

Greater Christchurch Urban Development Strategy

Report To: UDS Implementation Committee (UDSIC)
Subject: UDS Bi-Monthly Implementation Report
Report Author(s): Independent Chair & Implementation Manager
Report Date: 22 June 2009
Reference to UDS: Effective Governance and Leadership

1. PURPOSE OF REPORT

The purpose of this report is to provide a bi-monthly update to the Committee on UDS implementation.

2. IMPLEMENTATION

2.1 RPS PC1

Hearings on Proposed Change No.1 are progressing extremely well following a very solid presentation of the Officer Report by ECan and partner officers. RPS hearings commenced with a very good day centred around the presentation of the ECan Officer Report – which required a high level of coordination amongst the partnership and was executed with a high degree of professionalism. Preparation involved a “mock hearing” and review, together with a further day spent finalising the presentations. All partners should be justifiably proud of the work put in to achieve a successful day.

Partners are now focussed on following the hearings closely and preparing explanatory information where required or preparing their case for the inevitable appeals to the Environment Court.

Of particular note is the work now underway in the following areas:

- Operationalising Outline Development Plans in a consistent manner across the TAs, and how this should be developed.
- A first Monitoring Report at the end of 2009.
- Attempting to resolve issues relating to the Belfast 293 area in the interests of the partnership before the issue is resolved for us all by the Environment Court.

Decisions are still expected to be available by the end of November 2009.

Laurie McCullum will give members an oral update of proceedings to date.

2.2 Monitoring

As mentioned above, staff are working together to put together a monitoring framework that can provide confidence to Commissioners, and UDS partners that changes in land-use patterns will be monitored in a robust manner. Results will not be available until the end of 2009 owing to the slower than anticipated release of key data sets by Statistics NZ, but the framework is progressing well despite this. The monitoring report is expected to be with UDSIC in February 2010.

2.3 Belfast 293

As one of the first Greenfield Growth Areas identified in RPS PC1 there is a recognised need to try and resolve remaining barriers to development on this block. Partners have agreed to work together to resolve any remaining issues of contention between themselves and expedite negotiations with landowners in order to present the Environment Court with a clear way forward.

The Environment Court is set to rule on the remaining issues by September 2009.

2.4 Transport

The Crown Funding Package has been superseded by the announcement of Roads of National Significance (RoNS). With the Southern, Western and Northern Motorways around Christchurch identified as RoNS, the net affect seems positive for Greater Christchurch infrastructure funding at this stage. The challenge is translating the announcement into funding and action on the ground.

2.5 Greater Christchurch Travel Demand Management Strategy

Whilst there is a separate agenda item on this matter I wish to acknowledge the work of the Hearings Panel who heard submissions, considered all submissions and provided the recommendations in respect of the draft strategy. The work of staff who provided input and support in respect of the process and draft strategy should also be noted and acknowledged.

2.3 Melbourne 2030

James Caygill attended the Melbourne Planning Summit in the week beginning 27 April, to learn about the challenges facing the Melbourne 2030 strategy, now renamed and re-launched as Melbourne @5M.

The challenges they face are extremely similar to those in Christchurch, as indeed are those in Brisbane and Sydney. In Melbourne pressure has increasingly come on the State Government to release land at the urban boundary and the MUL has been shifted to allow this. Many feel this has comprehensively undermined the thrust of Melbourne 2030.

They are equally struggling to get more than simple piecemeal intensification working in their traditional suburban areas, and are facing significant suburban community angst over the cohesion and integrity of established neighbourhoods in the face of potential whole-scale redevelopment.

Melbourne seems to be in a much worse position than Christchurch because there is almost no political buy-in to the long-term vision. They have no mechanism like the UDS to mediate and reach political compromise between their local government and state government structures and no levels of government have the appropriate incentives to work together.

Many people spoken to were struggling with the lack of coordinated political and community buy-in to the Melbourne growth strategies. It was clear that they found the UDS model a stark contrast to the approach taken in Victoria, and that they envied the strength of purpose found in Christchurch through continued collaboration. While we might often feel frustrated at the transaction costs of partnership, the alternative is fragmentation and undermining similar both to our past experiences, and the current situation in Victoria.

2.4 UDS Update

UDSIMG has met and conducted two solid workshops aimed at a first cut revision of the UDS Action Plan. Substantial progress was made. The short-term aim is to produce an updated draft action plan with commentary that can then be workshopped with UDSIC and run through a series of filters with particular emphasis needed on identifying the key tasks to be carried out before the 2012-2022 LTCCPs.

(See separate presentation regarding progress against the current Action Plan which highlights some of the thinking to date.)

2.5 MP Briefings

A briefing of Clayton Cosgrove MP took place on 7 June 2009 and of Aaron Gilmore MP on 25 May 2009.

The briefings focused on informing and updating the MPs about growth management in the Greter Christchurch, raising some key challenges and opportunities for the sub-region particularly around infrastructure and funding, and the role of Regional Policy Statement PC1.

Both members were particularly interested in the concerns of their local constituents regarding PC1 and opportunities exist to improve these and how growth is managed in respect of the urban limits concept and high level of integration between land use pattern and infrastructure provision.

2.6 Local Government Reform

The Royal Commission on Auckland Governance report was published in late March and provides for interesting reading. While the Government's response departs significantly from the recommendations of the Royal Commission, the broad issues around the structure of Local Government within Metro areas will not disappear. The government is likely to focus effort on Auckland in the near term, but members should pay attention to the wider Local Government workstream as well as the RMA Reform workstream for pointers regarding likely applicability in our region.

Rodney Hide, as Minister of Local Government has also released a Cabinet paper entitled: Improving Local Government Transparency, Accountability and Fiscal Management. The paper signals a wider path of Local Government reform targeting, general competence, LTCCPs, fiscal restraint of Local Government and points to a desire to revisit user-pays in the mid to long-term. This work will have more substantial policy work behind it by August at which time the Minister is required to report back to Cabinet.

2.7 Risk Profile

There are several key risks which this implementation phase of the project faces between now and the end of 2008:

Nature of Risk	Ranking (1 = low; 10 = high) Bracketed is previous	Comment
Adequate and consistent resourcing in a timely manner. This covers both purely budgetary and staff resourcing. (CEAG to address risk in the first instance)	2 (3)	Budgets adequate for remainder of 08/09 and no indication that resourcing will drop for 09/10
RPS PC1 slippage	2 (3)	PC1 progressing to timeframe laid out by Commissioners as reported.
Failing to successfully implement, in a form intended by the UDS partners, the growth management strategy through the Regional Policy Statement.	5 (6)	Inherent uncertainty surrounding commissioner decisions, rather than lack of confidence in strength of case. Hearings progressing well so far.
Inconsistent communications/Lack of alignment	4 (4)	Whilst there remains a lack of general communications effort, alignment and forward planning is progressing well.
Government Engagement alignment	7 (8)	Government remains focussed on key reform goals mostly around Auckland. There remains a critical need to present a positive profile in Wellington that highlights the enduring benefits of cooperation.

Nature of Risk	Ranking (1 = low; 10 = high) Bracketed is previous	Comment
Essential Tangata Whenua input not being achieved in a timely manner	7 (7)	Engagement is unacceptable, however a way forward continues to be slowly progressed.

3. RECOMMENDATION

3.1 That the monthly report of the Independent Chair and Implementation Manager be received.

Bill Wasley - Independent Chair

James Caygill - Implementation Manager



Cabinet

CAB Min (09) 13/6

Copy No: 62

Minute of Decision

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Report of the Cabinet Economic Growth and Infrastructure Committee: Period Ended 17 April 2009

On 20 April 2009 Cabinet made the following decisions on the work of the Cabinet Economic Growth and Infrastructure Committee for the period ended 17 April 2009

Proactively Released by the Minister of Local Government

Committee Minute	Title	Cabinet Decision
EGI Min (09) 6/10	Improving Local Government Transparency, Accountability and Fiscal Management	CONFIRMED

Rebecca Kitteridge

Rebecca Kitteridge
Secretary of the Cabinet

Reference: CAB (09) 170

Distribution:

Cabinet Economic Growth and Infrastructure Committee
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 Chief Parliamentary Counsel
 Legislation Coordinator
 Secretary, EGI



In Confidence

Cabinet Economic Growth and Infrastructure Committee

EGI Min (09) 6/10

Copy Number: 44

Minute of Decision

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Improving Local Government Transparency, Accountability and Fiscal Management

Portfolio: Local Government

On 8 April 2009, the Cabinet Economic Growth and Infrastructure Committee:

- 1 **noted** that to implement the government's priorities outlined in the Speech from the Throne in local government, work will be undertaken on:
 - 1 1 Auckland governance;
 - 1 2 a clearer process to determine the allocation of functions and costs between central and local government;
 - 1 3 local authority decision-making, transparency and accountability;
- 2 **noted** that while the Local Government Act 2002 (the Act) seeks to promote transparency and accountability in local government, in practice few new mechanisms have been introduced to apply those principles;
- 3 **agreed** that the Department of Internal Affairs review the transparency, accountability and financial management mechanisms within which councils make decisions;
- 4 **noted** that any proposed changes should also apply to Auckland local government, unless there are sound reasons for it not to, and that this work will be adjusted to address any relevant matters raised by the Royal Commission on Auckland Governance;
- 5 **noted** that, in the course of this review, other minor changes to the Act that will advance the government's policy agenda, or lower local government compliance costs, may be identified;
- 6 **noted** that no public discussion document is proposed on these proposals, as public views are well known, but that targeted consultation will be undertaken;
- 7 **invited** the Minister of Local Government to report back to the Cabinet Economic Growth and Infrastructure Committee by 31 August 2009 with specific proposals to improve local authority transparency, accountability and financial management, and any other proposed minor changes to the Act;

- 8 noted that a bid has been made to include a Local Government Bill in the 2009 Legislation Programme;
- 9 noted that the Minister of Local Government will co-ordinate publicity on this work, and that the Minister intends to release the paper under EGI (09) 44 at an appropriate time

Janine Harvey
Janine Harvey
Secretary

Reference: EGI (09) 44

Present:

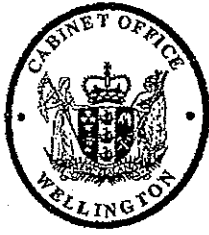
Hon Bill English (Chair)
Hon Gerry Brownlee
Hon Dr Nick Smith
Hon Anne Tolley
Hon David Carter
Hon Tim Groser
Hon Steven Joyce
Hon Phil Heatley
Hon Kate Wilkinson
Hon Maurice Williamson
Hon John Carter
Hon Rodney Hide
Hon Peter Dunne

Officials present from:

Officials Committee for the Cabinet Economic Growth and Infrastructure Committee

Copies to:

Cabinet Economic Growth and Infrastructure Committee
Office of the Prime Minister
Chief Executive, DPMC
John Crawford, DPMC
PAG Subject Advisor, DPMC
Secretary to the Treasury
Jeremy Corban, Treasury
Chief Executive, MED
Lewis Holden, MED
Minister of Health
Director-General of Health
State Services Commissioner
Secretary for the Environment
Minister for Arts, Culture and Heritage
Chief Executive, Ministry for Culture and Heritage
Director-General, MAF (Agriculture)
Paul Stocks, MAF
Secretary for Transport
Chief Executive, Department of Building and Housing
Government Statistician
Associate Minister of Local Government
Minister of Local Government
Secretary for Internal Affairs (Local Government)
Chief Executive, Te Puni Kokiri



Cabinet Economic Growth and Infrastructure Committee

In Confidence

EGI (09) 44

6 April 2009

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Improving Local Government Transparency, Accountability and Fiscal Management

Portfolio Local Government

Purpose This paper seeks agreement to review aspects of the Local Government Act 2002 (the Act) to improve the transparency, accountability and fiscal management of local government

Previous Consideration None

Summary The Act emphasises the need for transparency and accountability in local government, but few new mechanisms have been introduced to apply those principles in practice

It is proposed that aspects of the Act be reviewed, to ensure that ratepayers and citizens have better tools for controlling council costs, rates and activities. The work in this area will be guided by the following principles:

- local government should operate within a defined fiscal envelope;
- councils should focus on core activities;
- council decision-making should be clear, transparent and accountable.

The scope of the review, which will be adjusted to address any relevant matters raised by the Royal Commission on Auckland Governance, will include a consideration of the following matters:

- simplifying long term council community plans, and giving them a more strategic focus;
- a local pre-election fiscal update and a local fiscal strategy;
- mechanisms to achieve 'plain English' financial disclosures;
- a local government cost index for benchmarking purposes;

- a review of the community outcomes process;
- a more focused and less costly service performance reporting system;
- disclosure of infrastructural asset management information to ratepayers and citizens;
- the circumstances in which polls and referenda could be required for decisions; and
- mechanisms for developing comparisons between councils.

Baseline Implications

None from this paper

Legislative Implications

A bid has been made to include a Local Government Bill on the 2009 Legislation Programme.

Timing Issues

A further report will be submitted to EGI by 31 August 2009. It is proposed that the changes be in place for the 2010 local authority elections.

Announcement

The office of the Minister of Local Government will co-ordinate publicity on this work, and the Minister will release this paper at an appropriate time.

Consultation

Paper prepared by DIA, DPMC, Treasury, SSC, Statistics, TPK, MED, Health, Transport, MCH, MAF, MfE, DBH and the Auditor-General were consulted. LGNZ and the Society of Local Government Managers were also consulted.

The Minister of Local Government indicates that the Associate Minister of Local Government was consulted, and that discussion is required with the government caucus and is not required with other parties represented in Parliament.

The Minister of Local Government recommends that the Committee:

- 1 note that to implement the government's priorities outlined in the Speech from the Throne in local government, work will be undertaken on:
 - 1.1 Auckland governance;
 - 1.2 a clearer process to determine the allocation of functions and costs between central and local government;
 - 1.3 local authority decision-making, transparency and accountability;
- 2 note that while the Local Government Act 2002 (the Act) seeks to promote transparency and accountability in local government, in practice few new mechanisms have been introduced to apply those principles;

- 3 agree that the Department of Internal Affairs review the transparency, accountability and financial management mechanisms within which councils make decisions;
- 4 note that any proposed changes should also apply to Auckland local government, unless there are sound reasons for it not to, and that this work will be adjusted to address any relevant matters raised by the Royal Commission on Auckland Governance;
- 5 note that, in the course of this review, other minor changes to the Act that will advance the government's policy agenda, or lower local government compliance costs, may be identified;
- 6 note that no public discussion document is proposed on these proposals, as public views are well known, but that targeted consultation will be undertaken;
- 7 invite the Minister of Local Government to report back to the Cabinet Economic Growth and Infrastructure Committee by 31 August 2009 with specific proposals to improve local authority transparency, accountability and financial management, and any other proposed minor changes to the Act;
- 8 note that a bid has been made to include a Local Government Bill in the 2009 Legislation Programme;
- 9 note that the Minister of Local Government will co-ordinate publicity on this work, and that the Minister intends to release the paper under EGI (09) 44 at an appropriate time

Janine Harvey
for Secretary of the Cabinet

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Government Statistician
Associate Minister of Local Government
Minister of Local Government
Secretary for Internal Affairs (Local Government)
Chief Executive, Te Puni Kokiri

OFFICE OF THE MINISTER OF LOCAL GOVERNMENT

Chair
Cabinet Economic Growth and Infrastructure Committee

IMPROVING LOCAL GOVERNMENT TRANSPARENCY, ACCOUNTABILITY AND FISCAL MANAGEMENT

Proposal

1. I seek Cabinet's agreement to review aspects of the Local Government Act 2002 (the Act) to improve the transparency, accountability and fiscal management of local government. The purpose of the review is to give ratepayers and citizens better tools for controlling council costs, rates and activities. The review would encompass mechanisms for strategic planning, financial management, accountability to ratepayers and citizens, and ratepayer and citizen participation in decision-making. I also recommend the review addresses some miscellaneous local government matters.

Executive Summary

2. This paper proposes a review of local authority transparency, accountability and financial management mechanisms. The purpose of the review is to align these local government direction-setting mechanisms with the Government's priority areas outlined in the Speech from the Throne. The review aims to achieve this outcome by enhancing local democracy so that ratepayers and citizens can control the scope and size of their own local government.
3. The scope of the review will include:
 - simplifying long-term council community plans and giving them a more strategic focus;
 - considering a local pre-election fiscal update and a local fiscal strategy;
 - additional "plain English" financial disclosures;
 - exploration of a local government cost index for benchmarking purposes;
 - a review of the community outcomes process;
 - a more focused and less costly service performance reporting system;
 - disclosure of infrastructural asset management information to ratepayers and citizens;
 - consideration of the circumstances in which polls and referenda could be required for decisions; and
 - mechanisms for developing comparisons between councils.
4. I will adjust this work to address any relevant matters the Royal Commission on Auckland Governance raises.

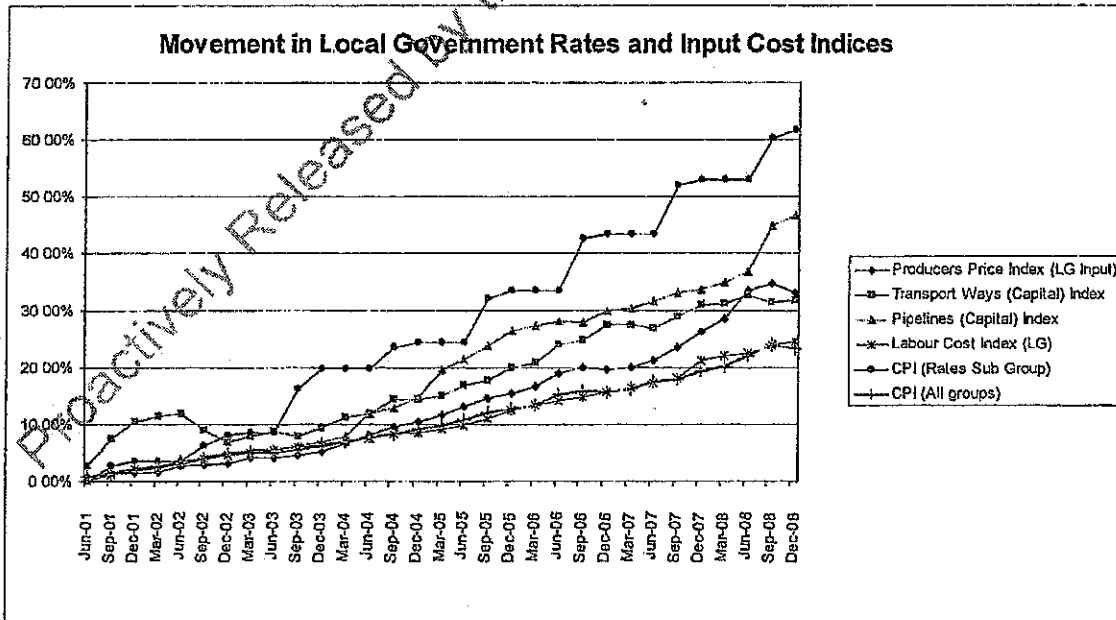
Background

5. The Act contains a system for local authorities to decide what activities they do and for ratepayers and citizens to participate in those decisions and subsequently hold councils accountable for those decisions. While the Act

emphasises principles of transparency and accountability in local authority decision-making, it is questionable whether the tools in the Act have allowed for the most effective implementation of those principles.

6. Primary aspects of the Act's planning and decision-making processes are:
- the development of an audited ten year plan, formally called the long-term council community plan (LTCCP), with full financial forecasts and non-financial performance measures. The plan is reviewed in the second year of each council's term in office (i.e. every three years). The plan is to be detailed for the first three years and indicative for the subsequent seven years. The plan is not binding on the council and can be refined through subsequent annual plans. However, significant departures from the plan require formal amendment and public consultation;
 - the identification of, and monitoring of progress towards, community outcomes¹ for the intermediate and long-term future of the district or region; and
 - principles and processes of decision-making and consultation that are intended to engender substantial community involvement in significant council decisions.
7. There has been widespread concern at the recent growth in local authority rates and the choices some councils have made in funding decisions. Figure One below shows that residential rates have risen at a rate substantially in excess of council input costs.²

Figure One: Movement in Local Government Rates and Cost Indices



Sources: Statistics New Zealand Consumers Price Index, Producers Price Index, Labour Cost Index and Capital Goods Price index to December 2008

¹ Community outcomes are described in section 91(2) of the Act as *desired outcomes in terms of the present and future social, economic, environmental and cultural well-being of the community*

² While formal survey data is not available for business rates, from the Department of Internal Affairs oversight of local authority rating practices, it is reasonable to assume that business rates have moved similarly to residential rates

8. The Auditor-General, the Local Government Commission and the Rates Inquiry have all reported on the system's operation within the last three years³ The Department of Internal Affairs has also carried out case study research into the community outcomes process, the LTCCP process and the consultation processes required by the Act.⁴ All have pointed to issues of local government practice in applying the legislation, as well as potential issues with the legislation itself

Policy Context

9. In the Speech from the Throne, the Government outlined three priority areas for its work:
- growing the economy;
 - a reduction in government bureaucracy and a focus on investing in frontline services; and
 - reducing regulatory and compliance demands that get in the way of productivity growth

These priorities are underpinned by a belief in individual freedom and a belief in the capacity and right of individuals to shape and improve their own lives. Work in the local government portfolio needs to align with these priorities

10. The response to the report of the Royal Commission on Auckland Governance is directly related to the Government's goals for growing the economy. The present form of local government in Auckland is widely acknowledged as unable to deliver the support needed to maximise Auckland's contribution to national goals
11. Key elements of the Government's regulatory reform programme affect the regulatory role of local government. However, there is further work to do in this area beyond the immediate priorities of review of the Resource Management Act 1991 and the Building Act 2004. A particular concern raised with me, both by local government and other groups, is the cost to ratepayers from the imposition of additional regulatory responsibilities on local government. The wider regulatory review programme is being guided by the principles that regulation and its enforcement should:
- be the minimum necessary to achieve its objectives, having assessed benefits, costs and risks;
 - be as generic and simple as the sector allows;
 - use self-regulatory approaches where appropriate;
 - be appropriately durable, predictable and adaptable;
 - where appropriate, accord with international best practice being mindful of our commitment to a single economic market with Australia;

³ Auditor-General, *Matters arising from the 2006-16 Long-Term Council Community Plans*, June 2007; Rates Inquiry Panel, *Funding local government* August 2007; Local Government Commission, *Review of the Local Government Act 2002 and Local Electoral Act 2001*, July 2008.

⁴ The case studies are of the Otago and Hawke's Bay regional councils; the Wanganui, Waimakariri, Taranaki, Rodney and Westland district councils; and the Invercargill and Wellington city councils. They can be accessed at http://www.localcouncils.govt.nz/lqip.nsf/wpg_URL/Resources-Research-Local-Government-Information-Series?OpenDocument#casestudies

- minimise compliance costs; and
 - aim to minimise adverse impacts on:
 - i. innovation and investments;
 - ii. competition;
 - iii. individual responsibility (with appropriate risk balance); and
 - iv. property rights. [EGI (09) 5, paragraph 11]
12. During 2009 I will develop proposals for a clearer process to determine the allocation of regulatory functions and costs between central and local government. I intend that an additional principle guiding this work should be that the allocation of functions between central and local government should be undertaken in a transparent and principles-based manner.
13. I propose to link the second Government priority area – reduce bureaucracy and focus on frontline services – with the concerns I have about growth in rates and council funding decisions. I have received numerous complaints about excessive rates rises. The Public Finance Act 1989 encourages central government to take a top down approach to budgeting, by first establishing limits on expenditure and then setting priorities within those limits. Applying a similar approach to local government would encourage a focus on core activities and better fiscal management by councils. While there is no formal definition of core services for local government, I would expect there to be general acceptance that it includes transport services (roading, footpaths, and public transport); water services (water supply, sewage treatment, stormwater and flood protection) and public health and safety services (refuse collection and regulation of nuisances).
14. The present Act seeks to promote transparency and accountability in local government but, in practice, few new mechanisms have been introduced to apply those principles. Accountability mechanisms do not provide citizens and ratepayers with direct control over council activity since they are retrospective. The transparency provisions have resulted in a lot of information being made available, but have not necessarily focused on providing useful information for ratepayers. At the same time the compliance costs in meeting the transparency requirements, especially in the preparation of the LTCCP, have been very large.
15. I therefore consider that work in this area should be guided by the following principles:
- local government should operate within a defined fiscal envelope;
 - councils should focus on core activities; and
 - council decision-making should be clear, transparent and accountable
16. Finally, councils can be pressured to expand their services by providing services that benefit a limited number of people but for which the whole community is required to pay. This raises equity issues as some beneficiaries of the service “free ride” on other ratepayers. This leads to the principle that costs should be distributed as closely as possible to benefits received.

Review priorities: Transparency, accountability and fiscal management

- 17 To implement change within the current term of Parliament it is necessary to keep the scope of work tight. Initially I propose to focus on implementing the principles about operating within a defined fiscal envelope, focus on core activities, and decision-making and accountability. This is because they focus directly on containing council costs and will have the greatest impact on achieving the Government's priorities. I propose that work on distributing costs in alignment with benefits should be an item of future work, after work on Auckland governance and this work has been completed.
- 18 While the Act emphasises the need for transparency and accountability in local government, in practice few new mechanisms have been introduced to apply those principles. They include the audit of LTCCPs, the printing of summaries for LTCCPs, annual plans and annual reports, and a requirement for councils to give individual responses to submissions with reasons, provided for council decisions. They also include requirements to consult the public on some decisions – notably decisions to contract major council services to the private sector or to sell shares in a port or airport company. The transparency principle has resulted in much more information being disclosed, but arguably without sufficient attention being paid to its relevance and usefulness.
19. Different groups have expressed various concerns to me about the present process. These include:
- the cost of preparing and auditing LTCCPs;
 - that over-consultation is occurring causing "submission fatigue" for ratepayers;
 - that the community outcomes process is being used to extend councils' roles beyond core services; and
 - that consultation processes are unduly increasing the influence of pressure groups.

I consider these may be symptoms of more fundamental issues with the Act's drafting and with implementation of the transparency and accountability principles.

- 20 More transparent and accountable local government will provide ratepayers and citizens better means to control council costs and activities. There were numerous submissions to the Rates Inquiry expressing this view and I have received many letters and submissions of a similar nature. There are a number of weaknesses in the present system that limit the ability of ratepayers and citizens to exercise that control:
- local authority elections rarely focus on spending issues. Reasons for this include the rarity of party organisation and that most candidates stand on the basis of their personal attributes to serve the community;
 - media scrutiny of local government is weak compared to central government;
 - local government financial information is incomprehensible to most non-accountants;

- there is limited comparative information (financial and non-financial) available to compare council performance;⁵ and
 - there are no mandatory requirements for councils to seek ratepayer authorisation of major projects or high rate increases
- 21 This effectively disconnects the popular voice from councils' major planning and spending decisions. One approach could be for central government to prescribe permitted functions of local government and/or to impose taxing and spending limits on councils. However, this would constrain local control and could make central government jointly responsible for local decisions. It could also ultimately lead central government into performance managing and perhaps funding under-performing councils. I consider it is better to enhance local democracy so that ratepayers and citizens can control the scope and size of their own local government. Accordingly I propose to review the transparency, accountability and financial management mechanisms within which councils make expenditure decisions.

Work streams

22. To manage this review, work will be split into three related streams:
- long-term planning and financial management;
 - management of service performance; and
 - accountability and decision-making.

Long-term planning and financial management

23. Councils have had to prepare ten year plans since 1996. The 2002 Act renamed the plans LTCCPs and significantly reformed the content requirements. The LTCCPs purpose was to address strategic planning issues. However, most LTCCPs include large amounts of detail, have multiple volumes and contain hundreds of pages. Even with summaries available, documents of this size and complexity make it harder for ratepayers and citizens to engage on strategic council issues. They are also costly to prepare and audit. I propose that the Department of Internal Affairs (DIA) examines options to simplify LTCCPs and focus them on strategic issues. This aspect of the work would also consider the costs and benefits of different options for the audit requirement for LTCCPs.
24. I propose to consider the merits of requiring councils to prepare a fiscal strategy and pre-election fiscal update (Prefu), similar in intent to the central government Prefu under the Public Finance Act 1989. A local Prefu could provide a clearer focus for local elections and a context for LTCCP preparation in the year following an election. A fiscal strategy would also help in making the trade-offs between expenditure proposals and local authority revenue requirements clearer.
25. I am also concerned that financial reporting under accrual accounting is incomprehensible to most ratepayers and citizens. While use of accrual accounting is a pre-requisite to good financial management in local government, it is not sufficient to make councils' finances transparent to

⁵ Statistics New Zealand publishes financial data on individual councils, but there is a long lag in its publication (data for the 2007-08 financial year has not yet been published) and as the information is self-reported there are issues about the comparability of data

ratepayers and citizens. I propose to explore mechanisms to achieve "plain English" financial disclosures for all councils. This may involve regulating the nature and content of these disclosures. I would expect any costs of complying with such disclosure to be offset with savings from reducing other regulatory compliance costs (such as in the production of LTCCPs discussed above).

26. An additional area I wish to explore is development of a composite local government cost index. Such an index would provide a useful benchmark against which to compare proposed rate increases. Currently Statistics New Zealand produces many cost indices about local government inputs. A composite index could possibly be produced without additional data gathering.

Management of service performance

27. The Act requires councils to identify social, economic, environmental, and cultural community outcomes for the intermediate and long-term future of their districts. The outcomes are not confined to those that a council is seeking to influence and consequently force councils into a role of managing a community debate on matters that may be beyond their service-delivery roles. Councils are also required to commit resources to monitoring progress towards those outcomes including outcomes they are not directly involved in achieving. I consider it debatable whether requiring councils to carry out this role is consistent with the goal of reducing bureaucracy and focusing government investment in frontline services. Accordingly I propose to review this requirement.
28. Councils must also maintain a comprehensive non-financial service performance reporting system as part of the LTCCP. While the principle that ratepayers and citizens should be able to see and debate what they are getting for their money is indisputable, the present system is elaborate and non-strategic. I propose to consider options for a more focused and less costly service performance reporting system.
29. Councils have made considerable progress in asset management planning. However, this information is often seen as technical and is not well communicated to ratepayers and citizens. I propose to consider mechanisms to ensure councils disclose suitable information to tell ratepayers and citizens how well they are maintaining essential infrastructural services. Disclosure of suitable information in a Prefu may help focus election debate on the standard of core services provided by councils. It may also help focus councils more on core activities and make it harder for councils to postpone necessary infrastructure spending. This aspect of the review has linkages with the Government's infrastructure work.

Accountability and decision-making

30. Local government makes significant decisions on behalf of its ratepayers, some of which are effectively irreversible, for example, building a stadium. Currently the main formal mechanisms for ratepayers and citizens seeking greater accountability are by exercising their vote or by making complaints to the Ombudsman. These are retrospective accountability processes and many significant decisions are likely to be irreversible. Therefore, more proactive tools for engaging ratepayers and citizens to ensure they can guide or determine councils' decisions should be explored. In particular, I wish to

consider circumstances in which polls and referenda could be required for certain decisions.

31. A common concern among ratepayers is their inability to compare their council's performance with others. While comparisons can be used negatively, they are an important tool for identifying well-performing councils from which others can learn. Comparative information about council performance also empowers both elected members and ratepayers to ask better questions of management and to identify areas where attention on improving performance is likely to be rewarding. I propose to explore mechanisms for developing comparisons between councils.

Miscellaneous issues

32. If this work leads to changes to the Act, there may be other minor changes that would also advance the Government's policy agenda or lower local government compliance costs. Two examples of such issues are constraints on the use of the private sector to deliver local government services and recommendations of the Local Government Commission for minor changes to the Act.

Linkages to Other Work

33. In my view any proposed changes arising from this work should also apply to Auckland local government, unless there are sound reasons for it not to. I will examine the report of the Royal Commission on Auckland Governance and adjust this work to address any relevant matters the Commission raises.
34. There are also links to the regulatory reform agenda. This work has, as one of its aims, a reduction in local authority compliance costs.
35. Local government implements legislation administered by many government agencies. The decision-making and consultation principles and procedures set out in the Act apply to all local authority decisions, unless other legislation specifically modifies or over-rides them. Therefore, any significant changes to local government accountability processes may affect administration of other legislation. DIA will ensure that other agencies are consulted in the development of this work. This will also ensure that there are not unintended consequences arising from the combined effects of this work and local government work being led by other agencies.

Stakeholder input

36. This review is likely to attract significant interest from the sector and key stakeholders of local government. I propose that Local Government New Zealand (LGNZ) and the Society of Local Government Managers (SOLGM) are consulted during the development of policy options because of their technical expertise (e.g. financial management) and because it will help with the estimation of impacts on the sector.

37. I do not propose to publish a public discussion document. There have been a number of recent processes that have elicited public views on local government including the Rates Inquiry, the Royal Commission on Auckland Governance and my own request for the public's views. These processes have provided a clear indication of issues for the public – transparency and accountability for significant council decisions, council fiscal management, and rates increases. Once legislation is introduced into the House, the public will be able to comment during the select committee stage. However, I intend to undertake some targeted consultation with specific local government and non-local government stakeholders once proposals are developed.

Timetable

38. I propose to report back to the Cabinet Economic Growth and Infrastructure Committee by 31 August 2009 on options for improving local government accountability and fiscal management. To implement changes in time for the 2010 local authority elections would require a tight timetable for legislative drafting and subsequent Parliamentary process.

Consultation

39. The following agencies have been consulted in the preparation of this paper: the Department of the Prime Minister and Cabinet, the Treasury, the State Services Commission, Statistics New Zealand, Te Puni Kōkiri, the Ministries of Economic Development, Health, Transport, Culture and Heritage, Agriculture and Forestry, the Ministry for the Environment, the Department of Building and Housing and the Office of the Auditor-General.
40. The content of the paper has also been discussed with LGNZ and SOLGM.

Human Rights, Gender Implications and Regulatory Impact Statement

41. There are no human rights or gender implications arising from this paper. A Regulatory Impact Statement is not necessary for this paper.

Financial Implications

42. There are no financial implications of this paper.

Legislative Implications

43. A legislative bid for a possible local government bill to address the outcome of this work has been made.

Publicity

44. I propose to co-ordinate publicity on this work from my office and to release the Cabinet paper at an appropriate time.

Recommendations

45. I recommend that the Committee:
1. **note** that to implement the Government's priorities outlined in the Speech from the Throne in local government, work will be undertaken on Auckland governance; a clearer process to determine the allocation of functions and costs between central and local government; and local authority decision-making, transparency and accountability;

- 2 **note** that while the Local Government Act 2002 (the Act) seeks to promote transparency and accountability in local government, in practice few new mechanisms have been introduced to apply those principles;
- 3 **agree** that the Department of Internal Affairs review the transparency, accountability and financial management mechanisms within which councils make decisions;
4. **note** that any proposed changes should also apply to Auckland local government, unless there are sound reasons for it not to, and that this work will be adjusted to address any relevant matters the Royal Commission on Auckland Governance raises;
- 5 **note** that, in the course of this review, other minor changes to the Act that will advance the Government's policy agenda or lower local government compliance costs may be identified;
- 6 **note** that no public discussion document is proposed on these proposals as public views are well known, but targeted consultation will be undertaken;
- 7 **invite** the Minister of Local Government to report back to the Cabinet Economic Growth and Infrastructure Committee by 31 August 2009 with specific proposals to improve local authority transparency, accountability and financial management and any other recommended minor changes to the Local Government Act 2002;
8. **note** that a bid has been made to include a local government bill in the legislative programme; and
- 9 **note** that the Minister of Local Government will co-ordinate publicity on this work from his office and release the Cabinet paper at an appropriate time.



Hon Rodney Hide
MINISTER OF LOCAL GOVERNMENT

