

Briefing for Incoming Minister

LOCAL GOVERNMENT

November 2008

THE DEPARTMENT OF INTERNAL AFFAIRS



Te Tari Taiwhenua

Leadership in Local Government

1. The Department of Internal Affairs provides leadership in building effective local government that supports the Department's outcome of achieving strong and sustainable communities/hapū/iwi. This involves establishing a clear view of the future of local government in New Zealand including how the system of local government needs to evolve, what is required to achieve an effective system and the nature and level of investment that is required. A current example is the strengthening of the local and regional governance of the Auckland region.

Overview

2. The Local Government portfolio is primarily concerned with the framework and system of local government and its overall effectiveness. Legislative changes in 2001 and 2002 saw a move from a prescriptive regime to one which gave local authorities greater flexibility in deciding what activities to undertake. This has been balanced by increased obligations to consult their constituents, with the aim of encouraging greater input from, and accountability to, their communities. Recent independent reviews indicate that, overall, the local government framework appears to be in good health.
3. The Department of Internal Affairs plays a key coordinating role by bringing together local government and central government through administering the Central-Local Government Forum, Central Government Interagency Group and other national and regional groups of central and local government officials. We support central government's engagement with local government at a regional level on key urban and regional issues, and encourage information-sharing. We also work at the interface between local and central government to promote an integrated approach to community outcomes.

Minister of Local Government roles

4. As Minister of Local Government, you have primary responsibility for the legislative framework under which the system of local government in New Zealand is constituted, and for its overall effectiveness. The core legislation for which you are responsible comprises the Local Government Act 2002, the Local Government (Rating) Act 2002, the Local Electoral Act 2001 and residual provisions of the Local Government Act 1974.

Minister's Leadership role

5. The Minister has an important leadership role in promoting effective local governance and community well-being. The local government sector will look to you for leadership on sector wide issues and where central government engagement is needed to achieve local outcomes.
6. Your leadership role includes promoting the importance of an effective, responsive and democratic system of local government, within Government and with your ministerial colleagues. This involves consideration of the overall coherence of government policy as it impacts on the local government sector, and the consistency of that policy with the purposes, principles and processes set out in the Local Government Act 2002.
7. The Minister frequently engages with other Ministers on issues affecting local government. This includes ensuring that Ministers consider the impact of new policies on local government, and the framework and principles of local government, when developing policy.¹ It also includes engaging with other Ministers on functions that have been devolved to local government. Issues may arise over local government performance and standards in relation to these functions; for example, consents processes under the Resource Management Act 1991 and compliance functions under the Building Act 2004.

Local authorities act independently within legal constraints

8. While the Minister is responsible for the framework, this does not extend to specific decisions or actions of local authorities. Local authorities operate independently of central government, within certain legal constraints, and are accountable to their communities rather than to the Minister of Local Government.
9. The Minister's powers to intervene in the decisions of individual councils are limited, and may be used only in specific circumstances where the risk to the well-being of local communities or representative democracy justifies overriding

¹ Other portfolios with major functional responsibilities involving local government include Health, Environment, Economic Development, Transport, Infrastructure, Civil Defence, Building and Housing, and the Community and Voluntary Sector.

local accountability.² Despite this limitation, interest groups and members of the public will often seek Ministerial intervention in specific council decisions.

Sector Stakeholders:

10. Key stakeholders in the local government sector include:

- Local Government New Zealand (LGNZ) – represents the local government sector³ and, particularly, the elected members of local government. It is supported by a number of full-time staff. The President is Lawrence Yule (Mayor of Hastings), the Vice-President is Kerry Prendergast (Mayor of Wellington) and the Chief Executive is Eugene Bowen.
- Society of Local Government Managers (SOLGM) – represents senior local government officers. A small staff supports the organisation. The President is Steve Parry (Chief Executive of Gore District Council) and the Chief Executive is David Smith.

11. The Minister also has important relationships with:

- The Auditor General – carries out financial audits of local authorities annually. The Auditor General may carry out performance audits to, for example, examine a local authority's compliance with its statutory obligations or whether it is carrying out its activities effectively and efficiently. From 2006, the Auditor General has had a statutory duty to issue opinions on local authorities' draft and final long-term council community plans (LTCCPs). The Auditor General also administers the Local Authorities (Members' Interests) Act 1968.
- Local Government Commission – an independent statutory body, whose main role is to make decisions on the structure and representation requirements of local government in New Zealand.
- Auckland Regional Mayoral Forum – consists of the chairperson of the Auckland Regional Council and the mayors of each of its constituent territorial authorities. It has met infrequently during 2008.

² The standard for ministerial intervention is set at a high level in the Local Government Act 2002 to recognise the primary accountability of local authorities to their communities. Such powers have been used only once, when the 1999/2000 Rodney District Council was seen as dysfunctional and at risk of not meeting its statutory obligations.

³ Wanganui, Whangarei and the Far North District Council withdrew from LGNZ in 2008.

- Regional Sustainable Development Forum – a standing committee of the Auckland Regional Council, with membership from all eight Auckland councils and non-voting participation from key government agencies (represented by the Chief Executives or their appointees), including the Department, Ministry of Economic Development, Ministry of Social Development, Ministry for the Environment, and the Department of the Prime Minister and Cabinet. Mana Whenua representatives in the region will be appointed shortly to the Forum.
- Mayors' Taskforce for Jobs – a nationwide network of Mayors working on the issues of work and livelihood in their communities. Begun in 2000, the Taskforce has a membership of 71 Mayors (97 per cent of all Mayors). It focuses on youth employment and engagement in local communities.
- Local Government Forum – formed in 1994 to promote efficiency in local government. Its members are Business New Zealand, Electricity Networks' Association, Federated Farmers of New Zealand, the New Zealand Business Roundtable, the New Zealand Chambers of Commerce and the New Zealand Forest Owners' Association.

Local Government Portfolio Overview

12. Local government plays a vital role in advancing the well-being of New Zealanders and New Zealand communities. Effective local government provides communities with a say about their resources, and the decisions that affect their well-being now, and in the future.
13. In general, the sector appears to be in good health. However, there are some pressures, which are discussed below under 'Major policy and implementation/operational issues'. Three recent independent reports into various aspects of local government support this assessment of the health of the local government sector and framework:
 - A recent review of the operation of the Local Government Act 2002, undertaken by the Local Government Commission, found that the Act was fundamentally sound and assisted in achieving its general policy intent and legislative purpose.

- A recent report by the Auditor General found that, overall, the 2006-2016 LTCCPs have improved compared to the 2004-2014 LTCCPs.
- The report of the Local Government Rates Inquiry⁴ found that local government generally works well in meeting the diverse needs of New Zealanders and provides, at reasonable cost, a substantial range of basic services.

Roles of Regional Councils and Territorial Authorities

14. There are 85 local authorities:

- 12 regional councils
- 73 territorial authorities (comprising 57 district councils and 16 city councils). Five of the territorial authorities also perform the role of regional council.⁵

15. The two types of local authority are not hierarchical, nor are they subsidiary to central government. In some instances, however, specific statutes may establish responsibility or accountability relationships between local authorities and central government.

16. Collectively, local authorities are a significant part of New Zealand's economy. They support local communities by providing them with essential infrastructure facilities and services, and community facilities and activities. They also carry out a range of regulatory functions; for example, building control, resource management, some public health functions and dog control. A more extensive list of local authorities' functions is shown in Appendix II.

17. Changes in 2002 to local government legislation saw a move from a prescriptive regime to an enabling regime that gave local authorities "full capacity, rights, powers and privileges". Although, to date, there has not been a proliferation of new activities being undertaken by individual authorities, the mix of activities carried out by each local authority may change over time as they, together with their communities, continue to define their roles.

⁴ The Rates Inquiry was established in 2006 to consider, and make recommendations on, local government revenue raising mechanisms. It reported back in August 2007.

⁵ These are the Nelson City Council, the Gisborne, Marlborough and Tasman District Councils, and the Chatham Islands Council. The first four are sometimes referred to as unitary authorities.

Funding sources for local government

18. Local authorities raise most of their funds through rates, development contributions, fees and charges, and investments. In the 2006/07 financial year approximately 87 per cent of total revenue was from locally raised funds. The decade from 1998 to 2007 saw a constant trend of rates and expenses rising faster than general inflation. After adjusting for inflation, rates rose by 41.6 per cent. At the same time total inflation adjusted revenue rose by 37.9 per cent and inflation adjusted operating expenditure rose by 38.9 per cent.
19. Over the same period, central government transfers rose from \$370.2 million (1997/98) to \$764.6 million (2006/07). After adjusting for inflation, this is an increase of 69.0 per cent. Central government also makes a contribution through the Rates Rebate Scheme, which in 2007/08 provided \$49.664 million in rebates to 110,647 low income households.

Role of the Department

20. The Department's role is to support your leadership role in the local government sector and across ministerial portfolios on Auckland governance issues. We do this by:
 - providing you with evidence-based policy advice and support on local government
 - providing advice to select committees on Government legislation within the portfolio, local Bills, and enquiries or petitions
 - administering acts and regulations on your behalf
 - coordinating central government involvement in regional strategic planning in Auckland and, more specifically, the One Plan for Auckland
 - facilitating the interface between central and local government including processes to identify and contribute to community outcomes⁶
 - developing an array of information and research about local government, including a website, www.localcouncils.govt.nz, that provides a range of public information about the local government sector and statistical profiles of all local authorities

⁶ Community outcomes are the outcomes communities wish to achieve in the medium and long term and are defined by local authorities in consultation with their communities.

- administering the Rates Rebate Scheme
- maintaining the National Dog Database, which records the details of registered dogs and their microchip numbers
- undertaking territorial authority functions for some offshore islands on your behalf
- providing harbourmaster services on Lake Taupo on your behalf.

Policy issues affecting local government led by other departments

21. The Department is involved in a wide range of policy initiatives led by other departments that affect local government. Capacity constraints require the Department to prioritise its engagement on issues.

Legislation

22. The current legislative framework for local government focuses on the transparency of council decision-making, efficiency and effectiveness, and accountability. There are three key Acts: Local Government Act 2002, Local Electoral Act 2001 and Local Government Rating Act 2002.⁷

23. The overall objective of these three Acts is to enable local authorities to be responsive to the diverse current and future needs of the communities they represent, and to provide greater scope for those communities to participate in the decision-making processes that determine what their local authorities do. The three Acts seek to provide an appropriate balance between flexible local decision-making and the rights of individuals and communities to understand, and influence, what their local authority does.

Local Government Act 2002

24. This Local Government Act is enabling rather than prescriptive. Its purpose is to provide for democratic and effective local government that recognises the diversity of New Zealand communities. Local authorities must promote the social, economic, environmental and cultural well-being of communities, in the present and for the future.

⁷ The Department has an evaluation programme looking at how the local government legislative framework has affected communities, Māori and a range of stakeholders. The research and evaluation programme, which will run up until 2013, will contribute to the provision of effective policy advice and enhanced public understanding of local government.

25. The Act's broad empowering provisions are intended to allow local authorities, in consultation with their communities, to decide on the priorities for their district or region, and how the provision of local infrastructure and services is to be managed and funded. Although the Act provides local authorities with more flexible powers and tools, it balances this with explicit decision-making, consultation, strategic planning, and accountability expectations. It also includes modernised and simplified governance procedures, regulatory powers and processes, and a limited number of restrictions on council decisions.

Minister's responsibilities under the Local Government Act 2002

26. The Minister's specific statutory responsibilities include:
- appointing members of the Local Government Commission
 - appointing a review authority where there is a significant council failure to meet its statutory obligations or management responsibilities
 - appointing Commissioners to act in the place of local authorities or call council elections in certain circumstances
 - making the final decision where regional councils and territorial authorities cannot agree on how to avoid duplication of functions
 - a variety of minor statutory approvals (such as authorising changes to the purpose for which endowment land is held, and approving minor boundary alterations)
 - being the territorial authority for some offshore islands.

Local Electoral Act 2001

27. The Local Electoral Act 2001 prescribes the conduct of local authority elections and polls. It also provides opportunities and procedures to allow local communities to choose local electoral systems (i.e. First Past the Post or Single Transferable Vote), and for reviews of representation arrangements for local authority elections, the constitution of community boards and Māori wards and constituencies.
28. The Act also provides the basis for District Health Board and Licensing Trust elections.

Local Government (Rating) Act 2002

29. The Local Government (Rating) Act 2002 provides modern and flexible rating mechanisms that are the primary means by which councils raise revenue from their communities. The exercise of rating powers is subject to transparency, consultation and accountability requirements under the Local Government Act 2002.

Other relevant legislation

30. In addition to the three key Acts mentioned above, the Department administers a number of Acts within the Local Government portfolio, including the Rates Rebate Act 1973, residual provisions of the Local Government Act 1974 and the Dog Control Act 1996. Appendix III provides a full list of local government sector legislation administered by the Department.
31. Other legislation also impacts on local government but is the responsibility of other Ministers, and is administered by their ministries or departments. Appendix III provides a list of relevant Acts.

Major policy and implementation/operational issues

Pressures on the Portfolio

32. The local government portfolio is typically busy, with demand for policy or legislative responses from a number of quarters, including the sector and other portfolios. Independent reviews are a significant influence on the local government policy work programme, notably the Royal Commission on Auckland Governance, the Local Government Commission's review of local government legislation, and the Local Government Rates Inquiry (Rates Inquiry).
33. Responding to major reviews invariably requires commitment of significant policy resources, usually from baseline funding. This can have a detrimental effect on resourcing for the agreed policy work programme for the Local Government Portfolio. When situations such as this arise, we will seek your direction on the resourcing implications.
34. There is a range of key issues in the Local Government portfolio. These are summarised below. We will also brief you separately on these issues.

Impact of the Current Economic Outlook on Local Government

35. Local authorities are feeling the impacts of the current economic outlook in several ways:
- Councils that typically rely on investment returns as a significant funding source may be exposed to a substantial loss in income because of the decline in world share markets
 - Councils are reporting some difficulty in obtaining access to debt funding, especially long-term debt funding
 - Some councils have indicated that their exclusion from the investment guarantee scheme is a deterrent to proceeding with planned retail stock issues
 - Councils providing new debt-funded infrastructure with the intention of repaying the debt from development contributions may now find themselves severely constrained in their ability to service those loans or continue with planned capital expenditure programmes.
36. The current uncertainty may cause councils to reconsider their plans and constrain their spending or raise rates to compensate for lost income. Councils are due to release 10-year plans for community consultation early in 2009 and this will provide firmer evidence about their reactions to the economic outlook. We will continue to keep a watching brief on the impact of the current economic situation on councils and advise you on issues for councils as they arise.

Auckland Regional Governance⁸

37. Auckland's significance to the social, economic and environmental performance of New Zealand is, perhaps, unparalleled in the developed world. The city-region is home to more than a third of the population and is forecast to contribute more than two-thirds of the country's future growth. Its distinctive role as gateway to the world, and as our only city of scale, means Auckland is central to efforts to improve national prosperity and productivity.
38. The success of the Auckland region is critical to the success of New Zealand as a whole. Effective governance is an essential criterion for the success of city-

⁸Our policy advice on Auckland is strengthened by our membership of the Government Urban and Economic Development Office (GUEDO). Refer to Appendix IV for more information about GUEDO.

regions. Problems with Auckland's governance have been identified by central government, local government and key stakeholders as one of the barriers to Auckland being a world class, internationally competitive, city-region. There are currently two key interventions to address governance issues in Auckland; the One Plan for the Auckland region and the Royal Commission on Auckland Governance.

One Plan for the Auckland region⁹

39. The One Plan concept is intended to address the following key impediments, as identified by the region, to the successful development of Auckland as a competitive, world-class city-region:
- the lack of a single vision and coordinated regional strategy
 - fragmented responsibility for the decision-making and funding required to achieve regional goals.
40. The Regional Sustainable Development Forum is mandated to develop a One Plan for the Auckland region. The first version of the One Plan was adopted by the Auckland Regional Council in October 2008. This was a critical step for the region and demonstrated significant progress towards collaborative regional strategic thinking and action.
41. The previous Minister's involvement in the One Plan process and its content has been high, and the region will expect engagement to continue as One Plan (version 1) is implemented and One Plan (version 2) is developed over the next two years. Because the One Plan requires the region to identify its priorities, it means that central government now has clarity about regional investment priorities. This is expected to significantly reduce the ad hoc funding requests that have been typical in the past.

Royal Commission on Auckland Governance

42. The Royal Commission on Auckland Governance was established in October 2007 to examine what local and regional governance arrangements are required for the Auckland region over the foreseeable future. The Commission

⁹ The One Plan is an instrument of the local authorities in the Auckland region, and is a single strategic framework and plan of action for the Auckland region. It focuses on regionally significant issues and will be given effect to by implementation agreements between relevant parties.

has completed public consultation and is scheduled to report back by 31 March 2009.

43. The Royal Commission's independent status precludes any significant involvement or engagement by Ministers at this point. The Local Government Portfolio will, however, have primary responsibility for developing and implementing government policy on any changes to the system of local government once the Royal Commission reports. In preparation for this work, the Department is identifying the processes and resources needed to manage a whole of government approach to the recommendations. It is expected that these will impact on a number of portfolios, and we are working with the Government Urban and Economic Development Office (GUEDO) agencies and other relevant departments. Management of relationships with, and the expectations of, a wide range of stakeholders in Auckland will be important. To manage stakeholders expectations it will also be important for the Government to respond quickly (i.e. within a month) after the release of the Royal Commission's report. This will be a substantial piece of work for the Department.
44. We note that the Government may wish to consult with Aucklanders once the findings of the Royal Commission are known. The Government will need to be in a position to respond rapidly with clarity and leadership, or the opportunity to make positive changes for Auckland's governance could be lost. The Royal Commission has undertaken extensive consultation and received around 3,500 submissions, as well as holding a large number of public meetings. Further consultation would delay government policy decisions and consequently delay implementation of any changes, meaning that changes could not be in place for the 2010 local elections (amended legislation will need to be enacted by April 2010.) Aucklanders will, of course, have the opportunity to table their views during any select committee process.
45. We will brief you separately on our proposed approach to support the Government to establish policy in relation to the recommendations of the Royal Commission.

Central Government and Local Government engagement

46. The tone of the relationship between central and local government in recent years has been one of partnership, but differing power balances, interests and views can create tensions between the two arms of government. The nature of the relationship, and the joint work and projects in which central and local government are engaged, are necessarily broad and flexible. However, widely divergent expectations about the appropriate roles of each sector and associated funding responsibilities can create obstacles and difficulties to achieving collaboration.

Your leadership role as Minister

47. The local government sector will look to you to play a lead role in managing and developing the relationship between central and local government. We will support you by taking a leadership role in facilitating the relationship between central and local government. This includes:

- regular Central/Local Government Forums
- sharing knowledge with central government agencies to help ensure they appreciate local government's broader mandate to support current and future community well-being
- providing and promoting guidelines for central government agencies on involving local government when developing policies that may involve local authorities in the implementation of regulatory functions.

Local Government Financial Health

48. Local authority autonomy is based on the premise that local communities meet the costs of their preferences. Rating processes are designed to make the cost of local government explicitly transparent.

49. In recent years, the local government sector has expressed concerns about its ability to meet the costs of rising expectations. This has led to pressure from the sector for additional central government funding. There has also been public concern about increasing levels of rates.

50. Following the adoption of the first round of LTCCPs in 2006, which indicated council expenditure and rates rises, the Government established the Rates Inquiry.
51. The Rates Inquiry report (released in August 2007) made 96 recommendations, some directed at central government, others at local government. Over the 2007/08 financial year the Department was responsible for coordinating the Government's response to the recommendations and engaged with the sector, as appropriate, in developing this response. The previous Government agreed to: change maximum rebate and income thresholds annually to inflation proof the Rates Rebate Scheme; seek Auckland councils' views on an expansion of the development contribution system in the region; and allow council to generally set their own fees for regulatory functions.
52. Overall, however, the findings of the Rates Inquiry have not provided clear solutions to the problem of local government funding. The health of local government finances, and the quality of local authority financial management, is likely to continue to generate interest and comment in the future. Undertaking work to manage infrastructure costs more effectively may resolve many of the issues. This is discussed further below.
53. In addition the lack of consistency in reporting across councils can be an impediment to effectively diagnosing macro issues/problems in the local sector, particularly in relation to financial reporting. We will provide you with a more detailed briefing on local government finance issues and benchmarking across the sector.

Local Government Infrastructure

54. The provision of infrastructure (whether new or renewal) and its cost is a key issue for councils and central government, and a major cause of a rapid growth in capital expenditure. Local authorities' capital expenditures have been increasing significantly and are forecast to continue to rise. In the 2006/07 financial year, councils invested \$3.306 billion in fixed assets, an increase of 39 per cent on the previous year when investment amounted to \$2.711 billion. Local authority debt has also risen rapidly - from \$1.981 billion at 30 June 2004 to \$3.233 billion at 30 June 2007, an increase of 63 per cent in three years.

55. Some commentators have suggested that parts of the sector could make greater use of debt to fund infrastructure. While this may be true, it is not necessarily the panacea for all local authority financing issues.
56. There are also issues around the coherence of central government's investment in local infrastructure. There may be ways to better leverage the collective investment of local government and central government in the provision and renewal of infrastructure in the future.¹⁰ As a start, we are looking to work with other agencies to research the state of network water infrastructure and issues facing local authorities. We are also developing a framework for central government investment in local authority infrastructure for small poor communities, addressing gaps in assistance and ongoing oversight of assistance. We will seek your guidance on the future of this work.
57. We note that the Government will have a significant focus on infrastructure with the appointment of a Minister for Infrastructure. Given that local government has a major role in developing and maintaining local infrastructure, we envisage there will need to be a close relationship between the Local Government and the Infrastructure portfolios. We will support you in managing this relationship.

Transfer of functions and compliance costs

58. The local government sector considers central government's passing of "unfunded mandates" to be a major driver of expenditure. Some requirements, such as the preparation of LTCCPs, are standard requirements of the local government framework. In addition, where councils are required or empowered to undertake functions (usually regulatory), they usually also have the power to recover costs through fees and charges.
59. Having said that, when devolving regulatory functions to local government, central government agencies do not consistently consider whether the function fits with the local government framework or whether the function could be performed by an existing central government agency. There is also no process for considering the cumulative impacts of these initiatives. We actively encourage other departments to improve performance in this area, and are

¹⁰ Central government contributes to local government infrastructure in several ways including help with drinking water and sanitary works, transport projects and ad hoc projects such as the redevelopment of Eden Park and upgrade of Wellington City Council's social housing.

promoting the use of the Department's "Policy Development Guidelines for Regulatory Functions involving Local Government" (the Policy Development Guidelines). We will provide you with further detailed advice on this issue.

Compliance Costs on Business

60. While the local government sector has expressed concern about unfunded mandates, the business community has expressed concern that the costs of complying with local authority regulation results in unnecessary compliance costs.
61. An issue identified by business about compliance with local authority requirements is the inconsistency of standards and enforcement. Implementation of regulatory frameworks such as the Resource Management Act 1991 and the Building Act 2004, which enable a degree of local flexibility, prompted business concerns about the appropriate balance between local flexibility and national consistency. This is particularly marked for medium to large businesses that operate across local authority boundaries, and smaller businesses that operate in metropolitan areas. Business concerns are mainly with unpredictable and inconsistent compliance costs. This applies to the implementation of national standards (such as food hygiene requirements) and locally determined policies, such as setting development contributions.¹¹
62. The Policy Development Guidelines (referred to above) suggest the need for policy makers to balance local flexibility with national consistency. This recognises that there may be benefits in taking account of community choice about how certain regulations are administered. Local geography and other local characteristics of the district or region may be important factors. Functions should only be devolved to local government where local flexibility in implementation outweighs the benefits of national consistency.
63. In addition to continuing to encourage departments to use the Guidelines for new policy initiatives, we can advise you on possible ways to assist a more consistent local authority application of regulatory frameworks. This could

¹¹ Development contributions may be set by territorial authorities under the Local Government Act 2002. They are a means of funding network infrastructure and reserves attributable to the costs of a development. While the Act provides a robust methodology for setting development contributions, each territorial authority can determine whether or not they wish to raise funds through this provision. Territorial authorities also set their own policy, about the circumstances in which they will be used - within the parameters of the Local Government Act 2002.

include, for example, development of good practice guidance by the local government sector (in liaison with the responsible departments) and/or encouraging the use of shared services arrangements between local authorities.

Sustainable Urban Development

64. The Sustainable Urban Development Unit, an inter-agency team hosted by the Department, is considering how the public and private sector could work together more effectively to achieve large-scale urban development and redevelopment that meets the economic, environmental and social challenges facing New Zealand urban areas.¹²
65. The Unit has released a discussion document, "Building sustainable urban communities – Exploring place-based approaches to sustainable urban development in New Zealand", for consultation. Topics explored in the document relate to the primary barriers identified by a range of urban development stakeholders - funding, government coordination, streamlining planning and development processes, assembling land, and the integration of infrastructure and service delivery providers. Submissions close on 28 November 2008 and a report on submissions will be prepared before the end of December.

Other Issues

66. In addition to the key issues above, there are a number of other either current or emerging issues that will impact on the Local Government portfolio.

Treaty of Waitangi Settlements – implications for local government

67. While local government is not a Treaty partner, a number of recent Treaty settlements, such as the Te Arawa Lakes settlement and the Waikato River settlement, have implications for local government. Both settlements provide for statutory provision for joint or co-management structures that involve iwi and local authorities. In any future settlements with similar provisions, it will be important that relevant councils continue to be consulted and any implications

¹² The Sustainable Urban Development project, to date, has been the joint responsibility of the Ministers of Local Government, Housing, Environment, and Building and Construction. The Project Steering Group includes a wide range of government agencies and Local Government New Zealand.

for the Local Government Act 2002, and the principle of local autonomy, are taken into account.

68. We are a member of a cross-government team to implement co-management of the Waikato River. The team will build and maintain relationships between the Crown and iwi, and support local authorities to fulfil their obligations under the Waikato settlement. It may also evaluate and review the effectiveness of those obligations to inform wider negotiations policy.

Local Government Commission's review of the Local Government Act 2002 and Local Electoral Act 2001

69. The Local Government Commission's August 2008 report on the operation of these Acts concluded that the provisions of the Local Government Act 2002 are fundamentally sound and support the policy intent of the Act. Good practice was identified as a key to furthering that policy intent. We have drawn up a work programme to address the Commission's recommendations and will seek your direction on this.
70. The Commission concluded that the provisions of the Local Electoral Act generally support the purpose of that Act. Legislative amendments, including some previously identified by the Justice and Electoral Committee, were recommended. Most of these are currently being incorporated into the Local Electoral Amendment Bill. We will seek your direction on the confirmation and timing of the Bill, which is yet to be introduced.

Public Safety around Dogs

71. In 2007, we undertook a review of public safety around dogs, which included a public discussion document and extensive consultation with key stakeholders. This work affirmed that education and effective enforcement should be the focus rather than further legislation or regulation. However, some minor improvements were identified and incorporated in the Dog Control Amendment Bill (No 2). The Bill was awaiting its second reading when Parliament was dissolved.

Issues in the next month

72. We will be seeking your direction on the following issues during December 2008:

- Auckland Governance:
 - a. Royal Commission of Auckland Governance - proposed approach to developing government policy in respect of the Royal Commission's recommendations
 - b. One Plan for Auckland – seeking confirmation of the Government position in relation to One Plan and Auckland's regional strategic planning processes
- Budget 2009 – new initiatives
- sustainable urban development
- central government and local government engagement – future directions
- local government financial health
- impact of central government legislation on local government
- Local Electoral Amendment Bill – progress and priority
- Local Government Commission – appointment of one member as a result of the expiry of the term of office of Wynne Raymond
- delegation of the power to appoint a harbourmaster and enforcement officers for Lake Taupo
- upcoming sector events.

Issues over the next three months

73. In early 2009, we will seek your direction on:

- a proposed framework to ensure the coherence of central government infrastructure assistance
- the reinstatement of the Dog Control Amendment Bill and Dog Control (Perro de Presa Canario) Order 2008
- changes to the maximum rates rebate and income threshold levels for the Rates Rebate Scheme
- implications of Treaty settlements for local government

- supporting shared services delivery and options for benchmarking and good practice
- response to the Local Government Commission Report on the operation of local government legislation.

74. Another issue that may arise in late 2008 or early 2009 is public reaction to the forecast rates increases in the draft LTCCPs. Public reaction to similar forecasts to 2006 led to the establishment of the Rates Inquiry. We will prepare a communications strategy for this eventuality.

Issues over the next six months

75. The Royal Commission on Auckland Governance will report by 31 March 2009. Government will need to respond quickly to the recommendations and we anticipate providing you with advice early in April 2009.

76. We will also seek your direction on:

- public participation in local government
- the operation of the National Dogs Database
- delegation of the Minister's powers and responsibilities as territorial authority for certain offshore islands.

Statutory bodies and Crown entities

Local Government Commission

77. The Local Government Act 2002 sets out the role of the Local Government Commission and the statutory powers of the Minister of Local Government.

78. The Minister appoints the three members of the Commission, which is an independent statutory body. Its main tasks are to make decisions on the structure of local government and representation arrangements.

The Commission's functions are:

- to report on and make recommendations to the Minister of Local Government on matters relating to local government. This may be done on the Commission's own initiative or, if requested, by you

- to hear and determine appeals relating to decisions of "appointed local authorities" or "joint committees" on proposals for the alteration of boundaries of local authority districts or the transfer of functions between local authorities
- to consider proposals for the constitution or abolition of territorial districts or regions, and proposals for the establishment of unitary authorities
- to consider appeals and counter-objections relating to a local authority's proposals for ward or constituency boundaries, and the number of its members following a representation review
- to consider issues relating to the constitution of communities.

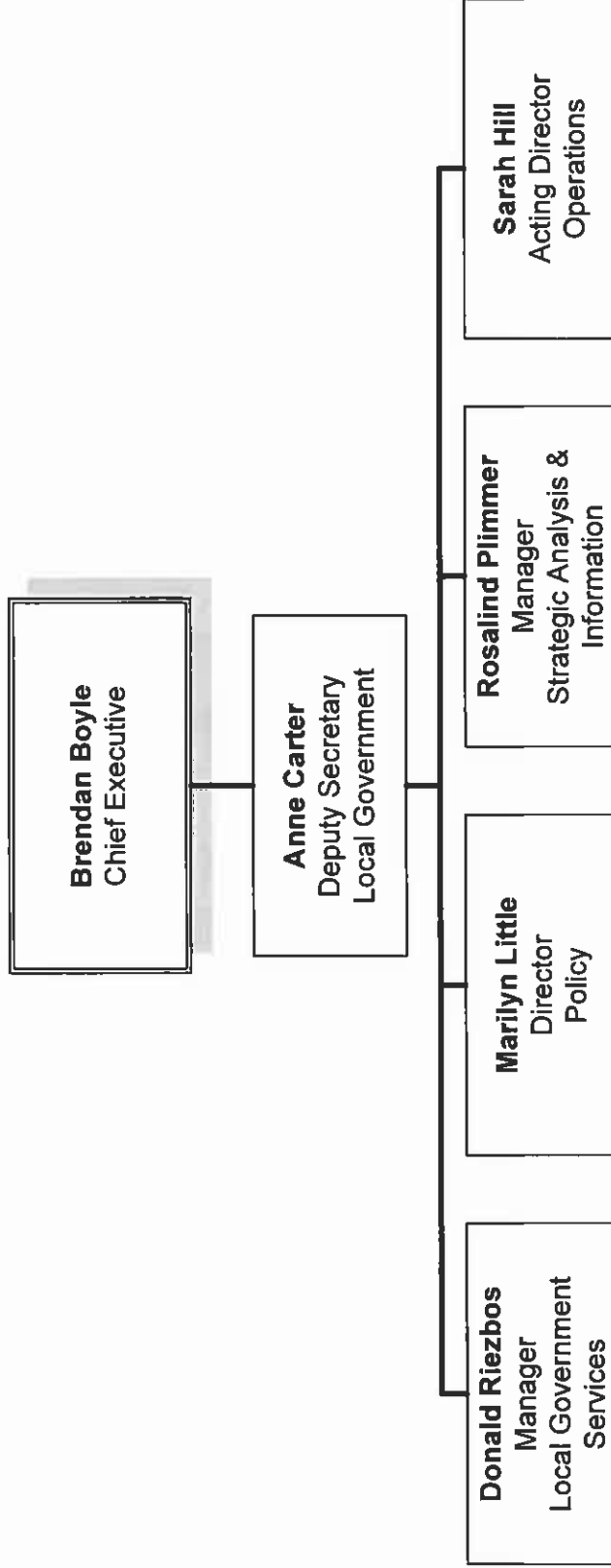
Membership of the Commission:

Name	City/Town	Date of appointment	Expiry of term
Wynne Raymond	Geraldine	9 December 2005	8 December 2008
Gwen Bull	Clevedon	1 June 2005	30 June 2011
Sue Piper (Chair)	Wellington	1 June 2005	30 June 2011

79. The Local Government Act provides for the vacation of office by Commissioners. At the end of their terms, Commissioners continue to hold office until reappointed, a successor is appointed, advised by the Minister that they are not to be reappointed, or they resign. Members may only be removed from office under particular circumstances such as inability to perform the functions of office, bankruptcy, neglect of duty, or proven misconduct.
80. Note: In 2007, Cabinet agreed that Mr Colin Dale could be appointed in a temporary capacity over the next three years for a specified term or terms as the need arises, subject to his availability. You may make such temporary appointments by notification in writing to Colin Dale, specifying the purpose, conditions and duration of each appointment.

APPENDIX I

Local Government



Appendix II

Key facts about local government

Local authorities have:

- 1025 elected members plus 721 community board members
- approximately 40,000 employees
- total assets of \$83.6 billion (as at 30 June 2007).

Provisional financial statistics¹³ show that at 30 June 2008, local authorities had:

- an annual operating income of \$6.2 billion
- a combined operating surplus of \$159 million
- a total rate take of \$3.5 billion
- an annual income from sales of goods and services of \$1.1 billion¹⁴
- an annual investment income of \$327 million.

Regional councils' activities include:

- managing the effects of using freshwater, land, air and coastal waters, by developing regional policy statements and issuing of consents
- managing rivers, mitigating soil erosion and flood control
- regional civil defence emergency management and preparedness
- regional land transport planning and contracting passenger services
- regional economic development and tourism
- harbour navigation and safety, oil spills and other marine pollution
- regional parks.

¹³ Statistics New Zealand. Local Authority Statistics: June 2008 quarter.

¹⁴ This figure also includes income not separately classified as rates, regulatory income and petrol tax, government grants and subsidies, or investment income.

Territorial authorities' (city and district councils) activities include:

- controlling the effects of land use (including hazardous substances, natural hazards and indigenous biodiversity), noise, and the effects of activities on the surface of lakes and rivers
- providing local infrastructure, including water supply, wastewater and sewerage, and roading network
- environmental safety and health, district civil defence emergency management and preparedness, building control, public health inspections, dog control, and other environmental health matters
- social and community development activities, including providing community centres, community grant funding, social housing and community safety initiatives
- recreation, leisure and culture services, including provision of recreation facilities and programmes, public libraries, parks and open space, and art and cultural programmes and facilities
- economic development and tourism promotion.

Community boards

There are 144 community boards. Their powers are either delegated by the relevant territorial authority or prescribed by the Order in Council constituting its community. Community boards are filled largely by election although territorial authorities have the right to appoint a minority of the members.

Appendix III

LOCAL GOVERNMENT-RELATED STATUTES ADMINISTERED BY THE DEPARTMENT

- Bylaws Act 1910
- Chatham Islands Council Act 1995
- Counties Insurance Empowering Act 1941
- Dog Control Act 1996
- Impounding Act 1955
- Land Drainage Act 1908
- Libraries and Mechanics' Institutes Act 1908
- Litter Act 1979
- Local Authorities (Members' Interests) Act 1968
- Local Authority Reorganisation (Property Transfers) Act 1990
- Local Electoral Act 2001
- Local Government Act 1974 (remnant provisions not replaced by Local Government Act 2002)
- Local Government Act 2002
- Local Government Official Information and Meetings Act 1987
- Local Government (Rating) Act 2002
- Local Legislation Acts 1926-1992
- Municipal Insurance Act 1960
- Public Authorities (Party Wall) Empowering Act 1919
- Public Bodies Contracts Act 1959
- Public Bodies Leases Act 1969
- Rates Rebate Act 1973
- River Boards Act 1908
- Waimakariri-Ashley Water Supply Act 1961

OTHER LOCAL GOVERNMENT-RELATED LEGISLATION

Significant local government-related legislation that is the responsibility of other Ministers, and administered by their ministries or departments, includes:

- Biosecurity Act 1993 (Ministry of Agriculture and Forestry)
- Building Act 2004 (Department of Building and Housing)
- Civil Defence Emergency Management Act 2002 (Department of Internal Affairs through Vote Emergency Management)
- Forest and Rural Fires Act 1977 (Department of Internal Affairs through Vote Internal Affairs)
- Hazardous Substances and New Organisms Act 1996 (Ministry for the Environment)
- Health Act 1956 (Ministry of Health)
- Land Transport Management Act 2003 (Ministry of Transport)
- Land Transport Act 1998 (Ministry of Transport)
- Public Works Act 1981 (Land Information New Zealand)
- Rating Valuations Act 1998 (Land Information New Zealand)
- Reserves Act 1977 (Department of Conservation)
- Resource Management Act 1991 (Ministry for the Environment)
- Soil Conservation and Rivers Control Act 1941 (Ministry for the Environment)
- Transit New Zealand Act 1989 (Ministry of Transport)
- Transport Act 1962 (Ministry of Transport).

Appendix IV

Information on the Government Urban and Economic Development Office (GUEDO)

Government agencies have increasingly recognised that joined up government and working in the city-region on a constant and consistent basis provides the best opportunity to understand the issues facing Auckland and stakeholders based in the city, engage with those stakeholders, and efficiently and effectively find and recommend solutions to cross-cutting and often complex issues.

The scale and pace of change in Auckland also provide opportunities to address national and regional issues by modelling new and innovative approaches to addressing systemic issues.

Additional briefing material is available on the most significant factors influencing Auckland's role in New Zealand, and some of the cross-cutting issues of national significance in the region. This material is available on request.

We are a member of the GUEDO network of agencies. The network incorporates the Ministry of Economic Development, Ministry for the Environment, Ministry of Transport, Department of Labour, Ministry of Agriculture and Forestry, Department of Internal Affairs and the central agencies - Treasury, Department of the Prime Minister and Cabinet and the State Services Commission.

GUEDO has been designed to improve the effectiveness of central government actions that affect Auckland and New Zealand. Its key functions include:

- providing an informed Auckland-specific perspective on the development of central government policy (within the context of the city-region's key role in New Zealand's economy and society)
- identifying and developing Auckland-specific policy initiatives that will make a significant impact on Auckland and national economic growth
- managing and working with a collaborative network of Auckland partners/stakeholders
- coordinating a collaborative approach for central government engagement in key regional development forums
- offering a source of intelligence/beachhead for government about Auckland stakeholders and issues.