

5 September 2019

New Zealand Productivity Commission  
Level 15, Fujitsu Tower  
141 The Terrace  
PO Box 8036  
Wellington 6143

## Submission on the Productivity Commission's draft report into local government funding and financing

The Institute of Directors (IoD) appreciates the opportunity to comment on the Productivity Commission's draft [report](#) (draft report) into local government funding and financing. The Government asked the Commission to conduct an inquiry which includes investigating the factors driving local authority costs now and in the future, the current funding and financing models and the suitability of the regulatory arrangements. Local government plays a vital part in our economy and the draft report notes that councils own \$112 billion worth of fixed assets and employ over 25,000 equivalent full time staff (as at June 2016).

We support the work being undertaken in this area, particularly in relation to improving governance capability and decision-making of local authorities. Good governance in local authorities is essential to the delivery of effective services and outcomes that benefit all New Zealanders. It is critical in ensuring high-quality decisions and the best use of the financing and funding available. Our submission supports the goal to improve governance and financial capability in local government.

### [About the Institute of Directors](#)

The IoD is a non-partisan voluntary membership organisation committed to driving excellence in governance. We represent a diverse membership of approximately 9,000 members drawn from listed issuers, large private organisations, small and medium enterprises, state sector organisations, not-for-profits and charities. A number of our members are (or have been) on local authorities.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good governance.

### [Improving governance and financial capability](#)

The draft report makes a number of findings and recommendations for how local government funding and financing can be improved. Recommendations to improve financial governance and decision-making include:

- the Department of Internal Affairs, Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers should work together to improve elected council members' governance skills and knowledge
- LGNZ should increase participation by elected members in their ongoing professional development
- all local authorities should have an audit and risk committee (or equivalent assurance committee):
  - with an independent chair
  - ideally with at least one other external expert
  - with appropriately skilled and qualified independent members
  - councils should use the existing good practice guidance and resources already available to develop and run their committees

- council participation in existing performance reviews and improvement initiatives, such as CouncilMARK, should be encouraged with an emphasis on learning for continuous improvement.

### IoD comments

We strongly endorse the Commission's recommendations to help build governance and financial capability. We support the Commission highlighting that the IoD has a ranges of resources and services that can assist elected members and we welcome the opportunity to help improve governance and financial capability in local government.

A commitment to continuing development can improve elected members' contributions and add value to organisations.

Since 2014, continuing professional development has been a requirement for IoD Members, Chartered Members and Chartered Fellows.<sup>1</sup> The chartered designation offers stakeholders an assurance that the Member has met professional standards of knowledge and skill in alignment with the IoD's [Director Competency Framework](#) and has committed to continuing professional development. New Chartered Members are required to:

- complete the IoD's Company Directors' Course (or equivalent)
- pass the Chartered Member assessment, which is comprised of a computer-based 75 minute examination and a comprehensive and detailed written assignment
- make an annual commitment to uphold the principles of the [Charter](#)
- attest that they are of good character and a fit and proper person through an annual confirmation of good character<sup>2</sup> and
- complete an average of 20 continuing professional development points each year (60 points over their three year foundation period).

We encourage elected members' ongoing professional development including membership of the IoD. There is also an opportunity when appointing new members of audit and risk committees to include Chartered Members. They can bring professionalism and a commitment to continuing professional development to the committee.

We appreciate the opportunity to comment on behalf of our members and would welcome further engagement on how the IoD can support initiatives to improve governance and financial capability in local government.

Yours sincerely



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<sup>1</sup> Chartered Members and Chartered Fellows are referred to collectively as Chartered Members.

<sup>2</sup> See the annual confirmation at [iod.org.nz/charteredmember](http://iod.org.nz/charteredmember)