

We are. Turning ideas into actions.

Local Government New Zealand's
annual report

2013/14

**We are.
LGNZ.**

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Local Government New Zealand (LGNZ) is the sector voice for all 78 councils in the country. We advocate on behalf of our members who are mayors, chairs, chief executives and councillors at councils, and local and community boards. We lead the sector's commitment to improving practice and efficiency, enabling economic growth, community vibrancy and environmental wellbeing. Protecting and enhancing local democracy is paramount. LGNZ is governed by our National Council, made up of 15 elected members from throughout New Zealand. We represent the national interests of councils and lead best practice in the local government sector. We provide advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand.

**We are.
LGNZ.**

From the President



The 2013/14 year marked the dawn of a new era for LGNZ as we re-positioned the organisation with strengthened advocacy on behalf of the sector, delivering a refreshed image including a new website and launching a suite of communications for members and stakeholders.

As I write this, I have been proud to be at the helm of this organisation for nearly six years. The 2013/14 year has been the most effective I have seen. This reboot has shown that the local government sector is vocal and brave, and has resulted in a noticeable lift in reputation and lobbying impact.

A number of new regulations and updates to legislation occurred during this time that impacted communities and councils, which are discussed more in the Advocacy section of this report. LGNZ has clearly started to move onto the front foot, delivering a more influential policy impact for our members.

< LGNZ is becoming a potent force in the lobbying sphere. >

LGNZ is, without a doubt, becoming more potent in the lobbying sphere. We have built a positive working relationship with central government on a number of key issues and our media presence has increased as a result of LGNZ's communications efforts and new opportunities, services and products. Relationships with stakeholders also lifted as we have become more active, involved and engaged on behalf of the sector.

Some of the notable new initiatives that LGNZ embarked on in the 2013/14 year included the launch of EquiP, our Centre of Excellence, and the 3 Waters project to create a local government led nationwide data framework for water infrastructure.

This year was a period of change, growth and renewal for our organisation, and also our members as in any election year. The October local government elections ushered in new and re-elected leaders in council teams throughout New Zealand. Our sector responded by showing leadership to changing demographic, economic, legislative and environmental factors.

LGNZ is more focused than ever on harnessing the collective might we have inside our councils across the country to build a cohesive force. We're not afraid to make a few waves in the cause of uniting, motivating and equipping people to move mountains for our communities. We believe that strong communities are what builds national success, confidence and character – for generations to come.

A handwritten signature in black ink, appearing to read 'L. Yule'. The signature is fluid and cursive, with a large initial 'L' and 'Y'.

Warm regards

Lawrence Yule

President

Local Government New Zealand

From the Chief Executive



If the 2012/13 year was a time for LGNZ to regroup, restructure, reconsider its vision and deliver new services and products for members, 2013/14 was a year of great propulsion as we moved forward, stepped up and delivered a more effective organisation.

The goals we achieved included shifting public positioning, introducing a brand that would reflect that shift, introducing a commercial model to the LGNZ suite of services and restructuring LGNZ to reflect this strategy. A new senior team was appointed as we merged communications and policy to create a stronger new 'Advocacy' function and created a Business Solutions directorate.

LGNZ re-positioned itself and got early runs on the board demonstrating this at a successful 2013 conference held at Hamilton, where we launched the new LGNZ brand and website. We introduced regular Major Issues Seminars where key issues impacting the sector such as localism, affordable housing and governance could be discussed and debated. LGNZ built an increased media presence as a result of regular communications and more frequent, proactive and targeted media activity.

We established and launched a new commercial model in the 2013/14 year with the introduction of our Centre of Excellence, Equip, encompassing training and delivery of new services for members such as recruitment and an executive performance programme, discussed in more detail later in this report.

Member engagement was stronger as a result of new widely issued e-communications. The Sector and Zone meetings added more engaging content and the brand workshops held at a number of locations in late 2013 were well attended. Members reported in a stakeholder survey in October that they saw LGNZ as a valuable, more constructively engaged organisation that had secured support and approval across the country.

Stakeholder engagement also strengthened, as LGNZ enjoyed a noticeable lift in our reputation and lobbying impact. Survey results showed LGNZ was seen as increasingly focusing on relevant sector issues, and improving governance. Communication to stakeholders increased with regular external communications. We have engaged in constructive debate with our key stakeholders, with many strong advocacy outcomes.

< We frequently engaged in constructive debate on key issues with stakeholders. >

New partnerships were also established, such as with the Local Government Association of Queensland on a commercial model, and with the Institute of Directors on developing sector-specific governance training.

Financially, the organisation is in sound health. LGNZ was able to deliver a \$133,563 surplus this financial year off the back of stronger than budgeted demand for KnowHow training, close cost control, some vacant positions, and lower than budgeted expenditure for the LGNZ rules review as a result of the proposed merger with SOLGM not proceeding. This surplus will be re-invested into the organisation and means that a lower level of reserves will need to be utilised to fund the Centre of Excellence during its establishment and growth phase.

Finally, internally, there is a continued transformation of LGNZ's culture to one that puts member-centricity at the core of the organisation. I am proud of the organisation's achievements and the efforts of staff to deliver these results. I look forward to taking this momentum to the next level in the coming financial year.



Warm regards

Malcolm Alexander

Chief Executive

Local Government New Zealand

LGNZ by the numbers in 2013/14



100%

of New Zealand councils are LGNZ members



479

articles in the media



88%

of attendees rated the LGNZ 2013 conference 4 or higher out of 5 for overall satisfaction



5

new e-communications tools launched



511

conference attendees



3.1

Member and stakeholder survey rates LGNZ 3.1 out of 5 for being engaged, constructive and effective

2012/13	2013/14
<p>525</p> <p>KnowHow workshop attendees</p>	<p>820</p> <p>KnowHow workshop attendees</p>
<p>31</p> <p>KnowHow workshops held</p>	<p>71</p> <p>KnowHow workshops held</p>

Publications issued to members

- DLC competency guide
- Making a stand made easy
- Elected members' governance handbook
- Local government and public health in 2013 and beyond
- A Global Perspective on Localism
- 2013 tax guide for elected members
- Guidance for territorial authorities and property owners on initial seismic assessments
- Business Friendly Councils guidelines

SEMINARS

Launched our first Major Issues Seminars

WEBINARS

Offered webinars regularly to deliver policy advice and KnowHow education

1

Advocacy



Putting local issues on the national agenda.

Advocacy team

The inaugural LGNZ three-year Business Plan came into effect on 1 April 2013, outlining a new era of advocacy, representation and support for councils in New Zealand. It signalled a fundamental change in strategy for LGNZ as the representative organisation for the local government sector. We moved from being primarily a contributor to policy development to an organisation that provides a more customer-focused, rounded and assertive representative and membership service, with sound policy work forming the engine room for the advocacy agenda.

In 2013/14, LGNZ created its Advocacy team by combining policy and communications into one stronger integrated group. LGNZ's Director of Advocacy Helen Mexted came on board in June 2013 to lead the Advocacy staff working to deliver a more effective advocacy strategy.

The new advocacy strategy considered feedback and current anticipated national, regional and local issues identified by the members of LGNZ. Policy issues were considered and filtered based on relevance, impact and the commonality amongst councils, and a new communications strategy was delivered that included e-communications, regular meetings with relevant stakeholders and discussion at member Zone and Sector meetings.

LGNZ's new advocacy strategy

- Be the strong voice of local government in New Zealand;
- Promote and facilitate a stronger relationship between central and local government overall, delivering a more conducive policy environment for local government to carry out its functions in the communities they democratically serve;
- Promote and facilitate a stronger relationship between local government, Ministers and policy setters, particularly around the development of core policy important to local government;
- Improve governance, leadership and performance across the local government sector;
- Articulate and promote the value proposition of local government to New Zealanders; and
- LGNZ is vocal, with an increased profile and influence by strengthening sector leadership and policy expertise and delivery.

Brand review and development

Brand is the sum of an organisation's values and aspirations, not just the realm of retail marketing, but instead the very life and expression of what the organisation and sector stands for. LGNZ successfully re-positioned itself during the 2013/14 year. We presented a new face to the world with the 'We are. LGNZ.' positioning and brand launched at the 2013 LGNZ conference in July and a clear driving purpose of being a stronger, more cohesive voice for the local government sector. The October 2013 stakeholder survey 3.1 out of 5 rating shows LGNZ as becoming more engaged, constructive and effective; with the re-positioning beginning to deliver on these aims.

Who's looking after our communities' future?

We are. LGNZ.



Who's keeping water in our taps?

We are. LGNZ.



< The strong voice of local government in New Zealand. >

Member and stakeholder engagement

LGNZ has put significant effort into increasing and improving engagement with our members and stakeholders. At the 2013 LGNZ Conference held in Hamilton between 21-23 July, more than 500 key players gathered for the local government sector's networking event of the year. It was highly informative, with keynote speakers including Prime Minister John Key; business consultant, lecturer, broadcaster and author Jonar Nader; Local Government Association of Queensland Chief Executive Greg Hallam; demographer Professor Natalie Jackson; former Brisbane City Council Chief Executive Jude Munro; New Zealand Initiative Executive Director Oliver Hartwich and then-Local Government Minister the Hon Chris Tremain.

The 2014 conference is shaping up to be an equally impactful event, one where we will also celebrate finalists and winners across five categories for the inaugural LGNZ EXCELLENCE Awards, introduced in 2013 to acknowledge outstanding individual and team achievement in local government.

Locally, the regular Zone and Sector meetings were refreshed to have more informative, enticing agendas to create programmes that members would gain real value from attending. To reach out to members digitally, in September the monthly members-only e-communications publication Sector Brief was introduced, updating mayors, chairs, chief executives and elected members on membership matters and LGNZ workstreams. Feedback on the newsletter was positive as members received a further direct link to LGNZ's President and Chief Executive with regular updates on key issues in a meaningful, detailed way.



Monthly e-communications newsletter Frontpage News was launched in October as LGNZ's stakeholder publication, keeping readers up to date with key issues and news within local government, LGNZ's work and local wins from councils across the country. The newsletters are well-read and have included articles on a wide range of topics relevant to the local government sector and its stakeholders such as localism, housing affordability and the importance of voting.



A new LGNZ website was developed as part of the brand review, resulting in a modernised digital platform that informs and engages member and stakeholder users. In its new form, the responsive website provides improved content, is easier to navigate and more aesthetically pleasing for an improved experience.

LGNZ introduced new strategic events, Major Issues Seminars, in October to discuss and debate key topics. The first session, titled Towards A Competitive New Localism, run with The New Zealand Initiative, lobbied for why we should devolve more decision-making and powers to a local level. This was followed by a session in November on Why Good Governance Matters in Local Government where keynote speakers included Leader of the Opposition David Cunliffe and Institute of Directors Vice-President Michael Stiasny. In February, a high-level discussion on Housing Affordability solutions was held with members in Auckland.



Taking action on water infrastructure through 3 Waters.

The guidelines identified competitive advantage, distinctiveness and specific areas where collaboration can add value, giving each city-region a set of key principles for becoming more business friendly. It identifies six key principles that are intended to reduce the regulatory and non-regulatory barriers, costs, risks and uncertainties in all forms of commercial activity to stimulate and support local business growth, local business retention and the attraction of new business to local areas.

The Core Cities network also continued its China engagement project, collaborating on mayoral-led delegations in China and other export markets, developing a network across central and local government to strengthen information sharing and co-operation, and leveraging relationships to develop a joint China engagement strategy identifying distinct areas of business focused on competitive advantage.

Infrastructure

To enable economic growth across all of New Zealand LGNZ recognises there is a need for effective, well-funded infrastructure. During the 2013/14 year LGNZ led a strong focus on land transport, the 3 Waters project, housing affordability initiatives including building consenting, and advocated for sensible changes to earthquake-prone buildings legislation.

Water

The sector took action with regard to its water infrastructure through the 3 Waters project which LGNZ launched in late 2013. This key project will enable local government to establish a national picture of the current state of its infrastructure and performance across potable water, waste water and stormwater assets and services. It will develop a robust framework for building on best practice, and a single national information framework to improve transparency to elected members and communities. Over time, we envisage the data will support benchmarking and cost savings, producing best practice interventions focused on the business of providing water services.

Transport

LGNZ was invited by central government to join the cross-sector Rooding Efficiency Group governance team, which worked on creating the One Network Road Classification. This new approach to operate roads in a consistent strategic framework across all of New Zealand aims to help local government and the New Zealand Transport Authority to plan, invest in, maintain and operate the road network.

On behalf of the sector, we also lobbied heavily for fair and effective land transport funding. Funding Assistance Rates (FAR) were under review after years of local road funding being under fiscal pressure. LGNZ held a Transport Summit in March and advocated on behalf of the sector that the Government should focus on the economic benefits and the strategic value of transport investment, particularly for roading, under its new Government Policy Statement (GPS). While the GPS is due to be released in mid 2014, the initial FAR decisions announced in May 2014, following LGNZ's lobbying included better than anticipated funding for many councils along with favourable transitional arrangements.

Building and housing

LGNZ advocated strongly around building and housing issues that were important to local government during the 2013/14 year. The sector shares central government's desire to facilitate growth and see affordable housing come to the market. Accordingly LGNZ lobbied for central government, local government and the private sector to work on policy which will address the multi-faceted issues impacting housing affordability, including faster planning and consenting under Housing Accords and Special Housing Areas legislation.

LGNZ and the sector continue to implement initiatives to streamline building consenting and LGNZ is engaged in a project with MBIE to consider a national online consenting system. Chief Executive Malcolm Alexander is chairing a sector reference group on the issue and is a member of the MBIE governance board overseeing the project.

The question of how accountability is allocated among all the parties involved in building and construction remains open as the Law Commission considers the issue of joint and several liability – LGNZ has advocated for changes so building control authorities are only held accountable for their mistakes.

The Building (Earthquake-prone Buildings) Amendment Bill introduced in August outlined proposals to strengthen buildings considered to be at risk of performing poorly in earthquakes. LGNZ advocated for a risk-based approach that takes into account broader social and economic impacts alongside life safety. Via submissions on behalf of the sector, we have sought strengthening that focuses on buildings and parts of buildings where failure could cause the most harm. The new Minister, Hon Dr Nick Smith, has indicated a willingness to engage actively with the sector to deliver a regime that appropriately balances life risk with cost.



Helping the Pacific deliver at the local level.

Regulation

LGNZ continues to advocate on behalf of the sector for better local regulation.

In 2013, LGNZ inputted into the Productivity Commission's report on local regulation, voicing the sector's need for a stronger understanding of the practical community, financial and economic impacts of legislative and regulatory change before change is considered.

On a positive note, LGNZ worked closely with members and government agencies to successfully implement changes under the Sale and Supply of Alcohol Act 2012 that came into effect in December 2013.

However, the passing of the Psychoactive Substances Act 2013 contrasted markedly in approach and outcome. This came into effect in July 2013 without consultation and the sector voiced its communities' concerns. A significant LGNZ and sector-led lobbying effect contributed to the Government's decision in April 2014 to remove from sale any psychoactive substances until proven safe. This was an issue of importance to many communities, and shows the power of the sector when we pull together on key issues.

Finally, the Local Government Act 2002 Amendment Bill (No. 3) was introduced to Parliament in early November 2013, and expected to be passed this side of the general election. The sector's feedback via LGNZ and individual council submissions has ensured that changes to infrastructure strategy and planning are workable, although we continue to advocate for more sensible proposals around development contributions.

Environment

Proposals to amend the Resource Management Act (RMA) continued during the 2013/14 year. LGNZ advocated that while some of the changes were welcomed, others could undermine local democracy and impose an unfair financial burden on ratepayers. We shared the sector's view that the RMA needed to be practical, workable, have clear aims and minimise costs to councils and most importantly ratepayers. Lobbying efforts successfully obtained external and cross-party support, and meant that proposed changes are not likely to proceed in their current form.

In November, proposed amendments to the National Policy Statement for Freshwater Management (NPSFM) were announced. LGNZ advocated that the amendments would reduce litigation by giving certainty on some matters that are currently contentious, but new minimum standards for water quality could require some water infrastructure upgrades with likely cost implications. LGNZ co-ordinated a sector-wide submission for members which included this matter. LGNZ supports the approach of the NPSFM which enables councils and their communities to determine the timing and extent of changes in order to meet the minimum standards and the priorities the community sets.

Local government led the way in improving access to up-to-date, accurate fresh water information for communities and industry with the launch of the refreshed Land, Air, Water Aotearoa (LAWA) website www.lawa.org.nz. It was created by the 16 regional and unitary councils and is now a partnership between local government, the Ministry for Environment, Cawthron Institute and Massey University with support of the Tindall Foundation.

Local democracy

LGNZ encouraged voting in October's local elections with media activity; and has lobbied via media and the Electoral and Justice Select Committee for on-line voting, a shorter voting period and polling to make voting easily accessible for communities.

LGNZ introduced the concept of competitive localism at our July Conference and focused the spotlight on it by holding a Major Issues Seminar, advocating for devolved decision-making to enable stronger local economies throughout New Zealand.

PacificTA

New Zealand local government supports local democracy in the Pacific through the Local Government Technical Assistance Facility for Pacific Countries (PacificTA) funded from the New Zealand Aid Programme and managed by LGNZ. The programme was strongly supported by members during the 2013/14 year, with senior leaders and technical specialists from our councils working with Cook Islands officials on developing a recycling facility, with Kirabati on solid waste and landfill management, and with Samoan officials on waterfront development and dog control. PacificTA continues to highlight the significant knowledge and expertise in our councils.

2

Business Solutions



We are sharpening the tools of our sector.

Business Solutions

Business Solutions was established as part of the organisational changes in order to incorporate LGNZ's commercial activity and Scott Necklen was appointed in July 2013 as Director of Business Solutions, responsible for developing new products and services for the membership.

During 2013 LGNZ's education and training arm KnowHow transitioned into the Business Solutions directorate with increased synergies between the various initiatives. The Centre of Excellence initiatives now sit under the Equip Limited Partnership, a wholly owned subsidiary of LGNZ. Operationally, KnowHow and Equip (and where applicable, other ventures) have begun working in an integrated manner.

LGNZ Centre of Excellence, Equip

In October 2013 the LGNZ National Council approved the formation of a Centre of Excellence which began operating in late 2013, and the Equip brand was formally launched in March 2014.

Equip is developing services and advice to improve strength, capability and excellence across local government. The sector identified that in order to support and create economic growth and vibrant communities, it needed to have high standards of governance and performance – while there are many strong performers, the sector recognised the need to lift the bar higher. As indicated earlier in this report, LGNZ members have showed real appetite to up-skill.

From its launch, Equip has worked directly with council staff and elected members to provide customised guidance and tools to drive better efficiency of action and effect throughout local government activities. Its aim is to raise the bar of best practice in governance, benchmarking and measuring sector performance, infrastructure strategy and asset management, resource management, earthquake preparedness, human resources management and employment relations, and sale of liquor.

< Equip was created to work directly with council staff and elected members to provide customised guidance and tools. >

Equip developed and launched its Executive Recruitment Services in late 2013 delivering an end-to-end employment search and selection service, using specialist local government experience and knowledge.

Similarly, the Equip Executive Performance Programme was launched in 2013 working with mayors, chairs, councils and employment committees at various councils, designed to lift and assist management of executive performance by providing chief executives and senior management with practical guidance and tools necessary to confidently deliver effective results for New Zealand communities.

During the 2013/14 year Equip and KnowHow operational objectives were set as:

- Growing sector capability and improving decision-making by providing the tools for greater local governance;
- Building a training workshop programme to be the voice of community success;
- Providing workshops in the areas of governance, financial management, leadership, strategic thinking, economic leadership and business relationships;
- Improving elected members' understanding of both the responsibilities and opportunities that are provided by the local government legislative framework;
- Establishing a learning culture in local government;
- Partnering, engaging and working collaboratively with local and central government as well as wider public sector partners to improve local democracy;
- Working efficiently and effectively within the political environment ensuring effective representation in meeting community expectations by fulfilling statutory roles and obligations; and
- Developing a competency model that is externally recognised.

We are.
LGNZ.
Equip | The Centre of Excellence

KnowHow

KnowHow is the LGNZ training programme delivering sector-specific education to council staff and elected members. It plans, designs, develops, delivers and manages an annual programme to promote sector capability, better decision-making and effective representation at a local level for New Zealand communities.

To raise governance and performance levels within the sector, it is imperative that a learning culture is established within local government. It is encouraging to see elected member training increasingly positioned as an investment, not a cost, with support from senior management across councils.

KnowHow experienced strong demand during the 2013/14 year. The number of people it trained quadrupled and it more than doubled the number of workshops delivered, in part from post-elections training and alcohol reform.

Workshops were planned around the triennial cycle. Following the October elections, KnowHow ran successful education for new and re-elected mayors. From this, individual workshops were often requested by councils using the KnowHow presenters who are armed with extensive local government expertise and an ability to animate the training with their own personal local government stories.

KnowHow is now well-positioned to deliver more tailored workshops with the sector, central government and stakeholders in future. One example of a workshop created in direct response to a need the sector identified was training for newly elected members following the October 2013 local government elections.

LGNZ launched the first of its governance training in March 2014 in partnership with the Institute of Directors, delivering the first of its series of five KnowHow workshops tailored to local authorities that give grounding in core governance, leadership and strategic skills. These were developed based on the core LGNZ belief that elected members and local government managers should run the councils they are entrusted with to operate using the expertise of leading professionals in the areas of governance skills, financial knowledge and risk management.

KnowHow started delivering webinars in 2012. It initially offered two in the 2012/13 year, that were very well-received because of convenience, the ability to reach a large audience at one time and savings on travel costs for councils. During the 2013/14 year, there were seven webinars delivered and they were found to be a very effective method of training delivery.

KnowHow was increasingly recognised by external agencies as a credible training unit. The Ministry of Justice and the Health Promotion Agency awarded the training contract to LGNZ for the 2012 alcohol reforms, which meant developing customised workshops for the transition of the District Licensing Authority regime to the new District Licensing Committee for the Sale and Supply of Alcohol Act 2012.



3

Financial Statements

Independent Auditor's Report

To the readers of New Zealand Local Government Association Incorporated's Financial Statements for the year ended 31 March 2014

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

We have audited the financial statements of the Association on pages 15 to 23, that comprise the statement of financial position as at 31 March 2014, the statement of financial performance and statement of movements in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Association on pages 15 to 23:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Association's:
 - financial position as at 31 March 2014; and
 - financial performance for the year ended on that date.

Our audit was completed on 23 June 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

Responsibilities of the National Council

The National Council are responsible for preparing financial statements that:

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

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

Responsibilities of the Auditor

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

Independence

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

Other than the audit, we have no relationship with or interests in New Zealand Local Government Association Incorporated.



Trevor Deed

Deloitte

On behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the financial statements of New Zealand Local Government Association Incorporated (the "Association") for the year ended 31 March 2014 included on the Association's website. The Association's National Council is responsible for the maintenance and integrity of the Association's website. We have not been engaged to report on the integrity of the Association's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 23 June 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Performance

For the Year ended 31 March 2014

	Note	2014 \$	2013 \$
INCOME			
Conference Income	6	695,898	637,421
Administration Fees – Rural Trust		8,000	8,000
Computer Services		–	12,934
Grants		115,000	86,250
Subscription Income		3,526,300	3,480,000
KnowHow Income	3	760,136	187,115
Business Solutions Income	4	93,296	–
CoE Webinar		7,000	–
Sundry Income		185	61
Interest Earned		94,200	99,760
Dividends Received		50,000	–
TOTAL INCOME		5,350,015	4,511,541
LESS EXPENSES			
Administration Expenses	5	455,517	519,745
Audit Fees		15,900	20,290
Communications Expenses		277,508	167,733
Conference Expenditure	6	542,755	461,363
Honoraria	7	104,369	104,369
Legal Expenses		49,161	23,886
Other Operating Expenditures		102,654	108,370
Policy Expenses		308,494	416,963
Internal Governance Expenses		176,978	134,571
KnowHow Expenses	3	623,921	254,130
Accounting/Consulting Expenses		41,246	89,640
Business Solutions Expenses	4	151,582	–
Branding		20,549	170,009
Printing, Stationary & Photocopying		65,785	55,943
Travelling & Accommodations		39,694	43,552
Staff Remuneration		1,942,285	1,890,518
Ready Response Fund		8,696	–
Insurance Review		154,583	–
TOTAL OPERATING EXPENSES		5,081,677	4,461,083
Depreciation & Amortisation		86,794	46,860
Assets Written Off		29,348	33,219
NET DEPRECIATION ADJUSTMENT		116,142	80,079
TOTAL EXPENSES		5,197,819	4,541,162
NET SURPLUS/(DEFICIT) BEFORE TAX		152,196	(29,621)
Less Taxation Provision	10	18,633	26,256
NET SURPLUS/(DEFICIT) FOR THE YEAR		133,563	(55,877)

These Financial Statements should be read in conjunction with the Statement of Accounting Policies and the accompanying notes to the Financial Statements.

Statement of Movements in Equity

For the Year ended 31 March 2014

	2014	2013
Note	\$	\$
TOTAL EQUITY AS AT 1 APRIL	1,494,740	1,610,243
Net Surplus/(Deficit) for the year	133,563	(55,877)
TOTAL RECOGNISED REVENUE AND EXPENSES	133,563	(55,877)
Less: Prior Period Adjustments	-	(59,626)
TOTAL EQUITY AS AT 31 MARCH	1,628,303	1,494,740

These Financial Statements should be read in conjunction with the Statement of Accounting Policies and the accompanying notes to the Financial Statements.

Statement of Financial Position

As at 31 March 2014

	Note	2014 \$	2013 \$
ACCUMULATED FUNDS			
Conference Reserve	13	261,333	177,665
Accumulated Funds	14	1,366,970	1,317,075
TOTAL FUNDS		1,628,303	1,494,740
EQUITY IS REPRESENTED BY:			
CURRENT ASSETS			
Bank		898,247	631,081
Petty Cash		300	164
Payment in Advance		87,614	128,976
Monies held for MTFJ	12	233,318	228,030
NZ Aid Fund Bank Account	8	436,889	660,720
RGA Fund Bank Account	8	26,856	66,216
Sundry Debtors		140,614	39,160
Accrued Interest		9,413	9,067
GST Receivable		62,548	60,190
Taxation	10	4,549	1,328
Term Deposits		1,000,729	1,000,000
TOTAL CURRENT ASSETS		2,901,077	2,824,932
NON-CURRENT ASSETS			
Fixed Assets	9	160,034	123,315
Shares in Local Government Online Limited		30,000	30,000
Paintings/Artwork		6,449	6,449
TOTAL NON-CURRENT ASSETS		196,483	159,764
TOTAL ASSETS		3,097,560	2,984,696
CURRENT LIABILITIES			
Accounts Payable		413,524	400,718
Mayors Taskforce for Jobs	12	233,318	228,030
Deferred Income		134,024	81,444
Provision for Holiday Leave		70,532	52,828
NZ Aid Fund Income in Advance	8	436,889	660,720
RGA Fund Income in Advance	8	26,856	66,216
3 Water Levy		136,245	-
CBEC Levy		17,869	-
TOTAL CURRENT LIABILITIES		1,469,257	1,489,956
TOTAL LIABILITIES		1,469,257	1,489,956
NET ASSETS		1,628,303	1,494,740

For and on behalf of the National Council:



L Yule
President
23 June 2014



M Alexander
Chief Executive
23 June 2014

These Financial Statements should be read in conjunction with the Statement of Accounting Policies and the accompanying notes to the Financial Statements.

Notes to the Financial Statements

For the Year ended 31 March 2014

1. NATURE OF ACTIVITIES

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

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

2. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

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

Measurement Base

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

Specific Accounting Policies

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

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

Furniture, Fittings, Office Equipment	14%-67% diminishing value
Computer Software	40%-60% diminishing value
Leasehold Improvement	8%-10% diminishing value

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

Differential Reporting

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

Changes in Accounting Policies

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

Notes to the Financial Statements

For the Year ended 31 March 2014

3. KNOWHOW

	2014	2013
	\$	\$
KnowHow Income	760,136	187,115
Less: KnowHow Expenses	(623,921)	(254,130)
NET SURPLUS	136,215	(67,015)

The increase in KnowHow income and expenses is due to the delivery of additional workshops pertaining to the three yearly cycle of council elections.

4. BUSINESS SOLUTIONS

	2014	2013
	\$	\$
Business Solutions Income	93,296	-
Less: Business Solutions Expenses	(151,582)	-
NET SURPLUS	(58,286)	-

Business Solutions is a new initiative, therefore 2014 was the first year in which income and expenditure occurred.

5. ADMINISTRATION EXPENSES

	2014	2013
	\$	\$
Rental Expenses	138,717	152,918
Mobile Phone Expenses	11,643	10,847
Repairs and Maintenance	6,286	6,537
Computer Outsourcing	128,257	194,771
Staff Recruitment & Training	104,432	76,004
Temporary Staff	-	10,936
Insurance	38,671	37,874
Subscriptions – Local Organisations	12,747	10,923
Telephone Expenses	14,764	18,935
TOTAL ADMINISTRATION EXPENSES	455,517	519,745

6. CONFERENCE

	2014	2013
	\$	\$
Registration and Sponsorship Income	695,898	637,421
Less: Expenses for Current Conference	(542,755)	(461,363)
	153,143	176,058
Less: Staff Salaries and Overheads	(69,475)	(86,500)
NET SURPLUS	83,668	89,558

Staff salaries and overheads have been recorded in Administrative Expenses in the Statement of its operations.

Notes to the Financial Statements

For the Year ended 31 March 2014

7. HONORARIA

Honoraria paid to National Council Members during the year ended 31 March 2014 amounted to \$104,369 (2013: \$104,369). This was made up of the Honoraria paid to the President \$80,284 (2013: \$80,284) and the Vice-President \$24,085 (2013: \$24,085).

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

8. NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION FUNDS

Description of Funds' Activities

The following funds are managed by Local Government New Zealand:

Regional Government Association Fund ('RGA Fund')

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

New Zealand Aid Fund ('NZ Aid Fund')

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

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

	2014	2013
	\$	\$
REGIONAL GOVERNMENT ASSOCIATION FUND ('RGA FUND')		
Opening Balance	66,216	43,281
Interest Income Received (LGNZ)	922	800
RWT Paid (LGNZ)	(284)	(264)
Other Movements	(39,998)	22,399
CLOSING BALANCE	26,856	66,216
	2014	2013
	\$	\$
NEW ZEALAND AID FUND ('NZ AID FUND')		
Opening Balance	660,720	-
Grant Received	-	750,000
Other Movements	-	(3,030)
Work Undertaken	(227,500)	(86,250)
Interest Income Received (LGNZ)	4,448	-
RWT Paid (LGNZ)	(779)	-
CLOSING BALANCE	436,889	660,720

Notes to the Financial Statements

For the Year ended 31 March 2014

9. FIXED ASSETS

	2014	2013
	\$	\$
Furniture, Fittings, Office Equipment at Cost	395,906	485,219
Less Accumulated Depreciation	(267,882)	(368,048)
	128,024	117,171
Less Depreciation	(60,244)	(23,963)
NET BOOK VALUE	67,780	93,208
Software at Cost	41,651	194,319
Less Accumulated Depreciation	(309)	(148,608)
	41,342	45,711
Less Depreciation	(4,338)	(22,667)
NET BOOK VALUE	37,004	23,044
Leasehold Improvement at Cost	7,293	7,293
Less Accumulated Depreciation	(229)	-
	7,064	7,293
Less Depreciation	(4,986)	(229)
NET BOOK VALUE	2,078	7,064
Website Development at Cost	70,399	-
Less Accumulated Depreciation	-	-
	70,399	-
Less Depreciation	(17,226)	-
NET BOOK VALUE	53,173	-
TOTAL FIXED ASSETS	160,034	123,315

Notes to the Financial Statements

For the Year ended 31 March 2014

10. TAXATION

	2014	2013
	\$	\$
Taxable Income	144,200	99,760
LESS		
Exemption	1,000	1,000
Deduction on Taxable Income	7,210	4,988
	8,210	5,988
TAXABLE PROFIT FOR YEAR	135,990	93,772
Estimated Tax on Surplus	38,077	26,256
Imputation Credits Received	(19,444)	-
TOTAL TAX PAYABLE	18,633	26,256
LESS		
RWT Paid	23,182	28,130
	23,182	28,130
Income Tax Payable (Refund) for Current Year	(4,549)	(1,874)
Income Tax Payable (Refundable) Relating to Prior Years	-	546
BALANCE TO PAY/(REFUND DUE)	(4,549)	(1,328)

11. RELATED PARTIES

Local Government New Zealand received an administration fee of \$8,000 (2013: \$8,000) from the Local Government Rural Trust for administrative services provided.

12. MAYORS TASKFORCE FOR JOBS

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

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

MTFJ is grouped with LGNZ for GST purposes.

13. CONFERENCE RESERVES

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

	2014	2013
	\$	\$
Opening Balance	177,665	88,107
Transfer from/(to) Accumulated Funds	83,668	89,558
CLOSING BALANCE	261,333	177,665

Notes to the Financial Statements

For the Year ended 31 March 2014

14. ACCUMULATED FUNDS

	2014	2013
	\$	\$
Opening Balance	1,317,075	1,522,136
Net Income Earned This Year	133,563	(55,877)
Transfer from/(to) Conference Reserve	(83,668)	(89,558)
Prior Period Adjustment	–	(59,626)
CLOSING BALANCE	1,366,970	1,317,075

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments or contingent liabilities at balance date (2013: \$0).

16. LEASE COMMITMENTS

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

	2014	2013
	\$	\$
No later than one year	109,018	161,811
Later than one year but not later than two years	51,219	57,799
	160,237	219,610

17. NEW ACCOUNTING STANDARDS FRAMEWORK

On 1 April 2014, the new Financial Reporting Act 2013 (FRA 2013) and the Financial Reporting (Amendments to Other Enactments) Act 2013 came into force. The FRA 2013 prescribes who has to report, and what types of entities are required to prepare general purpose financial reports (GPFR).

The new Accounting Standards Framework consists of a two-sector, multi-tier structure with different accounting standards applying to each tier. The two sectors are the For-Profit sector and the Public Benefit Entity (PBE) sector, the latter of which includes public sector entities, not-for-profit entities, and the subset of those; registered charities.

The new framework will result in PBE's shifting from NZ IFRS (or old GAAP where this was used) to the new PBE IPSAS regime (or simple format reporting where applicable). Recognition and disclosure differences between the two frameworks will likely be significant. For accounting periods that commence on or after 1 April 2015, financial statements need to be prepared in accordance with the new financial reporting framework.

Local Government New Zealand will review its reporting obligations in the coming year.

18. SUBSEQUENT EVENTS

On 29 May 2014, Local Government New Zealand signed a lease for new premises and did not renew the lease on their current premises for the optional further term.

Local Government New Zealand have settled to reimburse the previous landlord \$30,000 in the next financial period for make good costs associated with bringing the premises back to its original state.



Back (from left): Jono Naylor, John Tregidga, Penny Webster, Stephen Woodhead, Stuart Crosby, Dave Cull, John Carter, Tracy Hicks, Richard Kempthorne.
Front (from left): Fran Wilde, Brendan Duffy, Adrienne Staples, Lawrence Yule, John Forbes, Len Brown.

LG NZ National Council

Lawrence Yule
President

Mayor, Hastings District Council

John Forbes
Vice President

Rural Sector
 Mayor, Opotiki District Council

John Carter

Zone One
 Mayor, Far North District Council

Penny Webster

Zone One
 Councillor, Auckland Council

John Tregidga

Zone Two
 Mayor, Hauraki District Council

Jono Naylor

Zone Three
 Mayor, Palmerston North City Council

Adrienne Staples

Zone Four
 Mayor, South Wairarapa District Council

Richard Kempthorne

Zone Five
 Mayor, Tasman District Council

Tracy Hicks

Zone Six
 Mayor, Gore District Council

Len Brown

Metro Sector
 Mayor, Auckland Council

Dave Cull

Metro Sector
 Mayor, Dunedin City Council

Stuart Crosby

Metro Sector
 Mayor, Tauranga City Council

Brendan Duffy

Provincial Sector
 Mayor, Horowhenua District Council

Stephen Woodhead

Regional Sector
 Chair, Otago Regional Council

Fran Wilde

Regional Sector
 Chair, Greater Wellington Regional Council

< Our vision:
Local democracy
powering community
and national success. >

LGNZ staff

Malcolm Alexander

Chief Executive

Leanne Brockelbank

Chief Financial Officer

Helen Mexted

Director, Advocacy

Vickie Paterson

Director, People and Performance

Scott Necklen

Director, Business Solutions

Anne Gibson

Professional Development Manager,
KnowHow

Sandra Scrimshaw

Professional Development Coordinator,
KnowHow

Kerry Washington

Professional Development Assistant,
KnowHow (on contract)

Helen Knight

Accounts Officer

Dr Mike Reid

Principal Policy Advisor

Frances Sullivan

Principal Policy Advisor

Clare Wooding

Principal Policy Advisor

Philip Shackleton

Principal Policy Advisor

Natalia Fareti

Research Analyst

Megan Bartrum

Communications Advisor

Jazial Crossley

Communications Advisor

Daniel Henderson

Team Administrator

Rachel Prentice

Team Administrator

Patrick Walsh

Team Administrator



We are. LGNZ.

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We are.

Ashburton.
Auckland.
Bay of Plenty.
Buller.
Canterbury.
Carterton.
Central
Hawke's Bay.
Central Otago.
Chatham Islands.
Christchurch.
Clutha.
Dunedin.
Far North.

Gisborne.
Gore.
Greater Wellington.
Grey.
Hamilton.
Hastings.
Hauraki.
Hawke's Bay
Region.
Horowhenua.
Hurunui.
Hutt City.
Invercargill.

Kaikoura.
Kaipara.
Kapiti Coast.
Kawerau.
Mackenzie.
Manawatu.
Marlborough.
Masterton.
Matamata-Piako.
Napier.
Nelson.
New Plymouth.
Northland.
Opotiki.

Otago.
Otorohanga.
Palmerston North.
Porirua.
Queenstown-
Lakes.
Rangitikei.
Rotorua.
Ruapehu.
Selwyn.
South Taranaki.
South Waikato.
South Wairarapa.
Southland District.

Southland Region.
Stratford.
Taranaki.
Taranui.
Tasman.
Taupo.
Tauranga.
Thames-
Coromandel.
Timaru.
Upper Hutt.
Waikato District.
Waikato Region.
Waimakariri.

Waimate.
Waipa.
Wairoa.
Waitaki.
Waitomo.
Wanganui.
Wellington.
West Coast.
Western Bay
of Plenty.
Westland.
Whakatane.
Whangarei.

LGNZ.