

**6. LOCAL GOVERNMENT FUNDING POWERS
CONSULTATION DOCUMENT**

RR 9254

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Corporate Plan Output: Corporate Revenues and Expenditures	

The purpose of this report is to outline to the committee the general content of a consultation document issued by the Department of Internal Affairs and to establish a process for preparation and approval of a submission on the document.

BACKGROUND

The Government released in late December a consultation document entitled “A Future Direction for Local Government Funding Powers”. The Government had announced the that it was reviewing local government funding powers in September and has been working for some time with Local Government NZ, the Society of Local Government Managers and the Local Government Forum.

This review is intended to respond to the debate which has ensued since the Local Government Amendment No. 3 Act was passed in 1996. This is intended to be the first step in developing a comprehensive, coherent and flexible legislative framework of funding powers for Councils giving tools appropriate to implement the funding policy legislation. The legislation arising from this review would replace the existing Rating Powers Act which although reviewed periodically evolved over the last 100 years and needs a radical overhaul.. The current legislation tends to be prescriptive with actions being interpreted as unlawful if not specifically empowered.

The Government hopes to introduce legislation in time for it to be in use for 2000/01. This would necessitate legislation being passed during the current calendar year.

SUMMARY OF CONTENT

A copy of the full document is laid on the table and any Councillor wishing to obtain a copy should contact the Director of Finance’s office. The Executive Summary includes a series of standard questions relating to each topic heading and the response to these questions will form the core of any submission. There is also opportunity to make additional comments on issues which may not be covered by these topics or questions.

The general intention conveyed in the consultation document is to provide much greater flexibility for local authorities so that it has a wider range of tools at its disposal for implementation of the funding policy. However, until the actual legislation is sighted it is uncertain as to whether this will be achieved.

Some of the more significant issues on which the Council will need to form a view are:

- the form of valuation to be used for the rating base
- use of differential rating on general rates
- limitations on the use of investment income
- consultation requirements on the utilisation of proceeds from the sale of assets
- tools for targeted charging
- possible pricing and costing guidelines
- powers to waive rates
- should the rates rebate scheme be abolished.

CONSULTATION PROCESS

During the preparation of this document the Department of Internal Affairs has received input from and consulted with Local Government New Zealand, Society of Local Government Managers and the Local Government Forum.

The document has now been published and circulated to local government and interested groups in the community seeking submissions by no later than 12 March 1999.

Local Government New Zealand and the Society of Local Government Managers have formed a working party to co-ordinate a response to the document and have given notice during the last week of January that they intend to issue an analysis of the Government's proposals entitled "Heading in the Right Direction?" At the time of writing this report this commentary was not to hand. Notification has also been received that regional seminars will be held in the second week of February to provide an opportunity to learn more about the document and the working party's thinking to date on the document. Staff will attend one of these seminars.

The Working Party will consider comments and submissions to them arising from their analysis document "Heading in the Right Direction?" and will issue a statement issue a communique by 1 March outlining the approach they intend to take on a joint submission. There will an opportunity for additional comments to be made on the communique by 4 March.

The Council has the opportunity to make its own submission direct to the Department of Internal Affairs by 12 March as well as support the joint industry submission if it is satisfied that it covers the issues of local concern.

Waitakere City council have offered to co-ordinate a response from major City Councils.

DEVELOPING A COUNCIL RESPONSE

Clearly this Council will need to complete an analysis of the document and take every opportunity to make its voice heard in the submission process for this important new piece of legislation. This can be achieved by some or all of the following:

- participate in the regional seminars
- comment of the joint working party submission and seek inclusion of any issues not addressed
- contribute to a submission on behalf of major cities
- make its own submission direct to the Department of Internal Affairs.

I have convened a working party of staff to analyse the document and prepare an initial response. Work has commenced on this task. The local regional seminar on 9 February will also provide some more input into this matter but a submission cannot be completed in time for the meeting of this committee. It is therefore proposed that the staff working party prepare a draft submission for consideration and approval by a subcommittee of interested Councillors prior to 4 March. In the meantime, any Councillors with views which they wish to express should pass those views to the Director of Finance for incorporation into the draft submission.

The Committee agreed that the guiding principle of the proposed new legislation should be to give local government wide discretionary powers for funding the services they deliver to their communities.

- Recommendation:**
1. That a subcommittee comprising the Chair of Strategy and Resources Committee and Councillors James and Sheriff be authorised to approve a submission on the consultation document.
 2. That the Council endorse the principle of putting in place, in the proposed new legislation, a framework which provides local authorities with choices for funding their services.