

# Proposed Annual Plan Figures

**Meeting:** Council Briefing  
**Date of meeting:** 5 February 2020  
**Reporting officer:** Sue Davidson GM Sustainable Growth and Investment

## Purpose/Ngā whāinga

The Council requested further background to the proposed annual plan figures, so Council can give guidance on the preparation of the Annual Plan 2020/21

## Executive summary/Whakarāpopototanga

The development of the proposed Annual Plan 2020/21 is the third and final Annual Plan before the preparation of the LTP 2021/2031. Council agreed at the December Council meeting that there would not be any material changes from the information provided in the last LTP and that there was no need to consult. Any changes to that originally planned in the LTP for 2020/21 will be highlighted in the Annual Plan documentation, and do not trigger the Councils Significance and Engagement Policy.

At this stage the plan proposes a rate rise of 5.49% (after factoring in growth of 1%) and contains a number of operational costs that have increased and can't be absorbed. Councillors will recall that last year nearly \$1m in costs were deferred by staff however the on flow has occurred to this year as was advised. The increase projected in the LTP 2018/28 for this year is 4.83 % (after factoring in growth of .5%).

Kaipara is a high growth council and has recently come out of a period of austerity while the Commissioners were concentrating on repaying debt. The community now want new amenities and their assets to be renewed at the appropriate time. Council sets the rates to charge the ratepayers what is needed each year.

The figures reflect a desire of the new Council to improve asset management and provide new amenities in areas of growth and renewal of other assets. Provision has also been made for a capital expenditure programme of \$28m this includes some of the Kaipara Kickstart programme that won't be completed by June 2020.

## Discussion/Ngā kōrerorero

The resolution passed at 11 December 2019 meeting was

“That Kaipara District Council:

- a) Requests the Chief Executive provide further information on prospective financial statements, specifically subsidies and grants, employee benefits, trade and other receivables, public debt at the February Council briefing and meeting, to determine the financials for the proposed Annual Plan 2020/21.
- b) Notes that the range presented for the total rates increase is from 4.83% (as approved in the 2018/28 Long Term Plan) to 5.49% (Option 1 recommended by staff) presented in this report.
- c) Agrees that if the financials presented to the February Council briefing and meeting demonstrate that the total rates increase is within the range 4.83% to 5.49%, consultation on the proposed Annual Plan 2020/21 is not required as there are no significant or material differences from the 2018/28 Long Term Plan. “

The Annual Plan 2020/21 is the third year of the LTP 2018-2028 and provides the community with updated information on levels of service, performance measures and sources of funds.

This report provides initial comments on proposed financial management of Council funds.

### Capital Expenditure

Increased capital works will be completed in the 20/21 year. The LTP originally providing for \$19,999,009 but is now increased to \$28,302,491. This is primarily because Kaipara Kickstart projects were originally provided for in 2019/20 but it was quickly realised insufficient planning and design time had been allowed. Council needs to ensure these projects are successful.

Changes to the timing of a number of projects have been made to defer till 20/21.

Projects in 2020/21 years programme are detailed in Attachment A.

### 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	<b>658</b>

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	<b>1170</b>

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	<b>1044</b>

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 and will be an additional burden on the rates increase in 2021/22.

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

### **Subsidies and Grants**

There are 3 key areas of funding

- NZTA funds annual operating and maintenance costs of roads as well as a 3 yearly agreed programme of works. Most roading projects will benefit from 61% subsidy with the Council funding 39% share.
- The Tourism Infrastructure Fund (TIF) provides up to \$25 million in grants annually to develop tourism-related infrastructure that supports regions facing pressure from tourism growth. Council has utilised this to apply for toilet infrastructure in the past.
- Council applies where it can for other government funding the most recent was for toilets and boardwalk at Matakohē, Maungaturoto, and Baylys Beach. Funding is shared by Council.
- The New Zealand Government has allocated three billion dollars over a three-year term to invest in regional economic development through the Provincial Growth Fund (PGF). The purpose of the PGF is to accelerate regional development, increase regional productivity, and contribute to more, better-paying jobs.
- The PGF has three investment tiers:
  - Regional Support of economic development projects, feasibility studies and capability building identified within regions.
  - Sectors Initiatives targeted at priority and/or high value sector opportunities. This includes the One Billion Trees Programme.
  - Infrastructure Regional Infrastructure projects that enable regions to be well connected from an economic and social perspective, including rail, road and

- Council has been fortunate in 3 of its applications relating to Kai, Roding, and Wharves. An analysis of the subsidy calculated to be received in 2020/21 is provided with the financial statements in Attachment B.

### Employee Benefits

The cost has increased over the last 3 years as the need for service to improve has occurred, and to do the job that local government is required to do. There have also been replacement of contractors with employees. The cost covers salaries, superannuation, training and recruitment.

	Annual Report 2017	Annual Report 2018	Annual Report 2019	Annual Plan 19/20	Proposed Annual Plan 20/21
Costs (000's)	8,833	9,890	11,250	12,692	13,631
Headcount	115	121	140	153	167
Additions to staff		Building consent team increase in business	Community services staff to look at community aspirations /collaboration	Capital projects staff projects /renewals increasing	Animal control staff brought in house to give better service
		Resource consent team increase in business	Resource consent team increase in business	Business excellence as result of increase in number of projects	Health and Safety contracts, increase in obligations
		IT to replace contractor	IT projects team to improve IT systems	Governance staff –more requirements	IT increase in staff needing servicing
		Customer service to reduce customer waiting time	Iwi officer, to improve relationships	Additional NTA staff	Environmental Health, business growing and audit recommendation
		Policy Manager to lead district plan	Rates officer to collect debt/more funding issues	People and capability in dealing with increased staff numbers	Accountant to replace consultants
		Facilities and contracts officer	Management of PGF projects	Management of PGF projects	Rates officer to collect debt
			District plan as opposed to consultant	District plan as opposed to consultant	
			Graphic design officer	Executive assistant as	

				result of increased staff	
			Parks Officer	Communications staff	
			Monitoring Officer	Wastewater bylaw officer	

Some of these employee costs are offset by:

- Reduction in consultant's costs,
- Income from the PGF
- Income through increased business.

In the past decisions and planning has been reactive rather than being more proactive which is where staff will work efficiently for their communities.

### Trade and Other Receivables

This balance sheet item tends to fluctuate depending on when payments are received for the quarterly rates and also if we have received payment from NZTA for their subsidy for the month. Once Council starts the construction of some of the PGF projects this balance may vary depending on receipt of funds from central government PGF projects

### Public Debt

Council's debt is made up of both long and short-term debt, and monies taken for cash flow purposes short term. It is being reduced at the moment by monies received for financial contributions. These will soon be used for walking and cycling tracks as per the Mangawhai Community Plan and the balance of unspent targeted rate reserves/projects could also be utilised.

Debt was at its highest in 2011 at approximately \$82m. It is now approximately \$46m.

The \$46m is the net balance of reserves and is being reduced by

MELA reserve monies	5m
Depreciation reserves	1.7m
Financial Contributions	7.5m
<b>Total being offset</b>	<b>\$14.2m</b>

Council debt does reduce by annual repayments but also increases by some capital expenditure projects and Council debt will increase as it utilises the reserve funds. At the end of 2021 staff have calculated debt (short and long term) would be around \$51m. In the last 2 years, Quail Way stormwater has been brought forward from 21/22, which has increased debt.

### Depreciation Reserves

Depreciation needs to be funded to pay for capital renewals when these are needed. Depreciation is fully funded for all asset categories with the exception of:

- Transportation - as funded partially by subsidy & rate
- Stormwater, waste water & water supply to 90% (LTP stated 100%) by the end of 2021
- Mangawhai wastewater – funded to 56% by the end of 2021 & fully funded by 24/25

Depreciation reserves total \$1.7million, however there are large debts in the Ruawai water and Dargaville wastewater reserves, which means loans will need to be taken out for these communities. Operational costs are equalised for stormwater and wastewater so cross subsidation occurs

Council needs to give some guidance to staff so they can finalise the documents for the Annual Plan 2020/21.

If Council wishes to set a lower rate than the 5.49% then the following reductions can be considered.

Item	\$000s	Impact
Northland Inc	25	This is a new contribution to have some control and contribution to the Regional plan. This is a new grant
NRC Water storage	100	NRC would contribute to work with Far North District Council and central government. This may impact on KDCs involvement in the project going forward
Reduce staff resource (3)	180	This will impact on service
Reduce roading operations budget(road metalling)	82	39% of \$210,000 is \$82,000. This will reduce the level of service but not substantially as the total operations metalling budget is \$2.1m
Total reduction to 4.83%	\$387	

### Additional Rates

There are 2 additional rates that may be included in this plan over and above the proposed percentage.

- A proposed targeted rate for Raymond Bull Road sealing that will be paid by the ratepayers that benefit. Initial consultation has occurred.
- A targeted rate for those residents in Dargaville in Springs Road to connect to the Council sewer scheme to pay for the extension of wastewater reticulation.

### Attachments/Ngā tapiritanga

	Title
A	Capital Works Programme 2020/21
B	Financial Statements

Sue Davidson GM Sustainable Growth and Investment February 2020