

Draft 2020/21 Annual Plan

Meeting: Kaipara District Council
Date of meeting: 11 December 2019
Reporting officer: Sue Davidson, GM Sustainable Growth and Investment

Purpose/Ngā whāinga

The Council has to approve an annual plan for 2020/21. It is appropriate that prior to this Council approves the basis for the preparation of the proposed Annual Plan for 2020/21 and resolve whether to consult on this document to give staff time to prepare consultation documents if required.

Executive summary/Whakarāpopototanga

This report recommends that staff prepare the proposed Annual Plan 2020/21 on a total rates percentage increase of 5.49% (after factoring in growth). This is higher than the total rates increase projected in the 2018/28 Long Term Plan (LTP), of 4.83% (after factoring in growth) This is due to increase in costs, some of which have been outside of Councils control and also improvements have been made to services, for which there is a cost. This is Option One presented in the report.

Option Two recognises the ability for Council to seek further information but puts at risk the ability for staff to meet statutory timeframes, due to the uncertainty around consultation (or not) with the community.

Option Three highlights further reductions that could be made by Council to reduce the total projected rates increase to that projected in the LTP (4.83% after factoring in growth). The impacts of these reductions need to be properly considered by Council if this option is to be adopted.

None of the options trigger the Council's Significance and Engagement Policy, so staff are recommending that consultation with the community is not required.

Recommendation/Ngā tūtohunga

That Kaipara District Council:

- a) Approves the proposed Annual Plan 2020/21 be prepared on the basis of Option One.
- b) Agrees that consultation on the proposed Annual Plan 2020/21 is not required as this plan does not include significant or material differences from the Long Term Plan for the 2020/21 year.

Context/Horopaki

The development of the proposed Annual Plan 2020/21 is based on the third year of the LTP. The purpose of an annual plan is to;

- contain the proposed annual budget and funding impact statement for the year to which the annual plan relates; and
- identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year; and

- provide integrated decision making and co-ordination of the resources of the local authority; and
- contribute to the accountability of the local authority to the community.

Kaipara District Council is a high growth council. Whereas in the past the priority was repayment of debt under the Commissioners, the Council is now looking to provide amenities for its residents and to ensure that renewal and management of assets is adequately provided for.

Provision has also been made for a capital expenditure programme of \$28 million, which includes some of the Kaipara Kickstart programme that will not be completed by June 2020. Council sets the rates for what is needed each year.

There are likely to be two additional targeted rates included in the proposed Annual Plan. These are still being investigated and if they are included, will only affect approximately 70 properties.

The targeted rates are:

- A proposed targeted rate for Raymond Bull Road sealing that will be contributed to by the ratepayers that benefit. Initial consultation has occurred, \$640,000 capital cost.
- A proposed targeted rate for those residents in Springs Road, Dargaville, who are to connect to the Council sewerage scheme and are to pay for the extension of wastewater reticulation, \$200,000 capital cost.

The LTP (page 32) shows the following rates rises (after factoring in growth) has been taken into account. These figures also exclude water by metre and penalties.

Year	2017/18	2018/19	2019/20	2020/21
Forecast Increase for Total Rates per LTP (after factoring in growth)	2.65%	4.97%	5.26%	4.83%

Growth in the LTP has been set at increasing 1% through to 2019/20 and .5% from 2020/21 through to 2028. Actual growth from increased properties was 1.2% last year and this looks like being validated in the future. Staff have used 1% for the proposed Annual Plan 2020/21.

The proposed Annual Plan 2020/21 total rates rise is 5.49% (after factoring in growth) compared to the LTP forecast of 4.83%

The rates for each area or property haven't been calculated yet but targeted rates are down due to reducing the depreciation funded and general rates have increased.

Discussion/Ngā kōrerorero

The Council produced an LTP in 2018 for the 2018/2028 period. In the years where there is no LTP, the Council is required to produce an annual statement setting out its work programme and financial information for the coming year.

The Annual Plan 2020/21 is the third year of the LTP and provides the community with updated information on levels of service, sources of funds and expenditure for the year. The Council may decide to consult, so the basis of the Annual Plan 2020/21 is being provided earlier so staff can prepare for this.

In the LTP, Council set the rates increase policy at 4.2% (after factoring in growth) for 2020/21. This was derived from the Local Government Cost Index based on the premise of operating costs being stable and allowing a further 2% for the impact of capital expenditure. The LTP also recognised that the Council would exceed this policy limit until 2022.

Operating Revenue and Expenditure

It was highlighted to Council during the development of the Annual Plan 2019/20 that in order to keep the rates rises to that planned in the LTP, reductions were made to costs that would not be sustainable nor repeatable in 2020/21.

The following costs (\$000) highlight changes that are beyond the control of Council.

▪ Rise of Insurance costs	60
▪ Elected Members remuneration increases set by the Remuneration Authority	140
▪ Increase in Resource/Building Consents costs net of fees, including rent	343
▪ Compliance with new food regulations	80
▪ Compliance with Health and safety legislation-recruitment, operations and training	35
Total increase in costs out of Councils control	658

Other increases that have occurred over the last two years (000s):

▪ Building partnerships with iwi (staff and Te Roroa grant)	120
▪ Increases in software licences	200
▪ Improving services by bringing Animal Control/Noise/Parking in house*	60
▪ Other costs of recruiting staff and additional training	25
▪ Other staff to better service the ratepayers*: (governance, rates collection, business excellence, IT, quality and communications)	640
▪ Contribution to Northland Inc for economic development	25
▪ Contribution to NRC joint water storage project	100
Total increase in costs	1170

*as set out in the table above there have been a number of additional staff appointed since the LTP was finalised. These have largely been allocated to key areas of service underperformance – customer services, planning and animal control. Evidence in the customer perception survey and performance indicators in the CE report illustrate the improved outcome from our communities from these additional staff .

These costs have been mitigated by the following:

▪ Additional Income Kai iwi lakes	50
▪ Reduced funding of depreciation (from 100% to 90%) - one off	150
▪ Mowing of Berms removed – minor decrease in level of service	50
▪ Harvesting of Forestry - one off	200
▪ Reduced toilet cleaning costs	50
▪ Reduction in emergency works	100
▪ Reduction in vacant staff positions	194
▪ Reduction in District plan-one off	250
Total offset/mitigation of costs	1044

The above costs and savings have been included in the forecast rates rise and staff consider further cuts will impact on services.

Council should note that the reductions or mitigations detailed above which are one off will be incremental in accounting for rates increases at the next annual plan. These total \$600,000.

Improvements since the last term of elected members has been as follows:

- Improved response to customer calls
- Improved relationships with iwi
- Improved connection and collaboration with the community
- Improved collection of outstanding debts
- Additional planning for the future – looking at community aspirations. In the past, responses have been reactive
- Improved animal control

Capital Expenditure

Increased capital works will be completed in the 2020/21 year. The LTP originally provided for \$19,999,000 but that has now increased to \$28,302,491. This is primarily because Kaipara Kickstart projects were originally provided in the 2019/20 plan. It was quickly realised that improved planning and design time was needed to ensure successful project delivery.

The overall impact of the change in capital programme is to increase capital expenditure by \$8.2m. The increase is caused by capital projects funded by the Provincial Growth Fund. This does not represent a significant variation from the 2018/28 LTP as most of the funding is provided by an external source.

Debt

Debt at 30 June 2019 was \$45m. The LTP estimated debt to be \$46m at the end of June 2021. The proposed Annual Plan 2020/21 forecasts debt to be at \$52 million. There is an increase in capital works each year and this means that council will fund \$2m to \$4m more in debt each year, however, this will result in better community outcomes and improve our ability to deliver the programme we have committed to.

Consultation

To decide to consult with the community on the proposed Annual Plan means that Council must identify the issues it wants to consult on and will require time and staff resource to prepare a consultation document. Consultation process will also include engagement with the community, coordination of responses, hearings and the production of detailed documents. Hence a full consultation is estimated to cost \$43,400 which is unbudgeted. An informal annual plan update could cost \$16,000.

Under the Council's Significance and Engagement Policy, the changes outlined in this report do not meet the threshold to be considered significant, therefore staff are recommending that consultation with the public on the proposed Annual Plan is not required.

Options

Option One

Approve the preparation of the proposed Annual Plan 2020/21 on the basis that the rates increase will be 5.49% (after factoring in growth). This is the recommended option.

Policy and planning implications

Under this option the changes from the LTP are not material and consultation would not be a requirement.

Financial implications

The change in the rates rise will be from 4.83% to 5.49%.(after factoring in growth) Additional costs are \$387,000 over and above that detailed in the LTP.

Risks and mitigations

A number of the increases have been beyond Councils control or there has been investment to improving service. Any reduction in costs is likely to mean a drop in levels of service but these would not be significant as per the policy.

A risk could be that the increase means a number of people on fixed income could find the rates more difficult to pay.

Option Two

Elected members don't make a decision or request more information.

Policy and planning implications

Staff would not have the confidence about consultation and if council decided to consult in early 2020, it would be unlikely the annual plan could be adopted within the statutory timelines.

Financial implications

The change in the rates rise would be unknown and still up for further discussion

Risks and mitigations

Council may not be able to adopt the annual plan in the timeframe set out in the Local Government Act.

Option Three

Elected members reduce rates further to reduce the increase to ratepayers. For this option, staff have identified where further savings are possible, highlighted below:

Item	\$000s	Impact
Northland Inc	25	This is a new contribution to have some control and contribution to the Regional Plan. No grant has been made to date.
NRC water storage solution	100	NRC would continue to work with Far North District Council and the government. This may impact on KDCs involvement in the project going forward.
Reduce staff resource (3)	180	This will have impacts on service.

Reduce roading operations budget (road metalling)	82 share	39% of \$210,000 is \$82,000. This will reduce level of service but not substantially as the total operations metalling budget is \$2.1 million
Total reduction	\$387	

The gap between the LTP (4.83% after factoring in growth) and what is proposed in this report at Option One (5.49% after factoring in growth), is \$387,000. The table above provides a method available to elected members to reduce this difference.

Policy and planning implications

Consultation is not a requirement as the variation to services is not significant.

Financial implications

Rates would be in line with the increase in the LTP but there would be some detrimental impact on service. Reducing these costs would create a further issue next year if they were put back in the budget.

Risks and mitigations

There will be some detrimental impact on services and the risk will be increased customer dissatisfaction. Under the Commissioners staff and costs were kept to a minimum and there was high dissatisfaction with services. Over the past two years investment was made to improve the customer experience. Further cuts will undermine this improvement. Other Councils may not believe we are contributing our share of costs to the region's future and Kaipara District Council may not be able to secure additional funding from central government if the council doesn't contribute initial funding.

There may be savings this year but the next year the gap will be bigger as there are one off changes being made that will still impact on future years.

Significance and engagement/Hirahira me ngā whakapapa

The decisions or matters of this report do not trigger the significance criteria outlined in council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

The proposed Annual Plan 2020/21 will be collated for publication next year

Attachments/Ngā tapiritanga

Number	Title
1	Capital works Programme 2020/21
2	Prospective Financial Statements

Sue Davidson, 11 December 2019