JIGSAW IV: PIECING IT TOGETHER
THE SOLGM GUIDE TO PREPARING AN INTEGRATED LONG-TERM PLAN UNDER THE LOCAL GOVERNMENT ACT 2002
We know how it works
FOREWORD

SOLGM’s revision of its guidance on long-term planning has been based on seven principles (which we call the seven pillars of wisdom in long-term planning).

These are:

1. **Long-term planning is long-term** – delivering services to the community on a sustainable basis requires thinking beyond the next year and the next triennium.

2. **The Right Debate** – getting the most from long-term planning is about creating and managing the right debate with the public. This right debate will focus on the council’s overall bundle of level of service, funding and policy choices and how these contribute to the community.

3. **Plan Your Plan** – successful long-term planning requires careful sequencing of determining and debating future intentions, and producing information that sets out the consequences.

4. **One Coherent Story** – a long-term plan should tell a single overall story

5. **Answer the “Why” Question** – being able to clearly and succinctly describe why your council does a particular activity, in terms that are relevant to the public, is critical to good long-term planning.

6. **The Flow of Logic** – each of the elements of a competent long-term plan will link with others in a logical way.

7. **The Continuous Plan** – planning is an ongoing process, not just a triennial document.

This guide is the fourth edition of the so-called “Jigsaw” first introduced by SOLGM in 2005. The use of the jigsaw “motif” symbolises one of the key aspects of the long-term plan (LTP) – that each piece of the LTP is interconnected and contributes to understanding the whole picture. The LTP is not something that is one department’s responsibility – input from finance and activity managers must be drawn together into a unified whole. Yet this kind of integration is not easy to achieve. This guide will make you aware of the linkages, and provide some guidance on ensuring that they are made.

The other key message from this guidance is that the changes introduced through the *Local Government Amendment Act 2014* (the *Amendment Act*) have not changed the disciplines of long-term planning in any material respect. What the Act has done is draw a sharper line between what information is necessary to consult with the community (the requirements of the consultation document), and that which serves as the basis for accountability with the community (the LTP proper). This guide has devoted substantial space to explaining what should be included within each, and what other information might be necessary to support consultation.

This guide is the fifth of SOLGM’s suite of guidance for the 2015-25 LTPs. It fully reflects both the lessons from previous LTP rounds and (of course) the amendments that have been made by the *Amendment Act*. 
This guide has been put together in extremely challenging circumstances. We literally did not know that the *Amendment Act* would become law until three weeks before its release.

That we have been able to do so is thanks to the following: David Ward, Chris Ingle, Martin Fletcher, Steve Gibling, Cindy Kent, Regan Solomon, Sarah Lineham, Jonathan Salter, John Sutton, Ian Carson, and staff at the SOLGM National Office.

I commend the guide to you and hope it proves a useful tool in producing a complete and integrated plan for your local authority and community.

Barbara McKerrow
President, SOLGM
August 2014
CONTENTS

Nineteen steps to a great LTP: A summary ................................................................. 6

Introduction .................................................................................................................. 8

Process pieces
  Culture and training ................................................................. 13
  Process management ............................................................... 15
  Communication plan ............................................................... 18
  Engagement coordination plan ................................................. 21
  Decision-making processes ..................................................... 25
  Quality assurance plan ........................................................... 27
  Stocktaking existing strategies and plans .................................. 29
  Information management plan ................................................ 34
  Audit of the LTP ............................................................................. 38

Content pieces
  Forecasting assumptions .......................................................... 41
  Community outcomes and activity choice ................................ 47
  Financial strategy ........................................................................ 53
  Infrastructure strategy ............................................................... 58
  Funding and financial policies ................................................... 61
  Consultation document .............................................................. 65
  Activity statements ...................................................................... 68
  Performance Information ............................................................ 71
  Forecast financial statements ..................................................... 75
  Council Controlled Organisations ............................................. 81
  Sundry documents ......................................................................... 84

Disclaimer

This guide represents the collective wisdom of the local government sector on long-term planning under the Local Government Act 2002. It reflects the amendments made in the Local Government Amendment Act 2014.

Every effort has been made to ensure that the information in this guide is as accurate as possible, including review by legal advisors and representatives of the Office of the Auditor-General.

The guide is not a substitute for appropriate legal and policy advice. Neither SOLGM nor the individuals involved in the preparation of this document accepts any liability for loss or damage arising from the use of material contained herein. Reading or using the information beyond this point constitutes acceptance of the terms of this disclaimer.
NINETEEN STEPS TO A GREAT LTP: A SUMMARY

The list that follows is a compilation of the “highlights” of the remainder of the Guide. While there can never be a guarantee of 100 percent success in a process that is as reliant on community engagement as long-term planning under the Local Government Act, the following steps will get your local authority a long way towards it.

1. **Embed long-term planning into the culture of your local authority** – long-term planning should be seen as part of everything you do. The best way to do this is to show people why it’s important to their jobs.

2. **Get your process right** – sequence the production of information and decision-making points logically, with allowance for slippage. Some key tasks such as:
   - ensuring asset information is up to date, and
   - aligning your strategies, policies, and plans with the LTP,
   - need not be bound to the triennial election cycle. Long-term planning cannot be done adequately in less than a year. Start early!

3. **Appoint the right project manager and empower them to get things done** – look for someone who knows your local authority and community, who is experienced in policy and decision-making processes and can manage complex projects.

4. **Communicate, communicate, communicate** – clear communication, both internal and external, is the secret to a good LTP.

5. **Coordinate how and when you engage both internally and externally** – at any one time your local authority (and outside agencies) could be engaging on any number of proposals. There are advantages to coordinating who goes to the community when (which does not mean you need to engage on all issues at the same time). Don’t forget the special consultative procedure is the minimum – some controversial or complex issues might be suited to some form of pre-engagement.

6. **Don’t forget that the LTP is a record of a series of decisions** – your decision-making processes need to be in order, and ensure you actively engage your elected members and senior management. It is their plan.

7. **Apply quality assurance throughout the process and not just at the end** – while much of the best quality assurance is done by people in the normal course of their daily jobs, long-term planning needs periodic checks for consistency and overall coherence of message by a fresh pair of eyes.

8. **Clarify the linkages between the LTP and other strategies, policies and plans** – while there is no right answer to the question “how does all this stuff fit together?”, lining things up in a way that makes sense for your local authority promotes consistency of direction, identifies key issues, and avoids confusion.
9. *Pay attention to your protocols for managing information* – having central repositories, control arrangements, naming conventions and the like may seem mundane, but could save you time and money later.

10. *Avoid using the audit process as your only form of quality assurance* – the audit is designed to provide assurance to the community that the plan is soundly based, it is not a substitute for quality assurance.

11. *Document your forecasting assumptions, apply them consistently, and review them as you proceed* – assumptions are one of the key building blocks of the LTP (especially those around growth and demand for your services and cost change).

12. *Your local authority "owns" community outcomes, take them seriously* – community outcomes are objectives that your council is working towards, that means your local authority must be committed to making them happen. They should influence your choice of activities, the performance management framework and your choice of funding tools.

13. *While there are five mandatory groups of activity, be sure to group the rest sensibly* – this will determine how transparent your plan is to the community, as well as playing a key role in the level of detail you disclose, and even the design of planning and reporting systems.

14. *Your financial strategy is critical to success of your LTP* – a good financial strategy clearly presents both the financial consequences of the issues and decisions in the LTP, and how your local authority proposes to manage them. It is not just a set of numbers plucked from thin air without regard to sustainability of service.

15. *The infrastructure strategy needs to inform, and be informed by the financial strategy* – work on this strategy needs to proceed alongside the financial strategy, the two documents together demonstrate prudence and sustainability of service.

16. *Identify the significant issues early, they are critical for the consultation document* – a consultation document must present the key issues, identify them early, and be prepared to justify your choices. That enables you to start the consultation document at an early point in the process.

17. *Determine what your activity statements will look like at an early point in the process* – it helps with overall LTP design and helps activity managers understand what is required of them.

18. *Use your performance management frameworks to communicate value* – they must clearly show ratepayers what they can expect, in terms that are relevant to them.

19. *Involve CCOs in project planning the LTP* – you are responsible for their service delivery, and their financials have impacts on yours.
INTRODUCTION

Objectives for this guide

This guide revises and extends earlier editions of the SOLGM/NAMS publication *Piecing It Together: A Guide to Producing an Integrated LTP Under the Local Government Act*. The earlier publication was produced to assist local authorities to develop and refine an integrated planning processes for the preparation of each of the 2006, 2009, and 2012 LTPs. The jigsaw theme emphasises that successful long-term planning is the result of a coordinated and committed approach to the process, and that everyone in your local authority needs to take ownership of the plan. This guide builds on its predecessor by:

- updating the guidance to reflect changes made to the *Local Government Act* during 2012 and 2014 and
- revising the guidance to incorporate the lessons learned during 2012 long-term planning processes.

The seven pillars of wisdom in long-term planning

Successful long-term planning is built on seven key ideas – as an aide memoire (and with apologies to Lawrence of Arabia) we refer to these as the seven pillars of wisdom in long-term planning.

These seven ideas underpin this guide and all of the other guides in the suite. Taken together the seven pillars reflect both:

- the key lessons from the first four rounds of LTPs and
- the result that Parliament had in mind when it passed the *Act* in 2002 (and in subsequent amendments).

Perhaps the biggest single step you and your local authority can take when starting the process is to measure your last processes and plans against these seven pillars and decide how best to instil these into your future processes.

Many of the other guides deal with one or two of the pillars, this guide is unique in its coverage of all seven of the pillars below:

1. *Long-term Planning is Long-Term* – delivering services to the community on a sustainable basis requires thinking beyond the next year and the next triennium.

   Local government exists to meet community needs and wants effectively, efficiently and in a way that meets those needs and wants now and in the future. If done properly, long-term planning helps make the present and future consequences of decisions and tradeoffs clear to all – for example that this decision to defer maintenance reduces the rate requirement now, but at a loss of service potential long-term.
2. **The Right Debate** – getting the most from long-term planning is about creating and managing the right debate with the public. This right debate will focus on the council’s overall bundle of level of service, funding and policy choices and how these contribute to the community.

What is the right debate? For many local authorities the right debate is likely to be some variant on the theme of choice, priorities and tradeoffs between cost to the community and the community needs and wants that your local authority intends to meet.

The content requirements of the *Act* are all intended to support the right debate. Knowing not only what your levels of service are, but what you need to do to achieve them by way of maintaining or improving assets, plays a crucial role in driving the “cost side” of the plan. Your performance management framework enables both you and your community to assess whether your local authority is making the agreed contribution, and enables your local authority to take action in response. The content pieces set out later in this Guide provide you with the guidance to manage these inputs so the process focuses on the right debate.

Managing the right debate involves an early identification of the issues that are likely to be most critical to the community and ensures they become the focus of the remainder of the process.

3. **Plan Your Plan** – successful long-term planning requires careful sequencing of determining and debating future intentions, and producing information that sets out the consequences.

A successful LTP marries inputs from across your local authority including finance, asset management, planning, and service delivery. The sheer volume of work involved in organising this is significant but manageable with the right sequencing of some of the tasks, provided that the base of information on the current situation is both complete and accurate. Small delays in some key information sets can have big impacts later in the process. All of this points to the need to manage your planning process on a project footing, including a project plan, a senior level sponsor, a project manager, and project team.

4. **One Coherent Story** – a long-term plan should tell a single overall story.

The list of LTP contents prescribed in the *Act* runs to around six pages of legislation. All the LTP content (whether it’s a requirement or an optional inclusion) must “line up” to present the same story to the community – if part of the story doesn’t properly line up it leaves the public confused as to your intentions.

5. **Answer the “Why” Question** – being able to clearly and succinctly describe why your council does a particular activity, in terms that are relevant to the public, is critical to good long-term planning.

The reasons that underpin your choice of activities are a key piece of information
in and of themselves. A good rationale for service delivery helps the public understand why your council chooses to do things, or has a particular policy. Rationale for service delivery is also vital for developing good performance measures, and the reasons you provide a service may also be relevant to the way that you fund a particular activity.

6. **The Flow of Logic** – each of the elements of a competent long-term plan will link with others in a logical way.

A reader should be able to see a link between a financial strategy, the funding tools and the forecast financial statements. The choice of levels of service will determine what measures and targets councils use to assess their performance, and changes in levels of service will be reflected in asset plans and expenditure information.

7. **The Continuous Plan** – long-term planning is an ongoing process, not just a triennial document.

Your long-term plan is a snapshot at a particular point in time. That snapshot shows the outcomes of a process of planning, decision-making, action and evaluation that is continuous. Once adopted your plan becomes the basis for monitoring and evaluation – and all reporting to the public is against actions identified in the plan. The best performing local authorities have ensured the disciplines of long-term planning are ingrained into the organisational culture.

**Is a full LTP still needed?**

At this point some readers may be asking themselves why SOLGM continues to focus on the LTP and did not limit its guidance solely to the consultation document.

The 2014 amendments to the *Local Government Act* have not changed the information sets necessary for long-term planning in any significant way. What the amendments have done is drawn a clearer line between:
- the document that provides the basis for the consultation process (the consultation document) and
- the document that serves as the basis for on-going accountability (the LTP adopted at the end of the process – we’ll refer to it as the “LTP proper”).

The consultation document presents significant issues. While the Act gives some steer (such as a summary of the financial and infrastructure strategies), local authorities are given a lot of discretion as to what is included and what isn’t. At the same time the consultation document has to direct the reader to the information on which the consultation document relies.

Our view is that the required content of a consultation document is sufficiently wide enough that local authorities should have much of the information presently required under *Schedule 10* available at the point when the document is released. As we work through the different content pieces of the LTP jigsaw, we’ll provide you with our advice on which parts should be accessible during consultation, and why. As always though, some degree of judgement and discussion with your own legal advisors and auditors will be required.
Also the information, and anything else necessary for the auditors to render an opinion, must be adopted by the council (section 93G). We’d suggest that although a full draft might not strictly be necessary to run these processes, both the public and the council might benefit if this was put together in a coherent way.

The LTP proper needs to comply with all the content requirements of Schedule 10 – ranging from community outcomes to the disclosure of information about local boards. The full LTP requires an audit, and can only be finalised after the consultation process and post-consultation decisions have been made. If your local authority has not undertaken significant steps to prepare a full LTP, you may be leaving yourself and your auditors with too much to do in May and June.

The LTP Jigsaw explained

The use of the jigsaw motif is the best way of reinforcing the importance of integration and interlinking of all of the different aspects of the development of an LTP. The jigsaw we have developed has:

- process pieces – the plans, steps and the ways and means through which the LTP should be developed. Some are statutory requirements (such as the audit process), others represent good practice steps to better enable the process. These are shaded yellow in the diagram below, and
- content pieces – the disclosure and information requirements of the Act. These are shaded green.
For each piece of the ligsaw we ask the following questions:

- **why is this piece so important?**
- **how does this piece relate to the legislation** – this discussion clarifies which pieces are legislative requirements and which are regarded as good practice. Generally, most of the content requirements are legal requirements, while with a few exceptions (such as audit and decision-making) the process pieces are good practice
- **what’s involved with/should be include in this piece** – a short description of what work needs to be done, be it a piece of content that needs development, an action that should be taken, or a decision made
- **what other pieces are linked to this piece** – subsequent discussion of the various pieces of the jigsaw presents the linkages between them graphically. Each of the pieces under discussion is coloured yellow. Those pieces that are closely linked are shaded yellow or green (depending on whether they are process or content pieces). Those pieces that have little or no relationship with the piece under discussion are coloured white
- **when should the piece be prepared/be undertaken** – what is the optimum time to undertake this work
- **who should undertake the work?**
- **opportunities/things to watch with this piece** – what areas of risk are evident in previous practice or changes in the legislation
- **what other good practice information is available** – places where you can find further resources or information.

Each of the content pieces also answers the following three questions:

- **what are the sources for this information?**
- **what is the relationship between this piece and the consultation document** – is the piece one of the requirements for the consultation document either wholly or in part? What aspects of this piece should be treated as information that you are relying on for the purposes of the LTP (and why?)
- **where should this information be presented in the LTP proper?**
PROCESS PIECE: CULTURE AND TRAINING

Introduction

Culture and training is as much a state of mind as a process. Culture represents the perception and outlook of elected members and staff, and in particular the shared belief that the LTP is something that is important and that everyone wants to succeed. While a good LTP culture supports all of the seven pillars it is particularly closely linked to the first and last of the pillars long-term planning is long-term and the continuous plan.

Why are culture and training so important?

Many of the best LTPs are produced by those local authorities that embed the preparation of the LTP into all their management and governance processes.

What can be done to help create (or reinforce) a good culture for long-term planning?

The following are steps that will aid in building the right culture:

- *leading by example* – elected members and senior managers must demonstrate that the LTP is important.
- *select the right project manager and team* – one of the biggest steps in this process is to get “buy-in” from across the organisation. The selection of a credible project manager and team is important
- *communicate* - as a rule it’s better to communicate as frequently as you can, provided there is progress to report with each communication. Communication needs to sell the benefits of the plan, not just for the organisation as a whole, but for the individual parts of your authority, including:
  - increased certainty for the local community (for example predictable rates)
  - increased credibility with the community as the plan provides better explanations of why your local authority does the things it does (and why some requests have to be declined)
  - more effective asset management planning and financial planning
  - introduction of more rigour into decision-making processes (prioritisation)
  - better identification of capacity issues both within and outside the local authority (such as constraints in the civil engineering market) and
  - earlier identification of “problem issues” (and hopefully resolution).
- *support with training* – the LTP should be a key feature of the first meeting of the new council, and the induction materials they receive. New staff (and newly elected members) should receive a similar brief but targeted to making the job relevant to them. In terms of the ongoing training the following may be areas to concentrate upon:
  - project objectives, scope, roles and processes
  - how to train for topics such as levels of service and performance measures, budget processes, policy development standards, decision-making processes.
- *link personal performance with LTP work* – show people why the LTP is important for their day to day jobs. Staff ownership will not come just by putting LTP objectives into a performance agreement.
**How does culture and training relate to the legislation?**

The only direct requirements for culture and training are placed on the chief executive by *Schedule 7* and are not specific to the LTP.

**When should the culture and training plan be prepared?**

It is important that culture and training be factored into the overall project plan and considered alongside the communication plan and the decision-making processes.

**Who should prepare the culture and training plan?**

This is an organisation wide responsibility, but the primary responsibility for establishing an LTP culture rests with the chief executive and senior management.

**Opportunities/things to watch with culture, training and the LTP**

The LTP is or becomes disconnected from the daily business of the local authority. Some view the LTP as a distraction from day-to-day business. Often this perception comes from senior managers (including, on occasion, the chief executive).

SOLGM has noted wide variation in the level of involvement of elected members in the LTP. In some cases this is a result of the way staff manage the process, in other cases it reflects elected members not seeing LTP development as part of their role, or as a high priority.

Some local authorities adopt a “minimum compliance” approach to preparing an LTP. These attitudes tend to manifest themselves both in the LTP and the community response to it.

**What good practice information is available?**

Culture is something that is highly local authority specific – and thus it is not surprising that there is little in the way of good practice information.
PROCESS PIECE: PROCESS MANAGEMENT

"In the long-run, it is communities that are most affected by a local authority’s inability to effectively manage (a long-term planning) process and produce a quality LTP.”

Lyn Provost, Auditor-General

Introduction

This piece is probably the most important to get right, if you want to produce an integrated LTP, on time, and with the minimum of stress. This piece relates most closely to the third and seventh of the pillars of wisdom – plan your plan and the continuous plan.

Process management incorporates not only the production of the consultation document and the LTP proper, but also the other tasks such as preparing underpinning information, stocktaking existing strategies and the like.

Why is process management so important?

Good process management ensures you do it once, and do it right. Good process management ensures that long-term planning is adequately resourced and that there are links between the production of the information and policies, council decision-making, and community engagement.

How does process management relate to the legislation?

There is no legislative requirement to manage the LTP process – but good process management is the single biggest step you can take towards a good LTP. The Act allows you to design your own planning processes in the way that best suits your community (subject to the content requirements and processes of the Act).

What other processes are linked to process management?

All process and content requirements must be incorporated into the design of your LTP process.

Who should determine the process and prepare the project plan?

The LTP project team should prepare a proposal setting out the overall process, resources and key milestones. This proposal should only be prepared after consultation within the organisation (especially the CE and senior managers). The proposal should then be workshopped with elected members resulting in a set of decisions about the scope of the project, and other parameters such as decision-making processes.
Opportunities/things to watch with process management

Sequencing of tasks is critical – especially with those that relate to the production of activity information (such as performance measures). A good LTP process will generally look something like the following:
Build in time for contingencies (especially around decision-making) and day to day business – this avoids the possibility that as one task falls behind overall progress is slowed.

Reliance on one or two staff can be unavoidable in smaller local authorities – but can also leave your local authority vulnerable should they suddenly become unavailable.

Leave time for quality assurance and audit processes.

The overall project management role must be assigned to staff with the authority to “make things happen”.

Frequent, meaningful monitoring of progress against the project plan, means that opportunities to take meaningful corrective action happen in time to make a difference.

**What good practice information is available?**

Office of the Auditor-General (2007), *Matters Arising from the 2006-16 Long-Term Council Community Plans*. This report sets out the Auditor-General’s expectations with respect to LTPs and highlights the areas for improvement for 2009 including the importance of project management.

Office of the Auditor-General (2010), *Matters Arising from the 2009-19 Long-Term Council Community Plans*. This report sets out the Auditor-General’s expectations with respect to LTPs. While noting a general improvement in LTPs, this document highlights overoptimistic timelines, some contingency planning issues, and attitude as key issues.

PROCESS PIECE: COMMUNICATION PLAN

Introduction
Good communications is a vital tool in ensuring you and your local community hold the right debate. A communication plan should be developed at an early point in the process.

Why is a communication plan so important?
The effectiveness of your communications plays a large part in determining:
• the degree of buy-in you get from the elected members and staff
• the effectiveness of your consultation
• how well media and public relations aspects of the LTP are managed.

How does the communication plan relate to the legislation?
There is no legislative requirement for a communication plan but the following principles are all relevant:
• having regard to the views of communities
• the conduct of business in an open and transparent manner
• engagement – especially now that some decisions under the Local Government Act do not require consultation under the special consultation procedure.

What should be included in the communication plan?

Internal communication
The communication plan should set out:
• how staff and elected members will be kept informed of progress against the plan (including timeframes for input and decisions)
• communication methods
• how best to inform elected members in LTP workshops
• how best to present material in staff training.

The look of the consultation document and LTP proper
There should be general agreement on what the consultation document and the LTP proper will look like, including:
• the “significant issues” that will form the majority of the consultation document
• the timeframe to arrive at an agreed look
• issues such as size, structure, flow, terminology, use of visual aids
• an early decision on how you will meet the requirements to have supporting information available during the special consultative procedure.

External communication with the community
The communication plan should set out:
• which external parties need to be kept in the loop on the LTP development
• when the communication is likely to occur
• what type of communication is envisaged
• identification and plans for managing communication/media risks
• how feedback will be given to the community.
Communications are separate from community outcomes process. It is important not to confuse communication activities with consultation activities.

**Internal focus**  
(Members and staff)

- Within council
- LTP document (process, accountabilities and deadlines)

**External focus**  
(Community, media etc)

- Stakeholders
- Community

**What other processes are linked to the communication plan?**

**When should the communication plan be prepared?**

The communications plan should be developed at an early point in the process, alongside your identification of key issues for the consultation document. The communications plan should be reviewed at each major LTP milestone is achieved.
Who develops the communication plan?

Communications input is central to the preparation and execution of the plan. Smaller councils may need to consider whether they need external advice.

Opportunities/things to watch with LTP communications

Identifying the key issues and messages at an early point enables clear thought on the presentation of these issues to the community – from which flows the development of the consultation document and structure of the LTP proper.

Think about the overall “look” of the consultation document and the LTP proper at an early point in the process. How will you present the options and analysis for each of the key issues? How will you present activity information in the LTP proper?

Internal communication can be just as important as external communications. Good internal communication enhances buy-in across that council and may generate opportunities to get the overall message out (for example by briefing customer service staff).
PROCESS PIECE: ENGAGEMENT COORDINATION PLAN

Introduction

This piece establishes what engagement is necessary and feasible in the lead up to the next LTP, how you plan to engage on issues (for example will you engage as part of a separate levels of service review), and rationalises engagement to the time and resource available. This piece supports the third pillar (plan your plan) but also helps you manage the right debate.

Why is coordination of engagement important?

At any given time your local authority and other agencies will be out engaging with the community on multiple issues. Coordinating your engagement makes the process easier to manage, avoids duplication, and makes responding easier for your community.

How does this coordination relate to the legislation?

The main legislative provisions are in sections 76 to 82 of the Local Government Act. The challenge is to ensure the statutory obligations are complied with, in a way consistent with the principles of consultation, and in a way that doesn’t lead to consultation fatigue in the community. Engagement is one of the primary means by which your local authority can gather information on community views and preferences (though not the only means).

What should be included in an engagement coordination plan?

The coordination plan focuses on engagement related to specific issues or proposals which feed into the LTP. The plan needs to be closely aligned to the levels of service work and your local authority’s significance and engagement policy.

The steps in the process are shown in the diagram overleaf. Your significance and engagement policy will be one key mechanism for prioritising your engagement. Be sure to document how you applied this in setting priorities. In addition you might also consider:

• is there a way to get better community input than formal consultation?
• is this a significant decision in relation to land or bodies of water?
• what engagement has previously been carried out?
• is there already a firm mandate to proceed without further consultation?
• is there scope for coordination with external agencies?
STEP 1 : Stocktake
Identify what engagement is currently being undertaken on levels of service, specific proposals, and the implications. Check on the engagement of other stakeholders. Also note what previous decisions are not up for review.

STEP 2 : Criteria
Establish criteria for prioritising engagement up to the time of the next LTP.

STEP 3 : Prioritise
Apply criteria to the list generated in Step 1. May require engagement with the community in and of itself!

STEP 4 : Implement
Put in place the mechanisms to undertake any engagement needed.

What processes are linked to the engagement coordination plan?

When should the engagement coordination plan be prepared?
This should be developed at the very start of the LTP process as it will shape decisions about how and when you engage on issues other than the formal consultation.
Who is responsible for preparing the engagement coordination plan?
This will be spelt out in the comprehensive project plan but should involve the communication personnel, and activity managers.

Opportunities/things to watch with engagement coordination
Has your consultation document set out all of the issues that you identified in preparing your engagement coordination plan? If not, then which needs to be changed?

Double check your engagement coordination plan against your significance and engagement policy. Are there any inconsistencies between the two?

Remember that you do not have to engage under the special consultative procedure for matters such as section 102 policy reviews. With these and other issues such as level of service review – your engagement must be in accordance with section 82. It may pay to document how your council applied the principles before you start.

The special consultative procedure has been amended to move away from reliance on the “written submission plus a hearing” model. Give careful consideration to the ways that your local authority might want to invite the community to express views on the matters in the consultation document (and other LTP related matters). There must be at least one opportunity for the community to interact with the community using spoken or New Zealand Sign Language communication.

Don’t forget the special consultative procedure is the legal minimum for engaging on your consultation document, and that the formal nature of the process can act as a disincentive to some groups. If you have issues that affect a particular group (such as youth) additional consultation using alternatives such as community fora, engagement online through Loomio etc.

Consultation on a wide variety of issues through the LTP process and timelines can be very challenging for many individuals and community groups. Various forms of pre-engagement on some of the big issues may provide you with better and more considered feedback on some of the big issues than solely relying on the consultation document.

It’s often a good idea to have a “plan b” (alternative means) for engaging target groups that can be implemented if the main plan is not working.

When presenting options make it clear what the consequences of each option are, and which (if any) is the council’s preferred position (the working plan).

Elected members must approve the plan for engaging and play a role in the engagement (failure to do this can create public and elected member perception that this is “the staff’s plan”).

Where there are no practicable options be sure to communicate this clearly.
What industry good practice is available?

NAMS (2007), *Developing Levels of Service and Performance Measures*, a useful Guide to various consultation techniques, and coordinating consultation (including making the most of your existing stock of information on community views).

SOLGM (2014) *Significance and Engagement Policies*

There is a wide variety of resources available on the International Association for Public Participation (IAP2) website [www.iap2.org](http://www.iap2.org)
PROCESS PIECE: DECISION-MAKING PROCESSES

“When is a decision not a decision? When it was made by the previous council.”

Anonymous strategic planner

Introduction
Adoption of your LTP is both a decision in itself, and the culmination of a large number of individual decisions. Your decision-making processes support all of the seven pillars of LTP wisdom.

Why are decision-making processes so important?
These processes enable decision makers to make informed decisions. To do this elected members need to have at least a general understanding of the LTP process and what part they are expected to play in the process.

How do decision-making processes relate to the legislation?
Decision-making takes place against the backdrop of the principles of local government contained in section 14. But the main legislative provisions relating to decision-making are in sections 76 to 81 of the Act. These include:

- the generation of options and analysis of options (section 77). Don’t forget there has been an amendment to section 77 that requires local authorities to assess any reasonably practicable options in terms of their advantages and disadvantages
- obtaining and considering information on community views (section 78)
- obligations when decisions are inconsistent with existing plans and policies (section 80)
- obligations to encourage Māori to contribute to the process (section 81), and
- a provision that enables local authorities to scale their processes to the available resources, the significance of the decision, and the circumstances in which the decision is taken (section 79).

What’s involved in the decision-making process?
A plan and timeline needs to be developed to ensure that decision makers are given the best possible information at the right time, so that they can make an informed decision. This includes:

- what do we need to decide?
- what are the optimal points for decisions?
- what level of detail is provided?
- what’s the best way for the decision makers to see “the forest, not the trees”?

Who should undertake decision-making processes?
The assessment of what level of compliance is needed with each decision is something officers should undertake, with the result of that advice provided to elected members as they make the actual decision.
Opportunities/things to watch with decision-making processes

Involve elected members in decision-making processes – don’t forget they are the people who will ultimately be held accountable for what’s in the plan.

Be sure to retain evidence that the requirements of sections 77-81 have been considered and complied with. The Court of Appeal decision in Whakatane District Council and Others vs Bay of Plenty Regional Council held that “accidental” compliance with these provisions is not sufficient, and therefore councils must turn their minds to how to comply when making decisions.

Your local authority must be able to demonstrate that your local authority had information on, and considered, community views (especially for the larger decisions).

Ensure that report templates direct the authors to discuss what the level of significance of the decision sought actually is and describe the steps that have been taken to comply with legislation. Templates should also direct the decision-maker to the relevant parts of the significance and engagement policy. In a similar vein, ensure that minutes record that community views were considered and what the council’s determination was.

Allowing plenty of time for all decision-making processes that contribute to the LTP – a key decision, that’s deferred pending further information can lead to delay in the overall LTP.

Watch for situations where individual elected members may, by their statements or conduct, leave themselves open to claims of predetermination (for example, if Councillor Smith says “he has heard enough on project x and has decided to support it” while submissions are proceeding).

What good practice information is available?

NAMS (2005). Optimised Decision-Making, contains useful discussion and tools for trading off levels of service and cost.

Court of Appeal judgement in Whakatane District Council and Others vs Bay of Plenty Regional Council (2010) – though some aspects of the decision relating to considering community views have been superceded by legislation. The High Court decision in Howe vs Keown (2011) traverses a situation where a claim of predetermination was brought against an individual councillor and was successfully defended.
PROCESS PIECE: QUALITY ASSURANCE PLAN

“Quality: doing it right when no-one else is looking”

Henry Ford

Introduction

Quality assurance is a vital part of developing an LTP and needs to be incorporated formally into your process (and thus is part of plan(ning) your plan). Quality assurance is an ongoing process, and not just a task that gets done towards the end.

Why is quality assurance so important?

Quality assurance helps ensure that your plan is:
• complete – legislative requirements are met, and the key issues are discussed
• coherent – all parts of the plan make sense individually and hang together
• consistent – all information is presented in the same way, and
• cost-effective – the need for rework is minimised.

How does quality assurance relate to the legislation?

A quality assurance process is a tool for ensuring that legislative requirements are met, not a legislative requirement of itself.

What other processes are linked to quality assurance?

Quality assurance is linked to all of the processes that go into a competent LTP.

When should the quality assurance plan be prepared?

It is important that quality assurance is factored into the overall LTP project plan – thus the quality assurance plan needs to be prepared before the LTP project starts (especially for things such as blocking out time in diaries of the senior management).

Who should prepare the quality assurance plan and carry out the work?

It is in everyone’s interest to ensure that both the consultation document and the LTP proper are quality documents and are the result of quality processes. An identified person should be responsible for ensuring that quality assurance occurs. Some of the best quality assurance is achieved from the informal quality assurance individual staff incorporate into their daily work. If you have an internal audit function then the conduct of formal quality assurance may be an appropriate role for them. Regardless, quality assurance must be applied throughout the whole process.

There is generally value in having a person at a senior level who is not involved in the day to day “nuts and bolts” preparation of the LTP undertake the final “stand back” test.

Some have suggested external peer review may be useful. A peer reviewer would need a reasonable level of knowledge of the local authority that may not exist.
outside of the local authority itself (even if the reviewer is from a neighbouring authority). Peer review is a part of a quality assurance plan rather than a substitute for it.

**Opportunities/things to watch with quality assurance**

External peer review can be valuable but be sure that your reviewers are sufficiently familiar with your local authority, and that reviewers don’t attempt to use the review as an opportunity to sell you “solutions”.

Limited assurance or assurance that comes too late may not make much difference to the final document. Quality assurance should not be reduced or “squeezed” if there is slippage in the overall project.

The most important assurance of all comes in your consistency and coherence checks.

The audit process can sometimes become a de facto quality assurance process. This will add to the time and cost it takes to produce your LTP and should be avoided.

**Good practice tips/what good practice information is available?**

*What should a good quality assurance plan include?*

<table>
<thead>
<tr>
<th>QA AREA</th>
<th>DESCRIPTION</th>
</tr>
</thead>
</table>
| Role and responsibility      | • Who is responsible for what part of QA?  
• A decision on the use of internal versus external resources.                                                                                   |
| Consistency checks           | • The general “does the whole document make sense” test.  
• Checking financials and groups of activity statements against the funding and financial policies.                                             
• Checking the mayor and/or chief executive foreword and/or strategic issues discussion align with the rest of the document. 
• Checking that forecasting assumptions have been consistently applied and reasons for any departures have been documented. 
• Consistency of language.                                                                                                                     |
| LTP preparation and processes| • Checks of data compilation controls.  
• Identifying project risks and pressure points.  
• Checking links between underlying data (e.g. AMPs) and the LTP.                                                                               |
| LTP content                  | • Legislative compliance checklists.  
• Checks of content against agreed formats.  
• Checks that the LTP is readable and as user friendly as possible (e.g. have the key issues for consultation been clearly identified?) |
| External audit               | • Liaising with auditors on how internal QA work may help with the completion of the external audit of the LTP.                                  |
| Key points                   | • List the key points of the LTP process at which QA needs to be satisfied.                                                                   |
PROCESS PIECE: STOCKTAKING EXISTING STRATEGIES AND PLANS AND LINKING TO THE LTP

Introduction
Your LTP links to a variety of other plans and strategies. These could be national (such as the New Zealand Transport Strategy), regional or your own. This piece of the jigsaw involves assessing all of these for currency and relevance and determining whether and how they link to the LTP. An example of the interlinkages is shown in the table below.

The stocktake supports all of the pillars of wisdom in some way but most closely links to long-term planning is long-term, the right debate, and one coherent story. The stocktake provides you with much of the information that goes into the right debate.

<table>
<thead>
<tr>
<th>National strategies</th>
<th>Regional strategies</th>
<th>Community &amp; district strategies</th>
<th>Implementation strategies/policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ Transport Strategy</td>
<td>Regional Land Transport Strategy</td>
<td>Recreation Policies</td>
<td>Asset or Activity Management Plans</td>
</tr>
<tr>
<td>National Policy Statement on Freshwater</td>
<td>Assorted regional policy statements</td>
<td>Three-Waters Strategies</td>
<td>Asset Management Plans</td>
</tr>
<tr>
<td>NZ Biodiversity Strategy</td>
<td>Regional Growth Strategies</td>
<td>Arts &amp; Culture Strategy</td>
<td>Water and Sanitary Assessments</td>
</tr>
<tr>
<td>NZ Waste Management Strategy</td>
<td>Civil Defence and Emergency Management</td>
<td>Community Outcomes</td>
<td>Stormwater Catchment Plans</td>
</tr>
<tr>
<td>E – Government Strategy</td>
<td>Regional Policy Statements</td>
<td>Existing LTP</td>
<td>Reserve Management Plans</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Organisation Capability and Development Plan</td>
</tr>
</tbody>
</table>
Why is the stocktake and linkage process important?

Establishing the linkages between the planning framework and stocktaking your strategies and plans provides your local authority with a sense of what is relevant and why.

It is important to have a clear sense of the position your local authority has taken on issues of importance. Such issues might include: service levels; future priorities; modes of service delivery; and the elected members’ judgement of your local authority’s role (having first considered the purpose of local government in section 10).

Decision-makers should consider the appropriateness of this suite of strategies in an integrated way – working out which of these is still relevant is one of their more critical decisions. A stocktake also helps development of the LTP by:
- checking that strategies and plans are consistent with the purpose of local government (as set out in section 10 of the Local Government Act)
- informing the development of community outcomes and any other priorities of your council
- highlighting any lessons from other strategies and plans, and
- avoiding duplication (especially where issues have already been consulted on and the intent is to place these in the plan as “non-negotiables”).

How does the stocktake and linkage process relate to the legislation?

There is no legislative requirement to undertake this process. The stocktake is consistent with the purpose of the LTP in terms of providing a basis for integrated decision-making and coordination of the resources of the local authority.

The stocktake process also provides clarity at the outset over those decisions that have been made following quasi-judicial processes (such as the district plan) which the LTP on its own cannot change (although subsequent change may be signalled). This makes elected members aware of exactly what decisions they can and cannot make in the LTP process.
What processes are linked to the planning stocktake?

1. Identify all your strategies and plans and any external strategies that are relevant.
2. Set all those plans within a framework that shows the linkages between them. There are some very good examples in previous LTPs.
3. Establish a template for reviewing the document as part of the stocktake. The template below represents a good starting point.
4. The results of this process should be workshopped with elected members as the results help establish links clearly and inform decisions about scope.

What’s involved in establishing the links between strategies, plans and the LTP and doing the stocktake?

1. Identify all your strategies and plans and any external strategies that are relevant.
2. Set all those plans within a framework that shows the linkages between them. There are some very good examples in previous LTPs.
3. Establish a template for reviewing the document as part of the stocktake. The template below represents a good starting point.
4. The results of this process should be workshopped with elected members as the results help establish links clearly and inform decisions about scope.
### Purpose
Test the objectives and activity choices in the strategies and plans against the purpose of local government (assuming you haven’t already done so).

### Objectives
What are the objectives? Do they align with community outcomes and how the elected members see your local authority promoting the outcomes?

### Definable actions
What actions were recommended/adopted as a result of the strategy?

### Status
Is the strategy still current? What process was used to determine the strategy? In particular was the process quasi-judicial in nature. Who approved the strategy (e.g. was it a previous council)? Does it cover the period of the LTP?

### Achievement
What actions in the strategy have been completed? What actions remain undone, and how central are they to the achievement of the strategy?

### Links to the LTP
Does the strategy influence levels of service? Was the strategy incorporated into the previous LTP? Why or why not?

### Funding/costing
Was costing and timing incorporated into the strategy? Are these still appropriate? Why or why not? Are there linkages to the revenue and financing policy?

#### When should this process be done?
The process of establishing a planning framework and taking stock of plans and strategies would ideally be done as part of initiating the LTP.

#### Who should do this process?
The process should be conducted by the members of the LTP project team or (in smaller local authorities) by someone with the corporate knowledge to be able to identify all the relevant material. Strategies usually have an identified staff member or members who are accountable for achievement of the strategy – they should assist with the review.

#### Opportunities/things to watch with the planning stocktake
A stocktake should cover the existing information in all strategies, policies and plans – downplaying those “owned” by the previous council, can lead to disconnects and contradictory messages.

As the stocktake is not a mandatory step some local authorities skipped a stocktake altogether. Long-term this can manifests itself in an overall lack of direction within the local authority, or a sense that your local authority “has too many priorities.”
What good practice information is available?

There is no single “right” way to align your planning frameworks. Most local authorities have produced a graphic showing how their plans and policies align.

Discussion on the purpose of local government and the type of thinking that local authorities need to employ when testing strategies, plans and activities against these can be found in the SOLGM publication *Purpose Clause: Frequently Asked Questions*.

Further discussion of the need to line up plans and strategies can be found in *Still Your Side of the Deal*.
PROCESS PIECE: INFORMATION MANAGEMENT PLAN

Introduction

An information management plan ensures the integrity of the information and systems being used by your local authority to gather, store and generate data for the LTP. It brings together and stores the information necessary to plan your plan.

The potential for inefficient management of information is greatest if:
- each department is recreating data best supplied centrally
- time and energy is spent trying to locate data (especially around audit time)
- changes in key parameters (such as forecasting assumptions) necessitate extensive re-inputting from one system to another
- unauthorised changes can be made by one person without recording the change
- information has to be imported manually from one system to another
- a significant amount of effort is required to format data to create the draft LTP.

Why is an information management plan so important?

An information management plan ensures that:
- data is gathered in a controlled and methodical way and is protected
- your systems are functional and remain so
- systems maximise use of templates and central repositories for information
- work associated with key parameter changes is minimised
- information can be reused in different parts of the plan, or other documents
- multiple people can work on the LTP
- the potential for inefficient management of the information is minimised (re-creation of data, reinputting manually and so on)
- simpler coordination and production of a draft document is enabled
- decisions taken by elected members in developing the LTP and the reasons for them are documented and readily accessible
- all information is available for both financial and non-financial aspects of the LTP.

How does information management relate to the legislation?

There is no legislative requirement to have an information management plan. However auditors will be interested in the systems and controls you have on the key information and in your documentation of sources. This helps them to develop their audit plan and express an opinion on the quality of information and assumptions underpinning the plan.
What processes are linked to information management?

When should the information management plan be prepared?

Systems and procedures for information management should be designed at the beginning of the LTP process.

Who should be involved in preparing the information management plan?

The efficient management of information is the responsibility of everyone involved in the preparation of the LTP, not just finance or information services:

- activity managers – asset management plans and other activity specific information
- finance – the financial statements and corporate assumptions
- information system – backup, notification requirements and so on.

The plan should then be discussed with the auditors who may have additional suggestions for internal controls. Audit confidence in the robustness of LTP systems will be enhanced if there are formal plans and procedures for data compilation and storage.

Opportunities/things to watch with information management

Controls are an important part of the planning environment - poor controls over data can lead to accidental overwriting of key parts of a model (such as forecasting assumptions).

Earlier implementation of new systems is generally a better approach. All new systems have glitches that take time to resolve. The year prior to adoption of an LTP is not a good time to be implementing new systems – especially financial systems and modelling tools.
Define your information needs before building or acquiring systems – otherwise you may find yourself stuck with reports etc, that don’t tell you what you really need to know, or systems that drive other processes by default.

Financial models need integrity checks and consistency flows (especially those that are spreadsheet based).

**Good practice tips/what good practice information is available?**

The Office of the Auditor-General has developed guidance on key controls for LTP development (below).

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard template guidance</td>
<td>• assumptions to be applied</td>
</tr>
<tr>
<td></td>
<td>• treatment of corporate overheads</td>
</tr>
<tr>
<td></td>
<td>• explanation (glossary) of terms</td>
</tr>
<tr>
<td></td>
<td>• guidance for users</td>
</tr>
<tr>
<td>Use of a central repository and/or other</td>
<td>• standard information available to all parts of your local authority such as demographic information (e.g. meshblock figures) useful asset lives unit cost rates documentation to support data?</td>
</tr>
<tr>
<td>systems</td>
<td>• what information needs to be restricted (and why) coupled with security procedures etc?</td>
</tr>
<tr>
<td></td>
<td>• naming conventions</td>
</tr>
<tr>
<td></td>
<td>• version control</td>
</tr>
<tr>
<td>Assignment of responsibilities</td>
<td>Who is:</td>
</tr>
<tr>
<td></td>
<td>• the keeper of each data set</td>
</tr>
<tr>
<td></td>
<td>• authorised to amend data</td>
</tr>
<tr>
<td></td>
<td>• authorised to access data</td>
</tr>
<tr>
<td>Internal controls over input</td>
<td>• back ups</td>
</tr>
<tr>
<td></td>
<td>• use of control totals, audit function and reconciliations</td>
</tr>
<tr>
<td></td>
<td>• recording source of data</td>
</tr>
<tr>
<td>Control over changes to input</td>
<td>• control over who is authorised to amend data</td>
</tr>
<tr>
<td></td>
<td>• reviews / approvals of changes</td>
</tr>
<tr>
<td></td>
<td>• changes to centrally calculated information (e.g. corporate overheads, depreciation, interest)</td>
</tr>
<tr>
<td></td>
<td>• review and approval of amendments</td>
</tr>
<tr>
<td>Protection of data</td>
<td>• cells protected, locked</td>
</tr>
<tr>
<td></td>
<td>• passwords</td>
</tr>
<tr>
<td></td>
<td>• access to data with different hierarchy of rights</td>
</tr>
</tbody>
</table>
| Evidence of consultation and decision-making | • process to identify points from consultation requiring decisions  
• processes to record decisions (and reasons)  
• links to relevant activity statements – issues and budgets  
• feedback mechanisms |
| --- | --- |
| Audit trails | • use of “lockdown” documents  
• access to corporate information |
PROCESS PIECE: AUDIT OF THE LTP

Introduction
The audit process generates a report for the reader that attests to the plan’s fitness for purpose and the quality of the underpinning assumptions. While the audit report supports all seven pillars of wisdom it most closely links to the right debate.

Why is the audit of the LTP so important?
The process is intended to benefit the local community, not the council. Experience from previous rounds strongly suggests that the local media will focus on a modified or non-standard opinion and most likely portray this in a negative light.

How does the audit relate to the legislation?
Both the consultation document and LTP proper must include a report from the auditor. Each reports on:

- whether the document achieves its purpose (in the case of a consultation document under section 93B, in the case of the LTP proper under section 94)
- the quality of the information and assumptions underlying the forecast information provided in the document.

When does the audit process occur?
Earlier discussion of the need for a “full LTP” emphasised that local authorities need to adopt both the consultation document and any information that supports the consultation process. For example, content on the financial and infrastructure strategies must be included in the consultation document, which means your local authority will need to adopt full versions of those strategies and the financial and asset information that supports them.

Although our upcoming discussion of each of the content pieces will highlight what SOLGM considers should be ready in advance of the consultation document, the exact nature and extent of this information is dependent on the issues in your consultation document. You should have an early discussion with your auditor about what information should be adopted with the consultation document, and what other information the auditor may need to render an opinion on the consultation document.

The major part of the audit process will probably take place in the lead-up to the adoption of the consultation document, with a smaller phase of work taking place before adoption of the LTP proper.

Some local authorities create opportunities for “audit as (they) go” by clearing particular aspects or approaches well in advance, for example one regional council cleared its approach to performance management through its auditor about a year before adoption. The earlier you identify the right debate issues, and discuss your approach to these and any likely points of contention with your audit service provider (ASP), the easier your overall process is likely to go.
Who is involved in the audit process?

Author’s note: At the time of writing the Auditor-General had yet to make a final decision on the need for a central review of all opinions before issue. We will advise should the final decision differ from that below.

The audit process is undertaken by an audit service provider (ASP) on behalf of the Office of the Auditor-General.¹

The Office of the Auditor-General will review each opinion on the consultation documents to ensure consistency of approach and judgement across the country. At this point, the ASP will forward a copy of the proposed opinion, the draft of the consultation document, and a summary of the key underpinning audit issues and for review.

The Office will not review all of the final LTP documents. It will normally do so where:

- a modified or non-standard opinion was given on the consultation document
- some major change has occurred between the consultation document and the LTP proper
- the ASP requests a review (which is usually based on an assessment of risk).

The ASP will need access to the information that underpinned the development of the consultation document and LTP, including asset/activity management plans, forecasting assumptions and financial projections. The ASP may need to talk to a wide range of individuals within your local authority. There are advantages in identifying a principal point of contact between ASP and your local authority as this will aid communication and make it easier to evaluate progress against project plan timelines.

Opportunities/things to watch with the audit process

Avoid using audit as a primary means of quality assurance. This adds cost to the audit, prolongs the process, and may focus your ASP on compliance aspects rather than the overall fitness for purpose.

Appoint a single primary point of contact for the auditors – having one point of contact avoids the ASP getting conflicting messages or spending time finding the right person.

Factor sufficient time into your process to allow the ASP to do their work, and for the central review by the OAG, both at draft and final stages.

Normally ASPs will do some pre-audit work, that is intended to help them identify areas of potential risk or areas to focus the audit on. In the first three rounds of the LTP this involved a review of planning systems and controls and a questionnaire

¹ The ASP is the decision maker; although the auditor will consult with the OAG prior to the delivery of the opinion.
on each local authority’s planning environment. A lack of attention to this phase of work may give your ASP the perception your local authority’s environment and systems are more of a risk than they really are – with downstream impacts on the level of work undertaken and the cost.

Preparing underlying information on a “just in time” basis - means that your ASP may not receive complete information, which potentially means several iterations of the audit.

**What good practice information is available?**


The Office reviews its methodology, approach and expectations after each LTP and makes them available well before the due date for adoption of the next plan.
CONTENT PIECE:
FORECASTING ASSUMPTIONS (INCLUDING GROWTH AND DEMAND)

Introduction
Forecasting assumptions are one of the factors that help frame the right debate. While all of your forecasting assumptions are important pieces of information in their own right, forecasts of growth and demand are major drivers of expenditure, and can play a role in your choice of funding instruments (especially development contributions).

Growth has three components, population growth, growth in the rating base (numbers of rating units and the size of the rating base) and growth in economic activity. These are quite different and can have different impacts. For example, some local authorities have experienced depopulation but have also experienced growth in the forestry industry and accelerated demand for bridge and pavement replacement to cope with increased volumes of high axle weight traffic etc. Growth in particular sectors of the community can also create demands for different services. An important consideration for the next 30 years will be the impact of retirement on the baby boom generation and its impact on affordability, at a time when the capital expenditure profiles are trending upwards.

Growth or decline in population or economic activity does not always have a linear relationship to changes in the level of demand for a service. The two should not be conflated. For example one additional apartment block might create very different additional demand for stormwater to the same number of people living in one story houses (as it’s the impermeable surface area that the determinant of the level of additional needs for stormwater disposal).

Why are forecasting assumptions so important?
Forecasting assumptions are one of the building blocks of the financial forecasts in your LTP. This is an area “armchair expert” readers will pay attention to, and their views on the quality of the assumptions will shape their views on the LTP. This strongly suggests that your significant forecasting assumptions need to be:
• realistic
• evidence-based - especially where assumptions are outside industry norms
• consistent with each other
• applied consistently across the LTP (unless there is good reason not to and the difference in treatment and reason are both disclosed in the LTP).

How do forecasting assumptions relate to the legislation?
Your LTP must disclose all significant forecasting assumptions, the level of uncertainty associated with each of these assumptions and quantify the potential effect of the uncertainty on the financial estimates. This includes growth and demand assumptions and your strategies for dealing with those. (And be sure these align with the relevant parts of each of the financial and infrastructure strategies).

All financial information must be prepared in accordance with GAAP. Accounting standard PBE FRS 42 Prospective Financial Information deals with the preparation of prospective financial information and requires that the statements reflect the best knowledge that your local authority has at the time the plan is prepared.
The auditor is required to express a view on the quality of the forecasting assumptions in their report on both the consultation document and the LTP proper.

What processes are linked to forecasting assumptions?

What information sources exist from which to draw forecasting assumptions?

What are the information sources?

Information for assumptions could be sourced from (this list is not exhaustive):

- Your previous LTP (but ensure these are still relevant and you may also need to reconsider the “significance” or otherwise of these)
- Reserve Bank and trading bank forecasts (in respect of interest rates)
- Statistics New Zealand
- Other organisations you work with
- Growth projections for population (both in terms of the numbers and the composition of the population) households, and rating base
- Historical trends (such as the trend of decreasing people per household)
- Assessments of water and sanitary services
- Economic development strategies
- Asset management plans (useful lives of assets)
- Governance structures (representation arrangements)
- Land Transport strategies (subsidies)
- Statements of Intent (for CCOs)
- The carbon market (price of emissions units)
- Property market trends (for development contributions)
- Other local authorities
- Accounting policies and asset valuations
- Asset/activity management plans (demand levels), and
- Existing and known future government policy.
It is likely that there will be two levels of assumptions. First, corporate level assumptions or those that are organisation wide and applicable to all activities of your local authority. Second, assumptions about individual activities should be developed (see below).

**Corporate wide assumptions**

**Assumptions for each activity**

- The assumptions meet the significance criteria
  - NO
  - YES

- Include in significant forecasting assumptions in LTP
- Consider inclusion in forecasting assumptions in Activity Statements

- Does the assumption involve a high level of uncertainty?
  - NO
    - No further action
  - YES

- State the uncertainty and the potential effect on financial estimates
The majority of forecasting assumptions will qualify for “significant” status through the third of those tests. Be particularly sure to look for any of the following:

- a material effect on your overall revenue, or
- a material effect on your overall operating expenditure, or
- a material effect on your ability to finance and fund future operating expenditure and capital expenditure as outlined in the LTP, or
- a material effect on assets employed by your local authority, particularly strategic assets, or
- a material impact on the overall ability to deliver intended levels of service.

**When should the forecasting assumptions and risk information be prepared?**

Assumptions should be agreed upon as soon as possible after starting the LTP project, but definitely prior to issuing budget templates to all departments. If possible, assumptions should follow the update of asset management plans, the preparation of water and sanitary assessments, and the revaluation of assets.

It may be necessary to review the assumptions midway through the process to ensure that they still represent the best information available to your local authority.

**Who should be involved in preparing the forecasting assumptions?**

The preparation of corporate assumptions will draw on a range of input but is likely to come mainly from finance, planning and asset managers.

Preparation of activity assumptions will be by activity managers.

There may be value in your local authority and its neighbouring local authorities (and the regional council) coming to a joint view on some key assumptions.

The LTP project team should decide which assumptions are significant.

The finalised package of significant assumptions should be approved by the senior management, with a “for information” paper to elected members.

**What is the relationship between the forecasting assumptions and the consultation document?**

Changes in growth and demand for services could be a significant issue in and of itself for presentation in the consultation document. The impacts of growth and changes in demand for services, and the funding of these, at an individual activity or project level could also feature. Known changes in the regulatory environment (such as Drinking Water Standards) and the costs of resolving those may be key issues in other local authorities.

Your forecasting assumptions support all of the information provided in the consultation document. Elected members will need to adopt this information before consultation begins.
Where should the forecasting assumptions be presented in the LTP proper?

We suggest that assumption information be presented in up to four places:

(a) growth and demand in high growth local authorities could well be an issue meriting inclusion at the front of the LTP proper

(b) growth and demand for the “five” groups of network infrastructure is an issue that must be discussed in the infrastructure strategy

(c) significant forecasting assumptions should be located in a table immediately adjacent to the forecast financial statements.

(d) within the activity or group of activity statements it may be helpful to record assumptions which are relevant to a particular activity but not significant across your local authority.

Opportunities/things to watch with forecasting assumptions

Any reasonable assumption of future price change is better than no assumption (which effectively is assuming zero price change). Failing to adjust forecast financial statements for future price change builds a systematic underestimation of future costs into your forecasts – which gets larger in the later years of the LTP.

Apply your assumptions consistently. Where you depart from an assumption, especially a corporate level assumption, you should explain the reason for the departure.

Avoid copying assumptions from others without considering whether and how these are really relevant to your own local authority.

Identify all assumptions with a high level of uncertainty and quantify the impact of the uncertainty on the financials. Failure to do this work can return to haunt you in one of two ways – first is assumptions are changing rapidly (say the level of development is not as great as you expected) – without sensitivity analysis you can be in for a very busy time. Second, it’s rare that all of the assumptions come to pass – and without some pointer in your plan along these lines you may be making a rod for your own backs.

Watch for overambitious capital programmes (on average around 80 percent of local authority capital programmes are completed in any year).

There are alternatives to merely providing increased capacity as a solution for growth and increased demand – better utilisation of existing capacity and demand and demand management techniques (such as pricing options) may be more sensible and feasible options.

Growth can be a service catchment by service catchment item – if you are using “district wide” assumptions be sure you have evidence to back them up.

Capital expenditure information in activity statements must now distinguish between the different drivers of capital programmes – growth and increased demand, increased levels of service and replacement/renewal of existing assets. This is also a vital piece of information for development contributions policies.
What good practice information is available?

_OAG Guidance for Assessing Significant Forecasting Assumptions_ - this document discusses the identification and reporting of risk and uncertainty, and includes guidance around the sorts of assumptions Audit expects an LTP to have. Note that this guidance was issued in 2004, but is still reliable. We understand an updated version will be included in upcoming release of the 2015-25 LTP audit methodology.

Office of the Auditor-General (2010), _Matters Arising from the 2009-19 Long-Term Council Community Plans_, provides some overall background on the assumptions that local authorities applied in their 2009 LTPs and underscores the importance of good sensitivity analysis.

SOLGM, _Price Level Adjustors and the Local Government Cost Index_ – each October SOLGM and LGNZ release forecasts of expected levels of price change for key local government input costs. These are prepared by BERL – one of New Zealand’s leading economic forecasters. The release date is driven by the release of June Quarter economic data from Statistics New Zealand. All future editions of the adjustors will be placed [here](#).

Sections 3.3 (Demand Forecasting) and 3.9 (Demand Management) of the NAMS _International Infrastructure Management Manual_.


CONTENT PIECE: COMMUNITY OUTCOMES AND ACTIVITY CHOICE

Introduction

The purpose of local government is to meet the current and future needs of the community for good quality local infrastructure, local public services and the performance of regulatory functions in a way that is most effective for households and businesses.

In pursuit of its purpose, local government has broad discretion and a reasonably broad set of powers. This part of the jigsaw discusses the processes by which the council sets objectives and turns these into an activity choice.

The linkage between the purpose, outcomes and activities includes:

- the preparation of a rationale for service delivery
- the grouping of activities, and
- disclosure of significant negative effects.

This set of disclosures supports two of the seven pillars of wisdom:

- answer the “why” question – your rationale for service delivery must explain what it is about your activities that contribute to community wellbeing (in other words not only what it is your local authority does, but why the community should care)
- one coherent story – this information when read in conjunction with your financials provide the overall “story” of the LTP – what the community gets and what they can be expected to pay.

Why are community outcomes and activity choice so important?

This piece of the jigsaw explains what your local authority intends to do, and why it intends to do it. Earlier editions of the jigsaw referred to this as “how your council intends to make life better for its community”. This is an important part of determining your levels of service and the right type of performance measures.

Making your community outcomes a clear set of objectives can only assist your elected members to better prioritise and make decisions, and assist your community to understand the decisions and actions of council.

It is important to get the definition of activities and the groups of activities right as it has implications for:

- the transparency and accessibility of the LTP to your community
- the level of detail you disclose in your LTP
- your financial and planning information systems, and
- the degree of sensitivity that your LTP has to changes after adoption.

How do community outcomes and activity choice relate to the legislation?

In 2012, the definition of community outcomes was changed to “the outcomes that a local authority aims to achieve in meeting the current and future needs of the community for good quality local infrastructure, local public services and the performance of regulatory functions.” This definition leaves little room for debate about the nature of community outcomes – they are objectives that the council “owns” and should therefore be working towards.
The Act is deliberately silent on the process through which your local authority arrives at community outcomes – the only procedural requirement is that they must be included in your LTP. Beyond this minimum requirement the process is entirely up to your local authority.

If your local authority hasn’t already done so it would be wise at this point to review all your discretionary activity against the purpose of local government.

Local authorities are also required to disclose, at group of activities level, the community outcomes the group primarily contributes to, which is also mirrored in the required disclosures in the annual report. This requirement raises some interesting practical and presentational issues:

- is there merit in using the expected contribution to community outcomes as one of the bases for developing groups of activities, alternatively
- given that when activities are grouped the outcomes they all contribute to will not necessarily align, does this point to a lower level of aggregation into groups, and
- the promotion of community outcomes forms a key part of rationale for service delivery – it may be necessary to have some understanding of the outcomes before the LTP work begins.

An LTP must set out how each group of activities is made up, explain the rationale for service delivery, and set out significant negative effects that any activity within the group of activities may have on the local community.

Each of the following must be defined as separate groups of activities in their own right – roads, water supply, wastewater disposal, stormwater disposal, and flood protection/river control.

**What are the practical implications of the legislation?**

(i) *Presenting information by activity or group of activities*

Experience from previous LTPs has shown that presentation of asset information, levels of service and financial information at group level can obscure key information. This points to a lower level of aggregation into groups, that is more groups with fewer activities in the groups.

However, other criteria could also be used to group the remaining activities for LTP purposes:

- contribution to outcomes – activities that contribute to the achievement of the same outcomes may be better candidates for grouping together than those that contribute to different outcomes
- patterns of benefit – different activities that have similar patterns of benefit across ratepayers and over time may be candidates for grouping together
- compliance costs – the costs of gathering and analysing information may not justify separate treatment for some activities, and
- community interest – in some cases the level of interest in an activity may justify treating it as a group in its own right
- transparency – on occasion certain issues may arise that warrant treating an activity separately. One example might be where your local authority is undertaking some improvement to levels of service and is concerned that grouping an activity with others might obscure the consequences of this improvement.

However your activities are grouped the important thing is that there is a clear, logical alignment between your objectives and the services that you provide, and that this link is not lost in a morass of information.

(ii) Identifying the rationale for delivery of the group of activities.

While it may be possible to develop a rationale for the groups of activities, differences between activities in the group may work against this. Performance information may need more specificity than a group level rationale can provide. Again more groups with fewer activities in the group may be a way around this (remembering you have the flexibility to decide what groups you report on and the composition of the groups).

Your rationale for delivery should be:
- succinct
- link to community outcomes and any other priorities of your local authority
- specific – remember the rationale should flow through into levels of service, and influence other policy choices.

While you may need to specify the mandatory activities for the benefit of your community, “we are required to do this” should not be relied upon as a rationale for service delivery by itself. Thinking about why the activity might be mandatory makes the definition of levels of service and other policy choices easier, thinking only that the activity is mandatory makes definition of levels of service more difficult.

(iii) Linking activities to community outcomes

There is often temptation to show the group of activities contributing to most or all of the community outcomes. The Act talks about outcomes to which the group primarily contributes.

The linkages can be drawn quite simply as in the following table or by graphical techniques (examples can be found in Still Your Side of the Deal).

<table>
<thead>
<tr>
<th>OUTCOME</th>
<th>EXPLANATION OF CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(iv) Significant negative effects

This requirement flows out of the sustainability focus of the Act, and is to ensure that local authorities think about these effects and strategies for managing them. The requirement is that the effects:

- must be significant
- must be stated by activity (not group)
- apply to any of the four well beings.

There is a link between the significant negative effects outlined in the LTP and the identified effects that must be described in the annual report (although the annual report requirement relates to any identified effects).

Good practice with this is a simple description of the effect and a brief statement of any action your local authority intends to take in response (if any) – perhaps in a tabular form.

<table>
<thead>
<tr>
<th>EFFECT</th>
<th>RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What other processes are linked to community outcomes and activity choice?

![Diagram showing various processes linked to community outcomes](image)
When does determining community outcomes and linking to activity choice occur?

You must disclose your community outcomes in the LTP proper. However, that document is a basis for accountability as opposed to a basis for consultation. If your local authority wishes to make changes to its community outcomes it has two options:

(a) treat these as a significant issue and include them in the consultation document
(b) consult separately, the practicalities of having the information LTP ready suggests local authorities would do this before the consultation document is adopted.

Ideally elected members would identify the objectives they want your local authority to work towards soon after they take office (many will start these conversations within a few weeks of the council being sworn in). Having this process done early also helps other steps such as selecting performance measures, making funding policy and the like.

Who should prepare the community information and be involved in the process of linking outcomes and activities?

Ideally those local authority staff involved in the community outcomes process would prepare the outcome information for the LTP. Activity managers should identify linkages between their activities and community outcomes.

What is the relationship between community outcomes, activity choice and the consultation document?

If your local authority is proposing significant changes to its community outcomes (or other strategic priorities) these changes should be included in the consultation document. That information might only focus on the changes themselves – though you may need the full set of outcomes for context.

You would be likely to include activity choice information in a consultation document if you are planning to start or stop an activity and this meets the “key issue” test.

Regardless, outcomes are an important piece of contextual information as they link to activity choice, levels of service and some funding policy issues. SOLGM considers it advisable for local authorities to treat this as a supporting piece of information and adopt it. Information on activity choice is also a necessity.

Where should community outcome and activity choice information be presented in the LTP proper?

Outcome information would appear reasonably near the front of the LTP proper alongside the other key strategic/big picture material. Note that the linkages between groups of activities and the community outcomes could be shown in some form of graphic.

Note that the linkages between groups of activities and the community outcomes could be shown in some form of graphic, and must be disclosed alongside other “group of activity” information. Linkages could also be shown at the beginning of each activity.
Opportunities/things to watch with community outcomes and activity choice?

Community outcomes are now things that your local authorities “own” both as a matter of law and in the expectation of the community. The decision whether to go for a council-centric set of outcomes or a set more in the style of the now-repealed section 91, needs careful thought.

Starting the outcomes process late may mean some degree of backsolving with rationale for service delivery and performance measures i.e forcing outcomes into the rationale for service delivery.

Rationale for service delivery - explain why your local authority is doing the activity (or has someone provide it on its behalf) – the rationale should focus on the end result, not on the means for delivering the activity.

Watch for rationale of service delivery that take the form of phrases such as “the legislation requires us to do this”, “it’s what we’ve always done” or “the community wants us to do this”. While these may all be true – they don’t necessarily provide much assistance with subsequent steps in the LTP process.

Although legislation requiring disclosure of significant negative effects no longer refers to the “four wellbeings”, thinking of the different social, environmental, economic and cultural impacts is still a useful device for identifying these effects.

Good practice tips/what good practice information is available?

McKinlay Douglas on behalf of Local Government New Zealand, (2004), Getting the Most from the Community Outcomes Process – however this material must be read with the understanding that it applies to more open and collaborative style outcomes processes.

CONTENT PIECE: FINANCIAL STRATEGY

Introduction
A financial strategy is a synthesis of the financial implications, constraints, and consequences of your local authority’s policy and service delivery decisions, and a top-down direction for the way in which these will be managed.

Why is the financial strategy so important?
The financial strategy will be both a key part of engagement with the community and the acid test of the financial sustainability and political/community acceptability of the package of policy and service delivery decisions. Your financial strategy is a key test of the coherence of all of the pieces of the LTP – if financials and levels of service do not line up, this will be the place that it shows.

The financial strategy is a tool for public accountability. Don’t forget that the measures of fiscal prudence require reporting of compliance with the limits on rates and debt that your local authority sets in its strategy. These will also form part of your pre-election report.

A good strategy will make the implications of spending and funding proposals clear to the community, and may then be a useful tool for supporting community engagement.

How does the financial strategy relate to the legislation?
A financial strategy is a mandatory requirement (see section 101A) and a mandatory inclusion in the consultation document and LTP. Your strategy must include:
- quantified limits on rates, rates increases and debt
- an assessment of the implications those caps have for sustainability of service – this is a key part of the strategy because it ensures that the caps are not merely numbers plucked from thin air without regard to their consequences
- policies on giving security for borrowing
- a statement of the objectives for holding and managing financial investments and equity securities – including quantified targets.

The strategy must also identify the factors that your local authority expects will impact during the life of the strategy including:
- changes in population and land use (and the cost of providing for those changes)
- the expected capital expenditure incurred on the five mandatory groups of activity
- any other factor that affects your ability to either maintain existing levels of service, or meet additional demand for your services (for example you might include capital spend on other activities, or maintenance costs).
What processes are linked to financial strategy?

Preparation of a good financial strategy will draw on a wide variety of policy and activity information from right across the local authority. Key linkages will come from the infrastructure strategy (especially for the five mandatory groups of activity) and asset or activity plans (for other activities). The diagram on the page overleaf shows just how much information is required for a sensible, compliant financial strategy.

What are the information sources for the financial strategy?

Preparation of a good financial strategy will draw on a wide variety of policy and activity information from right across the local authority. Key linkages will come from the infrastructure strategy (especially for the five mandatory groups of activity) and asset or activity plans (for other activities). The diagram on the page overleaf shows just how much information is required for a sensible, compliant financial strategy.

When should the financial strategy be prepared?

A good financial strategy follows an iterative process – resist the temptation to start the process with a hard and fast direction that “this is the strategy”. Preparation of a strategy should wait until first drafts of the activity plans and infrastructure strategy are available.
Review the contextual environment

- existing strategic direction (community outcomes, council vision, other strategies)
- existing financial situation (debt levels, mix of funding sources, existing financial position, current funding/financial policies)
- legal framework (prudent financial management, balanced budget, role of local government, financial disclosure regulations, functional legislation such as the Health Act)
- asset/activity information (existing activity plans, asset condition, expenditure etc)
- growth, demand, and other forecasting assumptions

Run input processes

- levels of service reviews
- asset planning
- funding and financial policy reviews

Infrastructure strategy

- Significant decisions
- Capex and opex forecasts

Drawing together the information

Develop the strategy

Document the strategy for public presentation

Who should be involved in preparing the financial strategy?

The financial strategy will call for input from across your local authority. The LTP project manager should be responsible for turning the strategy into something that can be publicly disclosed, but drawing heavily on input from finance staff and the key activity managers.

Elected members have a vital role in setting the limits – their input and decisions must be sought at a point well before they are asked to approve the consultation document.

Your auditors will pay particular attention to the sustainability of the financial strategy as part of their attest that your local authority has complied with the legislation (especially the obligation to manage finances prudently).
What is the relationship between the financial strategy and the consultation document?

The consultation document must include any matters of interest from the financial strategy. That includes, but is not limited to, the limits on rates, rates increases and borrowing.

The Act expressly precludes inclusion of the full financial strategy. The expectation is that this will take the form of a summary – or that matters that aren’t of much interest will be excluded. For example, if revenue from investments isn’t a significant part of your strategy, you might not need to disclose your rationale for holding investments. Few local authorities would need to say much about their policy on giving security for borrowing.

The proposed content of the full strategy must be adopted in advance of adoption of the consultation document. SOLGM also considers that this will also necessitate adoption of your revenue and financing policy, forecast financial statements, and statement on balancing the budget (especially if you are proposing to adopt an unbalanced budget, or there is some issue with the financial strategy).

Where should the financial strategy be presented in the LTP proper?

The issues and trade-offs that appear in the financial strategy mean that it should appear at or near the front of the LTP. Cross links to the forecast financial strategy, revenue and financing policy (and any other policies you are including in the LTP) are also a good idea.

Opportunities/things to watch with financial strategies

Strategies must take account of the sustainability of service. Those that do not will require constant revisiting as issues like deferred maintenance bite.

There must be a separate limit for each of rates, the level of rates increase, and borrowing. Some 2012 strategies omitted the first.

There will be a strong temptation to set the caps solely using a “top-down” process (e.g. we will keep rates increases to the level of inflation) – be sure that those responsible for setting caps have been furnished with advice on the implications of their decision before the decision is made.

Many of the 2012 strategies appeared to take a compliance focus – as a result some “strategies” were collections of information.

Don’t ever present a collection of spreadsheets or graphs as “your strategy”. A strategy is not just a set of numbers. Financial strategies must clearly articulate and synthesise the main issues, decisions and policies that the council is facing or has made.
What good practice information is available?

Office of the Auditor-General (2010), *Matters Arising from the 2009-19 Long-Term Council Community Plans*, provides some general observations about financial strategy and how these could be developed.

Office of the Auditor-General (2012), *Matters Arising from the 2012 - 22 Long Term Plans* discusses the findings from the 2012 financial strategies and provides some assessment of areas of weakness.


Those readers looking for good examples should look at those from Hamilton City (cited by the Auditor-General as the best), Western Bay of Plenty and Matamata-Piako District Council. Western Bay’s presentation in their summary is also a good example.
CONTENT PIECE: INFRASTRUCTURE STRATEGY

Introduction

This piece discusses the most significant of the requirements introduced in the 2014 set of amendments, the introduction of a mandatory infrastructure strategy. An infrastructure strategy is a synthesis of the significant infrastructural issues that are likely to arise over the next 30 years, including their financial and non-financial consequences, and the principal options for managing them.

Why is an infrastructure strategy so important?

Taken together with the financial strategy, your infrastructure strategy will be one of the key acid tests for the sustainability of the package of policy and service delivery options that make up your LTP.

The strategy will demonstrate whether your local authority is managing your asset needs prudently (at least across those assets that are included in the strategy). Its 30 year life means that decision-makers and the community will see and have to respond to the big issues – deferring the big spending outside the life of the strategy is a lot harder when it has a 30 year life.

How does the infrastructure strategy relate to the legislation?

An infrastructure strategy is a mandatory requirement (see section 101B) and a mandatory inclusion in the LTP proper. Content setting out the key matters from the infrastructure strategy must be included in the consultation document.

The infrastructure strategy must cover issues relating to the five network groups of activity:

- water supply
- sewage treatment and disposal
- stormwater drainage
- flood protection and control works
- roads and footpaths and
- any may include other group of activity your local authority determines should be included in its discretion.

Your strategy must show how your local authority will manage the infrastructural assets for those groups in the strategy taking into account the following:

- (the need to) renew or replace existing assets – in other words, what assets (or significant components of assets) will need renewing or replacing
- (the need to) respond to growth or decline in demand for services reliant on those assets – in other words what is the impact of population growth and decline, and changes in the other factors that drive demand for each of these activities?
- (the need to) allow for planned increases or decreases in levels of service provided through those assets
- (the need to) maintain or improve public health and environmental outcomes or mitigate adverse effects on them
- (the need to) to provide for the resilience of infrastructure assets by identifying and managing risks relating to natural hazards and by making appropriate
financial provision for those risk – what natural hazards exist in your local authority (seismic, volcanic, or climate related) and what measures does your council have in place to deal with issues.

Your strategy will need to identify the significant issues and decisions for the assets in your strategy, the principal options for managing those issues, and the approximate scale and extent of costs. Where a significant decision has to be made, then you also have to give an indication of when that is most likely to occur.

You’ll also need to identify the most likely scenario (that is combination of assumptions, decisions and likely course of action) and present forecasts of the capital and operating expenditure associated with the likely scenario\(^2\). That will also require disclosure of your significant forecasting assumptions.

**What are the information sources for the infrastructure strategy?**

You cannot prepare a robust infrastructure strategy without reasonably robust asset management plans for the groups of activity in the strategy. You will need to do some work to update your asset management plans, and conduct any level of service reviews before you can make much advancement on the strategy.

You will also need to draw on the information sources you used to develop forecasting assumptions such as economic and demographic projections.

**When should the infrastructure strategy be prepared?**

An infrastructural strategy should be prepared alongside the financial strategy – the two draw on common information and each guides the other.

**Who should be involved in preparing the infrastructure strategy?**

Asset managers must be involved in preparing the strategy. They will provide much of the information underpinning the strategy, and their judgement will be necessary to help determine what the significant issues are.

The LTP project manager and other strategic planners (if you have them) should draft the strategy itself. It is a synthesis – the temptation for activity managers will be to over document their own activities, in asset speak.

**What is the relationship between the infrastructure strategy and the consultation document?**

The consultation document must include any matters of interest from the infrastructure strategy.

The *Act* expressly precludes inclusion of the full infrastructure strategy. The expectation is that this will take the form of a summary..

The proposed content for the full infrastructure strategy must be adopted in advance of adoption of the consultation document. SOLGM also considers that this will necessitate adoption of asset plans, activity information and group level financial forecasts for those groups in the strategy.

\(^2\) Forecasts have to be in detail for the 10 years of the LTP, and aggregated into five year blocks after that e.g for the 2015-25 LTP that would mean 2020-2024, 2025-29 etc.
Where should the infrastructure strategy be presented in the LTP proper?

The infrastructure strategy should sit near the financial strategy, the most likely place is immediately before the group statements.

Opportunities/things to watch with infrastructure strategies

You can prepare a combined financial and infrastructure strategy – provided it meets the requirements of each. Although SOLGM considers this good practice, we also consider that it will require 30 year plans for every group of activity. SOLGM’s view is that unless local authorities already have this well in hand, they should not to take the risk for the 2015-25 LTP.

It will be easy to include too much detail in your strategies – remember it’s the significant issues and principal options. The intent with forecasts from years 11-30 is that local authorities would disclose orders of magnitude, rather than exact detail.

There is a strong spatial component to infrastructure strategies – a robust strategy needs robust population and land use data and assumptions.

Alignment with the financial strategy process is critical – completion too soon and the top down component of the financial strategy is lost.

What good practice information is available?

Department of Internal Affairs, Example Infrastructure Strategy – Makowhero District Council provides a worked example of an infrastructure strategy. Note – the example is based on the Local Government Amendment Bill as introduced, at the time of writing it had not been updated (but will be soon).

NAMS (2008), Developing Levels of Service and Performance Management Guidelines, contains useful information for those doing levels of service reviews.

NAMS (2011), International Infrastructure Management Manual – the bible for asset managers, this discusses the preparation of asset strategies and the associated plans in detail.

Office of the Auditor-General (2012), Matters Arising from the Audit of 2012-22 Local Authority Long Term Plans contains observations about the standard of asset management plans, and the impact that a financially constrained environment had on plans.

SOLGM (2010), Performance Management Frameworks: Still Your Side of the Deal, the guide for those developing performance measures, and implementing performance culture in local authorities. There is also a 2014 addendum.
CONTENT PIECE: FUNDING AND FINANCIAL POLICIES

Author’s note:
This content piece focuses on the two policies that must be included in the LTP:
- revenue and financing policies (RFP)
- local board funding policy (if your local authority is a unitary authority and has one or more local boards).

It is important to know that your local authority must also have the following, but they need not be in the LTP:
- liability management policy
- investment policy
- policy on remission and postponement of rates on Māori freehold land
- policy on development contributions or financial contributions
- policy on remission and postponement of rates on general titled land (if your local authority intends to remit or postpone rates on this land).

Introduction
The section 102 funding and financial policies underpin the right debate.

Amendments made in 2010 mean that only the revenue and financing policy (RFP) and the Local Board Funding Policy (LBP) actually have to go in the LTP (and the latter is only required in those unitary authorities which have local boards). The RFPs must be adopted before adoption of the LTP, while an LBP must be adopted as part of the LTP.

Other section 102 policies must be adopted following consultation in accordance with the principles of section 82 of the LGA, but they need not be included in the LTP.

Why are the funding and financial policies so important?
The RFP explains how and why the local authority has arrived at the choice of funding tools described in the forecast financial statements. It also explains how your local authority has complied with the funding policy process set out in section 101(3) of the Act.

A non-compliant RFP places funding decisions and some or all of the decisions taken in reliance on them at risk (for an example refer to the decision of Potter J in Neil Construction and Others vs North Shore City Council). A badly designed or expressed RFP creates ratepayer confusion and may have unintended consequences (for example it may need frequent amendment).

The LBP explains how funding will be allocated among the different local boards and how your local authority arrived at these decisions. Don’t forget that local boards have their own elected members, have dedicated staff resource, and deal with the truly local issues – the LBP will be a much scrutinised document.

---

1 With the possible exceptions of local authorities in Hawke’s Bay and Northland, we very much doubt that the local board policy will be relevant to any local authorities in advance of adoption of the 2015 LTP.
The remaining policies present the local authority’s policies on which ratepayers and residents pay for what, and especially what judgements your local authority has made around the funding of growth needs. If changes in these policies generate significant changes to the way operating and capital expenditure are funded (most probably in the development contributions policy) then those matters may feature in the consultation document.

**How do the funding and financial policies relate to the legislation?**

The RFP and LBP are each mandatory inclusions in the LTP proper. The RFP must be adopted before adoption of the LTP proper, while an LBP must be adopted as part of the LTP.

You may consult on drafts of each concurrently with the consultation document (and indeed the consultation document must include details of significant changes to the way you are proposing to fund activities). If you choose to consult concurrently we would strongly advise that you:

- clearly separate and label of the consultation document and the information relating to the RFP (if the two get muddled it could be argued that your consultation document has included the full draft of one or more policies)
- ensure that the requirements of both section 82A and section 93A are met, and are clearly distinguished
- have each checked by a legal advisor.

An amendment to either an RFP or an LTB by means of amending the LTP requires an auditors report only if it is a significant amendment.

Other policies must be regularly reviewed, and those reviews requires consultation in accordance with section 82, but the policies need not be included in the LTP proper.

**What processes are linked to the funding and financial policies?**
Who should be involved in preparing the funding and financial policies?

The RFP and LBP are two of the most important policy decisions in the bundle of LTP decisions – elected members must be involved in the process and should not just make the final decision.

Finance people should prepare the RFP working closely with activity/asset managers with regard to the application of section 101(3) matters. Financial staff should also be responsible for checking that the financials are consistent with the RFP and LBP.

What is the relationship between the funding and financial policies and the consultation document?

The Act expressly precludes inclusion of the complete draft of any funding and financial policy in the consultation document. Key aspects of the RFP and development contributions policy may feature in the material you present on the financial strategy. Also, your consultation document must present any significant changes in the way operating and capital needs are funded – that is likely to capture changes to the RFP, and could potentially involve disclosure of changes in the development contributions policy.

If you are proposing to change your funding system then the proposed amendments to the RFP should be adopted before the consultation document is adopted. If changes in the development contributions policy are proposed we would also advise having this adopted as well (this is particularly relevant to the growth councils).

Where should the funding and financial policies be presented in the LTP proper?

In the LTP proper, the RFP should be placed near the forecast funding and financial statements. RFP issues may need discussion in the financial strategy. The LBP should go near the activity statements.

Careful thought will be needed before you make decisions on whether and how the remaining policies go in the LTP. Don’t forget the investment and liability management policies are now mostly operational detail, limits and targets are a financial strategy issue.

Opportunities/things to watch with funding and financial policies

Section 101(3) requires analysis at the activity levels and at a global level – some local authorities RFP’s appear to have been done at group of activity level, and omit the global step. Particularly in the earlier rounds of LTPs, some RFPs even just had an statement that “(the council) considered the (list of section 101(3) considerations” without explaining how or why.

Be sure your policy records how you considered all of the section 101(3) matters – some of the 2012 set of policies focussed on the beneficiary/user pays principle to the exclusion of others such as the costs and benefits of separate funding.

Be sure your analysis covers all your proposed funding sources – not just rates.

Your RFP must contain separate disclosures for operating and capital expenditure. Many RFPs tend to pay little attention to capital expenditure – when it is one of
the more sensitive areas (especially in local authorities with substantial reliance on development contributions).

While there are some disclosures about the rating system that must go in RFP – try to keep the non-mandatory disclosure to a minimum. The less of this detail in the RFP the fewer arguments you’ll have about whether you need to amend your RFP.

Some revenue and financing policies are exceptionally long – the author has seen a 120-page policy – and 60 pages is not uncommon.

Most local authorities have not taken advantage of the ability to exclude most section 102 policies from the LTP proper. While some “growth” councils may find it necessary to include their policies on development contributions, other councils should ask whether inclusion of these policies adds to, or detracts from, understanding.

**What good practice information is available?**

SOLGM, (2014), *More Dollars and Sense: Financial Management Under the LTP.*

The decision of Potter J in *Neil Construction and Others vs North Shore City Council*
CONTENT PIECE: CONSULTATION DOCUMENT

Introduction

This piece discusses the section 93A – 93G requirements to prepare a consultation document (CD) to support the special consultative procedure for the LTP. The CD focuses attention on the key issues and thus on the right debate.

Why is the consultation document so important?

The consultation document is now the only legal basis for consultation on the LTP. Local authorities cannot use the “full LTP” during consultation (that is to say one that meets all of the disclosure requirements of Schedule 10). Done well the preparation of a CD is the basis for communicating with the entire community about your LTP and has the potential to attract people other than “the usual suspects” to participate.

In addition to presenting the key issues for feedback from the community, the CD should be visually attractive and accessible (both widely distributed and clearly presented).

How does the consultation document relate to the legislation?

The CD is a requirement of sections 93B and 93C of the Act. Sections 93F and 93G are also relevant.

The required content of a CD includes:
1. key issues (as determined with reference to the significance and engagement policies and which other issues are important to the community)
2. key matters from the financial strategy and infrastructure strategy
3. any proposals for significant changes to the funding system, including changes to rating system
4. the impact of the proposals in the LTP on rates and debt (shown using graphs or charts)
5. the impact of the proposals in the LTP on levels of service (using graphs or charts if practicable)
6. information describing the impacts of the rating proposals across different categories of rating unit, with different property values
7. a report from the Auditor.

The key issues are a matter for you to determine having had regard to:
the purpose of the consultation document (as set out in section 93B)
your significance and engagement policy and
the importance of other matters to the community.

Each of the key issues must clearly present the issue itself, the principal options for resolving each issue, the local authority’s proposed option, and the consequences of each option for rates and debt.

Movements in rates and debt must be present using graphs or charts. Changes in levels of service should also be presented using graphs or charts where this is practicable.
What processes are linked to the consultation document?

When should consultation documents be prepared?

You’ll probably have a clear idea of what the significant issues are from the start of the process. With that in mind, you can begin preparation quite early in the process and refine that as various options are rejected and council’s preferred option or options emerge. At very latest this discussion should be started when the elected members have made key levels of service decisions and you a draft of each of the financial and infrastructure strategies.

Don’t forget that the information that the CD relies on must be adopted by your local authority before it adopts the CD. Avoid underestimating the scope of information captured by this requirement – in SOLGM’s view there is little Schedule 10 information that could not be regarded as supporting.

Who should be involved in preparing consultation documents?

The CD should be prepared by someone who understands the issues in the LTP but has not been intimately involved with the detail. As the CD is designed to be a tool for engaging the general public, some communications advice (either in-house or external) should be sought, and professional publications/printing services may be necessary to enhance the “look” of the CD.

Where should consultation documents be presented in the LTP proper?

The CD is the document you prepare to support consultation. It has a separate purpose to the LTP proper and does not appear in the LTP proper at all (though material used in the consultation document will feature in the LTP proper).
Opportunities/things to watch with consultation documents

Be sure to document your reasons underpinning the selection of key issues for presentation in the consultation document – you may have to justify your selection of issues to the community, and it is likely to come up during the audit process.

Resource preparation of the consultation document as though it were any other part of the LTP, and be sure to start it as the process is running. The last weeks before release of the consultation document are for refining the content and presentation, not for writing from scratch.

While getting input from across the council is essential, the first draft of the CD should be prepared by one person who is skilled in plain English writing and has not been intimately involved in the detail. Avoid drafting by committee if you can.

Movements in rates and debt must be presented using graphs or charts. Movements in levels of service must be presented using graphs or charts if it is practicable to do so.

What good practice information is available?

SOLGM (2014), *Telling Our Stories 2015 – Producing an Effective Consultation Document*

Although LTP summaries no longer exist as a legal requirement, SOLGM has left links to the four best summaries from its 2009 Summary competition. These are best used as a source of presentation ideas. You can find these summaries [here](#).  

Office of the Auditor-General (2010), *Matters Arising from the 2009-19 Long-Term Council Community Plans* although dated a bit this contains a useful discussion of the importance of summaries and some helpful hints for designing a submission/feedback form.
CONTENT PIECE: ACTIVITY STATEMENTS

Introduction

The activity statement draws several pieces of information together into a single tool for presenting to the readers. It is a device for presenting the right debate issues and ensuring the LTP tells one coherent story.

A common format for the activity statement is vital for both the look of the document and for ease of understanding. You should have activity statements from previous LTPs on hand – one of your first steps should be to review these, and arrive at a format that is agreed both with your activity managers and elected members.

Why are activity statements so important?

Activity statements are one of the basic building blocks of the LTP. They take a set of complex and disparate information and package it simply, briefly and in a way that presents the key issues. Activity statements will be replicated in the final LTP many times, therefore it’s important to get the format and presentation right.

Your activity statement should be based on the council’s preferred option. Significant activity related options might feature in the infrastructure strategy and will feature in the consultation document.

How do activity statements relate to the legislation?

Schedule 10 of the Act specifies a set of disclosures for each group of activities but does not require the preparation of something called an activity statement. The activity statement is a good practice device for consistent information.

The disclosures are:
- a list of the activities within the group and the rationale for service delivery
- an outline of significant negative effects created by activity
- capital expenditure for the activity for each year, separated by driver (growth, level of service change and renewal)
- statement of the intended levels of service provision, including any mandatory measures (from 2015), the major measures for the group, and any planned changes to levels of service provision and changes to the cost of generating levels of service
- a funding impact statement (FIS) for the group – in the format specified in financial disclosure regulations.
What processes are linked to the activity statements?

When should the activity statement be prepared?

We suggest the template is prepared early in the process, at about the same time as the information management plan.

Who should prepare the activity statement?

A template of the statement should be prepared by a multi-disciplinary team of activity managers, finance personnel, with communications input. The template should be “road-tested” with elected members as a check on its clarity.

What is the relationship between activity statements and the consultation document?

An activity statement is not a mandatory inclusion in a consultation document. Information that might be included in an activity statement may feature in your analysis of options for addressing key issues.

You will need to adopt the information that would go in an activity statement for any group that you have included in your infrastructure strategy. We recommend presenting this information in an activity statement to aid the public’s understanding. We also strongly recommend that activity statements for other groups be adopted and available. People will want to make submissions on activities other than network infrastructure.

Opportunities/things to watch with activity statements

Be careful with externally produced templates. They can sometimes obscure key information. We suggest that you either develop your own from your existing statements, or adapt external templates for your own needs.
Asset management plans cannot be included in a consultation document and should not be included in the LTP proper.

Watch that you comply with the formats for presenting information in the funding impact statement. Also note that the funding impact statement is not subject to generally accepted accounting practice – the regulations are the sole authority on presentation of the FIS.

In 2012 some local authorities presented both group of activity level FIS and a separate “cost of service” statement. Most that did so reported that the community either did not use both sets of information, or were confused. We also understand some found they had to provide additional information reconciling differences between the two. We advise careful consideration of the costs and benefits of additional information.

**What good practice information is available?**

There are various commercially produced templates available – but these will generally require some adaptation to fit the particular needs of your local authority.

**Good practice principles to apply when designing activity statements:**

<table>
<thead>
<tr>
<th>GOOD PRACTICE AREA</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conciseness</td>
<td>Is the information tightly organised? Are redundancies and repetition avoided?</td>
</tr>
<tr>
<td>Clarity</td>
<td>Is the information as jargon free as possible? Does the information paint an accurate picture of the activity?</td>
</tr>
<tr>
<td>Completeness</td>
<td>Have all aspects of <em>Schedule 10, Clauses 2 - 5</em> been covered?</td>
</tr>
</tbody>
</table>
| Presentation       | Consider the use of graphs, diagrams and photographs  
• to better give an indication of trends  
• to better portray outline information in years 4 to 10.  
• to make the figures in all years come alive |
| Linking            | Is the narrative consistent with information on community outcomes and financial statements for:  
• terms used?  
• consistency of message?  
• linkages to the levels of service |
| Categorisation     | Is the activity financial information categorised consistent with the financial disclosure regulations?  
Are activities in logical, easy to follow groupings? |
| Common treatment   | Is there consistency of terminology, and consistency of internal accounting rules in:  
• new capex differentiated between levels of service changes and growth)  
• renewals (for existing levels of service)? |
| Link to summary financial statements | Is it possible to easily link the net cost of each activity through to the forecast statement of financial performance? |
CONTENT PIECE: PERFORMANCE INFORMATION

Introduction
This section discusses:
- **levels of service** – measurable qualities or attributes in relation to an activity
- **performance measures** – indicators that are used to determine whether levels of service are being delivered, and
- **performance targets** – the desired levels of performance against the performance measures.

Why is performance information so important?
The package of levels of service, measures and targets in your framework represent the value that your residents receive in return for their money. Together with the forecast financial statements and funding policies, your framework should support the right debate and help tell one coherent story.

There are legislative requirements to disclose information from your performance management framework. But these should draw on information that already exists to help your local authority with day-to-day governance and management.

Requirements to report against mandatory measures of non-financial performance begin in 2015; the intent is that the public will use these for comparing performance between local authorities. These need to be integrated into the overall story of the LTP.

What are the practical implications of this?
- There should be a flow of logic between the levels of service and your rationale for service delivery, i.e what is it about each group of activity that meets community needs and wants.
- The levels of service and performance measures in the LTP need to focus on things the residents and ratepayers value and can understand. Technical measures should be avoided or reworded to make them relevant to readers.
- Remember you are now obliged only to describe those measures associated with major levels of service. Be judicious in your selection – provided major aspects are covered the information you disclose in the LTP need only be a subset of the wider set of performance information.
- Your systems for measuring and capturing non-financial performance information will need “fine-tuning” to ensure they generate everything you need to report against the mandatory measures.

How does performance information relate to the legislation?
For each of your groups of activities the full LTP must include:
- major levels of service and the measures and targets associated with the level of service
- mandatory performance measures (if any are prescribed for this group)
- any intended changes to levels of service and the reasons for change
- any material change to the cost of providing a service and the reasons for that.
The levels of service and measures specified in the LTP form the basis of your annual plans, and the basis for the comparisons of actual and forecast levels of service contained in the annual report. Once in the LTP, significant changes to levels of service for significant activities may only be made through an amendment to the LTP.

**What are the practical implications of this?**

The requirements to develop performance management information apply to all groups of activities, not just the five mandatory groups, or those associated with assets.

It may be difficult to develop meaningful levels of service that apply at the level of groups of activities, and to make reasonable projections of how these levels will change over ten years.

**What processes are linked to performance information?**

Performance information links to all of the process and content requirements of a good LTP.

**What are the sources of performance information?**

- asset/activity management plans
- other plans and strategies
- previous LTPs (but ensure that the aspects selected are still relevant)
- outcomes from previous consultations and customer surveys
- customer feedback information – which may be formal or informal
- assessments of water and sanitary services (if these are current)
- legislation (especially where performance standards are set by legislation such as statutory timeframes for the processing of consents)
- industry standards such as the Library Association of New Zealand standards
- comparison with other local authorities (but ensure these are relevant)
- major contracts.

**Who should be involved in preparing performance information?**

Activity managers must prepare the levels of service and associated information for their activities (they have the knowledge of the activity and its users, and ultimately these are the targets they have to meet). These should be collated and reviewed centrally by the LTP project team for logical flow, completeness, customer focus, clarity, and compliance with any legislative requirements.

All levels of service should be collated and reviewed at a central point to ensure consistency, logical flow and completeness.

**When should performance information be prepared?**

Levels of service and performance measures should largely exist already, the LTP process will require some work to select major measures. Depending on the scope of your LTP process – your local authority may also conduct levels of service review.
What is the relationship between performance information and the consultation document?

Section 93C contains several references to performance information:
- when presenting the principal options for each significant issue, you need to disclose the impact of each on rates, debt and levels of service
- where practicable, the consultation document must depict the nature and movement of changes in levels of service associated with the proposals in the LTP.

Levels of service can be esoteric, a few well-chosen performance measures can provide a degree of “concreteness”.

This means performance information must be prepared and adopted before the consultation process begins.

Where should performance information appear in the LTP proper?

Most performance information will appear in activity statements, some changes to levels of service may require further discussion among the key issues discussed at the front of the LTP.

Opportunities/things to watch with performance information

Your performance measures should support the underlying “story” of your LTP. There should be clear linkages between the rationale for service delivery and levels of service, and between levels of service and measures. For example, if your local authority is planning to spend large amounts on walking and cycling facilities, then it should have measures that relate to these in performance information.

Avoid copying levels of service and measures from others unless you’ve first thought whether and how they apply to your local authorities.

Try to choose things that the public will understand – avoid the technical measures if you can. And try to supply context so that the reader can understand why the measure is/or should be important to them.

Where practicable, changes in levels of service must be shown graphically. Even if this were not a legal requirement, graphs are useful for showing performance information over the whole of ten years and depicting major change.

Watch for inconsistencies in the way different parts of your local authority approaches performance reporting – it is not uncommon for asset related activities to have better developed frameworks than others.

Customer satisfaction measures are useful where customer perception is an important part of the way they experience or receive the service, and are things they can be reasonably expected to have a view on. But they shouldn’t form more than a part of your framework.

Performance measures should generally be measured at least once a year - though this may not be possible with some outcome based measures. Be suspicious of measures that come to you without a means of collecting them!
Disclosure of performance measures should show the current level of performance if this is available and relevant. This provides context for the reader – especially where changes to levels of service are expected in the first year of the LTP. Careful consideration should be given to the merits of showing trends in historic performance information.

Don’t underestimate the importance of the mandatory measures – some readers will be looking for those. Consider how these should fit into your overall framework (for example could they replace other measures?) and how and where you should present them. Be prepared for the inevitable interest group attempt to put these in a "league table”.

**What good practice information is available?**


Office of the Auditor-General, (2010), *Local Government: Examples of Better Practice in Setting Local Authorities Performance Measures* – this report contains good examples of levels of service and performance measures in roads; water supply; wastewater; building control and libraries. The report makes practical suggestions to improve performance measures in these areas, many of which are readily transferable to other activities.


You can find the regulations prescribing non-financial performance measures [here](#) and further guidance from DIA on the implementation and presentation of these measures [here](#).
CONTENT PIECE: FORECAST FINANCIAL STATEMENTS

Introduction
This piece covers the other side of the right debate - the seven financial content areas in the LTP:

• the financial prudence disclosures
• forecast financial statements
• funding impact statements (FIS) – at both council and group of activity level
• the statement of capital expenditure
• disclosures of reserve movements
• the statement concerning balancing of budget, and
• rating base disclosures.

Why are forecast financial statements so important?
The financial statements are the acid test of the sustainability of the package of service levels and policies that are contained elsewhere in the plan. The financials will receive the most scrutiny of any aspect of the plan – especially the rates requirement.

When placed alongside the financial strategy and the infrastructure strategy, the forecast financial statements are the means you have to demonstrate to the community that you are managing their money prudently. Presenting these statements in a clear fashion, with appropriate context, is an important part of generating community interest and involvement in the plan.

Rates must be set and assessed in accordance with the FIS, a non-compliant or poorly designed FIS places your rates at risk.

The 2015-25 LTPs also mark the first LTPs where local authorities will have to prepare a disclosure of their planned performance against the seven indicators of financial prudence in the Financial Reporting and Prudence Regulations 2014. There will be public interest in these – both because they are intended to act as a signal that there may be concerns with financial management, and because it is likely that some commentators will compare performance.

How do forecast financial statements relate to the legislation?
Forecast financial statements must be prepared for each year of the LTP, and in accordance with generally accepted accounting practice (GAAP). Under the Act forecast financial statements are not required to include council controlled organizations. Don’t forget that GAAP requires that where a local authority chooses to produce its statements on a parent council basis it must state its reasons for excluding other elements of the group.

The Act requires that parent statements are presented, so group statements alone would not meet the Act’s requirements. Any number that appears in the forecast financial statements must also have the previous year’s number alongside (for comparative purposes).
The Financial Reporting and Prudence Regulations specify some items that must be separately disclosed in your financial statements. These are income from:

- development and financial contributions;
- subsidies and grants; and
- rates.

For the 2015 LTP the definition of rates is all rates assessed under the Rating Act. You need also to disclose budgeted income from metered water supplies as a note to the financial statements.

The Regulations require two other disclosures. Your balance sheet must disclose the value of your investment in subsidiaries, and you must disclose, for each group of activities, the total depreciation and amortization of assets used directly in providing the activities.

Your local authority’s disclosures against the indicators of financial prudence – must be in the format set out in Schedule 6 of the Financial Reporting and Prudence Regulations. You must use the mandated presentation. You may make minor variations, but only if they are required to clearly present your council’s performance in relation to the benchmarks.

You are required to include both a council FIS and a FIS for each group of activities. The council FIS is a year by year disclosure of the revenue and financing mechanisms that your local authority proposes to use. It must describe the types of rates that will be used and the basis on which these will be assessed. The presentation of the council level FIS is specified in the Financial Reporting and Prudence Regulations to the Act. Both council and group level FIS are not subject to GAAP.

If your council proposes to set any type of rate, then your council level of FIS will have to include examples of the impact of rating proposals for the first year of the LTP and across different categories of land with a range of values. The choice of categories of land and the range of values are yours.

FIS are also required for each group of activities – these must also describe sources of funds and the rationale for their selection. Group level FIS also must comply with regulations to the Act. Group level FIS are a replacement for what were previously known as “cost of service statements”.

Your LTP must disclose the capital requirements for each group of activities for each year of the LTP. Those drivers are separated into those necessary to meet additional demand for an activity, improve levels of service and replace assets. Note that where projects are a mix of the three drivers you may disclose the amount of the expenditure against the largest driver or split the cost of the projects between the drivers. If you choose the first option a project that is 40 percent demand driven and 60 percent level of service should be treated as level of service expenditure for the purposes of meeting this disclosure requirement. The first option may be simpler to model and subsequently report on, while the second option may make it easier to reconcile your capital expenditure plans with your development contributions policy.
Disclosures of reserves must separately disclose the following information for each reserve fund that your local authority holds:

- the purpose of the fund and the activities that it is applied to
- the opening and closing balance of the fund over the life of the LTP i.e. the balance on 1 July after adoption and the expected balance at 30 June ten years from the LTP
- the amount of expected deposits into the fund and the amount of expected withdrawals – both must be shown, a single net figure does not comply with the legislation.

If your local authority proposes to not run a balanced operating budget (either surplus or deficit) in any year covered by the LTP, then it is also required to include a statement on the balancing of the budget. That statement must disclose:

- the year or years in which the balanced budget requirement will not be observed
- the reasons for the non-observance and any matter taken into account, and
- the implications of the decision (for example, if service levels will decline).

Amendments to the Local Government Act in 2014 now require local authorities to disclose the projected number of rating units at the end of the preceding year, for each year covered by the plan. It would be logical to include this disclosure in the assumptions section of your plan. The disclosure requirement is all rating units, not just those that are rateable. The Department will be collecting two benchmarks of affordability – rates per rating unit and net debt per rating unit. To do this local authorities will need to disclose the number of rating units in their LTPs.

**What processes are linked to the financial statements?**
What are the information sources for the forecast financial statements?

The forecast financial statements draw on a wide variety of information, such as forecasting assumptions, activity information, funding and financial policies and so on. All of this information is aggregated together into your financial modeling. Whether this model is spreadsheet based or uses a modeling package, it needs to have robust methodology and appropriate controls (so for example, a key parameter is not changed).

When should the forecast financial statements be prepared?

An initial “cut” of the forecast financials should be prepared as soon as activity level budgets are available. This enables:
- the LTP project team and senior management to review them for overall coherence/strategy, and
- elected members to discuss tradeoffs between levels of service and cost.

Who should prepare the forecast financial statements?

Finance personnel would be the principal preparers of this information, drawing on information provided by asset and activity managers.

A clarity and coherence check of the forecast financial statements and a consistency check with levels of service and the funding and financial policies are all “must do” parts of quality assurance. Involvement of senior finance staff along with the project manager (and possibly some key activity managers) are important.

Where is the information sourced from?

<table>
<thead>
<tr>
<th>AREA</th>
<th>INFORMATION SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast financial statements</td>
<td>Financial modelling systems</td>
</tr>
<tr>
<td></td>
<td>Asset management plans</td>
</tr>
<tr>
<td></td>
<td>Significant forecasting assumptions</td>
</tr>
<tr>
<td></td>
<td>CCO’s Statements of Intent</td>
</tr>
<tr>
<td>Funding impact statement</td>
<td>Financial modelling systems</td>
</tr>
<tr>
<td></td>
<td>Asset management plans</td>
</tr>
<tr>
<td></td>
<td>Revenue and financing policy</td>
</tr>
<tr>
<td></td>
<td>Rating information</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>Asset management plans</td>
</tr>
<tr>
<td></td>
<td>Development contributions policy</td>
</tr>
<tr>
<td>Statement concerning balancing the budget.</td>
<td>Council resolution required under S 100(2)</td>
</tr>
<tr>
<td></td>
<td>Revenue and financing policy</td>
</tr>
</tbody>
</table>

What is the relationship between the forecast financial statements and the consultation document?

Movements in rates and debt must be included in the consultation documents and shown using graphs or charts (this does not mean that you cannot add further
explanatory information). The sample rate models must also be included in the consultation document.

The Act does not have to include the full forecast financial statements in the consultation document (as surprising as that may sound). However the statements support the financial strategy and movements in rates and debt, this information will need to be prepared and adopted pre-LTP consultation.

The Act does not require that you disclose your planned performance against the benchmarks in the Financial Reporting and Prudence Regulations 2014 in your consultation document. These did receive a great deal of publicity on promulgation, and may assist readers assessing the prudence of your strategy. We recommend that these be compiled and adopted before consultation begins.

Your auditor will assess the prudence of your financial strategy. In that context, we suggest a statement on the balanced budget should be included only if an issue around the prudence of your approach, or some key financial assumption has been the subject of a modified auditors report.

A local authority would generally not need to disclose the reserves statement in its consultation document. The only circumstances we can see is if a drawdown of reserves formed a significant element of the financial strategy or was a key funding source for one of the projects treated as a key issue in the LTP. In other circumstances we do not consider adoption pre consultation is necessary.

Where should the forecast financial statements be presented?

The positioning of forecast financial statements in the LTP proper is an important presentational issue to consider. These statements are the culmination, or the summary of the financial content of the LTP and, as such, will be of interest to many readers. We recommend that you strongly consider a graphic presentation of the statements towards the front of the LTP with a cross reference to the full forecast financial statements later in the LTP document.

Group level FIS should be included in the activity statements.

Disclosures around capital expenditure and reserves movements could be treated as a note to the accounts, or could be treated as statements in their own right. Those local authorities with large numbers of reserves may find that this disclosure runs to five or more pages – which may be a little large for a note to the accounts.

Any statement that may be needed for balancing of the budget could be best placed adjacent to the forecast statement of financial performance alongside significant forecasting assumptions.

Opportunities/things to watch with financial statements

There should be a clear link from group level FIS to the council level FIS – the council level FIS should be the summation of group level FIS. Likewise there should be a linkage between financials and the revenue and financing policy.
The FIS is one of the steps for rate-setting, be sure you have included all of the required information. We strongly advise local authorities to have their FIS reviewed by a legal advisor before adoption.

The FIS is a technical document – be wary of “plain English” translations.

Financials should be supported with commentary that provides a clear message to the reader of the overall financial trends and funding demands.

Don’t forget that all financial statements are regulated (either by IFRS or the financial disclosure regulations).

The definition of reserves is very broad in its scope – “money set aside by a local authority for a specific purpose”. Don’t underestimate the effort needed to comply with this provision.

What good practice information is available?

Audit New Zealand, (2012), Model Financial Statements for Te Motu Council 2012-13


SOLGM et al (2013), Rating Knowhow, contains some useful discussion of common pitfalls with funding impact statements. (NB – this publication is not available online).

The Financial Reporting and Prudence Regulations are available here.
CONTENT PIECE: COUNCIL CONTROLLED ORGANISATIONS

Introduction

This piece of the LTP jigsaw relates to the information about council controlled organisations (CCO) that must be included in the LTP.

Why is CCO information so important?

CCOs have a role to play in promoting your council’s objectives, either directly or indirectly. Some CCOs have significant service delivery responsibilities. The performance of CCOs can have a significant impact on their local authority “parent” (e.g. revenue from investment in CCOs can be significant for the local authority). Inclusion of the information listed below allows residents and ratepayers to assess whether the CCO is making the contribution it is has indicated it would be making and assess what impact this may have on wellbeing.

How does CCO information relate to the legislation?

A CCO is an organisation (whether trading or not) where one or more local authorities:
- own or control, directly or indirectly, more than 50 percent of the voting rights, or
- have the right to appoint 50 percent or more of the governors.

The definition of CCO therefore captures not only trading enterprises but non-trading enterprises (such as various trusts). Certain organisations are expressly exempt from the definition of a CCO, and local authorities can use section 7 to exempt small non-trading organisations from being a CCO.

The following must be disclosed for each CCO:
- the name of the CCO and its subsidiaries
- any significant policies and objectives the local authority has with respect to ownership and control of the CCO
- the nature and scope of the activities to be provided by the CCO, and
- the key performance targets and other measures by which the performance of the CCO can be assessed.

Local authorities are empowered to include forecast financial statements for any CCO for any years covered by the LTP. This has not been widely used in previous LTPs. However all financial statements must be prepared in accordance with GAAP. Where local authorities have CCOs, PBE FRS 42 allows local authorities to choose whether to report prospective financial statements on a subset of the overall group, but if reported on a council only basis, then to disclose reasons for not reporting the full group.

In practical terms this means that local authorities are required to disclose the above details for all organisations that meet the definition contained in section 6 of the LGA, regardless of size and scale, unless the local authority uses either of the processes set out in section 7 to exempt them. There is no other “size and scale” test.

Don’t forget that section 14 also requires that any holding of equity investments is periodically subjected to an assessment of the expected risks and returns.
What processes are linked to CCO information?

![Diagram showing the relationship between CCO information and other processes]

What information sources exist on CCOs?

The primary information source is the CCO’s statement of intent (which all CCOs are required to prepare under section 64 of the Act). The yearly and half yearly reports on performance may also provide some information. The chart below shows the relationship between the various sources of information on CCOs and the information in the LTP.

When should CCO information be prepared?

CCO information should be compiled as soon as draft statements of intent are available – which cannot be any later than 1 March. This information may not be available for some CCOs in the process of establishment.

Ideally, CCOs whose operation has significant financial implications for your local authority should be feeding forecast results through well before 1 March, as these could have implications for the forecast financials. However many smaller CCOs may not necessarily have the resources to do this, in which case the working drafts of the LTP may need to make some “best guess” assumptions as to the likely results. This will warrant treatment as a significant forecasting assumption. It may also be an area where your local authority needs to give clearer guidance to its nominees on the governing body of the CCO.

Who should be involved in preparing CCO information?

The people responsible for managing your local authority’s day to day relationship with each CCO should have the responsibility for preparing the information. It may be that a significant part of the information may be prepared by the CCO itself, in which case the task of preparing information may be more of a matter of compiling.
What is the relationship between CCO information and the consultation document?

Generally, it won’t be necessary to include CCO information in the consultation document. Exceptions may exist where:

- your local authority is proposing to create, disestablish or transfer ownership of a CCO
- an existing CCO delivers a significant activity on behalf of your local authority
- revenues from an existing CCO form a significant part of your financial strategy
- the CCO poses a significant risk to the financial strategy.

Even if you do not include this information in your consultation document, it should be prepared and adopted before consultation begins. This extends to other less significant CCOs – while some of the community based CCOs may not meet the above tests, these CCOs and members of the public are sure to submit on it.

Where should CCO information appear in the LTP proper?

The most logical place for this information is immediately after the group of activity/activity statements.

Opportunities/things to watch with CCO information

Examination of some LTPs suggests some local authorities may wish to make more use of section 7 powers to exempt local authorities than is done currently.

Key performance measures were short term rather than for the full 10-year programme.

Good practice tips/what good practice information is available?

Ways to present information

Some good ways to present information include:

- showing relationships between your local authority, the CCOs and their subsidiaries in a structure diagram, and
- information on policies, objectives, nature and scope of activities together with performance information could be shown in tabular form.

Things to think about when disclosing information

- have the Schedule 10, clause 7 requirements been satisfied?
- Is CCO performance information shown for 10 years and does it include relevant 10 year non-financial information?
- is the CCO information consistent with the source data?
- is the CCO information consistent with the outflow data (especially the significant forecasting assumptions)?
- is the CCO information in a format consistent with your disclosure of levels of service in your performance information?
- have we given thought as to how best to present information?
- is information commercially sensitive and does this outweigh the obligation to disclose?
- who else “owns” the CCO?
CONTENT PIECE: SUNDRY DOCUMENTS

Introduction
This part of the jigsaw discusses a miscellany of sundry documents that have to be in the LTP. This includes:

• a summary of your significance and engagement policy (SEP)
• a statement explaining any significant variations between the LTP and the assessment of water and sanitary services
• a statement explaining any variations between the LTP and the waste management plan
• local board information (assuming your local authority has local boards)
• a statement discussing any steps your local authority intends to take to develop the capacity of Māori to decision-making.

This piece of the jigsaw contributes to the second and fourth of the pillars of wisdom – the right debate and one coherent story – each of these documents forms a part (albeit small) in the story the LTP is telling.

Why are the sundry documents so important?

Statements disclosing variations between the LTP and other documents are, in our view, intended to ensure that local authorities keep these documents reasonably current (the more variation the longer the statement). These documents may be relevant for some readers as they make an informed assessment of some of the content of an LTP.

The significance and engagement policy is an important trigger for a variety of decisions. A council’s definition of “strategic asset” is also of interest to some readers. A summary of the significance and engagement policy can help users assess some of the content.

Local board information provides those residents of the local board with an indication of where decision-making responsibilities lie, what level of funding their board will receive, and the agreement between the local board and the governing body.

How do sundry documents relate to the legislation?

All of the above are mandatory requirements. Your local authority must include a summary of the significance and engagement policy and a reference to where the full policy can be found in the LTP proper.
What processes are linked to sundry documents?

What information sources exist to support sundry documents?

Your summary of your SEP will be drawn from the SEP itself.

The statement disclosing any significant variations between the assessment of water and sanitary services and LTP will draw on information from the assessment and the activity/asset management plans for the relevant activities. Don’t forget this will include drinking water, sewage treatment and disposal, cemeteries and crematoria.

Likewise the disclosure of any significant variations between your LTP and the waste management plan will draw on the plan itself and the activity/asset information for solid waste.

Local board agreements and funding allocations will already exist.

Who should be involved in preparing the sundry documents?

Each of these documents should be prepared by someone knowledgeable about the range of issues covered in these documents, and peer reviewed by a fresh pair of eyes for accessibility of language, coverage of the key issues etc.

When should sundry documents be prepared?

The statement of variations between the LTP, the assessment and the waste management plan should be prepared as soon as activity management plans for the activities are in draft form, and should be reviewed after elected members have made decisions.
Your local authority’s first significance and engagement policy must be completed in accordance with section 82 by 1 December 2014.

**What is the relationship between the sundry documents and the consultation documents?**

Generally these statements will not warrant inclusion in the consultation document.

Significant variations between the LTP and assessment will probably feature somewhere in the infrastructure strategy, or will be a significant issue. In those cases the material will be captured in activity information.

A summary of the significance and engagement policy should be prepared and adopted before consultation. Significance and significant are used more than 50 times in the Act, and many of those are tied to a disclosure requirement. In any case the summary will help people understand how you have applied these terms.

Local board information must, at a minimum be prepared and adopted. Careful thought should be given to means of incorporation into the consultation document.

**Where should sundry documents appear in the LTP proper?**

The statements disclosing variations between the LTP, the assessment and the waste management plan would be most logically presented alongside the groups of activities to which they relate (provided the summaries are distinguishable and not mixed in with the other activity information).

The summary of the significance and engagement policy could sit:
- somewhere at the beginning to assist people in interpreting the term “significant”, or
- alongside the other policy documents (and this is the option most local authorities have taken in the past).

**Opportunities/things to watch with sundry documents**

Non-inclusion of one or more of these documents can be grounds for an audit qualification (depending on the document and its overall importance to your local authority).

Summaries that are not summaries will add to the overall size of the document.

**What good practice information is available?**

This is an area that is a purely mechanical one, and has not received much attention in previous LTPs. If you have a document you believe represents good practice, please contact Raymond.Horan@solgm.org.nz.