



Hon Rodney Hide

29 April 2010

Decisions for better transparency,
accountability and financial management of
local government

Local Government Act 2002 Amendment Bill

Decisions for better transparency, accountability and financial management of local government – the Local Government Act 2002 Amendment Bill

The Local Government Act 2002 is being amended to enable ratepayers to exert greater influence on the work of their councils. Specifically, these reforms will:

- provide ratepayers and residents with better information about council costs, rates and activities, enabling them to understand and influence planning and decision-making processes;
- introduce pre-election reports, to stimulate debate during council elections;
- simplify long-term planning processes and give them a more strategic focus;
- achieve plain English financial reporting, so that ratepayers can understand what they are paying for, and how; and
- reduce restrictions on the use of the private sector to deliver council services, improving councils' flexibility to choose effective and efficient delivery methods for water and other services.



These decisions represent significant progress towards better local government, and towards easier and more effective participation by ratepayers and residents in the activities and decisions of councils.

The Local Government Act 2002 Amendment Bill is the means of delivering these reforms, and was introduced on 29 April 2010. Councils and members of the public will have the opportunity to make submissions to the select committee that considers the Bill.



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Better control of council costs, rates and activities

Issues

Council activities and decisions should match the priorities of the ratepayers who pay for them.

For ratepayers to be properly informed, they need to be able to see the application of funds for all activities and groups of activities. For these figures to mean something, the figures and the way activities are named need to be consistent from one council to another. Similar comparable standard performance measures are needed for non-financial reporting.

For ratepayers to know the full story about their council's financial health, they need to be able to see how assets are managed, and be able to compare this with information about other councils.

Decisions

- Encourage councils to focus on core services by requiring councils to have particular regard to the importance of:
 - network infrastructure;
 - public transport services;
 - solid waste collection and disposal;
 - the avoidance or mitigation of natural hazards; and
 - libraries, museums, reserves, recreational facilities, and other community infrastructure.
- Ensure council costs, rates and activities are better controlled by introducing a financial strategy with limits on rates and debt, and targets for returns on council investments.
- Achieve “plain English” financial reporting by requiring councils to include funding impact statements in their plans and reports, showing the sources and applications of funds for the whole council and for each group of activities.
- Improve inter-council comparisons by:
 - introducing standardised financial reporting, to consistently classify this information in councils' primary financial statements;
 - using standard groups of activities for infrastructure services;
 - standardising non-financial performance measures for infrastructure services; and
 - improving disclosure of asset management information.

Accountability and informed elections

Issue

While councils produce a lot of information, this is not always easy to find and may not be available at the best time for councils to be held to account. Central Government is required to 'open the books' before elections. A similar requirement in local government would enhance democracy.

Decisions

- Promote debate at local election time by requiring councils to produce a pre-election report. This would draw together existing council information in a readily accessible format, covering:
 - details on the financial performance and position of the council for the three years prior to the election; and
 - financial plans and projects for the next three years.
- Pre-election reports will enable voters to consider how well the council has performed to date, promote discussion about the issues facing the council in the future, and make it easier for people to vote for candidates whose priorities align with their own.
- The pre-election report will not be an electioneering tool for existing elected members. It will be produced by the chief executive of the council, and cannot include statements by or photographs of councillors.

Simpler planning processes

Issues

Councils have to produce a long-term council community plan (LTCCP) every three years. This has to contain a vast amount of information, much of which is non-strategic in nature and of little interest to the average ratepayer. Proposals that are of interest can be difficult to identify and understand.

Councils are also required to run a separate community outcomes identification process. The two processes overlap, with community outcomes feeding into the priority setting undertaken in the LTCCP process. Councils are required to develop a broad range of community outcomes, many of which involve services they are not responsible for delivering. Separating this process from the development of LTCCPs can also mean that discussions about prioritisation and funding are out of context or avoided.

Decisions

- Focus long-term planning on crucial issues by:
 - including a financial strategy to help councils and ratepayers prioritise existing and proposed expenditure, by making clear the effect of proposals on services, rates, debt and investments;
 - disclosing mandatory information about five major infrastructure services (water supply; sewage treatment and disposal; stormwater drainage; roading; flood protection);
 - removing a number of operational policies; and
 - streamlining non-financial performance reporting to focus on major issues.
- Simplify the name of the LTCCP to “long-term plan”.
- Merge the community outcomes process into the long-term planning process, and focus on the outcomes the council will achieve. This will:
 - eliminate the costs and inefficiencies of running a second long-term planning process;
 - put greater attention on the prioritisation and affordability of proposals;
 - allow local communities to determine for themselves the range of issues they want their council to address; and
 - provide clearer links between the outcomes a local authority is seeking for its community and how it proposes to achieve and pay for them.

Other measures to reduce bureaucracy

Issues

Some of the requirements in the Local Government Act 2002 result in overly elaborate council processes and excessive compliance costs.

There are some proposals, policies or activities that have to be included in long-term plans and can only be changed by way of an audited amendment to those plans. This can be a long and expensive process.

When it comes to making a decision, the Act specifies four separate stages in the process at which councils must *give consideration to the views and preferences of persons likely to be affected by, or have an interest in, the matter*. This can lead councils to carry out repetitive and expensive consultation on the same issue.

Territorial authorities are required to assess the provision of water and sanitary services in their district, from time to time, in accordance with a specific process. Summaries of these assessments must be included in long-term plans, which is not in keeping with the strategic nature of those plans.

Decisions

- Reduce the need for audited amendments by removing requirements to include in long-term plans:
 - proposals for the sale or exchange of endowment land;
 - proposals to construct, replace or abandon strategic assets;
 - decisions that significantly affect the capacity of, or cost to, the council of any activity identified in the plan; and
 - operational policies relating to liability management, investments, development or financial contributions, rates remission, and rates postponement.
- Enable councils to decide for themselves how and when to obtain views from affected parties, by removing requirements for a four-stage consultation process.
- Give territorial authorities greater freedom to decide the process they will use to assess the water and sanitary services in their districts, and remove requirements for summaries of these assessments to be included in long-term plans.

Flexibility in delivery of council services

Issue

Local councils are elected to govern. They are responsible to the law, and to their electors. In deciding on any restrictions on councils' activities, central government needs to ensure that a balance between the public interest and the ability of councils to act on behalf of their constituents is maintained.

The present law restricts councils from structuring their water services in ways that could meet ratepayers' and residents' needs and preferences. It also requires councils to adopt a policy on partnerships with the private sector, and to consult on any proposal to change the mode of service delivery for a significant activity. These restrictions reduce councils' flexibility to choose effective and efficient delivery methods for their services.

Decisions

- The Government has decided on changes that will allow for more use of public-private partnerships in the construction and operation of water and wastewater treatment plants. Build-own-operate-transfer (BOOT) schemes become more feasible, but ownership of assets would revert to councils at the end of any agreement, thus retaining ultimate public ownership.
- Current legislation is changed by the Bill to:
 - extend the 15-year limit on water services contracts and joint arrangements with the private sector to 35 years, which makes these arrangements more workable;
 - enable water services arrangements to include BOOT schemes by allowing ownership of infrastructure by the private sector during the contract period;
 - repeal the provisions that require councils entering into a contract or joint arrangement with the private sector to retain control over the management of water services (control over pricing and policy to be retained by councils, though);
 - repeal the requirement for councils to adopt a policy on partnerships with the private sector; and
 - repeal the requirement for councils to consult on proposals to change the mode of service delivery for a significant activity from the council to a council-controlled organisation (CCO), or from the council or one of its CCOs to another organisation or person. This would level the playing field for the use of the private sector to deliver council services.