Council Meeting

10 April 2024

Separate Attachment

This attachment relates to Item 8
in your Agenda

Separate Attachment 8.1–
2024-34 Long Term Plan Consultation Document

Tā mātou mahere tekau tau
Our ten year plan

have your say

Marlborough District Council
Consultation document

Mahere wā roa 2024 - 2034
Long term plan 2024 - 2034

MARLBOROUGH DISTRICT COUNCIL

marlborough.govt.nz

Ngā Ihirangi
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Te haumi ki te anamata o Wairau, ki ō tātou tāngata, ki te kounga o te āhua noho, ki te taiao māori pai whakaharahara.

We invest in Marlborough's future, our people, quality lifestyle and outstanding natural environment.

Te kupu whakataki nā te Mea

Mayor's introduction

Council's mission statement is to "invest in Marlborough's future, our people, quality lifestyle and outstanding natural environment."

It's my job as Mayor to ensure Council has the plan in place to help Marlborough succeed - and that the plan is achievable, fair and affordable.

Every three years we update our 10 year Long Term Plan to take into account the changing needs of our district. We then take this plan out for consultation with our community - and with input from you we decide how much we'll spend on what, and what level of rates to set.

It costs around $180 million a year to run Marlborough and our proposed Long Term Plan 2024-2034, summarised in this consultation document, proposes to maintain the services you receive now. Compared to other regions, Marlborough continues to hold its own - many of our economic indicators reflect a resilient economy. Our proposed rates increase this year is below the average rates increases across the country at 12.58%, not including Sounds roading repairs. If those repairs go ahead as proposed, an additional 0.37% will apply, bringing this year's increase to 12.95%.

This Long Term Plan continues our strong capital expenditure programme with a focus on core infrastructure and public services - pipes in the ground, water treatment facilities and road maintenance. We propose to invest $1 billion over the next 10 years, $277 million more than our previous ten-year plan. With this we will ensure Marlborough does not go backwards but the people, economy and environment of Marlborough continue to progress and thrive.

Over the next ten years, Council's total assets increase from $2.4 to $3.6 billion, while peak net debt - at $290 million - is less than eight per cent of those assets' value.

Like most councils, we have faced challenges in preparing this plan: inflation, rising contract prices and insurance premiums, and the need to unwind the Covid Rates Relief fund. The fund is in effect a subsidy set up in 2020 to keep rates below the cost of inflation whilst we dealt with the immediate impacts of Covid.

Marlborough has experienced the added challenges of the 2016 earthquake and the 2021 and 2022 storms, the latter causing hundreds of millions of dollars of damage to our roading network, particularly in the Sounds. These events depleted our Emergency Events Reserve fund. It's vitally important we're prepared for any future emergency so a new general rate to replenish this reserve, starting in 2026, is proposed.

Upgraded stop banks for Spring Creek - which were also damaged by those emergency events - will also provide future protection for that community and key transport links including SH1 and the rail line.

One of the biggest challenges in this LTP is how to fund our $104 million local share of the $230 million repair and improvement bill for the Marlborough Sounds transport network.

The New Zealand Transport Agency Waka Kotahi (NZTA) board signaled it would pay 71% of the cost of repairs, and 51% of road improvements, subject to further detailed design work, after they considered the Programme Business Case prepared by engineering company Stantec for Council last December. Council is now proposing five options on how Marlborough ratepayers contribute our share of the funding, ranging from do nothing, which means NZTA will not release its funding; split the cost across the Sounds ratepayers (excluding Waitohi Picton and Havelock); depending on repair costs in each zone with the amounts recovered from non sounds and Sounds Admin Rural being based on a lesser weighting.

Council's preferred option is to split the cost across different zones within the Sounds, and the rest of Marlborough would also contribute, although at a lesser rate per household, via a uniform annual charge rather than through each property's land value. Once we've heard from you, the public, and have finalised our funding plan, we can get on with the job of fixing the roads.

More details about the Sounds roading proposals are on page 14.

In some areas we're proposing a modest increase in services to enhance community satisfaction and wellbeing and provide solutions to local issues. These include resurfacing the Riverside Park boardwalk, sediment removal in the Taylor and Ōpaoa rivers, a new pavilion for A&P Park, a new Arts, Culture and Creativity Strategy and continuing the successful Small Townships Programme. We're also proposing additional funding for the Marlborough Museum and Edwin Fox Visitor Centre.

Help us to shape Marlborough's future – and how we get there together.

Public input is key to a good plan - we need everyone's help in shaping Marlborough's next ten years and beyond.

This consultation document outlines our priorities for the next decade, which affect our rates, debt and levels of service to the community. Please take the opportunity to have your say - details of how to submit are on page 8.

Help us to shape Marlborough's future - and how we get there together.

Nadine Taylor
Mayor of Marlborough

Whakaputaina ōu whakaaro

Have Your Say

I tēnei tuhinga e marohi ana te Kaunihera i ngā mahi e whakamaheretia ana e mātou hei tuku ki tō tātou hapori ā roto i te 10 tau e heke mai ana.

In this document Council is proposing what we plan to deliver for our community over the next 10 years.

Submissions are open from 11 April to 13 May 2024 for your feedback.

All local authorities are required by the Local Government Act 2002 to prepare a 10-year Long Term Plan every three years, outlining the what, when and how of their planned spending over the next decade.

This consultation document sets out a plan for our works and services, budgets and rates for the next 10 years, but with a particular focus on the next three years. These updates ensure our Long Term Plan remains relevant, accurate and moves us towards our shared community outcomes and aspirations.

One issue outlined in this document meets the criteria for formal consultation defined in Council's Significance and Engagement Policy under the Local Government Act - how to fund the Marlborough Sounds roading repairs and improvements. Please note however we are keen to hear your view on any Council activity in our Long Term Plan.

Please go to links.marlborough.govt.nz/LTP to read the full document and access underlying information.

11 Āperira
11 April

Ka tuwhera te whakawhiti kōrero tūmatanui

Public consultation opens

11 o Āperira ki te 13 o Mei
11 April - 13 May

Wā tāpaetanga

Submission period

13 o Mei
13 May

Ka kati te whakawhiti kōrero i te 5 i te ahiahi

Consultation closes at 5pm

10 ki te 21 o Hune
10 to 21 June

Ngā rongonga tāpaetanga

Submission hearings

24 Hune
24 June

Ka whai whakaarohia ngā tāpaetanga e te Kaunihera

Council considers submissions

31 Hūrae
31 July

Ka whakaaetia te mahere whakamutunga, ka whakaritea ngā tāke kaunihera

Adoption of final plan and rates set

1 Ākuhata
1 August

Ka whai mana ngā tāke kaunihera hou, ā, ka whai mana te Mahere Wā Roa

New rates and Long Term Plan comes into effect

He aha ngā kaupapa hira ki a koe?

What matters to you?

The online form is the quickest and easiest way to make a submission

Simply go to marlborough.govt.nz and follow the online prompts

Hei whakarite kia whai wāhi mai tō reo, ko te rā whakamutunga me mātua whiwhi mātou i tō whakahokinga kōrero ko te 13 o Mei 2024.

To ensure your voice is counted, we need your feedback no later than 13 May 2024.

Scan to go to the Have Your Say page

Contribution to decision-making by Māori

E herea ana ngā kaunihera katoa ki te tūhono ki a ngāi Māori me te whakatairanga i ngā ara wātea kia tāpae a ngāi Māori ki ngā tukanga mahi whakatau.

All councils are required to engage with and promote opportunities for Māori to contribute to decision-making processes.

This requires relationships of mutual respect, cooperation and goodwill. Council is steadily enhancing its knowledge, comprehension and application of partnership.

Several initiatives are underway at both staff and Council levels to ensure that our decision-making processes - including for this Long Term Plan - provide opportunities for iwi to contribute.
Go to: links.marlborough.govt.nz/LTP

An historic relationship agreement - Together Te Tauihu - was signed in December 2023 by the eight tangata whenua iwi of the Top of the South, with the mayors of Marlborough District Council, Nelson City Council and Tasman District Council. Together Te Tauihu sets out partnership principles and review mechanisms.

Marlborough's tangata whenua iwi have signed deeds of settlement with the Crown to address breaches of Te Tiriti o Waitangi. The historic claims of each have now been settled. Council recognises and respects the Crown's responsibility to honour Te Tiriti.

Me pēhea e tuku tāpaetanga

How to submit

have your say

Online form

Go to links.marlborough.govt.nz/LTPForm and follow the online prompts.

Email

Please send your submission to: ltp@marlborough.govt.nz

Hard copy

A hard copy of our submission form can be printed from our website, or collected from Council's Blenheim or Waitohi Picton offices, or Marlborough District Libraries. All hard copies must be returned before close of business on 13 May.

E rāhiri ana te Kaunihera i ō whakahokinga kōrero – he mea nui kia whai wāhi mai te hapori me te āwhina ki te hanga i te anamata o Wairau.

Council welcomes your feedback. It's important that the community participates and helps shape Marlborough's future.

Each section of this document features questions for your consideration. These questions can be found in the submission forms, available online, with hard copies available at Council offices.

All submissions, including names and contact details, will be available to Councilors and the public through Council's website. We're keen to hear your views on our 10-year budget proposal. If you'd like to speak to Council about your views, please tell us on your submission and Council will contact you to arrange a time for a public hearing.

Please make your submission from 11 April to 13 May. Submissions will be heard by Council on 4 to 6 June and the Long Term Plan adopted on 27 June New rates become effective on 1 July.

Excluded from this consultation

The new Government's "Local Water Done Well" initiative has been excluded from consultation.

While this initiative could have the potential to impact on Council's future ownership of three waters infrastructure, related debt and the future funding of three waters delivery and investment, the legislation necessary to facilitate any changes has not been enacted. As a result, there is significant uncertainty as to the final shape of these reforms and their potential impact on Council. It is expected that "Local Water Done Well" will be implemented by progressing two bills through Parliament, with the first bill being passed by the middle of 2024.

Financial and infrastructure strategies

In addition to existing and new levels of service provided by Council, this consultation document also includes summaries of two key strategies. The Financial Strategy provides a 10-year outlook and the Infrastructure Strategy provides a 30-year outlook. Infrastructure is Council's core service, delivering it for today while planning for future generations.

This strategy considers key challenges over the next three decades, from climate change to population growth, and how Council will maintain and grow its infrastructure to overcome these challenges. For more on this strategy, visit page 51.

Council must manage its revenue, expenses, assets, liabilities and general financial dealings prudently, and in a manner that promotes the current and future demands of the community. As a result, the Financial Strategy is an important component of the Long Term Plan that demonstrates, in financial terms, how Council will meet these growing demands.

In this consultation document, we outline our proposed initiatives to deliver our goals and aspirations as a community. For a detailed view of key projects and operating expenses in the 2024-2034 Long Term Plan, please see the 26 February 2024 Council Budget Meeting Agenda and other supporting documentation on Council's website.

How much our key activities cost per household per day on average

$1.49
Roads and Footpaths

65cents
Flood Protection

$1.11
Environmental Management

$1.39
Community Facilities

$1.21
Water Supply

$1.02
Sewerage

46cents
Waste/Recycling

Ngā huarahi whānui
General Roading

Roading is the biggest item of Council expenditure at around 20% of its budget, including maintenance, renewals and improvements to roads, footpaths, bridges and drainage.

Roading expenditure is broken into three categories - maintenance, renewals and capital expenditure (known as improvements). Council's roading programme is split into two categories - subsidised and unsubsidised. Subsidised expenditure attracts a subsidy from NZTA. The current subsidy for Council's standard roading programme is set at 51% .

This Long Term Plan proposes increasing Council's transport funding by $27.5M over the next three years.

Maintenance

The NZTA Waka Kotahi subsidised roading programme is funded in a three-year block and called the 2024/27 National Land Transport Programme (NLTP). The 2024/25 year is the first year of the new NLTP. A bid has been submitted by Council to the 2024/27 NLTP funding round requesting $76.4M for the Marlborough district.

Council will not know if it has been successful with its bid until 1 September 2024. Early indications from NZTA are that the national Local Road Maintenance Allocation has been considerably oversubscribed by council bids. This means that the Government will need to provide additional funding or councils' proposed maintenance programmes across New Zealand will have to be cut to meet budget.

The total subsidised maintenance programme is $9.7M for 2024/25. The main items are:

- Sealed pavement maintenance - $2.18M
- Unsealed pavement maintenance - $743k
- Environmental maintenance - $991k
- Network services maintenance - $1.17M
- Footpath maintenance - $542k
- Network and asset management - $2.06M

Within Council's roading budgets is an allocation of $15.39M for emergency works. This is made up of $13.9M to complete Stage 1 and 2 storm repairs, as well as $2M for the Emergency Works Reserve, which will fund Council's share of any emergency works that might occur in the coming year.

NOTE: The individual project costs contained in this Consultation Document are uninflated. The reason for this is that it enables ratepayers to form a view on the projects' value based on their current incomes, i.e today's dollars.

For the significant Sounds Roading Funding project, again the project costs are uninflated, but the proposed rates requirements are.

Also inflated are the future proposed rates and financial statements. The final Long Term Plan will be produced with fully inflated costs included.

1. Renewals

The subsidised renewal programme total budget for the 2024/25 year is $14.28M.

The main items are:

- Unsealed road metalling - $2.41M
- Sealed road resurfacing - $5.82M
- Sealed pavement rehabilitation - $1.96M
- Structural component replacements - $449k
- Drainage renewals - $1.7M
- Footpath renewals - $581k
- Traffic services renewals - $788k

The main unsubsidised renewals are:

- Cycle facilities - $622k
- Seal extensions - $320k

Capital improvements

The only major roading capital improvements proposed in this Long Term Plan are for bridges. There is $1M budgeted in 2026/27 for design for the replacement of Blenheim's High Street bridge and $13M in 2028-30 for its construction. There is also $6.5M budgeted in 2030/31 for an additional crossing of the Taylor River in Blenheim.

Subsidised capital improvements are generally funded under the 'Low Cost, Low Risk' (LCLR) work category, which allows funding of projects up to $2M without the need to go through the NZTA business case process.

In the past this category was known as Minor Safety Projects and its focus was on road safety improvements. However, with the reclassification of the category all roading projects, including for walking and cycling, are eligible. The LCLR budget is also a three-year programme that aligns with the 2024-27 NLTP. The proposed budget for the coming three-year programme is $6.08M

Significant items over the period are:

- Speed management plan and implementation - $2.0M
- Kent Street, Waitohi Picton revocation works - $800k
- Kent Street, Waitohi Picton footpath and cycleway improvements - $250k
- Various seal widening projects - $600k
- Elmslie Bay jetty replacement - $1.0M

In addition $1.9M is allocated for Blenheim and Waitohi Picton CBD improvements in 2024/25.

have your say

Te marohi
The Proposal

- Do you support the proposal to increase transport funding by $27.5M over the next three years?

In the submission form you will be asked to indicate whether or not you support the proposal. You can also provide comments and explain your preferred outcome if you do not support the proposal.

Me pēhea e tuku tāpaetanga
How to Submit

Online: Go to links.marlborough.govt.nz/LTPForm and follow the online prompts.

Email: Please send your submission to: ltp@marlborough.govt.nz

Hard copy: Can be printed from our website, or collected from Council's offices or Marlborough District Libraries. All hard copies must be returned before close of business on 13 May.

Te pūtea mō ngā Huarahi Sounds

Sounds Roading Funding

This section of the Consultation Document seeks your input on the options available to fund safe and resilient long-term access solutions for the Marlborough Sounds transport network. It outlines key background information, the process followed by Council to date and the objective that Council is seeking to achieve. It also assesses the various funding options available to Council to achieve that objective, and their associated impacts on rates, debt and levels of service.

Severe weather events in July 2021 and August 2022 resulted in extensive damage to the transport network in the Marlborough Sounds. The damage led to closed roads, which left residents and businesses with limited or no vehicle access for prolonged periods, and in some cases no feasible, safe, long-term alternative access. While road access for residents has been reinstated (in some cases in a more limited form), the Sounds road network remains fragile in places.

Council embarked on the Marlborough Sounds Future Access Study (MSFAS) to identify options and the associated costs of safe and resilient long-term access solutions for the Sounds, both for itself and to support a business case that would seek funding assistance from NZTA Waka Kotahi and possibly other funders. Consulting, engineering and construction company Stantec led the development of the MSFAS. The NZTA Waka Kotahi business case process, based on Treasury guidelines, guides the study and Council was advised that a Programme Business Case (PBC) should be developed.

The purpose of the PBC was to identify the combination of activities (network repairs, replacement and improvements) that would represent the best-whole of life, value-for-money response to the case for change for the Sounds transport network.

The PBC development process took place over the course of ten months starting in November 2022.

The process included several key steps:

- Investment logic mapping
- Early engagement with iwi and affected communities
- Technical assessments
- Emerging preferred options and hazard adaptation pathways
- Economic case
- Further engagement with iwi and the community; and
- Development of commercial and management cases

The PBC was reviewed by an independent expert engaged by Council, who considered it fit for purpose. Council then endorsed the PBC and submitted it to NZTA Waka Kotahi for consideration in October 2023.

AUSSIE BAY, MARLBOROUGH SOUNDS

Council was advised by NZTA Waka Kotahi staff on 14 December 2023 that the PBC had been endorsed in full, and that applications for final funding could be submitted subject to more detailed design work, site investigations, option optimisation and a decision of the Council to proceed and provide its share of funding through the LTP process.

Final funding decisions will be able to be made by each of the respective funders following the conclusion of the LTP 2024-34 consultation and decision-making process, and more detailed site investigation, design and procurement work.

Budgets will be reconsidered at a minimum every three years and possibly annually as part of Council's normal planning processes. Budget changes may initiate amendments to the Sounds roading access cost allocation(s), depending on the final funding option adopted by Council.

The PBC needs to follow the key Business Case Approach (BCA) principles, developed by NZTA Waka Kotahi, of investing for benefits, fit-for-purpose effort, clarity of intent, progressive development and informed discussion.

The PBC identified the following Investment Objectives:

- Improve community and business resilience by providing travel alternatives
- Reduce frequency and duration of disrupted access; and
- Improve the resilience of the transport assets as well as proposing repairs to the Sounds Roading network.

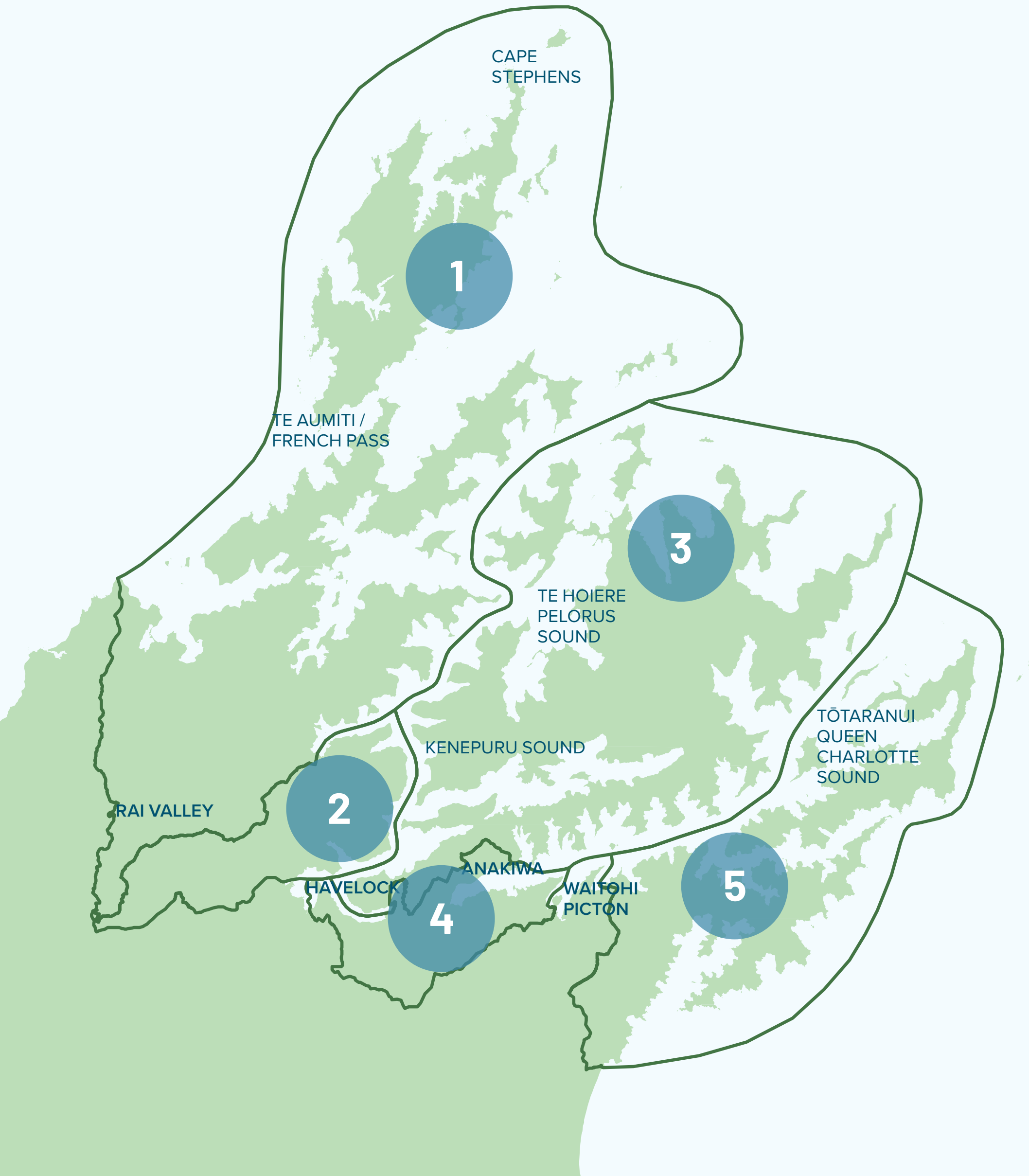
The PBC also proposed road and marine improvements. The road improvements are focused on resilience, to reduce the time the road is closed following storm events by:

- Improving the capacity of the roadside drainage systems. This includes improving capacity of side drains but also ensuring there are culverts with adequate capacity and improved culvert entries and discharges to ensure banks do not get damaged by scour.
- Where practical to stabilise uphill banks to reduce slips; and
- Provide adequate spoil sites so following storm events, roads can be cleared and opened quickly.

Marine Infrastructure improvements include:

- Protecting and upgrading Waitohi Picton and Havelock (primary hubs)
- Constructing a new arterial hub on the northern side of Kenepuru Sound (near Goulter Bay or Waitaria Bay)
- Protecting and upgrading Torea, Portage and Elaine Bay (arterial hubs); and
- Protecting and upgrading local hubs across the Sounds (Bulwer Bay, Cissy Bay, Penzance Bay, Duncan Bay, Double Bay, Fish Bay, Punga Cove, Te Mahia Bay and Moetapu Bay).

The MSFAS identifies five geographical areas, recognising their own distinct access issues:



1. Rai Valley to Te Aumiti / French Pass
   Ronga Road (Rai Valley), Tennyson Inlet, Croisilles-French Pass Road, Te Towaka-Port Ligar Road, Bulwer Road, including Rangitoto ki te Tonga / d'Urville Island and surrounding areas.
2. Te Hoiere / Pelorus - Kaiuma Bay Road
   including Daltons Road / Track and Te Hoiere Road and surrounding areas – Linked to Te Hoiere/Pelorus Catchment linking back to Te Hoiere/Pelorus River.
3. Kenepuru
   including Kenepuru Road, Moetapu Bay Road and the Outer Sounds.
4. Queen Charlotte Drive
   including Anakiwa Road (Havelock to Waitohi Picton).
5. Te Whanganui / Port Underwood
   and Tumbledown Bay roads to Rārangi campground.

The PBC is available on Council's website via the following link:
links.marlborough.govt.nz/MSFAS

Note: NZTA Waka Kotahi has already approved the funding of two tranches of expenditure totalling just under $140M at a Financial Assistance Rate (FAR) of 95% . Council's share (5% , circa $7M) has been funded by a combination of district-wide Infrastructure Upgrade and Emergency Events Reserves.

Funding

A three-step process has been followed to identify funding requirements and options:

- Determining the costs to be recovered
- Identifying the areas over which costs will be recovered; and
- Identifying different rating options to service the debt needed to fund Council's share of the cost of this project.

Step 1: Determining the costs to be recovered

- Council has relied on the peer reviewed cost estimates initially provided by Stantec as part of the preparation of the PBC for NZTA Waka Kotahi.
- Council has also relied on the PBC's categorisation of expenditure between repairs, improvements, marine and strategy studies, noting that strategy studies are subsequently allocated to zones based on their expected expenditure levels.
- Cost estimates for the work required in the five geographic areas is identified in the PBC (in $M) for:
  - Te Aumiti/French Pass
  - Te Hoiere/Pelorus
  - Tōtaranui/Queen Charlotte
  - Kenepuru
  - Te Whanganui/Port Underwood

The cost of Sounds Wide Studies identified in the PBC has been allocated to the five geographic areas in proportion to the amounts proposed to be spent in each area on 'Road Improvements' and 'Marine Improvements'

Allocation of Sounds wide study costs to Zones based on projected expenditure	Road Repairs	Road Improv	Alloc of Study	Total Imp	Marine Improv	Alloc of Study	Total Imp	Total Rds & Marine	Total
Sounds Wide Studies		3.00	-3.00		6.75	-6.75		0.00	0.00
Te Aumiti/French Pass	25.12	15.00	1.00	16.00	9.00	1.84	10.84	26.84	51.96
Te Hoiere/Pelorus	1.93	4.00	0.27	4.27				4.27	6.20
Tōtaranui/ Queen Charlotte	13.52	6.00	0.40	6.40	6.00	1.23	7.23	13.63	27.15
Kenepuru	90.80	12.00	0.80	12.80	18.00	3.68	21.68	34.48	125.28
Te Whanganui/ Port Underwood	10.63	8.00	0.53	8.53				8.53	19.16
Total	142.00	48.00	0.00	48.00	39.75	0.00	39.75	87.75	229.75

The estimated share of the total (uninflated) cost between Council and NZTA Waka Kotahi is as per the table below:

	Council	NZTA	Total
Studies	8.22	1.53	9.75
Road Repairs	41.20	100.80	142.00
Road Improvements	21.80	22.70	44.50
Marine Improvements	33.50		33.50
	104.72	125.03	229.75

The rates funding options contained in this Consultation Document and the associated overall funding impact cover the 10 years of the 2024-34 Long Term Plan or $177.78M of the $229.75M of the total project cost. As a result, after 2024-34 further funding and rates increases will be required, but at a smaller level, as the annual value of work drops significantly compared to the programme up to June 2027.

In addition, it's assumed that the cost of future years' work will face inflation as forecast by BERL as part of the standard inflation forecasts it supplied in October 2023. The BERL forecasts are used by virtually all local authorities to prepare the 10-year financial forecasts contained in their LTPs.

NZTA Waka Kotahi will provide financial assistance at the rate of 71% for Repairs, 51% for Improvements but none for Marine Improvements.

No allowance has been made for growth in property numbers or possible valuation changes resulting from triennial revaluation. If rates are used to fund the works, any increase in property numbers will act to reduce the overall rates and/or charges set out in this document. The financial modelling to date has been prepared on the basis that Council will debt fund its share of the costs, with repayment over 20 years at an assumed interest rate of 5.5%. The assumed interest rate is reviewed annually as are Council budgets via the annual plan process. Budget changes may initiate amendments to Sounds roading access cost allocation to individual Sounds access rating Zones.

NB. The uninflated numbers in the table above are slightly lower than those published in the Council's Budget reports on 26 February 2023 because $5M of the Sounds roading repairs programme has now been included in Tranche 2 funding, with a 95% NZTA financial assistance rate.

Step 2: Identifying the areas over which costs will be recovered.

To assist in this process a set of principles for determining whether or not a property should be in a Zone and if so, what Zone, have been developed. Principles are required because the general lines drawn on maps as part of the PBC do not provide the level of detail needed for rating purposes.

The principles are:

A. All properties should sit within the Zone of the road used to access that property.

B. Where practicably possible the boundaries to Zones will be based on either a ridge line, river or other relevant geographic feature that provides separation between Zones.

C. Where a geographic feature cannot be used as a boundary, the location of road faults will be used.

D. Where practicably possible the boundary of any Zone should align with property boundaries. Consistent with this principle, where the legal/surveyed boundary differs from the physical, the legal/surveyed boundary will prevail. The exception to this may be non-rateable DOC land where the size of the property may traverse geographic features. Where privately owned properties significantly traverse a geographic feature, an apportionment may be made as a last resort.

E. Waitohi Picton will be excluded to the beginning of Port Underwood Road in the east and 7 Gravesend Place on Queen Charlotte Drive in the west.

F. Havelock will be excluded until the Kaituna River on Queen Charlotte Drive.

A Smart Map has been developed which is available on Council's website. It identifies the respective Zones and can identify which Zone each property is in.

Step 3: Identifying different rating options to service the required debt

A number of different rating options to service the debt needed to fund Council's share of the cost of this project have been identified.

These are summarised below:

1. Do Minimum Option (not preferred by Council)

Under this option no further work - outside that undertaken already as part of Tranche 1 and 2 funding already provided by NZTA Waka Kotahi - will take place. The funding provided by NZTA Waka Kotahi was at 95%, with the balance financed from Council reserves.

The implications of this option are set out below.

Reduced funding requirements:

- Council will not have incurred additional debt to fund its share of the $230M (uninflated) project cost
- With no increase in debt to fund the Sounds Roading Recovery project, there will be no resulting increase in rates required for Council's share of the project costs.

Broader financial impact on Council:

- NZTA Waka Kotahi will not provide the additional funding indicated following its Board meeting of 12 December 2023, as per the PBC
- Levels of service for the wider Sounds transport network will not be restored to previous levels where practicable, and planned improvements, particularly to resilience of the Sounds roading network, will not occur
- The benefits identified in the PBC will not be realised for the community
- Improvements to the resilience of the transport network through the provision of marine alternatives will not occur

Overall, Council's proposal is that funding for the project works should be included in the Long Term Plan, and so this consultation document seeks feedback on how the debt needed for Council's share of the project cost should be funded.

2. Council to fund its share of the project works with various options considered on how to rate fund the required debt.

Council's proposal

As the Council's preferred option is that the full PBC project works should be completed, and included in the LTP 2024-34, four rates funding options have been identified to service the debt needed to meet Council's share of the project's cost. The tables included below show the relative impacts of these options, based on land values.

The rating options, in summary, are:

A. Apply a weighting of 100 for all properties in Marlborough (including Sounds Admin Rural).

b. Maintain the current rates weighting of 100 for all properties within the five Sounds Zones and a reduced weighting for the balance of Marlborough and Sounds Admin Rural properties.

c. A further developed weighting approach, but with Zone costs to be recovered at a Zone Level

d. Uniform Annual Charge for the remainder of Marlborough.

A broad analysis of options 2(a) to 2(d) follows.

Opouri Road Slip

2(a). Apply a weighting of 100 for all properties in Marlborough (including Sounds Admin Rural).

For all its activities Council uses a weighting system to allocate costs to its six Geographic Rating Areas and property types. Council's property types are Residential/Rural and Industrial/Commercial. The last time Council amended its weightings for Roads was in the 2018-28 LTP, where it was decided that all Geographic Rating Areas and property types would have a weighting of 100, except for Sounds Admin Rural which would have a weighting of 25. Sounds Rural Admin has no roads but does use Council's roading network when connecting to the rest of Marlborough.

Under this option a weighting of 100 is applied to all properties.

The key outcomes of this option are that:

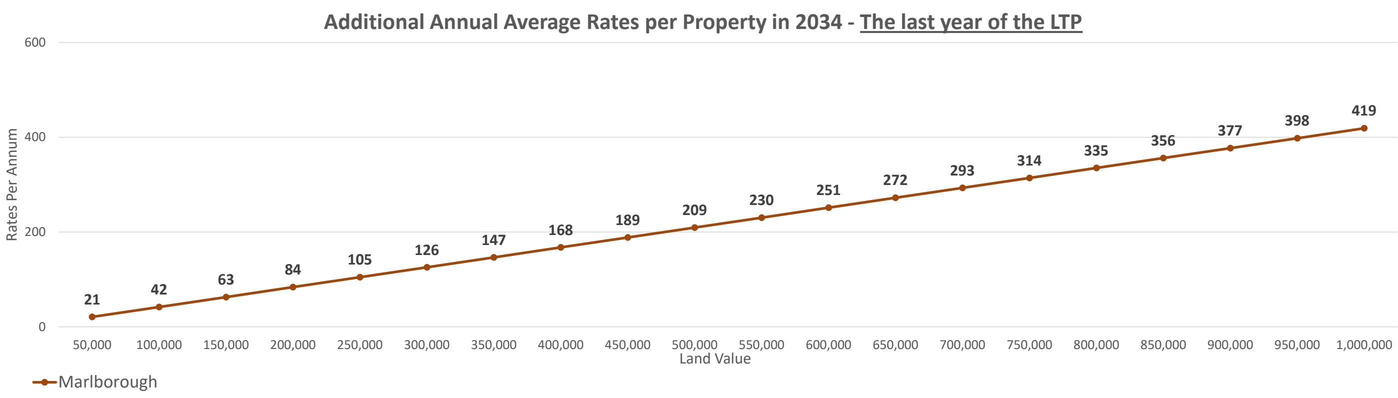
- Everyone is treated equally; and
- It is very similar to the current rating system, and application of the General Rate, where weightings are 100 for all Geographic Rating Areas, except Sounds Admin Rural which has a weighting of 25.

However,

- Sounds Admin Rural currently has a weighting of 25, because it has no roads and cannot benefit to the same level as other Sounds properties
- By applying an equal weighting across Marlborough, it does not recognise that areas outside the Sounds receive significantly different levels of benefit.
- It does not recognise that this is a unique event that is significantly larger than any previous emergency event, including the Kaikōura earthquake and could be assessed differently from day-to-day Roads activity funding

The table below identifies the projected average rates increase for each property in Marlborough for Sounds access Repairs, Improvements and Marine investments over the 2024 to 2034 years, if a 100 weighting was applied to all Geographic Rating Areas.

Average Rate (incl GST)	Properties	Jun 25	Jun 26	Jun 27	Jun 28	Jun 29	Jun 30	Jun 31	Jun 32	Jun 33	Jun 34
All Marlborough	26,787	13.74	49.94	98.25	152.17	229.61	258.09	265.92	273.92	282.05	290.35



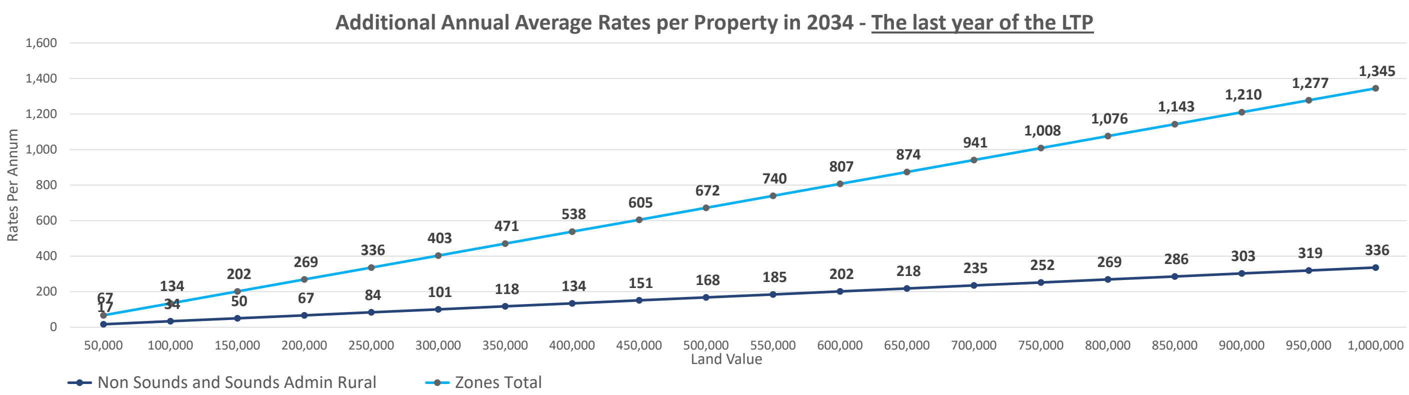
2(b). Maintain the current rates weighting of 100 for all properties within the five Sounds Zones and a reduced weighting for the balance of Marlborough and Sounds Admin Rural properties

This option attempts to address some of the potential issues of Option 2a in that it retains the current 100 weighting for all Zone properties but allocates a weighting of 25 to Sounds Rural Admin and Non-Sounds properties. The outcomes of this option are different from Option 2a in that it:

- Recognises Sounds Admin Rural receives a different benefit from the rest of Marlborough as it doesn't have roads.
- Recognises that Non-Sounds properties will only receive indirect different benefits as compared to Zone properties that receive full benefit of the project works.
- Has positioned Non-Sounds properties with a weighting the same as Sounds Admin Rural and yields a position where the average rate charged to Non-Sounds properties is less than the directly benefiting Zone properties.

The table below identifies the average projected rates for Sounds Zone properties verses other properties (with a weighting of 25 for Non-Sounds / Sounds Admin Rural) for the 2024 to 2034 years, as a result of the Sounds access repairs, improvements and marine investments. Applying a weighting of 25 to Non-Sounds properties will mean that those properties will contribute over 70% of the total project costs, because of the number and value of those properties.

Average Rate	Properties	Jun 25	Jun 26	Jun 27	Jun 28	Jun 29	Jun 30	Jun 31	Jun 32	Jun 33	Jun 34
Zones	3,039	31.91	116.01	228.21	353.47	533.33	599.48	617.67	636.25	655.13	674.41
Sounds Admin Rural	1,451	6.93	25.18	49.53	76.72	115.76	130.12	134.07	138.10	142.20	146.39
Non-Sounds	22,297	11.71	42.55	83.71	129.65	195.62	219.88	226.56	233.37	240.30	247.37



2(c). A further developed weighting approach, but with Zone costs to be recovered at a Zone Level

This approach builds on Option 2(b) in that it continues with the 25 weighting for Sounds Admin Rural and Non-Sounds properties. Where it differs is that the total project costs are apportioned and recovered from Zone residents directly, based on the total expected expenditure within each Zone. This means that the amount paid per annum by equally valued Zone properties would vary according to the total repairs, roading and marine improvements expenditure required within each Zone and the total land value in that Zone.

Compared to options 2(a) and 2(b) above, the outcome of this option is a better distribution of the costs to those who are the direct beneficiaries of the works, at an individual zone level.

However, that means Kenepuru property owners will pay a significantly higher proportion of the overall costs. It also means that ratepayers within Zones with lower levels of expenditure will pay less, as a proportion of the overall costs.

The table below identifies the average projected rates for each Zone for the 2024 to 2034 years, based on a Sounds Admin Rural and Non-Sounds residents weighting of 25.

2(d). Uniform Annual Charge for the remainder of Marlborough

This option is an extension of Option 2(b) in regards to non-Sounds properties.

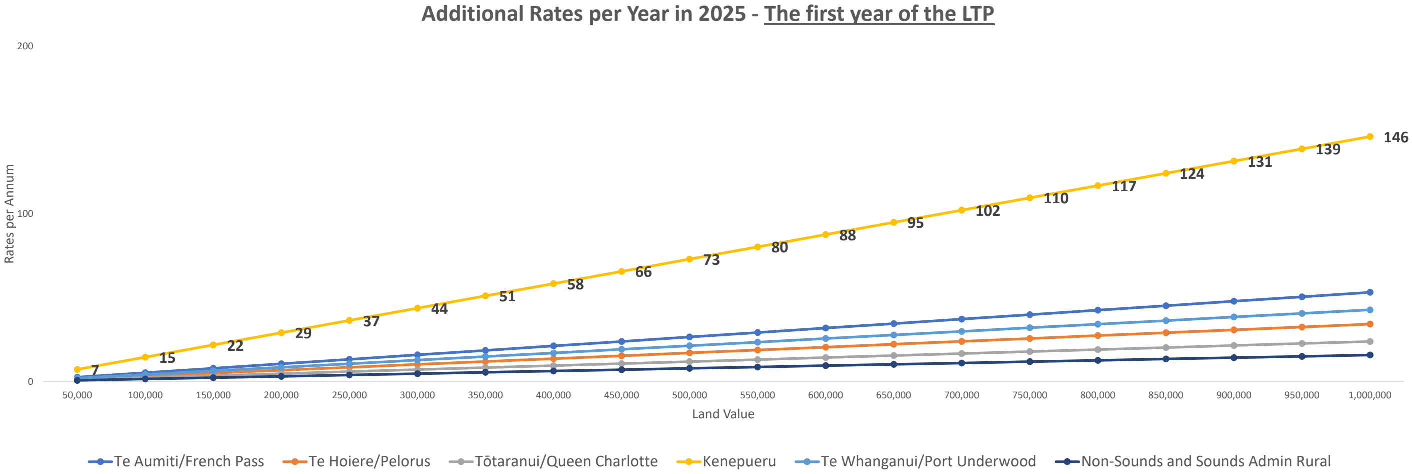
Option 2b proposed that the costs to be recovered from Non-Sounds residents are done so using land value rates. Option 2d proposes that costs are recovered from Non-Sounds residents using a Uniform Annual Charge (UAC). If a UAC were used, all properties in the Non-Sounds area would pay the same amount per annum. This option would mean that the potential funding implications for ratepayers, in association with the Sounds Roads Recovery Project, are not related to a property's size, use and value. As an example of how this would apply, a company that owned and operated a forestry block outside of the Sounds, and did not deliver product to the Sounds directly, i.e. it doesn't receive a benefit greater than a homeowner, would pay the same UAC as all other non-Sounds ratepayers (business or otherwise).

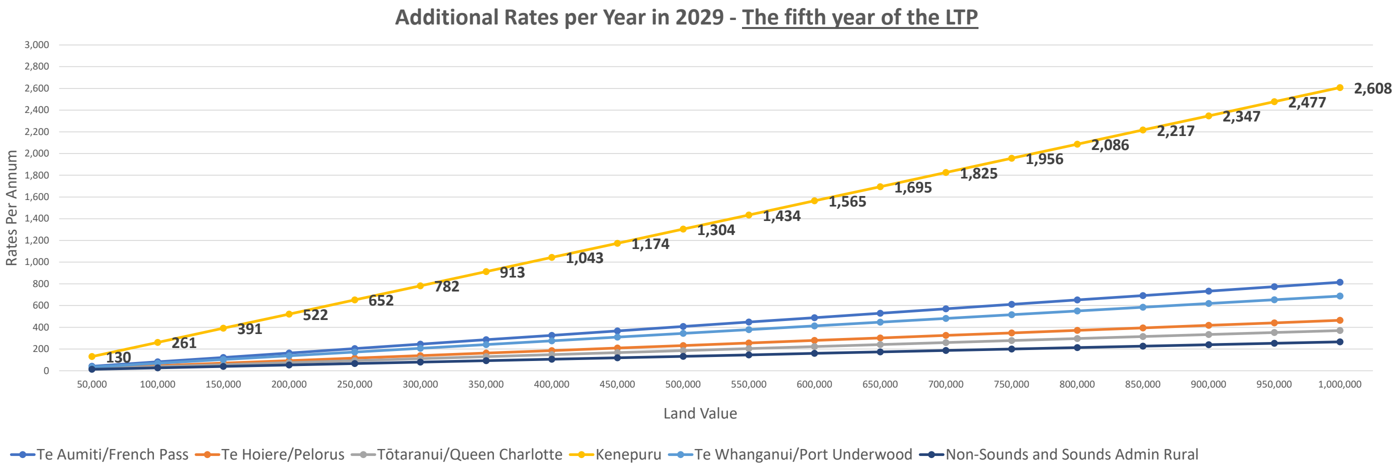
Under this option, the average value for Non-Sounds properties rates identified in the table above (for option 2(b) and 2(c)) becomes the UAC, i.e., starting at $11.71 in 2025 and rising to $247.37 for 2034.

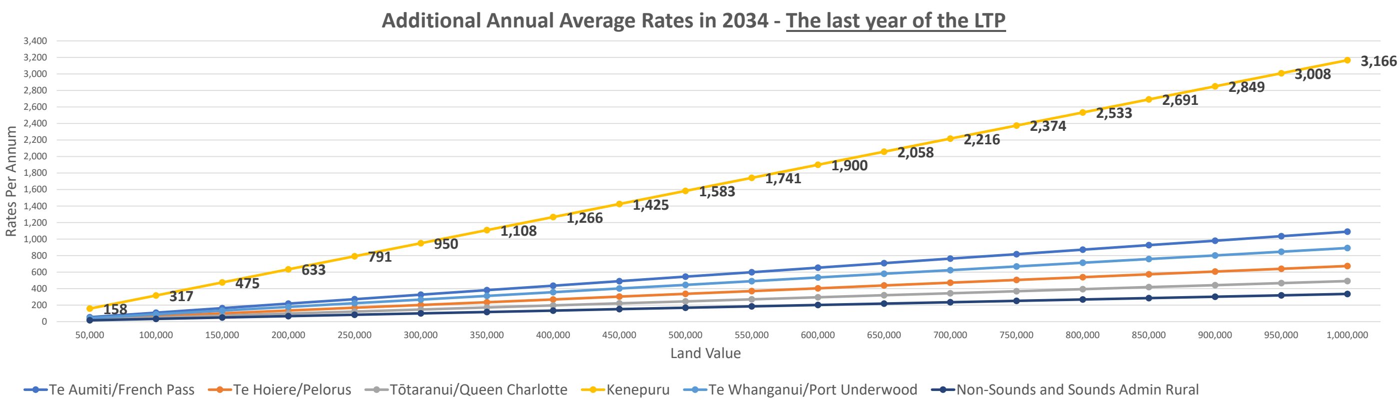
Average Rate	Properties	Jun 25	Jun 26	Jun 27	Jun 28	Jun 29	Jun 30	Jun 31	Jun 32	Jun 33	Jun 34
Te Aumiti/ French Pass	896	24.68	86.31	165.04	253.53	377.58	429.51	447.86	466.60	485.66	505.12
Te Hoiere/Pelorus	162	16.46	54.71	100.49	152.50	222.65	257.93	273.73	289.86	306.30	323.06
Tōtaranui/ Queen Charlotte	712	16.22	56.95	109.25	167.99	250.57	284.63	296.38	308.38	320.59	333.05
Kenepuru	930	56.49	211.63	425.06	662.23	1,008.34	1,124.00	1,148.32	1,173.18	1,198.39	1,224.15
Te Whanganui/ Port Underwood	339	23.95	85.50	166.01	256.17	384.24	434.24	449.85	465.80	482.02	498.58
Sounds Admin Rural	1,451	6.93	25.18	49.53	76.72	115.76	130.12	134.07	138.10	142.20	146.39
Non-Sounds	22,297	11.71	42.55	83.71	129.65	195.62	219.88	226.56	233.37	240.30	247.37

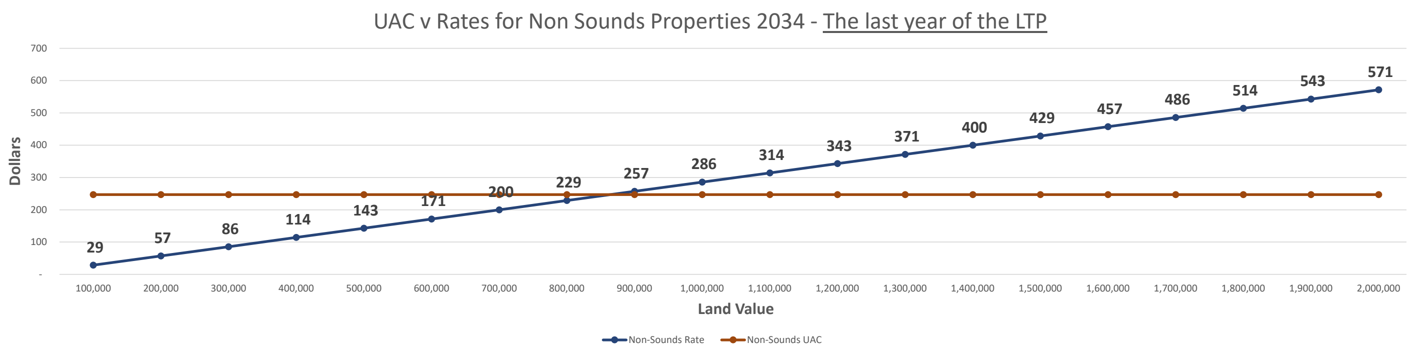
Rating implications based on land values

- Below are three graphs, showing the possible rates movement and UAC for Non-Sounds properties with a land value of up to $1M for the first, fifth and last year of the LTP, i.e. 2024/25, 2028/29 and 2033/34.
- One very important thing to note is that rates values shown in these graphs have been inflated by the BERL Local Government Cost Index which is forecast to increase by almost 30% over the ten years of the LTP.
- For example, for properties with a land value of say $5M, take the $500,000 value and multiply it by 10.

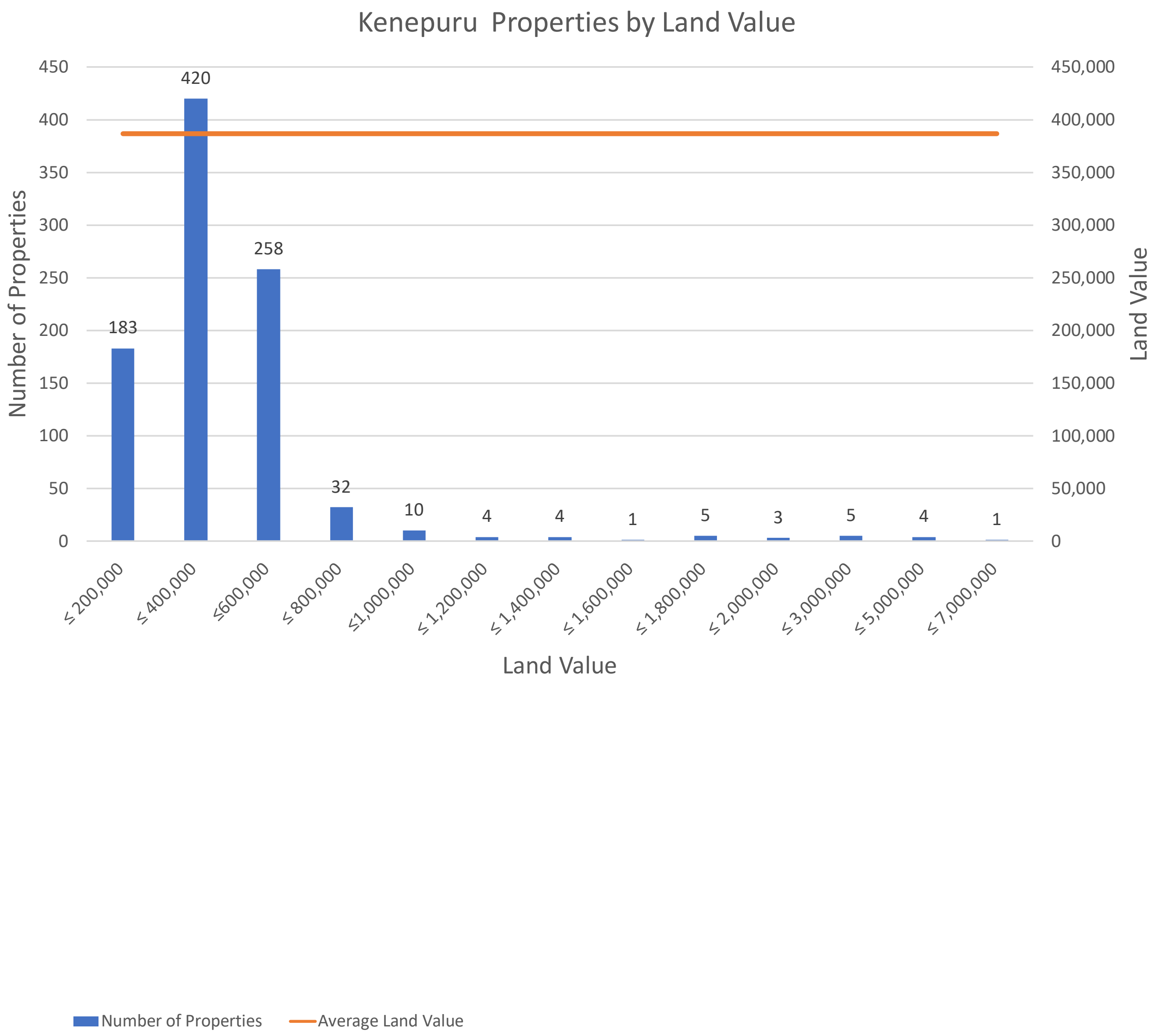








- The Kenepuru Zone area is higher than other areas, so it is important to understand the number of properties under each valuation grouping. The larger value properties are typically large farms and forestry holdings. For example, the highest valued property in the Kenepuru is a 1,472 hectare farm at the end of Kenepuru Road. Also, the majority of Kenepuru properties are valued at less than $600,000.



have your say

Te marohi
The Proposal

- Which of the above options do you support?

In the submission form you will be asked to indicate whether or not you support the proposal. You can also provide comments and explain your preferred outcome if you do not support the proposal.

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Three Waters

Council is continuing its extensive programme of investment in Marlborough's three waters infrastructure over the next decade, with a forecast spend of $442.7M over the next ten years.

Key projects include water supplies in Awatere, Seddon, Blenheim, Havelock, Waitohi Picton, Renwick, Riverlands and Wairau Valley, including upgrading pipelines, pump stations and wells to ensure they meet current needs. Drinking water improvements will continue with chlorination to be introduced in Blenheim and a new water treatment plant in Havelock, to ensure water meets national standards.

A new reservoir is planned for Dashwood, new wells are proposed north of Blenheim to increase resilience, and work is ongoing with Waitohi Picton's water supply, dams and reservoirs. Waitohi Picton is at the limit of its current two water sources. A new third source would be a substantial cost at $19.3M, which is budgeted for in 2033/34. Demand management using metering and using reclaimed water for non-potable uses is therefore considered a more cost-effective option, at least in the short term.

There will also be investment in sewage treatment plants and pump stations in Blenheim, Riverlands, Waitohi Picton and Renwick, plus a new sewage treatment plant for Havelock and a major upgrade for Seddon's plant.

Council is currently consulting with mana whenua iwi on an options evaluation process for the Blenheim Sewerage Treatment Plant consent application. Additional public consultation will take place as part of the consent application process.

Note: Project costs are uninflated.

Key water supply expenditure items include:

Blenheim

- $17.375M is budgeted for universal metering in 2028/30
- $4.63M is budgeted for new wells, investigations, land and design during 2024-32
- Pipelines for new wells are budgeted in 2030/32 at $9.75M
- $7.5M is allocated for a distribution pump station and treatment plant in 2032/33
- $4.0M is budgeted for chlorination and other treatment improvements in 2024/25
- $3.433M has been budgeted for pipeline upgrades over the period 2024/31
- $2.32M is budgeted for replacement of the Wither Road booster pump station in 2027/29.

Blenheim's water is sourced from nine wells located within the north of the town, in relatively close proximity to one another along the same flow path. This creates a risk if a contaminant source occurs as it could detrimentally affect all of the wells. The proposed alternative supply would be situated well away from the flow path that passes through the existing wells, providing security and redundancy.

Universal metering and charging for water have significant advantages. Households that use more, pay more. It also results in reduced leakage and increased water conservation by residents and reduces the need for investment in new infrastructure and further operating costs.

Riverlands

- Budget of $15.8M in 2024-26 is allocated to bring two new wells into operation with treatment meeting national drinking water standards.

Riverlands supply does not currently have treatment for protozoa or bacteria or chlorine disinfection. Water regulator Taumata Arowai has advised Council that treatment for bacteria and chlorine disinfection residual is required by 31 December 2024 and treatment for protozoa is required by 31 December 2025 for Riverlands.

If the current wells supplying water to Riverlands were to be retained, relatively complex treatment would be required to reduce the concentration of manganese in the supply to meet the drinking water standards. The preferred option therefore is an alternative source that is low in manganese, which simplifies treatment significantly. New wells have been drilled closer to Blenheim and testing shows they are suitable for supplying Riverlands.

Waitohi Picton

- A budget of $2.725M to meter all properties in Waitohi Picton and Waikawa in 2027/28. Given recent water restrictions, Council would like to bring this work forward and employ two additional staff to oversee the work programme.
- $1.5M has been allocated in 2024/25 for new wells, pumps and pipelines, and additional treatment
- $1.2M is budgeted to reline the cast iron pipe from Barnes Dam to Essons Valley in 2028-29
- $0.5M in 2026/27 to reduce leakage and improve water pressure in Waikawa.

Havelock

- $12.54M budgeted in 2032/33 sourcing an additional water supply and treatment. The current groundwater source is subject to saltwater intrusion in dry summers.
- $9.04M budgeted for a new water treatment plant and pipelines in 2024/26

Seddon

- $1.27M budgeted for the construction of a second reservoir in 2032/33.

Awatere Rural

- $2.15M budgeted in 2024/25 for water treatment to rural households that meets drinking water standards
- $1.086M budgeted for water main upgrades during 2025/34
- $1.27M budgeted in 2024/25 to replace the Lions Back tanks.

Key sewerage expenditure items include:

Blenheim

- $9M in 2026/27 for sludge management and treatment capacity upgrades at the Blenheim Sewerage Treatment Plant, taking industrial sludge out of the ponds system and reducing future desludging requirements.
- $30M for treatment in 2027/28, including an allowance for an upgrade for the next resource consent. It assumes a high standard of treatment so that effluent can be safely used for irrigation and other non-potable uses.
- $5M is budgeted in 2026/28 for pipelines to deliver highly treated effluent for reuse.
- $7.15M has been budgeted for effluent-to-land treatment in 2024/26
- $4.5M is allocated in 2028/29 to desludge Domestic Pond 2
- $4.41M is budgeted in 2024/26 for upgrading the Purkiss Street north pump station and pipelines
- $14.5M in 2025/27 for a New Main Terminal Pump Station (MOPS) in Alabama Road
- $6.69M in 2028/29 for a new Battys Road South Pump Station.

Havelock

- $19.71M during 2024/27 for a new sewerage treatment plant and construction of a new terminal pump station. The new plant will significantly improve the quality of effluent discharged into the Kaituna River.
- $6.025M in 2029/31 for a new effluent to land treatment system.

Waitohi Picton

- $8M for a reclaimed water treatment plant in 2028/29
- $3.41M for sewers in Waitohi Picton and Waikawa during 2027/29
- $2.31M for a new overflow storage tank in 2028/29
- $6.7M for a second aeration basin in 2030/31.

Seddon

- $6.99M is budgeted to upgrade Seddon's sewerage treatment plant in 2024/25. This will eliminate the discharge into Starborough Creek and includes treatment to land.

Stormwater

- $25.56M for stormwater infrastructure in Blenheim during 2024/29
- An additional $2.7M for the 'Option G' stormwater diversion and treatment in Springlands in 2024/25

have your say

Te marohi
The Proposal

- Do you support the proposal to invest $442.7M in Three Waters infrastructure over the next ten years?

In the submission form you will be asked to indicate whether or not you support the proposal. You can also provide comments and explain your preferred outcome if you do not support the proposal.

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Te ārai waipuke
Flood Protection

Council manages flood hazards and a network of rural drainage infrastructure, mainly on the Wairau River Plain around Blenheim and Renwick.

Council proposes to spend:

- $11.84M on stop bank maintenance, river gravel and rural stormwater management during 2024-27
- An additional $800k for sediment removal in the Taylor and Ōpaoa rivers during 2024-26

Note: Project costs are uninflated.

- An additional $8.7M for the repair, design and upgrade of primary stop banks along Peninsula Road, Spring Creek. The stop banks suffered damage during the Kaikōura earthquake and from flood events in 2021 and 2022.

Given the risk to infrastructure of national importance - both State Highway 1 and the South Island rail line are close to Spring Creek - this project has been submitted to the Government as part of the 'Before the Deluge' business case for co-investment. If successful it could receive a 60% contribution from the Government which would reduce rates and debt.

have your say

Te marohi
The Proposal

- Do you support the proposal to spend an additional $8.7M on stop bank upgrades in Spring Creek?
- Do you support the proposal to spend an additional $800k on sediment removal in the Taylor and Ōpaoa rivers?

In the submission form you will be asked to indicate whether or not you support the proposal. You can also provide comments and explain your preferred outcome if you do not support the proposal.

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Ngā Hanganga ā-Hapori
Community Facilities

Council owns and manages a variety of community facilities, including buildings, parks, reserves, playgrounds, toilets and walking tracks.

Council is seeking additional funding for the following projects over the next three years:

- New A&P Park Pavilion, Blenheim - additional $3.7M in 2026/28
- Auckland Street Skate and Basketball Park, Blenheim, upgrade - $191k in 2025/27
- Rutherford/Pickering Memorial - audio system and paneling upgrade - $80k in 2024/25
- Parks and Open Spaces maintenance inspection structures reports - $60k during 2024/34
- Barnes Dam Track, Essons Valley, safety audit - $15k in 2024/25
- Mt Takorika and Waterfall tracks, Havelock safety audit and plan - $20k in 2024/25

$2.195M of the costs will be funded by development contributions received through its Land Subdivision Account.

It's proposed that of the remainder - $1.93M - is funded via rates funded debt and $95k is funded from rates.

Note: Project costs are uninflated.

Freedom camping monitoring

Increasing numbers of campers are using Marlborough's freedom camping sites. Council's Responsible Camping Control Bylaw 2022, which came into effect on 1 May 2023, added six new sites to the previous five, giving 11 in total. A number of the new sites are more remote and require further travel to reach than previously.

Council is seeking $95k annually to contract a freedom camping monitoring service previously funded by government. Council will continue to maintain its educational focus for visitors, which has worked well with few complaints and low infringement numbers.

Public convenience renewals

Council operates 71 public toilet facilities across Marlborough. They vary widely in location,format, age and use demand. 46% of the facilities are located within urban areas and are fully reticulated. The remaining 54% are located in rural, small town or remote locations and connected to in-ground septic wastewater dispersal systems or wastewater containment tanks, which are pumped out as required.

Public toilet upgrades are proposed over the next 10 years at Horton Park, Oliver Park, Pollard Park and Fairhall Cemetery. Council also wishes to build 12 new facilities at a range of locations including the Taylor River Reserve, Blenheim Mountain Bike Park, Omaka Cemetery, Havelock Domain, Ward and Endeavor Park, Waitohi Picton, through debt funding of $1.48M.

Full details on the toilet facilities proposal is contained in item 4.14 of the Council's Budget report of 26 February 2024.


WHAREPAKU
TOILETS

Riverside Park, Blenheim boardwalk resurfacing

Due to recurring flood events and aggradation (siltation) of the Taylor River bed in recent years, the wooden boardwalks have begun to rot in places.

It's proposed to replace the timber boards with recycled plastic boards and upgrade the lighting and cabling at a cost of $494k (reserve funded) in 2025/26.

Cost increase to open spaces contract

Council proposes additional funding of $249k per year from rates to meet the increased cost of the Parks and Open Spaces Maintenance of Carpark Plots and Trees contract.

have your say

Te marohi
The Proposal

1. Do you support the proposal to increase funding for community facility projects?
2. Do you support the proposal to fund freedom camping monitoring?
3. Do you support the proposal to upgrade and build new toilet facilities?
4. Do you support the proposal to resurface Riverside Park boardwalk in Blenheim?
5. Do you support the proposal to increase funding for Council's open spaces contract?

In the submission form you will be asked to indicate whether or not you support the proposals. You can also provide comments and explain your preferred outcome if you do not support the proposals.

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Ngā utu whakatū waka – Te Waiharakeke

Parking Charges – Blenheim

Parking in Blenheim's CBD is showing high occupancy levels in central off-street car parks - at 82% - and consistently low levels in off-street parking on the CBD fringe, at 18%.

Council proposes to change time limits and adjust tariffs to distribute parking more evenly across the CBD. This has dual benefits of freeing up spaces in the central CBD for retail and business activity while incentivising cheaper options for all day parking on the edges of the CBD. Kerbside (on-street) parking has an occupancy rate of 90% with an average length of stay of 54 minutes.

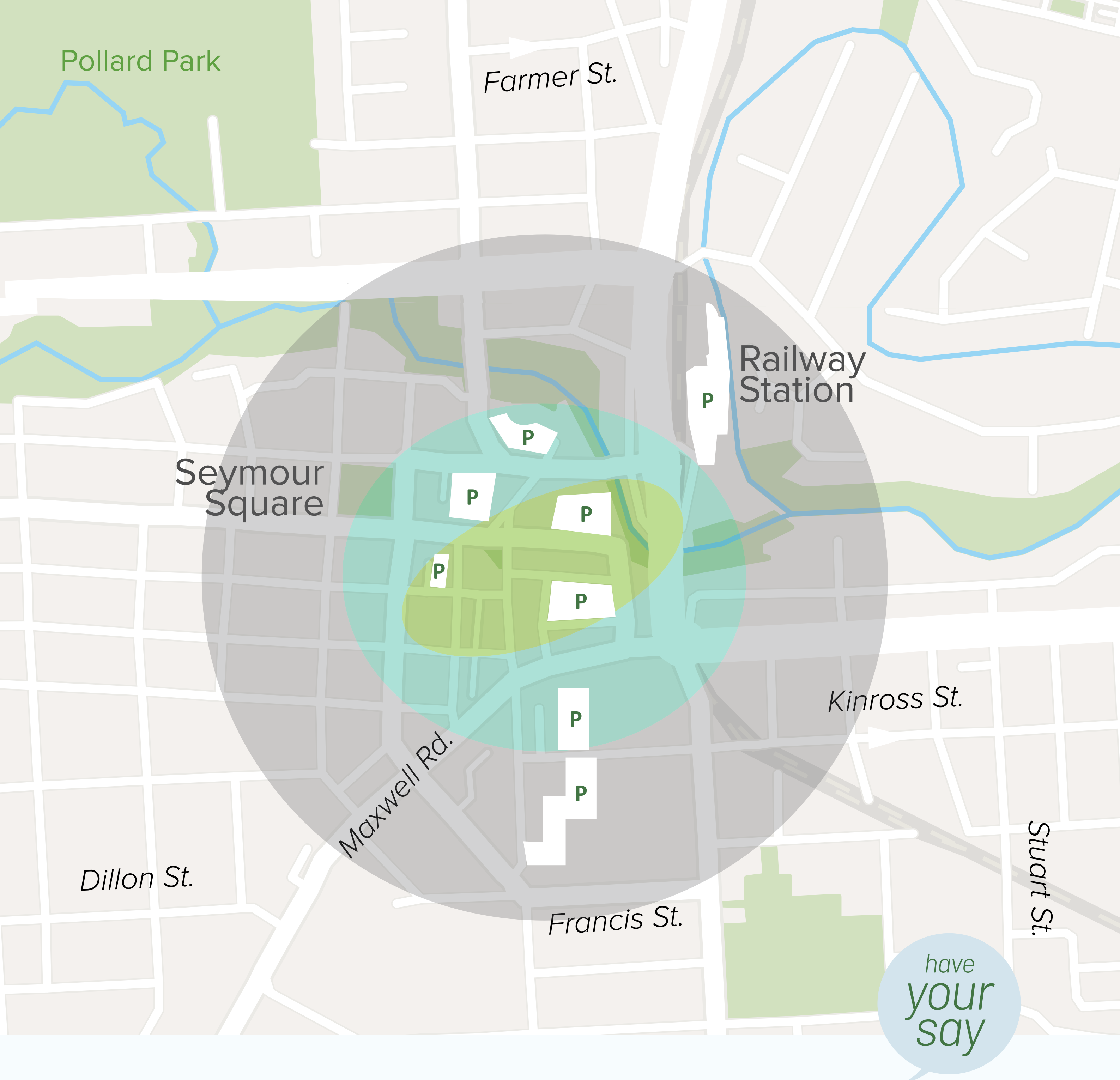
The following changes are proposed:

- High, Wynen and Queen streets off-street car parks (Zone A) would be time limited to four hour parking and the fee increased to $2 per hour, from $1.20. The first hour free would apply.
- Clubs of Marlborough, Kinross Street and the Alfred Street Parking Building off-street car parks (Zone B) would be all-day parking with the tariff increased to $1.50 per hour and $6 per day. The first hour free would apply
- Railway Station and Scott Street off-street car parks (Zone C) would remain as all-day parking and the tariff reduced to $1 from $1.20 per hour and $4 per day from $4.80. The first hour free would apply.

Time limits for on-street parking would remain unchanged with the tariff increasing to $2 from $1.80 per hour. The rates for leases and permits would be adjusted to align with the maximum all-day rate. Blenheim on-street (kerbside) parking tariff to increase to $2 from $1.80 per hour. The first hour free would apply.

Parking in Blenheim's CBD is proposed to be split into three zones

- Zone A (Yellow) - High, Wynen and Queen streets' car parks
- Zone B (Blue) - Clubs of Marlborough, Alfred Street parking building and Kinross Street car parks
- Zone C (Grey) – Railway Station and Scott Street car parks



Te marohi
The Proposal

- Do you support the proposed changes to parking times and tariffs for Blenheim's CBD?

In the submission form you will be asked to indicate whether or not you support the proposals. You can also provide comments
and explain your preferred outcome if you do not support the proposals.

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Ngā Toi, te Ahurea me ngā Taonga Tuku Iho
Arts, Culture and Heritage

Marlborough has the ingredients to be a highly successful creative region with talented artists and arts educators, high quality community facilities and visitors who want to experience the unique culture we have to offer. In Marlborough the creative sector contributes $78.6M to the region's GDP each year.

The new Arts, Culture and Creativity Strategy is designed to support and foster creativity here. The development of the strategy has been a collaborative process involving consultation with the creative sector.

To read the strategy and implementation plan, go to links.marlborough.govt.nz/MDCarts

- Council is proposing $200k (rates funded) over four years to help build a flourishing creative community

Council is also proposing:

- Marlborough Museum - additional funding for digitisation and IT upgrades - $118k in 2024/25 and $40k per year over 10 years (reserves and rates funded)
- Marlborough Public Art Gallery – additional funding of $30k operational expenditure a year from 2024/25 and $25k per year for art collection maintenance and management (both rates funded).

have your say

Te marohi
The Proposal

- Do you support the proposal to implement a new Arts, Culture and Creativity Strategy for Marlborough?
- Do you support the proposals to provide additional funding to the Marlborough Museum and Marlborough Public Art Gallery?

In the submission form you will be asked to indicate whether or not you support the proposals. You can also provide comments and explain your preferred outcome if you do not support the proposals.

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Ngā Tāke Kaunihera
Rates

A key Council priority is to keep rates as fair and affordable as possible, while delivering the level of service that Marlborough needs. Council has prioritised, explored ways to keep costs down, and scheduled a programme of work in the coming years that reflects the needs of our community.

Unfortunately, maintaining the levels of service requested by the community and required by the Government costs money. With a proposed rates increase of 12.95% this is higher than Marlburians are used to. However, to put it in context, the proposed rates increase is in the bottom half of known rates increases by other councils across the country.

In attempting to understand whether the proposed rates increase is fair, it is important to understand the steps Council takes to get there.

The first is reviewing levels of service. Council, consistent with the expectations conveyed by the community, has decided to maintain its existing levels of service.

The cost of these levels of service forms the base budget considered by Council and yielded a possible rates increase of 7.79%. To this must be added the already consulted upon 0.68% for the introduction of wheelie bins for kerbside waste and recycling collections.

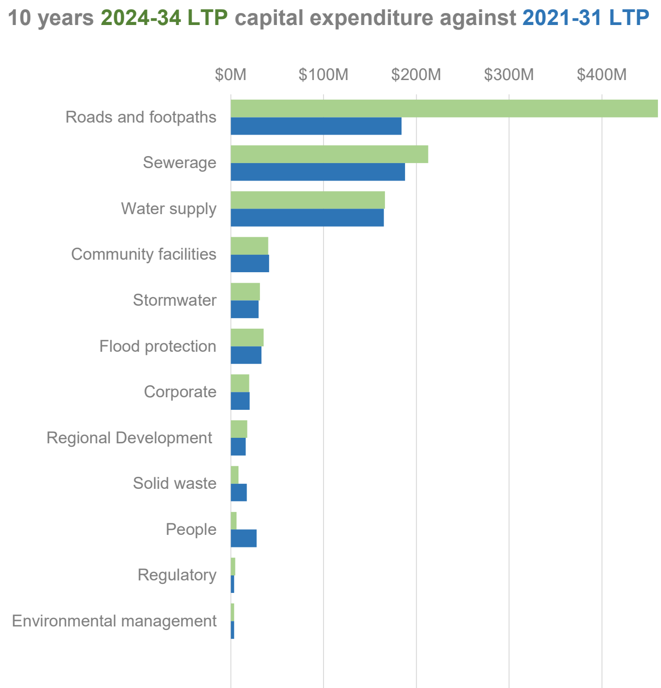
What are the key drivers for the increase?

Kerbside waste and recycling collection

The provision of this already consulted upon service generates a 0.68% increase in total rates.

Capital expenditure

This 10-year plan's proposed capital expenditure budget is $1.006B (inflated), including $170M for the Marlborough Sounds roads recovery, which is $277M higher than the $729M budgeted in the 2021-31 LTP. The graph below shows where Council is proposing to spend this additional funding. The majority will be spent on Council's core activities - roads and footpaths, sewerage, water supply, flood protection and community facilities.



Central Government

New Government regulations impact virtually every aspect of Council. The exact dollar value of these additional costs is difficult to quantify as they impact the whole of Council, including 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.

While the new Government has signaled that it will undo many of the previous Government's reforms, these are likely to be replaced by alternate reforms and Council needs the ability to respond to them. Council has no control over these additional requirements.

Inflation

The majority of councils in New Zealand, including Marlborough, use inflation projections prepared by Business and Economic Research Ltd (BERL), which takes into account the rising costs of the materials and labour required for infrastructure construction and maintenance. These are consolidated into an overall Local Government Cost Index (LGCI). The LGCI differs from the Consumer Price Index (CPI) in that it forecasts the movements in bitumen, diesel, concrete and other costs specific to local government. The CPI measures household goods prices such as food, clothing and housing. Inflation is a significant portion of the proposed rates increase over 10 years of the Long Term Plan. For 2024/25, the LGCI is 2.9% and it's projected to rise by at least 2.2% every year.

Interest rates

We are currently in a high interest rate environment, with an OCR as determined by the Reserve Bank at 5.5%. This compares with the OCR of 0.25% on 14 April 2021. Council has assumed an interest rate of 5.5% for the entire period of the Long Term Plan, but will review this rate annually.

Levels of service and fee increases

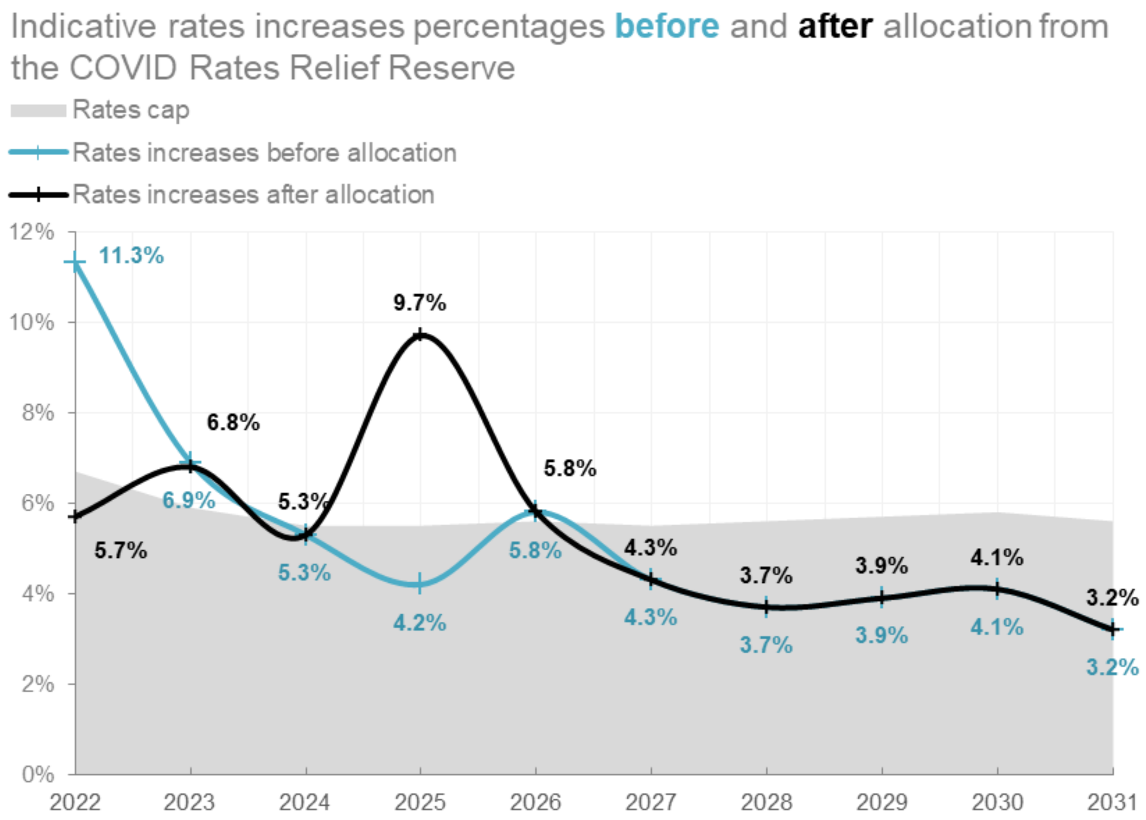
The next step is Council's consideration of other levels of suggested increases, which are outlined throughout this document. Many of these items are included in the Long Term Plan because they have come from the community through the annual plan process or other strategic plans, such as the Sports Facilities Strategic Plan. In other words, the increases in levels of service are either a reflection of legal obligations by the Government or services requested by the community. Offsetting these increases are proposed increases in Council's fees and charges. The net result from requests for increased levels of service and fees and charges is a proposed rates increase of 1.2% .

For a detailed view of key projects and operating expenses in the 2024-2034 Long Term Plan, please see the 26 February 2024 Council Budget Meeting Agenda. Feedback from the community is encouraged and welcome. Under this section of the consultation document, your comments can address areas wider than the specific projects being consulted upon elsewhere in this document. For ratepayer information a $90,000 increase or decrease in rate-funded operating expenses equates approximately to a 0.1% increase or decrease in rates.

Covid-19 Rates Relief Reserve subsidy

With the advent of Covid-19 and its potential economic and financial impact on ratepayers, Council decided to establish the Covid-19 Rates Relief Reserve to reduce rates by $4.0M or over 5% in 2021/22.

Council decided to maintain this level of financial assistance until 30 June 2024, creating a deficit balance (loan) in the Reserve of $12.8M. When Council first approved the use of the Reserve it also had a plan to transition away from using the Reserve to reduce rates and to repay the deficit balance of the Reserve.



This plan centred around the Three Waters Reform promoted and legislated by the previous Labour Government. Under this reform Three Waters-related debt and assets transferred to the new to-be-created entities. This meant that the revenue used to service much of the debt would no longer be required for that purpose and could be used to repay the Reserve's deficit over a three-to-four year period.

This proposal was consulted upon as part of finalising the 2021-31 LTP. As part of that consultation the following graph was included which identified the 2021 forecast rates movement before and after the application of the Covid-19 Rates Relief Reserve. The graph also identified the large 2024 rates increase following the removal of the Reserve Contribution, noting that it was prepared in a low inflation and interest rate environment.

The results of consultation identified strong support for this proposal.

Moving forward

The Government changed following the last election and the transfer of debt and assets will no longer occur on 1 July 2024 or 1 July 2025 as subsequently legislated. Continuing to reduce rates by running this Reserve further into deficit is not sustainable and likely contrary to the principle of Council producing a long-term balanced budget.

As a result, there are two issues to be addressed:

1. How to repay the deficit balance of the Reserve (Loan); and
2. How to minimise the effect on ratepayers of removing the Reserve's assistance.

Council's preferred option for each issue is identified below.

Repay the deficit balance

It is proposed to convert the $12.8M deficit balance to a 20-year loan for repayment over a 20-year period.

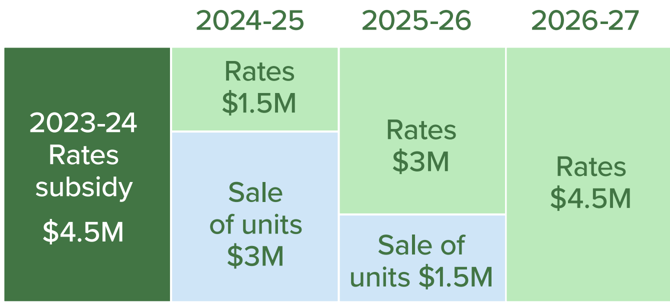
While this proposal addresses the repayment issue, it does result in a 1.21% increase in rates assuming an interest rate of 5.5%.

Transitioning away from the Covid-19 Rates Relief Reserve assistance

Council's preferred option is to transition over three years and sell its carbon credits to finance the remainder. Under this option the $4.5M of assistance would be reduced by $1.5M per year over the next three years.

To cover the other $3.0M for 2024/25 and $1.5M for 2025-26 Council would sell its share of the carbon credits it holds as part of Marlborough Regional Forestry, as shown in the diagram below.

Under this option, the rates increase would be 2.91% in 2024/25 and a further 1.7% and 1.7% in 2025/26 and 2026/27. If the transition had been made in one year, the resulting rates increase would have been 5.11%.



2024/25 Rates increase summary

Components of the rates increase	Contribution to total proposed rates increase
Maintain Existing Levels of Service	7.79%
Kerbside Rubbish and Recycling Collections	0.68%
Levels of Service Increases	1.81%
Fee Increases	-0.61%
Covid-19 Rates Relief Reserve Transition	2.91%
Proposed Rates Increase before Sounds Roading	12.58%
Sounds Roads Recovery – preferred option	0.37%
Total Rates Proposed 2024/25 Rates Increase	12.95%

Benchmark property information and impact of revaluation

Council maintains a standard list of more than 100 representative benchmark properties. The list remains unchanged from year to year, to enable proper comparisons to be made. For this LTP, comparisons are difficult because there are two factors that contribute to a property's rates movement:

1. The 2023 revaluation undertaken by Quotable Value on Council's behalf; and
2. The additional costs of maintaining existing levels of service, funding the large capital expenditure programme, undoing the Covid-19 rates subsidy and the cost of the increased levels of service and additional projects proposed in this document.

The following table, using 12 of the benchmark properties, aims to show the impacts of the two contributing factors above to a property's rates movement, starting with property's 2020/2021 rates and finishing with the proposed rates for 2021/2022.

2024-25 Rates increase summary

Benchmark Property	2020 Land Value	2023 Land Value	2023-24 Total Rates & Charges	Revalu-ation impact	Cost & Levels of Service change impact	2024-25 Proposed Total Rates & Charges	Proposed rates $ Mov on 2023-24	Proposed rates % Mov on 2023-24
Blenheim Residential	320,000	425,000	3,695	-190	461	3,966	271	7.34%
Blenheim Residential	270,000	390,000	3,408	-81	470	3,798	389	11.42%
Blenheim Residential	300,000	400,000	3,476	-200	417	3,692	217	6.23%
Blenheim Residential	315,000	420,000	3,780	-146	489	4,123	343	9.07%
Blenheim Residential	295,000	395,000	3,584	-187	444	3,841	257	7.16%
Blenheim Vacant Section	280,000	375,000	2,795	-152	352	2,995	200	7.16%
Blenheim Commercial	134,000	175,000	3,795	-176	505	4,123	329	8.66%
Blenheim Commercial	425,000	550,000	7,385	-456	1,027	7,957	572	7.74%
Picton Residential	220,000	320,000	3,492	-67	348	3,773	281	8.04%
Picton Residential	270,000	420,000	3,765	14	383	4,163	398	10.56%
Picton Vacant Section	180,000	270,000	2,560	-26	263	2,797	237	9.27%
Picton Commercial	305,000	460,000	4,788	-53	661	5,395	607	12.69%
Picton Motels (19 units)	730,000	900,000	8,949	-1,376	1,035	8,609	-341	-3.81%
Blenheim Vicinity	1,460,000	2,660,000	7,912	415	1,230	9,557	1,645	20.79%
Blenheim Vicinity	950,000	2,120,000	5,065	1,422	1,031	7,518	2,453	48.44%
Blenheim Vicinity	9,540,000	18,150,000	37,562	4,696	6,883	49,141	11,579	30.83%
Blenheim Vicinity	2,010,000	3,810,000	10,192	915	1,677	12,784	2,592	25.43%
Blenheim Vicinity	9,100,000	17,300,000	37,367	5,609	7,030	50,006	12,640	33.83%
Renwick Residential	240,000	400,000	2,845	42	562	3,449	604	21.23%
Renwick Residential	235,000	390,000	2,882	38	574	3,495	612	21.25%
Spring Creek Residential	230,000	300,000	2,357	-138	457	2,677	320	13.55%
Grovetown Residential * 1	315,000	410,000	2,613	-188	480	2,905	292	11.18%
Grovetown Residential * 2	370,000	480,000	3,786	-265	542	4,062	277	7.31%
Rarangi Residential	365,000	620,000	2,020	58	443	2,522	502	24.84%
Picton Vicinity	1,300,000	3,720,000	4,245	2,651	1,129	8,025	3,780	89.04%
Ngakuta Bay - bach	235,000	600,000	1,472	350	255	2,078	606	41.16%
General Rural - French Pass	2,010,000	2,710,000	6,551	-963	964	6,552	2	0.02%
General Rural - Manaroa	4,360,000	4,350,000	14,684	-4,851	1,473	11,306	-3,378	-23.01%
General Rural - Opouri Valley	2,780,000	3,340,000	8,668	-2,058	1,173	7,783	-885	-10.21%
General Rural - on Awatere Water	2,130,000	6,510,000	7,797	5,454	1,907	15,158	7,361	94.41%
Havelock Residential	205,000	350,000	2,406	37	514	2,957	551	22.90%
Seddon Residential	134,000	195,000	3,760	-39	413	4,134	374	9.94%
Sounds Admin Rural - farm	5,350,000	5,171,000	9,199	-3,147	1,054	7,106	-2,094	-22.76%
Sounds Admin Rural - bach	190,000	400,000	816	86	129	1,030	215	26.33%
Sounds Admin Rural - bach	320,000	480,000	1,007	-32	143	1,118	111	11.04%

A property's rates will increase or decrease depending on whether the particular property's valuation increased or decreased at a greater percentage than the average for the Geographic Rating Area within which the property is located. Some of the biggest movements occurred in the Blenheim Vicinity Geographic Rating Area where vineyard land values increased more than residential land values.

Te marohi
The Proposal

- Do you support the proposed Rates increase?

In the submission form you will be asked to indicate whether or not you support the proposals. You can also provide comments and explain your preferred outcome if you do not support the proposals.

Me pēhea e tuku tāpaetanga
How to Submit

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Ngā takoha whanaketanga

Development Contributions Policy

Council encourages the continued growth and development of the district because of the greater opportunities it brings for our communities. Growth, however, does require Council to spend money to improve its infrastructure, such as roads, water, sewerage, stormwater and community facilities.

The question is: Who should pay this additional expense? Council has determined that property developers should pay their fair share of those costs, which are outlined in our Development Contributions Policy.

Council is required to review this Development Contributions Policy every three years, and much of it is unchanged since 2021. However, Council is proposing to make some changes in the 2024-2034 Long Term Plan, which are outlined below.

Option 1

Council's proposal is to adopt the draft Development Contribution Policy links.marlborough.govt.nz/LTP_DCP
The Policy contains the following amendments:

- Reduction of Blenheim stormwater HEU's (Household Equivalent Units) by 50% due to remediation activities being undertaken by developers directly.
- Inclusion of charges for Awatere Rural water.
- Inclusion of the creation of a second kitchen triggering the need for development contributions to be paid.
- Inclusion of the ability to undertake an independent review of trip generation data.
- Updates to development contribution levy values.

Reasons for Option 1, the proposed approach, are outlined below.

Reduction in Blenheim stormwater HEUs

The following fixed amount is proposed per HEU:

- Blenheim stormwater $10,500 + GST

To better reflect the extent of on-site retention works required by developers.

Awatere Rural water

These assessments were previously undertaken on a development by development basis on application. It is considered that there is an accepted uniform basis of charging and accordingly this is included in the proposed schedule of charges.

Creation of a second kitchen and development contributions

Additions to dwellings which create a second kitchen facility will be considered an independent dwelling and will be charged development contributions.

Independent review of trip data

In the event that trip generation is used for determining demands on roading infrastructure Council reserves the right to undertake an independent check on any trip generation data provided by the applicant in assessing the equivalent HUE trip generations. Council will place its reliance on the independent advice received, if it has sought it, in determining the appropriate HUE and resulting development contributions.

Updating development contribution levy values

Council's capital expenditure budget for the 2024-2034 Long Term Plan is $1.0B (inflated), up from $729M in the previous 2021-2031 Long Term Plan. Much of this budget increase relates to growth and it is appropriate that developers pay a fair share.

Option 2 – Alternative Approach

Retain the current Development Contributions Policy.

This option is not supported because it would increase the share of growth funded by ratepayers and remove the initiatives proposed to simplify the operation of the policy.

As Council has yet to finally decide on which Option will be adopted, a conservative approach has been adopted and only the revenue from Option 2 has been included in Council's financial forecasts.

have your say

Te marohi
The Proposal

- The Council proposes to adopt the draft Development Contributions Policy, which includes a number of changes outlined above. Do you support Option 1?

In the submission form you will be asked to indicate whether or not you support the proposals. You can also provide comments and explain your preferred outcome if you do not support the proposals.

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Ngā utu

Fees and Charges

Council proposes changes to a number of fee and charges.

Cemetery fees

Council operates and maintains public cemeteries under the Burial and Cremation Act 1964. The day-to-day maintenance and responsibility for burials and interments is managed through contracts.

At present Council has a policy of a 50/50 ratepayer funded/user pays share for cemetery related operating costs. The 50/50 policy was approved by Council in 2019 after public consultation. Up until this time the proportion had been around 70% ratepayer funded to 30% user pays.

As part of considering where cost savings can be made for ratepayers, it's proposed that the user pays proportion for cemetery related fees be increased to 70% .

Depending on the level of increase there could potentially be annual savings of between $67k and $201k for ratepayers.

Whether the 50/50 split remains or is changed, it is also important that annual CPI inflation adjustments are made to the fees to ensure the adopted ratio is maintained for subsequent years.

Dam Safety

The Building (Dam Safety) Regulations 2022 come into force on 13 May 2024.

Their purpose is to ensure classifiable dams are well operated, maintained and regularly monitored, thereby reducing the potential risks of dam incidents and failures to the community, infrastructure and natural environment. The monitoring function is performed by Council's Building Control Group.

Council proposes to introduce a new fee structure (see table below) for recovering charges associated with dam safety programme activities.

Dam Safety Programme	
Fees and charges	Fee breakdown
Dam Classification Certificate (Form 1) fee	$559
Dam Safety Assurance Programme (Form 2) fee	$738
Annual Dam Compliance Certificate (Form 3) fee	$470
Refusal fee (For Form 1, Form 2 or Form 3)	$201
Officer charge-out rate (as applicable) For work not covered by the flat fee schedule, per hour.	$179 (Minimum 1 hour charged out at 0.5 increments of hourly rate thereafter).
Specialist advice - consultant's review fees (as applicable)	Consultant's fees, plus 15% service charge.
Inspections and travel costs (as applicable)	Additional inspection fees, plus travel zone charges as per fee schedule.

Regulatory service fees for Building Control, Swimming Pool Inspections, Resource Consents and Permitted Activity Monitoring and Environmental Health.

Council proposes to increase these fees in 2024-25 by 4.7% , in line with the Consumers Price Index. This ensures that additional costs do not fall on ratepayers but are carried by those who use the services.

Geographic Information System (GIS) fees and charges

Council proposes that the GIS Output Map Fees schedule is replaced with a new GIS fees and charges schedule, as per the table below.

GIS service	Proposed fee (including GST)
Miscellaneous consultancy hourly rate (15+ mins)	$149.50
A4	$5.75
A3	$11.50
A2	$17.25
A1	$23.00
A0	$34.50

Land Information Memorandum (LIM) Fees

Council proposes that LIM fees are increased to $425.04 from $386.40 for residential properties and to $735.24 from $668.40 for commercial, rural and industrial properties.

The proposed hourly charge rate is $132.

LIM and GIS fees and charges will be reviewed annually in future.

Te marohi
The Proposal

- Do you support the proposal to increase the proportion of the user pays share for cemetery fees to 70% ?
- Do you support the proposal to introduce a new fee structure for recovering charges associated with dam safety programme activities?
- Do you support the proposal to increase regulatory fees by 4.7% ?
- Do you support the proposal to increase LIM fees and establish a new GIS fees and charges schedule?

In the submission form you will be asked to indicate whether or not you support the proposals. You can also provide comments and explain your preferred outcome if you do not support the proposals.

have your say

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Whakarāpopoto Rautaki Ahumoni
Infrastructure Strategy Summary

Planning for change is an essential business practice to identify potential risks and ensure Council is well placed to make the most of opportunities.

The purpose of this strategy is to consider how Council's infrastructure assets will continue to support the community and economy over the next 30 years. Changes over this period are likely to include:

- Population growth slightly above the mid-point of Statistics NZ regional population projections, supplemented by recent development experience
- Opportunities to use technology and increasing automation to be smarter and more connected; and
- Enhancing the resilience of our infrastructure to climate change and natural disasters.

Our overall approach to asset management is to maintain flexibility wherever possible, enabling us to take action when circumstances change, as our knowledge improves and as technology develops.

Council's strategic priorities for infrastructure are:

- Maintain our target levels of service and make improvements where required.
- Extend our infrastructure as efficiently as possible to meet demand.

The challenges vary by asset type and are based on several factors, from our unique landscape to our economy. For example, Marlborough Roads is fielding more requests to seal roads and suppress dust, mainly from logging. And our wastewater flows are increasing in areas of growth for the wine industry. Meanwhile, demand continues for new houses, and climate change brings bigger questions about impacts to our land drainage system, sea levels and flood flows.

While the assets vary, the general principles guiding our solutions are consistent and summarised below.

Legislation

Changes in legislation particularly affect our water-related assets. We intend to complete existing water treatment plant upgrades for Havelock and Riverlands and point-of-entry treatment devices for each household in Awatere Rural, all of which are required to meet the anticipated Water Services Bill and regulatory requirements of Taumata Arowai. Renwick Water Treatment Plant is expected to be completed and operational by mid-2024 to meet the standards.

National guidance on environmental standards will continue to be provided through the national policy statements. These include the National Policy Statement for Freshwater Management, National Coastal Policy Statement and the National Policy Statement on Urban Development Capacity. Council implements these policies through the Marlborough Environment Plan.

Improving the quality and the quantities of water used and discharged back into the natural environment will require ongoing investment in our wastewater and stormwater assets. The work in this area includes progressive implementation of the Blenheim Stormwater Strategy and its extension to other urban areas in the region.

An upgrade of the Blenheim Wastewater Treatment Plant is needed to meet increasing volumes of wastewater, particularly from the wine industry, but also to meet higher standards for effluent discharge. There are also cultural requirements to avoid or restrict the volume of waste returned to the aquatic environment, which we must consider across all wastewater treatment plants as resource consents require renewal.

Renewals

For all assets, the preferred option is to have a proactive, planned renewals programme and invest in more asset condition assessment technology, field data collection and data management. This will enable informed decision making on the most cost-effective timing of renewals. Enhanced condition assessments will be particularly valuable for our underground assets. Where possible, Council is also deploying management tools to promote more efficient water supply, reduce leakage and ensure water resources are sustained for future generations.

Council currently employs software such as AMIS, which collates asset date information and also records work orders to track maintenance on assets. With this information we are able to analyse when an asset is nearing end of life and, as such, requires replacement/renewal. Tracking of water/wastewater quality testing data through our SCADA system also assists to pinpoint when issues are occurring in assets to identify replacement/renewals.

Asset condition assessment

With the use of the tools referred to above in the Renewals section, Council has been able to calculate an asset condition assessment for its Three Waters assets, based on guidelines provided by the Institute of Public Works Australasia (IPWEA).

Resilience

With the forecast impacts of climate change (increasing sea levels and greater frequency of major rain events) and the increase in earthquake activity over recent years, it is very important that Council continues to improve the resilience of its critical assets.

Ongoing investment in our resilience plan will ensure roads are reopened as soon as possible after a major natural event or other disruption.

Council will soon begin a review of the core Wairau River Floodway Management Scheme. The review will examine the current level of service, customer expectations and land use changes. It will also model flood flows under different conditions so that the range of effects that may result from climate change and sea level rise can be more accurately predicted and mitigated.

Building infrastructure to the latest standards and with the most suitable materials increases resilience to floods, earthquakes and changes in the climate. We are also prioritising the replacement of pipework and other assets made of older materials that are susceptible to natural hazards or have deteriorated more quickly than anticipated.

Our financial planning is another way we will ensure the quickest possible recovery after emergencies. This planning includes adequate reserves, flexible capital programmes and insurance to meet the expected losses.

Growth

Statistics NZ projections predict continued growth in Marlborough. To meet anticipated demand over the next decade, Council has proactively zoned land for future development. However, sequential development and good planning are keys to the efficient expansion of infrastructure to meet the needs of this growth.

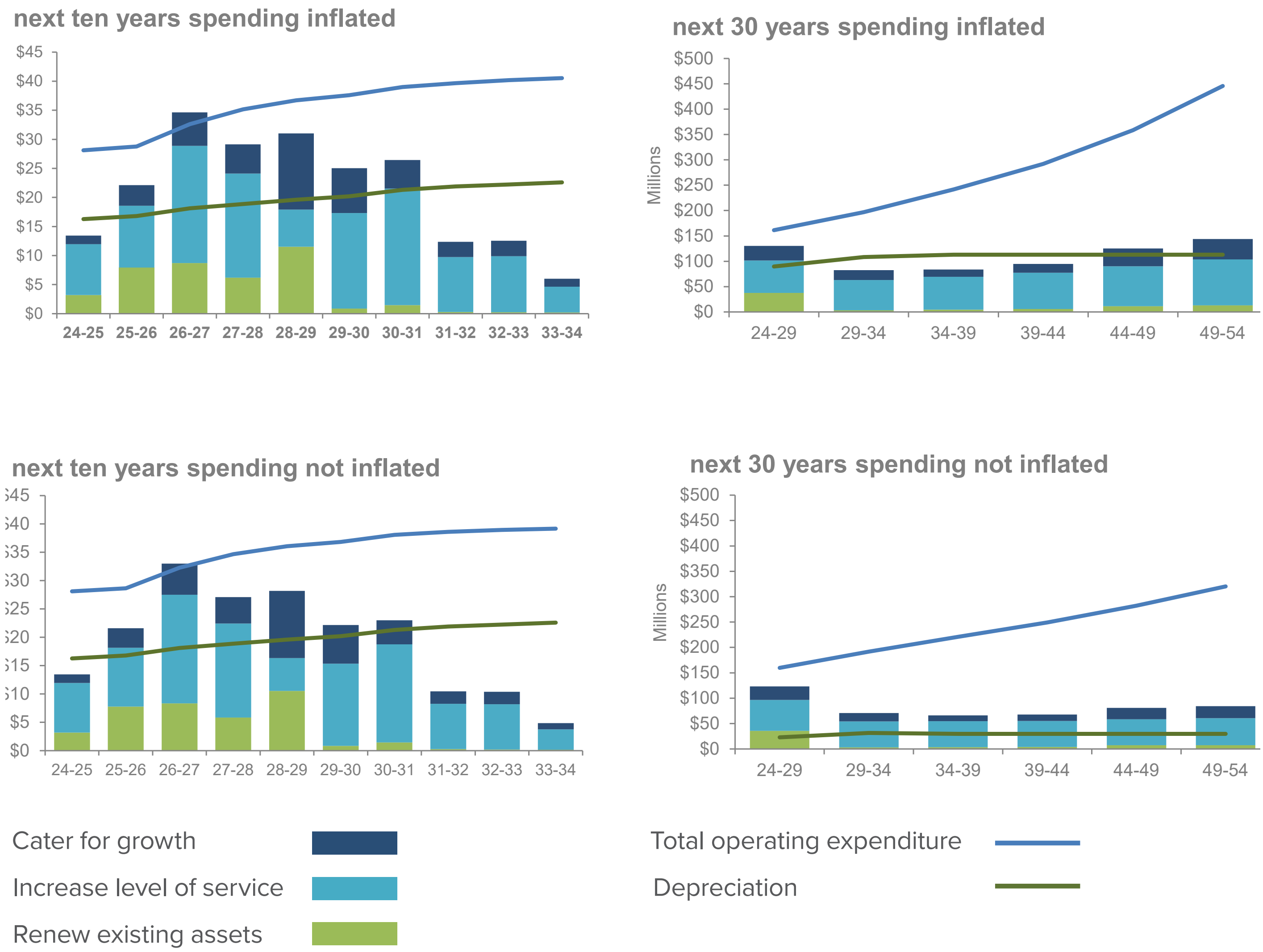
Council currently plans for growth levels slightly ahead of Statistics NZ's mid-point projection. There is always a degree of uncertainty in statistical projections into the future. It is therefore expedient for Council to plan for slightly higher than the mid-point, particularly when planning for assets that will continue to serve the community beyond the current projections.

Some of the other key features to efficient infrastructure provision are:

- Planning in advance, but installing 'just in time'
- Incorporating flexibility wherever possible to ensure unforeseen circumstances can be accommodated
- Favouring sequential development, to avoid installing under-utilised assets past empty paddocks to remote developments.

What will it cost?

Council looks at future infrastructure in both inflated and non-inflated projections. The two graphs below give quite different views because of the compounding effect of 30 years' inflation. To put this in context, think about how much butter, milk and electricity cost 30 years ago. The capital works contained in this strategy totals $3.03B over the next 30 years – with associated operating expenditure totaling $6.4B – to operate and maintain existing and new infrastructural assets. The operating expenditure is spread fairly evenly across the years, and the capital expenditure is concentrated in the earlier years.



The above charts show the total infrastructure spending (capital and operating combined) by activity. Growth and levels of service expenditure are driving the high levels of capital expenditure in the first 10 years of the strategy. This is consistent with forecast population growth and the possibility of it peaking in 2026-31, plus the current push to meet new standards. After that, the focus is on renewing existing assets.

Given the constant challenges to provide affordable and timely service — and the demand on internal and external project management and construction resources — the renewals expenditure based on expected useful life has been budgeted to "fill the gaps" between the major projects.

have your say

Te marohi
The Proposal

- Do you agree with the proposed Infrastructure Strategy?

In the submission form you will be asked to indicate whether or not you support the proposal. You can also provide comments and explain your preferred outcome if you do not support the proposal.

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Rautaki Ahumoni Whakarāpopoto
Financial Strategy Summary

Council's financial strategy describes the practices and policies we have in place to manage the extensive financial commitments we make. Our funding decisions drive the impact Council has on community services and infrastructure. We have some complex issues to manage and prudent financial management is critical in sustaining Marlborough well into the future.

This Long Term Plan (LTP) delivers levels of service largely consistent with prior periods whilst recognising the inflationary impacts evident in the economic environment of the time. Rebuilding the Emergency Event Reserve is a priority for this LTP, ensuring sufficient funds are available to respond to future events.

The financial strategy sets the parameters that we operate in relation to the setting of rates, levels of operating and capital expenditure and our council's borrowing requirements.

Council key financial outcomes

Council aims to achieve the following financial outcomes over the next 10 years:

- Maintain a credit rating of at least AA (negative watch) from S&P Global.
- Generate sufficient funds to deliver the levels of service and undertake the capital investments within the 2024-2034 LTP, including the recovery of the storm damaged Marlborough Sounds roads.
- Minimise the impact on ratepayers through the appropriate use of reserves and debt, while ensuring intergenerational equity.
- Remain within a rates cap of the Local Government Cost Index plus 3% .
- Maintain a net debt cap whereby debt servicing costs are less than 15% of rates revenue.
- Maintain investments in MDC Holdings Ltd, Marlborough Regional Forestry and the Local Government Funding Agency.
- Set aside easily accessible funds for emergencies whilst rebuilding the Emergency Events Reserve.
- Move progressively to return to a state of fully funding depreciation following the 2023 revaluation of Three Waters assets.

A balanced budget

A balanced budget is essential to achieving these financial outcomes, and Council has considered how to balance:

- The levels of service to be provided and the cost of achieving and maintaining them during periods of growth;
- The priorities and timing of expenditure across all activities, especially expenditure of a capital nature and the link to the Infrastructure Strategy;
- The proposed levels of rates and charges across the full 10-year period of the LTP and their impact on the community;
- The proposed level of borrowing that current and future ratepayers will need to service;
- The recommended funding required to rebuild the Emergency Events Reserve;
- The recommendation to fund the increased value of Three Waters assets subject to revaluation.

Overall, Council considers that it has successfully balanced these six key elements in preparing the draft LTP 2024-2034. Community input is welcome on how the current result contained in this LTP can be improved. For more information on the 2024-2034 Financial Strategy, go to marlborough.govt.nz

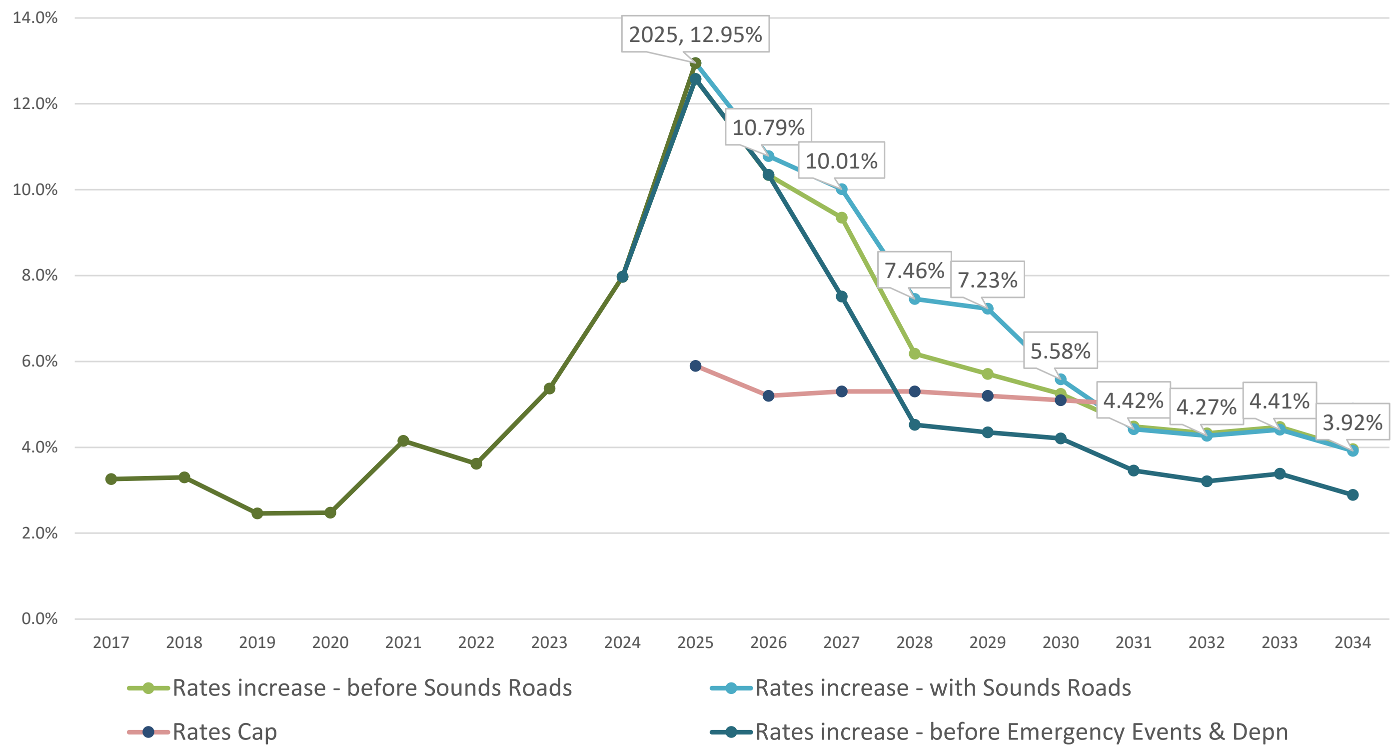
Achieving a balanced budget

Council has adopted a number of strategies to achieve a balanced budget, in addition to the above and testing the need for additional expenditure. Many of these are a continuation of the strategies adopted in the 2021-2031 LTP and are outlined below.

Setting caps on rate increases and value of net debt

These caps are set by Council and provide tests on whether it can justify to ratepayers why it has exceeded these thresholds, if or when it happens. For rates increases, the cap is the Local Government Cost Index + 3%. This is consistent with the 2021-31 LTP and recognises the continuing costs being incurred to meet additional Government requirements that are impacting virtually all Council activities.

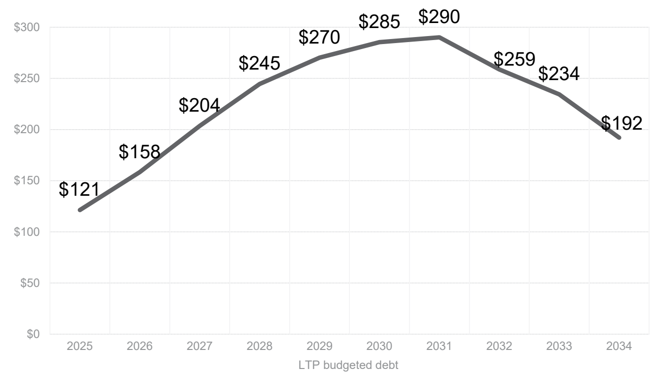
The chart below illustrates rates increases for the 10 years of the LTP compared to historic rates increases and compares increases including and excluding the average rates impact of the Marlborough Sounds roading recovery. With the exception of the last four years of the plan the self imposed rates cap is breached, reflecting the cost pressures and necessary rating implications including funding of the Emergency Events Reserve and depreciation on revalued Three Waters assets, from 2026/27.



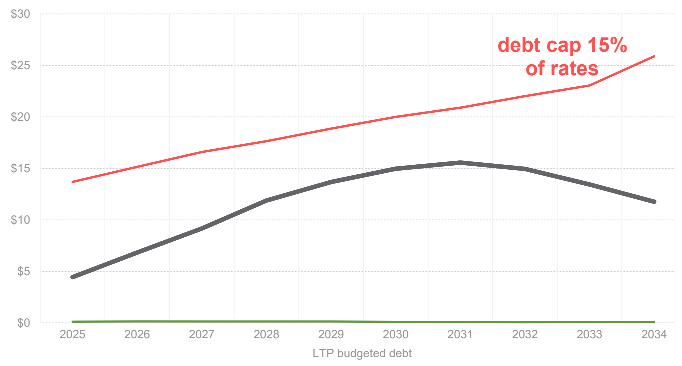
The cap for net debt has been changed in this LTP to represent net interest being less than 15% of rates. For 2024-25 indicatively this converts to approximately $270M.

The change to basing the cap on rates directly links the cost of servicing such debt to revenue we can influence, which is rates. In short the cap reflects debt we can afford. In this LTP Council remains comfortably within this cap.

Council Debt net of Investments and Cash $M



Council Debt Cap -
Interest less than 15% of Rates $M



Recognising timing, including delays, of major projects

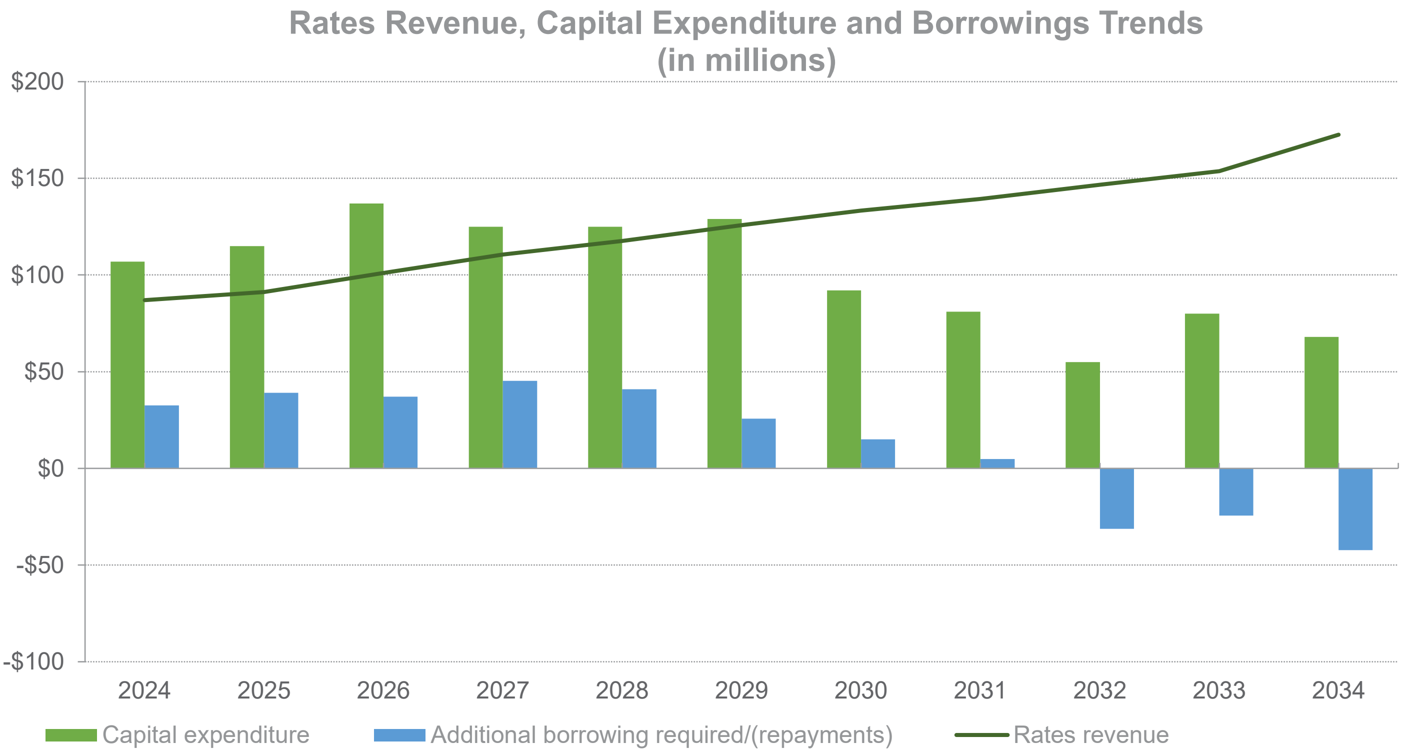
Council recognises factors that can delay the proposed timing of projects and have a significant impact on the overall capital programme. Capital project timing has previously been delayed due to:

- Finalising community consultation
- Obtaining land access
- Obtaining resource consents
- The limited availability of external professional expertise
- Receiving an acceptable contract price and contractor availability.

These factors do contribute to lower than planned expenditure and as a result our capital expenditure programme has a "do-ability" lens placed over it determine the final planned investment over the course of the LTP. Over the ten years of the plan Council is budgeting to spend $1.0B.

The chart below sets out the total capital expenditure programme over the 10 years and contrasts the movement in rates and debt. Of note is the peak capital expenditure in the years 2025 to 2029 reflecting the high volume of Marlborough Sounds roads activity which then drops off.

Additionally, it is important to note that with the incorporation of the Financial Sustainability Initiatives described below and the Marlborough Sounds Roads recovery funding, total rate revenue almost doubles from 2024 to 2034.



Financial Sustainability Improvements

Two initiatives are proposed by Council in this year's LTP: rebuilding the Emergency Events Reserve and progressively returning to fully funding Three Waters depreciation.

- Emergency Events Reserve - Over the past few years Council's Reserves for responding to natural disasters and other emergencies have been depleted. Council is proposing to establish a general rate to help rebuild this Reserve to the value of $0.5M in 2026/27, increasing by $0.5M per year to 2033/34. A Reserve balance of approximately $26.5M results at the end of the period, which is in line with the inflated value of the $15M balance identified during consultation of the 2018-28 Long Term Plan.
- Fully funding depreciation - In 2022-23 Three Waters assets were revalued and yielded an uplift in value of $260M. This in turn has increased the amount of deprecation required each year by $13.8M. Council has previously had the policy of fully funding depreciation except for Community Assets and 51% of roading assets which is considered best practice and financially prudent.

This practice results in cash reserves being available to fund a programme of asset renewals. In this Long Term Plan the funding of depreciation on the 2022/23 revaluation of Three Waters assets is being paused for 2024/25 and 2025/26 in order to better understand the implications of the new Government's 'Local Water Done well' initiative and contain rates increases in the short term.

Council's preferred option is that from 2026/27, to increase rates funding by $1.975M (plus inflation) per year accumulating, to progressively return to fully funding of Three Waters depreciation by 2033/34. By 2033/34 an additional $13.8M of annual depreciation will be funded per year, which is forecast to decrease Council borrowing by greater than $65M over the ten years. This is Council's preferred option.

The alternate options are to:

1. Commence funding the additional $13.8M of depreciation from 2024/25, which would increase rates by a further 16.08%.
2. Commence funding the additional depreciation from 2024/25 by progressively increasing the funding by increased rates by approximately $1.4M per annum, which would increase an already higher than normal rates increase by a further 1.63%
3. Not fund this additional depreciation thereby reducing the additional rate from 2026/27 onwards, but incur an additional $65M of debt. This higher level of debt would reduce Council's ability to respond to adverse events and would be a contributing factor to any further reduction in Council's credit rating which would increase the interest costs on all Council debt.

Adopting a funding hierarchy

Council has adopted a funding hierarchy for capital expenditure that's designed to reduce the impact on rates. The hierarchy is outlined below:

- Use development contributions for growth-related projects: Council is proposing an updated Development Contributions Policy as part of this consultation. See page 47.
- Use Depreciation Reserves if available for the activity to which the specific asset being acquired belongs; inherent in this approach is Council continuing to fund depreciation for core infrastructure assets.

The exceptions are:

- Depreciation on the revaluation impact of Three Waters assets in the 2024/25 and 2025/26 years which is not being funded. From 2026/27 Council begins to progressively fund the depreciation impact and by 2034 will be fully funding depreciation.
- Some community facilities (cemeteries, street trees, plots and berms, halls and reserves).
- Rivers, quarries and drains.
- Roading where depreciation is only half-funded because of the NZTA financial assistance rate of 51%); and
- Southern Valleys Irrigation Scheme.

Continued funding of depreciation will be a key part of funding the renewals identified in the Infrastructure Strategy.

- Use other reserves, for example, the Infrastructure Upgrade Reserve (IUR) and Forestry and Land Development Reserve. The forecast balance in the   at the end of 2034 remains strongly positive and despite dipping in 2030-31 the Forestry and Land Development Reserve remains positive.
- Use rate-funded debt: Council's infrastructure assets typically have long economic lives and the use of debt is a means by which the cost of the asset can be spread over both current and future beneficiaries, with either 20 or 30 year repayment terms. The alternative is to have the capital expenditure programme funded by current ratepayers via rates. Given the size of the programme, outlined in this document, not only would this be unaffordable but also fail the statutory requirement placed on Council to consider intergenerational equity.

Use reserves as a one-off to smooth rates

In this consultation document, Council has proposed to use reserves for one-off expenditure to smooth the impact on rates.

Unwinding the Covid Rates Relief Reserve

In 2021 Council introduced the concept of the Covid Rates Relief Reserve which was to be funded by unallocated revenue from river leases and subsidiary dividends that would have become available had the previous Government's Three Waters reforms occurred. Council now needs to repay the ensuing funding deficit. This will be achieved over the following three years (2025/2027) by a phased partial sale of NZ Units, which Council holds as part of the New Zealand's Emissions Trading Scheme. Following this initial three years the servicing of this debt is funded from rates.

Review the interest rate assumption

Council has reviewed its interest rate assumption to ensure the cost relates to current long-term interest rates and is anticipated to be sustainable for the period of the LTP. For this LTP, Council decided to increase its interest rate assumption to 5.5%. In the 2021-2031 LTP, the interest rate assumption was 4% .

Equity investments and other interests

Council is required to outline its rationale for holding investments. Council holds investments in:

- MDC Holdings Ltd and its subsidiaries, Port Marlborough NZ Ltd and Marlborough Airport Ltd: The purpose of establishing MDC Holdings Ltd was to separate Council's commercial activities from its other functions. As a result, the focus is on generating a commercial return of at least 7% after tax. Council also sees these investments as key to the district's continuing economic development.
- Marlborough Regional Forestry (MRF): The Council has an 88.5% ownership interest in approximately 5,200 hectares of commercial forest. Kaikoura District Council owns the remaining share. MRF is currently in a harvesting hiatus as trees mature. It is planned that harvesting will recommence in 2028/29. MRF's primary aim is to provide the best financial return on a sustainable basis. While an annual target is difficult to predict because of the variability of harvested log prices, a long-term return of 7% is expected.
- Investment bonds and term deposits are held to provide Council with an easily realisable source of cash should an emergency occur.

have your say

Te marohi
The Proposal

- Do you support the Council's proposed financial strategy?
- Do you support the rebuilding of the Emergency Events Reserve as proposed?
- Do you support the proposed funding of Depreciation reflecting the increased Three Waters asset valuation?
- If you do not support Council's preferred option, which of the alternate options do you prefer?

In the submission form you will be asked to indicate whether or not you support the proposal. You can also provide comments and explain your preferred outcome if you do not support the proposal.

Me pēhea e tuku tāpaetanga
How to Submit

Online: Go to links.marlborough.govt.nz/LTPForm and follow the online prompts.

Email: Please send your submission to: ltp@marlborough.govt.nz

Hard copy: Can be printed from our website, or collected from Council's offices or Marlborough District Libraries. All hard copies must be returned before close of business on 13 May.

have your say

Please make your submission from 11 April to 13 May.

10 - 21 June

Submissions will be heard by Council

24 June

Council considers submissions

31 July

Long Term Plan adopted and rates set

1 August

New rates become effective

MARLBOROUGH DISTRICT COUNCIL

marlborough.govt.nz