



Summary

Matters arising from our audits of the 2021-31 long-term plans

Every three years, councils are required to prepare a 10-year long-term plan. The long-term plan is the main way for councils to describe the services they plan to provide, the community outcomes they plan to contribute to, and the forecast cost of those services.

We audit these long-term plans to help give assurance to communities that the underlying information and assumptions that the long-term plan is based on is reasonable and supportable. Our report sets out the main findings and observations from our audits of councils' 2021-31 long-term plans.

What we found

Most councils produced realistic long-term plans based on the best information available. This is no mean feat given the challenging environment in which the plans were produced. In the 2021-31 long-term plans, we saw that councils were:

- moving to address historical underinvestment in infrastructure;
- making tangible progress in collecting better condition and performance information about their critical assets;
- setting rates higher than they may have previously to fund the increasing costs they expect to pay;

- providing more discussion about the impact of climate change on their communities, what they are going to do to adapt, and manage the risks; and
- discussing the uncertainty created by the current reforms.

What councils need to do more on

Although there have been improvements, councils need to do more with their financial strategy and infrastructure strategy. These strategies need to be better integrated and clear about the risks councils face as well as their risk appetite and how they are planning to mitigate or manage risks and the associated cost. These two strategies provide the strategic direction and the underpinning context for the long-term plan. Therefore, they need to be realistic and clear.

Councils are forecasting to invest more in their assets than in previous long-term plans. Assuming councils can substantially deliver this planned investment, this is a positive change. However, councils' forecast renewals remain lower than forecast depreciation for the period of the long-term plan. This indicates that councils are still not reinvesting enough in their assets.



Each council's borrowing practices need to reflect its risk profile. With a significant increase in infrastructure investment being forecast, debt throughout the local government sector is also forecast to be the highest it has ever been.

Councils also need to address the inherent risks in the long-term operation of their infrastructure. It is critical that councils understand the state of their infrastructure and the ongoing investment that they need, including responding to the effects of increasingly severe weather events as a result of climate change.

Most councils disclosed that they needed to improve the information that they hold about their assets to support prioritised investment decisions. Councils should continue focusing on asset management practices generally. It is important that councils implement the improvement plans they have for collecting and maintaining asset condition information.

We continue to highlight that improved information about the condition and performance of councils' assets is needed for three waters assets. Holding suitable information will be important for ongoing service delivery to the country, regardless of any changes to the role councils have in managing these assets.

The audit opinions we issued

Our auditors issued two adverse audit opinions and nine qualified audit opinions on the 2021-31 long-term plans. Adverse and qualified audit opinions are normally rare in our audits of long-term plans.

In most instances, the qualification was limited to a disagreement or a limitation in scope about an aspect of the underlying information that the long-term plan was based on. For example, a council may not have had enough information about the condition and performance of its assets to suitably inform the council's renewal strategies and forecasts.

Our audit reports on the 2021-31 long-term plans also included more emphasis of matter paragraphs than in the past. An emphasis of matter paragraph does not mean that the auditor has found anything wrong. However, there were some important matters that we wanted to draw readers' attention to. In most instances, the emphasis of matter paragraphs reflected the significant uncertainties councils faced in preparing their long-term plans.