

**I give notice that
an Extraordinary Meeting of Council will be held on:**

Date:	Tuesday, 19 March 2024
Time:	10.30am
Location:	Council Chamber 107 Te Heuheu Street Taupō

AGENDA

MEMBERSHIP

Chairperson Mayor David Trewavas
Deputy Chairperson Cr Kevin Taylor

Members

- Cr Duncan Campbell
- Cr Karam Fletcher
- Cr Sandra Greenslade
- Cr Kylie Leonard
- Cr Danny Loughlin
- Cr Anna Park
- Cr Christine Rankin
- Cr Rachel Shepherd
- Cr Kirsty Trueman
- Cr Yvonne Westerman
- Cr John Williamson

Quorum 7

Julie Gardyne
Chief Executive

Order Of Business

- 1 Karakia
- 2 Whakapāha | Apologies
- 3 Ngā Whakapānga Tukituki | Conflicts of Interest
- 4 Ngā Kaupapa Here Me Ngā Whakataunga | Policy and Decision Making
 - 4.1 Delay Adoption of Long-term Plan 2024-34.....3
- 5 Ngā Kōrero Tūmataiti | Confidential Business
 - Nil

4.1 DELAY ADOPTION OF LONG-TERM PLAN 2024-34

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Authorised by: Julie Gardyne, Chief Executive

TE PŪTAKE | PURPOSE

To decide on whether to proceed with the development of the Long-term Plan 2024-34 or to switch to developing an Annual Plan for the 2024/25 year.

WHAKARĀPOPOTOTANGA MATUA | EXECUTIVE SUMMARY

Taupō District Council staff have been working on developing the Long-term Plan 2024-34 since early 2023. During this time there have been high levels of uncertainty impacting the local government sector creating a less than ideal environment for the development of long-term plans within legislative timeframes. Ongoing Central Government reform around three waters has created uncertainty, further exacerbated by the change in Government in October 2023. Along with a high inflation environment that is continuing to increase construction costs and general operating costs, Council is required to respond to increasing environmental standards for our wastewater management and to invest in drinking water services to meet national standards.

On 11 December 2023, staff advised Council's Risk and Assurance Committee that we would not be able to adopt the consultation document and supporting information for Audit on 30 January 2024. This meant it would be impossible to adopt the Long-term Plan by 30 June 2024, so our intention shifted to adopting at the end of August 2024. The prime driver was the need to reintegrate the three waters and subsequently review the capital programme for affordability.

Taupō District Council is not alone in its struggle to find a path forward in delivering a Long-term Plan within expected timeframes, with councils across the country in similar situations relating to the challenging external factors. Due to this, recent legislative changes have provided an option for councils to adopt long-term plans as late as 30 September 2024. Councils also have an option to defer preparation of their 2024-34 long-term plans by a year and instead adopt an annual plan for 2024/25.

Unfortunately, the option to defer the Long-term Plan and create an Annual Plan for the 2024/25 financial year has been presented to councils at a cumbersome point in the current Long-term Plan development journey. This paper outlines the implications of continuing development of our Long-term Plan 2024-34 or instead preparing an Annual Plan, and provides background information that showcases the complex suite of considerations that needed to be factored into the decision regarding a path forward.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That Council:

1. Directs officers to prepare the Long-term Plan for the 2024/25 year and notes that it will be adopted after 30 June 2024 with an expectation that it will be adopted by the legislative deadline of 30 September 2024.
2. Acknowledges that the review of the existing Development Contributions Policy, including consultation, will be extended until Council is able to consult on a draft Long-term Plan.
3. Adopts the fees and charges (excluding those related to Health and Animal Control) that were applied in the 2023/24 year for the 2024/25 year until such time as a new set of fees and charges are adopted as part of the Long-term Plan process.

TE WHAKAMAHUKI | BACKGROUND

Every three years Council is required to prepare a long-term plan which sets out what Council will deliver over the next ten years, anticipated costs, and proposed funding to deliver the plan.

Work on the Long-term Plan 2024-34 has been progressing since the beginning of 2023, however there has been a high level of uncertainty from the outset. Central Government's reforms related to the delivery of three waters services have continued to change and the uncertainty was further exacerbated by the change

in Government in October 2023. Direction has shifted from all three waters services being taken from local government and regionalised, to a complete reversal followed by indications that alternatives would be progressed that might involve different arrangements like council-controlled organisations.

This has been hugely disruptive given the pivotal role that the three waters services play in our overall programme of works and delivery of services. Council is required to plan for 30 years of infrastructure and 10 years of finances. This has proven almost impossible to do in the changing circumstances and has involved multiple iterations of rework.

On 11 December 2023, staff advised the Risk and Assurance Committee that we would not be able to adopt the consultation document and supporting information for Audit on 30 January 2024. This meant it would be impossible to adopt the Long-term Plan by 30 June 2024, so our intention shifted to adopting by end of August 2024. The prime driver was the need to reintegrate the three waters and subsequently review the capital programme for affordability.

The high inflation environment is driving up construction costs and general operating costs. On top of that pressure, Council needs to respond to increasing environmental standards for our wastewater management and pressure to invest in drinking water services to meet national standards. It is proving very challenging to deliver a draft long-term plan that balances these cost pressures with the community's ability to meet rates increases. Understanding the pressure many local authorities were under, the Government provided alternatives to the traditional Long-term Plan process.

NGĀ KŌRERORERO | DISCUSSION

A decision is required between developing the Long-term Plan or switching to an Annual Plan

Due to changes to the Local Government Act 2002 (Schedule 1AA Part 8, inserted 17 February 2024) councils now have the option to adopt a Long-term Plan as late as 30 September 2024 and still meet the legislative requirements. To make that process manageable the initial audit requirements that normally apply to the consultation document have been removed. In addition, the legislation enables Council to continue to apply the existing Development Contributions Policy.

The alternative path for Council (also part of Schedule 1AA Part 8, inserted 17 February 2024) is to put the Long-term Plan on hold and instead develop an Annual Plan for the 2024/25 year. This would need to be adopted by 30 June 2024. If Council wants to follow that path it must resolve to do so by 30 April, however pragmatically Council needs to make this decision now to enable officers to make changes. There are several consequences related to taking the Annual Plan path:

- Council must adopt a Long-term Plan for the 1 July 2025 to 30 June 2034 period by 30 June 2025. In practice this would mean having the confirmed work programme and financial information completed by December 2024 to enable an audit in early 2025.
- Council would also need to get back into phase and adopt the next Long-term Plan by 30 June 2027.
- Council's existing Long-term Plan would continue to stay in place until the next Long-term Plan is adopted on or before 30 June 2025.
- The Council's existing Development Contributions Policy could be extended until 30 June 2025 when the next Long-term Plan is adopted.
- The Annual Plan for 2024/25 must be consulted on in accordance with section 82 of the Local Government Act 2002. This provides Council with more flexibility compared to a stricter special consultative procedure.

An enhanced Annual Plan would also need to include some information additional to normal annual plans:

- Information related to groups of activities such as the rationale for delivery.
- For each group of activities, a statement of the amount of capital expenditure that the authority has budgeted to meet additional demand, improved levels of service and to replace existing assets.
- If Council resolves not to balance its operating budget it must include a statement of the reasons and any other matters taken into account and a statement of the implications of the decision.

Some decisions can only be made in the context of the Long-term Plan

While Council has a wide-ranging set of powers to make decisions on how to conduct its operations, there are some decisions that can only be made through a Long-term Plan. At present Council is considering how

best to deliver kerbside waste services to the community. Dependent on Council decisions, and consultation, a change to the level of service, shifting from a system based on user pays rubbish bags collected once a week to a new system where rubbish bins are collected fortnightly and are fully rates funded can only be made via a Long-term Plan. If Council decides to prepare an Annual Plan, then the kerbside changes would be considered as part of the Long-term Plan 2025-34.

This has significant implications as the current contract arrangements for the kerbside waste service are only in place until June 2025.

There are a range of other decisions that would be more appropriately made via a Long-term Plan, or would have to be made via community consultation alongside an Annual Plan e.g. changes to rating policies for differentials, changes to community funding policies, and in general, any significant changes to levels of service.

There will be an impact on our ability to collect rates using our normal process

The Long-term Plan is the mechanism to set rates for the 2024/25 financial year. Delaying the adoption of the Long-term Plan means that Council is unable to set rates for the first instalment in August as it normally does. A revised instalment regime for the 2024-25 financial year will need to be put into place.

There are several ways Council could manage this issue. If Council decides to proceed with adopting the Long-term Plan this year a report will be brought to the ordinary April Council meeting setting out the different options and their respective advantages, disadvantages, and cost implications.

For the decisions in this report, the critical matters for Council to be aware of are:

- There will be disruption for ratepayers having to deal with a different payment regime. This will be particularly challenging for those who pay on a quarterly basis as opposed to more regular automatic payments or direct debits.
- There will be different levels of payment required across the instalments. A rates increase spread across less payments results in higher rates bills.
- Council may miss out on revenue until the Long-term Plan can be adopted and new rates set. This could lead to a shortfall in cash which will need to be covered by short term borrowing.
- Water by meter billing for 2024/25 cannot proceed until after the adoption of a new Long-term Plan and the new rates being set.
- There will be additional costs associated with the increased administration from changing the rates instalments.
- There will be additional complications in calculating rates settlements for property sales between 1 July and the Long-term Plan adoption date. This will increase workload for the rates team and the solicitors involved in property sales and purchases.

There could be impacts on fees and charges revenue

If Council chooses to progress the Long-term Plan this year there will be a delay in the setting of new fees and charges for the 2024/25 year. Council can roll over the fees and charges from the 2023/24 year¹ to ensure that some income is collected, however until such time as a new set of fees and charges can be consulted on and adopted Council will likely be under collecting.

The exception is fees and charges related to health and animal control. These must be consulted on and resolved prior to 1 July otherwise Council is unable to make changes for the 2024/25 financial year. A report on these fees and charges is being presented at the ordinary Council meeting on 26 March.

There would be impacts on the ability to deliver services

Council will be able to continue most of its operations relying on the direction in the existing Long-term Plan. The gap in funding will be covered by short-term borrowing which will incur additional borrowing costs.

Despite this there will be impacts on the delivery of work, particularly for new work streams that were not anticipated in year four of the existing Long-term Plan. The uncertainty over whether proposed budgets will be approved through the Long-term Plan will delay procurement processes and the ability to enter into contracts. This will be challenging for projects that have a defined construction window like transport has

¹ Council's fees and charges for the 2023/24 year can be found on the website <https://www.taupodc.govt.nz/rules-regulations-and-licenses/fees-and-charges>

over the summer months. Likewise, there are expected to be delays to new operational projects contingent on securing funding.

There are likely to be impacts on people we provide funding to

Council provides funding to a range of community groups through partnership arrangements or community grants. Our uncertainty over budgets until the Long-term Plan is adopted will create challenges for those groups, as many are accustomed to community grant timeframes being connected to the start of new financial years.

Council also funds Amplify and Destination Great Lake Taupō. While we are aware Destination Great Lake Taupō has access to banked funds the same may not apply to Amplify. Similarly, TownCentre Taupō also receive funding from Council via a targeted rate.

Impact on the organisation

The preparation of a Long-term Plan has a significant impact across the organisation. Some teams such as Finance and Policy would be working on the Annual Plan until June 2024, then straight into both the Annual Report and Long-term Plan projects until mid-2025. After a matter of months work would then need to commence on the next long-term plan process. It is also likely that some of the documents already completed to support decision making on the Long-term Plan would need to be revisited, post the adoption of the Annual Plan.

Consequences for the Annual Report timing

Council is required to prepare and adopt an Annual Report each year by the end of October. The purpose of the Annual Report is to compare what Council has delivered with what was planned through the Long-term Plan or Annual Plan.

Central Government also recognised those councils delaying their Long-term Plans past 30 June would need additional time to complete their Annual Reports. Changes to legislation provide councils with the ability to delay adoption of Annual Reports up until 31 December 2024.

Staff have been working with Audit NZ to ensure that timing of the Long-term Plan and Annual Report do not coincide with one another at critical times given the resourcing requirements these teams have for both deliverables.

We can adjust differentials regardless of the process

Council has indicated a willingness to review the differentials that are charged for electricity generators and utility providers. They are currently at 1 with the possibility they could move to 1.8 to match other commercial businesses. This is a decision that can be made outside of a Long-term Plan process, meaning that Council could make such a change after consulting on either an Annual Plan or the Long-term Plan.

NGĀ KŌWHIRINGA | OPTIONS

Analysis of Options

The two practicable options to progress the Long-term Plan are discussed in detail below.

Option 1. Continue to process the Long-term Plan but delay adoption until 30 September 2024

Advantages	Disadvantages
<ul style="list-style-type: none"> Will meet the extended legislative timeframes provided to councils for the 2024-34 Long-term Plan. While delayed, allows Council to progress with developing a comprehensive work programme for the next 10 years. Recognises the considerable effort that has gone into this Long-term Plan and that this work is able to be progressed and not delayed for six months. Ensures proposed projects are not delayed 	<ul style="list-style-type: none"> Uncertainty around 'Local Water Done Well' and what might be required and whether this would have further timing implications for the Long-term Plan. The first rates strike in August could be missed, there would be consequences for ratepayers where the following three instalments would be larger. Any rates delay likely to be confusing and frustrating for ratepayers. A rates delay would mean Council is not able to

<p>further and that funding requirements for growth projects are aligned with the Development Contributions Policy.</p> <ul style="list-style-type: none"> • Will allow any significant changes, if agreed by Council, such as those to kerbside collection to be consulted on with the community and changed if required. • While challenging for the organisation to deliver and manage the implications of a late adoption of the Long-term Plan in 2024, avoids the resource implications across the organisation of progressing an Annual Plan this year, and then straight into the preparation of a Long-term Plan until June 2025. 	<p>collect income and this cashflow would need to be loan-funded.</p> <ul style="list-style-type: none"> • High pressure work environment for staff and elected members with potential negative wellbeing affects if not managed. • Still a high level of uncertainty of being able to adopt by 30 September 2024, due to meeting Audit NZ requirements and this potentially taking longer due to complexities around central government direction and NZTA funding. • Potentially lost revenue from fees and charges due to adoption delay. • Will delay the start of the 2025/26 Annual Plan. • Reputational risk to Council due to ongoing uncertainty.
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Option 2. Delay the Long-term Plan until 30 June 2025 and prepare an ‘enhanced’ Annual Plan for the 2024/25 Financial Year

Advantages	Disadvantages
<ul style="list-style-type: none"> • Annual plans are less complex to deliver due to the single year focus, meaning integration across supporting information is not as necessary. • Annual Plan is not subject to Audit, which saves considerable time. • Adopting an Annual Plan by 30 June would allow rates to be set in a timely manner, reducing risk in terms of revenue and costs associated with interest costs for short term borrowing. • Provides additional time to build the Long-term Plan on a more certain basis, for example the proposed water reforms would be clearer along with NZTA funding arrangements. • Creates time to work through financial challenges and possible solutions to reduce burden on the community. 	<ul style="list-style-type: none"> • Tight timeframe to deliver a 2024/25 Annual Plan, which would put both staff and elected members under significant pressure to adopt by 30 June 2024. • Risk of unknowns that could impact our ability to deliver. • Next Long-term Plan will be adopted just prior to the next local body election with another Long-term Plan process only two years later (30 June 2027). • Depending on Council decisions, unable to progress with kerbside collection conversation and risks associated with existing contractual arrangements. • Unknown risk with other existing contracts • Delay of the Long-term Plan could be frustrating for the community who have been told to wait for the LTP for funding decisions. • Legislation requires additional matters to be included in the ‘enhanced’ Annual Plan compared to a standard process. • Shifting from one process to another may be confusing for the community. • High pressure work environment for staff and elected members with potential negative wellbeing affects if not managed. • Reputational risk to Council due to ongoing uncertainty.

Analysis Conclusion:

The preferred option is Option 1.

Both options require a large amount of work to be prepared in a short period of time and come with risk that timeframes won't be met. While an Annual Plan this year sounds like a simpler option, it simply delays the work required on a Long-term Plan and will require some teams to continue to focus on planning work until June 2025. Depending on Council decisions, there is risk around the contract arrangements for kerbside waste collection, and other significant decisions that Council may wish to progress this financial year.

The existing kerbside collection contract expires June 2025 and there is no certainty of an extension, while Council decides on changes to the level of service. The fastest way to resolve that risk is to proceed with the Long-term Plan as fast as possible. That risk outweighs the benefits related to an Annual Plan with its greater certainty of delivery and reduced financial consequences.

NGĀ HĪRAUNGA | CONSIDERATIONS

Ngā Aronga Pūtea | Financial Considerations

There are financial implications of proceeding with a delayed Long-term Plan past 30 June 2024 including:

- Short term borrowing will be required to fund projects and services until Council can adopt the Long-term Plan, set rates, and set increased fees and charges.
- Council may need to delay entering contractual arrangements until there is certainty about budgets in the Long-term Plan.

Ngā Aronga Ture | Legal Considerations

Local Government Act 2002

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of [Section 10](#) of the Local Government Act 2002. That section of the Act states that the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. It is considered that social and economic well-beings are of relevance to this particular matter.

The Water Services Acts Repeal Act was given royal assent in February 2024. This provides councils with options to mitigate the practical issues associated with the reinstatement of water services. This includes the ability for councils to delay the adoption of the Long-term Plan until 30 September (three months) and choose not to have the consultation document and supporting information audited prior to public consultation. Adopting by or on 30 September means the Council is meeting the amended legislative timeframe.

Ngā Hīraunga Kaupapa Here | Policy Implications

Council has an existing Development Contributions Policy. That Policy can continue to operate until Council adopts a new policy in conjunction with the Long-term Plan.

Te Kōrero tahi ki te Māori | Māori Engagement

An important part of the development of the draft Long-term Plan to date has been increased engagement with hapu and iwi from early in the process. As we have worked through the implications of ongoing delays and changes to our programmes of work, officers have kept iwi entities and hapu across the rohe informed of the tight timeframes for the Long-term Plan.

It will be important that new timeframes are communicated to ensure iwi/hapu and that they continue to be aware of key milestones like formal consultation and the consequences of a delay. Unfortunately, the tight timeframes mean that some aspects of the Long-term Plan process that Council would normally work through with iwi and hapu, like the infrastructure strategy, won't be possible.

We expect hapū and iwi will be disappointed by the flow-on effects of these tight timeframes, such as inadequate timeframes to engage with hapū and whānau, and inadequate opportunities for feedback into the Long-term Plan. We will continue to korero with our partners to ensure that iwi and hapu understand the

reasons for the more limited opportunities for discussion, engagement, and feedback on the draft Long-term Plan.

Ngā Tūraru | Risks

The most significant risks associated with a delayed adoption of the Long-term Plan are the ability to set rates in the normal manner and possible loss of revenue if the first rates strike is missed or delayed and confusion for ratepayers.

To meet the 30 September 2024 adoption date, we need to have resolved all financial challenges and settled on a proposed work programme by the beginning of April 2024. A significant amount of work will then need to be undertaken quickly to pull all the elements of the supporting information together over several weeks before Council can review everything by the end of April 2024. There is a significant risk that further complications in finalising the proposed work programme and budgets mean that the 30 September deadline is not achieved. Such a delay would further exacerbate the other risks identified in this paper such as impacts on procurement and revenue streams.

While unforeseen complications in finalising the proposed work programme and budgets would make achieving the 30 September deadline challenging there are steps available to mitigate this risk. We could change our approach to the informal audit process of the consultation document and supporting information. This could include staggering the release of information to Audit NZ, limiting the amount of supporting information they review or not undertaking this phase of the audit at all. The full draft Long-term Plan will be audited in August and September by Audit New Zealand.

There are also ongoing risks around staff wellbeing and the ability for the organisation to manage an elongated Long-term Plan process. With a delayed adoption of the Long-term Plan there will be greater pressure on staff to deliver an Annual Report in parallel, and then to move quickly into the preparation of the Annual Plan for the 2025/26 year. Our expectation is that there would not be significant or material differences to the recently adopted Long-term Plan and therefore no need for Council to consult on that Annual Plan.

If Council chose to progress the Annual Plan option this year there would be significant pressures on staff. It would see staff work on the Annual Plan until the end of June 2024, and then move into the Annual Report and then into the Long-term Plan until June 2025. Work would commence some six months later on the next Long-term Plan process.

These workflow impacts would have far-reaching impacts on Council's wider workplan, and it is likely we would need to be mindful of staff workloads and wellbeing as we manage competing workload pressures.

TE HIRANGA O TE WHAKATAU, TE TONO RĀNEI | SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement Policy identifies matters to be considered when assessing the degree of significance of proposals and decisions.

Officers have undertaken an assessment of the matters in the [Significance and Engagement Policy \(2022\)](#), and are of the opinion that the proposal under consideration is significant. This recognises that the decision will impact across the whole community and will generate a mix of financial consequences for both the Council and individuals in the community.

TE KŌRERO TAHI | ENGAGEMENT

Despite the above assessment, that the decision is of a high degree of significance, officers are of the opinion that no engagement is appropriate prior to Council making a decision. This reflects the high level of urgency around the decision.

However, given the complicated nature of the implications of delays to the Long-term Plan 2024-34 being adopted, there will be a need for officers to directly engage with partners, stakeholders and community groups who will be impacted by these delays. Some groups in our community are highly reliant on Council grants due to the economic climate. We will contact those partners who regularly rely on Council for funding to explain our proposed process and timeframes so they can make judgements about how to manage their cashflows.

TE WHAKAWHITI KŌRERO PĀPAHO | COMMUNICATION/MEDIA

This decision has a range of potential consequences for Council and the wider community and needs to be well communicated to help as many people understand what these delays will mean for them.

Once a decision has been reached, a draft media release will be provided to the media explaining Council's decision and a high-level summary of what that will mean for rates and rate increases.

In relation to delays to rates instalments, once a decision has been reached at the April 2024 Council meeting, we will communicate with the community as clearly as possible what this will mean for them. A communication plan has begun to be developed that will outline ways we will discuss with our community how we will need to collect rates for the coming financial year. We expect to receive significant feedback as we communicate details of changes to rates collection and payment that will likely generate a high level of interest around future rates increases, and we may not be able to have answers for ratepayers at that time.

WHAKAKAPINGA | CONCLUSION

Ongoing uncertainty across the local government sector, a high inflation environment and the timing of Central Government changes and reforms has resulted in a challenging environment for the development of Long-term Plan 2024-34.

Recent legislative changes in February have provided an option for councils to adopt long-term plans as late as 30 September 2024. Councils also have an option to defer preparation of their long-term plans by a year and instead adopt an annual plan for 2024/25.

The list of implications and risks surrounding both options is long and it will not be an easy journey for council staff or councillors. We will continue to work as quickly as possible in a complex environment to set out the plan of what Council will deliver over the next ten years and the anticipated costs and funding options. However, we believe continuing with the development of the Long-term Plan 2024-34 for adoption by 30 September 2024 is the best path forward given the circumstances.

NGĀ TĀPIRIHANGA | ATTACHMENTS

Nil