

ATTACHMENTS

**Ordinary Council Meeting
Under Separate Cover**

Wednesday, 6 March 2024

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FINAL DRAFT

ATTACHMENT 1 – Key Content For 2024-34 LTP Consultation Document

NOTE: This section summarises key content for the Consultation Document (CD). The CD will reflect this content, but it is not verbatim text.

1.0 CONTEXT

This section will include an update on key progress/achievement since the 2021-31 LTP was adopted. This reinforces that the LTP is part of a continuum vs starting from a zero baseline. It will also include an introduction from the Mayor and photos of all elected members.

The following topics will be included to provide context for the 2024-34 LTP and highlight some of the key challenges that Council is facing and has considered when developing this plan:

Topic:	Description:
<p>1.1 Climate Change, Resilience and Recovery</p> <p>For more information refer to Council's Climate Change Assumptions</p>	<p>Climate change is one of the biggest challenges facing the world with action needed at a global, national and local level. Council has developed a Climate Action Plan and a Corporate Emissions Reduction Plan that we will continue to implement. We have also participated in regional workstreams under the Wellington Regional Leadership Committee (WRLC) to assess the impacts and implications of climate change for the Wellington region, including our district.</p> <p>Some key actions/projects for the 2024-34 LTP in response to this include:</p> <ul style="list-style-type: none"> • Continuing to participate in Wellington regional climate action workstreams. • Ongoing implementation of the Climate Action Plan and Corporate Emissions Reduction Plan. • Facilitating the Climate Advisory Group and Rural Advisory Group to support Council to address the impacts of climate change across its business. • Working with other Wairarapa Councils to implement the Water Resilience Strategy. • Expanding our water storage capacity from Year 2. • Developing a policy on water meter charging as part of our demand management strategy. • Implementing the Waste Minimisation and Management Plan 2023-29. <p>Closely associated with climate is resilience and recovery. We have witnessed first-hand the damage of heavy rainfall and cyclones over the past two years. We experienced challenges with our wastewater system and extensive damage to our roading network, depleting our storm damage repair fund. Given climate change forecasts, these challenges are likely to be ongoing and we need to plan and adapt.</p> <p>Some key actions/ projects for the 2024-34 LTP in response to this include:</p> <ul style="list-style-type: none"> • Ongoing Recovery Planning for our district, shared with CDC and SWDC. • Assessing the outcome of the GHD wastewater study that is currently underway to help inform solutions. • Additional funding for wastewater renewals and maintenance. • Rebuilding our storm damage fund.

	<ul style="list-style-type: none"> • Undertaking work to prioritise our rural roading network given increasing costs to deliver current levels of service (See 4.1.2). <p>Council has also secured external Resilience Funding of \$1.711 million that will be used to support work to improve our resilience:</p> <ul style="list-style-type: none"> • Riversdale Northern Reserve Rock Protection - \$411K • Stormwater and wastewater improvements in the Cockburn Street catchment - \$1.300M <p>In addition, Council has entered into the Government’s Future of Severely Affected Land (FOSAL) package. This funding supports properties in our district that were severely impacted by Cyclone Gabrielle. Council is contributing 50% of the cost of the buy-out package.</p>
<p>1.2 Growth & Development</p> <p>For more information refer to Council’s Growth Assumptions relating to Demographics and Households.</p>	<p>Our population continues to grow, age and diversify. With this comes increasing demand for housing and for new and different services. We want to make sure we do development well, meeting the needs of our community while also responding to challenges like climate change.</p> <p>Some key actions/projects for the 2024-34 LTP in response to this include:</p> <ul style="list-style-type: none"> • Commencing work on a Spatial Plan for the Masterton district in Y1 to help inform our growth planning at a local level. • Completing the review of the Wairarapa Combined District Plan. • Participating in work to implement the Future Development Strategy for the Wellington region. • Monitoring growth and development. • Implementing actions that support resilience and climate action, and progressing our infrastructure work programme (see section 4.1).
<p>1.3 Efficiency and Affordability</p> <p>For more information refer to Council’s Growth Assumptions relating to the Economy and our Financial Assumptions.</p>	<p>Efficiency and affordability have been key considerations for the 2024-34 LTP. We know many in our community are struggling with the increasing cost of living. Cost escalation has impacted Council too. The cost of delivering services is increasing and some projects that we had planned in our 2021-31 LTP are no longer affordable.</p> <p>Inflation is the key driver of the rate increases that are proposed for the 2024-34 LTP with increasing costs of service delivery impacting across Council activities. Other key drivers include:</p> <ul style="list-style-type: none"> • Increased road maintenance and renewals budgets to deliver the levels of service our community expects. • Increased investment that is needed to improve our three water assets. • Recovery projects following Cyclone Gabrielle to restore our rural roads. • Increased debt servicing costs given higher interest rates. • Increased insurance costs. <p>See section 5 relating to the financials for more information.</p> <p>Some key actions/projects for the 2024-34 LTP in response to this include:</p> <ul style="list-style-type: none"> • Working hard to identify cost savings in this plan, with rate increases reduced from an initial 17% down to less than 11% per annum average across all properties, after allowing for growth in the rating base.

	<ul style="list-style-type: none"> Proposing to reduce the scope on some of the ‘big’ projects like the Town Hall (see section 2.1) and Town Centre Upgrades (see section 2.2). Noting that borrowing for these projects will bring Council close to the debt limit Council has set in the Financial Strategy. Implementing the revised Revenue and Finance Policy, which places more emphasis on user pays for Council services and moves more of the rating to targeted charges, away from value-based rates. Proposals to achieve efficiencies now, (see section 2.5) and a programme of work to review a range of other services (see section 4.2.3) over the course of this LTP.
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2.0 KEY CONSULTATION ISSUES

These issues have been identified as issues for consultation with our community because they are higher profile/higher value projects and/or are changing direction and service levels compared to what was planned or committed in our 2021-31 LTP. The proposed changes will impact a broad and diverse range of people. Given that, we expect these issues to be of particular interest to our community.

For all consultation issues we are required to identify a preferred option and at least one viable alternative. For all options we are required to include information that will assist our community to understand the options and provide feedback on which they prefer. This information includes the timeline for the proposal, how it will impact service levels, the cost, how we will fund it and the rates impact. This information will be reflected in our Consultation Document.

Town Hall & Library –See Report 7.6 included in this agenda for more detail regarding the options and context that will be reflected in the LTP Consultation Document.

2.1.1 Town Hall and Municipal Building

Council’s Preferred Option for Town Hall and Municipal Buildings

Demolish Town Hall and Municipal Buildings (retaining the façade), build new Town Hall and expand Waiata House.			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Years 2 to 4 of the LTP	\$38.6M	Loan funded + external fundraising, noting that loan funding this project will mean that Council will be close to the debt limit it has set in the Financial Strategy.	By year 5, 2028/29 the average urban residential property will pay an additional \$302 per annum (\$5.80 per week) in rates, compared to the rates in 2023/24, as a result of the Council delivering this project.

Alternative Option for Town Hall and Municipal Buildings:

Demolish the Town Hall and Municipal Buildings (including the façade), retain Waiata House and Queen Street (leased) premises.			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
TBC	\$3.345M	Loan funded.	Over the same timeframe as the preferred option the average urban property would pay an extra \$41 pa by year 5 (2028/29)

2.1.2 Library and Archive

Council's Preferred Option for the Library and Archive

Upgrade and expand the library only			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Y1-Y2	\$10,381M	Loan funded.	By year 4, 2027/28 the average urban residential property will pay an additional \$76 per annum (\$1.50 per week) in rates, compared to the rates in 2023/24, as a result of the Council delivering this project.

Alternative Option 1 for the Library and Archive:

Upgrade and expand the library <i>and</i> archives.			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
TBC	\$14.146M	Loan funded.	By year 4, 2027/28 the average urban residential property will pay an additional \$97 per annum (\$1.90 per week) in rates, compared to the rates in 2023/24, as a result of the Council delivering this option.

Alternative Option 2 for the Library and Archive:

Undertake essential repairs and maintenance only.			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
TBC	\$2.228M	Loan funded.	By year 4, 2027/28 the average urban residential property will

			pay an additional \$8 per annum compared to the rates in 2023/24, as a result of the Council delivering this option.
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2.1 Town Centre Improvements

See Report 7.5 included in this agenda for more information.

Council's Preferred Option

Complete the essential work that is required to improve water and roading infrastructure in the Town Centre only. Once this work is completed, the Town Centre will be reinstated as it is now.			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Years 2 to 3 of the LTP	\$6.48M	NZTA Subsidy, rates and depreciation reserve funds where applicable.	No additional rates required as renewal work will be done from existing programme and depreciation reserves – noting other urban road renewal works will be de-prioritised.

Alternative Option:

Take the opportunity to revamp the Town Centre while we complete essential infrastructure work.			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
TBC	\$14.12M	Loan funding of \$7.65m, NZTA subsidy, rates and depreciation funds where applicable.	Assuming loan funding of \$7.65 million will see additional rates required on an average urban property of \$70 per annum by 2027/28.

2.2 Changes to Council Funding for Community Groups and Organisations

Council currently has a mix of arrangements for funding community groups and organisations. Some have multi-year agreements and receive funding, usually for 3 years, via the LTP process. Others apply for grants via the annual Community Wellbeing Grant round.

To achieve greater consistency and take a more equitable approach to funding, the Council proposes moving most LTP aligned funding to annual contestable funding from 2024/25. Applications would open in July 2024 and decisions would be advised in September 2024.

Organisations that currently have multi-year agreements that would be impacted by this change include: Cobblestones, Digital Seniors, Fab Lab Masterton, Life Flight Trust, Masterton Foodbank,

Nuku Ora (previously Sport Wellington Wairarapa), Pasifika o Wairarapa, Riversdale Beach Surf Life Saving Club, Te Awhina Community Hub, Wairarapa Community Centre Trust, Wai-Waste Food Rescue, Wellington Free Ambulance and Wings Over Wairarapa.

Funding for Business Wairarapa and Destination Wairarapa would also become contestable annually as part of this change when current agreements expire. This funding would be contestable for economic development projects. Funding for events would remain as a separate contestable for events.

In addition, Council has agreed to consider funding for the Five Town Trails Project through the annual contestable funding process. More information on that project is available here:

<https://fivetownstrail.co.nz/about-the-network>

Council's Preferred Option: Most Council funding for community groups and organisations will be contestable annually. The total annual allocation for general contestable funding will be \$354K.

<p>Most funding for community groups and organisations would become contestable. Applications for this funding would be considered annually. Applications would open in July with decisions advised in September.</p> <p>The total general contestable funding pool would be \$354K. This increases the funding that is available in the general contestable pool but is 5 per cent less than contestable funding for grants and multi-year agreements in 2023/24.</p>			
Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
From Year 1 of the LTP (2024/25).	<p>\$354K would be allowed for annual general contestable funding.</p> <p>This is \$269K more in general contestable funding than in 2023/24, but 5% less funding overall compared to equivalent funding in 2023/24.</p>	Rates	<p>\$31 per property per annum (on an average urban property) is the cost of rates funding going into the contestable funding pool for community groups and organisations. This is \$1 per annum less than 2023/24 (before taking account of Revenue & Financing Policy changes).</p>

Alternative Option: Maintain existing Council funding arrangements. The total allocation for general contestable funding would be \$85K.

<p>Current processes for funding of community groups and organisations would continue with varying arrangements. Organisations that currently have multi-year agreements would apply for funding via the LTP process every three years. Other organisations would apply for grant funding via the annual contestable grants round.</p>
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Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
From Year 1 of the LTP (2024/25).	\$85K for annual general contestable funding \$269K for multi-year agreements \$354K total provision allowing:	Rates	\$31 per average urban property, which is no change to the rates funding compared to the preferred option.

2.3 Levels of Service Efficiencies

Council prioritised a level of service (LOS) review for the 2024-34 LTP. Over the past 12 months Council have reviewed all service levels, taking into consideration feedback from our community via previous Annual Plan engagement and Council's satisfaction survey. A key focus of the review was to identify efficiencies and reduce the rates impact for our community. Through this review Council has identified a programme of work for the 2024-34 LTP to carry out a more in-depth review of some services (see section 4.2.3). Council is also proposing a range of changes now, noting that all changes will have implications for service levels and/or project delivery. These changes include:

2.3.1 Reducing Wairarapa Economic Development Strategy (WEDS) Funding

The three Wairarapa Councils currently fund the delivery of the joint strategy. WEDS would have less funding than in previous years, which is expected to impact on project delivery. This may mean some projects are deprioritised or delivered over a longer timeframe.

Projects that WEDS currently support include product development for the Dark Skies work programme; Water Resilience Summer Series in collaboration with the Wairarapa Water Users Group; Food and Fibre innovation; attraction of the Rebel Business school programme to the Wairarapa and WellingtonNZ programmes coming to the Wairarapa, particularly Creative HQ events.

Option:	Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Council's Preferred Option: Reduce funding for the Wairarapa Economic Development Strategy by 20% compared to 2023/24.	From Year 1 of the LTP (2024/25).	\$80,000. This is \$20,000 less than 2023/24.	Rates	This change saves \$2.00 per annum rates on an average urban property
Alternative Option: Maintain funding for the Wairarapa Economic	From Year 1 of the LTP (2024/25).	\$100,000	Rates	Per above, the \$2 per annum saving would

Development Strategy at the 2023/24 level.		This is the same as 2023/24.		not be achieved.
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2.3.2 Ceasing funding for regional Walking and Cycling facilitation

The three Wairarapa Councils currently contribute funding toward regional facilitation of walking and cycling activities, and to support projects that enable this such as the Five Town Trails project. Examples of activities and initiatives undertaken in the last 3 years include supporting Greater Wellington Regional Council and Wairarapa Road Safety Council activities with schools, promoting biking in reserves as part of Parks Week, and planning and delivery of the Wairarapa Walking Festival as part of the steering group.

Option:	Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Council's Preferred Option: Cease funding for the regional Walking and Cycling Facilitation.	From Year 1 of the LTP (2024/25).	\$35,000 saving from prior year.	Rates	This will save \$3 of rates per year for an average urban residential property.
Alternative Option: Continue funding for regional Walking and Cycling Facilitation.	From Year 1 of the LTP (2024/25).	\$35,000 added back in the budgets	Rates	The \$3 of savings will not be realised.

2.3.3 Ceasing funding for regional Positive Aging facilitation

The three Wairarapa Councils adopted a joint Positive Aging Strategy in 2019 and contribute funding toward regional facilitation to support the implementation of this Strategy. Examples of activities and initiatives undertaken in the last 3 years include assisting Council to integrate the strategy across its business, being part of the steering group for the Senior Games, completing the application for the World Health Organisation Global Network for Age-Friendly Cities and Communities, organising and supporting the Wairarapa Community Networks Kuia/Kaumātua/ Older Persons Forum; and support for the Ageing with Attitude Expo.

Option:	Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Council's Preferred Option: Cease funding for regional Positive Aging Strategy Facilitation.	From Year 1 of the LTP (2024/25).	\$40,500 reduction in costs.	Rates	This will save \$4 per annum per average urban residential property
Alternative Option: Continue funding for regional Positive Aging Strategy Facilitation.	From Year 1 of the LTP (2024/25).	\$40,500	Rates	The \$4 of savings will not be realised.

2.3.4 Seeking further external funding for the Welcoming Communities facilitation beyond 2025 when current funding expires

Masterton joined the Welcoming Communities programme in 2021. As part of this, Council secured external funding for 3 years to support the facilitation of this programme of work. Examples of activities and initiatives undertaken include support for the Holi Celebration, Ahmadiyya community support including Iftar celebrations (Iftar is the fast-breaking evening meal of Muslims in Ramadan), Cultural Festival organisation, Welcoming Week organisation, Newcomers Survey, Funding support for community groups, Ahmadiyya community day at Riversdale Beach (in conjunction with Red Cross), women only refugee swim and water safety project (in conjunction with Neighbourhood Support). Further external funding would need to be secured to continue facilitation of this work.

Option:	Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Council's Preferred Option: Seek further external funding for Welcoming Communities facilitation when current funding expires in 2025. If external funding cannot be secured, the role would cease.	From Year 2 of the LTP (2024).	\$55,000 per annum (including events costs)	External Grant	A saving of \$4 per annum from year 2 on an average urban residential property
Alternative Option: Provide funding for Welcoming Communities facilitation to continue when the external funding expires in 2025.	From Year 2 of the LTP (2025).	\$55,000 per year	Rates	The rates from year 2 will be \$4 per annum more on an average urban residential property

2.3.5 Increasing the Community-Led Climate Initiatives Fund rather than funding Climate Activation facilitation beyond April 2026 when external funding ceases

Through the Three Waters Better Off Funding Masterton District Council received funding to facilitate the implementation of Council's Climate Action Plan and Corporate Emissions Reduction Plan for three years. The funding will expire in April 2026. Rather than continuing to fund this, Council proposes increasing the Community Climate Fund from \$50K to \$100K to support community led climate action. Over the next two years we would focus on supporting our community to be in a position to take the lead on community climate action.

Examples of activities and initiatives that have been facilitated since April 2023 include assisting the Council to deliver on actions under the Climate Action Plan and Corporate Carbon Emissions Reduction Plan, supporting the Climate Advisory Group to establish and initiating the process for allocating Community Climate funding, exploring local composting options, progressing work on a food resilience strategy, initiating a climate champions group to support actions within Council and attending community meetings, networking forums and events to establish relationships and promote the Climate Action Plan. Further external funding would need to be secured to continue this work beyond April 2026.

The Community-Led Climate Initiatives Fund was established in 2023 following the adoption of Council's Climate Action Plan. The fund supports climate related initiatives in the community. In 2023/24 the funding available for distribution was \$50K. Projects that have been supported through the Fund to date include: Sustainable Wairarapa to localise and run the international climate action programme 'Take the Jump' which teaches people everyday climate actions they can implement in their own lives; House of Science to develop 'A Load of Rubbish' science kit for local schools to use when teaching children about what waste they create and how to reduce what they consume; and Oxford Street Community Garden to expand their operations by employing a coordinator 4 hours per week to increase the size of the gardens and increase the number of families they can supply locally grown food boxes to.

Option:	Project Timeframe:	Total Council Spend:	How We Will Fund This:	Rates per property per year:
Council's Preferred Option: Increase the Community-Led Climate Initiatives Fund rather than funding Climate Activation facilitation beyond April 2026 when the external funding expires.	From Year 3 of the LTP (2026/27).	Increase of \$50,000 so that the Initiatives Fund is \$100,000 from year 3	Rates (from Year 3)	An extra \$5 per annum per average urban residential property from 2026/27.
Alternative Option 1: Provide funding for Climate Activation facilitation to continue beyond April 2026 when the external funding expires and do not change funding for the Community-Led Climate Initiatives Fund.	From Year 3 of the LTP (2026/27).	Increase rates in 2026/27 by \$92,000 picking up the costs previously funded externally.	Rates	An extra \$9 per annum per average urban residential property from 2026/27.
Alternative Option 2: Provide funding for Climate Activation facilitation to continue beyond April 2026 when the external funding expires AND increase funding for the Community-Led Climate Initiatives Fund to \$100K.	From Year 3 of the LTP (2026/27).	Increase rates in 2026/27 by \$142,000 to fund both.	Rates	An extra \$14 per annum per average urban residential property from 2026/27.

3.0 ENGAGEMENT TOPICS

We are at an early stage with some topics and would need more information to undertake informed consultation and/or we want to get an early steer from our community that will help shape our thinking on these matters. As these projects/issues evolve, we will keep our community informed and we will consult on any matters that trigger our significance and engagement policy.

<https://www.mstn.govt.nz/repository/libraries/id:2jr77ddv17q9sn6a3db/hierarchy/Documents/Council/Policies%20and%20Bylaws/Policies/Significance%20and%20Engagement%20Policy>

Topic:	Description:
3.1 Henley Lake and Remembrance Lake Consent Decisions	<p>Changing consent conditions mean we will not be able to draw water from the Ruamāhanga river to support these lakes during periods of low flow in the future. In a very dry summer this could mean the lakes dry out completely, which will change the 'look and feel' of these locations and can contribute to things like loss of fish life and unpleasant smells.</p> <p>To maintain the lakes as they are now, we would need to invest a substantial amount of money to draw water from another source. The alternative is to explore how we change the look and feel of these locations over time. For example, one or both lakes could be converted to a wetland which would not require as much water.</p> <p>Over the next 3 years we will be exploring options for the future of these Lakes. Once we have more information on feasible options, and what they would cost, we will come back to the community to seek community input.</p> <p>To give us an early steer on what the community thinks, we would like to know your views on these environments now and your preferences for the future:</p> <ul style="list-style-type: none"> • What do you value/enjoy most about Henley Lake now? • Would you prefer to maintain Henley Lake as it is now regardless of cost OR Be open to exploring a different look and feel for the Lake if it would cost less • What do you value/enjoy most about the Remembrance Lake now? • Prefer to maintain the Lake of Remembrance as it is now regardless of cost OR Be open to exploring a different look and feel for the Lake if it would cost less.
3.2 Customer Services Review	<p>When we consulted on our 2023/24 Annual Plan we asked for feedback on services that our community might want to see changed. Some people suggested changes to the way we deliver customer services. Taking community feedback on board, Council have agreed to review our customer service delivery and explore options that could improve services and/or reduce the cost of this service for our community.</p> <p>To help inform our thinking, we would like to know how/when you use our customer service centre and remote services now. Your feedback will help shape the options we explore for customer service delivery in the future.</p>

	Questions to be confirmed - will focus on things like how people access services now (e.g. online or in person); if in person, where; how often they phone or access our internet, log service requests etc.
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4.0 INFORMATION TOPICS

Information topics provide updates on key projects and/or important issues, including how we are responding to some of the key challenges we are facing. We have separated these into three categories:

- **Investing in Core Infrastructure** – highlighting Council is investing in key infrastructure.
- **Other Key Work We're Progressing** – information/updates on key projects and programmes of work that will continue into the 2024-34 LTP and/or items that are likely to require further engagement or consultation over the course of this LTP.
- **What Else We Have Planned** – high level summary of the LTP key capital projects (10 Years) and Infrastructure Strategy (30 Years)

4.1 Investing in Core Infrastructure:

For all topics below we will keep our community informed of progress and we will consult on any matters that trigger our significance and engagement policy.

<https://www.mstn.govt.nz/repository/libraries/id:2jr77ddvv17q9sn6a3db/hierarchy/Documents/Council/Policies%20and%20Bylaws/Policies/Significance%20and%20Engagement%20Policy>

Topic:	Description:
<p>4.1 Three Waters</p> <p>We have not consulted on this item as the increased spend relates to essential work that is required to improve our three waters network; and feedback from our community through LOS consultation and other feedback has signalled that three waters infrastructure is important to our community.</p>	<p>Wastewater and associated challenges have been top of mind for Council over the past two years, with issues exacerbated by heavy rainfall and high water tables. A study is underway to better understand factors contributing to this issue and to identify potential solutions. Once the GHD study is complete, we will consider what steps need to be taken. In the interim, we have increased the budget for wastewater renewals and maintenance for this LTP.</p> <ul style="list-style-type: none"> • Over the first 3 years of the 2024-34 LTP we will be investing \$6.27 million in sewer reticulation renewals, with \$1.22 million coming from external funds (Resilience and Better Off Funding). • Funding from depreciation reserves over those three years will be \$5.04 million, an average of \$1.68 million per annum which comes directly from rates. • Over three years, the impact of the additional rates funding needed on the average urban residential property will be \$91 per annum (\$1.75 per week). • Over the 10Y of this LTP, we have allowed provision of \$22.6m for wastewater renewals.

	<p>Council has received external funding to support wastewater improvements that has been factored into the budget in year 1:</p> <ul style="list-style-type: none"> • Resilience Funding of \$1.7 million, with the majority of that funding being for sewer and stormwater improvements in the Cockburn Street catchment. See section 1.1. • Better Off Funding of \$2.7 million was confirmed in 2022 for targeted wastewater improvements. There is still \$0.7 million of that funding to be invested over Y1 of the 2024-34 LTP. <hr/> <p>Water resilience is a key area of focus for Council and our community. In the 2024-34 LTP key actions include:</p> <ul style="list-style-type: none"> • Developing a Water Meter Charging Policy in Y1 that we aim to implement from 1 July 2025. • Expanding our raw water storage capacity at Kaituna - \$8.4 million has been allowed in Y2-Y5 • Provision in Years 3 and 4 of \$7.9 million for addition reservoir capacity • Continuing to work with GWRC and other Wairarapa Councils and stakeholders on the implementation of the Water Resilience Strategy. <p>We will continue to invest in water supply renewals and maintenance.</p> <ul style="list-style-type: none"> • For Years 1 to 3 of 2024-34 LTP we will be investing \$10.2 million in water main renewals. This includes \$3.9 million for trunk main replacement that will be loan funded. • The average of \$2.1 million per annum over the first three years on water main renewals is a step increase from the \$1.6 million per annum in the previous LTP. • The impact on the average ratepayer by year 3 will be an additional \$96 per annum (\$1.85 per week). • Over the 10Y of this LTP, we have allowed provision of \$27.1 million for water supply renewals. <hr/> <p>We will also continue to invest in stormwater renewals and maintenance:</p> <ul style="list-style-type: none"> • From Y1 of 2024-34 LTP we will be investing \$0.6 million per annum. • This is an increase of \$0.3 million per annum on previous years. • The impact on the average ratepayer will be \$36 per annum by 2026/27. • Over the 10Y of this LTP, we have allowed provision of \$7.1 million for stormwater renewals. <p>Council received external Resilience Funding of \$1.711 million, with \$300K of that funding being for stormwater improvements in the Cockburn Street catchment that has been factored into the budget. See section 1.1.</p>
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<p>4.1.2 Roothing</p> <p>We are not consulting on this item as the increased spend relates to essential work that is required to maintain our roading network and feedback from our community through the LOS consultation signalled roading is important. We will consult as we work through options to prioritise major work if any reductions in level of service are identified in future.</p>	<p>Our roading costs are increasing. It is costing more for the contracted delivery of our roading work programme each year. In the past 2 years heavy rainfall and cyclone damage has also impacted our roading network and depleted our storm damage repair fund. We budgeted to maintain our current level of service for roading for this LTP, noting that it is costing us more.</p> <ul style="list-style-type: none"> • Across the first three years of the 2024-34 LTP we will be investing \$31.2 million in roading renewals and improvement projects. • This is an increase of \$6.5 million more than the previous 3 year programme. • A further \$6.7 million has been allowed to complete the cyclone repair work in year 1. • \$8.2 million has been allowed in Years 2 & 3 to commence work on Mataikona Road, making it more resilient. NZTA funding for this work has yet to be approved , while Council’s share would be from loan funding if the work goes ahead. • Rates required to fund roading in year 1 will be \$10.5 million, an 18.9% increase. The impact of that increase varies at the individual property level based on the application of the Revenue & Financing Policy, but rural carry a greater share of these costs. • Over the 10Y of this LTP, we have allowed provision of \$114.8 million for roading renewals and improvements, with an assumed 56% subsidy from NZTA. <p>We have allowed to continue the current level of service, but it may not be affordable to our community in the long term. Over the course of this LTP we will be considering how we prioritise our rural roading network. This may result in reduced levels of service in future, which we would consult our community about.</p> <p>In response to Kiwi Rail’s proposed changes to some railway crossings, including Judds Road, Council has allowed expenditure of \$1.543 million over two years (Year 3 and Year 4) to implement the improvements that will be required. This is not optional as the Council and community want to keep the rail crossing open. If Council can secure external funding to cover some or all of this cost, the funding mix will be revised. If not, the cost will be loan funded. The impact to the average urban ratepayer from 2028/29 will be \$13 additional rates per annum.</p>
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4.2 Other Key Work We’re Progressing:

<p>4.2.1 Rural Halls / Other Asset Divestment</p>	<p>We are reviewing all Council assets to assess whether they are still required and/or whether Council is the appropriate owner. As we identify assets that we may be able to sell, divest in another way or re-purpose, we will consult the relevant communities where appropriate.</p> <p>Some examples of assets that we could consider divesting include rural halls that are not well utilised and surplus land. Any proceeds resulting</p>
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	<p>from asset divestment would be used as per any conditions of sale and/or to help offset costs of other work/projects.</p>
<p>4.2.2 Community Projects – Community Led, Council Supported</p>	<p>Council is aware of a range of community projects that relate to Council assets. For example, a project to renew and improve the Kids Own Playground and a project to upgrade the War Memorial Stadium to better meet the needs of the Golden Shears event. Council supports community-led, Council supported development and will work with these organisations to understand their vision and explore options and assess how we can support them to achieve their goals.</p> <p>Several community potential projects relate to sporting facilities. Through the Level of Service review Council identified the need to develop a Sports and Facilities Strategy to consider sporting trends, recreational facility usage and needs and to explore the potential for sports ‘hubs’. Projects relating to sports and recreational facilities will be considered as we develop the Sports and Facilities Strategy.</p> <p>We will provide more information on specific community projects when we have further details on the timelines and Council contributions to these projects; and will engage with relevant communities as these projects progress.</p>
<p>4.2.3 Other Service Reviews</p>	<p>Through the Level of Service review Council, in addition to changes proposed now, also identified a programme of work for the 2024-34 LTP.</p> <p>Some projects like the review of Customer Services and the development of a Sports and Facilities Strategy have already been mentioned in this document.</p> <p>In addition to these projects, over the course of this LTP we will be:</p> <ul style="list-style-type: none"> • Reviewing our Street Tree Maintenance Programme and Policy to consider what we might need to do differently in response to climate change, water resilience challenges, community preferences and affordability. • Reviewing public toilet utilisation and needs. • Reviewing community development priorities. <p>We are also scheduled to complete what are known as ‘Section 17A reviews’ for a range of services. These reviews consider options to achieve the most effective and efficient service delivery arrangements.</p> <p>Services scheduled for Section 17A reviews in this LTP include:</p> <ul style="list-style-type: none"> • Solid Waste – initial conversations are underway • Mawley Park -commencing March 2024 • Trust House Recreation Centre <ul style="list-style-type: none"> ○ Maintenance – Year 1 ○ Facility Management – Year 1 • Parks Contract - Y3/Y4 (TBC)

	<p>We will keep our community informed of progress with our service and S17A reviews as they progress and will consult on any changes that trigger our Significance and Engagement Policy.</p>
3.3 Hood Aerodrome	<p>Council adopted the Hood Master-Plan in 2021. This is a 30 year plan that provides guidance for the development of the aerodrome. Council is continuing project work consistent with the Master-Plan. In this LTP key actions include:</p> <ul style="list-style-type: none"> • Infrastructure to support hanger and aerodrome attraction development. • Fencing improvements • CAA Certification • Work to support the return of a regular passenger service <p>The work we are undertaking now is to strengthen the value of this strategic asset for the community, provide for regional resilience and place the airport in a better position to attract a commercial passenger service in the future. This could have benefits for our economy by enabling people easier access to our district, as well as benefits for local businesses and residents who are travelling out of the district.</p>
4.2.4 Waste Management and Minimisation Plan (WMMP)	<p>Over the past 18 months Council has been part of a regional project to develop a new Waste Management and Minimisation Plan (WMMP) for the Wellington region, adopted in February 2024.</p> <p>The WMMP includes regional and local actions that align with <i>Te Rautaki Para</i> - the government's Waste Strategy). We will be working with CDC and SWDC on delivering this plan.</p> <p>We have allowed \$200K per annum to implement the WMMP, with most of this coming from the allocation of funding we receive from the Waste Levy.</p> <p>A key WMMP action is the requirement to introduce kerbside food/organic waste collections by 2030. The three Wairarapa Councils are seeking funding from Ministry for Environment (MfE) for a business case for organics processing. We will also look at how community solutions can support this initiative.</p>

4.3 What Else We Have Planned:

This section will provide a high-level summary of the Capex work programme for the LTP (10 year horizon) and the Infrastructure Strategy (30 year horizon).

5.0 FINANCIAL CONTENT

This section will provide a high level summary of the financial implications for the LTP and the Financial Strategy.

6.0 OTHER OPPORTUNITIES TO HAVE A SAY

This section will highlight simultaneous consultation on:

- Remissions on Māori Freehold Land Policy
- Fees and Charges for 2024/25

Financial Strategy

Introduction

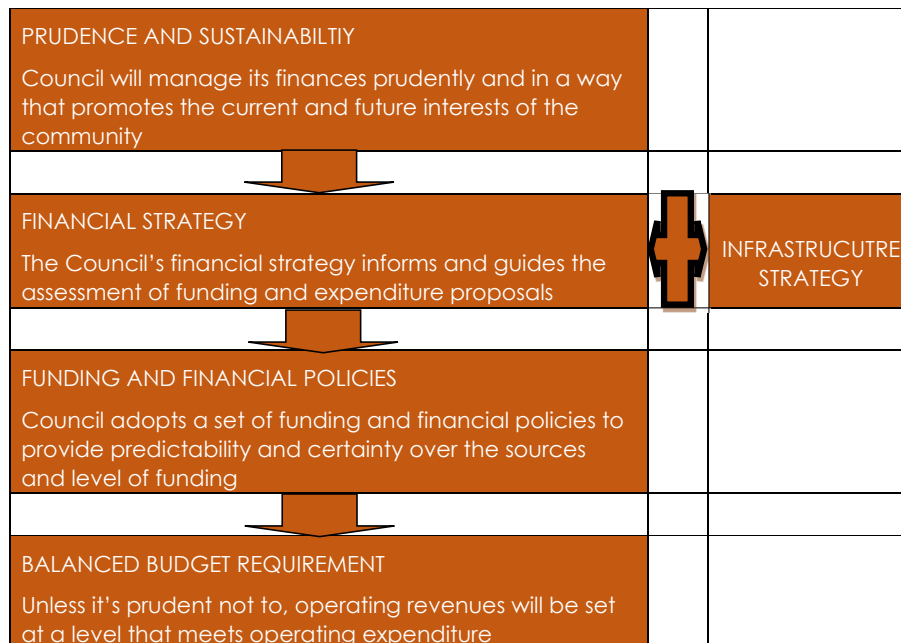
This financial strategy sets the overall direction for the Council's finances over the next ten years. The approach is consistent with the financial management of the Council outlined in previous Long Term Plans. Our approach for prudent financial management includes:

- spreading the cost across today's and tomorrow's users (inter-generational equity)
- having capacity to fund our future capital expenditure programme
- responsibly managing our reserves and investments to meet the inter-generational equity principle
- funding the costs of growth.

We prepare detailed plans every year and a 10-year plan and review of our funding and financial policies every three years. We produce summary versions of those plans for our community and ratepayers and we consult about what we plan to do. We report against those plans every year through our Annual Report which is audited by Audit New Zealand.

The goal of this financial strategy is to 'maintain service delivery while ensuring financial sustainability'. To deliver our services we need to maintain and renew the assets they depend on. To that end, asset management plans have been prepared and are the basis for the forecast renewal expenditure programmes.

The Council's financial management responsibilities



This financial strategy includes the limits on rates, rate increases and borrowing and describes our ability to provide and maintain service levels within these limits. It also outlines the Council's policy on giving security for borrowing and financial investments.

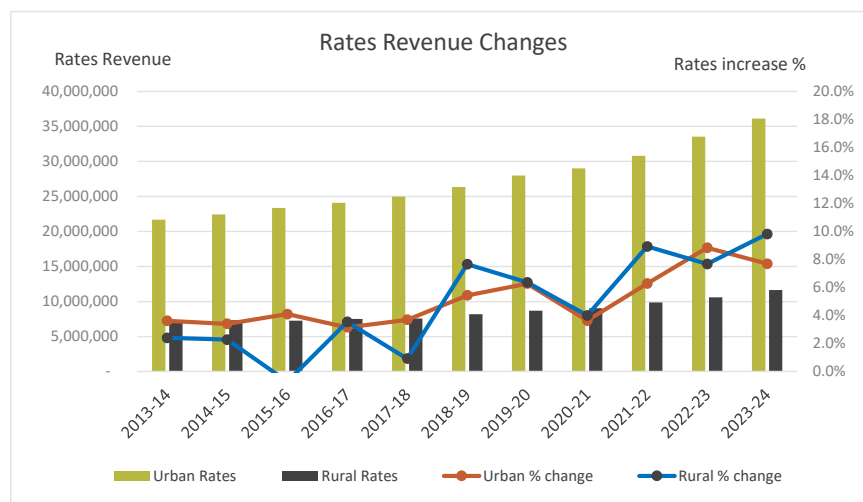
This financial strategy is closely linked to the Council's Infrastructure Strategy. The Infrastructure Strategy details the capital and operational budgets and specific projects in the areas of transportation and roads, water supply, stormwater, wastewater, solid waste management and community facilities.

Overview

Over the last three years the Council has continued to deliver services to the Masterton community while our local economy has bounced back from the impacts of the COVID-19 pandemic that disrupted our lives in 2020 and 2021. Masterton's economic recovery has had many positives, but there are also signs of slow-down as the inflationary aspects of the recovery have impacted our resident's willingness to invest and spend – the things that keep the wheels of the local economy moving.

On top of that, there has been an economic impact of two years of wet weather that included at least four significant storm events. The Council's ability to respond to those events and reinstate assets and service levels (particularly for roading and wastewater) has been a key focus of 2022 and 2023. The on-going investment in recovery and resilience and the costs of servicing the associated debt incurred is a factor in the Council's current financial position and strategy over the next ten years.

The drivers of our economy remain heavily influenced by the primary sector, the rural service sector and the government sector (education and health). We are less reliant on tourism than many regions. We have seen strong growth in population and new residential housing over the last five years. Council's revenue from rates has been held within the limits that were set by the Long Term Plans and Annual Plans.



Council's regulatory revenue streams from development and construction activity have held up well and are expected to remain steady. We have based our forward planning on the assumption that our economic recovery will continue on a slow, but positive trajectory.

Our financial performance and position over the last 15 years has been dominated by infrastructure expenditure, particularly on the Homebush wastewater treatment plant. Over the next ten years we have scheduled some high value infrastructure spending (renewals and service level increases) as well as construction projects to address areas of community well-being. The proposed library extension and new town hall are significant projects that increase the level of service to our community. We are committed to cyclone recovery roading works, an airport runway project and new animal shelter, all factored in before considering new projects for the 2024-34 Long Term Plan. The new debt associated with these projects will result in increasing rates in year 1 to pay for the increased levels of service.

We are looking to respond to the needs identified in our asset management plans, with a step change increase in maintenance and renewal spending on our roading assets to maintain the current level of service. Water resilience is also a major driver for expenditure as we look at water storage, reducing water losses (leaks), charging for water by usage and improvements to urban drainage and flood protection.

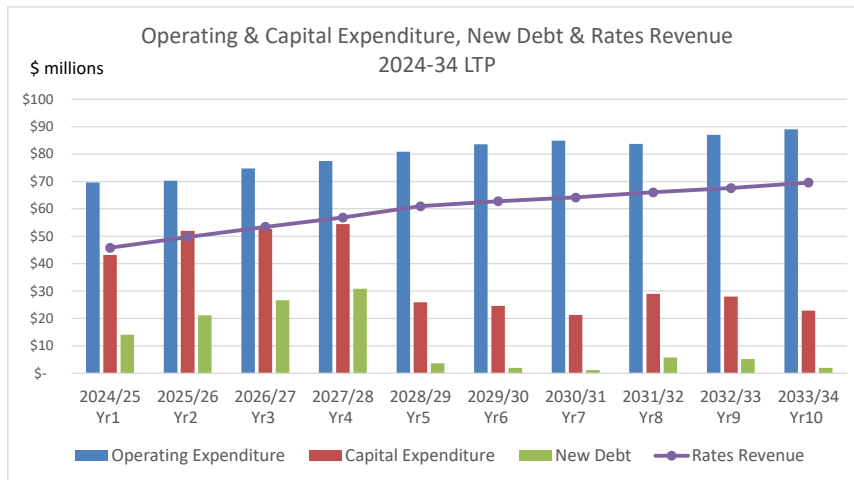
All of the above have contributed to the need to increase rates revenue by an average of 10.6% (after factoring growth in the rating base). This will breach the Council's policy of keeping rate increases below the rate of Local Government inflation (LGCI) plus 4.5%. Beyond year 1, the projected rate increases remain within this limit.

The level of net external debt is projected to increase from \$38.4 million to a maximum of \$108.6 million by Year 4 and then decline down to \$75.6 million by Year 10.

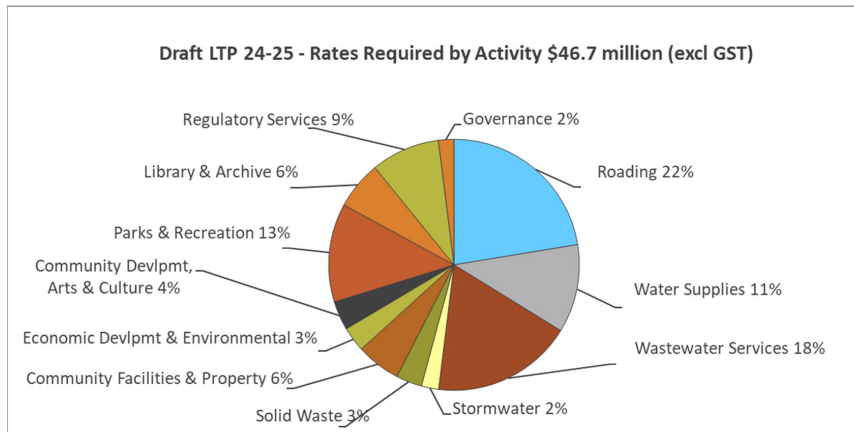
Beyond 2033/34 significant investment in wastewater treatment is included in the asset management plan at the time when the resource consent for the plant is due to expire. Other capital expenditure on water and stormwater infrastructure is planned and we will be in a good position to fund this work from both depreciation reserves and debt.

In the 2021-31 LTP, the Council smoothed rates increases by utilising reserve funds in the early years and building in the repayment in the later years. The unwinding of this smoothing mechanism also contributes to the need to increase rates in year 1 by more than the limit.

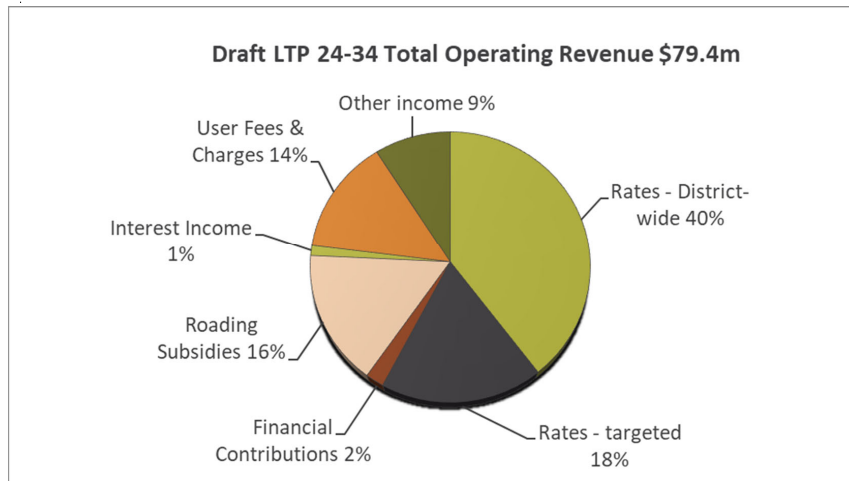
The graph below represents the financial picture of the forecast activity over the next 10 years. Some large capital projects are funded by new debt and the additional cost associated with those projects is the prime driver for the increasing rates required.



Where is the money spent?



Where does the money come from?



Our District

We expect to see population average annual growth of 1.5% per annum over the life of the plan. Masterton district's population is projected to grow from 28,900 in 2022 to 33,900 by 2032 (+17.3% over that ten years or +1.73% average growth per annum). Projections through to 2052 see the population increase to 42,100 by 2052 (+45.6% over the 30 year forecast or +1.52% average growth per annum) compared to the 2022 base.

Our population will continue to age faster than the NZ average. Infometrics data shows Masterton currently (at 30 June 2023) has more people aged 65+ (22.7% compared to 16.5%); similar numbers of people aged under 15 (18.2% compared to 18.5%) and a smaller proportion of 'working age' (15-64 years - 59.1% compared to 64.9%). Statistics NZ 2022 forecasts growth in the Masterton population aged 65+, from an estimated 6,600 people in 2023 to 8,900 in 2048 - an increase of approximately 35%. Youth (under 15 years of age) and 'working age' groups are expected to remain at similar levels throughout this period (a small decrease in under 15s and a small increase in 'working age' people). The combined effect is that the proportion of people aged 65+ will increase and Masterton's population will age, projected to move from an average age of 42.2 in 2023 to 47.7 in 2048.

We are currently working to ensure we balance demand at both ends of the demographic pyramid, providing services and opportunities that engage and contribute to the wellbeing of both our younger and older populations. We are also becoming more diverse and we are reflecting this diversity in all that we do.

Household numbers are forecast to grow from 12,352 in 2022 to 18,902 in 2054. This equates to average annual growth of 1.66% to 2054, with higher growth of approximately 1.95% expected in the first ten years and lower growth in the latter years.

Masterton has capacity for growth within its key infrastructure and services. Our 2021 Asset Management Plans indicated we could accommodate housing growth up to 1.8% per annum over the ten years from 2021-31 without significant impacts. We will test and reassess this as we develop the spatial plan scheduled for Year 1 of the 2024-34 LTP, noting also, that there are high levels of uncertainty regarding forecasts in the current environment.

Our services

We are planning to provide the same services at the same standard in most of our activities, but there are some areas where we are investing in assets and adding to operating costs. This investment will mean we need to collect more money (in the form of rates) over the period of the plan.

The proposed library extension, new town hall and increasing water storage are projects that will increase the level of service to our community. We are funding these projects with new debt and we will be increasing rates to pay for that increased level of service. Apart from year 1, rates increases will be kept below the limits defined in this strategy. We are responding to the needs identified in our asset management plans and increasing our operating spend on our water supply and roading assets to maintain the level of service delivered with those assets. Water resilience remains a major driver for expenditure, as is wastewater reticulation renewals with the aim of significant reduction of stormwater inundation into the network.

The Council is planning for regular and consistent renewal expenditure on roading, water, sewer and stormwater assets as well as 'business as usual' for all other Council services. We will keep debt below the borrowing limits defined in this strategy.

Water and Wastewater Infrastructure

Over the last 15 years finances have been dominated by the capital expenditure and associated loan funding needed for the \$46 million upgrade of our wastewater treatment plant at Homebush. The completion of that project in 2015 and its subsequent successful operation have greatly improved environmental outcomes. We have progressively repaid the debt relating to Homebush with the intention that it be fully repaid by 2034 to enable further borrowing to invest in meeting expected higher environmental standards.

The Council has taken a proactive approach to the renewal of water and wastewater pipes over the last ten years. Since 2014, 11.5% of the water pipe network (25.2km) and 16% of the sewer pipe network (30.6km) have been renewed or relined. This has cost \$18.1m and has been funded mainly by current revenue (from our depreciation reserves).

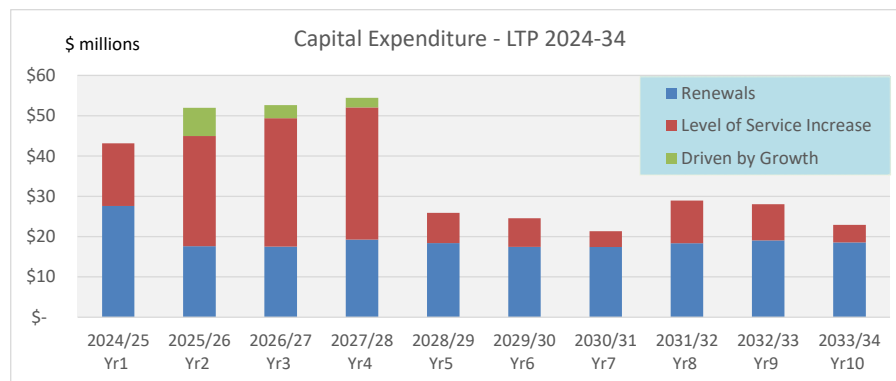
The Infrastructure Strategy indicates ongoing annual expenditure on renewal of our pipe networks. This financial strategy allows for those renewals to be funded by a combination of depreciation reserves, external funding and current rates revenue (via depreciation funding). Where planned capital renewals exceed the money in our depreciation reserve, the Council will borrow to fund the work (eg water trunk main renewals). The extent of new debt required to fund these renewals programmes is included in the projection of debt shown in the graphs on the following pages.

Investment on Masterton urban water supply infrastructure was a focus of the 2021-

31 LTP. Three years on and the installation of water meters is nearly completed and we will start a regime of charging for water used from 1 July 2025. Still on our work programme is building more water storage, renewing the Upper Plain trunk main, building an additional reservoir in Upper Plain and continuing to invest in the water main renewal programme over the ten years of the LTP. The cost of the programme of work is a step increase and requires increases in rates to fund the renewals programme, matching the increasing depreciation expense that is driven up by increased costs of replacement (construction inflation).

Growing our Assets

Most capital expenditure over the next 10 years is driven by renewal of assets or increased levels of service from our assets. Where there is a need to invest because growth has caused additional demand, we will first use the financial contributions that we have collected from developers. These financial contributions are paid to councils under the requirements of the Wairarapa Combined District Plan.



Financial position

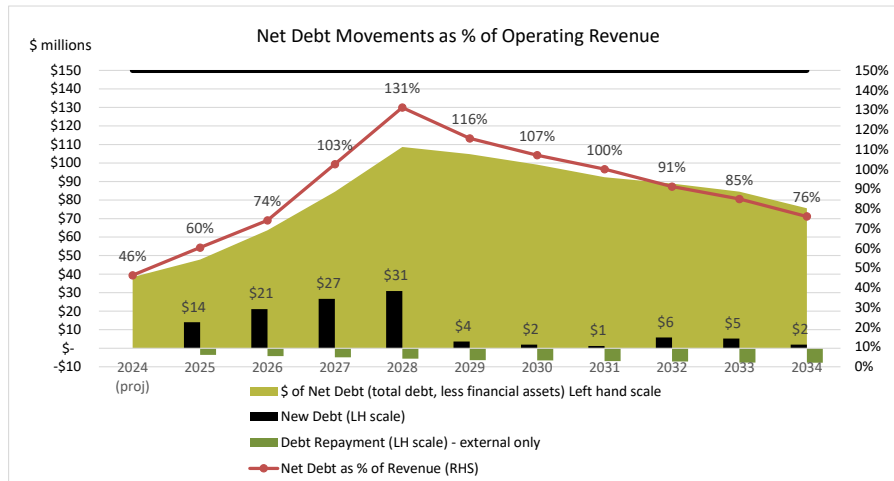
Council's debt

The level of external debt at 30 June 2024 is expected to be \$56.4 million. Net Debt (external debt offset by cash and financial assets) is expected to be \$38.4 million and will increase to \$108.6 million by 2028 before reducing to \$75.6 million by 2034 (see graph below under 'Debt Limits' section).

We are spreading the loan repayments on the Homebush debt over 25 years (the term of the consent). As described earlier, this will allow for further borrowing when additional investment is expected to be required in the early 2030s. Funding asset upgrades with debt allows the cost to be spread across current and future ratepayers. We have set prudent policy limits on our borrowing to ensure our community is not over-indebted (see graph below under 'Debt Limits' section). We use interest rate risk management policies to protect against interest rate movements and provide a predictable cost of debt. We are assuming an average interest rate of 4.8% on current debt and 5% on all new debt across the 10 years of the plan.

Our ability to borrow is based on our ability, via a Debenture Trust Deed, to offer rates revenue as security. We have invested in the NZ Local Government Funding Agency (LGFA) as a shareholding council and this enables us to borrow from them and take advantage of their access to favourable debt funding costs.

We are expecting little need for new infrastructure driven by growth in the district, however, where this does occur, financial contributions are taken from developers. These are both general and specific to areas where the growth is driving the need for a specific piece of infrastructure. Our Financial Contributions Policy is based on charging under the provisions of the Resource Management Act and the District Plan. The principle that 'growth funds growth' is one that up-coming revisions to the Wairarapa Combined District Plan (and the financial contributions set under it) will embed. We have assumed the level of contributions will remain constant under a new financial contributions scheme under a revised District Plan.



The chart above shows the net external debt increasing through to 2028, then reducing as loan repayments and financial assets increase. New debt and repayment of debt are separately budgeted and shown on the chart above.

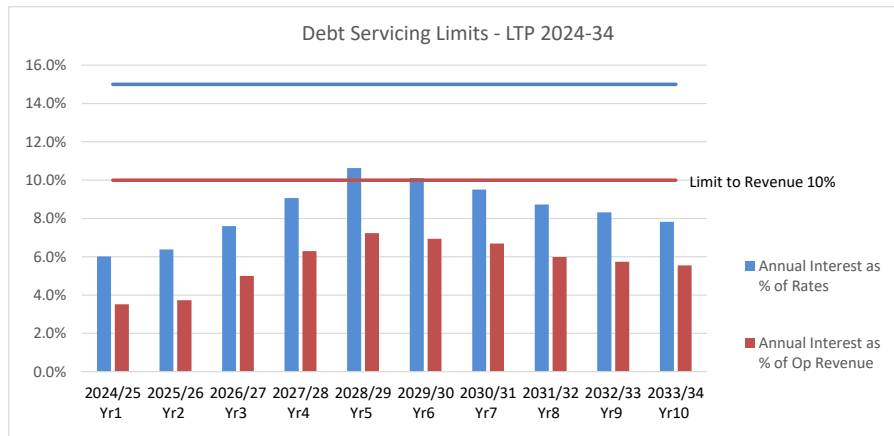
The limit of net debt being below 150% of Operating Revenue is considered prudent. There remains room to borrow more and stay below the debt servicing limit.

If interest rates increase, the liability management policy of maintaining a prudent proportion of fixed interest (using hedging) protects against those movements.

Debt limits

The level of debt forecast over the next 10 years is represented in the previous graph, alongside the limit we have set as maintaining a prudent level of debt. We have also set a limit on how much debt servicing costs will be as a percentage of rates income and operating income. The limits are:

- Net debt not to exceed 150% of Operating Revenue
- Interest on external debt not to exceed 10% of Operating Revenue
- Interest on external debt not to exceed 15% of Rates Income



Reserve Funds and Investments

We have modest reserve funds built up from asset sales and depreciation on assets, which are expected to be \$24 million (to be confirmed) at 30 June 2024. The funds are invested in fixed interest instruments such as bond funds and term deposits and allow for internal borrowing/investment. The interest earned on funds invested is used to offset debt servicing costs for specific projects.

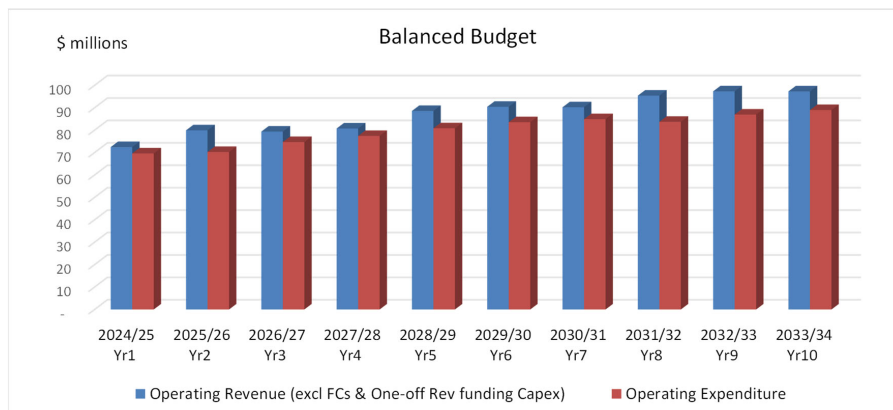
In the first five years of this LTP the roading and 3 waters reserve funds will be drawn down for renewals expenditure faster than they are replenished from depreciation, but not significantly. Across the balance of the 10 years there are projected funding surpluses that will build up the reserve fund balances. There is potential to repay debt earlier or utilise more internal borrowing but the LTP model assumes all debt required over the 10 years will be borrowed externally.

The rates smoothing that was allowed for in the 2021-31 LTP (borrowing from reserves to suppress the rates increase) has been allowed to be unwound by the end of year 2 and the borrowed reserve funds returned progressively over the next eight years. The extent of that borrowing is expected to total \$4.0 million. The Net Debt position takes account of cash funds building up in the later years of the LTP.

Financial investments are administered within the guidelines of the Treasury Management Policy. The primary objective of investing is the protection of the investment capital, with a prudent approach to risk and return. In preparing the LTP, the Council has assumed an average return on fixed interest investments of 4.5% in year 1 and 4.0% pa from 2025.

Depreciation and the balanced budget

We have achieved a 'balanced budget' as per the statutory requirement across the life of the LTP. The first two years of this LTP includes provision for grant funding coming from central Government and other sources as one-off revenue to fund capital expenditure. These include 3-waters 'better off funding, airport expansion funding and external resilience grants tied to cyclone recovery projects. In the graph below, this one-off revenue that funds capital expenditure has been excluded. Revenue from financial contributions is also excluded.



Over the 10 years of the LTP, revaluations of assets have been allowed for. In general revaluations increase the value of the asset and this generates an increased need for funding of the depreciation associated with the asset. We have built in consistent increases in the funding of depreciation, except on assets we do not expect to replace, allowing us to consistently achieve a surplus budget and remain financially sustainable.

Full depreciation on Council assets has been recognised as an expense, but we have decided not to fully fund all depreciation on a number of specific assets (i.e. not fully allow for revenue to match the expense).

In the roading activity, the renewals programme is designed to maintain the road network in a constant state. Depreciation expense is recognised and renewals are capitalised. The value of the capital programme is funded by way of subsidies from the Waka Kotahi/NZTA and rates revenue. Those assets in the roading activity that are not renewed on an annual programme will have funding from the depreciation reserves to cover our share (after the NZTA subsidy is received). Building up that depreciation reserves to achieve this will be done across the ten years of the LTP.

Other assets where the depreciation expense is not fully funded and the reasoning for each are as follows:

- Housing for the Elderly – to hold rents low and have no rates input, not all depreciation is covered by rental income. We have covered renewing components as required but full replacement of the homes at the end of their anticipated life will require external income assistance (e.g. government subsidies or more debt to be taken on). We have allowed to maintain and renew parts of the buildings appropriately, so we expect to extend the useful life of these assets and delay their replacement.
- Rural Halls – there is no intention to replace at least half of these buildings. This has been Council's policy for some time.
- Recreation Centre – the redevelopment of this facility in 2003/04 was half-funded with external contributions of approximately \$3.5 million. We are funding sufficient depreciation to cover replacement of plant and

equipment. Not all depreciation is funded as we have assumed the future replacement of the facility will again attract external funding when it is required.

- Water, sewerage and stormwater assets – we have chosen to increase rates revenue to fund the renewal programme. Debt repayment is also funded directly from rates revenue in order to ensure the cost of upgrades is allocated and paid for by the ratepayers who benefit from those assets. Where loan repayments are funded by rates revenue, full depreciation from rates will not be funded as well.

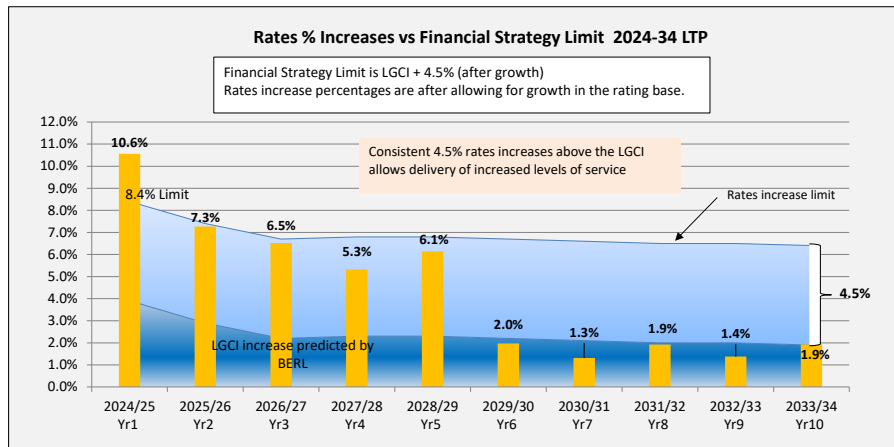
Asset Depreciation Reserves Graph to come....

Rates increases

Rates revenue makes up between 60% and 70% of council's operating revenue. Rates are levied on the property owners of the district and keeping changes in rates affordable is a key aspect of our decision making framework. There are many drivers for the need to increase our rates revenue. Increases vary each year, with lower increases required in the later years of this LTP. In years 1-3 our roading programme has seen a step change in expenditure. In Years 2 - 5 the impact of the proposed investment in a library extension and new town hall are factors in the rates increases.

We have set a limit on how much rates revenue can increase – that limit is the LGCI movement plus 4.5%, plus growth in the rating base. For the year 2023-24 the LGCI is forecast to increase by 3.9%, so the Council would normally look to stay below an 8.4% increase in its rates revenue. The LGCI is the rate of inflation of Council costs, calculated independently by Business and Economic Research Ltd (BERL).

As noted above, unavoidable cost increases have seen the need for an average increase of 10.6% in 2024/25. Apart from the breach in year 1, we believe we can achieve rates increases within the limit the Council has set. The number of properties that we can levy rates on and the capital values of those properties is predicted to grow annually over the course of the 10 years. We believe that growth will generate an additional 1.4% per annum of rates income in year 1, 1.2% in year 2 and 1% there-after. The extra revenue from this growth is taken up when comparing to the rates increase limits.



Risk and Resilience

Our financial resilience in the face of unexpected costs is based on having financial assets of at least \$18 million (and growing each year) to meet the initial costs of an event. Those funds are a mixture of term deposits and bond fund investments and are easily accessible if required. We carry material damage insurance cover on all buildings and significant above-ground assets. We also cover our underground network assets – the Council is a member of the Local Authority Protection Programme Fund (LAPP) which is designed to meet our obligation to pay 40% of the costs to restore our underground infrastructure in the event of a disaster. The balance of 60% is expected to be met by central Government's Disaster Recovery Fund. Insurance products for our 40% of cover remain an option if the LAPP fund is not the most appropriate vehicle to cover MDC's share of the risk.

Damage to roads and bridge assets in the event of a natural disaster (including flooding) will be funded by our annual roading budget, NZTA subsidies and our roading and flood damage reserve funds (which are part of the \$18 million noted above). We have assumed that the NZTA share of the costs will increase depending on the severity of the event. Flood damage reserve funds have been drawn on extensively in 2022 and 2023 and have a negative balance of -\$1.6 million as at 30 June 2023. From 2023/24, subsequent budgets have allowed for the rebuilding of those funds at \$500k per year from rates.