

28 July 2016

Committee Secretariat  
Local Government and Environment  
Parliament Buildings  
Wellington

## **NZCID Submission on the Local Government Act 2002 Amendment Bill**

The New Zealand Council for Infrastructure Development (NZCID) is the peak industry body for the infrastructure sector and promotes best practice in national infrastructure development through research, advocacy and public and private sector collaboration. NZCID members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.<sup>1</sup>

We welcome this opportunity to provide feedback on the Local Government Act Amendment Bill (the Bill).

### **We support the Bill**

NZCID supports the Bill.

We consider the current structure of local government to be inconsistent with the modern functions and expectations of local government and support amendments which enable communities to evolve local representation in ways which improve the delivery of local services while promoting local decision making.

Provisions which enable council controlled organisations (CCOs) and broaden the range of powers of the Local Government Commission without undermining local democracy are both welcome.

### **The Bill is unlikely to achieve a step change in local services**

However, while we support the Bill, we consider its impact upon local services will be less than significant.

The Bill does not address the core issue which has to date impeded wider use of shared services. Local authorities have had the opportunity to engage in shared service agreements for some time, but progress has been slow and intermittent, even when evidence has shown substantial benefits to communities from different service models.

For example, in its 2015 report into Waikato shared water services, Cranleigh found customers across the Hamilton City, Waipa and Waikato district councils would save up to \$468 million or 8.6 per cent of councils' revenue if services were delivered via a combined CCO.<sup>2</sup>

Despite these real and significant savings, the three council areas have yet to commit to the CCO and other councils within the Waikato region, who could participate, continue to choose not to.

The Bill does not appear to address this reluctance nor the reasons for it.

### **Sharing services and establishing CCOs is a democratic decision**

We note in wider material on the issue of council service provision a more directive approach. Specifically, in the Cabinet Paper 'Local Government – Better Local Services', it is proposed that the Local

---

<sup>1</sup> This submission represents the views of NZCID as a collective whole, and may not necessarily represent the views of individual member organisations.

<sup>2</sup> Cranleigh, Business Case for Water Services: Delivery Options, May 2015.

Government Commission be empowered to establish CCOs without a referendum across affected local authorities or as part of a wider restructure proposal (para. 73).

While such an approach would address a key barrier to the use of CCOs in particular, we consider this measure to be inconsistent with democratic local decision making and an infringement upon the authority and integrity of local government.

We do not support the empowerment of the Local Government Commission to overrule elected local authorities.

We consider options for shared services, CCOs and wider council restructuring must remain decisions for elected governing bodies – either central or local.

When considering proposals for shared services and CCOs, councils should, in our view, have the option of either a local referendum or a vote across the governing body.

Only Parliament, operating on behalf of all New Zealand, has the accountability, wider national perspective and therefore mandate to require CCOs or other major changes to local governance.

Should the Government consider CCOs or wider council restructure proposals to provide adequate net benefit to the residents of affected communities and the nation at large, it retains the ability to do so through legislation and it is this pathway we support.

### **Councils should not be expected to embrace a reduction in responsibility**

In the absence of clear Government commitment to review local government structures and services, we do not see the Bill having a significant impact on local service provision.

There are several reasons for this.

First, there are very real existential questions confronting councils if road and/or water service provision is transferred to an independent operator.

For many councils, water and roads comprise upwards of 80 per cent of expenditure. For all intents and purposes, many local councils 'are' roads and water service providers.

The knowledge that councils will become unfeasible in their existing form if roads and/or water service provision is removed naturally increases opposition to CCOs within councils, regardless of whether benefits exceed costs.

Second, even where councils remain viable, loss of roads and/or water responsibilities will remove a large, if not overwhelming, share of revenue councils receive each year.

This revenue gives councils flexibility to invest in or defer a variety of activities and is used to support council governance.

It should be noted that it is this dynamic which contributes to underinvestment in core services, most readily visible in the Auditor General's 2014 report 'Water and Roads: Funding and Management Challenges'. It identified a \$6-7 billion renewals 'gap' and generally lower investment in capital assets than planned through Long Term Plan processes.<sup>3</sup>

Nevertheless, the ability to defer or avoid capital investment in roads and water gives councils the ability to prioritise and reprioritise all community initiatives. This is a vital component of governance and decision making, leaving councils, as currently structured, without resources to govern effectively.

---

<sup>3</sup> Controller and Auditor General, Water and Roads: Funding and Management Challenges, 2014.

Third, there are perception challenges. Councils know what their challenges are and they know what they must do to address issues and opportunities. They also know what barriers constrain progress and often have extensive work programmes underway to overcome problems.

They are much less clear what benefits and issues will confront an independent delivery body servicing a wider community area.

It is difficult for councils to value the benefits of consolidated services, including improved strategic capability, superior asset management, more efficient investment prioritisation and enhanced skills.

These factors therefore tend to be overshadowed by elements councils do value, particularly those which relate to community identity.

Finally, the collation of these different concerns manifests as a single greater concern for local democracy, which is not addressed by the Bill.

In the absence of further Bill amendments or broader Government policy initiatives, councils can be expected to interpret increased emphasis on CCOs as a threat to local democracy because there is no guidance as to what democratic vehicle will replace councils made less “viable” by the loss of roads or water responsibilities.

The Bill must define and present an alternative governance model which allays fears over lost local decision making should councils support roads and water CCOs.

### **NZCID preferred path**

For these reasons, NZCID has not limited its advocacy around improved local services to CCOs.

Many of New Zealand’s existing 67 territorial local authorities will cease to provide effective local decision making if roads and water decision making is concentrated in empowered and effective CCOs.

The answer for us is not, however, to therefore abandon efforts to ensure efficient delivery of services as critical to New Zealand’s social, economic and environmental wellbeing as local roads, wastewater and water supply.

As set out in our major research report attached to this submission *Integrated Planning, Governance and Delivery*, our recommendation is that local government as a whole is restructured to ensure efficient service provision, while retaining effective local democratic decision making.

We have updated our earlier position outlined in the report to reflect improved understanding of evident public concerns around local decision making and identity.

Our preference remains for a group of 10-20 regional councils to be empowered with regional services – including transport and water.

We now consider, however, that rather than being comprised of “local boards”, the ‘eyes, ears and voice’ of local government should be titled “community councils” and be led by elected mayors with committed budgets.

We thank the Committee for this opportunity to submit.