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Matters arising
from the 2015-25
local authority
long-term plans



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Matters arising from the 2015-25 local authority long-term plans

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Auditor-General's overview

My office has a strong interest in the long-term delivery of essential public services. It is an interest we share with local authority governors, ratepayers, and Parliament. The challenges that local authorities face as they provide sustainable services to their communities are not reducing. If anything, they continue to increase.

The primary objective of a long-term plan (LTP) is to describe the local authority's proposed 10-year activities and community outcomes in an integrated and co-ordinated way, and provide a basis for accountability to the community. In doing so, the document should outline the financial and service delivery circumstances that the local authority faces and the local authority's proposed response to those circumstances.

Because of the scale and importance of the services that local authorities provide and the infrastructure they manage, it is important that local authorities plan well for how they will provide services decades into the future. In my view, local authorities have risen to this challenge – but can improve further.

A few important matters stand out from our audits of the latest LTPs, which cover the period from 2015 to 2025. Our report includes comments on:

- infrastructure strategies;
- financial trends and affordability;
- the effect of demographic changes, including economic development; and
- our audit reports issued on the LTPs.

The requirement for local authorities to produce a 30-year infrastructure strategy is a positive change. An infrastructure strategy prepared in 2015 should provide the community with a picture of how the local authority plans to provide services until 2045 and beyond.

Most of a typical local authority's spending goes on maintaining and renewing its infrastructure, including roads and water systems. Decisions about investing in infrastructure needs are not easy for local authorities, particularly as they consider demographic changes in their communities. This is not a new challenge – nor is the need for many local authorities to address a backlog of infrastructure renewals.

New Zealand's population has increased steadily over recent years. Growth puts pressure on existing infrastructure. Although many local authorities face continued population growth and the demands associated with it, some face population declines in the near future. Local authorities with declining

populations need to consider how they will fund renewal of infrastructure when they have fewer ratepayers.

The population is also ageing. When an increasing proportion of the population is on a fixed income, local authorities with older populations are likely to face increasing challenges in providing community services, which rely on infrastructure.

Local authorities attempt to strike a careful balance between the need to fund services while maintaining debt levels and rates rises at acceptable and prudent levels. The financial trends reflected in the latest LTPs show similar trends to those seen in the 2012-22 LTPs. The average rates increase over the 10-year period is 4.6%. Some local authorities have decreases while others have increases. Clearly, the increases will be a challenge for some people, particularly those on lower, fixed incomes.

It is clear that the significant tension in providing services to the standard expected by the community while maintaining rates and debt at an acceptable level remains for local government and the communities they serve.

For the first time since the Canterbury earthquakes, Christchurch City Council has prepared an LTP. The Council has had to deal with significant issues as a result of the earthquakes, many of which are unresolved. This situation created a challenge for the Council as it prepared, consulted on, and adopted its 2015-25 LTP. It is good that the people of Christchurch have had the opportunity to engage with the Council about the rebuild of the city and how it is repositioned for the future.

The LTP helps people to hold their local authority to account. Three local authorities did not adopt their audited 2015-25 LTPs by the statutory deadline. In my view, such delays in providing communities with an LTP are unacceptable.

The three-yearly task of preparing an LTP requires a significant effort from the elected mayors and councillors, and management and staff of the local authorities and input from their communities. It is also considerable work for my auditors. I acknowledge the time and effort that everyone involved has committed to the 2015-25 LTPs.



Lyn Provost
Controller and Auditor-General

1 December 2015

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Introduction

- 1.1 This report sets out the main findings and observations from our audits of local authorities' 2015-25 long-term plans (LTPs). It follows on from our report *Consulting the community about local authorities' 10-year plans*, which included our observations from our audits of local authorities' consultation documents.
- 1.2 The 2015-25 LTPs are the fourth set that we have audited since 2006. Although the preparation and audit of LTPs is not new, the content required in each LTP has evolved with successive changes to the governing legislation.
- 1.3 In August 2014, amendments to the Local Government Act 2002 (the Act) introduced changes that included the requirement for local authorities to prepare:
 - concise consultation documents, which replaced the draft LTPs and their summaries as the means to consult communities on the main options and proposals to be included in the LTPs; and
 - infrastructure strategies, setting out their strategic intentions for maintaining, renewing, and replacing infrastructure assets in the next 30 years.
- 1.4 Our audit mandate also changed with the 2014 amendments. Previously, it included considering whether local authorities had complied with legislative requirements in preparing their documents. Now, for both the consultation document and LTP, the auditor is required to report on whether the documents are fit for purpose. This requires more judgement. As previously, the auditor is required to also report on whether the documents are based on good quality underlying information and assumptions.
- 1.5 Some important and significant trends emerge when the 78 LTPs are considered together. This report discusses the trends that we saw. The report also includes our comments on some specific matters of particular importance in this fourth round of LTPs:
 - financial trends and affordability (Part 2);
 - the effect of demographic changes, including economic development (Part 3);
 - infrastructure strategies (Part 4);
 - mandatory performance measures for activities and new options arising during the consultation process (Part 5); and
 - the audit reports we issued (Part 6).
- 1.6 We recognise that these matters, particularly anticipated demographic changes and infrastructure spending intentions, are closely interrelated. All these matters will affect affordability in the 10 years to 2025 and beyond. They present challenges for local authorities as they seek to address the effects of demographic change while continuing to provide affordable, sustainable local services.

Financial trends and financial information

2

- 2.1 In this Part, we have used the financial information from the 2015-25 LTPs (the latest LTPs) to answer the following questions:
- Are local authorities planning major changes to their spending patterns?
 - Are local authorities planning to look after their major assets?
 - Are local authorities planning reasonable and justified rates increases?
 - What rates limits are local authorities imposing in the future?
 - Are local authorities still focused on prudent debt management?
 - Did local authorities set effective limits on their forecast debt levels?
 - What else are local authorities telling their communities?
- 2.2 LTPs contain a wealth of financial information. We have focused on the picture that emerges when this information is considered for all local authorities as a sector.¹ Where appropriate, we describe trends in the 2015-25 LTPs and compare them to trends that emerged from the previous LTPs.
- 2.3 It is important to note that the data for the 2012-22 LTPs (the previous LTPs) did not include Christchurch City Council. Legislation enacted after the Canterbury earthquakes gave Christchurch City Council an option, which it took, not to prepare and adopt an LTP for 2012-22.

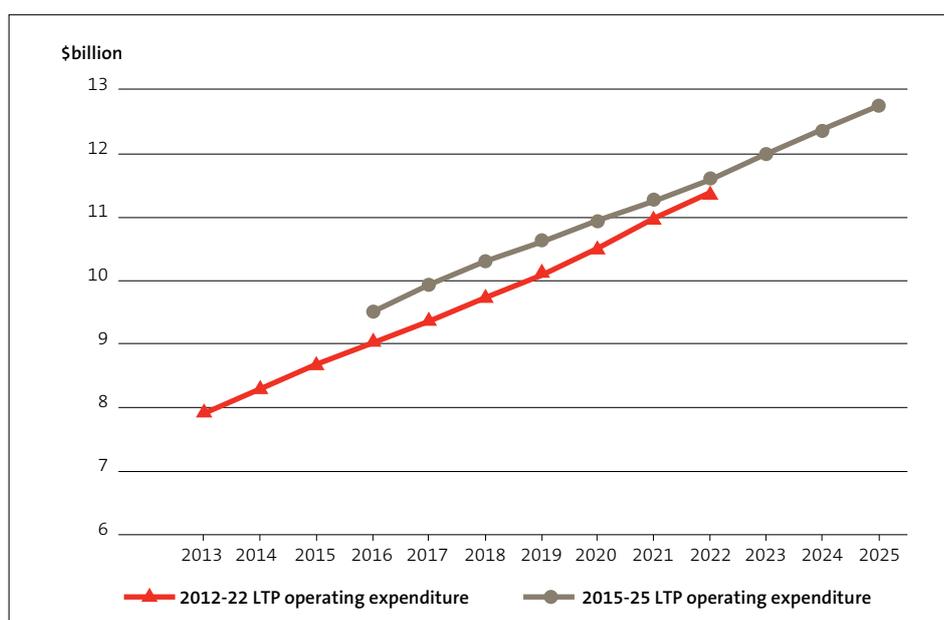
Are local authorities planning major changes to their spending patterns?

- 2.4 The total expenditure of all local authorities is set to increase by 34% between 2015 and 2025. Total expenditure for 2012/13 was \$7.9 billion and for 2013/14 \$7.8 billion. We have not yet collated the total expenditure for 2014/15.
- 2.5 The average year-on-year increase in total expenditure is 3.3%.² This is below the year-on-year movement of 4% that was forecast in the previous LTPs. Figure 1 shows all local authorities' forecast total operating expenditure as set out in the previous LTPs and current LTPs.

1 All local authorities except Auckland Council prepared an LTP that included council-only financial forecasts. Auckland Council chose to prepare an LTP that covers the Council and its group of council-controlled organisations. Auckland Council's group financial forecasts are significant and are included in this analysis.

2 The expenditure included in the LTPs is adjusted for inflation.

Figure 1
All local authorities' forecast total operating expenditure, 2012-22 and 2015-25



Source: Data collated by our office from information available in long-term plans.

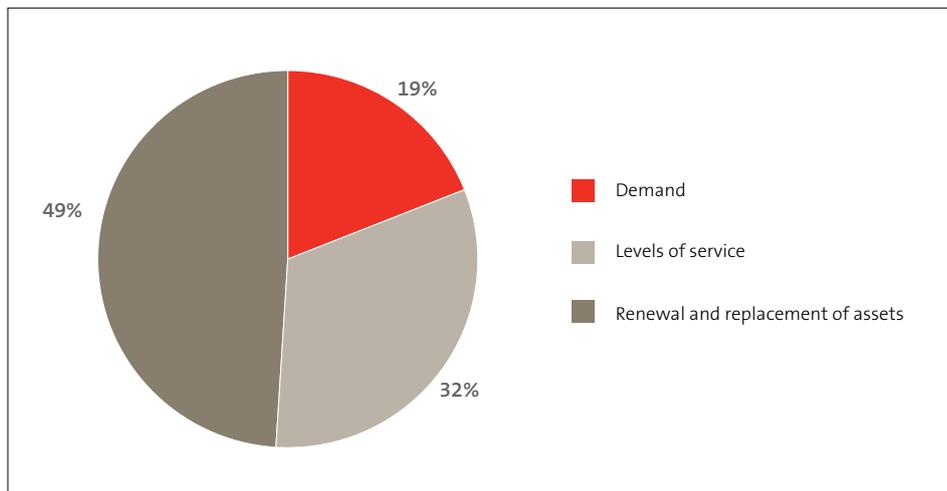
- 2.6 Total operating expenditure is made up of four items: employee costs, interest expense, depreciation and amortisation, and other operating expenditure. We compared the breakdown of total spending in the previous LTPs with the breakdown in the latest LTPs. The differences were small. This shows local authorities' expenditure in the current LTPs is following a similar spending pattern to previous LTPs.

Are local authorities planning to look after their major assets?

- 2.7 Local authorities plan to spend \$41.6 billion on capital works between 2015 and 2025.³ The average annual spending on capital is forecast to be \$4.2 billion, compared to \$3.7 billion in the previous LTPs (which excludes Christchurch City Council).
- 2.8 This forecast spending is made up of \$8.2 billion to meet additional demand (19%), \$13.2 billion to improve levels of service (32%), and \$20.2 billion to renew and replace existing assets (49%). In the previous LTPs, the planned spending was \$36.8 billion to 2021-22, made up of \$7.1 billion (19%) to meet additional demand, \$14.7 billion (40%) to improve levels of service, and \$15.0 billion (41%) to

renew and replace existing assets. The notable change in the latest LTPs is an 8% decrease in spending on improving levels of service and a corresponding increase in forecast spending on renewing and replacing existing assets. Figures 2 and 3 show local authorities' total spending on capital by category, as set out in the 2012-22 and 2015-25 LTPs.

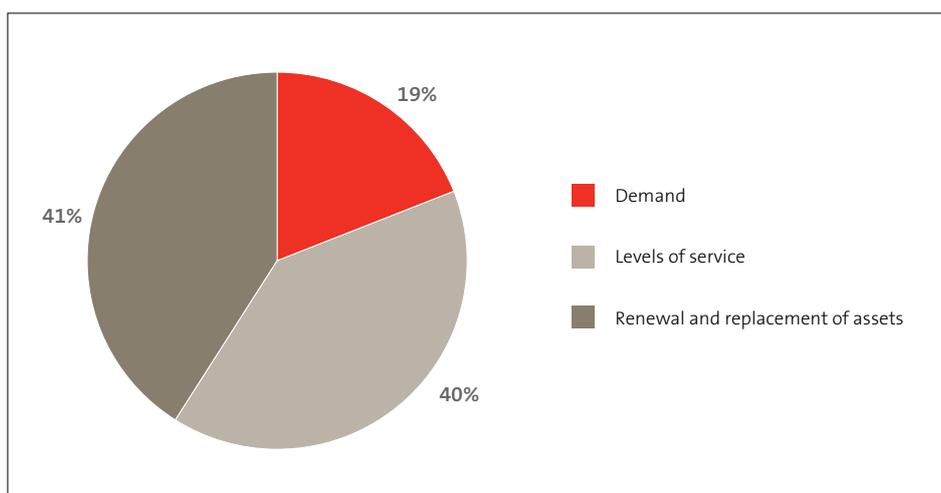
Figure 2
Local authorities' total forecast spending on capital, 2015-25, by category



Note: Figure 2 includes Christchurch City Council's forecast total spending on capital.

- 2.9 When the current LTP spending on capital is adjusted to exclude Christchurch City Council, the total spending is \$37 billion, which is the same as in the previous LTPs for 2012-22.

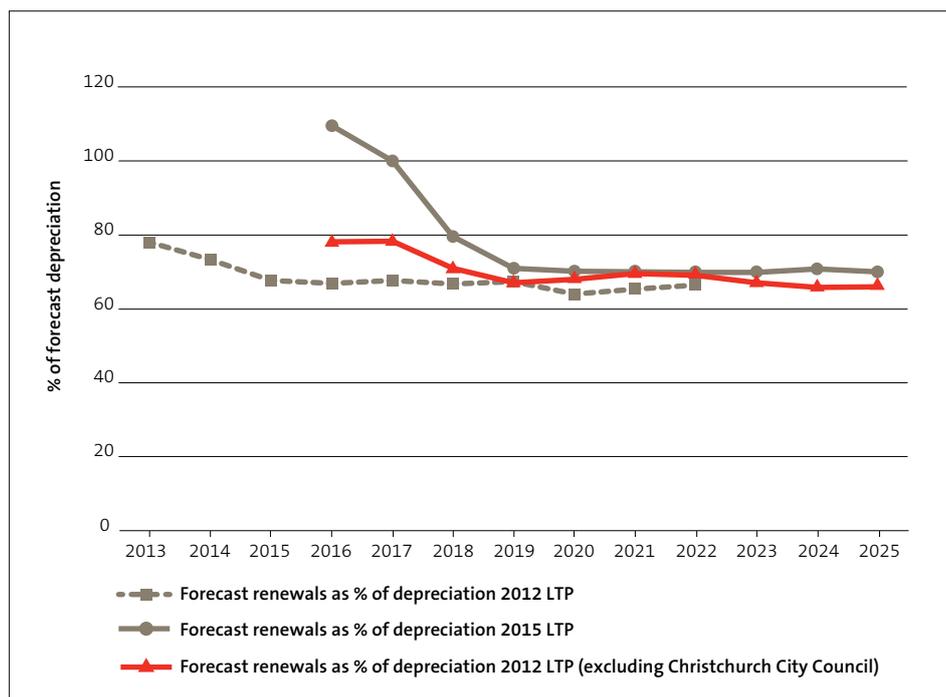
Figure 3
Local authorities' total forecast spending on capital, 2012-22, by category



Note: Figure 3 excludes Christchurch City Council's forecast total spending on capital.

- 2.10 The consistent level of spending on capital is not unexpected, because changes in asset management planning are more likely to be about the spending between asset categories and timing than a reduction in overall spending. In Part 4, we discuss the capital expenditure trends in the 20 years beyond the 10-year LTP period.
- 2.11 In our previous reports, we considered in detail the link between spending on capital for renewing and replacing existing assets and the provision for that replacement through depreciation. We have compared renewals spending to depreciation on the basis that depreciation is a reasonable estimate of the consumption of the service potential inherent in the asset.⁴
- 2.12 When we compare the spending on capital as forecast in the previous LTPs with that forecast in the latest LTPs, it is clear that an increasing proportion of total spending is being directed towards renewal of infrastructure assets. However, as Figure 4 shows, although there is an increase in the level of renewal and replacement spending compared to depreciation in 2015, from 2019 onwards the level returns to almost mirror the level forecast in the previous LTPs. We note that a large amount of the increase relates to Christchurch City Council rebuild work.

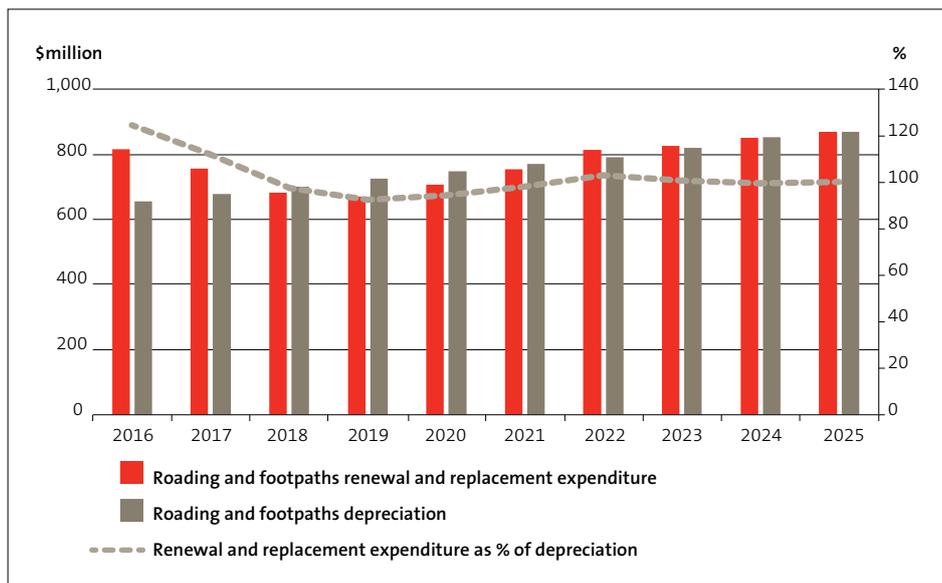
Figure 4
Forecast annual renewals as a percentage of forecast depreciation



Source: Data collated by our office from information available in long-term plans.

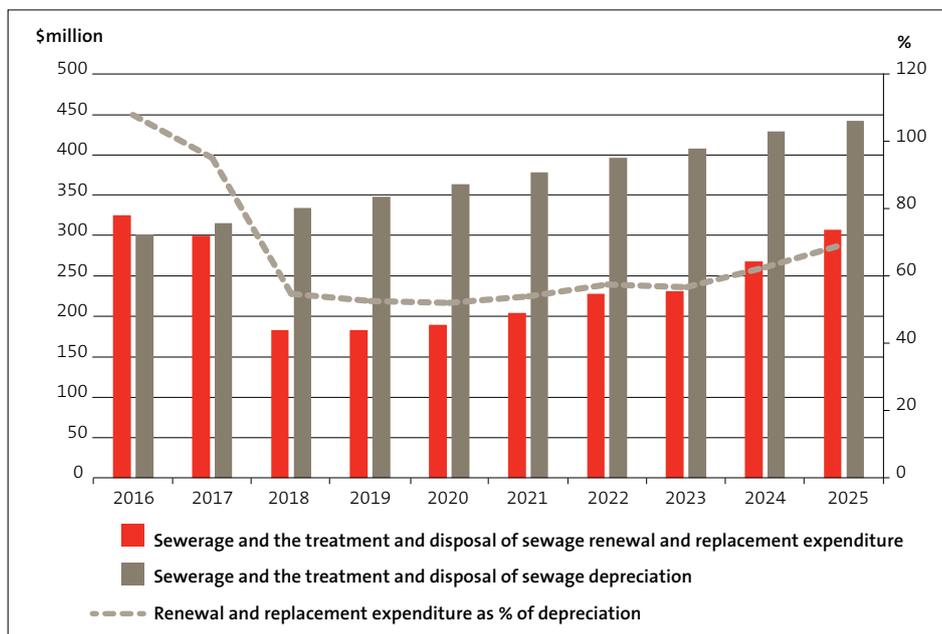
- 2.13 In the previous LTPs, many local authorities proposed a “just in time” approach to renewals as a way of reducing overall spending on infrastructure. The latest LTPs have an increasingly realistic approach to the need to spend money on renewing infrastructure assets. Several local authorities presented plans to address what they now acknowledge as a “backlog” of renewals spending.
- 2.14 Individual local authorities need to consider whether the renewal and replacement spending they have forecast for 2019 onwards is adequate or will need to be increased when the next LTPs are produced in 2018. Local authorities will need to examine the detailed information they hold about their assets. It is not possible for us to assess this using the information that we hold. We considered the renewal and replacement capital expenditure to depreciation relationship for the five main groups of infrastructure assets. Figures 5-9 show the forecast depreciation expense (which reflects the estimated asset consumption) and the forecast renewal and replacement capital expenditure over the period of the LTP.

Figure 5
Forecast renewal and replacement capital expenditure on roads and footpaths and related depreciation



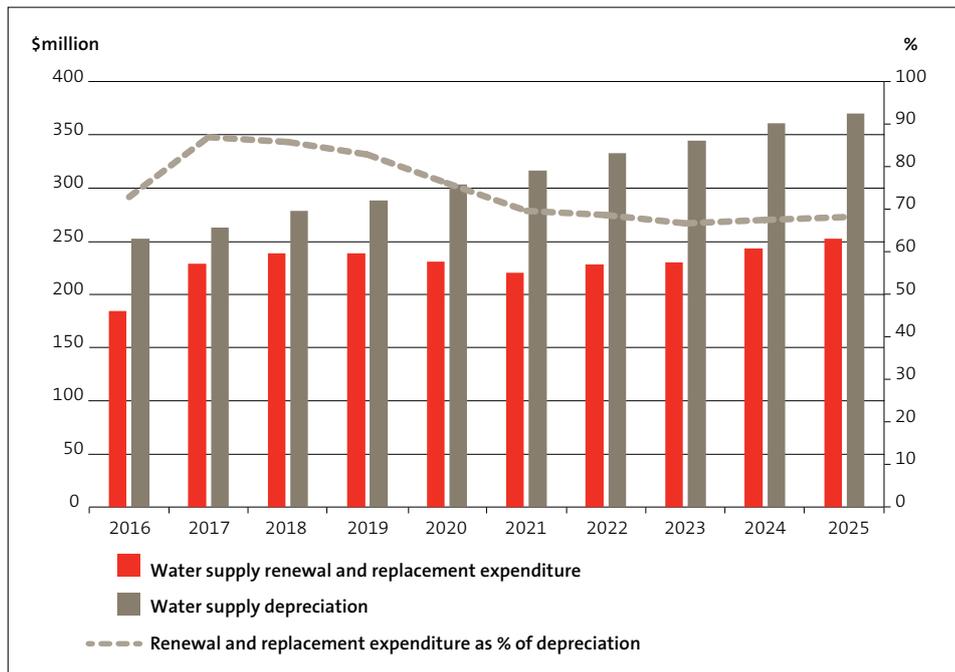
Source: Data collated by our office from information available in long-term plans.

Figure 6
Forecast renewal and replacement capital expenditure on sewerage and the treatment and disposal of sewage and related depreciation



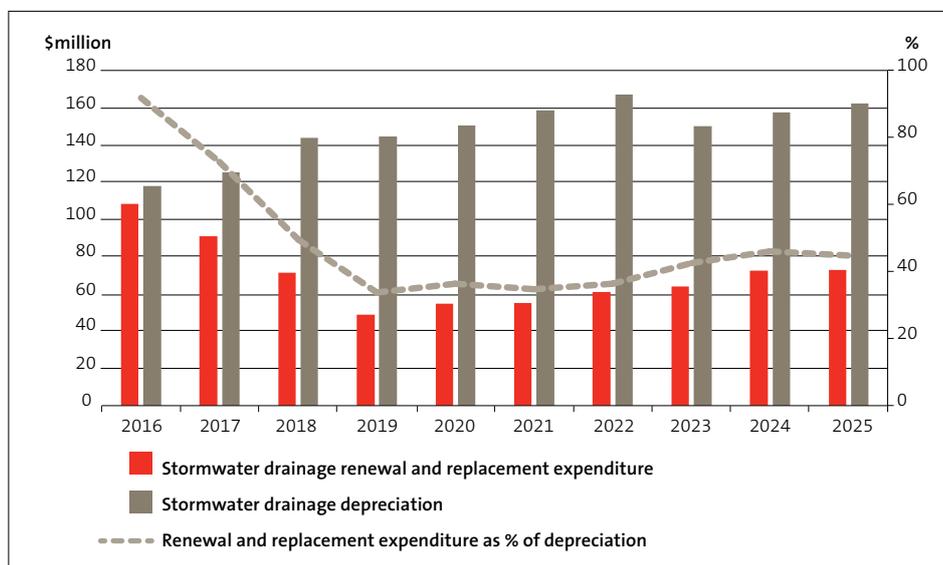
Source: Data collated by our office from information available in long-term plans.

Figure 7
Forecast renewal and replacement capital expenditure on water supply and related depreciation



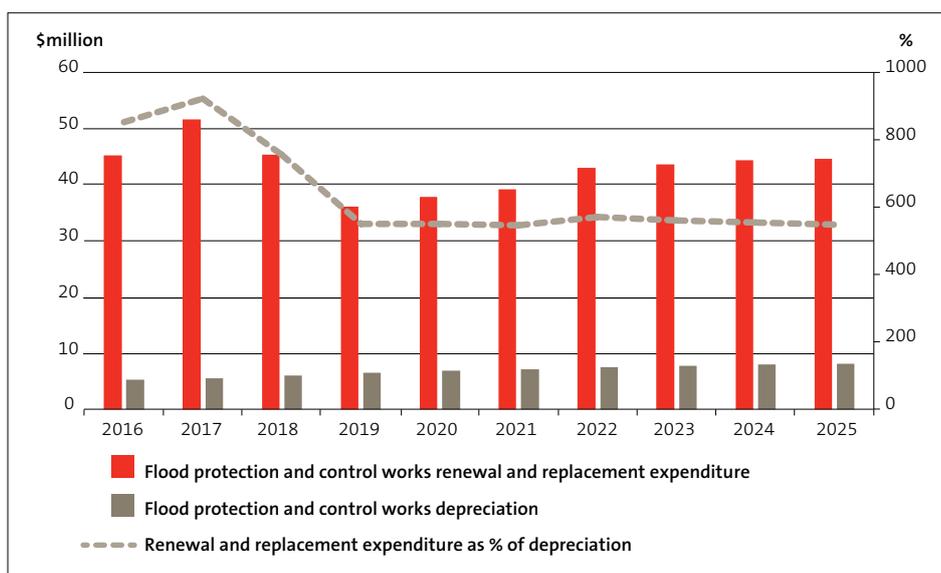
Source: Data collated by our office from information available in long-term plans.

Figure 8
Forecast renewal and replacement capital expenditure on stormwater drainage and related depreciation



Source: Data collated by our office from information available in long-term plans.

Figure 9
Forecast renewal and replacement capital expenditure on flood protection and control works and related depreciation



Source: Data collated by our office from information available in long-term plans.

- 2.15 The proportion of renewal expenditure to depreciation varies significantly across these groups. The ratio for the flood protection spending is high, because much of the spending is on land that is not depreciated. The results for roading and footpaths show renewal spending at the level that, in theory, is ideal – perhaps because these assets are managed in conjunction with the New Zealand Transport Agency and the assets have a shorter lifecycle. Renewal and replacement spending on the “three waters” asset group remains well below the level of depreciation.
- 2.16 As noted in our previous reports, this does not necessarily indicate that the renewal and replacement spending will be inadequate. It may be that depreciation rates established for accounting purposes do not accurately reflect actual consumption of the assets, or that the assets are in a phase of their (long) life cycles where less renewal spending is needed than will be needed later.
- 2.17 It is important that each local authority understand the reason for the gap between their current forecast spending on renewing and replacing assets and forecast depreciation, for each asset class.
- 2.18 Local authorities now have a richer set of information to help in making this assessment as a result of preparing 30-year infrastructure strategies. This knowledge is essential to enable effective planning and – more importantly –

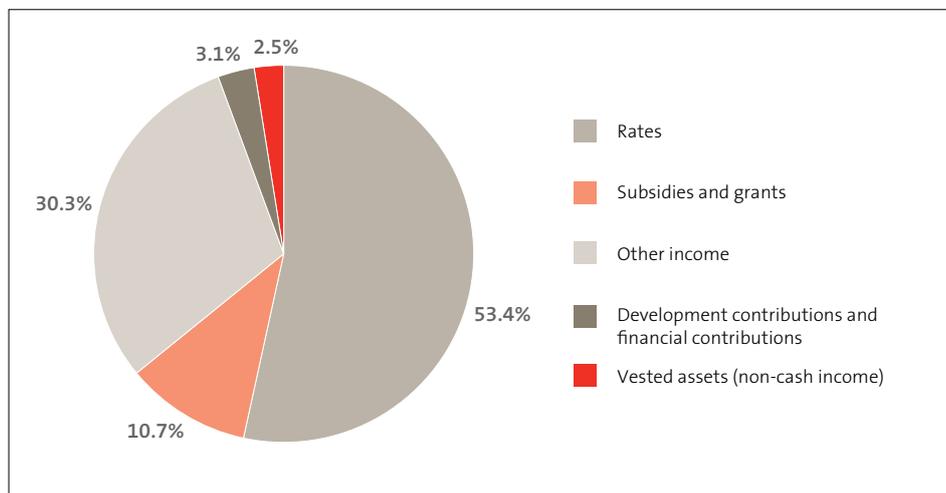
to provide assurance to the community that the local authority will be able to continue to deliver services at the expected level.

- 2.19 We encourage local authorities to continue looking carefully at whether the funding needed to renew and replace assets is appropriate.

Are local authorities planning reasonable and justified rates increases?

- 2.20 Rates revenue, on average, makes up 53.4% of local authorities' total forecast operating income of \$125.9 billion over the period 2015-25. This is higher than the average for the previous LTPs, which was 52%, but remains consistent with historical actual results (53% in 2008/09, 52% in 2009/10, 54% in 2010/11, 55% in 2011/12, and 54% in 2013/14). Figure 10 shows the sources of all local authorities' income as set out in the latest LTPs.

Figure 10
Sources of all local authorities' income, 2015-25

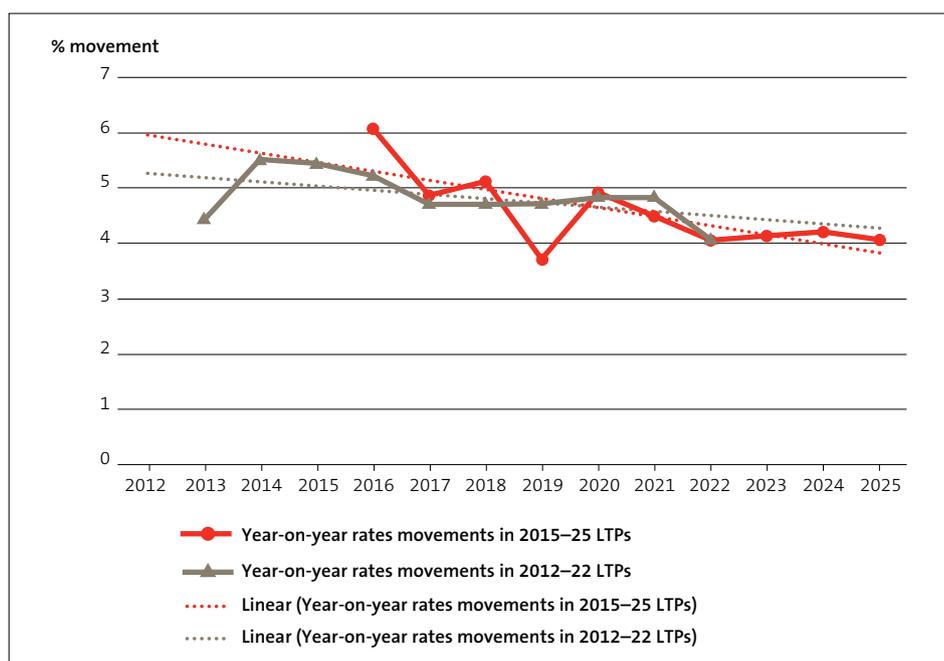


Source: Data collated by our office from information available in long-term plans.

- 2.21 Individually, the average proportion of income made up by rates revenue during the 10-year period varies from 5.7% (Chatham Islands Council – this local authority has about 600 residents and relies heavily on central government funding for its operational and capital expenditure) to 75.9% (Kawerau District Council). Eight local authorities have rates income that makes up less than 40% of their total income. For 20 local authorities, rates income makes up more than 70% of their income.

- 2.22 In their LTPs, local authorities consistently state that they want to provide affordable services to their communities. About 60% of local authorities explicitly told their communities that rates affordability (and, by implication, reasonable rates rises) was important to the LTP.
- 2.23 Rates revenue is forecast to increase 6% for the sector as a whole in 2015/16. The average increase in the 10-year period is 4.6%, with 2018/19 having the lowest average increase of 3.7%. This is less than the average 5% annual increase indicated in the previous LTPs. Figure 11 shows the total year-on-year rates movements forecast in the previous and latest LTPs.
- 2.24 Based on the issues presented to the community in some local authorities' consultation documents, the movement in rates in the first year of the LTPs might reflect local authorities "catching up" on the reduced rating income they collected in previous years. However, the specific reasons for the forecast increases will vary for each local authority.
- 2.25 Figure 11 shows that the movements are more significant year-on-year in the latest LTPs than the previous LTPs, but the overall trend is a similar decrease in forecast rating levels towards the end of the 10-year period.

Figure 11
Total forecast year-on-year rates movements, 2012-22 and 2015-25



Source: Data collated by our office from information available in long-term plans.

- 2.26 The change in rates revenue for individual local authorities ranges from increases of more than 10% in some years to decreases of as much as 9%. Many local authorities have year-on-year movements that vary significantly, while others (such as Hamilton City Council⁵) have a minimal change between lowest and highest rate revenue increases. The greatest year-on-year movement is 25% for Westland District Council in 2015/16. (That increase is mostly because of a one-off rate for one ratepayer – the increase is 5% after excluding the one-off rate.)

What rates limits are local authorities imposing in the future?

- 2.27 Section 101A(3)(b) of the Act requires local authorities' financial strategy to include limits on rates, rate increases, and borrowing. The Act does not specify how these limits should be set, so local authorities have set limits based on their situations and the aspects of their financial situation that are most relevant to them.
- 2.28 Although a few local authorities set limits higher than the year-by-year increases that they have forecast, most of the limits are not substantially different to the movements forecast in the LTPs. This suggests that the limits might be restraining actual practice in setting rates. However, some local authorities have set limits well above the movements that they have forecast in their LTPs. This could bring into question the effectiveness of the limits they have set as part of their strategic financial approach.

Limit on rates

- 2.29 Six percent of local authorities linked their total rates limits to a percentage of their capital value, and 36% linked to a specified percentage of total revenue. Another 18% linked to a percentage movement on the previous year's budgeted revenue or expenditure, which was mainly closely aligned to their limit on rates increases.
- 2.30 The remaining local authorities were either unclear about what limit they used or used another mechanism to describe it, such as a maximum dollar value or maximum charge for each property. We encourage all local authorities to more clearly present this limit. Without clear disclosures, ratepayers are not able to effectively engage with their local authority about proposed limits and the local authority's strategic approach to funding.

Limit on rates increases

- 2.31 Half of local authorities linked their rates increase limit to the local government cost index (LGCI). Of these, most set a limit of LGCI plus a single specified

5 Hamilton City Council has a range of 0.48% between its lowest and highest rate revenue increase.

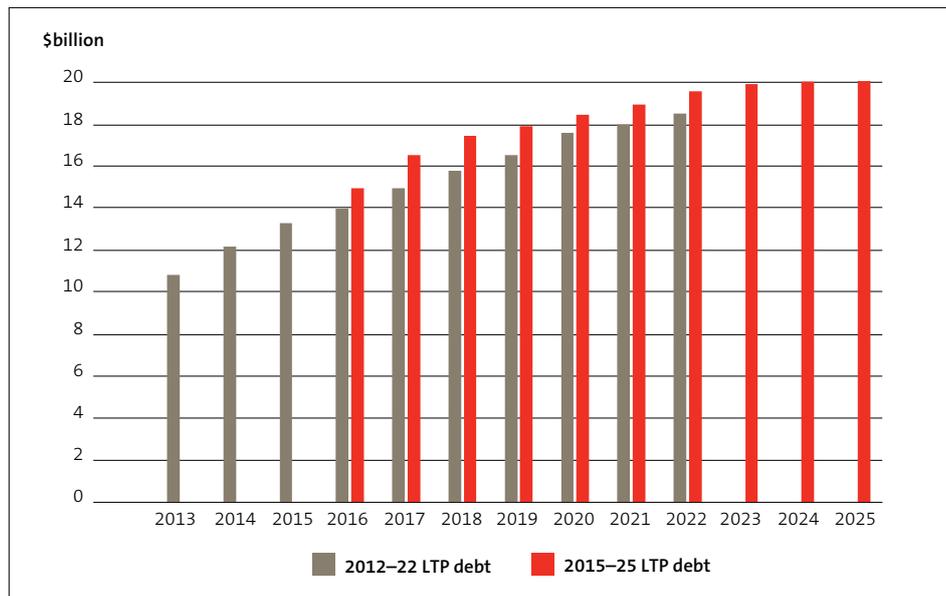
percentage (ranging from 1% to 5%). Five local authorities set their rates increase limit using LGCI plus a range of up to 7%.

- 2.32 Most local authorities whose rates increase limit is not tied to the LGCI have a specified percentage limit or a range that was generally tied to the previous year's actual results. For those specifying a particular percentage limit, this ranged from 3% to 10%. Nine local authorities linked their rates increase limit to the consumer price index, or the consumer price index plus 1% to 4%.

Do local authorities remain focused on prudent debt management?

- 2.33 Many local authorities use debt to fund long-life assets. As a general principle, debt should not be used to fund operations because it is like borrowing to pay for the groceries. Furthermore, local authorities usually use debt to fund new assets to meet demand or to increase levels of service, rather than to fund renewals. However, local authorities can choose to use debt to fund any type of capital expenditure.
- 2.34 The total debt of the sector at 2025 is forecast to be \$20 billion. This represents an increase of 34.2% from 2015.
- 2.35 In the previous LTPs, local authorities were forecasting total debt of \$18.7 billion as at 2021/22. If we exclude Christchurch City Council's debt from the 2015-25 figures, to better compare the forecast debt movements between the previous and current LTPs, the 2021/22 balance in the current LTPs is \$17.7 billion, which is \$1.0 billion lower than the previous LTP debt forecast. Figure 12 shows the debt forecast in the latest LTPs compared to the previous LTPs.
- 2.36 Figure 12 shows that debt is forecast to continue increasing, but at a slowing rate in later years.

Figure 12
Forecast debt in the latest (including Christchurch City Council) and previous (excluding Christchurch City Council) long-term plans

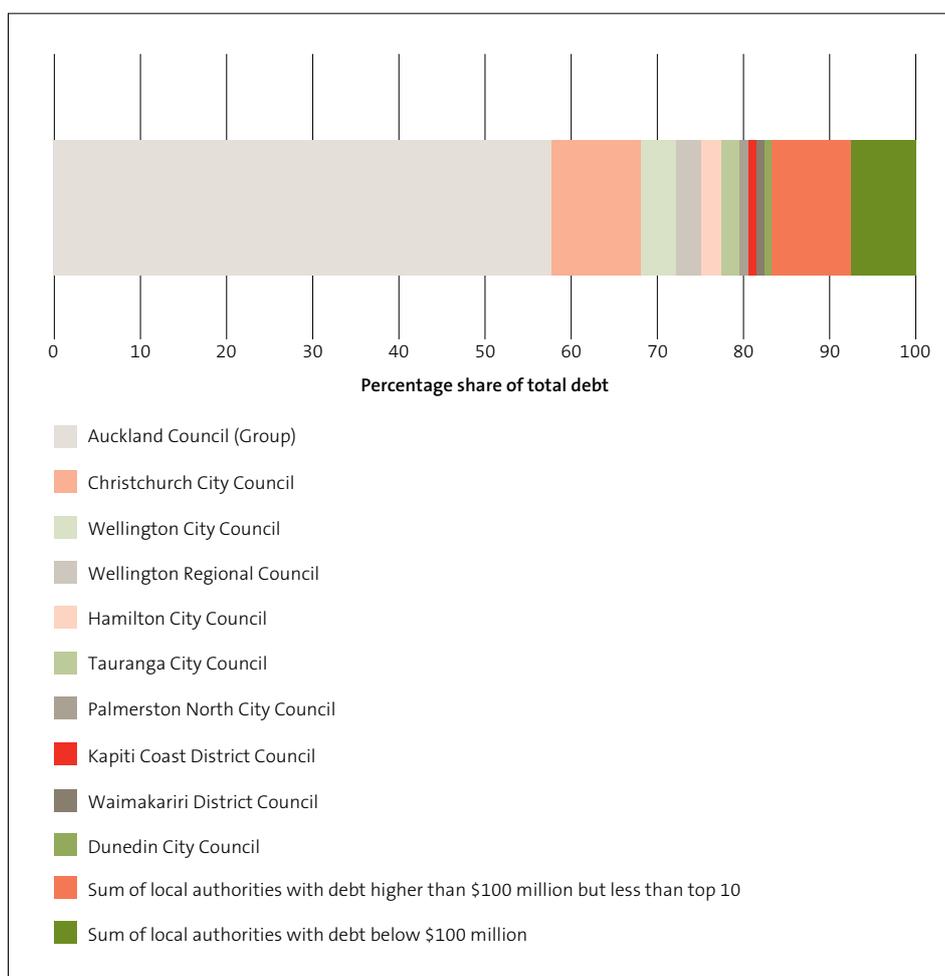


Source: Data collated by our office from information available in long-term plans.

2.37 Local authorities' total debt is significantly influenced by Auckland Council's debt, which is forecast to reach \$11.6 billion by 2025 – making up 58% of the total debt. The six metropolitan local authorities⁶ are forecast to hold \$15.6 billion or 78% of the debt of the sector. They are all included in the 10 highest debt holders at 2025, whose forecast total debt at that time is expected to be \$16.7 billion. Figure 13 shows local authorities' share of forecast debt at 2025.

6 We have defined the metropolitan local authorities as Auckland Council, Tauranga City Council, Hamilton City Council, Wellington City Council, Christchurch City Council, and Dunedin City Council.

Figure 13
Spread of forecast debt at 2025



Source: Data collated by our office from information available in long-term plans.

- 2.38 The highest debt holders at 2025 include the local authorities facing the greatest population growth. Growth in Auckland is of an unprecedented scale, at more than 25,000 new residents a year. Christchurch City Council and Waimakariri District Council were affected by the 2010 earthquakes and are using debt to fund rebuilding work.
- 2.39 The exception to this correlation between local authorities' debt levels and growth is Dunedin City Council. The Council currently has significant levels of debt. It also faces a challenge in the next 30 years as it addresses its ageing infrastructure, which will require significant investment. Dunedin City Council's

LTP acknowledges these issues and its financial strategy outlines how the Council is planning to address these issues, including a proposal to decrease debt levels.

- 2.40 Total debt for all local authorities, excluding Auckland Council, is forecast to increase by 23.2% to \$8.5 billion by 2025.
- 2.41 About one-third of local authorities presented decreasing debt as one of their priorities in their LTP. In 2015, nine local authorities have no debt, and 11 are forecasting no debt by 2025. Three local authorities that have debt in 2015 have forecast to clear that debt by 2025, and one local authority with no debt in 2015 has forecast to have a debt balance of just under \$5 million by 2025.
- 2.42 The largest forecast decrease in debt between 2015 and 2025 is \$95.0 million for Dunedin City Council. The greatest forecast increase is \$3.5 billion for Auckland Council. Thirty local authorities have forecast debt decreases and 48 have forecast increases. The range of forecast decreases is from \$95.0 million to \$2,000 and the range of forecast increases is from \$3.5 billion to \$1.8 million. Appendix 1 sets out the 2015/16 and 2024/25 forecast debt balances for all local authorities.
- 2.43 Three local authorities – Rangitikei, Ruapehu, and Wairoa District Councils – forecast an increase in debt and a decline in population in the 10 years of their plans. Furthermore, those districts will have an ageing population, potentially on fixed incomes. In all three situations, the population decline being forecast is small and their projected debt is within the debt limits the local authorities have set. These local authorities have had to think carefully about the financial impact on future ratepayers when preparing their LTPs. For example, Ruapehu District Council has had to think carefully about the impact of increased tourist demand on its district.
- 2.44 Individually, LTPs have forecast debt limits within reasonable financial parameters and expectations of income. Figure 14 shows the current levels of debt and forecast debt limits of local authorities.

Figure 14
Debt statistics (for those local authorities with debt)

	Overall sector position at 2015	Highest at 2015	Lowest at 2015	Overall sector position at 2025	Highest at 2025	Lowest at 2025
Debt as % of operating income	137%	221%	1%	89%	140%	1%
Debt as % of assets	11%	26%	1%	11%	26%	1%
Debt as % of rates income	273%	469%	1%	249%	440%	3%
Debt as % of equity	13.0%	35.8%	0.05%	13.0%	40.8%	0.13%

Source: Data collated by our office from information available in long-term plans.

Did local authorities set effective limits on their forecast debt levels?

- 2.45 We extracted from local authorities' 2015-25 financial strategies the borrowing limits that they have set. It is clear that many limits have been set "generously" and practices vary between local authorities.
- 2.46 Many limits have been set far above the actual position forecast in the LTP. Some local authorities might have adopted the New Zealand Local Government Funding Agency (LGFA) limits without considering how well they fit their own situation. Others might have allowed fiscal "headroom" to allow for resilience in its financial strategy. We encourage local authorities to consider whether the limits they set are a strategic control on financial practice. We continue to support the Society of Local Government Managers' good practice guidance about the importance of developing financial strategies, and the limits included in them, from both a top-down (strategic and policy) basis and a bottom-up (actual financial position) basis.
- 2.47 The most widely used limits are those required by the LGFA and then a range of other limits are used by fewer local authorities. Local authorities have set between one and six borrowing limits. Figure 15 shows the range of local authorities' borrowing limits.

Figure 15
Range of local authorities' borrowing limits

Limit	Highest in limit range	Lowest in limit range	Average limit	Number of local authorities using this limit
Interest as % of operating income	25%	6.25%	13%	48
Interest as % of rates income	40%	7.5%	21%	30
Debt as % of operating income	275%	50%	162%	45
Minimum liquidity ratio	170%	100%	113%	9
Debt as % of assets	20%	10%	16%	8
Maximum debt per capita or rateable property	\$5,788	\$500	\$2,782	12
Debt as % of rates revenue	200%	25%	106%	6
Debt as % of equity	28%	5%	17.5%	8
Interest costs as a multiple of cash inflows from operations	5 times	0.5 times	1 time	4
Maximum total debt	\$590 million	\$12 million	\$181 million	10

Source: Data collated by our office from information available in long-term plans.

What else are local authorities telling their communities?

Other assets

- 2.48 Local authorities forecast that, by 2025, they will hold \$3.4 billion in cash and financial assets and \$5.1 billion of investments in council-controlled organisations, council-controlled trading organisations, and other entities. These balances are forecast to increase by 27% and 6% respectively between 2015 and 2025.
- 2.49 The increased cash and financial asset holdings might be linked to local authorities' ratings for future renewal and asset replacements based on depreciation and the fact that current spending on this type of capital expenditure is below current depreciation levels. However, it is not clear whether this is the explanation for the growing balance. We will continue to monitor this.

Fees and charges

- 2.50 Fees and charges make up 91% of local authorities' other income (see Figure 10). Among the activities that attract fees and charges are building and resource consenting processes, facilities hire and entry fees, dog licensing, and food premises licensing.
- 2.51 Fees and charges might increase in future years where pressure increases for local authorities to reduce the proportion of income sourced from rates. This could take place particularly if there is pressure to reduce the impact of rates rises on fixed-income households.
- 2.52 The total revenue forecast to come from fees and charges between 2015 and 2025 is \$32 billion. The fees and charges collected by local authorities are forecast to increase by 51.4% between 2015 and 2025. Although much of this forecast increase reflects the effects of inflation, fees and charges are increasing and are likely to continue to.

Population projections and demographics

- 3.1 In this Part, we discuss what local authorities included in their LTPs about population projections and demographics, and the effect of these assumptions on each local authority's plans. We also comment on economic development initiatives because many local authorities discussed the importance of economic development initiatives in addressing changes in population.

Population trends

- 3.2 Declining and ageing populations are seen as significant issues for much of regional New Zealand. By contrast, some local authorities are experiencing, and projecting, strong growth. We wanted to assess the assumptions that local authorities made in their LTPs about population and demographic change, and consider how they proposed to respond to those changes.
- 3.3 We compared the information in the LTPs with historical and future trends that central government agencies have reported widely and publicly. All LTPs indicated varying changes in population movements in the years ahead, but not all local authorities are facing a declining population. Most local authorities acknowledged that they had an ageing community, which could present a significant future challenge.
- 3.4 The population assumptions that local authorities use inform the future direction that each local authority will take, and should be important in determining their financial strategy and infrastructure strategy. It is important that assumptions are appropriately linked to both strategies. If a local authority anticipates a declining and ageing population within the next 30 years, that local authority's infrastructure strategy should indicate how the council intends to meet the changed infrastructure needs of its community as the population changes. The financial strategy should give a picture of how this will be funded. We did not see those clear links in many LTPs.
- 3.5 Our review identified some inconsistencies in the quality of disclosures about population assumptions in the LTPs. Local authorities used inconsistent periods to report their projected population changes. At the least, good practice would be for population assumptions to cover the 10-year period of the LTP, and the 30-year period of the infrastructure strategy.

Population movements

- 3.6 All local authorities are required to identify their significant forecasting assumptions in their LTPs, including the level of uncertainty with those assumptions, and must disclose the possible effect of uncertainties on the financial forecasts.⁷
- 3.7 These assumptions include growth forecasts,⁸ which are significant in determining the expected future demand for services and, therefore, the local authority's spending. A growing community puts increasing pressure on the services that the local authority must provide. It is important that the local authority can accurately forecast any increases in its population so that it can adequately plan to meet the community's needs in the future.
- 3.8 A declining population might expect to receive the same services, but demand for those services will reduce as the population reduces. This means that fewer ratepayers meet the cost of those services, making the services more costly for each ratepayer.

Historical trends

- 3.9 New Zealand has 17 regions, each governed by a regional council or unitary authority. Within those regions are 67 districts.⁹ Each is governed by either a city or district council, unless the region is governed by a unitary authority. A unitary authority, such as Marlborough District Council, covers the roles of both regional council and district council.
- 3.10 The 2013 Census of the country's "usually resident population" reported that all regions but one showed population growth or had steady populations between 2006 and 2013. The exception was Gisborne, which experienced a slight decline. This means that, although some districts within a region might have experienced a decline, the population of the region as a whole increased (except for Gisborne).
- 3.11 According to the 2013 Census, 47 of the 67 territorial authorities – that is, city, district, and unitary councils, but not regional councils – experienced population growth between 2006 and 2013. Eighteen districts experienced a decline in population and two remained static. Of the districts that experienced a decline, Waitomo, Ruapehu, Wairoa, and Opotiki experienced the biggest average annual changes of between -0.1% and -1.9%.

7 Clause 17 of Schedule 10 to the Act.

8 Although growth assumptions can relate to the number of rating units in a district, they can also relate to changes in population.

9 Including the Chatham Islands.

Predicted population change

- 3.12 *The Thirty Year New Zealand Infrastructure Plan 2015* reports that between 2013 and 2043, all regions will experience population growth, to varying degrees. The West Coast, Southland, Gisborne, and Manawatu-Wanganui regions will experience the lowest rate of growth at 1%.¹⁰ Unsurprisingly, the most growth is predicted for Auckland, at 33%.¹¹

What local authorities said in their LTPs

- 3.13 In their LTPs, eight of the 11 regional councils predicted population increases. The other three regional councils anticipated no change to their populations. Of the six unitary authorities, five expected growth. Only Chatham Islands Council expected no change.
- 3.14 Forty-six of the 61 city and district councils are anticipating growth, 10 are expecting some decline, and five expect their populations to remain static.¹² So, although none of the regional councils are anticipating declines in their populations, 15 districts¹³ within the regions projected either a static population or some decline in numbers.
- 3.15 There can be markedly different population changes in the urban areas compared with the rural and provincial areas. Some regional councils are forecasting growth in their urban centres, yet anticipate decline in their rural centres. In the Waikato region, for example, Hamilton City Council, Waipa District Council, and Waikato District Council forecast strong growth, while the region's other local authorities face either slow growth or a declining population. These significant variations are likely to present some challenges to the local authorities in terms of working together for the betterment of the region as a whole when the districts within the region may have different needs. We note that Hamilton City Council, Waipa District Council, and Waikato District Council have set up a collaborative planning framework to respond to this issue.
- 3.16 The projected population increases from 2015 to 2025 varied, from a nominal increase of 160 for Central Hawke's Bay District Council and 325 for Waitaki District Council to an increase of 20,240 for Hamilton City Council. Figure 16 shows projected population change by region.

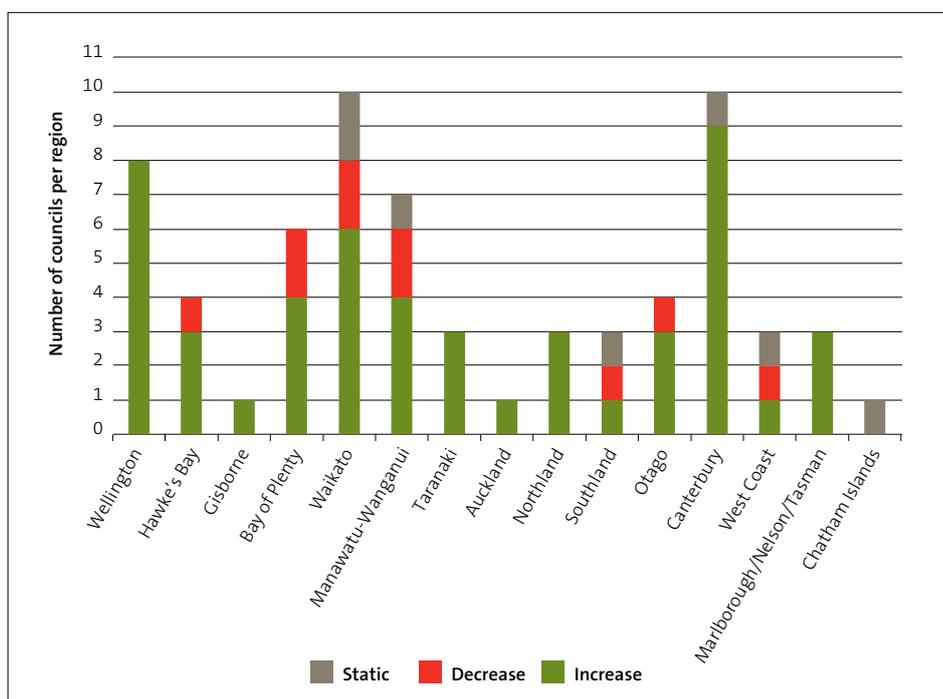
10 National Infrastructure Unit (2015), *The Thirty Year New Zealand Infrastructure Plan 2015*, page 38.

11 National Infrastructure Unit (2015), *The Thirty Year New Zealand Infrastructure Plan 2015*, page 38.

12 Excluding unitary authorities and regional councils. Some local authorities reported population increases in the early years, with slight declines further out – but an overall increase on 2013 figures.

13 Excluding unitary authorities, which are treated as regions for the purposes of this analysis.

Figure 16
A regional view of projected population change (includes unitary, district, and city councils)



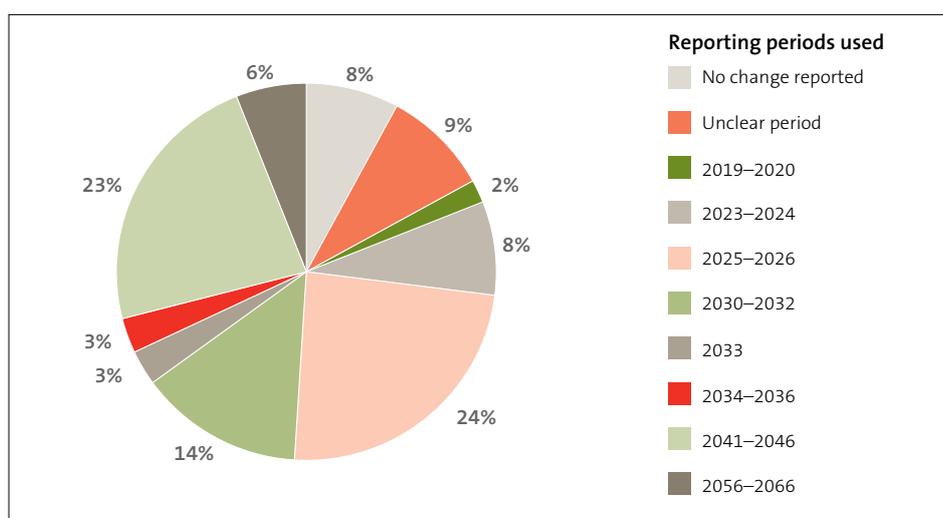
Source: Data collated by our office from information available in long-term plans.

- 3.17 Of the local authorities projecting declining populations, two were projecting a decline over the 10-year period of the LTP, three projected a decline by 2023, two were unclear about the period of decline, one projected a decline by 2031, and two projected a decline by 2045.

Consistency of reporting

- 3.18 The periods that local authorities used for their population projections are inconsistent. Many local authorities included projections for either the 10-year period from the 2013 Census or the period of the LTP. Others provided population projections to 2045, which was in line with the 30-year infrastructure strategies. Other local authorities used reporting periods ranging between 2019 and 2066. Figure 17 shows the different reporting periods that local authorities used for population projections in their LTPs.

Figure 17
Local authorities' reporting of population movements, by period



Source: Data collated by our office from information available in long-term plans.

- 3.19 Some local authorities forecast growth for more than one period. For example, Hamilton City Council included the forecast increases from 2015 to 2025, and then to 2045, and, finally, to 2061. We consider that this provided a richness of data that is useful for readers.
- 3.20 Some local authorities forecast a population increase between 2013 and 2033, and then projected a slowing down in growth or a decline by 2045. Timaru District Council projected an increase by 2033, with numbers peaking in 2038 before declining in 2063. Overall, the local authority expected its population in 2063 to be higher than its 2015 population.
- 3.21 Although many local authorities included population assumptions to 2045 (the 30-year period covered by the infrastructure strategy) in their LTPs, many did not. The infrastructure strategy is intended to provide the community with clarity about future infrastructure needs and proposals over a 30-year period. Providing information on population trends helps the community to better understand local authorities' intentions for future infrastructure needs.
- 3.22 We also saw variations in how local authorities chose to report their forecast population changes. Some used graphs with vague legends and minimal explanation, so it was difficult to determine specific numbers. Others used percentages instead of numbers. Some reported that they projected "a slight increase" or that there would be "no dramatic change".

- 3.23 Some local authorities reported a year-by-year percentage increase, but did not always provide the current population figures. This made it difficult to determine what the population would be at any given time.

Our comment

- 3.24 It is a matter for each local authority to determine how they report their assumptions in their planning documents. There is no legislative requirement for all local authorities to report uniformly. Our audit opinion covers the quality of the information and assumptions underlying the forecast information provided in the LTP. No LTP received a modified opinion, which means that we were satisfied that the assumptions used were reasonable. However, we consider there is merit in local authorities adopting a more uniform approach to their growth assumptions to enable more consistency of reporting. In our view, they should, at least, set out the forecast population changes during the 10-year period of the LTP and the 30-year period of the infrastructure strategy.

Ageing population

- 3.25 The number and proportion of people aged 65 and over is increasing.¹⁴ This affects population growth by slowing it down as deaths exceed births. Also, as more and more people reach retirement age, the working age population will reduce, putting pressure on local economies. As a community ages, its needs for community services will change. The community's infrastructure needs will also change. With more people moving on to fixed incomes, affordability will become an increasing challenge. The consequences of an ageing population are likely to be significant. Local authorities must anticipate these changing demands and respond appropriately.
- 3.26 Statistics New Zealand expects that, by 2031, deaths will outnumber births in 16 territorial authorities. For 56 territorial authorities, all of the population growth between 2011 and 2031 will be in the 65+ age bracket. Figure 18 shows the projected population growth of the 65+ age bracket for 2011-31.
- 3.27 Many LTPs acknowledge that an ageing population is going to present challenges for the local authority and the community. However, we saw little discussion about how local authorities were planning to respond to potential changing requirements for services and infrastructure. This could be because changes are not expected within the 10-year period of the current LTPs. However, changes are expected within 30 years – the period of the infrastructure strategies – and we would expect to see some discussion of this in the LTPs (see Part 4).

Figure 18
Projected percentage of population growth in 65+ age bracket, 2011-2031
(medium projection)

Territorial authority	Projected population growth of 65+ age bracket as percentage of total local authority area population growth
Auckland Council, Hamilton City Council, and Queenstown Lakes District Council	36-37%
Tauranga City Council, Wellington City Council, and Selwyn District Council	44-46%
Waikato District Council, Palmerston North City Council, and Waimakariri District Council	60-63%
Whangarei District Council and Christchurch City Council	95%
The other 56 territorial authorities	100%

Source: Statistics New Zealand.

Economic development initiatives

- 3.28 Local Government New Zealand has identified regional economic growth as a strategic priority and recently stated that:
- ... regional growth is critical for national economic and social prosperity. Growth in the regions helps to ensure that a broad range of opportunities exist for all New Zealand communities.¹⁵*
- 3.29 Because of the anticipated effect of declining populations in some districts, strong growth projections in others, and a widespread ageing population, it is unsurprising that economic development featured in the latest LTPs.
- 3.30 Of the 78 local authorities, about half included some form of economic development initiative in their LTP. The rationale behind some initiatives was not always clear in the documents. We did not always see a clear link between the population assumptions and the economic development initiatives. Some local authorities could have provided better explanations for the reasons behind their economic development proposals.
- 3.31 Although regional economic development is a priority for the local government sector,¹⁶ the level of resources allocated to these initiatives in the LTPs varied greatly. In some instances, it was minimal. We also saw a wide variety of approaches in the LTPs to addressing the need for economic development

¹⁵ Local Government New Zealand (2015), *Mobilising the regions: the role of transport infrastructure in achieving economic success across all of New Zealand*, page 2.

¹⁶ Local Government New Zealand (2015), *Mobilising the regions: the role of transport infrastructure in achieving economic success across all of New Zealand*, page 2.

initiatives. Some plans had more details about proposals, costs, and desired outcomes than others.

- 3.32 In paragraphs 3.33-3.45, we have included a selection of economic development initiatives included in the LTPs. We do not comment on the merits or otherwise of the initiatives, because they reflect policy decisions that each local authority has made.

Far North District Council

- 3.33 Far North District Council projects a population increase of 4269 between 2013 and 2033, using Statistics New Zealand’s medium-growth projections. This growth will be uneven in the district, with some eastern coastal communities experiencing slight growth and most other townships experiencing a decline of between 0.02% and 2% a year. During the period of the latest LTP, the Council has used the low population projection and is anticipating that growth will decline at a rate of 0.02% a year.¹⁷
- 3.34 The Council’s LTP identifies “sustainable development of our local economy through partnerships, innovation, quality infrastructure and planning” as a community outcome and Council goal. The LTP also acknowledges that affordability is the community’s biggest single challenge, and the Council has put in place strategic plans to invest in the local economy.
- 3.35 Although the Council consulted on a proposal to reduce funding for economic development from \$640,000 to \$190,000 for year one of its LTP – and received community support for this proposal – in the end, the Council resolved to add an additional \$130,000 to the proposed budget to support a clear strategic direction for economic development. The Council plans to use its funding to support initiatives arising from the Northland Regional Growth Strategy, such as infrastructure development, Māori land development, and promoting the district.

Wellington City Council

- 3.36 Wellington City Council anticipates slow growth between 2015 and 2024, with an increase in the population of 12,000 residents. This represents an average growth rate of 0.6% a year.¹⁸ The Council plans to invest in a range of initiatives that it hopes will provide an economic catalyst for the city, which should result in stronger growth. The LTP indicates that economic development is crucial to the future prosperity of the region. Many projects in the Council’s LTP are intended to support a growing economy. The Council plans to invest \$341 million in regional economic development initiatives through the Wellington Region Economic

¹⁷ Far North District Council (2015), *Long Term Plan 2015-2025*, page 83.

¹⁸ Wellington City Council, *Long-term Plan 2015-25*, page 89.

Development Agency¹⁹ during the period of the LTP to support increased growth, more jobs, and greater visitor numbers.²⁰

Waikato Regional Council

- 3.37 Waikato Regional Council anticipates overall growth in the region's population to a peak of 505,405 in 2047 followed by a decline to 494,298 in 2063. However, not all the local authorities in the region will experience the same pattern. The Council acknowledges that the long-term sustainability of services in the declining districts might need to be addressed. Conversely, those growing districts will bring a different set of pressures for the Council to address.²¹
- 3.38 The LTP forecasts that the sharp fall in international dairy prices will have a big effect on the Waikato region's economy. In support of the Council's strategic focus on regional development, it has resolved to establish a regional development fund to promote economic development. During the period of the LTP, it is expected that \$18.9 million will be available to inject into regional projects. It will be funded from the Council's investment fund.
- 3.39 Historically, the investment fund has contributed to subsidising rates. The level of subsidy will reduce during the first five years of the Council's LTP by about \$250,000 a year to contribute to the regional development fund. The reduction in subsidy is expected to be offset by efficiency savings elsewhere.
- 3.40 The Council agreed to provide funding of \$350,000 a year over 10 years to put into effect the Waikato Mayoral Forum's economic development strategy, Waikato Means Business. Most of the funding will be used to support initiatives needed to deliver agreed actions arising from the strategy.

Buller District Council

- 3.41 The fluctuating price of coal significantly affects Buller district, which has historically relied heavily on coal mining. After a decline in world coal prices, coal mining activity in the district has contracted. The Council is projecting an initial decline in population followed by a period of stabilisation and then a gradual increase as coal prices begin to recover and the district's economic diversity expands. At the end of the LTP period, the Council expects population levels to have recovered to about 500 more people than in 2015. With a focus on economic diversification, the Council anticipates a further increase in population by 2030.²²

19 Wellington City Council, *Long-term Plan 2015-25*, page 45.

20 Wellington City Council, *Long-term Plan 2015-25*, page 41.

21 Waikato Regional Council (2015), *2015-25 Long Term Plan*, page 50.

22 Buller District Council (2015), *Long Term Plan 2015-2025*, page 158.

- 3.42 As well as limited growth, the Council expects the proportion of the population over 65 years of age to increase from 18% to 28% in the next 30 years.
- 3.43 The Council's infrastructure strategy recognises that the declining and ageing population will put pressure on the affordability of assets, and it must be able to deal with these pressures. The strategy states that the Council remain open to increasing expenditure where investment in infrastructure may assist economic growth.²³
- 3.44 Recognising these challenges, one of the main initiatives in the Council's LTP is to support existing economic activity and diversification into new forms of economic enterprise. The Council believes this can be achieved with a local and "whole of Coast" effort" by collaborating with the other West Coast councils and their regional economic development agency, Development West Coast. Each council has agreed to contribute a part-time staff member to work with Development West Coast on various initiatives.
- 3.45 All four West Coast local authorities have adopted a West Coast Economic Development Strategy, expected to be a "springboard" for economic development. The strategy will be driven by Development West Coast. Funding from Buller District Council will support increased tourism efforts. In 2015/16, this funding is estimated at \$226,000. Also, the Council has committed \$149,000 in 2015/16 to support independent museums in the district.

Our observations

- 3.46 As can be seen from these four examples, local authorities have adopted a variety of different initiatives and plan to allocate funding to support economic development in their regions. We noted a range of reasons for the initiatives, which, as expected, were not always linked to declining or ageing populations.
- 3.47 Many of the local authorities that have adopted economic development programmes are anticipating growing populations. Of the 39 local authorities with economic development initiatives, only 19 were projecting static or declining populations.
- 3.48 As noted earlier, ageing populations present a challenge for most local authorities. It is possible that ageing populations are part of the reason for many of the initiatives. However, this was not immediately apparent from some LTPs. In our view, local authorities could provide a richer narrative to their communities about the rationale and desired outcomes of their economic development initiatives.

Infrastructure strategies

- 4.1 In this Part, we provide:
- a summary of our preliminary observations on a sample of infrastructure strategies;
 - further observations on infrastructure strategies generally;
 - our views about the good features of infrastructure strategies; and
 - our views on how infrastructure strategies might be improved.
- 4.2 Amendments to the Act in 2014 introduced the requirement for local authorities to prepare an infrastructure strategy as part of their LTP.
- 4.3 The purpose of the infrastructure strategy is to identify:
- significant infrastructure issues for the local authority over the period covered by the strategy; and
 - the principal options for managing those issues and the implications of those options.
- 4.4 We supported the introduction of infrastructure strategies. Local authorities hold significant infrastructure assets. Infrastructure operations and works make up most of local authorities' spending. An infrastructure strategy providing, at a minimum, a 30-year view, offers the opportunity for local authorities to present a strategic picture of their infrastructure portfolio.
- 4.5 In our August 2015 report on consultation documents, *Consulting the community about local authorities' 10-year plans*, we discussed consultation documents prepared for the first time as a part of the LTP process. In that report, we also made some preliminary observations on infrastructure strategies, based on a review of selected strategies.

Preliminary observations on infrastructure strategies

- 4.6 After reviewing some early draft infrastructure strategies and the intent of the legislation, we had some preliminary views and expectations about what infrastructure strategies should include. We communicated these views and expectations to local authorities and auditors before the audit of LTPs.
- 4.7 We said that infrastructure strategies should be:
- *visionary* – telling the story about where local authorities were, where they expected to be, and how they intended to get there;
 - *realistic* – including relevant assumptions and disclosures on funding, data, risks, and delivery; and
 - *relational* – creating the right debate and being credible by connecting with financial strategies, demographic change, and other relevant influences.

- 4.8 In our August 2015 report *Consulting the community about local authorities' 10-year plans*, we provided our preliminary observations about how local authorities responded to the requirement to prepare infrastructure strategies. We concluded that local authorities responded positively. The infrastructure strategies brought focus to their significant issues, including the common challenge of renewing or replacing ageing infrastructure.
- 4.9 We also saw weaknesses in infrastructure strategies. For example, some strategies:
- had no clear link to the significant issues raised in consultation documents;
 - read like summaries of asset management plans rather than of strategic direction;
 - had little discussion of the optimal balance between maintenance and renewal of assets or about the life-cycle management of assets;
 - had little discussion and/or disclosure of the condition and performance of assets – some appeared to have no assessment about the reliability of asset data;
 - had little discussion and/or disclosure of uncertainties about data on asset condition and performance, and the potential risks and costs of assets failing;
 - did not respond enough to issues of affordability, which was an important objective in consultation documents; and/or
 - could not be read as standalone documents – for example, many discussed changes to levels of service but did not say what the current level of service was.²⁴
- 4.10 We know that the 2014 amendments to the Act, which created the requirements for infrastructure strategies, came into effect soon after being enacted. This put pressure on local authorities to prepare for the new requirements. We also know that many local authorities have plans to improve their infrastructure strategies. We encourage all local authorities to build on the position reached for the latest LTPs.

A closer look at infrastructure strategies

- 4.11 In preparing this report, we have read the infrastructure strategies of all local authorities.
- 4.12 Looking at the main features in all infrastructure strategies has given us a more complete picture of their relative strengths and weaknesses. We saw considerable variety in how local authorities presented their strategies.

- 4.13 We had expected that infrastructure strategies would have been given similar prominence to financial strategies and be an integral part of the LTP. In some instances, this did not happen.
- 4.14 The strategies included the basic considerations and features that legislation requires. For example, most local authorities provided a good description of the assets they owned and managed. They also provided details on the main projects that are required in the next 30 years.
- 4.15 A few strategies strongly demonstrated all three of the principles that we list in paragraph 4.7.
- 4.16 In some LTPs, it appeared as though the preparation and presentation of the infrastructure strategies were treated as a separate exercise and not integrated with the LTPs. For example, some infrastructure strategies were attached as an appendix to the LTP, with no clear link to explain how the LTP built on the strategy. Few local authorities succeeded in presenting their infrastructure strategies as an integrated part of the LTP.
- 4.17 Some common weaknesses made infrastructure strategies less effective:
- the effects of demographic change, and, in particular, the actions to address those effects, were often unclear;
 - analysis to show the financial sustainability and affordability of the projects in the infrastructure strategies was lacking;
 - although uncertainties about asset condition information were disclosed, the likely long-term effects on the financial and timing profile of projects and work were unclear; and
 - the long-term view of economic activities lacked discussion or analysis.

Addressing the effects of demographic change

- 4.18 Many consultation documents and LTPs emphasised demographic change. We expected to see how demographic change, in particular, trends in ageing and urbanising populations, would feature in the longer term (2025-45) that infrastructure strategies cover. Although strategies mentioned these changes, their longer-term implications, such as changes to levels of service, likelihood of assets being abandoned, or changes to financial strategies, were often unclear. Lack of clarity about these demographic changes, particularly from years 11 to 30, raises questions about long-term affordability.

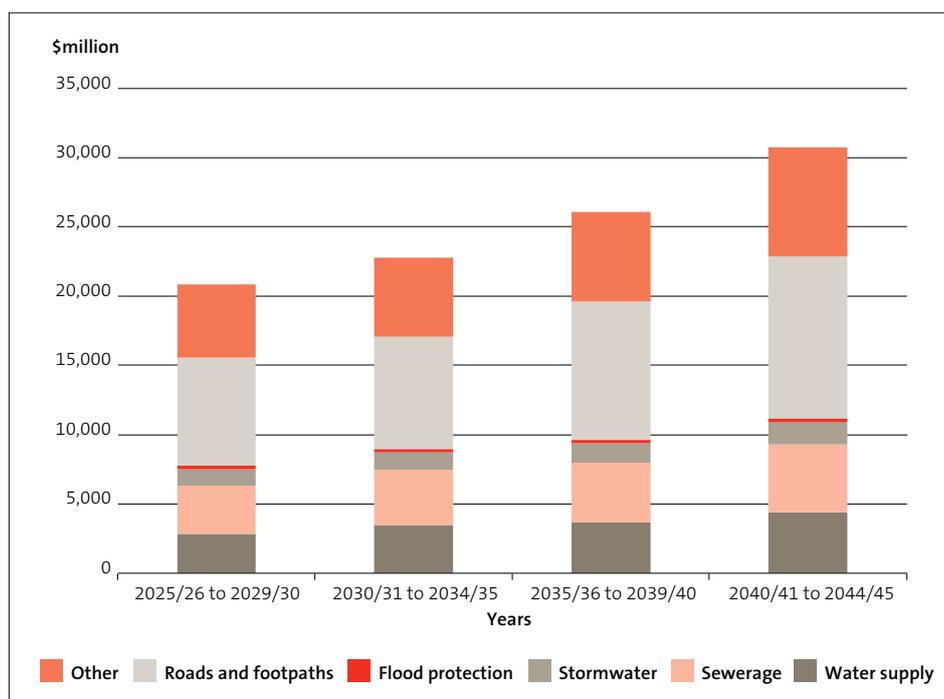
4.19 In Part 3, we comment on population and demographic forecasts. In paragraphs 4.69 to 4.72, we highlight examples of population change being integral to a local authority’s planning.

Financial sustainability and affordability

4.20 Individual infrastructure strategies are expected to contain indicative financial forecasts for the 30 years that the strategy covers.

4.21 In Part 2, our analysis of LTPs’ financial information included local authorities’ proposed spending on capital in the 10-year period of the LTPs. Figure 19 outlines the aggregated proposed spending on capital in each subsequent period (in five-year groups) that the strategy covers – from 2025 to 2045.

Figure 19
Proposed spending on capital by all local authorities, years 11 to 30 of the infrastructure strategy



Source: Data collated by our office from information available in long-term plans.

4.22 Collectively, local authorities included \$20.8 billion of forecast capital expenditure in their infrastructure strategies for the five years between 1 July 2025 and 30 June 2030 – that is, \$4.2 billion each year. This increases to \$30.8 billion for the five years between 1 July 2040 and 30 June 2045 – that is, \$6.1 billion each year.

- 4.23 This does not reflect the entire forecast spending on capital by local authorities. It captures only the total forecast capital expenditure disclosed in local authorities' infrastructure strategies, which relates to specific categories of assets.
- 4.24 Further, local authorities were not always explicit about whether the forecast expenditure had been adjusted for inflation. As a result, the forecast capital expenditure could be significantly higher than set out in Figure 19.
- 4.25 In paragraph 2.7, we noted that the average annual spending on capital is forecast to be \$4.2 billion during the 10 years of the plan. The investment in local authorities' infrastructure remains significant and makes up most local authorities' spending.
- 4.26 Affordability is a significant issue for local authorities. Many consultation documents and LTPs were explicit about the challenges local authorities face to balance affordability with the need to maintain infrastructure in their infrastructure strategies. However, many local authorities did not provide a clear, integrated story about the implications of funding the forecast spending on capital or a clear description of how their financial and infrastructure strategies related to each other.
- 4.27 The profile of spending on capital in the 30-year period of the infrastructure strategy shows a significant challenge for local authorities seeking to provide affordable services to declining and/or ageing communities.
- 4.28 As noted in our report *Consulting the community about local authorities' 10-year plans*, financial strategy information – including local authorities' approaches to funding, rates, and debt – was expected to be in line with the infrastructure strategy so as to usefully explain priorities, spending intentions, and risks in a more integrated way.

Lack of asset condition information

- 4.29 *The Thirty Year New Zealand Infrastructure Plan 2015* notes that:
*Data is foundational to understanding pressures on networks, the likely timing and cost of future investment, and expected future service needs.*²⁵
- 4.30 In more than half of the infrastructure strategies, local authorities discussed the need to collect better information about their assets. Ten local authorities disclosed and described the programmes they were putting in place to collect better asset information in their infrastructure strategies. For most local authorities, the age and condition of above-ground network assets and plant was reasonably well understood. Underground networks posed the greatest challenge in terms of asset condition information.

- 4.31 In our report *Water and Roads: Funding and management challenges*, we said that good information about network asset performance helps good decision-making about spending on capital and how to fund it.
- 4.32 Our audits confirmed that the information on which LTPs were based was reasonable for the purpose of us issuing an unmodified opinion. However, we consider it important that local authorities continue to collect better information to allow better long-term decisions about how infrastructure is managed. Local authorities understand the concepts of asset management planning well. However, high levels of confidence in asset condition information, and sound demand management, are needed for success:
- ... applying asset management disciplines requires detailed and well-understood information on the state of the physical asset and the level of likely demand in future.*²⁶
- 4.33 We are encouraged to see that some local authorities are looking at ways to collect better information about their assets to better inform their decisions.
- 4.34 During the audits of the LTPs, we also collected information from local authorities about asset data confidence, accuracy, and reliability. About a quarter of local authorities with low confidence in their asset data were not as transparent about the limitations of their data as they could have been in their infrastructure strategies.
- 4.35 Although better information on physical assets is required, the effective delivery of public services also relies on understanding how services connect with people. In a recent report about service delivery, we noted that several overlapping factors affect how services are delivered, including whether public entities know what they need to do differently to ensure that services can be provided successfully in the long term.²⁷ Infrastructure strategies provide the opportunity for discussions about the long-term connection between levels of service and peoples' changing demands and needs over time.
- 4.36 In our 2016/17 work programme, we will consider the quality of local authorities' asset management systems.

Economic development

- 4.37 In general, infrastructure strategies took a positive long-term outlook on local and regional economic activity or events. Few strategies included detailed discussion or analysis of their long-term assumptions.

²⁶ Local Government New Zealand (2015), *Improving New Zealand's water, wastewater and stormwater sector*, page 13.

²⁷ Controller and Auditor-General (2015), *Reflections from our audits: Service delivery*.

- 4.38 Local Government New Zealand has been emphasising the importance of transport infrastructure and economic development, noting that “infrastructure investment needs to be properly targeted to generate regional social and economic development.”²⁸ Many local authorities said they were looking to regional economic development opportunities to support growth and vitality. In most instances, we struggled to see the links between what was in LTPs about economic development proposals and the infrastructure strategies, and the proposals or the strategies that would result in the economic benefits anticipated.
- 4.39 Some consultation documents and LTPs included proposals for water supply security or irrigation schemes, or to improve the internet access in their districts. Such proposals are examples of economic development intended to lift the social and business vitality and economic fortunes of districts and towns. However, the proposals and their associated effects were rarely mentioned in infrastructure strategies.
- 4.40 Long-term infrastructure strategy assumptions (for 2025-45) about economic activities and influences often assume a benign future environment. For example, strategic discussions and assumptions about future conditions, such as primary sector productivity, freight supply chains, continuing visitor numbers, work force capacity, or government regulation, often assume or imply that no significant changes are expected.
- 4.41 It would be unrealistic to expect infrastructure strategies to foresee the detailed state of local economies in 20 or 30 years. However, assuming that economic conditions will be largely unchanged in 2045 might be unrealistic – markets and technologies today are dramatically different from those in 1985.
- 4.42 Infrastructure strategies provide a platform for local authorities to encourage debate on such issues within their community. We encourage local authorities to address this more fully in their next LTPs.

Positive features of some infrastructure strategies

- 4.43 Although infrastructure strategies fulfilled statutory requirements, many local authorities missed opportunities to clearly set out where they expected to be in 30 years’ time and how they intended to get there. When we assessed all the strategies, the strong ones had:
- scope – taking a longer outlook than the minimum 30-year requirement and including more than the required asset activities;

²⁸ Local Government New Zealand (2015), *Mobilising the regions: the role of transport infrastructure in achieving economic success across all New Zealand*, page 4.

- integration – connecting to important financial information and the wider context; and
- support – being clear about the effect of change on infrastructure needs.

4.44 In paragraphs 4.45-4.79, we present some examples of strategies that show these positive features. When we use a specific example to demonstrate a positive feature, it does not mean that all of the local authority's strategy was done well or that other local authorities' strategies did not share those positive features. Infrastructure strategies with several positive characteristics include those of Dunedin City Council, Kaipara District Council, Tararua District Council, and Waimakariri District Council.

More long-term focus

4.45 Section 101B(1) of the Act requires that:

A local authority must, as part of its long-term plan, prepare and adopt an infrastructure strategy for at least 30 consecutive financial years.

4.46 Nine local authorities presented aspects of their strategies beyond the 30-year minimum requirement.

4.47 In our view, infrastructure strategies should cover the period needed to adequately show the situation of the local authority. For example, if major infrastructure renewals are reliably forecast for 2050, then it would be helpful for the local authority to disclose this information, any funding implications, and the approach that will be needed.

4.48 For example, Dunedin City Council's infrastructure strategy is clear about some of the long-term infrastructure renewal challenges confronting the city. Its infrastructure strategy included its renewal assumptions about the drinking, waste, and stormwater infrastructure for the 45 years to 2060.

4.49 The nine local authorities that disclosed infrastructure information beyond the minimum 30 years provided varying levels of information. Central Otago District Council's infrastructure strategy included graphs of water supply and waste water replacement values until 2113. Waimakariri District Council took a more comprehensive approach for all the assets in its infrastructure strategy, including cost forecasts for 100 years – 70 years more than the minimum the Act requires.

4.50 Waimakariri District Council's need to take stock of priorities and the condition of assets after the Canterbury earthquakes appears to have reinforced the Council's long-term outlook. Waimakariri District is typical of a semi-rural district with a

dispersed population, but with three differences: it expects a population increase, it is close to supply chains,²⁹ and it has access to the large market of Christchurch.

- 4.51 With reasonable underpinning forecasts, Waimakariri produced a stronger infrastructure strategy. Waimakariri District Council's inclusion of long-term forecasts also resulted in an integrated story to link the financial strategy and the infrastructure strategy. As well as being inherently more strategic, the 100-year approach gives elected members, ratepayers, and businesses a long-term view of future issues and how the Council plans to address them.

“Other” assets

- 4.52 Where applicable, all local authorities' infrastructure strategies included disclosures about the infrastructure assets required by section 101B(6)(a) of the Act:
- water supply;
 - sewerage and the treatment and disposal of sewage;
 - stormwater drainage;
 - flood protection and control works; and
 - roads and footpaths.
- 4.53 Section 101B(6)(b) of the Act also provides that local authorities' infrastructure strategies can include “any other assets that the local authority, in its discretion, wishes to include in the strategy.” These assets could include, for example, community facilities, parks, and solid waste.
- 4.54 Including “other” assets in infrastructure strategies is not a requirement but a matter for local authorities to consider. Nineteen local authorities included some additional other assets.
- 4.55 Many local authorities told us that they were likely to include additional assets in future strategies. We consider that including other assets can help improve strategies, by providing readers with a more comprehensive overview of the infrastructure challenges and issues that the local authority is addressing.
- 4.56 Southland District Council's infrastructure strategy includes other assets of importance to the district, such as Council property, parks and reserves, solid waste, and electricity supply infrastructure on Stewart Island. Gisborne District Council's strategy included infrastructure of particular importance, including its Olympic-sized pool.
- 4.57 Hamilton City Council's infrastructure strategy included a range of other assets, such as parks and green spaces and community and event facilities.

²⁹ A supply chain is a system of organisations, people, activities, information, and resources involved in moving a product or service from supplier to customer.

The infrastructure strategy notes that these other activities are important and highlights where significant spending is planned in the 30 years the strategy covers.

- 4.58 Local authorities in larger urban centres, including Auckland Council, Tauranga City Council, Upper Hutt City Council, and Wellington City Council, also had other assets in their strategies.

More integrated

- 4.59 Less than one-third of local authorities clearly linked their infrastructure and financial strategies.
- 4.60 As previously stated, we had expected to see strong links between a local authority's infrastructure strategy and its financial strategy.
- 4.61 The stronger, more integrated infrastructure strategies connected to important issues of financial and service management.
- 4.62 The Act recognises this integration and allows for a local authority to adopt a single financial and infrastructure strategy document as part of its LTP. Only one local authority chose to take this approach. In its guidance to the sector, the Society of Local Government Managers did not recommend this approach for 2015. This was because of the timing of the 2014 legislative amendments introducing the requirements for infrastructure strategies.
- 4.63 We encourage local authorities to consider whether they should adopt a single strategy in the future. However, local authorities need to be aware that integrating financial and infrastructure strategies is broader than bringing two documents together. It is about showing the local authority's clear strategic intent for the future.
- 4.64 Waimakariri District Council's infrastructure strategy was strong in many ways, particularly its connections with the Council's financial approach and financial strategy.
- 4.65 Grey District Council's infrastructure strategy highlighted its focus on affordability by giving prominence to the long-term affordability of infrastructure. As well as being clear about the choices for long-term levels of service to its community, the Council's openness about those choices was realistic about what was, in the Council's view, affordable.

More about needs

- 4.66 An infrastructure strategy can better enable and guide governors to make decisions “to meet the current and future needs of communities for good quality local infrastructure”.³⁰ Section 101B(3) of the Act requires that infrastructure strategies address particular matters, including the need to:
- renew or replace existing assets;
 - respond to growth or decline in the demand for services that rely on those assets;
 - allow for planned increases or decreases in levels of services provided through those assets;
 - maintain or improve public health and environmental outcomes or mitigate adverse effects on them; and
 - provide for the resilience of infrastructure assets by identifying and managing risks relating to natural hazards and by making appropriate financial provisions for those risks.
- 4.67 Infrastructure strategies generally outlined local authorities’ intentions to manage assets while taking account of these particular matters. However, it was often difficult to obtain a clear understanding of the future state that the local authority was working towards – the local authority’s vision was not as clear as it could have been.
- 4.68 We noted that the stronger strategies were clear about choices and the likely effects of trade-offs. Stronger strategies were also clear:
- about choices of levels of service and risks; and
 - in describing how trade-offs could affect the local authority’s longer-term management of infrastructure assets.

Demographic change and changes to levels of service

- 4.69 As we discussed in Part 3, many local authorities forecast ageing populations, intra-regional consolidation of populations in urban centres and townships, and increased growth in main centres, especially in Auckland.
- 4.70 Rangitikei District Council’s infrastructure strategy confronted the issue of an ageing and declining population. Although many infrastructure strategies raised changing demographics as a concern, few gave clear signals about the longer-term effects expected or detailed responses to these changes. Being plain about the potential effect of such realities can be an uncomfortable challenge.

³⁰ Section 101B of the Act.

- 4.71 The 2013 Census recorded the population of Rangitikei at 14,550. The forecast population for Rangitikei in 2023 is 14,200, a decline of 350.³¹ Many rural districts anticipate population declines and a few of these declines are significant. The general trend, though, is not a dramatic decline but ageing populations and depopulation of smaller rural townships.
- 4.72 The Council's infrastructure strategy boldly sets out the likely implication of these demographic trends in a way few other infrastructure strategies do. It talks openly about its priority for roading and areas where infrastructure provision might be abandoned in the longer term. The infrastructure strategy outlines that the Council is working with others to find affordable waste water solutions for the small community of Mangaweka. One solution might be installing septic tank systems on all currently connected properties instead of replacing the existing wastewater plant.

Resilience and natural hazard risks

- 4.73 Natural hazards and climate change issues featured in the latest LTPs. The legislation requires local authorities to cover how they will manage the resilience of infrastructure at risk from natural hazards. Flood protection measures were an important consideration in many consultation documents and were integrated throughout many infrastructure strategies of local authorities with flood protection assets (such as regional councils).
- 4.74 Greater Wellington Regional Council's infrastructure strategy included a wide range of issues and options for responding to natural hazards. The Council had a unique proposal for an under-harbour pipeline to ensure that water could still be supplied to Wellington after an earthquake.

Community buildings

- 4.75 Legislative requirements were introduced in 1976 for managing buildings prone to fail as the result of earthquakes. At the time of writing, the details of amendments to the Building Act 2004 to manage earthquake-prone buildings (EPBs) were not yet complete.
- 4.76 EPBs are a good example of a significant issue and probable cost to local authorities. EPBs were considered in many consultation documents and LTPs. Because only a few infrastructure strategies addressed community buildings, discussion of the issue in the strategies themselves was minimal.
- 4.77 We noted that the maintenance and improvement of key community buildings – including the costs of seismic strengthening – was a significant issue in one local authority's consultation document. However, although this was a significant issue

in the LTP, it did not feature in the local authority's infrastructure strategy because the strategy did not go beyond the five required asset classes.

- 4.78 We note that EPB issues and options were discussed in Wellington City Council's consultation document and LTP, raising awareness and stimulating debate about a matter important to its community. The issues were also well integrated within the LTP and featured in its infrastructure strategy and financial strategy.

Provision for risks

- 4.79 Waimakariri District Council used its strategy to emphasise its potential extra "headroom" to raise debt to help pay for infrastructure repairs after a natural disaster. Infrastructure strategies uniformly note risks of natural disasters. However, not many show the thinking that Waimakariri District Council has shown.

Future infrastructure strategies

- 4.80 We continue to support the requirement for infrastructure strategies. As a means to focus on the areas where local authorities spend the most, we see infrastructure strategies as an integral part of LTPs. Strong infrastructure strategies give a credible and believable long-term view of the issues and opportunities the local authority faces.
- 4.81 Our reading of all infrastructure strategies confirmed the strengths and weaknesses that were apparent from our earlier review of a small selection of these strategies.
- 4.82 Overall, infrastructure strategies prepared as part of the latest LTPs were adequate. Some strategies benefited from additional information and context. Where it was relevant and strategic, this additional information and context helped make these strategies more engaging and visionary.
- 4.83 Many infrastructure strategies were not clear about how the local authority would be placed in 2045 or did not foresee or plan for changes to either the financial strategy or changes to levels of service. Few strategies were clear about the most likely scenarios between 2025 and 2045 or beyond.
- 4.84 We encourage local authorities to work on the links between forecast infrastructure investment and financial strategies. Infrastructure spending forecasts beyond 2025 generally appeared to be unconnected to the LTP 10-year forecasts. Those local authorities whose strategies included other assets and more contextual information gave a fuller picture. Where strategies were an integral part of the LTP and clear about scenarios, they were often also more effective

at providing readers with clear and useful information about the infrastructure challenges facing the local authority.

- 4.85 We recognise that the timing of the introduction of the new 2014 legislative amendments for consultation documents and infrastructure strategies put significant pressure on local authorities. This was apparent in this round of documents. We expect more maturity in infrastructure strategies for the 2018-28 LTPs.

Other matters

5.1 In this Part, we discuss some other matters that arose during our audit of the 2015-25 LTPs.

5.2 We discuss:

- mandatory performance measures for activities, and three related audit matters; and
- local authorities including matters in their LTPs that were not in their consultation documents.

Mandatory performance measures for activities

5.3 LTPs must contain information about a local authority's main activities (described in the Act as "groups of activities"). The LTP must describe why the local authority is involved in the activity and how it will contribute to community outcomes, and state (in what the Act refers to as a statement of service provision) the performance measures and targets for the main activities.

5.4 In 2010, as part of reforms to make local government more transparent and accountable, the 2002 Act was amended to give the chief executive of the Department of Internal Affairs authority to make rules³² setting out standard performance measures for five groups of activities:

- water supply;
- sewerage and the treatment and disposal of sewage;
- stormwater drainage;
- flood protection and control works; and
- the provision of footpaths and roads.

5.5 The Government developed the rules in consultation with the sector between 2011 and 2013. The rules came into force on 30 July 2014.³³

5.6 In the latest LTPs, local authorities were required to include the performance measures specified in the rules. The LTPs also had to include:

- performance measures for major aspects of other groups of activities for which measures have not been specified in rules;
- performance targets for each performance measure;
- any intended changes to levels of service, with reasons; and
- the reason for any material change to the cost of a service.³⁴

³² Section 261B of the Act.

³³ The Non-Financial Performance Measures Rules 2013 are available on the Department of Internal Affairs' website, www.dia.govt.nz.

³⁴ Clause 4 of Schedule 10 to the Act.

5.7 Council-controlled organisations that provide one or more of the five groups of activities must also include the relevant performance measures in their statements of intent.³⁵

5.8 The aim of the mandatory measures is to:

- provide standard and better information about the levels of service for five groups of activities carried out by local authorities;
- help the public to contribute to discussions on future levels of service for their communities and to participate more easily in their local authority's decision-making processes; and
- enable people to compare performance by local authorities in the five activity areas.³⁶

Reporting on achievements

5.9 Every local authority's annual report must include an audited statement that:

- compares the level of service achieved in relation to a group of activities with the performance targets for the group of activities;
- specifies whether any intended changes to levels of service have been achieved; and
- gives reasons for any significant variation between the level of service achieved and the intended level of service.

5.10 In their 2015/16 annual reports, local authorities will be required to report on their achievements against the standard performance measures and their other measures. This reporting will enable members of the public to compare the level of service provided by different local authorities for the mandatory groups of activities.

Guidance for implementing the standard performance measures

5.11 The Department of Internal Affairs has issued guidance for local authorities on implementing the measures for each of the five groups of activities.

5.12 The guidance provides an initial focus for local authorities' reporting, and is intended to provide the basis for local authorities to then add their own commentary.

5.13 Although the rules require local authorities to measure particular things, they do not include any specified targets for local authority performance. It is for each

³⁵ Clause 10 of Schedule 8 to the Act.

³⁶ The Local Government Mandatory Performance Measures are available on the Department of Internal Affairs' website, www.dia.govt.nz.

local authority, in consultation with its ratepayers, to work out the level of service it intends to provide.

5.14 The rules provide performance measures for the major aspects of performance of the services concerned for the five groups of activities.

5.15 The guidance notes that, where appropriate to their circumstances, local authorities can add additional measures to the mandatory measures.

Considering intended levels of service

5.16 Previously, the Auditor-General had an explicit mandate to report on the adequacy of a local authority's performance framework as part of auditing LTPs. This changed when the Act was amended in 2010.

5.17 In 2014, our mandate was further amended for the 2015-25 LTPs. The 2014 amendments to the Act removed the requirement for us to report on whether the local authority had complied with the requirements of the Act about the LTP (legislative compliance).

5.18 For the latest LTPs, our mandate was to report on:

- whether the LTP gives effect to the purpose set out in section 93(6) of the Act; and
- the quality of the information and assumptions underlying the forecast information in the LTP.³⁷

5.19 The purpose of an LTP, as stated in section 93(6), is to:

- describe the activities of the local authority;
- describe the community outcomes of the local authority's district or region;
- provide integrated decision-making and co-ordination of the resources of a local authority;
- provide a long-term focus for the decisions and activities of a local authority; and
- provide a basis for accountability of the local authority to the community.

5.20 Although we are no longer required to report on legislative compliance, the focus in section 93(6) on activities, outcomes, and accountability means that the audit must consider whether the performance measures and framework, as set out in the statement of service provision, provide an adequate basis for accountability to the community for reporting on performance achievements.

5.21 The Act requires any information included in LTPs or annual reports to be prepared in keeping with generally accepted accounting practice, where there is a relevant

³⁷ Section 94 of the Act.

accounting standard.³⁸ PBE IPSAS 1 is the relevant accounting standard for service performance frameworks and reporting.³⁹ The standard covers the presentation of financial statements and statements of service performance and has an appendix that gives guidance on preparing those statements.

5.22 As noted earlier, the Auditor-General must also audit the statement of service provision in the annual report, which reports on the achievement of actual levels of service compared with forecast levels. The Auditor-General has an auditing standard that applies to the audit of performance reports in annual reports.⁴⁰ The standard requires us to:

- conclude on the appropriateness of the service performance reporting framework; and
- verify key aspects of the service performance report, including outcome and impact information.

5.23 It is necessary for us, in the LTP audit, to consider whether the statement of service provision in the LTP sets up an adequate basis for reporting at the end of the financial year.

Implementing the mandatory measures – audit issues

5.24 Two issues related to the mandatory performance measures arose during our audit of the 2015-25 LTPs. These issues were:

- One local authority proposed to omit a previous measure for an activity because the measure was not required by the rules.
- One local authority did not wish to include performance targets for some mandatory measures.

5.25 A related matter arose about reporting on regional achievements against the measures.

Should local authorities include measures not required by the rules?

5.26 The performance measures for providing roads and footpaths cover the following aspects of service delivery:

- How safe are the local roads?
- What is the overall condition of sealed roads in the local road network?
- Is the sealed roads network being maintained adequately?
- Are the footpaths that form part of the local road network being maintained adequately?

³⁸ Section 111 of the Act.

³⁹ PBE is short for “public benefit entity” and IPSAS is short for “International Public Sector Accounting Standards”.

⁴⁰ Auditor-General’s Auditing Standard 4, *The Audit of Service Performance Reports*.

- Does the local authority responsible for the service provide a timely response if there is a problem?
- 5.27 These matters are considered to be the major aspects of performance for roads and footpaths that will be common to all local authorities. However, performance measures have not been specified for some important performance aspects for some local authorities (for example, the quality of unsealed roads and issues of traffic congestion) because these issues do not affect all local authorities equally.
- 5.28 A local authority with a significant percentage (about 40%) of unsealed roads in its roading network had previously provided performance measures for unsealed roads as part of its performance framework. However, it did not consider that it needed to continue with those measures after the introduction of the mandatory measures. It proposed to exclude any measures about the quality of the unsealed roads in its LTP.
- 5.29 The quality of roads (not just the unsealed roads) had been a major issue for the community in the past. It was also an important matter that the local authority had consulted on in its consultation document.

Our concern about the local authority's proposed approach

- 5.30 We considered that the performance framework would be inadequate if the local authority did not provide measures for unsealed roads, because of the extent of unsealed roads in the district. We considered that the local authority's performance framework for roading and footpaths would not:
- be complete;
 - provide an appropriate basis for accountability to the community, because the local authority would be unable to fairly reflect its performance in all areas in its annual report;⁴¹ and
 - comply with generally accepted accounting practice.
- 5.31 We noted that the guidance on the rules says that local authorities can add additional measures where appropriate, and gives the example of unsealed roads as an activity for which some local authorities may wish to add measures. The guidance states:

Territorial authorities may wish to develop measures for unsealed roads, in addition to the mandatory performance measures. These measures could be voluntarily reported on by the territorial authority. This approach could be adopted by a territorial authority that has a significant portion of unsealed roads in their local road network. This could be useful for ratepayers and readers

41 See section 93(6)(f) of the Act.

*understanding of accountability documents and of the material levels of service being provided by the territorial authority to its community.*⁴²

- 5.32 We raised our concern with the local authority. It agreed to change its approach and include measures for unsealed roads, as it had previously. This meant that we did not need to include the matter in our audit report on the LTP.

Not including targets for the mandatory performance measures

- 5.33 Another local authority proposed not to include performance targets for all of the mandatory performance measures. This was because the local authority did not consider that it had enough information to provide realistic targets, and could not do so until it had the actual information it needed.
- 5.34 The Act requires the statement of service performance in the LTP to include the performance targets set by the local authority for each performance measure.⁴³
- 5.35 The local authority's position was that it could not disclose targets for all of the mandatory measures because it had not set them. It did not consider it could set realistic targets without actual performance information.
- 5.36 We advised the local authority that it did need to set performance targets for all of the mandatory measures. If the targets proved unrealistic, the local authority could report on this at the end of the financial year.
- 5.37 The local authority included targets for the mandatory measures for the first three years of the LTP rather than the full 10 years. The local authority noted that it would have more information from which to set longer-term targets when it prepares its next LTP in 2018.

Reporting about a region

- 5.38 Reporting regional performance is related to these issues.
- 5.39 In late 2014, local authorities in Otago agreed to a joint performance framework that would:
- provide communities with better context to assess the performance of their local authority in the Otago region;
 - enable better support and collaboration to drive improvement in Otago;
 - help to drive standards for future local government reforms; and
 - provide consistent performance information that allows closer scrutiny of efficiency and effectiveness.⁴⁴

42 The Non-Financial Performance Measures Rules 2013 guidance – Roads and Footpaths (February 2014).

43 Clause 4 of Schedule 10 to the Act.

44 See Queenstown Lakes District Council's 2015-25 LTP.

- 5.40 The Otago local authorities prepared seven key performance indicators, including for financial performance, and included them in each of their performance frameworks. They have not yet set targets because the measures are new.
- 5.41 Examples of regional performance indicators are:
- the percentage of building and resource consents issued within statutory framework, and average building and resource consent processing days;
 - rates for each ratepayer as a percentage of household income; and
 - the cost of administrative and support services as a percentage of organisational (the local authority's) running costs.⁴⁵
- 5.42 The intention is that, over time, there will be increasing commonality of performance reporting which, in turn, will enable ratepayers to assess the performance of their authority relative to the performance of other local authorities.
- 5.43 The Otago initiative fits with Local Government New Zealand's broader work on local authority performance. It also fits with the Government's intention that reporting against the mandatory performance measures in the five activity areas that the rules cover will enable people to compare performance more easily.
- 5.44 The initiative has considered whether each local authority in Otago could include in its annual report comparative information about the performance of other local authorities in the region. This would make it easier for members of the public to compare performance of their local authority with other local authorities in Otago. This information would be in addition to the core information required, and would not be covered by the audit opinion on the local authority's annual report.
- 5.45 In our view, it would be preferable for the comparative information to be based on audited (and therefore final) performance information rather than unaudited information. This would require good alignment for timing of reporting in the region.

Our comment

- 5.46 An LTP must provide a basis for accountability of the local authority to the community. To meet this requirement, an LTP must include an appropriate framework against which performance can be reported and assessed. In the two instances noted in paragraph 5.24, we did not consider that the LTPs as first presented to us would meet that test.
- 5.47 The local authorities responded to our concerns and made appropriate changes.

45 From Queenstown Lakes District Council's 2015-25 LTP.

- 5.48 It is important for local authorities to consider the Act's requirements carefully when preparing their LTPs and ensure that their LTPs meet those requirements.
- 5.49 When planning and reporting on operational performance, material can be provided that adds to the statutory requirements where this is necessary to adequately inform the community about performance. We encourage all local authorities to add additional measures to the mandatory measures where this will improve the way performance is reported to the community.
- 5.50 Initiatives such as regional reporting in Otago encourage us. This is a good example of the sector thinking beyond how to meet the minimum requirements to provide useful information to communities and enhance performance.

New options arising during the consultation process

- 5.51 We noted a few instances where local authorities included matters in their LTPs that were not identified as options in their consultation documents but arose during the consultation process.
- 5.52 The Act requires local authorities to include the important issues on which they seek views in their consultation documents. For each significant issue, the consultation document must set out the principal options for addressing the issue and the implications (including financial implications) for each of those options. The usual approach is for the local authority to then decide on its preferred option, having considered views given during the consultation process, and include that option in its LTP.
- 5.53 A new option could emerge as a result of consultation. If this happens, a local authority should seek legal advice. We saw the legal advice given to a couple of local authorities and it helped them to work out their approach. In brief, the advice noted:
- Where the new option arises during the consultation process, as a result of submissions, a local authority needs to consider if the option is of such significance that further consultation is required.
 - If the new option is a variation on an option on which the local authority has already consulted, then including the new option in the LTP would probably be low risk.
 - If the option is entirely new and was not in the consultation document, or did not arise as a result of public input but in some other way, a local authority would need to consider consulting on that new option.
- 5.54 Beginning a new round of consultation could put pressure on timeframes for adopting the LTP, so the new option would need to be very important.

- 5.55 Another way of dealing with it, if time does not permit consultation on the new option before adopting the LTP, is to amend the LTP after adopting it and consult on the new option as part of the amendment process or leave it until the next annual plan (if the issue just affects the annual plan that year and if there is time to wait).
- 5.56 Three local authorities consulted on proposed amendments to their 2015 LTPs within two months of adopting them. In one instance, a local authority proposed to commence an amendment process on its LTP on the same day of adopting it, but then decided it could wait for a couple of months. It would not usually be good practice to begin consulting on a new proposal at the same time as adopting a plan just consulted on. This could confuse the public.

6

The audit reports we issued

- 6.1 In this Part, we provide an overview of the audit reports that we issued on the 2015-25 LTPs. Of the 78 audit reports we issued, 66 were standard audit reports and 12 were non-standard audit reports (see Appendix 2).⁴⁶
- 6.2 We issued a modified audit opinion for Christchurch City Council's 2015-25 LTP. The remaining audit opinions that we issued were unmodified.
- 6.3 Twelve audit reports, including Christchurch City Council's, included an emphasis-of-matter paragraph. We emphasise a matter to indicate a significant uncertainty or other matter that we consider important enough to highlight to the reader.

Christchurch City Council

- 6.4 Christchurch City Council's 2015-25 LTP is the first it has prepared and had audited since 2009. Legislation enacted after the Canterbury earthquakes gave the Council an option not to prepare and adopt an LTP for 2012-22.
- 6.5 Christchurch City Council has had to deal with many issues as a result of the earthquakes. Many of these issues remain unresolved, providing challenges to the Council as it prepared its 2015-25 LTP.
- 6.6 The Council's LTP had to reflect the unique circumstances it faced, including:
- The Council has incomplete knowledge about the condition of its assets. The earthquakes damaged many of the Council's assets. Although significant rebuilding work is being completed, the Council does not have a complete record of the damage caused, the rebuilding work completed to date, and the long-term effect of the earthquakes on the assets' remaining useful lives and service potential.
 - The capital expenditure programme that the Council proposed in its LTP is significantly bigger than what it has completed before.
 - The amount that the Council can expect to receive in insurance revenue remains unknown.
 - The Council is uncertain how the rebuilding of the city, including the Council's assets, will be funded.
- 6.7 For each uncertainty, Christchurch City Council was required to determine its best estimate based on assumptions that it had made.

Audit report on the consultation document

- 6.8 We issued an unmodified audit opinion on the Council's consultation document and, to draw attention to disclosures, included an emphasis-of-matter paragraph. Those disclosures outlined the uncertainties about the assumptions in the

⁴⁶ For a plain English explanation of the types of audit reports, see "The Kiwi guide to audit reports", at blog.oag.govt.nz.

underlying information. We drew attention to them because the assumptions were significant.

- 6.9 We concluded that the consultation document provided a fair representation of the matters proposed for inclusion in the LTP.
- 6.10 The consultation document was presented in a way that readers could easily understand because it focused on the financial shortfall arising from the estimated cost of rebuilding and the options to address the shortfall. The Council, in its consultation document, was considering and consulting on the question: “How is the Council going to fund the next 10 years?” This is a broad question, but we concluded that it was reasonable in the circumstances. Because of the unique circumstances that the Council faced, it sought feedback from its community at a higher level than would be usual for local authorities dealing in a business-as-usual situation or proposing only incremental changes.
- 6.11 We also had to consider the quality of the information and assumptions underlying the information in the consultation document – whether the forecast financial information was reasonable and consisted of “best estimates/use of best information”. The Council was clearly disclosing the uncertainties in the underlying information and was using the best information available to it when the consultation document was issued. It was also clear to the community that the uncertainties are such that the LTP might need to change in the future as uncertainties are resolved.

Audit report on the 2015-25 LTP

- 6.12 We concluded that the LTP incorporated the Council’s best estimates and assumptions about the estimated costs to repair and rebuild the Council’s assets.
- 6.13 However, because of the damage caused by the earthquakes, and because of the uncertainties about how the earthquakes affected the Council’s property, plant, and equipment, we issued a modified opinion on the information and assumptions underlying the forecast information in the LTP.
- 6.14 Property, plant, and equipment balances are a significant component of the forecast financial statements in the Council’s LTP.
- 6.15 The additional details in an LTP, which are not in a consultation document, include:
- forecast financial statements for each of the financial years covered by the LTP;
 - the sources of funding to be used by the local authority, the amount of funds expected to be produced from each source, and how the funds are applied; and

- the content of the local authority's funding impact statement, which informs the community about the rates for the coming year.

- 6.16 This information is required to give effect to the purpose of an LTP.
- 6.17 As with the consultation document, we included an emphasis-of-matter paragraph. The paragraph drew attention to the disclosures in the LTP about the uncertainties about the assumptions in the underlying information relating to assets. Again, it was because those assumptions were significant.
- 6.18 These opinions are consistent with our annual audit opinions of the financial statements since the earthquakes.
- 6.19 The Council's own disclosures outline that it will continue to refine its estimates of the projected capital programme and the cost to repair earthquake-related asset damage, as well as the timing of those repairs and the associated sources. This may result in the Council amending its LTP in line with the changing circumstances, affecting the timing and the way in which Christchurch is rebuilt.

Effect of floods close to when long-term plans were adopted

- 6.20 Shortly before the statutory deadline for adopting the LTPs, much of the Manawatu-Wanganui and Taranaki regions experienced flooding. Manawatu-Wanganui Regional Council, Rangitikei District Council, South Taranaki District Council, and Wanganui District Council all suffered damage to their infrastructure assets.
- 6.21 The local authorities were not in a position to fully assess the nature and extent of the damage before adopting their LTPs. The local authorities used the best information they had about the extent of the damage at the time. However, they recognised that their analysis was limited and they disclosed this in their LTPs.
- 6.22 Although the local authorities adequately disclosed that they had more work to do to assess the damage and determine the implications for the community, we included an emphasis-of-matter paragraph in our audit reports to draw the readers' attention to the disclosures.
- 6.23 Potentially, each affected local authority might need to amend its LTP in the near future if the costs to remediate and repair the damage caused by the flooding are significant. We will continue to work with the local authorities as each learns the full extent of the damage sustained.
- 6.24 Sometimes, an emphasis-of-matter paragraph in an audit report is interpreted as a "black mark" against the local authority. However, an emphasis-of-matter

paragraph draws readers' attention to something in the document. In this instance, we consider that the local authorities took a pragmatic approach to dealing with the uncertainties, which enabled each local authority to meet its accountability requirements within the statutory time frames.

Long-term plans adopted late

- 6.25 The LTP is an important tool for the community to hold its local authority to account. Its primary purpose is to outline the financial and service delivery circumstances that the local authority faces and the proposed response to those circumstances.
- 6.26 Section 93(3) of the Act requires a local authority to adopt an LTP before the start of the first year to which it relates. That means that local authorities needed to have adopted their audited 2015-25 LTPs by 1 July 2015.
- 6.27 Three local authorities – Mackenzie District Council, Rotorua District Council, and Wairoa District Council – did not meet this statutory deadline.
- 6.28 We consider the delay in providing those three communities with an LTP to be unacceptable. Although, in August 2014, changes were made to the process for consulting on an LTP, the preparation of an LTP has remained largely unchanged and has been carried out four times from 2006. Local authorities should be able to plan effectively to meet the statutory deadline.
- 6.29 We consider it appropriate to refer to this statutory breach in our audit reports for the LTPs adopted after the statutory deadline.
- 6.30 We notified the Department of Internal Affairs of the breach of section 93 of the Act. It is a matter for the Minister of Local Government to determine what, if any, further action is required.

Appendix 1

Forecast local authority debt

The table below sets out the forecast 2015/16 and 2024/25 debt balances for each local authority. The table shows the highest to lowest forecast debt balance at 30 June 2025.

Local authority	Forecast debt	
	30 June 2016 \$000	30 June 2025 \$000
Auckland Council (Group)	8,046,305	11,588,644
Christchurch City Council	1,558,651	2,086,679
Wellington City Council	416,263	806,555
Wellington Regional Council	350,312	575,680
Hamilton City Council	415,084	494,085
Tauranga City Council	354,867	418,916
Palmerston North City Council	133,457	211,288
Kapiti Coast District Council	148,848	189,303
Waimakariri District Council	108,932	170,253
Nelson City Council	119,501	155,845
Dunedin City Council	247,845	153,124
Hutt City Council	154,926	151,937
Whangarei District Council	159,532	148,792
Far North District Council	99,043	142,922
Rotorua District Council	157,075	141,575
Timaru District Council	98,955	140,266
South Taranaki District Council	120,092	137,667
Queenstown Lakes District Council	120,455	134,192
New Plymouth District Council	118,080	128,160
Selwyn District Council	88,895	125,328
Tasman District Council	176,751	123,644
Waikato District Council	68,626	115,822
Marlborough District Council	60,500	108,500
Taupo District Council	158,802	103,141
Porirua City Council	77,145	96,236
Wanganui District Council	79,814	88,564
Horowhenua District Council	76,000	88,000
Waipa District Council	27,000	88,000
Hastings District Council	86,908	83,506
Manawatu District Council	58,369	79,999
Western Bay of Plenty District Council	148,003	79,003
Upper Hutt City Council	39,222	67,887
Ashburton District Council	55,723	65,712

Local authority	Forecast debt	
	30 June 2016 \$000	30 June 2025 \$000
Whakatane District Council	50,676	56,752
Masterton District Council	55,821	55,682
Kaipara District Council	74,536	53,079
Invercargill City Council	47,909	49,686
Central Otago District Council	3,421	47,538
Ruapehu District Council	30,252	43,754
Rangitikei District Council	15,275	37,708
Gisborne District Council	38,491	35,337
Waitomo District Council	52,834	33,651
Matamata-Piako District Council	42,427	31,966
Hawke's Bay Regional Council	22,342	31,068
Grey District Council	31,857	30,805
Buller District Council	26,787	30,154
Opotiki District Council	5,174	24,286
Gore District Council	14,202	20,541
Hurunui District Council	26,000	20,000
Hauraki District Council	46,569	16,092
Canterbury Regional Council	30,429	15,900
Stratford District Council	9,305	15,104
Wairoa District Council	5,550	13,104
South Wairarapa District Council	17,156	12,906
Kaikoura District Council	10,177	12,480
Westland District Council	18,184	9,289
Tararua District Council	13,142	9,027
Carterton District Council	10,774	8,215
Central Hawke's Bay District Council	9,115	7,964
Waimate District Council	3,549	5,382
Thames-Coromandel District Council	51,248	4,990
Southland District Council	-	4,858
Mackenzie District Council	105	4,105
South Waikato District Council	12,154	2,390
West Coast Regional Council	5,084	2,089
Otorohanga District Council	10,260	448
Chatham Islands Council	491	111
Bay of Plenty Regional Council	-	-
Clutha District Council	2	-

Appendix 1
Forecast local authority debt

Local authority	Forecast debt	
	30 June 2016 \$000	30 June 2025 \$000
Kawerau District Council	15	-
Manawatu-Wanganui Regional Council	20,000	-
Napier City Council	-	-
Northland Regional Council	-	-
Otago Regional Council	-	-
Southland Regional Council	-	-
Taranaki Regional Council	-	-
Waikato Regional Council	-	-
Waitaki District Council	-	-
Total debt	14,941,294	20,035,686

Appendix 2

Non-standard audit reports

The table below sets out summarised extracts from the nonstandard audit reports that we issued for the 2015-25 LTPs.

Local authority	Summarised extract from the audit report
Modified audit opinion with an emphasis-of-matter paragraph	
Christchurch City Council	<p>Every three years, a local authority is required to prepare a long-term plan. Due to the significant damage caused by the series of earthquakes from 2010 and resulting uncertainties about the extent of damage and the estimated cost of rebuilding, the Council faces unique circumstances in which to prepare its plan.</p> <p>Opinion</p> <p>Recognising the unique circumstances facing the Council, except for property, plant and equipment assets (the assets), where the Council:</p> <ul style="list-style-type: none"> • does not have the necessary underlying asset information; and • is unable to comply with generally accepted accounting practice in the valuation of its assets damaged by the earthquakes, <p>the information and assumptions underlying the forecast information in the plan are reasonable.</p> <p>Assumptions and underlying information about assets, on which the plan is based</p> <p>Without further modifying my opinion, I draw your attention to the assumptions and underlying information relating to assets, on which the plan is based.</p> <p>The Council's plan has been prepared using the best information that it currently has available, and is based on a number of significant assumptions. In the plan, the Council recognises that there remains a high level of uncertainty about the estimated costs to repair and rebuild the Council's assets.</p> <p>The Council has explained in its financial strategy that the plan depends on several interrelated factors, including:</p> <ul style="list-style-type: none"> • the Council's projected capital programme, including \$1,947 million of capital expenditure that is planned to be delivered during the first two years of the plan; • the sale of part of the Council's investment portfolio; and • the realisation of \$178 million of planned savings over the period of the plan. <p>The Council has set out on pages 265 to 275 of the plan the significant forecasting assumptions it has used in the preparation of the plan. These assumptions have been adopted by the Council in the knowledge that the Council continues to refine its estimates of the projected capital programme and the cost to repair earthquake related asset damage, the timing of these repairs, and the associated funding sources.</p> <p>The Council has explained the cumulative uncertainties that it faces, which might result in it amending this plan in line with changing circumstances, affecting the timing and the way in which Christchurch City is rebuilt.</p> <p>In drawing your attention to these issues, I am not commenting on the merits of the policy content that they reflect. I consider the disclosures in the plan to be adequate.</p>

Local authority	Summarised extract from the audit report
Unmodified audit opinion with an emphasis-of-matter paragraph	
Chatham Islands Council	<p>Uncertainty over the level of forecast funding for roading infrastructure</p> <p>Without modifying our opinion, we draw your attention to the following matter.</p> <p>As set out on pages 8 and 9 of the plan, the Council significantly relies on a range of funding agreements with government agencies to continue to operate and provide services to the community. These arrangements are negotiated periodically. A planned reduction in funding of roading infrastructure has not been quantified but the potential effect could be significant. The Council is in discussions with the New Zealand Transport Agency (NZTA) to address the shortfall. The consultation document is prepared on the basis that sufficient funding will be sourced from NZTA or another party to maintain funding at the current level.</p> <p>We draw your attention to these issues because of the significant effect that funding changes could have on rates, debt, investments, or levels of service during the 10-year period.</p> <p>We consider the Council’s disclosures about this matter to be adequate.</p>

Local authority	Summarised extract from the audit report
Dunedin City Council	<p>Uncertainty about achieving the total savings in the long-term plan</p> <p>Without modifying our opinion, we draw your attention to the fact that the Council needs to find about \$101 million of savings and efficiencies during the 10-year period of the long-term plan to meet its aim of keeping rate increases within 3% and to complete its planned renewal programme.</p> <p>On pages 3 to 7 of Section 1 of the long-term plan, the Council discusses the major issues it faces over the life of the plan and how it plans to address them.</p> <p>Within this discussion, the Council outlines that the level of rates it has forecast in the long-term plan exceed its desired 3% limit on rates increases, in seven of the 10 years of the plan. There is a gap of \$74 million of savings required from 2016/17 to enable forecast rates to be reduced to come within the Council's desired 3% limit. This is set out in Table 1 on page 4 of Section 1 of the long-term plan.</p> <p>The Council also outlines the significant level of renewals required in the next 30 years and the need to catch up on an estimated \$60 million backlog of renewals in the water and waste area. This includes assets that have exceeded their useful lives and are/or are not capable of delivering suitable service levels. The Council has forecast extra spending in the next 30 years, but there is a still a gap (\$88 million) between the Council's proposed funding levels (\$612 million) and the theoretical cost of the renewals needed (\$700 million). The Council notes that it expects that, through a combination of refining cost assumptions and delivering projects for less money, it can close the 16% gap between theoretical and actual cost to allow the backlog of renewals to be caught up by 2039/40. This gap totals \$27 million during the 10 years of the long-term plan.</p> <p>The Council is committed to consulting the community if the 3% rates target cannot be met without reducing services or where it considers "exceptional circumstances" require a rate greater than 3%.</p> <p>We draw your attention to these matters because, if the Council is not able to realise such savings, it might adversely affect rates, levels of service, and debt projections.</p> <p>In drawing your attention to these uncertainties, we are not commenting on the merits of the content that they reflect. We consider the disclosures in the long-term plan to be adequate.</p>

Local authority	Summarised extract from the audit report
Kaipara District Council	<p>Judicial Review Proceedings</p> <p>Without modifying our opinion, we draw your attention to the significant forecasting assumption as described in the Significant Forecasting Assumptions, see pages 92 and 93 of Part Two of the plan. The Council has assumed the Mangawhai Ratepayers and Residents Association's appeal against the High Court decision will not succeed. However, a successful appeal could result in a significant financial effect on the Council's ability to use rates revenue, both past and future, to service the debt raised to fund the Mangawhai Community Wastewater Scheme. This could cause the Council to default on its debt servicing and repayment obligations, which in turn could enable the Trustee, as security holder for the creditors, to collect revenue from rates the Council has set for other purposes and/or appoint a receiver who would have powers to set rates to recover the secured amount.</p>
Mackenzie District Council	<p>Breach of the Local Government Act 2002</p> <p>Without modifying our opinion, we draw your attention to the fact that, as disclosed on page 3 of the plan, the Council failed to adopt the plan before the start of the first year to which it relates. This is a breach of section 93(3) of the Local Government Act 2002.</p>
Manawatu-Wanganui Regional Council	<p>Uncertainties due to the potential impact of recent rainfall</p> <p>Without modifying our opinion, we draw your attention to the disclosures on page 8, about the potential effect of the recent rainfall. The Council's flood protection and drainage infrastructure have sustained damage. The Council has been unable to complete a detailed assessment of the remedial work needed. As a result, the Council is unable to determine the full cost of repairing the damage before adopting its plan.</p>
Opotiki District Council	<p>Uncertainties over the funding and timing of the Opotiki Harbour Transformation project</p> <p>Without modifying our opinion, we draw your attention to the proposed funding of the Council's significant investment in the Opotiki Harbour Transformation project (the project) as set out on page 200 of the plan. There is significant uncertainty about whether the amount of external funding needed for the project will be made available and, if funding is made available, when the project will proceed.</p> <p>If external funding is not available, the Council has stated that the project will not proceed because the Council does not have the financial resources to carry out the project on its own. Should the project not proceed, the expected economic and social benefits to the Council and community as reported in the plan is unlikely to eventuate, as set out in the assumptions on pages 193 to 201.</p>

Local authority	Summarised extract from the audit report
Rangitikei District Council	<p>Uncertainties due to the potential impact of recent rainfall</p> <p>Without modifying our opinion, we draw your attention to the disclosures on page 3, about the potential effect of the recent rainfall. The Council's roading assets have sustained significant damage. However, the Council has been unable to determine the cost of repairing the damage before adopting its plan. Once this information is known, the Council might need to amend its plan.</p>
Rotorua District Council	<p>Uncertainties over the limit being imposed on all capital expenditure</p> <p>As set out on page 8 and 9 of the plan, the Council has decided to set a funding envelope for the life of this plan that funds only 85% of the planned capital expenditure programme that the Council set out in its consultation document.</p> <p>In order to achieve this reduced level of capital spending over the period of the plan without affecting levels of service, the Council needs to find savings and efficiencies totalling \$56.4 million. On page 84 of the plan, the Council broadly outlines how it plans to reduce its capital expenditure, but at this stage has not identified any specific proposals to achieve the total level of savings required.</p> <p>To the extent that the Council is not able to achieve these savings, the Council will need to reduce its capital expenditure programme or borrow to fund the shortfall with the potential to affect the future rates requirement. This risk is highlighted by the Council on pages 84 and 238 of the plan, which sets out the financial strategy and significant assumptions.</p> <p>Breach of the Local Government Act 2002</p> <p>As disclosed on page 245 of the plan, the Council failed to adopt the plan before the start of the first year to which it relates. This is a breach of section 93(3) of the Local Government Act 2002.</p>
South Taranaki District Council	<p>Uncertainties due to the potential impact of recent rainfall</p> <p>Without modifying our opinion, we draw your attention to the disclosures on page 5, about the potential impact of the recent rainfall. The Council's roading assets have sustained significant damage. The Council has been unable to determine the full cost of repairing the damage before adopting its plan.</p>
Wairoa District Council	<p>Breach of the Local Government Act 2002</p> <p>Without modifying our opinion, we draw your attention to the fact that, as disclosed on page 1 of the plan, the Council failed to adopt the plan before the start of the first year to which it relates. This is a breach of section 93(3) of the Local Government Act 2002.</p>

Local authority	Summarised extract from the audit report
Wanganui District Council	<p>Uncertainties over the proposed wastewater treatment plant</p> <p>Without modifying our opinion, we draw your attention to the disclosures on pages 33 to 37 in Volume 1 about uncertainties over the specification, cost, timing, and affordability of the proposed wastewater treatment plant.</p> <p>While the costs for the wastewater treatment plant, as outlined in this plan, are the current best estimate of the proposed design, the Council is concerned that the design for the proposed wastewater treatment plant is unaffordable.</p> <p>As a result, the Council delayed construction of the wastewater treatment plant until 2017/18 while the design is reworked so that the treatment solution is more affordable for the community and for trade waste users. Until the design of the wastewater treatment plant is confirmed and the wastewater treatment plant is built, the future funding impact on the community and trade waste users will remain uncertain. In the meantime, an emergency short term resource consent to discharge effluent will be required. Once the design of the wastewater treatment plant has been confirmed, the Council might need to amend its plan.</p> <p>Uncertainties due to the potential impact of recent rainfall</p> <p>Without modifying our opinion, we draw your attention to the disclosures on page 3 in Volume 1 about the potential impact of the recent rainfall. The Council's roading infrastructure and its urban infrastructure networks, which include stormwater pipes, pumping stations, and parks, have all sustained damage. The Council has been unable to complete a detailed assessment of the remedial work needed. As a result, the Council is unable to determine the extent of the damage and the funding that will be required to repair the damage before adopting its plan. Once the extent of the damage is known, the Council might need to amend its plan.</p>

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Other publications issued by the Auditor-General recently have been:

- Earthquake Commission: Managing the Canterbury Home Repair Programme – follow-up audit
- Ministry for Primary Industries: Preparing for and responding to biosecurity incursions – follow-up audit
- Governance and accountability of council-controlled organisations
- Queenstown Lakes District Council: Managing a conflict of interest in a proposed special housing area
- Reviewing aspects of the Auckland Manukau Eastern Transport Initiative
- Annual Report 2014/15
- Service performance reporting: Results of the annual audits of TEIs for the year ended 31 December 2014
- Request for inquiry into the regulation of the ancient swamp kauri industry
- Kaipara District Council: The Auditor-General's decision on requests to make a report under section 44 of the Local Government Act 2002
- Consulting the community about local authorities' 10-year plans
- New Zealand Police: Enforcing drink-driving laws – Progress in responding to the Auditor-General's recommendation
- Response to queries about recovery from the Canterbury earthquakes
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