

WORKSHOP MATERIAL

Workshop: Long Term Plan 2024-2034 Activity Management Plans Financials

Date: Tuesday, 17 October 2023

Item	Released Information
1.	Long Term Plan 2024-2034 - Pre-Workshop Material
2.	Long Term Plan 2024-2034 - Presentation

LTP 2024-2034 Pre-Workshop Material

17 October 2023

MUST/SHOULD/COULD CRITERIA REMINDER

Following discussion and approval a prioritisation process has been undertaken by all budget managers to assess budget line activity as Must, Should or Could. In summary;

Must – critical to meet legal compliance, limit impact to current levels of service, and meet growth targets

Should – will prevent future significant costs, will meet secondary legislation, will accommodate some deferment without significant impact to services.

Could – would provide benefit but deferring would not impact the ability of Council meeting statutory and social responsibilities

When the budget managers had completed their assessments, key staff undertook a review of the raw data against the Must/Should/Could criteria and made any required adaptations.

The Finance Team then ran a 'Must' program budget to identify the minimum budget required to deliver; compliance, levels of service, and meet growth targets.

COUNCILLOR PRIORITIES

Following the 7 September workshop, Elected Members were asked to assign priority and ranking to a long list of priorities using a secure link in Shape Tasman. Each Member was assigned 100 points across the 21 priority areas. The results of the raking were then discussed at a workshop on the 14th of September.

The priorities were derived from the 2021-31 LTP statements, indications given at earlier workshops and matters the ELT considered important. The priorities were then divided into two main categories: 1. Priorities that Council can have a wide influence on, and 2. Priorities that are largely set by Government.

The results from this prioritisation process identified three key groupings;

Tier 1. Top two priorities – Maintaining and looking after existing infrastructure and facilities;
New/improved community facilities

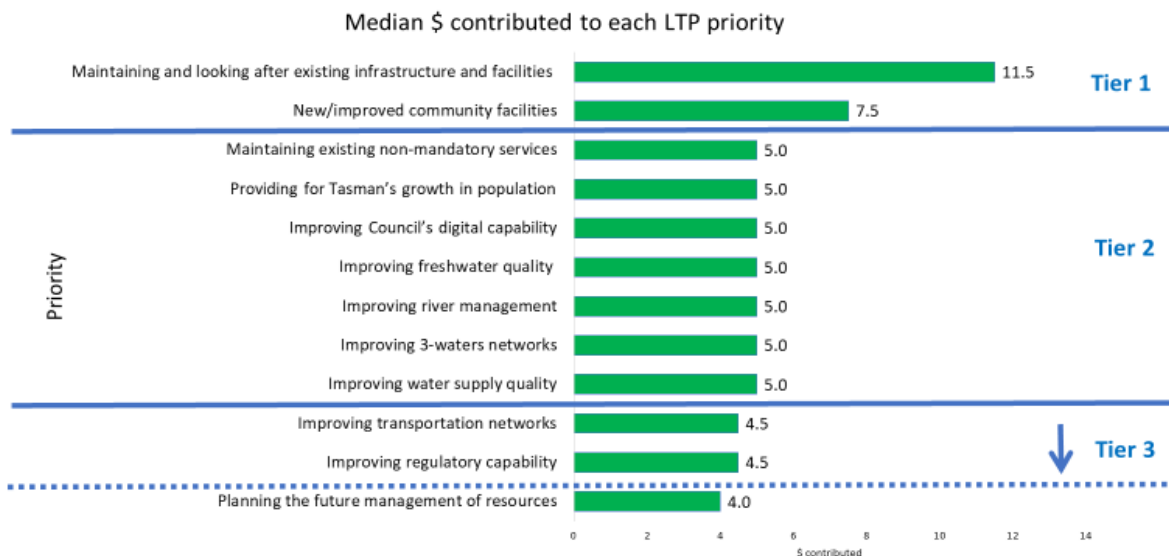
Tier 2. Seven priorities with a median of five

Tier 3. Twelve lower priority areas.

The key themes from the discussion on the 14th of September were the importance of;

- Looking after and maintaining what we have got
- Climate change – adaption and mitigation being integral across all work streams
- Growth influencing all areas
- Needing to think across a one-, two-, three- and ten-year horizon
- Wanting to see progress and updates on existing plans, strategies and some actions

Priorities



TOP 50 CAPITAL PROJECTS NOT IN THE 'MUSTS' BY VALUE

Project	Ten Year Uninflated Total
Head office development	51,250,000
Motueka Community Pool	20,000,000
Murch Sports/Rec Center	10,464,799
Port Tarakohe Phase 2 - relocate recreational berths - comme	10,000,000
Brightwater/Wakefield Facility	9,000,000
Lower Queen Street Widening Stage 2	9,000,000
New - District Wide Pump Station Relocation Yr 1-9	7,700,000
Land Purchases	7,382,916
Richmond Central Stormwater diversion	7,135,167
Mapua Drive Cycle Lanes	6,835,000
Richmond Library Building	6,606,636
Safety improvements: White Road, Paton Road, Hill/Hart RPBC	6,255,001
Centralised Redwood Valley WTP at River Road	5,626,652
Motueka Primary Cycle Routes	5,522,000
Emergency Storage Tanks at Pump Stations	5,250,000
Land - Reserves - Richmond	4,505,726
Motueka Plant expansion	4,000,000
Richmond off-road shared paths	3,677,001
Tapawera Community Hub	3,500,000
Motueka High Street Active Transport Integration	3,128,000
Murchison Reservoir	3,100,000
Richmond West - reticulation to service commercial/industria	2,850,000
Walking/Cycling improvements Hill Street (Queen to Hart)	2,818,000
Land - Reserves - Motueka	2,752,765

Project	Ten Year Uninflated Total
Secondary Flowpath Improvements	2,700,000
Fluoridation Installations at WTPs	2,620,000
Richmond RRC site upgrade	2,511,662
Minor Stormwater Improvements	2,500,000
Tarakohe Pump Station Upgrade	2,486,250
Motueka Retic - Connectivity & Resilience Improvements	2,484,900
Richmond Source - Relocation of Bores (Richmond West)	2,471,983
New - District Wide Manhole Structure Installation	2,250,000
Mariri RRC weighbridge and roading	2,111,596
Pohara Holiday camp Expand roof accommodation	2,000,000
Brightwater Mount Heslington Stream Flood Management	2,000,000
Oxford / Wensley Intersection Improvements	1,860,870
District Wide - Utility Scale Generation Initiative	1,800,000
District wide Utility Scale Solar Panel - Energy Generation	1,800,000
Walking/Cycling improvements Paton/Hart/Bateup RPBC	1,770,001
Richmond Bus Terminus	1,697,947
Takaka Town Centre Active Transport Integration	1,695,000
RRC site renewals	1,617,750
Eastern Hill Creek Upgrade - Gladstone Road to Railway Reser	1,600,000
Brightwater cycle facilities	1,576,000
New - Takaka - Park Ave WWPS to Fresh Choice Pressure Main U	1,570,000
Emergency back up storage fuel cells	1,565,000
Saxton Development	1,562,284
New - Richmond Intensification -new duplicate pipe to servic	1,550,000



LTP 2024-2034

17 October 2023

2024-2034
October 2023

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district council

Purpose

- Present summary of LTP financial outcomes based on work to date
- Discuss 'global' options available to council



Our context

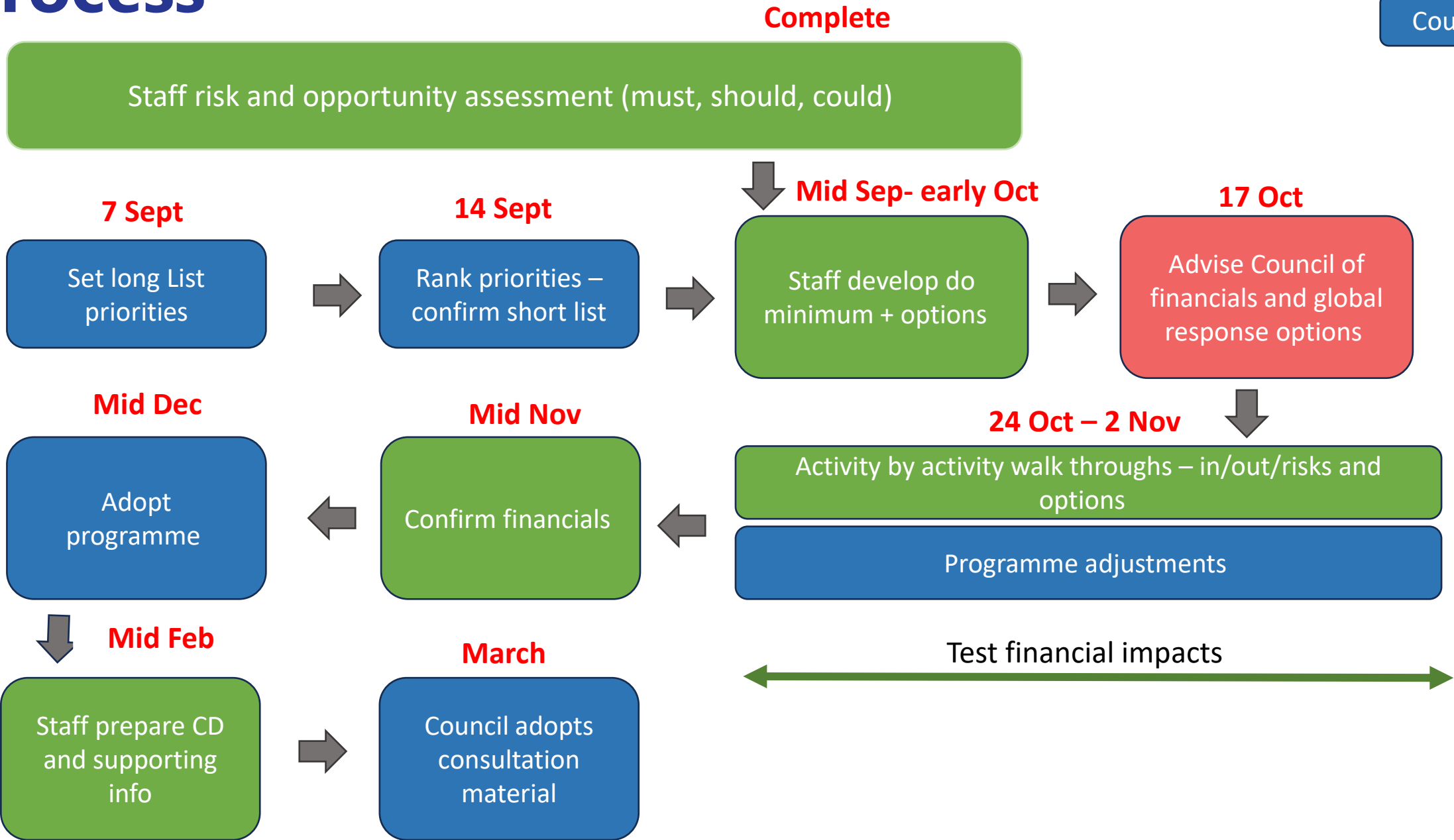
- Significant reforms, national elections – state of change
- Delivery expectations from Central Government - national policies and regulations
- Years 4 and 5 (last LTP) were forecast to be higher rates years
- Economic challenges and rising costs including interest
- Community expectations remain or growing and at the same time, Community is under financial pressure
- Growth
- We have already made extensive/exhaustive use of financial levers to keep previous years' rates increases down
- This is a sector wide challenge

Our shared challenge

- Must do programme a 'do minimum' programme
- We anticipate you will want to add to programme
- Already costs are at limits of acceptability, esp. in early years
- There are no silver bullets and no easy wins – just very difficult governance decisions
- Working together to finalise the programme, associated costs, and how it is funded

Process

Staff
Council

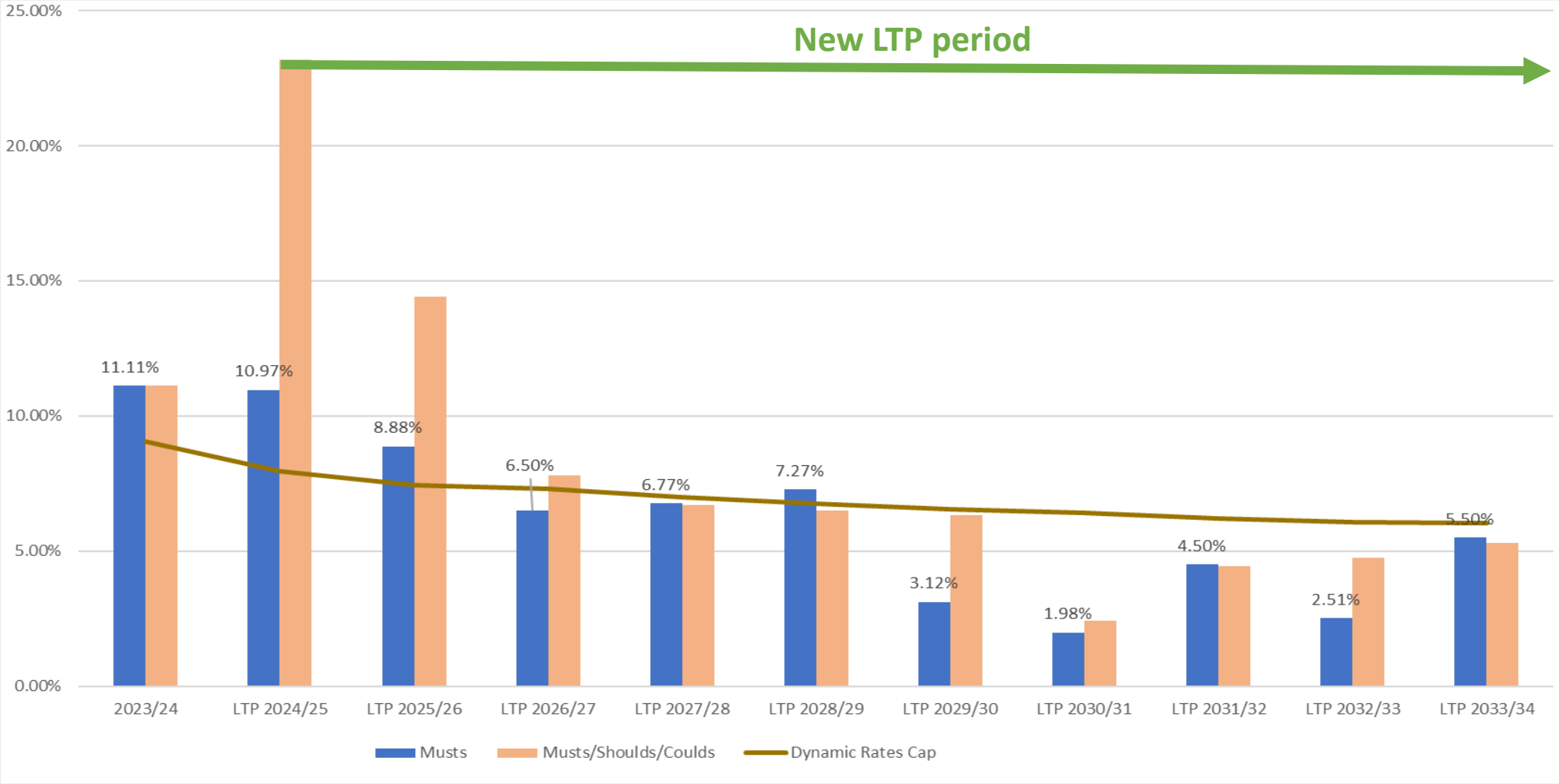


Overall Financials

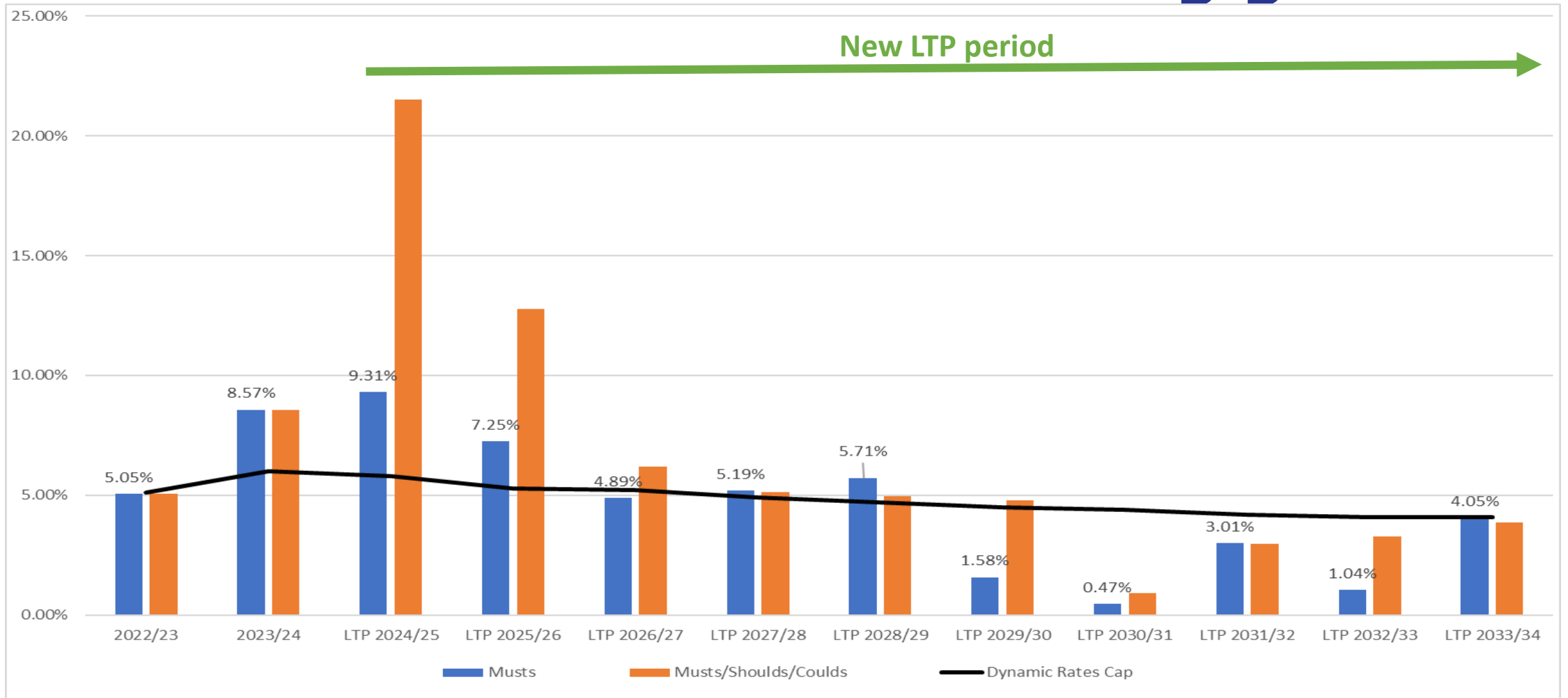


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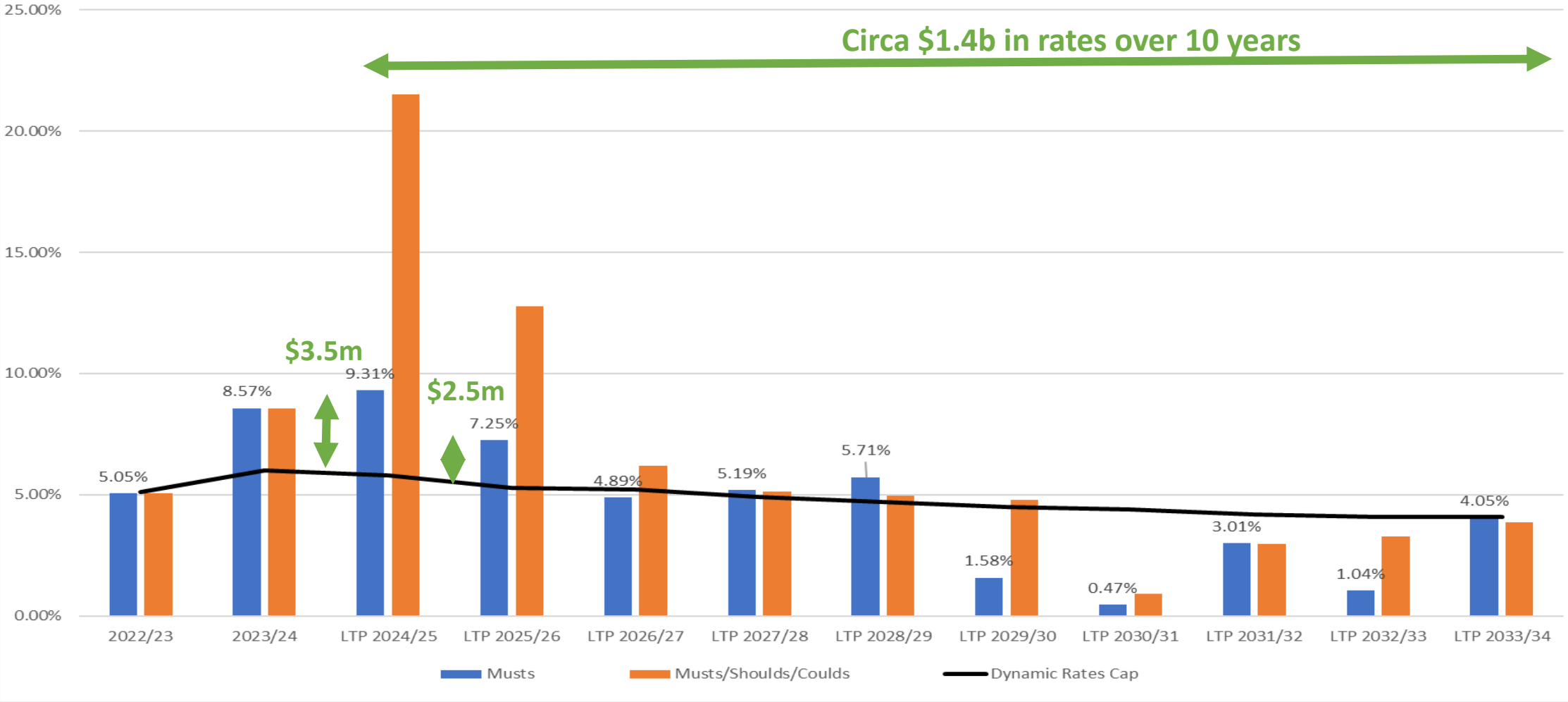
Rates revenue increases



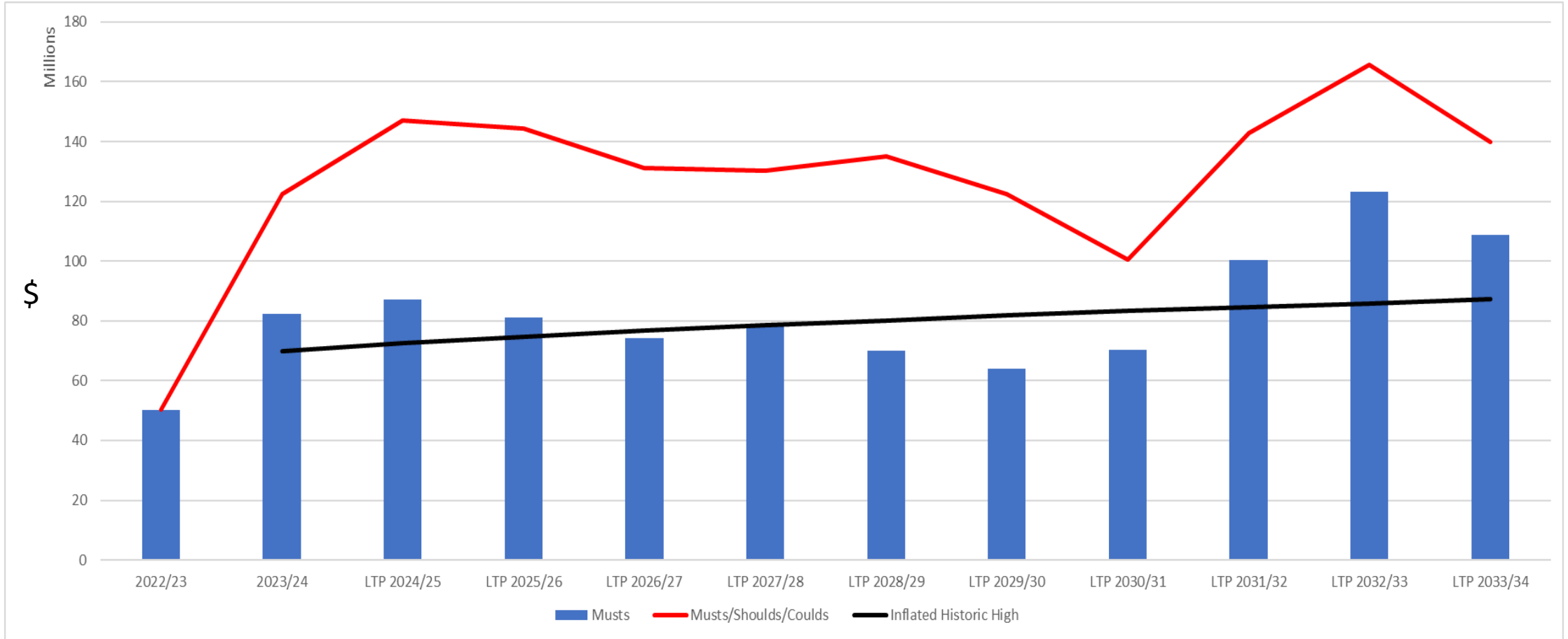
Rates revenue increases "excluding growth"



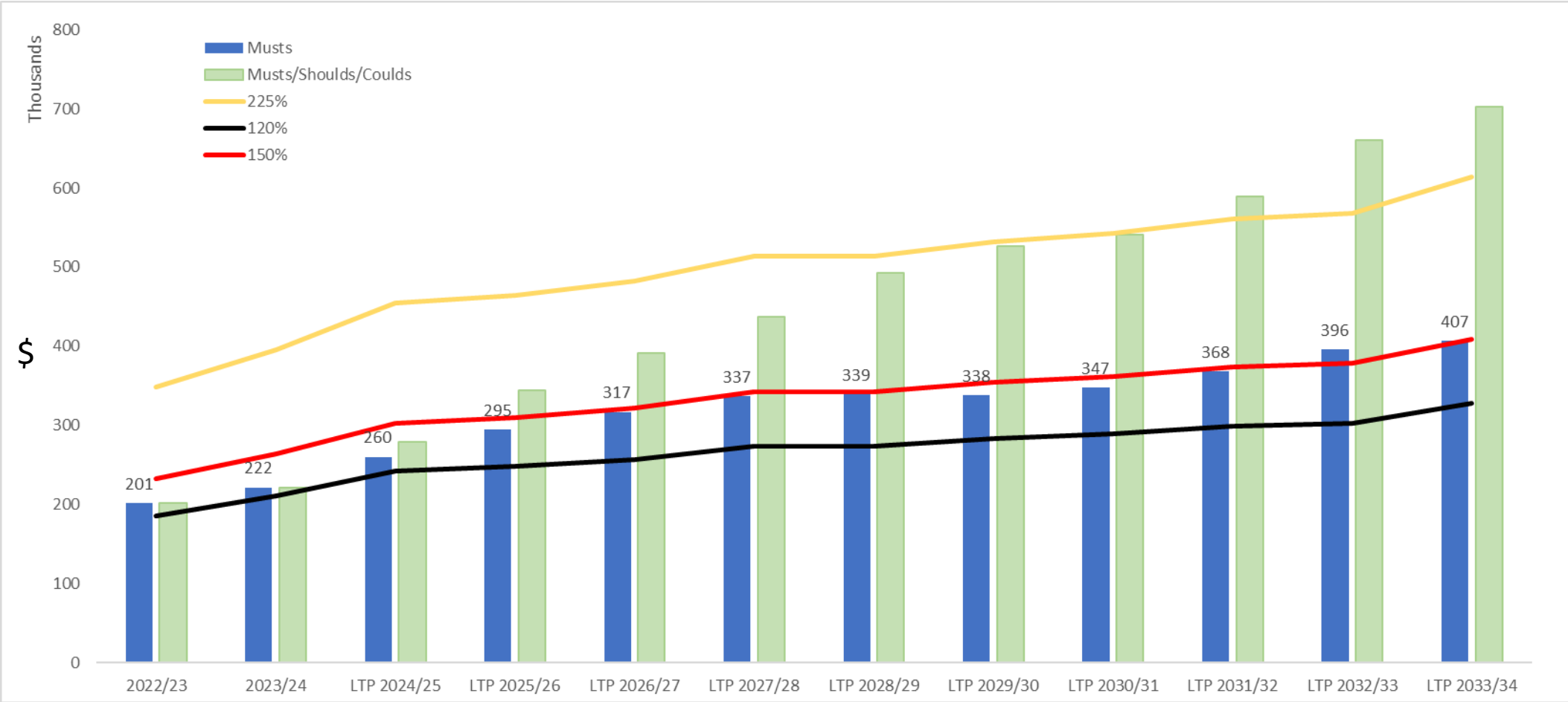
Rates revenue increases



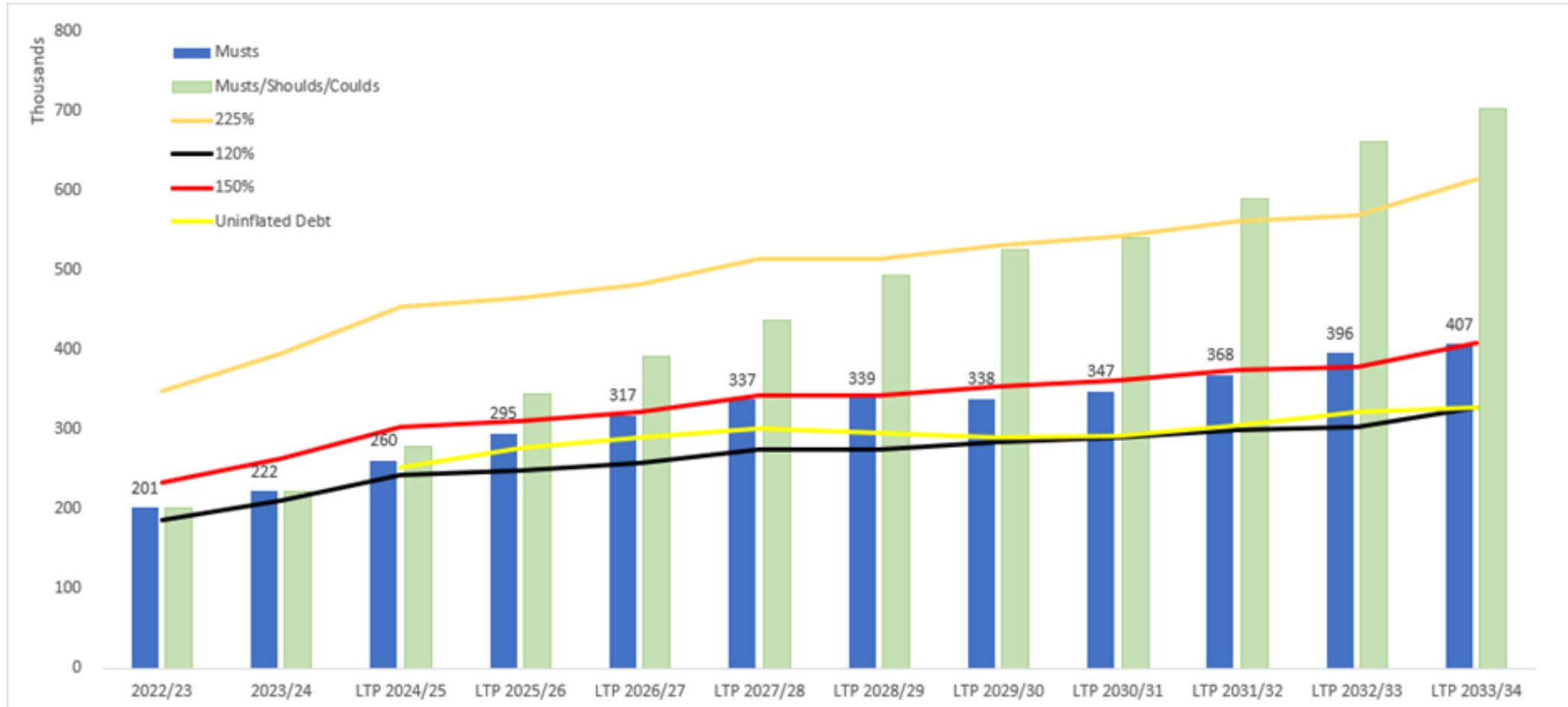
Capital



Net Debt



Net Debt in 'real' terms



Things to note

- Activity Balance at June 30 2023 - staff have addressed the surplus/deficit positions shown in report to Council 21 September 2023.
- No provision has been made for any rates contributions to Emergency Funds in the next 10 years.

Known outstandings

- Latest BERL adjustors (inflation) for Local Government
- Joint Venture (Nelson Regional Sewerage Business Unit/Nelson Tasman Regional Landfill Business Unit) review
- Detailed analysis of individual rate increases
- Review of interest rates via Price Waterhouse Coopers Treasury Advisors
- Triennial General Roll valuation occurring in December 2023. Impact rates incidence and possibly Uniform Annual General Charge
- Water Loop – Industrial/Champion Rd/Urban Water
- Capital programme – ongoing exercise
- Projections without three water from 2025/26

Programme review



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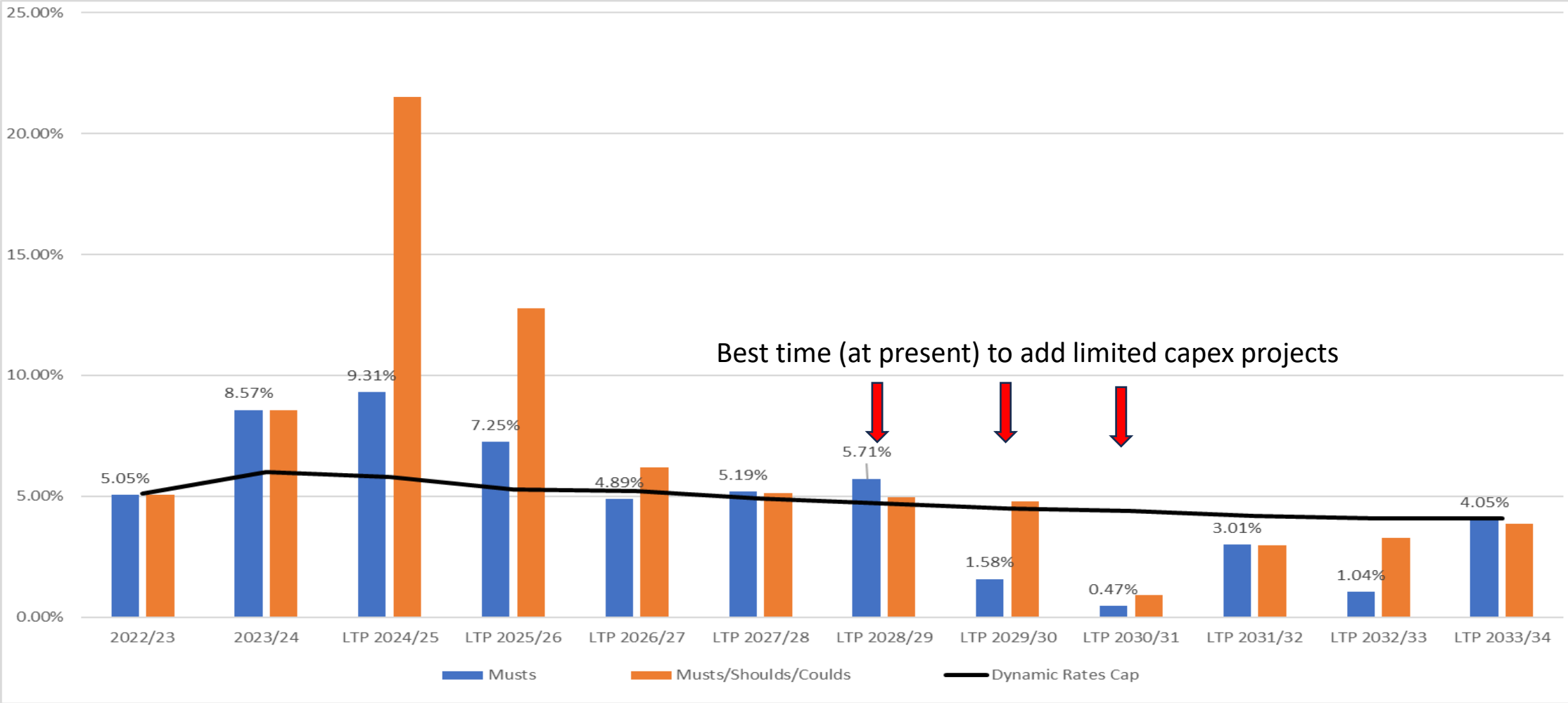
Must/ should/ could assessments

- The threshold for assessment were high
- Assessments moderated by GMs
- Compelling cases excluded from programme
- 93% of direct operating expenditure assessed as must
- 70% of capex assessed as must
- No existing services discontinued
- Council priorities influenced some judgment calls on operating costs - such as community partnerships and libraires opex

'Musts' alignment to priorities

Tier	Priority	Comments
1	Maintaining and looking after existing...	c.95% within the 'musts'
1	Community facilities	Four new not in the 'musts'
2	Maintaining existing non-mandatory services	Not in the 'musts' but key areas e.g. community partnerships, grants, NRDA are included in the figures
2	Providing for growth	100% in the 'musts'
2	Improving digital capacity	c.90% in the 'musts'
2	Improving freshwater management	c.70-75% in musts
2	Improving river management	90% in musts
2	Improving three waters networks	c.10% musts – affordability/deliverability limits
2	Improving water supply quality	100%

Priorities missing



Our options



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High level options

- Largely accept the programme and costs. View it is as a short-term correction.
- Use levers to change the programme or smooth rates increases.

LTP Levers

Category	Lever	Comment	Recommendation
Programme	Smooth programme	<ul style="list-style-type: none">• Timing considered alongside must assessment – limited further scope for major impact	Necessary but not sufficient
	Reduce programme	<ul style="list-style-type: none">• Programme is primarily based on 'musts'. The most significant opportunities of scale are in services highly valued by the community.• Council indicated no appetite for radical change in previous workshops and may even wish to add to the programme.	Scrutinize programme as part of the 'activity walk throughs'

LTP Levers

Category	Lever	Comment	Recommendation
Income	Increase cost recovery through fees and charges	<ul style="list-style-type: none"> 10% and 7.5% already in model for first 2 years, BERL after that. Potential to be more aggressive in assumptions about resource and building consent fees 	Limit any potential further increase assumptions above inflation after year 3 to resource and building consent fees
	Sell ETS credits	<ul style="list-style-type: none"> Price is volatile. c\$5-\$10m are unencumbered credits. One off benefit. Will lift rates increases in later years. 	Consider partial sell down.
	Increase or front load commercial income	<ul style="list-style-type: none"> \$0.86m already programmed per year. Funding also intended for WCD debt repayment "(\$18.75m). Using more commercial income will lift rates increases in later years and may undermine commercial investment strategy. 	Consider proposed distribution approach. Decision paper to 26 October Council Meeting.
	Asset sales - IHL, Forestry, commercial properties, social housing, land and buildings	<ul style="list-style-type: none"> Limited scope outside of large and controversial assets sales. Will permanently drive higher rates increases in later years. Most valuable assets are often income earning so short-term benefit from sale but longer-term loss of income to off-set future rates. 	No additional asset or investment sales assumed

LTP Levers

Category	Lever	Comment	Recommendation
Planning assumptions	Financing New Debt – 2 months	<ul style="list-style-type: none"> Already pushing prudential boundary with a lag of 10 month per annum 	No further change
	Capital haircut	<ul style="list-style-type: none"> Already assume 10% not delivered and are reducing programme to \$70m per annum plus inflation 	No further change
Use debt to smooth rates increases (Unbalanced budget)	Slow funding depreciation	<ul style="list-style-type: none"> Already done – extended to 5 years rather than two for three water and roading (overall from 10-15 years). Removes income to fund renewals and so increases debt. 	No further change
	Debt funding opex	<ul style="list-style-type: none"> No other operating programmes that warrant loan funding 	No further change
	Draw on reserves	<ul style="list-style-type: none"> No meaningful reserves to draw on. Reserves rundown over current LTP to reduce rates increases. 	No further change
	Use debt to 'fund rates'	<ul style="list-style-type: none"> Same impact as above – but just being explicit with community that we are smoothing rates increases. Global risk that 'lower cost/rates increases" future periods may not in fact be lower cost/rates increases. Strong discipline required to increase future rates to repay the previous deficits. 	Consider later in process

LTP Levers

Category	Lever	Comment	Recommendation
Partnerships	Shared Services [efficiencies]	<ul style="list-style-type: none">• Requires collaboration / cooperation across TOS councils.• Requires seed funding and investment.• Need to constrain future cost increases, and unlikely to generate savings short term.	Investigate further, do not assume any financial costs or impact yet
	Public private partnerships	<ul style="list-style-type: none">• Can be complex and costly to set up• May take debt off council balance sheet• Cost to community remains	Investigate further, do not assume any financial impact yet

What next?

Date	Topic
24/25 October	AMP workshops – what is included/excluded
1/2 November	Look at options and adjustments
9 November	Further refinement of programme and financials
16 November	Further refinement of programme and financials
30 November	Final direction on programme and financials, Financial Strategy, Assumptions, Te Ture Whenua
13 December	Wash up – various topics
14 December	Agree programme and financials for consultation via a Council report

Bonus pre-reading material is also included in LGHub



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