


Bruce Robertson, Assistant Auditor-General, Local Government Office of the Auditor-General - Presentation to 2007 Community Plan Conference, September 2007

OFFICE OF AUDITOR-GENERAL  
Te Kaitiaki

20 September 2007  
SOLGM Community Plan Conference

**The OAG and the Grey Bits!**

Bruce Robertson, Assistant Auditor-General, Local Government  
Sarah Lineham, Sector Manager, Local Government



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**This session**

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In looking to our past, we can understand our future  
But we have to be wary of fighting tomorrow's battles with yesterday's strategies

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**Opening comments – why long term plan?**

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*... officials across the country say thousands of miles of century old underground water and sewer lines are springing leaks, eroding and – in extreme cases – causing the ground above them to collapse ... there is a consensus among civil engineers and water experts that things are getting worse*

*... infrastructure across the country [rated] a D-minus ... it would take an investment of \$390b to bring wastewater infrastructure up to par alone*

*... [nervous water utilities and environmental groups] face an uphill battle, persuading people to pay higher water and sewer rates, and politicians to approve those rates instead of building new schools, parks, libraries and roads*

New York Times, 08 February 2007

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## Opening comments – why long term plan?

*Despite historic highs in transportation spending, the political muscle of lawmakers, rather than dire need, has typically driven where much of the money goes. That has often meant construction of new, politically popular roads and transit projects rather than the mundane work of maintaining the worn-out ones*

New York Times, 7 August 2007

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## What we found

Our assessment, supported by 4 expert reviewers, is that "overall", the 2006-16 LTCCPs have improved compared to the 2004-14 LTCCPs

The main areas of expert review were:

- Sustainable development
- (Non-financial) performance information
- Asset management information
- Financial management

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## But ...!

### The right debate

A succinct outline of the strategic issues, choices and implications facing the community and how to address them was generally lacking

Also the lack of clarity on strategic issues reflected in the relatively low quality of summaries used in the consultation process

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## But ...!

**Just in time**  
A lack of co-ordination across the Council based on sound project management principles, and a lack of sequencing information requirements

**Areas of "greatest" deficiency**

- (Non-financial) performance frameworks
- Asset management
- Financial management strategies

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## What is the 2009-19 LTCCP?

A new document or incremental change?  
A strategic document or a collection of business plans?

*... the LTCCP articulates a local authority's strategy (informed by both community desires and the reality of the community's circumstances) and also provides an integrated view of the policies and actions required to support the strategy*

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## The right debate

At discussion of the draft stage:

- over 25% of councils lacked a clear, "upfront" comment on the financial implications of the strategy
- even worse, over 30% did not really highlight any real sense of strategic direction either in terms of service delivery or the choices in front of ratepayers

Matters constituting the right debate may have been in the LTCCP but they were often "buried" raising issues of comprehensibility and relevance to the user (*user-centricity*)

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What should we be aiming for? 10

# The Iceberg

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The Iceberg 11

Strategic Issues, Choices and Implications

Required Information:

- schedule 10
- activity information
- financial statements

Business as Usual:

- decision making
- district planning
- environmental services
- day-to-day service delivery

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The right debate 12

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graph TD; A[Long Term Council Community Plan] --> B["Environmental/Context Review - current and future"]; B <--> C[Community Engagement]; C <--> D[Community Outcomes];
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Long Term Council Community Plan

"Environmental"/Context Review - current and future

Community Engagement

Community Outcomes

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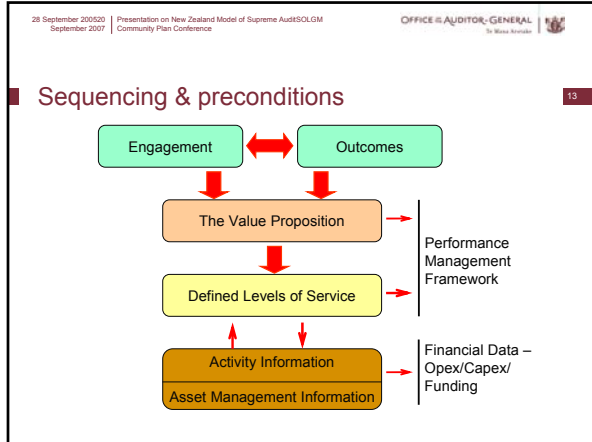
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### The Rating Inquiry

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Recommendations

- 3 That councils move away from fully funding depreciation, with the development of longer-term funding policies that take better account of intergenerational equity, and the availability of longer term debt financing
- 4 That councils review and reduce forecast rate increases where that is consistent with their longer-term funding policies

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### Living with the LTCCP

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A paradox?

- a lot of "good press" – the use of policy parameters established in 2006-16 and 2007-08 is *just a slice* of the LTCCP
- in excess of 50 amendments (nearly 60% of councils)

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## Amendments

Revenue and financing policies (rates)	14
Development contributions	19
Amending other policies	10
Change (reduction) in levels of service	3
Other – asset purchases, strategic assets	
s16, s141, additional year, new LTCCP	
airport shares	c13

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## Amendments – good or bad?

It depends on your perspective and it closely aligns with your view on *significance*

Positively – you want to change the direction of “the LG ship”; or

Negatively – you are trying to hide behind “consulting”

What do you have to do if something **is** significant?

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## Some issues

- the intolerance of s102(6)
- commercially sensitive transactions
- issues of political significance may override statutory considerations
- the incomplete audit cycle – the adopted amendment

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**Some conclusions**

The LTCCP seems grey while we are still coming to terms with it but its rationale is crystal clear

We need to match practice with vision

Larger authorities are "over-represented" in producing better LTCCPs (hence evidence of better planning)

But ... there are some smaller authorities which are doing it well

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**Attitude**

a good LTCCP =  $f(\text{attitude} \times \text{good knowledge})$

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