



A Brief Summary of the 2013 Local Government League Table and its results

What is the Council “League Table”?

This is the fourth (2013) annual edition of the NZ Local Government financial sustainability and community affordability League Table ... the LGLT.

The LGLT scores-ranks each of the 67 NZ territorial local authorities in order according to:

- the strength of each Council’s financial sustainability as well as
- the affordability of Council rates and charges to their local communities.

The LGLT is not a popularity contest

New Zealand Councils have been slow (many are positively resistant) to embrace meaningful measurement of their own performance. Some are quick to distance themselves from the LGLT and its findings, particularly if their own Council scores prove “unimpressive and unattractive”. The LGLT is a response to the prevailing attitudes of the sector as it is intended to squarely report and improve accountability to their ratepayers. The current *hands off* attitude of Council auditors, (effectively directed by the Office of the Auditor General) reinforces a prevailing climate of unsatisfactory accountability.

Change has arrived

The enacting of the 2002 Local Government Amendment Act – in December of 2012 is intended to “encourage” Councils to modify their existing behaviour. The new requirement to have Councils deliver their services on “most cost-effective” terms and to introduce financial benchmark reporting and controls will go a long way to improve matters ... if the Auditors do their job properly that is. It is an old adage that *Councils cannot be left to mark their own homework*. The totally independent reportage of the LGLT ... *makes sure that they don’t*.

Mechanics of the scoring of the LGLT

The LGLT ranking scoring system remains largely unchanged from previous years. The LGLT has ten metric measures and ten assessed “Other Factors” applied to each Council’s rating. The metrics for instance include figures for Council debt and household incomes, the “Other Factors” take into account for example the influences of qualified audit reports, earthquake liabilities, the level of Council financial (asset renewal) funds and so on.

How did your local Council fare?

The two page report titled “*Comprehensive 2013 NZ Council Ranked League Table*” informs ratepayers if this year their Council has improved its performance or not. The table brings together all sustainability and affordability results within one schedule and reports for each Council a single unweighted-ranked numerical score.

The basis for the LGLT’s scoring (and many other details of the methodology used) are at www.kauriglen.co.nz/larry/basestats/benchmarking_table.htm. This documentation also contains the “full” LGLT report from last year.

The key financial factors affecting a Council’s LGLT ranking

A combination of factors, for any Council ranked (say) poorly arises from a *perfect storm* of the following conditions of financial unsustainability and community unaffordability. A poor result earns both a low score (10 measures each of a maximum of 5 points) and a low ranking (out of 67) within the LGLT’s comprehensive table ...

The factors affecting (poor) performance include:

- High Council debt-coupled to low ratepayers (wealth) with
- low equity per ratepayer and low or no liquid financial assets
- low levels of commercial and investment property/assets
- annual persistent operating deficits and low levels of funded depreciation reserves
- plus the presence of material contingencies including liabilities for earthquake reinstatement/strengthening and leaky buildings.

Highlights of this year’s 2013 LGLT results-rankings ...

- Persistent deficits
- Debt build up – average debt per ratepayer up 10% from \$3,834 to \$4,176
- Metros take on ultra-high levels of debt, albeit with solid asset backing
- Continuing low levels of asset replacement reserve funds.

Comprehensive 2013 NZ Council Ranked League Table

Council 2013 LGLT Ranking		Last Year's Ranking	Council Total Score (Out of 50 points)	Council Financial Sustainability Score (Out of 25 points)	Community Affordability Score (Out of 25 points)	Combined Assessment of "Other Factors" (a five scale "traffic light" coding)		Brief Summary/Comments
						2012	2013	
Clutha	1	1	40	20	20	●	●	"Best In Show"
Southland	1	2	40	21	19	●	●	"Best In Show"
Rangitikei	3	9	38	21	17	●	●	Highly commended
Stratford	3	10	38	19	19	●	●	Highly commended
Marlborough	8	15	36	18	18	●	●	Consistent high performer
Nelson	9	19	37	19	18	●	●	Consistent high performer and higher this year
Wellington	9	13	37	18	19	●	●	Consistent high performer but High Debt (\$5 to \$10 K per ratepayer)
Selwyn	11	5	37	18	19	●	●	Lower performance and High Debt (\$5 to \$10 K per ratepayer)
South Wairarapa	11	21	35	19	16	●	●	Marked improvement
Waikato	11	6	35	20	15	●	●	Lower performance
Waitaki	13	34	36	20	16	●	●	Marked improvement
Waipa	15	12	34	19	15	●	●	Lower performance
Central Hawkes Bay	16	23	35	17	18	●	●	Some improvement
Napier	17	27	33	22	11	●●	●●	Marked improvement
Carterton	20	8	34	20	14	●	●	Marked drop in performance
Hauraki	20	59	34	20	14	●●	●	Very marked improvement
Queenstown Lakes	20	4	34	13	21	●	●	Marked drop in performance and High Debt (\$5 to \$10 K per ratepayer)
Waimate	20	22	34	19	15	●	●	Little change
Ashburton	22	17	33	15	18	●	●	Lower performance
Gisborne	22	14	33	18	15	●	●	Drop in performance
Manawatu	22	31	33	20	13	●	●	Marked improvement
Tasman	22	29	33	15	18	●	●	Good improvement but High Debt (\$5 to \$10 K per ratepayer)
Waimakariri	25	7	33	19	14	●	●	Marked drop in performance
Waitomo	25	47	33	13	20	●●	●	Marked improvement but High Debt (\$5 to \$10 K per ratepayer)
Central Otago	27	24	32	17	15	●	●	Lower performance
Chatham Islands	27	25	33	18	15	●●	●	Little change
Thames-Coromandel	27	33	33	16	17	●●	●	Good improvement
Matamata-Piako	28	26	31	15	16	●	●	Little change
Dunedin	30	30	32	15	17	●	●	No change. Ultra High Debt (over \$10 K per ratepayer) but with high <u>net</u> equity
South Taranaki	31	28	31	10	21	●	●	Lower performance and High Debt (\$5 to \$10 K per ratepayer)
Wairoa	31	46	31	20	11	●	●	Marked improvement
Auckland	34	35	31	11	20	●	●	Little change. Ultra High Debt (over \$10 K per ratepayer) but with high <u>net</u> equity
Hurunui	34	3	31	15	16	●	●	Marked drop in performance
Tararua	36	11	31	16	15	●●	●	Marked drop in performance

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						2012	2013	
Far North	37	55	30	16	14	●	●	Marked improvement in performance
MacKenzie	37	41	30	16	14	●	●	Improved performance
Masterton	39	16	29	16	13	●	●	Marked drop in performance
South Waikato	39	45	29	17	12	●	●	Drop in performance
Christchurch	40	39	30	15	15	●	●	Little change. Ultra High Debt (over \$10 K per ratepayer) but with high <u>net</u> equity
Hastings	40	18	30	15	15	●	●	Marked drop in performance
Whakatane	40	48	30	15	15	●	●	Good improvement
New Plymouth	42	20	29	13	16	●	●	Marked drop in performance and High Debt (\$5 to \$10 K per ratepayer)
Otorohanga	42	36	29	12	17	●	●	Drop in performance
Ruapehu	42	53	29	13	16	●	●	Marked improvement
Westland	42	38	29	14	15	●	●	Lower performance
Kaikoura	43	44	28	14	14	●	●	Little change
Gore	48	40	27	15	12	●	●	Drop in performance
Taupo	48	37	27	10	17	●	●	Marked drop in performance and High Debt (\$5 to \$10 K per ratepayer)
Tauranga	48	32	27	11	16	●	●	Marked drop in performance. Big City woes – debt laden. Ultra High Debt (over \$10 K per ratepayer) but with high <u>net</u> equity
Upper Hutt	48	58	27	14	13	●	●	Marked improvement
Timaru	50	54	25	14	11	●	●	Good improvement and High Debt (\$5 to \$10 K per ratepayer)
Grey	51	49	26	13	13	●	●	Little change.
Hutt	53	43	25	11	14	●	●	Marked drop in performance
Kapiti Coast	56	57	24	11	13	●	●●	Little change
Opotiki	56	51	24	16	8	●	●	Lower performance
Porirua	56	52	24	12	12	●	●	Lower performance
Wanganui	56	67	24	12	12	●	●	Marked improvement but High Debt (\$5 to \$10 K per ratepayer)
Western Bay of Plenty	58	42	25	10	15	●●	●●	Marked drop in performance and High Debt (\$5 to \$10 K per ratepayer)
Rotorua	59	61	23	10	13	●	●	Little change and High Debt (\$5 to \$10 K per ratepayer)
Hamilton	62	50	23	10	13	●●	●	Marked drop in performance and High Debt (\$5 to \$10 K per ratepayer)
Invercargill	62	60	22	11	11	●	●	Little change
Palmerston North	62	63	22	8	14	●	●	Little change and High Debt (\$5 to \$10 K per ratepayer)
Whangarei	62	62	22	7	15	●	●	Consistent "cellar-dweller"
Buller	64	64	21	9	12	●	●	Consistent "cellar-dweller"
Kawerau	65	66	19	10	9	●	●●	Consistent "cellar-dweller". Low debt
Horowhenua	66	56	18	8	10	●	●●	Consistent "cellar-dweller" down further
Kaipara	67	65	18	6	12	●●	●●	Serious financial difficulties and High Debt (\$5 to \$10 K per ratepayer)



Major problems and Policy issues currently bedeviling NZ Local Government

Every year the LGLT features pressing issues of local government public policy and practice.

Many of these issues arise from conduct of the LGLT exercise. Their reporting is intended to alert those responsible, (policy makers-auditors-public spirited elected and other Council officials) ... to encourage improvements in their Council's performance and behaviour.

In brief the major pointers/ issues highlighted in this year's 2013 LGLT are:

- The Comprehensive (all 67 Councils) summary highlights *noteworthy* individual Council LGLT results. Councillors, Council management local ratepayers and communities are encouraged to use these results to question where necessary their own Councils performance as well as to seek improvements.
- The 2012-2022 long term financial plans of Councils (set July 2012) as a result of the enactment of the 2012 Local Government 2002 Amendment Act (passed December 2012) must now be totally revised and redrawn.
- For the revised LTP's planning (data), given the new rules we can now expect 2013 Annual plans to revise their levels of service, deliver expenditure savings, steady-lower debt and steady-lower rates. No Council should be planning otherwise and the Auditors are obliged "to see that they do".
- Unsustainably high levels of Council debt continue to paralyse many Councils and are the major influence on Councils with low LGLT scoring/ranking. On the other hand it is encouraging to note ... that for many 'the penny has dropped' and a number of Councils have at last commenced real debt reduction programmes.
- Evidence of the LGLT (very low near cash and financial reserves) again starkly demonstrates that many Councils have continued to raid and misuse the financial reserves intended for asset replacements.
- Auckland Council continues its recent established track record of keeping both analysts and ratepayers alike in the dark by providing little by way of useful performance information ... settling for the announcement of superficial PR press releases on matters of major public interest.
- Severely financially challenged Council include the Kaipara District (*someone should write a book on this one!*) and a number of others, in the main, small challenged Councils at the bottom of the table who "will always struggle".
- *Kudos* go to those Councils who have clearly (according to the LGLT rankings at least) made real progress ... the Significant Improvers.
- The rankings this year have moved markedly. Some of this movement is due to the narrow range of the scale used. For example Hurunui (last year ranked 3rd) now ranked 34th due to a drop in the metric score of from 35 to 31 – only a 4 point change.
- This year for the first time, the 'traffic light' "Other Factors" assessments have been used to adjust (up or down 3 or 5 places) and where considered appropriate the final Council rankings. Last year this adjustment was not made– being "left to the reader" to make their own reassessments of posted rankings.
- This year Councils with the same metric scores are equally ranked. Note that this process leaves vacant a number of ranking positions on the 67 place scale.
- In summary, based on the 2013 LGLT's findings, 16% (11 in number, the same proportion as last year) of the 67 NZ TLA Councils remain extremely vulnerable (or worse) in financial terms. These Councils struggle either due to their poor financial condition and/or their unfavourable scale/demographics. They will all experience difficulties in servicing even the basic needs of their citizens as a result of their past maladministration ... or straight out profligacy and/or as a consequence of local community unaffordability issues.

Attention all Policy makers, prospective Councillors and Ratepayer Associations

The 2013 Local Government League Table – is a 'must-have' document for all Councils, Policy makers, elected officials who are members of Council audit and finance committees and prospective Mayors and Councillors seeking (re) election this year. **All of the facts needed to stay informed upon your Council's finances are reported in the full version (see example url below) of the 2013 LG League Table.**

To obtain your fully documented copy of the 2013 League Table – Price \$250 - email larry@kauriglen.co.nz and for a sample of the full report see the 2012 LGLT at www.kauriglen.co.nz/larry/basestats/benchmarking_table.htm