
REPORT 6
(1215/52/IM)

2012-22 DRAFT LONG TERM PLAN FOR RECOMMENDATION TO COUNCIL

1. Purpose of Report

The purpose of this report is to recommend to Council the adoption of the 2012-22 draft long-term plan for consultation.

This report includes the following attachments:

- Funding Impact Statement (appendix 1)
- Financial Statements (appendix 2)
- Statement of Significant Accounting Policies (appendix 3)
- Significant Forecasting Assumptions (appendix 4)
- Significance Policy (appendix 5)
- Projects and Programmes List (appendix 6)
- What it Costs Statements (appendix 7)

Note that the contents of this report are preliminary – they are subject to change as a result of the decisions made at this meeting and the final audit review and clearance. The Funding Impact Statement and Financial Statements will be updated to reflect any decisions made at this meeting and presented to Council.

2. Recommendations

Officers recommend that the Committee:

1. *Receive the information.*
2. *Note:*
 - (a) *The financial statements included in this report are preliminary and subject to the resolutions agreed by the Strategy and Policy Committee on the other reports on this agenda.*
 - (b) *The 10 year financial statements included within this report are inflation adjusted in accordance with our Significant Forecasting Assumptions outlined in appendix 4.*

- (c) *That the funding effects of the inflation adjusted financial statements are also reflected in the Funding Impact Statement in appendix 1.*
 - (d) *That the funding impact and financial statements included in this report are not currently compliant with our Financial Strategy outlined in Report 2(a) of this agenda.*
3. *Recommend that Council agree that the inflation adjusted Funding Impact Statement and Financial Statements as detailed in the appendix be included in the 2012-22 draft long-term plan (noting that any changes arising as part of these deliberations will be incorporated into the final statements presented to Council).*
 4. *Recommend that Council agree that having due regard to the requirements of section 100 of the Local Government Act 2002, the Council's Financial Strategy, significant forecasting assumptions and the Revenue and Financing Policy it is financially prudent not to set a level of operating revenue that meets the projected operating expenses of Council.*
 5. *Recommend that Council agree that for 2012/13 it is financially prudent to forecast a surplus of \$35.759m, comprising:*
 - Unfunded depreciation totalling (\$11.211m) on the following assets:*
 - (a) *Clearwater Sewerage Treatment Plant (\$3.325m)*
 - (b) *Discontinued Living Earth Plant (\$0.221m)*
 - (c) *Transport Assets (\$7.665m)*
 - Revenue received for capital purposes:*
 - (a) *NZTA capital funding (\$7.414m)*
 - (b) *Housing capital grant and ring-fenced surplus (\$29.540m)*
 - (c) *Development contributions (\$5.0m)*
 - (d) *Bequests, trust and other external funding (\$0.380m)*
 - Self Insurance Reserve (\$0.750m)*
 - Weathertightness funding (\$3.331m)*
 - Unrealised fair value adjustment for loans and receivables (\$0.552m)*
 6. *Recommend that officers prepare the draft long-term plan 2012-22 statement of proposal based on the deliberations and recommendations of this Strategy and Policy Committee meeting (of 06 March 2012).*
 7. *Note that the statement of proposal and summary will form the basis of the special consultative procedure on the 2012-22 draft long-term plan and that consultation will run from 16 April 2012 to 18 May 2012.*
 8. *Recommend to Council to include the Significance Policy as outlined in Appendix five in the Draft Long Term Plan for consultation.*

Officer advice awaiting Council / Committee decision. Refer minutes for decisions.

9. *Note that the 'what it costs' statements included in appendix 7 will form part of the activity statements.*

4. Background

The Council is required to adopt a long-term plan by 30 June 2012. The special consultative procedure must be used to adopt the long-term plan.

In accordance with the local Government Act 2002, the draft long term plan is subject to audit. This process is underway and Audit New Zealand anticipates providing the audit opinion to the Council meeting on 28 March 2012.

The formal consultation period is scheduled to run for one month in keeping with the requirements of the Local Government Act 2002. It is set to run from Thursday 16 April 2012 until Monday 18 May 2012. This will be followed by public hearings, which are scheduled for late May 2012.

The Local Government Act 2002 also requires the Council to adopt a Significance Policy and include a statement of Significant Forecasting Assumptions.

Significant Forecasting Assumptions

The significant forecasting assumptions outline the significant assumptions underpinning the development of the draft long-term plan. They include the level of uncertainty and any risks underlying the financial estimates included within the long-term plan.

Statement of Significant Accounting Policies

The Statement of Significant Accounting Policies forms the basis for the Council's financial statements. This statement reflects all applicable changes to generally accepted accounting practice in New Zealand.

Significance Policy

The policy is to set out the Council's general approach to determining the significance of a decision (including thresholds, criteria or procedures that will be used by the Council). The Council adopted its current Significance Policy in June 2009 following consultation within that year's long term plan.

Officers have reviewed the policy and recommend the following changes:

- remove the separate discussion of 'significant activities' (no longer required as a result of changes to the LGA),
- remove references to the 'seven strategies' and replace with reference to current outcomes,
- remove criteria relating to asset ownership, and consistency with liability and investment policies (which is replaced with criteria relating to consistency with all policies),
- make the financial threshold more specific to make it easier to interpret, and
- a general re-write to increase clarity.

Decisions that would be assessed as significant under the existing policy would still be assessed as significant if the proposed changes are adopted.

The Significance Policy also includes a list of strategic assets. Any decision that transfers ownership or control of a strategic asset to or from Council, can only be taken if “explicitly provided for” in the Long Term Plan. Assets from the existing list have been carried over onto the draft, and the following additions to the list have been made following feedback from the Funding and Activity Review working group: the ASB Sports Centre, Carter Observatory, St James Theatre, Opera House, and Embassy Theatre.

These changes have been included in the draft policy attached as appendix five.

This report is subject to change based on decisions on other reports on this agenda. Officers will present all required revisions to the appendices to this report to Council as part of the statement of proposal.

5. Conclusion

This report provides for the recommendation of the 2012-22 Draft Long Term Plan to Council for consultation. It also provides for the confirmation of the Significance Policy to be included within the draft long-term plan for consultation.

Contact Officers: *Martin Read, Manager Financial Planning*