



Te Kaunihera-ā-Rohe o Taratahi

CARTERTON
DISTRICT COUNCIL

AGENDA

Risk and Assurance Committee meeting

Date: Wednesday, 22 May 2024

Time: 8:30 am

**Location: Carterton Events Centre
50 Holloway St
Carterton**

P Jones (Chair)

Deputy Mayor D Williams (Deputy Chair)

Mayor R Mark

Cr S Cretney

Cr G Ayling

M Sebire - Hurunui-o-Rangi Marae

**Notice is hereby given that a Risk and Assurance Committee meeting of the
Carterton District Council will be held in the Carterton Events Centre, 50 Holloway
St, Carterton on:**

Wednesday, 22 May 2024 at 8:30 am

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1 KARAKIA TIMATANGA

Mai i te pae maunga, raro ki te tai

Mai i te awa tonga, raro ki te awa raki

Tēnei te hapori awahi ai e Taratahi.

Whano whano, haramai te toki

Haumi ē, hui ē, tāiki ē!

2 APOLOGIES

3 CONFLICTS OF INTERESTS DECLARATION

4 PUBLIC FORUM

5 CONFIRMATION OF THE MINUTES



5.1 MINUTES OF THE RISK AND ASSURANCE COMMITTEE MEETING HELD ON 21 FEBRUARY 2024

1. RECOMMENDATION

1. That the Minutes of the Risk and Assurance Committee Meeting held on 21 February 2024 are true and correct.

File Number: 386571

Author: Robyn Blue, Democratic Services Officer

Attachments: 1. Minutes of the Risk and Assurance Committee Meeting held on 21 February 2024

**MINUTES OF CARTERTON DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE CARTERTON EVENTS CENTRE, 50 HOLLOWAY ST, CARTERTON
ON WEDNESDAY, 21 FEBRUARY 2024 AT 9:30 AM**

PRESENT: Philip Jones (Chair), Deputy Mayor Dale Williams (Deputy Chair), Mayor Ron Mark, Cr Steve Cretney, Cr Grace Ayling (via videoconference), Marty Sebire (Hurunui-o-Rangi Marae representative) from 9.36 am

IN ATTENDANCE: Elected members

Cr L Newman, Cr R Cherry-Campbell, Cr B Deller, Cr S Laurence, Cr S Gallon
Staff

Geoff Hamilton (Chief Executive), Karon Ashforth (Corporate Services Manager), Glenda Seville (Community Services and Facilities Manager), Solitaire Robertson (Planning and Regulatory Services Manager), Johannes Ferreira (Infrastructure Services Manager), Kyra Low (Finance Manager), Elisa Brown (Communications and Engagement Manager), Robyn Blue (Democratic Services Officer)

1 KARAKIA TIMATANGA

The meeting opened with a karakia by Deputy Mayor D Williams.

2 APOLOGIES

There were no apologies received.

3 CONFLICTS OF INTERESTS DECLARATION

There were no conflicts of interest declared.

4 PUBLIC FORUM

There was no public forum.

5 CONFIRMATION OF THE MINUTES

5.1 MINUTES OF THE RISK AND ASSURANCE COMMITTEE MEETING HELD ON 15 NOVEMBER 2023

MOVED

1. That the Minutes of the Risk and Assurance Committee Meeting held on 15 November 2023 are true and correct.

Deputy Mayor D Williams / Mayor R Mark

CARRIED

6 REPORTS

6.1 UPDATE ON 2024-34 LONG-TERM PLAN

1. PURPOSE

To update the Committee on progress and risks with the 2024-2034 Long-Term Plan (LTP) project and the Audit Engagement and Fees Letter.

NOTED

- After consultation and discussion in the meeting, it was agreed that staff proceed with preparing consultation material on the basis it would not be subject to a full audit review – one of several provisions outlined in the Minister’s letter dated December 2023. However, assurance will be sought from Audit NZ that the document is legally compliant.
- An Extraordinary Council meeting will be scheduled 10.30-11 am Wednesday 28 February 2024 to consider the two recommendations made by the Risk and Assurance Committee.

MOVED

That the Committee:

1. **Receives** the report.
2. **Recommends** that Council not audit the LTP Consultation Document as provided for in the draft Water Services Act Repeal Bill currently before Parliament.
3. **Recommends** that the Extraordinary Council meeting to adopt the final consultation document is moved from 20 to 27 March 2024.

Mayor R Mark / Deputy Mayor D Williams

CARRIED

Mayor R Mark / Deputy Mayor D Williams

CARRIED

6.2 AUDIT NEW ZEALAND REPORT ON THE 2022/23 ANNUAL REPORT

1. PURPOSE

To present the report prepared by Audit New Zealand on the 2022/23 Annual Report for the Committee’s consideration.

MOVED

That the Committee:

1. **Receives** the draft report.
2. **Expresses** dissatisfaction with the timeliness and appropriateness of the Audit Management Letter for 22/23 and asks the Chief Executive to communicate this to the Executive Director of Audit New Zealand (with information also to the Auditor General).

P Jones / Deputy Mayor D Williams

CARRIED**6.3 TREASURY UPDATE REPORT****1. PURPOSE**

To provide the Committee with an update on Council's current Treasury position.

MOVED

That the Committee:

1. **Receives** the report.
2. **Notes** the current Treasury position and compliance with policy limits.

P Jones / M Sebire

CARRIED**6.4 GOVERNMENT REFORM UPDATE****1. PURPOSE**

To provide Council with a brief update on the Government Reforms.

MOVED

That the Council:

1. **Receives** the report.

Cr S Cretney / Deputy Mayor D Williams

CARRIED

6.5 HEALTH, SAFETY AND WELLBEING UPDATE

1. PURPOSE

This report updates the Audit and Risk Committee on recent health, safety and wellbeing (HS&W) activities.

MOVED

That the Committee:

1. **Receives** the report.

Mayor R Mark / P Jones

CARRIED

7 EXCLUSION OF THE PUBLIC

RESOLUTION TO EXCLUDE THE PUBLIC

MOVED

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Waste Water Reservoir Project Update	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

Deputy Mayor D Williams / Cr S Cretney

CARRIED

MOVED

That an additional reason for this report being public-excluded be included. This relates to s7(2) (i) - enabling a local authority holding the information to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).

M Sebire / Mayor R Mark

CARRIED

MOVED

That Council moves out of Closed Council into Open Council.

M Sebire / Mayor R Mark

CARRIED

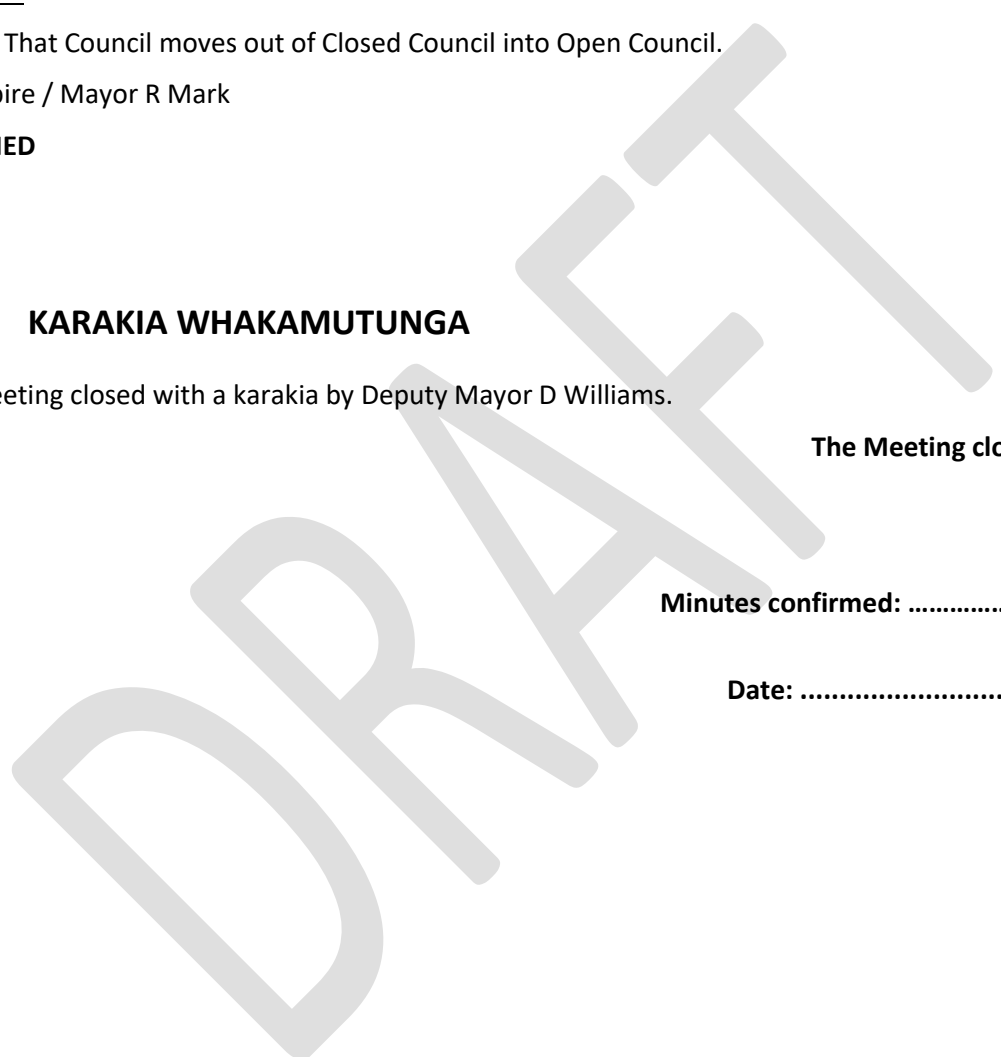
8 KARAKIA WHAKAMUTUNGA

The meeting closed with a karakia by Deputy Mayor D Williams.

The Meeting closed at 11.37 am

Minutes confirmed:

Date:





5.2 MINUTES OF THE EXTRAORDINARY RISK AND ASSURANCE COMMITTEE MEETING HELD ON 6 MARCH 2024

1. RECOMMENDATION

1. That the Minutes of the Extraordinary Risk and Assurance Committee Meeting held on 6 March 2024 are true and correct.

File Number: 388481

Author: Robyn Blue, Democratic Services Officer

Attachments: 1. Minutes of the Extraordinary Risk and Assurance Committee Meeting held on 6 March 2024

**MINUTES OF CARTERTON DISTRICT COUNCIL
EXTRAORDINARY RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE CARTERTON EVENTS CENTRE, 50 HOLLOWAY ST, CARTERTON
ON WEDNESDAY, 6 MARCH 2024 AT 10:00 AM**

PRESENT: Philip Jones (Chair), Deputy Mayor Dale Williams (Deputy Chair), Mayor Ron Mark, Cr Steve Cretney, Cr Grace Ayling, Marty Sebire (Hurunui-o-Rangi Marae representative)

IN ATTENDANCE: Elected members

Cr Robyn Cherry-Campbell, Cr Brian Deller, Cr Steve Laurence, Cr Steve Gallon, Cr Lou Newman

Staff

Geoff Hamilton (Chief Executive)

1 KARAKIA TIMATANGA

The meeting opened with a karakia by Deputy Mayor Dale Williams.

2 APOLOGIES

There were no apologies received.

3 CONFLICTS OF INTERESTS DECLARATION

There were no conflicts of interest declared.

4 PUBLIC FORUM

There was no public forum.

5 EXCLUSION OF THE PUBLIC

RESOLUTION TO EXCLUDE THE PUBLIC

MOVED

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
5.1 - 2022/2023 Chief Executive Performance Review	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

Deputy Mayor D Williams / Mayor R Mark

CARRIED

MOVED

That Council moves out of Closed Council into Open Council.

Deputy Mayor D Williams / Cr S Cretney

CARRIED

6 KARAKIA WHAKAMUTUNGA

The meeting closed with a karakia by Deputy Mayor Dale Williams.

The Meeting closed at 12.08 pm

Minutes confirmed:

Date:

6 REPORTS



6.1 CORPORATE OVERHEAD ALLOCATIONS FOR THE 2024-34 LONG-TERM PLAN

1. PURPOSE

For the Committee to be informed on proposed changes to the corporate overhead allocation model used in Council's operational budgets. The model has been refreshed and is proposed to be adopted as part of the Long-Term Plan at the end of June 2024.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be of significance under the Significance and Engagement Policy.

Despite this, members of the Water Race Committee have expressed a high degree of interest in the corporate overhead allocation model, as a portion Water Race rates help fund these overheads.

3. LONG TERM PLAN – OVERHEAD ALLOCATION

Council is required to fund its' operations and functional activities (Transportation, Three Waters, Regulatory & Planning, Water Races, Community Services etc). Some areas of Council operations support multiple activities. This include finance activities, information technology systems, rates billing, communications and senior management costs. These costs are shared out against the functional activities, to help determine the true costs when calculating targeted and general rates.

The impact of corporate overheads is usually fairly technical and not often public considering the sizable activities Council undertakes in three waters, roading, Regulatory and Planning, Community Services, and Parks & Reserves. Activities that have smaller expenditure budgets, such as the Water Race network, can be perceived to have a disproportionate effect on their budgets from corporate overhead allocations.

Undertaking the refresh of our 2024-2034 LTP has provided an opportunity to review corporate overhead allocations. Management considered how to allocate corporate overheads in the fairest way possible across all activities we undertake. The refreshed allocation proposed a principles-based approach using the following principles in descending order. Corporate overhead costs would be allocated as follows:

1. Roothing Costs will be included net of the Funding Assistance Rate (FAR) subsidy.
2. All Information Technology costs are allocated based on headcount - which is what drives these costs.
3. Direct support costs are next allocated to activities they support e.g. garage costs shared against activities that use our vehicles and outdoor plant;

4. All remaining costs are allocated based on the percentage of operating expenditure of that activity, compared to the overall operating expenditure of Council.

The Allocation

Broadly speaking, \$6.7m of shared activity costs (overheads) need to be allocated from a total operating expenditure budget of around \$25.1m. Following the above principles the refreshed model proposes allocations as follows.

	Proposed Allocation 2024/34 LTP %	Current Allocation 2021/2031 LTP %
Governance	1.8%	4.2%
Water Supply	11.6%	14.9%
Wastewater	12.8%	14.6%
Stormwater	1.3%	1.7%
Rural Water (Water Race)	2.6%	6.0%
Waste Management	3.2%	2.2%
Regulatory And Planning	10.5%	9.9%
Transportation	21.4%	7.5%
Community Support	34.6%	39.0%
	100.0%	100.0%

The new overhead allocation model makes changes to most areas, with a notable change in Water Races where the percentage of overheads allocated drops from 6.0% to 2.6%. In dollar terms the charge is proposed to reduce from roughly \$400k to around \$173k p.a. At the new rate, council overheads would approximate 20% of the total Water Race income. Other activities that have a reduced overhead allocation include Community Services, Governance and Three Waters.

Offsetting this is an increase in charges for the Transportation activity, due to this activity having a large expenditure budget.

In order to ensure the model adopted through the LTP is robust and able to be used for future Long-Term Plans management is keen to share the principles used to develop the revised corporate overhead allocation.

The Water Race Committee

The corporate overhead allocation has been discussed during the past few Water Race Committee meetings at length. Some Water Race owner committee members have been vocal in opposition towards the overhead allocation implemented at the last Long-Term Plan and have long sought change.

Following this refresh, some members of the Water Race Committee still believe the proposed allocation of corporate overheads against the Water Race is too high. A suggestion has been made by the Water Race owner committee members to set the percentage of future overhead allocations in perpetuity, against the Water Race Rate income. The concern being future increases in Council costs / inefficiencies would otherwise increase the overhead charges against Water Race ratepayers.

The Water Race owner committee members consider fixing the maximum amount of overhead charges for the Water Race activity solely against Water Race income is a fairer approach for this activity. Their suggestion is to limit Council overhead allocations at a maximum of 20% of Water Race revenue.

Further, some Water Race owner committee members have suggested the current overhead allocation needs to be reset to the new rates, backdated to 1 July 2021, and the difference refunded to the Water Race Activity.

If, as the Water Race Committee suggests, costs for one activity are permanently fixed, any change to the Council costs in future years will be borne by all other activities that are not fixed. Over time this may result in an unequal allocation of costs towards some activities.

Management has refreshed the overhead allocation model based on a set of core principles, which are being shared publicly as part of our LTP processes. Despite being transparent about the principles used, and the corresponding changes from the refresh, some Water Race owner Committee members believe the charges are too high.

Management is keen to understand if the principles proposed as part of the overhead allocation are sufficiently robust, and seek the input of the Risk & Assurance Committee on this matter.

4. **CONSIDERATIONS**

4.1 **Climate change**

There are no specific climate change considerations to this report.

4.2 **Tāngata whenua**

There do not appear to be any specific considerations for tāngata whenua as part of this report.

4.3 **Financial impact**

The changes proposed in corporate overhead allocations will be included in the calculations for targeted and general rates when the Long-Term Plan is adopted at the end of June. Otherwise, considerations have been noted in the report, as appropriate.

4.4 **Community Engagement requirements**

Early engagement with the Water Race Committee has already occurred. The inclusion of Overhead Allocations in Ordinary Council and Risk & Assurance Committee papers provides further transparency around our LTP budgets. Other than the above, no additional community engagement is planned.

4.5 **Risks**

There are no specific risks identified as part of this report. Either the current overhead allocation model or the proposed revised model will allocate all corporate overheads prior to the final calculation of rates.

5. **RECOMMENDATION**

That the Committee:

1. **Receives** the report.
2. **Recommends** the Committee endorses the four revised principles included in this report are used to allocate overheads in the 2024-34 Long-Term Plan.

File Number: 400097

Author: Geoff Hamilton, Chief Executive

Attachments:



6.2 LOCAL WATER DONE WELL (LWDW)

1. PURPOSE

To provide the Committee with an update on the Government's new water services entity, Local Water Done Well (LWDW).

2. SIGNIFICANCE

The matters for decision in this report are considered to be of 'medium' significance under the Significance and Engagement Policy. A consultation and engagement process is expected to be required as part of upcoming legislative changes for three waters being signalled by the Coalition Government.

3. BACKGROUND

Under the Government's Local Water Well Done policy, within a year councils must develop a plan to transition to a new model for water services that can meet regulatory and financial benchmarks and be structurally separated from Council.

The overarching purpose of the Plan is for councils, individually or jointly, to publicly demonstrate their intention and commitment to deliver water services in a way that is financially sustainable, meets regulatory quality standards for water network infrastructure and drinking water quality, and unlocks housing growth. The expectation is these new water entities have a separate governance board, will own and maintain drinking water and wastewater assets, revenue and operations, and potentially own stormwater assets, revenue and operations.

The Wellington region Councils have agreed to develop a joint water service delivery plan. This would include Horowhenua, Kapiti, Porirua, Wellington City, Hutt City, Upper Hutt, South Wairarapa, Carterton, Masterton and Greater Wellington Councils. An Advisory Oversight Group (AOG) has also been established and the Terms of Reference as included in attachment 1.

The AOG group will have an independent chair, an elected member from each council and iwi/Māori partner presentation (TBC). This group will be supported by the CEOs, Senior Staff and external contractors working on the draft plan.

The draft plan provides two opportunities for individual councils to "step-off" the joint process, in favour of developing an alternative water service delivery plan individually. The first of these exit opportunities occurs in August 2024.

4. DISCUSSION

Legislative change

Water Services Acts Repeal Act – introduced and enacted February 2024.

The new framework will include:

- Stronger central government oversight
- Economic and quality regulation
- Financially sustainable delivery models.

Bill 2 – mid 2024 (May first reading)

- The requirement for councils to develop a future water services delivery plan within 12 months of enactment.
- A streamlined Council Controlled Organisation (or Council Owned Company- COC) establishment process.

Bill 3 – late 2024 to early 2025

- The requirement for the water services delivery plan to be financial sustainable.
- Creation of a government economic regulator and economic / financial oversight regime.
- Addition of structural and financing tools, including a new type of a financially independent Council-Controlled Organisation (CCO) or Council Owned Company.
- Strengthened requirements for the water services delivery plan to be compliant with Taumata Arowai drinking water and wastewater standards.

5. OPTIONS

Council has three potential water services delivery plan models which it may wish to pursue. These are:

1. Joint Wellington Region and Horowhenua plan
2. Combined plan with the three Wairarapa Councils
3. Carterton District plan

There are a range of variables within each model that could be explored and refined; or aspects of models could be combined. Some key considerations for these options include financial considerations and also the potential overlay of a regional deal.

All three of these options are currently being researched and further developed and Council will be updated as we progress through the planning stages.

Expectations are that the legislation will move at pace, suggesting Council will need to follow suit if we are to ensure the best possible outcome for our ratepayers.

One aspect the Department of Internal Affairs (DIA) is closely monitoring is the risk of orphan Councils – those councils that have significant water quality or financial sustainability (debt) challenges, or both – making them unattractive partners for neighbouring water services entities. It is not clear how the DIA proposes to manage this risk, but it may be the only group of councils which receive additional crown funding as part of the transition.

Indicative Phases and timing

- Set-up – councils, governance, process Feb – April 2024
- Concept model – Operational model, key assumptions, high level estimates April-August 2024
- Engagement and decision-making on the preferred model, and the draft water service delivery plan September-December 2024
- Establishment – finalise water the services delivery plan, and commence detailed design of new model January-June 2025

6. CONSIDERATIONS

6.1 Financial impact

Recent analysis from ratings agency Standards and Poor (S&P) has highlighted some challenges for council to consider:

- Evidence supports the need for significant outgoing investment in water for councils across New Zealand, including:
 - The number of water supplies that do not comply with drinking water standards and that almost a quarter of New Zealanders receive drinking water that fails to comply with national standards
 - Nearly a quarter of council operated wastewater plants operate on expired consents
 - For some councils, asset replacement falls short of depreciation
- Alternative reforms proposals, such as voluntary council-controlled water utilities, might not alleviate high sector wide debt or enable the borrowing required.
- A CCO model could still yield benefits such as sharper commercial discipline, which coupled with economic regulation, could help reduce the political influence of tariffs and investment.

The recent announcements regarding Watercare - the Auckland water CCO – has suggested a financially separate Council Controlled Organisation model has the potential to provide access to debt and keep a lid on rates.

Feedback from the Department of Internal Affairs on the recent Watercare announcement highlights the model is predicated on Watercare issuing its own debt and holding a credit rating. With a trading history, and government agreement to remove the legislative requirement for Auckland City Council to finally support Watercare in the event of failure, S&P was satisfied the modified CCO model would be able to secure sufficient debt funding for future planned capital works.

The challenge for all other Councils is they are not like Watercare. They are not structurally separated with years of trading history, and a credit rating. Critically, most councils currently have a debt arrangement with the Local Government Funding Agency (LGFA) which is predicated on a parent Council guarantee. LGFA is unable to lend without the parent Council guarantee, whereas Watercare issued debt themselves, outside of LGFA. This allowed the government to remove the legislated financial support guarantee, while not impacting on the ability of Watercare to borrow. More work is required by the DIA to resolve this quandary for the rest of New Zealand Councils before the new water services entities are able to be formed.

6.2 Community Engagement requirements

Community consultation is yet to be determined, however it is expected some form of community consultation process will be required prior to water services being transferred to a new water services entity.

6.3 Risks

This is a fast-moving process and requires intensive resources to meet the new legislative guidelines. Legislation and guidelines are still being developed and further clarity will be provided as councils and the DIA work through this process.

The repeal of the current water reforms legislation and implementation of a new model may be financially detrimental to many NZ councils. The Coalition Government has withdrawn the second tranche of the Better Off Funding (worth \$5.1m to CDC) and required any changes to existing projects be directed towards Waters projects.

While further work is required to fully understand each option to delivery water services to our community, it is already clear that the cost to delivery water services will increase. Whether the result of improved levels of service, the funding of critical capital projects, the structural separation of water operations and governance, or the rising cost of delivering services, it appears that ratepayers, water users and levy-payers look to set to face steeper bills in the future to address NZ water issues.

7. RECOMMENDATION

That the Committee:

1. **Receives** the report.

File Number: 400012

Author: Karon Ashforth, Corporate Services Manager

Attachments: 1. AOG TOR [↓](#)

2024

Advisory Oversight Group: Future three waters model for Carterton District

TERMS OF REFERENCE

CARTERTON DISTRICT COUNCIL

DRAFT: Advisory Oversight Group terms of reference – Future water model for the Carterton District

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DRAFT: Advisory Oversight Group terms of reference – Future water model for the Carterton District

Future model for water and the purpose of this document

Under Government's Local Water Done Well policy, within a year councils must develop a plan to transition to a new model for water that can meet regulatory and investment requirements.

The signatories to this document have committed to a process of working together to consider and identify optimal future joint models and deliver a joint plan. As part of this process the signatories have agreed to establish a joint governance oversight group called the Advisory Oversight Group made up of elected members and Iwi / Māori partner representatives.

The key deliverable is a joint plan for a future delivery model based on strategic option selection and high-level design.

Critical success factors are that the plan for a future delivery model:

- **Is supported by all councils and Iwi / Māori partner which are part of this process**
- **Is supported by the Government *and* enabled through legislative change**
- **Is based on a sustainable funding model**
- **Enables commitment from councils and Government to move to subsequent phases to deliver the plan – detailed design and implementation**

This document outlines the Terms of Reference (ToR) for the Advisory Oversight Group (AOG) and sets out the purpose, membership, scope, areas of focus, meeting arrangements and funding of this AOG which shall be supported by a senior managers group (CE level) and project working group with secretariat support.

Dated: Endorsed by members of the AOG on **DATE** and subsequently ratified at the relevant governance meetings of voting partners and signed by their representatives

SIGNATURES OF MEMBERS ON BEHALF OF ORGANISATIONS – **TO BE INSERTED**

COUNCIL

COUNCIL

IWI PARTNER

IWI PARTNER

Context

[nb. some of this section could be cut back / put into an attachment]

Changes to three waters

Change is coming to how water is regulated and managed by local authorities. The Government has committed to repeal the Water Service Entities Act 2022. The passage of this repeal legislation is likely to occur by early 2024. Work is also underway to give effect to the Government's Local Water Done Well' policy.

Local Water Done Well policy is based on a clear premise that change is required and will happen. The Local Water Done Well policy document indicates this will be based on the following requirements:

- **Councils to develop a plan:** Within a year, councils must develop a plan to transition to a new model that can meet regulatory and investment requirements.
- **Increased regulation:**
 - Water quality regulation – Taumata Arowai
 - Infrastructure investment regulation – Commerce Commission (TBC)
- **Financial sustainability** – water services models must be financially sustainable, based on:
 - Revenue sufficiency
 - Ringfencing to fund investment
 - Funding for growth

For the Carterton district, there is an opportunity to collectively engage in this new policy direction with the Government, to ensure a sustainable, workable future model is identified and can then be implemented. There is no mandated future model, so this could include a bespoke approach for all of or part of the Carterton District.

In the context of this change as signalled by Government, councils in the Carterton district are also facing stark challenges to meet the investment needed for drinking water, wastewater, and storm water infrastructure.

A critical part of a future model will be the ability to borrow and, over time enable increased revenue from water users. This could be through some form of charge / rate / tax.

Challenges relating to three waters are not a new issue. The need for change to how water services are funded and delivered has been the subject of several major reviews, policy processes and legislative reform since at least 2016. Three major reviews (the Havelock North Drinking Water Inquiry 2016-2017, the Three Waters Review - 2017-2019, WCC Mayoral Task Force on Three Waters 2020), all concluded that councils were struggling to maintain and renew their ageing water infrastructure.

These reviews have confirmed that significant and sustained investment is required over the coming decades to ensure councils can continue to enable growth, provide safe drinking water, improve environmental water quality, and are resilient to future seismic and climate change events. This level of investment is not possible for local government under current borrowing settings and any attempts to increase expenditure through rates will be unaffordable for communities.

This issue is urgent and delay to reform will push a bow wave of costs and investment into the future and increase the risks of councils ability to ensure clean and safe water.

Recent analysis from ratings agency S&P Global¹ has also highlighted that the repeal of current water reforms legislation may be financially detrimental to many New Zealand councils. It also raises concern that alternative

¹ New Zealand Local Government Outlook 2024: Bridge over troubled waters, November 19 2023, S&P Global

reforms proposals such as the voluntary formation of council-controlled water utilities, might not alleviate high sectorwide debt and may impact adversely on council credit ratings.

Challenges for the region

The Wellington region has some unique challenges for local water, including responding to the impacts and risks of earthquakes and the need to coordinate future multi-decade investment across nine councils (investment coordination is particularly important for the connected metro networks of Wellington, Porirua, Upper Hutt, Hutt City and Greater Wellington Regional councils).

Regional water networks are crucial to the economic and social well-being of communities across the region. The network is interconnected from the hills and storage lakes of Upper Hutt, to new housing in Wainuiomata, to the offices of Beehive and to redevelopment of public housing in Eastern Porirua. This is an issue for both metropolitan areas and also for smaller towns in the Wairarapa and Kapiti Coast which have a lower population base to maintain a network of dispersed wastewater and drinking water treatment plants.

These challenges for water sit in the context of broader social and environmental challenges that have significant implications for the future of local government. These include climate change, technology change, aging and changing demographics, housing supply and complex international political dynamics which place pressure on migration, financial markets and global supply chains.

These issues are also important for councils Iwi / Māori partners. In the Carterton district there are strong and mature relationships which will be critical to building a successful future model.

Partnerships towards a future model

Local government cannot meet these challenges alone. Government leadership, clear direction and enabling legislation is urgently needed to deliver a new funding and delivery model for water infrastructure and services. Without central leadership and direction there is significant risk of delays, churn, and sub-optimal models being adopted.

Scope and objectives of the Advisory Oversight Group

Purpose

The AOG represents a collaborative partnership approach between councils in the Wellington region and Iwi / Māori partners. The value proposition of the AOG is to ensure that the region can robustly and efficiently work through a process of consideration of future joint models for three waters management for the Wellington region. A high-level scope for this process is set out in Attachment 1.

The model options considered need to respond to agreed objectives and consider future models which are workable, affordable, sustainable and meets the needs of communities and the environment.

Decision making and delegations

The AOG does not have any formal decision-making responsibilities or delegations. These remain with each council, including any future decisions on preferred models or commitments to future change.

The AOG is not a formal joint committee. Formation of the AOG and signing of these ToR represents a commitment by councils and Iwi / Māori partners to work together through a collaborative and non-binding process.

Where direction on the process or options being considered is required from the AOG, this will as far as possible be undertaken by consensus.

Key tasks and partnerships outcomes

The AOG will work in partnership to:

- Provide political oversight and alignment of this process to demonstrate visible and collaborative leadership
- Build trust and stronger organisational relationships
- Build better understanding of partners' perspectives and identify shared objectives and areas of alignment
- Operate at a strategic level owning key relationships for the future water model process and supporting the mitigation of any escalated risks
- Test and confirm the direction for the process including investment objectives, options analysis and required analysis in order to provide confidence and certainty to stakeholders and the community
- Provide advice and direction and to assist the responsible staff to manage and resolve issues and risks including alignment with wider strategic regional issues, the expectations of key partners, stakeholders and the community.
- Assist information sharing, efficient and effective working including opportunities to collaborate, and provide a stronger voice when advocating to others including a shared story for the people of the Carterton district and for investment

Advisory Oversight Group membership and structure

Membership

The Advisory Oversight Group shall consist of:

- **TBC** An independent Chair (with an agreed Deputy Chair in the event that the Chair is unavailable)
- An elected representative from each of the partner councils
- **TBC** A representative from each of the Iwi / Māori partners
- Any other person considered necessary by the AOG to ensure the effective functions of the group

Attendance at meetings would include council CEs.

Structure for AOG

- A quorum is the majority of members, or half the members where there is an even number of members. No business may be transacted at a meeting if a quorum is not present.
- Members are expected to attend all meetings, except in exceptional circumstances, as notified to and agreed by the Chair.
- In the event that the Chair is unavailable, the Deputy Chair shall chair the meeting.
- In the event that any member is unavailable for a meeting, any of the partners may nominate an alternate. **Or** There will be no alternate appointments.
- The AOG will be supported by a Secretariat and Project Team. The role and focus of this Secretariat is set out below.
- The AOG shall meet at least XXX, or as otherwise required. Meetings shall be hosted by one of the partners as agreed. Invites and coordination of meetings shall be managed by XXX.
- Wider invites to relevant partner organisations [such as DIA], shall be determined by the meeting Agenda.
- The meetings are not public but shall be transparent in terms of agenda and outcomes. Effort will be made to distribute any meeting papers at least 3 working days ahead of the meeting date. Recognising that the AOG does not hold any formal decision-making powers or delegations, papers shall be brief and avoid duplication with matters best dealt with through existing council decision making processes and delegations.

DRAFT: Advisory Oversight Group terms of reference – Future water model for the Carterton District

- Membership shall be reviewed and reconfirmed on an annual basis or if the project moves beyond confirmation of a plan for future water to the implementation of this model.

Senior managers group

The AOG will be supported by a Senior Managers group of the partners (councils and Iwi – TBC). This will consist of CEs or nominees from each partner organisation (CE or GM level).

This group will be chaired by a nominated Chair (with an agreed Deputy Chair in the event that the Chair is unavailable).

The role and focus of the Senior Managers Group is to ensure advice and support to the AOG is effective and efficient, including:

- Provide senior management oversight and alignment of this process to demonstrate visible and collaborative leadership
- Testing and confirm the direction for the process including objectives, options analysis and required analysis in order to provide confidence and certainty to stakeholders and the community
- Provide advice and direction and to assist the responsible staff to manage and resolve issues and risks including alignment with wider strategic regional issues, the expectations of key partners, stakeholders and the community.
- Support the identification, mitigation or management of key risks and issues
- Assist information sharing, efficient and effective working, and provide a stronger voice when advocating to others including a shared story for the people of the Carterton district and for investment
- Ensure that the project team is resourced and supported.

Project team and Secretariat – role, responsibilities and membership

Support for the AOG will be provided by the project team based on a small core team supported by resources from partners. Detail to be confirmed through the project scope, based on expectation of:

- Project Director / lead reporting to the [Chair of the?] senior managers group. This role will lead the project and be responsible for coordination of the Agenda for AOG meetings (including actions) and programme design and delivery across the partners (nb. role description and tasks to be defined)
- 3-4 FTE (size, resourcing model, procurement, where hosted TBC) providing expertise and workstream leadership for:
 - Secretariat support for AOG and Senior Managers group
 - Project management
 - Financial and options analysis
 - High level design of financial, funding, legal, governance etc elements for the preferred option
 - Evidence/options/reporting; change management
 - Comms planning and deliver for partner and Iwi engagement
 - DIA relationship
 - Operational requirements
- Nb. Other resources and functions to be confirmed by agreement of the scope and timeline e.g. financial analysis, options analysis, change management / HR requirements etc as detailed in the project plan.

INSERT DIAGRAM

Funding

Funding required for this process will include the independent Chair, Project lead, workstream leads, secretariat and programme resources.

The partners will confirm a budget. A funding plan shall be developed with the costs split on an agreed basis. This budget and funding plan shall be reviewed and updated at least on an annual basis.

Communications and media protocols

The partners commit to working together to ensure a coordinated communications and engagement approach to ensure a no surprises basis. This includes utilisation of agreed key messages and communications plan along with any developed communications brand and website as required.

The partners will develop and agree a communications plan that sets out key messages, protocols and channels in more detail as required for each phase of the project. This shall be reviewed and updated at least on an annual basis.

DRAFT: Advisory Oversight Group terms of reference – Future water model for the Carterton District

Attachment 1: Structure of Advisory Oversight Group and supporting functions

INSERT DIAGRAM – being updated

Attachment 2: Charter / Project scope

See separate document

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6.3 LONG-TERM PLAN 2024-2034 UPDATE

1. PURPOSE

To update the Committee on progress with the Long-Term Plan 2024-2034.

2. SIGNIFICANCE

The matters for decision in this report are considered to be of 'medium' significance under the Significance and Engagement Policy.

3. BACKGROUND

Council is required to prepare and adopt a Long-Term Plan (LTP) under the LGA. The LTP sets out the activities, budgets, Financial Strategy, and key financial policies of the Council for the next 10 years and the Infrastructure Strategy for the next 30 years. The LTP is required to be updated every three years, with the last LTP being approved in 2021.

Section 94 of the Local Government Act 2002 requires the LTP to be audited and contain a report from the Auditor-General. Details of these requirements have been outlined in previous reports to the Committee.

4. DISCUSSION

4.1 Timeframes

The table below provides a summary of key milestones and timelines for 2024.

Description	Start	Finish
Workshops with Elected Representatives	31 Jan 2024	30 Jun 2024
Consultation Document (CD) development and pre audit draft	Jan	Feb
External audit commences (three weeks) on CD and supporting documentation	19 Feb	8 Mar
Adoption of the final audited CD – Extraordinary Council meeting	20 Mar	20 Mar
Public Consultation commences (30 days)	3 Apr	3 May
QV issue new valuations, objections close 24 May	17 Apr	24 May
Hearings and deliberations	15 May	16 May
External audit commences (two weeks) on final LTP document and full review	4 Jun	14 Jun
Audit NZ and OAG final review	17 Jun	19 Jun
Draft final LTP document	21 Jun	22 Jun
Adoption of final LTP	26 Jun 2024	26 Jun 2024
Draft final report to Council on Long-Term Plan audit	3 July 2024	

5. LONG-TERM PLAN SIGNIFICANT ASSUMPTIONS

A number of financial planning assumptions and general assumptions underpin the draft LTP and Consultation Document.

The assumptions are currently being reviewed by Audit NZ ahead of the Council adopting the LTP.

A copy of the draft Significant Assumptions is included in this report, attachment 1.

6. LONG-TERM PLAN PROCESSES

6.1 Non audit of Consultation Documents

The Draft Consultation Document and supporting information has not been audited by Audit New Zealand (AuditNZ) as per Councils decision. However, Audit New Zealand conducted a review of the key supporting documentation and have provided Council staff with recommendations and advice on suggested improvements to the final LTP.

6.2 Audit of LTP

A separate report to the Risk and Assurance Committee includes the Audit Engagement Letter for the LTP. The LTP will be audited from 4 to 14 June 2024.

6.3 Non-Financial Performance Measures

As part of the preparation of the LTP, elected members have been involved in reviewing the new Performance Framework 2024-2034. The full framework will be included in the LTP as an appendix and the Significant Activities Performance Measures (also referred to as non-financial performance measures which includes mandatory DIA measures) are included in this report attachment 2.

6.4 Overhead Allocations

One aspect of the LTP that has been refreshed is the allocation of corporate overheads to Council activities. The allocation of corporate overheads indirectly affects how some rates are calculated. For example, an increase in overheads in an activity that has a targeted rate – such as Water Supply – results in an increase in that targeted rate, to fully fund that activity.

Overheads allocation model

A new overhead allocation model makes minor changes to most areas, net results (zero) see a decrease across urban ratepayers and an increase in rural and commercial ratepayers.

An LTP workshop was held with Council on 31 January to review the process and proposed allocation model. It was further presented to Council on 27 March 2024 and will now inform the draft LTP and rates calculations for review for by audit as part of finalising the LTP. A separate paper to this committee expands this overhead allocation in more detail.

7. SUMMARY OF SUBMISSIONS ON THE LONG-TERM PLAN

A special consultative procedure has been followed and submissions on the draft LTP were held from 5 April to 5 May with the hearings held on 15 May. The deliberations were held 16 May 2024 and at the time of this report are ongoing.

Submissions closed on 5 May. In total 156 submissions were received, of which 34 people asked to speak to their submission.

Of the two consultation items, the following table sets out the preferences of submitters for the two consultation items and options presented. Many submitters provided reasons for their preferred options.

Outside of the two consultation items 48 submitters (37%) made no response to the two consultation items and provided feedback on other topics.

Consultation item 1 - Investing more funding in the roading network

	Option		Number of submitters in support	% of submitters in support
1	Usable, safe roads, with all emergency reinstatements, Low Cost, Low Risk projects, pavement rehabilitation to 1% of the network, and an increased focus on road maintenance, grading and culvert clearing.		38	24.3%
2	Usable, safe roads that are fit for purpose, with pavement rehabilitation to 1% of the network, an increased focus on road maintenance, grading and culvert clearing, with some activities reduced.	Council's preferred option	67	42.9%

Consultation item 2 - Wastewater plant equipment upgrade

	Option		Number of submitters in support	% of submitters in support
1	Undertake all three wastewater components to meet best practice requirements, ensure network reliability, and meet compliance.		38	24.3%
2	Minimum required upgrades to meet compliance and ensure network reliability. This means an upgrade of the existing primary sedimentation tank as opposed to a new one, and no funding for foul air treatment.	Council's preferred option	55	35.2%
3	Do nothing (status quo)		9	5.7%

Noting that 37% of respondents did not vote on the two consultation items, overall, there was strong support for the Council's preferred options.

7.1 Risks

There are no additional risks not already covered in this report.

8. RECOMMENDATION

That the Committee:

1. **Receives** the report.

File Number: 399201

Author: Karon Ashforth, Corporate Services Manager

Attachments:

1. **Draft LTP Significant Assumptions** [↓](#)
2. **Draft Performance Measures** [↓](#)



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Significant forecasting assumptions 2024-2034 Long-term plan

Introduction

Forecasting assumptions identify important trends and projections and assess the risk and potential impact that are expected to affect the Council and community. These assumptions are essential in providing the basis for the Long-Term Plan (LTP). These assumptions will be revised prior to finalizing the LTP to ensure the most up to date and relevant information is referenced.

General forecasting assumptions		Level of Risk
1	External factors	High
2	District population trends	Moderate
3	Number of rateable properties	Low
4	Climate Change	Moderate
5	Asset condition	Low
6	NZTA subsidies	Moderate
7	Resource consents	Low
8	Insurance	Moderate
9	Economic shocks	Low
10	Natural Disasters	Moderate
Financial forecasting assumptions		
11	Interest rates borrowing and investments	Moderate
12	Revaluation of non-current assets	Low
13	Depreciation	Low

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14	Development and financial contributions	Moderate
15	Asset lives	Low
16	Sources of funds for future replacement of assets	Low
17	Inflation	Moderate
18	Delivery of Capital Works Programme	Moderate

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General forecasting assumptions

	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
1	External factors			
	<p>There will be no unexpected changes to legislation or other external factors that alter the nature or levels of service provided by the Council.</p> <p>Council's strategy and Long-Term Plan assumes that any future direction to add fluoride to drinking water will be financially supported by central government.</p>	<p>There is unexpected change to legislation that alters the nature or levels of service provided by Council.</p>	<p>High</p>	<p>There is a high likelihood that the Resource Management Act will be reformed at some time during the next ten years. The scope and impact on the Council currently is unknown. The Government is also reviewing the delivery of the three waters services (drinking, waste and stormwater) and drinking water standards and regulations. Again, the outcomes of those pieces of work are unknown. Finally, the Government has a current workstream that is reviewing the scope of services and activities provided by Councils, within the context of the four well-beings and the water services review. Again, the outcome of that work is unknown.</p> <p>In the event there is no central government funding support, the necessary upgrades to add fluoride to drinking water and its operations will need to be funded by Council's annual budget.</p>
2	District population trends			
	<p>A district population growth assumption of an average 1.3% per annum from the 2023 National population projections¹. In 2022 the population for the district was 10,258 increasing to 11,890 in 2032. This is a total increase of 1,632 people or 15.9 percent over the ten years.</p>	<p>Population growth across the district is at a significantly different rate (much faster or much slower) than assumed.</p> <p>The projections are highly sensitive to migration in and out of the district, and responses to external factors such as the neighbouring housing market and</p>	<p>Moderate</p>	<p>The population growth assumption is based on a fairly low population growth. If population growth is higher than predicted then demand for services and facilities would increase and could mean that they might need to be replaced or introduced earlier than planned, and expenditure will be higher than forecast.</p> <p>Different age distributions place different demands on the kinds of services, and their quality and location. This is unlikely to be significant and would be managed by the Council reprioritising their spending.</p>

¹ Sense Partners-National population projections summary comparison with Stats NZ projections.

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
		international migration, all of which is difficult to forecast. The age distribution of the population is significantly different from that assumed, e. g if there were a lesser increase in the younger age groups and an even greater increase in the older age groups (and vice versa).		
3.	Number of rateable properties			
	The growth in rateable properties continues to be positive, however the growth in rateable assumption is based on a low population growth. Sense Partners projections have assumed a growth rate for Carterton vs NZ of 1.5%. The number of rateable properties is assumed to reach 5,303 by 2034, which is a growth of 1.5 percent over the ten years of the Plan. <ul style="list-style-type: none"> • 2024: 5,224 properties • 2025: 5,240 properties • 2026: 5,253 properties • 2027: 5,266 properties • 2028: 5,271 properties • 2029: 5,276 properties • 2030: 5,282 properties • 2031: 5,287 properties • 2032: 5,292 properties • 2033: 5,298 properties • 2034: 5,303 properties 	Growth does not meet this assumption.	Low	The growth estimate reflects recent changes in rateable properties and considers ongoing development in the district. Should such growth not continue as forecast then some projects responding to demand will be deferred or not go ahead, and expenditure will be lower than forecast. If growth is greater than predicted, then some projects will go ahead earlier than forecast, and expenditure will be higher than forecast.

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
4	Climate change			
	<p>The intensity and frequency of weather events will increase as a result of climate change, in line with projections made by NIWA based on the Inter-governmental Panel on Climate Change (IPCC) Fifth Assessment Report.</p> <p>The Greater Wellington Regional Council (GWRC) has adopted a Climate Change Strategy² for mitigation and adaptation in Wellington and Wairarapa.</p> <p>Carterton District Council in partnership with South Wairarapa District Council has also prepared a localised climate change response strategy – Ruamāhanga Strategy.</p> <p>Carterton District Council is prepared to respond to climate change effects over the life of the plan but impacts of climate change on Council activities will be more significant long term.</p>	<p>The effect of climate change occurs more rapidly than anticipated.</p>	<p>Moderate</p>	<p>There is uncertainty about how quickly the effects will be felt and where. Predictions are that weather extremes will be more common and of a greater scale.^{3,4} In Carterton that will include hotter temperatures, more severe drought, wind, and storm events, and changing weather patterns. Internationally, successive IPCC reports have under-estimated the rate and severity of change.</p> <p>The impacts of climate change have been considered in each of the infrastructure asset management plans and in the infrastructure strategy. The Council will keep this subject under review as it will continue to be relevant for future ten -year plans. Council plans to continually reassess its risk and capability to deal with significant adverse weather events.</p> <p>The Climate Change Impacts Assessment is currently under development and is due to go before the Wellington Regional Leadership Committee (WRLC) in June 2024 with adoption expected by the end of 2024.</p> <p>https://wrlc.org.nz/</p>
5	Asset condition			
	<p>Asset management plans have been prepared for major infrastructural assets and include renewal and capital programmes. These plans include assessments of asset condition,</p>	<p>Asset management plans are materially incomplete.</p>	<p>Low</p>	<p>Asset management plans are updated regularly following 'best practice' as prescribed by the New Zealand Infrastructure Asset Management Manual. The asset inventories and condition ratings for roading infrastructure, which</p>

² GWRC Climate Change Strategy

³ NIWA's scenarios report, www.niwa.co.nz/our-science/climate/information-and-resources/clivar/scenarios

⁴ NIWA, 2017. Climate change and variability–Wellington Region.

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
	lifecycle, and demand management. The Council considers that this planning information is reasonable and supportable. There are no unstated asset disposals that will impact significantly on the plan. There are no unstated asset acquisitions that will impact significantly on the plan.	Assumptions about condition and lifecycle are materially incorrect.		forms part of the Council's significant assets, are stored and maintained in the RAMM database.
6	NZTA subsidies			
	Subsidies from NZ Transport Agency (NZTA) for maintaining and renewal of roads will be at the approved Financial Assistance Rate (FAR) of 51%. Subsidies from NZTA to respond to emergency events will be at the FAR 51% + 20%, therefore FAR of 71%. Special circumstance subsidies during Extreme hardship increases FAR to 91% (NIWE 2023).	Changes in subsidy rate, total subsidy dollars, and variation in criteria for inclusion in subsidised works programmes. The total subsidy dollars may not increase as assumed.	Moderate	In 2020, the Agency reviewed its subsidy and funding policies. As a result of this review the subsidy rate has been reduced from 53% in 2022 to 51% in 2024. Any further reductions are unlikely but possible. If the rate or dollar level of subsidy decreases, roading projects may be reprioritised, or scaled down, or they may be funded through a different source such as increased borrowing or rates. If maintenance, Renewal and Emergency works are under funded by council and a subsequent deuteriation of asset occur without a detailed plan in AMP to recover the back log, FAR could be compromised based on NZTA policy.
7	Resource consents			
	The Council operates its infrastructure under a number of resource consents. It has been assumed that applications for renewal of those expiring over the next ten years will be approved: <ul style="list-style-type: none"> The Council's resource consent to take water from the Kaipaitangata Stream for the urban water supply expired in 2013. An application has been lodged to renew the consent. The consent for the supplementary bores expires in 2034. 	Greater Wellington Regional Council will not approve the Council's application for new or renewed consents. Alternatively, it may place more restrictions on the activity sought, or require substantial monitoring or mitigation work. Consent conditions are likely to be affected by the current review of the Regional Council's Natural Resources Plan.	Low	Some increased costs for securing a resource consent for stormwater and subsequent monitoring have already been included in the Plan. The total final costs of these may be insufficient. The future consent will likely place greater restrictions on water take from the Kaipaitangata Stream during low flow/high demand periods, placing increased demand on bore water source and storage. During this Ten-Year Plan, storage capacity will be increased at the main water treatment plant and at the supplementary facility. Council is also planning to locate and construct an alternative water source before the end of the ten-year period. The Council has worked closely with the Greater Wellington Regional Council to concurrently seek the renewal of resource consent and plan the development work at the sewage treatment facility and its associated

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
	<ul style="list-style-type: none"> The consent for the discharge to air, land, and water in relation to the sewage treatment plant expires in 2053. The district-wide comprehensive consent for discharges from the stormwater system expired in 2016. In agreement with Greater Wellington Regional Council there are no expectations in the short term that this consent will be renewed until the Natural Resources Plan is finalised. Once the plan is finalised Carterton District Council will include funding in budgets to cover the costs of consent renewal 			irrigation. This has led to a strong, respectful relationship between the two councils. As a result, there is unlikely to any significant surprises.
8	Insurance			
	Insurance costs have varied significantly over recent years. The Council's broker has advised that the underlying adjustment by reinsurers to risk is starting to level off, and increases are likely continued through the ten years of the Long-Term Plan in line with asset price level adjustments. Currently the Council has full cover for above ground assets, while infrastructural assets have limited cover provided by the Local Authority Protection Programme Disaster Fund (LAPP).	Reinsurance costs escalate beyond forecast budgets. Cover may not be available for certain assets or risks. LAPP may not be able to secure cover for the 40% balance not assured by central government. The central government has been considering removing the 40% it now covers.	Moderate	Any further significant earthquake events in New Zealand in the next ten years would impact on renewal costs. The cost of insurance may be greater than forecast leading to unbudgeted expenditure. The cost of reinstating LAPP cover would be significant, funded by additional rates. The Council will need to consider the trade-off between self-insurance or paying higher insurance premiums, funded by additional rates.
9	Economic Shocks			
	New Zealand does not see a widespread resurgence of community transmission of COVID-19 (or a variation thereof) requiring regional or national lockdowns or	A variation of COVID-19 enters the community requiring national lockdowns	Low	Ensuring operational resilience practices to ensure the Council's essential activities continue to function in the event of a lockdown and non-essential services have the capacity to operate as fully as is safely possible.

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
	restrictions, and that New Zealand's international borders stay open.			The government continues to monitor for new variants arriving in the country, with the use of tests and genome sequencing of positive cases in travellers and targeted surveillance at the border.
10	Natural Disasters			
	Council is prepared to respond and recover from the increasing frequency and intensity of natural hazards, including floods, storms and earthquakes that occur during the life of this Long-Term Plan.	A natural disaster event occurs that is beyond the Council's ability to respond.	Moderate	A major natural disaster would impact Council by requiring immediate funding. This would reduce Council's financial capacity to be able to meet other unforeseen costs. Council could borrow additional funds, but this could potentially impact on rates.

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Financial forecasting assumptions

	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
11	Interest rates – borrowing and investments			
	<p>The range of interest rates on term debt is assumed to be 3.8 percent, in line with existing loan facilities and current long-term rates on offer and allowing a slight increase in long-term interest rates. To allow for anticipated timing of capital expenditure, only half a year's interest expenditure is provided for on new loans.</p> <p>The interest rate on investments is calculated at 2 percent.</p>	Interest rates differ from those used in the calculations.	Moderate	<p>Higher interest rates than anticipated would increase the cost of borrowing and therefore the cost of loan-funded projects. This may make those capital projects and services less affordable.</p> <p>Borrowing limits (expressed in terms of debt-to-assets and gross interest costs) are set out in the Liability Management Policy.</p>
12	Revaluation of non-current assets			
	<p>Revaluation assumptions have been included in the Ten-Year Plan. These have been done following the Business and Economic Research Limited (BERL) forecasts of price level change adjusters.</p> <p>Revaluation movements will be shown in the prospective financial statements in accordance with the revaluation policies of the 'Property, plant, and equipment', 'Revaluation', and 'Impairment' sections of the accounting policies.</p>	Actual revaluation results differ from those in the forecast.	Low	<p>Where the actual inflation rate is different from that forecast, the actual revaluation will be different from that forecast.</p> <p>The Ten-Year Plan for each subsequent year is reviewed by way of the annual plan round and a new ten-year plan is produced every three years.</p>
13	Depreciation			
	<p>Depreciation has been calculated on asset values at their latest revaluation date, and on additions at cost thereafter. The rates applied are listed in the 'Depreciation' section of the accounting policies. It is assumed that:</p>	That more detailed analysis of planned capital works once complete may alter the depreciation expense. That asset lives may alter due	Low	<p>The Council has asset management planning and upgrade programmes in place. Asset capacity and condition is monitored with replacement works being planned in accordance with standard asset management and professional practices. Depreciation is calculated in accordance with normal accounting and asset management practices.</p>

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
	<ul style="list-style-type: none"> • existing depreciation will continue. • replacement assets (renewals) affect depreciation as follows: <ul style="list-style-type: none"> - asset renewal will equal that of the assets being replaced. - new assets' depreciation will be the result of their estimated lives and values. - depreciation on new and renewal programmes will impact in the year following the capital programme. 	new technology improving asset lives.		
14	Development and financial contributions			
	<p>The Council assesses financial contributions under the Resource Management Act 1991. These contributions are used to help fund new capital infrastructure, particularly in response to growth.</p> <p>This Ten-Year Plan assumes that financial contributions will continue at a similar level of revenue until such time as the proposed district plan becomes operative via the review process</p>	The amount of revenue from financial contributions is significantly different from Council projections.	Moderate	<p>Financial contributions provisions will be reviewed as part of the District Plan review.</p> <p>The outcome of the District Plan review will impact the amount of the financial contributions received.</p> <p>Note: The Council has the option under the Local Government Act to collect Development Contributions under a Development Contributions Policy. The council may consider collecting Development Contributions under such a policy, rather than financial contributions under the RMA, during the review of the District Plan. However, due to uncertainties around this, at this time and for the purposes of the LTP, council will continue to rely on financial contributions to address growth impacts on infrastructure.</p>
15	Asset lives			
	Useful lives of assets are based on professional advice and experience captured in the asset management system. These are summarised in	Assets wear out earlier than estimated.	Low	Asset life is based on estimates of engineers, valuers, inspections, and asset managers. Capital projects can be brought forward in event of early expiration of assets (this would affect depreciation and interest, of which



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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
	the depreciation note within the accounting policies.			the amounts are unknown). Conversely, other assets may not need to be replaced until after the estimated useful life.
16	Sources of funds for future replacement of assets			
	<p>Sources of funds for operating and capital expenditure are as per the Revenue and Financing Policy.</p> <p>This policy will consider:</p> <ul style="list-style-type: none"> • the Council has, over the term of the Ten-Year Plan, set revenue levels sufficient to fully fund depreciation of its assets from Year three and in year one fund 50% of depreciation and in year two 75% and to fully fund loan repayments, with the exception of roading (partially funded by NZTA through subsidy on cap expenditure) • The funding for the replacement of any individual asset will be funded from the following sources: <ul style="list-style-type: none"> - from prior year credit depreciation reserve balances - from the current year's cash arising from revenue funding of depreciation - infrastructure contributions under the development contributions or financial contributions policy 	A planned funding source is unavailable.	Low	As the Council operates a central treasury function, should one source of funding be unavailable for asset replacement, a further option would be available. Local authorities have the power to rate, and that makes them attractive borrowers to private bankers and investors. The Council has the further ability to indirectly borrow through the Local Government Funding Agency. It is likely that alternative sources of borrowing than that planned would be at similar interest expense.



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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
	<ul style="list-style-type: none"> - loan funding with a loan being the shorter of either a 20-year loan term or the life of the asset. - special funds set aside for specific purposes identified by the Council. <p>All loans are currently held with Local Government Funding Agency (LGFA).</p>			
17	Inflation			
	<p>Expenditure for 2024/25 has been estimated based on 2023/24 estimated out-turn; personnel costs were increased by 2.2% and other operating costs (excluding interest, depreciation, and some other minor costs) were adjusted by the BERL⁵ forecasts of price level change adjusters.</p> <p>Revenue has been estimated using the BERL adjuster for operating costs where an inflationary effect is anticipated. This excludes development and financial contributions (see separate assumption above), grants received for distribution, interest, and rates penalties.</p> <p>Capital expenditure has been estimated using the BERL adjuster for capital costs.</p>	That actual inflation differs to that predicted, on which decisions are made.	Moderate	<p>Where the actual inflation rate is different from that forecast, the cost of projects and expenditure will be different from that forecast. Higher than forecast inflation would likely mean higher operating and capital costs and higher revenue; higher capital expenditure could mean greater borrowing; and there would be pressure on rates to increase to cover these costs.</p> <p>Each subsequent year of the ten-year plan is reviewed by way of the Annual Plan round and a new ten-year plan is produced every three years.</p>

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	Assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
18	Delivery of Capital Works Programme			
	<p>Council can successfully deliver the planned capital works programme as outlined in this Ten-Year Plan.</p>	<p>The capital programme continues to increase in value from previous years.</p> <p>Significant changes continue being made to our organisation and procurement and delivery processes to achieve this.</p> <p>There are risks of delays in the early stages of consent and design and in procuring delivery from contractors.</p> <p>The financial implication of such delays includes lower borrowings and a reduction in the need for rates-funded debt retirement in early years although it is expected that most of this would be undertaken in later years of the Long-Term Plan.</p> <p>If delivery of the capital programme is delayed, then proposed outcomes will not be achieved in the timeframes originally intended.</p>	<p>Moderate</p>	<p>Process in place to ensure delivery teams are realistic about what can be achieved and to continue to ensure project delivery resourcing is fit for purpose for future capital programmes.</p> <p>Procurement strategies in place to provide efficiencies to deliver projects or programmes of work.</p>

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ANNEX ONE

BERL Inflation adjustors

Expenditure for 2024/25 has been estimated based on 2023/24 estimated out-turn; personnel costs were increased by 2.2% and other operating costs (excluding interest, depreciation, and some other minor costs) were not adjusted. Inflation has been factored into the Plan using the BERL forecast changes as follows:

Year	Operating excluding Personnel	Capital	Personnel
2023/24	0.0%	0.0%	0.0%
2024/25	0.0%	0.0%	0.0%
2025/26	2.0%	0.0%	2.2%
2026/27	2.2%	2.0%	2.1%
2027/28	2.2%	2.2%	2.1%
2028/29	2.1%	2.1%	2.0%
2029/30	2.0%	2.1%	1.9%
2030/31	2.0%	2.0%	1.9%
2031/32	1.9%	2.0%	1.9%
2032/33	1.9%	1.9%	1.8%
2033/34	1.9%	1.9%	1.8%



Carterton District Council

LONG-TERM PLAN 2024-34- Group of Activities Performance Measures
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Governance related measures

Performance measure	How it will be measure	2023 Actuals	Targets			
			2025	2026	2027	By 2028/34
Residents' satisfaction with the Council's overall governance and reputation	Community Survey	42%	≥65%	≥65%	≥65%	≥65%
Percentage of official information requests responded to within statutory timeframes	Council Records	New measure	≥95%	≥95%	≥95%	≥95%
Annual Report is adopted within statutory timeframes	Annual Report	On time, modified	On time and unmodified	On time and unmodified	On time and unmodified	On time and unmodified
Net cash flow from operations: actual-planned variance from budgeted	Annual Report	9%	≤10%	≤10%	≤10%	≤10%
Appropriate risk management systems are in place	Independent assessment by Chair of Risk & Assurance Committee	Yes	Yes	Yes	Yes	Yes
Across all activities service requests are acknowledged within 1 working day	Council Records	46%	95%	95%	95%	95%
Council agendas are always publicly available three working days or more before the meeting	Council Records-Website	100%	90%	90%	90%	90%
Local government election turnout	Infometrics	New measure	≥50%	≥50%	≥50%	≥50%
Number of Council meetings with Māori representation	Council Records	New measure	25%	50%	75%	75%
Council engagement plans include specific actions for engagement with Māori	Council Records	100%	100%	100%	100%	100%



Community support related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
Residents sense of belonging to area	Community Survey	New Measure	≥65%	≥65%	≥65%	≥65%
Residents feel connected with family and community	Community Survey	New Measure	≥65%	≥65%	≥65%	≥65%
Residents feel safe in public spaces	Community Survey	New Measure	≥65%	≥65%	≥65%	≥65%
Residents level of satisfaction with public facilities including public toilets	Community Survey	65%	≥75%	≥75%	≥75%	≥75%
Residents level of satisfaction with Events Centre, Library, Swimming Pool	Users Survey/Community Survey	78%	≥75%	≥75%	≥75%	≥75%
Residents level of satisfaction with the provision of open spaces, parks and gardens	Community Survey	79%	≥75%	≥75%	≥75%	≥75%



Regulatory and planning related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
LIM's ¹ processed within 10 working days	Council Records	99%	100%	100%	100%	100%
Non-notified and notified resource consents processed within statutory timeframes	Council Records	98%	100%	100%	100%	100%
PIM's ² and building consents processed within statutory timeframes	Council Records	92%	100%	100%	100%	100%
Known food premises in the district have food control measures in place	Council Records	100%	100%	100%	100%	100%
Known liquor outlets in the district have appropriate licences and certificates	Council Records	100%	100%	100%	100%	100%

¹ Land Information Memorandum.

² Project Information Memorandum.



Transportation related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
Change from previous year in number of fatal and serious injury crashes on local road network decreased or increase	NZTA CAS ³ Reports	2 fatal 4 serious injury crashes	Fatal: decrease or ≤1 increase, Serious injury: decrease or ≤3 increase	Fatal: decrease or ≤1 increase, Serious injury: decrease or ≤3 increase	Fatal: decrease or ≤1 increase, Serious injury: decrease or ≤3 increase	Fatal: decrease or ≤1 increase, Serious injury: decrease or ≤3 increase
Regulatory signs repaired or replaced within 2 days of advice of a fault	Contract Reports	100%	≥95%	≥95%	≥95%	≥95%
Non-regulatory signs repaired or replaced within 21 days of advice of a fault	Contract Reports	97%	≥70%	≥70%	≥70%	≥70%
Street lighting faults are repaired within 2 weeks	Council Records	52%	≥80%	≥80%	≥80%	≥80%
Average quality of ride on the sealed local road network, measured by smooth travel exposure	% VKT ⁴ smooth per NZTA Report	97%	≥90%	≥90%	≥90%	≥90%
Percentage of footpaths compliant with condition standards	Footpath Survey	99.7%	≥95%	≥95%	≥95%	≥95%
Percentage of the sealed local road network that is resurfaced	NZTA annual achievement report	3.6%	≥5%	≥5%	≥5%	≥5%
Service requests relating to roads and footpaths responded to within 10 days	Council Records	93%	≥70%	≥70%	≥70%	≥70%

³ NZTA's Crash Analysis System.

⁴ Vehicle-kilometres travelled.



Wastewater related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
Residents' satisfaction with the town's wastewater system	Community Survey	59%	≥ 75% rate 7-10	≥ 75% rate 7-10	≥ 75% rate 7-10	≥ 75% rate 7-10
Total number of wastewater complaints received per 1000 connection ⁵	Council Records	13	≤20	≤20	≤20	≤20
Number of dry weather wastewater overflows per 1000 connections	Council Records	0.36	≤5	≤5	≤5	≤5
Number of wastewater abatement notices	Council Records	0	≤1	≤1	≤1	≤1
Number of wastewater infringement notices	Council Records	0	0	0	0	0
Number of wastewater enforcement orders	Council Records	0	0	0	0	0
Number of wastewater convictions	Council Records	0	0	0	0	0
Wastewater system fault median attendance time ⁶	Council Records	0.50hrs	≤ 1hrs	≤ 1hrs	≤ 1hrs	≤ 1hrs
Wastewater system fault median resolution time ⁷	Council Records	One hr	≤ 4hrs	≤ 4hrs	≤ 4hrs	≤ 4hrs

⁵ Total number of complaints received about: wastewater odour, system faults, system blockages; and the Council's response to issues with its wastewater system expressed per 1000 connections to the Council's wastewater system.

⁶ From the time that the Council receives notification to the time that service personal reach the site.

⁷ From the time that the Council receives notification to the time the service personnel confirm resolution.



Stormwater drainage related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
Residents' satisfaction with the district's stormwater systems	Community Survey	44%	≥ 60% rate 7-10	≥ 60% rate 7-10	≥ 60% rate 7-10	≥ 60% rate 7-10
Number of stormwater flooding events	Council Records	One	≤1	≤1	≤1	≤1
For each flooding event, the number of habitable floors affected, per 1000 properties connected.	Council Records	9.2	≤1	≤1	≤1	≤1
Total number of stormwater complaints ⁸ received per 1000 connections	Council Records	7.9	≤10	≤10	≤10	≤10
Number of stormwater abatement notices	Council Records	None	0	0	0	0
Number of stormwater infringement notices	Council Records	None	0	0	0	0
Number of stormwater enforcement orders	Council Records	None	0	0	0	0
Number of stormwater convictions	Council Records	None	0	0	0	0
Median response ⁹ time to attend a stormwater flooding event	Council Records	1.75 hrs	≤ 3hrs	≤ 3hrs	≤ 3hrs	≤ 3hrs

⁸ Total number of complaints received about faults or blockages, expressed per 1000 customers charged in their rates for Council stormwater services.

⁹ Measured from the time that the Council receives notification to the time that service personnel reach the site.



Water supply related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
Average consumption of drinking water per day per resident within the district	Council Records	435.9 litres	≤ 400 litres	≤ 400 litres	≤ 400 litres	≤ 400 litres
Total number of water supply complaints received per 1000 properties connected	Council Records	1.05	≤ 15	≤ 15	≤ 15	≤ 15
Median time to attend urgent callouts	Council Records	3.33 hrs	≤ 2hrs	≤ 2hrs	≤ 2hrs	≤ 2hrs
Median time to resolve urgent callouts	Council Records	1hrs	≤ 4hrs	≤ 4hrs	≤ 4hrs	≤ 4hrs
Median time to attend non-urgent callouts	Council Records	One hr	≤ 12hrs	≤ 12hrs	≤ 12hrs	≤ 12hrs
Median time to resolve non-urgent callouts	Council Records	8 hrs	≤ 24hrs	≤ 24hrs	≤ 24hrs	≤ 24hrs
Real water loss from networked reticulation system	Treatment system and water meter data ¹⁰	16%	≤ 45%	≤ 45%	≤ 45%	≤ 45%
Compliance with part 4 of DW Standards ¹¹ (bacteriological requirements)	National Water Information Database	Non compliance	Full compliance	Full compliance	Full compliance	Full compliance
Compliance with part 5 of DW Standards (protozoal requirements)	National Water Information Database	Non compliance	Full compliance	Full compliance	Full compliance	Full compliance
Residents' satisfaction with their household water supply	Community Survey	65%	≥75% rate 7-10	≥75% rate 7-10	≥75% rate 7-10	≥75% rate 7-10
Compliance with water resource consent conditions	Resource Consent	One non compliance	100%	100%	100%	100%

¹⁰ Total water outlet from Kaipaitangata and Supplementary reservoirs less sum of water meter usage.

¹¹ New Zealand Drinking Water Standards.



Waste management related measures

Performance measure	How it will be measure	2023 Actual	Targets			
			2025	2026	2027	By 2028/34
Residents' satisfaction with waste disposal services	Community Survey	≥75%	≥75% rate 7-10	≥75% rate 7-10	≥75% rate 7-10	≥75% rate 7-10
Compliance with resource consent conditions including compliance monitoring	Resource Consent	One Non-compliant	100%	100%	100%	100%

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6.4 LONG-TERM PLAN 2024-2034 AUDIT ENGAGEMENT LETTER

1. PURPOSE

To provide the Committee with the Audit Engagement Letter for the audit of the Long-Term Plan 2024-2034.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be of significance under the Significance and Engagement Policy.

3. BACKGROUND

Audit New Zealand has provided the Audit Engagement Letter: Audit of the Long-Term plan for the period commencing 1 July 2024 (Attachment 1).

For information only and not directly related to the LTP, the Audit Proposal Letter for the annual audits for the years ending 30 June 2023 to 30 June 2025 was previously provided at Risk and Assurance Committee in August 2023. It includes information related to the audits, including the statutory basis for the audit, proposed audit fees for the three years and how these are set.

4. DISCUSSION

Audit New Zealand's approach to the audits is set out in the attached documents.

5. NEXT STEPS

Audit NZ recently conducted a review of the Consultation Document and supporting documentation, particularly the strategy documents, significant assumptions, and performance framework. Audit are continuing to provide feedback on their assessment of these documents and advice for further amendments to the final draft of the LTP.

Audit timing

The key dates for the audit are:

Final Audit	4 – 14 June
Submission to the Office of the Auditor General (OAG) Hot Review	14 June
Clearance provided	19 June
Council adoption meeting	26 June

Draft final report to Council on Long-Term Plan audit	3 July
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6. CONSIDERATIONS

6.1 Climate change

OAG through AuditNZ, have issued their guidance on Climate Change and a significant matter for Councils to include in their LTP. Council officers will continue to work with AuditNZ on the assumptions in the LTP in particular the Infrastructure Strategy. The OAG guidance is included in this report (attachment 2).

6.2 Tāngata whenua

No tāngata whenua considerations relating to the decisions in this report.

6.3 Financial impact

The proposed audit fees for the LTP are \$74,300 (plus GST and disbursements).

Professional fees were budgeted in the Annual Plan 2023/24 and the proposed fees are within the scope of the budget.

Community Engagement requirements

There are no further community engagement requirements. Consultation on the draft LTP was held from 5th April to 5th May, with hearing and deliberations held 15th and 16th May 2024.

6.4 Risks

There are no additional risks not already covered in this report.

7. RECOMMENDATION

That the Committee:

1. **Receives** the report.
2. **Receives** the Audit Engagement Letter: Audit of the Long-Term Plan for the period commencing 1 July 2024 (attachment 1)
3. **Receives** the guidance from the Office on the Auditor General on Climate Change

File Number: 397031

Author: Karon Ashforth, Corporate Services Manager

Attachments:

1. **Audit NZ - Audit Engagement Letter: LTP 2024-2034** [↓](#)
2. **OAG Guidance on Climate Change** [↓](#)



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

11 April 2024

Level 2, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

Mayor Hon. Ron Mark
Carterton District Council
Carterton

Via email: mayor@cdc.govt.nz

Dear Mayor Mark

Audit Engagement Letter: Audit of the long-term plan for the period commencing 1 July 2024

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Carterton District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the Council for preparing the consultation document and the long-term plan

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council’s

own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council has chosen not to have its 2024 consultation document audited.¹ For clarity, we note the following statutory responsibilities as set out in the Act:

- section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP;
- section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards;
- section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP; and
- section 94 requires an audit report on the LTP.

Given Council has elected not to have its consultation document audited, we will not be providing any assurance to the Council as to whether the consultation document achieves its purpose in accordance with Section 93B of the Local Government Act 2002. The Council has the responsibility to satisfy itself that the consultation document achieves its purpose in accordance with Section 93B of the Local Government Act 2002.

Please note that the audit of the LTP does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide a report on:

- whether the LTP gives effect to the purpose in section 93(6); and
- the quality of the information and assumptions underlying the forecast information provided in the LTP.

¹ Section 93C(4) of the Act requires an auditor's report on the consultation document. However, clause 45 of Schedule 1AA of the Act (inserted by the Water Services Acts Repeal Act 2024) provides that, despite section 93C(4), the consultation document for the 2024-2034 LTP of a territorial authority (except the Chatham Islands Council) or the Wellington Regional Council need not contain an auditor's report.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period including the consultation document stage.

Our focus for the first limb of the LTP audit report will be to assess whether the LTP meets its statutory purposes.

Our focus for the second limb will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the LTP, whether because of fraud or error.

Our audit report does not:

- provide a guarantee of absolute accuracy of the information in the LTP;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

While we will not be issuing an audit opinion on the consultation document, we will still need to form a view about the major matters that the Council consulted on in their consultation document, as this will inform our audit opinion on whether the LTP meets its purpose in accordance with Section 93(6) of the Local Government Act 2002. Further, the audit of the assumptions, underlying information, financial model, performance framework, infrastructure strategy, and financial strategy should ideally take place at the time the Council is producing its consultation document. Delaying this work increases the risk of audit issues arising that are unable to be resolved before Council adopts its LTP.

We will work with you to ensure sufficient assurance is provided over these fundamental aspects of the LTP in a timely fashion.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;

- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

We note that the requirements in the first and third bullet points above continue to apply despite the consultation document not being audited.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the work needed to provide our audit report. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the LTP, develop expectations of what should be included in the LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we used a self-assessment process to assist with our risk assessment process. The self-assessment required you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management. Thank you for the completed self-assessment.

The self-assessment is like those used with our audit of previous LTPs.

4 Our particular areas of audit emphasis

4.1 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and

- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.2 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). Prospective Financial Statements (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty, and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

4.2.1 Climate change assumption

We will continue to focus on the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP. Therefore, we expect to see how the Council plans to address the impacts of more severe and frequent flooding, and drought.

4.2.2 Delivering capital expenditure programmes

The ability of councils to deliver their capital expenditure forecasts is an area we will look at closely in the LTP audit. The capital expenditure forecasts produced by a local authority are an assumption of what it can achieve over time.

The forecast capital expenditure programme should be subject to robust scrutiny as part of preparing the LTP. Under-delivery of capital expenditure budgets can have significant implications for the council and the community. Ratepayers pay for work that is not completed, and levels of service are likely to be below those forecast in the LTP. Under delivery also increases the risk that the priority assigned to each project is overlooked when determining which are actually undertaken.

4.2.3 New Zealand Transport Agency Waka Kotahi funding

For the 2024-34 LTP audit round we are aware that the New Zealand Transport Agency Waka Kotahi (Waka Kotahi) funding decisions are not expected to be available when most LTP audits are being carried out.

Our understanding of the current circumstances is that:

- A draft Government Policy Statement on land transport 2024-27 (GPS) was released in 2023. However, since the election, the GPS has been rewritten to reflect the views of the new coalition Government. The consultation draft was released in March 2024.
- The draft GPS will go to Cabinet for approval in late April 2024.
- It will then drive Waka Kotahi funding allocations to councils. This means that the GPS will not be confirmed until after most councils will be adopt their LTPs. Until a new GPS is issued, the GPS 2021 remains in force.

This means in gaining assurance over the Waka Kotahi funding assumptions, we will need to obtain comfort that:

- The projects, that the Council is assuming will qualify for co-funding from Waka Kotahi, are accurate and complete. We expect the projects included in the draft LTP to be consistent with what has been included in the draft Regional Land Transport Plan (RLTP) 2024.
- The draft RLTP 2024 represents the funding requests that the Council has made to Waka Kotahi and, in the absence of further information from Waka Kotahi, represents the best available information of the projects for which funding assistance may be received.
- The financial assistance rate (FAR) the Council is using to calculate the forecast amount that Waka Kotahi will fund, is consistent with what Waka Kotahi has previously agreed to fund. For example, if Waka Kotahi has previously agreed a standard FAR of 51%, this is what we expect the Council to use. If a different rate was used, the Council would need to provide us with support for that different rate. An example of appropriate support could be correspondence between the Council and Waka Kotahi confirming the different rate to be applied.

- We request, that the Council provides a reconciliation of the projects included in the draft 2024-34 LTP, that are assumed to be co-funded from Waka Kotahi, with the projects that make up the draft RLTP 2024.
- Where there are material differences between the LTP's underlying information and the draft RLTP 2024, we will seek to understand why. For example, if the Council has included a material project that is not contained in the draft RLTP 2024, we will seek management's assessment of whether and why that project would qualify for co-funding. Ideal evidence the Council should provide to us is correspondence between the Council and Waka Kotahi discussing the project, with the correspondence showing some form of in-principle agreement from Waka Kotahi to provide funding support.

4.3 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest

that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted long-term plan on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report on the LTP, before its inclusion on the website.

We need to do this to ensure consistency with the paper-based document that has been subject to audit.

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

Event	Dates
Audit of underlying document	
Risk assessment and planning	During March
Audit of underlying documents (including audit of asset management information)	8 – 19 April
With the good use of the AuditDashboard by the Council to post documents for the audit, and ability to Team meetings with Council, we intend to complete the majority of our audit, of underlying documents, remotely. However, as agreed with management, we propose to spend discrete times onsite to work through areas which, for all concerned, will be more effective and efficiently performed in person. We intend to provide management with feedback on the underlying documents during this period.	9-10 and, 16 and 17 April
Clearance on underlying documents	26 April
Draft interim report to Council on underlying documents audit	29 April
Audit of Long-Term Plan	
Final audit	4 – 14 June
Submission for OAG Hot Review	14 June

Event	Dates
Clearance provided	19 June
Council adoption meeting	26 June
Draft final report to Council on Long-Term Plan audit	3 July

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- A suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1).
- Electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering the LTP for the period commencing 1 July 2024, is \$74,300 (plus GST and disbursements).

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the LTP.
- There will be an appropriate level of assistance from your staff.
- All documentation provided will be subject to appropriate levels of quality review before submission for audit.
- The LTP will include all relevant disclosures.
- We will review, at most, two drafts of the LTP during our audit.

- We will also review one printers' proof copy of the LTP and one copy of the electronic version of the LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

We need to begin our LTP audit work in a timely fashion to ensure that the LTP can be adopted before the statutory deadline.

8 Personnel

Our personnel involved in the management of the audit are:

Karen Young	Director
John Mackey	Engagement Quality Review Director
Steven Heath	Associate Director, Specialist Audit and Assurance Services
Deren Mohanlall	Audit Manager

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the LTP for the period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the LTP and supplement the existing audit engagement letter dated 2 August 2023.

If there are any matters requiring further clarification, please contact me. Thank you.


Yours sincerely

Karen Young

Karen Young
Audit Director

cc Geoff Hamilton, Chief Executive
Karon Ashforth, Corporate Services Manager

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the LTP, and that supplement the existing audit engagement letter dated 2 August 2023.

Signed:  _____

Hon. Ron Mark
Mayor

Date: 12 April 2024

Appendix 1: Terms of the engagement that apply specifically to the audit of the LTP

Objectives

The objectives of the audit of the LTP are to:

- provide an independent report on the LTP (under section 94(1) of the Act) about:
 - whether the LTP gives effect to the statutory purpose; and
 - the quality of the information and assumptions underlying the information included in the LTP; and
- report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the LTP to identify whether there are material inconsistencies with the audited LTP.

Provision of a report to the governors of the Council

At a minimum, we will report to the governors of the Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the LTP, and the information and assumptions

underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

The standards applied when conducting the audit of the adopted long-term plan

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that are consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 2 August 2023 - but noting that the LTP includes forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
 - responsibilities for compliance with laws and regulations; and
 - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

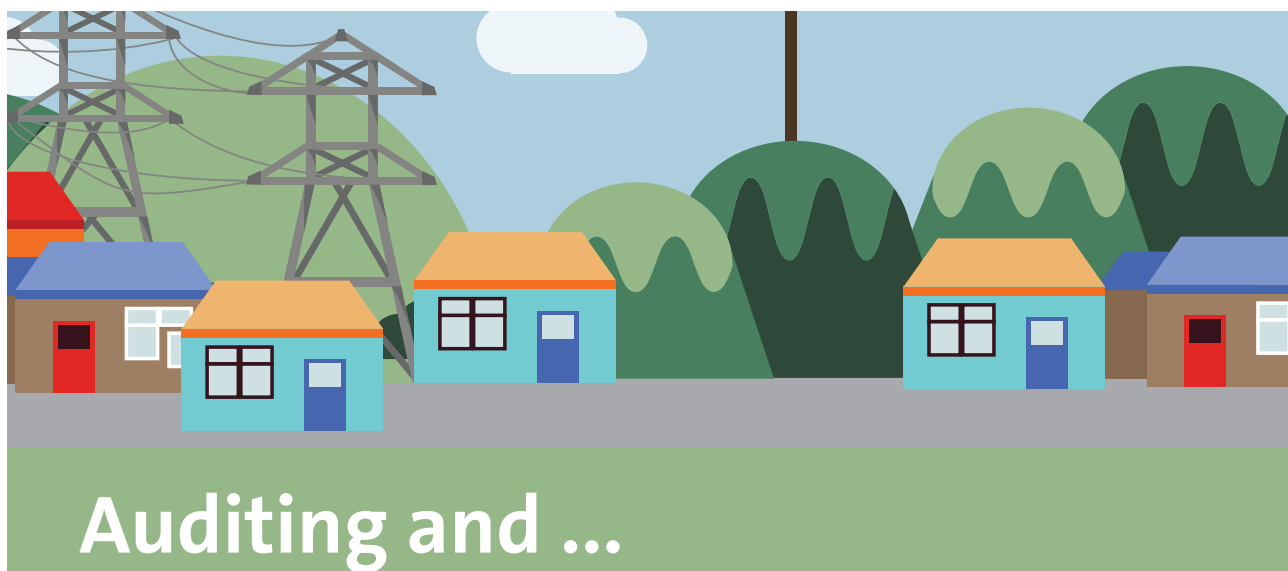
- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;

- enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
- enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
 - access to all information and assumptions relevant to preparing the LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



Auditing and ...

assessing the reasonableness of climate change assumptions and the adequacy of climate change disclosures

Introduction

Council roles

Councils have statutory responsibilities for climate change¹ and serve a critical frontline role. This includes taking steps to avoid or mitigate natural hazards and to consider the effects of climate change when making certain decisions.

They are also responsible for civil defence, emergency management, and leading community resilience. This includes delivering public education, land use management, and delivering local planning functions.

This focus on natural-hazard management means that councils must plan for, and respond to, events like floods, storms, and sea-level rise. Climate change is now changing the severity and frequency of these events.

¹ Particularly via the Resource Management Act 1991 but also indirectly through legislation such as the Local Government Act 2002, Land Transport Management Act 2003 and Climate Change Response Act

Strategic approaches

In response to this, many councils have developed strategies, mitigation approaches, and long-term adaptive pathways to proactively manage future risk – with some also declaring climate change emergencies. This includes working with their communities and with iwi and Māori to find the best local solutions.

A council's strategy might include actions and spending to mitigate the effects of its activities on the climate. We expect that more councils will include this information in their performance frameworks.

However, climate change preparedness and strategic maturity generally remains inconsistent. It's important that we see improvements in the level of disclosure, and the attention that is paid to climate change, during our audits of the 2024-34 long-term plans.



Key assumptions and relevant conversations

For the council you audit, it's important that you understand its overall strategic approach for responding to climate change. This is because a council's strategy determines the assumptions it makes, the focus of its work programmes, and its forecast service levels and expenditure. These assumptions about the effects² of climate change (and the impacts of those effects on council services and communities) are an important part of the long-term plan (LTP).³

It's likely (and preferable) that climate actions, and any associated spending and performance targets, are going to be throughout the LTP, rather than a standalone assumption.

Reflecting on how well this is done supports our increased focus on performance frameworks and how appropriate a council's climate change mitigation and adaptation considerations are.

Getting it right eases the measurement, reporting, and auditing requirements in the future if additional requirements come into play. Councils and auditors should be having conversations about climate change now.

Legislative context

This push for greater thoughtfulness and commitment is also reflected in new legislation. National Adaptation Plan requirements came into effect on 30 November 2022. More information about what this entails (as well as other legislation that shapes this context) is in the Appendix.

Expectations for this round

Climate change is a complex topic – climate science, and the public's awareness of this topic, continues to develop.

We saw an increased focus on climate change considerations in the 2021-31 LTPs. As knowledge,

² In this guidance we use the terms "effects" and "impacts" – climate change effects include things like higher temperatures and heavier rainfall while the impacts are what we are likely to experience as a result of these effects, e.g. higher temperatures could lead to more drought conditions leading to drinking water security of supply issues.

³ In this guidance, when we refer to the LTP we include the Infrastructure Strategy.

demand, and commitment about climate change develops, so too should councils' thinking about this matter.

With a further three-years' worth of planning and reflection to have taken place to shape these discussions, we expect the next step-change in maturity and disclosure about climate change matters to occur.

What you need to know

This guidance document will support your assessment of the appropriateness of a council's approach to climate change. This document will help you consider the reasonableness of a council's assumptions about the expected effects of climate change, the impacts of those effects on council activities and communities, the nature of their mitigation approaches, and the adequacy of other related information and disclosures. Assumptions and disclosures should continue to be a key audit focus.

To support this, we have identified the important items that you need to know about and check for.

1. Robust and integrated assumptions

We expect all councils to have reasonable and supportable assumptions about the effects of climate change. The assumptions must be applied to the financial and service performance estimates in the council's underlying information. You should check that these assumptions make sense, are based on quality evidence, and are well integrated into the council's decisions about, and understanding of, its assets.

We have outlined the assumptions we expect to see on pages 3 to 4 of this guide.

2. Clear strategies and related disclosures

To achieve the step-change we expect, councils will need to have a clear strategy and plan to achieve, fund, and report on key actions. This should be reflected in the LTP and (in many cases) the consultation document. Although we saw measures and targets set in the 2021-31 LTPs, action planning and reporting wasn't as well developed or integrated as it could have been.

You'll need to spend time understanding what the council intends to do, what assumptions these actions are based on, and how the council has filtered this through its work programmes, service-level information, expenditure, and Infrastructure Strategy. Essentially, the council will need to demonstrate its understanding of the potential impacts that climate change could have on its critical assets and communities and what they are proposing to do about it. For example, councils that have set targets such as "net zero by 2030" need to translate this into action and appropriately reflect this in their financial statements, performance information, and strategies. just declaring these kinds of goals doesn't mean much – councils need to be clear about what these goals mean and how they are going to achieve it.

In general, we expect that climate change will be more prominent in this LTP.

3. Performance monitoring that's fit for purpose

Ensuring that performance reporting focuses on the right things, tells a cohesive story in terms of assumptions and disclosures, and is aligned with service-level decisions supports accountability and closes the planning and reporting loop. A council's climate commitments should logically flow through to its relevant activity plans and then into its performance framework. For example, councils that state their intentions to reduce greenhouse gas emissions should reflect this in their measures, targets, work programmes, and budgets.

4. Responding to community need – adaptation and mitigation

In previous guidance we suggested that councils should have a comprehensive discussion of resilience and climate change issues with their communities. We continue to recommend these conversations as part of developing the 2024-34 LTPs. What is the evidence for this, and is this factored into consultation documents?

We want to see councils considering climate change mitigation and adaptation. We also want to see councils understanding the steps they are taking to reduce greenhouse gas emissions. We started to see emission reduction targets set as part of climate action plans and LTP performance frameworks for the 2021-31 LTPs – we expect to see even more of this now.

For more information about climate change and links to other resources, please see the Appendix.

What we saw in the 2021-31 LTPs

The [climate chapter](#) from the last LTP report (Matters arising from our audits of the 2021-31 long-term plans) describes the improvements we saw and where improvements are needed for the 2024-34 LTPs. The 2021-31 LTPs showed that all councils were considering climate change and they highlighted this in their LTPs to varying degrees. This was not the case for the 2018-28 LTPs.

This recognition brought with it the development of dedicated measures and targets, but climate action and reporting remained a developing area. The 2024-34 LTPs present an opportunity for councils to take a stronger leadership role and to set in place the right frameworks for more formal climate-related reporting. This aligns with our focus to encourage more sophisticated and fit-for-purpose performance frameworks.



Our expectations for the 2024-34 LTPs

1. Robust and integrated assumptions

In assessing whether a climate-related assumption is reasonable, you'll need to look at the council's process for making the assumption (including supporting information such as assessing climate effects from an expert climate organisation) and how the council has considered the impacts of that information on its activities and its community.

Effects on the district, city, or region

The expected effects of climate change could include increases in sea level, rainfall events, floods, droughts, and the severity of adverse weather events. There could also be temperature changes.

The Ministry for the Environment has developed up-to-date information on the likely effects of climate change for New Zealand and for each [region](#). The Ministry recommends that councils use this information as a basis for assessing the effects of climate change, unless more detailed local modelling is available.

The National Institute of Water and Atmospheric Research (NIWA) has also developed projections for several [regions](#). Many councils have used NIWA to model the expected effects for their area.

You will need to consider whether the national and/or regional data is reasonable for a council's

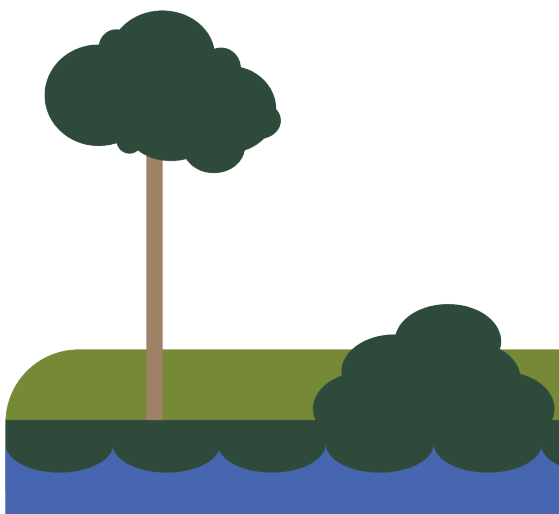
particular circumstance. For example, there could be instances where a community is already experiencing significant climate change effects. In these cases, more detailed modelling of climate change effects might be required to demonstrate the reasonableness and supportability of the assumption.

Impacts on a council's activities

Councils need to understand the likely effects of climate change on their community. An important part of this is demonstrating how the expected effects of climate change could affect their critical assets.

For most councils, climate change is likely to affect:

- three waters services – this includes issues with the security of water supply, reductions in water quality, increased wastewater overflows from heavy rainfall, and flood protection assets not working;
- the transportation network – disruption from sea-level rise or flooding and landslides leading to higher maintenance costs, impairments, and capital requirements. Demand for alternative transport networks might also increase, and planning for resilience might mean large-scale changes to existing infrastructure (e.g. disposing of a current road and replacing it with a different route or creating back-up access in the event of a primary structure's failure);
- coastal infrastructure and property – sea-level rise causing coastal erosion that will put property and assets at risk (including a reduction in useful life), and some places might become uninsurable;
- biodiversity and pest management – changes in the type and distribution of pest species as well as an increased focus on planting for mitigation purposes;
- waste management and minimisation infrastructure – increased demand for recycling and related services. Changing weather patterns impacting on solid waste infrastructure (for example, leachate);
- regulatory management – the need to consider and plan for managed retreat in flood-prone areas, or areas where services might not be



available needing to factor in [National Policy Statement](#) requirements,⁴ and

- community and municipal building infrastructure – for example, greater focus on emissions reduction, and changing maintenance needs or construction costs due to more extreme weather events.

Impacts on the community

The expected effects of climate change might also include social, economic, and cultural considerations that could affect council revenue (rates take and debt limits). For example, particular land uses might no longer be viable because drought conditions have resulted in loss of revenue for landowners (diminishing their ability to pay rates) or the council might need to consider managed retreat for a community.

2. Clear strategies and related disclosures

Communicating strategic intentions for climate change should be part of all relevant steps of the LTP development process. We expect to see this supported by clear decisions and disclosures.

Infrastructure Strategy

Under the Affordable Waters reforms, most councils will continue to be responsible for delivering and funding water services during the first year or two of the 2024-34 LTPs – until the water services entity is established.⁵ This means that affected councils will need to include information on water services in their LTPs and in other plans and reporting documents over this period. Councils will also need to continue to collect rates and require development contributions. However, councils are not required to include information on water services in their infrastructure strategies.⁶

This is because infrastructure strategies have a 30-year view, and councils will only be responsible for planning for, funding, and delivering water services for two years – at most – before these responsibilities

⁴ For example, the National Policy Statement and National Environmental Standards for Greenhouse Gas Emissions on Industrial Process Heat requires councils to factor in climate change impacts caused by industrial process heat when making resource consent decisions.

⁵ The Northland and Auckland Water Services Entity will go live on 1 July 2024.

⁶ See clause 37 of Schedule 1AA of the Local Government Act 2002.

transferred to the new water services entities.

Given this change, councils may opt to broaden their infrastructure strategies to incorporate additional asset types, while also enhancing the level of detail applied to these.

We expect that audit focus will shift onto the financial strategy (instead of the Infrastructure Strategy) with an increasing emphasis on climate change and its impacts on the community.

In our guidance for the 2021-31 LTPs, we stated that, in most cases, climate change assumptions and disclosures would be in the 30-year infrastructure strategy and that individual circumstances would determine whether they might also be in the first 10 years. However, changes in awareness, severity, and impact mean that climate change effects, as well as mitigation activities, will be a critical part of the 10-year span of the LTP – bringing with it resultant infrastructure decisions.

As a result, disclosure implications will be in other parts of the plan, including the financial strategy and groups of activity statements. How completely and effectively this information is represented should be considered. We expect most, if not all, councils to take this approach as the effects of climate change are felt in their communities.

This is in line with the number of climate change strategies that have now been adopted (and the subsequent measures and emission reduction targets that have been set) as well as the growing demand from communities to proactively address these issues.

The growing presence of climate related events also supports the change that is needed as councils develop their approaches to climate change. The impacts are clear and visible.

Some councils are more advanced in this planning than others – for example, Dunedin City Council has been addressing South Dunedin's significant climate change issues for a while.

Disclosures

We expect to see the following disclosures in a council's infrastructure strategy.

*The **key decisions** a council expects to make about **levels of service, council finances, and capital and operating expenditure work programmes for the period of the LTP as a result of the impacts from the expected effects of climate change.***

Climate change is likely to have an impact across an asset's life span. As a result, councils need to consider their ongoing ability to deliver services. We expect to see key climate change risks and issues for assets factored right across the time horizon of this strategy.

This involves factoring in anticipated long-term changes when assets are built and when decisions are made about renewals.

For example, increased rainfall might affect the ability of flood protection (depending on the design standard) to meet the expected level of service, and communities might demand new flood protection infrastructure to be installed. Because many significant infrastructure assets have long lives, councils need to take a similarly long-term view.

*What climate change means for the **most likely scenario for the management of a council's infrastructure assets during the 30-year period of the Infrastructure Strategy.***⁷

Councils need to set out options for the most likely scenario. We expect climate change to influence how a council frames the assumptions underlying the most likely scenario. How a council frames the assumptions should also be in the consultation document so that affordability conversations can be honestly held with the community. These assumptions should reflect what the council currently knows about mitigation and adaptation.

This should include:

- the life cycle of significant infrastructure assets;
- increase or decline in the demand for relevant services; and
- increases or decreases in relevant levels of service.

*What climate change means when **providing infrastructure resilience, and how the council intends to manage identified risks.***

A council's infrastructure strategy must describe how it intends to manage its infrastructure assets and take into account the need to provide for the resilience of these assets. This involves identifying and managing risks relating to natural hazards and making appropriate financial provision for those risks.

Addressing the resilience of infrastructure assets requires councils to determine:

- the likelihood of a natural hazard event occurring, where it's likely to occur, and in what time frame (this includes natural hazard events that result from the gradual effects of climate change, such as coastal erosion from sea-level rise);
- the exposure of its infrastructure assets to natural hazard events – in particular, the age, condition, and location of its critical infrastructure assets; and
- how vulnerable those assets are to damage from natural hazard events.⁸

Councils that do not have such assumptions, or assume that climate change will not affect their city, district, or region, will need to provide clear and credible evidence to support this. If a council cannot provide this evidence, or the evidence is not convincing, it's likely the assumption is not reasonable. Such a conclusion would need to be tested through an Opinion Review Committee.

However, most councils should have developed their climate change thinking, planning, researching, reporting, and emphasis since the 2021-31 LTPs. We have increased expectations that assumptions will be adequately identified and well thought out.

It should also be noted that Auckland Council is a climate reporting entity under the Financial Sector (Climate-Related Disclosures and Other Matters) Amendment Act 2021. More information on these disclosure requirements is in the Appendix.

Financial strategy

You should identify whether the council's financial strategy has any disclosures about land use changes that might be linked to climate change.

⁷ A requirement of section 101B of the Local Government Act 2002.

⁸ See our report Office of the Auditor-General (2022), [Matters arising from our audits of the 2021-31 long-term plans](#), Wellington.

A financial strategy must include statements of factors that are expected to significantly affect the council during the consecutive financial years covered by the strategy, including:

- the expected changes in land use in the district or region and the capital and operating costs for those changes;
- the expected capital expenditure on flood protection and flood control works, and the provision of roads and footpaths (including transport stormwater systems) that is required to maintain existing levels of service currently provided by a council;
- a council's quantified limits on rate increases and borrowing; and
- an assessment of its ability to provide and maintain existing levels of service and to meet additional demands for services within those limits.

3. Performance monitoring that's fit for purpose

Greenhouse gas emissions and other measures

In the 2021-31 LTPs, several councils had committed to reducing greenhouse gas emissions and, in some cases, had ambitious targets for this. This was identified as a first step towards taking action on climate change. However, councils that adopted emissions reduction targets also needed measures to assess their progress, provide transparency, and be accountable to their communities. Some of these measures have been included as community outcomes rather than as audited activity-related performance information in the LTP. Examples of these can be found in our [report](#) on matters arising from the 2021-31 LTP audits.

In general, councils that have committed to delivering climate action should have a performance framework to back this up and measure what they are intending to achieve. For example, carbon neutral and net zero mean different things and shouldn't be used interchangeably.⁹

⁹ As there are lots of definitions available for these terms, our recommendation is that councils decide what these terms mean to them and document this – e.g., “our target is net zero by 2030 which means we plan to offset any remaining scope 1 and scope 2 emissions by that date.” There is such a variation in practice that entities need to explain what they really mean, and intend to do, when using these words.

New performance reporting standard (PBE 48)

There is a new performance reporting standard (PBE 48). However, the standard is likely to affect only a few public organisations. Auditors can conclude that a public organisation's performance reporting framework is inadequate if it doesn't include quantified performance reporting of greenhouse gas emissions. However, this is only the case for public organisations where emissions (or emissions reductions) are a material aspect of service performance or planned achievements. This will be a matter of professional judgment for auditors¹⁰ and could arise where:

- the public organisation has national responsibility for encouraging and monitoring emissions reductions or for policy initiatives to reduce emissions in a major emissions area;
- the public organisation is a major emitter on a national scale;
- the public organisation is a major funder of emissions reduction initiatives and the amount of funding provided is financially material (e.g. measures of emissions reductions achieved from the State Sector Decarbonisation Fund or Government Investment in Decarbonising Industry Fund);
- the public organisation receives a material amount of government funding (e.g. State Sector Decarbonisation Fund) to reduce its substantial emissions;
- the public organisation has announced a major strategic objective for its emissions reductions, which is a major focus of management and governance and its emissions are very substantial; or
- the community to which the public organisation is accountable to have made it clear that they expect emissions reduction to be one of its top strategic priorities.

4. Responding to community need – adaptation and mitigation

Focusing on mitigation as well as adaptation

The statutory purposes of a LTP include integrated decision-making, taking a long-term focus for the council's decisions and activities, and being accountable to communities. Climate change is undoubtedly an issue with long-term implications,

¹⁰ Also noting that during the period of the LTP expectations can change.

and it needs to be integrated into the council's processes, plans, and strategies.

Communities that seek climate action have an interest in how their council accounts for its climate-related performance. To date, many councils have a strong focus on climate change adaptation. However, as councils engage further with their communities in developing action plans and setting emission reduction targets, conversations should also include mitigation. These conversations are important and councils should be connecting early with their communities, Māori and iwi, and key stakeholders to understand their drivers and aspirations.

Consultation document

Consistent with the requirements in the Local Government Act 2002, we expect disclosures relating to climate change in the consultation document when:

- a council is proposing significant climate change initiatives that it wants feedback from the community on;
- the climate change mitigation or adaptation measures are a major matter for inclusion in the LTP; or
- climate change is a matter of public interest for inclusion in a council's infrastructure or financial strategy.

We expect many councils to include climate change in their consultation documents.

Appendix: Background and context to climate change

What is climate change?

Climate change occurs when changes in Earth's climate system result in new weather patterns that remain in place for an extended period. The "weather" is the set of conditions in the atmosphere in one location for a limited period of time, whereas "climate" describes the average condition of the atmosphere over a long period of time.

The Earth's atmosphere is made up of oxygen, a large amount of nitrogen, and a small amount of greenhouse gases, such as carbon dioxide and methane. Greenhouse gases act like a blanket around the Earth. They trap warmth from the sun. Without them, too much heat would escape and the surface of the planet would freeze. Increasing the concentration of greenhouse gases in the atmosphere causes the Earth to heat more and the climate to change.

For more information see:

- [Ministry for the Environment](#)
- [Environment Aotearoa 2022](#)
- [National Institute of Water and Atmospheric Research](#)
- Video on "[why climate change is an issue for humanity](#)" on Deloitte UK website



What changes can we expect to our climate and the effects from these changes?

In general, climate change is expected to result in more extreme weather events (with an increase in floods and droughts as a consequence), shifting wind and rainfall patterns, rising and warming sea levels, increased temperatures, reduced frosts, strained ecosystems, and the likelihood of more pest species becoming established.

Based on the latest climate projections for New Zealand, we describe the expected effects of climate change.

Higher temperatures

New Zealand continues to get warmer – in 2022, seven of the past nine years had been among the country's warmest on record.¹¹

- The North Island will have a greater increase in temperature than the South Island, with the greatest increase in the northeast.
- The amount of warming in New Zealand is likely to be lower than the global average.

A change in rainfall patterns

Annual rainfall patterns are expected to change, with many wet areas getting wetter and dry areas becoming drier. The intensity of rainfall has also been noted as an issue by some councils – with infrastructure failing due to the significant amount of rain falling in a short time frame. The impact of rain after long dry spells has similarly been noted as an issue by some councils, with drought-affected land unable to absorb water as effectively.

- More rainfall in the west and south of New Zealand.
- Less winter and spring rainfall in the east and north.
- Increased summer rainfall in the east of both islands, with less in the west and central North Island.

Rising sea levels

Changes to our sea levels will bring new vulnerabilities to infrastructure, sea life, and communities. Floods, tsunamis, and other natural disasters are projected to increase – causing damage

to coastal property and infrastructure such as roads and bridges. Our sea waters are also expected to get warmer and to acidify, making it difficult for ocean species to survive.

Updated sea-level rise scenarios have been developed for New Zealand since the 2021-31 LTPs. They are based on the latest climate scenarios from the 2021 IPCC Sixth Assessment Report and new localised information on changes in land levels around the coast, known as vertical land movement. Councils should be using this [data](#).

More frequent and more intense extreme weather events

Changing weather patterns are expected to heighten the risk of extreme rain, drought, wildfires, floods, and tropical cyclones.¹² Droughts will have a significant negative affect on areas that rely on rainwater for drinking and pasture.

More information about climate projections can be found [here](#), [here](#) and [here](#) – this includes national and regional level assessments.

The National Institute of Water and Atmospheric Research has also developed [projections](#) for several regions.

Many councils have had their own climate change assessments prepared, or are in the process of doing so – for example:

- [Auckland Council](#) (2019)
- [Greater Wellington Regional Council](#) (2017)
- [Southland Councils](#) (2018)
- [Horizons Regional Council](#) (2021)
- [Waikato Regional Council](#) (underway)

What types of council activities can have an impact on the climate?

Councils' activities can adversely affect the climate. For example:

- energy/electricity use;
- vehicle emissions/fleet management;
- waste management – emissions from landfills;
- emissions from construction;
- livestock grazing;
- ports and airports;
- deforestation – some councils own forestry

¹¹ [Climate-Change-Projections-Guidance-FINAL.pdf \(environment.govt.nz\)](#).

¹² [Climate-Change-Projections-Guidance-FINAL.pdf \(environment.govt.nz\)](#)

plantations and although they can act as carbon sinks, deforestation reduces the effects of carbon sink effects;¹³ and

- facilitating land-use change through district and regional plan provisions, for example, changing a plan's rules to facilitate dairy conversion.

Council activities can also help reduce greenhouse gas emissions. For example, tree planting that sequesters carbon, recycling programmes and food scrap collection, and facilitating active transport modes and use of public transport (removing private vehicles from roads).

What impacts can councils and communities expect as a result of a changing climate and what are the implications of these?

Climate change poses risks to the business of councils. Key impacts for councils include:

- **Impact on the transportation network, including:**
 - disruption from flooding and landslides;
 - changing usage of networks (because of an increase in public transport); and
 - increased maintenance costs.
- **Impact on pest management:** changes in type and distribution of pest species.
- **Sea-level rise:** causing coastal erosion that will put property and assets at risk, and some places may become uninsurable.
- **Planning and building:** considering and identifying resilience to natural hazard impacts when making decisions about what can be built, and where. Councils will need to keep this information up to date and will have to determine how climate change may alter existing hazard planning. Limitations and assumptions will need to be clearly stated and more conversations with their communities about managed retreat are likely.

In January 2019, Local Government New Zealand released its report [Vulnerable](#), which identified the type, quantity, and replacement value of local government-owned infrastructure exposed to sea-level rise. It identified that the replacement value of local government-owned infrastructure at 1 meter above mean high water springs was more than \$2.5 billion.¹⁴

¹³ In addition, if these are not replanted they come with significant ETS obligations. There are also risks if forests are damaged during storms, as was seen during the events of early 2023.

¹⁴ This figure excludes identified three water infrastructure.

Climate change could also have economic, social, and cultural impacts on communities.

For more detail you can check out the [Motu](#) report listing several climate related publications and the Royal Society reports on the [Human health impacts of climate change in New Zealand](#) and [Climate change implications for New Zealand](#).

Common terms used when talking about climate change

Mitigation

Mitigation is reducing greenhouse gas emissions to limit further climate change and increase the ability of natural processes to absorb emissions, for example, by planting trees and reducing waste to landfill.

The seven types of greenhouse gases in the Kyoto Protocol:

- Carbon dioxide (CO₂);
- methane (CH₄);
- nitrous oxide (N₂O);
- hydrofluorocarbons (HFCs);
- nitrogen trifluoride (NF₃);
- perfluorocarbons (PFCs); and
- sulphur hexafluoride (SF₆).

Most of New Zealand's emissions come from agriculture and transport.

See Local Government New Zealand's report on [councils' climate change mitigation work](#).

Adaptation

Adaptation is an ongoing process of adjusting to the actual and expected changes in the environment as a result of climate change.

It's the actions or plans that a government, organisation, community, household, or individual can take to minimise risk and disruptions and strengthen resilience and preparedness.

Information about New Zealand's transition to a low emissions economy can be found [here](#).

Some examples of council adaptation activities can be found in the [Climate change case studies document compiled by LGNZ](#) and in the [Clifton to Tangoio Coastal Hazards Strategy](#).

New Zealand's obligations

- [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) – under the UNFCCC countries collectively consider how to mitigate climate change and cope with its impacts.
- [Kyoto Protocol](#) – this is a subsidiary agreement under the UNFCCC, with New Zealand committing to submit an annual inventory of greenhouse gas emissions. We achieved the target for the first commitment period by reducing greenhouse emissions to their 1990 levels. New Zealand accepted the Doha Amendment to this protocol in 2015.
- [Paris Agreement](#) – this is the current global agreement on climate change. It commits all countries to take action on climate change and includes a commitment to reduce net greenhouse gas emissions to 50% below gross 2005 levels by 2030.

New Zealand has three current greenhouse gas emissions reduction targets. These targets can be found [here](#).

Climate Change Response Act 2002

The Climate Change Response Act puts in place a legal framework to enable New Zealand to meet its international obligations, and to help New Zealand transition to a lower carbon economy.

In 2019, the Act was amended by the [Climate Change Response \(Zero Carbon\) Amendment Act](#) (the Zero Carbon Act). These amendments provide a framework that New Zealand can use to develop and implement clear and stable climate change policies that:

- contribute to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels; and
- allow New Zealand to prepare for, and adapt to, the effects of climate change.

The Zero Carbon Act is administered by the Ministry for the Environment. The Act:

- establishes a system of emissions budgets to act as a steppingstone towards the 2050 target:
 - net zero emissions of all greenhouse gases other than biogenic methane (that is, produced by plant and animal sources) by 2050; and

- 24-47% below 2017 biogenic methane emissions by 2050, including 10% below 2017 biogenic methane emissions by 2030;
- requires the Government to develop and implement policies for climate change adaptation and mitigation;
- establishes a new, independent Climate Change Commission to provide expert advice and monitoring to help keep successive governments on track to meeting long-term goals;
- requires the development of a [National Climate Change Risk Assessment](#) (NCCRA). The Ministry for the Environment published the first one in August 2020. Future NCCRAs will be developed every six years by the Climate Change Commission. These assessments will outline how the expected effects of climate change will affect natural, physical, and financial assets in the country. The first one identified 43 priority risks and helped inform a [National Climate Change Adaptation Plan](#). This plan was released in August 2022; and
- enables the Minister for Climate Change or the Climate Change Commission to request that a reporting organisation (this includes many public sector organisations, including councils) provide information about its governance, risk identification, and management as it relates to climate change and a description of the metrics and targets used to assess and manage the risks and opportunities. This provision in the Act has been modelled on the framework for climate change disclosures prepared by the Task Force on Climate-Related Financial Disclosures.

In 2021, the Government passed legislation making climate-related disclosures mandatory for some large financial market participants – including large publicly listed companies and some public organisations with listed debt securities (for example, Auckland Council). These are called climate reporting entities (CREs). Affected organisations (about 200 of them) are required to publish disclosures from financial years starting on or after 1 January 2023.

The objective of this legislation is to ensure that the effects of climate change are routinely considered in business and investment decisions. This requires businesses to measure and report clear, comparable, consistent, timely, and decision-useful information

about the risks and opportunities arising from climate change.

External Reporting Board – Climate Related Disclosures

As a result of the above legislation, the External Reporting Board (XRB) was tasked with issuing climate standards to form a climate-related disclosures framework. Guidance on non-financial matters was also prepared – with this being based on the international Taskforce on Climate Financial Disclosures framework.

The aim of these standards is to drive capital towards activities that support the transition to a low-emissions future. Part of this involves encouraging organisations to examine their climate-related risks and opportunities and identifying what strategies are in place to manage them. The standards require entities to consider not just physical risks but also transition risks – for example, the impact of government policies as we move towards a low carbon economy.

The reporting standards, which were developed after three periods of stakeholder consultation, can be accessed [here](#).

National Adaptation Plan and Emissions Reduction Plan

The National Adaptation Plan and the Emissions Reduction Plan set out how New Zealand will cut its emissions to achieve climate change targets – as well as supporting resilience to a changing climate, now and in the future. The focus of these plans is enabling better risk-informed decisions, driving climate-resilient development, getting the foundations right for a range of adaptation options (including the possibility of managed retreat), and embedding a resilience ethos across government policy.

The plans outline a programme of work to support councils to take action and, from 30 November 2022, it became a legal requirement for local government to “have regard to” these plans when preparing or changing regional policy statements, regional plans, and district plans. This is about being intentional when planning and recognising that the decisions made about how and where development is carried out matter. This includes taking account of changing risks and recognising that many communities are

already under threat from natural hazard events. Successful adaptation will be vital as climate impacts worsen and some people and communities might have to alter how and where they live.

More information on the National Adaptation Plan and Emissions Reduction Plan can be found [here](#).

The Emissions Trading Scheme

The [Emissions Trading Scheme](#) (ETS) is the Government’s primary tool for reducing greenhouse gas emissions and meeting New Zealand’s commitments under the Kyoto Protocol.

The ETS puts a price on greenhouse gas emissions. This encourages people and businesses to:

- reduce greenhouse gas emissions; and
- establish forests to remove greenhouse gases from the atmosphere.

The primary unit of trade in the ETS is the New Zealand Unit, also called a carbon credit. One New Zealand Unit represents 1 tonne of carbon dioxide (or the equivalent for other greenhouse gases).

Under the ETS, certain organisations that emit greenhouse gases must pay units to the government.

Organisations that reduce greenhouse gases, like forestry organisations, can earn units from the Government, which they can sell to other organisations that emit greenhouse gases.

He Waka Eke Noa is the approach adopted for the primary sector to support farmers to measure, manage, and reduce on-farm agricultural greenhouse gas emissions and adapt to climate change. This is a partnership between the Government, the primary sector, and iwi and Māori. This collaboration focuses on developing a detailed on-farm emissions pricing mechanism that will come into effect in 2025.

Under the [Joint Action Plan for Primary Sector Emissions](#) (based on the document [He Waka Eke Noa](#) published in July 2019), the parties are working toward all farmers and growers:

- including the mitigation of greenhouse gas emissions and adaptation to climate change in their farm business and environment plans by 2025; and

- calculating their greenhouse gas emissions sources and sinks and being incentivised to take actions on climate change through the development of an appropriate pricing mechanism for emissions by 2025.

Reporting on our greenhouse gas emissions

All human-induced emissions and removals of greenhouse gases in New Zealand are officially reported in New Zealand's [Greenhouse Gas Inventory](#). The inventory is the official annual estimate of all human-generated greenhouse gas emissions and removals in New Zealand. New Zealand committed to reporting on these annually under the UNFCCC. Audit New Zealand audits the performance of the inventory.

New Zealand reports on four greenhouse gases that are most important for warming because of their ability to absorb heat and their long residence time in the atmosphere:

- **Carbon dioxide:** produced from fossil fuel (coal, oil, and gas) combustion, from burning of solid waste and wood, and from some chemical reactions, such as cement production.
- **Methane:** emitted by livestock and the decomposition of organic matter (such as in landfills) and during the production and transportation of coal and natural gas.
- **Nitrous oxide:** emitted mainly from agriculture but also from industrial processes and fossil fuel combustion.
- **Fluorinated gases:** very strong human-made greenhouse gases used in products such as refrigerators and air conditioners; emissions are from production and product use.

The most recent [snapshot](#) was released in April 2022 - the main points being:

- Between 1990 and 2020, gross emissions increased by 21% mostly due to increases in methane from dairy cattle digestive systems and carbon dioxide from road transport.
- The agriculture and energy sectors were the two largest contributors to New Zealand's gross emissions in 2020, at 50% and 40%, respectively.

The full report is available [here](#).

Additional useful context can be found in Ngā Kōrero Āhuarangi me te Ōhanga, the [Climate Economic and Fiscal Assessment](#), which highlights the economic impacts, challenges, and choices that climate change poses for New Zealand.



7 EXCLUSION OF THE PUBLIC

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
<p>7.1 - Confirmation of the minutes of the public-excluded Risk and Assurance Committee 21 February 2024</p>	<p>s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
<p>7.2 - Confirmation of the Public-Excluded Minutes 6 March 2024</p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

8 KARAKIA WHAKAMUTUNGA