

Powering community and national success.

ANNUAL REPORT 2012/13



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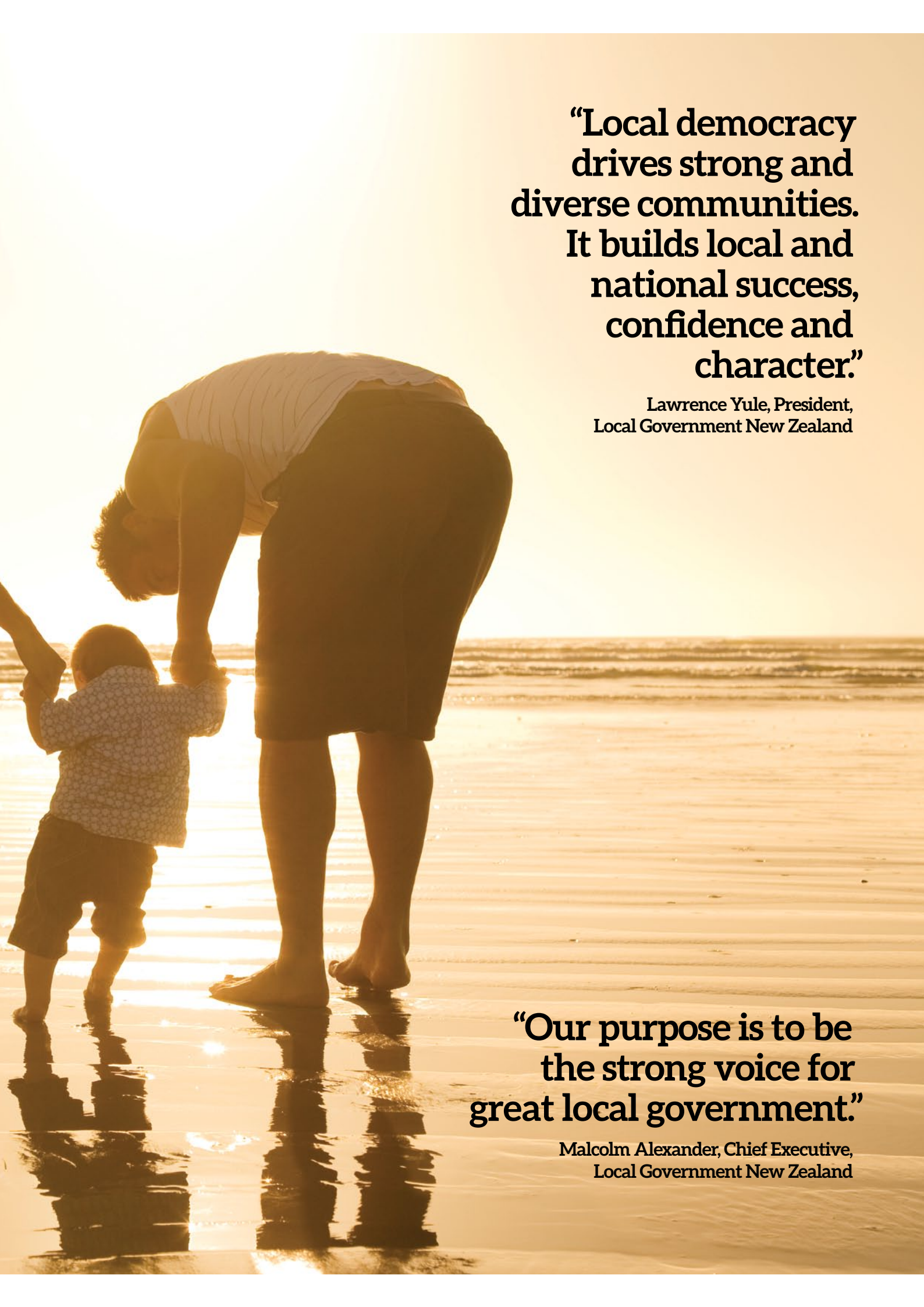
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LGNZ's Vision: Local government powering community and national success

We represent New Zealand's 78 Councils. Councils represent their communities and have a mandate to consult, discuss and make decisions on behalf of those communities. This enables local and regional communities to become better places to live, work, enjoy and succeed.

Local Government New Zealand is the sector voice for New Zealand Councils.

This Annual Report summarises what we did in 2012/2013 to assist our members and to advocate for the local government sector.



**“Local democracy
drives strong and
diverse communities.
It builds local and
national success,
confidence and
character.”**

Lawrence Yule, President,
Local Government New Zealand

**“Our purpose is to be
the strong voice for
great local government.”**

Malcolm Alexander, Chief Executive,
Local Government New Zealand



From the President

Change is a constant in local government. However, in the 2012/2013 year, significant legislative change affecting the local government sector challenged Councils' relevance and tested our resolve.

Local Government New Zealand's (LGNZ) response to the *Better Local Government* reforms and legislation resulted in the sector presenting a strong unified front. Our approach was directed by a core belief that a well functioning sector ensures effective community input through local democratic processes and makes a positive contribution to local and national success.

As a result, the year was one of fundamental change for LGNZ as we worked to understand and adapt to the changes and challenges in the broader environment, as well as the needs and wishes of our members. We developed plans and actions to help our members in their interaction with central government on policy development. We improved performance to ensure the sector and LGNZ delivered value in the new environment. I believe the sector is better for this constructive response.

I acknowledge the work of our members, the National Council and LGNZ staff, in addressing the considerable issues of 2012/2013.

Our collective focus was on LGNZ delivering value to members so they could best help their regions and communities succeed.

The Local Government Act 2002 Amendment Act 2012 contained challenges and opportunities. Although we have issues with aspects of the statute, at its heart it seeks value from each of us. As Councils and as LGNZ

we cannot deliver value without delivering performance. Issues that arose in Kaipara and elsewhere must be confronted. What happens in one Council reverberates across the sector.

Importantly, we cannot claim to be the local voice without local support. Local government must enjoy the confidence of its constituents.

Finally, we cannot effectively engage central government without high levels of performance and support. The sector and LGNZ must change and reposition to ensure our place of influence.

Our new sector Vision encapsulates that required change – *local democracy powering community and national success*. LGNZ will work with its members to enable them, their regions, communities and New Zealand. LGNZ will be the strong voice for great local government.

The Vision and LGNZ's Purpose inspire and require action. As a result and following comprehensive reviews of LGNZ, the National Council endorsed LGNZ's first Business Plan, which sets out a new strategy going forward.

Under this new strategy we have moved to an advocacy model focussing as much on communicating our priority policy positions as on developing those priority policies. LGNZ's policy and communications teams were merged into one advocacy team to become more proactive on policy and lobbying.

Additionally, the three year Business Plan sets out a roadmap for LGNZ to develop a range of additional opportunities, services, and products to support our members. A new commercially focussed unit, Business Solutions, has been created to help our sector build capacity and capability.

Profile and positioning are critical. We are determined to promote the value that local government provides both nationally and locally to New Zealand's diverse regions and communities. Consequently, communications was a top priority.

LGNZ was restructured to be a more focussed organisation. It is now more agile in delivering value, innovation and quality work to members, and to represent the sector and get results.

These necessary changes were a giant first step. They complemented work done during the year by LGNZ to constructively engage with central government and other sectors, including:

- Advocacy that helped to de-couple the legal connection between the ministerial intervention framework contained in the Local Government Act 2002 Amendment Bill 2012 from the proposed fiscal benchmarks, shielding the sector from inappropriate or arbitrary dabbling by central government in the business of councils;

- Reports by the Office of the Auditor-General and analysis done for LGNZ by economics consultancy, NZIER, in late 2012 that showed the new strategic reporting requirements of Councils are resulting in improved sector reporting despite rhetoric to the contrary; and
- LGNZ worked with central government, Parliamentarians, and other sectors on policies as diverse as mining royalties, infrastructure, water, public transport, alcohol law reform, electronic voting and changes to the Resource Management Act 1991.

But there is still much work to do.

Along with the National Council, I believe that local government, with LGNZ as its peak representative body, is entering a new era. With a new Vision, improved performance and wide support we can take our members, our partners, our stakeholders and our communities with us.

LGNZ is now well prepared to deliver and I want to thank the LGNZ Chief Executive, Malcolm Alexander, and his team for their great work during the year. My colleagues on the National Council are equally to be commended for their guidance and articulation of sector views. Our members have contributed generously in these testing times. I thank you all.

As a Mayor, President of LGNZ and Chairperson of the Commonwealth Local Government Forum, I believe local democracy drives strong and diverse communities. It grows local and national success, confidence and character.

To realise that goal, LGNZ and the local government sector regrouped in 2012/2013 and as a result are now ready to take the next big step to deliver more value to those we represent.

We will provide better local government, which will drive greater local and national success.

Lawrence Yule

President

Local Government New Zealand

Local Government New Zealand is delivering

- **A new sector Vision for a new era**
- **A Business Plan to improve sector and member performance**
- **Value-oriented member services and products**
- **A clearer voice for local government positioning**
- **Priority and quality policy input and influence**
- **A more agile and innovative organisation**
- **Local and national success**



From the Chief Executive

I started in the role of Chief Executive in April 2012 and set about doing three things.

First, as someone with no background in the sector, it was important I took the time to meet and talk with as many members and stakeholders as I could about their thoughts on the issues facing the sector and how the sector had responded to these issues over time.

My second main task was to undertake a comprehensive review of LGNZ. Was it set up to meet the future needs of the members and the sector in an optimal way, and if not what were we going to do about it?

Finally, with the assistance of the National Council, I aimed to change LGNZ's positioning in the public policy debate in Wellington.

I believe that the 2012/2013 year saw a lot of progress on all of these fronts.

In growing my understanding of the issues I would like to thank the many elected members and council officers, as well as the many other stakeholders I met. Taking valuable time to make me welcome as I travelled throughout New Zealand helped to build my knowledge. I travelled from Kaitaia to the Bluff, and out to the Chatham Islands, interacting with LGNZ members from regional, metropolitan, provincial and rural councils.

It was clear there was an appetite for change across the membership. The clear message I received was that members are looking for a representative organisation with the respect and the capability to get the productive changes in policy to assist

communities and the nation to prosper. Members also wanted an organisation that could help them succeed in the tasks they were addressing in their own regions and communities.

After Conference last year, I carried out a suite of work that looked hard at the strategy that LGNZ was pursuing. That process culminated in National Council agreeing to the three year Business Plan that was finalised in February 2013, and was sent to members in early April.

The work carried out to formulate the Business Plan clarified the need for clear articulation of what LGNZ's members stood for, how the sector's membership organisation was going to go about achieving that and what it would cost.

The process resulted in a new Vision for our sector and a new Purpose for LGNZ. Our Vision clearly puts a stake in the ground that we value and will fight to protect local democracy. But it also says that this must be conducive to community, regional, and national success. The Vision therefore is as much about taking accountability for the issues that confront our sector and working hard in the interest of New Zealand's ratepayers to address them, as it is about protecting local democracy and celebrating our sector's success.

It follows that our daily purpose at LGNZ is to be the strong voice for great local government.

The President has mentioned some of the many policy issues that we dealt with during 2012/2013, and there were certainly plenty of them. It is a testament to the character and resilience of my staff that they were able to meet these policy challenges while at the same time going through a change process at LGNZ.

Restructures are never easy. Accordingly, I would like to publicly thank LGNZ's staff for their hard work and support for me last year.

The President and the National Council provided advice, input and encouragement as we faced considerable change and development during the year. I am grateful for that partnership and support.

We made a lot of progress last year but even bigger and better things are ahead for us. I find that prospect exciting.

Together, we can be even more successful.

Malcolm Alexander
Chief Executive
Local Government New Zealand

Our team

as at 31 March 2013

- **A new Vision and Purpose enabling members to succeed**
- **Building respect and capability in a restructured LGNZ**
- **New services and products for members**
- **A Business Plan to advance and position local government**
- **Creating a great LGNZ team to support members**

Malcolm Alexander, Chief Executive

Vickie Paterson, Director People and Performance

Finance and Administration Team

Leanne Brockelbank, Chief Financial Officer

Helen Knight, Accounts Officer

Rachel Prentice, Team Support

Advocacy Team

Kate Macnaught, Policy Manager

Dr Mike Reid, Principal Policy Advisor

Philip Shackleton, Principal Policy Advisor

Frances Sullivan, Principal Policy Advisor

Clare Wooding, Principal Policy Advisor

Mariska Wouters, Principal Policy Advisor

Malcolm Aitken, Public Affairs Manager

Megan Bartrum, Communications Advisor

KnowHow Professional Development Team

Anne Gibson, Professional Development Manager

Sandra Scrimshaw, Professional Development Co-ordinator

Kerry Washington, Professional Development Assistant

KnowHow

- More ways to navigate via new approaches and channels
- More workshops – Te Aō Māori and working with China
- More attendees, up 25 per cent on three years ago
- More awareness of KnowHow



KnowHow's move to a competency-based framework in the 2012/2013 year contributed to a 20 per cent increase in attendee numbers compared to the same period three years ago. Attendees per workshop increased from 13.45 in 2009/2010, to 16.9 in 2012/2013.

In the last financial year, 31 workshops were attended by 525 participants. KnowHow's new approach provided elected local government members with more choice and greater relevance to increase their knowledge and skill base.

New workshops reflect diversity

Last year LGNZ developed and extended the KnowHow workshop selection, adding four new workshops to the schedule. These workshops reflected the changing nature of local government business and addressed pressing issues facing Councils. They also recognised a growing diversity of interests and concerns in New Zealand communities, both from a cultural and economic point of view.

Understanding Te Aō Māori

Effective engagement with Māori is enshrined in New Zealand law. It forms a key part of local government decision-making processes. Our two day workshop placed contemporary Treaty settlements and Māori land decisions in an historical context as well as discussing current issues affecting Māori.

Understanding and Maximising Relationships with China

LGNZ believes forging closer ties with China has the potential to make a difference to the prosperity of many of New Zealand's regions and communities.

Recognising this, KnowHow's China workshop looks at how Chinese business practices differ from our own and how local government can maximise the benefits of doing business with China. In March 2013, the first workshop taught elected members how to target messages for different audiences and explored ways in which Councils can deliver a greater return on the investment they make in sending delegations to China.

Two other workshops introduced in the 2012/2013 year were Effective Directorship – getting the best out of Council Controlled Organisations (CCOs) and Audit and Finance Committees – Roles and Functions.

Webinars up and running

In May 2012 KnowHow moved into the webinar space, introducing online workshops as a convenient way to provide information to groups of all sizes while reducing travel and accommodation costs.

Webinars enable participants to watch interactive sessions in real time with others around the table – and around the country. They offer full participation at question time and the ability to download sessions to share later with colleagues who were not available at the time to participate in the webinar.

The two webinars – *Debt – the Real Oil* and our two-part series *Conflicts of Interest* proved effective and popular with favourable feedback.

LGNZ sees great potential in webinars and will continue to develop and explore them for the benefit of its members.

Unleashing the potential of neighbourhoods

In August 2012 KnowHow partnered with *Inspiring Communities* to bring international author and Washington University lecturer, Jim Diers, to New Zealand.

This was a repeat visit by the world-respected Diers, in response to popular demand. Diers was appointed the first director of Seattle's Department of Neighbourhoods in 1988 where he served under three Mayors over the next 14 years. He shared lessons from that work on how united and empowered communities can influence the actions of government, developers and other external forces by mobilising their own assets, passion, knowledge, skills and relationships to revitalise neighbourhoods and communities.

Governance and Regulation

- Addressing *Better Local Government* reforms
- *Housing affordability*
- Alcohol Reform Bill and District Licensing Committees
- Advocacy for the introduction of proportionate liability



Better Local Government reforms

The *Better Local Government* reforms announced by the former Minister of Local Government, Hon Dr Nick Smith, in March 2012, focussed LGNZ's policy efforts in the 2012/2013 year.

The first tranche of reforms were incorporated in the Local Government Act 2002 Amendment Bill 2012, which became law in December 2012. Key changes were to the purpose of local government and the removal of the "well-beings," an increased range of ministerial powers for intervention, empowering the introduction of fiscal benchmarks, amendments to local government re-organisation rules, and increased powers for Mayors.

In July 2012, LGNZ submitted to the Local Government and Environment Select Committee on the Amendment Bill. The submission was substantial and wide-ranging.

After strong lobbying by our President and Chief Executive across political parties, the linkages between the powers of ministerial intervention and breach of the (as-yet-unknown) fiscal benchmarks were removed. Although the Minister can intervene if a problem develops with a Council's financial position, the Minister will no longer be able to intervene based on the simple breach of an arbitrary benchmark. Had this not occurred, the potential for perverse consequences would have been high and would arguably have run contrary to the Government's own desire that prudent investment in infrastructure continued.

The Local Government Act 2002 Amendment Act 2012 strengthened the role of Mayors to appoint their deputies and standing committee chairs; and vis-a-vis long term planning. Information on these changes and their implications were communicated to Councils and incorporated into LGNZ's KnowHow professional development training and advice to new Mayors and other elected members.

The second phase of the Better Local Government reforms has included work by the Productivity Commission, the Expert Advisory Group on Local Government Infrastructure Efficiency, the Efficiency Taskforce, and policy work associated with draft regulations on fiscal benchmarks and performance measures and changes to the application and use of development contributions.

The report of the Efficiency Taskforce concentrated on procedural efficiencies including streamlining plans, and improving decision-making and consultation processes. The recommendations of the Taskforce are likely to result in further amendments to the Local Government Act 2002 in 2013. LGNZ is working closely with officials and the Minister of Local Government on these proposals to try to ensure that sound improvements are made without incurring increased cost, particularly those associated with litigation.

In terms of the proposed regulatory benchmarks, LGNZ – working with a reference group from the sector – is engaging closely with officials and the Minister as these continue to be developed.

LGNZ supports the concept of benchmarking in principle, provided the benchmarks focus on innovation and performance improvement and do not become another type of compliance or capping mechanism.

Local Electoral Bill

The Local Electoral Bill, introduced to Parliament in mid-October 2012, brought Council election funding and donation rules into line with Parliamentary elections.

LGNZ submitted positively on the Bill, which implemented a number of the recommendations from Parliament's Justice and Administration Select Committee's review of the 2010 local authority elections.

The recommendations included providing electoral officers with an additional week between closing of nominations and delivery of voting papers and allowing the Local Government Commission greater flexibility when interpreting the plus/minus 10 per cent rule.

LGNZ supported the Select Committee's recommendations and was pleased these changes were included in the Local Electoral Act when it passed its third reading in Parliament on 26 June 2013.

Housing affordability

The issue of housing affordability was a key issue for the Government in 2012/2013. LGNZ through its metropolitan sector worked hard to try to ensure that housing policy was built on a sound basis.

In the latter part of 2012, LGNZ carried out empirical work and established – outside of Auckland Council – land availability was not a key issue driving housing affordability. Similarly, the assumption that development contributions were a major contributing factor to the high costs of housing was overplayed.

That there are housing affordability issues in New Zealand is beyond dispute. The issue however is complex and there is no silver bullet. LGNZ continued to work with the Government to explore how improvements to the regulatory framework could improve housing affordability. A constructive partnership between local and central government is required.

Alcohol law reform

LGNZ worked with the Ministry of Justice and the sector on the implementation issues associated with the Alcohol Reform Bill, which became law in December 2012.

KnowHow partnered with the Ministry to develop an informative workshop programme to provide elected

members with the tools they required to implement the new regime well.

Productivity Commission

LGNZ also worked closely with the Productivity Commission on its inquiry into local government regulation, *Towards Better Local Regulation*. This involved consulting with member authorities, preparing a submission and working with members of the Commission on specific aspects of their draft report. The draft report proposed a framework for determining which regulatory functions should be undertaken by local government and which should be performed by central government.

The draft report made it clear that the status and role was unclear to central government.

LGNZ's Advocacy Team worked with the Productivity Commission to ensure that there was genuine engagement with the sector. As a result, the Commission's subsequent findings reflected a truer picture of the real challenges faced by local government when delivering regulation designed by central government. The final report was released in May 2013.

Earthquake-prone building policy

LGNZ engaged closely with the Ministry of Business, Innovation and Employment in the review of earthquake-prone building policy. LGNZ emphasised the need for a risk-based approach with flexibility built into the timeframes, reflecting the unique financial pressures and seismological risks faced by different councils around the country.

LGNZ consistently advocated for changes to the Building Act to reduce the risk of future liability to local authorities and to try to ensure that New Zealanders would have access to quality homes.

Proportionate liability regime

LGNZ advocated strongly to the Law Commission that New Zealand move to a proportionate liability regime from the present joint and several regime. Such an outcome would assist Councils in significantly mitigating the risks associated with negligence claims.

Community Boards conference

LGNZ's Advocacy Team supported the Community Board Executive Committee (CBEC) in its planning for the 2013 Community Board conference, hosted by Queenstown Lakes District Council.

Environment

- Major advocacy on RMA and water reforms
- Successful lobbying to elevate natural hazards in the RMA
- Advocacy on the impost of costs as a result of the National Environment Statement (NES)



Taupo District Council Mayor, Rick Cooper.

Resource Management Act reforms

In late February 2013, the Minister for the Environment, the Hon Amy Adams, released the long awaited discussion document, *Improving Our Resource Management System*.

The reforms are aimed at streamlining and clarifying processes within the Resource Management Act 1991 to achieve greater economic growth. The proposed changes were significant but the evidence base used to justify the need for change was, in LGNZ's view, inadequate.

The Government stated that the reforms had six core objectives:

- Greater national consistency and guidance;
- Fewer resource management plans;
- More efficient and effective consenting;
- Better natural hazard management;
- Effective and meaningful Iwi/Māori participation; and
- Working with councils to improve practice.

Greater national consistency and guidance

LGNZ was concerned that these amendments were significant and will require plan changes to give them effect.

In our submission LGNZ canvassed the changes extensively and supported a number of the changes proposed to section 6 while questioning other aspects. LGNZ did not support the section 7 provisions because we considered they would better fit in other parts of the legislation.

Fewer resource management plans

The Government proposed that within two years all resource management plans, including Regional Policy Statements, would be aligned into a standardised national template with common definitions. The template would specify timeframes of five years or another agreed timeframe taking into account plan reviewing timeframes. The default area for a single plan was that it was covered by a single District Plan.

LGNZ believes that the district and regional planning mandates are driven from different perspectives and functions. These do not sit together easily, making it difficult to align them into a single online plan.

LGNZ advocated a staged approach, focussing initially on fostering the existing momentum behind District Council co-operation on plans and consolidating them. We suggested for consistency a "national planning template" should have three main modules – District, Regional and Unitary – without a requirement for vertical integration.

More efficient and effective consenting

LGNZ worked with the Ministry for the Environment to get alignment where possible on the detail of the reforms before legislation was introduced. LGNZ supported the "technical exemption" but had reservations about the 10 working day requirement to process consents.

Better natural hazard management

LGNZ and the local government sector have for some time asked central government for more robust tools to properly deal with natural hazards and the risks associated with them as part of the planning process. Elevating natural hazards to Section 6 was a measure LGNZ strongly supported, as were the changes proposed to Section 106 of the RMA.

Water reform

In early 2013 the Government released a discussion document on water reform in response to the Land and Water Forum's recommendations – *Freshwater reform: 2013 and Beyond*.

The document covered three main areas:

- Planning as a community – introducing a collaborative planning option as an alternative to the current system under the RMA;
- A National Objectives Framework that requires national minimum environmental states in rivers and lakes for ecosystem health and human contact; and
- Managing within water quality and quantity limits – starting by requiring councils to better account for how all water in a region is used, including how much is taken and what is discharged into it. LGNZ endorsed Regional Councils' broad support for the water reform package. The goal was to work with central government to develop the implementation package and to minimise any transitional issues.

National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health

LGNZ submitted on the National Environment Standard (NES) for Assessing and Managing Contaminants in Soil. The NES continues to impose costs on territorial authorities. In March 2013, LGNZ took legal advice on how Councils could best protect themselves against liabilities associated with the NES, and provided that advice to Councils.

Development and Infrastructure

- Leadership on water reforms
- The Land Transport Management Amendment Bill
- Participation in the Road Efficiency Task Force governance group and NZ Utilities Advisory Group
- Road transport research



Auckland Council Mayor, Len Brown, right discusses a plan with a developer.

Water reforms

During 2012/2013 pressure increased on the Government to implement changes to the delivery of drinking and waste water services. Developing an effective response was needed to ensure that any changes were well informed and likely to result in a better overall outcome – this meant local government needed to take greater control of the debate.

In response to this challenge, LGNZ partnered with the Society of Local Government Managers (SOLGM) and INGENIUM, to develop the Three Waters work programme, which it then discussed extensively with Councils. The programme was also discussed with the National Infrastructure Unit and the Department of Internal Affairs. Both support the work programme and will be providing on-going support to action it.

LGNZ also discussed how best to build local government activities into the National Infrastructure Plan with the National Infrastructure Unit. This involved LGNZ's participation in a national workshop on national economic indicators.

Land Transport Management Amendment Bill

The Land Transport Management Amendment Bill had been due to be passed into law by the end of April 2013. The House of Representatives' workload precluded this happening. LGNZ provided a comprehensive submission on the Bill but was extremely disappointed at the way in which submitters on the Bill – including local government representatives and other stakeholders – were treated during the hearings process.

LGNZ also worked with a number of Regional Councils to try to ensure that the transitional provisions for the Public Transport Operating Model (or PTOM) resulted in cost-effective outcomes. The impact of this work will not be known until the Amendment Bill is reported back later in 2013.

Participation in Road Maintenance Task Force

The Government's Road Maintenance Task Force drew to an end in late 2012 with its report submitted to the Minister of Transport, Hon Gerry Brownlee.

An implementation group was set up – with four local government representatives on the governance group, including LGNZ Chief Executive, Malcolm Alexander; Hasting District Council's Group Manager of Asset Management, David Fraser; Southland District Council's Chief Executive, Dave Adamson; and Auckland Transport's Road Corridor Maintenance Manager, Murray Noone.

The eight person governance group is chaired in an independent capacity by the Chief Executive of the New Zealand Post Group, Brian Roche.

NZ Utilities Advisory Group

The NZ Utilities Advisory Group (NZUAG) was set up in 2012 as a requirement of the Utilities Access Code and the Utilities Access Act.

LGNZ was instrumental in changing the focus of the establishment committee – ensuring there would be open membership; there was an independent chair; focus was given to ensuring that the Code was properly administered by NZUAG Incorporated; and there was a significant commitment to a formal programme of education, awareness raising and development. Without this effort it is possible that few of the transitional matters would have been dealt with prior to the election of the first permanent committee.

Road transport research

During 2011 and 2012 LGNZ engaged the economics consultancy, BERL, to undertake analysis of the impact that export freight had on the local and regional road network. While the initial findings had been outlined at LGNZ's 2012 Conference, the report was finalised and released in 2013.

Communications

- Positioning and promoting LGNZ's Vision
- Conference 2012 generates coverage of sector issues
- Brand expression and communications initiatives



Otorohanga Mayor, Dale Williams, being interviewed.

As mentioned in the President's message; LGNZ's communications team was combined with the policy team to form a new Advocacy Team to better promote a shared narrative for the LGNZ Vision and to execute the Business Plan.

Following a brand review and a communications audit during 2012, new LGNZ brand expressions and communications tools were developed in readiness to promote greater understanding of the local government sector and the role of LGNZ.

A suite of communications initiatives is required to assist LGNZ and members to show and tell internal and external audiences why local government is pivotal for community and national success.

The Business Plan sets out communications as a key priority for LGNZ and the sector.

A feature of the Business Plan is the need to reposition local government in the new environment. LGNZ can lead communications as the strong voice of great local government but our messaging will be amplified and more powerful with the active support of all members.

Media coverage during the year was often positive toward LGNZ, especially for its Queenstown conference in July 2012. The sector's unity in calling for retention of the four well-beings in the Local Government Act 2002 Amendment Act 2012 was widely covered in media.

National Council

as at 31 March 2013



President
Lawrence Yule
Mayor
Hastings District
Council



Vice President
John Forbes
Mayor
Opotiki District
Council



**Rural and
Provincial
sector**
Brendan Duffy
Mayor
Horowhenua
District Council



Regional sector
Fran Wilde
Chair
Greater
Wellington
Regional Council



Regional sector
**Stephen
Woodhead**
Chair
Otago Regional
Council



Metro sector
Len Brown
Mayor
Auckland
Council



Metro sector
Dave Cull
Mayor
Dunedin
City Council



Metro sector
Stuart Crosby
Mayor
Tauranga City
Council



Zone one
**Richard
Northey**
Councillor
Auckland Council



Zone one
John Bain
Deputy Chair
Northland
Regional Council



Zone two
Meng Foon
Mayor
Gisborne District
Council



Zone three
Jono Naylor
Mayor
Palmerston North
City Council



Zone four
**Adrienne
Staples**
Mayor
South Wairarapa
District Council



Zone five
Maureen Pugh
Mayor
Westland District
Council



Zone six
Tracy Hicks
Mayor
Gore District
Council

In the National Council election held at the AGM in July 2012, all National Councillors were returned for another year.

Financial Statements

for the year ended 31 March 2013

Independent Auditor's Report

Deloitte.

to the readers of New Zealand Local Government Association
Incorporated's Financial Statements for the year ended 31 March 2013

The Auditor-General is the auditor of New Zealand Local Government Association Incorporated (the "Association"). The Auditor-General has appointed me, Trevor Deed, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Association on her behalf.

We have audited the financial statements of the Association on pages 19 to 25, that comprise the statement of financial position as at 31 March 2013, the statement of financial performance and statement of movements in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Association on pages 19 to 25:

- comply with generally accepted accounting practice in New Zealand, and
- fairly reflect the Association's:
 - financial position as at 31 March 2013 and
 - financial performance for the year ended on that date.

Our audit was completed on 11 June 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the National Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Association's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the National Council;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the National Council

The National Council is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Association's financial position, financial performance.

The National Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The National Council is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Association.



Trevor Deed

Deloitte

On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of New Zealand Local Government Association Incorporated (the "Association") for the year ended 31 March 2013 included on the Association's website. The National Council is responsible for the maintenance and integrity of the Association's website. We have not been engaged to report on the integrity of the Association's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 11 June 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Performance

for the year ended 31 March 2013

	Note	2013 \$	2012 \$
Income			
Conference Income	4	637,421	580,281
Administration Fees – Rural Trust		8,000	8,000
Computer Services		12,934	75,549
Publications		-	1,478
Grants		86,250	6,566
Subscription Income		3,480,000	3,300,002
Knowhow Income		187,115	381,354
Policy Income		113,737	461,533
Sundry Income		61	13,585
Interest Earned		99,760	90,196
Total Income		4,625,278	4,918,544
Less Expenses			
Administration Expenses	3	519,745	521,612
Audit Fees		20,290	17,900
Communications Expenses		167,733	13,980
Conference Expenditure	4	461,363	442,548
Honoraria	5	104,369	104,992
Legal Expenses		23,886	3,000
Other Operating Expenditures		108,370	120,486
Policy Expenses		530,701	294,498
Internal Governance Expenses		134,571	570,972
Knowhow Expenses		254,130	402,471
Accounting/Consulting Expenses		89,640	114,841
Branding and Business Solutions		170,009	-
Printing, Stationary & Photocopying		55,943	58,613
Travelling & Accommodations		43,552	20,269
Staff Remuneration		1,890,518	1,846,308
Total Operating Expenses		4,574,820	4,532,490
Depreciation		46,860	86,029
Assets Written Off		33,219	1,997
Net Depreciation Adjustment		80,079	88,026
Total Expenses		4,654,899	4,620,516
Net (Deficit)/Surplus Before Tax		(29,621)	298,028
Less: Taxation Provision	8	(26,256)	(23,712)
Net (Deficit)/Surplus For The Year		(55,877)	274,316

Statement of Movements in Equity

for the year ended 31 March 2013

	2013 \$	2012 \$
Total Equity as at 1 April	1,610,243	1,335,927
Net (Deficit)/Surplus for the year	(55,877)	274,316
Total Recognised Revenue and Expenses	(55,877)	274,316
Less: Prior Period Adjustments	(59,626)	-
Total Equity as at 31 March	1,494,740	1,610,243

Statement of Financial Position

as at 31 March 2013

	Note	2013 \$	2012 \$
Accumulated Funds			
Conference Reserve	11	177,665	88,107
Accumulated Funds	12	1,317,075	1,522,136
Total Funds		1,494,740	1,610,243
Equity is Represented by:			
Current Assets			
Bank		631,081	322,805
Petty Cash		164	500
Payment in Advance		128,976	135,462
Monies held for MTFJ	10	228,030	143,359
NZ Aid Fund Bank Account	6	660,720	-
RGA Fund Bank Account	6	66,216	43,281
Sundry Debtors		39,160	42,651
Accrued Interest		9,067	9,620
GST Receivable		60,190	31,201
Taxation	8	1,328	-
Term Deposits		1,000,000	1,100,000
Total Current Assets		2,824,932	1,828,879
Non-Current Assets			
Fixed Assets	7	123,315	181,867
Shares in Local Government Online Limited		30,000	30,000
Paintings/Artwork		6,449	6,449
Total Non-Current Assets		159,764	218,316
Total Assets		2,984,696	2,047,195
Current Liabilities			
Accounts Payable		400,718	206,473
Mayors Taskforce for Jobs	10	228,030	143,359
Deferred Income		81,444	14,942
Taxation	8	-	929
Provision for Holiday Leave		52,828	71,249
NZ Aid Fund Income in Advance	6	660,720	-
RGA Fund Income in Advance	6	66,216	-
Total Current Liabilities		1,489,956	436,952
Total Liabilities		1,489,956	436,952
Net Assets		1,494,740	1,610,243

For and on behalf of the National Council:



L Yule
President
11 June 2013



M Alexander
Chief Executive
11 June 2013

Notes to the Financial Statements

for the year ended 31 March 2013

1. Nature of Activities

The New Zealand Local Government Association Incorporated trades as Local Government New Zealand. Local Government New Zealand is an incorporated society registered under the Incorporated Society Act 1908.

Local Government New Zealand represents local authorities in promoting the national interests of local government.

2. Statement of Accounting Policies

Reporting Entity

The financial statements have been recorded in accordance with generally accepted accounting practice in New Zealand which for the purposes of these financial statements is 'old NZ GAAP', consisting of Financial Reporting Standards and Statements of Standard Accounting Practice.

Measurement Base

Accrual accounting is used to match expenses and revenue. The measurement system adopted is that of historical cost.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

- (a) Sundry Debtors have been valued at expected net realisable value.
- (b) Interest Income is accounted for on an accrual basis.
- (c) Fixed Assets are shown at cost less accumulated depreciation and less impairment. Fixed Assets have been depreciated on a diminishing value basis at rates which are anticipated to write them off over their estimated useful lives. The depreciation rates used are:

Furniture, Fittings, Office Equipment:	14% – 67% diminishing value
Computer Software:	40% – 60% diminishing value
Leasehold Improvement:	8% – 10% diminishing value
- (d) Taxation expense: The liability method of accounting for taxation is applied on a comprehensive basis. Local Government New Zealand is exempt from tax for all income except interest.
- (e) Conference income is recognised on an accruals basis. Any income or expenses relating to conferences yet to be held are recognised as deferred income or prepaid expenses respectively.
- (f) Grants and Project Income is not recognised in the Statement of Financial Performance until the requirements of the funding agreement have been met. Funding received for which the requirements have not been met at the reporting date is shown as a liability under Deferred Income in the Statement of Financial Position.
- (g) Investments held in term deposits, shares and painting/artwork are stated at cost less impairment losses.

Differential Reporting

Local Government New Zealand is a qualifying entity within the New Zealand Institute of Chartered Accountants Differential Reporting Framework. Local Government New Zealand is not publicly accountable and is not large. Local Government New Zealand has taken advantage of all differential reporting concessions available to it.

Changes in Accounting Policies

There have been no changes in accounting policies which have been applied on bases consistent with those used in previous years, other than some reclassifications in the income and expenses in the Statement of Financial Performance to make the categories more specific. Accordingly, the 2012 financial year comparatives have been reclassified.

3. Administration Expenses

	2013 \$	2012 \$
Rental Expenses	152,918	178,049
Mobile Phone Expenses	10,847	13,578
Repairs and Maintenance	6,537	12,779
Computer Outsourcing	194,771	161,443
Staff Recruitment & Training	76,004	77,082
Temporary Staff	10,936	25,742
Insurance	37,874	27,860
Subscriptions – Local Organisations	10,923	6,590
Telephone Expenses	18,935	18,489
Total Administration Expenses	519,745	521,612

4. Conference

	2013 \$	2012 \$
Registration and Sponsorship Income	637,421	580,281
Less: Expenses for Current Conference	(461,363)	(442,548)
	176,058	137,733
Less: Staff Salaries and Overheads	(86,500)	(86,500)
Net Surplus	89,558	51,233

Staff salaries and overheads have been recorded in Administrative Expenses in the Statement of Financial Performance. These relate to costs directly paid by Local Government New Zealand as part of its operations.

5. Honoraria

Honoraria paid to National Council Members during the year ended 31 March 2013 amounted to \$104,369 (2012: \$104,992). This was made up of the Honoraria paid to the president \$80,284 (2012: \$80,284) and the Vice-President \$24,085 (2012: \$24,085). Honoraria paid by LGITO to the LGITO Board members amounted to \$Nil. (2012: \$623).

No other monetary remuneration was paid to members of the National Council for their services.

6. New Zealand Local Government Association Funds

Description of Funds' Activities

The following funds are managed by Local Government New Zealand:

Regional Government Association Fund ("RGA Fund")

At the meeting of the Regional Government Association (the "RGA Fund") on 1 December 1995 it was resolved that the funds of the RGA Fund be transferred to New Zealand Local Government to facilitate the winding up of the Association and in anticipation of a decision on the use of funds. The monies are held by Local Government New Zealand in advance until the funds are used.

New Zealand Aid Fund ("NZ Aid Fund")

The NZ Aid fund received is an arrangement between Ministry of Foreign Affairs and Trade and LGNZ to enable LGNZ to provide in respect of technical assistance to local government development in Pacific Island countries. The funding is made available under the NZ Aid Programme's State Sector Programme.

Notes to the Financial Statements

for the year ended 31 March 2013

6. New Zealand Local Government Association Funds *continued*

A summary of the movement in funds held is provided below:

	2013 \$	2012 \$
<i>Regional Government Association Fund ("RGA Fund")</i>		
Opening Balance	43,281	72,184
Interest Income Received	800	1,282
RWT Paid	(264)	(423)
Other Movements	22,399	(29,762)
Closing Balance	66,216	43,281

	2013 \$	2012 \$
<i>New Zealand Aid Fund ("NZ Aid Fund")</i>		
Opening Balance	-	-
Grant Received	750,000	-
Work Undertaken	(86,250)	-
Other Movements	(3,030)	-
Closing Balance	660,720	-

7. Fixed Assets

	2013 \$	2012 \$
Furniture, Fittings, Office Equipment at Cost	485,219	627,397
Less: Accumulated Depreciation	(368,048)	(430,350)
	117,171	197,048
Less: Depreciation	(23,963)	(64,882)
Net Book Value	93,208	132,166
Software at Cost	194,319	199,092
Less: Accumulated Depreciation	(148,608)	(128,244)
	45,711	70,849
Less: Depreciation	(22,667)	(21,147)
Net Book Value	23,044	49,702
Leasehold Improvement at Cost	7,293	-
Less: Accumulated Depreciation	-	-
	7,293	-
Less: Depreciation	(229)	-
Net Book Value	7,064	-
Total Fixed Assets	123,315	181,867

8. Taxation

	2013 \$	2012 \$
Interest Income	99,760	90,196
Less:		
Exemption	1,000	1,000
Deduction on Interest Income	4,988	4,510
	5,988	5,510
Taxable Profit/(Loss) for Year	93,772	84,686
Estimated Tax on Surplus	26,256	23,712
Total Tax Payable	26,256	23,712
Less:		
RWT Paid	28,130	23,166
	28,130	23,166
Income Tax Payable (Refund) for Current Year	(1,874)	546
Income Tax Payable (Refundable) Relating to Prior Years	546	-
Prior Period Adjustments	-	(383)
Balance to Pay/(Refund Due)	(1,328)	929

9. Related Parties

Local Government New Zealand received an administration fee of \$8,000 (2012: \$8,000) from the Local Government Rural Trust for administrative services provided.

10. Mayors Taskforce For Jobs

The Mayors Taskforce for Jobs (the "MTFJ") is a separately funded entity for which Local Government New Zealand provides accounting services. All receipts of income and payment of expenses and grants, although separately accounted for via the MTFJ fund, are recorded through Local Government New Zealand's bank account.

For the purpose of these financial statements the monies held in trust on behalf of the MTFJ are recorded separately in the Statement of Financial Position along with the corresponding liability.

11. Conference Reserves

The National Council has approved the setting aside of accumulated surpluses generated from the conference which is to be used to reduce the cost or meet the deficit of future conferences.

	2013 \$	2012 \$
Opening Balance	88,107	36,874
Transfer (to)/from Accumulated Funds	89,558	51,233
Closing Balance	177,665	88,107

12. Accumulated Funds

	2013 \$	2012 \$
Opening Balance	1,522,136	1,299,053
Net Income Earned This Year	(55,877)	274,316
Transfer from/(to) Conference Reserve	(89,558)	(51,233)
Prior Period Adjustment	(59,626)	-
Closing Balance	1,317,075	1,522,136

13. Capital Commitments and Contingent Liabilities

There are no capital commitments or contingent liabilities at balance date (2012: \$0)

14. Subsequent Events

There have been no events subsequent to balance date which have a material impact on these financial statements.

15. Lease Commitments

The future minimum rental payments not provided for in these financial statements are as follows:

	2013 \$	2012 \$
No later than one year	161,811	188,906
Later than one year but not later than two years	57,799	159,711
Later than two years but not later than five years	-	57,799
	219,610	406,416

Local Government
New Zealand
te pūtakehi matakokiri



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