



Cabinet

CAB Min (09) 38/17

Copy No: 40

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Local Government Transparency, Accountability and Financial Management: Long Term Planning and Community Outcomes (Paper 2)

Portfolio: Local Government

On 27 October 2009, following reference from the Cabinet Economic Growth and Infrastructure Committee (EGI), Cabinet:

Background

- 1 **noted** that on 20 April 2009, EGI invited the Minister of Local Government to report back with specific proposals to improve local authority transparency, accountability and financial management, and on other minor changes to the Local Government Act 2002 (the LGA) [EGI Min (09) 6/10];
- 2 **noted** that work to improve local authority transparency, accountability and financial management is guided by the following three principles [EGI Min (09) 6/10]:
 - 2.1 local government should operate within a defined fiscal envelope;
 - 2.2 councils should focus on core activities;
 - 2.3 council decision making should be clear, transparent and accountable;

Community outcomes

- 3 **noted** that the LGA requires each council to facilitate a process for identifying community outcomes for the immediate and long-term future of its district or region every six years;
- 4 **agreed** that requiring councils to coordinate a wide ranging community debate about services in which they have no direct involvement is inconsistent with the government's goals;
- 5 **agreed** to amend the definition of "community outcomes" to those outcomes a local authority aims to achieve to maintain and improve the social, economic, environmental and cultural well-being of its district or region;
- 6 **agreed** to merge the community outcomes process into the long-term council community plan (LTCCP), and to abolish the separate process contained in sections 91 and 92 of the LGA;

The long-term council community plan

- 7 noted that the LGA does not guide councils to focus LTCCPs on crucial issues;
- 8 agreed that to help ratepayers and their councils prioritise existing and proposed expenditure, councils be required to include a financial strategy in their LTCCP that would contain:
- 8.1 a statement of those factors that are expected to have a significant financial impact on the council, including:
 - 8.1.1 the expected population and development changes in the district, and the consequential cost (both capital and operating) of providing services for those changes;
 - 8.1.2 the expected capital expenditure on network infrastructure required to maintain existing levels of service;
 - 8.1.3 a statement of other significant factors affecting the local authority's ability to provide and maintain services in the present and foreseeable future;
 - 8.2 a statement of the local authority's quantified limits for rates, rate increases and debt, and the local authority's assessment of its ability to provide adequate levels of service for the present and foreseeable future within those limits;
 - 8.3 a statement of the objectives for the holding of council investments, and the quantified targets for returns on material investments;
- 9 noted that the current non-financial performance reporting regime is not clearly delivering value for money to ratepayers;
- 10 agreed that the present system of non-financial performance reporting, including auditing, be streamlined to focus on major issues, changes to service levels and cost, and benchmark and major performance measures;
- 11 noted that the only way to significantly lower the cost of auditing LTCCPs would be to abandon the audit, but that changes proposed will reduce the number of audited LTCCP amendments and their associated costs;
- 12 noted that the performance of the sector has not reached a level where the benefits of the audit process are outweighed by the costs;
- 13 agreed that the LTCCP be renamed the long-term plan;

Material removed from the LTCCP

- 14 noted that there are many matters included in the LTCCP that are not necessary to achieve the purposes of the LTCCP;
- 15 agreed that the LTCCP be simplified and streamlined by:
- 15.1 removing the summary of the waste management and minimisation plan, or the full plan, from the LTCCP, but leave unchanged the requirement to explain significant variations from the plan;

- 15.2 not including the policy on remission and postponement of rates on Maori freehold land, the rates remission policy, and the rates postponement policy in the LTCCP, but that:
- 15.2.1 councils be required to review the policies at intervals of not less than six years;
 - 15.2.2 any review of, or amendment to, those policies must be done using the special consultative procedure;
- 15.3 removing the policy on development contributions or financial contributions from the LTCCP, but requiring councils to review this policy at intervals of not less than three years using the special consultative procedure for any review or amendment;
- 15.4 removing the liability management policy from the LTCCP and permitting councils to amend their policy at any time without public consultation;
- 15.5 transferring councils' policies about specific borrowing limits and the giving of securities from the liability management policy to the financial strategy;
- 15.6 removing the investment policy from the LTCCP and permitting councils to amend their investment policy at any time without public consultation;
- 15.7 transferring the policies on objectives in terms of which financial and equity investments are managed from the investment policy to the financial management policy;

Minor legislative amendments

- 16 agreed to make minor legislative amendments by:
- 16.1 repealing section 141(1)(b) of the LGA, which requires proposals for the sale or exchange of endowment land to be included in the LTCCP;
 - 16.2 repealing section 97(1)(c) of the LGA, which requires that proposals to construct, replace or abandon strategic assets be included in an LTCCP;
 - 16.3 repealing section 97(1)(d) of the LGA, which requires that decisions that significantly affect the capacity of, or cost to, the local authority of any activity be identified in an LTCCP;
 - 16.4 amending the LGA so that only a significant alteration to a council's revenue and funding policy requires an audited LTCCP amendment;
 - 16.5 repealing section 88 of the LGA, which is biased against the use of the private sector to deliver council services;
 - 16.6 repealing sections 126 to 129 of the LGA, which prescribe the process for councils to carry out assessments of water and other sanitary services in their district;
 - 16.7 repealing clause 3(1)(a) of Schedule 10 of the LGA, which requires a summary of the most recent assessment of water and other sanitary services to be included in the LTCCP;

Legislative implications

- 17 **invited** the Minister of Local Government to issue drafting instructions to Parliamentary Counsel Office to prepare amendments to the LGA to give effect to the above proposals;
- 18 **authorised** the Minister of Local Government, Associate Minister of Local Government, and other affected portfolio Ministers, to provide direction to the Parliamentary Counsel Office on drafting issues;

Publicity

- 19 **authorised** a group of Ministers, comprising the Prime Minister, the Minister for Infrastructure, Associate Minister for Infrastructure, Minister of Local Government and Associate Minister of Local Government to take decisions on the process, timing and content of the communications strategy for announcing Cabinet's decisions on the proposals on local government transparency, accountability and financial management [CAB Min (09) 38/16-18] and on water infrastructure development [CAB Min (09) 38/19];
- 20 **noted** that the Minister of Local Government intends to consult with Local Government New Zealand and the Society of Local Government Managers on the drafting of the Bill, subject to their agreement to confidentiality.

Rebecca Kitteridge

Secretary of the Cabinet

Reference: CAB (09) 622; CAB (09) 621; CAB (09) 623

Distribution: (see over)

Distribution:

Prime Minister
Chief Executive, DPMC
Director, PAG, DPMC
Minister of Finance
Secretary to the Treasury
Minister for Economic Development
Chief Executive, MED
Minister of Justice
Secretary for Justice
Minister of Health
Director-General of Health
Minister for the Environment
Secretary for the Environment
Minister for Arts, Culture and Heritage
Chief Executive, Ministry for Culture and Heritage
Minister of Agriculture
Director-General, MAF (Agriculture)
Minister of Conservation
Director-General of Conservation
Minister of Transport
Secretary for Transport
Minister for Social Development and Employment
Chief Executive, MSD
Minister for Building and Construction
Chief Executive, Department of Building and Housing
Associate Minister of Local Government
Minister Responsible for the National Library
National Librarian
Minister of Local Government
Secretary for Internal Affairs (Local Government)
Minister of Maori Affairs
Chief Executive, Te Puni Kokiri
Minister for the Community and Voluntary Sector
Secretary for Internal Affairs (Community)
Chief Executive, MSD (Community)
Controller and Auditor-General
Chief Parliamentary Counsel
Legislation Coordinator
Secretary, EGI

Proactively Released by the Minister of Local Government