



PAPAIOEA
PALMERSTON
NORTH
CITY

PALMERSTON NORTH CITY COUNCIL

AGENDA

EXTRAORDINARY COMMITTEE OF COUNCIL

1PM, WEDNESDAY 2 MARCH 2022
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH

MEMBERS

Grant Smith (Chairperson)	
Aleisha Rutherford (Deputy Chairperson)	
Brent Barrett	Patrick Handcock ONZM
Susan Baty	Leonie Hapeta
Rachel Bowen	Lorna Johnson
Zulfiqar Butt	Billy Meehan
Vaughan Dennison	Orphée Mickalad
Renee Dingwall	Karen Naylor
Lew Findlay QSM	Bruno Petrenas

AGENDA ITEMS, IF NOT ATTACHED, CAN BE VIEWED AT

pncc.govt.nz | Civic Administration Building, 32 The Square
City Library | Ashhurst Community Library | Linton Library

Heather Shotter

Chief Executive | PALMERSTON NORTH CITY COUNCIL

EXTRAORDINARY COMMITTEE OF COUNCIL MEETING

2 March 2022

MEETING NOTICE

Pursuant to Clause 21 of Schedule 7 of the Local Government Act 2002, I hereby requisition an extraordinary meeting of the Committee of Council to be held at 1.00pm on Wednesday, 2 March 2022 in the Council Chamber, first floor, Civic Administration Building, 32 The Square, Palmerston North, to consider the business stated below.



MAYOR

ORDER OF BUSINESS

1. Apologies

2. Notification of Additional Items

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

3. Declarations of Interest (if any)

Members are reminded of their duty to give a general notice of any interest of items to be considered on this agenda and the need to declare these interests.

4. Annual Budget (Plan) 2022/23 - Adopting Supporting Information and the Consultation Document

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Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

5. Exclusion of Public

To be moved:

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

[Add Third Parties], because of their knowledge and ability to assist the meeting in speaking to their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].

MEMORANDUM

TO: Committee of Council

MEETING DATE: 2 March 2022

TITLE: Annual Budget (Plan) 2022/23 - Adopting Supporting Information and the Consultation Document

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATIONS TO COUNCIL

1. That the Chief Executive incorporate the following (subject to any amendment) in the draft of the 2022/23 Annual Budget:
 - a. Assumptions regarding carry forwards of capital programmes from the 2021/22 year as detailed in Schedule A
 - b. Deferrals of capital programmes from 2022/23 to later years as detailed in Schedule B
 - c. Variations to operating programmes as detailed in Schedule C
 - d. Variations to capital renewal programmes as detailed in Schedule D
 - e. Variations to capital new programmes as detailed in Schedule E
 - f. Programmes with no proposed change to the budget shown in year 2 of the 10 Year Plan as detailed in Schedule F
 - g. Changes to assumptions and operating income and expenses as summarised in Schedule G.
 2. That the annual budget include an assumption the differentials for the general rate will be modified as outlined in Table 1 of the report and that the uniform annual general charge will be \$300.
 3. That the Chief Executive incorporate the outcomes from recommendation 1 into updated versions of the supporting information and consultation document to be presented for adoption at the Council meeting on 16 March 2022.
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1. ISSUE

- 1.1 The Council is required to adopt an Annual Budget¹ for 2022/23. A draft of the budget has been prepared for consideration by the Council. The Local Government Act 2002 (LGA) requires Councils to consult with the public before adopting the Annual Budget. This requirement does not apply if there are no material or significant differences between year 2 of the 2021-31 10 Year Plan and what is now proposed in the budget.
- 1.2 Whether to formally consult or not is a decision for the Council to determine.
- 1.3 In preparing this report it has been assumed the Council will wish to engage with the public so a draft of the supporting information and consultation document has been prepared for Committee consideration. The drafts have a number of gaps that will be updated once the Committee's decisions are known.
- 1.4 The Committee's recommendations will be presented to a Council meeting on 16 March for adoption. As there are a significant number of gaps in the documents it is anticipated it will be necessary to produce updated versions of the Consultation Document and the supporting information along with recommendations they be adopted.

2. BACKGROUND

GENERAL

- 2.1 Under Local Government legislation, the Council is not required to consult on an Annual Budget unless there is significant change to levels or service, funding issues, strategic assets by comparison with the particular year of the 10 Year Plan. The Council must still adopt an annual plan prior to 30 June 2022.
- 2.2 There are no significant changes to year 2 (2022/23) of the 10 Year Plan in terms of the proposed outcomes and day to day levels of service. However, there are some proposed significant changes to the timing of a number of programmes due in the main to updated assessment of what it would be practical to deliver in the current operating environment.
- 2.3 The draft of the **proposed Consultation Document (attached under separate cover)** highlights what changes there are from year 2 of the 10 Year Plan, primarily due to changed circumstances and updated timelines for some programmes. It also highlights proposed rates levels for average properties so the impacts of the rating revaluation on rates incidence of the can be explained.

¹ 'Annual Budget' is the term chosen by the Council to represent the 'Annual Plan' required under the Local Government Act 2002

- 2.4 The legislative intent is that the Council no longer publishes a full draft of the Annual Plan. However, much of the information that would have been in the draft plan is still required to be adopted as supporting information and made publicly available, particularly through Council's website.
- 2.5 Preparation of the material for consideration at this meeting has been assisted by direction received from elected members at a workshop/briefing held in February.
- 2.6 A strategy for public engagement has been developed. This will include provision of the final Consultation Document and Supporting Information on Council's website and at the Council office and City and branch libraries, from 21 March. It is intended a flyer will be delivered to citizens and there will be opportunities for group meetings and for information to be provided through social media channels.
- 2.7 It is intended that the proposed rates for each property will be able to be viewed on the Council's website.
- 2.8 The public will have the option of making a submission and speaking to a Council Hearings' Committee.
- 2.9 Following the consultation period and hearings, the Council will be required to adopt its final Annual Budget (Plan) prior to 30 June 2022.
- 2.10 A presentation, highlighting the key features of the proposed budget, will be made at the meeting.
- 2.11 In addition attached is a series of explanations of some of the matters to be covered in the presentation and in particular:

Schedule A – Assumed carry forwards of incomplete 2021/22 programmes for completion in 2022/23 and 2023/24 – these assumptions will be reviewed again in May.

Schedule B – Capital programmes deferred from 2022/23 to later years.

Schedule C – Operating programmes – variations between year 2 of the 10 Year Plan and the draft of the 2022/23 Annual Budget.

Schedule D - Capital renewal programmes – variations between year 2 of the 10 Year Plan and the draft of the 2022/23 Annual Budget.

Schedule E – Capital new programmes – variations between year 2 of the 10 Year Plan and the draft of the 2022/23 Annual Budget.

Schedule F – Programmes with no proposed change between 2 of the 10 Year Plan and the draft of the 2022/23 Annual Budget.

Schedule G – Budgeted changes in assumptions for operating revenue and expenses for 2022/23.

Schedule H – Comparisons of rating incidence assuming revised differential surcharges and varying levels of UAGC.

2.12 In the context of the legislation the following are being considered in the **supporting information** to be adopted by the Council:

- Financial overview and forecast financial statements
- Annual Budget (Plan) Disclosure Statement
- Groups of Activities information, including financial forecasts and programme schedules
- Significant forecasting assumptions
- Descriptions of the proposed rating system, rates and funding impact statements
- Levels of service and performance measures

Drafts of these are attached under separate cover.

KEY ISSUES

2.14 Key matters influencing the preparation of the annual budget will be highlighted in the presentation and are incorporated in the more detailed material. Broadly they can be grouped under:

- **Impact of Covid-19** on operations, availability of resources and costs – higher than usual carry forward of incomplete programmes from 2021/22 and deferment of a significant value of capital programmes previously scheduled for 2022/23.
- Changes in markets affecting **inflation and interest** – increased average interest rate assumption – risk that inflation assumption will be insufficient to enable operations to deliver full services within budget.
- **Impact of city revaluation on rating incidence** – residential properties form a greater portion of land value than previously meaning they will bear a greater share of the total rates than before. Some moderation is possible through adjustments to differential rating surcharges and the level of the uniform annual general charge (UAGC). Despite this, percentage increases in rates for a large portion of residential ratepayers will be significantly higher than the percentage increase in the total rates.

The changes to the differential surcharges proposed are shown in the following table (Table 1):

Differential Group		Differential Factor (expressed as % of Group Code MS)	
Code	Brief Description	Actual 2021/22	Proposed 2022/23
R1	Single-unit residential	Balance (approx. 78)	Balance (approx. 72)
R2	Two unit residential	115	110
R3	Three unit residential	125	120
R4	Four unit residential	135	130
R5	Five unit residential	145	140
R6	Six unit residential	155	150
R7	Seven unit residential	165	160
R8	Eight or more unit residential	175	170
MS	Miscellaneous	100	100
CI	Non-residential (Commercial/Industrial)	265	280
FL	Rural/Semi-serviced (5 hectares or more)	20	25
FS	Rural/Semi-serviced (0.2 hectares or less)	60	75
FM	Rural/Semi-serviced (between 0.2 & 5 hectares)	45	50

POTENTIAL FUNDING FROM DIA (3 Waters “better-off” package)

2.15 The Government has announced that our Council will be entitled to a sum of \$32.63m as part of its package of three waters reforms. It has been indicated that 25% of this sum will be available as from 1 July 2022. Guidance and support relating to this is due to be made available shortly. Provision of the sum will be subject to applications based on the following criteria:

- “Supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards;

Delivery of infrastructure and/or services that:

- o Enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available,
- o Support local place-making and improvements in community well-being"

2.13 There is an expectation that local authorities will engage with iwi/Maori in determining how it will use its funding allocation.

2.14 Budgetary assumptions regarding use of some of this funding could be made as part of the 2022/23 Annual budget. Officers are reviewing the draft budget to determine which activities and/or programmes contained in the draft might meet the qualifying criteria. It is intended that suggestions and options will be presented at the meeting.

3. NEXT STEPS










3.1 Officers will make any changes resulting from the Committee of Council's decisions.

3.2 An updated final Consultation Document and supporting information will be presented to the Council for adoption at its meeting on 16 March 2022.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?		No
Are the decisions significant?		No
If they are significant do they affect land or a body of water?		No
Can this decision only be made through a 10 Year Plan?		No
Does this decision require consultation through the Special Consultative procedure?		Yes
Is there funding in the current Annual Plan for these actions?		Yes
Are the recommendations inconsistent with any of Council's policies or plans?		No
The recommendations contribute to Goal 5: A Driven & Enabling Council		
The recommendations contribute to the achievement of action/actions in (Not Applicable)		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Adopting an annual budget/plan each year is a fundamental legislative requirement and without this in place the Council will not be able to set rates for the year and therefore fund any of its actions, plans or strategies. Determining a draft of the annual budget and the nature of public engagement is also a fundamental part of the process.	

ATTACHMENTS

1. Schedule A - Carry Forwards from 2021-22 [↓](#) 
2. Schedule B - Schedule of Capital programmes Deferred [↓](#) 
3. Schedule C - Operating Programmes Variations to Year 2 10YP [↓](#) 
4. Schedule D - Renewal Programmes Variations to Year 2 10YP [↓](#) 
5. Schedule E - Capital New Programmes Variations to Year 2 10YP [↓](#) 
6. Schedule F - Programmes with No Change from Year 2 10YP [↓](#) 
7. Schedule G - Changes to assumptions, revenue & expenses [↓](#) 
8. Schedule H - Comparisons of rating incidence [↓](#) 
9. Consultation Document (attached separately) 
10. Supporting Information for proposed Annual Budget (attached separately) 