

Table 2:

Recommendation/Finding from the Productivity Commission	Manawatū District Council (MDC) support?	Overall Comments from MDC	LGNZ's Comments	Does MDC support LGNZ's comment?
Chapter 3 – Trends in local government, expenditure, prices and debt	Support findings F3.1 to F3.4	<p>As per our response to Q9 to the inquiry report “A <i>significant proportion of cost pressure for goods and services purchased by local government is due to the high proportion of infrastructure spending, where capacity constraints are pushing up costs faster than for household consumption.</i>”</p> <p>F3.2 recognises the specialised inputs councils use to construct and operate infrastructure.</p>		
Chapter 4 – Pressures on funding and financing	Support findings F4.1 to F4.14	Consistent with the concerns raised in our original submission about increasing regulation and additional responsibilities imposed on local government without additional resourcing to meet additional costs.		
Chapter 5 – Improving decision making	Support in part	Partially support finding F5.9 – while we agree that the audit process is beneficial to the Long Term Plan, we also agree with the comments made in the draft SOLGM submission that		

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		<p>the scope of the audit should be narrowed to exclude matters around design and engagement.</p> <p>Disagree with finding F5.12. There are lots of checks in place to ensure that Councils are accountable and make good decisions on behalf of communities.</p>		
<p>R5.1 The Department of Internal Affairs, Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers should work together to improve basic governance, including financial governance, skills and knowledge across elected members. In undertaking this work, they should consider:</p>	<p>Yes</p>	<p>Additional training and tools could be of benefit to elected members. However, the SOLGM submission identifies some of the limitations to the uptake of this training (including spending on travel etc). The LGNZ submission notes a lack of demand for professional development – related to affordability and belief held by some elected members that attendance at training courses reflects a lack of competence.</p>	<p>DIA, LGNZ and SOLGM meet every six weeks to discuss the most pertinent and current issues facing local councils. LGNZ and SOLGM have regular dialogue on cross-reference work to ensure alignment of educational messages and regular, if not pertinent, updates on necessary education and resources for skills and knowledge to ensure successful governance.</p> <p>For its part, LGNZ, through its business development arm EquiP, provides a broad range of training and professional development options for elected members, and</p>	<p>Support and note limitations identified by LGNZ.</p>

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<ul style="list-style-type: none"> • a range of mechanisms, such as formal training; peer support, mentoring (e.g. via "sister council" links), and networking; and sharing of resources and best practice; and • a variety of delivery platforms, including online media and collaboration tools. <p>LGNZ should ensure that resources and initiatives are well evaluated.</p>			<p>is committed to extending the range of available training options. LGNZ also publishes the Elected Member Handbook which provides information and guidance on all aspects of an elected members' role.</p> <p>Our experience so far, however, highlights a lack of demand for trading and professional development. This is influenced by pressure on resources and a belief held by some elected members that attendance at training courses implies a lack of competence.</p> <p>Equip also executes the Local Government Excellence Programme (CouncilMARK), evaluating the performance of councils that voluntarily participate in assessments. Approximately 30 councils are currently participating.</p>	

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<p>R5.2</p> <p>Local Government New Zealand should work to achieve greater participation in ongoing professional development by elected members, including new and existing members, to ensure skills and knowledge are built and periodically refreshed.</p>	<p>Yes</p>	<p>As per R5.1 comments above</p>	<p>LGNZ agrees with this recommendation. Equip is committed to developing innovative platforms to deliver its training products to reduce cost and enable more participation.</p> <p>It should be noted, however, that education also occurs indirectly or less formally than found in a classroom setting through its sector and zone meetings, national conference, and advisory groups.</p>	<p>Yes</p>
<p>R5.3</p> <p>The Local Government Act 2002 should be amended to require all local authorities to have an Audit and Risk Committee (or equivalent assurance committee).</p> <ul style="list-style-type: none"> • Audit and Risk Committees 	<p>Support in part – refer to SOLGM submissions 28 to 30</p>	<p>Our Council already has an Audit and Risk Committee. While best practice is an independent Chair, our Committee has an independent member.</p> <p>SOLGM supported this in principle except that the legislation should not specify the elements of council committee structures and who can</p>	<p>We agree with the sentiment of this recommendation, however It is difficult to prescribe high levels of detail in legislation. Given that the scale of local government extends from the Chathams to Auckland, the legislation should be flexible enough to accommodate the diversity across</p>	<p>Yes, in part.</p>

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<p>should have an independent Chair, and ideally include at least one other external expert, to ensure they span the full range of necessary skills and experience.</p> <ul style="list-style-type: none"> • Independent members should be appropriately skilled and qualified. • Councils should draw on the good practice guidance and resources that are available to develop and run their committees. 		<p>and cannot be a member of such a committee.</p> <p>LGNZ have suggested a reference to the importance of audit and risk in the principles of s14, prescribe audit and risk committees in Schedule 7 or in a specific note in Part 4 of the LGA 2002.</p>	<p>councils and to not impose a one-size-fits all model.</p> <p>One approach is to make reference to the importance of audit and risk in the principles of s.14 LGA 2002, prescribe the audit and risk committees in Schedule 7, LGA 2002, or make reference in a specific note in Part 4 of the LGA 2002.</p>	
<p>R5.4 The local government reporting framework</p>	<p>Support in part – refer to SOLGM</p>	<p>Support simplification of the required financial and non-financial disclosures to improve their overall coherence and fitness for purpose.</p>	<p>LGNZ fully agrees with this recommendation. The reporting framework has grown haphazardly since 1989 to the point where, in our view, the costs</p>	<p>Support LGNZ's agreement that the reporting</p>

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<p>(including the financial disclosures, Funding Impact Statement and performance measures for service delivery) should be subject to a fundamental, first principles review. This review would:</p> <ul style="list-style-type: none"> • identify financial disclosures of low value to users of financial statements; • examine the mix of financial and non-financial disclosures, and recommend a revised framework that provides the most efficient, coherent and accessible way of reporting the range of 	<p>recommendations 23 to 25.</p>	<p>Any additional reporting requirements should not duplicate existing reporting and should be supported by additional resource.</p>	<p>of implementing the framework well exceed the benefits. Complexity is also an issue.</p> <p>We note, however, that the framework as it has developed is the responsibility of the Department of Internal Affairs, consequently it may not be appropriate for the Department to lead this review. We suggest that Treasury or the State Services Commission lead any such review to ensure consistency with other frameworks.</p>	<p>framework be reviewed.</p> <p>However, MDC is of the opinion that DIA could lead this review.</p>

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<p>information sought by both types of users;</p> <ul style="list-style-type: none"> consider the potential for new forms of external reporting, including integrated reporting, to shape changes in the reporting framework; and be undertaken by a working group comprising the Department of Internal Affairs, the External Reporting Board and representatives of the local government sector and information users. The Office of the Auditor- 				

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General would be consulted.				
<p>R5.5</p> <p>The Department of Internal Affairs, Local Government New Zealand and the New Zealand Society of Local Government Managers should continue to work together to promote and encourage councils' participation in existing performance review and improvement initiatives, such as CouncilMARK™ and the Australasian Local Government Performance Excellence Program. The emphasis should be on learning for continuous improvement, rather than a one-off exercise. This</p>	Yes	<p>Our Council sees the value in such performance review and improvement initiatives and has recently taken part in a CouncilMARK review. The intention is for this to be repeated on an ongoing basis.</p>	<p>On behalf of its board, LGNZ is committed to promoting CouncilMark and we are pleased that the number of councils participating continues to grow. CouncilMark provides a means by which councils can assess their performance over time and address areas where potential improvements have been recommended.</p> <p>LGNZ has evaluated the Australian Performance Excellence Programme and, based on comparative evaluation, CouncilMARK provides a very different form of performance assessment.</p>	Yes – MDC sees the value in CouncilMARK.

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work should include efforts to boost public awareness of initiatives such as CouncilMARK™ to increase demand for their use.				
<p>R5.6</p> <p>The legislated information requirements for the consultation processes of local authorities should be amended to:</p> <ul style="list-style-type: none"> • make the terminology around the required analysis of alternative options consistent across relevant sections of the Local Government Act 2002; • clarify that Long-Term Plan (LTP) 	Yes	This is similar to SOLGM recommendation 27 – that the requirement for consultation documents be amended to require local authority's presentation of major matters to disclose only the reasonable practicable principal options as determined by the local authority on reasonable grounds.	<p>LGNZ agrees with the intent of this recommendation but it is simplistic. The LGA 2002 already requires councils to identify practicable options (Part 6 Section 77). Consulting on options, including costings, is good practice in many circumstances, however there are circumstances where it can be impracticable, for example:</p> <ul style="list-style-type: none"> • Some consultations involve binary choices, such as whether to adopt an annual plan or not, or buy a specific policy or not; • Some consultations are designed to seek a community's views on the range of options that the 	Yes, MDC agrees that the current framework for consulting on options is fit for purpose.

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<p>consultation documents must describe the reasonably practicable alternative options for addressing each identified issue; and</p> <ul style="list-style-type: none"> explicitly require that LTP consultation documents include high-level information on the implications for rates and future service levels associated with each of the identified options. 			<p>council should consider without looking at any option in detail – which might be the subject of a formal consultation exercise;</p> <p>Policy options analysis usually involves the selection of options, the identification of criteria which will support one option over the other and underpin recommendations given to decision-makers In our view the current provisions in the LGA 2002 are probably about right.</p>	
<p>R5.7 The Local Government Act 2002 should be revised to</p>	<p>Yes</p>	<p>Agree with this recommendation and finding F5.8 that LTPs are long, complex and contain duplication.</p>	<p>Agree. The size and complexity of the LTP is a problem that should be addressed. Councils should decide what issues are pertinent to their communities. Specific</p>	<p>Yes</p>

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<p>clarify and streamline the required content of Long-Term Plans so as to reduce duplication, ease the compliance costs on councils, and help make them more accessible documents.</p>		<p>Changes to the LGA to address these issues are supported.</p>	<p>issues that LGNZ has identified include:</p> <ul style="list-style-type: none"> • The difficulty of holding strategic conversations with communities • The complexity of the LTP given the diversity of councils and the size and scope of its activities; A list of minimum requirements could be provided by the local useful guidance; however, councils (and not central government) will determine the issues which are relevant to their community; • The statutory prescription against publishing the full LTP which can result in locally significant issues not being well understood by communities. 	

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			<ul style="list-style-type: none"> The need for a summary template that communicates a clear "vision" for what the community intends to achieve. 	
<p>R5.8</p> <p>The scrutiny on long-term planning provided by the audit requirements should not be considered a substitute for internal quality assurance processes. Councils should have robust quality assurance procedures across their Long-Term Plan process, including the use of expert review where appropriate (such as for significant decisions).</p>	Yes	<p>Also support SOLGM recommendation 26 that the audit mandate for consultation documents and long-term plans be simplified by removing the requirement for the auditor to attest to the documents 'fitness for purpose.'</p>	<p>Agree in principle but the recommendation regarding expert review is unrealistic. We are not sure what being an "expert" means in this context. After all, it is important that a council takes ownership of its LTP – already auditors seem to have too much influence on the presentation of the final product for consultation. We are somewhat sceptical as central government does not have experience in producing long term plans which include consultation. Expertise should be found by individuals who work with the sector.</p>	Yes.

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			Quality assurance and peer review represent good practice, however it is up to councils to determine when and how both are applied. LGNZ supports principles that underpin some measure of consistency across councils, but mandatory requirements toward quality should not be mandated and applied across 78 different councils.	
Chapter 6 – Future funding and financing arrangements	Support in part. Do not support F6.2 with respect to the efficiency of rates based on capital value. MDC also disagrees with the finding F6.10 that shifting a portion of	As outlined in MDC's submission on the inquiry report, there are significant costs in shifting to a land value system and no benefits as the change does not generate any additional revenue. The shift from a capital value system to a land value system is just a redistribution of costs and could result in shifting rating from urban to rural. This cost shift would need to be re-balanced through changes to rating differentials.		

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	national GST to local government would undermine local autonomy and accountability.	<p>MDC supports F6.3 in relation to pressures relating to climate change, growth infrastructure and unfunded mandates from central government.</p> <p>MDC supports the retention of rates over property taxes as per F6.9.</p> <p>MDC questions finding F6.12 that most councils have adequate capacity on their balance sheets to finance their infrastructure development. In MDC's experience, debt limits mean that hard decisions need to be made in relation to new infrastructural spending, which can be a barrier to growth.</p> <p>While MDC is not opposed to greater use of Special Purpose Vehicles, they are not really an option for us (F6.13 and F6.14).</p>		
R6.1 The Government, Local Government New Zealand	No	Refer to SOLGM recommendations 9 to 11.	Not supported. Given the large number of councils that have development contribution policies	Yes

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<p>and the New Zealand Society of Local Government Managers should work together to develop standardised templates both for the development contribution (DC) policies of councils and council assessments of DC charges for individual property developments. Councils should be required to use the standardised templates.</p>		<p>MDC supports the development of guidance on the setting of development contributions, but not the development of templates that Councils are required to use.</p>	<p>that make a zero charge, it is unclear how a standard template would work. Three other factors also work against the value of a standard approach:</p> <ul style="list-style-type: none"> • policies vary, depending on context and values, including whether development are green field or brown field or whether some types of development are prioritised over others; • Development contributions comprise a very small proportion of income to cover costs for councils; on average 2 per cent of a councils revenue; • increasingly, councils and developers are using agreements which are largely bespoke and based on the nature of intended developments, local 	

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			<p>circumstances and council policy.</p> <p>Rather than standardised policies better guidance is required.</p> <p>The ongoing issue for councils is the Crown's exemption from paying development contributions and rates; an exemption that is likely to become more problematic should the Kāinga Ora – homes and community bill become law.</p>	
<p>R6.2</p> <p>While local authorities' general approach to depreciating their infrastructure assets is satisfactory, three issues are of concern and may require action:</p> <ul style="list-style-type: none"> councils' decisions about the best use of the large 	<p>Yes, except MDC considers that bullet point 2 is the wrong way around. Council's generally over estimate asset lives and underestimate</p>	<p>This aligns with our Council's current priorities and asset management practices.</p>	<p>In relation to bullet point 1: Agree. However, this recommendation highlights questions about the nature of the depreciation regime, and prompts the recommendation that research should be completed as to whether or not it is fit for purpose.</p> <p>In relation to bullet point 2:</p>	<p>Yes, in part. Refer to MDC comments on R6.2.</p>

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<p>amounts of cash that depreciation funding can give rise to should be part of formulating their wider financial and infrastructure strategies;</p> <ul style="list-style-type: none"> • councils should prioritise improving their knowledge of the condition and performance of their assets to, among other benefits, avoid the risk of underestimating asset lives and overestimating depreciation expense; and • the Essential Services 	<p>depreciation expense.</p>		<p>This is agreed and greater emphasis is required. Please note, as CouncilMark assessments show, it is already a priority for councils. Further, recommendations should not be mandated for all councils as each will need to set priorities and learn from other councils.</p> <p>In relation to bullet point 3:</p> <p>LGNZ agrees. The financial prudence benchmarks are not capturing the financial information councils and communities need. In addition, the non-financial benchmarks also appear to have added little value, and are costly to councils to monitor and report.</p>	

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<p>Benchmark should be reviewed as part of the wider review of the local-government performance reporting framework referred to in Recommendation 5.4. Any reframing should avoid the implication that individual councils must invest in as much asset renewal each year as their depreciation expense.</p>				
<p>R6.3 In choosing among funding tools, rating bases and whether to charge rates as a percentage of property values or as</p>	<p>Yes, in principle.</p>	<p>The Manawatū District Council currently uses the benefit principle where possible. However, politically our Council cannot apply it as much as we'd like.</p>	<p>The Financial Management requirements (s.101(3)) set out the criteria to be taken into account in relation to how each activity should be funded. The Draft Report recommends that</p>	<p>Yes</p>

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<p>uniform charges or some other targeted feature, councils should emphasise the benefit principle and efficiency in the first instance. They should also balance greater economic efficiency against lower compliance and administration costs.</p> <p>Councils should factor in any significant concerns about ability to pay at a second stage in their decision making.</p>			<p>consideration of ability to pay, or affordability, should not take place until other factors including benefit are taken into account.</p> <p>This approach was first set in legislation in 1996, with amendments in 2002 and 2012. It is time for a serious review as it is not clear whether the administrative cost of complying is actually worth it. For example:</p> <ol style="list-style-type: none"> 1. Councils lack the necessary range of funding tools to properly give effect to the results of their analysis; 2. Where benefits clearly lie with the nation as a whole central government is not prepared to contribute; 3. Central government, which forces this process on councils, does not subject itself to anything 	

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			<p>similar.</p> <p>However, in relation to the existing requirement, LGNZ agrees that the benefit principle is an important principle that needs to be taken into account when elected members are making decisions about how services should be funded and financed, along with other principles.</p> <p>Some key criteria for assessing the burden of rates and other funding tools: prominent criteria include: economic efficiency, administrative efficiency (sometimes called administrative simplicity); another criteria is equity.</p> <p>We are not sure why the benefit principle should come first and the ability to pay is a second stage. Benefits from services may be private to an individual(s) and also confer public benefits (some</p>	

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			<p>of which may provide access to all individuals in the community whereas some services are provided to visitors and non-residents. Sometimes councils fund community services which are supported because they confer public benefits to the entire community</p> <p>Most services have both a private and also some public benefits. If there are only individual private benefits from council services, then service should be purchased by individuals. The council may finance some services which are open to the public as well as services which may be subsidised to provide access to services which otherwise may not be affordable.</p> <p>We discuss this in more depth in our reply to Q. 7.2.</p>	

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<p>R6.4</p> <p>The Government should consider implementing a system of payments to territorial authorities, based on new building work put in place in each territorial local authority, to incentivise councils to increase the supply of infrastructure-serviced land to match growth in demand.</p>	<p>Support in part. The Manawatū District Council's preference would be that funding was paid directly to territorial authorities rather than as part of another application process.</p>	<p>Refer to SOLGM recommendations 3 to 5. Further clarification is needed around where funding would come from and how the funding would be allocated to understand if this would benefit our district.</p>	<p>LGNZ supports this recommendation in principle and supports the concept of a piloted and evaluated model before wider application since councils themselves have a limited impact on demand for infrastructure serviced land.</p> <p>Such an approach would go some way to assisting councils address the short term costs associated with growth. We do not see this approach as a sustainable solution to local government's funding pressures as providing resources to local government will be contingent on the support of the Government of the day and subject to budgetary competition from other departments.</p>	<p>Yes</p>
<p>R6.5</p> <p>The Government should direct officials to continue work on how to expand the use of Special Purpose</p>	<p>N/A</p>	<p>Unlikely to be of benefit to us as we are not a high growth council.</p>	<p>Agreed – this work is already happening as part of the Infrastructure Funding and Financing review. However, LGNZ and SOLGM should be included in</p>	<p>Yes in part – as noted, such tools will not benefit MDC.</p>

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<p>Vehicles to finance investment in growth infrastructure in fast-growth local authorities that face debt limits. If needed, the Government should promote legislation in Parliament to enable the placement of debt-servicing obligations on existing residents who will benefit from the infrastructure.</p>			<p>working groups and dialogue where appropriate to best inform/advise local government generally. We are not convinced that new legislation is required to “enable placement of debt servicing obligations on existing residents who may benefit from new development” as the current law enables this. One method would be through a targeted rate designed to meet the proportion of debt servicing appropriate to those existing residents.</p>	
<p>R6.6 In its review to improve the service delivery of the three waters, the Government should favour models capable of applying efficient scale and specialisation to help small communities meet the challenges of maintaining and</p>	<p>Yes in part, noting the complexities outlined in the LGNZ submission.</p>	<p>Our small communities face such challenges.</p>	<p>The discussion on which this recommendation is based fails to fully consider some of the complexities in the issue, for example:</p> <ul style="list-style-type: none"> • The evidence of further economies of scale in the water sector is not great. This is a sector characterised by an extremely large number of 	<p>Yes, MDC agrees with all three bullet points in the LGNZ submission in relation to this recommendation.</p>

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<p>upgrading their water, wastewater and stormwater infrastructures.</p>			<p>small networks. To the degree that economies of scale exist, it is likely that most were achieved in the reforms of 1989.</p> <ul style="list-style-type: none"> • Funding – aggregation does not by itself address the funding issue, especially if a “benefit” approach is taken. (Councils tend to see the benefits of water and waste water schemes accruing to the direct users – often leading to significant affordability issues for small communities.) We agree with finding 9.5 that government assistance will be required by some communities. • Direct users may also include visitors and tourists who do not pay for 	

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			<p>these services, which are a national benefit, and may therefore require some subsidy to help small communities fund and upgrade three waters infrastructure.</p> <ul style="list-style-type: none"> • Currently most councils appear to apply the benefit principle when considering the financing and funding of water and waste water schemes. The cost of meeting enhanced standards, as well as ongoing maintenance and renewal will not necessarily change under a different institutional arrangement. 	
<p>R6.7 The Government should legislate to enable councils in tourist centres to choose to implement</p>	<p>N/A</p>	<p>The Manawatū District Council is not a tourist centre.</p>	<p>LGNZ supports this recommendation. Around the world it is common for councils to apply accommodation levies. The</p>	<p>Yes – particularly the alternative that Councils each receive a share of general taxation.</p>

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<p>accommodation levies to recover the tourism-induced costs of providing local mixed-use facilities not otherwise charged for.</p> <p>Councils in tourist centres should make greater use where possible of user pays for mixed-use facilities.</p>			<p>Stevens report¹ confirms that the use of hypothecated funds from levies and taxes on the tourist industry is international best practice for sustainable tourism management. The report affirms that many destinations have some type of tourism-related tax (bedroom, restaurant, and parking) which collects revenue from the consumer. These collection mechanisms are embodied in national, regional or local laws which often allow the hypothecated funds to be spent on developments within the local destination where tax is collected.</p> <p>Agree in principle but defining a “tourist centre” for the purpose of drafting legislation will not be simple and there will always be issues around the margin. We recommend that such a tax should</p>	<p>However, this should not be limited to considering tourist numbers (refer to recommendation in MDC's submission on the inquiry report).</p>

¹ Stevens and associates, Learning from International examples of Regional Tourism development, Final report for MBIE 31 March 2018, p.g180

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			be a discretionary power that councils can employ only if certain preconditions are met, such as the support of a majority of residents and businesses through a referenda.	
<p>R6.8</p> <p>The Government should provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.</p>	N/A	We are not a tourist hotspot.	<p>Agreed in principle, but work will be required to define “small” and “hotspots”. Further, small councils don’t currently have the ability to levy a bed tax, which should be allowed.</p> <p>Since the government is not sharing a part of GST or national taxes there could be a case for sharing revenue with councils, especially because government property is not taxed and there is not any compensation made through grants in lieu of rates which are paid by governments.</p>	Yes
<p>R6.9</p> <p>The benefit principle and maintaining the integrity</p>	Support in principle, noting the comments in	Support a regulatory partnership in principal but there needs to be recognition that funding from central government should be provided to	LGNZ agrees that the benefit principle should continue to be a factor in considerations about how the costs of providing local	Yes – however, revenue sharing approaches should include all Councils

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<p>of local government autonomy, responsibility and accountability should guide central government funding of local government activities. This implies that central government should generally limit its funding to where there are national benefits. Central government should not expect local government to act simply as its regulatory agent. Rather, the two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.</p>	<p>the SOLGM submission regarding the assessment of benefits being complex and subjective and a matter for policy judgement.</p>	<p>local government where responsibilities for implementation of national policy is transferred.</p>	<p>government services will be allocated.</p> <p>We agree that any funding sources must protect the autonomy of local government, however it is quite possible to design revenue sharing models that redistribute tax revenue to local governments based on formulas that do not impinge on autonomy. Such revenue sharing approaches could:</p> <ul style="list-style-type: none"> • Address the need for “equalisation funding” for councils that represent low socio economic communities • Compensate councils that are unable to rate large areas of their districts because land is non-rateable, such as where the land is a national park 	<p>as we are all responsible for implementation of national policy.</p>

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			<ul style="list-style-type: none"> • Reflect additional financial pressure facing some districts due to pressure from visitors. <p>LGNZ agrees strongly with the Commission's recommendation that a regulatory partnership is established with agreed protocols. In relation to the comment that central government should not expect councils to be "regulatory agents", there may be cases where, for efficiency and effectiveness reasons, it make sense that local government takes on the role of regulator on behalf of the centre.</p> <p>Where this is the case central government's expectations should be set out in an agreed contract/protocol and resources transferred to local governments for implementing central government regulation. In cases where regulatory responsibilities</p>	

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			are imposed on councils the costs of carrying out those responsibilities should be met by central government.	
<p>R6.10</p> <p>Central and local government should strive to achieve a more constructive relationship and effective interface through:</p> <ul style="list-style-type: none"> • central and local government providing input (formally or informally) into each other's relevant policymaking processes, under an agreed set of principles or a protocol; • central government 	Yes	Support more effective and constructive communication between local and central government, particularly in relation to new legislation or regulations that impose responsibilities and/or costs on local government. However, there could be capacity/resourcing issues, particularly in smaller councils, which impact on relationship building and participation.	<p>LGNZ fully supports this recommendation and is pleased to note that important progress has recently been made with the publication of the <i>“Guide for central government engagement with local government”</i> see https://dpmc.govt.nz/publication/s/guidance-central-government-engagement-local-government.</p> <p>Local governments support the requirement on central government to estimate and publishes the costs to local government of new legislation or regulations under consideration.</p>	Yes – particularly the requirement that central government estimate and publish costs to local government of new legislation or regulations under consideration.

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<p>engaging in a meaningful dialogue with local government early in the process of developing relevant new regulations;</p> <ul style="list-style-type: none"> • cooperative approaches to tackling problems with implementing relevant new legislation, regulations or environmental standards; • the creation of formal and informal feedback loops to identify problems with delegated regulations when they first appear; and 				

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<ul style="list-style-type: none"> the spread of information through the system and the sharing of expertise and knowledge. 				
Chapter 7 – Equity and affordability	Support in part	<p>Processes are followed which ensure that considerations around benefits and affordability are considered when allocating rates, however, we recognise that politics can influence the final outcome.</p> <p>MDC disagrees with F7.3 – differentials are a useful tool for more fairly distributing the burden of costs with who benefits most. Targeted rates are used wherever possible (and reasonable).</p> <p>MDC agrees with F7.4, that the statutory 30% cap on uniform charges has no clear rationale and unnecessary restricts the discretion of councils to use rates to reflect the benefit of services and amenities.</p>		

Recommendation/Finding from the Productivity Commission	Manawatū District Council (MDC) support?	Overall Comments from MDC	LGNZ's Comments	Does MDC support LGNZ's comment?
		<p>F7.5 implies that rates should become more affordable over time. This is not possible given the increasing responsibilities placed on local government over time. Councils are also unable to consider affordability in any measurable sense as we do not have access to income data for our ratepayers.</p> <p>MDC agrees with F7.8 in that the Accommodation Supplement is more administratively efficient than the current Rates Rebate Scheme.</p>		
<p>R7.1 The Local Government (Rating) Act 2002 should be amended to remove rates differentials and uniform annual general charges (UAGCs). Councils should have five years to implement their removal.</p>	<p>No</p>	<p>Differentials are a useful tool to rebalance rates to reflect local and political preferences.</p>	<p>The removal of differential and UAGCs must be considered in relation to the tools available to councils to match the level of rates that sectors pay with the benefits received from local services. It is not yet clear whether targeted rates can fully compensate for the loss of the power to set differential rates. In LGNZ's view councils would need access to a</p>	<p>Yes</p>

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			<p>broader range of funding options before any move to abolish differentials should be considered. One such possibility would be some compensation from central government which, at present, has its property not rated. We note the view, also promoted by the Shand Inquiry that targeted rates are a more accurate way of rating groups of properties to reflect the benefits received from council services, however feedback from members expressed concern at the transactions involved and the overall complexity of systems that use multiple targeted rates.</p> <p>As mentioned in our comments on the Issues paper, differential rates are a "blunt instrument" and a case can be made for the development of stronger guidance on how differential rating can be used to better reflect the benefits particular</p>	

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			<p>sectors receive from council services. The principle of economic efficiency suggests that property tax should be levied at a common level based on valuation of the land and capital value provides the best base. Where councils choose to apply a differential tax the reasons why should be made clear and reviewed regularly.</p> <p>Uniform Annual General Charges, while a regressive tax, are one of the few "tools" councils can use to partly ameliorate large changes in property values. As above, we do not support the removal of the power to levy a UAGC unless a broader range of funding sources are available to councils which reduce reliance on rates.</p>	
R7.2 Local government legislation should be	Yes	MDC supports the recommendation that Councils continue to have the power to determine, on reasonable	LGNZ agrees that it is timely to review the decision making process associated with s. 101	Yes

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<p>amended to require councils to:</p> <ul style="list-style-type: none"> • match the burden of rates to the benefits of council services, as a first step in setting rates; • consider ability to pay as a second step; • set out the reasons for their rating decisions in each step in a clear and transparent manner; and • (in applying the ability-to-pay principle) consider coherence and consistency with the income-redistribution policies of central government. 		<p>grounds, the appropriate allocation of rates within their district or region.</p>	<p>(LGA 2002) that requires a local authority to consider in relation to each activity (there are issues of definition here) to consider the following:</p> <ul style="list-style-type: none"> • <i>the community outcomes to which the activity primarily contributes;</i> • <i>the distribution of benefits between the community as a whole, and any identifiable part of the community, and individuals;</i> • <i>the period in or over which those benefits are expected to occur;</i> • <i>the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity;</i> 	

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<p>Councils should continue to have the power to determine, on reasonable grounds, the appropriate allocation of rates within their district or region</p>			<ul style="list-style-type: none"> <i>the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities;</i> <p><i>And at an overall level consider impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.</i></p> <p>S101 involves a distinction, not well stated, between the advice officials provide to elected members about the “technical characteristics” of council activities (disaggregated to some level) and the political judgements that local politicians are expected to make about the mix of taxes appropriate to any particular district and the incidence of those taxes.</p> <p>It is not clear to us that increasing</p>	

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			<p>the weight given to benefits in s.101 is, by itself, particularly helpful. More useful would be subjecting s.101 to a full review that looks at whether or not it has helped councils make wise decisions about how local public goods should be paid for. Local government has a more regressive approach to funding than central government; local government is taking the value of property and not the income of people. For example, the ratio of rates to income is often much lower for particular sectors (e.g., farming)</p> <p>A specific problem with the benefit principle is that when identifying beneficiaries of functions councils are unable to invoice central government for the national benefits of its activities.</p>	

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			<p>S.101 is part of a complex accountability framework that is both costly and poorly aligned. A full review is required and we are pleased to see that the Department of Internal Affairs has commissioned advice on this issue, however a more formal review is ultimately required.</p> <p>It is important to note that local government is not simply a service provider – it is a sphere of government in its own right and local politicians are expected to give effect to the policies and platforms that they stand on.</p>	
<p>R7.3 Local Government New Zealand and the New Zealand Society of Local Government Managers should develop advice for councils on how to apply the benefit principle (the burden of rates should</p>	<p>Yes</p>	<p>Support the development of guidance, however, our processes are already adequate to ensure that the burden of rates reflects the benefits received.</p>	<p>LGNZ agrees that it is important to assist elected members through the process of balancing the criteria required to make sound decisions about how services will be funded and financed. Both LGNZ, to elected members through the Elected member Handbook and webinars provided</p>	<p>Yes</p>

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<p>reflect the benefits received) in their rating decisions.</p>			<p>by Equip, and SOLGM, through its Business School and good practice guides, cover the benefit principle as part of more general guidance. We note that guidance on the “ability to pay” principle is equally needed.</p> <p>Both organisations have the networks to rollout more detailed guidance however, should the Government should agree with the Productivity Commission’s recommendations about the primacy of the benefit principle, then the Government should contribute to the cost of developing that guidance.</p> <p>Understanding amongst elected members about the benefit principle varies. A particular service may be used by a specific individual(s); however, the benefits from public services arise because there are public benefits as well as private</p>	

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			benefits. Many individuals are confused between what is a private good and a public good (non-rival and non-excludable. If there are no public benefits from services then there is not a strong case for providing a service and a council could then regulate a minimum level of service and leave individuals to purchase higher level of services.	
R7.4 The Local Government (Rating) Act 2002 should be amended to remove the statutory cap on uniform charges.	Yes		It has been LGNZ policy for some time that the 30 per cent cap should be increase as many councils are able to exceed it legally. However, if the cap was to be fully removed there would be a risk that rates would lose their relation to property value and this cease being a tax. A range of negative connotations could occur if rates ceased to have tax-like features.	Yes

Recommendation/Finding from the Productivity Commission	Manawatū District Council (MDC) support?	Overall Comments from MDC	LGNZ's Comments	Does MDC support LGNZ's comment?
<p>R7.5</p> <p>The Government should work with local government and suitable financial providers to develop and implement a national rates postponement scheme. The scheme should:</p> <ul style="list-style-type: none"> • have a single set of clear and generous eligibility rules; • be accessible and have provisions that are easy to understand and work with; • have moderate and transparent fees; and • be nationally promoted. 	<p>Yes, although MDC agrees with the retention of the Rates Rebate Scheme, subject to a first principles review as per the recommendations of SOLGM and LGNZ.</p>	<p>Refer to SOLGM recommendation 31.</p> <p>SOLGM supports a common policy approach across Councils but also supports retention of the Rates Rebate Scheme (subject to a first principles review).</p>	<p>LGNZ agrees with the Commission's recommendations that the best option is for a national rates postponement scheme developed collaboratively by local government, central government and a preferred provider of finance. Based on experience of the last two decades a level of public involvement is likely to be essential to achieve the necessary uptake.</p>	<p>Yes</p>
<p>R7.6</p> <p>The Government should phase out the Rates</p>	<p>No</p>	<p>As per SOLGM recommendation, the Rates Rebate Scheme should be</p>	<p>LGNZ accepts that the Rates Rebate Scheme is uneven and inequitable in its application as it</p>	<p>Yes – support review of the Rates Rebate Scheme and</p>

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<p>Rebate Scheme (RRS) over a defined period, such as five years, from when an effective national Rates Postponement Scheme is in place. In the meantime, the current income abatement thresholds and maximum payments should be maintained.</p>		<p>retained, subject to a first principles review.</p>	<p>treats low income home owners differently according to age and further discriminates between owners and renters.</p> <p>We are not convinced that the Accommodation Supplement (AS) is the right solution. We understand that it is complex to apply, is a significant contributor to rent increases and may not be fiscally sustainable. Some individuals sign agreements that their rent will increase if rates increase. Those who own property and rent, can claim the cost of rates as an expenditure and reduces their return on rental properties.</p> <p>Before any decision is made about the future of the rates rebate scheme a full evaluation of the pros and cons of Rates rebate, accommodation supplement and a National Rates Postponement Scheme is needed. Would the</p>	<p>do not support the current scheme being phased out without first being reviewed.</p>

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			government be setting out a uniform national rates postponement scheme and will it allow councils to set the rates and for the rates postponed to be paid once the property is sold?	
Chapter 8 – Adapting to climate change	Yes in part	<p>MDC supports F8.1 in relation to knowledge and guidance being provided at a central level. However, this guidance needs to be tailored to local needs, it cannot be a one size fits all approach.</p> <p>The principles talked about in F8.3 may be useful, but decision-making needs to lie at the local level in consultation with affected communities.</p> <p>MDC supports assistance from NZTA for relocation of roads and bridges. However, we note that climate change impacts are not evenly distributed across NZ – some councils will benefit more than others.</p>		

Recommendation/Finding from the Productivity Commission	Manawatū District Council (MDC) support?	Overall Comments from MDC	LGNZ's Comments	Does MDC support LGNZ's comment?
		MDC questions how F8.7 relates to existing urban areas that are built alongside river and stream corridors.		
<p>R8.1</p> <p>The Government and local government should work together to establish centres of knowledge and guidance about climate-change adaptation for councils. One centre should be an authoritative and up-to-date source of advice on science and data while another should be a source of specialist advice on policy, planning, risk management, legal issues and community engagement.</p>	Support in part	<p>Agree that support from central government to local government would be beneficial in developing nationally consistent approaches for policy development, planning, risk management etc. However, there should not be a one-size-fits-all approach as vulnerabilities and local circumstances mean that different responses will be appropriate in different localities.</p> <p>We currently obtain our data from NIWA but it tends to be at the national and regional level and therefore does not provide the level of detail needed when engaging with communities to develop climate change adaptation strategies.</p>	<p>LGNZ agrees that central and local government need to collaborate, particularly around information, knowledge and guidance relating to adaptation. However, the case for establishing two centres is not clear. One centre should be sufficient, and could undertake other functions, such as that proposed in Recommendation 8.6 below. This would be consistent with LGNZ's previous proposal for a Local Government Risk Agency. LGNZ recommends that the Centre should be co-funded by local and central government.</p> <p>We also recommend that the Centre should be well connected to universities and research centres and other sources of information and research include international information (OECD,</p>	Yes

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			etc).	
<p>R8.2</p> <p>The Government should implement a review of existing legislation and policy to ensure that considerations about climate-change adaptation are integrated and aligned within that legislation and policy where relevant.</p>	Yes		<p>LGNZ has long been calling for such a review. LGNZ is pleased that there are high level indications from the Government that this work will be undertaken. However, to ensure such a review is effective, the Government will need to significantly increase the resources dedicated to adaptation policy.</p> <p>LGNZ cautions the Government to ensure that it does not limit its Stage 2 review of the Resource Management Act. Further, review should be targeted to outcomes (not outputs), and eliminate repetition. For example, existing statutory provisions exist in Section 10 of the LGA.</p>	Yes
<p>R8.3</p> <p>National and local authorities should adopt</p>	Support in part	MDC recognises that approaches to adaptation need to be anticipatory and flexible. However, MDC is concerned about funding being tied	Agreed. The uncertainty of the impacts of climate change, their intensity and timing means that a	Yes

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anticipatory and flexible approaches to climate-change adaptation, in line with recognising the constantly changing nature of the risks. Any additional funding for climate-change adaptation should be conditional on the use of such approaches.		to any particular approach as there may be times when Councils have to act in a reactionary way for various reasons, including debt limits.	flexible but anticipatory approach will be necessary.	
R8.4 The Government should provide legal frameworks that give councils more backing and knowledge to make land-use planning and infrastructure investment decisions that are appropriate in the face of constantly changing climate risks.	Yes		Agreed. In the absence of direction from an overarching national legal framework, the courts will likely play a greater role in developing the law. This was highlighted in a paper by Jack Hodder QC for LGNZ, <i>"Climate change litigation: Who's afraid of creative judges?"</i>	Yes
R8.5 The Government should extend the New Zealand	Support in principle	Note support for SOLGM recommendation 15 which request that the Commission define the	Agreed. Central government must work in partnership with local government to identify alternative	Yes – support central and local government

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<p>Transport Agency's role in co-funding local roads to include assistance to councils facing significant threats to the viability of local land-transport infrastructure from sea-level rise and more intense storms and flooding due to climate change. The amount of assistance should reflect the size of the threat facing each council and its rating capacity. Assistance should be conditional on a strong business case and meeting engineering and environmental quality standards. It should only be available to defend existing infrastructure when business cases indicate</p>		<p>criteria or procedures that will be used in assessing the merits of defensive options vis-à-vis other options for managing the risks climate change poses to infrastructure.</p>	<p>means of addressing the costs of mitigating and adapting to climate change.</p> <p>Comment: is there not a need to explore options for private insurance to be another source of financing associated with sea rise and the consequences of climate change?</p>	<p>working in partnership. However, note SOLGM's recommendation that the criteria or procedures for assessing the merits of options need to be more clearly defined.</p>

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that this option is superior to other options by a significant margin.				
<p>R8.6</p> <p>The Government should create a new agency and a Local Government Resilience Fund.</p> <p>The new agency should work with at-risk councils and co-fund the redesign and possible relocation and rebuilding of wastewater and stormwater infrastructure when it becomes no longer viable because of sea-level rise and more intense flooding due to climate change.</p> <p>The new agency should also assist regional councils and communities to work out the</p>	Support in part	<p>Note SOLGM recommendation 16 that the scope of the proposed Climate Change Resilience Fund be broadened to also include drinking water assets.</p> <p>MDC questions how the best-practice paradigm of giving rivers room will apply to already developed residential areas adjacent to river corridors (such as behind stopbanks).</p>	<p>LGNZ agrees with the intent of this recommendation, and as noted above, supports joint work by central and local government to identify alternative means of addressing the costs of adapting to climate change.</p> <p>We believe that these functions could be carried out by the agency proposed in recommendation 8.1.</p>	Yes in part – note SOLGM recommendation that the scope be broadened to include drinking water assets.

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<p>best way to lessen future flood risks from rivers. This could include moving to a new, more sustainable and best-practice paradigm of giving rivers room and developing multiple innovative uses of the wider river corridors.</p>				
<p>Chapter 9 – Case Study: Three waters</p>	<p>No MDC disagrees with findings F9.1 to F9.4</p>	<p>We are not of the opinion that the Manawatū District Council's three waters performance is poor. A new regulatory regime that Councils are required to meet could add significantly to cost and resourcing requirements without any marked improvement in performance, as Council is already managing these networks as efficiently as possible (in health, environmental and economic performance).</p>		