

**MEETING:** GOVERNANCE AND STRATEGIC RELATIONSHIPS COMMITTEE – 26 SEPTEMBER 2018

**Name of item:** ELECTED MEMBER TRAINING AND CONFERENCE ATTENDANCE REPORT

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**Date of report:** 11 September 2018

**Document number:** A2195284

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### **Event**

LGNZ Conference 2018, AGM, and Awards dinner, Christchurch

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### **Purpose**

This report reflects on the key themes emerging from the 2018 LGNZ Conference. Councillor Stratford has also provided a report that traverses much of the conference activity and should be read in conjunction with this report.

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### **Report**

The by-line for the 2018 LGNZ Conference was “firmly focused on the future: future-proofing for a prosperous and vibrant New Zealand”. This future-focused orientation was evident throughout the conference. It is clear that local government is on the cusp on yet another round of transition – some of this responds to changes in the political landscape and some is sector-driven. The following five key themes emerged from the conference.

- Localism
- Return of the four well-beings
- Alternative funding models
- Three waters review
- Five priorities for LGNZ

### **Localism**

New Zealand is one of the most fiscally centralised countries in the developed world. The statistics provide a stark contrast. Central government’s share of public expenditure in New Zealand is 88% compared to the OECD average of 46%. And this is not just a function of scale - where large countries have greater devolution to the state level. It was somewhat instructional to see that countries with similar populations as New Zealand have some of the least fiscally centralised economies - notably Finland (29%), Denmark (31%), and Switzerland (13%)

In response to this, LGNZ launched The Localism Project<sup>1</sup>. Its goal is “to “rebalance” governments to put communities back in charge and the pathway for getting there March 2020”. This is an ambitious undertaking given our extensive history of centralised public service provision and the devolution of ‘hospital passes’ to local

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<sup>1</sup> <http://www.lgnz.co.nz/assets/Uploads/46672-LGNZ-Localism-launch-document.pdf>

government. The circuit breaker appears to be the extent to which a new sense of partnership can be born between local and central government so decentralisation is not seen as a threat but an opportunity to reap the benefits for all from allowing local communities to have a greater say in the distribution of public funding.

### **Return of the four well-beings**

There was much talk at the conference about the opportunities arising from the Government's initiative to restore the purpose of local government to be "to promote the social, economic, environmental, and cultural well-being of communities". This change has the potential to be truly transformational. The four well-beings and community outcomes elements of the Local Government Act 2002 (LGA02) were premised on the notion that local government was uniquely placed to mediate the competing demands of local communities and to share these priorities with central government to enable more targeted and effective delivery of public services.

However, in practice, what happened after the Act came into force was that central government departments and agencies were slow or failed to be at the table when local government led community outcomes processes. Without meaningful central government involvement, these processes became an unnecessary administrative burden, particularly of rural and provincial councils, and led to several amendments to LGA02 to water down community outcomes and eventually remove the four well-beings.

So far the Government has been talking about the form but not the substance of the change or what it means for central government. There was discussion at the conference about how the initial intent of the four well-beings is closely aligned with the aspirations of the Localism Project. We should be cautiously optimistic the return of the four well-beings, noting that there are lessons from the last 16 years that are helpful in realising the full potential of the change.

### **Alternative funding models**

Another major talking point was about Productivity Commissions' forthcoming inquiry into local government funding and finance. Unfortunately, the Terms of Reference for the inquiry were yet to be released at the time of conference.

A paper from Simpson Grierson<sup>2</sup> elegantly captured the extent of the challenge and the opportunities to overcome the funding facing local government. The key take home being that if central government moves away from populist attacks on rates rises, there are a host of measures available to address the looming infrastructure deficit crisis. These include exploring an expanded rates strategy, demand side measures, special purpose vehicles, and value capture financing. The pursuit of any of these measures will take courage from local and central government politicians.

The Terms of Reference for the inquiry<sup>3</sup> have now been released. The scope is:

- Cost pressures – including the impact of visitors, population growth, Treaty settlement arrangements, and climate change.

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<sup>2</sup> <https://www.simpsongrierson.com/attachments/Report-unlocking-the-local-authority-infrastructure-puzzle.pdf>

<sup>3</sup> [https://www.productivity.govt.nz/sites/default/files/Terms%20of%20Reference\\_Local%20government%20funding%20and%20financing.pdf](https://www.productivity.govt.nz/sites/default/files/Terms%20of%20Reference_Local%20government%20funding%20and%20financing.pdf)

- Funding and financing models – rates affordability and new funding and financing tools,
- Regulatory system – identifying any constitutional and regulatory issues that may underpin new project financing entities.

It is also notable what is out of scope:

- Particular mechanisms for rating of Maori freehold land or Crown land
- The valuation system and practices
- Substantial privatisation

It is encouraging to see that creative measures suggested in the Simpson Grierson paper fall within the scope of the inquiry. This is an area of opportunity for the Council given we have historically been disadvantaged by our inability to achieved economies of scale in our infrastructure provision.

### **Three waters review**

The speech from Local Government Minister, Hon Nanaia Mahuta, was heavily weighted towards the three waters review. We now have a better understanding about what may be in scope that can be broadly categorised as regulation options and service delivery options.

Regulation options include:

- An independent drinking water regulator
- Some form of economic regulation of infrastructure assets
- Better reporting, oversight, compliance, or transparency

Service delivery options include considering the merits of large, dedicated water providers or a system-wide, joined up solution. The Minister made it clear that any option must ensure continued public ownership of existing infrastructure assets; however, whether this means local or central government ownership of assets is not yet clear.

The other take home form the Minister’s speech was that affordability was no longer an acceptable reason for failing to meet drinking water standards. It is still too early to make judgements about where the review is heading but it is interesting to note that the Minister has not ruled out centralisation options, which runs contrary to the sector’s aspirations for increased localism.

### **Five priorities for LGNZ**

The conference also provided a timely reminder of the five priorities for LGNZ<sup>4</sup> being:

#### **1. Infrastructure**

Ensuring infrastructure and associated funding mechanisms are in place to allow for growth and maintenance in relation to housing, building, transport, broadband, tourism, flood control and the three waters

#### **2. Risk and resilience**

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<sup>4</sup> <http://www.lgnz.co.nz/our-work/our-policy-priorities/>

Understanding and addressing risks from natural hazards and other events – to de-risk infrastructure and strengthen the resilience of our economic and social investments.

### 3. Environment

Leading, in collaboration with others, the challenge of enhancing environmental qualities, protecting freshwater resources and biodiversity and addressing the impacts of climate change and other threats.

### 4. Social Issues

Working alongside central government and iwi to address social issues in our communities including an ageing population, disparity between social groups, housing (supply and quality), and community safety.

### 5. Economic Development

Developing a range of policy levers, to address and fund economic development and growth across all of New Zealand.

The diversity of these priorities reinforces the many ways we contribute to creating sustainable, prosperous, and vibrant local communities. The focus of these priorities highlights that we cannot do it alone. Our partnerships with central government, iwi, businesses, and organisations are pivotal to our success as a district.

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