



Local government regulation inquiry – July 2012

The Productivity Commission's inquiry into local government regulation is about three broad areas:

- How could the allocation of regulatory functions between central and local government be improved?
- How can central and local government improve regulatory performance in the local government sector?
- How can the regulatory performance of the local government sector be measured in order to make improvements in the future?

Common local body regulations include: liquor licensing, dog and noise control, planning, resource management, building consents, food safety, pokies, litter and freedom camping.

The Commission's approach

The challenge for both central and local government is to deliver regulation that helps achieve the economic, social and environmental outcomes that underpin community wellbeing, while minimising negative impacts on individuals, business and the wider economy.

In considering where regulatory functions should be located, and looking to opportunities to improve the regulatory performance of the local government sector, the Commission will aim to identify principles that assist in meeting that challenge.

Who should look after what?

The Commission has been asked to develop principles to guide judgements on which regulatory functions are best undertaken at either local or central government levels. For example, applications for liquor licenses and the monitoring of compliance is carried out locally. However, gambling licenses are issued by the Department of Internal Affairs (central government).

Deciding 'who should look after what' often involves a trade-off between the efficiencies and consistency which can come from operating at a larger national level, and the potential loss of flexibility and local 'customisation' and the intimacy and sense of ownership that can come with regulating locally.

Depending on what the regulatory issue is, these trade-offs are more or less important. The Commission would like to hear submitters' views on what considerations are most important when you think about whether a regulatory function should be done by central government or a local body.

Improving regulatory performance in the local government sector

Does variation matter?

The Commission has been asked to assess whether there is significant variation in the way local councils administer regulations. For example, a Wellington architect designing a house will face different planning rules in the Kapiti district compared to the Hutt City council area.

On one hand, variation can be expected due to the different characteristics of local communities around New Zealand. On the other hand, variation might create extra costs, especially for a business operating in different regions across the country. Do you have experience of how different councils administer and enforce regulations around New Zealand?

Quality of design and implementation

Regulation needs to be carefully designed if it is to be implemented successfully and achieve its desired outcome.

Concerns have been raised that in designing regulations central government does not adequately consider the impact on local government; including cost and capability constraints. The Commission is interested in how this process can be improved to take better account of the consequences for local government.

Local governments' administration, monitoring and enforcement of regulation is important because poorly run regulation can lead to poor outcomes and higher costs.

Unnecessary and excessive compliance costs can have very real impacts on productivity and wellbeing. For example, a restaurant owner may face extra cost and time in opening a new outlet due to the need to get their resource, building, health and liquor consents approved (in the right order).

Have you experienced streamlined customer-friendly processes when dealing with a council's regulatory processes? Or have you had the opposite experience? The Commission would like to hear from you about your experience, what your costs were, and how you and your business were affected.

Measuring performance

The Commission has been asked to recommend options for assessing local authorities' regulatory performance. These include whether or not improvements in the current performance monitoring system are required and, if so, the areas where improvements would benefit local authorities, central government agencies, businesses and the community.

This is a complex area and the Commission will be working through a considered process, including: identifying the systems and processes currently used to assess the regulatory performance of local governments; assessing the effectiveness, cost and adequacy of these systems; identifying options or models that could improve the efficiency and effectiveness of assessments; and reviewing the options identified against qualitative criteria in order to identify preferred models or approaches.

To see the full version of the issues paper – including information on how to make a submission – please visit our website www.productivity.govt.nz or call us on 04 903 5150.

The full terms of reference for this inquiry are available at <http://www.productivity.govt.nz/inquiry-content/1510>

The New Zealand Productivity Commission

The Commission – an independent Crown Entity – completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.