AUCKLAND CHAMBER OF COMMERCE
Business Vitality

AUCKLAND CHAMBER OF COMMERCE SUBMISSION ON THE LOCAL GOVERNMENT ACT 2002 AMENDMENT BILL (No 3)

INTRODUCTION

The Auckland Chamber of Commerce welcomes the opportunity to make a submission on the Local Government Act 2002 Amendment Bill (No 3).

The Auckland Chamber is dedicated to the strengthening of the Auckland's status as New Zealand's pre-eminent commercial, industrial and communications centre and to assisting the development of a desirable environment for its 1.5 million residents.

The Auckland Chamber has a corporate membership of more than 6000, including many who expect their views to be forcefully represented in this submission.

The Auckland Chamber confirms it wishes to take up the opportunity to make a supporting presentation of our submission on the Bill.

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CONTEXT

The Auckland Chamber of Commerce strongly supports policies that strengthen the development of Auckland's (and New Zealand's) international, national and regional trade through:

- Freedom of enterprise to generate and contribute economic, social and cultural wealth to the community;
- The development of a market economy in which there is minimal interference from central and local government;
- The strengthening of Auckland's place as New Zealand's pre-eminent commercial, industrial and communications centre.

Accordingly, the Chamber has strongly endorsed and participated in the Better Local Government eight-point reform process. We strongly believe that it is important for local government to recognize the critical role it has to enable a more competitive and productive economy through the delivery of efficient and responsive services.

We strongly endorse the requirement that local government should focus on activities that cannot be provided currently by individuals, firms and voluntary groups, and that are not performed by central government.

As submitted previously, the Chamber desires a local government culture that IS business-friendly and Thinks business friendly in everything they do – constantly ask what we can do as a Council to support business and be easy to do business with. At the same time though we are critical of well-intentioned councils and economic development agencies endeavouring to support businesses by operating in areas where private sector business organisations traditionally operate.

Accordingly, the Chamber notes that the Local Government Act 2002 Amendment Bill (No 3) builds on the amendments made in 2010 and 2012.

We wish the Committee members to note that the Chamber's support for and participation in the reform process included membership of the Local Government Efficiency Taskforce. We are pleased to note that a number of the proposed changes in the No3 Bill are in response to reports by the Taskforce and also the Infrastructure Advisory Group, both of which were established under the Better Local Government programme

In summary, The Chamber believes that local government has a role and responsibility to contribute to building a more competitive and productive economy and improving the delivery of public services by:

- focusing on operating more efficiently and doing the things only councils can do;
- playing their part in creating and environment conducive to sustained economic growth, including by
- reducing red tape, to speed up consent processes and enhance a business friendly environment within councils,
- minimising the rates burden on house-holds and businesses,
- limiting debt, and
- providing cost-effective and good quality infrastructure.

We would like to believe that an outcome of the Better Local Government reform process will ultimately be a step change in attitude and a more business-friendly culture within local government.

AMENDMENT BILL (No 3)

The Bill amends the Local Government Act 2002 to:

- change what development contributions can be used for;
- allow for objections to development contributions charges;
- encourage more collaboration and shared services between local authorities;
- make consultation requirements more flexible;
- provide for a new significance and engagement policy;
- enable more efficient and focused consultation on long-term plans and annual plans;

- remove unnecessary duplication between annual plans and long-term plans;
- introduce new requirements for infrastructure strategies and asset management planning;
- enable elected members to use technology to participate in council meetings, rather than attending in person;
- require councils to disclose information about their rating bases in long-term plans, annual plans and annual reports; and
- require disclosure of risk management arrangements for physical assets in annual reports.

The Bill also includes provisions that enable the Local Government Commission to:

- establish local boards (similar to those in Auckland) as part of new unitary authorities, and in existing unitary authorities; and
- create council-controlled organisations and joint committees as part of a reorganisation scheme.

SUPPORT FOR SPECIFIC PROVISIONS IN THE BILL

The Chamber supports the following specific provisions set out in the Bill:

1. Change what development contributions can be used for

   We endorse the proposed changes to development contributions provisions, and the way in which they are implemented, in order to make them fairer, better focused, more transparent, and more workable. In particular, we note that the changes are partly designed to assist housing affordability.

   However we suggest that some further work is needed to ensure that the objectives of changing the arrangements for charging development contributions will in fact be achieved – e.g. to make housing more affordability – and don’t result in unintended consequences.

   We need to make sure that the effect of altering the development contributions system doesn’t simply end up transferring additional costs to rate payers and/or that desirable supporting infrastructure or services will still be provided.

   That is, while it is a good idea to somehow limit development contributions, some financial modeling may be required to work out what the real practical impact of that is going to be on councils and on ratepayers. Will any restriction on development levies mean that councils look to find the money from ratepayers, or from elsewhere, or cut back on supporting services? At the same time, it is obvious that purchasers of affected homes should pay a fair share for connecting services? Some clarification is required around this point.

2. Encourage more collaboration and shared services between local authorities

   Similarly, the Chamber supports the amendments designed to encourage greater collaboration and more shared services between local authorities. We agree that councils be encouraged to work together to identify shared service opportunities that provide value for money and achieve efficiencies of scale that makes them more affordable to customers – e.g. water, waste water, sewerage and roading - without necessarily amalgamating. Having a statute that gives more flexibility to collaborate and to deliver better, cheaper services is a practical step.

3. Make consultation requirements more flexible

   The Chamber strongly endorses the provisions designed to encourage better consultation, decision making, and planning. It basically gives more flexibility to councils and should encourage councils to be more creative, innovative and to use new techniques and more modern technology when they consult with the public.

4. Enable more efficient and focused planning process

   Similarly, the Chamber strongly endorses a more efficient and focused consultation on long-term plans and annual plans. Duplication between annual plans and long-term plans should be eliminated. The introduction of a 30-year plan (as in Auckland) will help councils to shift their focus from planning from one electoral cycle to the next, to setting out a vision statement backed by key objectives and performance indicators setting out what they propose to prioritise for implementation and by when.

   However, we encourage the Select Committee to examine whether the reform to rationalise the planning process goes far enough. We note that there will still be an expectation that councils disclose information about their rating bases in long-term plans, annual plans and annual reports, and which includes disclosure of risk management arrangements for physical assets in annual reports. Our concern is not about the requirement for full disclosure of as much information as possible; our concern is with the process for reporting and its complexity. When reporting on regulatory issues (e.g. the Proposed Auckland Unitary Plan document is some 6600 pages), and reports of local boards, council-controlled organisations, committees and others that make up a council's agenda is added to the mix there is a high potential for important matters to get lost within the weight of detail.

   Our preliminary suggestion designed to help reduce this complexity is that the Select Committee seriously consider some strengthening to place a limitation on planning to a single strategic long-term plan aligned to the electoral cycle and which includes provision for the funding of initiatives and annual amendment and reporting on performance milestones achieved against the key goals of the long-term plan.

Part of our reason for this suggestion stems from our experience with the Auckland Council and the nearly two years of submissions required to a long list of proposed plans, including the Auckland Plan, Long-term plan, Regional Transport Programme, Draft Unitary Plan/ Proposed Unitary Plan, City Centre Master Plan and many others. For some time we have been greatly concerned that the Council's focus is on 'planning' rather than focusing its attention on identifying and funding the delivery of Auckland's big issues.

OTHER AREAS NEEDING STRENGTHENING AND/OR GREATER CLARITY

The Bill includes provisions that enable the Local Government Commission (LGC) to establish local boards and create council-controlled organisations (CCOs) and joint committees as part of a reorganisation scheme.

1. Role of LGC to create CCOs

   The Chamber has concerns that the provisions enabling the LGC to create CCOs and joint committees as part of a reorganisation scheme has the potential to undermine local debate and decision-making on what is the best re-organised structure for a local area.

   Also, as noted above, the Chamber strongly agrees that councils should not operate in areas where private sector business organisations traditionally operate. While a CCO enables professional expertise to be introduced to the management of a particular Council service, e.g. roading or water, there needs to be careful consideration to whether the service might be better delivered totally under a private sector ‘user pay’ structure. Rather than the LGC making this decision, it may be more democratic if the local government itself, after community debate, were to make or be a party to these decisions?

   The Chamber notes that Auckland Council is this year to undertake a review of the seven CCOs established under the governance reform unveiled in 2010. A consideration will be the degree of accountability by the CCOs back to the council, and also whether there is duplication and loss of efficiency (time and cost wastage) in decision-making through having a group of governing councillors and a tier of boards basically signing off on the big decisions. Another consideration will be the extent that CCO services are duplicating those of existing private sector organisations, and also whether there is effective decision-making and communication in setting policy and delivering outcomes between the council and particular CCOs.

   Accordingly, the Chamber strongly encourages the Select Committee to consider strengthening the provisions that enable the LGC to create CCOs to take on board views of the particular council and community.

2. Role of LGC to establish local boards – similar to those in Auckland

   Similarly, we invite the Select Committee to consider strengthening the Bill's provisions in respect of the LGC role to establish local boards to make it clearer that a 'local' viewpoint will guide decision-making.

   While it is correct that the local board model used in Auckland is proving to be relatively successful in ensuring that 'local' issues are addressed, there is a concern that the boards have little to do once their plans are agreed; there are questions about the adequacy of how they are resourced and therefore whether they provide value for ratepayer money.

   The Chamber agrees that introduction of local boards be determined on a case by case basis—looking at the community, seeing what they require—and that decision-making is led by the community in consultation with the Local Government Commission.

   Overall, the Chamber believes that local communities be encouraged to make these decisions about how it can lift the bar in improving its own performance. After all, it is the one that is going to have to live with them and carry them out.

   Making the transition to achieved empowered decisions based on improved performance won't be easy.

   As submitted previously, there is considerable indicative evidence suggesting that a number of the local authorities whose financial positions have deteriorated markedly in recent years have done so because of poor planning and management to ensure projects and/or services can satisfy and/or exploit economies of scale; in simple terms, they undertake big high-cost projects on a revenue base that is too small. Their communities soon become pressured with increases of council rates and charges that reach unacceptably high and unaffordable levels. To achieve required scale, an integration of services and/ or amalgamation with other councils is a necessary consideration in seeking better local government.

   Obviously, economies of scale are important. Delivering a service that achieves 'economies of scale' for a project or service requires a business plan that confirms that the cost of the project or service is 'affordable' and 'sustainable' e.g. that when building a sewerage system there is a sufficient number of rate payers (or alternative revenue sources) to cover the capital required and maintain operating costs on a relatively constant or declining continuum thereafter.

CONCLUDING COMMENTS

The Auckland Chamber gives its strong support to the local Government Act 2002 Amendment Bill (No 3) – the existing system is not working and requires new ideas and fresh and innovative approaches to be brought to the table.

We welcome the government's ongoing commitment to deliver the planned reforms outlined in *Better Local Government.* They constitute a marked and necessary departure from the direction of policy on local government over the last decade.

Our suggestions and recommendations are put forward in the positive spirit of achieving measurable improvement to improve the overall performance of the New Zealand's economy.

We look forward to discussing them further and working collaboratively with the Committee to ultimately achieve an enduring outcome from this singularly important reform process.

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13 February 2014