

# Local Government Act 2002 Amendment Bill - Summary

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# Overview

- Background
- Summary of the Bill
- Next Steps
- Questions

# Background

- *Better Local Government* reforms – March 2012
- Phase 1 dealt with under LGA 2002 Amendment Bill
  - Refocus the purpose of local government
  - Introduce fiscal responsibility requirements
  - Strengthen council governance provisions
  - Streamline council reorganisation procedures
- Phase 2 to be covered under a second Local Government Reform Bill in 2013
  - Establish a local government efficiency taskforce
  - Develop a framework for central/local government regulatory roles
  - Investigate the efficiency of local government infrastructure provision
  - Review the use of development contributions

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# LGA 2002 Amendment Bill

- Introduced 30 May to implement the government's reform decisions
- Referred to the Local Government and Environment Select Committee
  - report back to Parliament by October 2012
  - period for submissions to Select Committee yet to be announced, but some say likely to close mid to end of July 2012
  - The Act comes into force the day after Royal assent

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# New Purpose Statement

- Councils are to meet the current and future needs of communities for **good quality**:
  - local infrastructure
  - local public services, and
  - performance of regulatory functions
    - in a way that is *most cost-effective for households and businesses*
- **Good quality** is defined as:
  - Efficient; effective; and appropriate to present and anticipated future circumstances

# Comment

The new purpose statement:

- removes the current four wellbeings
- gives a narrow view of the role of local government, particularly in relation to the role of cities in the 21<sup>st</sup> century
- formalises in legislation tension between current and future generations, and quality vs cost/affordability
- is open to interpretation which may, potentially involve the judiciary
- allows the Minister to step in when s/he considers a council is acting beyond its mandate, despite little evidence that this is happening in practice
  - more on this later

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# Financial Prudence Requirements

- Rates Capping
- Enables the Minister to set benchmarks for councils' performance in respect of:
  - income
  - expenditure
  - prudent debt levels

# Comment

- Benchmarks are to be set in regulations
  - To be developed in consultation with LGNZ
- Examples of benchmarks in the Bill are:
  - Local authority debt not to exceed a fixed amount per resident
  - Expenditure not to increase by more than the population growth multiplied by the CPI
    - CPI vs Local Government inflation?
- Overseas evidence suggests we have cause for concern in relation to:
  - Deferred maintenance
  - Asset renewal

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# New mechanisms relating to council governance

- Provides for Crown assistance and intervention in the affairs of individual councils
- Extends some aspects of the Auckland mayoral model to all mayors, for eg leading the development of the LTP and annual plan, and appointing the deputy mayor and committee chairs – to come into force on 12 October 2013
- Enables a council to determine policies on remuneration and staff numbers

# Comment

- Gives the Minister powers to intervene when a **problem** has been identified ie
  - When a matter relating to the management or governance of the local authority detracts from, or is likely to detract from, its ability to given effect to the purpose of local government
  - Includes a failure to demonstrate prudent management of its finances in terms of any benchmarks prescribed under the Act
- Powers of intervention range from:
  - requiring information
  - appointing a Crown Review Team, Observer, Crown Manager or Commission
  - calling a general election
- Raises accountability issues
  - are councils accountable to their ratepayers or central government
  - will councils need to justify all significant decisions eg the Hobbit Premiere?

# New Reorganisation Procedures

A **Reorganisation Application** can be made by any person or organisation including

- a local authority, person or group with an interest in the governance of the area, or the Minister
- It must show *significant community support*, and that it will promote *good local government*



The Commission must decline, or assess the application, if satisfied the application has *significant community support*



After assessment, the Commission must decline, or develop a **draft Reorganisation Proposal**, and

- publicly notify the proposal; invite submissions; and seek views



If the Commission is satisfied that the final proposal is likely to have *significant community support* it

- will develop and issue a **Final Proposal**



A **Poll** may be requested:

- If more than 50% of the votes cast are for a final proposal, the Reorganisation Scheme will proceed
- In every other case the final proposal must not proceed



If no poll is held, or the poll fails, the Commission must:

- prepare a **Reorganisation Scheme** that it considers will promote *good local government* to be given effect by an Order in Council

# Comment

- The government has allowed for the postponement of the next local body elections by up to 12 months once a Final Proposal has been issued. This will allow councils more time to consult with their residents on a preferred option
- The government is clearly looking for amalgamations by the 2013 elections
- Defining *good local government* as ‘involving improving local government and facilitating efficiencies and cost savings, productivity improvements and simplified planning processes’ will be difficult to assess
- We have a number of concerns in relation to:
  - allowing the Minister to specify measures and expectations relating to the Commission’s performance – will this dilute the Commission’s independence
  - defining *significant community support* as support from a large proportion of the community or of the *leaders of the community* - the Bill does not define who this is
  - Councils could be under constant threat of amalgamation if a proposal fails. The Bill is silent on whether it is possible to continue to make reorganisation applications

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# Next Steps

If submissions close mid to late July 2012

- 28 June SPC considers and approves draft submission on the Bill
- 26 June pre-meeting briefing

If submissions close in August or later

- 9 August SPC considers and approves draft submission on the Bill
- Mayor presents to Select Committee

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# Questions?

## Local Government Reform Bill

- Question 1: Can you please brief us on the likely implications that the change in purpose may have for activities and services that are related to ERG's mandate? For example, which of the functions/activities/services currently carried out by WCC are likely to survive, and which may drop into a black hole?
- Question 2: Which environmental functions and services currently performed by Greater Wellington to support Wellington City may drop into a black hole if the intended changes to purpose go through?