

# Porirua Economic Development Group (PEDG)

c/o 31 Motukaraka Point  
Pauatahanui  
Porirua 5381

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Mr Steven Bailey  
Inquiry Director  
Local Government Funding and Financing  
New Zealand Productivity Commission  
Level 15 Fujitsu Tower  
141 The Terrace  
WELLINGTON 6011

Dear Steven

## **SUPPORTING A BETTER-FUNCTIONING LOCAL GOVERNMENT**

### **Shortcomings in Operation of the Local Government Model**

Further to our letter of 21 August 2019, we suggested that the workings of local government were at variance with the purpose and principles set out in the Local Government Act 2002, of which sections 10 and 14 envisage reliance on residents being interested and engaged with their local needs and governing bodies. Unfortunately, this has not occurred, as evidenced by:

- voter apathy with low voter turnout for local government elections;
- some elected representatives being of questionable standard;
- growing frustration with disengaged and ineffective elected representatives;
- local government officers holding the “*whip hand*” over elected representatives;
- ratepayers and businesses increasingly disenchanted by rates increases far exceeding CPI or wage/superannuation growth;
- low quality of some expenditure; and
- infrastructure risks arising from inadequate provision for replacement of some assets.

### **Independent Performance Monitoring**

With a view to minimising the impact of the perceived flaws in operation of the local government model, we have suggested the implementation of independent monitoring of local authorities’ performance working with standardised and simplified financial reporting and a small suite of associated key performance indicators (KPIs) using standardised unit-based measures.

### ***Required information and implementation steps***

Information of this kind could help restore the connection between residents and their elected representatives and increase the likelihood of the model working as originally envisaged by the legislators. In the event that it fails, then there would be a *prima facie* case to approach central government to fundamentally review the effectiveness and workings of the local government model.

All territorial and regional local authorities gather and record detailed data on their activities. Apart from meeting legal requirements, officers determine what information is needed to support the ongoing management process. In turn, this provides the basic information that is

reported internally for governance by councillors and externally to stakeholders, including the Minister of Local Government and local businesses and residents.

The current disparity in conversion of data into meaningful information and how it is presented makes it virtually impossible make informed comparisons (except for the most basic information, e.g. average rates figures or costs per capita, etc). Individual local authorities will claim that they are different from the others and therefore cannot be benchmarked against their peers. This can be overcome by specifying a generic financial reporting format and an associated suite of common KPIs. We consider it essential that this be done using existing data that is essential to support the management process, ie. at zero or minimal compliance cost.

We offer three steps, which we believe will in combination provide the framework for a way forward:

### **Step 1**

*Empower an independent monitoring entity, such as the Office of the Auditor-General, charged with:*

- *adopting/implementing steps 2 and 3 below;*
- *receiving and monitoring monthly data from all local authorities;*
- *briefing stakeholders; and*
- *publishing relevant data that enhances public awareness of comparative performance.*

### **Step 2**

*Adopt a standard set of performance measures utilising data that all local authorities either currently collect or should collect. This will make it possible to create and use KPIs and reports across New Zealand at a minimal or zero cost.*

### **Step 3**

*Develop a standard reporting template to be provided for all local authorities to adopt for informing the national monitoring entity, the Minister of Local Government, ratepayers, residents, elected representatives and managers. Ideally this should be in a simple 3-5-page document instead of the 100-plus page tomes that many local authorities currently publish. Simplicity and compliance are the keys here.*

## **Establishing standardised data sets**

Ideally, standard financial reporting could and perhaps should be instituted across both statutory annual reports and periodic management accounts. This would allow comparison of “like-for-like” across the country. It would also identify opportunities for greater understanding of local authority performance, help managers manage more effectively, and inform councillors and stakeholders. More meaningful comparisons could be effected by utilising the segmentation of local authorities as currently done by the Taxpayers’ Union and Local Government New Zealand.

Standardised measurement and reporting in concise and easily-understood format should increase public interest in local government and elections, potentially raising the level of voter participation. The use of inter-entity comparisons should also incentivise councillors and officers to improve their performance. Nobody wants to be in the lower quartile of a league table that is regularly featured in the media!

With a view to starting the process, we are working on an indicative template that covers the following outline measures:

**Financial performance measures:**

1. Revenue (broken down to types and sources);
2. Expenditure:
  - 2.1. Operating "OPEX" in specific, standardised groups and including both attributable depreciation and interest paid;
  - 2.2. Capital "CAPEX" in specific, standardised groups and referenced to attributable depreciation and borrowing in each group.

**Operational performance measures:**

1. Quantified as appropriate referencing (and measured against) population and/or households, business square meters, etc:
  - 1.1. Volume (eg. in cubic meter flow through wastewater systems), capacity (eg. in water storage and distribution measures);
  - 1.2. Linear distance (eg. kilometres of roading installed, managed, maintained and operated); and
  - 1.3. Etc.

All of these measures should also be referenced to and compatible with cost measures, inclusive of attributable depreciation and interest.

In preparing this template we sought input from service delivery managers within Porirua City Council. They confirmed that such data is currently collected and reviewed on a regular basis.

**Conclusion**

We trust that this further submission can be helpful in starting the process to establish both an independent monitoring group and an appropriately simplified reporting framework, with a view to getting the local government model to work more as originally designed.

Yours sincerely



Andrew Weeks  
Chairman, PEDG