

**EMBARGOED UNTIL DELIVERY  
10.00 AM MONDAY 28 JULY 2008**



**Rt Hon Helen Clark  
Prime Minister**

**Address to  
LOCAL GOVERNMENT NEW ZEALAND  
ANNUAL CONFERENCE**

**Energy Events Centre,  
Government Gardens.  
ROTORUA**

**10.00 am  
Monday 28 July 2008**

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Thank you for the invitation once again to address the annual conference of Local Government New Zealand.

This is the ninth time in ten years that I have spoken to the Conference, and I see it as a very important opportunity to reaffirm the importance of the relationship with local government to me personally and to the Labour-led Government.

Back in 2000 we came together in the inaugural Central and Local Government Forum.

The theme then was "Central and Local Government : Working together. Fifteen forums later it still is.

That is not to say we always reach agreement – we don't, and nor would it be realistic to expect that we would.

But together we tackle a lot of issues and we work to find solutions.

From early on in my term as Prime Minister, Local Government New Zealand has enjoyed continuity of leadership under the presidency of Basil Morrison.

Basil has offered me wise counsel on many occasions – and from time to time I've offered him a little advice too !

Basil has advocated strongly for Local Government New Zealand's positions, both in private, through the six monthly Forums, and in public. In my view, local government throughout New Zealand has been well served by Basil throughout his presidency. He has been able to deliver strong and direct messages without acrimony, and that is a valuable asset.

Basil has taken his skills to the international stage as Chair of the Commonwealth's local government organisation. He has often spoken of the mandate which local government here has been given through the 2002 Local Government Act, and of the relationship it enjoys with central government, as being world leading. In this way he has helped build New Zealand's reputation offshore as a progressive nation.

Thank you Basil for your many years of service to local government in our country at every level and all the best for the future.

Since that first Central and Local Government Forum in 2000, a very broad range of issues has been on the agenda, reflecting the view of local government and of our government that local government's interests are not confined to roads, water and wastewater, and rubbish disposal – important as each of those are.

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Local government's interests are in building sustainable communities – and that is the focus of your conference this week.

By statute you are empowered to promote the "four well beings" – across the economic, social, environmental, and cultural areas. Through your long term planning processes, you endeavour to reflect your community's aspirations, and respond to them where you can as a provider, a funder, an advocate, a rule maker, and a regulator.

None of this is easy. Our communities have high expectations, which we all strive to meet to the best of our ability, but which can be very onerous to fund. The long term council community planning process has also brought much greater clarity to the infrastructure requirements which should be met in future.

All that means that funding is an item which is always on the agenda for discussion between central and local government – and it is highlighted in the manifesto which Local Government New Zealand has produced for debate in the run up to this year's general election.

There has been a lot of analysis of the funding position of local government during my time as Prime Minister; there has been the report of the Rates Inquiry; and there has been a good deal of targeted government funding into particular areas. Indeed funding from central government has been the fastest growing source of local authority revenue, and is conservatively estimated to have risen from 10.8 per cent to 13.1 per cent of local government revenue.

We've been able to offer support on a targeted basis, including for :

- Sanitary Works Schemes – to assist small to medium-sized communities to build or upgrade their sewerage reticulation and treatment. Total funding allocated for that from 2002 up to and including this year's Budget is \$173.3 million.
- The Drinking Water Assistance Programme, established in 2005 to assist small disadvantaged communities improve their drinking water systems. \$150 million has been baselined for this purpose over a ten year period.
- Water and wastewater improvements have also been funded by the Tourism Demand Subsidy Scheme, to support small communities with high visitor numbers.
- There's been the major one off investment in the clean up of Rotorua's lakes. There, central government's \$72.1 million meets half the costs of

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this huge project, to restore the integrity of these iconic lakes which are so important to one of our major tourism regions.

- Other significant contributions have been made through funding for the remediation of contaminated sites, including at Mapua, Te Aroha, and Patea.
- A small sustainable management fund supports local government organisations and local stakeholders taking practical initiatives which will produce long term environmental benefits.
- The Housing Innovation Fund in the past five years has supported eighteen local authorities to provide 149 new units and modernise another 741.
- And, in recognition of the need for a significant upgrade of Wellington City Council's large but ageing housing stock, up to \$220 million is coming from central government for a much needed overhaul to ensure its ongoing provision for modest income tenants.
- A number of local authorities have also received significant support for arts, culture, and heritage projects and other significant community projects, which, without central government funding, would have been unlikely to proceed.
- Investment in the transport infrastructure has been a major focus for our government – across roading, the rail network, and public transport. Over our nine Budgets, annual funding for roading has more than doubled from \$850 million in 1999/2000 to over \$1.9 billion this year. Our annual investment in public transport this year is over fifteen times greater than that of 1999/2000.
- We've worked with local government partners on the walking and cycling infrastructure – that's an investment of \$18 million this year alone – and along with many of you we work to support community based programmes like "walking school buses".

We are also assisting local government with the new Public Transport Management Bill, currently before a select committee. It will empower regional councils to set standards on commercial (non-contracted) public transport services. This will enable regional councils to improve the quality and performance standards of those services, and require much needed improvements such as integrated ticketing.

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Then there are the recently passed amendments to the Land Transport Management Act, providing a mechanism for regions to accelerate capital works through a regional fuel tax. If they wish, regions can opt to use this new funding tool to fund priority projects which cannot reasonably be funded from any other source within the timeframe wanted by the region. I expect that critical projects, such as the electrification of the Auckland rail network, will be among the first to benefit.

As well, included in this year's National Land Transport Programme is the provision of \$16 million to step up assistance to local government for transport planning, studies, and asset management.

This complements the recent changes to the Land Transport Management Act, which provides a greater focus on strengthening regional planning and integrated planning and project development.

In addition, a further \$10 million has been allocated to improve access and mobility in communities with unmet transport needs.

Having said all that, I am aware that the Financial Assistance Rate for local government roading remains an unresolved issue.

The report of the Rates Inquiry concluded that local authority finances were generally healthy, reinforcing the conclusion reached earlier by government officials.

On that basis we have not been persuaded of the case for generalised central government assistance to local government for infrastructure at this time.

What we will do however, is work with Local Government New Zealand on a framework for central government investment in local authority infrastructure which targets it into smaller and less affluent communities.

We want to assess where the significant gaps are in line with that framework.

The Department of Internal Affairs, Treasury and the Ministries of Health, the Environment and Tourism will be involved in that work.

By the end of this year we want to see that framework developed so that we can apply it to meeting gaps in infrastructure assistance in the targeted communities.

The Local Government Act 2002 did provide local government with the power to require development contributions. As a result some councils in high growth areas have been able to budget for twenty per cent of their income to come from development contributions in the ten year period to 2016.

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In response to recommendations from the Rates Inquiry, Cabinet has agreed that the present statutory cap on reserves contributions should be removed from the 2002 Act; and that Auckland councils be invited to work with Department of Internal Affairs officials on formulating an Auckland specific regional development contributions power.

We've also agreed that local authorities should be able to set their own fees for regulatory functions, unless there are clear and compelling reasons for nationwide consistency, or unless a cost recovery approach would undermine the objectives of regulation.

For both central and local government, the report of the Rates Inquiry was, like the curate's egg, good in parts. In other words it delivered some recommendations neither of us found palatable.

For example, it recommended that the government should establish an independent unit to review the financial decisions of local government. We have not accepted that recommendation, believing that it is inconsistent with local autonomy and would fundamentally change the central-local government relationship.

Nor have we agreed that there should be a return to a central valuation authority. We think that the Inquiry's recommendations around rating notices and valuation standards are matters to be addressed by the local government sector.

In order to lessen the cost of rates on lower income households, we have now moved to index the Rates Rebate Scheme to the Consumer Price Index.

This move has for this year boosted the maximum rebate to \$530 per annum, and the income abatement threshold to \$21,180. We will be adjusting these figures by the CPI on 1 July each year.

I've commented on these issues in some detail today because I am aware of the concern expressed by Local Government New Zealand about the ability of local government going forward to fund its activities and infrastructure to the level of community expectations.

As a government, I believe we have been prepared to work with you on pragmatic responses to areas of significant pressure. While we see no silver bullet or magic funding tool, I do believe, moving forward, that we can continue to develop ways of contributing which meet areas of need.

I note that at today's working lunch there will be a briefing on what is described as the "revolutionary" Securities (Local Authorities Exemption) Amendment Act,

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which enables local authorities to fund intergenerational assets through the offering of securities. I hope this tool will prove helpful to the provision of new infrastructure over time.

Let me now comment briefly on two other areas relevant to recent agenda items at the recent Central and Local Government Forum.

- Our government has been working on proposed National Policy Statements to give better guidance to local government and stakeholders in the application of the Resource Management Act.

Draft statements on electricity transmission and freshwater management have already been referred to Boards of Inquiry, and one on renewable energy generation is about to follow suit.

It is the intention of Environment Minister, Trevor Mallard, to co-ordinate timing around these processes so that councils can address the issues they need to in their plans at the same time.

- Our government is also drawing up legislation to ensure that where local authorities have developed liquor plans, those plans shall be given effect to in decisions around liquor licensing.

We want to empower those local authorities who wish to place more effective controls on the density, location, and operation of liquor outlets in their areas. We believe that liquor licensing has been liberalised to the extent that it is riding roughshod over what communities want for their area, and that needs to change.

In my comments today I have been able to address just a little of the wide range of issues and detail on which our government has worked with Local Government New Zealand and with individual councils.

In this election year, LGNZ is asking all parties to commit to consultation, to funding, and to collaboration with the sector.

The Labour-led Government is committed to working with you in all three areas, and to improving further on the relationship we have with the sector.

Relationships are always work in progress. What matters is good faith and openness about intentions.

We cannot come to the party on every issue – we have the interests of taxpayers to consider, as you have the interests of ratepayers to consider. And, as ratepayers are also taxpayers, they tend to add the two sets of payments

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together when they look at what they are being asked to fund in the public interest.

Our job together is to make sure that taxpayers and ratepayers get value for money, and can see that the investments which those of us who have the privilege of being elected to govern make on their behalf do indeed help us to build sustainable communities – locally, regionally, and nationally.

I wish you all the best for a very productive conference and look forward to continuing to work with the sector in securing our communities.