

**A GUIDE TO WORKING WITH  
DRAFT ANNUAL PLANS AND  
LONG TERM COUNCIL  
COMMUNITY PLANS**

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# 1. Introduction

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The purpose of this guide is to assist Chambers of Commerce effectively engage with their local and regional councils, on behalf of their local and regional memberships, in the context of the current round of draft long term council community plans (under the new Act, in years that councils prepare a LTCCP, that also serves as the annual plan).

The guide tries to strike a balance between “keeping it simple” and giving Chambers enough information so that they know how the new processes work and a bit about their background.

This is quite a difficult balance to strike. The new Act makes some major changes in the opportunities that groups like Chambers of Commerce have to influence their local councils. The opportunities are now much greater than they were under the 1974 Act. They do, though come at a price; putting in a bit of time to understand how they work and how Chambers can use them to best advantage.

Under the new Act, there are very real choices about how much effort you want to put in. For those who want to, it will still be possible to get away with a minimum of effort such as:

- Preparing a brief submission highlighting a couple of “hot points” such as rates increases, or the sale of council assets.
- Appearing in front of councillors to tell them what you think on those “hot points”.
- Getting some good headlines in the local papers.

That will be nice and easy and may even get some good feedback from members – especially if the headlines are favourable. There is only one problem. The council can easily ignore you and you will have missed the very real opportunities for change the new Act provides.

This guide is written to help you take advantage of those changes. This will require some effort as the processes under the new Act are quite complicated. However, if you understand and use them, you will have real influence on what your local council does.

The guide starts with a background section. Its purpose is to outline, briefly, what lay behind the decision to replace the old Act.

The next section starts getting to grips with the changes made by the new Act by looking at the role of local government. The section is short, but the change is major. The following section deals with one of the real sources of confusion about the effect of the new Act; the “power of general competence”.

The guide then moves into a long section which discusses the provisions for public involvement contained in the new Act. This section is really the heart of the guide. The processes it outlines are ones which will give Chambers of Commerce, if they use them proactively, real influence with their local councils. As readers will see, the new

provisions give groups like the Chamber an opportunity to get alongside the council right at the start of the decision making process on major decisions, rather than having to wait until the council publishes its proposals and you may be faced with something which looks very much like a “done deal”.

The downside is that these processes are quite complex, and the language is not always “user friendly”.

However, the opportunity presented by this set of provisions is now at the heart of how groups like the Chambers can influence their councils. Over the long haul, they are going to be much more important than submissions on the long-term council community plan.

The final two sections cover working with the LTCCP and shifting from the “point in time” approach of annual submissions to ongoing involvement.

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## 2. Background

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This section outlines some of the main drivers that lay behind the replacement of the Local Government Act 1974 (LGA 1974) by the Local Government Act 2002 (LGA 2002). The most important ones were:

- Growing dissatisfaction with the way that LGA 1974 was drafted.
- Public discontent with the consultation provisions in LGA 1974.
- The government's growing recognition that it needed regional and local partners with whom to work in delivering its own outcomes.
- Concern that the 1996 financial management reforms (one of the many amendments to LGA 1974) were not producing the hoped for results.
- Concern that the limited powers of regional councils were restricting their ability to support activities such as economic development.

### THE DRAFTING OF LGA 1974

LGA 1974 had been amended as much as two or three times each year so that the Act had become very bulky and extremely difficult to follow. It was a mix of highly prescriptive provisions – such as a power for councils to “install light and maintain public clocks” - and very broad based powers for purposes such as to promote community welfare, recreation and community development.

The Act was seen as being out of line with modern legislative practice, difficult to work with and so complex that it was hard for people who were not experts in the area to understand what the powers of local government actually were.

### CONSULTATION REQUIREMENTS

Under LGA 1974, the principal means the public had to influence council decision making was the special consultative procedure. This was the procedure that councils used in adopting their annual plans (and their long-term financial strategies). It was also used for other significant decisions on which councils wanted to get public feedback such as proposals for solid waste strategies or sewage disposal.

Under the special consultative procedure, a council's obligations were to:

- Publish its proposed course of action.
- Give the public at least a month in which to make written submissions.
- Provide an opportunity for submitters to appear before the council to speak to their submissions.
- Keep an open mind throughout the process.
- Make a decision on the merits, not on the weight of numbers.

This process came under increasing criticism. It was seen as giving the public an opportunity to comment on the council's answer to the council's question when what the public wanted was to talk about what the council's question should be.

Chambers will be familiar with the fact that, by the time an annual plan was released for consultation, most of the proposals it contained were virtually set in concrete. This was coupled with the fact that, under LGA 1974, there was very little ability to challenge council decisions in court. Councils had a very wide discretion in making judgements about matters to go in the annual plan etc. Challenges to any allocation of costs or the selection or detail of any funding mechanism had to be by way of a written submission to the local authority. Together, these two protections were seen as effectively excluding any challenge through the courts.

## **GOVERNMENT OUTCOMES**

The present government, with its emphasis on economic and social development, has been recognising that not everything can be done from Wellington. For the kind of results the government wants, it needs local networks/partners.

In a lot of areas, this means working with local government, if only because no one else is available.

Government ministers have made it clear that one reason for the new Act, with its emphasis on community outcomes, is to help create the tools that central government needs to be able to work more effectively at a regional and local level.

## **THE 1996 FINANCIAL MANAGEMENT REFORMS**

These were intended to make local government much more accountable financially.

The focus of the reforms was on the long term, recognising that most local authority assets, and most local authority expenditure, is tied up with very long life activities such as roading, water and sewage disposal.

In the early 1990s, the auditor general had commented that he had real difficulty in making informed judgements about the financial health of many local authorities. The reason was the lack of good quality information on both the state of repair and fitness for purpose of many infrastructural assets, coupled with the lack of reliable long term financial forecasts – what was the council going to need to spend and when, to keep existing assets in a serviceable state and to meet new demands.

At the heart of the 1996 reforms was the Long-Term Financial Strategy (LTFS). This was intended to provide forecasts, for at least ten years, of council revenue and expenditure, by activity, including reasons for being engaged in the activities concerned, and of the council's financial position.

The legislation had gaps. There was no requirement that the LTFS itself be audited which meant that there was no external check on the quality of councils' financial and other assumptions. The preparation of asset management plans was not expressly compulsory.

At the same time, some of the other provisions, such as the requirement to go through what became known as the “three step process<sup>1</sup>” for deciding who should pay for council services were increasingly seen as very time consuming and somewhat ineffective.

## REGIONAL COUNCILS

Until 1992, regional councils had virtually the same powers as territorial local authorities. An amendment in that year cut their powers back severely. Most importantly, it removed regional councils from the part of LGA 1974 empowering councils to be involved in community welfare, recreation and community development. This was seen as preventing regional councils from being engaged in activities such as:

- Economic development.
- Tourist promotion.
- The development of parks or other recreational facilities (as an example, the Wellington Regional Council needed specific authorising legislation so that it could support the development of the Wellington Stadium).

That restriction came under increasing criticism, not least from territorial local authorities who saw some regional councils as holding the community’s wealth that ought to be used for purposes like economic development.<sup>2</sup>

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<sup>1</sup> Under this process councils were required first to make judgements about who should pay for the cost of council activities (the community as a whole, subsets, individuals through user pays) by applying a set of economic principles intended to determine who benefits, then to consider whether issues such as fairness and equity or any lawful policy of the local authority required any adjustment to the outcome of the economic analysis and then, finally, to consider the feasibility of raising funds in a way which reflected their judgements on benefit (did they have the necessary mechanisms; how costly would it be to raise revenue in the way indicated by the benefit analysis). In practice, many councils demonstrated that, whatever economic principles might suggest, councillors in making their own judgements about fairness and equity, or what were public goods versus private goods, could very easily end up where they wanted to be, virtually regardless of what the legislation had intended.

<sup>2</sup> With some exceptions, regional councils had inherited port company assets and, as a result, a number have significant income streams independent from their rating income.

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## 3. The Role of Local Government

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LGA 2002, for the first time, sets out the role of local government. LGA 1974 simply stated the purposes of local government. It did so in terms such as recognising the existence of different communities, providing scope for communities to make choices, for the recognition of communities of interest, and for the efficient and effective exercise of the functions, duties and powers of the components of local government.

LGA 2002 is much more focused, with statutory statements that will have real impact.

Section 10 sets out the purpose of local government in two short statements. It is to:

- Enable democratic local decision making and action by, and on behalf of, communities; and
- Promote the social, economic, environmental, and cultural wellbeing of communities, in the present and for the future (these have become known as the "four well beings").  
(Note the wording of the second purpose statement is intended to impose a sustainable development obligation on local government).

The purpose statement gets its real significance from the next section, section 11, which for the first time sets out the role of local authorities. The section states that the role of a local authority is to:

- Give effect, in relation to its district or region, to the purpose of local government stated in section 10; and
- Perform the duties, and exercise the rights, conferred on it by or under this Act or any other enactment.

LGA 2002, in the way that it states the role of local government, creates a statutory obligation for councils to implement the two purposes of local government. They must promote democratic decision making and action and they must promote what are known as the "four well beings". Under this Act, local authorities (or people wishing to influence them) can no longer argue that the role of local government is restricted to "roads, rats and rubbish". Instead the focus is on how and to what extent local authorities should promote the "four well beings".

Note that the obligation to promote the four well beings is not the same as an obligation to do whatever is required to achieve them. It is at least as much an obligation to highlight the responsibility of others, such as central government, to deliver services to which the district or region is entitled. The Act itself explicitly recognises this.

Another important change in the role of local government is to the powers of regional councils. Under the Act, they now have the same powers as territorial local authorities, restoring what was lost in the 1992 amendment.



LGA 2002 does require the local authorities in a region (both the territorials and the regional council) to enter into a triennial agreement, setting out how they will work together. It also includes a process that regional councils must go through if they want to undertake an activity which is already undertaken by any territorial local authority in its region. The clear intention is to prevent duplication. How it will work in practice is yet to be seen but it is at least a signal that regional councils should think carefully before getting into areas in which territorials are already active.

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## 4. Power of General Competence

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The belief that LGA 2002 has granted local authorities a power of general competence, which would enable them to significantly expand their activities at the expense of ratepayers, has been one of the real misunderstandings of the change from LGA 1974 to LGA 2002.

The government's discussion paper on the review of LGA 1974 was partly responsible. It stated:

"Much of the current LGA reflects a view that everything local government does should be authorised in law, in detail. In contrast, it is proposed that the new legislation gives councils scope to choose the activities they undertake and how they should undertake them (subject to public consultation processes)."

That stated intention to give local authorities more choice, coupled with the new role of local government, sounded alarm bells. For many in the business community it looked as though government was giving local government broad new powers to spend on social, cultural, environmental and cultural outcomes. As an example of the degree of concern in the business community, Business New Zealand in its submission to the select committee considering the bill stated as one of its key concerns the:

"Broad power of general competence, which would give local authorities a powerful tool to engage in activities better carried out by the private and voluntary sectors, and central government agencies."

The reality is somewhat different. Territorial local authorities already had the broad powers the business community feared. Part 36 of LGA 1974 included very wide powers for councils to promote community welfare and to promote or encourage recreation and community development. This included powers to lend or grant money to other parties, guarantee moneys borrowed by other parties, establish joint ventures and so on. It was, in effect, a broad based power of general competence sitting within an otherwise largely prescriptive Act.

The practical reality is that LGA 2002 does little or nothing to give councils new powers to spend on social, cultural, environmental or economic objectives – those powers were already there. What LGA 2002 does do is overlay what were already broad powers with a statutory obligation to promote the "four well beings". This may impact on spending as councils, and their ratepayers, can no longer argue that these sorts of objectives are outside their role.

The really important question is how councils interpret the obligation to "promote". It could be interpreted as "spend money to achieve". Equally, councils could see it as being no more than an obligation to act as advocates for their communities – for example to seek from central government a "fairer share" of spending on health, education, or

employment promotion. These matters are discussed in more detail in the section of this guide which deals with working with the LTCCP.

A final point to note on powers of general competence is that, in some respects, the Act is more restrictive. Most importantly, councils are prohibited from privatising water or sewerage assets or using them as security for borrowing. There are also quite extensive restrictions on contracting out management to the private sector.

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## 5. Provisions for Public Involvement

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LGA 2002 radically changed the rules for public involvement in local government decision making. The then minister of local government, Sandra Lee, had signalled this in her first reading speech when she stated:

“Mr Speaker this Bill is, above all, about “empowerment”.

“Not as some might imagine, the empowerment of councils to exert greater influence and authority over their electors, but rather, empowering New Zealanders within their local communities to exercise ever greater control over their lives and over the environments in which they live.”

In doing this, the government was clearly taking on board the message that making the special consultative procedure the only real opportunity for public involvement was not acceptable. Instead, what was being looked for was an opportunity to get involved before councils had really committed themselves to a preferred course of action. That is the good news. The bad news is that the legislation is complex. Working with it will require time and commitment to understand the process and the opportunities it creates.

There are new rules regarding decision-making, community outcomes and the new planning document for councils, the long-term council community plan.

In addition, LGA 2002 keeps the special consultative procedure but introduces a very detailed set of rules councils must follow when using it.

The effect of the changes includes:

- Giving the public an opportunity to get involved with the council before it decides on a preferred course of action.
- Making the outcomes the community wants the primary focus of council planning.
- Making the LTCCP – the long term planning document for the community as a whole, not just for the council – the main planning document underpinning council activity.

### **SPECIAL CONSULTATIVE PROCEDURE**

From the public’s perspective, the special consultative procedure remains essentially unchanged. The same principles of the council giving the public notice of the proposal, allowing at least a month for public submissions, providing an opportunity for people to be heard, and making a decision on the merits (and with an open mind) remain in place. What is changed is the inclusion of some very detailed rules about how the council must run the process, including a requirement to prepare not only the proposal itself but a separate summary which is to be widely distributed – clearly a government intention that

councils must take more care to ensure that people know both that the council is consulting on something and the broad details of what that something is.

The Act also extends the decisions that must be put through the special consultative procedure. Previously, it was compulsory only for the annual plan, the long-term financial strategy, and the privatisation of local authority trading enterprises. Under LGA 2002, as well as being used for the adoption of the council's major planning documents (the LTCCP and the annual plan) it must also be used for any change in the mode of delivery of a significant activity (unless that is already covered by the LTCCP) and the making, amendment, review or revocation of a bylaw.

## **DECISION MAKING**

Sections 76 to 80 set out new rules for decision making. They substantially increase the opportunity for public involvement.

The rules apply to every decision made by or on behalf of a local authority including a decision not to take any action.

### **THE BASIC RULES – WHAT THE COUNCIL MUST CONSIDER**

The basic requirements for a decision are that the local authority must:

- Seek to identify all reasonably practicable options for the achievement of the objective of a decision.
- Assess those options by considering:
  - The benefits and costs of each option in terms of the present and future social, economic, environmental, and cultural wellbeing of the district or region.
  - The extent to which community outcomes will be promoted or achieved in an integrated and efficient manner by each option.
  - The impact of each option on the local authority's capacity to meet present and future needs in relation to any statutory responsibility of the local authority; and
  - Any other matters that, in the opinion of the local authority, are relevant.

If any of the "reasonably practicable options" identified by the local authority involves a significant decision in relation to land or a body of water, the local authority must also take into account the relationship of Maori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.

In essence, that set of rules requires a local authority to consider all possible aspects of any decision and the impacts it may have.

## **COMMUNITY INPUT**

The next set of decision-making rules deals with community views. For the first time it provides the opportunity for input before the council has decided, in principle, what to do. A local authority must, in the course of its decision making process, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.

That consideration must be given at each of four separate stages:

- The stage at which the problems and objectives related to the matter are defined.
- The stage at which the options that may be reasonably practicable options of achieving an objective are identified.
- The stage at which reasonably practicable options are assessed and proposals developed.
- The stage at which proposals, which are reasonably practicable options, are adopted.

The Act then goes on to give councils some discretion in how they apply the rules. It states that it is the responsibility of the local authority to make, in its discretion, judgements about how to achieve compliance that is “largely in proportion to the significance of the matters affected by the decision”. The discretion applies particularly to:

- The extent to which different options are to be identified and assessed.
- The degree to which benefits and costs are to be quantified.
- The extent and detail of the information to be considered.
- The extent and nature of any written record to be kept of the manner in which it has complied.

In making judgements as to the extent of compliance, the local authority must have regard to the significance<sup>3</sup> of relevant matters and in addition to:

- The general principles relating to local authorities set out in section 14 of LGA 2002 (set out in the appendix to this guide).
- The extent of the local authority’s resources (ie, larger local authorities face a stronger obligation to comply than smaller ones do).
- The extent to which the nature of the decision, or the circumstances in which a decision is taken, allow the local authority scope and opportunity to consider a range of options or the views and preferences of other persons.

These rules are breaking new ground for local authorities. Some may welcome the opportunity for greater public input at earlier stages in their decision making process.

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<sup>3</sup> LGA 2002 requires local authorities to adopt a policy on significance setting out:

- The local authority’s general approach to determining the significance of proposals and decisions in relation to issues, assets, or other matters; and
- Any thresholds, criteria or procedures that are to be used by the local authority in assessing the extent to which issues, proposals, decisions or other matters are significant.

The policy must list the assets considered by the local authority to be strategic assets. These are an asset or group of assets that the local authority needs to retain if it is to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future wellbeing of the community. It includes assets held to provide affordable housing and any equity securities held in a port company or airport company.

The policy on significance must be adopted through public consultation as part of the long-term council community plan. There is a strong implication that, when making a decision on anything covered by the significance policy, the local authority must provide a full opportunity for public involvement and should not use discretion to minimise the extent to which it goes through each of the steps required by the new decision making rules.

Others may be quite resistant, seeking to minimise the extent to which they actually change their practices.

In general terms, the more important (significant) a decision is, the stronger the obligation of a local authority to give consideration to the views and preferences of people likely to be affected by or have an interest in the matter.

LGA 2002 does not spell out how the local authority goes about deciding who those people might be or how it finds out what their views and preferences are. All the Act does is to say that the obligation to consider those views and preferences does not itself require the local authority to undertake any consultation process or procedure.

In the real world, it seems clear that a local authority cannot consider people's views and preferences without first giving them an opportunity to tell the local authority what they are. Stating that the local authority is not obliged to undertake any consultation process or procedure seems only to mean that the local authority does not have to undertake the full blown consultative procedure.

For Chambers of Commerce, interested in making sure that their local council understands the business perspective when it takes important decisions, this set of rules is crucial. The Chamber does not need to (and should not) wait until the council comes to it to ask its opinion. Instead, the Chamber should make its own judgements about the kinds of decisions it thinks are important enough that the council should be taking its views and preferences (and those of its members) into consideration.

This is not just a matter of the council knowing that the Chamber believes (say) that the council should apply user pays principles to water and waste water services. It is just as much about ensuring that the council does a thorough job in searching out the different options available. It is quite possible that a Chamber will take a view that contracting out a council service is a practicable option but that the council itself may be opposed to contracting out and not consider that option.

The message the Chambers really need to take on board, and to communicate to their councils, is that they now have a statutory right to be involved much earlier in a council's decision making process. What Chambers should be seeking from their councils is a commitment that, on any matter that the Chamber sees as important, the council will either:

- Ensure that there is adequate opportunity for the Chamber's views and preferences to be given consideration at each of the four stages of the decision making process; or
- If that is not done, the council has good and sufficient reason for not doing it, and has applied clear and acceptable principles to its decision not to provide the Chamber with such an opportunity.

Finally, Chambers should note that the decisions councils take on whether or not to give consideration to their views and preferences (and those of other interested persons) can be subject to judicial review – councils no longer have the protection from the courts that was provided by the financial management rules introduced in 1996.

## COMMUNITY OUTCOMES

Section 91 of LGA 2002 requires that a local authority must “not less than once every 6 years, carry out a process to identify community outcomes for the intermediate and long-term future of its district or region”.

The word “outcomes” can be seen as a bit of policy jargon. What it refers to is the state of affairs that results from an activity or related set of activities. A community outcome for business might be “a business environment in which firms are free to undertake their activity with a minimum of interference from government or local government”.

The outcome process is a new and potentially very powerful obligation. The absolutely crucial point is that these are not the local authority’s outcomes. Instead, they are the outcomes that the community wants for itself. They cover much more than just those matters for which the local authority is normally responsible and link back to the statutory obligation the local authority has to promote the community’s social, cultural, economic and environmental well being.

In a very real sense, how the Act operates is that the community outcomes process is the way in which a community defines what it requires in terms of those four well beings and thus provides the foundation for all the council’s activities.

Local government’s own guide to community outcomes has this to say:

Outcomes are a community judgment and therefore belong to the community, not to the local authority. The local authority does *not* have to adopt them in the sense that it would adopt a LTCCP (though the outcomes must be recorded in this document) or an annual plan. The local authority may not necessarily even agree with the outcomes. This is what distinguishes community outcomes from the [council] strategic plans that many readers will be familiar with. The local authority’s key decision comes in deciding how it will contribute to the outcomes that the community has identified.

Although the Act requires only that outcomes be identified, taking a sustainable development approach means that there is little point in identifying outcomes, unless an attempt is made to achieve them. The *community* should play some role in ensuring that the outcomes are achieved. The community outcomes process provides a forum for local authorities (both territorial authorities and regional councils), central government agencies, the community and voluntary sector, Maori, the private sector, and the community as a whole to get together, and decide what is important to the community. Many central government departments and other agencies are likely to use community outcomes as an input to their own planning processes.<sup>4</sup> Local authorities should actively encourage them to do so, but should remember, however, these agencies are not ‘bound’ by the process just as the local authority is not bound.

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<sup>4</sup> The government has clear expectations that departments will participate in this process.



Most of LGA 2002 is very prescriptive on decision making and consultation. In contrast, it is almost completely lacking in requirements about what the local authority does to identify community outcomes. What the Act does do is:

- Set out the purposes of the identification of community outcomes.<sup>5</sup>
- State that a local authority may decide for itself the process that it is to use to facilitate the identification of community outcomes but that it must, before finally deciding on that process, take steps:
  - To identify, so far as practicable, other organisations and groups capable of influencing either the identification or the promotion of community outcomes; and
  - To secure, if practicable, the agreement of those organisations and groups to the process and to the relationship of the process to any existing and related plans.

It must also ensure that the process encourages the public to contribute to the identification of community outcomes.

As well as the process for identifying outcomes, local authorities are required to monitor, and not less than once every three years, report on the progress made by the community of its district or region in achieving community outcomes.

A council has the discretion to decide for itself how it is to monitor and report but it must seek to secure the agreement of the organisations and groups previously identified to the monitoring and reporting procedures, including the incorporation of any research, monitoring or reporting undertaken by those organisations and groups.

What these new provisions do is set the framework for the development of a community strategic plan. It can be, for example, a means for spelling out what the community seeks in areas such as economic development, the environment for business, education, workforce development, health policy – the list is virtually endless.

Some practical points need to be noted.

First, there is obviously going to be a need to set priorities. Although community outcomes can cover virtually every possible type of activity that goes on within a

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<sup>5</sup> These are to:

- Provide opportunities for communities to discuss their desired outcomes in terms of the present and future social, economic, environmental, and cultural wellbeing of the community; and
- To allow communities to discuss the relative importance and priorities of identified outcomes to the present and future social, economic, environmental, and cultural well-being of the community; and
- To provide scope to measure progress towards the achievement of community outcomes; and
- To promote the better co-ordination and application of community resources; and
- To inform and guide the setting of priorities in relation to the activities of the local authority and other organisations.

community, sheer practicality means, especially in early years, that there will be a focus on a few preferred outcomes.

For Chambers, what matters is to ensure that the outcomes in which they are interested get onto the agenda earlier rather than later. Chambers should be proactive in telling their councils both that they expect to be involved, and the outcomes they want the process to cover.

Next, timing and the relationship with the long-term council community plan are both important.

The Act does not directly state when a council must go through its first community outcomes process. Instead, it deals with this through the requirements for the long-term council community plan. That plan itself must be based on community outcomes. However, under the Act's transitional provisions, councils need not go through a full community outcomes process for their first LTCCP (which is to be adopted either for the year beginning 1 July 2003 or the year beginning 1 July 2004). The first LTCCP that must be based on a full community outcomes process is the one for the year beginning 1 July 2006.

What this means is that most local authorities have not yet gone through a full community outcomes process so that Chambers still have an opportunity to tell their council what they want from the community outcomes process and the involvement they wish to have.

Chambers should also be thinking about how they want to see the outcomes process used in relation, for example, to the impact of central government on the community. As possibilities:

- Should the outcomes process be used to encourage (seek to require) central government agencies to work together at a local or regional level to co-ordinate the impact they have on the business environment?
- Should the community outcomes process be a tool for the community to spell out what it wants to see happening with access to health care (district health boards are required to prepare annual and strategic plans, and seek public input, but the minister of health has a veto over their content, limiting their usefulness as a statement of community objectives).

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## 6. Long Term Council Community Plan/Annual Plan

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This is another area of major change.

Under LGA 1974, the annual plan was the council's main planning tool. It set out, annually, the various activities the council intended to undertake, how those activities would be funded, and the measures against which to assess council performance.

In practice, subject to the limitations of the special consultative procedure, the annual plan provided an opportunity, once a year, for the public to tell the council what it thought about its proposed activities and the changes it wanted to see.

The long-term financial strategy had a much lower profile. It was prepared once every three years as a ten year forecast of the local authority's expected revenue, expenditure, and financial position, including the activities the local authority intended to fund and the reasons for undertaking those activities.

It was essentially a financial document rather than a planning document in any broad strategic sense.

Under LGA 2002 all that has changed. The long term council community plan is now the principal planning document. Although it is still required to report expected revenue, expenditure, and financial position, its focus is much more on the community's outcomes. Schedule 10 of LGA 2002 which sets out the information to be included in LTCCPs starts with community outcomes requiring that a long-term council community plan must, to the extent determined appropriate by the local authority:

- Describe the community outcomes for the local authority's district or region.
- Describe how the community outcomes have been identified.
- Describe how the local authority will contribute to furthering community outcomes.
- Describe how the community outcomes relate to other key strategic planning documents or processes.
- Outline how the local authority will, to further community outcomes, work with:
  - Other local organisations and regional organisations; and
  - Maori, central government, and non-government organisations; and
  - The private sector:
- State what measures will be used to assess progress towards the achievement of community outcomes:
- State how the local authority will monitor and, not less than once in every 3 years, report on the community's progress towards achieving community outcomes.

At the same time, the Act strengthens what is required on the financial side. The LTCCP must include the council's funding and financial policies, forecast financial statements and a funding impact statement (which covers the revenue and financing mechanisms to be used by the local authority, the level or amount of funds to be produced by each mechanism and details regarding the council's rating system).

Of particular interest to Chambers, the LTCCP must clearly identify forecasting assumptions and risks underlying the financial estimates and, starting with the LTCCP for the year beginning 1 July 2006, include a report from the local authority's auditor on:

- The extent to which the local authority has complied with the requirements of LGA 2002 in respect of the LTCCP.
- The quality of the information and assumptions underlying the forecast information provided by the LTCCP.
- The extent to which the forecast information and performance measures provide an appropriate framework for the meaningful assessment of the actual levels of surplus provision.

The purpose of the audit requirement is to close a significant gap in LGA 1974 – the absence of any clear discipline requiring councils to ensure that their information was robust and underpinned by appropriate research and documentation, including credible asset management plans and assessments of future service demand.

The annual plan, in contrast, will be a much less important document. In essence, it becomes simply the current year's annual budget and funding impact statement.

**In the years (2004 is one) in which councils prepare an LTCCP, there is no obligation to prepare a separate annual plan.** Instead, the financial impact statement and funding impact statement in the LTCCP are to be regarded as the annual plan for that year.

The requirements for what must be included in the LTCCP and the annual plan are set out in schedule 10 of LGA 2002. For ease of reference, those requirements are included in the appendix.

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## 7. Working with the LTCCP

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This section of the guide highlights some of the key issues in working with the LTCCP. It assumes that Chambers, rather than dissecting each LTCCP down to the finest point of detail, will want to focus on a few key areas which they see as critical in representing the interests of their members.

2004 is the first year in which all councils are required to prepare an LTCCP (there was an option to do so in 2003 and some councils did). Under the Act, the 2004 LTCCP is treated as a transitional step between the previous annual plan process and the full-blown LTCCP process which will apply from 2006.

Under the transitional provisions in LGA 2002, councils do not have to base their 2004 LTCCPs on a full community outcomes process. Instead, the Act says that councils may “use such information concerning community outcomes of the district or region as the local authority holds or can obtain in the time available and is not required, before adopting the plan, to first identify ... those outcomes”.

Some councils have made a genuine attempt to get out and listen to the different interests in their communities as part of developing community outcomes for their first LTCCP. Others have simply drawn on information they have gathered from previous public consultations.

Many Chambers will find that the community outcomes statements in their council’s LTCCP are very brief, quite often very general, and difficult to connect to practical actions. The coverage may also be quite narrow, ignoring major areas where the community does have very real concerns about the outcomes it wants (examples include employment, economic development, health, education and energy).

This means that the 2004 LTCCP is an opportunity for Chambers to tell their councils what they think community outcomes should cover, and how they should be used in order to set the ground for the 2006 LTCCP.

In a lot of respects, the 2004 LTCCPs will be quite a lot like the 2003 annual plans except that generally they will be larger. The main reason for size is the additional detail that the Act requires LTCCPs to contain.

This guide assumes that, rather than getting caught up in all the detail, Chambers will typically want to focus on two or three key issues that really matter for their members. Putting a stake in the ground on how the community outcomes process should be used is one that should matter to all Chambers. Three other issues have been selected as ones that are likely to be important for every Chamber, whatever its council. The ones selected are:

- Rating policy.
- Asset management.
- Debt Policy.

Each of these areas are matters that will be common to every LTCCP. Obviously, there will also be matters that are specific to a particular council – perhaps a proposal for a

major new capital investment in infrastructure, or increased expenditure on recreation or community activities. Although individual Chambers will obviously want to comment on those when making submissions on the LTCCP, it is beyond the scope of this guide to deal with those – they are very much case by case based on working through the LTCCP concerned.

## COMMUNITY OUTCOMES

As the guide has already noted, this is a transitional year. Although councils are required to state community outcomes in their LTCCPs, they can do so simply by drawing on information they already hold rather than having to go through the full community outcomes process.

The first few LTCCPs that have started to come out in 2004 suggest that there is both a need and an opportunity for Chambers to respond strongly. To illustrate this we use two examples of how LTCCPs have dealt with outcomes for the local economy. In dealing with outcomes, LTCCPs are required to:

- Describe the community outcomes.
- Describe how the local authority will contribute to furthering community outcomes.
- State what measures will be used to assess progress towards the achievement of community outcomes.

Each of the two examples first quotes the outcomes statement from the LTCCP then outlines what the LTCCP says about the local authority's contribution to furthering those outcomes and finally states how the council proposes to measure progress.

### EXAMPLE A

- *Outcome statement:* "A City with a strong and sustainable economy."
- *How the local authority will contribute to the outcome:* There are references to activities such as parking and transport management, district planning and provision of infrastructure together with Main Street programmes, event development and promotion and generic economic and tourism promotion. There is nothing on what the council itself will do, specifically, to create a favourable climate for business activity.
- *How will the council measure?* "Once the outcomes are set, we will look at how to report on progress. Once we know what to measure we will look at how well we are doing at the moment".

In this council there is an opportunity for the Chamber to:

- Put forward a specific outcome objective for creating a business friendly environment.
- Set out the steps that the council should take to help create that environment, including managing its own consent and regulatory processes in order to minimise cost to business, make decisions in the shortest possible time, adopt a CRM approach to dealing with business, and create certainty for business.
- Recommend specific performance measures for actions such as building and resource consents (with financial sanctions on the council if those performance measures are not met?)

## EXAMPLE B

*Outcome Statement:* "Thriving economy; there is a business environment and regulatory framework that encourages the growth of existing and new businesses and community activities."

- *How the local authority will contribute to the outcome:* Nothing.
- *How will the council measure?* Nothing.

This council's community outcome is more specific and recognises the importance of the business and regulatory framework. However, without clear statements on what the council itself will do – for example in its regulatory role – and how it will measure performance, the outcome statement has very little practical meaning.

Again, there is scope for the Chamber in this council's district to put forward specific proposals, perhaps tightening the outcome further, and certainly suggesting both what the council ought to do and the performance measures it should adopt.

Some Chambers may also wish to put forward community outcomes in areas that the LTCCP does not cover. What is clear from the few LTCCPs that have been released so far in 2004, is that most councils are putting forward community outcomes in areas that they are used to working in. There is less emphasis on outcomes in areas that councils have not traditionally been involved with.

Chambers may conclude that, in some cases, councils should be reporting community outcomes in non-traditional areas, even though they have yet to go through the full outcomes process.

One example is energy. There are a number of areas in New Zealand where business decisions are already being adversely affected by problems with energy supply. In some instances the problem is what is known as a transmission constraint – there is simply not enough capacity in the national grid to deliver the energy required for further industrial development. In other cases, the problem is the reluctance of the local (usually community owned) lines business to install additional capacity without independent financial guarantees.

Where Chambers are conscious of these kinds of problems, and want to do something about them, encouraging the council to include an energy related outcome in the LTCCP may be a useful approach, especially if it not only includes the outcome but sets out some clear statements about who should be responsible and how their performance will be measured.

## RATING POLICY

This goes to the heart of Chambers' interest in what councils do.

LGA 2002 requires the LTCCP to set out information that will allow Chambers to get to grips with what councils are doing on rating. The legislation is not entirely straightforward. To help Chambers understand what is required, we now set out the various steps that the Act requires.

Under section 102(4) the local authority must adopt a revenue and financing policy. Section 103 sets out what must be included in that policy. It provides:

- (1) A policy adopted under section 102(4)(a) must state:
  - (a) The local authority's policies in respect of the funding of operating expenses from the sources listed in subsection (2); and
  - (b) The local authority's policies in respect of the funding of capital expenditure from the sources listed in subsection (2).
  
- (2) The sources referred to in subsection (1) are as follows:
  - (a) General rates, including:
    - (i) Choice of valuation system; and
    - (ii) Differential rating; and
    - (iii) Uniform annual general charges.
  - (b) Targeted rates.
  - (c) Fees and charges.
  - (d) Interest and dividends from investments.
  - (e) Borrowing.
  - (f) Proceeds from asset sales.
  - (g) Development contributions.
  - (h) Financial contributions under the Resource Management Act 1991.
  - (i) Grants and subsidies.
  - (j) Any other source.

A policy adopted under section 102(4)(a) must also show how the local authority has, in relation to the sources of funding identified in the policy, complied with section 101(3).

This section replaces the provisions in LGA 1974 under which local authorities were required to consider issues such as public versus private good in deciding how to allocate the rating burden amongst different categories of ratepayers. What is now required, by section 101(3), is that:

The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of:

- (a) In relation to each activity to be funded:
  - (i) The community outcomes to which the activity primarily contributes; and
  - (ii) The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
  - (iii) The period in or over which those benefits are expected to occur; and
  - (iv) The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
  - (v) The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- (b) The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well being of the community.

Do not expect to find any figures set against these individual items. Local authorities are clearly taking the view that the revenue and financing policy is simply that, a statement of policy setting out the types of sources that the council will use. The typical revenue and funding policy is going to set out the council's views of the economic principles that it should apply in allocating costs amongst different groups of ratepayers and users. Chambers may want to go carefully through these to satisfy themselves that the policy reflects their views on how costs should be allocated.



The numbers are found in a separate document, also included in the LTCCP, the funding impact statement (the details of what is required to be included in this are set out in the appendix at pages 32-33).

In looking at rating issues, Chambers have usually focused on:

- The absolute level – is the council spending too much?
- Differentials.
- The rate of increase – especially where the rates are rising faster than the rate of inflation.

## **THE SPENDING LEVEL**

First, whether the absolute level of spend a council is undertaking is too much, just right, or too little depends on a number of different things. One is judgements about the activities the council is involved with. Here, Chambers may focus on areas such as the arts, culture, recreation and community development – the so-called “soft” areas. These have traditionally been controversial – business groups will often argue, for example, that there is no good reason why councils should provide public libraries (and especially some of the latest additions such as CDs, videos and DVDs for hire) when the private sector is perfectly capable of selling or renting all of the resources that libraries make available. The New Zealand experience, though, is that most communities are very strongly attached to their libraries and would fight any attempt to close them.

Accordingly, Chambers may accept that there is public support for council continuing the activity and instead, focus on questions such as:

- Does the council have good performance measures capable of demonstrating that the public is getting good value (both the nature and the cost of the service) from the library activity?
- How should the library be operated – what would give the community best value? Is there a case for combining the libraries of adjoining local authorities, educational institutions etc – what is the best way of meeting the community’s needs for different types of library services?

Similar questions arise with other “soft” services such as art galleries, museums, stadiums, event centres, recreation facilities, community development etc.

Effective challenges to the level of council spend will depend on identifying specific functions/activities the Chamber believes the council should cease or divest, or strategies that will defer the need for additional expenditure. Does the council hold assets that should be sold off with the proceeds being used to offset borrowing costs? Could changing the way council charges for services give users incentives to conserve thus deferring the need for additional investment. Experience shows that this has been one of the very real benefits from charging for water.

## **DIFFERENTIALS**

Many local authorities now accept the business argument that there is no good case for imposing differential rates on business. The usual arguments local authorities have put forward include:

- Commercial ratepayers can recover the GST on and deduct rates for income tax purposes but residential ratepayers cannot. The fallacy in this argument is that it

fails to recognise that the business's income is taxable but the imputed income the residential ratepayer enjoys is not (the imputed income is the market value of the right to occupy the property – and some years ago was actually taxed in the UK).

- A second argument is that businesses impose greater costs on local authority infrastructure than residential properties. Councils putting forward this argument point to the costs of servicing the commercial sector through roading, parking, a higher standard of utility service etc. This argument misses the point that the commercial sector is used by everybody – for example, the CBD is at least as much a benefit to the residents who go there to work, shop, eat or drink as it is to the businesses located there.

Continued pressure on differentials by presenting these types of arguments is clearly having an impact.

## **RATES INCREASES**

A more difficult issue to deal with is the level of rates increases in relation to inflation. Reasons include:

- Councils not only raise rates for operating expenses, they also raise them for capital investment (in a very broad sense, in this respect, they are the equivalent of a share issue by a company).
- Quite often, rates increases will be driven by factors that have nothing to do with inflation as such. A stand out example is last year's increase in the Auckland Regional Council rate. Most of that increase went to meet costs associated with the increased usage of trains in Auckland – as the ARC has the primary responsibility for meeting the costs of the rail passenger service.

Other factors driving rates increases include:

- Additional costs as the result of government legislation. Councils are facing quite high costs as the result of new legislation in areas such as prostitution, dog control and building regulation.
- Investment in infrastructure is another factor that will drive rates increases, in many councils, above the rate of inflation. Roading in Auckland, sewerage in many councils – especially rural and provincial areas - and the impact of new drinking water standards government intends to legislate are examples of these drivers.

One approach to holding back on rates increases is for councils to cease or divest activities, as discussed above. Another is to adopt a culture and practice of efficiency improvement. Chambers may want to argue that their councils should, on a regular basis, undertake efficiency reviews looking at:

- The level of resources committed to carrying out council activity.
- The options available. For example, are there gains to be made from contracting out activities that are currently undertaken in house?

It will often be beyond the scope of Chamber resources to produce specific recommendations on areas where councils could (say) reduce staff, or achieve gains through contracting out. However, arguing the general principle, and looking to see that councils themselves have efficiency improving practices in place should be part of each Chamber's submission.

## ASSET MANAGEMENT PLANS

This is an area where LGA 2002 is a very real improvement on LGA 1974. Under the previous Act asset management planning was, at best, variable and, at worst almost non-existent.

Within the LTCCP, a council is required to report by group of activities and, in respect of each group of activities to:

- Identify the assets or groups of assets required by the group of activities and identify, in relation to those assets or groups of assets:
  - (i) How the local authority will assess and manage the asset management implications of changes to:
    - (a) Demand for, or consumption of, relevant services; and
    - (b) Service provision levels and standards.
  - (ii) What additional asset capacity is estimated to be required in respect of changes to each of the matters described in subparagraph (i).
  - (iii) How the provision of additional asset capacity will be undertaken.
  - (iv) The estimated costs of the provision of additional asset capacity identified under subparagraph (ii), and the division of those costs between each of the matters in respect of which additional capacity is required.
  - (v) How the costs of the provision of additional asset capacity will be met.
  - (vi) How the maintenance, renewal, and replacement of assets will be undertaken.
  - (vii) How the costs of the maintenance, renewal, and replacement of assets will be met.
- Include the information specified in subclause (2):
  - (i) In detail in relation to each of the first 3 financial years covered by the plan; and
  - (ii) In outline in relation to each of the subsequent financial years covered by the plan.
- The information referred to in subclause (1)(e) is:
  - (a) A statement of the intended levels of service provision for the group of activities, including the performance targets and other measures by which actual levels of service provision may meaningfully be assessed.
  - (b) The estimated expenses of achieving and maintaining the identified levels of service provision, including the estimated expenses associated with maintaining the service capacity and integrity of assets.
  - (c) A statement of how the expenses are to be met.
  - (d) A statement of the estimated revenue levels, the other sources of funds, and the rationale for their selection in terms of section 101(3).

The very detailed nature of this provision is intended to ensure that, at last, councils are required to make full disclosure of what is the most important part of their business, the state and service capacity of the assets they own, and what is needed to maintain agreed service standards.

There will be councils whose ratepayers will get some quite rude shocks when this information is published. It is likely to disclose problems such as:

- Significant deferred maintenance.
- Asset upgrades required because of changing environmental requirements.
- Service standards that fall short of current or expected future requirements (the government is currently legislating drinking water standards which a number of councils' water services will not meet).

This is where the big numbers are. The bulk of council expenditure goes on developing, maintaining and upgrading assets, especially water, wastewater, storm water and roading. Often, also, the quality of publicly available information has been relatively poor in areas such as:

- Deferred maintenance – what needs to be spent to bring existing assets up to acceptable standards.
- The relationship between service levels and investment. A good example is rural roading, an activity where ratepayers often want high quality (for example sealed roads) but the costs of provision are unclear.

Chambers should be seeking clear information, in the asset management section of the LTCCP, on what costs lie ahead, what assumptions councils have made about the cost of future provision, and the linkage between service standards and the impact on capital and operating expenditure.

## **DEBT POLICY**

Local authority debt is something that gets comparatively little attention, and then usually to argue that it is too high.

Most councils, and their publics, are debt averse. A good example is the Auckland City Council which has proudly reduced its net debt to zero.

From the Chambers' perspective, debt is something that should have a much higher profile. Councils have three main sources from which to fund the very substantial investments most of them are continually making in infrastructure and related assets. These are:

- Rates.
- Asset sales.
- Debt.

Generally, asset sales is a relatively limited source of funding so that, in practice, most councils are choosing between rates and debt. This choice has very real implications for ratepayers. If assets are funded from rates, then this year's ratepayers are meeting the cost not just for themselves but for the ratepayers in all future years. If assets are funded from debt, then the cost is spread over this year's and future ratepayers, as each year's ratepayers are required to meet only the cost of renting the capital (the interest) and not the provision of the capital itself.

The principles involved are quite well described in one recent LTCCP:

“Assets, purchased from capital expenditure, provide benefits for the duration of their useful lives. Useful lives range from a few years in the case of office equipment through to many decades for infrastructural assets such as pipe networks. This introduces the concept of intergenerational equity. This concept

reflects the view that benefits occurring over time should be funded over time. This is particularly relevant for larger capital investments such as the wastewater treatment plants, bridges, landfills etc.

“One method used to spread these costs over time is loan funding. This ensures that current ratepayers do not pay for benefits received by future ratepayers. Each year’s ratepayers pay the interest (representing the cost of capital) and depreciation charges that are associated with the asset. This results in infrastructural costs being spread more evenly across the life of the asset and the different ratepayers who benefit from it.”

A reader might expect to see this statement reflected in what the council actually does. To find this out, the reader needs to move from the revenue and financing policy to the council’s liability management policy. Amongst other things, this policy sets out the council’s borrowing limits policy statement. One ratio this council uses is that total revenue must be greater than or equal to total debt. For the 2005 year this council projects total revenue of approximately \$70 million and current plus non-current debt of \$40 million. It is well within its borrowing ratio but what about its statement of principle about how debt should be used? Its non-current assets totalled \$940 million, suggesting that, quite contrary to its statement of principle, current ratepayers are meeting most of the cost of investing in infrastructure and other assets.

Individual Chambers need to decide their own policy on council debt – are they themselves debt averse, wanting to see council debt reduced to a minimum? Do they prefer the view that councils should use debt so that each year’s ratepayers meet the cost of providing asset based services in that year?

Chambers should then compare the revenue and financing policy with the liability management policy to see whether they are consistent and, if not, consider whether to highlight this in their submission on the LTCCP.

In the case of the example given above, a Chamber that was debt averse might argue that the revenue and financing policy should more strongly reflect paying for assets from rates as they are developed. A Chamber that believed in spreading the cost of asset acquisition across this and future years’ ratepayers might argue that the liability management policy should be changed to put more weight on borrowing.

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## 8. Shifting from the “Point in Time” Approach to Ongoing Involvement

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Under LGA 1974, the annual plan was the main opportunity for the public, including groups such as the Chambers, to tell the council what it thought about its policies and activities.

This was a “point in time” opportunity. There was a month in which to do it, and it had to cover virtually everything the council was involved with. As well, the opportunity was only provided once the council had decided, in principle, what it intended to do.

In effect, that is still very much the case with the 2004 LTCCPs because of their transitional nature.

The LTCCPs for 2006 should be very different. For Chambers, as well as their councils, they should represent the end of a process rather than the main opportunity for Chambers to influence council decisions.

This is because:

- The new decision making rules outlined in section 5 above should mean that Chambers have input into council decision making on any decision of significance.
- Chambers should put themselves forward, and be accepted as organisations “capable of influencing either the identification or the promotion of community outcomes” and as such play a lead role in the community outcomes process on those matters of interest to Chambers and their members.

For the community outcomes process, councils already have a statutory obligation to seek agreement with organisations such as the Chamber on the process they intend to follow.

There is no equivalent provision in respect of council decisions – instead, the statutory obligation is simply, at each of the four stages in decision making, to give consideration to the views and preferences of persons likely to be affected or to have an interest in the matter.

Obviously, Chambers will want to focus on a few key issues, rather than spend all of their time talking to councils about everything they do. It would make sense for each Chamber to identify those “vital few” matters on which it wanted to make sure that the business community’s views were known to council and taken into account.

This suggests that Chambers should consider developing a protocol with their local council identifying those areas where the Chamber wanted to have the views and preferences of the business community taken into account, and the process the council and the Chamber would follow to make sure that this happens.

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## **APPENDIX: EXTRACTS FROM THE LOCAL GOVERNMENT ACT 2002**

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### **Section 14: Principles relating to local authorities**

In performing its role, a local authority must act in accordance with the following principles:

- (a) A local authority should:
  - (i) Conduct its business in an open, transparent, and democratically accountable manner; and
  - (ii) Give effect to its identified priorities and desired outcomes in an efficient and effective manner.
- (b) A local authority should make itself aware of, and should have regard to, the views of all of its communities; and
- (c) When making a decision, a local authority should take account of:
  - (i) The diversity of the community, and the community's interests, within its district or region; and
  - (ii) The interests of future as well as current communities; and
  - (iii) The likely impact of any decision on each aspect of well being referred to in section 10:
- (d) A local authority should provide opportunities for Maori to contribute to its decision-making processes:
- (e) A local authority should collaborate and co-operate with other local authorities and bodies as it considers appropriate to promote or achieve its priorities and desired outcomes, and make efficient use of resources; and
- (f) A local authority should undertake any commercial transactions in accordance with sound business practices; and
- (g) A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region; and
- (h) In taking a sustainable development approach, a local authority should take into account:
  - (i) The social, economic, and cultural well-being of people and communities; and
  - (ii) The need to maintain and enhance the quality of the environment; and
  - (iii) The reasonably foreseeable needs of future generations.

If any of these principles, or any aspects of well being referred to in section 10, are in conflict in any particular case, the local authority should resolve the conflict in accordance with the principle in subsection (1)(a)(i).

### **Schedule 10: Information to be included in Long Term Council Community Plans**

#### **Community outcomes**

A long-term council community plan must, to the extent determined appropriate by the local authority:

- (a) Describe the community outcomes for the local authority's district or region.
- (b) Describe how the community outcomes have been identified.
- (c) Describe how the local authority will contribute to furthering community outcomes.

- (d) Describe how the community outcomes relate to other key strategic planning documents or processes.
- (e) Outline how the local authority will, to further community outcomes, work with:
  - (i) Other local organisations and regional organisations; and
  - (ii) Maori, central government, and non-government organisations; and
  - (iii) The private sector.
- (f) State what measures will be used to assess progress towards the achievement of community outcomes.
- (g) State how the local authority will monitor and, not less than once in every 3 years, report on the community's progress towards achieving community outcomes.

**Group of activities**

- (1) A long-term council community plan must, in relation to each group of activities of the local authority:
  - (a) Identify the activities within the group of activities.
  - (b) Identify the rationale for delivery of the group of activities (including the community outcomes to which the group of activities primarily contributes).
  - (c) Outline any significant negative effects that any activity within the group of activities may have on the social, economic, environmental, or cultural well being of the local community.
  - (d) Identify the assets or groups of assets required by the group of activities and identify, in relation to those assets or groups of assets:
    - (i) How the local authority will assess and manage the asset management implications of changes to:
      - (a) Demand for, or consumption of, relevant services; and
      - (b) Service provision levels and standards.
    - (ii) What additional asset capacity is estimated to be required in respect of changes to each of the matters described in subparagraph (i).
    - (iii) How the provision of additional asset capacity will be undertaken.
    - (iv) The estimated costs of the provision of additional asset capacity identified under subparagraph (ii), and the division of those costs between each of the matters in respect of which additional capacity is required.
    - (v) How the costs of the provision of additional asset capacity will be met.
    - (vi) How the maintenance, renewal, and replacement of assets will be undertaken.
    - (vii) How the costs of the maintenance, renewal, and replacement of assets will be met.
  - (e) Include the information specified in subclause (2):
    - (i) In detail in relation to each of the first 3 financial years covered by the plan; and
    - (ii) In outline in relation to each of the subsequent financial years covered by the plan.
- (2) The information referred to in subclause (1)(e) is:
  - (a) A statement of the intended levels of service provision for the group of activities, including the performance targets and other measures by which actual levels of service provision may meaningfully be assessed.
  - (b) The estimated expenses of achieving and maintaining the identified levels of service provision, including the estimated expenses associated with maintaining the service capacity and integrity of assets.



- (c) A statement of how the expenses are to be met.
- (d) A statement of the estimated revenue levels, the other sources of funds, and the rationale for their selection in terms of section 101(3).

### **Summaries of assessments of water and sanitary services and waste management plans**

- (1) The long-term council community plan of a territorial authority must contain:
  - (a) A summary of the last assessment which was made under section 125 by the local authority and which assessed the provision within its district of water services and sanitary services; and
  - (b) A summary of the waste management plan in force under section 539 of the Local Government Act 1974.
- (2) Subclause (1) does not apply in respect of an assessment of water services and sanitary services or a waste management plan if the assessment or waste management plan is included in the long-term council community plan.
- (3) The long-term council community plan of a territorial authority must identify and explain any significant variation between the content of any assessment or waste management plan referred to in subclause (1), and any relevant information included under clause 2.

### **Council-controlled organisations**

A long-term council community plan must, in relation to each council-controlled organisation in which the local authority is a shareholder:

- (a) Name the council-controlled organisation and any subsidiary of the council-controlled organisation; and
- (b) Identify:
  - (i) The local authority's significant policies and objectives in regard to ownership and control of the organisation; and
  - (ii) The nature and scope of the activities to be provided by the council-controlled organisation; and
  - (iii) The key performance targets and other measures by which performance may be judged.

### **Development of Maori capacity to contribute to decision-making processes**

A long-term council community plan must set out any steps that the local authority intends to take, having considered ways in which it might foster the development of Maori capacity to contribute to the decision-making processes of the local authority, over the period covered by that plan.

### **Funding and financial policies**

A long-term council community plan must include the funding and financial policies of the local authority adopted under section 102.

### **Determining significance**

A long-term council community plan must contain a summary of the local authority's policy on determining significance under the Act.

### **Forecast financial statements**

- (1) A long-term council community plan must include, for each of the financial years covered by the plan, forecast financial statements for the local authority.

- (2) A long-term council community plan may include, for each of the financial years covered by the plan, or for any of those years, forecast financial statements for any council-controlled organisation or any other entity under the local authority's control.

### **Statement concerning balancing of budget**

If the local authority has resolved, under section 100(2), not to balance its operating budget in any year covered by the long-term council community plan, the plan must include:

- (a) A statement of the reasons for the resolution and any other matters taken into account; and  
 (b) A statement of the implications of the decision.

### **Funding impact statement**

(1) A long-term council community plan must include a funding impact statement that includes:

- (a) In relation to each year covered by the plan, information that discloses the revenue and financing mechanisms to be used by the local authority; and  
 (b) In relation to each year covered by the plan, an indication of the level or amount of funds to be produced by each mechanism; and  
 (c) If the mechanisms include a general rate:  
 (i) Particulars of the valuation system on which the general rate is to be assessed; and  
 (ii) A statement as to whether a uniform annual general charge is to be included; and  
 (iii) If a uniform annual general charge is to be included, a statement as to how that uniform annual general charge will be calculated; and  
 (iv) A statement as to whether the general rate is to be set differentially, and, if so:  
 (a) The categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and  
 (b) The objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or of the relationship between the rates set on rateable land in each category; and  
 (d) If the mechanisms include a targeted rate:  
 (i) The activities or groups of activities for which the targeted rate is to be set; and  
 (ii) Particulars of the category, or categories, of rateable land, within the meaning of section 17 of the Local Government (Rating) Act 2002, to be used; and  
 (iii) For each such category, a statement as to how liability for the targeted rate is to be calculated; and  
 (iv) If the targeted rate is set differentially, a statement of the total revenue sought from each category of rateable land or of the relationship between the rates set on rateable land in each category; and  
 (e) For each mechanism, a statement of its relationship to the sources of funding described in clause 2(2)(d).

- (2) If the same mechanism is to be used in more than one of the years covered by the long-term council community plan, it is sufficient compliance with paragraphs (c) to (e) of subclause (1), in respect of that mechanism, if:

- (a) Those paragraphs are complied with in respect of one of those years; and
- (b) The funding impact statement specifies the other years in respect of which that mechanism is to be used.

### **Significant forecasting assumptions**

A long-term council community plan must clearly identify:

- (a) All the significant forecasting assumptions and risks underlying the financial estimates.
- (b) Without limiting the generality of paragraph (a), the following assumptions on which the financial estimates are based.
  - (i) The assumptions of the local authority concerning the useful life of significant assets; and
  - (ii) The assumptions of the local authority concerning sources of funds for the future replacement of significant assets.
- (c) In any case where significant forecasting assumptions involve a high level of uncertainty:
  - (i) The fact of that uncertainty; and
  - (ii) An estimate of the potential effects of that uncertainty on the financial estimates provided.

### **Forecast financial statements**

- (1) An annual plan must include, for the financial year to which the plan relates, forecast financial statements for the local authority.
- (2) An annual plan may include, for the financial year to which the plan relates, forecast financial statements for any council controlled organisation or any other entity under the local authority's control.

### **Funding impact statement**

An annual plan must include, for the year to which the plan relates, a funding impact statement that states:

- (a) The revenue and financing mechanisms to be used to cover the estimated expenses of the local authority for the year; and
- (b) The nature of, and the reasons for, any departure from the funding impact statement for that year in the long-term council community plan; and
- (c) In relation to any general rate:
  - (i) The valuation system on which the general rate is to be assessed; and
  - (ii) Whether a uniform annual general charge is to be included; and
  - (iii) If a uniform annual general charge is to be included, how that uniform annual general charge will be calculated; and
  - (iv) Whether the general rate is to be set differentially, and, if so:
    - (A) The categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and
    - (B) The objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or of the relationship between the rates set on rateable land in each category; and
- (d) In relation to each targeted rate:
  - (i) The activities or groups of activities for which the targeted rate is to be set; and
  - (ii) The category, or categories, of rateable land, within the meaning of section 17 of the Local Government (Rating) Act 2002, to be used; and

- (iii) For each such category, how liability for the targeted rate is to be calculated;  
and
- (iv) If the targeted rate is set differentially, the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category.