

# LOCAL GOVERNMENT FORUM

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2 March 2012

## **BUSINESS WELCOMES LOCAL GOVERNMENT SHAKE-UP**

The business community will be welcoming the prospects of substantial reform of local government, according to Michael Barnett, Chairman of the Local Government Forum.

“In recent weeks there have been strong signals that major change is afoot” said Mr. Barnett.

“Nick Smith’s January speech to a Nelson Rotary Club set out his serious concerns about growth in council spending, rates, and debt over the past decade and these themes were given a further airing in February through four questions for oral answer during the first two weeks of Parliament’s resumption.

“More recently Jane Clifton’s 23 February article in the *New Zealand Listener*, ‘Tackling Our Rising Rates’, predicted a ‘top-to-bottom reform’, with the aim of ‘restricting the ambit of council activities, their ability to borrow, and their ability to keep cranking up rates’.

“If this happens, it will be music to the ears of business. The Local Government Act 2002 came into force in December 2002. For the year ended December 2002, local government operating spending was \$3.9 billion and total rates revenue was \$2.3 billion. Fast forward nearly nine years and for the year ended September 2011, operating spending was \$7.7 billion and rates revenue \$4.5 billion.

“So, over that nearly nine year period, local government operating spending increased by 97% and total rates revenue increased by 94%. To put these percentages into perspective, over the same period New Zealand’s resident population increased by 11 percent and the Consumers Price Index by 28 percent.

“On 8 February Nick Smith said in Parliament that if rates had increased since 2002 at the same rate as rates had increased in the preceding decade then rates would be costing the New Zealand economy \$1 billion a year less, or a saving of \$500 per household.

“And the next day the Minister told Parliament that council debt had quadrupled from \$2 billion in 2002 to \$8 billion today.

“There are many reasons for rapid growth in local government spending, rates, and debt, but the Minister has hit on one in particular. On 15 February he told Parliament that labour costs for local government labour increased 7.6 percent from 2008-11 compared to central government’s 3.9 percent and also ahead of the private sector.

“The Local Government Forum is keen for decisive action to address these problems and welcomes the Minister’s determination to plough ahead. The Forum has some ideas on what needs to be done.

“The purpose of local government needs to be changed to require councils to focus on efficiency. The current mandate in the 2002 Act is all encompassing and results in councils thinking they should influence things like NCEA pass rates and that they should own businesses like dairy farms, cinemas and Lotto outlets.

“Elected councils also need to be able to constrain their council’s labour costs, just as the Government has done in the public sector.

“With regard to council amalgamations, larger councils aren’t necessarily more efficient than smaller ones and getting council functions right matters more, including looking at what activities are better done at a local versus regional versus national level. However, the Government needs to make it easier for community-driven proposals to be considered and to succeed.

“This is an exciting time for those interested in local government matters and hopefully the upshot will be relief for the long-suffering ratepayer,” said Mr. Barnett.

Contact: Michael Barnett: 027 563 1150

#### **ABOUT THE LOCAL GOVERNMENT FORUM**

The Local Government Forum comprises organisations that have a vital interest in the activities of local government. Its members include Business New Zealand, the Electricity Networks Association, Federated Farmers of New Zealand, New Zealand Business Roundtable, New Zealand Chambers of Commerce, and New Zealand Retailers’ Association. The Forum was established in 1994 to promote greater efficiency in local government and to contribute to debate on policy issues affecting it.

Forum members are each significant representatives of ratepayers in their own right but the Forum’s perspective is to advance community welfare through the advocacy of sound public policy. We believe that local government can best serve the interests of the community and ratepayers by focusing on the efficient provision of public goods at a local level.