

5 September 2012

New Zealand Productivity Commission
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Submission to the Productivity Commission in the matter of the Local Government Regulatory Performance

Introduction

The Horowhenua District Council thanks the Productivity Commission firstly for the opportunity to meet with Commission Members on 14 August 2012 and secondly to submit our thoughts on the matter of Local Government Regulatory performance.

In the Issues Paper prepared and circulated by the New Zealand Productivity Commission a number of matters were raised for comment by Local Government. Our Council makes comments and observations on the range of issues identified by the Productivity Commission as follows:

(1) **Relationship between Local Government and Central Government**

We do not believe that Local Government New Zealand as the advocacy body for our industry is appropriately consulted with by Central Government when it is either developing legislation for consideration by Parliament or when it is considering how legislation will be on its behalf by Local Government

Far too often there are also instances of unreasonably short timeframes and/or poorly thought out legislation. One current example is the alcohol reform bills, which despite repeated assurances from govt agencies still falls a long way short of being a completed piece of legislation either in terms of administration, required training or funding support from central government

There have been a number of instances where Central Government has questioned the need for differing interpretations of legislation by Local Government. It is not surprising that this in fact happens given the requirement for local govt to have to contend with lack of information from Central Government, well intentioned but poorly drafted legislation and, little credence being given to the fact that in many instances local authorities are able to enact their own bylaws on particular matters.

The role of the Local Government is very important to Central Government in the implementation of variety of legislation. However, we are of the view that Central Government does not view Local Government in the manner that we respectfully believe it should be viewed, which is as a partner on the implementation of legislation, provision of infrastructure and the funding requirements of our district.

The problem is exacerbated by the challenges faced by Rural and Provincial Councils in terms of the access they have to resources to respond in the given timeframes. The role of

LGNZ then becomes increasingly important in providing a meaningful conduit for meaningful consultation. We believe that the regulatory framework could be improved through better engagement between Central Government and Local Government designed to ensure that technical implications of proposed legislation are given more careful planning at crucial early stages.

(2) Funding

This Council has heard repeated comments from recent Ministers of Local Government with respect to the financial burden that Central Government is imposing on local Government each time a new piece of legislation is introduced. We have repeatedly heard from Ministers how they will rectify the situation and that they will be the first to ensure that funding is provided. The most recent instance of this was the current Minister of Local Govt in his address to the Rural and Provincial Sector meeting held in Wellington on 25/26 June 2012.

There are many instances of financial pressure that is imposed on Local Government through new legislation. Recent examples include, but are not exclusive to:

- Building Act Compliance/Accreditation
- Alcohol Reform Bill
- Dog Control Act
- Food Bill
- Gaming Act Review
- Administration of Rates Rebate
- Local Government Amendment Bill

A more comprehensive list is incorporated in the Local Government New Zealand submission to the Productivity Commission.

If a case can be made that these and others legislative administration and enforcement requirements are deemed to be core business of Council, then it would be reasonable to expect the cost of undertaking the required administrative work load as being an acceptable cost increase to factor into the increasing level of rates. Rather Central Government tends to ignore the administrative cost associated with enacting its own legislation.

Local Government simply does not have an excess resource capacity to enable it to undertake this additional work. Certainly Local Government welcomes funding assistance and will be very keen to work with Central Government to develop an appropriate model.

We concur with the Local Government New Zealand comment that legislation and regulation should be designed to minimize cost and compliance effort for councils, consistent with local autonomy and accountability. Certainly, more recognition needs to be given by Central Government to the cumulative impacts of regulation on the role, functions and funding of local government. Further, where there are requirements for national consistency this needs to be identified in Central Government briefing/training to Local Government during early discussions.

(3) Geographic Location and Population Size

Often Local Government will struggle in its service delivery because of geographic location/isolation and/or the difficulty in attracting suitable resources particularly to some rural authorities.

We take the general view that legislation tends to focus on a “one size fits all scenario”. Clearly this is not and cannot be the case. Throughout the country there are economies of scale with respect to Councils and to the businesses to whom we deliver our services.

More and more local authorities are looking to engage in shared services opportunities. This is a message that is clearly put forward by Central Government and one with which we concur. It is our view however that legislation needs to factor in varying degrees of capacity and capability throughout the country as a direct result of geographic location.

Any proposed legislation needs to ensure that Local Government continues to be accountable to its communities for the decision, actions and levels of service it provides to those respective communities.

(4) Inconsistent messages from Central Government

We mentioned earlier in this submission the need for Local Government to be engaged in discussions with Central Government on the proposed enactment of legislation. We are of the view that this would remove a number of inconsistencies in the messages that are being made to our about Local Government from Central Government.

We are currently the target of comments from a number of Cabinet Ministers with respect to the effectiveness and efficiency of our industry, coupled with suggestions with respect to those core activities that we deliver for our communities.

And yet we are also having additional legislation forced on us which one would question whether in fact it is a core service or not. The most current example is the Alcohol Reform Bill. Under the proposed legislation more responsibility is being devolved to Local Government with respect to the engagement, resourcing and training of District Licensing Committees. Is this a core service of Local Government?

We accept that proposals associated with Alcohol Reform Bill and the Gaming Act Review will give more power and control to local authorities - and we applaud this. With this however will come increased responsibility, increased resource requirements and potentially additional cost being imposed on our organisations. If it is the intention of Central Government to support our involvement through administrative support, training and funding and further concur that these activities are indeed “core services of Council” then we believe this would be a positive move forward.

(5) Powers of General Competence

Whilst there has been a significant amount of legislation passed in recent years by Central Government which is being administered and enacted on their behalf by Local Government, there is in fact no instance where we can recall where Local Government has expressed its desire to become involved.

Clearly in our view there is no pressure from our community for councils to regulate. Further in our view it is not the power of general competence that is driving change to the way that we deliver our services, the range of services that we provide within our communities (often as the agent of central Government) or the charges that we levy on our communities.

When we consider those costs drivers that our communities have had to bear in recent years it is our view that these have predominantly been driven by central Government requirements. Not only are we referring to recent legislation as noted above and by Local Government New Zealand it is submission, but larger costs are being forced by the introduction of Standards for water and wastewater. There are many instances throughout

the country of excessive infrastructure investment required for water and wastewater schemes for small communities, often with significant financial cost impacts.

(6) Shared Services

Horowhenua District Council is proud of its association with MW LASS Ltd, which is owned and operated by 7 Councils within the Manawatu Wanganui region. These Councils are Horowhenua District Council, Manawatu District Council, Rangitikei District Council, Ruapehu District Council, Wanganui District Council, Tararua District Council and Horizons Regional Council. The 7 councils each hold shares to the value of \$1,000. The company is governed by 8 directors, 7 of whom are the respective Chief Executives of the 7 shareholder councils, the 8th is an independent director residing in Wellington.

The company was formed just over 3 years ago. The principal nature and scope of the activity of MW LASS is to:

- Enable the provision of shared services to any or all local authorities within the Manawatu-Wanganui Region. MW LASS may also sell “shared” processes and systems as set up under individual agreements to local authorities outside the Region.
- Pursue all opportunities to procure shared services that will benefit the community in the widest sense, through enhanced back office services and/or reduced costs for councils.
- Explore all possible avenues to provide these services itself or contract them from outside parties, each depending on a rigorous business case and risk assessment.

MW LASS will also act as a true regional vehicle to attract government and other funding, if or when it is made available.

The expected benefits that are expected by the shareholder councils of the company are:

- improved levels and quality of service;
- a coordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives
- economies of scale resulting from a single entity representing many councils in procurement; and
- an ability to deal effectively on behalf of the whole region with external funders and agencies.

For the information of the Commission we **attach** a document of the achievements of this company since its inception and the benefits that it has been able to deliver to the 7 member Councils. We hold up MW LASS Ltd as a positive example of local government recognising and responding to the need for improved service delivery in manner that enhances financial benefit and overall performance.

(7) Performance Measures

This Council is of the view that there is limited value in any performance measurement that may contemplate the form of “leagues tables”. Whilst there may have been various commentary and speculation by certain commentators with respect to the performance of local Government in the delivery of its services but must be equally be mindful of the processes that are already in existence.

On an annual basis local authorities engage in a draft long term plan/draft annual plan consultative process with our respective communities. Through this process we identify the

activities that we proposed to undertake, the associated level of service and the commensurate financial cost. Through the consultation/submission process local authorities receive and consider the comments of their communities and deliberate on these before adopting the final long term plan/annual plan.

These annual documents clearly state how we propose to perform during the course of the year. 12 months on we prepare an annual report in which we respond to performance measurements. In other words we tell the community. This process is subject to Audit. Further many Councils are currently providing either monthly or quarterly public reports detailing both financial and non-financial performance.

The expectations of communities or sub-communities will differ around the country. It is therefore the view of this Council that benchmarking would not be beneficial to the country at large but rather local authorities should be encouraged to more actively report financial and non-financial performance to their communities.

Horowhenua District Council supports the submission that has been prepared by Local Government New Zealand.

A handwritten signature in black ink, appearing to read 'B. J. Duffy', written in a cursive style.

Brendan Duffy JP
Mayor
Horowhenua District Council

MW LASS Ltd progress to date – August 2012

The LASS is a Council Controlled Organisation with the sole purpose of finding ways in which the collective group (seven Councils) can work together to provide services more efficiently or at a lower cost. While the company was set up to work principally with seven Councils in the region, its constitution provides for it to work with other councils where there is benefit to the member councils through collaboration. The only other council able to be a participating shareholder is PNCC.

The focus is on support services. Councils have produced a list of 40 or more ways in which they can work together. In the short time the company has been operating, the following projects have either been completed or are nearing completion.

A summary of project achievements as at August 2012 is as follows:

- Regional Archives – \$1.5 million
- Rating and Valuation Services – \$900K over 9 year contract
- Insurance Services – \$500K
- Regional aerial Photography – \$100K
- IBIS Rates Modelling Software – \$30K
- HR Legal Services

Initiatives in progress/under consideration:

- Contract Works
- Information Services
- Building Services
- Debt Recovery

Regional Archives – MW LASS members have developed a regional archives facility which includes a publically accessible database and a storage facility (yet to be completed) in Feilding. PNCC were invited to participate in the database phase of this project to ensure regional sector participation and completeness of the data. PNCC will not be utilising the storage facility. Net opportunity savings of \$1.5 million.

Rating and Valuation Services – MW LASS members have adopted a collaborative approach to rating which for the first time will ensure commercial competitiveness of services provided, improved data integrity and aims to lower costs. Internal systems and processes will also be consistent across member councils. Savings of \$900K will be achieved over 9-year contract period.

Insurance Services – MW LASS members received significant savings in premiums due to collaboration, economies of scale and a joint project with BOPLASS. Net savings in year one were \$500K, savings have continued through to subsequent years.

Aerial Photography – MW LASS has undertaken a project to capture aerial photography of the whole region. PNCC was included in this project to ensure project completeness. Net savings approx. \$100K.

IBIS Rate Modelling – Four member councils participated in a joint procurement initiative of a rate modelling software product that will significantly improve the current manual processing of rating data. Biggest savings resulted from reduced staff time.

HR Legal Services – Three member councils have worked together for the supply of legal services at a reduced rate with additional staff training incentives. Net savings are difficult to measure but are believed to be several thousands of dollars.