

Jigsaw 2018: Piecing it together

The SOLGM guide to preparing an integrated long-term plan
under the *Local Government Act 2002*

Part of SOLGM's suite
of LTP guides

October 2016





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INTRODUCTION

Background

This guide is the fifth 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. Your LTP is made up of various components and supporting information, needing to be strung together coherently. This guide will make you aware of linkages, and provide some advice on ensuring that they are made.

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 integrated planning processes for the preparation of each of the 2006, 2009, 2012 and 2015 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 revising guidance to incorporate the lessons learned during 2015 long-term planning processes. You will find an additional section in this guide on the integration of service delivery reviews with your LTP.

Jigsaw 2018 draws upon the rest of SOLGM's suite of LTP guidance. If you would like a more detailed approach to the LTP you can find all of our guides on the LGSectorGoodToolkit at lgsectorgoodtoolkit.co.nz

The six ground rules to a long-term plan

Six rules underpin this guide and all of the other guides in the suite. Taken together they reflect the key lessons from the first five rounds of LTPs.

1. **Long-term planning needs an outward focus:** a successful long-term plan must be grounded in an understanding of the demographic, economic, environmental and social factors that shape the world around it.
2. **Long-term planning means long-term:** the horizon for a long-term plan is the useful life of assets, as opposed to the triennial cycle or even the legislative timeframe of ten years.
3. **Long-term planning presents the right debate:** a long-term plan engages the community in a debate that focuses on the balance between the community's needs and aspirations, service realities and the community's willingness to pay. This is sometimes referred to as the right debate.
4. **Long-term planning tells one integrated story:** a long-term plan should tell a single overall story, each part of the story should line-up in a way that supports and amplifies the other parts of this story.

5. **Long-term planning is grounded in the present:** planning must proceed from a detailed understanding of the present, including the financials and fundamentals such as asset condition and performance.
6. **Long-term planning requires project management disciplines:** a long-term planning process contains a lot of moving parts. Successful long-term planning requires careful project planning and sequencing the right things in the right order.

The LTP Jigsaw explained

The use of the jigsaw motif is the best way of reinforcing the importance of integration and between the different aspects of the development of an LTP. As we take you through this document you will see begin seeing the overall picture of the LTP brought together piece by piece.

The guide has been developed in two parts, one focusing on the LTP process and the other on content, however it is important to emphasise that all parts of the LTP are interconnected.

Where possible for each piece of the Jigsaw 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.
- **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?
- **opportunities to collaborate.**
- **what other good practice information is available?** – places where you can find further resources or information.

Where possible 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?**



1. PROCESS PIECE: DECISION-MAKING PROCESSES

Introduction

Adoption of your LTP is both a decision in itself, and the culmination of a large number of individual decisions. Your elected members are seen as leaders within their community, they must buy into the process themselves and they must feel empowered to encourage buy-in of the LTP process. Senior management and staff need to ensure the process is not simply about informing elected members, but about empowering them, as they will own the final document.

Why are decision-making processes so important?

These processes enable decision-makers to make informed choices. 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. Remember your elected members need to own the final document. As officers you can provide them with information, however the final decision must rest with them.

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*). 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*).

You will want to consider *section 41A*, which refers to the role of the Mayor as the lead in the development of the LTP.

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?

Ultimately, elected members must own the long-term plan and should therefore make the final decisions.

Opportunities to collaborate

While decisions must be made by elected members, this process piece requires input from various parties. It is important to have conversations with stakeholders regarding any decisions and their implications resulting from the LTP, including iwi and hapū, neighbouring councils and CCOs. The earlier you begin conversations the more informed your council may be of your stakeholders' positions.

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 10, 41A and 77-81* within the *Local Government Act* have been considered and complied with.

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.

Allow 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 a delay in the overall LTP preparation process.

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).

Good practice information

NAMS resources:

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



2. 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 sixth ground rules - long-term planning requires project management disciplines. Within this section the concept of process management encompasses LTP project management. The use of the term 'process' rather than 'project' in this section, is indicative of the often iterative nature of a long-term 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 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*).

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 CEO and senior managers). The proposal should then be workshopped with elected members resulting in a set of decisions about the scope of the project, any extra resources required, and other parameters such as decision-making processes.

What are some other considerations related to process management?

Once you create your project plan you should consider any risks associated with the LTP process. Effective risk management of your LTP process will mitigate risk. This could range from any possible delays during the process to the lack of availability of key staff during certain times. You should consider signalling any potential risks within your project plan early.

Opportunities to collaborate

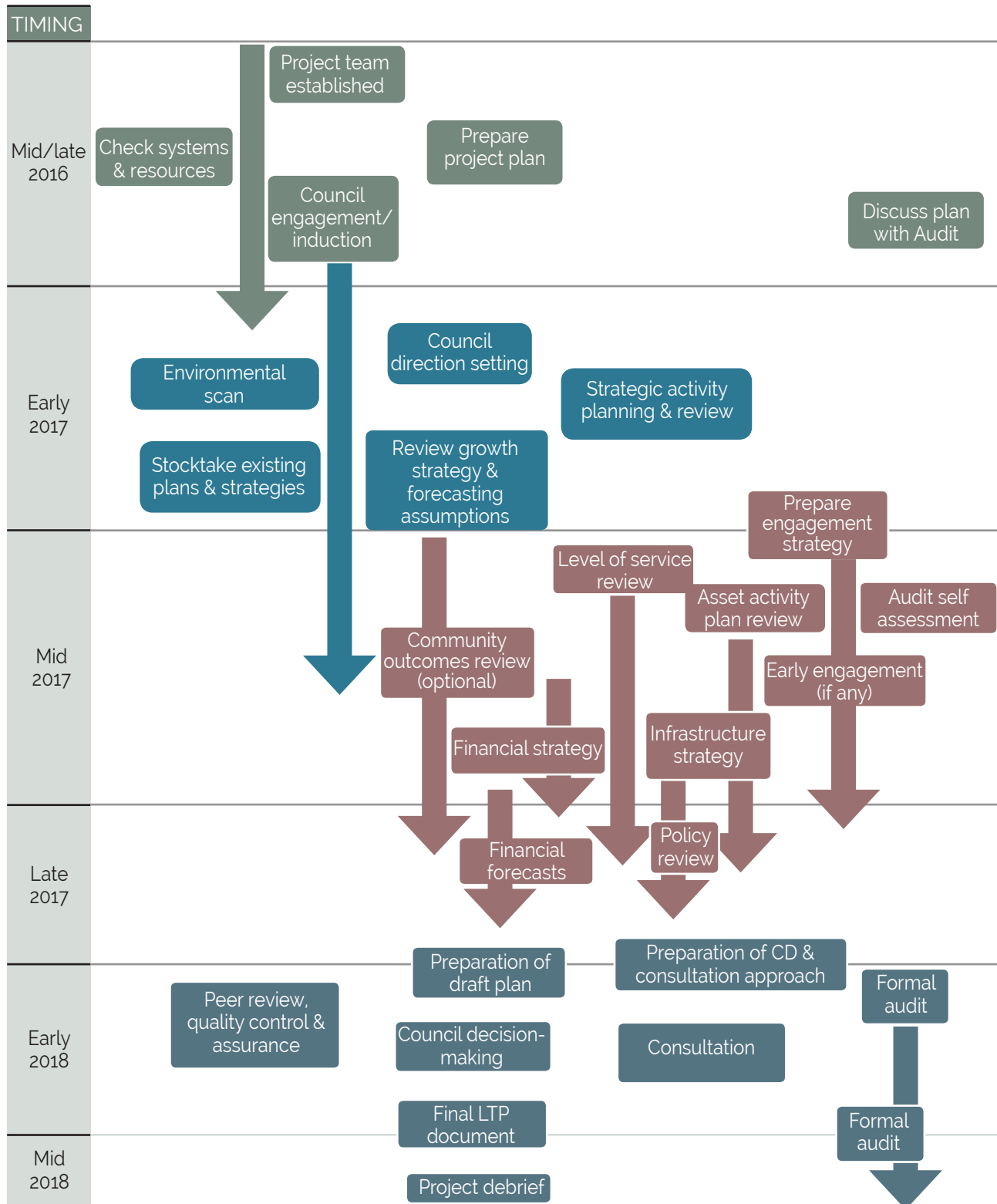
This piece rests on internal collaboration; however you may also want to discuss your project plan with neighbouring councils to ensure your timeframes are compatible and consistent. This may be to share resources, expertise or experiences across councils.

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 timeline on the following page.

A typical LTP process map

The process described here shows one way of structuring the process into tasks. Feel free to adapt it as best suits your local authority's needs.



Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP* (see Part 3). This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.

Office of the Auditor-General resources

Office of the Auditor-General (2012), *Matters Arising from the 2012-22 Long-Term Plans*. This report sets out matters arising from our audits of the 2012-22 long-term plans prepared by local authorities.

Office of the Auditor-General (2015), *Matters Arising from the 2015-25 Long-Term Plans*. This report sets out the main findings and observations from audits of local authorities' 2015-25 long-term plans (LTPs). It follows a report from OAG, *Consulting the community about local authorities' 10-year plans*, which included observations from audits of local authorities' consultation documents.



3. PROCESS PIECE: ENVIRONMENTAL SCAN

"Whatever affects one directly, affects all indirectly."

Martin Luther King, Jr

Introduction

Long-term planning needs an outward focus. Conducting an environmental scan as part of your LTP process can prove useful in understanding the demographic, economic, environmental and social factors that shape your community and affect council service delivery. Your LTP must be visionary and informed by an overall strategic direction for the community as well as the council's contribution. The process for preparing the LTP should start with an environmental scan and a discussion of the likely direction for the community.

An environmental scan allows for informed decision-making. Often certain issues may appear relevant in isolation, however within a wider context this may not be a case. This process piece ensures your council has taken a big picture approach to your LTP. You should present background information from your environmental scan to your elected members to ensure they are aware of the implications of the decisions they make.

Why is an environmental scan important?

Your LTP does not exist in isolation. Looking at some of the surrounding issues affecting your council's service delivery and provision ensures that any steps you take in your LTP are well-informed. Your environmental scan feeds into all parts of your content pieces, from your infrastructure and financial strategies, consultation documents, to funding policies. Contextual information is both relevant and important. Missing this step can create a fragmented approach.

How does an environmental scan relate to legislation?

There is no direct legislative requirement to conduct an environmental scan. However, in order for a LTP to be relevant and a reflection of your council's outlook over the next 10 years (and further for your infrastructure strategy) an environmental scan must be conducted.

When should an environmental scan occur?

An environmental scan should occur early within the LTP process. This may be as simple as putting together background information that will be used within your LTP and contacting/finding relevant sources of information. This could range from discussing requirements for your demographic information with your service provider (including Statistics New Zealand) or compiling relevant information from the community. The external part of the scan could be undertaken between 24 months and 18 months out from adoption. The internal part could start as soon as you are confident the underpinning systems and processes are in place and are working properly.

Who should conduct the environmental scan?

Your LTP project team, particularly those involved in strategy and policy should undertake the environmental scan. You should inform and check the results of your environmental scan with elected members at an early stage. Remember, conducting an internal scan will require co-operation and teamwork from across your council.

Opportunities to collaborate

Working with key stakeholders (including surrounding local authorities) in conducting your environmental scan is vital. Your council may overlook certain issues that may be seen as relevant by other parties. You may find that you have issues that cross boundaries. An open communication channel between all parties can also create transparency and create buy-in for other stakeholders in your LTP process.

Opportunities/things to watch when conducting an environmental scan

An environmental scan allows for a holistic approach, missing this step will likely cause issues in the long run.

Good practice information

SOLGM resources

SOLGM, (2016), *Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP*. This guide covers the fundamentals of constructing financial and infrastructure strategies. Overall financial management of the LTP is covered within the guide.



4. PROCESS PIECE: CULTURE & TRAINING

"Coming together is a beginning, staying together is progress, and working together is success."

Henry Ford

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 six ground rules, it is vital to tell one integrated story.

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** – strong leadership is an important element in creating a LTP, 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. The project manager must possess excellent relationship management, communication and influencing skills. It is a key strategic role.
- **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 on-going 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 lead the LTP training and culture?

The primary responsibility lies with the chief executive and senior management.

Opportunities to collaborate

As with the rest of the LTP culture goes hand in hand with collaboration. It is vital that the culture of your LTP supports collaboration.

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

The LTP can become 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.

Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP* (see Part 3). This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.



5. 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. This section discusses both internal and external communications, including a brief discussing on the consultation document (which is also discussed in detail later in this guide).

Why is a communication plan so important?

The effectiveness of your communications plan plays a large part in determining:

- the degree of buy-in you get from the elected members and staff
- the effectiveness of your engagement with the community
- 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.

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 statutory requirements.

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.

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 as each major LTP milestone is achieved.

Who develops the communication plan?

Input from staff involved with communications is central to the preparation and execution of the plan. Smaller councils may need to consider whether they need external advice.

Opportunities to collaborate

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). This requires a culture of teamwork throughout your council.

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?

Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP* (see Part 3). This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.



6. 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 ground rule, long-term planning presents the right debate. The engagement coordination plan discussed within this section covers all forms of engagement during the LTP process.

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 following diagram. 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 all and of itself.



STEP 4: Implement

Put in place mechanisms to undertake any engagement needed.

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 to collaborate

You should consider when your key stakeholders (for example your regional council if you are territorial authority) are engaging the community to avoid so-called consultation fatigue.

Opportunities/things to watch with engagement coordination

Ask yourself, has your consultation document set out all of the issues that you identified in preparing your engagement coordination plan? If not, then what 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 applies *section 82* before you start.

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 council 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 could be used through alternatives such as community fora, engagement online such as Facebook 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.

Good practice information

SOLGM resources

SOLGM (2014), *Significance and Engagement Policies*. This guide was prepared to assist council managers with the development of their council's Significance and Engagement Policy as required under *Local Government Act 2002*.

SOLGM (2016), *Telling Our Stories 2018: Guide on Consultation Documents*. The shortest of the SOLGM guides covers the basics of putting together a consultation document based on current local government best practice.

NAMS resources

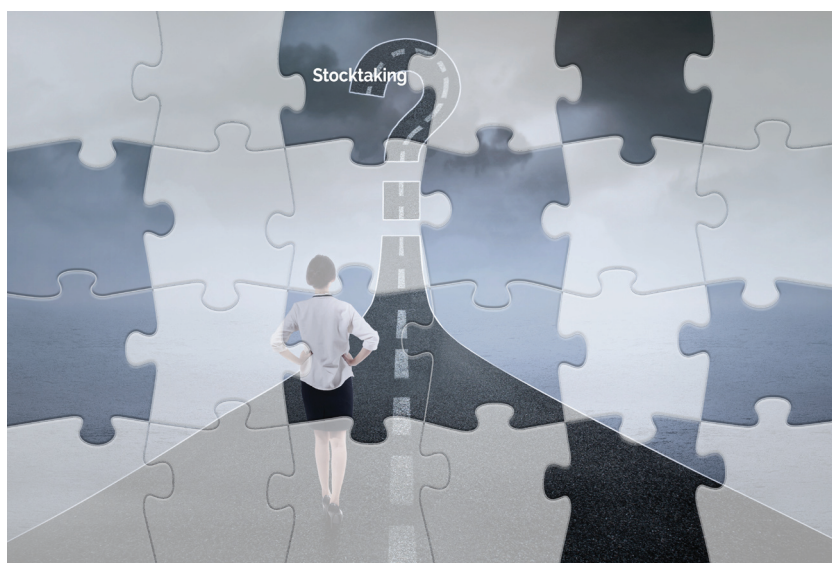
NAMS (2007), *Developing Levels of Service and Performance Measures* – a useful guide to various consultation techniques, and coordinating consultation (including making the most of your existing stock of information on community views).

IAP2

IAP2, *Engagement Spectrum*. There are also a wide variety of resources available on the International Association for Public Participation (IAP2) website www.iap2.org

Office of the Auditor-General

Office of the Auditor-General (2015), *Consulting the community about local authorities' 10-year plans*. This report outlines the findings and observations of the first round of consultation documents.



7. PROCESS PIECE: STOCKTAKING

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 strategies and plans. This piece of the jigsaw involves assessing all of these for currency and relevance and determining whether and how they link to the LTP.

The stocktake supports all of the ground rules in some way but most closely links to long-term planning presents the right debate and long-term planning tells one integrated story. The stocktake provides you with much of the information that goes into the right debate by identifying key council documents and how they may fit with your overall council direction.

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 an intention to make changes may be signalled). This makes elected members aware of exactly what decisions they can and cannot make in the LTP process.

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.
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.

Title	Questions
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 strategic priorities?
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? 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, working with relevant business units that may be aware of some of the strategic documents. Furthermore, strategic documents 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

As the stocktake is not a mandatory step some local authorities may have skipped it in the past. Long term this can manifest in an overall lack of direction within the local authority, risk of inconsistency, or a sense that your local authority “has too many priorities.”

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.

Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP* (see Part 1). This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.



8. 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 on-going 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 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 team).

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, to 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 to collaborate

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".

Opportunities/things to watch with quality assurance

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 external 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 information

What should a good quality assurance plan include?

QA area	Description
Role and responsibility	<ul style="list-style-type: none">• Who is responsible for what part of QA• A decision on the use of internal versus external resources
Consistency checks	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Checks of data compilation controls• Identifying project risks and pressure points• Checking links between underlying data (e.g. AMPs) and the LTP
LTP content	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Liaising with auditors on how internal QA work may help with the completion of the external audit of the LTP
Key points	<ul style="list-style-type: none">• List the key points of the LTP process at which QA needs to be satisfied



9. 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. This section relates to the ground rule – long-term planning requires project management disciplines.

The potential for inefficient management of information is greatest if:

- each department is re-creating data best supplied centrally
- time and energy is spent trying to locate data
- 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, re-inputting 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.

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 information

The Office of the Auditor-General has developed guidance on key controls for LTP development:

Content	Description
Standard template guidance	<ul style="list-style-type: none"> assumptions to be applied treatment of corporate overheads explanation (glossary) of terms guidance for users
Use of a central repository and/or other systems	<ul style="list-style-type: none"> 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? what information needs to be restricted (and why) coupled with security procedures etc.? naming conventions version control
LTP preparation and processes	<p>Who is:</p> <ul style="list-style-type: none"> the keeper of each data set authorised to amend data authorised to access data.
Internal controls over input	<ul style="list-style-type: none"> back ups use of control totals, audit function and reconciliations recording source of data
Control over changes to input	<ul style="list-style-type: none"> control over who is authorised to amend data reviews / approvals of changes changes to centrally calculated information (e.g. corporate overheads, depreciation, interest) review and approval of amendments
Protection of data	<ul style="list-style-type: none"> cells protected, locked passwords access to data with different hierarchy of rights
Evidence of consultation and decision-making	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> use of 'lockdown' documents access to corporate information



10. 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 of the six ground rules 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.

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 93(6)*)
- the quality of the information and assumptions underlying the forecast information provided in the document.

When does the audit process occur?

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.

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.

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 described below.

The audit process is undertaken by an audit service provider (ASP) on behalf of the Office of the Auditor-General¹.

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. It is also beneficial to involve your ASP in the early planning systems, to ensure everyone is on the same page.

Normally ASPs will do some pre-audit work this 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 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.

¹ The ASP is the decision maker; although the auditor will consult with the OAG prior to the delivery of the opinion.

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.

Good practice information

Office of the Auditor-General resources

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.

Office of the Auditor-General (2012), *Matters Arising from the 2012-22 Long-Term Plans*. This report sets out matters arising from our audits of the 2012-22 long-term plans prepared by local authorities.

Office of the Auditor-General (2015), *Matters Arising from the 2015-25 Long-Term Plans*. This report sets out the main findings and observations from audits of local authorities' 2015-25 long-term plans (LTPs). It follows a report from OAG, *Consulting the community about local authorities' 10-year plans*, which included observations from audits of local authorities' consultation documents.



11. CONTENT PIECE: FORECASTING ASSUMPTIONS

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

- internally consistent with other assumptions
- 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 (with the exception of your FIS) 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.

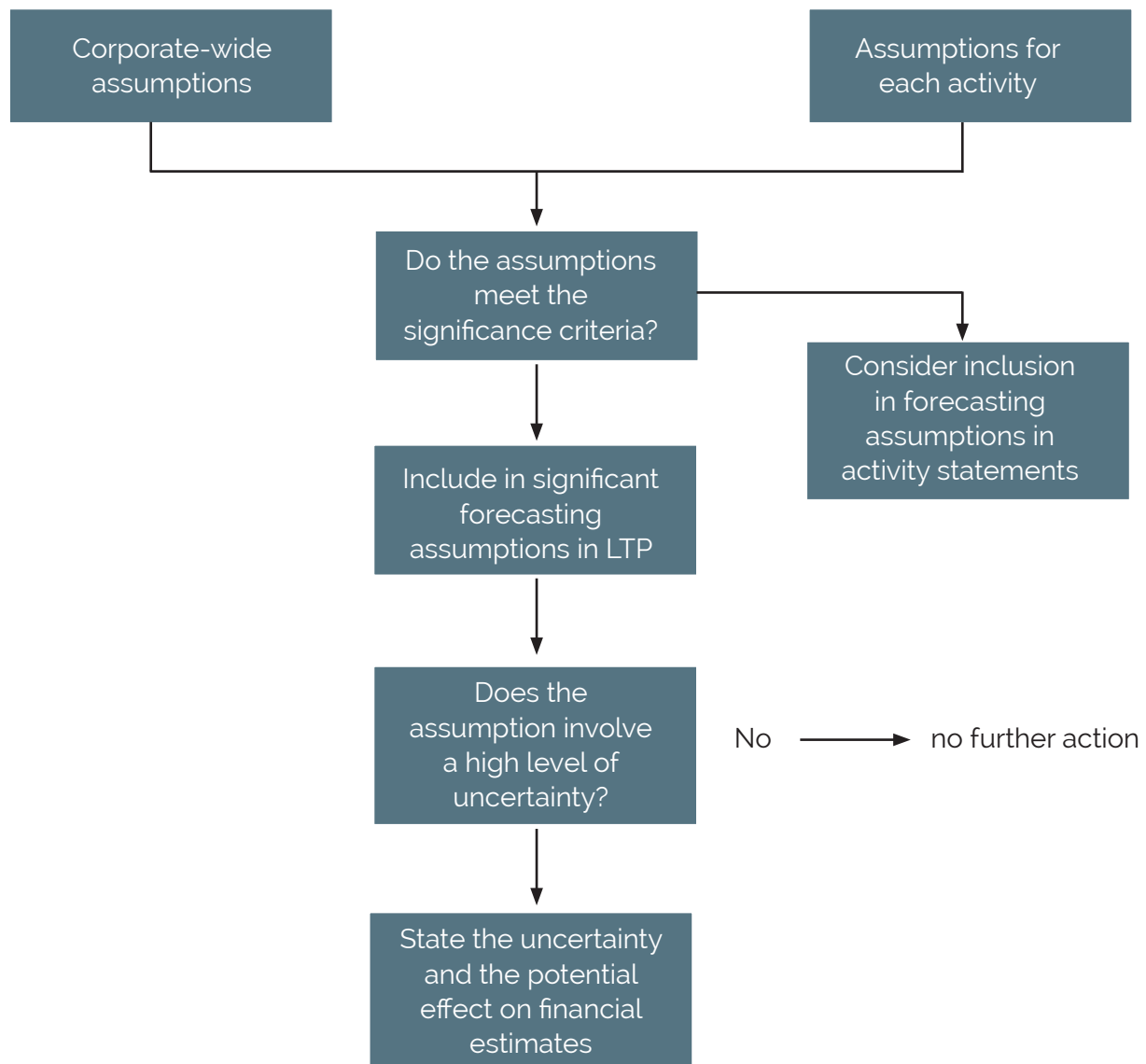
What information sources exist from which to draw forecasting assumptions?

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 and non-resident demand) 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, particularly your regional neighbours. In some cases it might be wise to pool resources to collate forecasting assumptions that might be similar across a region
- 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. Firstly, corporate level assumptions are those assumptions organisation-wide and applicable to activities of your local authority. Secondly, assumptions about individual activities should be considered.



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.

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 (but make sure they are consistent):

- (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 to collaborate

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.

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.

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 less than 80 percent of local authority capital programmes are completed in any year) and make sure there is capacity to deliver.

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.

Good practice information

SOLGM resources

SOLGM, (2016), *Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP*. This guide covers the fundamentals of constructing financial and infrastructure strategies. Overall financial management of the LTP is covered within the guide.

SOLGM, *Price Level Adjustors* and the *Local Government Cost Index*. 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.

NAMS resources

NAMS, (2015), *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 resources

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.

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12. CONTENT PIECE: STRATEGIC DIRECTION SETTING

Introduction

There are often two approaches taken with long-term plans, one of which is to use the long-term plan as a document that encompasses all of council's strategic intentions, the other is to refer to all of council's strategic goals from other strategies within the long-term plan. No matter which approach you take, it is important to note that your council must have a conversation about how your council is going to continue in the future, in essence set its strategic direction. This piece of the jigsaw relates to the future-focused nature of a long-term plan. It is important to note that this section does not prescribe how you approach your strategic direction setting, and can only offer guidance.

Why is strategic direction setting important?

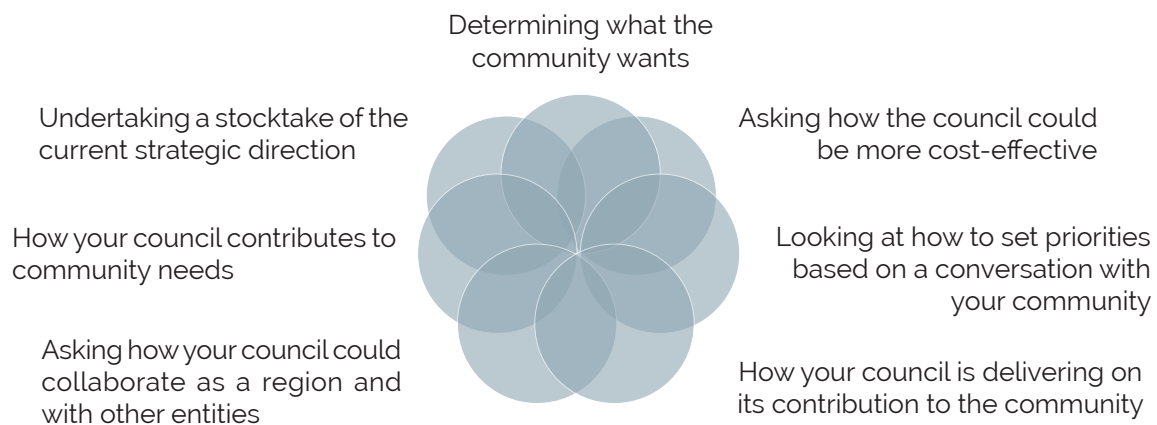
Strategic direction setting encompasses council's high-level goals, particularly what the outcomes may be, what your council is planning to do, and what resources will be made available to achieve your high level goals. It is important that your local authority has a conversation about this at the start of your long-term plan process. However, your entire long-term plan process helps support your council's strategic direction.

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 decisions etc.

What does strategic direction setting include?

One of the first steps in strategic direction setting relates to one of the other pieces in this guide, stocktaking existing plans and strategies. Once you are aware of the current direction, you can proceed in mapping out where to go next. This part of the LTP process will feed back into conversations you will likely have with regards to your infrastructure and financial strategies.

Strategic direction setting involves the following:



Community outcomes

Community outcomes should be factored into strategic direction setting. There are few things you must remember when thinking about community outcomes, for example 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.

What is the relationship between strategic direction setting and the consultation document?

If your local authority is proposing significant changes to its strategic priorities these changes should be included in the consultation document. That information might only focus on the changes themselves – though you may contextualise the reasons for the change.

Who should prepare the information regarding your strategic direction?

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.

Opportunities to collaborate

Work with your local community and partner organisations, particularly your CCOs, in setting your strategic direction. Early engagement with your local community can create buy-in for the entire LTP. Strategic priorities may be aligned at a regional or even national level. If there are issues that cross your council boundary discussing issues with your neighbours early will help ensure there is strategic alignment. You may consider how your section 17A service delivery reviews may affect regional collaboration on strategic issues.

Opportunities/things to watch with strategic direction setting

Aligning your strategic priorities with your LTP is fundamental. However, it can be a difficult process, particularly if you are looking to change where your council is heading. You need to ensure elected members fully understand what the current picture looks like, what it may look like and any implications of change. At the end of the day this is their decision and must take ownership. Consider presenting this information in a simple, easy to read table or diagram. The most important part is that information is fully and clearly communicated to everyone involved.

Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP*. Part 1 of this guide covers direction setting in considerable more detail.



13. CONTENT PIECE: RATIONALE & GROUPING ACTIVITIES

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 focusing on the:

- the preparation of a rationale for service delivery
- the grouping of activities.

The rationale for service delivery acts as the link between your local authority's strategic direction, and its actual choice of activities. Once you know why your local authority does a particular activity you can develop the levels of service that the community can expect, and describe how the community will know these have been achieved (performance measures and targets). It is vital that this be done well.

Why is rationale for service delivery 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. You should consider how your rationale for service delivery fits with your council's strategic direction.

Similarly, it is important to have a clear definition of each activity. How you group your activities 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.

Considerations for grouping activities

If your local authority has not already done so it would be wise to review all of your discretionary activities against the purpose of local government.

Local authorities are required to disclose, at a 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
- when activities are grouped alongside the outcomes, there may not necessarily be alignment, this may point to a lower level of aggregation into groups, and
- if the promotion of community outcomes forms a key part of rationale for service delivery – is it 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.

Section 17A (Service Delivery Reviews)

As part of your decision-making process, you should consider how *section 17A* (service delivery reviews) will affect future service delivery. How your activities are grouped and the reason for providing those activities must consider all of the available options, including whether a service delivery review has determined a more regional approach.

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 strategic 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.

Opportunities to collaborate

The disclosure and reporting for CCOs (*clauses 7 and 28 of Schedule 10*) reflect that some CCOs may be undertaking activity that contributes to your council's strategic objectives in a major way, or has some other effect on the local authority (for example where dividends from the CCOs are a major source of revenue for the local authority).

A rationale for service delivery is important for activities provided by CCOs or the other objectives for CCOs (such as a dividend target).

As these agencies are delivering an activity you will need to give careful thought as to how to include these within your definition of groups of activities. Many local authorities group all CCOs that are held primarily for investment or commercial purposes together. Others may fall within the mandatory groups of activities, meaning that those CCOs get caught by the requirements of *section 261A*.

Nonetheless, you need to align your CCOs into groups of activities. You will need to think about their levels of service for your framework and potentially these will feature in the LTP.

Opportunities/things to watch with grouping activities and rationale for service delivery

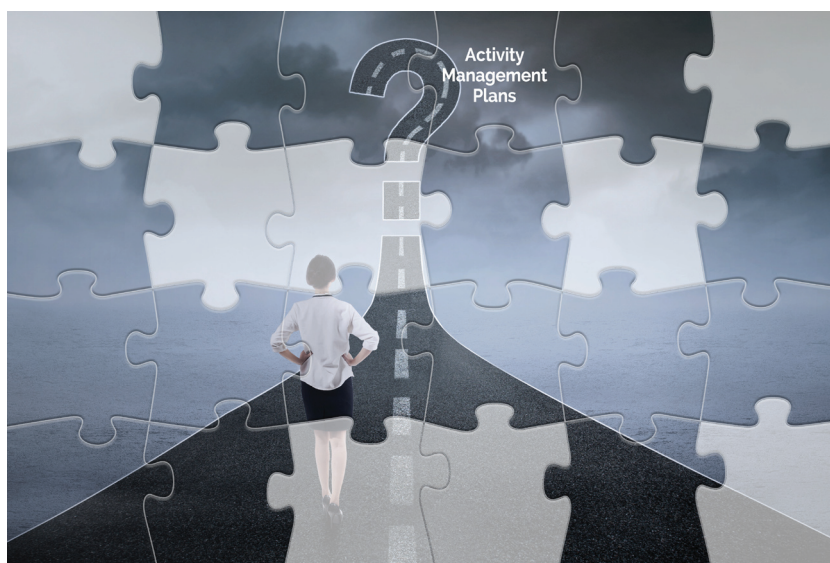
Rationale for service delivery - explain why your local authority is doing the activity (or has someone provide it on its behalf) - the rationale should focus on the end result, not on the means for delivering the activity.

Watch out 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 be true – this does not necessarily provide much assistance with subsequent steps in the LTP process.

Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP* (see Part 2). This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.



14. CONTENT PIECE: ACTIVITY MANAGEMENT PLANS

Introduction

Within this section we discuss the importance of activity management plans. What these plans may encompass is often dependent on the council. The documents that we discuss in this section may be referred to by different names including asset management plans. The name used may depend on how your council operates, however our intention is to discuss plans which encompass the delivery of services on a day-to-day basis. We have decided to include this section on activity management plans within this guide to highlight the importance of sound information that will eventually feed back into your LTP and supporting documents.

Why are activity management plans important?

These plans help form the basis of information that will be incorporated within your LTP. Additionally, some activity management plans may help inform your infrastructure strategy (these may be labelled asset management plans) or make up your supporting information (this is again dependent on your council and how your plans are used).

How do activity management plans relate to legislation?

Although not required under legislation it is strongly advised that your activity management plans (or equivalent documents) are kept up-to-date and help inform how your long-term plan is prepared.

When should activity management plans be prepared?

You should keep your activity management plans up-to-date and review them regularly - waiting every three years will cause a bulkhead of work. You should consider having your review cycle of activity management plans aligned with the preparation of you long-term plan.

Who should be responsible for preparing activity management plans?

Individual activity managers are responsible for preparing their own activity management plans with advice from your strategic (and potential policy) departments of your council.

Opportunities to collaborate

Cross council collaboration is required in the preparation of activity management plans. You may consider having a central depository of information to ensure that duplicates are not created and the most up-to-date version of the plans are used by staff.

Opportunities/things to watch with activity management plans

Ensure that any information in your activity management plans align with information in your LTP. Inconsistent assumptions will create issues.



15. CONTENT PIECE: FINANCIAL & INFRASTRUCTURE STRATEGIES

Introduction

A robust financial strategy and infrastructure strategy provide the foundations that support prudent financial management over the long-term. The processes for developing the two must be aligned. This section deals with these two strategies as part of the one integrated story of your LTP. You should ensure these strategies are outward focused and grounded in the present.

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. 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. These two strategies represent two sides of the same coin with the financial strategy requiring information grounded in service needs and realities, and the infrastructure strategy requiring information grounded in financial realities.

Why are the financial and infrastructure strategies so important?

Good financial and infrastructure strategies tell a story about levels of service, costs, risks and trade-offs. They present the key decisions, the principal options, with the implications of these options. The financial strategy will be both a key part of engagement with the community and the acid test of the financial sustainability of your council. Both the infrastructure and financial strategies are acid tests for the political/community acceptability of the package of policy and service delivery decisions your council may present for the next several decades.

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. While the infrastructure 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.

The financial strategy is a tool for public accountability. 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 financial 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 do the financial and infrastructure strategies relate to the legislation?

The mandatory content of a financial strategy is deceptively short and simple. It includes the following:

- A. The significant factors that have influenced the strategy including
 - (i) the capital and operating costs of responding to changes in population and land use
 - (ii) capital expenditure necessary to maintain levels of service on the five groups of network infrastructure and
 - (iii) any other significant factor that affects your ability to maintain existing levels of service and to meet additional demands for services
- B. quantified limits on rates, rates increases and borrowing and an explanation of what impact these may have on your local authorities ability to maintain current levels of service and meet additional demands for services
- C. any policies that your local authority has for giving security over its borrowing. If your local authority is a member of the Local Government Funding Agency you should check that your existing policies are not inconsistent with the requirements applying to members of that agency
- D. a statement that sets out your objectives for holding and managing financial investments and equity securities and its quantified targets for returns on those investments and equity securities.

The mandatory content of an infrastructure strategy must include, the need to:

- **renew or replace existing assets** – in other words, what assets (or significant components of assets) will need renewing or replacing, and when
- **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? How is your local authority intending to manage changes in demand? Don't forget that there need not always be an asset related solution
- **allow for planned increases or decreases in levels of service provided through those assets**
- **maintain or improve public health and environmental outcomes or mitigate adverse effects on them** – topical examples includes matters such as expenditure to meet changing drinking water standards, increased resource consent conditions or the NPS on freshwater management
- **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 mitigate these risks (including building resilience into assets 'up front', relocation strategies, and insurance and other financial provisions have been made). You might also consider what investments your local authority is making with climate change/sea level rise in mind.

The focus of an infrastructure strategy is on the significant – it's a strategy, there is no expectation that anything and everything will go into a strategy. This lends itself well to the following criteria:

- the cost involved in addressing the issue - the larger the cost, the higher the degree of significance
- the impact on the levels of service - the bigger the impact on levels of service, the higher the degree of significance (don't forget that impacts can be both positive and negative)
- the degree of risk involved in, or arising from, the issue – what's the risk if the issue is not addressed, how big is that risk, and how significant are the consequences if that risk materialises. Don't forget that risks can be both 'upside' and 'downside'
- impact on achievement of your local authority's priorities – how important is resolution of the issue to the achievement of your council's strategic priorities.

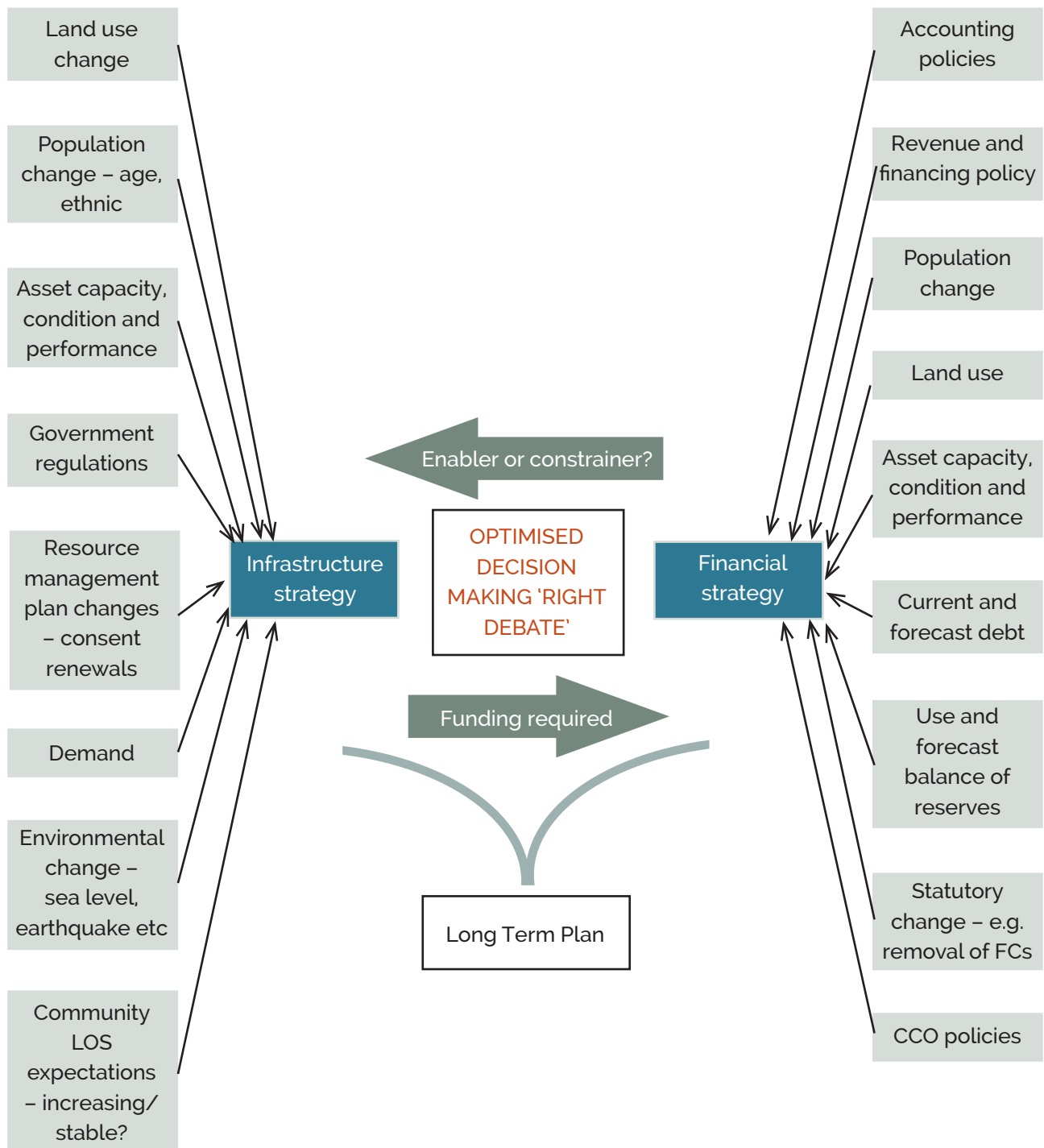
An infrastructure strategy must include the five network infrastructure assets. While not mandatory some councils extended their strategies to include community infrastructure. Not only does this round out the major categories of capital expenditure it also picks up issues that communities care about and for which funding can be a great challenge for councils. Think about whether this should be part of the "right debate" on infrastructure investment for your community.

What are the information sources for the financial and infrastructure strategies?

Preparation of your strategies will draw on a wide variety of policy and activity information from right across the local authority. For example there will be key linkages from the infrastructure strategy (especially for the five mandatory groups of activity) and asset or activity plans (for other activities). The following diagram illustrates the relationships between your infrastructure and financial strategies and LTP.

Remember, 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 advance the strategy. You will also need to draw on the information sources you used to develop forecasting assumptions such as economic and demographic projections. However, the infrastructure strategy is also a guiding document for your asset management planning work.

Interrelationships between the financial and infrastructure strategies



When should the financial and infrastructure strategies be prepared?

Good infrastructure and financial strategies follow an iterative process – resist the temptation to start the process with a hard and fast direction that ‘this is the strategy’.

Who should be involved in preparing the financial and infrastructure strategies?

The financial and infrastructure strategies will call for input from across your local authority. The LTP project manager should be responsible for turning the strategies into something that can be publicly disclosed, but drawing heavily on input from relevant staff and the key activity managers. Asset managers must be involved in preparing the infrastructure strategy. They will provide much of the information underpinning the infrastructure 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 infrastructure strategy itself. It is a synthesis – the temptation for activity managers will be to over document their own activities, in asset speak.

Please note that elected members have a vital role in setting the limits – however their input and decisions must be sought at a point well before they are asked to approve the consultation document for both strategies.

What is the relationship between the financial and infrastructure strategies and the consultation document?

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

The *Act* expressly precludes inclusion of the full financial and infrastructure strategies. The expectation is that this will take the form of a presentation of key issues. For example, if your approach to 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 strategies must be adopted in advance of adoption of the consultation document. For the financial strategy, 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). Similarly for the infrastructure strategy this will necessitate adoption of asset plans, activity information and group level financial forecasts for those groups in the strategy and release to the community as part of the underlying information per *section 93G(c)*.

Where should the financial and infrastructure strategies 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 statements, revenue and financing policy (and any other policies you are including in the LTP) are also a good idea. The infrastructure strategy should sit near the financial strategy; the most likely place is immediately before the group statements. For example, many regions are collaborating on roading, and there may be an opportunity to align that part of the infrastructure strategy, also involving NZTA in discussions.

Opportunities to collaborate

These two strategies are a huge undertaking for any council. Working alongside stakeholders may be useful, particularly discussing implications of strategic decisions on a regional level.

Opportunities/things to watch with financial strategies

Many of the 2015 strategies appeared to take a compliance focus – as a result some ‘strategies’ were collections of information.

The Office of the Auditor-General suggested that the success of an infrastructure strategy would depend on the degree to which the strategy was:

- visionary – telling the story about where your local authority currently is, where you are trying to get to, and how you intend to get there
- realistic – including relevant assumptions and disclosures on funding, data, risks and delivery
- relational – creating the right debate by credibly linking with financial strategies, demographic change and other relevant influences.¹

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

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.

Don’t ever present a collection of spreadsheets or graphs as “your strategy”. A strategy is not just a set of numbers.

Legislation permits you to prepare a combined financial and infrastructure strategy – provided it meets the requirements of each, your focus should however be on an integrated process and the creation of an integrated story.

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. Some councils have looked at a period of 100 years; remember strategies are overarching and big picture.

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

Good practice information

SOLGM resources

SOLGM, (2016), *Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP*. This guide covers the fundamentals of constructing financial and infrastructure strategies. Overall financial management of the LTP is covered within the guide.

SOLGM, *Price Level Adjustors* and the *Local Government Cost Index*. 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.

NAMS resources

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).

NAMS, (2015), *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 resources

Office of the Auditor-General (2012), *Matters Arising from the 2012-22 Long-Term Plans*. This report sets out matters arising from our audits of the 2012-22 long-term plans prepared by local authorities.

Office of the Auditor-General (2015), *Matters Arising from the 2015-25 Long-Term Plans*. This report sets out the main findings and observations from audits of local authorities' 2015-25 long-term plans (LTPs). It follows a report from OAG, *Consulting the community about local authorities' 10-year plans*, which included observations from audits of local authorities' consultation documents.

Office of the Auditor-General (2015), *Consulting the community about local authorities' 10-year plans*. This report outlines the findings and observations of the first round of consultation documents.



16. CONTENT PIECE: COUNCIL CONTROLLED ORGANISATIONS

Author's note

During the writing of this section the *Local Government Act 2002 Amendment Bill (2)* was going through select committee. This section may be subject to change. We strongly advise all councils ensure that CCOs are involved with the long-term plan in the early planning stages to ensure the greatest alignment as possible. There is a current move towards greater collaborative action within the local government sector, this includes considering how services are provided by CCOs.

Introduction

This piece of the LTP jigsaw relates to the information about Council Controlled Organisations (CCO) that must be included in the LTP. You should consider how CCOs help create your long-term plans single integrated story. Working alongside your stakeholders can help provide the community with the strongest strategic direction possible.

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 has indicated it would be making and assess what impact this may have on your council's overall strategic direction.

Often information regarding CCOs is overlooked in the preparation of the LTP and added during the last stages of piecing the document together. It is important that CCOs are involved earlier, even if relevant documentation is not available till later in the LTP process.

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 the need to meet the reporting and accountability requirements of 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.

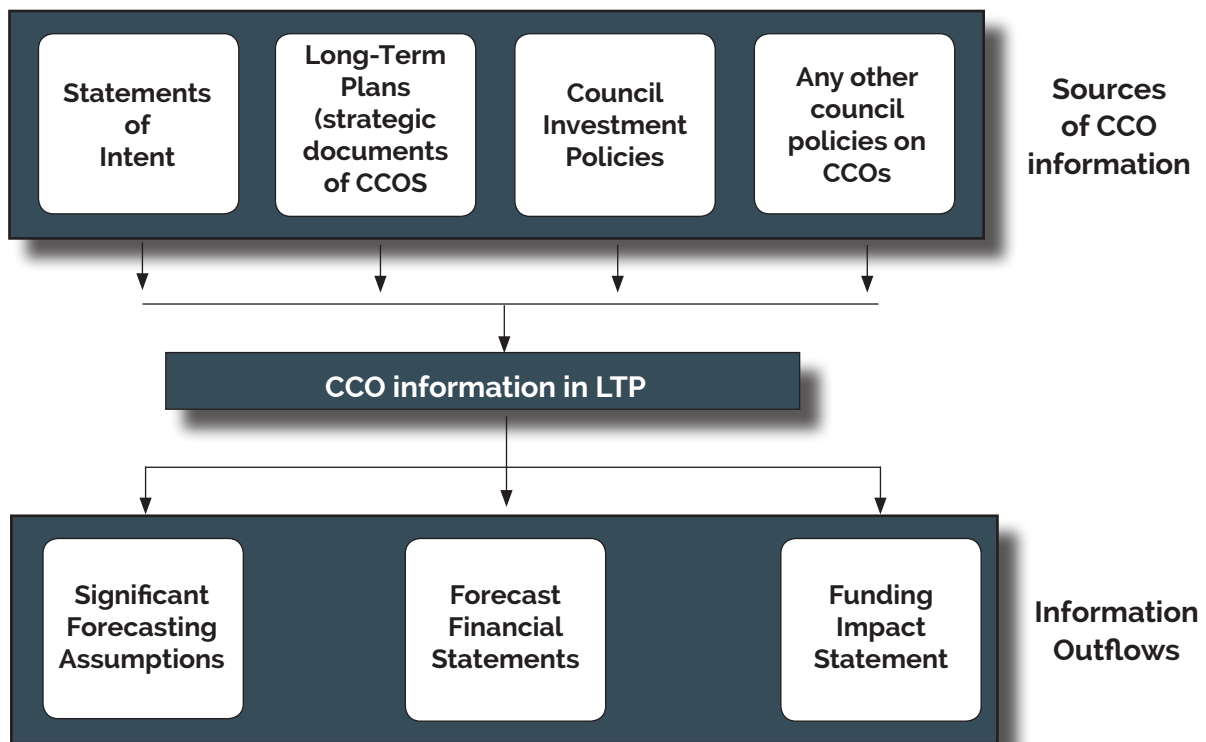
Local authorities are empowered to include forecast financial statements for any CCO for any years covered by the LTP. This has not been widely used in previous LTPs. However all financial statements must be prepared in accordance with GAAP. Where local authorities have CCOs, PBE FRS 42 allows local 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 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 over the page shows the relationship between the various sources of information on CCOs and the information in the LTP.



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.

When should CCO information be prepared?

Remember to work with your CCOs during the early preparation stages of your LTP. Communication helps create an integrated story. 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.

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 need to include CCO information in your consultation document, it should be prepared and adopted before consultation begins. CCO information is a key part of the LTP, so per *section 93G(c)* it needs to be available as underlying information during the consultation period.

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 to collaborate

Working with your CCOs is a prime example of collaboration in bringing the LTP together. Where relevant you should also consider ways in which you can work with other stakeholder councils in preparing CCO information.

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 relating to CCOs have been short term rather than for the full 10 year programme. You should consider how CCOs factor into your performance management framework.

Good practice information

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?

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP* (see Part 1 and 3). This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.



17. CONTENT PIECE: FUNDING & 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 Maori 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 2014 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). Both policies must be adopted before adoption 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 v 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 amongst 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.

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?

Section 102 of the *Act* requires a local authority to prepare and adopt five funding and financial policies (six if your local authority has local boards). While not required, if your local authority wants to remit and postpone rates on land in general title, it will need to have a further two.

Your revenue and financing policy is the first step in the rate-setting process. An invalid policy could place subsequent decisions at risk.

The revenue and financing policy must demonstrate how your local authority has complied with the funding policy process of *section 101(3)*. Don't forget that the process has two steps, and that your policy needs to demonstrate compliance with both. You must adopt your revenue and financing policy before you adopt the LTP.

The consultation and audit requirements for policies are different – be familiar with each. You may consult on drafts of each (LBP and RFP) 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 and LBP (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 legislative requirements are met, and are clearly distinguished
- have each checked by a legal advisor.

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.

Staff in the finance department should prepare the RFP working closely with activity/asset managers with regard to the application of *section 101(3)* matters. Finance 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 a 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 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.

Ensure that your draft RFP is not included CD. You should ensure that if you are consulting concurrently

that your documents are clear and separate.

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.

Your RFP must be adopted before your LTP.

Good practice information

SOLGM resources

SOLGM, (2016), *Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP*. This guide covers the fundamentals of constructing financial and infrastructure strategies. Overall financial management of the LTP is covered within the guide.

Court decisions

The decision of Potter J in *Neil Construction and Others v North Shore City Council*.



18. 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 right debate issues and ensuring the LTP tells one integrated 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, 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.

When should the activity statement be prepared?

We suggest your activity statements are prepared early in the process.

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 to collaborate

Make sure you inform CCOs of decisions that may affect particular activity statements.

Opportunities/things to watch with activity statements

Be careful with externally produced templates. They can be complicated and 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 the past some councils have 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.

Good practice information

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

Good practice area	Description
Conciseness	Is the information tightly organised? Are redundancies and repetition avoided?
Clarity	Is the information as jargon free as possible? Does the information paint an accurate picture of the activity?
Completeness	Consider the use of graphs, diagrams and photographs <ul style="list-style-type: none">• 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• to engage the reader
Linking	Is the narrative consistent with information on community outcomes and financial statements for : <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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?



19. 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 integrated 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 began in 2015. 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.

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 should take responsibility for the initial development of levels of service and performance measures, as they are the ones who are accountable for delivering on these. But inputs from individual activity managers must be subject to central review for consistency, completeness and quality assurance. Someone in a central role should also take responsibility for helping the

activity managers understand what is expected as they do the initial development. This may depend on your council. Be careful to strike a balance between what the community need to know and what the activity manager themselves need to know to manage their activity. Some activity managers may be offended when they present 10 performance measures they think are important only to have them whittled down to two or three through a central review process.

When should performance information be prepared?

Levels of service and performance measures should largely exist already, however 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 to collaborate

Changes to legislation have highlighted the importance of collaboration and cost-effectiveness, particularly within *section 17A* and *section 14* of the *Local Government Act*. According to *section 14E*, 'a local authority should actively seek to collaborate and co-operate with other local authorities and bodies to improve the effectiveness and efficiency with which it achieves its identified priorities and desired outcomes.' It is important to note this principle can apply to performance management, with a greater need for local authorities to collaborate. When putting together your performance information it may be worth discussing the possibility of creating regional measures with other neighbouring councils, this is particularly important for services that cross boundaries, e.g. emergency management.

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.

Avoid copying levels of service and measures from others unless you have 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.

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. Some of the community based activities such as community development and economic development can be particularly challenging to draft meaningful measures for. Some industry organisations, such as Museums Aotearoa and LIANZA have provided guidance on this for the benefit of all councils.

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.

Good practice information

SOLGM resources

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP*. This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.

NAMS resources

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).

Office of the Auditor-General resources

Office of the Auditor-General, (2002), *Reporting Public Sector Performance*.

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.

Office of the Auditor-General (2012), *Matters Arising from the 2012-22 Long-Term Plans*. This report sets out matters arising from our audits of the 2012-22 long-term plans prepared by local authorities.

Office of the Auditor-General (2015), *Matters Arising from the 2015-25 Long-Term Plans*. This report sets out the main findings and observations from audits of local authorities' 2015-25 long-term plans (LTPs). It follows a report from OAG, *Consulting the community about local authorities' 10-year plans*, which included observations from audits of local authorities' consultation documents.

Office of the Auditor-General (2015), *Consulting the community about local authorities' 10-year plans*. This report outlines the findings and observations of the first round of consultation documents.

Department of Internal Affairs resources

Department of Internal Affairs (2013), *The Non-Financial Performance Measures Rules 2013*.

Department of Internal Affairs (2014), *Guidance for the implementation of the Local Government Mandatory Performance Measures*.



20. 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. The whole of council FIS is the second step in the rate-setting process. A mistake or irregularity in the FIS could invalidate actions taken at the subsequent steps in the process.

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 organisations. 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.

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).

The *Local Government Act* now requires 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 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 modelling. Whether this model is spreadsheet based or uses a modelling 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 trade-offs 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) is important.

Where is the information sourced from?

Area	Information sources
Forecast financial statements	<ul style="list-style-type: none"> Financial modelling systems Asset management plans Significant forecasting assumptions CCOs' statements of intent
Funding impact statement	<ul style="list-style-type: none"> Financial modelling systems Asset management plans Revenue and financing policy Rating information
Capital expenditure	<ul style="list-style-type: none"> Asset management plans Development contributions policy
Statement concerning balancing the budget	<ul style="list-style-type: none"> Council resolution required under s100(2) Revenue and financing policy

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

Your LTP consultation document must disclose any planned significant changes to funding arrangements. 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 require councils to include the full forecast financial statements in the consultation. 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 and available as underlying information as per *section 93G(c)*.

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. Prudence is something that council must manage at all times, not just on the date the LTP and CD are adopted. Council must be able to demonstrate to the community and their auditors how they are achieving prudence through their long-term plan. In that context, we suggest a statement on the balanced budget should be included in the CD 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 IPSAS 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.

Good practice information

SOLGM resources

SOLGM, (2016), *Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP*. This guide covers the fundamentals of constructing financial and infrastructure strategies. Overall financial management of the LTP is covered within the guide.



21. 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 as 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, although note the *Act* has no specific distribution requirements).

How does the consultation document relate to the legislation?

The CD is a requirement of *sections 93B* and *93C* of the *Act*. *Sections 93E, 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.

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 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 information (refer to *section 93G(c)* if you have any concerns).

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.

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.

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.

Ensure that you resource and plan the preparation of your CD, as you would any project. This entails making sure staff are available to make changes to the CD if need be.

Good practice information

SOLGM resources

SOLGM (2016), *Telling Our Stories 2018: Guide on Consultation Documents*. The shortest of the SOLGM guides covers the basics of putting together a consultation document based on current local government best practice.

Office of the Auditor-General resources

Office of the Auditor-General (2015), *Consulting the community about local authorities' 10-year plans*. This report outlines the findings and observations of the first round of consultation documents.



22. 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 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.

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.

HELPFUL RESOURCES

This section lists all of the resources we have mentioned throughout this document that you may find helpful in preparing your LTP.

SOLGM resources

SOLGM (2014), *Significance and Engagement Policies*. This guide was prepared to assist council managers with the development of their council's Significance and Engagement Policy as required under *Local Government Act 2002*.

SOLGM (2016), *Your Side of the Deal 2018: Performance Management and the LTP*. This is the guide to setting performance measures and targets under the *Local Government Act 2002*. Additionally, the guide covers overall direction-setting, communicating performance and performance culture.

SOLGM, (2016), *Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP*. This guide covers the fundamentals of constructing financial and infrastructure strategies. Overall financial management of the LTP is covered within the guide.

SOLGM (2016), *Telling Our Stories 2018: Guide on Consultation Documents*. The shortest of the SOLGM guides covers the basics of putting together a consultation document based on current local government best practice.

SOLGM, *Price Level Adjustors and the Local Government Cost Index*. 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.

NAMS resources

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

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).

NAMS, (2015), *International Infrastructure Management Manual*. The bible for asset managers, this discusses the preparation of asset strategies and the associated plans in detail.

IAP2

IAP2, *Engagement Spectrum*. There are also a wide variety of resources available on the International Association for Public Participation (IAP2) website www.iap2.org

Office of the Auditor-General resources

Office of the Auditor-General, (2002), *Reporting Public Sector Performance*.

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.

Office of the Auditor-General (2012), *Matters Arising from the 2012-22 Long-Term Plans*. This report sets out matters arising from our audits of the 2012-22 long-term plans prepared by local authorities.

Office of the Auditor-General (2015), *Matters Arising from the 2015-25 Long-Term Plans*. This report sets out the main findings and observations from audits of local authorities' 2015-25 long-term plans (LTPs). It follows a report from OAG, Consulting the community about local authorities' 10-year plans, which included observations from audits of local authorities' consultation documents.

Office of the Auditor-General (2015), *Consulting the community about local authorities' 10-year plans*. This report outlines the findings and observations of the first round of consultation documents.

Department of Internal Affairs resources

Department of Internal Affairs (2013), *The Non-Financial Performance Measures Rules 2013*.

Department of Internal Affairs (2014), *Guidance for the implementation of the Local Government Mandatory Performance Measures*.

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