

Local Government Funding and Financing

SUBMISSION ON DRAFT REPORT

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Introduction

This submission is influenced by my personal experiences as an elected member of the Whangarei District Council from when I was first elected in the 2013 local body elections until I submitted my resignation on the 1st of April 2019.

I chose to stand as a candidate because I thought in the years prior to the 2013 election that the Council could do so much better for the people it served than it was at the time. There appeared to be, and still are, significant inequities in how the Council treats different sectors of the community and different interest groups.

Although during my time as an elected member some small improvements were made in some areas it was usually a case of one step forward and then one step back again. It got to the point earlier this year that I realized I could not significantly influence any improvement in the basic human behaviors of both the other elected members and council staff that that framework and lack of accountability around local government promotes. I made the choice then to resign from my position as an elected member and see if I could better use my time to encourage a wider conversation with those responsible for the framework and accountability of local government. I have since had meetings with staff at the Office of the Auditor General and DIA. At the time of my resignation I issued the following statement.

“It was with some regret that yesterday I informed the Acting Chief Executive that I had decided to resign from my position as an Elected Member of the Whangarei District Council.

Local Government should in my opinion operate within the legislative framework it is bound by and be open, transparent and respectful to views of the communities it serves. Too many things have happened recently, mostly under the cover of confidentiality, that I believe indicate the Whangarei District Council has forgotten this.

For the most part I have enjoyed the debates with other Councillors when making decisions in meetings and working with Council Staff to deliver positive outcomes for the District. However, there are increasingly aspects of the way the Council has been or is currently operating that are completely at odds with values I hold personally and have led me to make this decision.”

First Principles

When I looked through the draft report, I thought overall that it was generally heading in the right direction but some key aspects were missing which were possibly outside of the scope you had to work within but I believe need to be addressed. It did raise for me the questions of what does good local government look like and what should it be seeking to achieve? Also what does good democracy at a local government level in New Zealand look like in 2019? Those for me are the first principle questions that need to be addressed. Then we can look at how best to achieve those things which I think will require a comprehensive overhaul, simplification and alignment of applicable legislation and government policy to be fit for purpose. I think funding and financing issues are only the tip of the iceberg.

Context

One of the most important aspects I think of any consideration of things to do with local government is having an in depth understanding of what local government is. I don't think it is fully understood by many and, in my opinion, it is not always the same as the picture of local government that is presented by the Mayors or Chief Executives of councils that are generally consulted with on matters regarding local government. Understanding the underlying influences that shape the actions of those elected to hold positions of responsibility on behalf of their communities and also the behaviors of council staff is I think a body of work that needs to be done. The relationship between local government and central government and the impact each have on the other achieving their desired outcomes also needs to be understood more than it appears it currently is.

If I was to put it bluntly local government consists of community representatives whose skill sets seldom align with the responsibilities they take on and duties they are elected to perform, through what is essentially a popularity contest. A good photo (not always a true representation thanks to photoshop), a few positive words and a billboard or two and you can be elected. We live in the age of populist politics and even if a really bad idea is promoted by a candidate or it is something totally unrelated to the role of local government it might just resonate with enough people who don't know any better to get you elected. We don't teach civics in schools so the understanding of what is involved in being an elected member by those seeking election or those voting on who to elect is not usually understood. I am not saying that there are not some good people elected to councils but in general we are starting from a really low base in terms of what the people who are charged with looking after significant assets and the wellbeing of communities on behalf of them are bringing to the table to do that when they are elected. I would think it fair to say that because of its complexity the legislative framework that surrounds local government is not understood by the majority of elected members in any depth.

I agree that local government should matter to communities but I suspect it doesn't as much as it should. A lot of communities or parts of communities have just given up on it as a lost cause. This is possibly reflected by the low voter turnout at election time, but it is to some extent the result of the inability for anyone to hold local government elected members or staff accountable in any meaningful or timely manner when they don't do what they should under the Local Government Act, Resource Management Act, or any of the other legislation applicable to local government. The legislation itself as I have said I believe is also in need of a reset to be more fit for purpose.

Local government should also matter to central Governments more than it has in the past or currently appears to. The greatest achievement of most governments make, in terms of bettering local government performance, is to change the purpose statement in the Local Government Act. In all reality this is not going to make a difference to much at all and is usually ends up being something loose enough to be aligned to almost any of the different agendas elected members of councils may bring to the table. Unless central government takes significantly more steps to seriously better local government performance and work collaboratively with local government in the future then not much I expect will improve.

In contrast to the majority of elected members the council chief executives, senior managers and some council staff have usually been in the local government game for many years and know how to manipulate the elected members and get what they want done to serve their personal agendas or appease the Mayors, their review committees and/or committee Chairs. As highlighted by recent events in Napier they don't always act appropriately but some are just better at flying under the radar and avoiding scrutiny.

Funding and Financing Draft Report

Although as you may have noticed I firmly believe there is a wider body of work that needs to be undertaken to improve local government, but in this part of my submission I will focus on what was included section 10 of the report. My responses do overlap into other areas but I am trying to keep things in some sort of order.

I agree that the current suite of funding and financing tools generally measures up well in terms of councils being able to achieve the levels of funding they require for their business as usual activities. From my experience though one of the issues is that the majority of elected members responsible for making the decisions on how to use those tools, or sometimes those who are advising those making the decisions are not up to the task or do not fully consider the principles in Box 0.1 on page 1 of the draft report or the requirements of the rating act while making these decisions. For this and many of the things that councils deal with there is a problem with regards to what influences the decision making of councilors. In spite of the oath that is sworn on taking office to act in the best interests of the whole city, district or region the default position of most elected members is to do what will best serve to improve their popularity the ward they were elected from. This of course is in order to get themselves elected again. Naturally self-interest most always wins the day. As things can be now when it is left up to the elected members the best outcomes for the whole of council territory and fairness in the rating systems adopted are not always achieved. I would recommend a review of the rating act to simplify and refine it and perhaps at the same time implementing a standardized approach nationally to a capital value or land value only based rating system might be in order. Having recently being involved in the rating review for the Whangarei district council it seemed that there was a distinct lack of interest in listening to the community's views mixed with very little understanding by elected members of what was actually going on. A review of the electoral act might also be necessary to remove the ward system that causes the conflict with the intent of the oath stipulated in the Local Government Act with regards to the effect it has on councilor behavior. I am also concerned that councils are setting their rates to cover the funding and financing of work programs in their annual and long-term plans that based on their historical performances they can never realistically expect to deliver. In June the Whangarei council conservatively estimated it would be carrying forward \$30.7 million of work from a total budgeted capital works spend for year ending 30 June 2019 of \$95.3 million into the next financial year. And for the previous financial year there was a 35% carry forward so it appears the tools are working very well if they are enabling councils to take rates each year to fund or finance a significant amount, 30-35% of the work they promise through their plans but know or should know given their historical performances they have absolutely no chance at all of delivering.

As identified in the draft report it is the extraordinary circumstances that are or will be causing issues for councils.

I agree with the majority of the narrative around adapting to the impacts of climate change. But there needs to be a significant improvement in the relationships between councils and government agencies like NZTA, MFE and perhaps the climate change commission so that everyone is supported and working to achieve the best outcomes.

I don't agree so much with the narrative around funding tools for growth-supporting infrastructure. I am not so sure the arguments for the benefits of increasing populations are going to be palatable in the near future when balanced against the negative impact population growth has on existing communities and the environment. I think what we have is a society that is out of balance. If you take that even further, we actually have an earth that is out of balance when you look at the effects

the recent rampant population growth of humans is having on it. However, in addition to the natural population growth caused by existing NZ residents, the last time I looked, at least 70% of our total population growth was imported. If we look at the root causes of the need for more growth supporting infrastructure that would have to be near the top of the list. We need to consider this using the default question of most preschool aged children which is simply "Why?". Why are we allowing the levels of immigration we have? We have a skills shortage is the answer most commonly presented. Why have we got a skills shortage? We have promoted the knowledge economy and everyone was encouraged to go to university and vocational training went down the drain. My example might not be perfect and could do with some more work, but with all due respect to Minister Twyford, it was a bit odd for him to come out saying that councils are failing in terms of planning and allowing for development when the fundamental causes behind the issues are a long history of central government policies and associated legislation. We need to go back again to first principle thinking. What is the problem we are trying to fix? What are the exacerbating factors and what are the things that can be done to mitigate them? I would say that most definitely there are a good number of things that need addressing but it involves a lot more than just working out a way to pay for more growth. I believe it starts with better looking after the people who already call New Zealand home and knowing as a society what our strengths and weaknesses are and not just taking the easy option to address the gaps and importing people to do that.

With regards to tourism I agree that it ought to cover its costs but doubt that it ever will. If you are to look beyond the financial aspects of tourism in strictly dollar terms the damage tourism does to the environment through carbon emissions and other associated pollution and the impact it has on NZ residents just so someone can take a photo and say they have been here makes me think we are not too clever to be promoting this. If that is what central government thinks we should be banking our future on we might be in trouble sooner than we know.

A strong central and local government partnership is something I believe is essential and it is somewhat sad that this is even part of the discussion. It always surprised me that each triennium councils within our region were required to draft up an agreement on how they were to work together but there was nothing in place with regards to how we were to work with central government. The relationship between central and local government to date appears to have been somewhat dysfunctional. If it is not a vote winner for central government politicians then they should have no issues putting party politics aside and agreeing, in consultation with local government, on a positive pathway forward that is enduring and immune to changes in governments and local government election cycles. The creation of a stable and sustainable long-term relationship platform must happen.

The three waters reform is interesting. It appears councils and regulators have dropped the ball on some or all of the waters to various degrees. I think a collaborative approach is needed to ensure drinking water is supplied to a standard that ensures public safety and discharges from stormwater and wastewater systems do not pollute our waterways, standards are set for these and are monitored. Attempts I made to have some funding included in the 2018-2028 long term plan to improve the quality of the stormwater discharged from the urban environments proved to be futile. The possibility of losing local decision-rights over the three waters if councils do not achieve expected performance levels, in all three waters, I think would be a very useful way of encouraging good decision making with respect to all of the three waters, especially if they are bundled together and performance levels in all three waters must be met. The key to this is to ensure there is a suitable regulatory regime to oversee the three waters and that it isn't compromised by the objective to constrain fiscal costs.

Conclusion

I am pleased that the Productivity Commission has undertaken the work to produce the draft report and has touched on some of the aspects of local government that I believe need addressing. However, I also believe from my experiences there is a lot more work to be done beyond what has been covered to date. I believe that there needs to be a significant reset of the legislative framework around local government and a simplification and alignment of it, and a robust mechanism established for holding both elected members and council staff accountable for the actions they take if there is to be any improvement in local government performance. Section 16 of the Public Audit Act looks like it should do this already and perhaps it is a resourcing or capacity issue at the Auditor's office that needs addressing. At the moment the checks and balances that should be part of a good democratic system are nowhere to be seen. Conflicting, confusing and convoluted legislation needs to be reviewed, reset and simplified to be fit for purpose. This has to be set within the context of the skills and attributes the people associated with local government bring to it. Central government also needs to look at establishing a new framework for a relationship with local government that rises above party politics, endures election cycles and realizes the benefits that a more collaborative approach can achieve for everyone.

I am happy to meet with commission staff to discuss further but for now this is my submission.