

Long Term Plan post workshop financial alterations

Meeting: Council Briefing
Date of meeting: 14 October 2020
Reporting officer: Jim Sephton - General Manager, Infrastructure Services
 Sue Davidson, General Manager Sustainable Growth and Investment

Purpose/Ngā whāinga

To report on changes made to Activity Budgets following the 2021/31 Long Term Plan (the “LTP”) workshop and to seek further feedback from Council where applicable.

Context/Horopaki

The LTP is the blueprint for our community’s future. It is the strategic document for future projects that are going to occur, sets service levels and confirms the financial budgets for the 10 years. The LTP needs to balance the ‘needs’ of the community alongside what it can ‘afford’.

Elected members have had one workshop where all projects and aspirations of Council were included. Based on initial feedback, these have now been refined and the rates for the first year of the LTP are based on the desire to have some plans being developed to go forward with, coupled with the need to support investment in our aging infrastructure.

In future years investment occurs for growth, however, this impacts on our debt and the development contributions we will charge per subdivision. This is the first time we have been able to bring these together for elected members to discuss.

The rates change for the first year is estimated as follows:

	20/21 Current year	21/22 LTP Year 1	Difference	% change
General Rates	25,479,897	27,363,808	1,883,911	7.39%
Targeted Rates	9,154,835	10,793,523	1,638,688	17.9%
Total rates	34,634,732	38,157,331	3,522,599	10.17%
Water by Meter	3,145,071	3,932,360	787,289	25.03%

Once input is provided by elected members on the first year, then the remaining years will be able to be aligned.

Unfortunately, because of changes needed to the financial parameters in the software package, it is not possible to provide rate increases for the 10 years in this document, but we should be able to give you the longer term annual changes in rates for the ten years at the meeting itself.

Discussion/Ngā kōrerorero

Tactical Direction

Staff have made recommendations which have been supported by Elected Members through the LTP workshops:

- **Look after what we have** – first and foremost we need to do our renewals and there will be fewer capital projects or community projects in the first few years
- **Year 1 – Focus on getting the plans (DP etc) done and less on capital.** Having invested considerably in parks and water in 2020/21, there is a proposed reduction in capital projects for the first three years. Infrastructure have reduced their expenditure in some areas which

will mean a higher exposure to risk, for example, less catchment management plans provided for.

- **Delay township improvement projects** – other than budgeted FC projects, township improvements will be delayed until the fourth year.
- **Protecting productive land** – Confirmed that we will support Kaipara Kai and general economic development with regards food productivity and therefore will need to protect productive food areas. This would include Raupo and the area to the south of Dargaville within the irrigation area.
- **Maximising external funding including Development Contributions** – To achieve this we need to focus on completing business cases and defining projects in LTP year 1. Note that the implications of this are that there will be an increased spend in professional services in the early years of the LTP.
- **Civic Buildings** - The costs of making the two Council Buildings in Dargaville watertight is prohibitive. There will be costs allowed to keep the premises safe and sanitary but with a view to creating a Trust to develop a community hub (including chambers, library etc) in LTP year 2 or 3. In Mangawhai a new library funded partly through FCs has been allowed for. There is a report on this agenda regarding the costs and implications for civic buildings which will be taken into account.

Since the last meeting we have prioritised what we do and when. The emphasis is on firstly responding to aging infrastructure of Three waters and Roding, then creating plans to meet future planning needs, for example, reserve management plans, then invest in preparing for growth.

The implications of the decisions to take out some projects from that initially presented will be to alter the risk profile and reduce level of service, therefore Elected Member direction for the decisions is sought. Further information is provided in Attachment C.

Debt is impacted by the larger investment in capital projects and in growth capital projects and the level that the current plan presented today would see debt rise to approximately \$80 million at the end of the 10 year period. This is still within the limits of our treasury policy but may not be considered financially prudent by our elected members or community. The risk is that in these figures we have accounted for \$38 million in development fees to offset large capital investment. This has to be balanced with the cheaper cost of debt and what we can provide to improve three waters given there is likely to be changes in its management in the near future.

What we have prepared and will go through at the meeting to help with your understanding are:

- Assumptions (**Attachment A**)
- Drivers of the rate increase in 21/22 -General, Targeted, and Water by Meter (**Attachment B**)
- Key Changes from initial meeting with elected members (**Attachment C**)
- Capital Expenditure Summary and Funding (**Attachment D**)
- Capital Expenditure individual items and their funding for 10 years (**Attachment E**)
- First Estimates of Development Contributions (**Attachment F**)
- Projects relating to Community Outcomes (**Attachment G**)

Next steps/E whaiake nei

Staff need direction on the financials to be provided after discussion has occurred on the risks of not providing. Once this is completed the financial strategy can be finalised and supporting figures can be input for a next revision of the LTP.

Attachments/Ngā tapiritanga

	Title
A	Assumptions
B	Drivers of the rate increase in 21/22 -General, Targeted, and Water by Meter
C	Key Changes from initial meeting with elected members

D	Capital Expenditure Summary and Funding
E	Capital Expenditure individual items and their funding for 10 years
F	First Estimates of Development Contributions
G	Projects relating to Community Outcomes