

<b>Report to:</b>	<b>COUNCIL</b>
<b>Date:</b>	26 May 2021
<b>Subject:</b>	Adoption of the Long-Term Plan 2021-31 Consultation Documentation and supporting information, for public consultation
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## 1. SUMMARY

A report was presented to Council on 21 April 2021 – Council adopted the Long-Term Plan 2021-2031 (LTP) draft Consultation Document and supporting documents for provision to Audit New Zealand. Council previously adopted the draft Infrastructure Strategy. These documents have now been audited and amended as appropriate, and are now recommended for review by Council, and adoption – to proceed to public consultation.

This report necessarily repeats information from the 21 April report, and adds explanations of changes made to the earlier documents, largely as a result of the audit. On 21 April Council delegated to the Chief Executive the authority and responsibility for agreeing minor editorial changes to the Consultation Document and supporting information prior to the post audit documents being presented for Council approval for public consultation.

The Audit Report from Audit New Zealand is expected to be available on 24 or 25 May and will be circulated when received and tabled at the meeting. At the date of compiling this report we are not aware of any issues which would prevent the attached documents being adopted for consultation.

In terms of rates over the 10 years the forecast overall increase for 2021-22 remains at 5.2%, and the average over the 10 years 3.4% (previously 3.2%). We are pleased with this result, bearing in mind the flow on impact from reducing last year's 10% increase to 4%, and the pressures on local government, seen in rates forecasts across the country.

The LTP is Council's commitment to the community and sets out what the Council plans to do over the next ten years, how much it will cost, how it will be funded and how the Council will report on progress.

The Council is required to adopt a Long-Term Plan every three years under the Local Government Act 2002 (LGA). This is the Council's first ten year plan since 2015. Due to the uncertainty following the 2016 earthquake the Council was granted special dispensation from statutory requirements to develop a shorter Three Year Plan from 2018-2021. The supporting documentation are also required under the LGA.

The Council is required to prepare and adopt a Consultation Document (CD) and use the special consultative procedure to provide an effective basis for public participation in Council's decision-making processes relating to the content of the LTP. Over the last eight months, Council workshops and meetings have guided the development of the CD and the supporting information.

The purpose of this report is to seek the Council's adoption (post audit) of the CD and supporting documents for the Long Term Plan 2021-2031, for public consultation. The consultation is timed to commence on 28 May 2021.

Following consultation – hearings and consideration of changes will occur in early July in time for the final audit to commence on 12 July.

## **2. RECOMMENDATIONS**

It is recommended that the Council:

- (1) Receives and notes the Audit Report from Audit New Zealand, having audited the documents in resolutions 3 -6 below;
- (2) Notes that after adoption of the following draft Long-Term Plan 2021-2031 documents public consultation will be undertaken, prior to a final Long Term Plan being adopted (subject to final audit) in late July 2021;
- (3) Reviews and adopts the Long-Term Plan 2021-2031 Consultation Document as presented in attachment 1;
- (4) Reviews and adopts Part 3 of the Long Term Plan 2021-31 – comprising the following documents in attachment 2, as supporting information for the Long Term Plan:
  - (a) Draft Financial Strategy (page 140 in Part 3);
  - (b) Draft Infrastructure Strategy 2021-2051 (page 153 in Part 3);
  - (c) Draft Revenue and Financing Policy (page 200 in Part 3);
  - (d) Draft Liability Management Policy (page 234 in Part 3);
  - (e) Draft Investment Policy (page 236 in Part 3);
  - (f) Draft Development Contributions Policy (page 238 in Part 3);
  - (g) Draft Rates Remissions and Postponement Policy (page 264 in Part 3);
  - (h) Draft Statement of Accounting Policies (page 270 in Part 3);
- (5) Reviews and adopts the draft Forecasting Assumptions in attachment 3;
- (6) Reviews and adopts the draft Prospective Financial Statements in attachment 4;
- (7) Reviews and adopts Part 1 and 2 of the draft Long Term Plan 2021-31 (including the performance framework) in attachment 5– comprising the following documents as supporting information for the Long Term Plan noting these are subject to later audit.

## **3. BACKGROUND**

The LTP sets out what the Council proposes to do over the next ten years, how much it will cost, how it will be funded and how Council will report on progress. Over the last eight months, Council workshops and meetings have guided the development of the LTP, including the CD and the supporting information.

The following sections of the report provide a high level overview changes made post 21 April as well as reiterating the key points of the CD and key supporting strategies and documents.

#### **Changes post 21 April:**

Since 21 April a range of changes have been made to earlier documents, some as a result of matters raised by Audit New Zealand. Overall, the changes have not resulted in material changes to either rates or the key strategies and proposals. The overall rates increase in 2021-22 remains at 5.2% and the overall average across 10 years is now 3.4% (previously 3.2%).

Changes include:

- Amendments to asset values and depreciation – noting that Council does not rate directly for depreciation, so these changes have not resulted in material changes to the overall rates projections. They have resulted in changes between categories of rates across the 10 year plan.
- Amendments to the opening position forecast for 1 July 2021, including for example the timing of work in progress capital programmes, such as the 3-Waters Stimulus funded projects.
- Wording changes to the documents –to ensure consistency between them.
- Wording changes and expansion of the forecasting assumptions.
- Expansion of the description in the CD regarding balanced budgets – relating to the Council not rating for depreciation
- Changes to the impacts of the options in the CD.
- Minor amendments to asset values and presentation of data in the Infrastructure Strategy
- Recalculation of the effects of the specific options set out in the Consultation Document as a result

#### **4. CONSULTATION DOCUMENT OVERVIEW**

The attached CD conveys the key elements of the Council's proposed LTP and is the principal means by which the Council will consult with the community. The Consultation Document provides an overview of where we are now and what we are looking at over the next ten years. It identifies community outcomes that form the basis for all decision making and outlines the options for the key issues identified for the next ten years. Feedback from the community will be sought specifically on the proposed options for five key issues as well as the wider plan.

The five main issues include:

- a) **Roads** – We are proposing to undertake a large amount of resealing and renewal backlog work over the next six years to bring roads back to an acceptable standard, and then have an appropriate level of work beyond that.
- b) **Footpaths** – We want to increase investment and improve the standard of urban footpaths.
- c) **District Plan Review** – The current District Plan is dated and well over-due for a review and we now have a roadmap for that review showing priorities and costs, and plan to undertake the review.
- d) **Urban Rubbish Collection** - Through the development of the Waste Management and Minimisation Plan and the 2019/2020 Annual Plan Council proposed a rubbish collection service in the urban area. We have worked hard to create a plan to enable this.

- e) **Tourism and Business Support** – Last year we increased the support provided to Destination Kaikoura and we propose to maintain this. This funding only affects commercial ratepayers.

In addition to the main issues the CD also includes an overview of what else we are planning to do over the next ten years, what we have considered and how we are responding to climate change issues and how Covid 19 has impacted Council activities and the community over the last year and could still have impacts into the future.

Currently the average projected rates increase over the 10 years of 3.4%, with maximum debt levels projected at \$9.91million in 2026.

## **5. INFRASTRUCTURE STRATEGY OVERVIEW**

The Infrastructure Strategy 2021-2051 is the cornerstone of Council's LTP and helps inform the basis for decision making with regard to management of the Council's infrastructure assets. This Infrastructure Strategy is the most informed and comprehensive that Kaikoura District Council has ever had.

The key highlights from the Infrastructure Strategy that have influenced the draft LTP include the following:

- a) Earthquake rebuild projects have enabled us to replace or renew damaged assets, most of which were near the end of their expected life or otherwise compromised. Almost all the renewals required on Council owned assets over the next 20-30years have, effectively, already been done.
- b) Prior to the earthquake the Council increased capacity of water and wastewater services to support an increased population of up to 10,000. Because of this we expect there to be few growth related capital projects required for at least the next ten years.
- c) The only immediate cost in the first 10 years is a substantial backlog of road re-sealing and pavement renewals due to historic under investment. Repairs to the NCTIR haul routes (roads that have been subject to heavy traffic) are taking place in 2021/2022, this is 100% paid for by Waka Kotahi NZTA. We have addressed the remainder of the work in the LTP, proposing a major reseal and pavement renewal programme.

Because of the work that has occurred since the 2016 earthquake and the work scheduled for the next ten years, if the Council manages the infrastructure appropriately there is not expected to be a major spike in expenditure for council assets over the course of the next 30 years. This is a very good outcome.

## **6. FINANCIAL STRATEGY OVERVIEW**

The Financial Strategy is the second cornerstone of the Council's LTP and is a requirement of the LGA.

The purpose of the Financial Strategy is to:

- a) Facilitate prudent financial management by providing a guide for Council to consider proposals for funding and expenditure against; and
- b) Provide a context for consultation on Council's proposals for funding and expenditure by making transparent the overall effects of those proposals on Council's services, rates, debt and investments.

COVID-19 comes on top of the 2016 Kaikōura earthquake. The continuing impact on the local economy remains uncertain. The Council took steps in 2020 to assist ratepayers' financial challenges.

This included reducing the proposed 10% rates increase for 2020/2021 to 4%, including a reduction in the Council's staff and proposed expenditure.

The Strategy has the following financial boundaries:

- a) External borrowings are capped at \$15 million.
- b) Annual loan interest expense will be no more than 10% of total revenue.
- c) Rates increases are capped at no more than 7% in year one, 6% in year two, and 5% thereafter.
- d) Rates income does not exceed \$10m per annum in years 1-5, and is controlled by the 5% limit on rates increases thereafter.

In 2018, a review began into the long term financial and corporate sustainability of the Council, following the devastating Kaikōura earthquake.

The Council's financial position is now clearer, with the rebuild projects virtually complete and on budget, debt at much lower levels than forecast and the Council having strengthened its internal capabilities. Corporate sustainability will remain challenging to maintain, with the level of staffing and expenditure such that Council services and compliance will be delivered on a "no-frills" basis.

The Council now considers that the Kaikōura District Council is financially sustainable for the foreseeable future, and that debt levels, the condition of core assets, and knowledge about those assets actually puts the district in the best position it has been in for some time.

## **7. FINANCIAL SUMMARY**

Currently Council's draft Financial Strategy forecasts a total rate increase of 5.2% in 2021/22 with an average projected rates increase over the 10 years of 3.4%. Maximum debt levels are projected to be just under \$10 million in 2026.

While these are the forecast increases, Council's strategy proposes a limit on the total rates increase of 7% in 2021/2022, 6% in year two and 5% for the rest of the LTP, recognising that unforeseen events may impact Council's finances. In 2027 the 5% cap is breached - this is because we are proposing to fund the 6-year roading backlog through borrowing. In the 7<sup>th</sup> year the funding reverts to be directly from rates in that year rather than being "spread" by borrowing, so the increase in that year reflects this.

## **8. NEXT STEPS**

- a) Public Consultation commences 28 May 2021.
- b) Consultation closes 28 June 2021.
- c) Public Consultation from late May/ early June 2021 for a minimum period of four weeks when submissions will be accepted from the community.
- d) Hearings will be held for submitters who wish to speak to the Council - 1-2 July 2021.
- e) Following consultation and hearings, Council will formally deliberate on changes to the proposed Long-Term Plan 2021-2031 ahead of the final audit and then adoption of the plan at a Council meeting on the 28<sup>th</sup> July 2021.

## 9. COMMUNITY OUTCOMES SUPPORTED

The LTP supports all the Community Outcomes – as part of the LTP the new community Outcomes will come into force.



We value, protect and enhance Kaikōura's unique natural environment and biodiversity and sustainably manage disposal of waste.



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Our District is economically diverse, attractive to investment and provides certainty around business and employment continuity.



Our community participates in decisions and planning in a way that benefits our future.



Residents and visitors enjoy an improved quality of life in our District.

## 10. SIGNIFICANCE AND ENGAGEMENT

The LTP is significant and involves a special consultative procedure.