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Report To: Strategy, Policy and Planning Committee
Meeting Date: 14 May 2013
Report From: David Phizacklea, Regional Integrated Planning Manager

Summary of Local Government Infrastructure Efficiency Expert Advisory Group Report

Executive Summary

Amendments to the Local Government Act have changed the purpose of local government to “meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses”. Infrastructure provision is to be efficient, effective and appropriate to present and future circumstances.

Central government commissioned a group to provide advice on how local government infrastructure could be delivered in the most cost-effective manner. Their resulting report was released in April, and focuses on the themes of simplification, integration, collaboration, transparency, innovation, process and accountability.

This report provides a summary of the relevant points from the report relating to Bay of Plenty Regional Council infrastructure, and infrastructure planning in the region. A summary document of the Local Government Infrastructure Efficiency Expert Advisory Group report is appended.

1 Recommendations

That the Strategy, Policy and Planning Committee under its delegated authority:

- 1 Receives the report, Summary of Local Government Infrastructure Efficiency Expert Advisory Group Report.**

2 Local Government Infrastructure

Amendments to the Local Government Act have changed the purpose of local government to “meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses”. Infrastructure provision is to be efficient, effective and appropriate to present and future circumstances.

Bay of Plenty Regional Council provides river and drainage scheme infrastructure, and is involved in the planning of roading infrastructure. It has also recently established the Regional Infrastructure Fund to assist the construction of regional infrastructure.

Council also influences other infrastructure through the consenting of roading (earthworks and bridging), stormwater, water supply and wastewater systems.

3 **Local Government Infrastructure Efficiency Expert Advisory Group**

In late 2012, central government commissioned a group to provide advice on how local government infrastructure could be delivered in the most cost-effective manner. Their resulting report was completed in March 2013, and focuses on the themes of simplification, integration, collaboration, transparency, innovation, process and accountability. A summary document of the Local Government Infrastructure Efficiency Expert Advisory Group report is appended.

The report contains a number of recommendations, ranging from improving the coordination of policy, to improving ways councils manage infrastructure delivery. It largely focuses on district/city council infrastructure (i.e. stormwater, water supply, wastewater, roading). However, some of the recommendations have wider implications, such as council consolidation to improve regional provision of infrastructure. The report emphasises that individual recommendations can stand alone or be implemented with others, and implementation is for central and local government to decide.

4 **Implications for Bay of Plenty Regional Council**

There are two main areas where the recommendations are relevant to the operations and forward planning of Bay of Plenty Regional Council.

4.1 **Planning and Economic Assessment**

There are several recommendations to achieve a clear, integrated planning framework for infrastructure. The most relevant are:

1. Central government to:
 - Coordinate a whole of government approach to the infrastructure planning framework across the LGA, RMA, LTMA, etc.
 - Allow for pricing on existing roads, subject to a business case for network optimisation.
 - Expedite the development of the National Objectives Framework for freshwater.
 - Review national goals for drinking water and wastewater to balance costs, health risks and environmental outcomes.
2. Long Term Plans to include decreases, increases or stable level of service (as appropriate) that link levels of service with Council Outcomes, and are clearly linked to population changes. Information on the costs and benefits around levels of service is to be transparent, and infrastructure data standardised.

3. Spatial planning at a regional level across New Zealand.
4. National performance criteria standards for infrastructure.
5. Councils to actively engage communities on the financial implications, timing and impact of promoting resilient infrastructure in high risk areas (e.g. managed retreat, flood management).
6. Active involvement of councils in local lifelines groups. (*Note: Bay of Plenty Civil Defence and Emergency Management has already completed this work.*)
7. Councils to carefully examine the appropriateness and affordability of proposed levels of service (e.g. river and drainage schemes).
8. Use the Better Business Case framework for large scale infrastructure projects, and an appropriate business case approach for small projects.

These recommendations have implications for Transport planning, Ten Year Plan, River and Drainage Scheme asset management (including current sustainability project), implementation of the National Policy Statement for Freshwater and regional water management, spatial planning (SmartGrowth, Rotorua, Eastern Bay), and the assessment of application to the Regional Infrastructure Fund.

4.2 **Collaboration, Shared Services and Amalgamation**

The report recommends that councils should operative infrastructure to maximise economies of scope and scale. To achieve this it encourages:

- Collaboration between councils and other partners (including iwi).
- Public Private Partnerships for large projects.
- Shared service arrangements.
- Delivery of water supply, wastewater and land transport at a regional level through CCOs or business units.
- Changes to the LGA to allow all regions with populations above approximately 100,000 people to adopt a two-tier unitary council model.
- All councils to consider amalgamation into unitary authorities with minimum populations of approximately 100,000 people.

These recommendations have implications for current work around collaboration and shared services, “Best for the Bay” project, and River and Drainage Scheme asset management.

5 **Conclusion**

As noted above, the implementation of individual recommendations of the Local Government Infrastructure Efficiency Expert Advisory Group is for central and local government to decide. Some of these recommendations are already being implemented by Bay of Plenty Regional Council through the sustainability review of the rivers and drainage schemes, sub-regional spatial planning projects, and work around collaboration, shared services, and “Best for the Bay”. Other implications for the Ten Year Plan depend on the enactment of legislative change by central government.

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6 May 2013

APPENDIX 1

Appendix - Summary Report of the Local Government Infrastructure Efficiency Expert Advisory Group

Report of the Local Government Infrastructure Efficiency Expert Advisory Group



March 2013

Disclaimer

This publication represents the collective view of the Local Government Infrastructure Efficiency Expert Advisory Group. It is not government policy. Any view or opinion expressed does not necessarily represent the individual views of any of the Group members. While every effort has been made to ensure the information in this publication is correct, the Group does not accept any responsibility for or liability for error of fact, omission, interpretation or opinion that may be present, nor for the consequence of any decisions based on this information or any reliance placed on it.

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1. FOREWORD

1. Local Government infrastructure provides a basic platform that is essential to support the modern living standards to which New Zealanders aspire. Its planning and delivery is by far the biggest role of councils - governed by a complex network of law and regulation and subject to political and community pressures. When local government infrastructure operates efficiently, it is largely unnoticed by the general public. Failure, however, can cause havoc and provoke outrage.
2. This is the context within which elected councillors, together with the managers and technical staff of councils, make decisions every day on various aspects of infrastructure - and the context that formed the backdrop for our report.
3. The Government commissioned our group to provide advice on how this infrastructure could be delivered in the most cost-effective manner to support a growing economy. Given the breadth of local government infrastructure, our brief was wide-ranging and we have made recommendations on actions that can be taken by central government and various of its agencies, by local government as a sector and by individual councils. We have not been able to examine each category of infrastructure specified in the terms of reference, but have focussed more on areas of greatest expenditure and widest delivery across the sector.
4. During our work to produce this report, we were struck by the number of times that some constant themes emerged - simplification, integration, collaboration, transparency, innovation, process and accountability.
5. Simplification and integration of the statutory framework within which local government infrastructure is planned would be one of the most important commitments the Government could make towards increasing efficiency of delivery. On the other hand, far greater collaboration or consolidation to introduce scale to various areas of delivery could be a game-changer on the part of local government.
6. Transparency also ranked very high in our findings – driven initially by our own frustration at not being able to access readily (or, in some cases, at all) data that would enable us to gain a picture of performance and promises on the part of councils. Innovation and process both emerged as areas where there are great examples of good practice but also room for improvement amongst many councils.
7. Finally, the issue of accountability was significant. Local government exists to serve communities. The people who make up those communities have right to know “what, when, how” and at what cost their councils are planning to deliver or have already delivered. They also have a right to engage with their councils to discuss questions of “why” and “why not”.

But to have those discussions in an informed way, people require full information and assessments of costs, benefits, risks and options.

8. We hope that this report can assist all parties in addressing some of the challenges that are present. We wish to thank all who worked with us on producing the report and those with whom we consulted in the course of our work, a number of whom were very generous in sharing their time and knowledge.



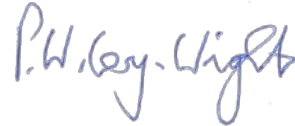
Fran Wilde (Chair)



Elizabeth Anderson



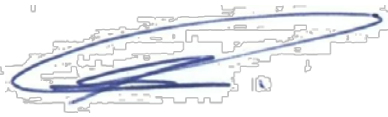
Alan Bickers



Philip Cory-Wright



Josephine Grierson



Stephen Selwood



Jeremy Sole

2. EXECUTIVE SUMMARY

9. The Local Government Infrastructure Efficiency Expert Advisory Group (EAG) was established by the Minister of Local Government in late 2012. The EAG's terms of reference required us to provide advice focussed on how to deliver in the most cost-effective manner good quality local government infrastructure to support a growing economy. We were required to consider opportunities and barriers in terms of infrastructure costs, relevant legislation, and decision-making processes.
10. In response to the terms of reference, we have made various recommendations. These range from improving the coordination of the policy environment at the more generic level, to improving the ways in which councils manage the delivery of infrastructure. There are specific recommendations about funding, monitoring and governance mechanisms.
11. A combined full set of recommendations is presented as Chapter 3, but the individual recommendations are also appended, where relevant, to the end of each section in the report. This is not a suite of recommendations in the sense that the individual parts add up to an integrated whole. Instead, individual recommendations can stand alone or be implemented with others; the combination is for others (including central and local government) to decide.
12. Discussion and recommendations in the report are grouped under the headings of:
 - What is driving change?
 - The formal framework within which local government delivers infrastructure
 - Business practice issues
 - Institutional Issues
 - Size and scale

Background data about council infrastructure

13. As part of the background to providing our advice, we examined relevant and readily available data. Various factors and themes emerged from that data, which informed our thinking throughout the rest of its work. A major theme is significant future council spending. Expenditure on infrastructure over the period 2013-2022 is projected to be \$111.1 billion (\$30 billion in capital expenditure and \$81.1 billion in operational expenditure), a large proportion of which will be in Auckland. Spending varies according to the type of authority, with rural areas having service provision requirements and challenges that are quite distinct from those facing metropolitan councils. The data highlights the importance of delivering good quality and cost effective infrastructure, as the local government sector is the second largest owner of assets in New Zealand, after central government. In 2011, councils are estimated to have

owned fixed assets valued at \$94 billion (up from \$70 billion in 2006, compared to \$141.5 billion owned by central government).

Drivers of change

14. As a wider context for our deliberations, we considered a range of matters that may be influencing or driving change in the current and future provision of council infrastructure. Population growth, decline and structural change are considered to be key drivers. A graphic example of future structural change is provided by the maps in Figure 11. Larger urban centres will generally need to cope with growth. Sparsely populated rural areas will have to cope with aging, flat or, in many cases, declining populations. These are coming realities (not future “scenarios”) and each has its own implications for infrastructure.
15. Economic trends are also key, including the response of councils to the recessionary environment since 2007/2008, including increases in levels of council debt and deferment of pre-programmed expenditure. Aging infrastructure may be an issue, so knowledge about its condition becomes critical. Better and more consistent asset management is key to managing this risk, while resilience in the face of natural disasters and climate change is also relevant. Rising community expectations, especially in relation to water standards, levels of service and environmental outcomes can drive infrastructure investment. Trends in technology offer some solutions, enabling councils to re-visit how they deliver and manage services. All of these trends and drivers are overlain by the issue of affordability, which is particularly significant in light of lower economic growth and demographic trends.

Relevant legislation

16. We examined the formal legislative framework within which infrastructure is planned, funded, built and managed. The complex nature of the framework creates problems of implementation and interpretation for central government, councils and the general public. The main pieces of legislation are the Local Government Act 2002 (LGA), the Resource Management Act 1991 (RMA) and the Land Transport Management Act 2003 (LTMA) which we consider need greater integration. However, there is also what we refer to as the “water framework” – a complex mesh of laws, regulations, standards and practices that govern the management of water supply, wastewater and stormwater drainage.
17. In general, rationalisation and better alignment of legislative and regulatory frameworks would substantially improve infrastructure delivery, especially if duplication of effort and conflicting timeframes are addressed. A clear whole-of-government approach is required to recognise and deal with the issues. Specific recommendations are made about ways to improve individual aspects of the frameworks. The most significant is that spatial planning (similar to the Auckland model) should be mandated for use elsewhere in New Zealand. We consider that

this one action would have the greatest beneficial impact; the formation of the Auckland Council has lifted the bar in terms of infrastructure planning and delivery.

18. Recently proposed legislative reforms of the RMA and of freshwater management were taken into account. We welcome some aspects of the proposed reforms, but we have concerns about others. In particular, the proposed RMA reforms, by not mandating true spatial planning, are seen as having little benefit for council infrastructure. The freshwater reforms are seen as useful, although the need to avoid adding to existing complexity in the water framework is highlighted.
19. We gave particular attention to the complex provisions of the water framework (water supply, wastewater disposal and stormwater drainage). Many infrastructure upgrades are driven by environmental requirements and the national Drinking Water Standards. This has been expensive, especially for councils with smaller populations. We have not recommended major change to the Drinking Water Standards, but suggest that clarification of the way the standards are implemented is needed. This could be accompanied by training for elected members and relevant staff so any trade-offs proposed in this area in long term plans (LTPs) can be clearly spelled out to communities. A reconsideration of the eligibility criteria for financial assistance on water supply and wastewater upgrades would be useful.
20. Councils need to have better conversations with their communities about the planning, funding and delivery of infrastructure. Council LTPs provide one vehicle for those discussions, but the questions are so important and fundamental to the role of councils and their financial health, that greater effort needs to be made.

Business practices

21. The EAG also looked at the business practices utilised by councils in relation to infrastructure, in particular decision-making around asset investment, development and management. We considered this to be an important area of inquiry, as business practices have a direct relationship to efficiency and cost effectiveness. There is much good practice among councils already but some legislative change is recommended, as well as training.
22. Professional asset management is important, set within a 'line of sight' framework that links strategy, levels of service and operations. Good processes in setting levels of service is essential; balancing what is affordable against what is desired by the community. We noted that, as monopoly providers, councils might run the risk of either "gold plating" infrastructure (therefore overcharging the community), or under investing in response to local sentiment about rates increases. In this respect, professional asset management practice is a necessary foundation for good quality and cost-effective infrastructure. Asset managers need sound information that enables optimal decision-making about capital expenditure and its timing.

Levels of service and demand forecasting are relevant to the good management of any infrastructure.

23. We noted the complexity and risks inherent in funding, financing and charging for infrastructure. Reliance on rates for funding infrastructure does not necessarily lead to optimal outcomes, as these assets are by nature long life and rely on long term stable planning and funding. There is a wide range of options which councils need to comprehensively and carefully consider, including such tools as development contributions, appropriate debt management and public private partnerships. Compelling reasons were identified to introduce more direct charging for provision of council infrastructure services. These include demand management, accountability and increased flexibility in funding and procurement. Recommendations are made about the use of volumetric charging for water and the examination of pricing mechanisms for roads.
24. Business case development and procurement are areas in need of improvement. We considered that councils should use Treasury's Better Business Case framework for large projects and a simplified framework for smaller projects. Realising the benefits of a sound business case requires effective procurement and we noted several potential issues in the procurement process. Councils can struggle to gain clarity about what they want delivered, to chose the best procurement method, and to understand and mitigate risk. Sector-wide approaches to the development and benchmarking of best practice are recommended to help councils avoid these problems.

Institutional issues

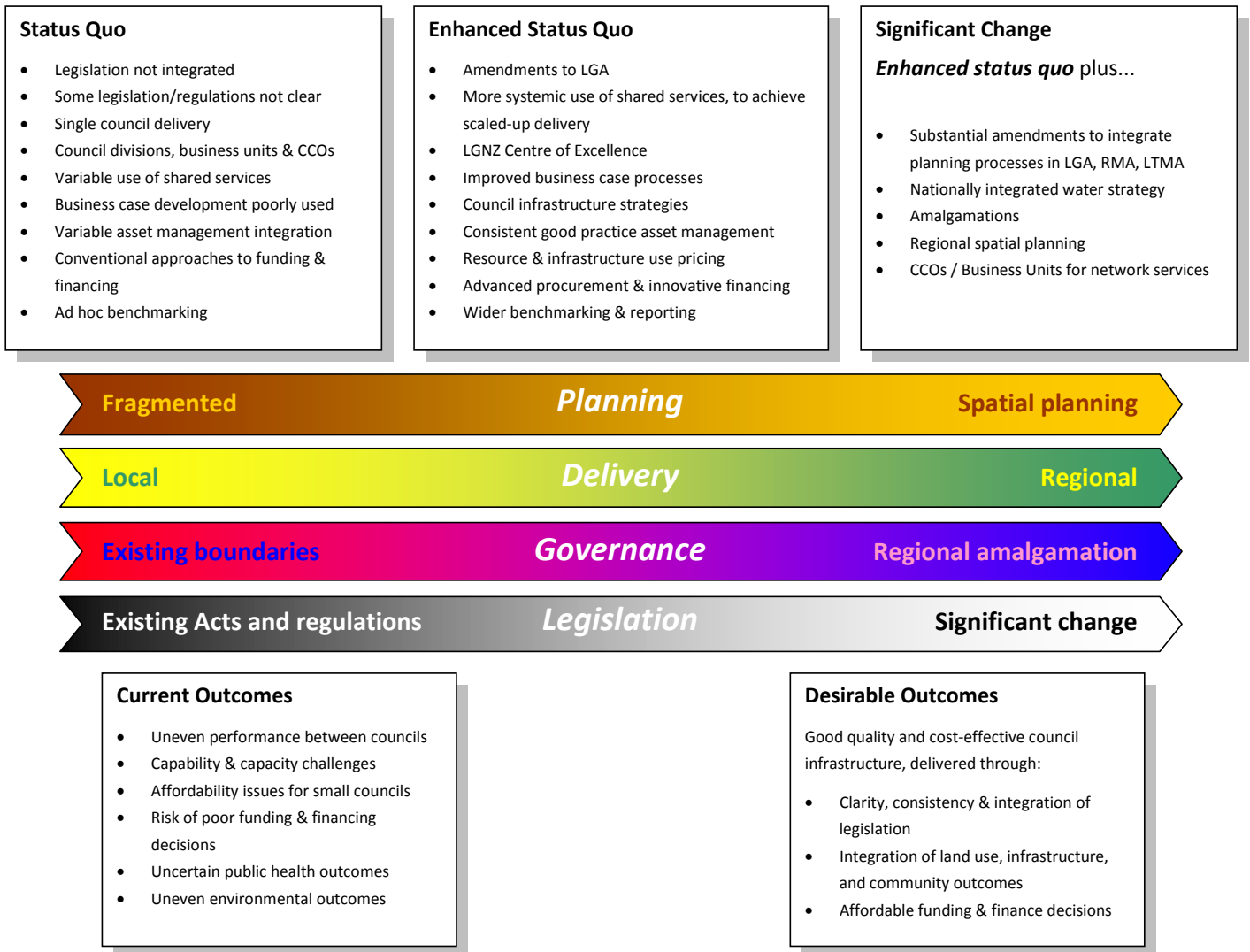
25. Greater transparency, reporting and benchmarking of performance should be introduced for council infrastructure activities. Accountability and decision making need to be supported by understandable and consistent disclosure and benchmarking regimes, linked to the long term plan system. Performance data and measures for financial and non-financial elements (such as levels of service) need to be clear, understandable and standardised so they are comparable between different councils. Without it, communities (and councils) cannot accurately judge if they are doing a good job. The role and resourcing of the Office of the Auditor-General (OAG) should be enhanced so that it can provide more focus in this area. Engagement with the community on these issues needs to occur at the right level and both the process and the final decisions should be guided by the principle of subsidiarity.
26. The need to share expertise and knowledge across the local government sector was a common theme throughout our discussions. The theme also has direct relevance to the capacity and capability of councils to deliver infrastructure. The Local Government Funding Agency is a successful example of councils sharing specialist expertise. In a similar vein, we recommend that the Local Government Association of New Zealand (LGNZ) work with its member councils to establish a Local Government Centre of Excellence for Infrastructure. Its purpose would be

to assist councils in accessing expertise, training and benchmarking of best practice in all areas of infrastructure delivery and management.

Size and scale

27. A recurring theme is around the difficulties and cost for small councils in maintaining infrastructure expertise. Apart from better business practices, consolidation is suggested as a way of addressing the issue.
28. Shared services are one approach to consolidation and we observed numerous examples of good outcomes being achieved in this way. However, frequently they appear to be bespoke and reliant on personal relationships and goodwill. Legislative change is recommended to remove some barriers to council collaboration. We also recommend more shared services with central government agencies, iwi, community and charitable organisations to capture benefits such as economies of scale. This is especially relevant to social infrastructure such as recreational and sports facilities.
29. Greater use of infrastructure delivery at a regional scale will facilitate substantial benefits where the assets being managed are also at that scale. For significant capital expenditure, scale can provide the specialist skills needed to manage scope, procurement, timing, financing and operational issues. We recognise that biggest is not always the best and there is a need to assess optimal size in terms of both contracts and management/governance units. However, in a number of areas the evidence pointed to larger scale delivery entities having greater ability than smaller ones to deliver affordable infrastructure to all communities.
30. In some cases, regional scale delivery may be best facilitated by full council mergers. Central government needs to form a clear view about the appropriate scale and scope of local government units to optimise infrastructure delivery. We recommend that the 400,000 population threshold for use of the two-tier unitary model should be reduced to 100,000.
31. Figure 1 below provides an overview of the spectrum of change underpinning our recommendations.

Figure 1: The spectrum of change



3. RECOMMENDATIONS

This section provides an overview of the recommendations contained in this report. While it can be read alone, for clarity it should be read in conjunction with the remainder of the report. These are grouped by theme and do not follow the sequence in the report.

Amendments to simplify and integrate the policy and legislative framework

Recommendation 26

The Ministers of Local Government, Environment and Transport should coordinate a whole-of-government approach to clarifying and integrating the planning framework - LGA, RMA, LTMA and other planning mechanisms.

Local Government Act

Recommendation 30

The Local Government Act 2002 should be amended to make explicit the potential for levels of service to either decrease or remain unchanged, as well as increase.

Recommendation 32

If the statement of service provision is retained in the Local Government Act, it should be amended to explicitly link levels of service to the wider strategic objectives of councils. Such objectives would include community outcomes specified in the LTP and any relevant objectives in a Regional Policy Statement, Regional Plan, District Plan or Regional Land Transport Strategy; or any other spatial plan or infrastructure strategic plan that may be introduced in time.

Recommendation 56

The Local Government Act 2002 should be amended so that it cannot be used to obstruct or prevent collaboration between councils or with other partners.

Recommendation 31

The Government should implement recommendation 17 of the Local Government Efficiency Taskforce which would see long term plans primarily focus on strategic issues. As part of that re-focus, long term plans should not be required to include detailed information about levels of service.

Recommendation 7

The water and sanitary services assessments carried out under section 125 of the Local Government Act should be reviewed to ensure that they perform a clear and useful function in council infrastructure planning and provision, and the Act should be amended, if necessary, to provide for this.

Land Transport Management Act

Recommendation 9

The Land Transport Management Act should retain the requirement for a separate National Land Transport Strategy that would be subject to a normal consultation process during its development and that would ensure a long term national view on transport strategy to which Regional Land Transport Strategies could give effect.

Recommendation 10

Amendments to the Land Transport Management Act should provide policy clarity around strategy and planning, not just administrative compliance.

Recommendation 41

The Land Transport Management Act should be amended to allow pricing on existing roads where there is a business case that enables effective network optimisation.

Water Framework

Recommendation 12

The Government should appoint a Minister with specific responsibility for management of all water related issues, including:

- a) achieving a greater degree of integration and clarity within the various elements that comprise the statutory and regulatory frameworks for water supply, wastewater and stormwater
- b) ensuring that any national strategies specific to water management appropriately address the cost of infrastructure for local government.

Recommendation 16

The Government should expedite the development of the National Objectives Framework for freshwater and should involve local government in the development of the details

Recommendation 13

The Government should review national goals for drinking water and wastewater, to ensure that there is an appropriate balancing of community costs, health risks and environmental outcomes.

Recommendation 14

In its final decisions on the proposed freshwater reforms, including the National Objectives Framework, the Government should avoid adding to the existing confusion of the water framework.

Recommendation 15

The Drinking Water Standards should be amended to clarify that they are subservient to the “*all practicable steps*” duty of the Health Act (Health Act, Part 2A).

Recommendation 17

Councils should actively consider and actively promote the use and development of alternative engineering solutions for drinking water, wastewater and stormwater management issues.

Planning

Recommendation 8

In its final decisions on the proposed RMA reforms, the Government should:

- a. mandate a planning process that is regionally based as being more effective in dealing with large scale and network infrastructure
- b. incorporate the Project Consent Process recommended by the Technical Advisory Group on Infrastructure.

Recommendation 27

The concept of spatial planning as applied to the Auckland Council should be mandatory as a strategic planning mechanism for use at a regional level in other parts of New Zealand.

Recommendation 21

Changes in legislation to provide for spatial planning should include processes to ensure strategic alignment between central and local government in the development of the plan and in their subsequent and on-going review.

Recommendation 28

Until spatial planning is mandated, all councils (excluding Auckland Council) should produce an infrastructure strategy that links asset management with LTP community outcomes and identifies strategies for regional network optimisation where appropriate.

Recommendation 20

Spatial plans should provide full disclosure of benefits, costs and risks associated with the plan, including how it will be funded, and the plan development process needs to take account of the Government’s role as a major funder of transport infrastructure.

Recommendation 22

Process and content audits similar to those specified in the Auckland Plan should be used by other councils as part of a wider strategic approach to the planning and delivery of infrastructure.

Recommendation 2

Councils should ensure their long term plans reflect projected numerical and age-related structural population changes and explicitly provide for these changes in their infrastructure and financial planning.

Recommendation 19

Auckland Council's request for simplification of its planning regime should be implemented. Specifically, it should have a statutory exemption from providing a separate Regional Transport Strategy and the Regional Policy Statement, both of which should be integrated into the Auckland spatial planning framework.

Other statutes, regulations and standards

Recommendation 11

The Ministry of Business, Innovation and Employment should review the application of the Building Act to local authority infrastructure. Specific areas requiring attention include:

- a) whether council infrastructure should be subject to the current building consent regime, if its safety and performance would be better assessed by a Chartered Professional Engineer; and
- b) whether council infrastructure should simply be required to meet the Building Code provided it is designed by a Chartered Professional Engineer, with construction appropriately supervised and recorded.

Recommendation 23

The review of Standards NZ (SNZ) should specify how the outputs of SNZ integrate with other parts of the formal framework that regulates local government infrastructure.

Recommendation 24

The development and revision of standards relating to public infrastructure should be supported by a mix of industry and central government funding, and central government should also consider funding of SNZ's core capability.

Recommendation 25

Standards for infrastructure should focus on performance criteria (outcomes) rather than determining methods of delivery.

Recommendation 29

In conjunction with any consultation or referendum on a four year Parliamentary term the Government should specifically include consideration of the same for local government.

Training, good practice and sharing of expertise

Recommendation 18

The Ministry of Health and Local Government New Zealand should work together to provide training to increase councillor, relevant council staff and drinking water assessors' understanding of the water framework, in particular the tradeoffs between health and cost effectiveness.

Recommendation 3

Local Government New Zealand should lead councils in sharing and accessing expert advice on complex technical issues.

Recommendation 43

Local Government New Zealand should explore access to and sharing of expert advice on funding, financing and risk management.

Recommendation 34

Local Government New Zealand should ensure there is appropriate training available for elected members and council managers in the process of setting levels of service.

Recommendation 45

Councils should ensure that elected members and relevant staff receive training that helps them understand the concepts and practice of asset management.

Recommendation 49

Local Government New Zealand should work with appropriate technical and professional organisations to ensure there is training available for councillors and staff on improved procurement practices and that councils are aware of the full range of procurement options.

Recommendation 55

Local Government New Zealand should establish a Local Government Centre of Excellence for Infrastructure.

Improved conversation with communities

Recommendation 5

Councils should actively stimulate informed public discussion on the financial implications, timing and community impact of strategies designed to promote infrastructure resilience in high risk locations (for example, managed retreat).

Recommendation 6

Councils should be actively engaged in local lifelines groups and, if necessary, promote the formation of such groups where they are absent, with a view to developing risk management strategies and response plans coordinated across infrastructure providers.

Recommendation 50

During consultation on the long term plan, councils should provide transparent information about the potential costs and benefits of enhancing service levels to meet rising community expectations including whole of life costs, information on alternatives and their relative costs and benefits.

Recommendation 51

Councils should use a range of consultation methods including rigorously designed tools for testing public opinion.

Improving business practices

Recommendation 4

Councils should be actively deploying technology to improve asset management and service delivery.

Recommendation 33

Councils should carefully examine the appropriateness and affordability of proposed levels of service for each type of asset in the context of changes in the population profile for the council and the council's overall long term budget.

Recommendation 44

Councils should implement and support professional asset management practices that:

- a) link day to day engineering with strategy, policy and governance
- b) determine loss of service potential, instead of using depreciation as the basis for predicting asset failure
- c) incorporate a balance between asset testing, statistical analysis and standardised methods to determine the need for asset replacements.

Recommendation 46

Councils should utilise the Better Business Case framework for large scale infrastructure projects.

Recommendation 47

LGNZ should work with the NIU to develop an appropriate business case approach for smaller projects, based in the principles in the BBC.

Recommendation 48

Councils should use current information for forecasting of demand and should also verify the reliability of those forecasts.

Recommendation 57

Councils should, wherever possible, operate infrastructure at the point where economies of scope and scale are maximised and are fundable while being aware of diseconomies of scale.

Funding and pricing mechanisms

Recommendation 35

Development contributions should be retained as an economically efficient funding mechanism.

Recommendation 36

Any changes to the formal mechanism of development contributions should be aimed at addressing issues of transparency, the reasonableness of assumptions underpinning the policies and the provision of reasonable appeal rights.

Recommendation 37

Where benefits exceed costs of implementation and compliance, volumetric charging for water should be implemented and variable charging for wastewater should also be implemented.

Recommendation 38

The introduction of water metering should be accompanied by robust educational campaigns to highlight the benefit of water conservation and how to achieve it.

Recommendation 39

The introduction of water metering should include provision to assist those with medical needs resulting in additional water demand.

Recommendation 40

The Government should urgently undertake further work on pricing for transport to optimise use of the network.

Recommendation 42

Councils should consider the option of PPPs for large infrastructure projects with a significant whole-of-life cost where value for money outcomes through risk transfer and private sector innovation can be anticipated.

Better information and greater transparency

Recommendation 1

To achieve nationally-consistent reporting of council infrastructure data, all long term plans and annual reports should include required data sets covering asset classes and specific activities. This data should be available in standard digital format as well as printed formats. DIA should work with LGNZ to determine the classifications and digital formatting required and the LGA should be amended, if necessary, to provide for this.

Recommendation 52

Building on current initiatives, the Government should work with Local Government New Zealand to develop appropriate standardised financial and non-financial performance measures for council infrastructure delivery.

Recommendation 53

Councils should be required in LTPs to formally identify levels of service for specific infrastructure types, then to report delivery against their agreed levels of service, using standardised financial and non-financial performance measures for different assets.

Recommendation 54

Monitoring of the reporting referred to in Recommendation 53 should remain with the OAG, which may need additional expert resource to be able to undertake this task comprehensively and in such a way that it can provide detailed feedback to councils and the public.

Increased coordination and removal of barriers to shared services

Recommendation 58

Councils should actively explore shared services arrangements with other councils, central government agencies, iwi or the private sector to capture possible benefits of partnerships and economies of scale. In particular, this applies to community infrastructure and networks such as libraries, recreational facilities and sports facilities, as well as small scale utilities.

Greater use of regional provision to deliver regional solutions

Recommendation 59

Councils should consider moving delivery of potable water and wastewater to regional level, with the management and implementation of such delivery at arm's length from political decisions, through either a jointly-owned or regional council owned CCO or a business unit run on economically efficient lines.

Recommendation 60

Councils should consider moving delivery of land transport infrastructure to a regional level, through either a jointly-owned or regional council owned CCO or a business unit run on economically efficient lines.

Recommendation 61

The Government should form a clear view of appropriate scale and scope for local government units in relation to the delivery of infrastructure.

Recommendation 62

The Local Government Act 2002 should be amended so that all regions with populations above approximately 100,000 can choose to adopt a two-tier unitary council model, similar to that now available for populations above 400,000.

Recommendation 63

All councils should consider amalgamation into unitary authorities with minimum populations of approximately 100,000.