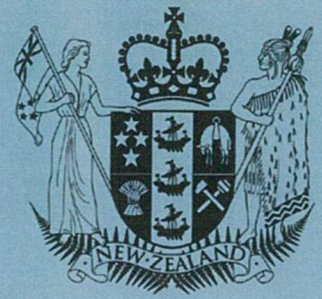


Better Local Services Summary

March 2016



About this summary

- This is a summary of the key elements of proposed Better Local Services package.
- These are proposals only. They have been agreed by Cabinet for inclusion in a bill. The Government is aiming for a legislation package to be introduced in June, followed by public submissions to select committee. We anticipate that submissions will open later this year.

Enabling local government innovation and collaboration

- The Prime Minister's recent statement to Parliament noted that the Government is continuing to implement its plan to build a faster-growing economy with more jobs and rising incomes, and to support New Zealanders and their families.
- This includes a comprehensive policy agenda, and a substantial legislative programme to put before the House, reflecting the Government's four priorities:
 - Responsibly managing the Government's finances;
 - Building a more competitive and productive economy;
 - Delivering better public services to New Zealanders, and
 - Supporting the rebuilding of Christchurch.
- The Better Local Services proposals touch on all four of these. The objectives are to enable and equip local government to:
 - Remain responsive to local preferences;
 - Increase the coordination and cost effectiveness of local services and infrastructure; and
 - Increase support for regional growth and prosperity.

TABLED DOCUMENT

Tabled at Policy / Planning

On 17 March 2016

New Zealand Government

INTERNAL AFFAIRS

Te Tari Taiwhenua

Why change?

Councils are a building block for economic growth

- As providers of core infrastructure and services and as regulators, councils are a building block for economic growth and positive social and environmental outcomes.
- Council activity is important to achieve both local and national outcomes. Where these intersect, central and local government need to work together to achieve the best results for New Zealanders.

Councils face significant long-term challenges

- **Demographic changes:** Some districts are dealing with large population growth while others are seeing a declining or ageing population. Demographic changes impact on the services and infrastructure that councils provide.
- **Economic shifts:** National, regional and sub-regional economies are more interdependent than ever before. Our economy is dramatically different from the 1980s, when the current local government system and structure was put in place.
- **Environmental pressures:** Environmental standards are becoming more stringent. Councils also need to make their infrastructure and communities more resilient to the effects of climate change and natural disasters.
- **Technological innovations:** Technological changes present significant opportunities to deliver smarter services and do things differently. Ratepayers expect councils to keep up with changes in technology.

Current arrangements limit councils' ability to respond

- The reorganisation process is oriented towards large-scale amalgamation – recent proposals were not implemented for lack of broad community support.
- Public debate about reorganisations has centred on governance and representation, rather than efficiency and effectiveness of services.
- There have been sector-led efforts to adapt and improve services. However, change is slow to emerge and varied.
- There are limited options for joint governance and management of services.
- The current legislation does not allow for joint water or transport CCOs – for example, they do not have access to the regulatory powers necessary to operate network infrastructure

All of this reduces councils' ability to achieve scale and integration across jurisdictions in delivering infrastructure and services.

Opportunity to address these issues

- We have the opportunity to create an enabling legislative framework allowing councils to achieve change to better create conditions for:
 - Local innovation.
 - Local collaboration.
 - Local solutions.

What is proposed?

What is proposed?

- More joint services and infrastructure:
 - Greater flexibility for councils to collaborate to deliver services and infrastructure – more options to choose from.
- Flexible reorganisation processes:
 - New process for council-led reorganisations rather than a single Local Government Commission-led option.
 - A more proactive role for the Local Government Commission to work with local communities to improve their local government. Increased checks and balances on the Commission.

More joint services and infrastructure

- We expect these proposals to lead to joint CCOs where there is support for such arrangements, particularly for water and transport services, with improvements in the quality and cost-effectiveness of services.
- CCOs would better coordinate and combine networks and resources, while retaining local authority ownership and influence over service delivery.
- They would better attract the level of technical capability required to deliver effective services. Joint CCOs would provide savings and improve value for ratepayers' money.
- CCOs delivering core services would be required to closely integrate their activities with council planning systems to ensure ratepayers receive efficient, quality services.

Transport CCOs:

- The proposals contain two pre-approved Transport CCO models:
 - The first model is a regional transport CCO, responsible for: local roads; public transport (including public transport services contracting), and transport planning.
 - The second model is a roading only CCO, responsible for: local road maintenance; control and regulation; and improvements.
- Under this model regional transport planning and public transport contracting and funding would remain with the regional council.
- It would also be possible to create a 'bespoke' Transport CCO which does not conform to either of these models. The creation of such a 'bespoke' CCO would be subject to the approval of the Minister of Transport.

Water CCOs:

- The proposals would provide for Joint water CCOs to allow for integrated services and infrastructure. They would enable councils to realise the efficiency benefits of greater scale of water services.
- It is proposed that water CCOs be prohibited from distributing surpluses to shareholding councils. This is similar to the present arrangements in Auckland for Watercare.

Joint committees:

- By default, shareholding councils' interests in joint CCOs would be overseen by joint committees.

- The proposals do not dictate the make-up of these committees – their specific constitution would depend on local circumstances.
- Joint committees would, among other things, have the power to appoint directors to the boards of CCOs.

Regulatory powers:

- In order to carry out their functions, water and transport CCOs would require access to specific regulatory powers that are currently held by councils.
- For example, powers to manage and maintain pipes that cross private property.

Greater ability to transfer functions between councils

- There would be greater ability to transfer statutory or non-statutory functions between councils, both through a Commission-led reorganisation process and a council-led reorganisation process.

Transfers through a reorganisation:

- Currently the Commission can only transfer ‘statutory obligations’ from one council to another as a core (or only) element of a reorganisation. It does not include local authority functions that are not conferred by statute, such as economic development or tourism marketing activities.
- The Commission’s existing ability would be broadened to also cover council functions or activities that are not conferred by statute.
- Polls would be required for major transfers of water, transport, and/or RMA functions from one local authority to another as part of a reorganisation, unless all affected local authorities agree to the proposal.

Transfers outside a reorganisation:

- Section 17 of the Local Government Act 2002 enables the transfer of local government responsibilities from a territorial authority to a regional council, and vice versa. This section would be amended to allow transfers of council responsibilities conferred by another Act where that Act specifically provides for Section 17 transfers.
- This would not have an immediate impact – this amendment would allow for amendments to other acts in the future.
- If councils wished to initiate a transfer under section 17, they would need to have regard to statutory criteria. If the transfer relates to water or transport functions, they would need to have the proposal checked by the Commission.

More opportunities for joint governance

- The proposals would provide more opportunities for joint governance over areas of shared and common interest.
- The proposals would require the agreement of iwi to any proposed changes to iwi-council arrangements established under Treaty settlements or other legislation.

Flexible reorganisation process

- The proposals include new, more flexible, reorganisation processes.

New process for council-led reorganisation

- Council-led reorganisations would be enabled for the first time to allow councils to take responsibility for developing, refining and consulting on reorganisation proposals, with the objective of securing the support of all affected councils and communities, and endorsement by the Commission.
- There would be checks and balances on what councils can do under these provisions:
 - Councils would have to follow the same statutory criteria; and
 - The Commission would check applications.

Improved Commission-led reorganisation process

- The 'Commission-led' process is being improved to give the Commission greater discretion and flexibility to decide what proposals and issues it will investigate (either on its own initiative or in response to a request or proposal) and what processes and engagement strategy it will follow.
- Under present arrangements, the Commission can only react to reorganisation proposals that it receives. It cannot proactively initiate a reorganisation investigation. The reforms propose that the Commission be able to initiate reorganisation proposals.
- The Commission would be able to:
 - set priorities;
 - initiate investigations; and
 - recommend a range of tailored solutions, not just amalgamation.

Enhanced Commission balanced by checks and balances

- The proposals give the Commission enhanced powers.
- In order to ensure these result in better outcomes for communities, and that the public holds the Commission and its processes in high regard, a number of additional checks and balances would be placed on the Commission.

Stronger oversight:

- The Commission would need to produce detailed accountability documents (such as an annual plan and report).
- The Minister of Local Government would be consulted on the Commission's priorities in its annual plan.

Statutory guidance:

- The Commission would be guided by criteria about what it investigates, the processes by which it does so (including public engagement) and what it seeks to achieve.
- The criteria include having regard to the purpose of local government, and productivity and efficiency considerations.

Use of polls:

- These reforms contain a number of options (council-controlled organisations and some transfers) that do not require a poll of the electorate.
- However, a poll would be mandatory for Commission-led amalgamations. Presently, polls of the electorate are only triggered if the Commission receives a petition from ten per cent of the affected area. Polls are almost inevitable in these circumstances and removing the petition requirement would avoid a delay and ensure that the public has a say in these decisions.
- Polls would be required for major transfers of water, transport, and/or RMA functions from one local authority to another as part of a reorganisation, unless all affected local authorities agree to the proposal.
- A “major transfer” is proposed to be defined as the transfer of responsibilities, powers or duties that:
 - represents 50 per cent or more of the transferring local authority’s operational expenditure, or assets, or staff in respect of water services, transport or resource management; or
 - which includes responsibility for preparing a policy statement, plan, variation and/or plan change under the Resource Management Act 1991.

Order in council:

- The Minister would recommend an order in council giving effect to the final reorganisation scheme to the Executive Council. This brings the reorganisation order in council process into line with standard practice.

How will change be implemented?

New options for councils

- The new options are intended to be available early in new councils' 2016 to 2019 term.
- The proposals require enabling amendments to Local Government Act 2002.
- Councils and the Local Government Commission will be largely responsible for the direct implementation of the proposals.

Local Government Commission

- The Commission is expected to initially focus on areas where there is local demand for change.

For more information

For more information see dia.govt.nz/better-local-services or contact betterlocalservices@dia.govt.nz.