

**Statement of proposal to amend the
2009-19 Long Term Community Plan**

Summary of what is proposed

The Energy and Efficiency Conservation Authority (EECA) has a subsidy programme that assists homeowners to install insulation and more efficient forms of home heating. Council is proposing to help homeowners by providing loans to homeowners, so that they can fund the non-subsidised portion of warmer homes improvements on their homes. The loans to homeowners would be repayable over 10 years and interest would be charged on the loans. Council would introduce a targeted rate to recover the loans. Overall the proposed warmer homes scheme would be cost neutral for Council.

It is proposed that this statement of proposal will amend Council's revenue and financing policy. The amendment would introduce a new targeted rate for those ratepayers who participate in Council's proposed warmer homes initiative. Loan repayments and associated costs would be met from the proposed targeted rate. The proposed amendment would not result in any changes to Council's levels of service.

Why are we amending the 2009-19 LTCCP?

The proposed warmer homes project would be funded by a targeted rate. A targeted rate can only be introduced through an amendment to Council's revenue and financing policy. Under section 102 of the Local Government Act 2002, Council's revenue and financing policy can only be amended via an amendment to the LTCCP.

Reasons for this proposal

The warmer homes project is consistent with Council's desired community outcome of safe, affordable housing. Housing is covered under the community services activity and safe, affordable housing contributes to the social well-being of the Chatham Islands community. According to EECA the warmer homes scheme will provide a number of benefits. These benefits include:

- Warmer homes;
- Reduced heating costs;
- Reduced greenhouse gas emissions;
- Reduced air borne pollutants;
- Health benefits through warmer homes, reduced internal humidity and reduced external air pollution;
- Reduced absenteeism from work and school due to the health benefits of warmer homes; and
- Job creation.

Details of the project and changes to the LTCCP

To qualify for the EECA subsidy programme, houses must have been built before 2000. Council will offer homeowners a loan so that they can fund the non-subsidised portion of improvements to their home. The costs of providing the warmer homes loans would be recovered by way of a targeted rate over a ten year period. The targeted rate would be based on the repayment of the loan and any associated interest and administrative costs to Council. The interest rate charged on the loan would be based on Council's average cost of debt. Any properties that are non-rateable would not qualify for assistance.

A targeted rate would not be levied in the first year. The targeted rate would commence in the year following the installation of the insulation and or clean heating. The loan would be repaid the following nine years. Ratepayers will be asked to acknowledge that in utilising the 'warmer homes loan' they will be subject to a targeted rate on their property.

Uncertainties

The number of households that would be assisted through a warmer homes loan would depend on the following factors:

- Household uptake of the warmer homes scheme;
- The extent of funding available from EECA; and
- The level of third party funding from other partners, e.g. the Chatham Islands Housing Trust.

Funding

The warmer homes programme will have no impact on Council's ratepayers, other than those who choose to participate in the scheme. Thus, ratepayers will only be affected by the proposed warmer homes targeted rate if they receive the benefits of the warmer homes programme.

Financial Summary

As already noted, the actual level of loans made by Council to homeowners will vary according to how many homeowners enter into the warmer homes scheme. An illustrative example of the impact of the warmer homes loans has been included below. In this illustrative example the following significant assumptions have been made:

- 50 homes will enter the warmer homes scheme; and
- The average loan will be \$1,500.

Forecast impact of the proposed warmer homes scheme

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Income												
Warmer Homes Targeted Rate	-	8,398	15,549	14,053	13,557	13,061	12,565	12,069	11,570	11,074	5,415	117,311
Expenditure												
Loans entered into by Council	37,500	37,500	-	-	-	-	-	-	-	-	-	75,000
Interest costs	2,231	4,215	3,719	3,223	2,727	2,231	1,735	1,239	743	248	-	22,311
Council overheads	1,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,000	20,000
Total Expenditure	40,731	43,715	5,719	5,223	4,727	4,231	3,735	3,239	2,743	2,248	1,000	117,311
Net Surplus Deficit	(40,731)	(35,316)	9,830	8,830	8,830	8,830	8,830	8,830	8,827	8,827	4,415	-

Changes in levels of service

The warmer homes proposal would not result in any changes to Council's levels of service.

Appendix One: Revenue and Financing Policy

Introduction

Section 102 of the Local Government Act 2002 requires the council to adopt a revenue and financing policy. The policy must state the proposed funding of both operating and capital expenditure.

In relation to each activity to be funded consideration must be given to community outcomes to which the activity primarily contributes, the distribution of benefits to identifiable parts of the community, the periods over which benefits accrue, the existence of individuals or groups whose actions or inactions lead to the expenditure, and the costs and benefits of separately funding the activity.

In addition, consideration must be given to the over-all impact to the funding policy on the current and future well-being of the community.

Groups of activities

Activities are grouped into six separate categories as follows:

- Democracy
- Infrastructural Services
- Community & Regulatory
- Environmental Services
- Emergency Management/Rural Fire
- Coasts, Harbours & Navigation

Corporate Services are considered an overhead and costs are allocated to all other groups on a proportionate basis.

Relationship of activity groups to community outcomes

For each activity to be funded, Section 101 of the Local Government Act 2002 requires the identification of “the community outcomes to which the activity primarily contributes”.

The relationship between activities and outcomes can be found in the individual activity statements. A fuller analysis is included as Appendix 6.

Choice of funding methods

Principles

In arriving at a revenue and financing formula for a given function, the council should recognise the principles that costs should be recovered:

At the time the benefits of the expenditure accrue, known as the principle of intergenerational equity;

As far as practicable, from the persons or categories of persons in a manner that reflects the extent to which direct benefits from the expenditure accrue to them; and

As far as practicable, expenditure incurred to control negative effects contributed by anyone’s action (or inaction) should be recovered from them.

Many benefits that accrue to the beneficiary in the year of expenditure also convey benefits in future years. Consideration must be given to whether future generations, as well as current ones, should contribute to revenue and financing the costs.

It may be difficult to identify individual future beneficiaries and easier to identify a class or group of beneficiaries for this purpose.

Private and public goods

The private and public goods principles require each function to be considered as to whether the goods and services are “public” or “private”. “Goods” include services in this context. Not all activity groups fit neatly into one of these classifications and in many cases a function has components of both “private” and “public”.

Private goods have these characteristics:

- The seller is able to earn, through the market, sufficient income to warrant the production of the goods or provisions of the service.

- The purchaser can enjoy the benefits only by purchasing the goods or services and is prepared to do so because of the benefits received.

To be a public good one or more of the following elements is required.

- Non excludable – not possible to practically prevent beneficiaries from receiving benefits so it is not possible to identify and charge beneficiaries
- Non rival – a large number of people can use it at little or no cost
- Option value – it has value for its availability even if a non-user never actually makes use of it
- Existence value – mere existence gives benefit
- Bequest value – leaving something for future generations
- Prestige value – facilities leading to civic pride
- Externalities (spill over) – the benefit enjoyed by someone causes additional benefit to someone else
- Merit goods – those that the community collectively may pay more than the individuals separately would pay; typically produce social benefits over and above private benefits.

In some instances there is very little disagreement that something is a public good or private good. Thus, the analysis is a series of judgments about the nature of benefits and who receives them, and, therefore, how activities will be funded.

Generally, the revenue and financing sources available to the council mean that public and private goods are funded in the following manner.

Good: Revenue & Financing Mechanism:

Public Differential General Rate
Uniform Targeted Rate
Grants
Council Dues

Private Uniform Targeted Rate
User Pays
Statutory Charges

For the capital expenditure associated with each activity group the sources of funds will be utilised where available in the following priority order:

Government or other Subsidy;
Financial Reserves, including Depreciation Reserves
Loans, (ongoing loan servicing charges funded as operating expenditure)
Targeted Rates, (as for direct operating expenditure)

This recognises the limited rating base available to the council and the reliance that will be placed on central Government funding for capital expenditure.

Funding mechanisms

General rates

A general rate may be levied as a uniform rate across the district or a differential general rate depending on land use (current practice).

There are three bases on which general rates can be made:

- Land Value – the market value as per valuation roll
- Capital Value – the market value of land plus the improvements as per valuation roll
- Annual Value – the rent for which a particular property could be let from year to year, less 20% in the case of buildings and 10% in the case of land or a minimum of 5% Capital Value.

The Council will use the Capital Value system because it has assumed that rates are a form of taxation. The Capital Value system provides for some reconciliation with current central Government thinking in this area, i.e. those with more capital are better able to bear the costs and, therefore, should have higher taxes imposed. It is also argued that those with more capital tend to consume more resources and have a greater interest vested in the management of those resources.

The differentials used depend on land use and are set to achieve the following allocations representing benefits from the activities being funded:

Infrastructure	4.9% of the total General Rate
Industrial	14.3% of the total General Rate
Commercial	11% of the total General Rate
Rural and Residential	69.8% of the total General Rate

Targeted rates

Targeted rates are made and levied for revenue and financing specific activities. Targeted rates are applied to the properties which benefit from the service provided. Targeted rates cannot be applied to purposes other than for which they were raised.

Schedule 3 of the Local Government (Rating) Act 2002 lists the 12 factors that may be used to calculate the liability for targeted rates.

Factors that may be used in calculating liability for targeted rates

- The annual value of the rating unit
- The capital value of the rating unit
- The land value of the rating unit
- The value of improvements to the rating unit
- The area of land within the rating unit
- The area of land within the rating unit that is sealed, paved, or built on
- The number of separately used or inhabited parts of the rating unit
- The extent of provisions of any service to the rating unit by the local authority
- The number or nature of connections from the land within each rating unit to any local authority reticulation system
- The area of land within the rating unit that is protected by any amenity or facility that is provided by the local authority
- The area of floor space of buildings within the rating unit
- The number of water closets and urinals within the rating unit

The council uses the number or nature of connections for funding the water supply activity group, a per pan rate for funding sewage disposal activities, a rating unit basis for funding waste management activities, and Capital Value for funding the land transport (roading) activity group.

A new targeted rate for solid waste is planned to start in 2012 to fund the new development; this replaces the existing target rate for solid waste.

Government and other grants

Grants are available from central Government and statutory bodies for various activities. These are generally given because there are national beneficiaries or they are part of a Government policy to advance a particular project or activity. In the case of the Chatham Islands, Government grants recognise the unique position of the Chatham Islands and the desirability of maintaining a viable functioning community with its own elected representatives.

User and administrative charges

The Resource Management Act authorises the council to charge administrative costs, the purpose of which is to recover actual and reasonable costs. User charges are set at a level which aims to recover the cost of the activity from those that benefit.

A “user charge” is a general term used to describe the charges made directly to users of a service or facility. The Local Government Act 2002, the Resource Management Act 1991, and the Biosecurity Act 1995 provide for user charges.

Council Dues

The council is unique in that Section 14 of the Chatham Islands Council Act 1995 allows the council to charge Council Dues. These take the form of a tax on the import and export of goods, payable by the carrier of the goods. The rates of tax vary by commodity. Under the Act all money received forms part of the general revenue of the council.

Council Dues are payable on a weight or volume basis for carriage of goods by sea or air and apply for both export and imports. Total income from Council Dues is about \$265,000 per annum.

Council Dues are a tax on trade. Trade taxes are generally found by economists to be inefficient relative to direct or income taxes. They have a distortionary effect on the welfare of taxpayers. However, the taxpayers in this case include fish and rock lobster quota owners who are not necessarily Chatham Island residents. The Council Dues act more as a resource rental for the harvesting of the islands resources than as a trade barrier.

Other income

The council also receives income from excess funds invested in accordance with the council’s policy, and from renting council buildings and housing properties. The aim is to maximise the return to council and to use these funds to reduce the amount of revenue required to be raised elsewhere.

Loans and asset sales

The council may choose to borrow funds to finance specific projects. Borrowings must be in line with the council’s policy. The council may consider the sale of the Works Yard, which is currently rented to Downer New Zealand Limited.

General Funds

For the purposes of funding operational activities and capital purchases the council has established a funding source called “General Funds” which is a combination of the following:

- General Rates
- Council Dues
- Interest
- Central Government Assistance for Regional & Local Government Activities

Funding by group of activities

Democracy

This is clearly a public good with the beneficiaries receiving the benefits in the year in which the expenditure is incurred.

Funding will be from general funds.

Infrastructural Services

Land transport (Roading)

This is clearly a public good. The benefits of operating expenditure occur in the year in which the expenditure is incurred. For capital expenditure the beneficiaries are in future years.

Funding will be principally from NZ Transport Agency grants so there is no need to spread the funding of capital over future years.

Overall funding from a NZ Transport Agency grant, a targeted rate set as a fixed sum per rating unit, and the remainder from general funds.

Solid and hazardous waste management

This is largely categorised as private goods or services. The benefits of this activity group, apart from capital costs of developing a landfill, fall in the year in which the expenditure is incurred.

Funding will be a mix of a uniform targeted rate on all rating units with a residence or other building, and Government grants to fund the establishment and operation of a modern waste management system, with the remainder from general funds.

Water supply

This is almost wholly a private good. The benefits of the activity group fall in the year in which expenditure is incurred.

Capital expenditure for which benefits extend into future years is to be funded by Government Grants.

Operating expenditure is funded by a fixed uniform targeted rate on all rating units with a connection to the water supply scheme and general funds.

Stormwater

This activity group includes controlling the level of Te Whanga to prevent flooding. Other expenditure relates to stormwater reticulation in

Waitangi Village

This activity involves drainage from the public roading network and is largely categorised as a public good, the benefits of which accrue on a year by year basis.

Funding is from general funds.

Wastewater (sewage)

This activity group is largely a private service to those connected to the Waitangi Village wastewater scheme. However, there are public goods demands in that the environment is protected by the scheme.

Benefits of treatment accrue both in the year expenditure is accrued and in future years.

Capital expenditure is funded from Government grants.

Operating expenditure is funded by a mix of a targeted fixed uniform charge per pan connection and general funds.

Community and regulatory

Community services

A wide range of public goods is provided under this group of activities. ~~Benefits are experienced in the year in which the expenditure is incurred.~~

Warmer homes loans are funded/ repaid via a targeted rate. Apart from warmer homes loans, the majority of funding for community services is from grants, with the remaining funding from general funds.

~~Funding is from grants with remaining funding from general funds.~~

Licensing and building

This is a mix of public and private services. Public services are provided through the general monitoring of compliance and community standards. Benefits accrue in the year in which the expenditure is incurred.

Fees and charges recoup the direct costs of processing consents and licences. The residual costs are met from general funds.

Dog and animal control

Dog owners obviously exacerbate the situation, creating the necessity for the expenditure. However, there is also a public good component. Benefits accrue in the year in which expenditure is incurred.

Funding is through dog registration fees and fines (fees and charges) and the residual is from general funds.

Environmental services

Resource management

This activity encompasses a wide range of public good monitoring and planning functions, the benefits of which extend into future periods.

However, the activity is an ongoing one so it is more efficient to fund on a year-by-year basis than involving a loan or other scheme.

Funding is mainly from Government grants with the residual funded from general funds.

Biosecurity

This activity has long-term benefits for future generations and, in theory, should be funded by a loan or other scheme. However, the expenditure is ongoing so such a loan scheme would be inefficient. Moreover, Government grants are available to cover all of the expenditure so additional funding measures are unnecessary.

Emergency Management/Rural Fire

Emergency Management/Rural Fire/Civil Defence

Civil Defence and Rural Fire are clearly for the public good. Oil spill response is for the public good, but the shipping industry can be pointed to as an exacerbating factor.

Benefits from Rural Fire occur in the year in which expenditure is incurred but for Civil Defence and oil spill response, in future years.

However, funding is on a year-by-year basis largely through Government grants with the residual met from general funds.

Coasts, harbours and navigation

Coasts, harbours and navigation/marine oil spills includes the public goods of navigation safety and oil spill response planning as well as the private goods involving Owenga Wharf. Benefits of this activity group accrue in future years in regard to navigation safety and in the present in the case of Owenga Wharf.

Capital works are funded by NZ Transport Agency grants.

Funding is through wharf charges and Government grants (Maritime Safety for Oil Spill Planning), with the residual costs funded by general funds.

Appendix Two: Proposed amendment to the Funding Impact Statement

The Local Government Act 2002 requires the council to adopt a Funding Impact Statement. The Funding Impact Statement provides the following:

- A breakdown of how the operating and capital expenditure is to be funded.
- Detailed explanation of the types of rates to be set and on what basis they are calculated.
- Indicative rates figures for 2009/10.

The revenue and financing policy contains the council's policies with respect to which funding mechanisms are to be used to finance the operating and capital expenditure.

All rates and charges listed below are inclusive of GST.

General rates

The council proposes to set a general rate based on the capital value of each rating unit in the territory. The general rate will be set on a differential basis based on land use. The categories are:

- Infrastructure will be charged 4.9% of the General Rate
- Industrial will be charged 14.3% of the General Rate
- Commercial will be charged 11% of the General Rate
- Rural and Residential will be charged 69.8% of the General Rate.

This will result in the following rates:

Land Use	Rate	Total Collected
Infrastructure	0.002805 cents in the dollar	\$11,659
Industrial	0.005603 cents in the dollar	\$34,025
Commercial	0.003913 cents in the dollar	\$26,173
Rural & Residential	0.002109 cents in the dollar	\$166,081
Total General Rate		\$237,938

Targeted rates

The council proposes to set targeted rates based on a variety of rating bases as follows:

Warmer Homes

The council proposes to set a targeted rate on all rating units that benefit from a loan for the installation of insulation or clean heating. If such assistance is made or has been made, it will be recovered over 10 years (or sooner if certain criteria are met) by way of a targeted rate on those properties that have benefited from a warmer homes loan. The targeted rate will vary between rateable properties and will be based on the loan that has been made to each individual property. The rate will be calculated as a percentage of the loan and the costs of servicing the loan, until the loan and the costs of servicing the loan have been recovered.

Water supply

The council proposes to set a targeted rate for the public water supply serving the Waitangi township. Rating units not connected to this scheme are not liable for this rate. The estimated rates for the 2009/10 year were:

\$575.53 per connection, which will collect \$50,646

Sewage disposal

The council proposes to set a targeted rate for sewage disposal based on each pan connected to the public service in the Waitangi township. Rating units that are not connected to the scheme are not liable for this rate. The estimated rates for the 2009/10 year were:

\$578 per pan, which will collect \$61,268

Sanitation

The council proposes to set a targeted rate for sanitation (waste management) activities. This rate will be charged to all rating units on Chatham Island. The council will, in accordance with its Rates Remission Policy, remit the rates on rating units that do not contain a residence or other building. The estimated rates for the 2009/10 year were:

\$127.43 per unit, which will collect \$44,219

Roading

The council proposes to set a targeted rate on all rating units to lessen the effect of the capital value rate as it relates to roading. The estimated rates for the 2009/10 year were:

\$114.49 per unit, which will collect \$48,431

Council Dues

The Chatham Islands Council's other income source is via the Council Dues. This takes the form of a tax on the import and export of goods to and from the Islands. The carrier of the goods is responsible for the collection of the Council Dues and paying them promptly to the council. The Chatham Islands Council is the only council with authority to charge a Council Due.

No increases are proposed for the 2009/10 year. Council Dues are estimated to produce \$265,000 of which approx \$20,000 is refunded to the Pitt Island Barge Society each year.

Rates by instalments

The council proposes to collect the rates in three instalments, due on:

01 September

01 January

01 May

Penalties

The council proposes to instruct its general manager to apply the following penalties on unpaid rates:

- A 10% penalty on any Instalment No. 1 charges which remain unpaid after 14 October 2009.
- A 10% penalty on any Instalment No. 2 charges which remain unpaid after 14 February 2010.
- A 10% penalty on any Instalment No. 3 charges which remain unpaid after 14 June 2010.
- A further penalty of 10% will be applied to all amounts that remain unpaid on 30 June 2010.

What do you think?

You are encouraged to make a submission. If you would like to provide feedback on the proposed amendment to the LTCCP, this is the process that should be followed. Submissions should be made in writing. Submissions can be sent to Council through the following methods:

E-mail: secretary@cic.govt.nz
Post: PO Box 24, Waitangi, Chatham Islands 8942
Fax: (03) 305-0044
Delivery: The Council Office, 9 Tuku Road, Waitangi

Please include the following details in your submission

YOUR NAME: Mr, Mrs, Ms, Miss _____ **PHONE:** _____

ADDRESS: _____

E-MAIL: _____ **SIGNATURE:** _____ **DATE:** / /

YOUR SUBMISSION:

**Report to the readers of the Chatham Islands Council's
proposed amendment to the Long-Term Council Community Plan Statement of Proposal for public consultation
for the ten years commencing 1 July 2009**

The Auditor-General is the auditor of the Chatham Islands Council (the Council). The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to report on the Statement of Proposal for adoption of the proposed amendment to the Long Term Council Community Plan (the Statement of Proposal), on her behalf.

The Council adopted its Long Term Council Community Plan (LTCCP) for the ten years commencing 1 July 2009 on 30 June 2009.

We expressed an unqualified opinion on the District Council's LTCCP for the ten years commencing 1 July 2009 in our audit report dated 30 June 2009.

We considered that the LTCCP provided a reasonable basis for long term integrated decision-making by the Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the Council.

The Council is now proposing to amend its LTCCP for the ten years commencing 1 July 2009 to amend:

- the Revenue and Financing Policy to introduce a targeted rate on those properties participating in energy efficiency projects.

The Statement of Proposal provides information about the proposed amendment to the Council's LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed.

The Auditor-General is required by section 84(4) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the Statement of Proposal complies with the requirements of the Act;
- the quality of information and assumptions underlying the forecast information provided in the Statement of Proposal; and
- the extent to which the forecast information and proposed performance measures will provide an appropriate framework for the meaningful assessment of the actual levels of service provision.

It is not our responsibility to express an opinion on the merits of any policy content within the Statement of Proposal.

Opinion

Overall Opinion

In our opinion, the information within the Statement of Proposal on pages 2 to 12, dated 25 January 2011 about the proposed amendment to the LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed, is fairly presented and the Council has complied with the applicable requirements of the Act in preparing the Statement of Proposal.

In forming our overall opinion, we considered the specific matters outlined in section 84(4) of the Act which we report on as follows.

Opinion on Specific Matters Required by the Act

In terms of our obligation to report on the matters required by the Act, as it applies to the proposed amendment to the LTCCP, in our view:

- the Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment;
- the underlying information and assumptions used to prepare the Statement of Proposal provide a reasonable and supportable basis for the preparation of the forecast information;
- the extent to which the forecast information and proposed performance measures within the Statement of Proposal provide an appropriate framework for the meaningful assessment of the actual levels of service provision reflects good practice for a Council of its size and scale within the context of its environment.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 25 January 2011, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

We planned and performed our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the information within the Statement of Proposal, about the proposed amendment to the LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed, does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Our audit procedures included assessing, where and as it applies to the proposed amendment to the LTCCP, whether:

- the Statement of Proposal provides the community with sufficient and balanced information about the strategic and other key issues, choices and implications it faces to provide an opportunity for participation by the public in decision making processes;
- the Council's financial strategy, supported by financial policies, is financially prudent and has been clearly communicated to the community in the Statement of Proposal;
- the presentation of the Statement of Proposal complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the Statement of Proposal are compliant with the decision-making and consultation requirements of the Act;
- the information in the Statement of Proposal is based on materially complete and reliable asset or activity management plans;
- the agreed levels of service are fairly reflected throughout the Statement of Proposal;
- the key plans and policies adopted by the Council have been consistently applied in the development of the forecast information;
- the assumptions set out within the Statement of Proposal are based on best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;
- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the Statement of Proposal.

We do not guarantee complete accuracy of the information in the Statement of Proposal. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the Statement of Proposal and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

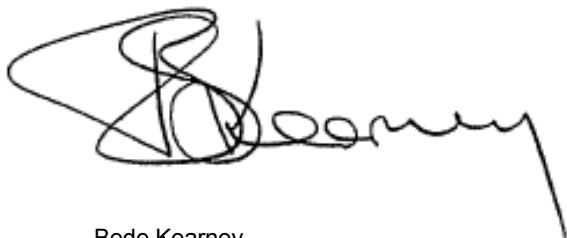
The Council is responsible for preparing a LTCCP under the Act, by applying the Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The Council's responsibilities arise from Section 93 of the Act.

We are responsible for expressing an independent opinion on the Statement of Proposal and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 84(4) of the Act.

Independence

When reporting on the Statement of Proposal we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than this report, and in conducting the audit of the LTCCP and the annual audit, we have no relationship with or interests in the Council.



Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the report to the readers of the Statement of Proposal to amend the Long-Term Council Community Plan

This report relates to the Statement of Proposal to amend the Long Term Council Community Plan (the Statement of Proposal) of the Council for the ten years commencing 1 July 2009 included on the Council's website. The Council is responsible for the maintenance and integrity of the Council's website. We have not been engaged to report on the integrity of the Council's website. We accept no responsibility for any changes that may have occurred to the Statement of Proposal since it was initially presented on the website.

The report refers only to the Statement of Proposal named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Statement of Proposal. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the Statement of Proposal incorporated in the separate LTCCP Amendment document approved on 25 January 2011 and the related audit report dated 25 January 2011 to confirm the information included in the Statement of Proposal presented on this website.

The preparation and dissemination of the Statement of Proposal is governed by New Zealand legislation.