



AGENDA

Late Reports

Ordinary Council Meeting

Wednesday, 28 February 2024

Date: Wednesday, 28 February 2024

Time: 10.30 am

**Location: Ngā Hau e Whā, William Fraser Building,
1 Dunorling Street, Alexandra**

(A link to the live stream will be available on the Central Otago District Council's website.)

Peter Kelly
Chief Executive Officer

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28 February 2024

6 REPORTS

24.2.28 OPTIONS FOR THE DELIVERY OF 2024-34 LONG-TERM PLAN

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1. Purpose of Report

To consider the options provided by the Government for the delivery of the 2024-34 Long-term Plan.

Recommendations

That the Council

- A. Receives the report and accepts the level of significance.
 - B. Notes the legislative options provided by the Water Services Acts Repeal Bill for the delivery of the 2024-34 Long-term Plan.
 - C. Agrees to defer adopting the 2024-34 Long-term Plan by 1-year in accordance with the clauses contained within Part 8 "Provisions relating to Water Services Acts Repeal Act 2024" of the Local Government Act 2002.
 - D. Agrees to progress with the development of an Annual Plan for the financial year 2024/25.
 - E. Authorise the Chief Executive Officer to do all that is necessary to give effect to this resolution.
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2. Background

On 14 December 2024, the Council received a Ministerial letter regarding the Government's intention to repeal the Three Waters legislation and the options to enable councils to incorporate this change into their 2024-34 Long-term plan (the LTP).

The Three Waters legislation to be repealed includes the Water Services Entities Act 2022, the Water Services Entities Amendment Act 2023, and the Water Services Legislation Act 2023.

The implication of this legislative repeal for the LTP process means councils will need to budget Three Waters for ten-years (as opposed to two), produce a Three Waters Activity Management Plan, and re-incorporate the Three Waters into their Infrastructure Strategy. These are all significant pieces of work.

The Government's options contained in the December letter to assist with meeting LTP deadlines are:

- status quo and adopt by 30 June 2024
- delay up to three months and adopt by 30 September 2024
- proceed with any of the above options, together with the additional option of an unaudited Consultation Document.

On 12 February 2024, the Government provided a further update. The Government confirmed their intentions to repeal the Three Waters legislation by passing the Water Services Acts Repeal Bill (the Bill) by 27 February 2024. Within this Bill there was another option to assist with LTP.

This additional option is for councils to:

- defer their adoption of the LTP by 12-months, and instead prepare an 'enhanced' 2024-25 Annual Plan (the AP). This is conditional upon:
 - an order from Council must be obtained by 30 April 2024
 - compulsory public consultation of the Annual Plan

Central Otago District Council already provides additional information in the Annual Plan documentation so the only additional information required for the 'enhanced' annual plan is the inclusion the inclusion of significant negative effects for each activity (which is easily obtainable).

The purpose of this report is for the Council to consider these options for the delivery of the LTP.

3. Discussion

There are several key issues to consider when determining which option to proceed with. These key issues are considered below.

Human Resources

A standard LTP process increases pressure on staff throughout the organisation. This LTP process has been far from a standard process which has put further strain on staff. This is particularly present in the finance and three water teams.

With current resourcing levels, it is not possible to meet the status quo option of adoption of the LTP by the 30 June 2024 deadline, with or without an audited Consultation Document.

Under the two or three-month delay options, there will be a compounding effect on the finance team regarding the LTP, Annual Report, and Annual Plan cyclical workload. This will be high under the two or three-month delay options, but eliminated under the Annual Plan option.

Under the 2024-25 Annual Plan option, a switch of direction will impact more staff. Work for staff will initially remain high. There will be an initial shift to quickly comparing what was in Year 4 of the 2021-31 LTP to what was proposed in Year 1 of the draft 2024-34 LTP. Then switching to a developing Annual Plan process which overall requires less organisational wide input.

Work to date on the LTP process will not be redundant. Once the 2024-25 Annual Plan process is complete, staff will then revert to continuing work for what will then become the 2025-34 LTP.

Rates Instalments

A delay in adopting an LTP will have an impact on when the rates can be struck and invoiced. The current process requires adoption by 30 June 2024, strike rates by 15 July 2024, invoice by 20 July 2024, with payment due by 20 August 2024.

Under a three-month delay option, there is provision under Section 50 of the Local Government (Rating) Act 2002 for a Local Authority to deliver the first rates instalment invoice based on 25% of the previous year if it is not able to adopt the Annual Plan by 30 June in a given year.

Invoicing based on the previous year rates strike will not capture new rating parcels of land (rating plates) created since 1 July 2023. It will also mean that any rates increase will be spread over three instalments, not four.

Under a two-month delay option, it is proposed that rates are not struck or invoiced until after the adoption of the LTP. This will mean that there will be a delay of two-months until ratepayers will receive an invoice. However, new rating units from 1 June 2023 will be captured, and any rate increase will be spread over the four instalments.

Going ahead with either the two or three-month delay options will require a comprehensive communication plan together with a flexible approach towards payment deadlines. For example, ratepayers with direct debits could be offered the ability to keep payments at the same rate as last year or increase these.

There is a risk here that even with the best communication plan in place, these options will create uncertainty in terms of budgeting for rate payments. This would be especially stressful for members of our community who are already under financial pressure due to the current tough economic climate.

Under the 2024-25 AP option, it will be status quo. After the adoption of the Annual Plan the rates will be struck and invoiced as we do normally in July 2024 with payment due in August 2024.

Audit New Zealand

It is a legislative requirement for an LTP to be audited. This audit includes a review of the draft Activity Management Plans, various strategies and policies related to the LTP, Consultation Document, and the final LTP publication. It is an ongoing challenge for councils to align with Audit New Zealand's resource availability, costs, and the level of an auditor's experience together with their interpretation of the review expectations and still meet legislative deadlines.

Under the two-month delay option, there will not be time to allow for the audit of the Consultation Document. Under the three-month delay option, there is.

Under the 2024-25 AP option, auditing is not required.

Audit New Zealand has provided the following advice concerning their approach and risk assessment for councils to consider when deciding whether to take the option of having an unaudited Consultation Document (CD).

"Your auditor still needs to form a view as to what are the major matters that Council intends to consult on in their CD – as this will directly inform your opinion on whether the LTP is fit for purpose, notwithstanding the fact you won't be receiving an opinion on the CD.

We believe the impact of not performing a CD audit will have a marginal impact on the audit effort required and consequently audit fees. While councils can choose whether to have their CDs audited, most of the work we normally do at the CD stage of the audit goes directly to the audit opinion on the LTP.

Where a council elects not to have its CD audited, while we won't issue an audit opinion on the CD, the audit of the assumptions, underlying information, financial model, performance framework, infrastructure strategy, and financial strategy still needs to take place at the time the CD is being put together. Delaying this work until the LTP stage of the audit increases the risk of audit issues arising that are unable to be resolved before the LTP is adopted.

We expect councils and auditors to work together at the CD phase of the audit to ensure sufficient assurance is provided over these fundamental aspects of the LTP in a timely fashion."

Development and Financial Contributions Policy

The purpose of this policy is to ensure the fair, equitable, and proportionate share of increased costs of assets and services provided by the Council due to growth is funded by development. Legislation requires a review of this policy during the LTP process, and a special consultative procedure undertaken.

Through planning for the 2024-34 LTP it was proposed that a review of the development contributions was undertaken for network infrastructure (water supplies, wastewater and transport) and financial contributions for reserves to better align with actual project costs.

Under the two or three-month delay options, a full review described above will be achieved.

Under the 2024-25 AP option, it is likely there will only be enough time and resources to achieve an initial review of current charges, with a full review next year.

There is an additional option contained within the Bill for local authorities taking the 2024-25 AP option to extend their current Development and Financial Contribution Policy so that the period to which it applied to ends on 30 June 2025 to align with adoption of the new LTP.

Fees and Charges

The Council's Fees and Charges Schedule is reviewed annually either through the LTP or AP process.

Under the two or three-month delay options, there would have needed to be a two-step process for implementation of these fees. Adoption of fees and charges which don't have cost recovery components would occur before 30 June 2024. Adoption of fees and charges which are based on cost recovery (i.e Resource Consent Fees) would then be implemented from the adoption of the 2025-34 LTP.

Under the 2024-25 AP option, all the fees and charges will be adopted in one step alongside the adoption of the AP.

Local Body Elections

The next local body elections will be held in October 2025.

Under the two or three-month delay options, the LTP 2025-34 consultation and adoption will be very close to the local body elections. Therefore, there is a risk to the current elected members if they wish to run for re-election if the community forms a bias due to decisions that will be required to be made during the LTP process.

Through the 2024-34 LTP process to date, it was identified that a potential item requiring public consultation is the districtisation of more council activities.

Under the 2024-25 AP option, it is proposed that there would be a separate conversation with the Council on this matter and the Council may decide to undertake a special consultation procedure, late 2024.

Waka Kotahi Funding

Alongside the LTP for Roading, Council must also develop and submit its 3-year Land Transport Plan to its co-funder, Waka Kotahi (who fund 51% of qualifying projects). These two plans are one in the same, albeit working to slightly different timeframes. The Transport Plan for 2024-27 was submitted to Waka Kotahi in December 2024. From past experience there is a high risk that the decision on funding will not be released until after 30 June 2024.

Under the two or three-month delay options, there is still a risk that the decision on Waka Kotahi funding will not be available in time for incorporation into the LTP budgets.

Under the 2024-25 AP option, it is unlikely that the Waka Kotahi funding decision will be available in time to be incorporated into the AP. However, it will be available for incorporation into the 2025-34 LTP.

Three Waters Regulation

On 14 February a webinar was held in which the Government provided local authorities with their 12–18-month plan for the implementation of the Local Water Done Well. Within this presentation the Government signalled that there is going to be higher economic regulation for Three Waters soon.

Under the two or three-month, there will not be enough time to incorporate the impact of this high economic regulation into the LTP. There is also an additional risk that the economic regulation might be to a level which then triggers the need to undertake an amended LTP.

Under the 2024-25 AP option, the impact of the economic regulation will be able to be incorporated into the 2025-34 LTP.

Volumetric Charging

As part of the LTP process, a review of the volumetric charging was being considered. The current volumetric charge is low, and the uniform annual charge is high compared to other councils. With volumetric charging, people are charged for what they use, and because the volumetric charge is so low, this may not achieve the demand management outcomes desired for some high-demand properties, or those who were able to pay. With higher uniform annual charging, every property ends up paying more, instead of just those who have high water use.

Under the two or three-month options, there is time and staff resources to achieve a review of the volumetric charging for water.

Under the 2024-25 AP option, there is a risk that due to time and staff resources, this review will not be achieved in time for public consultation. It would then be picked up again within the 2025-34 LTP process.

Public Consultation vs LTP amendments

When considering if an item should be included in a LTP or AP Consultation Document regard to significance under the Council's Significance and Engagement Policy and legislated under the Local Government Act 2002 must be applied. The Council's Significance and Engagement Policy was reviewed and adopted for consultation as part of the 2024-34 LTP process.

Under all options, it is proposed that the Significance and Engagement Policy will be part of the consultation process as a supporting document.

Under the AP, consideration must be given to what changes from Year four of the LTP 2021-31 are proposed in the draft Year 1 2024-34 LTP (now 2024-25 AP) will trigger consultation and if this trigger will require a further level of engagement held with in legislation that will require an amendment to the 2021-31 LTP thus triggering the full LTP process nevertheless.

A high-level comparison of budgets described above has been made. Legal advice has been received that the likelihood of triggering an amendment to an 2021-31 LTP is low. The potential changes discussed will either trigger the need to be a part of the consultation document or are not at a significant deviation away from year four of the 2021-31 LTP thus no consultation is required. While this risk is low, it will however need to be managed as the AP process develops.

District and Council Vision

The project to create a district vision is underway and due to be completed mid-2024. The project to create a Council Vision is also underway. This project is planned to follow after the District Vision and be completed by the end of 2024. These two visions will provide the strategic foundations of an LTP.

Under the two or three-month delay options, these strategic views will not be able to be incorporated into the LTP.

Under the 2024-25 AP option, these strategic views will be incorporated into the LTP.

With investigations ongoing into possible districtisations, a delay to the LTP would let this work be consulted on via a special consultative procedure which could occur in August 2024. The outcome and decisions arising from that consultation could then be worked into the 2025-34 LTP process.

4. Financial Considerations

Audit New Zealand Fees

Audit New Zealand has released their fee strategy for the LTP. Audit New Zealand acknowledge that further work in how fees are charged to Council is required. However, this work is due to be completed in the near future. For this LTP they have put a maximum increase of 23% on the agreed audit fee for 2021-31 LTP. The cost to audit the 2021-31 LTP was \$98,500 excluding GST.

Under an 2024-25 AP option, neither the consultation document nor the AP is audited. The increased audit fee will be delayed for a year. This will provide an opportunity to budget for this expense accordingly.

Operation of Council between 30 June 2024 and LTP adoption

Under the two or three-month delay options, there is going to be a gap between 30 June 2024 and the adoption of the LTP. Taituarā has advised councils to continue to operate under the approved budget within year 4 LTP 2021-31 during this time. Any new construction contracts or projects proposed in the 2024-34 LTP will need to be put on hold until adoption.

Under the 2024-25 AP option, this gap does not occur.

5. Options

Option 1 – (Recommended)

Delay the adoption of the 2024-34 Long-term Plan by one year (the 2024-25 Annual Plan option).

Advantages:

- The overall impact on council staff is reduced
- The regular rates strike and invoicing cycle remains
- Audit New Zealand is not involved in an AP process reducing costs and impacts on staff time for this year
- Audit New Zealand fee increase can be budgeted for within the LTP
- All fees and charges will be adopted in one step along with the 2024-35 AP

- The Waka Kotahi funding decision can be incorporated into the 2025-34 LTP
- The impact of the Government's Three Water economic regulation can be incorporated into the 2025-34 LTP
- There will be no gap between adoption and striking rates therefore the operation of council will not be affected
The District and Council Vision projects will be completed in time for these strategic views to be incorporated into the 2025-34 LTP.

Disadvantages:

- There will only be enough time and resources to achieve an initial review of the Development and Financial Contribution Policy's existing charges
- The 2025-34 LTP consultation and adoption will be close to the local body elections
- The volumetric water charge review might be delayed a year
- The risk that changes away from Year four of the 2021-31 LTP budgets in the proposed Annual Plan will trigger an amendment LTP and will need to be managed as part of the Annual Plan process.

Option 2

Delay the adoption of the 2024-34 LTP by two months, to 30 August 2024.

Advantages:

- Delay to striking and rating invoice cycles are minimised compared to a delay to 30 September 2024.
- A full review of the Development and Financial Contributions Policy will be achieved
- The volumetric charging review will be achieved.

Disadvantages:

- Moderate impact on council staff
- Moderate impact on the rates invoicing cycle. A comprehensive communication plan will be required
- Audit New Zealand will be engaged to audit the LTP documentation but not the Consultation Document. The risks associated with Audit New Zealand described above will remain together with their costs
- There will be a two-step process for implementation of the fees and charges
- The Waka Kothai funding decision may not be available in time for incorporation into the LTP
- The impact of the Government's Three Water economic regulation is unlikely to be available in time for incorporation into the 2024-34 LTP. The risk these changes will then trigger the requirement to undertake an amended LTP in the coming two years remains
- There will be a two month between adoption and striking rates therefore the operation of council will be impacted
- The District and Council Vision projects will not be completed into time for these strategic view to be incorporated into the 2024-34 LTP.

Option 3

Delay the adoption of the 2024-34 LTP by three months, to 30 September 2024.

Advantages:

- A full review of the Development and Financial Contributions Policy will be achieved

- The volumetric charging review will be achieved
- To mitigate some of the risks associated with an unaudited consultation document, staff were proposing to request Audit New Zealand audit the LTP alongside the consultation document.

Disadvantages:

- This option has the highest impact on the finance department resources, moderate impact on balance
- This option has the highest impact to the striking rates and invoicing cycle. A comprehensive communication plan will be required
- The remaining risks associated with Audit New Zealand LTP audit described in the discussion will remain together with their costs
- There will need to be a two-step process for implementation of the fees and charges
- The Waka Kothai funding decision may not be available in time for incorporation into the LTP
- The impact of the Government's Three Water economic regulation is unlikely to be available in time for incorporation into the LTP. The risk these changes will then trigger the requirement to undertake an amended LTP in the coming two years remains
- There will be a three month between adoption and striking rates therefore the operation of council will be impacted
- The District and Council Vision projects will not be completed into time for these strategic view to be incorporated into the 2025-34 LTP.

Option 4

Do not delay the adoption of the 2024-34 LTP.

Advantages:

- None.

Disadvantages:

- This option is not possible due to resourcing constraints.

6. Compliance

Local Government Act 2002 Purpose Provisions	This decision enables democratic local decision making and action by, and on behalf of communities by considering the options provided by the Government in the delivery of the Long-term Plan 2024-34.
Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.	Yes, this decision gives effect to Council's Register of Delegations.
Considerations as to sustainability, the environment and climate change impacts	This decision does not impact on the sustainability, environmental, and climate change of district.
Risks Analysis	The risks associated with this decision is outlined in the discussion and options above.
Significance, Consultation and Engagement (internal and external)	All options considered within this paper will be required to follow a special consultative

	procedure provided for within the Local Government Act 2002.
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7. Next Steps

- The 2024-25 Annual Plan process is actioned
- The adoption of the 2024-25 Annual Plan
- The 2025-34 Long-term Plan process recommences

8. Attachments

Nil

Report author:



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21/02/2024

Reviewed and authorised by:



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22/02/2024