



# **2014 NZ Council Financial Sustainability League Table**

## **May 2014**

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## To Circulation List

### The 2014 NZLG League Table

The League Table is provided as a PDF and is made available to the media, ratepayer associations, The Minister of Local Government and local government sector “interests” alike.

The footnote refers to its terms of use and contact details. We trust you find the Table to be of value.

Individuals and Community Groups who would like a presentation of “*their* Council’s Vital Statistics” may apply – a modest cost is involved.

Kind regards

Larry Mitchell

***The 2014 New Zealand Council League Table is produced annually as a complimentary public service in the interests of furthering the disciplines and practice of NZ territorial Council performance management. It is a proprietary database-reporting product of Larry.N.Mitchell, Finance & Policy Analyst, BCom MPP [larry@kauriglen.co.nz](mailto:larry@kauriglen.co.nz). Unrestricted free use of the LT is authorised, in fact it is encouraged ... with the above attribution please. All enquiries to Larry Ph: 09 422 0598.***



## The “long awaited” ... 2014 NZ Council financial sustainability League Table

### 1. An unedifying spectacle ... and an accounting for the “delays”

This year’s League Table, (the “LT”) is our fifth annual edition, but it has proved to be *an unruly horse* ... when previous editions, by comparison were ... *a mere stroll in the park*.

As a result of recent events, a good part throughout and forming the commentary of this report, addresses the issues raised by those who are responsible for the LT’s delays this year ... they are the so termed *naysayers*, those persons and bodies who do *not* support the concept of Council league tables and who have mounted strenuous efforts to attempt to suppress this year’s publication.

This report in part is an attempt to *set the record straight*, amidst a great deal of misinformation arising from vested (naysayer) interests within the local government sector, principally the Local Government New Zealand (LGNZ) Association, who it would seem strongly disapprove of independent Council performance measurement.

The first section of this report covers the LT’s system-methodology, its data accuracy and its use of judgement for one of the LT’s assessments.

For readers more interested in “**The LT Findings**”, you may choose to skip the parts of this report that deal with the LGNZ objections: skip direct to ... the *results* of this year’s LT, the final section headed: *Summary – Results and Findings from the 2014 League Table*.

### 2. Here is what happened

The “Table” this year has been delayed (for several months) as a result of some extraordinary circumstances ... this has been *the saga* involving the LGNZ ... their mounting of a concerted anti-League Table campaign, emerging when they first got wind of the more extensive publicity and exposure that the table would receive this year.

Here are some extracts from a recent *Oped* describing some aspects of the LT-LGNZ saga ... entitled, “**The 2014 League Table ... High Drama and Low Politics**”...

*“The delay, (in producing this year’s LT) has been solely due to the successful intimidation tactics applied to our League Table co-partners, (Fairfax Media Ltd and The Taxpayers Union), that is the tactics employed by their adversaries ... the usual local government suspects, principally the Local Government New Zealand (LGNZ), the NZ Council’s sector lobbyist association.”*

*“The LGNZ Association, representing its local government District and City Council members, note; LGNZ never seem to represent ratepayer’s interests in spite of the fact that ratepayers fund the Association) has brought great pressure to bear on Fairfax and the TU, who for the first time this year were planning to jointly publicise and present “our” League Table”.*



The planned higher public profile planned this year for the LT obviously touched a few nerves amongst the sector apologists, those who continue their obdurate resistance to any initiative, such as the LT that attempts to independently assess NZ Council performance.

*“Powerful forces have been at work in these efforts to discredit and suppress the accountability and transparency associated with the Council performance information and rankings included within the League Table.”*

So you can see folks ... from this unedifying spectacle ... that our *lil ol* League Table has at last touched off a reaction, having now, after five years finally caught the attention of the *usual suspects* of the LG sector and the apologists alike.

Whatever the LGNZ and others may think though, life goes on ... the Table, following these delays is *now issued for your public consideration*. The public, that is the long-suffering ratepayers if not the LGNZ, appear to support the LT ...

*“The League Table has now come to the point where numerous ratepayer groups, the length and breadth of the Country keenly await and rely upon its rankings, findings and commentary to at least get some sort of fix on the state of their local Council’s financial affairs. They certainly do not gain this perspective from the LGNZ or for that matter from any other agency or firm.*

*The League Table remains the only independent moderated survey using audit quality data that permits useful assessments by which NZ territorial Council financial sustainability can be measured.”*

In spite of its popularity with the public LGNZ have tried hard to rubbish the LT ...

*“Over the last five years, (2009 to 2014) that the League Table has been published, LGNZ have made no secret of their distaste for its findings. Some of their members, (invariably those Councils who figure at the bottom of the Table’s rankings) probably agree with them. But to try to torpedo the exercise in the manner that they have done, says something of their introverted attitude to independent Council performance measurement ... and merely makes our little firm more determined than ever ... to publish or be damned.”*

I am sure that the *results* of this year’s LT are of more interest to readers than these unhelpful petty squabbles” (*as described above*).

Much of the commentary that follows, where it incidentally addresses the LGNZ’s complaints, has at least had the merit of better communicating the way that the LT has been designed, it also will further assist with an appropriate interpretation of its findings.



### 3. A re-Focus for the 2014 LT ... its “Findings” ... are still consistent with earlier years

The LT this year focuses more directly upon Council financial sustainability. Using the audited financial data of Councils as this data stood at June 2013, (the audited Council 30th June 2013 financial statements), the LT measures *the long term financial health and prospects (that is the financial sustainability) of all 67 New Zealand territorial local authorities.*

The results-findings and commentaries of this report accompanying the LT, largely *speak for themselves* as they have been derived from a small number of metrics, generally the accepted financial ratios, for example *debt per ratepayer and ratepayer’s equity per ratepayer ratios ...* and so on.

What is more, this year’s LT findings and its rankings are consistent with earlier years ... which tends to prove the validity and efficacy of the Table *over its whole five year reporting period.*

Consistent results come from the stability of the LT assessment process over time but also in more general terms, Council results *can be* consistently reported because, by and large, good Councils do not suddenly go bad, (“Kaipara” of course is the startling exception). Similarly, though poor performers may improve their rankings, this invariably occurs over the long term, certainly longer than the five years of the LT reporting to date.

The LT Council rankings of the same *goodies and baddies* from prior years, unsurprisingly remain at more or less their usual spots, either at the top, or at the bottom of this year’s table. A part of the concluding section of this report, of LT assessments, includes a list for the categories of a few Councils who are the exception and whose rankings have *markedly moved ...* either up or down.

### 4. Amendment to the 2014 LT ranking system

The Table’s underlying scoring system for 2014 has not altered materially, but please note ... *the ranking method, as is now described ... has!*

In place of the earlier, (2009 to 2013) *numerical* rankings, (from 1st to 67<sup>th</sup>) the old method has been replaced by a simpler, less problematic *five star* system, (**five stars is good, one star ... is “not”**).

Note; to assist with comparisons this year, the average of the “*last two years*” *numerical* rankings, based on the old scoring system are disclosed (see the 2014 LT schedule, 4<sup>th</sup> column).

In simple terms, using the new “Star” system, Councils that are ranked with three stars or less have financial sustainability “*issues*”, those with one or two star rankings ... to differing degrees, *face considerable future financial sustainability difficulties.*

### 5. Consistent assessment factors used

The methodology of the LT’s rankings is set each year on a similar, consistent basis. These processes of assessment include some, or a combination of the following “**Factors**” ...

- **high debt levels** and consequently higher debt servicing costs (“debt” is the “**key**” LT financial sustainability issue),



- **low asset replacement and other Council financial reserve funds,**
- **low local community affordability** (often associated with low growth and low socio-economic circumstances with aging populations coupled to high Council rates and charges)
- **an assessed fragility of Council balance sheet financial positions** as represented for example by low relative Council financial equity
- **continuing poor Council financial results-net deficits**
- **governance and audit reported breakdowns** and
- **unfunded or unaffordable essential infrastructure asset replacement or capital developments,** (where known\*)

\* The comment (above) relates to “*backlog asset expenditures not disclosed*” discussed further in this report.

The assessment final section of this report refers to a number of categories of Councils which based on the current LT findings are for example “the best in class” or “the worst” of Council performers, “*most improved*” and so on.

All Councils, in the terms of the LT are assessed on the same basis, that is, the degree to which each Council’s financial position exhibits all or some of the above “factors”, the factors that most affect these Council’s ... *future financial sustainability*. This weighing of the LT’s metric and other evidence results in an assignment of a 5 to 1 star rating to every Council, a ranking of its financial sustainability amongst its peers.

## 6. What is the LT concept of Council financial sustainability?

The “*financial sustainability*” of a taxing authority, compared with that of a private sector firm, some may argue cannot, under normal conditions be in doubt.

This is due to *the coercive taxing powers* of a government agency for its revenue-raising (price-making) capacity. That is, if a Council requires additional funds, it has only to hike its rates and charges, private companies (price-takers) by comparison do not have this luxury.

The contention that Councils can set their own revenue terms without any disciplines, however, though logical is not particularly helpful in matters concerning good local government financial policy or financial disciplines.

All ratepayers would agree that some controls and accountability for Council revenue-raising are essential to good financial practice. The LT addresses these issues in part.

Use of the term, “financial sustainability”, in the context of the LT is intended to identify and highlight a situation where a Council, for the factors detailed above, (such as high debt-low affordability), when compared to its peers, is *relatively* financially unsustainable.

In cases where a Council’s financial sustainability is problematic (in question) the Council will struggle to meet its mandated responsibilities when providing its residents and ratepayers in a timely manner with an acceptable level and quality of basic civic services.

Its *financial sustainability* for the factors of the LT, is measured in these terms with every Table ranking reflecting a Council’s comparative position ... when compared to its other peer group NZ Councils.



## 7. Some League Table assumptions ... and one very important judgement

The full “specs” of the data, processes, assumptions and judgements made in the preparation of the League Table are at [www.kauriglen.co.nz/larry](http://www.kauriglen.co.nz/larry) **select Base Stats with Trendz/League Table**. These detailed “specs” run to over ten pages of closely reasoned documentation.

One sometimes wonders, from their often gratuitous comments, if the LT’s critics have ever bothered to read these notes before *sounding off* about the validity of the LT methodology. These “naysayers” might reflect on this excerpt again taken from the Oped ...

*“The people who should be active in promoting a better standard of performance reporting of Councils, (the LGNZ hierarchy for instance) choose instead to keep their heads down (buried?).*

*They only ever “pop up” to take random ad hominem pot-shots, when the League Table findings are published and its findings don’t suit their self-interested views of their world*

*... though sources tell me, that the LGNZ has recently gone to the lengths of employing a CA firm to critique (No ... make that condemn) the Table or its Author or both ... at least this may for the first time initiate a robust debate of the merits of Council performance assessment ... currently it is “missing in action”.*

It may be of interest for readers to reflect on the fact that our firm has *never* been approached by the LGNZ or the other *usual suspects*, such as the DIA, SOLGM, or the auditors (the OAG) to sit down and calmly discuss the merits of the LT and other Council performance related matters. *Sniping from the sideline* seems to be more their style in lieu of productive discussions.

It could have been very different. For *before* embarking on the LT development, back in 2009, to reiterate ... we offered the LGNZ an opportunity to collaborate in the exercise, they declined, and have in the interim, at every turn resisted any notions of any independent assessments of their Council member’s performance.

## 8. Future improved Council accountability

With the release of the 2014 LT it can now be left to the (*largely ratepayer*) community, the public, to decide whom they support on these performance and accountability issues.

Meantime, in the face of this solid wall of “official” LGNZ and other opposition, we, (our firm) will continue to press on with our LT NZ Council accountability programmes ... *because someone has to do it* ... and because we believe these initiatives to be *totally in the public interest*. LGNZ, perversely for a public ratepayer funded body ... see it differently.

The day at long last is coming for a heightened awareness of the accountability of Council finances. A *Brave New World* is *just around the corner*. For the first time, in October of



2014 there will be public reporting, of a set of standard Council financial performance benchmarks.

These financial benchmarks have been developed by the DIA to *put some starch* into Council financial reporting.

The public, hopefully supported by Council auditors, will by using these benchmarks, take the lead to promote a much improved profile for Council finances, possibly even to provide the resource and data for a new form of ranked comparative Council financial League Table.

After all, this push to better transparency is consistent with what the law and the “*Better Local Government*” Reforms (circa 2012) mandate already.

These recent reforms, coupled to the 2002 Local Government Act which is *shot through* with many similar excellent accountability mechanisms can now become a powerful force for improved performance of our Councils.

It is only a pity that so many of the Local Government Act performance provisions are currently ignored by Council practitioners. Many of these people are the same *naysayers* who *white ant*, at every turn any attempt to promote better independent Council performance measurement.

They protested and held out over the introduction of the Council financial benchmarks for close on five years. *Tough luck guys ... you lost!*

What is more, the professionals who protested did so with the disinterested benign forbearance (*a holding of noses*) over such performance issues by their auditors. This will have to change if the new accountability processes are to succeed.

The Council financial benchmarks initiative, given official and public (ratepayer) support now has the potential to turn existing and self-interested typically *head in the sand* LGNZ attitudes ... upside down. *Bring it on.*

## 9. Some LT system matters

The [www.kauriglen.co.nz/larry](http://www.kauriglen.co.nz/larry) (*select Base Stats with Trendz/League Table*) website specifications of the League Table deal with many of the more *mechanical* LT systems matters. These include:

- the composition of the standard-*peer* groupings of Councils,
- an inventory of the over 200 separate LT data points
- sources of purchased, *StatsNZ* and other data
- descriptions of the numerous financial and other analytical ratios involved in preparing the rankings and
- the ranking method (now superseded in 2014 by the 5 Star scale) used for the LT ranking-rating process.

To save “you folks” some effort ... here below are the specs of the *ratios* (from the website documentation) ... relating to the data and the assessment processes that we use for the rankings *within the LT*:





The 2014 LT rankings use the following ratios:

Debt per Ratepayer
Ratepayers Equity per Ratepayer
Total Revenue per Ratepayer
Total Operating Expenditure per Ratepayer
Payroll Expenses per Ratepayer
Average Wage per Employee
No of FTEs earning more than \$100K
Council financial Surplus/Deficits

The LT uses the five standard peer groups (Category):

S	Super City	One only – Auckland City
M	Metro	Over 100,000 residents
C	City	50,000 to 100,000 residents
P	Provincial/Rural	10,000 to 50,000 residents
R	Rural	Up to 10,000 residents

(There is some flexibility in the population numbers).

#### 10. LT assessment emphasis

The LT emphasizes above the other assessments the importance to Council financial sustainability of **debt and debt servicing and assesses Council balance sheet strength ...** within the LT methodology (as described).

#### 11. The judgmental assessment of the LT

The naysayers of the LT take issue with certain of *the judgements* involved in its rankings. The *only* (one) significant judgement used in making the LT's assessments concerns the (often unacceptably low) level of available Council asset replacement financial reserves.

To adequately respond to the critics of this sole judgment, it is necessary to place on record the rationale for the assessment of Council financial reserves *adequacy*. This is the so termed Council "*balance sheet – financial strength*" assessment factors of the LT.

#### 12. An LT judgement concerned with ... the "raided Council financial reserves" issue

The judgements involved in assessing Council balance sheet strength, in particular, the status of Council's financial reserves, though crucial to judgements of any Council's financial sustainability ... are not "*rocket surgery*".

Even a quick *Bookkeeping 101-level under-grad* scan of Council's balance sheet reserve funds is all that is necessary to reach a *reasonable judgement*, that is, a judgement as to whether the amounts of Council financial reserves are likely to be "adequate" or not.

For most Councils these days, for reasons I will now briefly outline ... clearly they are not.



A mere *scan-review* of NZ Council financial assets quickly reveals the *absence* of any substantial reserve funds, a situation so self-evident as to unmistakably indicate that the funding supposed to be “set aside” ... that is, reserved for asset replacement expenditures is woefully inadequate.

The judgement necessary involves a review of the “on hand” stock of Council surplus cash, near cash and other liquid financial assets.

Note: the worked example that follows, of the Thames Coromandel Council’s financial reserve funds provides the data that shows ... their *unmistakeable inadequacy*.

The judgement of these asset-related funds will also have factored in a Council’s size, its total asset holdings, its revenue streams and particularly the Council’s debt circumstances. All contribute to the forming of a considered judgement as to the adequacy of these funds on hand ... (or not).

Analysts and readers of Council accounts alike are *working in the dark* here. For without the benefit of *specific disclosures* in Council public accounting documents of the specifics and the status of Council short to medium term *commitments* for asset replacement expenditures, (of itself a *major deficiency* of existing Council financial reporting) these judgements of reserve fund adequacy as described, can never be 100% certain.

The overriding impression though, with the judgement gained from years of assessments-reviews of Council reserve funds, is that at present, these asset-related reserves, probably in the majority of cases, have been *raided* ... that is, spent for purposes other than was intended.

The widespread Council accounting practice, (supported it seems by Councils, their auditors and LGNZ’s interpretation of the law\*) has developed over recent years and has the effect of diverting accumulated asset replacement funds, to “other uses” (a *robbing of Peter to pay Paul*).

\* One commentator put it this way:

*It seems they will be relying on LGA 2002 Sec 112 (b) (iii) which implies that repayment is only necessary when a resolution is made to that effect. The use of reserves money is now called 'pooling of cash resources' and is championed by LGNZ as 'good business practice'.*

The alternative view, (to those of the “usual suspects” above) is that this practice is a blatant misuse of Council funds that has led to the now ubiquitous, abnormally low level of Council financial asset funding reserves ... contributing overall to weak Council balance sheet positions, (*their cupboards are bare*).

The evidence of depleted Council funding strongly suggests that the Councils exhibiting these characteristics are becoming, over time *more financially unsustainable* and are thereby leaving themselves wide open to a situation of severe under-funding ... when asset replacement expenditures in the future are needed.

For when the time comes to spend on scheduled asset replacements, the Councils (by now mostly with maxed-out borrowing capacity) will not have available the funds required to make the payments.



This financial *morass* goes to the very heart of issues concerning *Council long term financial sustainability*.

The league table assessments of raided reserve funds are, it is submitted, entirely valid for the reasons given. Unsurprisingly these judgements form *a most significant part of the LT rankings*.

A Council exhibiting a high debt level and at the same time holding only depleted (raided) asset related reserves, receives a deserved downgraded LT assessment, reinforced by the other LT metrics. Both get factored into the final overall League Table ranking:

- On such crucial financial management matters as these ... the adequacy of reserve funds as described
- is a very significant judgement of the LT,
- *the judgement exercised* could hardly be otherwise,
- it is the one critics most often complain of but,
- *whether it is, to some degree a subjective one or not,*
- based on the LT process as described it is fully justified ...
- a matter, simply put of, *if the cap fits ... then wear it!*

### **13. A worked LT 2014 assessment-example – “Thames Coromandel DC”**

*Rather than just talk about the LT assessment process why don't we run through an example of an assessment using the LT criteria that ends up as an actual LT 2014 “3 Star” ranking.*

If we take the LT mid-point Council as an example, chosen somewhat at random, the 34<sup>th</sup> of all 67 Councils ranked this year, it is the Thames Coromandel District Council (“TCDC”).

*This Council coincidentally is one that I have now, over many years, (though not recently), acted as an Audit Director for and, as well, in the role of professional advisor as a finance and policy analyst.*

*This Councils unique dynamics and its issues are well known to me ... a distinct advantage when it comes to the exercise of the final LT ranking judgement.*

These TCDC-specific matters include:

- their absentee ratepayer issues, principally of the East Coast side of the District
- the starkly different socio-economic divide between the West and East
- the high level (though tapering recently), of coastal and township residential developments,
- to say *nothing* of the roads ... such as Coroglen-over the mountain divide ... though it is fair to add that most NZ Councils have their own unique “roading” *crosses to bear*.

The factors involved in the financial sustainability assessment of the TCDC, for the 2014 LT are listed below ... and the build-up of the TCDC ranking, (left to right for the columns of the LT assessment schedule) ... are described.



TCDC factor-measurement	Effect on TCDC LT ranking
<b>30<sup>th</sup> out of 67</b> ... is the average ranking from the 2012,2013 LT	This places TCDC “in the middle of the pack” & ... suggests a 3 star rating this year.
<b>\$2,874 is the TCDC debt per ratepayer</b> this year ... favourably compares to the NZLG sector average for this ratio of \$4,281	This is a static position with reference to last year’s comparable debt per ratepayer ratio (\$2,862) and will influence the current LT assessment consistent with this year’s commentary re “continued improvement”.
<b>Ratepayer’s equity per ratepayer</b> of \$45,629 this year compares poorly (10% below) the TCDC peer group average of \$50,919	Indicates a Council less “wealthy” than its provincial/rural peer group average.
<b>Total revenue / total operating expenditure</b> per ratepayer at around \$2,600 compares to a peer group-LG sector average closer to \$3,500	Gives a “scale” relativity, compared to its peers of a smaller possibly less expensive maybe <i>more cost-effective</i> (with less to spend) Council.
<b>Payroll expenses per ratepayer</b> is 80% of the peer group two thirds that of the sector average	Ditto “ <i>more cost-effective</i> ” ... note: Council payroll is both a major influence on Council expenditures (on a sector average it is 23% of Council Opex) and is a telling indicator of a Council’s attitude to cost containment.
<b>Average wage per employee, \$67,326</b>	“Below the averages” – consistent with above commentary.
<b>24 employees earn more than \$100</b>	An average to above average of senior staff on relatively high salaries.
<b>Increasing accounting Council surplus financial result.</b>	A positive ... and accords with TCDC’s good cost control comments (above) and adds to the positive tenor of the LT commentary note this year.
<b>Commentary</b> ... positive (upgrade) improvements.	Has lead to a one star upgrade ... from what was a borderline 2 star (30 <sup>th</sup> ) ranking last year.

Having completed this “metrics” based part of the TCDC assessment, all that remains for a final considered 2014 LT ranking position to be reached is to make a judgement regarding the adequacy (or not) of this Council’s asset replacement funded financial reserves.

To do this it is necessary to scan for balance sheet strength as described (above) to gain an appreciation of how the “on-hand” financial and other asset funding reserves *stack up*.

This takes the exercise of an informed, experienced skill set together with an expansive view of what is a normal (adequate) proportion of reserves, considering the nature and scale of each Council.



There are gaps in the knowledge needed to assist this process. For example, the portion of free cash or liquid near-cash asset-related reserves is a current disclosure omission of Council financial reporting. This is where the informed-experienced judgements of necessity come in.

For this judgement ... *of the TCDC funds position* and the relative strength of its balance sheet the answer is startlingly obvious (it is not “rocket etc ...”).

This Council’s *cupboard is totally bare*, it has effectively *no reserves* “on hand” to meet its asset replacement obligations.

Consider these paltry figures taken from TCDC’s 2013 audited Annual Report:

- Cash or cash equivalents ... \$163K
- Other Financial assets (current) ... \$95K and
- Other Financial assets (term) \$Nil

For a Council with an asset base valued at \$1.3 billion, these are risible amounts, given the likely demands for funding that are in the pipeline for this Council.

Note: Other TCDC assets are the *usual mix* with no potential “pots of gold” available to be used in a fire sale or for other scrabbles for funding if these prove necessary.

Overall, this is a very weak balance sheet funds position, and is a powerful influence on the LT assessment (downwards ... naturally).

Taking all of these factors together, that is, the LT’s few metrics, the funding position, knowledge of each Council and so on, the only thing that saves TCDC from a lower 2014 LT ranking (from 3 to 2 stars) is its relatively low level of debt.

This debt, (at \$2,874 per ratepayer) is, roughly half of the sector average of \$4,386 so that added borrowing capacity might be utilised to meet asset replacement (even to the extent possibly of meeting “backlog” funding requirements).

A pity though that this information, relating to the adequacy of debt-backlog issues, is not disclosed ... *so that we all could then confidently make these vital assessments.*

And that is “it” folks ... in the face of the criticisms of the LT “judgements” ...

***“I stand by the balanced, independently arrived at, informed assessments of the 2014 LT.”***

Overall, the LT assessment process as described for the Thames Coromandel DC (above) is repeated for all the 66 other Councils and, taken as a whole this results in the 2014 LT rankings ... on the revised 1 to 5 star basis.

#### 14. LT data accuracy

Another “*Shoot the Messenger*” criticism heard from time to time of the LT is the (in) *accuracy* of its data. The ironies here are both deep and paradoxical.

For any inaccuracies of the LT data are (“Surprise”) ... *the fault of the Councils themselves.* Here are the reasons for this statement.

Firstly all data used for the LT is double-checked for accuracy both for its transposition and for its intended usage. *Mechanically* therefore, the data is correct.



It is the *source* of the data that gives rise to both the criticisms and the irony. The supposed inaccuracies of the LT's data, that Council's and LGNZ so often raise in their attempts to attack the LT's credibility, arise directly *from the Council supplied data itself*.

Councils only have themselves to blame for any LT errors. The LT process, as it stands at present, *does not have any ability to validate* Council data ... because the LGNZ, representing the Councils, refuses to cooperate or participate in this matter, or for that matter for anything to do with the LT.

Our LT only uses the financial information that is *publicly available from Council's* audited published financial statements, principally their annual financial reports, (all 67 of them).

### 15. Confession time ... "gaps" of the LT analysis thanks to poor Council accounting

Inaccuracies are one thing but it is important to note that the LT has its "gaps".

One glaring example of *a gap* in the LT analysis of Council financial sustainability arises from the missing information on Council *asset replacement expenditure backlogs*, (again).

The omission of asset expenditure (deferred-backlog) data in the LT's analysis is solely due to unsatisfactory Council practice ... as stated in the final observation of the Oped as follows ...

*"Add to this the acknowledged gaps of reporting of the Table. For example it would be nice to be able to report the extent of any backlog of asset replacement expenditure of Councils in our Table. But the Councils choose not to publicly report this crucial figure so as a result we are unable to source the data and improve Council accountability as we might wish, totally as a result of their defaults."*

Of all of Council's fundamental responsibilities, surely, to account for their infrastructural asset condition states, in particular the current position of their deferred asset maintenance expenditure programmes, (*backlogs*) must be *at the top of their list*.

And yet, neither the Councils nor their auditors at present ... even bother with providing this information. *Go figger!*

### 16. Summary – Results and Findings from the 2014 League Table

The detailed League Table's schedule that concludes this report ... the listing of all 67 NZ Councils with their 2014 LT measures and assessments refers. See following pages.



The “highlights” taken from this schedule include:

<b>Assessment criteria &amp; Council Names</b>	<b>Commentary</b>
Using the documented assessment criteria for Council financial sustainability of the League Table 2014.	The basis used for each categorisation. Note: See also, LT detailed ranking schedule for individual Council re “This year’s comments ....”
<b><u>Best in Class</u></b> Clutha District Council Southland District Council and Rangitikei District Council	<b>The <i>top</i> three performers of the 2014 League Table (also references prior years rankings).</b>
<b><u>Worst in Class</u></b> Kaipara District Council Kawerau District Council Horowhenua District Council	<b>The <i>bottom</i> three performers of the 2014 League Table (also references prior years rankings).</b>
<b><u>Highly Commended</u></b> Stratford District Council Selwyn District Council Wellington City Council Marlborough (Unitary) District Council	<b>Other high performing Councils who earned their “5 Star” 2014 LT grading.</b>
<b><u>Lowly Commended</u></b> Invercargill City Council Rotorua District Council Kapiti Coast District Council Hamilton City Council Western Bay of Plenty District Council	<b>Other low performing Councils who “earned” a “1 Star” 2014 LT grading.</b>
<b><u>Big movers 2014 “UP”</u></b> Ruapehu District Council Porirua City Council Wanganui District Council Whangarei City Council Palmerston North City Council Buller District Council Wairoa District Council MacKenzie District Council ... others	<b>Councils who have moved up (significantly) in their rankings.</b>
<b><u>Big movers 2014 “DOWN”</u></b> Western Bay of Plenty District Council Dunedin City Council ... others	<b>Councils who have moved down (significantly) in their rankings.</b>
<b>[New Assessment Category]</b> Authors “Champions” and other favourites includes ... Gisborne, Kaikoura, Tasman, South Waikato, Queenstown Lakes, Opotiki, Wairoa, Westland, Napier, Southland and Ashburton. There may be “others”.	<b>Councils known to the Author who consistently show great leadership, harmonious co-operative governance, attention to cost-effectiveness objectives and a practical interest in Council performance reporting and improvement.</b>



## 17. Sector Issues summary (information only)

The following issues are the work in progress subjects for Oped coverage ... supporting the 2014 LT

**“The Kaipara Council fiasco”** ... the anatomy of a good little Council ... gone bad

**“5, yes 5 Local Government Ministers in the last 2 years”** ... Does Central Government care-trust even “give a rats” ... about local government?

**“The “Better Local Government” reforms”** ... rhetoric or real

**“Council Financial Benchmarks”** ... Hooray!

**“The huge Elephant in NZ Council Financial Reporting”** ... unreported backlog asset replacement expenditure

**“The 900 lb Gorilla that is Auckland Council”** ... at this rate, it will all soon *end up in tears*.

**“Amalgamation Issues”** ... and the demeanour-attitudes of the Local Government Commission

***The 2014 New Zealand Council League Table is produced annually as a complimentary public service in the interests of furthering the disciplines and practice of NZ territorial Council performance management. It is a proprietary database-reporting product of Larry.N.Mitchell, Finance & Policy Analyst, BCom MPP [larry@kauriglen.co.nz](mailto:larry@kauriglen.co.nz). Unrestricted free use of the LT is authorised, in fact it is encouraged ... with the above attribution please. All enquiries to Larry Ph: 09 422 0598.***





2014 New Zealand Council League Table Schedule  
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Council "EQ" is earthquake affected results	Category	This years star based assessment	Last 2 yrs Average ranking assessment (out of 67)	Per Ratepayer							Average Wage per Employee 2013
				\$ Debt per RP 2012	\$ Debt per RP 2013	\$ RP Equity per RP 2012	\$ RP Equity per RP 2013	\$ Total Rev per RP 2013	\$ Total OpEx per RP 2013	\$ Payroll Exps per RP 2013	
Clutha	P	5	1	722	459	82,919	82,888	2,936	2,814	357	66,233
Southland	P	5	2	1,292	483	33,726	66,966	3,127	2,965	503	78,797
Rangitikei	R	5	6	1,096	891	56,621	57,264	3,703	3,500	304	69,459
Stratford	R	5	7	435	703	59,795	60,047	3,066	2,762	522	66,545
Selwyn "EQ"	P	5	8	5,458	6,024	60,632	61,293	6,819	5,286	1,391	149,912
Wellington	M	5	11	7,207	7,547	86,287	86,105	5,974	5,432	1,324	88,938
Marlborough	P	5	12	3,733	4,111	51,897	53,299	4,803	4,078	841	99,145
Waikato	P	4	9	1,828	2,219	48,278	49,582	3,947	2,991	886	90,774
Queenstown Lakes	P	4	12	7,276	7,018	37,311	42,185	5,297	4,399	811	153,161
Waipa	P	4	14	2,133	1,741	54,969	55,604	3,440	2,993	699	66,606
Nelson	P	4	14	4,187	4,277	60,272	60,654	4,976	4,294	1,200	110,502
Waimakariri EQ	P	4	16	3,207	3,405	49,060	50,815	4,827	2,825	84	7,391
South Wairarapa	R	4	16	530	2,054	66,103	60,758	2,589	2,535	422	77,943
Gisborne	P	4	18	2,467	2,281	85,180	86,303	3,829	3,586	709	64,741
Central HB	P	4	20	2,305	3,078	93,885	94,363	3,483	3,162	443	85,990
Napier	C	4	22	899	714	54,700	54,782	3,459	3,152	1,024	62,326
Taranua	P	4	24	2,025	1,923	83,396	83,336	5,420	5,607	1,701	250,208
Waitaki	P	4	24	441	911	50,627	53,435	4,950	4,809	1,834	223,708
Central Otago	P	4	26	371	327	47,982	48,093	2,470	2,428	494	61,822
Chatham Is	R	4	26	4,721	4,107	81,670	100,403	14,791	11,904	1,500	74,091
Manawatu	P	4	27	1,504	2,675	40,720	37,932	2,967	2,478	541	69,793
Matamata-Piako	P	4	27	3,753	3,024	37,695	37,485	3,241	3,048	832	62,182
Wairoa	R	4	39	1,223	1,242	32,613	34,803	4,742	3,879	1,154	155,553
Mackenzie	R	4	39	401	490	42,629	42,993	3,044	2,660	417	69,846
Ruapehu	P	4	48	3,885	3,938	39,844	39,733	3,363	3,084	436	60,672
Carterton	R	3	14	1,427	2,470	33,305	34,215	2,910	2,711	650	63,391
Hurunui	R	3	19	2,345	2,472	44,468	46,616	4,616	382	1,226	65,965
Ashburton	P	3	20	2,939	3,127	36,374	38,389	4,782	4,012	990	138,000
Waimate	R	3	21	733	757	82,699	82,665	2,821	2,882	669	73,327
Tasman	P	3	26	7,944	7,729	49,767	51,731	4,931	4,026	699	74,460
Masterton	P	3	28	4,560	4,896	55,398	55,055	3,106	3,053	426	69,595
Hastings	P	3	29	2,793	2,501	49,046	53,228	3,354	2,956	828	69,980
South Taranaki	P	3	30	7,234	7,164	51,852	52,627	4,496	3,322	697	63,877
Thames-Coromandel	P	3	30	2,862	2,874	44,658	45,629	2,729	2,540	487	67,326
New Plymouth	C	3	31	7,706	7,607	61,855	61,510	5,314	5,647	1,257	86,719
Auckland	S	3	35	14,055	15,339	50,194	53,747	5,742	4,980	1,292	116,353
Otorohanga	R	3	39	3,098	2,819	47,874	48,073	2,933	2,624	574	77,658
Christchurch EQ	M	3	40	11,939	13,606	43,610	44,160	10,368	8,181	2,307	192,725
Hauraki	R	3	40	2,781	3,411	47,559	47,257	2,879	3,052	925	79,603
Westland	R	3	40	3,561	3,808	58,473	58,395	3,740	3,709	1,242	216,513
Gore	R	3	44	2,091	2,013	48,238	52,611	2,581	2,545	750	60,384
Far North	P	3	46	3,899	3,702	44,756	44,755	3,518	3,129	495	70,582
Hutt	M	3	48	3,170	3,070	31,856	31,911	3,472	3,308	670	66,327
Porirua	C	3	54	4,157	3,969	61,387	61,208	3,974	3,694	1,206	67,547



2014 New Zealand Council League Table Schedule  
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Council "EQ" is earthquake affected results	Category	This years star based assessment	Last 2 yrs Average ranking assessment (out of 67)	Per Ratepayer							Average Wage per Employee 2013
				\$ Debt per RP 2012	\$ Debt per RP 2013	\$ RP Equity per RP 2012	\$ RP Equity per RP 2013	\$ Total Rev per RP 2013	\$ Total OpEx per RP 2013	\$ Payroll Exps per RP 2013	
Dunedin	M	2	30	15,311	15,093	52,142	55,313	7,976	6,885	1,783	144,494
Waitomo	R	2	36	8,633	10,913	46,188	47,758	9,605	8,130	2,127	215,643
Tauranga	C	2	40	10,196	9,799	56,571	56,455	3,371	2,925	796	87,238
South Waikato	P	2	42	2,013	1,415	61,092	35,446	3,288	2,798	809	69,380
Taupo	P	2	43	9,064	8,753	51,798	47,989	3,394	3,133	862	65,636
Kaikoura	R	2	44	3,124	3,381	52,537	55,079	3,144	3,053	750	92,363
Whakatane	P	2	44	3,779	3,829	39,148	39,294	3,502	3,583	740	66,079
Grey	R	2	50	2,386	4,462	36,525	36,630	3,343	2,923	526	71,774
Timaru	P	2	52	5,528	5,738	35,514	36,849	4,092	3,233	902	89,679
Upper Hutt	C	2	53	2,084	2,083	38,505	38,803	2,536	2,615	556	24,684
Opotiki	R	2	54	1,666	1,691	32,088	32,368	2,197	2,131	502	61,333
Wanganui	P	2	62	5,371	6,378	37,610	38,836	3,393	3,099	740	71,242
Whangarei	C	2	62	4,776	4,700	34,510	34,751	3,618	2,939	536	64,993
Palmerston Nth	C	2	63	5,930	5,148	39,691	41,099	3,518	3,370	1,248	72,543
Buller	R	2	64	4,707	4,729	42,877	42,692	4,282	3,959	1,308	183,359
Western BOP	P	1	50	8,211	8,745	41,443	43,752	3,585	2,912	555	71,717
Hamilton	M	1	56	8,737	9,177	50,615	50,129	3,967	3,430	992	61,559
Kapiti Coast	P	1	57	4,900	6,193	30,280	29,696	2,711	2,238	691	61,004
Rotorua	C	1	60	6,336	6,669	30,128	33,231	3,793	3,930	1,185	63,703
Invercargill	C	1	61	4,472	4,947	27,615	27,788	4,658	4,182	918	75,476
Horowhenua	P	1	61	2,885	3,871	28,008	27,815	2,355	2,389	511	85,827
Kawerau	R	1	66	583	667	21,278	22,553	3,431	3,474	1,188	56,198
Kaipara	P	1	66	6,688	6,505	29,583	35,281	3,016	2,617	324	69,706
<b>Auckland Stats</b>	<b>S</b>		<b>35</b>		<b>15,339</b>		<b>49,843</b>	<b>5,709</b>	<b>4,980</b>	<b>1,292</b>	<b>116,353</b>
<b>Metro Average</b>	<b>M</b>		<b>37</b>		<b>9,699</b>		<b>53,524</b>	<b>6,351</b>	<b>5,447</b>	<b>1,415</b>	<b>110,809</b>
<b>City Average</b>	<b>C</b>		<b>50</b>		<b>5,071</b>		<b>45,514</b>	<b>3,805</b>	<b>3,606</b>	<b>970</b>	<b>67,248</b>
<b>Prov/Rural Average</b>	<b>P</b>		<b>30</b>		<b>3,979</b>		<b>50,919</b>	<b>3,823</b>	<b>3,330</b>	<b>743</b>	<b>88,052</b>
<b>Rural Average</b>	<b>R</b>		<b>35</b>		<b>2,794</b>		<b>50,694</b>	<b>4,233</b>	<b>3,622</b>	<b>882</b>	<b>96,366</b>
<b>Total Average</b>			<b>34</b>		<b>4,386</b>		<b>50,366</b>	<b>4,154</b>	<b>3,632</b>	<b>871</b>	<b>89,736</b>
<b>Total of all Groups</b>					<b>293,861</b>		<b>3,374,510</b>	<b>278,309</b>	<b>243,373</b>	<b>58,371</b>	<b>6,012,298</b>



2014 New Zealand Council League Table Schedule  
(Page 3 of 4 – Star Rankings 5, 4, 3)

Council "EQ" is earthquake affected results	Category	This years star based assessment	Number of FTE's earning more than 100k 2013	\$000 Sur/Def 2012	\$000 Sur/Def 2013	This Year's Comments/assessment Highly Summarised ... full details on application
Clutha	P	5	5	-609	1,455	Even better this year, with improved lower debt levels. A true "5 Star" performer.
Southland	P	5	18	1,591	3,322	Retains its top position with an excellent financial performance and solid position.
Rangitikei	R	5	4 (^80k)	1,623	2,477	A solid financial position overall good stats with good operating efficiency and lower debt.
Stratford	R	5	7 (^80k)	409	1,483	Retains its high rating (just) note a minor increase in Council debt.
Selwyn "EQ"	P	5	11	13,352	36,633	Another very solid result, earthquake funding and subsidies assist hugely here.
Wellington	M	5	155	49,962	28,187	Retains its top rating this year. Debt increased marginally.
Marlborough	P	5	22	7,395	10,159	Continues to improve, buoyant local economy helps, squeaks into the 5 star class.
Waikato	P	4	26	4,400	24,540	High payroll and increasing debt earns a one star downgrade (from five stars).
Queenstown Lakes	P	4	13	17,272	11,454	Small reduction in Council debt but still very high on a per ratepayer basis. Good financial surpluses.
Waipa	P	4	19	7,675	6,906	A sound improving performance lower debt level but payroll remains relatively high still.
Nelson	P	4	25	6,136	14,872	Debt per ratepayer "getting up there" though less than its neighbour.
Waimakariri EQ	P	4	30	25,269	42,257	Big impact of EQ expenditures but very sound underlying stats earn a good or better rating.
South Wairarapa	R	4	1	471	1,985	Another solid year with overall good financial performance and sound financial position.
Gisborne	P	4	16	1,305	2,922	Still lower debt but a somewhat exposed reserves and low investments.
Central HB	P	4	7	-1,041	2,068	Debt slightly up, a solid or better financial position.
Napier	C	4	16	18,744	7,837	A very fortunate Council in a financial sense. Very low debt (again).
Tararua	P	4	5 (^80k)	-2,983	15	A very commendable and evidence-based signs of real improvements - lower debt.
Waitaki	P	4	10	965	1,960	Retains its solid financially sustainable position - very low debt.
Central Otago	P	4	7	-128	532	Very low debt, with further progress could be ranked higher... pushing for a one star upgrade.
Chatham Is	R	4	5 (^60k)	784	1,534	League table assessments (due to Council's own actions) are not applicable here. Large surpluses.
Manawatu	P	4	9	4,152	6,040	Higher debt level this year, still though at manageable levels.
Matamata-Piako	P	4	12	-2,479	208	Commendable lower debt this year ... by 19%.
Wairoa	R	4	8 (^80k)	3,526	5,751	An admirable performance maintaining low debt, no frills make do operations.
MacKenzie	R	4	3	-811	1,674	Continued sound, prudent performance and better financial (surplus) results, low debt.
Ruapehu	P	4	6	318	641	A steady performance with a no frills performance and good financial stats all round.
Carterton	R	3	6	1,395	2,153	Further drop in relative performance due to increased debt.
Hurunui	R	3	8	91	2,825	Further debt increases but still at manageable levels.
Ashburton	P	3	10	3,761	9,712	Slightly improved performance this year debt increase programme now plateauing.
Waimate	R	3	9 (^80k)	468	-314	Steady unspectacular performance with low debt but relatively high payroll costs, numbers.
Tasman	P	3	20	1,897	12,752	Financial performance surplus better but the one star downgrade is due principally to high debt.
Masterton	P	3	14 (^80K)	602	-2,109	Came close this year to a further downgrade due to its high per ratepayer debt figure.
Hastings	P	3	39	-1,075	8,107	Retains its middle of the pack rating and has slightly "reduced" its level of debt.
South Taranaki	P	3	13	-10,080	12,002	Curious financial position/performance with huge investment funds and very high debt.
Thames-Coromandel	P	3	24	344	1,223	Continued improvement of the last two years earns a one star upgrade.
New Plymouth	C	3	38	-14,153	-3,952	This fortunate Council benefits from large historical investment reserves - but has high debt.
Auckland	S	3	811	-233,000	246,000	Debt increases levelling but much more to come. Huge "daunting" debt plans.
Otorohanga	R	3	3	-105	928	A better performance includes a slightly lower debt level.
Christchurch EQ	M	3	248	328,459	315,548	Performance assessments here are skewed by earthquake related transactions. Big Funding issues.
Hauraki	R	3	15	2,752	-3,343	Significant increase in debt, but still at manageable level.
Westland	R	3	6 (^80k)	-1,322	-1,030	Holding its own (just) with modest debt reductions and good cost (payroll) control. Deficits.
Gore	R	3	5	-1,633	-407	Commendable progress with static debt and good cost control.
Far North	P	3	23	6,175	6,657	Continued good progress in relative financial sustainability terms.
Hutt	M	3	27	-2,048	1,648	Recovers a little this year with good cost control.
Porirua	C	3	30	-31,437	1,587	A better year earns a one star upgrade. Slightly lower debt.



**2014 New Zealand Council League Table Schedule  
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Council "EQ" is earthquake affected results	Category	This years star based assessment	Number of FTE's earning more than 100k 2013	\$000 Sur/Def 2012	\$000 Sur/Def 2013	This Year's Comments/assessment Highly Summarised ... full details on application
Dunedin	M	2	41	8,880	9,050	Still (ultra) highly indebted. Ranking downgraded due principally to stadium debt funding.
Waitomo	R	2	12 (^80k)	2,641	5,596	Council seems to be really struggling under horror debt levels. Big debt increase.
Tauranga	C	2	59	-7,091	-2,038	A daunting debt level with much more to come - "on close watch".
South Waikato	P	2	11	-544	4,581	Continues to struggle to make do with its limited resources. Low debt of necessity.
Taupo	P	2	29	-17,164	-14,342	Mixed results, still high though modest reductions of debt, large deficits continue.
Kaikoura	R	2	2	269	-183	Holding its own, small increases in debt (still manageable) and a small deficit this year.
Whakatane	P	2	15	1,990	-3,938	Barely holding its own with a financial deficit this year and with stubborn debt stats
Grey	R	2	11 (^80k)	20	3,019	Facing major local economic difficulties and with big increase in debt.
Timaru	P	2	14	3,467	11,012	Continued improvement due to financial surplus, a modest debt reduction.
Upper Hutt	C	2	11	-4,264	-2,850	Continues to struggle (does a fair job) with low eco-socio stats and low debt.
Opotiki	R	2	8 (^60k)	214	117	A continuing low cost, low debt "no frills" kind of little Council, with big plans.
Wanganui	P	2	16	13,031	125	Debt up again, includes subsidiaries, time to sell?
Whangarei	C	2	25	-11,401	17,810	Signs of improvements including a steadying of earlier debt increase, back to surplus.
Palmerston Nth	C	2	55	-1,664	-2,552	Stolid performance, debt per ratepayer remains stubbornly high.
Buller	R	2	6	-847	1,076	Making progress with some solid eco-socio data but debt, still high.
Western BOP	P	1	19	-27,843	5,541	Debt continues to climb, return to surplus.
Hamilton	M	1	69	-4,741	5,263	Some hopeful signs of cost control but debt continues to increase.
Kapiti Coast	P	1	19	-3,240	5,229	Shows a big! lift (by 26%) in its debt levels. Probbaly the biggest mover this year (down).
Rotorua	C	1	33	-3,403	11,204	Little good news here, this Council earns a low ranking, low wealth, high relative debt.
Invercargill	C	1	21	472	934	Continues its slide with slightly higher debt levels - veru ;pw wealth.
Horowhenua	P	1	7	-6,640	-3,424	A Council in the depths of the deepest difficulties, debt up to higher, possibly unmanagable levels.
Kawerau	R	1	4	-848	-129	Our poorest New Zealand Council by any measure, low debt though (of necessity).
Kaipara	P	1	7	-10,637	982	Barely surviving under the adminstration of Commissioners. Debt levels 1316 above peer average.
<b>Auckland Stats</b>	<b>S</b>			<b>-233,000</b>	<b>246,000</b>	
<b>Metro Average</b>	<b>M</b>			<b>76,102</b>	<b>71,939</b>	
<b>City Average</b>	<b>C</b>			<b>-6,022</b>	<b>3,109</b>	
<b>Prov/Rural Average</b>	<b>P</b>			<b>1,110</b>	<b>6,670</b>	
<b>Rural Average</b>	<b>R</b>			<b>479</b>	<b>1,327</b>	
<b>Total Average</b>				<b>2,075</b>	<b>13,119</b>	
<b>Total of all Groups</b>				<b>139,046</b>	<b>878,982</b>	