

7.2 ADOPTION OF THE 2024-2034 LONG TERM PLAN

File Number:

Author: David Paris, General Manager - Finance
Karen Yates, General Manager - Strategy & Development

Authoriser: Kym Fell, Chief Executive

PURPOSE

The purpose of this report is to seek Council adoption of the 2024-34 Long Term Plan (LTP). The final Plan once adopted provides a formal and public statement of Council's intentions in relation to the matters covered by the Long-Term Plan, and will set the rates requirement for the 2024/25 year.

A copy of the 2024-34 LTP is included as Attachment 1 (provided under separate cover), noting final proofing, formatting and design work will be completed once the Plan is adopted.

RECOMMENDATIONS

That Council:

1. **notes** the 2024-34 Long-Term Plan reflects the decisions made by Council at the Deliberations Meeting held on 5 June 2024.
2. **notes** the 2024/25 Schedule of Fees and Charges which forms the basis for some income for Year 1 of the 2024-34 Long-Term Plan was adopted at the Deliberations Meeting on 5 June 2024.
3. **acknowledges** the Audit opinion that has been issued on the 2024-34 Long-Term Plan.
4. **adopts** the 2024-34 Long-Term Plan included as Attachment 1 noting that it includes i) the Council's budgets for ten years, ii) a Rating Funding Impact statement that forms the basis of the 2024-25 rates revenue and iii) it reflects changes made to the financial model and budgets through the consultation and deliberations meeting decisions.
5. **delegates** authority to the Chief Executive to approve minor proofing corrections and formatting prior to publication of the 2024-34 Long-Term Plan document; and
6. **notes** that the final 2024-34 Long-Term Plan will be published within one month of its adoption.

CONTEXT

Long Term Plan Process

Section 93 of the Local Government Act 2002 (LGA) requires Council to have a Long-Term Plan (LTP) at all times. Council is required to prepare and adopt a ten-year LTP every three years.

Section 95 of the LGA requires Council to prepare and adopt an Annual or Long-Term Plan by 30 June of each financial year. For 2024/25, Council is required to adopt a LTP for the ten years from 2024 to 2034.

The purpose of the LTP is to:

- Describe the Council's activities and the community outcomes it aims to achieve.

- Provide integrated decision-making and coordination of the resources.
- Provide a long-term focus.
- Show accountability to the community.
- Provide an opportunity for participation by the public in council decision-making processes.

Under Section 95 of the LGA, the proposed budget and funding impact statement for year 1 of the LTP is considered to be the Annual Plan for 2024/25. The Rating Funding Impact Statement in the LTP sets out the amount of funding Council requires for the year from rates revenue and defines how it will be allocated to rateable properties in the district. It utilises the Revenue and Financing Policy, which defines how activities will be funded (e.g. rates, user charges, loans etc) and how rates funding will be allocated using the mechanisms allowed in the Local Government (Rating) Act 2002.

The LTP outlines the long-term direction for the activities we plan to deliver throughout the Masterton district. It states the vision and outcomes we want to achieve for our community. It details what we intend to do over the next 10 years, including the services we will provide, the projects we will undertake, how much we will spend, how we will pay for everything and how we will measure success.

The Long Term Plan (LTP) Document

The LTP document content includes:

- Financial Strategy
- Infrastructure Strategy
- Significant Assumptions
- Our Work in Detail, incorporating performance measures and cost of service statements for each Activity group.
- Our Costs in Detail, incorporating the financial statements for the 2024-34 Long Term Plan, detailed capital expenditure statements by activity and the Rating Funding Impact Statement.
- Reference to the Revenue & Financing Policy in which consideration has been given to the appropriate sources of funding required under Section 101 of the Local Government Act. (That Policy having been adopted by the Council on 3rd April 2024).

The document also includes links to the Fees and Charges Schedule and lists other policies relevant to the LTP and Council's Asset Management Plans.

The LTP content has been developed in alignment with requirements of the Local Government Act 2002.

The 2024-34 LTP document has been reviewed by Audit New Zealand ahead of Council's adoption. A key purpose of the Audit NZ review is to assess Council's compliance with these legislative requirements.

At the time of writing Officers were awaiting the Audit New Zealand opinion. The audit opinion will be distributed once it is available (and included in the final LTP document before it is published).

Adoption of the LTP

As noted, it is a statutory requirement for the 2024-34 LTP to be adopted by 30 June 2024. The LTP is required to be audited and accompanied by an auditor's opinion. Adoption by 30th June enables rates to be set for the coming year (the Rates Resolution follows this report).

Any delay in adoption would mean that Council would not comply with Local Government legislation and would not be able to set rates for the 2024/25 financial year until the Plan is adopted (and audited). In this scenario, for the first quarter, Council can charge rates at the level charged in the 2023/24 year.

Depending on the extent of any delay, this could impact on Council's ability to deliver planned levels of service, work programmes and projects.

Any adjustments to the financial content, the underlying assumptions, the service levels and performance information in the Plan would require a second audit by Audit New Zealand with an associated increase in fees to cover their time.

The LTP document, once adopted, provides a formal and public statement of Council's intentions in relation to the matters covered by the Plan and will establish the rates revenue to be levied for the 2024/25 year. Section 96 of the LGA provides that a resolution to adopt a long-term plan or an annual plan does not constitute a decision to act on any specific matter included within the plan so Council can deviate from the plan during the year for good reason if something unforeseen does arise.

ANALYSIS AND ADVICE

Work on the 2024-34 Long-Term Plan (LTP) commenced over a year ago. A series of Council workshops have been held to inform the development of the 2024-34 LTP and the Schedule of Fees and Charges.

Workshops have included levels of service for Council activities, asset management plans for infrastructure assets; and key assumptions that underpin the asset, activity and financial planning.

All this content was incorporated into the draft Infrastructure and Financial Strategies that formed part of the supporting information for our Consultation Document.

In parallel to that work a review of the Revenue and Financing Policy was undertaken. Changes were consulted on in late 2023 and the revised policy was adopted on 3 April 2024.

2024-34 LTP Consultation Process

Council adopted the 2024-34 LTP Consultation Document, Supporting Information and the Fees and Charges Statement of Proposal on 3 April 2024. The formal consultation period launched on Friday 5 April 2024 and closed at 10am on Monday 6 May 2024.

The primary objective of communications and marketing activity during the consultation period was to raise awareness of the consultation process and promote the opportunity to 'have a say'.

The Consultation Document was posted on our website with hard copies available via our Queen Street Customer Service Centre, the Library and at 'face to face' events.

During the consultation period a range of 'face to face' engagement activities were attended or hosted by elected members and staff. There was also a range of social, radio and print media activity.

In total 836 submissions were received, and 78 submitters participated in the Hearings held on 22-24 May 2024.

Council considered the views and feedback of submitters and those who provided feedback at the 'face to face' sessions, as well as staff advice and new information, when making their decisions at the Deliberations meeting held on 5 June 2024.

Further information on the consultation process is available in Report 7.1 included in the 5 June 2024 Council Deliberations Agenda.

Key Proposals

Decisions on key proposals made at the deliberations meeting held on Wednesday 5 June 2024 included:

Big Decision One: TOWN HALL, LIBRARY AND ARCHIVE

Council consulted on options for the future of the Town Hall, Library and Archive and have made the decision to demolish the existing Town Hall and Municipal Buildings, including the façade, and build a new multi-purpose Town Hall on the current site, with a total budget of no more than \$25 million.

Council acknowledged it was a difficult decision to demolish the façade but the cost to retain it at \$2 million is substantial. Council will work with the architects to ensure we incorporate elements of the old Town Hall in the new Town Hall facility, including salvaging materials during the demolition phase that can be re-used in the new build.

Council's Waiata House office will be expanded, at a cost of \$8.7 million, to accommodate Civil Defence, customer services, a Council Chamber, public meeting rooms and a lab for use by environmental services staff.

In line with the Council's preferred option for consultation, the Library will be upgraded and expanded at a cost of \$10.75 million. Council will consider a further extension to include the Archive in future.

Big Decision Two: TOWN CENTRE IMPROVEMENTS

Council's preferred consultation option will be progressed. Essential work to improve water and roading infrastructure (including footpaths) in the Town Centre will be completed, with no other improvements to Queen Street. The 'look and feel' of the Town Centre will essentially remain as it is now.

Big Decision Three: CHANGES TO COUNCIL FUNDING

Council consulted on a proposed change to community funding which would have seen all funding considered as part of one annual contestable funding round. Having considered submissions it was

agreed the current approach will be maintained for the 2024-34 LTP. The current 'mixed model' approach allows for requests for single or multi-year funding to be considered in alignment with the LTP cycle, as well as having an annual contestable funding round.

Big Decision Four: CHANGES TO SERVICES

Council consulted on a range of proposed changes to services. Having considered feedback from our community Council agreed to:

- Reduce Wairarapa Economic Development Strategy (WEDS) funding by 20 per cent compared to 2023/24 - this reduces funding from \$100,000 to \$80,000, saving \$20,000.
- Cease funding for regional Walking and Cycling facilitation, saving \$35,000 per year.
- Continue funding for regional Positive Ageing facilitation.
- Seek further external funding for Welcoming Communities facilitation beyond 2025 when current funding expires.
- Increase the Community-Led Climate Initiatives Fund from \$50,000 to \$100,000, rather than funding climate activation facilitation beyond April 2026 when external funding ceases.

Key Changes to the LTP

Key changes to the LTP since the Consultation Document was published (other than changes relating to the Big Decision consultation outlined above) include:

1. Waka Kotahi Rooding Funding

The roading budget assumes a 56% co-funding subsidy from Waka Kotahi/NZTA on all work submitted in the 3 year subsidised roading programme. However, Waka Kotahi/NZTA have only endorsed the allocation of \$43.4 million, leaving \$14.9 million worth of work yet to be endorsed.

Confirmation of any additional subsidy is not expected until August 2024, but for the purposes of completing our LTP and delivering our roading asset management plan we have assumed the full subsidy will be confirmed. If the Waka Kotahi/NZTA funding is confirmed at less than we have anticipated, we may have to reduce our roading programme in year 1 by up to \$900k and reassess what can be delivered in years 2 and 3 via the Annual Plan process in the relevant years.

Specific items not currently confirmed as being subsidised are the Mataikona Road upgrade project (Years 2 & 3), the regional road safety programme, a portion of the local safety improvements budget and the footpath renewals and maintenance budgets. The Council will continue to liaise with Waka Kotahi/NZTA to ensure they understand the implications of not providing subsidy at the level expected/needed.

2. Changes from Re-forecasting of Capital Projects

There are a number of capital projects where the 2023/24 year-end forecast position has changed between the February forecast and May forecast. Changes include:

Moving the following capex projects into 2024/25 (Year 1) with associated reductions in interest and depreciation costs:

- a. Solid Waste Transfer Station concrete pad renewal \$250,000

- b. Youth Hub and Skatepark Toilets \$200,000
- c. Animal Shelter \$2,200,000
- d. Henley Lake Playground \$250,000
- e. Hood Aerodrome –the timing of the airport upgrade project has changed due to construction delays. A total of \$5.2 million project cost has been carried forward and added to Year 1. The capital budget is now planned as Year 1 \$8.74 million and Year 2 \$3.21 million. External funding of \$7.78 million will be utilised, with the balance funded by debt as signalled in the draft LTP budget.
- f. Rural Roding Cyclone Recovery works that carry over into Year 1 need to increase by \$0.53 million to now total \$6.711 million. NZTA subsidy on this work has been confirmed.
- g. Pool vehicle replacement – due to late delivery of the preferred model, a carry forward of a portion of the 2023/24 budget is needed (\$55,000 in the capex budget, funded from depreciation reserves).
- h. The re-forecasting of some capital projects has resulted in flow-on changes to operating budgets, particularly for projects with loan funding such as the Airport.

3. Other Operational Budget Changes

There are a number of activity areas where budgets have been adjusted since the adoption of the 2024-34 LTP Consultation Document to reflect new or latest information. Changes include:

- a. An upwards adjustment to the increase in insurance costs.
- b. Re-allocation of subsidised roading budgets based on NZTA advice on their changed priorities.
- c. Correction of an error in a depreciation rate on Solid Waste renewed assets.
- d. Spreading maintenance costs on rural halls over three years rather than all in Year 1.
- e. Additional funding nominally to develop Water Services Delivery plans.

The full list of changes was included in the Deliberations reports.

The net requirement for 2024/25 funding from rates in the draft budget that informed the LTP Consultation Document was \$46.68 million. After incorporating all the changes noted above, and from the deliberations decisions, the net rates required is \$46.45 million.

2024-34 LTP Financial Considerations

Rates Increase 2024/25

The average rates increase is 9.6%, after allowing for growth in the rating database of 1.85%. This is 1% less than was forecast in the LTP Consultation Document but as discussed in the draft Financial Strategy that is included in 2024-34 LTP document, in Year 1 rates will be higher than the limit defined in the Financial Strategy (which is a maximum rates increase of 8.4%).

Because growth in the rating base has been stronger in the urban area, the urban rate increase will average 8.6% with variations due to revaluation effects.

Higher rural rates are a result of roading costs increasing, and rural properties being allocated a greater share of those costs (as per the Revenue and Financing Policy). Rural properties will have

an average 12.4% increase, but with variations between different types of property and again, variations due to the revaluation effects.

The increases applicable to GWRC rates will be in addition to the above.

The key drivers for the rates increase include:

- Local government inflation (at 3.9% average across all costs).
- Interest costs on borrowing for new projects such as the airport and cyclone repairs to rural roads have been increased the rates required.
- Insurance costs are expected to increase at least 20% for Year 1 of the 2024-34 LTP
- Capital costs are being impacted by inflation and supply challenges.
- Operational budgets are being impacted by inflation and demand drivers.
- Increased asset valuations are increasing depreciation costs which adds funding to enable the asset renewals programmes to continue.

OPTIONS CONSIDERED

A summary of the options considered is included in the table below.

Options		Advantages	Disadvantages
1	Adopt the 2024-34 LTP which incorporates the Schedule of Fees and Charges for 2024/25 (recommended)	<p>This would meet the legislative deadline for adoption.</p> <p>This would enable Council to strike the rates for the 2024/25 financial year.</p>	No disadvantages identified.
2	Do not adopt or defer adoption of the 2024-34 LTP, which incorporates the Schedule of Fees and Charges for 2024/25	No advantages have been identified.	<p>Council would not comply with requirements of the Local Government Act 2002.</p> <p>Council would not be able to set the rates for the 2024/25 financial year.</p>

RECOMMENDED OPTION

Officers recommend Option 1. This will ensure Council meets its legal obligations to adopt a Long-Term Plan (LTP) by 30 June 2024 and enable council to set the rates for the 2024/25 financial year.

The 2024-34 LTP incorporates the decisions made by Council at the Deliberations meeting and results in a work programme to deliver Council services over the next ten years.

Rates funding is a significant outcome of the planning process, and it has resulted in an overall average rate increase of 9.6% in Year 1 and a cumulative increase 47.7% across the ten years. The draft LTP and CD included 53.5% cumulative increase in rates over the ten years.

Adopting the Plan will enable Council to meet its obligations under the Local Government Act to adopt a LTP by 30 June and will enable Council to set the rates for the 2024/25 financial year.

It is therefore recommended that Council adopt the 2024-34 LTP. It is also recommended that the Chief Executive be delegated authority to make any minor amendments or corrections (that do not change the intent of the Plan) to the 2024-34 LTP document as part of the final proofing of the document prior to publication.

SUMMARY OF CONSIDERATIONS

Strategic, Policy and Legislative Implications

Section 82 and 93 of the LGA apply to the 2024-34 Long-Term Plan (LTP) consultation process. Council followed the Special Consultative Procedure as prescribed in Section 83 of the LGA. This meets the requirements of Section 82 and 93 which includes preparing and adopting a consultation document, making information available and providing an opportunity for people to present their views.

Provisions for projects within a long-term plan or annual plan do not constitute a commitment. The Local Government Act provides that a resolution to adopt a long-term plan or an annual plan does not constitute a decision to act on any specific matter included within the plan so Council can deviate from the plan during the year for good reason if something unforeseen does arise.

Section 100 of the LGA provides that a local authority must ensure that each year's operating revenues are set at a level sufficient to meet that year's projected operating expenses. Council can set revenues at a different level from that required if it resolves that it is financially prudent to do so having regard to:

- the estimated expenses of achieving and maintaining predicted levels of service
- projected revenue
- the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life
- council's funding and financial policies.

Significance, Engagement and Consultation

Council undertook consultation on the 2024-34 LTP following the Special Consultative Procedure as prescribed in Section 83 of the LGA.

For the next two years, an Annual Plan will be prepared that will outline any changes from what was set out for years two and three of the LTP. If changes are considered significant or material, further consultation will be undertaken.

Financial Considerations

The 2024-34 LTP Consultation Document proposed an average rate increase of 10.6%. Having adjusted for changes made through the deliberations process, the average rates increase is 9.6%

after allowing for growth in the rating database – growth is predicted to generate an extra 1.85% of rates.

Rates for 2024/25 are set based on the budget approved as part of the 2024-34 LTP. The allocation of rates across properties in the Masterton District is based on the Revenue and Financing Policy and is detailed in the Rating Funding Impact Statement. Both documents are included in the LTP document. A separate Rates Resolution must be adopted by the Council in order to set and levy the 2024/25 rates.

The 2024/25 rates will be set using new rating valuations (effective January 2024). The new values have increased moderately on most residential properties. Those properties whose increases are close to the averages will see little revaluation effect. Those that vary from the averages will see lower rates increases or increases higher than the averages indicated above. There was considerable variability in the valuations, so many properties can expect their property value changes impacting on the rates they pay.

The 2024-34 LTP includes financial budgets for all Council activities and the subsequent rates increase.

The LTP forms the basis of the Rates Resolution which Council will be asked to adopt immediately after the LTP is adopted.

Implications for Māori

No implications specific to Māori have been identified in relation to the recommendations made in this report being to adopt the 2024-34 LTP. However, the projects and work programmes included in the LTP will have implications for Māori, and other members of our community.

Communications/Engagement Plan

Council decisions made at the 5 June deliberations meeting have been communicated via a media release. Notification of the adoption of the LTP and a summary of the decisions will be communicated to submitters and our community. Matters raised in submissions that are within scope and relate to Council operations will be forwarded to the appropriate department.

Environmental/Climate Change Impact and Considerations

There are no direct environmental impacts/considerations relating to the decision to adopt the 2024-34 LTP. The plan includes projects that directly relate to environmental and climate change action.

Some other projects included in the LTP could have climate change and/or other environmental implications. These will be considered as the project is scoped and progressed.

ATTACHMENTS

- 1. Long Term Plan 2024-2034 (under separate cover)**