NEW ZEALAND

UNITARY COUNTRY

ASIA PACIFIC

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **HIGH INCOME: OECD** Local currency - **New Zealand Dollar (NZD)**

POPULATION AND GEOGRAPHY

AREA: **264 944** km²

POPULATION: **4.534** million inhabitants (2014), an increase of 1.0% per year (2010-2014)

DENSITY: **17** inhabitants/km²

URBAN POPULATION: **86.3%** of national population

CAPITAL CITY: **Wellington** (8.4% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **169.9** billion (current PPP international dollars) i.e. 37 477 dollars per inhabitant (2014)

REAL GDP GROWTH: **3.0%** (2014 vs 2013)

UNEMPLOYMENT RATE: **5.8%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **4 454** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **24%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.913** (very high), **rank 9**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
67	-	11	78
TERRITORIAL AUTHORITIES AVERAGE MUNICIPAL SIZE: 68 590 INHABITANTS		REGIONAL COUNCILS	

MAIN FEATURES OF TERRITORIAL ORGANISATION. New Zealand is a unitary country with a two-tier system of local government, composed of 11 regional councils and 67 territorial authorities, including 11 city councils, 50 district councils and 6 unitary councils (territorial authorities with regional council responsibilities). This organisation results from a major territorial reform which took place in 1989 which consolidated a fragmented and disparate local government sector (800 old historical structures, including around 200 local authorities with different statuses and numerous elected "special purpose bodies"). The reform also created a sub-municipal level of community or local boards, also elected and operating in both urban and rural areas, to carry out functions delegated to them by their councils (116 community boards and 21 local boards). In 2010, a new territorial reform merged eight independent municipalities into the new Auckland Council.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The Local Government Act 2002 redefined SNG responsibilities and greatly increased their autonomy regarding the activities they undertake, by providing them with a general power of competence. As SNG activities are approved through consultation with their communities, they can differ widely from one council to another. The 2002 LGA was amended in 2014, in line with the Better Local Government New Zealand reform with the aim, among others, to clarify responsibilities between regional councils and territorial authorities. Regional council responsibilities include resource management, flood control, air and water quality, pest control, public transport, regional parks, water supply, etc. Municipal responsibilities include local roads, water supply and sewerage, waste, culture (libraries, museums, etc.), parks, recreation services and sport, local regulations, community and economic development, tourism, town planning, social housing, etc.

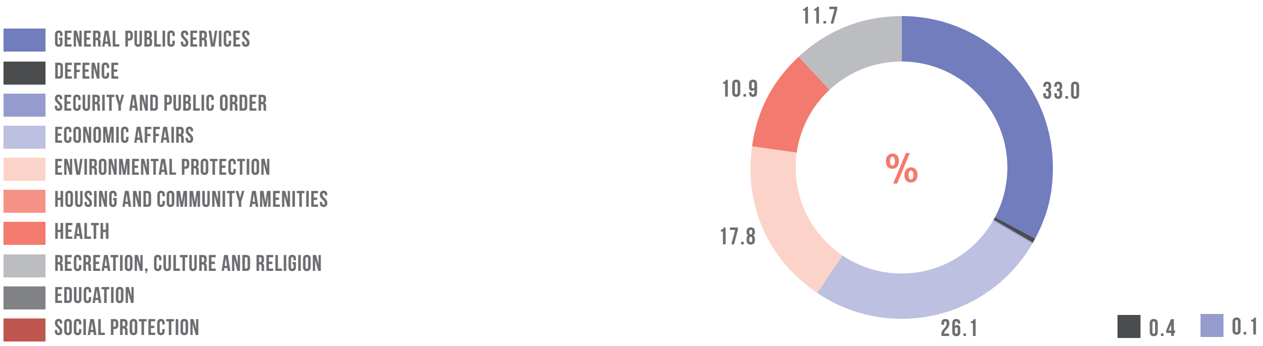
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	**4.6%**	**11.3%**	**100%**
CURRENT EXPENDITURE	3.0%	-	64.8%
STAFF EXPENDITURE	0.8%	8.6%	17.9%
INVESTMENT	1.5%	39.6%	33.7%

New Zealand is among the most centralised countries in the OECD with regard to spending responsibilities. SNG expenditure share in GDP and public expenditure is well below the OECD average for unitary countries (13% of GDP and 29% of public spending), close to countries such as Chile, Greece, Ireland, Luxembourg or Turkey. However, SNGs enjoy a certain level of autonomy in terms of spending. The level of staff spending is particularly low, SNGs having no responsibilities involving major human resources such as education, social protection or health. SNGs play a significant role in public investment, especially compared to their low level of spending decentralisation. One-third of SNG expenditure is dedicated to investment (roads, transport, and utilities).

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



Main categories of SNG spending include general public services, economic affairs and transport, environmental protection (waste and waste water), recreation and culture as well as housing and community amenities (including water distribution). SNGs play no role in healthcare, education or social protection.

REVENUE BY TYPE

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	**4.1%**	**10.3%**	**100%**
TAX REVENUE	2.2%	6.9%	52.4%
GRANTS AND SUBSIDIES	1.0%	-	23.8%
OTHER REVENUES	1.0%	-	23.8%

While being a centralised country regarding the share of SNG in public spending and revenue, SNGs enjoy a certain level of autonomy in terms of revenue. More than half of their revenue comes from taxation over which they have great autonomy.

TAX REVENUE. SNG tax revenue comes most exclusively from a single tax, property tax (88% of SNG tax revenue and 1.9% of GDP). Although rates on property are the primary source of income for both regional councils and territorial authorities, the percentage of income from rates can vary substantially between councils. SNGs have a large degree of discretion over tax. Councils have a wide range of choices in how they apply that tax, as it can take the form of general rates (based on the land, capital or rental value of a property), targeted rates (calculated based on a particular feature of a property and used to fund a specific service) or uniform annual general charges (UAGC i.e. a standard cost per property, unrelated to property value). There are also water rates, some councils metering water consumption and charging accordingly. Other minor tax revenues include a small share of the fuel tax collected by oil companies and redistributed to city and district councils.

GRANTS AND SUBSIDIES. The main source of central government transfers is the local government share of road taxes. Local roads are jointly funded by local and central governments, through the New Zealand Transport Agency. The National Land Transport Fund covers an average of 53% of the cost of all local transport programmes. SNGs may receive co-funding of up to 75% of the costs of a given project. Development contributions (around 2% of SNG revenue) are contributions that councils require from developers as part of granting consent for development in order that developers bear the costs of new infrastructure (roads, water and wastewater infrastructure, and community facilities). Half of grants and subsidies are for capital expenditure.

OTHER REVENUES. Other sources of SNG revenue are high and diverse, including service charges and fees (swimming pool charges, parking fines and infringements, regulatory services fees for example for issuing permits and licences or undertaking inspections i.e. 19% of local revenue) and property income (interest earned from investments and dividends, i.e. 5% of local revenue). The latter is an important source of income for regional councils, which may have significant profitable assets, such as ports.

OUTSTANDING DEBT

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	5.6	-

According to the 2002 LGA, SNGs must set financial strategies based upon quantified limits on rates, rate increases and borrowing. As councils traditionally borrow to fund capital-expenditure programs, they must adopt "revenue and financing" stipulating the funding of capital expenditure as well as "liability management" policies setting approached to interest rate exposure, liquidity, credit exposure and debt repayment. New financial prudence requirements were introduced by the Local Government (Financial Reporting and Prudence) Regulations 2011 and 2014. The Local Government Funding Agency (LGFA) was created in 2011 under the initiative of local and central governments. This is a debt vehicle which regroups around 50 member councils to raise bonds on financial markets and lend to their members at competitive interest rates.

A joint- study of:

UCLG United Cities and Local Governments

OECD

Sources: • OECD National Accounts Statistics • Statistics New Zealand (COFOG) • OECD (2015 and 2016) Subnational Governments in OECD Countries : Key data • Chatry I., Hulbert C. (2016) "Multi-level governance reforms: Overview of OECD country experiences" OECD publishing • Department of Internal Affairs of New Zealand (2015), Local government in New Zealand, http://www.localcouncils.govt.nz/lgip.nsf • Local Government New Zealand (2015), Local Government Funding Review • Reid Michael (2015) Decentralisation does the New Zealand local government system measure up?, Policy Quarterly, Institute for Governance and Policy Studies (VUW), Victoria University of Wellington.

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