

28 August 2019

New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

Dear Sir/Madam

Submission on the Local Government Funding and Financing Draft Report

Thank you for the opportunity to make a submission on the Local Government funding and financing draft report. In your draft report you have posed a number of additional questions further to those that we submitted on in response to your issues paper on the same topic. In particular Council wanted to provide further context around question 5.1 of the draft report, where you asked for:

“more information on the advantages and disadvantages of reducing the frequency of LTP reviews, while retaining the requirement for annual plans. What would be the benefits, costs risks of reducing the frequency of LTPs every three to five years? What if five years were a minimum and local authorities were free to prepare LTPs more frequently if they wished?”

The LTP is a strategic long term planning document and, in our view, a period of five years better demonstrates and endorses that. A longer period of time between reviews will enable greater focus to be placed on progressing the strategy. This provides room for Council and the community to begin to see the results of strategy implementation before assessing whether any direction changes are needed. At a governance level it would also encourage elected member and community buy-in by reducing the potential for “strategy fatigue” through less-frequent and hence possibly more considered strategy development and resulting commitment. In saying this, Council also supports the approach where there is flexibility to prepare an LTP more frequently if desired to ensure continued relevance or adjust for significant changes in direction.

From a resourcing perspective, even though the LTP has to be prepared every three years, Council still has to prepare Annual Plans in the intermediate years. While Council has permanent staffing resources on hand to undertake the two years of the Annual Plan and one year of the LTP, the long term planning nature of the LTP generally requires additional external resource and more staff time than is available within existing resources. This additional resource tends to be needed to make improvements to processes/systems/data/policies as well as consider and provide option analysis and discussion before incorporating into the necessary planning documents. Typically this requires Council to employ or engage additional resources to do this work for the LTP. If the period of review moved to five yearly, the additional work required for the LTP could potentially be provided within existing internal resources as there is more time in which to undertake this work. This could result in cost savings and efficiencies but may also have benefits in terms of staff learning/development and greater strategy continuity with less use of more short-term external resources. Theoretically this would support a more coherent and better quality LTP produced at a lower cost.

The LTP also relies on a number of key systems and processes (e.g. budgeting, asset management, fixed asset data, performance/contract information etc). Within the current review timeline there is very little room to make improvements to these systems and for these to be tested and checked before being used. A five year cycle would enable more time to undertake this type of work that, in the longer-term, would likely make the process of preparing an LTP simpler and more efficient.

Additionally, as part of preparing the LTP it is really important to ensure that our elected members are informed and understand the activity building blocks on which the LTP occurs. With the current election cycle of three years a great deal of time is spent at the start of their tenure getting them up to speed on how these building blocks have been developed and the issues surrounding them before then discussing options and potential changes required for the current LTP. Often Councillors have noted they had information overload and found it difficult to contextualise the information at the start of their term. With the extension to five years and the flexibility you are suggesting, it would allow the LTP to be timed to allow Councillors to be informed as part of normal Council activities, thereby reducing the upfront training.

One key risk in changing from three to five years may be that the plan will become more outdated or irrelevant over the longer time period. Your suggestion of letting each Council decide the LTP period gives each Council the flexibility to mitigate this. As this Council is not a growth Council, its work programme is generally one of renewal which can be determined from its asset management systems. As such Annual Plans are sufficient to record the changes deemed necessary between LTP cycles. Having said that, where key policy or direction changes are undertaken during the five year period, Council would undertake the appropriate level of consultation (as per the Local Government Act 2002 and Council's Significance Policy) and, as a result of the decision made, reflect these in the relevant Annual Plan or if necessary undertake an LTP amendment or LTP review earlier than required.

We don't believe that there should be any cost increases in changing from three to five years, in fact as noted above it considers that there should be greater cost savings from being able to manage the process more efficiently and utilise saving in staff time more appropriately with less reliance on external resources.

Once again thankyou for the opportunity to submit. If you have any queries please do not hesitate to contact the writer.

Yours faithfully

Anne Robson
Chief Financial Officer