

Planning and Development Committee Agenda

Date:	Wednesday, 18 December, 2019
Time:	9:00 am
Location:	Council Chamber
	Forum North, Rust Avenue
	Whangarei
Elected Members:	Cr Shelley Deeming
	Her Worship the Mayor Sheryl Mai
	Cr Gavin Benney
	Cr Vince Cocurullo
	Cr Nicholas Connop
	Cr Ken Couper
	Cr Tricia Cutforth
	Cr Jayne Golightly
	Cr Phil Halse
	Cr Greg Innes
	Cr Greg Martin
	Cr Anna Murphy
	Cr Carol Peters
	Cr Simon Reid

For any queries regarding this meeting please contact the Whangarei District Council on (09) 430-4200.

1. Declarations of Interest

2. Apologies

4.

5.

3. Decision Reports

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Public Excluded Business		

6. Closure of Meeting

Recommendations contained in the agenda are not the decisions of the meeting.

Please refer to minutes for resolutions.



Strategy, Planning and Development Committee – Terms of Reference

Membership	
Chairperson	Councillor Shelley Deeming
Members	Her Worship the Mayor Sheryl Mai Councillors Gavin Benney, Vince Cocurullo, Nicholas Connop, Ken Couper, Tricia Cutforth, Jayne Golightly, Phil Halse, Greg Innes, Greg Martin, Anna Murphy, Carol Peters, Simon Reid
Meetings	Monthly
Quorum	7

Purpose

To oversee planning, monitoring and enforcement activities, and guide the economic and physical development and growth of Whangarei District.

Key responsibilities

- Regulatory and compliance
 - o Environmental health
 - o General bylaw administration
 - Animal (dog and stock control)
 - o Hazardous substances and new organism control
 - Parking enforcement (vehicles registrations and warrant of fitness)
 - o Noise control
 - o Food Act
 - o Land use consents
 - o Building Act
- Building Control
 - o Property Information and Land Information Memoranda
 - Consents and inspections
- Resource Consents
 - o Subdivision, land use and development control
 - Development contributions
- District Plan
 - o Plan changes
 - o District Plan administration
- Strategic Planning
 - Place based strategies (city centre), functional strategies (climate change)
 - o Growth planning

- o Urban design
- Reporting strategic trends and analysis
- Economic Development
 - o District marketing and promotions
 - Developer engagement
- Commercial Property
- Marinas
- Airport
- Forestry
- Reporting on service delivery, including operational financial performance.
- Reporting on capital projects.
- Operational reporting for the Strategy and Democracy, Planning and Development, and Corporate groups within Council.
- Procurement general procurement relating to the areas of business of this committee, within delegations.
- Shared Services investigate opportunities for Shared Services for recommendation to council.
- Council Controlled Organisations (CCOs) monitoring the financial and non-financial performance of CCOs whose functions would otherwise fall under the scope of this committee. Includes trading CCOs (CCTOs) and those CCOs exempted under the LGA. Responsibilities include:
 - o advising on the content of annual Statement of Expectations to CCOs
 - o agreement of the Statement of Intent
 - o monitoring against the Statement of Intent
 - for exempted CCOs, monitoring and reporting as agreed between Council and the organisation

CCOs accountable to this committee:

- Whangarei District Airport CCO
- Local Government Funding Agency (LGFA) CCO

Delegations

- (i) All powers necessary to perform the committee's responsibilities, including, but not limited to:
 - a) approval of expenditure of less than \$5 million plus GST.
 - b) approval of a submission to an external body
 - c) establishment of working parties or steering groups.

- d) adoption of strategies and policies relating to the key responsibilities of this committee (except for those that cannot be delegated by Council under Clause 32(1)(f) of Schedule 7 of the LGA).
- e) power to establish subcommittees and to delegate their powers to that subcommittee.
- f) the power to adopt the Special Consultative Procedure provided for in Section 83 to 88 of the LGA in respect of matters under its jurisdiction (this allows for setting of fees and bylaw making processes up to but not including adoption).
- g) the power to delegate any of its powers to any joint committee established for any relevant purpose under clause 32, Schedule 7 of the Local Government Act 2002.





3.1 Exemptions and Objections Subcommittee

Meeting:	Strategy, Planning and Development Committee
Date of meeting:	18 December 2019
Reporting officer:	C Brindle (Senior Democracy Adviser)

1 Purpose

To establish the Exemptions and Objections Subcommittee.

2 Recommendations

That the Strategy, Planning and Development Committee;

- 1. establish the Exemptions and Objections Subcommittee;
- 2. adopt the Subcommittee Terms of Reference and;
- 3. confirm the membership of the Subcommittee is:

Councillor Shelley Deeming (Chairperson) Her Worship the Mayor Sheryl Mai Councillor Ken Couper Councillor Greg Innes.

3 Background

The Exemptions and Objections Subcommittee is to hear and determine objections, appeals and applications in respect of the regulatory functions and responsibilities of Council.

The Local Government Act 2002 provides for the Mayor to establish the committees of council and appoint Chairpersons to those Committees.

Her Worship reported the committee structure for the 2019-2022 term to the 31 October Council meeting. In her report the Mayor indicated the Strategy, Planning and Development Committee would establish a subcommittee to hear and determine objections, appeals and applications in respect of the regulatory functions and responsibilities of Council.

4 Discussion

A committee may appoint the subcommittees that it considers appropriate, appoint the chairperson and members and delegate the subcommittee certain responsibilities, duties or powers.

The Terms of Reference for the Exemptions and Objections Committee are attached. The subcommittee will have full delegated authority to make decisions in accordance with the Terms of Reference.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachment

Terms of Reference Exemptions and Objections Committee



Exemptions and Objections Sub Committee – Terms of Reference

Parent Committee:	Strategy, Planning and Development Committee
Membership	
Chairperson:	Councillor Shelley Deeming
Members:	Her Worship the Mayor Sheryl Mai Councillors Ken Couper and Greg Innes
Meetings:	As required. The relevant legislative requirements shall be taken into consideration when setting meeting dates.
Quorum:	2

Purpose

To hear and determine objections, appeals and applications in respect of the regulatory functions and responsibilities of Council.

Delegations

- Hear and decide s357, s356A and 357B objections under the Resource Management Act where staff recommend decline.
- Determine and grant of Territorial Authority consents under S100 of the Gambling Act 2003 (as it relates to Class 4 Gambling Venues) and s65C of the Racing Act 2003 (as it relates to Board Venues).
- Consider objections relating to the classification of any dog as a dangerous dog under the Dog Control Act 1996.
- Consider objections relating to the classification of a person disqualified from owning a dog under s26 of the Dog Control Act 1996.
- Power to consider an objection to classification as a menacing dog under s33A and s33C of the Dog Control Act 1996.
- Power to consider and determine an objection to any notice issued requiring abatement of a barking dog nuisance under s55 of the Dog Control Act 1996.
- Hear and determine appeals in respect of assessments under Council's Development Contribution Policy (no ability to waiver).
- Hear and determine statutory appeals or objections in respect to any matter where no specific delegation applies.





3.2 New Private Access Name – RMA Consents – Judson

Meeting:	Strategy, Planning and Development Committee Meeting
Date of meeting:	18 December 2019
Reporting officer:	Ricardo Zucchetto – Post Approval Officer

1 Purpose

To name a new private access way off Kara Rd in the Whangarei District.

2 Recommendation:

That the Strategy, Planning and Development Committee:

1. Approve the name of the private access off Kara Road as Dunrobin Lane.

3 Background

A road naming application has been received to satisfy conditions of a subdivision for K & M Judson to name a private accessway off Kara Road, Whangarei. The proposed name is considered in accordance with Council's Road Naming Policy.

4 Consultation

Consultation has been undertaken between the developer and the affected property owners that have a vehicle entrance off the private access way as their situation address will be changed. One property (571 Kara Road), that has a right to use the access way, was also consulted even though their address will not change. The owners could not reach a consensus between Dunrobin Lane (4 votes) or Lantern Way (2 votes). Due to the historic link between early settlers and Maungatapere, Dunrobin Lane is recommended, rather than Lantern Way.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachments

- Judson SD1900056 Access Way Application
- Judson SD1900056 Consultation Feedback
- Judson SD1900056 Consultation Outcome
- Judson SD1900056 Agenda Access Name Map





Application for Road Naming

Thank you for making an application to name a proposed road.

Points to remember when making an application

- Please print clearly to ensure the form is easy to read.
- We will respond in writing to every application received. Please ensure that you provide appropriate contact details so that our response gets back to you.
- Your application will not be returned to you once it is lodged with Council. Please keep a copy for your reference.

Important Considerations

Please refer to the Road Naming Policy and Road Naming Index prior to making your application. These documents will be helpful when proposing road names. Both documents can be found on the Council website at www.wdc.govt.nz

How to get this application to us

Mail to:	Attn: Administration Team Leader – Resource Consents Whangarei District Council Private Bag 9023 WHANGAREI 0148

Fax to: 09 438 7632

Email to: mailroom@wdc.govt.nz

Applicant Details

First name(s)	KEVIN And MARINA
Last name	Jupson.
Postal address	S47 KARA RO ROQ.
	NUANGAREI
Best day-time phone number	Mobile
Email	
Resource Consent I	Details
Resource Consent application number	SD 1900056
Agent Details	
Name of Agent	EMILY ALLAN Agent ref 10095
Agent postal address	PO BOX 744, WHANGAREI
Best day-time phone number	Mobile
Email -	
* Please not Driveway both Raw If needed	e that ROW A & B are different sections of one Therefore, we propose the same name for A & B to avoid any confusion. We have attached another 3 names for ROW B.
	tor ROW B,

Private Bag 9023 | Whangarei 0148 | New Zealand T: 09 430 4200 | 0800 WDC INFO | 0800 932 463 | F: 09 438 7632 W: www.wdc.govt.nz | E: mailroom@wdc.govt.nz



Proposed Road Name Details

<

Please indicate whether the road is Public or Private (box)

	D Public M Private
Proposed road name 1	(DUNROSIN HAY) Changed to "Lane"
Reason	HISTORY OF SCOTISIN SETTLIED IN
	HISTORY OF SCOTISIA SETTLIED IN WARAGAREI AREA (CASTLE IN SCOTLINA)
	My WIEG is From Scorema as well.
	AND MY GRADINTHER WAS IN the SEAFORTH
	Highlight Queens own Army
Proposed road name 2	(RIVIER ISCANALANE)
Reason	We HAVE I Isund At the Bruck
	DE HAJE M ISLAND At the Bruck DE THE Property you can see on the
	MAD as were no
Proposed road name 3	(LINTIERN WAY)
Reason	howtern to cight the Nm,

* Please supply a scheme plan map in Black and White with Road or ROW clearly marked when submitting your application.





The naming of a vehicular access ways (roads and private ways) provides a unique address to enable a property to be identified for emergency services and services for power, telephone, mail and deliveries. Whangarei District Council is responsible for the naming of vehicular access ways and assigning each a property number.

Any new road/access name will mean you will get a new unique (situation and/or postal) address.

is this haner

ROAD NAMING - Consultation

In response to the proposal to name the ROW, please indicate your preference below.

(Please tick one option only)

I support the proposal to name the ROW, Insert Name 1 here

I support the proposal to name the ROW, Insert Name 2 here

I support the proposal to name the ROW, Insert Name 3 here

I have no preference.

I would like to suggest the following name/s. (Please provide your reasons for the suggested names and note that they must comply with the <u>WDC Road Naming Policy</u>.)

the highlands dearances apu none in

Name: Shannon Skudda/Signature: Sheuna Date: 261 //1/9 Benn

Thank you for taking the time to respond to this request. Your response is important to our road naming processes.

Please return this form to XX at XX (insert email here) by XX date (allow sufficient time depending on method used i.e. email / snail mail).

NB: Where agreement cannot be reached with the consulted parties and alternative names submitted, Council will make the final decision as provided by Section (1)(j) of the Local Government Act 1974.

Tenant of Cottage on Proposed Lot 3 of development

The naming of a vehicular access ways (roads and private ways) provides a unique address to enable a property to be identified for emergency services and services for power, telephone, mail and deliveries. Whangarei District Council is responsible for the naming of vehicular access ways and assigning each a property number.

Any new road/access name will mean you will get a new unique (situation and/or postal) address.

ROAD NAMING - Consultation

In response to the proposal to name the ROW, please indicate your preference below.

(Please tick one option only)

I support the proposal to name the ROW, Insert Name 1 here

Dunrobin Lane V

I support the proposal to name the ROW, Insert Name 2 here

I support the proposal to name the ROW, Insert Name 3 here

I have no preference.

I would like to suggest the following name/s. (Please provide your reasons for the suggested names and note that they must comply with the <u>WDC Road Naming Policy</u>.)

of Scotland whose in highlands Jaipu then sett Maungatapere mogra in led home aeogra theur name phica Date: 27/1/12019 Name: Signature:

Thank you for taking the time to respond to this request. Your response is important to our road naming processes.

Please return this form to XX at XX (insert email here) by XX date (allow sufficient time depending on method used i.e. email / snail mail).

NB: Where agreement cannot be reached with the consulted parties and alternative names submitted, Council will make the final decision as provided by Section (1)(j) of the Local Government Act 1974.

Developer - 547 Kara Road

The naming of a vehicular access ways (roads and private ways) provides a unique address to enable a property to be identified for emergency services and services for power, telephone, mail and deliveries. Whangarei District Council is responsible for the naming of vehicular access ways and assigning each a property number.

Any new road/access name will mean you will get a new unique (situation and/or postal) address.

ROAD NAMING - Consultation

In response to the proposal to name the ROW, please indicate your preference below.

(Please tick one option only)

I support the proposal to name the ROW, Insert Name 1 here

LANTIERN WAY

Vuncotor

I support the proposal to name the ROW, Insert Name 2 here

I support the proposal to name the ROW, Insert Name 3 here

I have no preference.

I would like to suggest the following name/s. (Please provide your reasons for the suggested names and note that they must comply with the WDC Road Naming Policy.)

Name: CHRIS BOOM Date: 26/11/19 Signature: 543 Kara Ro

Thank you for taking the time to respond to this request. Your response is important to our road naming processes.

Please return this form to XX at XX (insert email here) by XX date (allow sufficient time depending on method used i.e. email / snail mail).

NB: Where agreement cannot be reached with the consulted parties and alternative names submitted, Council will make the final decision as provided by Section (1)(j) of the Local Government Act 1974.

543 Kara Road

2

The naming of a vehicular access ways (roads and private ways) provides a unique address to enable a property to be identified for emergency services and services for power, telephone, mail and deliveries. Whangarei District Council is responsible for the naming of vehicular access ways and assigning each a property number.

Any new road/access name will mean you will get a new unique (situation and/or postal) address.

LAN TIERN

ROAD NAMING - Consultation

In response to the proposal to name the ROW, please indicate your preference below.

(Please tick one option only)

I support the proposal to name the ROW, Insert Name 1 here

I support the proposal to name the ROW, Insert Name 2 here Dug robur

I support the proposal to name the ROW, Insert Name 3 here

I have no preference.

I would like to suggest the following name/s. (Please provide your reasons for the suggested names and note that they must comply with the <u>WDC Road Naming Policy</u>.)

Name: ROSIE BOOM Date: 26/11/19 Signature: 549 Kara Rd

Thank you for taking the time to respond to this request. Your response is important to our road naming processes.

Please return this form to XX at XX (insert email here) by XX date (allow sufficient time depending on method used i.e. email / snail mail).

NB: Where agreement cannot be reached with the consulted parties and alternative names submitted, Council will make the final decision as provided by Section (1)(j) of the Local Government Act 1974.

549 Kara Road

3

The naming of a vehicular access ways (roads and private ways) provides a unique address to enable a property to be identified for emergency services and services for power, telephone, mail and deliveries. Whangarei District Council is responsible for the naming of vehicular access ways and assigning each a property number.

Any new road/access name will mean you will get a new unique (situation and/or postal) address.

ROAD NAMING - Consultation

In response to the proposal to name the ROW, please indicate your preference below.

(Please tick one option only)

I support the proposal to name the ROW, Insert Name 1 here

DUNROBIN LANEV

I support the proposal to name the ROW, Insert Name 2 here

LANTEREN WAY

I support the proposal to name the ROW, Insert Name 3 here

I have no preference.

I would like to suggest the following name/s. (Please provide your reasons for the suggested names and note that they must comply with the <u>WDC Road Naming Policy</u>.)

is a castle in highlands of scotland whose ancesters waipu then settled in Mangabapere. The name is a geographical home here. he Signature: Date: 27/11/2019 Name:

Thank you for taking the time to respond to this request. Your response is important to our road naming processes.

Please return this form to XX at XX (insert email here) by XX date (allow sufficient time depending on method used i.e. email / snail mail).

NB: Where agreement cannot be reached with the consulted parties and alternative names submitted, Council will make the final decision as provided by Section (1)(j) of the Local Government Act 1974.

551 Kara Road

VEHICLE ACCESS NAMING SUBMISSION FORM

The naming of a vehicular access ways (roads and private ways) provides a unique address to enable a property to be identified for emergency services and services for power, telephone, mail and deliveries. Whangarei District Council is responsible for the naming of vehicular access ways and assigning each a property number.

Any new road/access name will mean you will get a new unique (situation and/or postal) address.

ROAD NAMING - Consultation

In response to the proposal to name the ROW, please indicate your preference below.

(Please tick one option only)

I support the proposal to name the ROW, Insert Name 1 here Lantern Way

I support the proposal to name the ROW, Insert Name 2 here Duncobin Lane

I support the proposal to name the ROW, Insert Name 3 here

I have no preference.

I would like to suggest the following name/s. (Please provide your reasons for the suggested names and note that they must comply with the <u>WDC Road Naming Policy.</u>)

Name: JOHN HOOK Signature: Qhan A. Date: 3 1/21/9

571 Kara Road

Thank you for taking the time to respond to this request. Your response is important to our road naming processes.

Please return this form to XX at XX (insert email here) by XX date (allow sufficient time depending on method used i.e. email / snail mail).

NB: Where agreement cannot be reached with the consulted parties and alternative names submitted, Council will make the final decision as provided by Section (1)(j) of the Local Government Act 1974.

571 Kara Road

ROW Owners/Users – SD1900056 – Judson – Consultation



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🔊 Whangare





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3.3 Whangarei District Council submission on the LGNZ Localism discussion paper

Meeting:	Strategy, Planning and Development Committee
Date of meeting:	18 December 2019
Reporting officer:	Tony Horton (Manager – Strategy)

1 Purpose

To provide an overview for a Whangarei District Council submission on the LGNZ Localism discussion paper to be signed off under delegation over.

2 Recommendation

That the Strategy, Planning and Development Committee;

- 1. Notes the report; and
- 2. Delegates the Chair of the Strategy, Planning and Development Committee and the Deputy Mayor to approve a Whangarei District Council submission on the Local Government New Zealand Localism discussion paper.

3 Background

Local Government New Zealand (LGNZ) launched its localism project its 2018 conference. Following the launch an inter-sectoral reference group was formed to guide the drafting of a discussion paper.

The reference group and LGNZ then undertook a series of activities to inform the discussion paper, these included:

- Roundtable discussions and workshops to define the issues in detail
- Various publications and think pieces on localism
- The Localism Symposium, held in February 2019
- Presentations on localism have been given to a variety of organisations
- Research undertaken by LGNZ to assess community views of localism

Early on in this process Council (through the then Planning and Development Scoping meeting) discussed opportunities that localism could provide, including the potential for discussions with ministers and/or government support on initiatives aligned to localism outcomes.

The feedback received from these activities, including Council's input, informed a Localism discussion paper (Attachment 1). As the paper was released just prior to elections LGNZ have extended the feedback period until the 31 January 2020.

Feedback and comments received on the Localism discussion paper will contribute to the development of LGNZ's Localism Manifesto to be published early in 2020.

4 Discussion

The proposed submission will cover three areas:

- 1. A response to the questions within the discussion paper.
- 2. Giving general support for the initiative but seeking greater clarity on the outcomes LGNZ, and indeed the sector, are seeking to achieve.
- 3. Highlighting the need for pro-active engagement with ministers and government on initiatives aligned to localism outcomes.

The questions/topics posed by the discussion paper, along with staff analysis (in italics) have been summarised below. Underpinning these is an LGNZ call for "an end to cost shifting and unfunded mandates":

1. Devolving/decentralising roles and responsibilities

Any new roles and responsibilities must be proven to be better delivered through a local government entity, as opposed to central government or an agency. Any new roles will need to be appropriately funded.

2. Funding localism

Support the call for appropriate funding, this is essential for achieving localism outcomes.

3. Ensuring investment meetings local needs and wellbeing's

Support for local needs and priorities to be considered by central government through a wellbeing budget, however more thinking is needed in terms of how this would be achieved.

4. Participation in local government decision making

Acknowledge that community participation at a local government level can be challenging and we are actively working to improve this. Welcome new methods, or expansion of existing approaches, to encourage more people in our community to get involved in decision making.

5. Unfunded central government requirements

Strong support for addressing the issue of central government requiring a council to undertake a new responsibility, but failing to provide the funding or resources necessary to deliver on that responsibility.

The extended submission timeframe of the 31 January 2020 falls over the Christmas and New Year break. As such it is recommended that delegation be provided to the Chair of the Strategy, Planning and Development Committee and the Deputy Mayor to approve a Whangarei District Council submission on the LGNZ Localism discussion paper.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachment

Local Government New Zealand Discussion Paper on Localism (2019)



Reinvigorating local democracy: The case for localising power and decision-making to councils and communities

A discussion paper, July 2019







Contents

Foreword p3

Our process p6

- 1> Introduction p8
- 2> The problem: Why New Zealand needs to change p11
- 3> Our vision giving communities a greater say p18
- **4> Feedback sheet** p36
- 5> References and more information p38

2





Foreword

In many respects New Zealand is a great country to live in and visit, but there are a number of dimensions in which our performance is less than desirable. We sit in the bottom half of the Organisation for Economic Cooperation and Development's (OECD) GDP per capita rankings, our level of inequality is amongst the highest in the developed world, and we have entrenched problems with poverty, regional inequality and environmental degradation.

In addition, citizens have been losing their trust in our public institutions with voter participation well below the levels of three decades ago.

Addressing these issues requires a new approach to the way public services are commissioned and delivered. One that builds not just on the knowledge and capacity of decision-makers in central government but one that also leverages the knowledge and capability of communities and their local governments. It involves a mix of "letting go" power, so that communities and their local governments have the authority and means to properly address issues that are local in nature, and being open to working alongside and with local partners. It is time to re-think the centralised "one size fits all" approach to running the country. It is not working well enough.

LGNZ, with the support of the New Zealand Initiative, is calling for a shift in the way public decisions are made in New Zealand by seeking a commitment to localism. Instead of relying on central government to decide what is good for our communities it is time to empower councils and communities themselves to make such decisions. This means strengthening local self-government, putting people back in charge of politics and reinvigorating our democracy. We are seeking an active programme of devolution and decentralisation.

Localism is underpinned by the principle that power and authority should flow up from citizens and communities, not down from the Government. This is not so much a new idea, but rather a return to a way of governance that was practiced in New Zealand for hundreds of years before Europeans arrived. Localism is strongly aligned with Māori kaupapa, where power and authority strengthens the lower you go within the governing structures, from Iwi, to Hapu to Whanau. Concepts like Tino Rangatiratanga (independence) and Mana Motuhake (self-determination) reinforce the importance of place within Māori society. The philosophy of localism does the same for Aotearoa as a whole. We want to give citizens and communities a greater say about the nature of local public services and how they are delivered. This not in any way to suggest that we want to abolish central government, but rather that we want to establish a governance system that harnesses the respective strengths of both tiers of government to improve the well-being of ordinary people. Our concept of localism has a number of critical elements which involve:

- promoting collaborative partnerships between central and local government that bring together the capacity and resources of the centre with the place-based knowledge and connections of communities, through councils, to address deep seated local issues;
- establishing a legislative framework that enables and incentivises local governments, where there is both capability and local support, to take on additional roles and responsibilities to improve the well-being and quality of life of their citizens;
- promoting a "place based" approach to local decision-making that includes councils and government agencies along with the local organisations that are essential for communities to flourish, such as those representing business, Iwi/Māori and communities;
- The adoption of new and innovative and mechanisms through which citizens can participate in making decisions about their towns, cities and communities.

Our localism programme is designed to create a more responsive, agile, and accountable system of local government, one that is more responsive to local concerns, empowered to address them, and improves the performance of both tiers of government. Effective government cannot afford silos. By creating the opportunities for more meaningful central local government partnerships and ensuring that government policies are based on good local information, better outcomes for communities are more likely to be achieved. In other words, it is about leveraging central and local government's strengths.

Change is vital as our highly centralised and siloed institutional settings are acting as a drag on efficient and effective functioning of our society and economy. We want to know what you think about these issues.

This discussion paper has been prepared to get the views of New Zealanders from all walks of life and I encourage you to seriously consider the arguments made and tell us whether we've got it right.

Dave Cull President

< It is time to re-think the centralised "one size fits all" approach to running the country. It is not working well enough. >


Our process

In publishing this document LGNZ thanks the many people and organisations that have contributed to the development of this discussion document, especially the members of the localism reference group who made their valuable time available to provide advice.

In particular we wish to give special thanks to the 150 people who participated in February's Localism Symposium, who gave up a day of their time to put us on the right track.

LGNZ is the national association of local authorities. Our objectives involve advocating for the national interests of local government and promoting best practice. Our vision is "local democracy powering community and national success" and we have committed to protecting and enhancing our system of local democracy. LGNZ is an incorporated society and all 78 councils constitute our membership.

We frequently make submissions on draft legislation and regulations to ensure that the needs of our diverse communities are adequately addressed. We also provide guidance to elected members and councils through our professional development arm EquiP. In addition we support CouncilMARK[™] that provides an independent assessment of council performance, see www.lgnz.co.nz.

What we will do with your submission

This discussion document is designed to assist LGNZ promote localism during the build up to the 2020 Parliamentary elections. All submissions will be considered and insights taken into account as we prepare our localism manifesto in 2020. Copies of submissions will be made available on the localism page of the LGNZ website.

For more information on LGNZ's decentralisation and localism project go to www.localism.nz or contact:

Dr Mike Reid T. 04 924 1204 E: mike.reid@lgnz.co.nz

Jason Krupp T: 04 924 1221 E: jason.krupp@lgnz.co.nz

How to make a submission

Please send your comments and feedback by **15 December 2019** to mike.reid@lgnz.co.nz or send to:

Dr Mike Reid Principal Policy Advisor Local Government New Zealand PO Box 1214 Wellington 6011

Introduction

Introduction

New Zealand is a successful democratic nation that is widely respected for the quality of its governance, its record on human rights and its citizens' quality of life.

Yet we can and must do better. Our well-being is being challenged on a number of fronts and the traditional "top down" approach is poorly suited to address many of the challenges we will be facing in the future, particularly the need to lift economic performance in a sustainable and inclusive way.

< In the face of the most perilous challenges of our time - climate change, terrorism, poverty, and trafficking of drugs, guns and people – the nations of the world seem paralysed. The problems are too big, entrenched, and divisive for the nation state. Is the nation state, once democracy's best hope, today dysfunctional and obsolete? (Benjamin Barber, if Mayors Ruled the World.) >

LGNZ believes that one of the biggest factors holding us back is the failure of politicians and officials in central government to share power with citizens and their communities. As a result we have a largely centralised approach to policy and decision-making which has stifled diversity and allowed other countries to leap frog us on a range of measures, from addressing child poverty to educational attainment.

Centralised approaches are essential when governments deal with matters of large-scale national significance, like climate change, macroeconomic policy and health and safety regulations, where uniformity may be needed. But for other matters, where needs and preference vary, uniform solutions are both ineffective and inefficient. The age of mass production, where you can have any coloured Model T Ford as long as it was black, is well past. In today's modern world, people have become used to differentiation, choice and innovation in the products and services they buy, and they expect the same of their government. In short, governments need to be nimble, responsive to change and innovative. That is why we need to localise.

Responding to diversity

New Zealand's towns, cities and regions are unique in their own ways and the best people to understand that uniqueness and difference are their citizens, and the people privileged to represent them. Successful policy interventions tend to be ones that build on that uniqueness and take a "place-based" approach when designing and developing local services.

< The liberty of the individual, in things wherein the individual is alone concerned, implies a corresponding liberty in any number of individuals to regulate by mutual agreement such things as regard them jointly, and regard no persons but themselves (J S Mill) >

Consequently we must find better way of enabling citizens to be actively involved in shaping their own futures, working together with their governments of all levels to define issues and design appropriate responses, noting the particularities of their own circumstances. Our future prosperity involves public institutions working in partnership with multiple partners, whether Iwi/Maori, local businesses or not-for-profits.

Neither should we depend on experts to run our societies. As much as expert advice is necessary, we need to temper it with democratic guidance if we want to avoid a populist backlash. Democracy, not just in Europe and the United States but also in Australia and New Zealand, is increasingly influenced by communities that feel marginalised and disempowered by the current model of politics. Localism, in contrast, is both empowering and inclusive.

Looking back to move forward

Historically government in New Zealand was local. Power and authority resided with whanau, hapu and Iwi and it was only with colonisation that government at a national level became a reality, with central government becoming the larger of the two spheres of government by the early 20th Century. It would be more accurate to say that localism is the norm, and centralism the aberration.

< It's time to explore a new model of governance, one based on a re-energised civil society that draws on the strength and resourcefulness of people working together in diverse local and regional communities – a localist response (Future of local government declaration, MAV, 2017) >

Localism, as we envisage it, is designed to restore a level of the autonomy and self-governance that New Zealanders previously took for granted, and which many Iwi and Hapu are now reclaiming, especially those which are negotiating settlements or are in a post-settlement phase. Within New Zealand's constitutional and legislative framework Iwi/Māori have a range of rights, kaitiakitanga, in relation to land and water within their rohe, in many respects our localist initiative is designed to give communities similar rights and responsibilities in relation to their own cities, districts or regions – that is, greater autonomy to determine local priorities.

< We are promoting localism because we believe it is not only common sense but is vital for the good government of New Zealand (Dave Cull). >

If adopted LGNZ's programme will involve significant system change in different areas and over time, however change will be incremental. On day one councils will continue to interact with communities as they always have, just as central government will continue to play its system stewardship role. Our framework, however, is purposely designed to be flexible, so that central and local government can evolve beyond the strictures of the current roles both play.

In this paper we outline the beginning of a process for gradually moving New Zealand from being one of the most centralised countries in the developed world to one that is prepared to trust its communities to play a meaningful role in our social, economic, and cultural development.

We look forward to your feedback

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The problem

The problem: Why New Zealand needs to change

Like all countries in the world New Zealand is facing challenges on a broad front, from environmental to social and economic.

Some of these challenges can only be addressed through decisive leadership from central government. While addressing climate change involves local, national and international responses, it is essential that the state uses its unique financial and regulatory powers to ensure responses across the spectrum are aligned and fit for purpose.

< The concentration of power in the central state is holding our country back, fragmenting our public services and making local leaders too dependent on the whims of central government and its ministers (LGNZ). >

Yet many of the challenges modern democracies face cannot be effectively addressed by central government alone - it is too far removed from the communities that directly experience such challenges and which need to be part of developing the solutions. The reason for this is that the rationale for large centralised government institutions, namely access to information and high transaction costs, is breaking down with the intervention of digital technology. This self-same wave of technological change is speeding up the pace of decision-making, which centralised government institutions cannot match. That acts as a drag on society. Today's problems need to be solved bottom-up rather than top-down (led by districts and regions), multi-sectoral rather than exclusively government (driven by networks), and interdisciplinary rather than specialised (drawing from diverse expertise and experiences) (see Courtney 2019). They also need central and local government to be working together, not as principal and agent, but as partners.

That New Zealand is one of the most centralised countries in the developed world is not widely known by the public at large. However, the share of tax expenditure shows just how stark our centralist tendencies are, with 90 per cent of all public expenditure controlled by central government (see figure 1). As a fiscally centralised nation our responses to emerging problems and challenges tends to be "top down" and "one size fits all" in nature.

The risks to a country of placing the allocation of such a large proportion of its public revenue in the hands of single government are well understood and are similar to the issues created by any monopoly provider, such as:

- Lack of contestability and risk of policy capture;
- Undifferentiated services;
- Diseconomies of scale; and
- Lack of responsiveness and bureaucracy.

In addition centralisation can have negative economic and social outcomes. Recent data from the OECD (2016) shows that decentralised countries tend on the whole to be wealthier than centralised countries (see figure 2). This is partly explained by the way in which localising decisions through decentralisation strengthens allocative efficiency. This is achieved because decentralisation of public services is more likely to result in a better match between communities' needs and preferences and the provision of public services, that is, over-provision and under-provision are less likely to occur. Where resources are used effectively and efficiently economic growth is likely to be stronger, and foster inter-municipal competition that leads to innovation and growth.

Figure 2 shows a relatively strong association between fiscal decentralisation and per capita gross domestic product. Reinforcing this trend are two recent research projects from the World Bank, which found that a 10 per cent increase in the level of decentralisation is associated with an average increase in per capita GDP of 3 per cent (Blochliger 2013). In short, decentralised countries tend to be wealthier than centralised ones. They also vote more at the local level.



Figure 1: Central government expenditure as a % of total government expenditure

Source: OECD 2016

Figure 2: Relationship between fiscal decentralisation and GDP



Source: OECD 2016



Figure 3: Voter turnout in local government

Source: OECD 2016

Figure 3 shows the relationship between voter turnout in local government elections and the degree to which a country is fiscally decentralised. The more decentralised a country is, the more citizens are interested in local elections, and the more they vote. Local government systems in centralised countries are generally regarded as having low "salience", that is councils have a small range of functions and are responsible for a small share of taxation, and as a result they are regarded by citizens as of less importance to their well-being or quality of life. This is highlighted in the following pictograph (The New Zealand Initiative 2019) which illustrates how little New Zealand councils spend on education, health and social welfare.

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Figure 4: How local government stacks up

We've compared New Zealand's local government to other countries around the world. The results aren't surprising, with our local government sector being tiny compared to the rest of the world.



Image: The New Zealand Initiative

Source: OECD Subnational Government Finance Database, https://stats.oecd.org/Index.aspx?DataSetCode=SNGF.

Impact of centralism

As a general rule, countries that are centralised tend to be less wealthy and have lower standards of living than countries which are decentralised. Due to local factors there will always be exceptions, but localism does provide incentives to local politicians and their communities to take a more proactive approach to economic and social development. It gives them a real stake in the running of their communities. Centralisation is prone to paternalistic behaviours (we know what is best for you) that leads citizens to believe that the government will necessarily "fix things", which it is not always wellpositioned to do.

< The idea that either a government programme or private contract can solve complex social problems on its own is a false promise. Over reliance on such methods tends to neglect the agency and insights of the people themselves, leaving huge amounts of talent and resources – in all walks of life and in all parts of society – wastefully untapped (IPPR 2014). >

This is not to say that we don't need a strong and effective system of central government. Central government has a critical role to play, but successful outcomes increasingly depend on the willingness of governments to stand back and be prepare to support local efforts. Too often government programmes are "helicoptered" into communities with little understanding of the local context. When asked by Salvation Army researchers what their hopes for their city were one respondent captured the issue perfectly when she replied "that Porirua and the Creek stop being "Pilot City". The researchers concluded that it was time for governments to stop just piloting new ideas and initiatives, leaving with the lessons and not returning (Salvation Army 2017).

In their recent report on the state of our communities the Salvation Army identified four "meta-themes" that were having a major impact on the quality of community life. These were the local economy (jobs and businesses), housing, crime and safety and children and youth. As the Report stated:

People wanted more jobs, particularly for their young people. They want more businesses and revitalisation in their public spaces and shopping areas. Our people are facing massive housing challenges ... According to the locals, these housing related issues have led to more problems involving disengaged youth and other anti-social behaviours. The people were particularly concerned about gangs, drugs and begging in their communities (Salvation Army 2017).

These are not new issues. The fact that they have been with us for many generations, despite the attempts of multiple governments to resolve them, is testament to the failure of the current top-down approach. The needs of communities won't successfully be resolved by more of the same – we need a new approach, one that mobilises multiple actors, such as the local governments, communities themselves, Iwi/Maori and others. We can no longer afford the paternalistic "central government knows best" model of public decision-making.

< New Zealand's policy landscape is rife with "onesize-fits-all" thinking where, by necessity, central government decision-makers end up simplifying problems they are trying to solve because of the difficulty of managing complexity. >

The model is not only failing many of our communities but we are also falling behind other countries in a number of critical areas, for example:

Economic performance

In the mid-1980s New Zealand's economy went through a period of major change, including the removal of trade barriers and import restrictions. One of the reasons behind the fourth Labour Government's decision to initiate reform was the fact that New Zealand's ranking amongst the members of the OECD, a group of developed countries, had fallen to 21st. More than thirty years on, New Zealand's ranking in the OECD remains at number 21. Unlike many of the countries in the OECD the one change we did not make was the decision to decentralise.

< The alternative (to growing bureaucracy and citizen disengagement) is to bring power closer to ordinary people, partly by vesting more of it in local institutions that voters can really influence, but also by engaging citizens themselves more in everything from healthcare to housebuilding (Parker 2015) >

Regional inequality

Since the 1980s we have seen a significant growth in the size of the socio-economic differences between localities and regions in New Zealand. Today, the average per capita GDP of our three poorest regions is currently \$41,000; in contrast the average GDP of our three wealthiest regions is \$67,500. The difference is significant and some analysts argue that such spatial inequality is directly related to high levels of centralisation, given that poorer regions have less ability to influence centralised decision-makers.

Democratic engagement

Internationally there is an increasing concern that democracy is facing a "recession" with a decline in the numbers of people voting and diminishing trust not only governments but also in the concept of democracy itself. New Zealand is not immune. Voter turnout in both parliamentary and local elections is well below the rates of thirty years ago, even though there has been a slight improvement in recent years. One reason why increasing numbers of people, and young people in particular, are no longer taking part in formal democratic processes is that they are unconvinced that their involvement will make a difference.

< Administration becomes more oppressive in proportion to its increasing distance (Rousseau). >

This is why localism is important – the solution to declining interest in democracy is not less democracy, but more. The solution to disillusionment in our democratic systems is to begin empowering citizens by providing them with a real ability to make a difference in their communities. We are not asking central government to abdicate its responsibilities. New Zealanders elect governments to provide national leadership and implement their manifesto promises. Central governments need to focus on setting national priorities, minimum standards, and being stewards of the legislative framework that encourages communities to work out the best way of achieving them. Sharing power can assist governments by strengthening the ability of local areas to work towards national priorities in a manner that reflects local circumstances. It also enables politicians and officials in the centre to focus on the strategic issues rather than getting bogged down in the detail.

Making NZ the best country we can requires a new approach to how we make public decisions, one that enables citizens to have a greater say about the policies and programmes that impact on their communities.



Our vision – giving communities a greater say

It is time to look at how we organise our public services. While central government has a critical role in overseeing the welfare of our nation as a whole, such as decisions about defence and climate change, there are classes of decisions that cannot effectively be made at the centre.

Decisions about local matters need the input of local citizens - the people who have the best understanding of the issues as well as a stake in the solutions.

< Managing water quality requires legislative frameworks that balance the responsibility of central government to set outcomes and local governments, with communities, to set policies and rules to manage our extremely diverse catchments. >

Why make a change?

Change is vital. Because of its distance from communities central government often struggles to design services that address local concerns in a way that is relevant to the needs and circumstances of communities. Reasons for this include:

- The problem of information asymmetry where governments lack information and intelligence about local areas;
- The risk of "silos", where different departments provide services to the same area but fail to coordinate or share information; and
- The lack of an integrated approach that aligns government services with the services provided and commissioned by councils and organisations.

This can result in national decision-makers "losing sight" of local issues, such as happened with rural policing. By 2016 police numbers in rural districts had fallen to such a degree that local councils and communities organisations launched a major advocacy effort to highlight the extent of the problem and seek policy change. As a result central government agreed to increase policing numbers and ensure a proportion of new recruits would be placed in rural and isolated communities. It took local action before central government realised that rural policing numbers had fallen to a level where rural communities felt unsafe and change occurred. It is entirely plausible that the time taken to increase rural police numbers would have been significantly shorter if communities has more say in the police services they receive.

It is not easy for governments to keep a focus on the specific needs of all of our communities as well as the nation as a whole – that's one of the reasons why we have local government. The policing example is replicated again and again across a range of different policy areas, from rural access to services like driver licensing and fast broad band services to the provision of social housing in low socio economic neighbourhoods.

< We met local leaders from across the country who argued that they could do much more to tackle worklessness and lack of housebuilding if only they had the powers and resources to do so (The Condition of Britain 2014) >

Next steps

Ministers already have enough on their plate when faced with the needs of the nation as a whole – it is in nobody's interest for central government to be micro-managing our towns, cities and regions, yet, as local discretion in some policy areas declines, this is occurring at an increasing rate.

Critical to solving many of the challenges communities face is the need to utilise the wisdom, knowledge and input of the citizens and communities affected by those challenges. New Zealand's future social and economic performance will need our towns, cities and regions to thrive; for this to occur we need to harness the disruptive benefits that comes from empowering citizens and communities.

< LGNZ and its members have long advocated for greater devolution of decision-making as a means of delivering better outcomes for their communities, but it also has the advantage of remedying the problems with our current central-local government arrangements. >

Our plan to address these constraints on New Zealand's social and economic performance, on which we are seeking your views, is set out in the next section of this paper. It has the following elements:

Devolution – where practical decisions about services that benefit local communities should be made at the level of government as close to those communities as possible and with the active participation of those communities in the decision-making process. We envisage a gradual process that begins with the transfer of functions and funding to areas that have both the will and capability to undertake them.

A buoyant tax – councils rely on property taxes to pay for public services like amenities and much of their infrastructure. Recent pressures on some councils, such as population growth and visitors, highlights the need for buoyant taxes that grow as the economy grows, as is the case with both income and consumption taxes. Without access to a buoyancy tax local decision-makers can lack the incentive to invest in areas that will spur growth, such as, for example, amenities for the visitor industry. Shaping well-being – central government's commitment to intergenerational well-being is welcome but raises the question of how local well-being should be defined. It needs to be complemented by a localist approach that enables communities to define their own well-being needs and debate priorities. Local partners, such as Iwi/Maori, communities and business organisations, will need to be actively involved in co-designing and co-producing services to ensure they meet identified priorities.

Deepening democracy – our localist vision cannot work without the active engagement of citizens and communities. This is vital for two reasons. In the first place citizen participation goes some way to addressing feelings of disempowerment and marginalisation. In the second place localism only works if local governments are responsive to local needs and preferences.

An end to cost shifting and unfunded mandates – cost shifting and unfunded mandates occur where central government requires councils to take on new responsibilities, or adopt new processes, without the necessary funding. This can have constitutional and democratic risks as it means decision-makers, in this case central government decision-makers, are not required to consider the full cost of their decisions. Enabling decision makers in central government to shift costs in this way undermines their accountability to voters and tax payers, ultimately weakening our democracy.

These elements are described in more detail over the next few pages.

< There are many good programmes tackling poverty, but these often apply national tools and measures inappropriate for complex local problems.

The overseas development community accepts that topdown solutions applied by successive governments are significantly less effective in tackling poverty than bottom-up, community driven approaches (Mayor Steve Chadwick 1 February 2017). >

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Devolving roles and responsibilities

The previous section discussed some of the problems created by "over-centralisation", many of which reflect the difficulty that governments at the national level have when designing policies and programmes for the increasingly diverse communities that make up modern societies. Addressing the problem requires nothing less than an overall paradigm shift, one that brings decisions about services closer to the citizens and communities who use or benefit from those services. Yet such a paradigm shift cannot happen overnight.

It is important that service quality is not diminished as a result of the transfer of a public service, and that the organisation to which a responsibility has been transferred has the necessary capability and capacity to carry it out, as well as the necessary accountability. This requires an iterative or incremental approach. Accordingly we recommend the following for consideration:

- Services, including the appropriate funding, should be transferred to local government (or an appropriately accountable local agency, such as an Iwi/Maori organisation), where it can be shown that improvements in efficiency and effectiveness will be achieved;
- 2. A framework should be established to enable councils to apply to "take over" or run a function that is currently provided by a central government department or agency within their local jurisdiction.
- All constraints on councils and other providers that limit their ability to craft policies and programmes to address local issues should be systematically and cautiously assessed and removed if they provide unnecessary.

1. Devolving local services

In cases where preferences for services vary between localities and the benefits of those services are experienced locally, then responsibility for determining service levels should also be local. This is already the case with activities like sport and recreation, where needs and preferences tend to vary by location, however there are also services that are local in all respect that currently sit with central government. The need for these services, such as services for young people, older citizens and people with mental illnesses, tends to vary by locality. In addition the benefits are also experienced locally creating a strong argument for transferring responsibility to the local level. To improve this situation we believe:

 That central government should regularly review whether or not the services they currently provide or commission would result in more efficient and effective outcomes if decentralised. Such reviews could be the responsibility of the State Services Commission.

- 2. That any transfer of services should also include the funding necessary to provide the services or the means by which the receiving agency can raise the necessary revenue.
- That any transfer, for example to local governments, is accompanied with guidance and support for councils to build appropriate competence and capability (see the Productivity Commission's Report Better Local Regulations 2013 for a model).

This form of devolution should apply to those functions and responsibilities where local capability already exists (or a local council agrees to increase capability) and funding can be provided in a manner that does not compromise local autonomy. However, given different capabilities and interests this approach to devolution and localism will be incremental, perhaps increasing over time as capability and local interest also grows. Examples of services that should be considered for devolution include:

- Vocational training;
- Welfare services for people in need;
- · Mental health services;
- · Social housing;
- Public health;
- Integration and coordination of social services;
- Services to enable older citizens to "age in place";
- Urban development;
- · Employment; and
- Services for young people not in employment or training.

As noted above, important considerations when determining what services are better placed for devolution include the degree to which preferences vary across communities and the diversity of communities, which means that services may also need to be designed and delivered in different ways. We would also expect that any council involved in a transfer or devolution process would also be under a duty to look at whether or not the responsibility, or part of the responsibility, should be further devolved, such as to a community board or local organisation, including Iwi/Maori organisations.

2. Negotiated devolution - enabling councils and organisations to apply to run public services Ministers should be under a duty for existing services to be devolve has community support, there ar participation and the business ca

As our cities grow in scale and capacity they become better placed to take on additional responsibilities. In fact bringing together services, for example, education, employment training and programmes for youth, can result in major benefits to an area. These come from being integrated, better targeted and better able to respond quickly to opportunities.

< Local amenities are major driving forces of change. Localities compete for investment, talent and business growth, and the quality of place, particularly for people and firms with choices, has become more and more critical (Katz & Nowak 2017) >

Councils, partnering with citizens and stakeholders are best placed to decide what functions and powers are best transferred to their areas. Consequently we want councils to have the right to propose the transfer of a service from a government agency to themselves. (There may also be a case to enable transfers to be initiated by community action, for example, by referenda).

We propose a legislative and regulatory mechanism whereby councils and local organisations could request that they be given responsibility for a government service (and the relevant funding) should it be found that the service is failing to achieve its intended outcomes for the relevant community. It is a "case by case" or negotiated approach to devolution and could involve the following:

- councils or organisations would have to show, when applying to take responsibility for a service, that delivery will be cost effective and result in better outcomes than currently being achieved by the central government agency;
- an independent assessment of the local authority's capacity would be critical, similar, for example, to LGNZ's Council Mark assessment programme;

- Ministers should be under a duty to seriously consider proposals for existing services to be devolved as long as the proposal has community support, there are opportunities for citizen participation and the business case indicates improved service effectiveness; and
- Intrinsic to the transfer is funding –where a local government receives a transferred service funding must follow, in the form of a new taxation power, right to levy or general purpose grant.

Any such transfer be accompanied by an agreement setting out mutual obligations for matters like funding, expected outcomes, collaboration and evaluation. Such agreements would be negotiated upfront and be explicit, and would be enforceable through the courts, giving both sides significant assurance in the process.

Negotiated devolution is similar to the City Deal approach implemented in the United Kingdom and elsewhere and recognises the opportunities that are created as urban communities grow. This approach also allows central government to tailor the handover of powers in accordance with the type of council, rather than using a standard template.

< Negotiated devolution at work: the Greater Manchester City Deal. The UK government has sought to drive stronger economic growth by devolving economic development powers to "combined" local authorities, particularly powers and funding related to transport, skills development, economic development and health. >

Example 1: Social housing

In this example a community is experiencing a shortage of social housing, with resulting issues of homelessness, street sleeping and related deprivation. Central government capacity to respond to this has been constrained by the capacity of Housing New Zealand and the capital available to it. Negotiated devolution would allow the council to apply to the Government to take over the social housing function for its jurisdiction, as well as an agreement to build more social housing in an area, along with the relevant share of funding. The transfer would enable the councils to take a place based

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approach to social housing provision and develop an integrated housing strategy involving the not for profit sector, its own social housing stock and its planning and regulatory functions, as they apply to housing.

Example 2: Fragmented services

District XY is grappling with the impact of poverty and related issues of family violence, addiction and educational underunder-achievement – problems that are inter-generational and entrenched. Existing central government policies and programmes have had little to no effect, often because they fail to take into account local circumstances, and tend to be fragmented.

A negotiated approach could involve a council or a number of councils, in partnership with Iwi/Maori and local organisations, to develop new and joined-up approaches appropriate to their specific communities, creating a type of "demarcation zone" where such new approaches can be applied, such as "pooling" or bringing together public spending on youth and family services in an area so that it could be re-prioritised and local agencies commissioned in a manner that takes a place-based approach. The under-pinning principles of this approach are similar to those under-pinning the whanau-ora model.

3. Removing constraints to local decision-making

The ability of local services to meet the needs and preferences of communities is not only constrained by the degree to which they are centralised but also, in some cases, by the presence of regulations that limit or distort local decision-making. These can be processes prescribed in statute or regulation, for example:

- Pre-fabricated buildings one solution to reducing the cost of housing is to use prefabricated homes based on a standard design that in theory should only need one building consent. Under the existing law, however, (which looks set to change) each Building Consent Authority has, by legislation, to provide a building consent for each pre-fabricated design assembled in its own area, thus reducing many of the advantages of using a pre-fabricated approach;
- Public transport regional councils are responsible for public transport, which includes tendering for service providers. Central government sets the rules that regional councils must follow when tendering; these are known as the Public Transport Operating Model (PTOM). While the model prescribes the tendering process to achieve efficiencies many regional councils have found that it severely restricts their ability to commission public transport services that meet the needs of communities;

- The Resource Management Act 1991 sets out land use rules for areas. Adopting a plan can be a highly litigious process and the adoption of a plan can take up to ten years. In response to claims that councils have failed to make sufficient land available for housing (noting that changing a plan can take many years) central government created special housing areas which, in many cases were inconsistent with the provisions of the relevant district plans. A localist solution would be to give councils themselves the ability to make exceptions to their district plans – through an accountable process; and
- Transfer of functions a number of city and regional councils have discussed and in cases agreed that public transport would be better placed with a city council than with the region. Unfortunately the LGA 2002 makes it unlawful to transfer public transport services.

Legislative or regulatory constraints are not the only ones that councils face, access to funding and finance can also cause major problems. The funding and finance issue is discussed in the next section.

If we are to reap the benefits from giving communities the right to have a meaningful say in how their areas develop and grow then we also need to remove the more egregious rules and regulations that limit what councils can do and how things can be done. LGNZ proposes that local government have the opportunity every five years to propose a regulatory reform Bill for the purpose of removing or amending legislation and regulations that constrain the ability of councils to act in the best interest of their communities in an efficient and effective way.

Questions

- Do you agree with the three recommendations in this section, devolution, negotiated devolution and removing constraints?
- What, if any, functions currently provided by central government should be devolved to councils and other local organisations like Iwi/Maori and not for profit organisations?
- 3. What, if any, central government responsibilities would be more effective if your council, or other local organisation, applied to take them over under the negotiated devolution approach?
- 4. Can you identify legislative and regulatory constraints on councils and other local organisations that limit their ability to be responsive to local needs?
- 5. Do you agree with the suggestion that local government should be able to propose a regulatory reform bill?

Funding localism

One of the first challenges any move towards localism needs to get right is funding. If we are serious about enabling communities to develop and take ownership for solutions to local problems and challenges then fiscal discretion is essential. Unfortunately, the current way in which councils are funded fails to adequately incentivise them to grow their tax base in order to invest in the services, amenities and infrastructure that will attract new residents and investment.

< What the housing crisis says about council funding and financing options: Constraints on council funding and financing have exacerbated our housing crisis. To meet the demands of new residents for infrastructure and amenities councils must borrow. The lack of financing options has resulted in some "growth" councils having already reached their "prudent" debt levels, limiting their ability to invest in further infrastructure. >

Councils receive most of their revenue from rates, a tax which is levied on property and is set annually to meet spending plans. This is an efficient arrangement, in that it makes these taxes easy to collect and difficult to avoid because property is fixed in place and central government has conferred coercive powers on local government to ensure that they are paid.

But it is a system that suffers because of its inflexibility. In our view there are two fundamental issues; one is the need for councils to have access to what we call a buoyant tax, that is a tax that is sensitive to the state of the economy, while the other is the need for councils to have the power to establish local taxes or levies in order to address locally specific issues. These are discussed below.

Why growth can be seen as a cost

Providing services and infrastructure to support growth benefits many sectors, but not council revenue:

- residents gain from the benefits of increased GDP, household income and house prices.
- the wider region benefits through greater economic growth, employment and new amenities;
- central government gains from the increases in taxation.

While growth provides benefits to residents, visitors, the wider region and central government, local government revenue remains static, unless councils vote to increase rates.

A buoyant tax for local government

Central government taxes are buoyant, that is they automatically grow when the economy grows – this is not the case for local authority rates. Should a local or regional economy grow significantly council revenues will remain unchanged, even though the demand for local public infrastructure to enable the economic upswing to continue increases. To meet the additional demand rates will need to be increased at the next annual plan and budget.

One solution would be to introduce a local tax, as happens in a number of countries whereby citizens pay taxes to their municipality as well as to central or federal government. Alternatively, a share of the GST spent in their districts or cities could be retained or returned to councils.

A second solution, which might help "sell" the idea to central government, would be a "tax swap" whereby the Government agrees to share a proportion of its GST income with councils in exchange for a share of each council's property taxes. While it might not appear to address councils' immediate funding needs it would provide a strong incentive to promote local economic growth, as their GST receipts would increase respectively. This may need to be accompanied by a rates cap to ensure that taxes stay low, and councils' incentives are aligned with growing the local economy.

Introducing local specific levies or taxes

Some areas face unique pressures that existing funding tools are insufficient to solve and where central government processes are either too slow, or unsupportive, to help adequately. Two examples are Queenstown Lakes District Council (see insert), which faces pressures of visitor demand, and Auckland Council, which faces pressures created by fast population growth.

In both cases reliance on property taxes and limits on the ability to borrow have exacerbated the problems facing the councils and their communtiies, risking the attractiveness of Queenstown as a holiday destination and economic growth in Auckland due to housing affordability and an infrastructure backlog.

Local pressures

Queenstown Lakes District Council is an example of a council facing locally specific funding pressures. It has to support three million visitors annually off a permanent population base of just over 28,000. The existing revenue sources available to the council make it difficult to charge visitors for the demand on local amenities and infrastructure they create. This limits the local and national benefits that New Zealand receives from tourism.

The council has held a referendum to seek views on the introduction of a visitor levy, which received 80% support. Yet the council will need to get central government approval.

The answer is to allow affected councils to develop locally specific funding tools which are able to be targeted to those sectors creating the pressures and which are more responsive to population changes. These could include, for example:

- allowing councils to develop a local levy or tax to meet "exceptional" demands, such as the impact of visitors on infrastructure. This would need to be supported by a robust regulatory framework to ensure it operates in an efficient and accountable way and also evidence of community support, such as through a local referendum; and
- allowing councils to charge a resource rental tax, or royalty tax. As it stands, central government already charges a royalty tax on certain forms of mining (notably oil and gas). Given that it is communities who must fund the costs of enabling these activities (through local amenities and infrastructure) a better arrangement would be to share these revenues with local councils.

Ouestions



Ensuring well-being investment meets local needs

The Government is changing the way in which it set budget priorities, shifting from a narrow focus on economic growth to a more holistic approach based on inter-generational well-being. This is to be supported and aligns well with local government's focus on the well-being of their communities. However communities' needs and their perceptions of well-being will not always be the same and understanding those differences will be a challenge for national decision-makers when determining priorities and budget allocations. Local government, with its ability to take holistic and place-based approaches is ideally positioned to assist governments better understand and prioritise local investment in well-being.

< A well-being policy approach that is directed by central government is insufficient to address issues relating to the wellbeing of residents across different communities. Significant local involvement in policy-making related to wellbeing – as envisaged with the four well-beings for local government – is required (Grimes 2019). >

Why this is important

The Government's decision to develop budgets on a well-being basis, rather than simply a focus on the well-being proxy of gross domestic product, is a positive step but it is essential that it recognises the degree that communities' well-being needs differ. One of the reasons why this is important is that 90 per cent of public revenue is allocated by central government alone and its distance from communities' means that national decision makers are not well placed to:

- Understand local needs and priorities;
- Understand local values and processes; and
- Determine local trade-offs between competing policy tradeoffs given that resources are always constrained.

While there are a number of matters where a consistent national, one size fits all, approach is important, such as human rights and health and safety regulations, in many policy areas, from education, employment to housing, more nuanced approaches that reflect local differences should be applied. To achieve this we need processes that enable citizens and organisations "on the ground" to be actively involved in identifying both the priorities and longer term strategies needed to strengthen local well-being in their localities. In a recent paper on this issue Arthur Grimes (2019) argued that:

For officials, several challenges are highlighted and, again, mind-sets may need the greatest alteration. The ability to engage with local communities in an ongoing fashion to ascertain appropriate well-being objectives will be crucial. This involves skilled engagement processes. These processes could involve, inter alia, community mapping and modelling, the use of arts and creativity to promote community input, public meetings, forums, web-based engagement, futures exercises, street stalls, community surveys, citizens' panels and citizens' juries (Grimes 2019 p.48). < While a great deal has been written on well-being to date, the focus has been either on the well-being of the country or on the well-being of the individual. Relatively little attention has been paid to the well-being of individuals living in particular economic and social contexts.

The ability to assess the impact of local context on individual well-being constitutes the theoretical and methodological base upon which to build effective local well-being policy (Morrison 2019 p52). >



The problem with trials

In the previous section we noted the tendency for governments to take a "helicopter" approach when faced with emerging and localised problems. The approach involves short term policy and programme trials, such as Strengthening Families and the Social Sector Trials, which bring together local social service agencies and often utilise the mandate, knowledge and capability of local government, including mayors, to provide a "joined up" approach. Trialling new policy initiatives is good practice especially when associated with appropriate evaluation and eventual policy learning. Many of these initiatives proved successful and made a measureable impact in the host community. Yet few if any were followed by permanent services or funding. In fact some mayors noted that the social problems, often reduced during the trial, increased markedly after the trial was completed. Unfortunately the frequency with which trials are implemented is more a recognition of the limited knowledge and understanding of local circumstances held by national decision-makers than a commitment to putting place a sustainable service delivery model.

The trials, and similar initiatives, often proved the value of taking a collaborative approach to address a local social issue, however, a more sustainable approach is needed. Meaningful partnerships are required so that good-will and any lessons from any trials are not lost. The example of Gore District Council and The Hokonui Huanui project (see insert) is an example of where a community decided, by itself, to keep the initiative going and have been lucky enough to receive funding through the Provincial Growth Fund. A more sustainable approach, based on inter-sectoral partnerships, is needed to ensure successful initiatives, such as this, are not lost. **The Hokonui Huanui project**, project, formerly a social sector trial, is designed to provide a platform to address the challenges faced by children and young people in Gore by:

- Improving the well-being and safety of our children and young people and their engagement in education;
- Facilitating cross-sector support for family/whanau;
- Getting young people in jobs.

After the trial was wound up and because of its positive impact Gore District and local organisations sought funding to keep the initiative going. Funding has recently been received from the Provincial Growth Fund.

< Collaboration and co-design help to connect people and enable them to uplift each other's visions and projects. This part of the approach is very important in the South because there are generational gaps that can separate people (Feedback on the Southern Initiative, Auckland). >



The solutions

The Government's desire to look at its spending through a "wellbeing lens" provides an opportunity to take a localised and placebased approach to improving the lives of citizens and communities that our current model is failing to adequately provide. If we are to improve the well-being of all communities, rather than those that are the most articulate and organised, then resources should be allocated in response to need not just opportunity.

Citizens need the opportunity to identify priorities that are relevant to their communities, after all some areas will need greater investment in skills and training while others might be more concerned about social housing or care of the elderly. Options for achieving this might include:

- Encouraging councils, working collaboratively with local partners, to prepare local well-being plans setting out wellbeing priorities (including the necessary trade-offs) for districts and cities and sub-areas within them;
- Ensuring that well-being plans are formally acknowledged as an input when the Government is preparing its annual well-being budget, including the opportunity for local representatives to speak to their plan;
- Strengthening accountability and effectiveness by having councils report on their economic, social, cultural and environment activities, in their annual plans, much the same way that publicly listed companies do in relation to their targets.
- Requiring central government to also complete its own "wellbeing annual report", such as that published by the Welsh parliament, to similarly enhance accountability for its actions. Such a report would assist in shifting the public's focus from just the spending decisions made through the budgetary process to a greater focus on whether governments have delivered on their stated aims. More practically, it will also provide an interface that councils can use to see what functions provided by central government might be better performed, and lead to better wellbeing outcomes, if undertaken locally.

< The city centre plan aims to drive a fundamental revitalisation of the [Whangarei] city centre. We recognise that for this to be successful, businesses and communities must be able to participate in decision-making and partner in implementation (Whangarei District Council) >

The shift to a public budgeting approach that takes into account well-being information from each of our different communities is a welcome recognition of both New Zealand's diversity and the need to shift from standardised policy solutions. However, achieving a more accurate understanding and knowledge of local needs is only half the challenge, the second issue, and just as important, concerns how services, intended to addressed local needs, are designed and delivered. It is here that councils, communities, Iwi/Hapu and others have a large role to play in co-designing and co-producing public services designed to improve inter-generational well-being.

More of the nationally designed and directed contestable model for commissioning local services will not achieve the outcomes sought. New models, that build on councils' democratic leadership mandate to mobilise and work with citizens and local organisations to ensure community needs are addressed in an appropriate manner, are required.

Questions

- Do you agree that the government's annual well-being budget process should be informed by priorities set by each community?
- 2. What roles could councils play to ensure that government spending on well-being addresses local needs and priorities?
- 3. Do you agree with the suggestion of local well-being plans and reports?



Deepening democracy

Democracy, not just in New Zealand but in much of the world, is under pressure. Fewer people are voting, trust in democratic institutions is declining or low and we are seeing a growth in populist parties, many of which show little sympathy for the democratic process that put them in power. One reason given for this "democratic recession" is a growth in the number of citizens who feel marginalised and excluded from social and political life.

The best solution to feelings of disempowerment is more democracy, rather than less. And democracy at a grass roots level – where citizens can have a meaningful say in the way in which their town or city develops. As discussed in the previous sections wellbeing cannot be imposed from the centre and what communities consider to be well-being will vary from place to place. If further public investment in well-being is to make a difference it will need the meaningful involvement of citizens themselves.

< (Disempowerment) gives rise to populism, namely that government serves only the elite that constitutes it and is too remote and uncaring about problems at the grassroots (A C Grayling 2017). >

The localist solution

The purpose of local government (s.10 LGA 2002) makes it clear that councils have an obligation to enable democratic decision-making by and on behalf of their communities. Consequently engagement is not simply finding out what people think about the state of their communities; it is also about empowering them to be part of the decision-making process itself. This is intrinsic to our approach to localism. Historically this has not always been the case. Too frequently public institutions have made decisions before asking people for their opinions. Not surprisingly interest in consultation seems to have tailed off.

Real engagement involves citizens and organisations at the start of a decision-making process, at the stage when the problems are being identified and the options for solving them worked out. This allows for meaningful, rather than token, involvement. If councils are given additional roles and functions or seek additional funding, such as the implementation of a local levy, then engagement with citizens and communities will need to be paramount.

< Making our country a fairer, healthier and wealthier place will not be achieved without a democracy in which people can see how decisions are made, and where communities are active participants in that process (Scottish Commission on local democracy). >

Active engagement with local citizens, Iwi/Māori, businesses, not for profits and other local interests is vital if localism is to work and deliver better services and outcomes for New Zealand. It requires enhancing the power of communities and helping people up and down the country to define their own priorities. In this way we strengthen local democracy by increasing participation and ensure that governments, local and central, work to promote the public good.

Engagement is also critical should a council decide to apply for the transfer of a government responsibility. This needs to occur to show that the reasons for the request, as well as any implications, are well understood and supported. This is essential to provide central government with the comfort that the council has standing amongst its own citizens and that an application has been subject to local scrutiny.

To have any confidence in this framework, councils will need to show that their decision-making is guided by their communities to a higher degree than is currently practiced, and that they are held to account for decisions made. < Within a localism paradigm, greater decentralisation of power, decision making and resources to local government needs to be accompanied by corresponding increases in community engagement, participation and activation. Inspiring Communities' experience in community change suggests that localism discussions and debates need to attend to the broader range of factors that support longterm community transformation (Courtney 2019). >



Strengthening citizen participation

Localism is not just about shifting decision-making from central government to local government, it also involves giving citizens themselves the ability to be directly involved in the decision-making process. We want to devolve power to communities through a reform of the local government system, not a devolution of power to local government per se. To make this work we need to move away from the pure "representative" model of democracy currently in use, where councillors are ultimately accountable at the ballot box, to one that is inclusive and engages the community in the decisionmaking process.

The approach has shown the importance of localism in transformational change:

- The need for an integrated framework driven by local community and supported by an integrated organisational culture
- Local ownership of strategic direction and implementation
- Developing partnerships. Central government support and partnership for locally driven approaches (Whangerei District Council).

To work, decision-making needs to be brought as close as possible to the communities it impacts on. Because councils in New Zealand are unusually large (average population is more than 60,000 residents) they consist of multiple communities which may have quite different needs and preferences. The challenge is to deepen democracy within councils to allow our distinct communities to contribute, by, for example:

- Sub-municipal bodies one important mechanism for doing this is our network of community boards and in Auckland's case, local boards. There are currently 110 community boards in New Zealand located in approximately 40 councils. Auckland contains 21 local boards. These sub-municipal bodies offer a relatively unique approach (similar to parish councils in England) for putting localism into practice because of their proximity to neighbourhoods. They are well positioned to identify local needs and facilitate community discussions about well-being priorities;
- Participatory budgeting our localism can only work if citizens have a meaningful say in the way local budgets are set. Councils will need to look for innovative tools and techniques in order to draw on the knowledge and wisdom of their communities when determining priorities, for themselves and for their communities, for example participatory budgeting. New York City has agreed

to adopt a participatory budgeting approach, based on wards, for setting a share of its budget. Participatory approaches will need to be designed to ensure that all communities are able to contribute to the priority setting processes.

The evidence suggests the quality of decision-making is improved where government actions more closely match the wishes of their citizens. In this way, empowerment can revive civic society and drive improvements. There are numerous systems that can be used to achieve greater community engagement in council decision-making, including community-led planning and citizen juries etc. LGNZ is agnostic as to which models councils should adopt, after all localism is about choosing bespoke solutions to bespoke challenges.

To build trust in local decision-making councils will need to show that they have listened to communities and put community directives into practice. For localism to be effective councils will need to make use of a wider range of engagement tools than many of them currently use. How, when, and to what degree those tools are applied is at the discretion of their communities, and councils must be held accountable for how they have used them. One way of doing this wold be through some form of external assessment.

< There are, and have been, many examples of direct democracy in action. Whanganui's annual referendum, which ran between 2005 and 2010, was one.

Under that programme the community was asked to vote on the council's proposed spending objectives, such as whether they preferred a low, medium or high rates increase, with the respective spending implications of each option laid out. > LGNZ's localism agenda is designed to deepen democracy in two ways. The first is by increasing salience, making local governments more relevant and enabling citizens to have more influence on council decision-making. The second is by providing opportunities for citizens to be directly involved in making decisions about their own neighbourhoods and communities. Feelings of disempowerment and distrust are likely to decline as more and more citizens become active participants in the governance of their own areas. Our democracy is enriched by the active participation of our citizens.

Questions

- What additional approaches could be used to strengthen participation in local government decision-making?
- What needs to change to strengthen relationships between councils, Iwi/Maori, business organisations and the community/voluntary sector?

No more cost shifting and unfunded mandates

LGNZ is calling for an end to cost shifting and unfunded mandates. These occur when central government requires a council to undertake a new service but fails to provide the funding necessary to carry the service out. They can also occur where councils are required by central government to increase service level standards of existing services, again with no funding to pay the additional costs.

The problem

Cost shifting and unfunded mandates are a problem in a democracy as they undermine accountability. In a way they are like a "free lunch" for ministers, letting them take the credit for an improvement in a local service while local politicians get blamed for the resulting increase in property taxes needed to pay for this intervention.

Preventing cost shifting and unfunded mandates is also important to our localism agenda as arbitrary interventions by ministers in decision-making by councils will ultimately diminish the willingness of citizens to contribute to, and the willingness of elected members and officials to endorse, a localist approach.

Giving councils the tools to do the job

In 2012 the Sale and Supply of Alcohol Act was amended to give communities the right to adopt local alcohol policies in order to control harm from the sale and consumption of alcohol. Years later many councils are still trying to adopt their policies despite spending significant resources defending legal challenges.

This example highlights a common situation where central government gives councils a duty but fails to provide them with the powers or resources to carry the duty out in a way that will meet the expectations of their communities or the intent of the legislation.

Our proposal

We propose that legislation is drawn up and enacted to either stop cost shifting and unfunded mandates or require that any such measures:

- Require central government officials to tally and disclose the costs new policy interventions would impose on local tax payers, or
- Put an actual funding obligation on policy makers to provide the required funding; or
- Provide a local tax or levy sufficient to enable councils to pay for any new duty or enhanced levels of service.

An example of such a statute is the Unfunded Mandates Reform Act', passed by the United States Congress under President Clinton (see box below). Such a statute would significantly raise the level of consideration that central government and its officials give to the costs it imposes on local government as well as alert citizens to the full implications of the policy debate. Whether by political or fiscal pressure, a New Zealand version of the Unfunded Mandates Reform Act would end central government's free lunch.

¹ https://www.gsa.gov/policy-regulations/policy/federaladvisory-committee-management/legislation-and-regulations/unfundedmandates-reform-act

Constitutional safeguard

Such a statute would, over time, also strengthen the separation of powers, as any law – be it a truly new law or a modernisation or review of an existing one – would be subject to the unfunded mandate statute's binding disclosure and/or funding requirements. As far as it relates to the relationship of central and local government, the effect would be to replicate a level of protection usually guaranteed by a constitution. For voters this would at a minimum increase transparency and accountability, and do so at both tiers of government.

The cost of regulation

The National Policy Statement on Urban Development Capacity was introduced by central government in 2016 and requires councils experiencing population growth to assess their capacity to provide for that growth.

The NPS is extremely prescriptive and complex to implement, and based on a flawed economic model. Christchurch City and its two neighbouring councils have so far spent approximately \$1.2m on meeting the policy's requirements, and overall most councils using it have found the tool to be unfit for the purpose it was intended.

Many countries around the world preserve the sovereignty of central and subnational governments through a formal constitution. These constitutions lay out a delineation between the various tiers of government and their powers in law. Attempts to change this have to meet a high democratic threshold, or do so through backchannel means that are likely to cause reputational damage if exposed.

This unfortunately is not a channel open to New Zealand at the moment, especially if the aim is to solve the institutional problems with central and local government. While a constitution, depending upon how it is drafted, can provide long-term certainty of role and existence for local government, the complexity involved in its passage means that it is not an immediate option. An unfunded mandates act would operate in a quasi-constitutional way by putting some formality around the central local government relationship, formality which is not currently present.

Although the power of Parliament is supreme in New Zealand, once passed, it is safe to presume that unfunded mandates legislation would be resistant to change as any government seeking to appeal it would have to justify to the public why it seeks to reinstate its free lunch at the expense of their rates bills. We would also expect such legislation to be entrenched, making it more difficult to amend. < The Unfunded Mandates Reform Act of 1995 (UFMA) was designed to limit the number of unfunded mandates that were being imposed on states by the US federal government. It requires that any proposed transfer must have the costs disclosed and be accompanied with adequate federal funding. >

Questions

- Do you agree that legislation will solve the unfunded mandates and cost shifting problem?
- 2. Are there other measures that you would recommend to reduce costs being imposed on councils?
- 3. What else could be done to protect the constitutional status of local government?



Feedback sheet

We value your feedback on our localism proposal, these questions have been designed to help your response.

- 1. Do you agree with the three recommendations in this section, devolution, negotiated devolution and removing constraints?
- 2. If not what would you change?
- 3. What, if any, functions currently provided by central government should be devolved to councils and other local organisations like lwi/Maori and not for profit organisations?
- 4. What, if any, central government responsibilities would be more effective if your council, or other local organisation, applied to take them over under the negotiated devolution approach?
- 5. Can you identify legislative and regulatory constraints on councils and other local organisations that limit their ability to be responsive to local needs?
- 6. What additional form of funding or tax should councils have access to in order to meet community expectations and address future challenges?
- 7. What process should councils go through in order to implement a new levy or tax?
- 8. Do you agree that the government's annual well-being budget process should be informed by priorities set by each community?
- 9. What roles could councils play to ensure that government spending on well-being addresses local needs and priorities?

- 10. Do you agree with the suggestion of local well-being plans and reports?
- 11. What additional approaches could be used to strengthen participation in local government decision-making?
- 12. What needs to change to strengthen relationships between councils, Iwi/Maori, business organisations and the community/ voluntary sector?
- 13. Do you agree that legislation will solve the unfunded mandates and cost shifting problem?
- 14. Are there other measures that you would recommend to reduce costs being imposed on councils?
- 15. What else could be done to protect the constitutional status of local government?

Please send your comments and feedback by **15 December 2019** to mike.reid@lgnz.co.nz or send to:

Dr Mike Reid Principal Policy Advisor Local Government New Zealand PO Box 1214 Wellington 6011 References and more information

References and more information

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We are. LGNZ. Te Kāhui Kaunihera ō Aotearoa.

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Southland Reg Stratford. Taranaki. Tararua. Tasman. Taupō. Tauranga. Thames-Coromandel. Timaru. Upper Hutt. Waikato Distric Waikato Region Waimakariri. Waimate. Waipa. Wairoa. Waitomo. Wellington. West Coast. Western Bay of Plenty. Westland. Whakatāne. Whanganui. Whangarei.





4.1 Local Government Funding Agency – Quarterly Report to 30 September 2019

Meeting:	Strategy, Planning and Development Committee
Date of meeting:	18 December 2019
Reporting officer:	Alan Adcock (General Manager – Corporate / CFO)

1 Purpose

To provide the quarterly report for the Local Government Funding Agency (LGFA) to 30 September 2019.

2 Recommendation

That the Strategy, Planning and Development Committee notes the Local Government Funding Agency quarterly report to 30 September 2019.

3 Background

The LGFA is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002, in which Council has a shareholding.

The LGFA 2019/20 Statement of Intent requires the Company to produce a quarterly report to shareholders. The LGFA quarterly report for the period ending 30 September 2019 is attached.

Alan Adcock, General Manager – Corporate has a governance relationship with LGFA as Chair of the LGFA Shareholders' Council. This is a group of representatives from nine local authorities and Central Government who monitor LGFA performance and make recommendations to all shareholders (including Whangarei District Council) on relevant matters.

4 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

5 Attachment

LGFA Quarterly Report to 30 September 2019


Quarter 1:	2019 - 2020
Period ended:	30 September 2019



Conte	ents	Page
Α.	September quarter issuance and highlights summary	2
В.	Tenders during quarter	3
С.	Key performance indicators	5
D.	Summary financial information (provisional and unaudited)	7
Ε.	Performance against SOI objectives	8
	1. Providing savings in annual interest costs for all Participating Local Authorities ("PLAs") on a relative basis to other sources of financing	8
	2. Offering short and long-term borrowings with flexible lending terms	10
	 Enhancing the certainty of access to debt markets for PLAs, subject always to operating in accordance with sound business practice 	11
	4. Being the debt funder of choice for New Zealand local government	13
	 LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each PLAs financial position and the general issues confronting the Local Government sector 	13
	 LGFA will take a proactive role to enhance the financial strength and depth of local government debt market and work with key central government and local government stakeholders on sector and individual council issues 	14
	Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy	14
	8. Provide at least 75% of aggregate long-term debt funding for Participating Local Authorities	14
	9. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4	14
	 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses 	15
	11. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015	15
	 Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency 	15
	 Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders 	15
	14. Comply with its Treasury Policy as approved by the Board	16
F.	Investor relations / outlook	16
G.	Key trends	18



Quarter 1:2019 - 2020Period ended:30 September 2019

Quarter	Total	Bespoke	2020	2021	2022	2023	2024	2025	2027	2029	2033
		Maturity									
Bonds issued \$m	620	N/A	-	-	60		60	-	-	450	50
Term Loans to councils \$m	419	235	-	-	7.5	12	56.5	-	31	77	-
Term Loans to councils #.	46	25	-	-	1	3	8	-	3	6	-
	46	25	-	-	1	3	8	-	3	6	-

A. September quarter issuance and highlights summary

Year to date	Total	Bespoke Maturity	2020	2021	2022	2023	2024	2025	2027	2029	2033
Bonds issued \$m	620	N/A	-	-	60		60	-	-	450	50
Term Loans to councils \$m	419	235	-	-	7.5	12	56.5	-	31	77	-
Term Loans to councils #.	46	25	-	-	1	3	8	-	3	6	-

Key points and highlights for the September quarter:

- The LGFA bond curve continued to flatten and fall over the quarter with yields declining between 39 bps (2021s) and 57 bps (2033s). Over the past year the yield on the 2020 LGFA bond has declined 88 bps while the 2033 LGFA bond yield has declined 179 bps closing at historic lows.
- LGFA issued \$620 million of bonds during the quarter via one tender of \$170 million and a syndicated \$450 million offer of a new April 2029 bond. The average term of issuance during the quarter of 8.85 years was longer than both the previous quarter and the average term of 6.62 years for the 2018-19 year.
- LGFA margins to swap were slightly wider by between 4 bps and 6 bps over the quarter. The large amount of issuance and narrowing in swap spreads to NZGB were the major influences. LGFA spreads to NZGB narrowed between 3 bps (2020s) and 17 bps (2025s) over the quarter.
- Long dated on-lending to council borrowers during the quarter was \$419 million, including \$235 million of bespoke maturity loans (56% of total lending). The average term of on-lending during the quarter at 6.39 years was longer than the 2018-19 financial year average of 6 years.
- LGFA has market share of 87.1% of total council borrowing for the rolling twelve-month period to September 2019 (compared to a historical average since 2012 of 73%). We provided 100% of council borrowing during the September 2019 quarter.
- Short-term lending remains supported by councils with loans outstanding of \$436.6 million as at 30 September 2019. This was an increase of \$74 million over the quarter and the number of councils using this product reduced by two to twenty-eight.
- LGFA Net Operating Gain (unaudited) for the three-month period was \$2.61 million or \$729k below budget with Net Interest Income \$714k below budget (due to unrealised swap losses of \$677k) and expenses \$15k above budget.
- One new council joined LGFA over the quarter (Taranaki Regional Council), increasing the number of councils to sixty-five councils. There are fifty-three council guarantors as at 30 September 2019. We are expecting a further two councils to join over the next twelve months.

Quarter 1:2019 - 2020Period ended:30 September 2019

B. LGFA bond tenders during quarter

LGFA held one bond tender and one syndication during the quarter.

Tender 65: 17 July 2019

\$170 million

Tender 65- 17 July 2019	14-Apr-22	15-Apr-24	14-Apr-33
Total Amount Offered (\$million)	60	60	50
Total Amount Allocated (\$million)	60	60	50
Total Number of Bids Received	12	12	14
Total Amount of Bids Received (\$million)	155	206.8	87
Total Number of Successful Bids	6	2	11
Highest Yield Accepted (%)	1.600	1.795	2.730
Lowest Yield Accepted (%)	1.585	1.785	2.690
Highest Yield Rejected (%)	1.645	1.860	2.765
Lowest Yield Rejected (%)	1.600	1.795	2.730
Weighted Average Accepted Yield (%)	1.593	1.794	2.732
Weighted Average Rejected Yield (%)	1.611	1.891	2.737
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	10	88.7	12
NZGB Spread at Issue (bps)	42.50	58.00	93.00
Swap Spread at Issue (bps)	24.50	36.50	69.00
Swap Spread: AA council (bps)	36.25	48	86
Swap Spread: AA- council (bps)	41.25	53	91
Swap Spread: A+ council (bps)	46.25	58	96
Swap Spread: Unrated council (bps)	56.25	68	106
Coverage Ratio	2.58	3.45	1.74

The tender result was an improvement on the previous tenders with slightly better bid coverage ratios, improved pricing relative to market (but still at a concession to mid yields) and tighter spreads to both NZGB and swaps on the 2033s but slightly wider on the 2022s. The large decline in yields and a \$550 million 5-year Kauri issue by IFC in the previous twenty-four hours dampened investor sentiment.

Bank balance sheets and trading books were the buyers with some institutional investor buying assumed. Over the previous week there had been selling from offshore investors following the outperformance of LGFA bonds on a spread to NZGB and the recent rise in the NZD.

The tender size of \$170 million was in line with the average tender size (\$167 million). Council borrowing demand remained strong at \$163.5 million with both new borrowing and the commencement of refinancing of April 2020 loans by councils (new financial year) increasing demand.

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Price support was stronger for the 2022s and 2024s but weaker again for the 2033s. Bidding volume was average with the overall bid coverage ratio of 2.64x. The bid coverage ratio was highest for the 2024s (3.45x) and lowest for the 2033s (1.74x). Bidding volumes were again muted with eleven successful bids (out of fourteen submitted) for the 2033s. The successful bid ranges were between 1 bps (2024s) and 4 bps (2033s).

The spread to NZGB compared to the June 2019 tender was 3.5 bps wider on the 2022s and 7 bps tighter on the 2033s. The spread to swap widened by 1.75 bps on the 2022s but 6 bps tighter on the 2033s. It was the first time we tendered the 2024s since their syndication in March 2019 (at slightly tighter spreads to both swap and NZGB than this tender).

The average maturity of the LGFA bonds issued was 6.69 years compared to the average for the 2018/19 financial year of 6.62 years. Average term of lending at 5.33 years (64 months) was the shortest since November 2017 and just above our 57-month average term of issuance.

Syndication- 21 August 2019	20-Apr-29
Total Amount Offered (\$million)	450
Total Amount Allocated (\$million)	450
policy	
Total Amount of Bids Received (\$million)	450
Total Number of Successful Bids	
Highest Yield Accepted (%)	1.687
Lowest Yield Accepted (%)	1.687
Highest Yield Rejected (%)	1.687
Lowest Yield Rejected (%)	1.687
Weighted Average Accepted Yield (%)	1.687
Weighted Average Rejected Yield (%)	1.687
Amount Allotted at Highest Accepted Yield	
as Percentage of Amount Bid at that	
Yield*	100
NZGB Spread at Issue (bps)	63.00
Swap Spread at Issue (bps)	48.00
Swap Spread: AA council (bps)	58
Swap Spread: AA- council (bps)	63
Swap Spread: A+ council (bps)	68
Swap Spread: Unrated council (bps)	78
Coverage Ratio	1.00

April 2029 Syndication: 21 August 2019 \$500 million (including \$50 million of Treasury Stock)

The syndication of \$500 million of a new 20 April 2029 bond was the second syndication undertaken (following the April 2024s in March 2019). The \$500 million of issuance included \$50 million of treasury stock allocated to LGFA. We received \$530 million of orders into the book from 32 investors of which we estimated the allocations on the \$450 million net amount issued were \$167 million (37.1%) from offshore,



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\$173 million (38.5%) from bank trading books and balance sheets and \$110 million (24.4%) from domestic investors.

The issuance yield was 1 bps above prevailing implied mid rates and the outcome was successful in terms of a new maturity available for issuance (rather than wait until April 2020 to issue a new maturity), more term funding at attractive spreads, additional cash for Liquid Asset Portfolio and we tested market capability and capacity for a 10-year bond (vs the 5-year syndication in March 2019)

We on-lent \$163.5 million of the proceeds to ten councils and the average term of lending at 9.33 years (112 months) was the longest since April 2017 and well above our 57-month average term of issuance.



C. Key performance indicators (Section 5 of SOI)

Section 5 of the SOI sets out the ten key performance targets

We have met (or on track to meet) eight out of the ten performance targets.

The two performance targets we are not currently meeting are

- Issuance and operating expenses (excluding AIL) are above budget by approximately \$15k for the three-month period to 30 September 2019. Higher legal and NZX listing costs than budget was associated with the 2029 LGFA bond syndication in August as well as legal costs relating to the CCO lending proposal have contributed to these costs exceeding budget.
- Net interest income is below budget by \$714k due to the unrealised valuation movement on swaps that are not in a hedged relationship of \$677k. The remainder of the underperformance relative to budget of \$37k is due to the impact from lower interest rates resulting in lower than expected interest income on the invested share capital and retained earnings.



Quarter 1:	2019 - 2020
Period ended:	30 September 2019



Measure		Prior full year to June 2019	Q1 30 Sept 2019	Q2 31 Dec 2018	Q3 31 Mar 2019	Q4 30 June 2019				
LGFA net interest income for the period to June 2020 will be	Target (\$;)	\$4.79 m (YTD as at Q1)	\$9.38 m (YTD as at Q2)	\$14.14 m (YTD as at Q3)	\$17.88 m (FULL YEAR)				
greater than \$17.88 million	Actual (\$)	\$18.76 m	\$4.08 m							
Annual issuance and operating expenses (excluding AIL) will be	Target (\$	5)	\$1.45 m (YTD as at Q1)	\$3.08 m (YTD as at Q2)	4.70 m (YTD as at Q3)	\$6.30 m (FULL YEAR)				
less than \$6.30 million	Actual (\$)	\$5.85 m	\$1.47 m							
Total lending (short and long term) to participating councils	Target (\$	5)	\$9.63 b (YTD as at Q1)	\$9.90 b (YTD as at Q2)	\$10.04 b (YTD as at Q3)	\$9.79 b (FULL YEAR)				
to be at least \$9.79 billion	Actual (\$)	\$9.26 b	\$9.737 b							
Conduct an annual	Target (\$	5)	Annual Survey in July each year							
survey of councils and achieve 80% satisfaction score as to the value added by LGFA to council borrowing activities	Actual (%)	80%		July 2019 survey outcome of 100%						
Meet all lending	Target (%	6)	100%	100%	100%	100%				
requests from PLAs	Actual (%)	100%	100%							
Achieve 75% market share of all council borrowing in New	۲arget (% Rolling annual a		>75%	>75%	>75%	>75%				
Zealand	Actual (%)	87.3%	87.1%							
Review each PLA financial position, its headroom under LGFA policies and arrange to	Target (num	ber)	Council visits to total 65 over one year Financial Position + Headroom Review Undertaken in December Qua							
meet each PLA at least annually	Actual		2 council visits but on track to achieve annual target In progress							

Total equity

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No breaches of	Target (zero br	eaches)	nil	nil	nil	nil
Treasury Policy, any regulatory or legislative requirements including H&S	Actual	One	Nil			
Successfully refinance Target (%)		5)	100%	100%	100%	100%
of existing loans to councils and LGFA bond maturities as they fall due	Actual (%)	100%	100%			
Maintain a credit	Target (equiva	lence)	AA+/AA+			
rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	Actual	AA+/AA+	AA+/AA+			

D. Summary financial information (provisional and unaudited)

Financial Year (\$m)	YTD as at Q1	YTD as at Q2	YTD as at Q3	YTD as at Q4
Comprehensive income	30-Sep-19	31-Dec-19	31-Mar-20	30-June-20
Interest income	90.86			
Interest expense	86.78			
Net interest revenue	4.08			
Issuance and On-lending costs	0.61			
Approved issuer levy	Nil			
Operating expenses	0.86			
Issuance and operating expenses	1.47			
Net Profit	2.61			
Financial position (\$m)	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20
Retained earnings + comprehensive income	50.61			
Total assets (nominal)	10,310.80			
Total LG loans (nominal)	9,737.23			
Total LGFA bills (nominal)	463.00			
Total LGFA bonds (nominal)	9,555.00			
Total borrower notes (nominal)	148.81			
				1

75.61

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E. Performance against SOI objectives and performance targets

Primary objectives (Section 3 of SOI)

1. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing

LGFA on-lending base margins are 10 bps for all terms between April 2020 and April 2033 following our change to a flat margin structure in June 2018. The base margin charge covers our operating costs and provides for our capital to grow in line with the growth in our balance sheet to maintain a capital buffer. There is an additional credit margin added to the base margin depending upon whether a council has a credit rating or is a guarantor or no guarantor.

Our estimated annual savings to councils that are based upon the secondary market levels at 30 September 2019 of LGFA bonds compared to bonds issued by Auckland and Dunedin councils are between 3 bps and 4 bps depending upon the term of borrowing. The amount of savings has reduced over the past quarter by between 4 bps and 5 bps. The LGFA borrowing margins to swap have moved out over the past twelve months on our record issuance volume while both Auckland Council and Dunedin City Treasury have issued relatively small amounts of bonds in their own name. LGFA bonds are priced over New Zealand Government Bonds (NZGB) and it has been unhelpful that the spread between swap and NZGB has narrowed. LGFA borrowing spreads have narrowed to NZGB over the past year by between 2 bps to 18 bps and we have passed these benefits onto our council borrowers.

	Savings to AA rated councils (bps)							
30-Sep-19	Dunedin	Dunedin	Auckland	Auckland				
	2020	2021	2022	2025				
AA rated councils margin to swap (bps)	23	30	38	54				
Less LGFA margin to swap (bps)	-9	-17	-24	-41				
LGFA gross funding advantage (bps)	14	13	14	13				
Less LGFA base margin (bps)	-10	-10	-10	-10				
Total savings (bps) *	4	3	4	3				

Note that from 30 June 2017 we removed the implied "LGFA effect" of 10 bps of additional savings in borrowing costs from the above analysis. The LGFA effect was the assessment of immediate savings to councils when LGFA first commenced lending to councils in February 2012.

LGFA continues to borrow at very competitive spreads compared to the AAA rated SSA issuers who borrow in the New Zealand Capital Markets and the domestic trading banks.



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As at 20 Santambar 2010		Comp	arison to	other borro	owers - Sec	ondary Ma	arket Sprea	ad to Swap	(bps)	
As at 30 September 2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
LGFA (AA+)	9	17	24	29	37	41		49		59
Asian Development Bank (AAA)	10	20		32	36		43			
Inter American Development Bank (AAA)		21		33	39				58	
International Finance Corp (AAA)	11	18		35	39			47		
KBN (AAA)		24		38	42	47				
Rentenbank (AAA)	18	24	31	35	40					
World Bank (AAA)	8	19	26	30	35					
Nordic Investment Bank (AAA)										
ANZ (AA-)	31	44		78	85					
BNZ (AA-)	19			69						
Westpac Bank (AA-)			60	71	87					

Outright yields declined to historic lows as global central banks (including the RBNZ) softened monetary policy either through lowering interest rates or forecasting additional stimulus. The interest rate curve continued to flatten with yields on short dated LGFA bond yields (2021s) declining by 39 bps over the quarter while long dated LGFA bond yields (2033s) declined by 57 bps. Over the past year the respective yields have declined by 88 bps (0.88%) and 179 bps (1.79%).

We closely monitor the Kauri market for ongoing supply and price action as this other high-grade issuance by "AAA" rated Supranational issuers such as the International Finance Corporation (IFC), Inter-American Development Bank (IADB) and the Asian Development Bank (ADB) influences LGFA demand and pricing. These borrowers are our peer issuers in the NZD market and have the most influence on our pricing. The September quarter was a better period for Kauri bond issuance with \$1.445 billion of issuance by IADB, IFC, and ADB compared to \$1.85 billion in the first six months of this calendar year. The same theme continues of reduced offshore investor demand for NZD product as well as more attractive borrowing spreads for issuers in the US and European markets has led to the fall in issuance activity. This has assisted LGFA to issue a greater volume but has not led to significant margin improvement.



LGFA NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

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2. Offering short and long-term borrowings with flexible lending terms

The average borrowing term (excluding short dated borrowing) for the September 2019 quarter by council members was 6.39 years and this was slightly longer than the 6.0 years average term for 2018-19 year. The modest lengthening in average borrowing term is explained by councils borrowing into the 2029 maturity to match the new April 2029 bond that we launched via syndication in August 2019.



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Bespoke lending continues to be a popular borrowing option for council members. During the quarter we lent \$235 million into bespoke maturity dates (non LGFA bond dates). Bespoke lending comprised 56% of total term lending by LGFA to its members during the September quarter and 55% for the 12-month period to 30 September 2019.

Short term borrowing by councils has been well received with loan terms to date of between one month and 12 months on \$436.6 million of loans outstanding as at 30 September 2019 to twenty-eight councils. This is a modest increase compared to September 2018 where we had lent \$414 million to twenty-three councils.

3. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice

LGFA bonds were listed on the NZX Debt Market in November 2015 and average turnover on the NZX Debt market has been \$10.7 million per month or 8.0% of the total turnover of the NZX Debt Market. Turnover on the NZX remains light as retail investors are more attracted to high term deposit rates and higher yielding bond issues by lower credit quality borrowers.





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LGFA started issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 30 September 2019 there were LGFA Bills of \$463 million on issue and short-term loans of \$436.6 million.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. We have no immediate intention to use this programme, but it provides flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

We held one LGFA bond tender during the quarter and launched a new April 2029 bond maturity via syndication. Market support was strong for both the syndication (issued a large volume of a ten-year maturity at prevailing mid-rates) and the tender with a coverage ratio of 2.74x.







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4. Being the debt funder of choice for New Zealand local government

We use the Local Government Debt Report compiled by PwC as our source of market share. Our market share of council borrowing for the September quarter was 100% and for the rolling twelve-month period to 30 September 2019 was 87.1%. This compares to a historical average since 2012 of 73%.

We survey our council members each year and the latest stakeholder survey result in July 2019 was a 100% result to the question "How would you rate LGFA in adding value to your borrowing requirements?". We also received a 99% result to the question "How satisfied are you with the pricing that LGFA has provided to your Council?"

5. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes

(i) LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis

(ii) Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown and

(iii) LGFA will analyse finances at the Council group level where appropriate and report to the Shareholder Council and shareholders as to which Participating Local Authorities are measured on a group basis.

LGFA had meetings with two councils during the September quarter (and sixty-three visits to fifty-two different councils for the twelve-month period to September 2019) to discuss their financial performance and any developments with the underlying council operations. LGFA reviews council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

We are currently receiving the annual compliance certificates from council members ahead of the 30 November 2019 deadline and will report to guarantors the outcome of each council's compliance under the financial covenants in association with the December 2019 quarterly report to shareholders.

LGFA has completed work on credit default assessment analysis of its member councils in preparation for adopting IFRS9 for accounting purposes.

We have been working with Russell McVeagh on making changes to the Shareholder Agreement, Notes Subscription Agreement, Multi Issuer Deed and Guarantee and Indemnity Deed and Foundation Policies to take these to the November 2019 AGM for shareholder approval. The Shareholder Council has engaged Simpson Grierson to act on behalf of council members. Subject to shareholder approval we would expect to be able to offer this product in early 2020.

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No council has yet to request to LGFA that they be measured on a group basis.

6. LGFA will take a proactive role to enhance the financial strength and depth of local government debt market and work with key central government and local government stakeholders on sector and individual council issues

LGFA management met representatives from Treasury, Department of Internal Affairs, investment banks and advisers to discuss both the local government sector in general and how LGFA can play a role in providing solutions to off balance sheet financing. During the quarter, LGFA hosted its annual Shareholder Borrower Day and representatives attended the LGNZ conference, Infrastructure NZ Building Nations Symposium and SOLGM Annual Summit.

Additional objectives (Section 3 of SOI)

7. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

LGFA's Net Operating Gain on an unaudited management account basis of \$2.61 million for the first quarter of the financial year implies that we will be close to achieving the full year SOI financial forecast of \$10.016 million. The average cost of funds for the first four months (including the October 2019 tender) of the current 2019-20 financial year is 1.78%. This is lower than the 2.78% for the prior 2018-19 financial year due to the lower outright level of interest rates. The LGFA Board has the sole discretion to set the dividend.

8. Provide at least 75% of aggregate long-term debt funding for Participating Local Authorities

As noted above, we use the Local Government Debt Report compiled by PwC as our source of market share. Our market share of council borrowing for the rolling twelve-month period to 30 September 2019 was 87.1%. This compares to a historical average since 2012 of 73% and our market share remains strong compared to our global peers.

As at 30 September 2019, there are sixty-five participating local authority members of LGFA. This was an increase of one over the quarter (Taranaki Regional Council) and we estimate a further two councils could become members in the next twelve months.

9. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4

As at the end of the first quarter, Net Interest Income was estimated by management on an unaudited basis to be \$714k below budget while expenses are \$15k above budget. Net Operating Gain of \$2.612 million was \$729k below budget. The variance is largely due to the unrealised mark to market movement (\$679k) in fixed rate swaps that are not designated effective for hedge accounting purposes. The swap valuations have been negatively impacted by the sharp decline in interest rates.





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10. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Expenses for the three-month period on an unaudited, management basis were \$1.467 million which is \$15k above budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding AIL) at \$0.606 million were \$38k above budget. Lower fees than budgeted relating to the NZDMO facility were offset by higher NZX costs and legal costs. A larger amount of bond issuance and short-term lending increased these costs relative to budget.
- Operating costs at \$0.861 million were \$23k below budget due to lower IT and personnel costs offset by higher than expected general operating overhead and consulting costs.
- Approved Issuer Levy (AIL) payments were nil and were in line with SOI forecast. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment. During the quarter there were no coupon payments made on LGFA bonds.

11. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no Health and Safety incidents during the quarter.

12. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency

LGFA has an annual review process regarding our credit ratings from Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") and meets with both agencies at least annually. Meetings were last held in July 2018 with S&P and in September 2019 with Fitch. We expect to meet with S&P in the coming month.

On 4 February 2019, S&P placed our long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

On 18 November 2018, Fitch reaffirmed our long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government.

13. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders

We now expect to commence lending to CCOs in the first half of the 2020 calendar year. The delay has been due to requiring shareholder approval at the November 2019 AGM.



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14. Comply with its Treasury Policy as approved by the Board

There were no compliance breaches at any time during the three-month period ending 30 September 2019.

Policy	Limit	Policy page ref	Continuous Compliance
One-month Liquidity Monitor	>120%	S1-1.1	Yes
Three Month Liquidity Monitor	>110%	S1-1.2	Yes
Twelve Month Liquidity Monitor	>110%	S1-1.3	Yes
Council Exposure (any 12-month period)	<10% of Balance Sheet	S1-1.5	Yes
Liquidity Buffer	>110%	S1-1.4	Yes
Partial Differential Hedge (PDH Interest Rate Gap Report	\$40,000	S3-4.1	Yes
Value at Risk (VaR)	\$250,000	S3-4.2	Yes
Council Maturity (any 12-month period)	\$100m or 33% of LGFA borrowing	S1-1.6	Yes
Funding Largest Council Exposure	>100%	S1-1.7	Yes
Foreign Exchange Exposure	Nil	S7-3.1	Yes
NZDMO Facility Utilisation	Report monthly	S8-8.5	Yes
Counterparty Credit Limits	80% of Portfolio \$125m Counterparty (category 3)	S4	Yes
Auckland Council Exposure (proportion of total Council exposure)	<40%	S1-1.8	Yes
Balance Sheet Maturity Mismatch	<15% of Balance Sheet	S2-2.1	Yes
Financial Covenants	Various (as set out on p13)	S9	Yes
Authorising Treasury transactions	Two approvers, one signature	S8-8.4	Yes

F. Investor relations / outlook

Managing relations with our investor base is very important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our tender issuance. Our focus is on growing and diversifying the offshore investor group as these investors have the most growth potential given that we already receive strong support from the domestic banks and institutional investors.

Domestic banks and domestic institutional investors increased their holdings over the quarter as LGFA bonds remain attractive on a spread to underlying NZGBs and investors chasing yield in the current low interest rate environment. By our estimates



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- Offshore investors reduced their holdings of LGFA bonds by \$75 million over the quarter (and reduced by \$33 million over the past twelve months). NZ bond yields remain unattractive relative to other global markets and there has been a subsequent decline in the holdings of NZ Government Bonds (NZGB), Kauri bonds and LGFA bonds. The decline in NZGB and Kauri holdings has been significant relative to the decline in LGFA holdings. While low interest rates are a positive for our council borrowers, it is more difficult to encourage offshore investors to buy LGFA bonds. They are estimated to hold \$2.89 billion (30% of outstandings) compared to \$2.92 billion (35.6% of outstandings) a year ago.
- Domestic institutional and retail investors increased their holdings by \$354 million over the quarter and were estimated to hold \$2.66 billion (27.6% of outstandings) compared to \$2.229 billion (27.3.0% of outstandings) a year ago.
- Domestic banks holdings have increased by \$376 million over the quarter following the syndication and modest offshore selling. Bank holdings of \$3.72 billion (38.6% of outstandings) are at record highs and compare favourably to \$3.01 billion (36.9% of outstandings) a year ago.





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G. Key trends









4.2 Operational Report – Corporate Group – December 2019

Meeting:	Strategy, Planning and Development Committee
Date of meeting:	18 December 2019
Reporting officer:	Alan Adcock (General Manager – Corporate/CFO)

1 Purpose

To provide a brief overview of work across functions and services that the Corporate Group is responsible for.

2 Recommendation

That the Strategy, Planning and Development Committee notes the Corporate Group operational report for December 2019.

3 Background

The Strategy, Planning and Development Committee terms of reference list key responsibilities which include provision of an operational report from the Corporate Group.

This report provides a brief overview of some of the operational highlights across functions and services of the Corporate Group, including comment on some future planned activities.

4 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

5 Attachment

Corporate Group Operational Report – December 2019



Operational Report – Corporate Group – December 2019

Information Communications Technology (ICT)

The ICT department is an enabler to the organisation providing technology project management and maintaining all ICT systems and applications.

ICT Projects

Project	Description	Current Status	Comment
Technology One Ci to Ci Anywhere	Next software upgrade of core	Delayed	Split into 2 streams of delivery. Stream 1 (Core Enterprise Suite) to be
,	Council system		delivered in March 2020.
			Stream 2 (Property and Rating) to be delivered in September 2020.
Digital Platform	Review and redevelopment of Council websites	On track	Contract being completed with Open Cities as the new Content Management System provider.
Digitisation	Converting physical property files into digital format	On track	Implementation of an internal scanning bureau is almost complete. This will deal with any applications that are not 'born digital'
SIGMA	Asset management migration and upgrade of GIS	On track	Implementation is dependent on the deployment of the TechnologyOne CiA Core Enterprise Suite (see above)

ICT Operations

Regular upgrades of network devices (software and hardware), maintenance of ICT systems and applications, upkeep of ICT infrastructure and security continues to be the main focus of the ICT Operations team.

ICT Operations also has responsibility of directly managing contracts with most vendors and suppliers of technology – such as software licencing, computer helpdesk, network links and cloud services. Vendor management meetings and discussions are on-going to ensure levels of service are consistently maintained, if not improved.

Finance

Financial Report for the five months ending 30 November 2019

Due to the timing of the December Council meeting, our financial report is unable to be prepared in time for the agenda deadline. As we have done in previous years, the financial report for the five months ending 30 November 2019 will be circulated as a memorandum and sent to elected members via email.

2020-21 Annual Plan

Budget managers have input their first draft for the 2020-21 year. Finance are now analysing the data against Year 3 of the 2018-28 Long Term Plan as well as 2018-19 actual results to identify variances/anomalies. Elected members will continue to be updated on progress during upcoming briefings.

The fees and charges process is also underway. This process runs concurrently with the Annual Plan.

2019-20 Annual Report Planning

With the adoption of the 2018-19 Annual Report in October, planning for 2019-20 Annual Report and the associated audit is already underway.

We have attended initial planning meetings with Audit New Zealand, covering both Council and CCOs. Audit New Zealand are currently working through their resourcing and will provide us with a timeline once dates have been confirmed.

Enterprise Budgeting / CiA

The Enterprise Budgeting module of Technology One is now live in CiA. Finance and ICT continue to provide training and assistance to budget managers during this implementation stage.

Resources are strained in some 'business as usual' activities due to a current vacancy as well as a number of our staff being involved with user acceptance testing for CiA. We will continue to monitor this closely.

Revenue

Property, rating and receivable transactions

- In October, the second land rates instalment was sent, payable 20 November.
- Property sales are 1% lower than at November last year.
- 98% of the objections to the 2018 general revaluation are complete. Opteon is now addressing the maintenance backlog, which arose (as expected) due to their focus on the general revaluation objection. We are expecting to be fully up-to-date by early 2020.

Collection and recovery

- The current year's land rates overdue are \$4.5 million, the same as at 31 August 2019. 2,023 letters were sent to property owners who did not pay their land rates before the instalment penalty was added. This resulted in payments from 25% of these.
- Prior years' land rate arrears are \$2.1 million (including 58% for Maori Freehold Land).
- Other receivables are tracking at the same level as last year.

Business Improvement

The Business Improvement Department is heavily involved in several ICT Strategic Projects, high priority business initiatives, as well as having responsibility for delivering certain LTP specific Projects.

Business Improvement Initiatives and Projects

Project	Description	Current Status	Comment
Continuous Improvement Initiative	To implement a system and process for capturing and processing continuous Improvement ideas to streamline work and improve services and process.	On track	Completed research on benefits. Meeting with departments that undertake continuous improvement to understand how they undertake Continuous Improvement.
Project Management Initiative	To create a cross-functional group to review, agree and implement a standard Project Management approach across the organisation	Phase 1 on track	Phase 1 (Process) establishment of roles, project brief and workplan underway.
	including processes and system.	Phase 2 delayed	Phase 2 (PM System) likely to have a dependency on CiA – impact on timing.
Corporate Performance Management (Operational Reporting)	Solicit business requirements for operational dashboard reports, assess existing solutions and prototype operational reporting.	On track	Proof of concept for Dashboard reporting has been created. Being demonstrated to Building Control Dept on 6 Dec.
Workflow Systems Development (Phase 1 – Promapp)	Training and enabling the organisation to document and manage their business processes.	On track	Workshops with second group of participating departments nearing completion.
Organisation Submission and Consultation Process Project	Improve the organisational processes and systems of submissions to all public consultation/engagement exercises.	On track	Statement of Work from Information Leadership reviewed. Scope determined. Budget to come from Democracy and Assurance. Brief Business Case being produced.
Improve eScribe Functionality	Improve how the organisation uses eScribe and unlock new functionality.	On track	Documenting processes.
Library Returns Sorter Project	An automatic returns sorter for the Central Library.	On track	Procurement in progress. Preferred supplier by 20 Dec.
Service Transformation Initiative	Review the end-to-end Customer Relationship Management process and recommend and implement process and system improvements.	On track	Confirming scope and outcomes. Working through problem analysis and defining project activities.

Business Support

Information Management (IM)

Information Management Plan 2019 – 2020 (IM Plan)

Archives management and future options for this remain the current focus of the IM Plan. Appraisal of archives has been completed and we now have a picture forming of retention and disposal actions necessary. We are also considering options around archives future considering space requirements and obligations under the Public Records Act.

Kete Review

The Kete Review training schedule has been delayed due to the conflicts with ICT training delivery (CiA and Sigma – reff ICT). Kete training sessions will begin in the first quarter of 2020.

Procurement

Procurement Manual

The Procurement Policy and related guidelines are in the final stages of being updated. The updated versions reflect a combination of a best practice/best fit WDC and industry.

Workstreams

Major work streams in procurement this month have included:

Service/Good Being Procured	Detail	Procurement Commencement Date	Business Owner	Date Advertised on GETS	Expected End Date
Plumbing Services	To find a panel of local suppliers to provide plumbing services to multiple departments across Council.	June 2019	All of Council	09 Aug 19	Negotiating Contract Ts&Cs. Completion expected Feb 2020
Digital Platform Project	To find a supplier to provide a digital platform (website) and related services.	April 2019	ICT	21 Jun 19	Contracts Signed – Completion Expected Dec 2019
Civic Centre project	To assist the Civic Centre team with requirements around procure- ment aspects of the Civic Centre project.	External procurement consultant engaged June 2018	All of Council	31 Oct 18	Ongoing involvement through design & build phase
Book Sorter	To assist Business Improvement and the Library to find a suitable book sorter.	BI started initial project work in Feb 2019	Libraries	19 Sept 2019	Preferred supplier recommendation by Dec 2019

Service/Good Being Procured	Detail	Procurement Commencement Date	Business Owner	Date Advertised on GETS	Expected End Date
Waahi Whakaritea Kaupapa	Event Booking System	V&E Commenced November 2019	V&E	Yet to be advertised	June 2020
Old Municipal Building	Providing Procurement advice on procurement and purchasing decisions	October 2019	Community	To be determined	Ongoing

General procurement support and advice continues to be available across the business and at the weekly Procurement Clinic.

Business Support also has a number of contracts that we manage directly as they are crossdepartmental such as Electricity, Stationery and Multi-Function Devices (copiers). Supplier meetings and discussions for these contracts continue on a regular basis.

Property Assets

At the time of writing, quotes are being prepared for the painting the remainder of Forum North. Given the public optics of this building it is important that it is maintained to an acceptable standard while acknowledging our likely limited tenure in the building.

Business Support

Vehicle Fleet

No issues or concerns to report on with regards to our fleet.

Business Support Projects (Updates, Delays or Deferrals)

Project	Current Status	Comment
Kete Review	Delayed	Training delayed due to other ICT Training. To be completed Q1 2020.
Emergency Evacuation Schemes for WDC owned buildings	Quotes received. Talking to contractor to find best practice in rolling it out.	Working across the different departments (Civic/Commercial/Community) to roll out in a streamlined manner.

Communications

Digital Platform project

Following the procurement process, a license is being signed with OpenCities to provide a new digital platform to support our Council websites. Initial meetings between OpenCities and Council over December will provide clarity on next steps and the timeline; however, it is expected that work on auditing and re-writing the content on the main Council website will begin in earnest in early 2020.

Media

Media issues of note include:

- Puriri Park release of Independent Commissioner's report
- Hundertwasser cost overrun
- Sale of Dent Street land for new hotel development
- Northport
- Sustainable Solvents Limited
- Jubilee Park (in relation to the housing shortage in the District).

A full list of all media coverage is available in Appendix 1.

New staff internal newsletter launched

A new fortnightly staff e-newsletter was launched on 1 December as part of our Organisation Strategy Action Plan. The newsletter is designed to help improve internal communications at Council by sharing regular CE updates, highlighting key projects and keeping staff across matters of interest for our communities.

Communications projects

A summary of campaigns of note include:

Campaign	Comment
CBD carparking changes	The Communications Department has prepared a communications plan for the roll out of new charges to the CBD and are awaiting instruction from roading on actual date of pricing changeover – February has been suggested as a good time once the Christmas and holiday season is out of the way.
Blue recycling bins	The new blue recycling bins have been promoted via a social media, radio and print campaign that has run since late August. The bins have been well accepted and are, in general, being used correctly. The campaign will wrap up in December 2019.
Speed limit bylaw	Consultation on the first tranche of speed limit reviews in the District (Waipu, Ruakaka, One Tree Point and Vinegar Hill) forms the first tranche of speed limit reviews in the Whangarei District opened in late October and closes 9 December.
Mill Road - road rehabilitation	Stage one of a \$1 million Council roading rehabilitation project started in November. Communications have been published in Council News, and on WDC Facebook Page and website. Phase 2 is scheduled to begin in January 2020.

Social media

Top three highest posts reach on Facebook in November 2019 – refer to Appendix 2 for details.

Торіс	Engagement
Proposed Speed Limit Changes	17,829 people reached325 reactions, comments and shares
New blue recycling bins arrive	 10,473 people reached 443 reactions, comments and shares
Laboratory water testing special	 9965 people reached 129 likes, comments and shares

Facebook audience/followers

Facebook page 'Likes' have been increasing organically and steadily for this month. Likes for December = 8,284 (**163** more likes since November 2019).

Below is a graph showing the steady increase in Facebook followers for the last 12 months.



Website

Top 5 pages visited

August (previous report)	November
Building and Property / GIS Maps	GIS Maps
Do It Online / Pay It	Contact Us
Your Council / Contact Us	Rubbish Disposal
Rates	Rates – Database search
Rates Database Search	District Plan
	 Notable 6th, 7th, 8th place this month: List of roads to be re-sealed this summer (Freedom) Camping in Public Places Recycling (blue bins)

We are starting to see the summer seasonal trends on the website already, as topics such as freedom camping, walks through parks, cycling facilities and summer road-works rise in page visits. Pages for most of these topics have been recently improved, with further steps planned for new walking tracks.

People and Capability

Recruitment

Since the beginning of October we have successfully recruited 21 roles.

We are currently actively recruiting 13 vacancies.

The Chief Executive has recently approved 8 additional positions in a number of areas across the business including: Sustainability, Stormwater, Maori Relationships, Waste Minimisation, Post Approvals and Venues and Events.

Appendix 1

Media and public relations

The following stories relating to Council were covered in local media in November:

- Extra construction costs cause financial trouble for HAC
- New Local Democracy Reporter appointed
- Temporary location for Multicultural Whangarei
- Transitional housing development at Ruakaka
- Waste from abandoned solvent recycling plant
- Puriri Park housing development given consent
- Summer road works
- Freedom campers invited to help with local conservation projects
- Christmas parade organisers urging people to find environmentally friendly alternatives to tinsel
- Plastic wrapped lollies and other seasonal waste
- Maunu Cemetery wins another Green Flag Award
- Possible road realignment project for Ngunguru Road
- New electric car for Mayor
- Te Matau a Pohe bridge inspection
- Cabinet to consider report on moving Ports of Auckland to Northland
- Fire damaged trees in Abbey Caves to be removed
- William Fraser car park open
- Fire on Parihaka land leased by mountain bike club
- Fireworks safety
- Councillors remuneration
- ASB withdraws naming rights for Kensington facilities
- Graffiti at Ruakaka skate park
- Possible construction of 40 transitional units on Ruakaka land
- Northland initiative Kai Ora Fund recognised with EDNZ award
- · Council consulting on proposed changes to speed limits
- Cr Innes named Deputy Mayor
- Consent granted to re-sand Matapouri Beach

Appendix 2

Social media



Manamarel	istrict Council In Midson [?] · November 5 at 9:	52 AM · 🥥	•••
It's all yours! When yo straight away.	our new blue bin arrives, tak	ke it in and start using	g it
Delivery of new recyc Tikipunga and Otanga	ling bins is underway this w arei to follow.	eek in Kamo with	
[2] 김 김 씨는 것 안 없는 것 같아. 말을 알려 있는 것 같아. 귀엽 한 귀엽 같아.	out the same day as rubbis ame truck See More	sh bags and red bins	, and
			÷ IFini
	Comments and Shares NZ\$200 to reach up to 9,400	people.	
		people.	Post





4.3 Operational Report – Strategy, Planning and Development – December 2019

Meeting:	Strategy, Planning & Development
Date of meeting:	18 December 2019
Reporting officer:	Alison Geddes (General Manager Planning and Development)
	Dominic Kula (General Manager Strategy and Democracy)

1 Purpose

To provide a brief overview of work across services that the Strategy, Planning and Development Committee is responsible for.

2 Background

The purpose of the Strategy, Planning and Development Committee is to update Councillors on operational matters relating to the Strategy, Planning and Development departments.

This report provides a brief overview of some of the operational highlights for December 2019 and provides some further comment on future planned activities.

3 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

4 Attachment

Operational Report – Strategy, Planning and Development – December 2019

December Operational Report

Strategy, Planning and Development Operational Report (reporting on November 2019)

Procurement update - Summary of Contracts Approved Under Delegated Authority

This provides a summary of the award process and works being undertaken for contracts awarded under Chief Executive and General Manager delegated authority.

Planning and Development

Vehicle Towing Services

On 10 September 2019, following a thorough procurement process, staff entered into a new five year contract with the successful applicant and previous service provider, Tow Team Limited. The contract is for the provision of all vehicle towing services within the district and as Tow Team have been providing these services to Council for a number of years now, staff are confident that service provision will continue without any interruptions. The new contract now covers all towing services, including the recovery of abandoned vehicles which previously was performed by another contractor, often causing unnecessary confusion around responsibility and delays, which should now be a thing of the past.

Regulatory Services Review

On 28 November 2019, following a formal procurement process, Lodestone Consulting Ltd was selected to conduct an independent, objective review of the regulatory services service delivery model and the performance of the current contractor Armourguard. A report providing some options and a risk/benefit analysis will be presented to a Council workshop on 4 March 2020 for discussion and to seek Council direction.

Economic Development

Infometrics released their September Quarterly Economic Monitor last month. The Whangarei economy continues to grow, with provisional estimates showing economic activity rose 2.3%pa over the September 2019 year. Growth has been slowing over recent quarters, in line with slower national growth. The foundations for sustained economic growth remain, with population growth, stronger agricultural pay-outs, and construction activity all contributing.

Whangarei has a larger, and faster growing, population than previously thought and is the sixth-largest upwards region in New Zealand. Revised population figures for Whangarei saw 2,300 more people recorded in Whangarei in 2018. Health enrolments in the area rose 2.5%pa over the September 2019 period. Population rises have supported more retail activity, with consumer spending in Whangarei rising 3.5% according to Marketview data.

A larger population has increased construction activity locally. Non-residential consents over the September 2019 year have risen over 70% compared 2018. This growth has come with significant consents, worth \$96m, lodged over the last quarter, primarily for industrial and office construction projects. Sustained construction activity is buoying business confidence, with commercial vehicle registrations up 10%pa even as national registrations declined.

The average current house value in Whangarei District was up 2.8% in September 2019 compared with 2018. Growth outperformed relative to New Zealand, where prices increased by 1.9%. The average current house value was \$536,935 in Whangarei District over the September 2019 year. This compares with \$692,438 in New Zealand.

Businesses will also be feeling more confident about the future with the latest announcement from Fonterra that they have raised the farmgate milk price for the 19/20 season to a midpoint of \$7.05/kgms. The higher milk price will bring an additional \$23m into the Whangarei economy, and with global milk supply growth remaining low and Global Dairy Trade auctions returning high prices, there is potential for the milk price to increase even higher.

The annual average unemployment rate in Whangarei District was 5.0% in September 2019, down from 5.3% in 2018. Working age Jobseeker Support recipients in Whangarei District in the year to September 2019 increased by 11.8% compared with 2018. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 10.3%. An average of 3,581 people were receiving a Jobseeker Support benefit in Whangarei District in the 12 months ended September 2019. This compares with an average of 3,496 since the start of the series in 2010.

District Promotions

The international visitor market to New Zealand has softened resulting in a decline in tourism activity in Whangarei. Both guest nights (-1%) and tourism spending (-0.8%) fell over the year to September, and this trend of lower tourism outcomes is likely to continue.

The softening is likely to be as a result of uncertainty from international events like Brexit, the trade war between China and the USA and consumers choosing short-haul and domestic travel over long-haul, perhaps because of environmental concerns.

International markets that continue to grow include Australia (as a short haul market) and USA (assisted by direct air connectivity and associated marketing campaigns).

District Development marketing activity continues to focus on the opportunity in the domestic market and particularly Auckland.

Print Publications and Advertising

Our <u>2020 Whangarei Visitor Guide</u> and <u>2020 Whangarei Visitor Map</u> have been refreshed and published. These key publications are both distributed through our Whangarei information centres and throughout Northland, with the Visitor Guide distributed nationally via <u>VisitorPoint</u> (publication distributer).

We purchased the full outside back cover of the Sunday Star Times 'Escape' magazine which has a readership of 303,000.

Digital Marketing

Our <u>Facebook</u> and <u>Instagram</u> channels predominantly focus on promoting Whangarei as a great place to live and visit. We share a lot of user generated content, and also create our own posts to advertise Whangarei as a visitor destination.

In November we achieved almost 23,000 audience engagements (Reactions, Comments, Shares and Clicks) and Reached (the number of people who saw a post) over 100,000.

Paid advertising included posts focusing on things to do in our district that are likely to influence visitors to travel here, including:

Eight Walks

Reached 94,253, 1,064 Reactions (Likes or Loves), 193 Comments, 386 Shares Ten Things You'll Love To Do

Reached 78,300, 703 reactions, 41 Comments, 126 Shares.

Promotional Products

New Whangarei District Love It Here! keep cups have arrived. They are <u>IdealCups</u>, a reusable coffee cup made in New Zealand. These cups will be available to purchase at cost, along with our t-shirts and bags, from our Information Centres.

Commercial Property

Development Opportunities

A Council workshop on 17 December 2019 is scheduled to provide an update of the development opportunities identified in the recent Commercial Property review. A prospectus for each is being prepared as part of a broader market plan based on Council's feedback.

8-10 Dent Street

Support for the recently announced hotel development on Fire Brigade Hill has been very positive. Council staff are working alongside Copthorne /Millennium as part of their due diligence. An action plan is being developed regarding the tenants of the Almond Court Flats, timeframes and relocation opportunities.

Stanley Marine/Storytime

Staff are preparing to engage with the public requesting Expressions of Interest (EOI) for the future development of the sites known as Stanley Marine and Storytime. With the majority of the freehold interest now vacant, the opportunity exists to develop the sites along the themes of Council strategic vision (City Centre Plan and Hihiaua Precinct plan).

Airport

The Civil Aviation Authority (CAA) completed the Safety Management System Audit on 19 November 2019. The airport Manager and his team have developed the system over the past 18 months as part of legislative changes. The Chief Executive of the Airport Authority and airport users were interviewed as part of the audit to ensure the system was an integral part of all airport operations.

The November 2019 airport user group meeting was held 27 November 2019. HWM, Ward Councillors and CE attended the end of year function. Airport security was presented by the CAA with other supporting guest speakers presenting on aviation diversity and drone operations and management.

Council staff and airport contractors have been preparing the draft Statement of Intent. This includes the airports three-year financial statements and objectives. The draft document will be presented to Council as the airport authority in February 2020.

Passenger Numbers

Numbers continue to exceed previous years monthly figures. October 2019's total is the highest individual month since 2015 and equates to a 5% increase from the same time last year. Occupancy rates remain high at 85%.



November 2019's figures were not available at the time of this report.

Strategy

Active Recreation and Sport Strategy

Staff from the Strategy and Parks teams, along with wider project team, have been working together to analyse the feedback received on the Draft Active Recreation and Sport Strategy. Council will be provided an update on this strategy at a Council Briefing on 11 December.

City Centre Plan / City Core Precinct Plan / Complete Streets Master Plan

Staff from across Council have been working on a working draft of the Complete Streets Master Plan following Council feedback. This work includes traffic modelling, design work and technical input. Council will receive an update on this programme of work for elected member input, feedback and direction at Briefings on 4 and 11 December.

Whangarei District Growth Strategy

Since consulting on the Draft Strategy in June 2019, Staff have been further analysing the public feedback as well as the wide-ranging central government reforms relating to urban development, highly productive land, freshwater and biodiversity. An update on this work programme will be provided at a Council Briefing on 4 December.

Spatial Planning

As part of the Growth Strategy work programme, staff have been developing a methodology for implementing spatial planning for specific locations across the District.

Corporate Planning

Staff are supporting the 2020 – 21 Annual Plan process through the co-ordination of work programmes across the Finance, Communications and Infrastructure departments. A first briefing was held on 26 November, followed by a second briefing on 12 December.

Climate Change

Staff continue to support the Te Tai Tokerau Climate Change Adaptation Working Group. Staff are also developing a draft Action Plan as directed by Council through the declaration of a Climate Change Emergency. A more detailed update will be provided in early 2020.

Democracy and Assurance

Democracy

The Democracy team continue to support the new Council through the induction period. The Swearing-in Ceremony for the new Council was enjoyed by all. Phase one has focused on getting the Council up and running, including both administrative matters, and briefings on the key strategic issues.

Phase two of induction in the New Year will focus on the more technical aspects of Council business, including the Resource Management Act, District Plan, and Financial Governance. There will also be opportunity to identify individual and collective development needs of elected members to inform the next phase of the programme.

Consultation and Engagement

The Consultation Advisor is leading development of an Engagement Calendar which will provide visibility of the key touch points with communities on Council projects. Active management of the Calendar will allow individual engagements to be grouped in a meaningful way and scheduled to avoid consultation fatigue for communities. A toolkit to guide staff on all aspects of engagement and consultation has been very well received.

Preparations are being made for 2020 with a flexible approach to either Annual Plan consultation or early engagement work for the 2021-31 Long Term Plan.

Assurance

The Council Controlled Organisations (CCO) Coordinator is making good progress with development of a governance framework for CCOs. Direction from Council will inform future policy work in this area.

The first meeting of the Risk and Audit Committee is scheduled for 20 March 2020. The process for appointment of an independent chair has commenced in accordance with Councils resolution at the 27 November meeting.

A recent power outage across the Whangarei District provided an opportunity to test Councils business continuity plans. Department managers have been provided with a template to support development of a CIMS based plan.

The insurance renewal has been completed, resulting in an increase in insurance premiums. This is reflective of what is happening across the market and may warrant further consideration of Council's insurance strategy.

Legal

Council has received 37 new LGOIMA requests since the 2019 election. This brings to 243 the total number of requests received during the current calendar year. Requests received since the election have covered a variety of issues ranging from requests relating to specific personal matters such as dog control and resource consents through to more generic requests for information on staff remuneration, interest on council debt, Council's approach to recycling, expenditure on external catering and promotion of the election.

District Plan

PC129 Public and Notable Trees

All appeals have been resolved and consent order issued by Environment Court. This plan change is reported separately for final adoption to become operative.

Urban and Services Plan Changes

The Urban and Services Plan Changes were considered, and submitters heard over a twoweek period commencing on 25 November 2019. Written reply by Council reporting officers is intended to be circulated late January 2020.

Significant Environmental (Natural) Areas Project

Draft mapping of SEA has been completed by Wildlands for the entire region and supplied to each District Council for review and analysis. It is intended to provide an update report to Council early 2020.

Resource Consents

Resource Consent Processing

The number of applications dropped slightly last month from the previous three months but are now consistent with numbers received in November 2018. Thirty-nine applications were received, with a further nineteen other permission applications.

It should be noted that whilst the Annual Plan goal of 95% of non-notified resource consents being processed within 20 working days (currently 96.08 YTD) is being met, recently there has been added pressure on timelines due to an increased technical focus by Infrastructure on input into the consenting process.



Resource Consents

Stage 2 of the Hihiaua Cultural Centre has been approved by a Commissioner without the need for a hearing. Other significant consents include the Bupa Retirement village at Totara Parklands, the Summerset Retirement Village at Wanaka Street Tikipunga, a 94 lot subdivision at Pebble Beach Boulevard Kamo and a 62 lot subdivision at Three Mile Bush Road.

Hearings

Since the last operational report in August, Commissioners have granted consent to the Whangarei Marina Trust for a marina in Whangarei Harbour. The hearing has also been held for the Housing New Zealand application for a housing development at Puriri Park Road. This has also been approved.

Post-Approval

Volumes of post-approval applications have increased over the last two months above what is expected for this time of year and this is creating some backlog issues. Additional resources are being sought to address this issue.



Appeals

No new appeals have been received. The Environment Court has issued its decision on the declaration application in respect of existing use rights associated with the scoria quarry at Cowshed Lane, Three Mile Bush. The Court has confirmed existing use rights for the activity.

Building Control (28 October – 22 November 2019)

Building consent applications and inspections LIMs and PIMs are meeting the annual plan requirements in terms of service delivery.

Performance Indicators			
		Nov-19	Year's Average To Date
Building Consents	Issued In 20 Days	96%	95%
Inspections (Completed within 48 Hrs)	% Complete Within 2 Working Days	99%	99%
LIMs	% Within 7 Days	89%	89%
LIMs (Statutory Requirement)	% Within 10 Days	100%	100%
PIMs	% Within 5 Days	100%	82%

Building Consents Received, Issued and Suspended

The building consent activity has seen a reduction in numbers for this month compared to the same month last year, however overall for the financial year period the consent activity is at the same level, (forecasted at 1600 per annum).



Building Consent Applications Received, Issued and Suspended

Health and Bylaws

Environmental Health

Health Act 1956 – this year's annual bathing water monitoring programme has kicked off focusing on the same number and location of monitoring sites as last year, i.e. 30.

Food Act 2014 – With the Council's Food Act "Verifier" status coming up for renewal this year, the Ministry for Primary Industries (MPI) required the team's verifiers and our underlying Quality Management System to be subjected to an external audit by International Accreditation New Zealand (IANZ). The team successfully passed with only a few corrective actions and recommendations, which have already been suitably resolved and thus paving the way for the required MPI renewal of our verifier status.

Sale and Supply of Alcohol Act 2012 – The Act requires territorial authorities to appoint District Licensing Committee (DLC) members and a Chairperson to this Committee. Council's current DLC Chairperson, Ann Court, recently resigned from her position after more than two years of service. This required the Democracy and Health & Bylaws teams to conduct a contestable process for the selection and appointment of a new Chair and members, which we hope will be finalised within the next month.

Bylaws

General matters - As requested by the previous Council, staff are currently preparing a report for the future provision of Regulatory Services, which are currently provided by our Enforcement Contractor, Armourguard. The aim is to present this report, it's options and recommendations during a March 2020 workshop, for later adoption and staff direction.

Freedom Camping Act 2011 – Through funding made available by the Ministry of Business, Innovation and Employment, Council has again been able to engage with community minded individuals to re-establish, improve and expand on last year's Freedom Camping Ambassador programme within the district. This together with an improved education and enforcement programme delivered by a dedicated Armourguard enforcement team, should result in an even better outcome than last year.

Armourguard Enforcement Statistics – these will now be reported on quarterly and compared with the same quarter last year.

TOTAL NUMBER OF COMPLAINTS	AUGUST – OCTOBER 2019 QUARTER	AUGUST – OCTOBER 2018 QUARTER
GENERAL BYLAW MATTERS	151	155
NOISE	861	1088
DOGS	997	1079
STOCK	123	171
PARKING	687	211

Maori Relationships

Swearing in Ceremony

Local hapū kaumatua Taipari Munro (Te Parawhau), Richard Shepherd (Ngati Kahu o Torongare), were engaged to advise and guide the Māori protocols for the incoming Council for this term.

Of interest were the number of Councillors requesting to swear their oath in Te Reo Māori, which seemed to be a Tai Tokerau trend (and indeed for the other Councils nationally).

The team also supported fellow Māori Liaison staff at NRC with their ceremony.

Hapū Engagement

Several projects within the Rohe have had extensive engagement with hapu.

- Matapouri TIF planning with Te Whanau o Rangiwhakahu has progressed amicably with both parties satisfied with the interactive nature of the hui and korero.
- Te Parawhau hapū members were heavily involved in the Stage 4 of the Kamo Shared Path dawn blessing.

Māori Participation

A hui was held with Te Huinga and Council to discuss and consider Māori Participation for this term of Council. Positive conversations have also been held following the hui, with both Council and Te Huinga now working through next steps..

Te Pae Urungi

National Māori Forum recently met in Wellington to continue the learning and development of Māori Liaison staff. Topic of discussion was building relationships with government agencies such as LGNZ and in particular SOLGM who have now received the registration for Te Pae Urungi to be a special interest group on their website.

New faces to the forum from Councils that have recently established Māori Liaison roles were a highlight. It was pleasing to see more kaimahi hou. Many were there absorbing all the information that was being presented which will help to lift their capability.

RESOLUTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

1.	The making available of information would be likely to unreasonably prejudice the commercial position of persons who are the subject of the information. {Section 7(2)(c)}	
2,	To enable the council (the committee) to carry on without prejudice or disadvantage commercial negotiations. {(Section 7(2)(i)}.	
3.	To protect the privacy of natural persons. {Section 7(2)(a)}.	
4.	Publicity prior to successful prosecution of the individuals named would be contrary to the laws of natural justice and may constitute contempt of court. {Section 48(1)(b)}.	
5.	To protect information which is the subject to an obligation of confidence, the publication of such information would be likely to prejudice the supply of information from the same source and it is in the public interest that such information should continue to be supplied. {Section7(2)(c)(i)}.	
6.	In order to maintain legal professional privilege. {Section 2(g)}.	
7.	To enable the council to carry on without prejudice or disadvantage, negotiations {Section 7(2)(i)}.	

Resolution to allow members of the public to remain

If the council/committee wishes members of the public to remain during discussion of confidential items the following additional recommendation will need to be passed:

be

Move/Second

"That

permitted to remain at this meeting, after the public has been excluded, because of his/her/their knowledge of <u>Item</u>.

This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because______.

Note:

Every resolution to exclude the public shall be put at a time when the meeting is open to the public.