications programme
- National policy work (eg funding & benchmarking)
- Co-regulation of waters
- National agencies – LGFA, LGRMA?
- Will need to refocus to guide LGC
 - Sector developed solutions



Where to from here? – Southland

- Regional Development Strategy was right
- Shared service opportunities will ‘buy time’
- Need to broaden regional thinking
 - We have a leadership challenge
- Work to do on infrastructure services
 - What are the viable alternatives?
 - Parts of Otago and Southland combined?
- New strategic priorities are right
 - But don’t just look inwards



Summary

- Sector needs to lift its performance
- We can take control or have it imposed
- Move beyond our traditional view of the world
- Improve compliance but don't compromise outcomes