



**PAPAIOEA
PALMERSTON
NORTH
CITY**

PALMERSTON NORTH CITY COUNCIL

AGENDA MINUTES ATTACHMENTS COUNCIL

**9:00 AM - ADOPT LONG TERM PLAN 2024-
34, WEDNESDAY 26 JUNE 2024**

COUNCIL CHAMBER, FIRST FLOOR
CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH

COUNCIL MEETING

26 June 2024

- | | | |
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To the readers:

Independent Auditor's report on Palmerston North City Council's 2024-34 Long-term Plan

I am the Auditor-General's appointed auditor for Palmerston North City Council (the Council). The Local Government Act 2002 (the Act) requires the Council's Long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 26 June 2024.

Adverse opinion

In our opinion, because of the significance of the matters described in the basis for adverse opinion section of our report, the plan does not provide an effective basis for long-term integrated decision-making or co-ordination of the Council's resources and accountability of the Council to the community. This is because of information and assumptions underlying the forecast information in the plan that are not supportable and are highly uncertain.

Basis for adverse opinion – Assumptions over costs, timing, funding, and delivery of capital expenditure projects

As outlined on pages [... to ...], the Council proposes a significant increase in its capital expenditure programme during the 10 years of the plan, including upgrading its wastewater treatment and disposal system, redeveloping the central library and the Te Manawa museum, and constructing new roads in Kakatangiata.

The Council has assumed the upgrade of its wastewater treatment and disposal system would cost \$480 million plus inflation, and be funded entirely through 'off balance sheet' funding under the Infrastructure Funding and Financing Act 2020 (IFFA). It has further assumed that the redevelopment of the central library and the Te Manawa museum, and the construction of new roads in Kakatangiata would cost \$262 million, and be funded by a combination of external grants, 'off balance sheet' funding under the IFFA, public private partnerships, and developers.

The Council does not have adequate evidence to support the costs of these projects, which could be significantly higher, nor the funding. The Council has not applied for funding under the IFFA, and if successful it may not get 100% of the funding, or the cost of the funding may be unaffordable to the community. Further, the council has not secured funding either from external grants or public private partnerships, and it has limited other funding options due to insufficient borrowing capacity.

In addition, it is highly uncertain whether the Council will be able to deliver the capital expenditure programme within planned timeframes, due to local government demand on the construction industry. Some projects may therefore need to be delayed or reprioritised, which could have additional cost implications and reduced levels of service.

The effects of these unsupportable and highly uncertain assumptions are pervasive given the nature and significance of the projects, which warrants an adverse opinion on the plan.

Opinion – Disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014

In our opinion the disclosures on pages [XX to XX] represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan on which we have given an adverse opinion.

We carried out our work in accordance with the 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 took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act.

We do not express an opinion on the merits of the plan's policy content.

Our opinion on the plan also does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

In accordance with clause 45 of Schedule 1AA of the Local Government Act 2002, the consultation document on the Council's plan did not contain a report from the Auditor-General. The consultation document is therefore unaudited. Our opinion on the plan does not provide assurance on the consultation document or the information that supports it.

Independence and quality management

We have complied with the Auditor-General's independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3)* issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.

Debbie Perera, Audit New Zealand
On behalf of the Auditor-General, Palmerston North, New Zealand

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Funding Impact Statements																				
Budget	LTP 2024		LTP 2024		LTP 2024		LTP 2024		LTP 2024		LTP 2024		LTP 2024							
Whole of Council	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2024/25	2025/26	2026/27	2027/28						
\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s						
91,451	86,345	76,288	62,771	66,753	69,645	73,542	78,302	83,779	88,226	93,421	86,345	76,288	62,771	66,753	69,645	73,542	78,302	83,779	88,226	93,421
32,795	50,506	72,766	98,883	106,798	115,300	123,609	132,860	141,825	153,403	166,014	50,506	72,766	98,883	106,798	115,300	123,609	132,860	141,825	153,403	166,014
7,880	6,370	6,467	6,605	6,662	7,417	7,558	7,772	7,860	8,003	8,222	6,370	6,467	6,605	6,662	7,417	7,558	7,772	7,860	8,003	8,222
8,022	7,773	7,879	8,053	8,228	8,454	8,677	8,927	9,182	9,384	9,553	7,773	7,879	8,053	8,228	8,454	8,677	8,927	9,182	9,384	9,553
150	356	359	363	366	370	373	376	380	383	386	356	359	363	366	370	373	376	380	383	386
25,133	30,926	31,429	31,980	32,737	33,566	34,173	35,132	34,628	32,473	33,086	30,926	31,429	31,980	32,737	33,566	34,173	35,132	34,628	32,473	33,086
165,430	182,276	195,189	208,655	221,544	234,751	247,932	263,370	277,653	291,872	310,682	182,276	195,189	208,655	221,544	234,751	247,932	263,370	277,653	291,872	310,682
126,832	142,450	138,360	143,037	145,290	148,176	152,201	156,736	159,435	163,135	170,759	142,450	138,360	143,037	145,290	148,176	152,201	156,736	159,435	163,135	170,759
9,899	14,520	16,998	20,474	24,685	27,095	28,675	29,656	29,707	29,333	28,309	14,520	16,998	20,474	24,685	27,095	28,675	29,656	29,707	29,333	28,309
136,731	156,970	155,357	163,510	169,975	175,270	180,876	186,392	189,142	192,468	199,069	156,970	155,357	163,510	169,975	175,270	180,876	186,392	189,142	192,468	199,069
28,699	25,306	39,832	45,144	51,570	59,481	67,056	76,978	88,511	99,404	111,613	25,306	39,832	45,144	51,570	59,481	67,056	76,978	88,511	99,404	111,613
(SURPLUS) / DEFICIT OF OPERATING FUNDING																				
Sources of operating funding																				
General rates, uniform annual general charges, rates penalties																				
Subsidies and grants for operating purposes																				
Fees and charges																				
Interest and dividends from investments																				
Local authorities fuel tax, fines, infringement fees, and other receipts																				
Total Sources of operating funding																				
Applications of operating funding																				
Payments to staff and suppliers																				
Finance costs																				
Internal charges and overheads applied																				
Total Applications of operating funding																				
Total (SURPLUS) / DEFICIT OF OPERATING FUNDING																				
(SURPLUS) / DEFICIT OF CAPITAL FUNDING																				
Sources of capital funding																				
Subsidies and grants for capital expenditure																				
Development and financial contributions																				
Increase (decrease) in debt																				
Total Sources of capital funding																				
Applications of Capital Funding																				
Capital Expenditure:-																				
- to meet additional demand																				
- to improve the level of service																				
- to replace existing assets																				
Increase (decrease) of investments																				
Total applications of capital funding																				
Total (SURPLUS) / DEFICIT OF CAPITAL FUNDING																				
Total Funding (Surplus)/Deficit																				

Palmerston North City Council Long-Term Plan

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Funding Impact Statements													
Supporting the Organisation													
Budget	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024	LTP 2024
2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	\$'000s	\$'000s	\$'000s
52,421	11,757	15,922	16,805	15,535	11,619	7,546	2,879	982	4,130	6,212			
11,096													
-	143	146	149	-	-	-	-	-	-	-			
215	150	153	157	160	163	166	169	172	175	179			
36,171	51,007	51,659	57,411	65,750	73,969	81,768	88,308	93,794	96,532	97,468			
4,938	4,671	4,867	4,703	4,765	4,971	4,945	5,035	5,254	5,211	5,301			
52,421	67,729	72,747	79,225	86,211	90,721	94,425	96,391	98,178	97,788	96,736			
41,356	44,050	43,469	44,252	43,925	45,217	46,083	47,072	48,778	49,322	50,181			
665	15,488	18,129	21,647	25,838	28,094	29,501	30,307	30,220	29,767	28,721			
10,139	8,159	7,738	8,108	8,754	9,829	10,994	12,038	13,023	13,636	14,056			
52,160	67,697	69,336	74,007	78,517	83,140	86,578	89,417	92,021	92,725	92,957			
261	31	3,411	5,218	7,693	7,581	7,847	6,974	6,157	5,063	3,779			
3,273	6,167	2,181	2,185	604	2,960	2,308	2,822	1,574	858	281			
3,273	6,167	2,181	2,185	604	2,960	2,308	2,822	712	565	281			
408	1,265	961	2,339	2,192	850	838	685	640	622	633			
3,126	3,633	3,238	3,193	3,308	3,036	3,955	3,185	4,876	3,938	3,394			
-	1,300	1,393	1,871	1,590	735	745	282	(72)	(63)	(530)			
3,534	6,198	5,592	7,403	7,090	4,622	5,539	4,152	5,444	4,498	3,497			
261	31	3,411	5,218	7,693	7,581	7,847	6,974	6,157	5,063	3,779			

Palmerston North City Council Long-Term Plan

