

COUNCIL REPORT

Date : 31 January 2024

To : Ordinary Council Meeting, 7 February 2024

From : Chief Executive Officer, Stace Lower

Subject : **ENDORSEMENT OF DIRECTION FOR DRAFT BUDGET FOR LONG TERM PLAN 2024-2034**

File ID : A1200742

EXECUTIVE SUMMARY

- This report presents a summary of the budget workshops held for Long Term Plan 2024-2034.
- The process to create the LTP began in May 2023, and the budget component of the process began in November 2023. To date, three workshops have been held to present, draft and refine the draft budget for the Long Term Plan 2024-2034.
- This report includes a summary of the budget workshops carried out to date, highlighting the direction received at each workshop, and the responses to the direction.

RECOMMENDATIONS

- 1) **That the report titled "Endorsement of Direction for Draft Budget for Long Term Plan 2024-2034" be received.**
- 2) **That Council endorse the direction for the draft budget for the Long Term Plan 2024-2034.**
- 3) **That Council direct the Chief Executive to create the final draft of the budget based on the direction received for the Long Term Plan 2024-2034.**

PURPOSE

1. The purpose of this report is for Council to endorse the direction for the draft budget of the Long Term Plan 2024-2034.
2. It is also to seek approval from Council to progress final draft of the budget for the Long Term Plan 2024-2034, based on the direction for the draft.

STRATEGIC ALIGNMENT

3. The matters detailed in this report relate to the following priorities from Ōpōtiki District Council's Long Term Plan 2021-2031.
 - ☐ Development and protection of the natural environment.

- ☒ Services and facilities meet our needs.
- ☒ Fair and efficient leadership.
- ☐ A strong and effective community spirit.
- ☐ Purposeful work and learning opportunities.
- ☐ Development supports the community.
- ☐ Culture and history are treasured.

BACKGROUND

4. The Long Term Plan 2024-2034 (LTP) process began in May 2023.
5. Over the course of six to seven months, staff and elected members had a series of workshops to work through the underlying documents required for the LTP; update the Community Outcomes of the LTP and update the Significance and Engagement Policy ahead of formal consultation beginning for the LTP.
6. Community engagement events were held on numerous occasions to socialise and seek feedback on the updated Strategic Direction for the LTP, and the community still has the opportunity to provide informal feedback on Council's Connect | Hono Mai website.
7. When the LTP process commenced, the Council was also delivering the 2023-2024 Annual Plan.
8. The 2023-2024 Annual Plan (AP) supports and implements year three of the current 2021-2031 Long Term Plan. For that reason, the AP primarily considers exceptions or variances from the LTP rather than bigger issues such as the major projects, scope or levels of service.
9. The 2023-2024 Annual Plan was adopted on 28 June 2023.
10. The AP saw no change to levels of service. The capital works programme for Year 3 remained the same value (approximate value of \$34 million). The impact of the revaluation of our below-ground assets was not included in the rate requirement for the AP and was deferred to Year 4 of the 2021-2031 LTP. The harbour and wharf activity is included in the 2021-2031 LTP, but only has funding allocated in the outer years (i.e., from Year 4 onward). Therefore, the harbour activity was not a factor in the rate increase for the current financial year but is an activity in the current Long-Term Plan 2021-2031.
11. The AP and LTP are related, but they serve different purposes. The LTP process provides the council an opportunity to review long term plans and actions, and set the budget for the next 10 years, while the AP implements the budget for the next financial year. There is more scope for change when reviewing and creating the Long Term Plan.

Workshop – 30 November 2023

12. On 30 November, a workshop was held. The purpose of the workshop was to present to elected members the first draft of the budget for the LTP, and the proposed rating impact for year 1.

13. The proposed rate increase was 34%. It was comprised of five factors:

- Capital Works Programme (financing) 3%
- OPEX (Operational Expenditure) 8%
- Deferred revaluations 5%
- Harbour & Wharf 8%
- Depreciation funding 10%
- TOTAL YEAR 1 PERCENTAGE INCREASE 34%

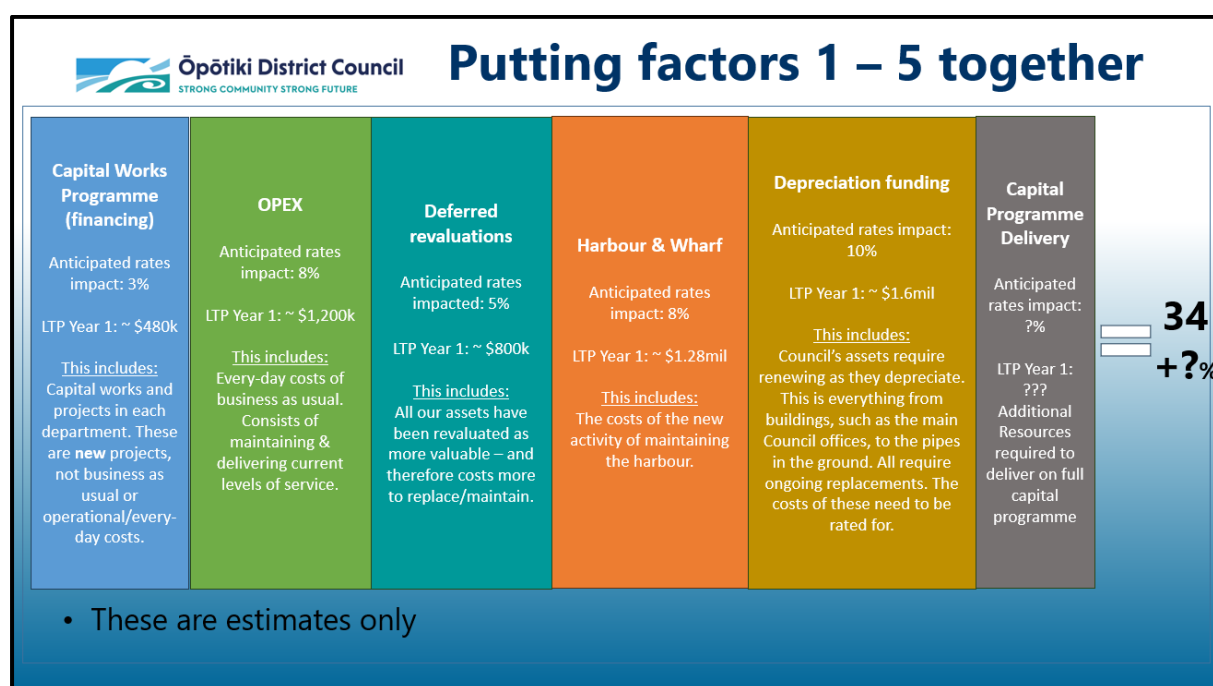


Figure 1: proposed budget for year one of the LTP 2024-34

14. Capital Programme Delivery is also included as a factor, but the percentage impact was not yet known because it relies on the Capital Works Programme being finalised. The information presented to Councillors included options for each factor, and the risks associated with each option.
15. Immediate feedback from elected members was the proposed rating impact for year one was too high and must be reduced. At the conclusion of the workshop, staff sought direction from elected members with regard to how the rating impact should be reduced, and across what factors.
16. Council agreed to provide this feedback to staff in due course, in time for the next scheduled workshop.
17. The slide pack used in the 30 November workshop is included in the notes for the workshop and will be released into the public domain following the usual process.

Workshop – 18 December 2023

18. On 8 December, staff were provided with the following direction to reduce the proposed rating impact in year one of the LTP
- the cost of the harbour operations needs to be delayed
 - revaluation and depreciation needs to be reduced
 - investigate reducing levels of service in isite, Library Toi-EDA and parks
 - capital works, pull back and look for possible external funding to bring projects forward
 - the mobile services van is an item to defer/no longer deliver.
19. Staff used the direction received from councillors to prepare for the 18 December workshop. The purpose of the workshop was to confirm staff were correct in their interpretation and had direction to create the next iteration of the budget.
20. The following information was presented, for clarification and confirmation:

Table 1: summary of direction provided for factors of rating impact

FACTOR	DIRECTION FROM COUNCILLORS	ACTION FROM STAFF
<i>Harbour and Wharf</i>	The cost of the harbour needs to be delayed	Investigate partially rate funding and/or deferring the harbour and wharf activity to later years in the LTP.
<i>Revaluation and depreciation</i>	Revaluation and depreciation needs to be reduced	Investigate partially funding or not funding what is required to reduce the cost
<i>OPEX (Operational Expenditure)</i>	Investigate reducing levels of service in the isite, library, Toi EDA and Parks and Reserves. The mobile services van is an item to defer/no longer deliver.	Investigate partial and targeted reduction in levels of services
<i>CAPEX (Capital Expenditure)</i>	Pull back and look for possible external funding to bring projects forward	Investigate budgeting for historic average.

21. At the workshop, each of the factors was discussed with the direction provided, and the implications and risks were considered as well.

22. Councillors confirmed to staff they had correctly interpreted the feedback with regard to the harbour activity factor, revaluation and depreciation factor and the capital expenditure factor.
23. With regard to operational expenditure, staff presented scenarios for reduced levels of service and no levels of service across the isite (and events), the Library, Toi-EDA and Parks and Reserves. Councillors indicated the scenarios presented to them was not the intended direction and directed staff to investigate other options for reducing levels of service in the isite (and events), the library and Toi-EDA.
24. Staff were not able to present an updated percentage impact at the end of the workshop as councillors requested further work be undertaken with regard to the OPEX factor.
25. The slide pack used in the 18 December workshop is included in the notes for the workshop and will be released into the public domain following the usual process.

Workshop – 30 January 2024

26. On 30 January, a workshop was held. Staff continued to work on refining and finalising the budget based on the feedback received at the 18 December workshop.
27. On 30 January, staff were able to present the following percentage rating impact for year one:

○ Capital Works Programme (financing)	0%
○ Deferred revaluations and depreciation	5%
○ Operational expenditure (current levels of service)	8%
○ TOTAL PERCENTAGE INCREASE	13%
28. When the direction provided was worked on in the financial modelling, the percentage increase proposed for year one was 13% with no change to levels of service.

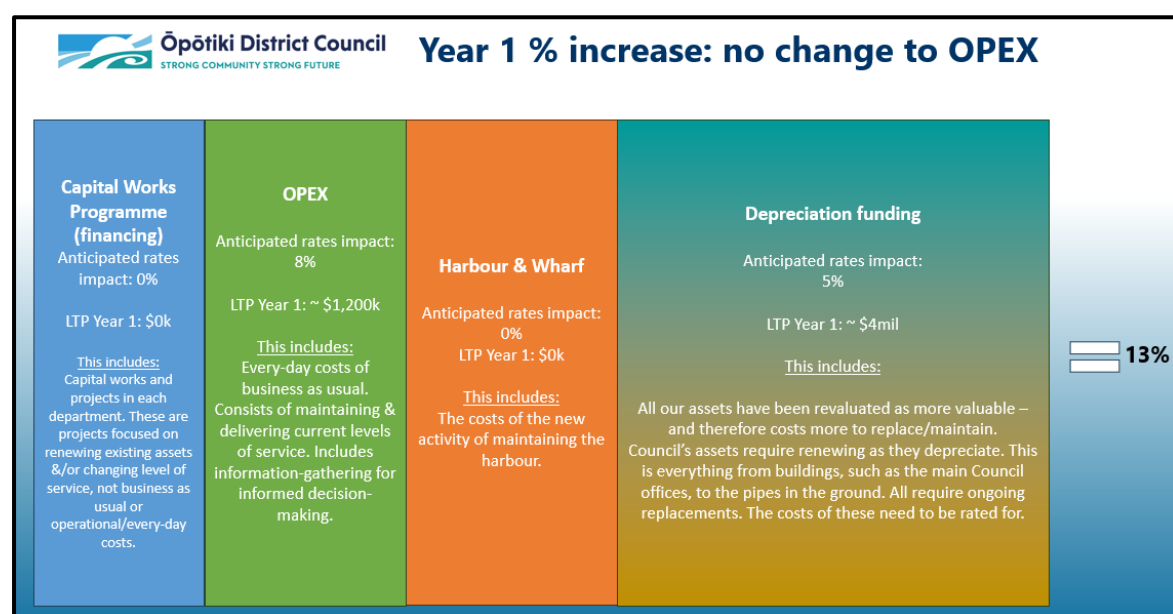


Figure 2: proposed draft budget with no change to OPEX factor

29. The direction of reducing levels of service was also presented to councillors. The following scenarios were presented with regard to the isite and events:
- locate info centre in Library and reduce staff, and deliver one event per year
 - have a static info kiosk in Library building and have reduced staff, and deliver one event per year
 - reduce isite services and reduce staff and deliver one event per year.
30. With regard to the Library, the following was presented
- combine the isite and Library with reduced staff and the makerspace area and associated programmes
 - reduce levels of service to be open for 20 hours per week, no additional programmes and reduce staff levels.
31. For both the isite and the Library activities, the options of maintaining current levels of service was also presented.

Summary of reduced LoS for isite and events, and library					
Option	Cost in Year 1	Cost in Year 2 onward	% reduction in level of service	% cost difference from current LoS	
1. Locate info centre in library building and deliver one event per year	\$410k / 2.56%	\$240k / 1.5%	40-50% reduction	Yr 1 Yr 2 →	increase 0.10% less 0.96%
2. Static info kiosk in library building and deliver one event delivered per year	\$315k / 1.96%	\$165k / 1%	80% reduction	Yr 1 Yr 2 →	less 0.5% less 1.46%
3. Reduced isite services, one event per year	\$325k / 2.03%	\$205k / 1.28%	50-60% reduction	Yr 1 Yr 2 →	less 0.43%, less 1.18%
4. Combined info centre and library – reduced staff and reduced levels of service	\$520k / 3.38%	\$460k / 2.87%	30-40% reduction	Yr 1 Yr 2 →	no change less 0.51%
5. Reduced FTE and hours at library	\$410k / 2.56%	\$310k / 1.98%	50-60% reduction	Yr 1 Yr 2 →	less 0.82% less 1.40%
6. Maintain current LoS to isite	\$395k / 2.46%	\$395k / 2.46%	No reduction in LoS	Nil saving	
7. Maintain current LoS to library	\$540k / 3.38%	\$540k / 3.38%	No reduction in LoS	Nil saving	

Figure 3: summary table of options for reducing levels of service in isite, events and library

32. With regard to Toi-EDA, direction was provided to staff to not allocate funding for the economic development agency within the LTP.
33. With regard to Parks and Reserves, direction was provided to investigate where percentage savings could be made across the Parks and Reserves activity.
34. In summary, the following direction was received from Councillors with regard to reducing the OPEX percentage:

Table 2: summary of direction presented on 30 January workshop for reducing OPEX factor

OPEX FACTOR	DIRECTION FROM COUNCILLORS
<i>Isite</i>	Reduce levels of service
<i>Events</i>	Deliver one event per year
<i>Library</i>	Reduce levels of service
<i>Toi EDA</i>	Do not allocated funding for the economic development agency in the 2024-2024 LTP
<i>Parks and Reserves</i>	Investigate reducing levels of service and shared service arrangements with other councils if possible
<i>Additional new FTEs</i>	Do not implement new FTEs in this LTP unless there is existing staffing budget already allocated which can be reallocated.

35. Elected members provided direction to investigate reviewing the targeted rate applied to water supply for applicable properties, as described in the fees and charges schedule and the Revenue and Financing Policy.
36. At the end of the workshop, staff were able to present the following proposed rating increase for year one, with some proposed reductions in levels of service
 - Year 1 of LTP: 10.5%

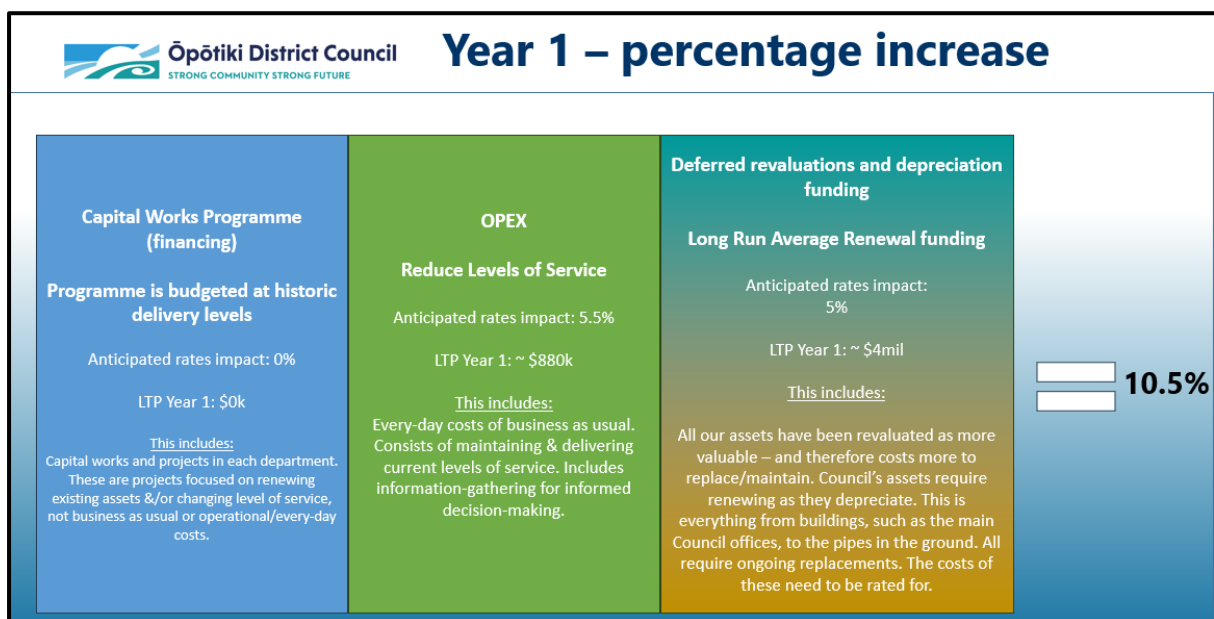


Figure 4: proposed budget for Year One with reduced levels of service

37. The slide pack used in the 30 January workshop is included in the notes for the workshop and will be released into the public domain following the standard process.

OPTIONS

38. There are two options associated with the recommendations in this report.

OPTION 1: Endorse the direction for the draft budget (recommended option)	
Description	<p><i>The direction for the draft budget for year one of the LTP has been presented to elected members in a series of workshops.</i></p> <p><i>The draft budget for year one is a proposed rate increase of 10.5 – 13% and includes the following factors:</i></p> <ul style="list-style-type: none"> • <i>Capital Works Programme financing</i> • <i>Operational Expenditure</i> • <i>Depreciation funding and revaluation council assets.</i>
Advantages	Endorsing the direction for the draft budget enables staff to proceed with finalising the budget and financial modelling, and therefore finalise other key underlying documents of the LTP.
Disadvantages	There are no identified disadvantages associated with the endorsement of the direction for the draft budget for the LTP.
Impact on mana whenua	Approval of the draft budget enables elected members and staff to consult with mana whenua sooner than the formal consultation period begins about the forthcoming rating impact and budget effects.
Strategic alignment	<p>Approving the draft budget for the LTP is aligned to the following community outcomes:</p> <p><i>Services and facilities meet our needs</i></p> <p>The LTP is the key document for planning the budget and activities for the organisation for the next 10 years. Approving the draft budget enables the organisation to finalise the document.</p> <p><i>Fair and efficient leadership</i></p> <p>Elected members are required to ultimately adopt the final version of the Consultation Document and LTP document. These are brought together based on the direction received during the LTP process.</p>
Associated risks	There are no identified risks associated with approving the draft budget for the LTP.

OPTION 2: Do not endorse the direction for draft budget presented

Description	<p><i>The draft budget for year one of the LTP has been presented to elected members in a series of workshops.</i></p> <p><i>The draft budget for year one is a proposed rate increase of 10.5-13% and includes the following factors:</i></p> <ul style="list-style-type: none">• <i>Capital Works Programme financing</i>• <i>Operational Expenditure</i>• <i>Depreciation funding and revaluation of below ground assets.</i>
Advantages	There are no identified advantages associated with not endorsing the direction for the draft budget for the LTP.
Disadvantages	<p>Staff will not be able to progress with developing the final budget, and all associated documentation for the LTP if the draft budget is not approved.</p> <p>It does not enable staff to begin engagement with the community about the forthcoming rating impacts.</p>
Impact on mana whenua	Elected members and staff will not be able to engage with mana whenua on the draft budget and gain their input on the forthcoming rating impact for the community.
Strategic alignment	This option does not support the strategic alignment in the LTP 2021-2031.
Associated risks	Not endorsing the direction for the draft budget for the LTP has the risk of not enabling staff to create the final version of the budget for 2024-2034 LTP.

DISCUSSION

39. Approving the draft budget enables staff to finalise the financial modelling, key underlying documents, and engagement plan for the LTP.
40. At the workshop on 30 January, there was discussion about community engagement and consultation and the options which Council would be required to include in the Consultation Document for the LTP.
41. This Consultation Document is a key item which requires further work, and the recommendations in this report enable staff to proceed with creating it.

Financial/budget considerations

42. Costs associated to the development of the LTP have been included in the 2023-2024 Annual Plan budget.
43. The recommendations in this report enable staff to continue working on creating the final draft of the budget for the LTP.

Policy and planning implications

44. Council is required to meet legislative requirements under the Local Government Act 2002; the Local Government (Rating) Act 2002, Council's *Revenue and Financing Policy* and Rates Remissions and Postponement Policies.
45. In addition, the Consultation Document for the Long Term Plan must ensure it is accurate with regard to the rating impact various options may have on ratepayers.
46. Approving the draft budget enables the Council to meet these policy requirements. It is also aligned to the Community Outcomes *Services and Facilities Meet our Needs* and *Fair and Efficient Leadership*.

Impact on mana whenua

47. There are no identified impacts on mana whenua in relation to approving the direction for the draft budget for the LTP.
48. During the pre-engagement period of the LTP, Council engaged with iwi. Council will continue to engage with mana whenua as the final version of the LTP is created.

Climate impact considerations

49. There are no identified climate impacts associated with the recommendations in this report.

Risks

50. There are no identified risks associated with adopting the draft budget for the LTP.

Community wellbeing considerations

51. The purpose of Local Government now includes promotion of social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
52. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
53. The LTP is the document which sets out the activities and budget for the organisation for the next 10 years. The LTP is required in order to promote community wellbeing.
54. The recommendations in this report enables the Council to achieve its purpose.

SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Assessment of significance

55. On every issue requiring a decision, Council is required to determine how significant a decision is to the community, and what the corresponding level of engagement should be. Council uses the Significance Flowchart in the Significance and Engagement Policy to determine the level of significance.

56. The level of significance related to the decision in this report is considered to be **medium**. Because the decision is determined to have **medium** significance in accordance with the policy, the corresponding level of engagement required is **Kōrero**.

Assessment of engagement

57. As the level of significance has been determined to be **medium**, the level of engagement required is **Kōrero** according to the Engagement Framework of the Significance and Engagement Policy:

KŌRERO

To ask the community for feedback, ideas, opinions, and information about the development process

58. The level of engagement required for the decision to endorse the direction for the draft budget for the LTP is **Kōrero**.
59. Council can use its social media platforms (Facebook, Antenno, Connect | Hono Mai) and press releases to communicate the decision to the community. Council can invite informal feedback on the decision as these platforms provide for informal two-way communication.
60. There has been community feedback and engagement carried out during the pre-engagement phase of the LTP so it would also be useful and prudent to communicate the decisions to the individuals and groups in the community who have actively participated in the LTP process to date.

CONCLUSION

61. The recommendations in this report enable the Council to continue drafting and refining the budget, the financial modelling and the key underlying documents for the LTP.

Stace Lewer

CHIEF EXECUTIVE OFFICER