Long-term plans and consultation documents

Having audited long-term plans (LTPs) since 2006, we understand the amount of effort that councils put into their preparation. We’ll be auditing the 2018-28 LTPs soon, and we want to make the audit process as straightforward as possible. We’ve put together the following information to help councils understand our responsibilities and our main focus areas in the audit, prepare better documents for their communities, and develop project plans that make their LTP process go smoothly.

**Matters to focus on**

There are five main aspects where councils could build on the work they did in 2015 as they develop their 2018 LTPs and our 2018-28 audits will focus on the five aspects detailed below.

Asking and answering the following questions will help councils focus on the key matters their LTPs and consultation documents need to address:

- What are the challenges the council and the community face?
- Where does the council want to get to with those challenges?
- What does it plan to do to get there?

**Infrastructure strategies** were included in LTPs for the first time in 2015. The late legislative change requiring these to be included posed challenges for the local government sector in trying to develop them. As a result, some 2015 infrastructure strategies were financially unsustainable, but this wasn’t reflected in the financial strategies, showing that the two strategies were not aligned.

We will be looking for 2018 infrastructure strategies to be based on sound information from robust underlying asset management plans and well supported by financial strategies. These plans should be clear about the extent of any uncertainty in the reliability of underlying asset information and the implications of that uncertainty. We’ll also be looking for more focus on the high-level challenges facing councils and their communities than in the 2015 strategies. Ideally, they will take a longer view than the 30-year minimum period prescribed in the Local Government Act 2002. Our recent Asset management and long-term planning publication provides useful guidance for preparing your infrastructure strategies.

There has been a lot of comment in recent years about “the renewals gap” – the difference between depreciation and the level of renewals work being undertaken. Where significant gaps are identified, the infrastructure strategy should explain why the gap exists, its implications, and the council’s planned response.

**Financial strategies** should demonstrate that the proposed approach is financially prudent. They should also address any longer-term issues – with a perspective well beyond the 10 years of the LTP. They should reflect all the significant issues that have been identified by the infrastructure strategies or other aspects of the council’s planning process.
The consultation document's purpose is to provide an effective basis for public participation in local authority decision-making processes relating to the content of an LTP. A good consultation document should not attempt to summarise the contents of the LTP. It should describe the key issues proposed for the LTP as well as making the key choices and implications clear to your community. Identifying your key consultation issues early will help focus your LTP preparation. It will also give you the framework to prepare an effective consultation document.

Having seen how consultation documents worked in 2015, we all now have a better understanding of what constitutes a good consultation document. SOLGM guidance on consultation documents is a useful reference and you can also look at the eight finalists in the SOLGM 2015 LTP Consultation Documents for inspiration.

We will be collaborating with SOLGM to distribute any early examples of good practice.

Assumptions The LTP is required to identify the significant forecasting assumptions. The key assumptions expected to underpin all LTP are: the life cycle of significant assets; sources of funds for future replacement of significant assets; projected growth; potential demographic changes, particularly the impact of the ageing population within the period of the 30-year infrastructure strategy; potential climate change impacts; and future price changes (inflation). These should be complemented by a range of lower-level and more activity-specific assumptions.

LTPs should include enough detail/discussion about the uncertainties around significant assumptions and the potential impact of these uncertainties for your readers to understand the full implications.

Performance measures in your LTP should focus on the key aspects of the services – and the key risks. When developing your frameworks and selecting performance measures, don’t compromise by choosing performance measures that are easily measured but not relevant. If there is no relevant measure, find an alternative way of presenting the issue or risk in your LTP. You might also consider having fewer, but more relevant, measures (remember, however, that all mandatory measures must be reported).

Be aware that you will need sufficiently specific definitions for your measures, so that it is clear what is (and isn’t) being measured. You will also need robust systems behind each measure to allow you to report your performance reliably.

Project plans and timetables
As in previous LTP audit rounds, Audit New Zealand is committed to helping councils meet their obligations and statutory deadlines. Please bear in mind that this places an extra demand on our resources as well during 2017 and 2018. Most councils run to a similar timetable and we will have little flexibility where a council doesn’t deliver information to us according to the agreed schedule, or has delays in the development of its LTP. Please consult with your auditor as part of developing your project plan, set realistic time frames for the key milestones within your LTP project, and actively monitor and manage your work streams to meet these. If issues arise, or you encounter problems, talk to your auditor early.

As part of our audit engagement letter, we will agree to the timing for the key milestones and when we will need information delivered to us. It is very important that you keep to these agreed timeframes and milestones. Please keep in
mind when you are planning that we will need sufficient time to complete our work.

Currently, we are seeing that councils around the country are at very different stages in the process. Some councils are well advanced and already planning or undertaking some pre-consultation with their communities. We encourage councils to look beyond the explicit specifications in the legislation. For example, several councils have indicated that they will extend their infrastructure strategy’s forecast period beyond the 30-year minimum – ideally they would choose a period that covers the full renewal cycle. Councils doing this should take account of how any issue identified in the extended period might affect their financial strategy.

**Audit New Zealand’s approach**

For the consultation document audit, our responsibility as auditors is to report on whether the consultation document provides an effective basis for public participation in the Council’s decisions about the proposed content of its LTP and whether the information and assumptions underlying the information in the consultation document are reasonable.

For the LTP audit, our responsibility as auditors is to report on whether the LTP provides a reasonable basis for long-term, integrated decision-making and coordination of the Council’s resources and its accountability to the community. We also assess whether the information and assumptions underlying the forecast information in the plan are reasonable and report on the Council’s disclosures under Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014.

Our colleagues in the Office of the Auditor-General have refreshed the LTP audit methodology. However, there will not be any substantive effect on our audit approach as a result of this. The scope of the work we will do to be able to issue our audit opinions is unchanged from 2015, and we will work with your staff to identify how we can make the audit process go smoothly for both parties.

In addition, Audit New Zealand is now developing its own approach to put the audit methodology into action. As part of this, we are looking at how we can:

- be more efficient;
- ensure we provide our auditors with up-to-date guidance and precedent advice so they are consistent in their judgements and their advice to councils; and
- share audit perspectives with the sector.

As in previous years, we will operate a central support function that resolves issues and distributes guidance to our auditors and, where appropriate, to councils.

We are currently considering how we can make best use of our in-house specialists in our approach to auditing councils’ financial models, asset management plans, and 30-year infrastructure strategies.

For advice councils can approach SOLGM, use SOLGM’s good practice guides shown below, and discuss with their own advisors.

Councils can also refer to the Office of the Auditor-General’s 2015 reports: *Consulting the community about local authorities’ 10-year plans* and *Matters arising from the 2015-25 local authority long-term plans*. 
SOLGM has a range of good practice guides, which councils are likely already familiar with. We encourage councils to use these.

*Dollars and Sense 2018: Financial and infrastructure considerations and the long-term plan* – The guide to financial management, financial information and the long-term plan.


*Telling our Stories 2018* – The guide to preparing the consultation document.

*Health Check 2018* – Checklists for long-term plan quality assurance.