



# Summary

## *Insights into local government: 2021*

This report presents the main findings from our 2020/21 audits of councils and our other work with the local government sector.

For councils, 2020/21 was a challenging year. The Covid-19 pandemic, and several reform proposals affecting the local government sector, added pressure to councils at a time when nationwide skills shortages, higher staff turnover, and increased recruitment costs made delivering services more challenging.

### **What we found**

Councils should be commended for generally maintaining services, despite the combined challenges of the Covid-19 pandemic and the reform proposals.

Many councils made progress in collecting better condition and performance information about their critical assets to support more accurate decision-making about the nature and timing of asset renewals.

Councils included more discussion about climate change in their long-term plans, including what actions they were planning or taking to adapt to or mitigate climate change impacts and risks.

The context for councils preparing the 2024-34 long-term plans is likely to change if reforms progress as planned. However, long-term integrated planning will remain important. Councils need to continue delivering a range of services reliably and efficiently to maintain the trust and confidence of their communities.

In 2020/21, councils continued to invest in their infrastructure, including increasing their level of investment in their three waters assets. This has occurred despite the challenges posed by the Covid-19 pandemic. Councils have also delivered the highest capital expenditure programme for nine years.

In response to historical underinvestment in their infrastructure assets, councils are increasing their renewals expenditure when compared to depreciation expense. However, a gap remains. Although we remain concerned that councils might not be investing enough in critical assets, we acknowledge that councils are planning to progressively increase this investment. In 2020/21, capital renewal expenditure throughout the sector has increased to 78% of depreciation (in 2019/20, it was 74%).



We looked at key areas of council service delivery that have a high level of public interest. There appeared to be no notable improvement in the times taken to process building and resource consents in 2020/21 compared with the previous year. However, processing times have been affected by the high level of consenting activity and the increasing complexity of consent applications at the same time as processing capacity has been constrained by the impact of the Covid-19 pandemic.

Despite increased investment in water infrastructure, we have not yet seen an improvement in reported performance. The lowest performance was for the “safety of drinking water” measures. It is important to note that where drinking water measures are “not achieved”, this non-compliance does not necessarily mean there is an issue with water quality. We encourage councils to investigate the reasons for their non-compliance and prioritise remedial actions.

Effective governance of councils remains vital, as does the integrity of councillors and staff. In this regard, we are pleased to see councils’ continued efforts to enhance the effectiveness of audit and risk committees. Councils are increasingly appointing independent chairpersons and members to these committees, which allows the committee to provide the best objective advice to support council governance and decision-making. We have continued to support good governance in the sector by regularly sharing our insights and observations, including regularly publishing good practice guidance.

## **Annual reports**

The global auditor shortage continued to provide challenges for councils and our auditors during 2020/21.

Despite this, most councils completed their audits within the extended statutory deadline – 12 councils completed their audits late and two are yet to be completed.

Our auditors issued a similar number of qualified audit opinions to last year. Six councils received qualified audit opinions on their financial statements, and there were 19 qualifications on aspects of councils’ performance information, such as inaccuracies in the calculation of customer complaint information.

In all instances, the qualification was limited to a disagreement or limitation of scope about a specific aspect of the annual report. Given its significance, we also drew attention in our audit reports to uncertainties arising from the Three Waters Reform Programme.