

*Meeting of the*

***LONG TERM PLAN WORKING GROUP to be held in  
Council Chambers, 15 Seymour Street, Blenheim  
on THURSDAY, 29 JUNE 2023***

***12.00 pm to 2.00 pm***

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Record No: 23126839

File Ref: D050-001-L24



# 1. 2024-34 Long Term Plan

(Report prepared by Martin Fletcher)

F230-L24-09-05

## Purpose of Report

1. The purpose of the report is to:
  - a) Identify for new members of the Long Term Plan Working Group (WG) the work required to complete the 2024-34 Long Term Plan.
  - b) Inform the WG of the specific actions required and the progress made to date.
  - c) Confirm the operating protocols for the WG.

## RECOMMENDATIONS

That Council:

1. **Notes the content of Attachment 1 regarding the contents of a LTP;**
2. **Agrees to proposed work programme; and**
3. **Agree that the Working Group will adopt the following operating protocols:**
  - **All papers prepared for the Working Group be copied to all Councillors;**
  - **All Councillors are welcome to attend Working Group Meetings; and that**
  - **The minutes of the Working Group meetings be reported to the Economic, Finance & Community Committee.**

## Background/Context

2. A paper was prepared for the previous Council's Working Group's 25 November 2021 meeting that outlined the high level requirements for the preparation of an LTP. The paper is contained in Attachment 1.
3. A second paper was also prepared on the Future Work Programme. The next section contains those items together with the progress made on those items. This paper also contains proposed further items for the WG to consider for possible inclusion.

Items for Review		Progress to Date/Responsibility
a	Council's engagement with the Community as part of preparing the 2024-34 LTP including pre-engagement and consultation. Related to this is a review of Community Outcomes.	Communications
b	Council's Revenue and Financing Policy including Land Value versus Capital Value Rating.	Council has already decided that it will retain Land Value Rating, except for those rivers that are already capital value.
c	Council's Financial and Infrastructure Strategies.	Financial Strategy - Finance The Infrastructure Strategy - Assets and Services and the Assets and Services Committee, noting that the two Strategies need to align as the

Items for Review		Progress to Date/Responsibility
		<p>Infrastructure Strategy can't be delivered without funding.</p> <p>Currently legislation doesn't require an Infrastructure Strategy to be prepared for 3 Waters assets, but with the delay in starting this situation is likely to change. As a result Assets and Services need a contingency plan is needed should there be a change in Government.</p>
d	Related to the above is understanding more fully the financial impacts of losing the Three Waters if current policy settings remain.	Finance - Martin
e	Council's Debt Cap – Is it better to have a fixed amount as has been the case to date or would a percentage of a revenue base be more appropriate?	Finance – Martin
f	Council's Rates Cap – Currently LGCI + 3%. In the 2021-31 LTP the percentage was increased to allow for the impact of increased Government requirements	Finance – Martin
g	Council's Debt and Treasury Management Policies.	Previously this has been addressed by the Audit and Risk Sub-Committee following advice from Finance and Bancorp. <b>NB</b> , the funding of IREX debt will need its own policy to match the pricing reset dates contained in the agreement with Kiwi Rail – Bancorp/Adrian/Martin.
h	Council's interest rate assumption	This has already been considered for 2023-24 with an increase to 5% but needs to be reconsidered for the LTP. - Chris
i	The definition of properties paying the Kenepuru and French Pass Road rates.	It is proposed to remit the balance of the Kenepuru Road Rate – Approved by Council on 12 June 2023.
j	The definition of properties in General Rural Geographic Rating Area and whether or not they should be classified Sounds Administration Geographic Rating Area.	This item is a more focused review than the general review contained in "2" below. – Chris/Linda
k	Funding of depreciation of Community Facilities to fund their replacement.	This item has already been considered, with the decision being that while funding depreciation may be the better option in the long term, that in the interim replacements would be funded by a mix of debt and "Land Sub" funding, depending

Items for Review		Progress to Date/Responsibility
		on the level of growth that's driving the need for a particular project.
I	Council's policy on providing rates relief for heritage buildings in private ownership – carryover from previous LTP Working Group.	This item has already been considered, with WG minute being, <i>"That the LTP Working Group thanked management for the work undertaken in drafting the Heritage Buildings in Private Ownership Rates Remission Policy but resolved not to proceed until after the completion of the Heritage Strategy."</i>
m	How the maintenance of the Picton Foreshore will be undertaken – requested by Councillor Taylor.	Possibly this item has been completed. The following is a media extract based on the minutes of Council's 13 June 2022 meeting, <i>"A \$100,000 proposal to lift Picton Foreshore and Shelly Beach maintenance to premier park status was supported by Councillors but the expenditure withdrawn until landscape design is completed and costed. The landscape work will be carried out by Council's Gardening Team, which designs and maintains Council's premier parks at Seymour Square and Pollard Park."</i>
n	Council's policy on Waste Charges versus Rating – requested by Councillor, (now Mayor) Taylor.	Finance and Solid Waste
o	The possibility of establishing a Central Government Rate – as has been done in Hamilton CC. This will need to be linked to the wording of the Rates Cap.	Finance
p	How Council wants to further advance senior/social housing?	While this item could be considered as part of the LTP, it is best to allocate to the Senior Housing Sub-Committee, serviced by Jamie Lyall.
q	Review of storm damaged roads levels of service funding options for Kenepuru, Awatere Valley Road, Northbank and Waihopai.	Extensive studies already underway to identify options, costs, willingness to pay etc which will ultimately lead to increased debt and rates.

4. Additional Items:

1	Prepare an Iwi Engagement Strategy;	Kaihautū – Hara Adams
2	Review the appropriateness of the Geographic Rating Areas. <b>See item J as well</b>	Finance, following a high-level review by the WG, to determine if there is any need. So far the current boundaries, together with their automatic adjustment to urban based on the provision of water and sewer works well. NB the more focused review on the boundary between

		Sounds Admin Rural and General Rural above.
3	Be briefed on the Rating implication of the 2023 Triennial Revaluation.	Finance – Martin/Rainbow
4	Investigate the possible streamlining of Activity Groups and Activities.	Finance – Tessa
5	Review whether Council should have a continuing role in Energy Efficiency/Clean Heating loans, bearing in mind the issues surrounding compliance and that there are new private sector providers.	Finance – Chris/Linda
6	Review the assumptions upon which the LTP will be prepared, eg the assumed financial Assistance Rate from Waka Kotahi.	Finance – Martin
7	The process for Levels of Service Reviews.	Finance – Martin
8	Provide an understanding of Council’s financial position post 3-Waters including “stranded overheads”.	Finance – Martin
9	Wairau River Rating Review.	Finance – John Patterson/Andy
10	Explaining Council’s Rating System.	Finance – On this Agenda - Martin
11	Capital Budgets - CBD	Raised by Chair
12	In-house resourcing or outsourced contracts	Raised by Chair. This item was considered for a number of Council Activities as part of the recent S17A review. The challenge with outsourcing in a relatively small district like Marlborough for many of Council’s regulatory activities is maintaining sufficient independence.
13	Endeavour Park future Developments	Raised by Chair following Annual Plan hearings. While this item could be considered as part of the LTP, it is best to allocate to the Assets and Services Committee, under the leadership of Jamie Lyall.
14	Halls Study on the maintenance requirements, improvements, rationalisation and funding	Annual Plan hearing decision. While this item could be considered as part of the LTP, it is best to allocate to the Assets and Services Committee, under the leadership of Jamie Lyall.
15	Review the application of Annual CPI adjustments to Grants	Annual Plan hearing decision
16	Marlborough Heritage Strategy and its funding	Dean Heiford
17	Community Grants - review what organisations get ongoing support and what is contestable?	Raised by Clr Croad and as part of Annual Plan deliberations

A brief verbal comment will be made on each item. This section also provides an opportunity for Councillors to identify additional items to be worked through by the WG.

### **Operating Protocols**

5. The following operating protocols have been used by previous WGs. They have worked well in that they give the opportunity for all Councillors to be informed of and contribute to the operation of the WG. The proposed operating protocols are as follows:

- All papers prepared for the Working Group be copied to all Councillors;
- All Councillors are welcome to attend Working Group Meetings; and that
- The minutes of the Working Group meetings be reported to the Planning, Finance & Community Committee.

### **Attachment**

**Attachment 1** – 2024-2034 Long Term Plan – 25 November 2021 Agenda Item

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# 2024-34 Long Term Plan

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(Report prepared by Martin Fletcher)

F230-L24-09-05

## Purpose of Report

1. The purpose of this report is to outline the matters that need to be considered as part of preparing the Long Term Plan (LTP).

## Executive Summary

2. Preparing the LTP is a significant body of work driven initially by the outcomes Council wants to achieve and the levels of service it wants to offer across all activities.
  3. 'Levels of Service' options for all activities will be presented, ideally to Full Council so it can weigh up relative priorities across the whole of Council. Presenting to individual Committees also has merit, but because of their particular focus they are less able to assess relative priorities across Council as a whole.
  4. 'Levels of Service' drives expenditure, which in turn drives funding requirements.
  5. Council is required by statute to act in a financially prudent manner.
  6. There is a high level of acceptance by the majority of rate payers on how Council's current revenue and Financing Policy/Rating system operates with only a few ratepayers advocating for change.
  7. Fundamental changes to the rating system will be very resource intensive on both staff and Councillors. Fundamental changes will impact both positively and negatively on a significant number of ratepayers.
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## RECOMMENDATIONS

That the LTP Working Group recommend to Council that it:

1. Note the broad outline and level of work involved in preparing a Long Term Plan; and
  2. Agree that Levels of Service (LOS) presentations be made to Full Council.
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## Background

8. Every three years Council is required to review its LTP. The LTP provides Council the opportunity to review its:
  - Strategic Direction;
  - Levels of Service;
  - Infrastructure Strategies;
  - Financial Strategies;
  - Revenue and Financing Policies; and
  - Investment and Debt Policies.
9. In broad terms the first three items allow Council to formulate what it wants/needs to do in the long term. The last three items address how Council will pay for what it wants to do.
10. This paper should be read with the next paper on the Agenda, which picks up the "to do" actions from this paper and consolidates them into one list, together with other suggested actions.

## Strategic Direction

11. The strategic direction, or what kind of district Council wants, is represented by Community Outcomes. These Outcomes are contained in Attachment 1 and were significantly modified when the 2015-25



LTP was prepared. With Government mandating the 3 Waters reforms, possible RMA changes and the Local Government Review, it is appropriate that Council review its Community Outcomes. On one side, the possible challenge with a review of this type is the level of certainty needed, with Government pursuing a reform agenda. On the other hand we should still be able to identify what kind of community we want, irrespective of the means of delivery as achievement can occur through delivery and/or effective advocacy.

### *Levels of Service*

12. Options will be presented for existing, increased and decreased LOS. However, based on earlier LOS service reviews, previous Councils have shown little appetite for reductions. This has meant that LOS reviews have resulted in either the status quo being maintained or small increases.
13. This result is understandable in that resident satisfaction surveys have yielded consistently high scores over the years. However, should this result occur again, it leaves little opportunity for significant expenditure reductions or ability to redirect funding as LOS are the main driver for expenditure.
14. The alternatives are to either:
  - Establish a separate non focus area specific review committee to review LOS from an across Council perspective; the trade-off is a potential loss of activity specific knowledge offset by the taking of a wider view; or
  - Present LOS reviews to full Council.

The preference is for LOS presentations to be made to full Council, so that it is better informed in making the trade-offs it has to when making budget requests.

### *Infrastructure Strategies*

15. The requirement to prepare 30 year infrastructure strategies was inserted into the Local Government Act 2002 (LGA) in 2014 (s101B).
16. LGA requires Council to put in place a strategy for how Council will deal with amongst other things:
  - Population change – numbers, composition, ethnicity;
  - Land use change;
  - Environment change, together with possible Government/resident expectation change, e.g. sewerage discharges to water; and
  - Asset capacity conditions and performance.
17. Noting the 3 Waters reforms are being mandated, this results in a reduced basket of assets for which an Infrastructure Strategy is required under the LGA, i.e.:
  - Roads and footpaths; and
  - flood protection.
18. One infrastructure area that is not a mandatory requirement is Community Facilities. There is a move within Local Government to incorporate this activity as well, as a community is more than its water, sewerage and roads.
19. The preparation of the Infrastructure Strategy will occur under the leadership of Richard Coningham and Jamie Lyall (on the assumption that Council considers a Strategy is needed for Community Facilities).

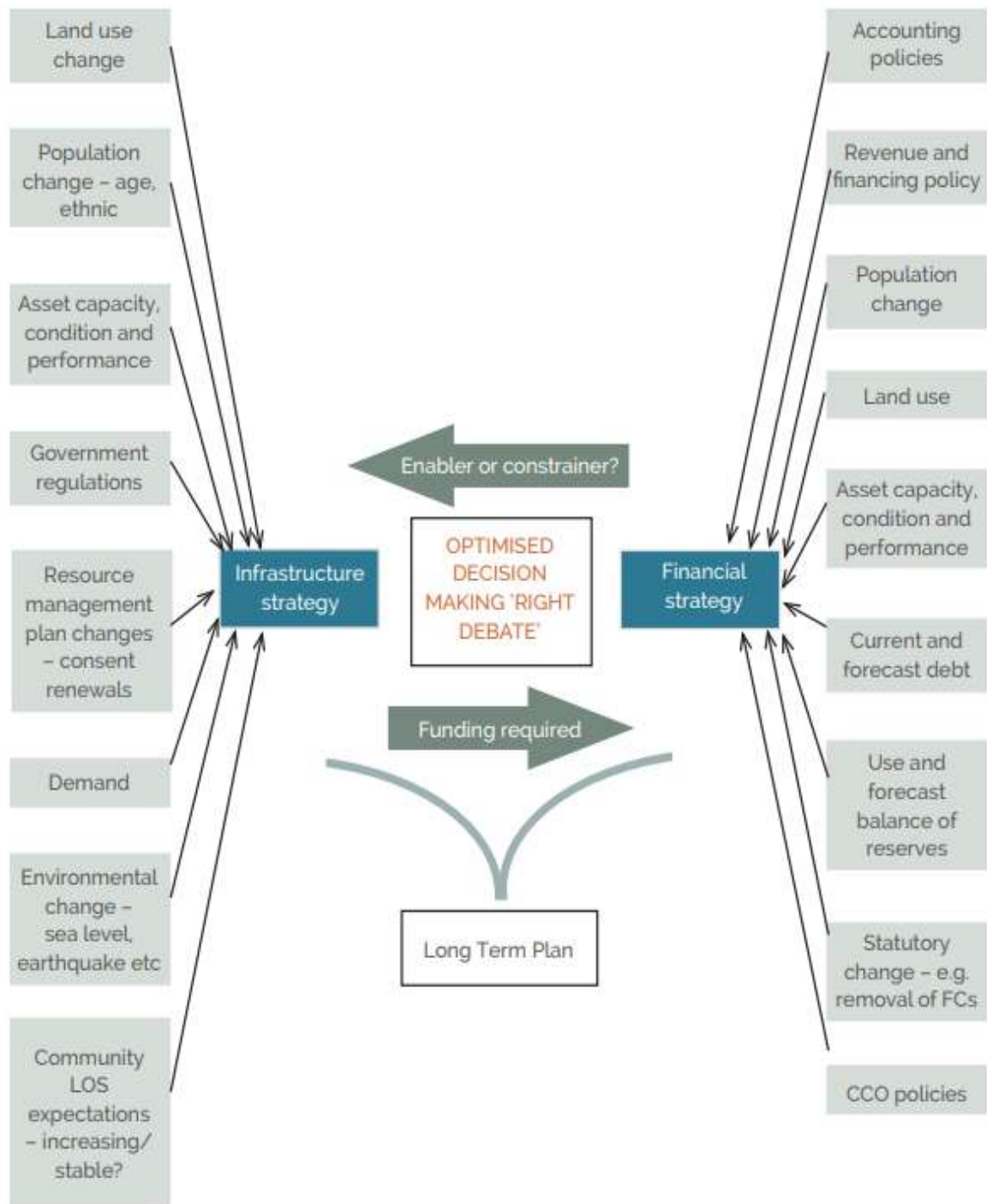
### *Financial Strategy*

20. This leads to the funding side. Perhaps the most fundamental tenet of Local Government financing is contained in S101(i):

*“A local authority must manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community”.*

21. As part of this Council must prepare a 10 year Financial Strategy. The mandatory content of a financial strategy is deceptively short and simple. It includes the following:
- a) The factors that are expected to have a significant impact on the strategy including:
    - i) the capital and operating costs of responding to changes in population and land use;
    - ii) the capital expenditure necessary to maintain levels of service on the three infrastructure groups;
    - iii) any other significant factor that affects your ability to maintain existing levels of service and to meet additional demands for services including as examples:
      - the financial impact of COVID-19;
      - the impact of financing Port Marlborough's share of the Ferry Terminal redevelopment;
      - the financial impact, of the Three Waters Reforms; and
      - the current position of Council's Emergency Reserves and the repayment of the COVID-19 Rates Relief Loan.
  - b) quantified limits on rates increases and borrowing and an explanation of what impact these may have on your local authorities ability to maintain current levels of service and meet additional demands for services.
  - c) any policies that Council may have for giving security for its borrowing, e.g. using rates as a security as currently provided for in Council's debenture trust deed.
  - d) a statement that sets out your objectives for holding and managing financial investments and equity securities and its quantified targets for returns on those investments and equity securities.
22. Although the above will make for a compliant Strategy it has the potential to be rather generic. To make it more meaningful to the community, identification of local issues under (a)(iii) takes on a greater level of importance. For example, Council may wish to discuss how it manages the risks around its assets in the case of a significant natural event including how, and over what time frame, it plans to reinstate current service levels. To fund reinstatement, will Council divert existing cash flows, use its debt capacity or cash reserves and whether it is relying on others, e.g. NZTA, government, insurance. While most LTPs assume no disasters will occur, the community will expect Council to respond and it is prudent to have financial capacity for an unexpected event to meet the community's expectations.
23. As a result of the duplication of statutory requirements and that an Infrastructure Strategy cannot be delivered in isolation, there is a strong push within the Local Government sector to prepare a combined Strategy. The following figure from SOLGM's "Dollars and Sense 2018" publication sets out the interrelationship between the two Strategy documents.

**Figure 3.1: Interrelationships between the financial and infrastructure strategies**



**Revenue and Financing Policy**

24. As part of the whole funding perspective Council must prepare a Revenue and Financing Policy. In simple terms this is who pays and how much. In more complex terms it requires Council to decide:

- The level to be financed from Rates versus changes/fees for each activity;
- The basis for rating, i.e. capital value versus land value rating. Currently Council uses land value rating (except for the rating of the Flood Protection, which uses capital value – a carryover

from the former Catchment Board). Other than the nationwide push from Federated Farmers, there has been very little, if any, push to change the basis of rating from LV to CV. While Capital value rating is generally seen from a theoretical perspective as the preferred means of rating, changing from one basis to another is a major challenge, often involving legal challenge as significant numbers of ratepayers are likely to face additional rates. Interestingly though the Productivity Commission in its recent review of Local Government financing preferred Land Value rating;

- Whether or not the current rating areas remain appropriate;
- Whether or not the “weightings” applied to each activity remains appropriate; and
- Whether or not the overall percentages applied to General Rates and Charges for each Geographic Rating Area remains appropriate.

### *Weightings Review*

25. Councillors may remember the papers prepared to review a comparatively small number of minor activities in preparing the last LTP. A full review of the complex “Rate Funding Allocations” book would yield magnitudes of complexity above what was encapsulated in the papers considered in the 2021-31 LTP as the implications of changing weightings become apparent. This is akin to the “if it is not broken, don’t fix it” approach.

### *Debt*

26. Council relies on the use of Reserves and Debt to finance capital expenditure. Debt is seen as a means of achieving intergenerational equity where repayments are spread over a 20-30 year period. The alternative is for Council’s ratepayers to fund infrastructure projects, which would increase current rates, even though future generations would receive a significant benefit.

### *Other Significant Activities*

27. Also our valuer, currently Quotable Value, will be releasing its latest revaluation. Based on the level of activity in the real estate market, both rural and residential, there will be significant movements in value, which in turn has the potential to impact on rates. While increased values don’t change the amount of rates collected by Council, a rating impact on individual properties could occur, especially those that have a valuation increase greater than the average for the Geographic Rating Area.

## 2. Levels of Service Reviews

(Report prepared by Martin Fletcher)

F230-L24-09-05

### Purpose of Report

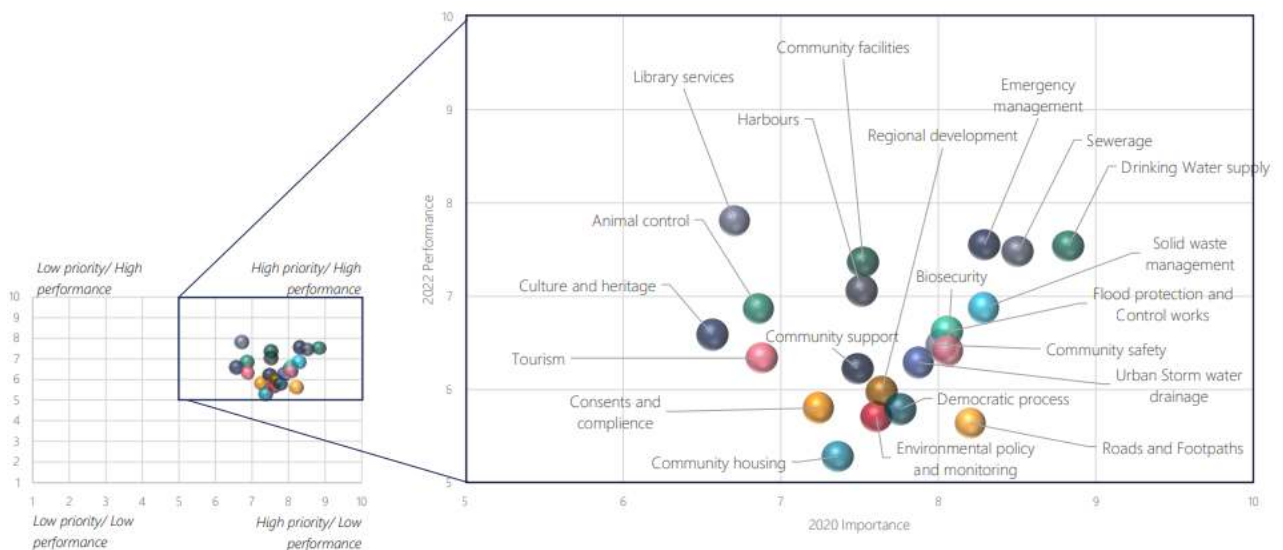
1. To outline the process for undertaking Levels of Service (LoS) Reviews.

### RECOMMENDATION

That Council agrees to the process outlined for LoS Reviews, with Departments presenting to Full Council.

### Background/Context

2. While finances, i.e. Rates and Debt may be a reality check, the driving force for preparing an LTP is what does Council want to achieve in the 10 years of the LTP. To help shape Council's aspirations, Departments will outline what is included in existing LoS.
3. Departments will also brief Councillors on:
  - a. options for reducing LoS, including the identified impacts and consequences of exploring those options. Based on earlier LoS service reviews, previous Councils have shown little appetite for reductions; and
  - b. options for increasing LoS and broad estimates of costs.
4. While Departments will present their views, the real value emerges from Councillor discussion/suggestions that occur in these workshops.
5. The other input Councillors may like to consider is the Perceptual Mapping contained in the Resident Satisfaction Survey. Quoting from 2022 Survey, *"In 2020, residents were asked to rate the priority of the services they receive. Assuming typical consistency in perceived service importance, these ratings were compared to perceived service performance in 2022. To present performance and prioritisation data in a meaningful and visual format, a perceptual map has been used to illustrate the interplay of these two datasets.*



6. Overall, all service areas were considered of high priority and received high performance ratings to some degree, with notable variations between services.

- Satisfaction with Library services exceeded perceived importance attributed to this service in 2020.
  - Four other services (Harbour, Animal control, Community facilities, Culture and heritage) showed closely matched importance and performance scores.
  - The largest negative gap between performance and importance was recorded for Roads and footpaths.
  - Democratic process, Environmental policy and Community (senior) housing also represented a greater improvement opportunity.
7. To date LoS reviews have resulted in either the status quo being maintained or small increases. Possibly this result is understandable in that resident satisfaction surveys have yielded consistently high scores over the years. However, should this result occur again, it leaves little opportunity for significant expenditure reductions or ability to redirect funding as LoS is the main driver for expenditure.
8. The alternatives for Department's presenting their LoS are:
- Present to Committee; The upside is that Departments are presenting to Councillors that are already familiar with their activities. The downside is that the Committee can't weigh the presentations against presentations relating to areas outside the gambit of the particular Committee.
  - Establish a separate non focus area specific review committee to review LoS from an across Council perspective; the trade-off is a potential loss of activity specific knowledge offset by the taking of a wider view; or
  - Present LoS reviews to full Council.

The preference is for LoS presentations to be made to full Council, so that it is better informed in making the trade-offs it has to when considering budget requests.

### 3. Iwi Engagement on LTP

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(Report prepared by Hara Adams)

#### Purpose of Report

1. To provide an update on iwi engagement for the Long-Term Plan.

#### Executive Summary

2. Alongside Tasman District Council's Kaihautū and her team, we plan to engage with iwi on the Long-Term Plan through workshops highlighting iwi priorities.
3. A discussion document has been prepared for the workshops to facilitate the engagement with ngā iwi on Marlborough District Council's Long Term Plan 2024-2034 development.
4. The discussion document template has been created by Tasman District Council and where appropriate, Marlborough District Council will utilise the template for engagement purposes.
5. Working collaboratively with Tasman District Council will enable iwi to not repeat their priorities and engage multiple times on the same Kaupapa. The collaborative approach will streamline the process and be of benefit to both Councils and iwi.
6. The first of the series of workshops is pencilled in for 12 July 2023. I believe that further details will be ironed out following this hui and we will have a clearer picture on how to proceed.

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#### RECOMMENDATION

That the report be received.

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#### Background/Context

7. We know the LTP process is an onerous process for iwi to engage in fully, therefore we are hoping that the approach highlighted above will be effective to identify what level iwi would like to engage at, and areas of the plan iwi wish to focus on.
8. Should iwi not wish to have a consolidated approach, we are open to working at different levels/areas with each iwi.
9. We must also highlight the financial operating environment within which the LTP is prepared. Elected members are particularly concerned about affordability and our rates for our community. The reality is, that Council will not be able to do all it would like to do that are in-line with iwi priorities.
10. The process of engagement however is instrumental for Council to guide our thinking and be interested in any standout iwi priorities that may be highlighted to Council.

Author	Hara Adams, Kaihautū - Manager Māori Partnerships
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## **4. How Council's Rating System Works – Presentation**

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### **RECOMMENDATION**

That the information be received.

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