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“Assessing changes and key issues in the new Local Government Bill for Finance Managers”

A critical update on the latest developments on policy and legislation in the new Local Government Bill and its implications for finance managers and accountants.”

Local Government Forum

- Forum was established in 1994
- Objective to promote greater efficiency and effectiveness in the local government sector.
- Takes a national interest perspective

Members of the Local Government Forum are:

- Business New Zealand
- Federated Farmers of New Zealand (Inc)
- New Zealand Business Roundtable
- New Zealand Forest Owners' Association Inc.
- Property Council of New Zealand Inc.
- NZ Retailers Association

- Forum supports and is a strong advocate for the concepts of equity, efficiency and transparency.
- Forum considers that the Local Government Bill will lead to an unfortunate combination of increased powers and weaker financial provisions.

Importance of Local Government

- Local government is almost 4% of GDP.
- Large regulatory responsibilities.
- Significant influence over
 - the development of our communities
 - business costs

- Forum applauds the Government for reviewing the Act.
- Existing legislation is deficient in both structure and content.
- Cumbersome piece of legislation, in some parts outdated and is not providing an environment which is conducive to economic growth.
- However Bill is flawed and will result in more bureaucracy and higher cost.

- There has been no ‘first-principles’ review of the appropriate role or function of local government.
- There are glaring philosophical inconsistencies in the Bill.

- Forum is opposed to the empowering provisions of the Bill and to the wider and ill-defined new purposes.
- Largest constitutional change in the last few decades.
- Bill places undue faith in democratic and consultative processes without adequate checks and balances.

- Consultation only worthwhile if the information provided is meaningful.
- Bill requires significantly lower standards of financial analysis of plans than at present.
- Ratepayers require an independent, comprehensive and authoritative perspective on the performance of their local authority.

- Financial management provisions of the Bill weaken the financial accountability of local government.
- Bill has weak and ineffectual wording.
e.g.
 - principles relating to local authorities,
 - Governance principles,
 - management principles are prefaced with a 'must endeavour to' statement.

Local Government Act and the Rating Powers Act – the two most fundamental pieces of local government legislation – should have been considered in tandem.

- Forum likes the focus in the Bill on long-term planning.
- Supports the concept of integrated decision making referred to in the 'decision-making' and 'long-term planning' sections.

- Present funding provisions have three main objectives:
 - to focus councils on their core (public good) activities and to exit from other activities.
 - to raise the efficiency of council operations.
 - to encourage councils to apply rigorous analysis to funding decisions.

However:-

- Councils have continued to engage in an extensive range of private good activities.
- Councils have simply sought to justify their existing funding policies in terms of the legislation instead of conducting a “first principles” examination of such funding.
- Bill proposes that three step process be replaced with a requirement that six general factors be taken into account – a retrograde step.

- Forum also concerned with clause 81 of the Bill – the ‘balanced budget’ requirement.
- Bill’s provisions
 - dilute the existing requirement that LATES must operate as businesses.
 - make it harder for those local authorities that might wish to privatise their assets to do so.

- Financial managers role will become even more important, and
- Even more challenging with
 - the requirement for longer-term and more integrated planning.
 - the focus on sustainability reporting required under the Bill.

- Forum sees the long-term council community plan as being the primary policy document for a local authority in the future.
- Forum will be reviewing plans on the basis that they promote the concepts of prudent financial management, equitable funding policy and the effective and efficient use of resources.
- The development of appropriate social, cultural and environmental performance measures will require great care.

Specific things the Forum is looking for from local authorities:

- Transparency
- Equity
- Efficiency

Conclusion

In conclusion, the Local Government Forum considers the Bill to be:

- Constitutionally inappropriate.
- Ideologically confused.
- A wasted opportunity.
- Inconsistent with the policies that are required if the government's and business sector's economic and social objectives are to be achieved.