



Summary of our report

Local government: Results of the 2014/15 audits



Communities continue to expect that their local authority will manage spending well and keep rate increases to a minimum. But the demand for services, and therefore the need for ongoing investment in infrastructure, is generally not reducing. With a changing demographic profile – particularly an ageing population – and a corresponding change in the nature of some services likely to be required in the future, local authorities must think about the long term and consider how to adapt.

Analysis of local authorities' revenue and spending

Overall, capital expenditure in 2014/15 reduced from 2013/14 and continues to be substantially less than the amounts budgeted for. Although some local authorities are consistently spending money on assets in line with what they budgeted for, other local authorities have not managed so well. If the under-investment continues, it calls into question the long-term ability of local authorities to deliver services to their communities.

This year, we have considered the use of uniform annual general charges as a rating mechanism and we also discuss internal borrowing.

Governance and accountability

Governance and accountability has been the focus for our work in 2014/15. The common thread in our reports is that effective governance relies on clear roles and responsibilities, good relationships between all parties, a clear sense of purpose, and a shared understanding of expectations. Governors need to have the right skills and experience to make an effective contribution, and they should set up strong and effective systems for reporting performance so people can hold the entity to account.

We continue to encourage local authorities, particularly after the next local body elections, to consider the merits of an audit committee and the value of having some independent members who contribute different perspectives, experience, and knowledge.

Airports

Airports operate in a difficult environment. Their various stakeholders have competing objectives. High costs of infrastructure and declining passenger numbers threaten the continuity and long-term viability of some airports. Good long-term planning for infrastructure and ongoing dialogue between all stakeholders about the future of some airports are essential.

Vital statistics:

- 76 pages
- Presented to Parliament on Thursday 7 April 2016
- Contact: reports@oag.govt.nz

Preparing for after the next elections

Local body elections are approaching. To ensure that sitting candidates do not gain an unfair advantage over non-sitting candidates, local authorities must manage communications during the pre-election period. It is not the role of local authorities to promote the re-election prospects of currently elected members. We encourage councils to read our 2004 guide, *Good Practice for Managing Public Communications by Local Authorities*.

To help inform public debate during the pre-election period, every local authority's chief executive must prepare a pre-election report. This document updates the reader on what the local authority has achieved against previously agreed objectives and the major projects planned for the next three years. It is a useful opportunity for local authorities to account for their performance.

Future focus

Changes in 2014 to the Local Government Act 2002 require local authorities to be more strategic in their approach to delivering services. The new requirements encourage local authorities to seek efficiencies and improve arrangements for service delivery. Services must be regularly assessed to ensure that they are delivered in the most cost-effective way. In particular, equipping councillors with the skills to make decisions about infrastructure and the delivery of services in a changing environment is critical.

Investment and asset management is the theme of our work programme for 2015/16. We are paying particular attention to how well local authorities address the ongoing need to provide services, manage existing assets, and fund new infrastructure in the face of changing demographics and continued pressure to contain costs, keep rates affordable, and maintain prudent debt levels.

In 2016/17, we will look at how local authorities are investing in systems to improve their understanding of their assets. This is important – good knowledge about the condition of assets is necessary for determining the nature and frequency of maintenance and the timing of renewals. Reliable asset condition information enables financial forecasts and asset management plans to better inform the 30-year infrastructure strategies that contribute to more effective planning. And elected councillors need reliable information to make good decisions about managing the assets that are critical to long-term service delivery.

Comparisons of forecast and actual capital expenditure for all local authorities

