

## 4.1. Budget Summary

(Report prepared by M Fletcher)

F230-A23-03

### Purpose of report

1. To provide Council with an overview of the budgets proposed for inclusion in Council's 2023-24 Annual Plan (AP).

### Executive Summary

2. To maintain current levels of service, the "raw" rates increase for 2023-24 would be 10.87%. However, rates savings of approximately 1.9%, which have yet to be processed through the financial and rating system, have been identified, yielding a net figure of just under 9.0%. This is a 3.3% increase on the 5.7% rates increase forecast in the Long Term Plan (LTP) for 2023-24. For consistency throughout the remainder of this paper and other budget papers, the system figure of 10.48% has been used.
3. However, the 2023-24 rates increase forecast in LTP was determined in a totally different economic environment. When preparing the 2021-31 LTP the forecast CPI increase was 1.2% for 2022, 1.4% for 2023 and 1.8% for 2024. This compares with the current and forecast CPI increases 7.3%, 6.4% and 3.5% for the same periods.
4. The proposed budgets maintain a continuation of existing levels of service and a capital expenditure programme that mainly focuses on core infrastructure.
5. To reduce the impact on rates, fees have been reviewed, expenditure has been reviewed with a view to reduce where possible, new revenue source identified, extensive use has been made of the Infrastructure Upgrade and Depreciation Reserves and a \$4.5M allocation from the COVID-19 Rates Relief Reserve.
6. The majority of the increase is driven by:
  - the cost pressures facing local government as reflected in the Local Government Cost Index (LGCI);
  - Council's capital expenditure programme and consequential increased maintenance, management, depreciation and cost of increased debt;
  - increasing Government requirements; and
  - additional personnel costs.
7. When considering the reasonableness of the proposed rates increase, it must be recognised that Marlborough is a Unitary Council, with the combined functions of both a Regional Council and Territorial Local Authority. The rate increases proposed by the majority of Regional Councils are significantly higher than what has been proposed, with Environment Canterbury signalling a 20%+ rates increase for the third year in a row. The lowest Regional Council rates increase identified at the time of writing the paper is Waikato Regional Council at 6.1%, up from the 1.6% projected in their LTP.
8. Net debt levels are forecast to be within the \$230M net debt cap set by Council between 2027-28 and 2031-32 where the cap is exceeded by a maximum of \$23M (including Flaxbourne Irrigation) in 2029-30 should the Three Waters reforms not proceed. Should the Three Waters reforms proceed, there will be no exceedances.
9. Indicatively should Council agree with the recommendations contained elsewhere in this agenda, the rates increase for 2023-24 will be less than 8.0%. An update will be provided at the conclusion of the meeting.

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### RECOMMENDATION

**That Council receive the information contained in this Budget Summary Paper and adopt it as supporting information to the 2023-24 Annual Plan.**

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## Background and Environmental Commentary

10. For each of the two years between Long Term Plans Council is required to prepare an Annual Plan.
11. 2023-24 is the second year since Council adopted its 10 year 2021-31 LTP and the first for this Council. As part of the preparation of the LTP, The previous Council undertook a significant review of its operations and policies. Council's review included:
  - the levels of service for all its activities;
  - Rating and Revenue Policies including the method of rating, rating areas and its Revenue and Financing Policy;
  - Treasury, debt and investment policies; and
  - key assumptions including legislative impact, inflation, interest rates, NZTA subsidy level, population growth and the economic lives of Council assets. The interest rates assumption has been further reviewed as part of the preparation of this AP and Council has decided to increase the interest rate assumption to 5%, which is consistent with NZ wide increase in interest rates.
12. This year's AP has been prepared in an environment that is similar to that which existed when the LTP was prepared, i.e. the Council and the community are facing:
  - the continuing impacts of COVID-19 both on Marlborough and the rest of the world. Much of Marlborough's economy is trade and tourism related and therefore reliant on how the rest of the world deals with the impacts of the COVID-19 epidemic. Much of the Marlborough economy has withstood the economic impacts of COVID-19 well, certainly much better than some of the pessimistic forecasts being made by many commentators 24 months ago. The exception has been tourism. However, there are signs of a recovery in this sector with the opening of NZ's borders and the return of passenger numbers at Marlborough Airport to pre-COVID levels.
  - increasing impacts of Government Regulation and National Policy Statements (NPSs). The Taumata Arowai – Water Services Regulator Act was passed in July 2020 and the National Policy Statement (NPS) on Freshwater Management 2020 was also issued in the same year;
  - further NPSs being in the pipeline, there is also the review of the Resource Management Act 1991 and how the Three Waters will be delivered in the future. As a result of the uncertainty surrounding these developments and reviews, it has been assumed that the status quo will remain for the purposes of preparing this AP. They will be better addressed in the 2024-34 LTP when greater certainty exists. In the interim, Council must keep abreast of any developments and be prepared to provide input/comment;
  - higher levels of population growth are currently being experienced compared to the position of 5-10 years ago. Higher levels of growth increase the demand for additional Council infrastructure. While much of the growth component is paid for via Development Contributions in the long term, Council must fund the costs upfront; and
  - increasing requests from the community for either increased levels of service or increased financial support.

In addition:

- higher than normal levels of inflation are currently experienced, with forecast CPI increases expected to peak at just over 7%, before returning to more normal levels, noting that recovery from Cyclone Gabriel could delay this; and
- supply chain, i.e. the availability of certain materials and the availability of skilled personnel remains a real issue.

Both of these issues are having flow on impacts on prices/costs if they can be secured at all. The above comments are reinforced by the following extracts.

### **The Treasury 14 December 2022 Half Year Economic and Fiscal Update**

#### ***“Executive Summary***

The global and Aotearoa New Zealand economies are facing multiple challenges that are expected to lead to slower growth in the period ahead.

For Aotearoa New Zealand, this comes after overall economic activity was relatively robust over 2021/22, continuing the recovery from the COVID-19 pandemic. Both economic and fiscal indicators

point to this robustness continuing in the first half of the 2022/23 fiscal year. We now expect real gross domestic product (GDP) to expand 1.8% across the six months to end-December 2022. Activity is being supported by strong employment and wage growth, high levels of investment and the rebound in international visitor spending.

Increasingly, however, ongoing demand growth has come up against supply constraints both foreign and domestic. One area this was evident is the labour market. Although real GDP growth fell short of the forecast in the *Budget Economic and Fiscal Update 2022 (Budget Update)*, demand for labour has been strong. This, combined with the marked fall in labour supply growth experienced over recent years, has seen the unemployment rate at or around historical lows since late 2021, and nominal wage growth has picked up sharply as a result.

Decades-high consumers price index (CPI) inflation, rapid growth in nominal wages and to some extent, the increase in the current account deficit, are indicators the economy is operating above capacity. These imbalances and especially their unwinding are costly for current and future wellbeing. The distribution of these costs will be uneven across firms, households and regions.

We forecast the economic cycle to be nearing a turning point, with a number of the forces shaping economic outturns having intensified over the past six months, with negative implications. Chief among these are the rise and persistence of domestic and global inflation pressures that have seen sharply higher interest rates and large exchange rate realignments; ongoing, albeit abating, supply chain challenges; adverse spill-overs from the Russian invasion of Ukraine; deteriorating global growth; falling house prices; and low consumer and business confidence.

Global growth in 2023 is likely to be the lowest since the early 1990s excepting the global pandemic and global financial crisis. Many economies are expected to contract for at least two quarters by the end of 2023. Growth in China continues to be impacted by its zero COVID-19 policy approach (**this has now changed**). The global outlook is highly uncertain and will be dependent on the effectiveness of central banks' monetary policy tightening and the absence of further negative geopolitical shocks. Even weaker global growth would likely see a faster abatement of global inflation pressures, lower export prices and reduced demand for Aotearoa New Zealand exports.

*... which, along with strong demand has seen inflation surge ..."*

Also from the **Reserve Bank's November Monetary Policy Statement**

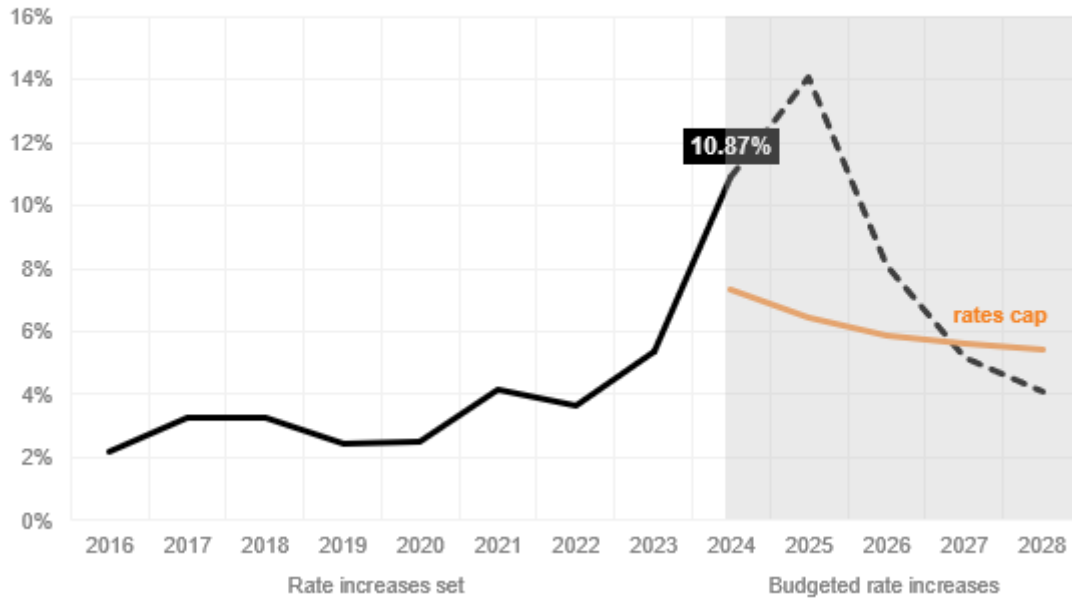
"Global consumer price inflation is broad based and remains heightened. Food and energy prices, and persistent core inflation, have combined to create very high headline inflation in many countries. Central banks are tightening monetary conditions in an effort to slow spending and reduce inflation pressure. The ongoing slowdown in global growth will affect New Zealand through both financial and trade channels, and impact on people's confidence due to uncertainty. In New Zealand, household spending remains resilient, especially considering the rise in debt servicing costs, the fall in house prices, and low levels of consumer confidence. Employment levels are high, and income growth and household savings are supporting spending. The rebound in tourism is also supporting domestic demand. The productive capacity of the economy is being constrained by broad-based labour shortages, and wage pressures are evident. Aggregate demand continues to outstrip New Zealand's capacity to supply goods and services, with a range of indicators continuing to signify broad-based inflation pressure.

## **Budget Approach**

13. The budgets contained in each of the Activity Statements (Agenda item 4.8) have been prepared on the basis of maintaining existing LoS and the direction approved in the LTP.
14. Even though this is not an LTP year, Council has still prepared its budgets for each year of the next 10 years. These budgets include adjustments made for:
  - movements in the Local Government Cost Index;
  - known movements in contract prices (e.g. insurance and the retendering of contracts including the Roding Network Operations contract);
  - the impact of previous council investment and funding decisions, e.g. Freshwater NPS and the new/upgraded water and sewerage schemes that have occurred and are continuing to occur through much of the district; and

- the allocations made from the newly established COVID-19 Rates Relief Reserve which were made on the adoption of the LTP.
- Where additional or increased LoS are proposed, a separate paper has been prepared as part of this meeting agenda.
  - The forecast percentage increases in total rates and charges for the next 5 years are shown in the graph below.

**Percentage of Rates increases year on year**



NB. The 10.87% is before the reductions referred to in paragraph 2 above.

- The main reasons for exceeding the ‘Rates Cap’ are the significant lift in Capital Expenditure especially in the Three Waters, inflation, Government and community expectations for improved levels of service and the removal of the COVID-19 Rates Relief Subsidy.

**Prime Drivers for Rates Increases**

- Commenting on projected rates increases, traditionally the three biggest drivers are the Local Government Cost Index (LGCI), capital expenditure and personnel costs. This continues to be the case.
- The **LGCI** is forecast each year by BERL and used by the majority of Local Authorities to forecast likely inflation movements. The forecast for 2023-24 is 2.4 (Table 1.1 below).
- This index forecasts the increase in Local Authority costs assuming no changes in the level and quantum of service delivered. The index attempts to forecast the price movements for items such as pipes, bitumen, diesel, etc as compared to the CPI which measures increases in household costs such as food, housing and clothing.

Table 1.1

Annual average % change, June Year	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
CPI*	7.3	6.4	3.5	2.5	2.0	2.0
Hourly wages (annual % change)*	6.4	6.8	6.1	4.7	4.0	3.8

Annual average % change, June Year	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
LGCI	7.6	5.9	4.3	3.4	2.9	2.7

\*Source: Treasury 2022 Half Year Economic and Fiscal Update – 14 December 2022

21. NB, when the 2022-23 Annual Plan was prepared, the forecast was for a much lower increase (see below), so there is a “catch-up” to reflect the actual inflation movements that have occurred.

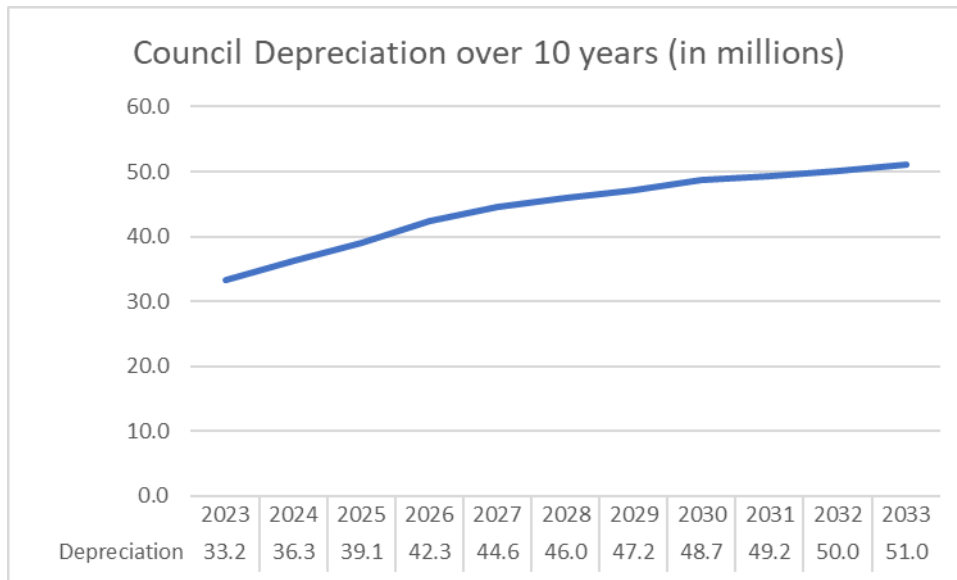
	2021 Actual	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
LGCI	1.4	2.8	2.4	2.3	2.4	2.6

22. While current CPI increases are high, both the RBNZ and Treasury in their Monetary Policy Statement and Economic and Fiscal Update are predicting increases to gradually move towards the mid-point of the Reserve Bank of New Zealand’s (Reserve Bank’s) inflation target range of 1% to 3%, albeit with significant risks attaching to the forecast.
23. One of the other main drivers is financing **Capital Expenditure**. Over the past five years actual Capital Expenditure has ranged from \$36.2M in 2020 (COVID) to \$76.1M before flood damage expenditure in 2022 with an average of \$58.2M. The projection for 2022-23 is just over \$75M. Please note that individual project budgets total a significantly higher figure, being a culmination of the budgets for work not completed in the year ended 30 June 2023 and new projects budgeted for 2023-24. Capital project timing in project delivery terms as compared to financing terms can vary for many reasons including:
- finalising community consultation;
  - obtaining land access;
  - obtaining resource consents;
  - the availability of external professional expertise; and
  - receiving an acceptable contract price and contractor availability.

Based on these factors, historical experience at Marlborough and other councils, adopting a more conservative approach of forecasting just over \$75M for 2023-24 is reasonable.

24. A similar conservative approach has been adopted for 2023-24, where a total budget of \$76.3M is recommended, including \$1.0M for the Flaxbourne Irrigation Scheme.
25. Over this same 2018 to 2022 inclusive timeframe the value of property, plant and equipment has increased to \$1,970M from \$1,686M, a 16.8% increase. By 30 June 2024, this is forecast to further increase to \$2,250M.

Associated with the above increases in the value of Property Plant and Equipment and other assets, over the same timeframe depreciation has increased to \$29.4M from \$23.2M, a 26.7% increase. By June 2024 depreciation is forecast to further increase to \$35.6M.



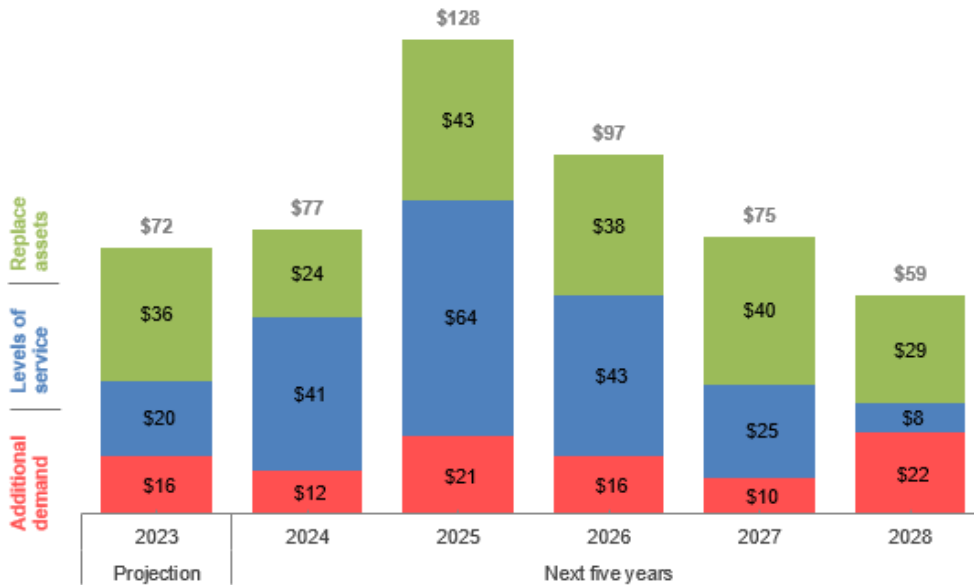
26. The increase for 2024 reflects the increased levels of Capex forecast for 2023 and budgeted for 2024.
27. From a rating perspective, fortunately not all depreciation is funded. As can be seen from the following table, approximately 25% of total depreciation is not funded in 2024 the unfunded portion of depreciation is \$8.1M, with approximately \$6.0M of this relating to Roading which is 50% funded by the subsidy from Waka Kotahi.

	<b>Total Depreciation \$000</b>	<b>Unfunded Depreciation \$000</b>	<b>Funded Depreciation \$000</b>	<b>Increase in Funded Depreciation \$000</b>
<b>2021-22 Actual Depreciation</b>	29,239	7,608	21,631	
<b>2022-23 Budgeted AP Depreciation</b>	31,516	8,068	23,446	1,815
<b>2023-24 Budgeted AP Depreciation</b>	35,660	9,451	26,209	2,763

28. The table also identifies the contribution made by increased depreciation to the rates increase, being the increase in funded depreciation of \$2.763M (\$26.209M-\$23.446M).
29. To assist in the financing of the increased capital expenditure programme and reduce the need for rates funded debt, maximum use of Depreciation Reserves and the Infrastructure Upgrade Reserve (items 4.5 and 4.6) has been made.
30. The other points to note in regard to Capital Expenditure are:
- the full cost of interest and depreciation apply from the year after construction is completed and that new assets generate ongoing operations and maintenance expenditure; and
  - the Local Government Act requires Council to separately report under the following headings for Capital Expenditure. Capital Expenditure to:
    - improve Level of Service
    - meet additional demand for an activity (Growth); and
    - replace existing assets (Renewal).
31. For the purpose of calculating the amount under each heading, the Act permits the total amount value of a project to be included under the heading that reflects the primary purpose of the expenditure, e.g. if 55% of a project is to address a level of service issue, then the total value is included in the Level of Service category.

32. It is worth noting that one of the tests used by Audit, is whether renewals expenditure is close to the level of depreciation. In 2024 renewals expenditure is \$23.6M and the forecast depreciation for that year is \$35.6M, which is broadly in balance. Audit have been concerned that councils have not been keeping up with their renewals and spending significantly less on renewals than the value of depreciation. This is not the case in Marlborough.

**Capital Expenditure by Category (in millions)**



33. Please note, as this is only an Annual Plan, the timing of projects in 2024-25 has yet to be reviewed and brought into line with Council’s financial strategy. Also, the value of 3 Waters is included, which under current legislative settings will be transferred to the new Entity C on 1 July 2024. We continue to budget for these projects to ensure that they continue to be identified as we approach 1 July 2024.
34. Allowing for the inaccuracy that is inherent in this allocation process, it would be reasonable to expect that in broad terms:
- a) increases in level of service to be funded by current and future generations, which is typically achieved through the use of debt funding with debt servicing costs being met by rates;
  - b) increases in demand (growth) to be funded by Development Contributions; and
  - c) replacement of existing assets (renewal) to be funded from Depreciation Reserves.
35. As approximately \$41M of 2024 Capex relates to improving level of service. Applying the assumed 5.0% interest rate assumption and a low 1% depreciation rate generates a funding demand of just over \$1.8M, i.e., just over a 20% of the total rates increase. In addition, previous Councils have decided not to recover the full cost of growth driven Capital Expenditure from Development Contributions to encourage growth, which will have a further impact on rates.
36. Offsetting in part the impact of additional Capital Expenditure on rates has been the Government Grants for the Library/Art Gallery (\$11M), River Protection (\$3M) and the Three Waters Projects (\$12.5M).

**Personnel Costs**

37. Council relies on having good quality staff to deliver its services. To recruit and retain good staff Council must remain competitive in the broader market. To do otherwise would result in increased staff turnover, with a corresponding drop in productivity and additional cost. Studies have shown that it costs up to six months’ salary in recruitment, training and lost productivity should a staff member resign.

Anecdotal evidence suggests that Council's across New Zealand are under increasing pressure to attract and retain good quality staff. An earlier survey conducted 6-12 months ago amongst councils identified staff turnovers in the range of 15-33%. The survey also identified that:

- a) staff turnover is increasing;
- b) councils are often having to go back to the market multiple times to get the right person; and
- c) recruitment and retention have been made more difficult with central government and related organisations paying metropolitan salaries while allowing people to stay and work where they currently live where more often than not, the cost of living is less.

38. In Marlborough's case our turnover is not overly high, but it is increasing. In the 12 months ending 30 June 2021 it was around 7.5%. In the 12 months ending 31 January 2023 it was 10.2%.

39. Taking the above into account and the inflation driven wage expectations identified earlier, an increased budget provision has been made to permit Council to remain competitive in the market during 2023-24.

### **Combined Impact of LGCI, Capex and Personnel**

40. With the LGCI forecast to increase by 5.9% and the indicative impact on rates from Capex and revaluations (funded depreciation and interest) being 8.7% and Personnel being 1.5%. These three factors explain a significant portion of the total rates increase.

### **Government Requirements**

41. There is also a fourth significant driver, Government requirements. The exact dollar value of the additional costs resulting from increasing Government requirements are difficult to quantify as collectively they impact the whole of Council, including for example, the NZ Drinking Water Standards, Traffic Management requirements, National Environmental and Policy Statements, even down to specifying the level of training required by Building Control Officers. There is no indication that the pace of Government reforms and resulting additional costs will slow.

Please see **attached** (as **Attachment 4.1.1**) a schedule dated 27 Jan 2022 prepared by the Department of Internal Affairs (DIA) of central government reforms impacting on local government. Your attention is drawn to the "Other reforms and reviews impacting on Local Government" section and that references to National Policy and Environment Standards has been omitted. DIA stopped preparing this schedule. Also **attached** (as **Attachment 4.1.2**) is a Schedule prepared by **Taituarā** dated 9 December 2022 showing the number of initiatives out for consultation.

### **Debt**

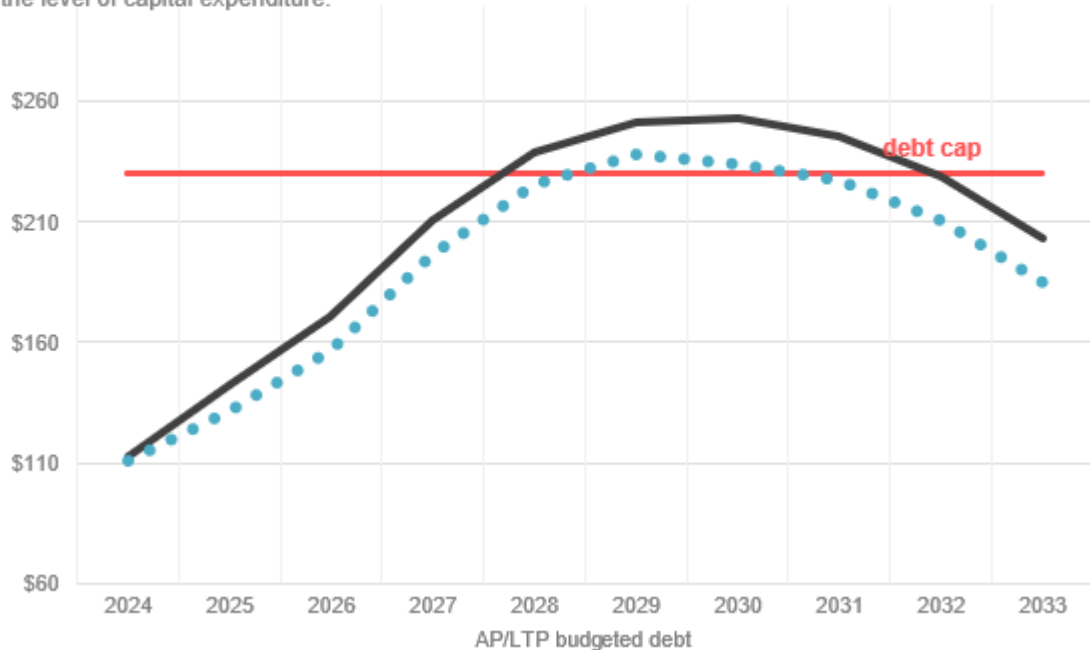
42. The other aspect Council should be aware of is how the proposed budget impacts upon projected debt. The following table identifies Council's:

- a) 2023-24 projection of net debt (ie. Net of cash and investments);
- b) 2023-24 projection of net debt without Flaxbourne;
- c) The \$230M Council determined net debt cap.



### Council debt, net of investments and cash - including and excluding Flaxbourne irrigation

Council's 2021-31 self imposed **debt cap** is exceeded from 2028 to 2032, this is mainly due to the level of capital expenditure.



43. As a result of the increased Capital Expenditure budget contained in the 2021-31 LTP, the 2022-23 AP and this AP, net debt is projected to increase and peak (including 3 Waters related debt) at \$253M in 2030. This amount is above Council's self-determined \$230M net debt cap that was set as part of the 2021-31 LTP.
44. Despite exceeding the net debt cap, Council's debt still remains well inside the LGFA's debt covenants and it holds a AA long term credit rating:

Financial Covenants	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net debt / total revenue <250%	72%	84%	94%	112%	122%	127%	124%	117%	107%	93%
Net interest / total revenue <20%	3%	4%	4%	5%	6%	6%	6%	6%	6%	5%
Net interest annual rates income <30%	5%	6%	7%	8%	9%	9%	9%	9%	9%	8%
Liquidity > 110%	126%	121%	118%	115%	113%	112%	112%	113%	114%	115%

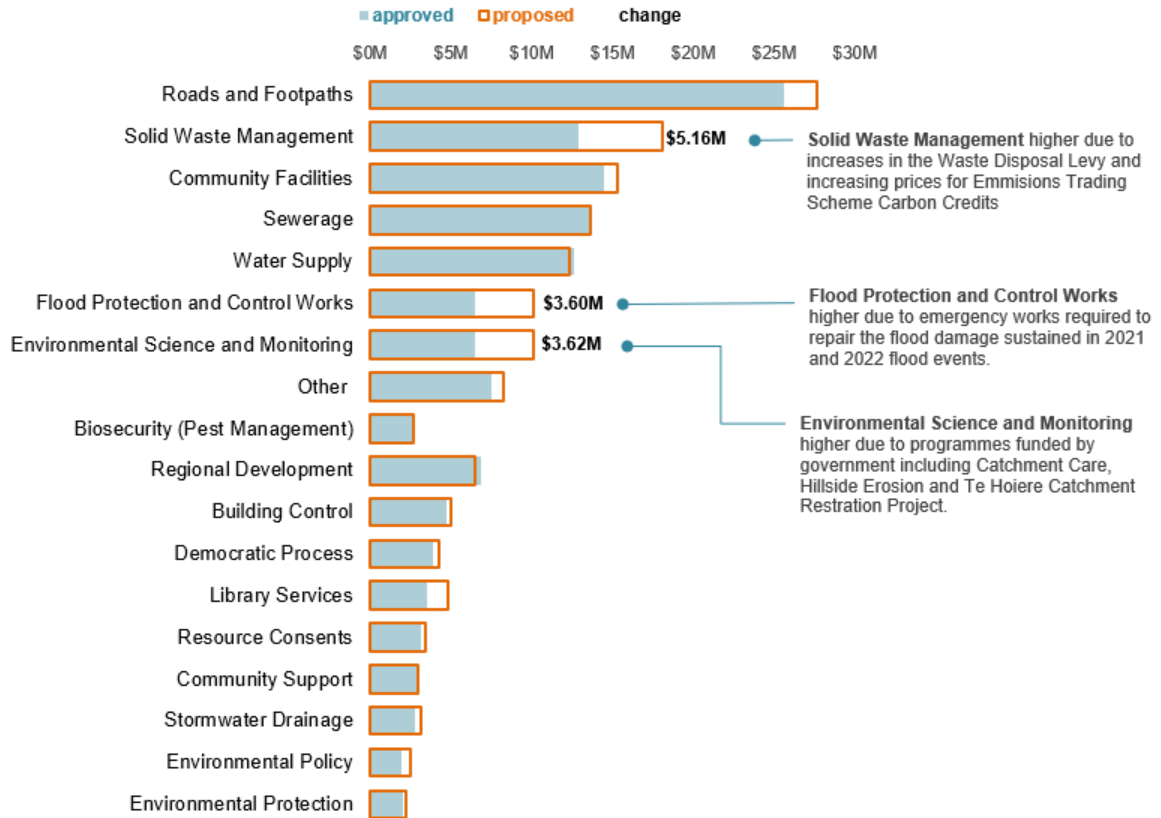
45. However, should the reforms of Three Waters delivery signalled by the current Government continue, then net debt will remain well within the debt cap as the majority of Council's forecast debt relates to Three Waters assets.

### Proposed Council Operating Expenditure

46. The following graph shows the proposed 2023-24 Operating Expenditure levels for each activity and the amounts approved in the 2021-31 LTP for 2023-24.
47. As can be seen the vast majority of expenditure is targeted towards providing good quality infrastructure and local public services.

48. In the 2021-31 Long Term Plan Council budgeted \$134.1M of operating expenditure for 2023-24. The 2023-24 Annual Plan is now proposing \$152.8M. The 18.7M change is mainly reflected in the Solid Waste, Flood Protection and Control Works and Environmental Science and Monitoring activities. The main variances are explained below.

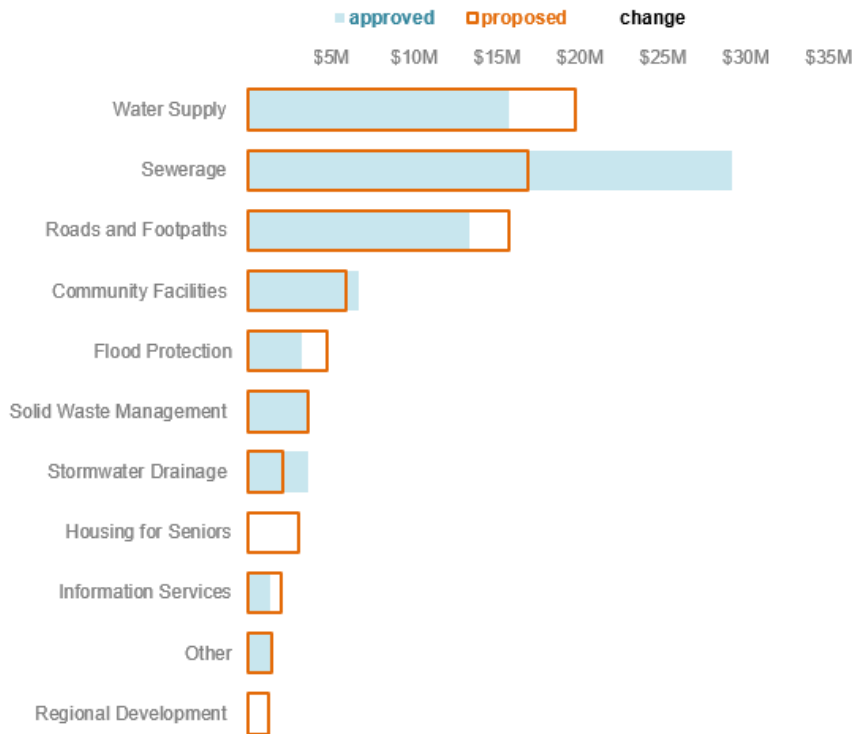
2023-24 **proposed operating expenditure** against **previous LTP budget**



**Proposed Council Capital Expenditure**

48. The following graph shows the proposed 2023-24 Capital Expenditure levels for each activity and the amounts approved in the 2021-31 LTP for 2022-23.
49. Again, the vast majority of expenditure relates to core infrastructure and public services. Separate agenda items (refer items 4.2 to 4.4) provide more detail on the proposed Capital Expenditure programme.
50. In the 2021-31 Long Term Plan Council budgeted \$78.1M of capital expenditure for 2023-24. In this AP we are now proposing \$76.3M of capital for 2023-24. The main changes are in Water Supply, Sewerage, Roads, Stormwater and Housing for Seniors. The main reasons for these are the timing of projects.

2023-24 **proposed capital expenditure** against **previous LTP budget**



**Commenting on the Proposed 2023-2024 Increase in Rates and Charges**

51. The table below identifies the activities that have the greatest impact on the proposed increase in rates and charges and in summary the reasons why. It should also be noted that some of the increase results from the flow on effects of previous years' decisions, particularly if last year expenditure was funded from reserves for one year and this year are fully rate funded and investment in infrastructure intensive activities such as Sewerage, Water and Community Facilities. These projects are now incurring a full year's charge for depreciation, interest on loans and, for some, increased operating costs. Conversely, if budgeted Capital Expenditure has been deferred or delayed, then the corresponding depreciation and interest will not come to charge.

General Roading and Footpaths	1,519,771	The main increase is in depreciation costs due to an increase in revaluation of the assets.
Library	1,284,182	Increased operating and depreciation costs due to a larger library building.
Community Facilities	1,023,457	The main increase is due to additional costs for the District's reserves and public conveniences. This includes an increase in operating costs for the Lansdowne sports hub.
Water Supply	806,123	The main increase is in depreciation costs due to an increase in assets and their values in prior years.
Building control	699,062	The budget for Fees & charges has decreased by 5%, while the personnel & operating costs have increased due to inflation. A separate paper proposing increased fee levels is contained in this agenda and will largely offset this increase.

Sewerage	655,388	The main increase is in depreciation costs due to increase in assets in prior years.
Flood protection	449,256	Increased operating cost in insurance, electricity and minor works.
Environmental Management	426,400	Additional resources are required for environmental review to keep pace with government (National policy and environmental statements) and the community demand for quality environmental data and monitoring to position Council well for the future.
Solid Waste Management	389,452	Waste disposal levy increasing from \$30 per tonne to \$50 per tonne. It is expected that this will increase to \$60 per tonne next year.
Resource Consents	371,523	Increased costs in personnel and corporate expenses, but no increases in fees shown in this budget. A separate paper proposing increased fee levels is contained in this agenda and will largely offset this increase.
Democratic Process	367,937	As there is an LTP next year the audit fees costs are budgeted, offsetting the reduced election costs that featured in the 2022-23 budget. The increase in councillor fees are also in this category.
Storm water	360,453	The main increase is in depreciation costs due to increase in asset values in prior years.
Culture Heritage	205,023	Increase in depreciation costs for the art gallery portion of the new library/art gallery building.
Harbours	200,724	Major expense being depreciation for the 3 tide stations computer project. An indicated increase in Navigation levies will largely offset this increase.
<b>Targeted Rates and Charges:</b>		
Riverlands Water Supply	181,818	Additional costs due to the Riverlands new water treatment plant including treatment costs.
<b>Total</b>	<b>9,359,515</b>	

### Additional Expenditure Requests

52. A number of new initiatives with supporting papers are contained elsewhere in this Agenda. The table below shows the indicative impact on Rates should Council agree to proceed with the proposed initiatives. Similar to previous years, Chris Lake will have her Rates Forecasting Model at the 2 March meeting to provide Councillors with an indicative rates movement at the conclusion of the meeting. NB, the indicative rates movement at the time will include the financial impact of any related staff positions, depreciation and debt servicing costs.

Levels of Service Increases	Total \$	Indicative Rates Impact 2023-24	Comments
People and Capability initiatives	70,000	\$70,000	As this expenditure is on-going it should be Rates funded.

Travel-Time allowance	8,000	\$8,000	As this expenditure is on-going it should be Rates funded.
CDEM Group Plan Review	39,500	-	As this is only for one year, it is suggested that this be funded from the Forestry and Land Development Reserve.
River Rating Review	200,000	-	As this is only for a two-year period, it is suggested that this be funded from the Forestry and Land Development Reserve.
Bus Service Review	29,400	\$29,400	As the continuation of the Picton bus would be permanent, this should be rates funded.
Community Facilities: Playgrounds and Sports Parks Funding	1,705,160	\$21,440	Majority of items from Landsub with the balance being debt funded via rates.
Funding of New Art Gallery	1,000,000	(\$80,000)	Rates saving
Essential Fresh Water Building Capability and Capacity for Catchment Management	975,000	-	For future rates from 2025-2026
Fixed Term Increase in Building Control Staff	500,000	-	As this is only for a two-year period, it is suggested that this be funded from the Forestry and Land Development Reserve.
<b>Fee Reviews – Rates Savings</b>			
Resource Consent Fees		(\$276,690)	
Health Fees		(\$19,100)	
Building Control Fees		(\$438,860)	
Resource Consent & Permitted Activity Monitoring Fees & Charges		(\$222,270)	
LIMS Fees		(\$24,800)	
Service Connection Fee Review		(\$30,680)	
<b>Net Impact on Rates</b>		<b>(\$963,560)</b>	<b>Rates Saving</b>

## Reserve Funds

53. The forecast balances (\$M) of Council's Discretionary Reserves are shown in the table below. Further detail on the allocations already approved from these Reserves are shown in Items 4.5 and 4.6. In summary Council's Reserves position is slightly better (\$5M) than that presented to Council at the 2022 Budget Meeting.

Discretionary Reserves	2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	2027-28 \$M	2028-29 \$M	2029-30 \$M	2030-31 \$M	2031-32 \$M	2032-33 \$M
Forestry and Land Development	5.51	4.01	3.07	2.82	2.58	2.35	2.12	2.65	3.29	3.95
Infrastructure Upgrade	15.87	16.07	14.36	11.69	8.93	6.28	3.81	1.50	(0.57)	(2.52)
Emergency Events	2.04	0.94	2.08	3.83	4.44	5.11	5.43	5.42	5.46	7.28
<b>Total</b>	<b>23.42</b>	<b>21.02</b>	<b>19.51</b>	<b>18.34</b>	<b>15.95</b>	<b>13.74</b>	<b>11.37</b>	<b>9.57</b>	<b>8.18</b>	<b>8.71</b>

**Attachments**

Attachment 4.1.1 – Central Government Reforms Impacting on Local Government – 27 January 2022

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Attachment 4.1.2 – Taituarā schedule entitled “Open for Submissions as at 9 December 2022”

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Author	Martin Fletcher, Chief Financial Officer
Authoriser	Mark Wheeler, Chief Executive

Central government reforms impacting on local government												
Draft: 27 January 2022												
2022												
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2023
2024												
Jan-Jun	Jul-Dec											
Anticipated level of local government engagement												
significant involvement												
significant implementation actions required												
<b>Local Government</b>												
LG statutory planning, reporting and other requirements												
Annual Plan preparation												
Due												
Annual Report preparation												
Due												
Local election preparations												
Elections												
Induct new council												
Annual Plan preparation												
Due												
Annual Report preparation												
Due												
Long term Plan preparation												
Due												
<b>Reforms and reviews</b>												
Future for LG review												
Draft report												
Final report												
Transition and implementation												
Water Service Entities in place												
Three waters service delivery reform												
RMA existing												
RMA Enabling Housing Supply + other matters)												
RMA National Direction												
The policy intent of existing National Direction will be transitioned to the National Planning Framework												
RMA reforms												
Natural and Built Environments Act (NBE) and Strategic Planning Act (SPA)												
Climate Adaptation Act (CAA)												
Climate change reform												
Emissions Reduction Plan (ERP)												
National Adaptation Plan (NAP)												
Emergency Management reform (EM)												
Waste Minimisation												
Waste Minimisation Strategy												
Waste Minimisation Act												
Health and Disability reforms												
Regional system leadership framework												
Regional Public Service Commissioners working with communities and regional leaders, including wā/Māori and local government												
<b>Other reforms and reviews impacting on local government</b>												
Work under way												
Government Policy Statement on Housing and Urban Development (2021); Review of the Sale and Supply of Alcohol (Free) Legislation; Amendment to the Environmental Reporting Act; Freedom of Information Act; Land Transport Review; Gearing (Harm Prevention and Minimisation) Regulations 2004; Changes to Land Information Memorandum (LIM) system; Education work programme; Local Government (Precincts Interests Register) Amendment Bill; Review of the Companies and Creations Act 1964												
Planned work												
New Zealand Infrastructure Strategy; Building Act Reforms (2022/23); Independent Review of Parliamentary Electoral Law												
<b>Actions required from local government</b>												
Consultation & engagement												
Policy development & legislation (may include consultation and submissions)												
Transition & implementation												
Reform/review is live												
<b>Prepared by the Department of Internal Affairs</b>												
Local Government Branch/ Te Tari Takihenua - Ue te Hīnastore												

## Attachment 4.1.2

<b>Open for Submissions as at 9 December 2022 (last report provided by Taituarā)</b>		
Everything beneath the buff-coloured line is upcoming and the information is speculative.		
<b>Name of initiative</b>	<b>Agency engaging</b>	<b>Description</b>
<b>Consultation on reducing the emissions impact of fluorinated gasses</b>	MFE	Fluorinated gases (F-gases) contribute significantly to global warming. This is because they are potent greenhouse gases, with global warming potential hundreds or thousands of times greater than carbon dioxide. MFE seeking feedback on proposed measures to reduce the environmental impact of fluorinated gases (F-gases). This includes a regulated product stewardship scheme for refrigerants and prohibiting the import and sale of pre-charged equipment when alternatives are available.
<b>Business Payment Practices Bill</b>	Economic Development Science and Innovation Committee	This bill would introduce a regime that aims to bring transparency to business-to-business payment terms and practices in New Zealand. Local authorities are included.
<b>Class 4 licensing proposals under development – added 28 November</b>	DIA	has put out initial engagement to strengthen regulation of class 4 operators. The proposals will affect DIA regulators only, however, the changes would have implications for improving community well-being
<b>Local Government Official Information Act Amendment Bill – added 26 November</b>	Governance and Admin Select Committee	Bill makes changes to law governing disclosure of information about natural hazards on LIMS
<b>Natural and Built Environment Bill – added 15 November</b>	Environment Select Committee	First of two Bills giving effect to RMA reform. This focuses the setting of environmental limits, environmental and land use planning, and the governance of those activities.
<b>Spatial Planning Bill – added 15 November</b>	Environment Select Committee	Second of two Bills giving effect to RMA reforms. This one focuses on regional spatial strategies and the governance of these activities
<b>Sale and Supply of Alcohol (Community Participation) Amendment Bill (NEW – added 7 December)</b>	TBC	This bill aims to improve communities' ability to influence alcohol regulation in their area by making targeted changes to the alcohol licensing process provided for in the Sale and Supply of Alcohol Act 2012. (This is the Bill that would remove appeal rights on provisional LAPs)
<b>Water Services Entities legislation Bill (NEW – Added 8 December)</b>	TBC	Second of two Bills giving effect to water reform. Bill will cover powers, funding and pricing, links to land use planning, and amendments to LGA (including LTP 2024).



<b>Water Services Economic Efficiency and Consumer Protection Bill (NEW – Added 8 December)</b>	TBC	Gives effect to Government decisions to introduce economic and consumer protection regulation for the three waters services,
<b>Regulation of Methamphetamine Contamination in Rental Housing (NEW – Added 9 December)</b>	HUD	It is currently unclear what to do when residential rental premises are found to contain methamphetamine residue. Specifically, it is not clear at what level residue becomes a problem which should be addressed. This is confusing for stakeholders, and has led to disproportionate responses to low levels of methamphetamine residue.
		Regulations are needed to provide certainty around what to do when residential rental premises are contaminated with methamphetamine.
<b>Future for Local Government draft report</b>	Future for Local Government panel	Draft report including recommendations from the panel.
<b>Business Payment Practice Regulations</b>	MBIE	This regime will improve information and transparency around business-to-business payment practices by requiring large firms (those with turnover of \$33 million a year) to publicly disclose information on their payment practices, including payment times. This includes local authorities.
<b>National Environment Plan on PFAS</b>	MFE (joint with NZ and Aust EPA)	The Heads of EPAs of Australia and New Zealand (HEPA) have released the draft per- and poly-fluoroalkyl substances National Environmental Management Plan (PFAS NEMP) version 3.0 for public consultation. We're advised that this potentially affects any entity that deals with water, wastewater, stormwater, biosolids, composting and landfills.
<b>Upcoming</b>		
<b>Housing Infrastructure (GST-sharing) Bill</b>	TBC	This Bill would introduce a GST-sharing scheme to fund housing infrastructure. Effectively councils would receive 15 percent of the value of building work put in place in their local authority in the preceding year.
<b>Sale and Supply of Alcohol (Cellar Door Tasting) Amendment Bill</b>	TBC	This Bill allows winery cellar doors to charge visitors for the samples of their own wine and adds an off-licence category for wineries holding an on-licence.
<b>Civil Defence and Emergency Management Amendment Bill</b>	Governance Admin Select Committee	Gives effect to whatever of the Trifecta Review survives the 'consultation' and policy development process. NEMA officials have said this is the formal consultation.

<b>Land Transport Management Amendment Bill (not sure of title)</b>	Transport and Infrastructure Select Committee	Legislation to give effect to changes to the Passenger Transport Operating Model.
<b>Royal Commission into Covid-19 response (NEW – added 5 December)</b>	Royal Commission	The overall lessons learned from the pandemic response including the economic response.
<b>Building Amendment Bill (NEW – added 7 December)</b>	TBC	Bill will introduce energy ratings for buildings and waste minimisation plans to support Aotearoa New Zealand's climate change goals. (Hat tip: Mark form Hamilton)
<b>Climate Adaptation Bill</b>	Presumably, Environment	Will introduce the legal framework for managed retreat and other climate response matters.