



Date: Tuesday 20 February 2024
Time: 9:30am
Meeting Room: Council Chamber
Venue: 26 Gordon Street
Dannevirke

Audit and Risk Committee

OPEN ATTACHMENTS

Item	Table Of Contents	Page
	Presentation - Audit New Zealand re Long-term Plan Focus	
1.	Presentation - LTP Focus Audit New Zealand - 20 February 2024	2

Auditing the 2024-34 Long Term Plan

Tararua District Council 20 February 2024

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Mana Arotake Aotearoa

Contextual considerations

- Local Government facing great uncertainty around:
 - Change in Government and impact on proposed LG reforms
 - Economic pressures
- The 2021-31 and the 2018-28 LTPs showed significant forecast capital expenditure compared with previous LTPs, which councils have historically struggled to meet.
- There is a need for continued leadership between central and local government to deal with climate change.
- Councils need to do more to better understand the performance and condition of their most critical assets.

Auditing the 2024-34 LTP

What I'm going to cover:

- Consultation document
- Infrastructure strategy
- Financial strategy
- Assumptions
- Long term Plan
- Areas of focus (5 C's):
 - Climate change
 - COVID-19 (the post Covid-19 economic environment)
 - Capital expenditure do-ability
 - Condition and performance of critical assets
- OAG Hot review process



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Initial questions to focus on key matters



What are the challenges the Council and Community face?



Where does the Council want to get to with these challenges?



What does it plan to do to get there?



Consider role of the Audit and Risk Committee

Consultation Document (CD)

The purpose of the Consultation Document (Sec 93B)

To provide an *effective basis*
for public participation
relating to the content of a
long-term plan



Local Government Act 2002

Consultation Document – our approach

- As auditors, in a normal year, we are to provide an opinion on whether the consultation document meets this purpose and whether it will prompt the right debate within the community.
- To do this we effectively are asking 5 questions...

Consultation Document – our approach



Do you know what you are talking about?



Are there any blind spots or obvious gaps?



Are you putting the tools together and doing the right level of thinking?



Are you explaining what it means for people?



Overall does it work? Is it sensible?

Role of the Consultation Document



Communicate effectively



A Consultation Document must:

- Tell the right story
- Join all the dots
- Make the choices clear
- Be easy to understand

What makes a good Consultation Document?



Clear



Relevant



Meaningful



Responsive



Compliant with legislation

CD: Summary of required content

Key issues and proposals
with options (including
preferred)

Impact of the proposals
on rates and debt and
levels of service

Key matters from the
financial and
infrastructure strategy

Proposals for significant
changes to the funding
system, including the
rating system

Impacts of rating
proposals across different
categories of rating units,
with different property
values

Audit report

Consultation Document: Underlying information

Underlying information to be adopted BEFORE the CD - s93G

Councils are given a lot of discretion

Taituara suggest to cover information in Sch. 10

- Community outcome information
- Group of activities information
- The full financial and 30-year infrastructure strategy
- Forecast financial statements and other disclosure
- The full revenue and financing policy & local board funding policy

Explain where public can go for further information

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Infrastructure strategy



To be more effective Infrastructure Strategies could improve in the following ways:



Be clear about the condition of the council's critical assets and what this means for the management of infrastructure;



Be better integrated and consistent with financial strategies;



Outline clearly the risks and impacts of affordability trade-offs; and



Address the main matters across all of the council's infrastructure assets.



Infrastructure Strategy

Infrastructure strategies with strong characteristics:

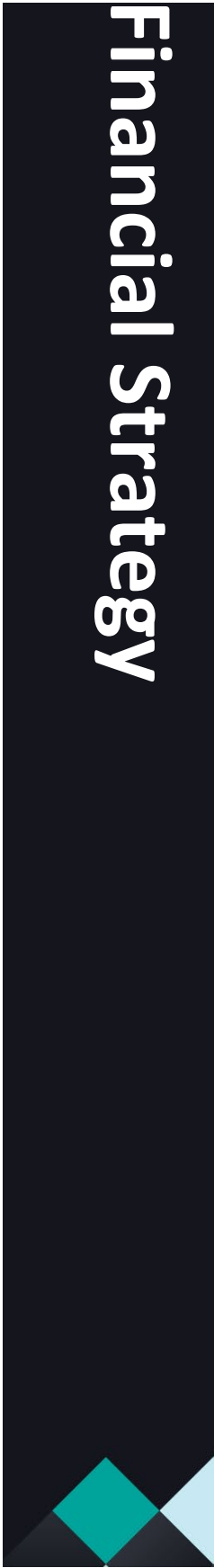
- Well integrated to the wider context of the Council and key financial information;
- Clear about the implications of the uncertainty on the reliability of asset information;
- Clear about the effect of change on infrastructure needs.
- Clear about the renewals gap, the implications and Council's planned resources if required; and
- Took a longer outlook than the minimum 30-year requirement and included more than the required asset activities.

Capital expenditure delivery

Number of councils spending less than 80%, between 80% and 100%, or more than 100% of their budgeted capital expenditure, 2012/13 to 2020/21

	Spent less than 80% of budget	Spent 80%-100% of budget	Spent over 100% of budget
2012/13	46	22	10
2013/14	44	21	13
2014/15	46	21	11
2015/16	45	20	13
2016/17	47	19	12
2017/18	35	23	20
2018/19	40	20	18
2019/20	52	13	13
2020/21	28	24	25

Audit and Risk Committee – Attachments – 20 February 2024



Financial strategy guidance from prior years still stands as useful:

Financial strategy guidance	
	Principal criteria
1	Does the strategy adequately explain/summarise the intended level of service (including consideration of the renewal profiles evident within asset management plans) and associated cost implications for both operating and capital expenditure?
2	Does the strategy adequately explain/summarise the intended revenue flows (all key funding flows including rates, development contributions, and other key revenue items), the use of debt (including internal borrowings), and associated funding implications?
3	Does the financial strategy clearly set out a strategic "destination"/end point? If the strategy is designed to achieve a particular financial position with implications for the community, are these made clear?

A good financial strategy



Has a starting point, position, opportunities and constraints



Provides environmental context, risks and mitigations on assumptions & uncertainties.



Defines a desired state, or "end point".



Presents trade-offs.



Provides guidelines on how to get there including funding sources.

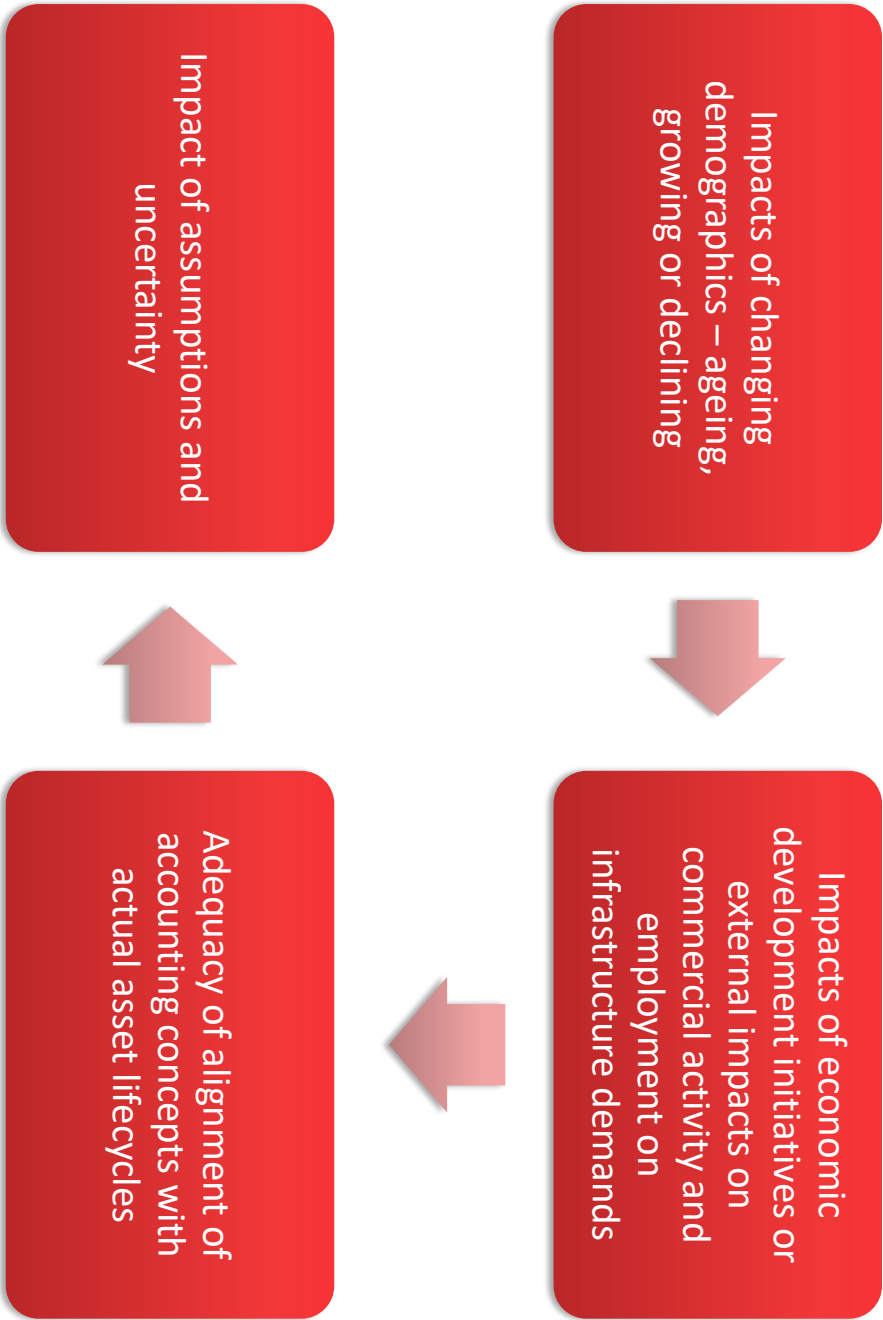


Is sustainable



Describes how are council is managing risks

Financial Strategy – other things to consider



Financial Strategy - S101A

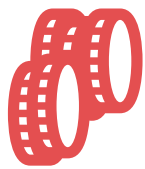
The content required in a financial strategy:

- Quantified limits links to prudential benchmarks
 - Rates
 - Rate increases
 - Borrowing
- How levels of service (LOS) will be affected.
- Overall tie to Infrastructure Strategy
- Include trade-offs (what can be afforded will impact on LOS)

Financial & Infrastructural Strategies



Common underlying circumstances and policy should inform both strategies



The Infrastructure Strategy also informs the Financial Strategy



S101A Financial Strategy requirements specifically link through content requirements

"...expected capital expenditure on network infrastructure..." and "factors affecting the LA's ... ability to maintain existing levels of service and to meet additional demands for services"

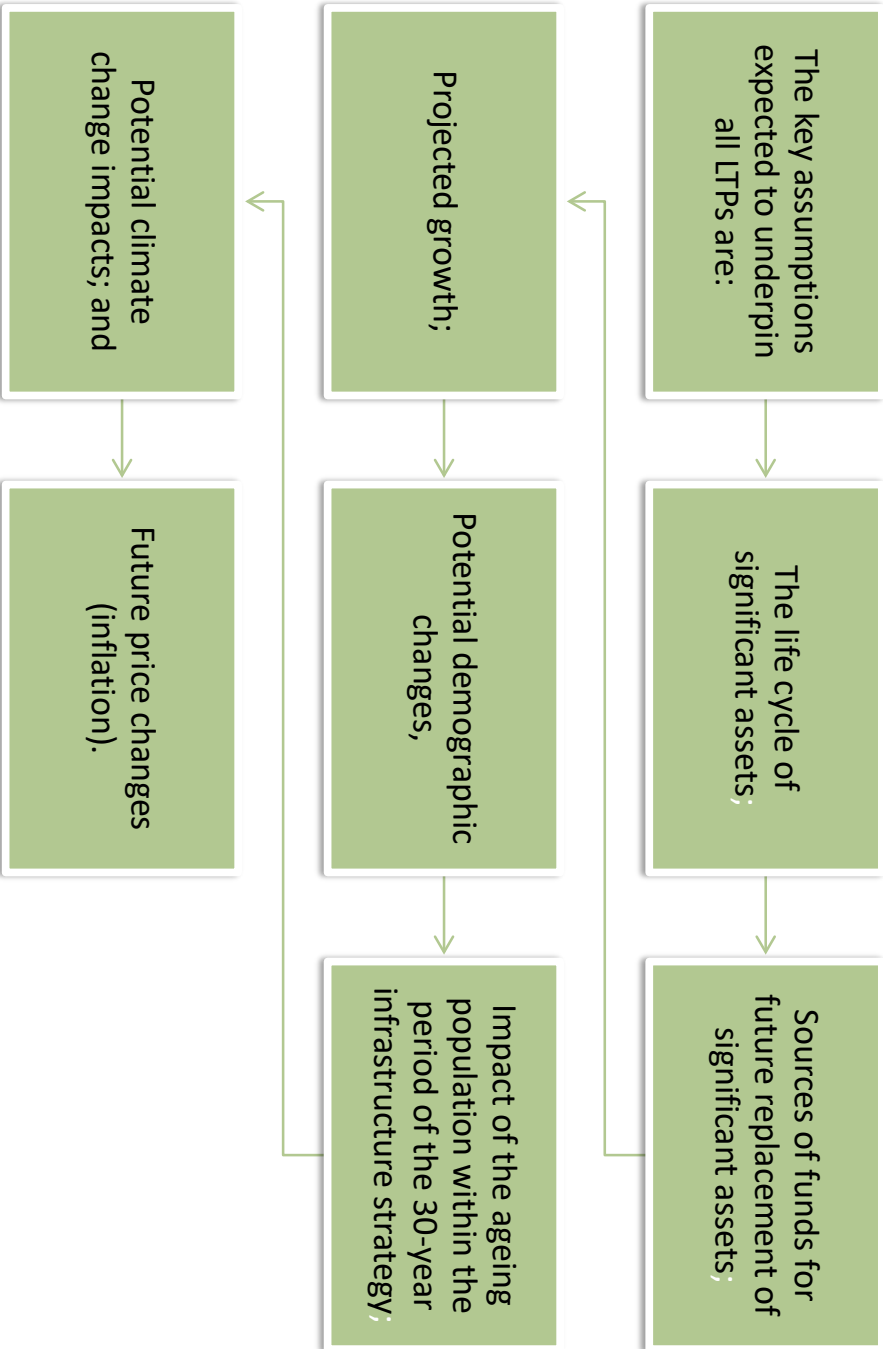
- Same assumptions need to underlie CD, LTP & Infrastructure strategy

Assumptions – Schedule 10 cl 17

... must clearly identify:

- (a) All significant forecasting assumptions and risks*
- (b) Must cover life cycle of significant assets and source of funds for future replacement*
- (c) Where there is a high level of uncertainty – explain the uncertainty and estimate the potential effects of the uncertainty on the financial forecasts.*

Assumptions



Long Term Plan – Purpose

The purpose of the Long Term Plan (Sec 93(6))

To provide *the basis for the council's decision-making and accountability* to the community.



Local Government Act 2002

Long Term Plan – Purpose

The purpose (section 93(6)) of the Long Term Plan is:

- Describe the activities of the local authority;
- Describe community outcomes
- Provide integrated decision-making and co-ordination of the resources of the local authority
- Provide a long term focus for the decisions and activities of the local authority; and
- Provide a basis for accountability of the local authority to the community

Long Term Plan - our approach

Our focus over the LTP is to determine whether it meets the purpose and is of appropriate quality:

Our approach is to:

- Gain an understanding of the changes arising as a result of the consultation process and assess the appropriateness of the changes throughout the LTP
- Review the reasonableness of the LTP, including certain disclosures contained within it.
- Confirm whether the prospective financial information complies with the requirements of GAAP.

Areas of focus – the 5 “C’s”



Consultation document



Climate change



Covid-19 (Post Covid-19 economic environment)

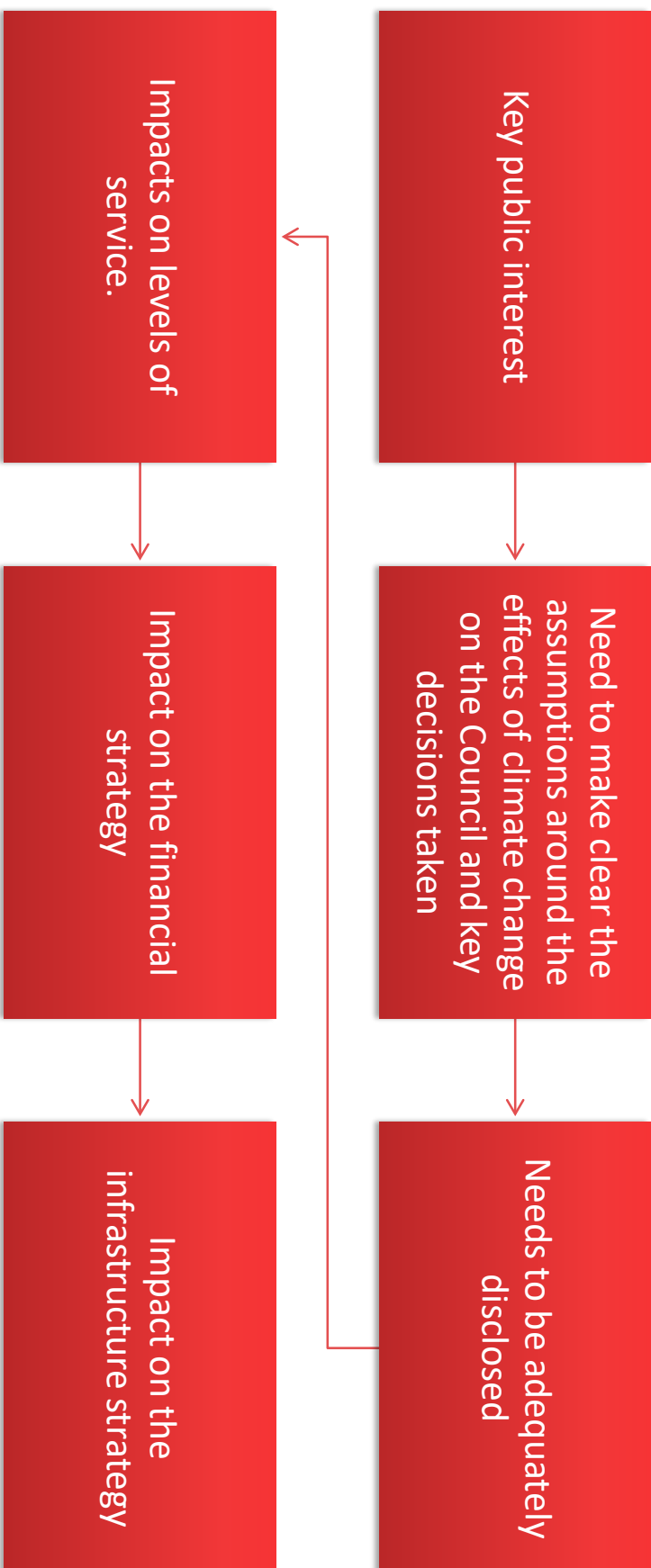


Condition and performance of critical assets

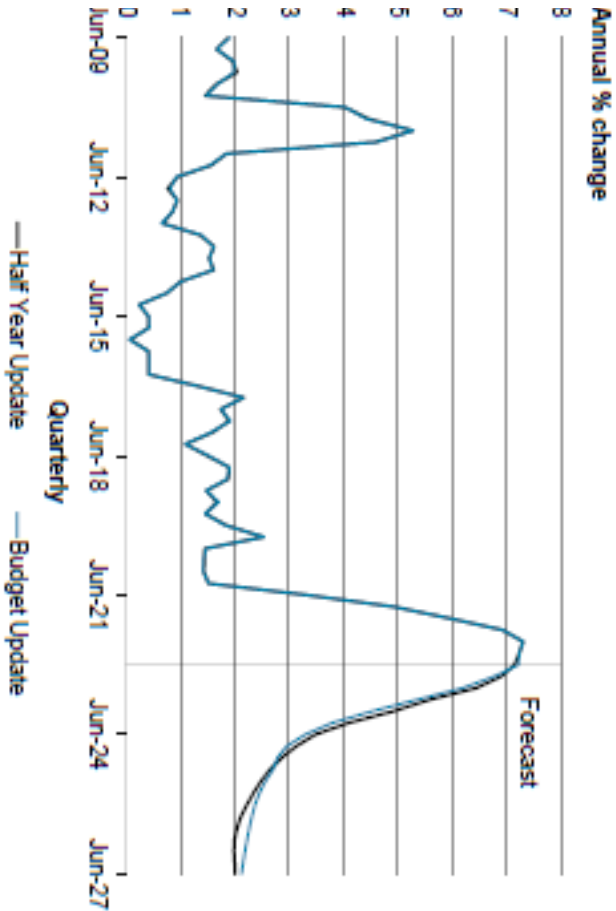


Capital expenditure do-ability

Climate Change



Post Covid-19 economic environment



Inflation becoming an issue for the first time in a generation.

Ratepayers now facing a cost-of-living crisis

Councils faced with balancing affordability with delivering on current LTP projects

Condition and Performance of Critical assets

Need to understand:

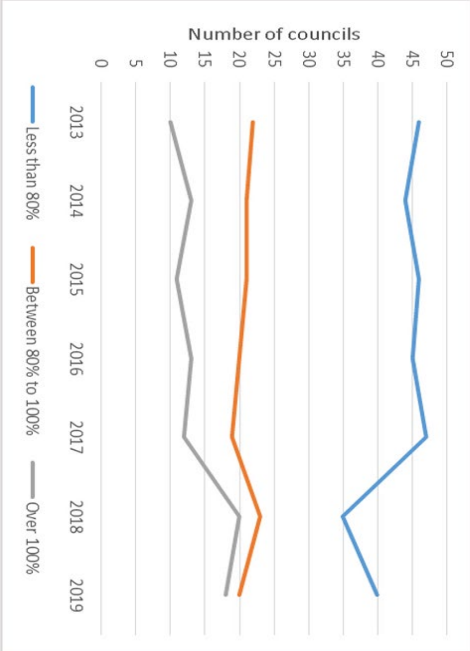
- What Council considers critical assets
- Condition and performance information for critical assets
- Renewals profile- forecasts must reconcile to other areas
- If a Council doesn't have good performance information, then can we give a clear opinion?

Capital Expenditure

Capital expenditure do-ability

- Eliminate poor planning.
- Eliminate optimistic budgeting.
- We will look at the actual versus forecast in the past in the last three years and develop an expectation.
- Could lead to a modification of the opinion if not reasonable.
- If outside of expectations, will need support for this.

Capital expenditure do-ability



Council will need a clear description about why capital expenditure is considered reasonable

OAG Hot review process

- All CD's receiving an opinion will be reviewed by the OAG
- Some LTP's will be reviewed by the OAG
 - All that did not have an opinion over the CD
 - Modified CD opinion
 - Modified opinion for the LTP
 - Changes in underlying information
 - At request of the auditor
- Factor this into the timing and project plan

OAG Reports:



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[Consulting matters: Observations on the 2021-31 consultation documents — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](#)

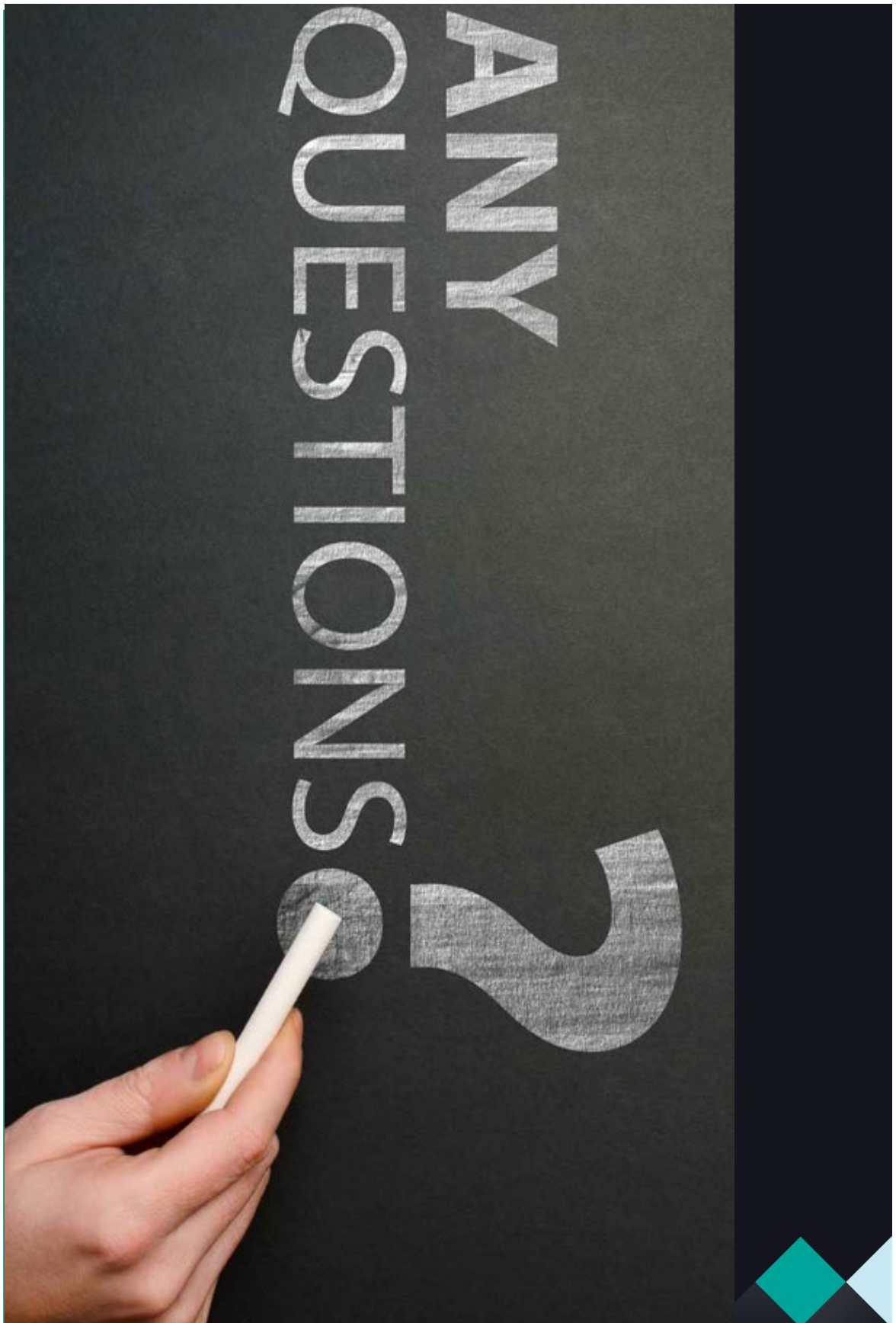


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[Matters arising from our audits of the 2021-31 long-term plans — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](#)

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