



New Zealand Chambers of Commerce (Inc)
Submission to Local Government and Environment Select Committee
Local Government Act Amendment Bill
June 2010

Introduction

The New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 29 Chambers of Commerce nationwide. These, in turn, represent over 24,000 businesses around the country. While many of our members are in the SME category our membership includes most of the largest corporations in New Zealand.

NZCCI welcomes the opportunity to make this submission on the Local Government Amendment Bill. We strongly support measures to improve the transparency, accountability and financial management of Local Government. The size of the sector and the essential role it plays mean this is crucial.

We support the thrust of the Bill, which aims to achieve this improvement, but we do not think it goes far enough in doing so. We were disappointed that many of the measures floated by the Minister last year have not been picked up in this Bill.

Clause 5 - Core Services

NZCCI believes the scope of activities of most New Zealand councils is currently too wide and that there is an urgent need for local government to focus more on its core business. We define this as essentially the provision of public goods and administration of appropriate regulation at a local level.

NZCCI strongly supports the *intent* of clause 5, which aims to better focus local authorities on core services, but we do not support the approach taken. A major concern is that the Bill does not adequately define the role of local government.

Clause 5 has a list of 'core services' that local authorities must, in the words of the Bill, have "regard to". These include network infrastructure; public transport services; solid waste collection & disposal; the avoidance or

mitigation of natural hazards; libraries, museums, reserves, recreational facilities; and other community infrastructure.

This list is inadequate for a number of reasons. Firstly it includes a number of activities that are not 'core'. For example, 'network infrastructure' might *expand* local government activity to include things like telecommunications and rail. 'Recreational facilities' and 'other community infrastructure' are open ended and could mean just about anything.

Secondly, what is 'core' to some local authorities will not be 'core' for others. Rural and urban councils have different functions and regional councils are different from TLAs. Public transport is an example in the list of a service that is not core to all councils.

Finally, at the other extreme the list excludes important regulatory activities that should be 'core', including regulation of nuisances, resource management, building, food safety, animal control, etc.

Overall, clause 5 would have little effect on councils. They could rightly claim to already have regard to the listed activities. This needs to change. We are concerned that without tighter constraints local authorities will continue to expand their scope of activities. There is a particular risk that the new Auckland council will take advantage of lax constraints and build an empire. We also note that Wellington City Council has recently floated the idea of an office in China.

To remedy this, we believe that core services need to be more precisely defined so that they are more focused on public goods¹.

Our proposal is that the Bill repeals the Act's activist purpose statement in section 10(b), which is to "promote the social, economic, environmental, and cultural well-being of communities...", and replace it with a statement that local government's purpose is to "efficiently provide public goods and administer appropriate regulation at a local level".

A list of public good activities appropriately provided by local government could be enumerated in a schedule to the legislation. We acknowledge that it is not always certain as to whether a good is public or private and that some council activities (existing and proposed) will fall into a grey area. Such an approach would provide councils with a much clearer steer of what they should be focusing on than what is currently proposed in clause 5.

Councils would not be prevented from undertaking private goods or activities not listed in the schedule where it can be shown that there would be genuine public benefits from doing so.

¹ A public good is something that no-one else would provide because it can't be charged for, for example street lighting or civil defence,. See "[Local Government and the Provision of Public Goods](#)" published by the Local Government Forum, www.localgovtforum.govt.nz, for a full discussion of public goods.

We also think the referendum approach warrants further investigation i.e. significant activities not listed would be permitted only if a simple majority of ratepayers approved them in a referendum.

Clause 6 – Council Investments

This clause requires council to assess expected returns before making an investment and satisfy itself that those returns would outweigh the risks. While we don't disagree with this in itself, there are other public policy considerations in addition to return on investment that should be taken account of before local government is involved in any commercial activity. We would be concerned if this were the only criteria needed to be met and that there was an assumption that all council investments were acceptable provided that they made money.

We recommend that clause 6 should be amended to add the words “*and satisfy itself that an investment would not be better left to individuals, firms, voluntary groups, or central government*” (or words to that effect).

Clause 16 – Pre-election Report

We support the proposal that councils prepare a pre-election report - the equivalent of the Pre-Election Fiscal Update (PREFU) at central government level. This would greatly encourage and inform election debate. We are hopeful that being issued at election time should give it a topical interest that other local government accountability documents do not have.

Information covering the preceding three years as well as the next three years is seldom provided currently and would give a good picture of the council's medium term performance.

Clause 17 – Financial Strategy

Clause 17 requires councils to include a financial strategy as part of their long-term plans. NZCCI supports this proposal. A fiscal strategy, including expenditure and funding targets, would help better prioritise expenditure and keep councils focused on core activities.

Clause 22 - Development Contributions

We strongly support the proposed review of development contributions and financial contributions. There is strong evidence that development contributions are being unfairly applied by councils.

Clauses 31 and 32 – Water Management

NZCCI supports the attempts to improve the management of water but considers the proposals do not go far enough.

We believe that local authorities should be free to develop contracts for water services as they see fit, including matters of policy, management and pricing. Local authorities should be free to retain control over one or more of these functions or transfer responsibility for all operational and practical matters. Local authorities would still be responsible for the provision of water services, whether they elected to provide the services themselves or through a third party.

We recommend clauses 31 and 32 be amended to remove the proposed restrictions on the maximum term for contracts on water services; and deletes the need for local authorities to retain control over pricing, management, and the development of policy on delivery of water services.

Clause 38 – Comparisons of Council Performance

NZCCI supports the proposal requiring local authorities to provide consistent information. This would enable easier assessment and comparison of council performance. Currently too few local authorities provide good information so it is difficult for ratepayers to understand how much and what they are paying for.

Clause 39 – A Levy for Performance Measures

While we support the proposed performance measures we do not support these being paid for by way of a levy. There is a stronger case for this to be funded out of general taxation.