Question and answers

July 2014

Q: Couldn’t local authorities already collaborate and enter joint service arrangements? Wasn’t this already happening?

A: While local authorities did already have the ability to enter joint arrangements, the legislation was not clear about how accountability, liability and risk could or should be managed when that occurs. Although there are a number of successful examples of effective collaboration delivering savings and efficiency, the lack of legislative guidance appeared to be limiting the extent to which the potential for such benefits was being realised. The Act seeks to release this potential by providing a clear mandate and framework for such arrangements.

Q: Isn’t amalgamation the best option for achieving economies of scale and other advantages of large scale operations?

A: Reorganisations of local government institutions are one way of achieving economies of scale. The Act recognises this, providing greater flexibility in what can be achieved through reorganisation in the form of options for local boards, and explicit powers for reorganisation schemes to establish council-controlled organisations and joint committees.

However, the potential for more efficient service delivery arrangements is likely to also exist in circumstances where reorganisation is not possible or not justified. The changes made by this Act are designed to enable and encourage councils to work together to realise those benefits in a clear and transparent way.

Q: How is greater efficiency being enabled by this Act?

A: There are a number of provisions relating to efficient service delivery and governance arrangements. The most significant are:

- a statement that local authorities should “actively seek” to collaborate and cooperate to improve effectiveness and efficiency;
- an expansion of the scope of the triennial agreement between all councils in each region to address how issues of mutual benefit will be addressed, and to enable the agreement to include commitments to joint committees or other shared governance arrangements;
- improved clarity about the process by which territorial authority functions can be transferred to regional councils, or vice versa;
- an explicit framework for agreements to constitute joint committees; and
- a new requirement that councils review the effectiveness and efficiency of current arrangements for the governance, funding, and delivery of their infrastructure, services,
and regulatory functions. This provision also details the accountability framework required if these responsibilities are to be exercised by different entities.

Q: What does the new review of service delivery arrangements involve?

A: The Act requires councils to review the cost-effectiveness of their current arrangements for meeting community needs for good-quality infrastructure, local public services, and regulatory functions. The reviews must consider options for the governance, funding, and delivery of these services, functions, and infrastructure.

The options include:

- responsibility for governance, funding, and delivery being exercised by the council;
- responsibility for governance and funding being delegated to a joint committee or other shared governance arrangement;
- responsibility for governance and funding being exercised by the council, but responsibility for delivery being delegated to a different entity, such as a council-controlled organisation (either of the council, or of which the council is one of the shareholders), another council, or another organisation;

If delivery is to be undertaken by a different entity to the one responsible for governance, the latter must ensure contracts or other binding agreements are in place. These must specify things like: required service levels; how delivery costs are to be met; performance measures and targets; and accountability, performance, and risk management arrangements. The agreements must be made publicly available.

Q: Will undertaking these reviews be onerous for councils?

A: The reviews should not be too onerous. Provisions in the Act mean that services, functions, and infrastructure can be reviewed on a rolling basis, not all at the same time. Reviews are required in conjunction with significant changes to relevant service levels, within two years before the expiry of relevant contracts, and at other times the council considers are desirable, but no later than six years after the last review.

In addition, councils are not required to undertake a review if delivery arrangements cannot be changed (because of contractual arrangements or legislative requirements, for example), or if a council is satisfied that the potential benefits of a review are not justified by the costs of doing one.