



**Local
Government Act
Amdt Bill (No.2)**

PSA submission to Local
Government and Environment
Select Committee

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22 July 2016

About the PSA and about this submission

The New Zealand Public Service Association: Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand, and the principal union in local government. We represent over 62,000 members who work in the public service, state sector, district health boards, community public services and local government. All our members have an interest, as ratepayers and residents of their communities, in local government and how it is organised and focussed to meet their community's needs and expectations.

Additionally, the 7500 PSA members who work in local government have a strong stakeholder interest as the people who deliver local government services. PSA members include: librarians, library assistants, call centre workers, administrators, recreation services workers, planners, engineers, policy analysts, parking wardens, dog control officers, parks workers, managers, team leaders, community workers, gallery and museum workers, building inspectors, civil defence and emergency workers – the full range of occupations in local government. They know how local government works, how it is responsive to its communities, and how it can be more effective at what it does.

This submission is based on PSA policy which has been developed through our representative structures, and on feedback from our members and delegates in local government.

General comment

We request that there is a halt to further legislative changes until the strong concerns raised by Local Government throughout the reform process on the cost-implications, quality and workability of legislative changes have been investigated and the proper relationship between local and central government identified.

The Bill builds upon previous amendments to the LGA 2002 which have undermined and diminished the constitutionally separate role of local government. While there are some positive aspects to some of the changes proposed, in general evidence for the need for changes is lacking, with insufficient attention given to the costs imposed upon local government and how the provisions are to be implemented. This is not acceptable to proceed with these changes when, as the Regulatory Impact Statement notes, the costs to councils and communities are unknown.

It is recommended that several provisions be amended to safeguard genuine community participation, allow a legitimate source of funding for a range of community infrastructure to ensure that the social and cultural needs of future communities are met, and retain the right of local government to choose how it can best satisfy the purpose of local government under the LGA 2002. Our wide experience of mergers and amalgamations in the public sector in the pursuit of economies of scale, is that that they are not an instant fix and all too often they over-promise and under-deliver.

Comment on specific provisions

Giving the Minister the power to remove a member from the Commission at any time and for any reason

The Bill proposes giving the Ministers the same ability to remove members from the Commission that they have to remove members from the boards of autonomous Crown entities (Clause 36 and Schedule 3). This PSA does not support this proposal and recommends that it be deleted from the Bill.

This proposal, when combined with the proposal (discussed below) to allow the Commission to initiate its own investigations in relation to amalgamations, extends the influence of central government too far into the sphere of decision making that should rest with local authorities and communities.

Allowing the Local Government Commission to initiate its own investigations in relation to amalgamations

The PSA does not support a number of the amendments to the Act in Clause 35 and Schedule 2 that compound the effects of the 2012 amendments and further distance decisions about amalgamation from local citizens. In our view, any proposal to amalgamate needs to be subject to local democracy so that it can be seriously questioned and tested.

Giving the Commission, which is appointed by central government, the ability to undertake a reorganisation investigation of its own motion (new subparts 1 and 2 of Part 1 of Schedule 3) risks predetermining that any such reorganisation will proceed.

Further, in an already highly centralised system, the decision as to whether a democratically elected council subjects itself to this level of scrutiny from ministerial appointees should remain with those councils and their communities.

There are other aspects of the changes proposed in this clause that the PSA supports, providing the PSA as local government union is involved and the factors below are taken into account. For example we support local authorities initiating their own amalgamation discussions, as is happening in the Wairarapa.

The Commission should be able to set its own processes and be flexible in its investigations. This should enable it to respond better to the needs of local communities. It is currently working better alongside councils in the Wairarapa and Wellington and not trying to impose solutions.

The PSA proposes that in assessing the evidence for any given amalgamation proposal, the following factors should be taken into account:

- Any gains in economies of scale and strategic capacity are not at the expense of local democracy
- It is supported by a majority of local residents in each of the affected authorities
- All practicable options other than amalgamation are given full consideration before amalgamation is proposed
- Services to communities and to particular localities are enhanced and access is maximised, not reduced
- Maori representation in the democratic structures of the new council
- There are realistic expectations about what efficiencies, savings and economies of scale might be achieved by amalgamation
- The impact on Council jobs and what jobs would be lost and where. Some communities within a region may be more hard-hit by job cuts than others and therefore the wider economic impacts should be considered
- There will be better jobs for council staff, enabling them to provide better services
- Pay and conditions are maintained or enhanced.

Provision for amalgamations to include the establishment of multiply owned CCOs, joint governance arrangements, transfers of powers, boundary changes, and amalgamations

Use of CCOs

The PSA is concerned about the reliance in the Bill on council controlled organisations as the main vehicle for the provision of regional services like water and transport. Our clear preference is that services should be retained in-house rather than out-sourced or removed to a CCO. This comes from a concern about whether the quasi-commercial structure and arms-length governance arrangements are appropriate for public good services, whether they undermine democratic accountability and whether CCOs (likely several state-owned enterprises in the past) are a temporary staging post on the way to full privatisation. Those concerns remain.

The ethos of public service is a key driver for public sector employees, and for many, it is why they choose to work in the public sector – they want to ‘make a difference’. Research has indicated that, in general, public sector employees are less motivated by extrinsic rewards than private sector employees¹ and in 2005 the State Services Commission’s Career Progression and Development Survey found that a ‘feeling of accomplishment’ was the most important job factor for 90% of the public servants surveyed. We believe these findings are as relevant for local government workers as they are for state sector workers. Preserving this public service ethos in a CCO environment presents a considerable challenge to management.

The commercial orientation of CCOs, which is supported not only by their structure but also by the appointment of business sector representatives to their boards, can be in conflict with the public good objectives of the Council. For example, if a CCO is primarily concerned about the returns on a particular activity, it may overlook the wider contribution to the community e.g. the cost of stadium hire being out of the reach of community organisations.

A key issue for PSA members is whether CCOs can be fully accountable to the parent Council and to citizens and residents. Accountability to the community is partly what makes public services different from the private sector. Local government managers and employees have two key accountabilities: they have to look upwards to Council (and sometimes the courts) and outwards to the public (and sometimes the media)². Public sector workers are accountable to specific ethical and professional

¹ Buelens, M., & Van den Broeck, H. (2007). An analysis of differences in work motivation between public and private sector organizations. *Public Administration Review*, 65-74.

² *Public Value, What it is and Why it Matters*, P3 conference (2008), Department of Labour

standards and subject to high levels of scrutiny.

It is a major concern for PSA members is that a CCO Board can put up user charges or take other actions without reference back to residents.

One perceived advantage of CCOs is that they can combine the efficiency of the private sector within the framework of the public sector. However, there is both empirical evidence and theory to suggest that the assumption that the private sector is more efficient and cheaper than the public sector is wrong. For example, a 2007 study by the Danish local government union FOA indicated that municipalities could make huge savings by putting an end to outsourcing. FOA's calculations show that every time a municipality increases the extent of private actors by 5 percent, it costs each citizen of that municipality 136 kroner, or 18 euros. Multiply that amount by the number of citizens nationwide, and the figure reaches 3-4 billion kroner (400-500 million euros).³

A 2009 UK report also identified a trend of 'in-sourcing' in local government, whereby services previously contracted out to private providers were being returned to direct Council provision⁴. Reasons for in-sourcing included poor contractor performance, citizen dissatisfaction, and a view that direct delivery provided a way to respond positively to joined-up neighbourhood services, or to tackle big issues such as climate change. In New Zealand over recent years we have seen examples of local authorities bringing CCOs back in-house in both Queenstown Lakes District and Wellington.

In both the state sector and in local government there is concern that the plethora of arm's length agencies is contributing to silos that inhibit whole-of-government or whole-of-council co-operation and collaboration. Agencies, once separated out, tend to emphasise their own identity and run the risk of duplicating functions. It becomes harder to manage a systemic response to problems.

Ability to transfer to regional councils

The PSA supports the enabling of the Local Government Commission to propose major transfers of water, transport and RMA functions to regional councils. We support this in preference to the use of CCOs as regional councils will provide direct democratic oversight of these important functions. For the same reason we also support any proposed transfer of these functions going to a poll of residents as is proposed in the Bill.

³ From Public Services International (PSI) World News (April 2009). www.world-psi.org

⁴ UK Association for Public Sector Excellence (2009), *In-sourcing; a guide for local authorities bringing services back in-house*. APSE.

Shared services

This provision further enables the creation of shared services by Councils. The PSA does not oppose the creation of shared services as a matter of principle. There are examples where sharing and combining service areas have been done well. The amalgamation of Auckland Libraries, has unified and enhanced services and largely maintained the quality of work for those working in the libraries.

The PSA does have a wide and deep experience of shared services models in the other sectors within our coverage – notably in District Health Boards and the Public Service. It would be fair to say that, while there can be some service benefits, there is little evidence that shared services models produce the cost savings often given as a rationale for their creation. Close attention needs to be paid to ensure there are:

- Workable governance arrangements that maintain a connection with local service needs; and
- Effective planning around implementation including ongoing evaluation to see whether the systems are working and not impacting negatively on service delivery.

Any proposal for shared services must pay attention to job design and ensure it creates good quality work, rather than work intensification. We asked PSA members for their views about shared services. Their feedback included:

“I think there is definitely a danger that some people's work experience and conditions will be adversely affected. It would be lovely to think that shared services would allow for more realistic workloads for staff, but the temptation to make do with fewer staff than are necessary for the smooth operation of a shared service will be great, I fear. It is also likely in regions like ours that people's lifestyles may be affected by having to move domicile to retain jobs in a shared service.”

“Shared services have the potential to reduce the sense of belonging and will fragment teams and morale.”

“Depends on how it is all managed, but having that freedom of information and ability to work together across regions is vital for a council that wishes the entire region to be labelled a 'super city'. I know it isn't the same thing as water services or transport, but Auckland Libraries has done a fantastic job of unifying Auckland with the services it offers and has benefited from being amalgamated across the region.”

“From a ratepayers’ perspective, I believe shared services is a positive move as long as it is carefully managed and planned. This shouldn't be about

losing jobs but about being more efficient so that we can add greater value to the sector and community alike.”

“A collective sharing of good work practices & also highlighting some bad work practices.”

“The idea behind shared services is good but it may be used to centralise services away from local needs.”

“It will be interesting to see how things pan out the bigger the organisation the longer it takes for things to get done.”

The PSA recommends that any proposal to amalgamate or other forms of joint operation or transfer of responsibilities (including shared services), should meet the following principles, and should safeguard and improve community interests:

1. Any reorganisation must preserve the terms and conditions for staff members.
2. The democratic process should be safeguarded, and community engagement strengthened.
3. There should be public and democratic ownership and control of public assets and public services.
4. Reorganisation must engage workers in developing the structures to deliver high quality, high performing services as ultimately they will be delivering those services to the public.

For further information, please contact:

Kirsten Windelov
New Zealand Public Service Association
PO Box 3817
Wellington 6140

Phone: 04 816 5065
Email: Kirsten.windelov@psa.org.nz