

Notice is hereby given that an ordinary meeting of the Horowhenua District Council will be held on:

**Date:** Wednesday 14 December 2022  
**Time:** 1.00pm  
**Meeting Room:** Council Chambers  
**Venue:** 126-148 Oxford St  
Levin

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## **Council**

# **OPEN LATE AGENDA**

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### **MEMBERSHIP**

<b>Mayor</b>	His Worship The Mayor Bernie Wanden
<b>Deputy Mayor</b>	Councillor David Allan
<b>Councillors</b>	Councillor Mike Barker
	Councillor Rogan Boyle
	Councillor Ross Brannigan
	Councillor Clint Grimstone
	Councillor Nina Hori Te Pa
	Councillor Sam Jennings
	Councillor Paul Olsen
	Councillor Jonathan Procter
	Councillor Justin Tamihana
	Councillor Piri-Hira Tukapua
	Councillor Alan Young

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**Full Agendas are available on Council's website**  
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**Full Agendas are also available to be collected from:**  
**Horowhenua District Council Service Centre, 126 Oxford Street, Levin**  
**Te Awahou Nieuwe Stroom, Foxton,**  
**Shannon Service Centre/Library, Plimmer Terrace, Shannon**  
**and Te Takeretanga o Kura-hau-pō, Bath Street, Levin**

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the Chief Executive Officer or the Chairperson.



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## 7.3 Progress Report and Scope of the Draft Long Term Plan 2021-2041 Amendment

File No.: 22/701

### 1. Purpose

The purpose of this report is to seek approval of the direction and scope of the Draft Long-Term Plan 2021-2041 Amendment and Annual Plan 2023/2024.

### 2. Executive Summary

- 2.1 This report provides Council with an update on the progress of the Draft Long Term Plan 2021-2041 Amendment and Annual Plan 2023/2024 that is currently underway to meet Council's statutory requirements in accordance with s93 (Long Term Plan) and s95 (Annual Plan) of the Local Government Act 2002.
- 2.2 The LTP is a key strategic document for Council setting Council's budget and strategic direction for 20 years.
- 2.3 The decisions Council makes through this process will have significant impacts on our community. The services and projects Council decides to include or remove from the Long Term Plan will affect our current and future generations.
- 2.4 These decisions will impact the Level of Service (LOS) we are able to provide, the amount of debt we hold, and the level of rates we require our community to pay. It is Council's role to weigh up these costs and benefits to make the best decision for our community.
- 2.5 Given the impact of an LTP generally, and this LTP Amendment specifically, it is particularly important that Council is open and transparent with our community throughout this work. The LTP Amendment workshops have all been public so the community is receiving the information at the same time as Elected Members. More information is being shared than previously because there are big decisions to be made and it is important our community understands what is proposed, why change are needed, the proposals and impacts of those options.

### 3. Recommendation

- 3.1 That Report 22/701 Progress Report and Scope of the Draft Long Term Plan 2021-2041 Amendment be received.
- 3.2 That Council approves the scope of the Long Term Plan 2021-2041 Amendment as the Future of the Levin Landfill, Key Water Projects, Revenue and Financing Policy, and Rates Review. Dependent on future decisions by Council, Levels of Service for various activities may also be included in this amendment to help keep the rates income increase to an affordable level.
- 3.3 That Council acknowledges that uncontrollable cost pressures are going to have a significant impact going into the 2023/2024 financial year and beyond.
- 3.4 That Council acknowledges that the early budgets and rate income increase are not palatable and that the budgets will continue to be worked on by Council officers. Officers will present a range of options to the Council workshops that would result in a rate income increase between 5 and 10%.

### 4. Background/Previous Council Decisions

- 4.1 Local Government planning occurs in a three year cycle. As we are preparing for year 3 of the local Council planning cycle, Council is required to adopt the Annual Plan 2023/2024 by 30 June 2023 under section 95 of the Local Government Act

2002. Section 93 allows a local authority to amend their current Long Term Plan at any time.

- 4.2 The Annual Plan 2022/2023 was adopted on June 2022. During this process Council became aware that the Annual Plan 2022/2023 was not fully compliant with Council's current Revenue and Financing Policy. As Council is not able to amend the Revenue and Financing Policy without consulting with the community, Council committed to completing a full review of the Revenue and Financing Policy in 2022/2023 through an amendment to the Long Term Plan 2021-2041 alongside the Annual Plan 2023/2024.

#### **Why an LTP Amendment is needed**

- 4.3 The Long Term Plan describes the activities of Council, how they will be undertaken, how the activities will be funded, and the benefit providing these activities will have for our community. When done well, planning long term provides Council the means to simultaneously meet the community's current and future needs and wants effectively. Poor future planning may mean that we are able to meet the needs of our current community, with the trade-off that we will not be able to meet the needs and wants of the district's future community effectively.
- 4.4 During the development of the LTP Council needs to carefully consider the vision and ambitions for the district and weigh it up against practicalities to priorities projects and planned delivery.
- 4.5 At the time of adopting the LTP 2021-2041 Council was confident that the plan reflected the desires of the community and that it would set Horowhenua up for the best possible future. Since then Council has received new information and circumstances have changed that has resulted in Council making the decision to amend the current LTP.
- 4.6 This is not a full LTP and the scope of this amendment has been limited to the following key areas: The future of the Levin Landfill, key water projects and a rates review and Revenue and Financing Policy review.
- 4.7 With a combination of more frequent and more intense weather events there are big issues to address as assets reach the end of their life, and growth continues as forecast, and water infrastructure is reaching and being pushed past capacity.
- 4.8 During the development of past Long Terms Plans investment into our infrastructure has been pushed out to further years to keep rates lower and to manage debt. These decisions have also been made because affordability has been an issue Council has long been aware of. But all decisions are trade-offs, these meaning Council now needs to bring forward some of these planned works so Council can continue to provide the services our community expects.
- 4.9 The future of the Levin Landfill will also be decided through this LTP Amendment. Council made the decision to include this during the 23 November 2022 Council Meeting. It was acknowledged that timeframes are tight, however a significant amount of background work has been completed which will support the needed work being completed within the statutory timeframe.
- 4.10 While Council is making these significant changes to the planned projects, affordability for the community is being held front of mind. Many in our district are on

low incomes and therefore struggle to pay rates. The cost of living has increased measurably, with further increases forecast.

- 4.11 There are many factors that Council is not able to control that set Council's required revenue such as insurance, interest rates, and inflation. Council does however have control over how the rates are distributed. This is why Council is also considering how rates are distributed through the review of the Revenue and Financing Policy in the Long-Term Plan 2021-2041 Amendment.
- 4.12 As a Council there are big issues to address imposing the need for some hard decisions to be made. However, these decisions can no longer be pushed out to ensure we are able to continue to provide our community with the fundamental services they rely on daily.

## 5. Discussion

- 5.1 Preparing an amendment to an LTP alongside an Annual Plan is a complex process. Preparation began in July 2022 to be able to adopt both by 30 June 2023 to meet the statutory deadlines imposed by through the Local Government Act 2002. There are many separate parts that work together to form the LTP Amendment including: Activity Budgets, Significant Forecasting Assumptions, Financial Strategy, Infrastructure Strategy, Activity Management Plans, Financial Policies, and Levels of Service.
- 5.2 To date, Council has made significant progress on gathering the parts that form the content for the LTP 2021-2041 Amendment and Annual Plan 2023/2024. Over the past couple of months several Workshops and Council Meetings have been held to form the basis of these documents. These include but are not limited to:
- 9 November – Introduction to the Blueprint, Long Term Plan, Annual Plan, and Long Term Plan Amendment
  - 23 November – Rates Review
  - 23 November – Future of the Levin Landfill Decision – Long Term Plan Process
  - 7 December – Infrastructure and Financial Strategies
- 5.3 A number of other workshops have been run that providing wider context and background.
- 5.4 As part of the Infrastructure and Financial Strategies workshop on 7 December, Council was presented with an early version of the budgets for the Annual Plan 2023/2024 and the Amendment budgets for 2023-2041 for the Long Term Plan 2021-2041 Amendment.
- 5.5 Council officers are aware the budgets presented to Council on 7 December are unpalatable, however it reflects that the 'cost of living crisis' affecting our community is also affecting Council. These figures are in the table below.
- 5.6 To be clear, Council officers are not proposing Council increase rates income by the figure of 18.9% shown in that table from that early budgeting analysis. Council officers will continue to work on reducing budgets to decrease the rate income increase to ensure it is more affordable for our community. Strong, early direction is needed from Council to guide officers on the areas to focus on to achieve further reductions.
- 5.7 The early budget analysis showed 8.2% of the rate income increase were uncontrollable cost increases: Insurance, depreciation, utilities and interest. The remaining 10.7% may be classed as controllable, but this does not mean we are able to remove these without

significant impacts as these changes result from impacts such as legislative changes, revenue changes, and contracted increases.

	2020/21 Actuals (\$000)	2021/22 Actuals (\$000)	2022/23 Budget (\$000)	2021/41 LTP 2023/24	LTPA Yr1 2023/24	Change from LTP	Change from 2022/23	Rates Impact
<b>Other key changes</b>								
Fees & Charges and other revenue changes	15,695	12,260	10,931	11,814	10,361	1,453	570	1.2% Mostly regulatory (\$920k) offset by increased funding for three waters and MTFJ.
Governance & Partnerships							1,027	2.2% Funding for key partnerships funded through rates
Legislative changes							75	0.2% Due to implementing E-plan
Staff wage increases (3%)							580	1.2% Assumed 3% inflationary increase in staff wages.
Other three waters direct cost increases							413	0.9% Additional three waters direct costs
Reduced staff time funded by projects and other rem changes							503	1.1% Mostly due to less staff time on capital projects and other operational projects <i>To be reviewed further</i>
Reduction in unfunded depreciation and borrowings funded operational costs							1,262	2.7% *Reduce level of unfunded depreciation, *Fund a portion of solid waste costs funded by borrowings in prior year
Contracted increases							409	0.9% Includes inflation clauses in contracts and recent renewals
Other changes							232	0.5%
<b>Total other key changes</b>							<b>5,070</b>	<b>10.7%</b>

- 5.8 This early budget is a 'no frills' budget. Council officers have presented a budget that contains the necessities – rather than one that contains 'nice to haves.' During the 7 December Council Workshop Council indicated to Council officers they would like to see a range of options that will allow the rates increase for the 2023/2024 financial year to be between 5% and 10%. If Council were looking to endorse a rates increase at or below New Zealand's CPI (the measure of inflation) currently at 7.2% per annum, Council will need to commit to holding discussions with the community about reducing Levels of Service.
- 5.9 At the Council Workshop on 14 December, and 21 December if required, Council will be asked to provide Council Officers with clear direction on what they will be comfortable endorsing for consultation with the community early in the new year. Council officers have committed to providing Council with a number of options to explore to aid the discussion on ways to significantly reduce the rates increase from the current number. This direction should be not be confused with pre-determination and is necessary at this point of the process to enable the development of the LTP Amendment documentation and consultation material.
- 5.10 On 7 December, Council was also presented with a picture of the changes in borrowings over the lifespan of the current LTP. The significant increases in borrowings are mostly driven by an increase in needed investment in our key water infrastructure. The projects that are driving this change are already identified in the LTP 2021-2041, however a number of these projects need to be moved forward to ensure we are able to maintain the level of service our community expects. These increase are also driven by significant increase in construction costs which are significantly more than inflation. Council officers are aware that this level of investment is not advisable and are working on a program that will reduce borrowings in the short term.
- 5.11 As Council has received the material to support and show the rationale for the LTP Amendment, Council is asked to approve the scope of the LTP Amendment as:
- Future of the Levin Landfill
  - Key Water Projects
  - Revenue and Financing Policy Review
  - Rates Review

## 6. Next Steps

- 6.1 The timeframe to complete the LTP 2021-2041 Amendment and Annual Plan 2023/2024 is tight. To set Council up for a successful LTP amendment and Annual Plan process, Council officers need to have clear direction to develop the draft LTP Amendment documents over the Christmas period. This will allow Council Officers to bring the draft documents to Council early in the new year.
- 6.2 To maintain this timeline, it will be necessary to have the required documents ready for Audit beginning 13 February. Going into Audit the draft LTP amendment, consultation documents and supporting documents need to be complete. This means that Council's preferred options, along with other viable options need to be chosen and drafted. This includes assessing each option and clearly identifying the impact it will have on our delivery, level of service, rates, and debt.
- 6.3 The LTP Amendment programme and Annual Plan is working to the following dates, although some of these dates may change as scheduling is finalised:
- 13 February – Audit of Consultation Document and Supporting Information commences
  - 8 March – Adopt Consultation documents and supporting information
  - 27 March to 1 May – Consultation period
  - 9 to 11 May – Hearings
  - 6 to 7 June – Deliberations
  - 13 to 23 June – Audit of Long Term Plan 2021-2041 Amendment
  - 28 June – Adopt Long-Term Plan 2021-2041 Amendment and Annual Plan and set the rates
- 6.4 Council officers are also currently preparing for a successful consultation period. To ensure Council receives the most benefit from this statutory requirement, Council officers will be developing an engagement and consultation programme that will provide elected members the opportunity to lead the community engagement of the LTP Amendment to both educate and gather community opinion on these important topics. This programme will be confirmed with Council early in 2023.

## Attachments

There are no attachments for this report.

### Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

## Signatories

Author(s)	Monique Davidson <b>Chief Executive Officer</b>	
Approved by	Monique Davidson <b>Chief Executive Officer</b>	

