



PALMERSTON NORTH CITY COUNCIL

AGENDA

FINANCE & AUDIT COMMITTEE

9AM, WEDNESDAY 23 MARCH 2022

AUDIO-VISUAL MEETING

MEMBERS

Susan Baty (Chairperson)
Karen Naylor (Deputy Chairperson)
Grant Smith (The Mayor)

Vaughan Dennison
Renee Dingwall
Lew Findlay QSM
Patrick Handcock
ONZM
Leonie Hapeta

Lorna Johnson
Bruno Petrenas
Aleisha Rutherford
Stephen Armstrong

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

FINANCE & AUDIT COMMITTEE MEETING

23 March 2022

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. Public Comment

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 2 above.)

- 5. Confirmation of Minutes** Page 7

"That the minutes of the Finance & Audit Committee meeting of 23 February 2022 Part I Public be confirmed as a true and correct record."
- 6. Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2021** Page 15

Memorandum, presented by Steve Paterson, Strategy Manager Finance.
- 7. Palmerston North Airport Ltd - Draft Statement of Intent for 2022/23** Page 33

Memorandum, presented by Steve Paterson, Strategy Manager Finance.
- 8. Debt funding arrangements for Palmerston North Airport Ltd - Loan Facility Agreement** Page 65

Memorandum, presented by Steve Paterson, Strategy Manager Finance.
- 9. Fees and Charges Review** Page 89

Report, presented by Steve Paterson, Strategy Manager Finance.
- 10. Variations to Operating Budget** Page 153

Memorandum, presented by Cameron McKay, Acting Chief Financial Officer.
- 11. Allocation of funding from the Low Carbon Fund to Capital Renewal Programmes** Page 165

Memorandum, presented by Adam Jarvis, Senior Climate Change Advisor.

12. Ashhurst Domain - Vacant Ex-Cafe Building Options Page 169

Report, presented by Bryce Hosking, Group Manager - Property, and Kathy Dever-Tod, Group Manager - Parks and Logistics.

13. Colquhoun Park - Proposal to grant a lease on reserve land to Manawatu Softball Association Incorporated and Freyberg Old Boys' Rugby Football Club Incorporated Page 177

Memorandum, presented by Bryce Hosking, Group Manager - Property and Kathy Dever-Tod, Group Manager - Parks and Reserves.

14. Committee Work Schedule Page 185

15. 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
16.	Minutes of the Finance & Audit Committee meeting - Part II Confidential - 23 February 2022	For the reasons set out in the Finance & Audit Committee minutes of 23 February 2022, held in public present.	

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].

PALMERSTON NORTH CITY COUNCIL

Minutes of the Finance & Audit Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 23 February 2022, commencing at 9.05am

Members Present: Councillors Susan Baty (in the Chair), Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Bruno Petrenas and Mr Stephen Armstrong.

Non Members: Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Billy Meehan and Orphée Mickalad.

Apologies: The Mayor (late arrival, on Council business), Councillor Rachel Bowen (early departure) and Councillor Aleisha Rutherford (late arrival).

The Mayor (Grant Smith) entered the meeting at 9.19am during consideration of clause 4. He was not present for clauses 1 to 3 inclusive.

Councillor Aleisha Rutherford entered the meeting at 9.38am during consideration of clause 4. She left the meeting at 11.31am during consideration of clause 5 and entered the meeting again at 11.46am during consideration of clause 7. She left the meeting at 12.01pm during consideration of clause 8. She was not present for clauses 1 to 3 inclusive, 5, 6, 8 to 14 inclusive.

Councillor Rachel Bowen left the meeting at 12.01pm during consideration of clause 8. She entered the meeting again at 3.34pm during consideration of clause 11. She was not present for clauses 8-10 inclusive.

Councillor Billy Meehan left the meeting at 3.01pm during consideration of clause 10. He was not present for clauses 10-14 inclusive.

1-22 Apologies

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 1-22 above was carried.

2-22 Public Comment

Mr Rob Campbell, Chair of Palmy BID, made public comment regarding

safety and security in the city centre.

There has been a surge in recent times of youth crime in Te Marae o Hine, and due to the age of the offenders legal solutions are not easy to implement. City Ambassadors have been at the forefront of this issue over the summer and seem to have made an impact by influencing behaviour, observing and reporting activity to the Police when warranted, and engaging and connecting with youth, potentially opening the door to social service agencies and others to identify long term solutions to what are often complex problems.

The programme ends in just a few days as traditionally Ambassadors have been engaged for the summer months only. Youth problems don't end when the summer ends, and BID would like to offer Council its assistance in finding a practical, permanent solution to safety and security in our city centre, so that people are able to safely enjoy the city centre all year round.

Moved Susan Baty, seconded Zulfiqar Butt.

The **COMMITTEE RESOLVED**

1. That the public comment be received for information.

Clause 2-22 above was carried.

3-22

Confirmation of Minutes

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the minutes of the Finance & Audit Committee meeting of 15 December 2021 Part I Public be confirmed as a true and correct record.

Clause 3-22 above was carried.

4-22

Quarterly Performance and Financial Report - Quarter Ending 31 December 2021

Report, presented by Cameron McKay, Acting Chief Financial Officer.

During discussion Elected Members noted the need for support in the city events sector. They requested a report to quantify the likely underspend across PN City Council 2021/2022 events and events-related budgets, in order to address this need by a possible reallocation within existing budgets.

After discussion, Elected Members requested that information relating to variations to operational budgets be clearly identified in future quarterly reports.

The Mayor (Grant Smith) entered the meeting at 9.19am.

Councillor Aleisha Rutherford entered the meeting at 9.38am.

The meeting adjourned at 10.40am.
The meeting resumed at 10.55am.

Moved Susan Baty, seconded Brent Barrett.

The **COMMITTEE RECOMMENDS**

1. That the Committee receive the memorandum titled 'Quarterly Performance and Financial Report – Quarter Ending 31 December 2021' presented to the Finance & Audit Committee on 23 February 2022.
2. That Council note and approve that the capital expenditure and associated revenue values in the 2021/22 Long Term Plan Budget relating to Three Water Reform funding will be changed as per the details in Appendix 4 of this report.

Clause 4.1-22 above was carried.

Moved Rachel Bowen, seconded Lorna Johnson.

3. That the Chief Executive quantify the likely underspend across PN City Council 2021/2022 events and events-related budgets and bring forward a report on options to reallocate funds to provide relief and support to the city's events sector.

Clause 4.2-22 above was carried.

Moved Karen Naylor, seconded Susan Baty.

4. That a report is presented to the March Finance & Audit Committee meeting outlining 'expected / forecast variations' to operational budgets.
5. That ongoing reporting on variations to operational budgets is included in future quarterly reports, as outlined in clause 210 of the Delegations Manual.

Clause 4.3-22 above was carried 14 votes to 3, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Karen Naylor, Billy Meehan, Orphée Mickalad, Bruno Petrenas and Mr Stephen Armstrong.

Against:

Councillors Leonie Hapeta, Lorna Johnson and Aleisha Rutherford.

Moved Karen Naylor, seconded Susan Baty.

Note:

On a motion "That any operational programme greater than \$100K that is forecast to exceed 30% over the approved operational budget, is paused, until such time as Council approves the additional budget for FY 2021/22", the

motion was lost 6 votes to 10, with 1 abstention, the voting being as follows:

For:

Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Karen Naylor, Billy Meehan and Bruno Petrenas.

Against:

The Mayor (Grant Smith) and Councillors Susan Baty, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Orphée Mickalad and Aleisha Rutherford.

Abstained:

Councillor Stephen Armstrong.

5-22

Treasury Report - 6 months ending 31 December 2021

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

Councillor Aleisha Rutherford left the meeting at 11.31am.

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee note the performance of Council's treasury activity for the 6 months ending 31 December 2021.

Clause 5-22 above was carried.

6-22

Awapuni Park - Proposal to grant a lease on reserve land to Awapuni Park Community and Recreation Centre Incorporated

Report, presented by Bryce Hosking, Group Manager - Property and Kathy Dever-Tod, Group Manager - Parks and Reserves.

Moved Susan Baty, seconded Brent Barrett.

The **COMMITTEE RECOMMENDS**

1. That Council approves notifying the public of the proposal to grant a lease at Awapuni Park, 22 Newbury Street, Palmerston North to Awapuni Park Community and Recreation Centre Incorporated, in accordance with Section 54 of the Reserves Act 1977.
2. That the Council notes the land area affected by the lease to Awapuni Park Community and Recreation Centre Incorporated is described as part of Lot 97 DP20548. The lease area is shown in Figure One of this report.

Clause 6-22 above was carried.

7-22

Bunnythorpe Recreation Ground - Proposal to grant a lease on reserve land to Bunnythorpe Community Centre Association Incorporated

Report, presented by Bryce Hosking, Group Manager - Property and Kathy Dever-Tod, Group Manager - Parks and Reserves.

Councillor Aleisha Rutherford entered the meeting again at 11.46am.

Moved Susan Baty, seconded Patrick Handcock ONZM.

The **COMMITTEE RECOMMENDS**

1. That the Council approves notifying the public of the proposal to grant a lease at Bunnythorpe Recreation Ground, Raymond Street, Palmerston North to Bunnythorpe Community Centre Association Incorporated, in accordance with Section 54 of the Reserves Act 1977.
2. That the Council notes the land area affected by the lease for Bunnythorpe Community Centre Association Incorporated is described as part of Lot 82 DP217. The lease area is shown in Figure One of this report.

Clause 7-22 above was carried.

8-22

Huia Street Reserve - Manawatū Lawn Tennis Club Lease Proposal

Report, presented by Bryce Hosking, Group Manager - Property and Kathy Dever-Tod, Group Manager - Parks and Reserves.

The meeting adjourned at 12.01pm.

The meeting resumed at 2.36pm.

Councillors Rachel Bowen and Aleisha Rutherford were not present when the meeting resumed.

Moved Grant Smith, seconded Patrick Handcock ONZM.

The **COMMITTEE RECOMMENDS**

1. That Council approves entering a new lease with Manawatū Lawn Tennis Club Incorporated for part of the Huia Street Reserve, Palmerston North for a term of 10 years with a right of renewal for another 10 years.

Clause 8.1-22 above was carried.

Moved Grant Smith, seconded Patrick Handcock ONZM.

2. That Council notes the lease will not include an early termination clause.

Clause 8.2-22 above was carried 12 votes to 3, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Susan Baty, Zulfiqar Butt, Vaughan Dennison, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Bruno Petrenas and Stephen Armstrong.

Against:

Councillors Brent Barrett, Renee Dingwall and Karen Naylor.

9-22

Victoria Esplanade Café Lease Negotiation Update

Memorandum, presented by Bryce Hosking, Group Manager - Property.

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee receive the report titled 'Victoria Esplanade Café Lease Negotiation Update', presented to the Finance and Audit Committee on 23 February 2022.

Clause 9-22 above was carried.

10-22

Health, Safety and Wellbeing Report - October to December 2021

Memorandum, presented by Alan Downes, Safety and Health Manager and Wayne Wilson, People Operations Manager.

Mr Downes noted the following errors in the report:

- In the Wellness Indicator Graph on page 121, *Vitae – Pastoral contacts and other contacts* should read **96** (the combined quarterly figure) (not 658 which is the YTD figure).
- In the Dashboard Report, there were duplicate entries:
 - On page 2 under Near Miss Incidents, item 6 is a duplicate.
 - On page 3 under Critical Incidents Work Environment item 1 is a duplicate.

Councillor Billy Meehan left the meeting at 3.01pm.

Moved Susan Baty, seconded Patrick Handcock ONZM.

The **COMMITTEE RESOLVED**

1. That the Committee receive the memorandum titled 'Health, Safety and Wellbeing Report – October to December 2021' presented to the Finance and Audit committee on 23 February 2022.

Clause 10-22 above was carried.

11-22

Assurance Review of CET Arena Redevelopment Project

Memorandum, presented by Masooma Akhter, Business Assurance Manager and Bryce Hosking, Property Manager.

Councillor Rachel Bowen entered the meeting again at 3.34 pm.

Moved Karen Naylor, seconded Susan Baty.

The **COMMITTEE RESOLVED**

1. That the Committee receive the memorandum titled 'Assurance Review of CET Arena Redevelopment Project' and its attachment, presented to the Finance & Audit Committee on 23 February 2022.

Clause 11-22 above was carried.

12-22 Committee Work Schedule

With respect to the Business Assurance Plan, it was noted that there was a material overlap in the scope of the asset renewal audit and the asset management maturity assessment. It was suggested that it was therefore more beneficial to merge these and do these at the time allocated for the asset maturity assessment review. This created capacity in this quarter and next to bring a couple of reviews forward.

Moved Susan Baty, seconded Karen Naylor.

The COMMITTEE RESOLVED

1. That the Finance & Audit Committee receive its Work Schedule dated February 2022.
2. That the following changes in the Business Assurance Plan be reflected in the Finance & Audit Committee Work Schedule:
 - The Review of Property Asset Renewals be removed;
 - The Financial Delegation of Authority Policy Review be reported to Finance & Audit Committee in May 2022;
 - The Sustainable Practices Review be reported to Finance & Audit Committee in August 2022.

Clause 12-22 above was carried.

13-22 Business Assurance 6 Monthly Accountability Report

Memorandum, presented by Masooma Akhter, Business Assurance Manager.

Moved Susan Baty, seconded Karen Naylor.

The COMMITTEE RESOLVED

1. That the Committee receive the report titled 'Business Assurance 6 Monthly Accountability Report', presented to the Finance & Audit Committee on 23 February 2022.

Clause 13-22 above was carried.

EXCLUSION OF PUBLIC

14-22 Recommendation to Exclude Public

Moved Susan Baty, seconded Karen Naylor.

The COMMITTEE RESOLVED

1. "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
17.	Business Assurance 6 Monthly Accountability Report - Confidential Items	Third Party Commercial, Health Safety and Gain Advantage	s7(2)(b)(ii), s7(2)(d) and s7(2)(j)
18.	Tender Award - Contract 4083 - City Wide Tree Maintenance, Area Two	Third Party Commercial	s7(2)(b)(ii)

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.

Clause 14-22 above was carried.

The public part of the meeting finished at 3.56pm.

Confirmed 23 March 2022

Chairperson

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2021

PRESENTED BY: Steve Paterson, Strategy Manager Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council receive the Interim Report and Financial Statements of Palmerston North Airport Ltd for the period ended 31 December 2021, presented to the Finance & Audit Committee on 23 March 2022.

1. ISSUE

Palmerston North Airport Ltd (PNAL), as a Council-Controlled Organisation, is required to provide a 6-monthly report to Council. The report for the period ending 31 December 2021 is *attached*.

2. BACKGROUND

PNAL's draft Statement of Intent (SOI) for 2021/22 was considered by Council in March 2021 and the final SOI was agreed to by Council in June 2021.

Performance for the year to date is covered in the attached report by the Chair and Chief Executive.

They outline how passenger volumes and financial performance have been significantly impacted by the Covid-related Auckland lockdowns.

Operating in such uncertain times continues to be a real challenge and PNAL has rearranged its operations and capital programme in a responsible manner so as to be capable of continuing to deliver its core services without exposing the Company to unreasonable financial risk or recourse to Council as shareholder.

It is pleasing to see that despite this PNAL has managed to progress the development of stage one of its Wairaka Place subdivision.

As earlier agreed with Council no dividend has been paid in relation to the 2020/21 year.

PNAL has prepared its draft SOI for the 2022/23 year and this is being considered under a separate report.

3. NEXT STEPS

PNAL will prepare and forward an annual report after 30 June 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?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 1: An Innovative and Growing City	
The recommendations contribute to the outcomes of the City Development Strategy	
The recommendations contribute to the achievement of action/actions in the Strategic Transport Plan	
The action is: Work with the airport company to ensure the airport's strategic intent aligns with the City's aspirations	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	This report outlines progress to date.

ATTACHMENTS

1. PNAL Interim Report to 31 December 2021 [📄](#)



**PALMERSTON NORTH
AIRPORT LIMITED**

PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT

TO 31 DECEMBER 2021

COMPANY DIRECTORY

PALMERSTON NORTH AIRPORT LIMITED

DIRECTORS:

M Georgel – Chair
 S Laurence
 G Gillespie
 S Vining
 C Cardwell

MANAGEMENT:

D Lanham	Chief Executive
O Pierre	Commercial & Customer Manager
J Baker	Finance Manager
M Dahlan	Capital Projects & Asset Manager
D Balmer	Marketing & Communications Manager
B Lawry	Terminal Manager
T Cooney	Safety & Security Manager
B Parkinson	Airfield Operations Manager

REGISTERED OFFICE:

Palmerston North Airport
 Terminal Building
 Airport Drive
 PALMERSTON NORTH 4442

Phone: +64 6 351 4415

e-mail: info@pnairport.co.nz

Web: www.pnairport.co.nz

TRADING BANKERS:

Bank of New Zealand

LEGAL ADVISORS:

CR Law

AUDITORS:

Audit New Zealand (on behalf of The Auditor-General)

JOINT REPORT OF THE CHAIR & CHIEF EXECUTIVE FOR THE SIX MONTHS ENDING 31 DECEMBER 2021

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Statement of Service Performance	6
Financial Statements	7 - 11
Notes to the Financial Statements	12 - 15

JOINT REPORT OF THE CHAIR & CHIEF EXECUTIVE FOR THE SIX MONTHS ENDING 31 DECEMBER 2021

After the strong bounce back in passenger volumes experienced during the first half of the 2021 calendar year, the period July to December 2021 was adversely impacted by Auckland lockdowns and the associated loss of Auckland – Palmerston North services. Total passenger movements of 141,356 were 39.4% behind the Statement of Intent (SOI), with the loss of Auckland – Palmerston North services the primary driver of the negative variance. It was encouraging that Christchurch-Palmerston North passenger volumes exceeded budget during this period as travelers responded to the additional capacity introduced on the route by Air New Zealand.

During the period, we maintained Rule Part 139 compliance, and continued our record of zero lost time injuries. The first independent audit of PNAL's one-year old Safety Management System was conducted. The audit highlighted the strong safety culture that PNAL has developed across the aerodrome with all operators. The second PNAL team engagement survey was also undertaken which highlighted very strong engagement, a pleasing result which benefitted from the investment in our OneTeam wellness program over the period. The Rescue Fire and Security teams were successfully insourced with the nine personnel now being employed directly by PNAL. PNAL's two refurbished Rosenbauer Panther rescue fire vehicles were also delivered from Brisbane during the period.

The Terminal Development Project gathered pace with the selection of Wellington-based Studio Pacific as lead architects. Commercialisation opportunities were progressed within Ruapehu Business Park with a number of leads crystallizing into sales and leases. Construction of Stage 1 of Wairaka Place was all but completed during the period also. PNAL achieved Level 2 of the Airport Council International Airport Carbon Accreditation Program and continued to progress a number of sustainability initiatives including the ongoing replacement of the legacy HVAC system.

Three runway projects were also tendered during the period, including runway end overlays and a runway recoating. Two of these projects are scheduled to occur during the second half of the financial year with the third deferred until FY23.

Income generated during the half year of \$3.85 million was 22% or \$1.06 million behind the SOI, with close to 90% of the shortfall associated with the aeronautical income impacts.

Total expenditure of \$2.56 million was 25% or \$0.830 million below the SOI. Savings were achieved across multiple cost lines however the short-term deferral of the runway rejuvenation project was the primary contributor to savings.

EBITDAE of \$1.31 million although below the SOI of \$1.54 million was nevertheless pleasing given the significant adverse income variance.

The Net Surplus After Taxation result of \$0.08 million was impacted adversely versus SOI by the delay in settlement of two sales within Wairaka Place and the associated gain on sale that would have been recognised. This gain will now be recognised in the second half of the year.

The uncertainties associated with Covid-19 and Omicron make full year forecasting difficult. Based on the latest information we are predicting a 35% variance to the SOI in passenger volumes.

Income of \$7.79 million is forecast for the full year, 22% below the SOI, and 6% below the prior year. This has been significantly impacted by the August 2021 outbreak of Delta and the January 2022 outbreak of Omicron.

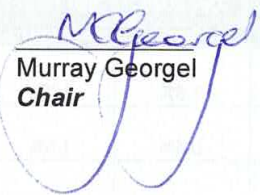
Total year-end expenditure is forecasted at \$5.3 million, 13% below the SOI, and 10% above the prior year.

A full year capex spend of \$5.1 million is projected, including the completion of Wairaka Place Stage 1, runway end overlay works, HVAC upgrade and Terminal Development Project fees. The planned runway rejuvenation program has been deferred to December 2022 given the uncertainty and desire to preserve cash. This compares with the SOI capex budget of \$10.5 million with major variances including the deferral of Stage 2 of Wairaka Place and associated progress on design build projects, the delayed

commencement of the Terminal Development Project, and the deferral of carpark infrastructure upgrades.

Notwithstanding the negative impacts on income, there remains a positive full year forecast for Net Surplus after Taxation of \$0.58 million, 69% below the SOI of \$1.88 million.

In lieu of a dividend, and in line with the SOI and ongoing uncertainty, the Company reconfirms its intention to add value to the shareholder and community through the delivery of customer facing improvements, more diversified revenue streams and an increase in shareholder wealth (total equity).



Murray Georgel
Chair



David Lanham
Chief Executive

STATEMENT OF SERVICE PERFORMANCE

The Company's Statement of Intent is dated 27 May 2021.

The Company is trading as Palmerston North Airport Limited.

Palmerston North Airport Limited has been maintained as an airport certificated pursuant to Civil Aviation Rule Part 139 and has achieved satisfactory audits during the period.

All obligations under the Resource Management Act and the District Plans of the Palmerston North City Council and Manawatu District Council have been met.


	PERFORMANCE METRIC	Dec 2021 6 Months	Dec 2020 6 Months	SOI Target 6 Months
I	A ratio of surplus before interest/tax/depreciation to total assets	1.4%	1.8%	1.7%
II	A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	0.1%	0.4%	1.5%
III	To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	75.6%	78.2%	76.8%
IV	To maintain an interest coverage ratio of EBITDA to interest of at least 2.5	5.0	6.2	5.2
V	To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50m	\$68.3M	\$67.4M	\$70.5M
VI	Maintain a Net Promoter score of 30* or above	27	24	30
VII	Total passenger movements	141,350	176,592	233,290
VIII	Zero lost time injuries	Zero	Zero	Zero
IX	Maintain CAA Part 139 certification	Maintain	Maintain	Maintain

*Metric was 55 or above for Dec 2020

STATEMENT OF FINANCIAL PERFORMANCE
For the Six Months Ended 31 December 2021

	Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
REVENUE	4	3,864,169	3,760,625	10,035,463	8,345,705
OPERATING EXPENSES					
Airfield Services		321,937	364,482	627,641	728,961
Other Operating Expenses	5	913,695	740,685	2,758,868	1,603,660
TOTAL OPERATIONS AND MAINTENANCE		1,235,632	1,105,167	3,386,509	2,332,622
Administration:					
Audit Fees		27,028	24,978	52,659	48,143
Bad Debts Written Off		-	33	2,506	-
Changes in doubtful debt provision		(7,635)	-	5,000	7,635
Directors' Fees		55,500	54,000	108,000	108,000
Employee Expenses	6	761,497	684,806	1,541,487	1,373,297
Administration	7	400,950	355,600	789,845	798,989
Marketing		83,009	12,425	180,000	72,291
TOTAL ADMINISTRATION:		1,320,349	1,131,842	2,679,497	2,408,355
TOTAL OPERATING EXPENSES		2,555,981	2,237,009	6,066,006	4,740,977
Extraordinary Items	18	41,336	-	20,000	6,313
Operating Surplus before interest, depreciation & taxation (EBITDA)		1,266,852	1,523,616	3,949,457	3,598,416
Finance Costs & Depreciation:					
Finance costs	8	253,625	246,970	610,895	477,679
Depreciation	15	896,969	928,156	1,789,607	1,862,757
(Gain) / Loss on Sale of Assets		4,545	(1,054)	(1,064,435)	1,393
TOTAL FINANCE COSTS & DEPRECIATION:		1,155,139	1,174,072	1,336,067	2,341,829
Revaluation Gain - Investment Properties		-	-	-	(846,114)
Operating Surplus before taxation		111,713	349,544	2,613,390	410,472
Taxation Expense on operating surplus	9	31,282	97,874	732,029	437,875
NET SURPLUS AFTER TAXATION		80,430	251,670	1,881,361	-27,403

For and on behalf of the Board


Murray Georgel - Chair
Date : 24/02/2022


Sarah Vining - Director
Date : 24/02/2022

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements.

These financial statements are unaudited.

STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 31 December 2021

Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
NET SURPLUS AFTER TAXATION	80,430	251,670	1,881,361	(27,403)
Gains on revaluation of land and buildings	-	-	-	1,173,241
Movement in deferred tax	-	-	-	-
Reversal of valuation surplus on disposal	-	-	-	-
Comprehensive income attributed to the shareholder	80,430	251,670	1,881,361	1,145,838

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 31 December 2021

Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR	68,265,401	67,119,563	69,460,571	67,119,563
Total Comprehensive (loss) income	80,430	251,670	1,881,361	1,145,838
Movement in Asset Revaluation Reserve	0	-	-	-
Distribution to shareholders during the year	-	-	-	-
EQUITY AT THE END OF THE YEAR	68,345,832	67,371,233	71,341,932	68,265,401

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements


These financial statements are unaudited.

STATEMENT OF FINANCIAL POSITION
For the Six Months Ended 31 December 2021

	Note	31-Dec-21 Unaudited	31-Dec-20 Unaudited	30-Jun-22 SOI	30-Jun-21 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	10	136,565	69,572	47,487	362,458
Trade accounts receivable	11	644,822	757,738	866,357	585,098
Sundry receivables and prepayments		285,254	243,225	3,886	123,802
Assets intended for sale		-	-	-	-
TOTAL CURRENT ASSETS		1,066,641	1,246,398	917,730	1,071,358
Less: CURRENT LIABILITIES					
Income in advance		351,947	185,514	145,851	45,494
Trade accounts payable	12	260,102	352,186	894,217	366,964
Other creditors		245,000	116,071	256,975	1,138,490
Employee benefit liabilities	13	145,429	177,203	175,000	183,360
Short Term Borrowings		6,960,073	4,500,000	-	4,999,999
Tax payable		(130,719)	(84,108)	93,879	199,351
TOTAL CURRENT LIABILITIES		7,831,832	5,246,866	1,565,921	6,933,658
WORKING CAPITAL		(6,765,192)	(4,000,468)	(648,191)	(5,862,299)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment	15	75,541,657	78,389,370	91,479,190	74,558,334
Investment Property		13,786,000	6,525,000	6,813,357	13,786,000
TOTAL NON CURRENT ASSETS		89,327,657	84,914,370	98,292,547	88,344,334
Less: NON CURRENT LIABILITIES					
Deferred tax liability	16	6,516,634	6,542,669	6,542,668	6,516,634
Borrowings	14	7,700,000	7,000,000	19,759,756	7,700,000
TOTAL NON CURRENT LIABILITIES		14,216,634	13,542,669	26,302,424	14,216,634
NET ASSETS		68,345,832	67,371,233	71,341,932	68,265,401
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		22,503,834	22,702,476	25,904,760	22,423,403
Asset revaluation reserve		36,461,598	35,288,357	36,056,772	36,461,598
TOTAL SHAREHOLDERS' EQUITY		68,345,832	67,371,233	71,341,932	68,265,401

For and on behalf of the Board


Murray Georgel - Chair
Date: 24/02/2022


Sarah Vining - Director
Date: 24/02/2022

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements.

These financial statements are unaudited.

CASH FLOW STATEMENT
For the Six Months Ended 31 December 2021

Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers	3,642,993	3,383,948	9,910,277	8,134,400
Refund of Income tax	-	-	-	16,819
Interest Received	-	-	-	-
	<u>3,642,993</u>	<u>3,383,948</u>	<u>9,910,277</u>	<u>8,151,219</u>
Cash was disbursed to:				
Payment to Suppliers and employees	3,329,148	2,372,697	6,920,598	4,771,871
Payment of Income Tax	361,352	289,997	457,695	372,573
Interest Payments	253,625	246,970	610,895	477,679
	<u>3,944,125</u>	<u>2,909,664</u>	<u>7,989,188</u>	<u>5,622,124</u>
Net cash flow from operating activities	<u>(301,132)</u>	<u>474,284</u>	<u>1,921,089</u>	<u>2,529,095</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets	-	1,054	2,123,834	-
	<u>-</u>	<u>1,054</u>	<u>2,123,834</u>	
Cash was applied to:				
Purchase of Fixed Assets and Investment Property	1,884,309	446,383	10,537,000	3,439,716
	<u>1,884,309</u>	<u>446,383</u>	<u>10,537,000</u>	<u>3,439,716</u>
Net cash flow from investing activities	<u>(1,884,309)</u>	<u>(445,329)</u>	<u>(8,413,166)</u>	<u>(3,439,716)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Borrowing	2,281,681	232,858	8,661,796	2,700,000
	<u>2,281,681</u>	<u>232,858</u>	<u>8,661,796</u>	<u>2,700,000</u>
Cash was applied to:				
Repayment of borrowings	322,132	465,321	2,168,484	1,700,001
Payment of Dividends	-	-	-	-
	<u>322,132</u>	<u>465,321</u>	<u>2,168,484</u>	<u>1,700,001</u>
Net cash flow from financing activities	<u>1,959,549</u>	<u>(232,463)</u>	<u>6,493,311</u>	<u>999,999</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	<u>(225,893)</u>	<u>(203,508)</u>	<u>1,234</u>	<u>89,378</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year	<u>362,458</u>	<u>273,080</u>	<u>46,253</u>	<u>273,080</u>
Cash, cash equivalents and bank overdrafts at the end of the year	<u>136,565</u>	<u>69,572</u>	<u>47,487</u>	<u>362,458</u>

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements

These financial statements are unaudited.

Statement of Commitments

For the Six Months Ended 31 December 2021

Non-cancellable Commitments - Operating Lessee

Not more than one year	81,351
One to two years	44,168
Two to five years	26,862
Over five years	-
Total	\$ 152,381

11 Commitments, incl Operating Leases,
Maintenance Contracts, and Vehicle
Leases

Non-cancellable Commitments - Operating Lessor

Not more than one year	1,596,414
One to two years	1,356,866
Two to five years	2,562,659
Over five years	5,125,832
Total	\$ 10,641,771

55 Property and Car Park Leases
With PNAL as the Lessor

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended 31 December 2021

1. REPORTING ENTITY

Palmerston North Airport Limited is a New Zealand company registered under the Companies Act 1993.

2. BASIS OF PREPARATION**Statement of Compliance**

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Airport Authorities Amendment Act 2000, the Local Government Act 2002, Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 the Companies Act 1993, and the Financial Reporting Act 2013. The financial statements have been prepared in accordance with NZ GAAP. They have been prepared in accordance with Tier 2 PBE reporting standards.

The entity is eligible and has elected to report with Tier 2 PBE accounting standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and ≤ \$30m.

Measurement base

The financial statements have been prepared on a historical cost basis except where modified by the revaluation of land and buildings and infrastructure assets.

Functional and presentation currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand Dollars.

3. ACCOUNTING POLICIES**Changes in accounting policies**

There were no changes to accounting policies during the period being reported.

Specific accounting policies

The accounting policies as published in the Annual Report to 30 June 2021 have been applied consistently to all periods presented in these financial statements.

4. ANALYSIS OF OPERATING REVENUE:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
Aeronautical revenue	2,080,172	2,154,965	6,141,779	4,940,938
Car park, rent and advertising	1,479,553	1,488,370	3,703,122	3,218,567
Other	304,444	117,290	190,562	186,200
Interest	-	-	-	-
	<u>3,864,169</u>	<u>3,760,625</u>	<u>10,035,463</u>	<u>8,345,705</u>

5. OTHER OPERATING EXPENSES

Rates	215,029	206,361	482,329	409,614
Power and Insurance	219,997	174,636	425,012	356,456
Repairs and maintenance	478,669	359,688	1,851,527	837,590
	<u>913,695</u>	<u>740,685</u>	<u>2,758,868</u>	<u>1,603,660</u>

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
6. EMPLOYEE EXPENSES				
Salaries and wages*	772,921	671,309	1,466,143	1,334,025
Employer Contribution to Kiwi Saver	26,507	19,961	45,345	39,579
Movement in employee entitlements	(37,931)	(6,464)	30,000	(307)
	<u>761,497</u>	<u>684,806</u>	<u>1,541,487</u>	<u>1,373,297</u>
*Excludes Rescue Fire Service (RFS). Salaries and wages of RFS are included in Airfield Services expenditure.				
7. ADMINISTRATION				
Legal	52,877	17,507	75,000	45,878
Consultancy	162,329	68,253	280,000	249,119
Contractors	-	54,000	20,000	105,242
General Administration	185,744	215,840	414,845	398,750
	<u>400,950</u>	<u>355,600</u>	<u>789,845</u>	<u>798,989</u>
8. FINANCE COST				
Interest on term loans	253,625	246,970	610,895	477,679
	<u>253,625</u>	<u>246,970</u>	<u>610,895</u>	<u>477,679</u>
9. TAXATION				
Current year tax payable	31,282	97,874	732,029	479,596
Prior year adjustments	-	-	-	(14,757)
Movement in deferred tax	-	-	-	(26,964)
Total	<u>31,282</u>	<u>97,874</u>	<u>732,029</u>	<u>437,875</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	131,692	63,424	47,487	357,655
Cash on hand	4,873	6,148	-	4,803
Short term deposits	-	-	-	-
Total	<u>136,565</u>	<u>69,572</u>	<u>47,487</u>	<u>362,458</u>
11. TRADE ACCOUNTS AND OTHER RECEIVABLES				
Debtors and other receivables	644,822	757,738	875,109	592,653
Receivables from related party	-	-	-	80
Provision for impairment	-	-	(8,751)	(7,635)
Total	<u>644,822</u>	<u>757,738</u>	<u>866,357</u>	<u>585,098</u>

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value after making provisions for impairment on specific overdue accounts.

INTERIM REPORT TO 31 DECEMBER 2021

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	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
12. TRADE ACCOUNTS PAYABLE				
Trade accounts payable	260,102	352,186	894,217	359,133
Payables to related party	-	-	-	7,831
Total	260,102	352,186	894,217	366,964
13. EMPLOYEE BENEFIT LIABILITIES				
Accrued Pay	26,580	72,818	175,000	88,099
Annual leave	118,849	-	-	95,261
Sick leave	-	-	-	-
Total	145,429	177,203	175,000	183,360
14. BORROWINGS				
Borrowings	7,700,000	7,000,000	19,759,756	7,700,000
Current portion of borrowings	6,960,073	4,500,000	-	4,999,999
Total	14,660,073	11,500,000	19,759,756	12,699,999

The Company has a bank facility of \$18.1 million which is secured by a registered first debenture and mortgage from the Bank of New Zealand over assets and property of the Company. This includes a facility of \$5m used in full for the construction of the Massey Aviation Training facility and a further \$2m related to the development of Stage 1 of Zone B of the Ruapehu Business Park.

The carrying value of borrowings is materially consistent with their fair value.

15. PROPERTY, PLANT AND EQUIPMENT

	30-Jun-21			Disposals		31-Dec-21
	Carrying Amount	Additions	Disposals	Accum Dpn	Depreciation	Carrying Amount
Land	29,010,130	-	-	-	-	29,010,130
Buildings	13,355,079	239,880	-	-	181,233	13,413,726
Infrastructure - Land	6,487,730	1,262,979	-	-	134,550	7,616,159
Infrastructure - Air	23,289,831	-	-	-	449,174	22,840,657
Plant & Equipment	1,180,697	103,375	-	-	103,817	1,180,255
Furniture & Fittings	110,748	10,800	-	-	13,232	108,316
Computer Equipment	27,326	13,596	-	-	10,556	30,366
Motor Vehicles	1,068,039	254,209	-	-	529	1,321,719
Intangibles	28,752	-	23,280	18,735	3,878	20,329
	74,558,333	1,884,838	23,280	18,735	896,969	75,541,657

It is Management's opinion that there is no reason that any of the assets should be impaired, as at 31 December 2021.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2021	6,560,010	(40,167)	(3,209)	6,516,634
Change to profit and loss	-	-	-	-
Balance at 31 December 2021	6,560,010	(40,167)	(3,209)	6,516,634

17. CONTINGENCIES

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

18. EXTRAORDINARY ITEMS

The Extraordinary Items are soil, sediment, surface and ground water sampling for PFAS at Palmerston North Airport and adjacent sites including the Mangaone Stream.

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Palmerston North Airport Ltd - Draft Statement of Intent for 2022/23

PRESENTED BY: Steve Paterson, Strategy Manager Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council receive the Palmerston North Airport Ltd (PNAL) draft Statement of Intent for 2022/23, presented to the Finance & Audit Committee on 23 March 2022, and PNAL be advised that Council supports the proposed direction and implementation strategy.

1. ISSUE

To present and provide comment on the draft Statement of Intent for Palmerston North Airport Ltd (PNAL) for 2022/23 and the following two years.

2. BACKGROUND

2.1 Introduction

PNAL is deemed a Council-Controlled Trading Organisation (CCTO) under the Local Government Act 2002. A CCTO must deliver a draft Statement of Intent (SOI) to shareholders by 1 March each year and adopt it by 30 June. The Council must, as soon as possible after a draft SOI is delivered to it, agree to a CCTO's SOI or, if it does not agree, take all practicable steps under clause 6 of Schedule 8 of the Local Government Act 2002 to require the SOI to be modified. The Board of the CCTO must consider any shareholder feedback by 1 May.

The Council's reason for its shareholding in PNAL is to ensure that the capacity and image of the City's key transportation gateway is consistent with the Council's economic development objectives.

As a CCTO PNAL is required under the Local Government Act 2002 to have the following principal objective:

- Achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and

- Be a good employer; and
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

The Council's shareholding represents 100% of the issued and paid-up capital.

On 1 December 2021 the Council adopted a Statement of Expectations for PNAL and this was provided to them in advance of their development of the draft SOI.

2.2 Draft SOI - overview

Attached is a **letter from PNAL** to shareholders explaining the enclosed **draft SOI** and outlining the key assumptions.

The draft SOI retains the vision from the current year 'New Zealand's leading regional airport' and the purpose statement 'Launching our communities into a promising future' as well as the five strategic objectives.

The SOI addresses all of the matters outlined in Council's Statement of Expectations.

It has been assumed there will be a gradual recovery of passenger numbers to 634,000 pa by 2024/25 but the ongoing uncertainty is noted.

The key capital-intensive focus is planned to be on:

- Continued reinvestment in landside and airside infrastructure
- Continuous improvement in the customer experience with the commencement of the terminal redevelopment and ongoing carparking improvements
- Further development of the Ruapehu Business Park

It is noted PNAL does not intend to sell any further land but rather will focus on design/build/lease arrangements.

The three-year budgets assume capital development (totalling \$43m; including terminal (\$21m) and Ruapehu Business Park and Airport Drive (\$12.5m)) will be able to be accomplished by PNAL with additional borrowing (of \$32m) but without the need for additional share capital.

Shareholders' funds are forecast to reduce to 58% of total assets through the three-year term of the SOI. This is still well above the expectation that it will remain over 40%.

2.3 Draft SOI – Performance targets

The following financial performance targets are included:

	Draft SOI 2022/23 Budget	Forecast 2021/22	SOI 2021/22 Budget
NPBIT: Total assets	4%	3%	4%
NPAIT: Shareholders' funds	1%	1%	1%
Shareholders' funds: Total assets (>40%)	72%	76%	72%
Interest cover (>2.5)	6.6	4.9	6.5
Tangible Net Worth (>\$50m)	\$69.6m	\$68.6m	\$71.3m
Dividends - % of NPAT	Nil	Nil	Nil

There are non-financial measures of performance for each of the strategic areas – compliance, customer, community, culture and commercial.

Examples include:

- Maintaining a customer satisfaction Net Promoter score of 30 or above
- Serving 459,000 passengers during the 2022/23 year increasing to 550,000 for the following year and 634,000 in the June 2025 year
- Zero lost time injuries to those who work within the airport community
- Achieving Airport Carbon Accreditation level 4 by December 2022
- Completion of physical works:
 - terminal development (including seismic) (June 2025)
 - carpark forecourt cover upgrade (3 stages – one each FY)
 - Wairaka Place subdivision stage 2 (June 2024) and stage 3 (June 2026)
 - Airport Drive upgrade (Massey to McGregor) – stage 2 (June 2023) and stage 3 (June 2024)
 - IT finance systems upgrade – June 2023

2.4 Draft SOI – Dividend policy

Council's Letter of Expectation outlined the expectation that "PNAL is required to have a commitment to retaining and growing long-term shareholder value. Council recognises that shareholder value accretion occurs through PNAL's on-going and significant investment in critical infrastructure including the terminal development to improve the customer experience and to facilitate sustainable growth in passenger and freight volumes, and investment in the development of Ruapehu Business Park which will provide income diversification and value accretion benefits. This is partly reflected in the on-going delivery of dividends to the shareholder. Council further recognises that given the on-going impacts of Covid-19 on the aviation industry PNAL's ability to preserve cash and to continue to invest in the long term may require dividend payments to be suspended in the short-term. This will be a matter of review annually."

The draft SOI contains the following dividend policy:

"Investment by PNAL in major capital projects for the long-term benefit of the airport and region is critical over the next three years. This includes airside infrastructure, terminal and carpark redevelopment and progression with the development and commercialisation of Ruapehu Business park.

While it remains PNAL's long-term intention to pay 40% of NPAT as a dividend, due to the recent disruption caused by Covid-19 and the level of upcoming capital expenditure projects, PNAL will therefore suspend payment of dividends over the three years until FY26 and utilise equivalent funds for these major projects.

Notwithstanding this, PNAL will continue to add value to the shareholder and community, through the delivery of a new terminal, more diversified revenue streams and an increase in shareholder wealth (total equity) by \$5.5m over the three year SOI period."

Prior to the outbreak of Covid-19 the Council was prepared to consider the suspension of dividend payments for a period to support the planned capital development. The proposed dividend policy is consistent with this and the indication given in the Statement of Expectation.

Council's draft 10 Year Plan 2021-31 assumes there will be no dividend payable for the time being and also assumes the Council will not be required to make any further capital injections during that time.

Directors of companies have an obligation to undertake appropriate solvency tests each year before declaring a dividend. A dividend in any year is therefore subject to successfully completing this test.

It is suggested that for the time being the proposed dividend policy is appropriate but as outlined in the Statement of Expectation this will be subject to review each year.

2.5 Draft SOI – Debt funding

The Council and PNAL have agreed in principle to the Council borrowing from the Local Government Funding Agency and on-lending to PNAL in an effort to reduce the interest expense for PNAL. A separate report to the Committee seeks approval to the draft loan facility agreement developed by the parties with the assistance of independent advisors.

The intention of the draft agreement is that the Statement of Intent is a mechanism for determining the maximum facility agreement in any given year.

The draft SOI forecasts term liabilities increasing to \$46m over the coming three years (up to \$20m in year one) and that revenue will be adequate to service this level of debt.

It is intended the draft SOI will be updated prior to finalisation to reflect the finally agreed loan facility agreement.

3. NEXT STEPS

The Council can either endorse the SOI as presented or make suggestions for change to a greater or lesser extent.

PNAL is obliged to consider shareholder comments by 1 May then decide whether or not to make any changes to the draft when adopting the final SOI before 30 June 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?	No
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 1: An Innovative and Growing City	
The recommendations contribute to the outcomes of the City Development Strategy	
The recommendations contribute to the achievement of action/actions in the Strategic Transport Plan	
The action is: Work with the airport company to ensure the airport's strategic intent	

aligns with the City's aspirations	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	The draft Statement of Intent includes a direction and specific actions that are designed to continue to improve the airport for customers and stimulate growth.

ATTACHMENTS

1. Cover letter from Palmerston North Airport Ltd [↓](#) 
2. Draft Statement of Intent 2023-2025 [↓](#) 



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25th February 2022

The Shareholder,
Palmerston North Airport Limited
C/- Ms Heather Shotter
Chief Executive Officer
Palmerston North City Council
Private Bag 11034
PALMERSTON NORTH

Dear Heather,

DRAFT STATEMENT OF INTENT 2023-2025

Please find enclosed Palmerston North Airport Limited's (PNAL) Draft Statement of Intent (SOI) for FY23 through to FY25.

Palmerston North City Council (PNCC) expectations as outlined in the Statement of Expectations for FY22-FY25 dated 6 December 2021, and Shareholder strategic goals are reflected in this SOI.

The SOI has been reviewed and approved by the PNAL Board of Directors.

A presentation will be made to the Finance and Audit Committee on Wednesday 23rd March 2022.

What follows are key highlights of the SOI.

- A gradual recovery of passenger volumes over the SOI period to 459,000 passengers in FY23, 550,000 in FY24 and 634,000 in FY25 (314,000 forecast for FY22 compared to 401,000 in FY21).
- Covid-19 has substantially impacted passenger numbers in FY22 to a 20 year low, and with ongoing uncertainty around variants and the recovery post-Covid-19, we have forecast a gradual increase in passenger numbers over the coming years. By comparison, our FY22-FY24 SOI forecast passenger numbers of 480,000 in FY22, prior to the impacts of Delta and Omicron variants. The FY23 SOI of 459,000 remains below our original FY22 forecast, reflecting ongoing uncertainty.
- PNAL is also committed to a continued reinvestment in infrastructure, both airside and landside, including the further development of PNAL's Asset Management Plan. Airside infrastructure is anticipated at \$5.5m over the three year period. A further ~\$1m of operating expenditure is also planned to be spent on maintaining the runway surfaces over the three years.
- Ruapehu Business Park and associated revenue diversification (in line with the Statement of Expectation) remains a key priority. PNAL does not intend to sell any more land and instead will be focused on design/build/ lease arrangements for tenants. Over the three year period, \$12.5m is anticipated to be spent on further developing Ruapehu Business Park.
- Customer experience, primarily through carparking upgrades and the terminal redevelopment are also front of mind. The terminal redevelopment is currently anticipated to cost between \$21-\$26m over the three year period, but this is subject to refinement at the end of concept design (due at the end of June 2022).
- The terminal redevelopment has several goals, including:

- to streamline and facilitate the movement of customers through the terminal building,
 - to enable and support future growth and operating requirements including passenger & hold bag security screening, and the potential re-introduction of Jet services on some routes,
 - to enhance the sense of place and pride in the airport for tangata whenua and our communities in general,
 - to upgrade the seismic capability of the existing terminal; and
 - to achieve sustainable design principles through low carbon, low energy, waste minimisation and biodiversity options.
- PNAL is focused on key sustainability initiatives, including achievement of the Airports Carbon Accreditation Level 4 during the SOI period. This would put PNAL ahead of all other regional airports in New Zealand and would allow PNAL to exceed PNCC's target of a 30% reduction in greenhouse gas emissions in Palmerston North.
 - Underpinning all these key projects is PNAL's commitment to safety. The safety and security of all airport users is our critical concern. We have a Zero Harm approach to those who visit and work within our airport community. We will also continue to meet our regulatory and statutory obligations including Civil Aviation Rule Part 139, Resource Management Act, Palmerston North and Manawatu District Plans.
 - As you are aware, PNAL is also working with PNCC to establish debt funding lines from PNCC at a fair market rate, with PNCC obtaining the debt from the Local Government Funding Agency. At the time of drafting this SOI, these terms are yet to be finalized and approved by both parties. We anticipate making adjustments to the finalised SOI to reflect the agreed upon position.
 - For the SOI period, PNAL is anticipating Net Operating Surpluses of \$1.0m in FY23, \$1.4m in FY24, and \$3.1m in FY25.
 - Shareholder related financial performance metrics have been numbered as I. to V in the SOI.
 - Non-financial performance metrics have been included in the new 'Key Objectives section of the SOI. These include passenger, compliance, health and safety, and environmental targets for the SOI period.

Investment by PNAL in major capital projects for the long-term benefit of the airport and region is critical over the next three years. This includes airside infrastructure, terminal and car park redevelopment and progression with the development and commercialisation of Ruapehu Business Park discussed above.

While it remains PNAL's long-term intention to pay 40% of NPAT as a dividend to the Shareholder, due to the recent disruption caused by Covid-19 and the level of upcoming capital expenditure projects, PNAL will suspend payment of dividends over the three years until FY26 and utilise equivalent funds for investment in these major projects.

Notwithstanding this, PNAL will continue to add value to the shareholder and community, through the delivery of a new terminal, more diversified revenue streams and an increase in shareholder wealth (total equity) by \$5.5m over the three-year SOI period.

We look forward to the opportunity to discuss the SOI further with you.

Yours sincerely



David Lanham
Chief Executive Officer

FOR THE YEAR ENDING 30 JUNE 2023

24 February 2022



PALMERSTON NORTH
AIRPORT LIMITED

STATEMENT OF INTENT

INTRODUCTION

This Statement of Intent is presented by the Directors of Palmerston North Airport Limited ("PNAL") in accordance with section 64 of the Local Government Act 2002.

PNAL falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to section 6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's (PNCC) shareholding.

The purpose of the Statement of Intent is to publicly declare the activities and intentions of PNAL and provide an opportunity for shareholders to influence its direction.

It also provides a basis for accountability of Directors of PNAL to the Shareholder for performance. It is intended to comply with Schedule 8 of the Local Government Act and be consistent with PNAL's Constitution.

This Statement of Intent has been informed by PNCC's Statement of Expectation dated 6 December 2021.

The Statement of Intent has been prepared under the Public Benefit Entity (PBE) Standards based on International Public Sector Accounting (IPSAS) Standards.

Directors and team members of PNAL continue to acknowledge local iwi Rangitāne and their customary relationship to this region. PNAL appreciates their manaakitanga shown towards the airport and all airport users. PNAL looks forward to further enriching its partnership with Rangitāne, mana whenua and other local iwi over the coming years.

CONTACT DETAILS

Contact details for both the Chair and the Chief Executive are:

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First Floor, Terminal Building
Palmerston North Airport
Airport Drive
PO Box 4384
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Phone: +64 6 351 4415
Email: info@pnairport.co.nz
Web: www.pnairport.co.nz



NATURE AND SCOPE OF ACTIVITIES

Palmerston North Airport Limited (PNAL) owns and operates Palmerston North Airport, having purchased the airport business on 30 January 1990.

Palmerston North Airport is an asset of regional and national importance managed by PNAL. The airport services a regional catchment which includes Ruapehu District in the north, Whanganui, Rangitikei, Manawatu, and Horowhenua in the south, and across to Wairarapa, Tararua and Southern Hawkes Bay. A population base of close to one million live within two hours' drive of the airport.

PNAL enters the new financial year like the last with a sense of cautious optimism. A gradual rebound in passenger volumes is anticipated on the basis that the impacts of Covid-19 on travel demand gradually dissipate, with an associated greater continuity in flights to and from all key gateways.

The rebound of circa 146% in passenger movements to 459,000 in FY23 is achieved off a twenty year low in passenger volumes of 314,000 passenger movements forecasted for FY22. A moderate recovery in passenger movement volumes to 634,000 are projected by the third year of the SOL.

The associated improved financial performance in terms of aeronautical income and associated income levels will in turn provide PNAL with the confidence to focus on four key areas of activity:

1. The continued reinvestment in infrastructure, both airside and landside, including the further development of PNAL's Asset Management Plan.
2. Continuous improvement in customer experience with the commencement of the terminal re-development, ongoing carparking improvements, and a continued focus on building a greater understanding of our various customer groups.
3. The ongoing investment in Ruapehu Business Park and promotion of our location within the Central New Zealand distribution hub for core activities including freight & logistics.
4. Further enhancement of our community profile through a greater level of engagement with our communities, and through our demonstrated leadership in sustainability and specifically the achievement of Level 4 of the Airport Council International Airport Carbon

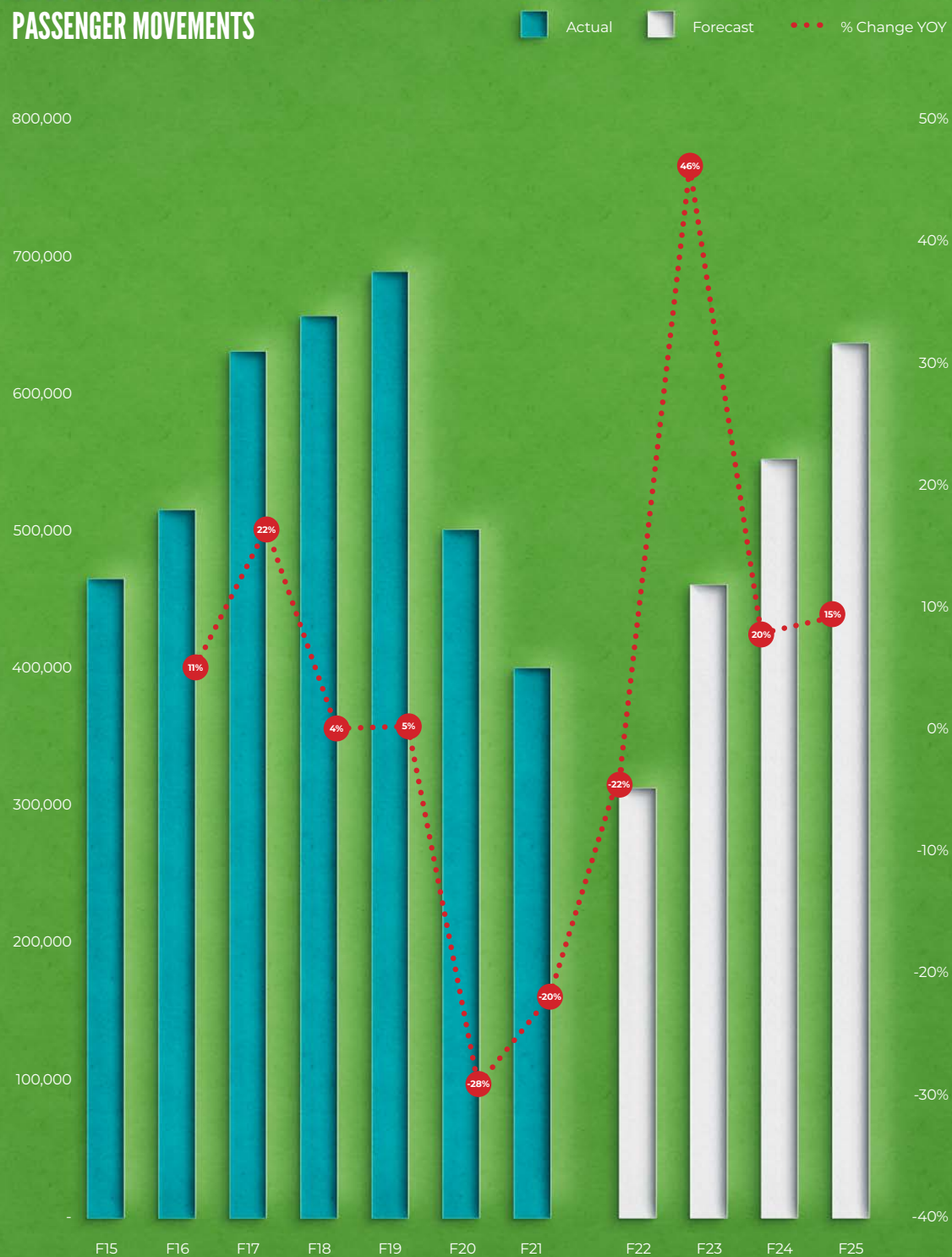
Accreditation program, and other sustainability initiatives.

Underpinning all activity is PNAL's continued focus on prudent financial management, health & safety, regulatory compliance and the wellbeing of our small but highly versatile team. With the threat of Covid-19 ever present PNAL will continue to invest in ways to keep our team safe and to ensure business continuity should widespread community transmission occur.

The following graph outlines the volatility in passenger volumes experienced during the past three years and the projected rebound assuming the impacts of Covid-19 on travel demand gradually dissipate. By Year 3 of the SOL passenger volumes are projected to recover to FY17 levels.

HISTORICAL VS FORECAST

PASSENGER MOVEMENTS



STRATEGIC FRAMEWORK

The aspirational vision of being “New Zealand’s leading regional airport” emphasises our airport’s leadership amongst regional peers in terms of many aspects of our airport business. These include asset management, our focus on safety, iwi engagement, environmental sustainability, customer experience, community engagement, freight & logistics, aviation tertiary training, property development and the wellbeing of our team.

In addition, our purpose statement “Launching our communities into a promising future” reflects our true reason for being and references our role as facilitating regional growth in social, economic, and environmental terms. It also reflects our service to a number of diverse communities whether defined by geographical location, ethnicity or socially and also includes mana whenua, Rangitāne and other local iwi.

OUR VISION

New Zealand’s leading regional airport.

OUR PURPOSE

Launching our communities into a promising future.

COMMERCIAL

We are a financially sustainable business enabling long-term success.

- We maintain and develop core infrastructure that is business critical.
- We diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical income activities.
- We operate a successful enterprise that enables us to provide a return to our shareholder when we have surplus funds to our on-going investment and operating requirements.
- We facilitate regional economic development by growing passenger and airfreight volumes.

COMMUNITY

We contribute to regional prosperity.

- We are kaitiaki for the environment by operating in a sustainable manner in all of our business activities.
- We recognise our community is multi-cultural and will engage with mana whenua and all ethnic groups.

CUSTOMER

We continue to improve the customer experience for all airport users.

- Our customers include all airport users; contractors, tenants, staff, passengers, meeters and greeters, and other airport visitors.
- We lead the way in terms of delivering a high quality and efficient regional airport experience.
- We promote Palmerston North Airport as the gateway and lower North Island commercial hub to our 90-minute drive market.

COMPLIANCE

We maintain a safe and secure operation.

- The safety and security of all airport users is our critical concern. We have a Zero Harm approach to those who visit and work within our airport community.
- We will continue to meet our regulatory and statutory obligations including Civil Aviation Rule Part 139, Resource Management Act, Palmerston North and Manawatu District Plans.

CULTURE

We empower our team members and work as one-team.

- Our People are the key to our success. We will care for each other’s well-being, and develop skills, commitment, engagement and resourcefulness across our team recognising achievement.
- Our one-team ethos is supported by the five pillars of Leadership, Trust & Respect, Communication, Empowerment and Celebrating Success.



OUR VISION

New Zealand's leading regional airport

OUR PURPOSE

Launching our communities into a promising future

STRATEGIC OBJECTIVES

CULTURE

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COMPLIANCE

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**PALMERSTON NORTH
AIRPORT LIMITED**

TERMINAL DEVELOPMENT PLAN

Early planning for a major redevelopment of the terminal commenced in 2018. The project was suspended during the early stages of the Covid-19 pandemic and throughout 2020. In early 2021, the project recommenced with stakeholder engagement and consultation progressing to ensure the proposed concept plan would meet our customer and stakeholder needs.

PNAL took the opportunity to reengage and test the market for an experienced and visionary architect who would design the terminal and coordinate all other design services. With several regional airports across Aotearoa, New Zealand developing their airport terminals in the last three years, high-quality and considered responses were received.

Studio Pacific Architecture was appointed in November 2021, ready to commence concept design in April 2022. Studio Pacific Architecture were formed in 1992 and are an award-winning design-led Wellington practice with diverse experience and track record in delivering landmark aviation and commercial buildings. They were the architect for Nelson Airport's low carbon sustainable building, Wellington Airport's iconic 'The Rock' and are currently designing an aircraft hangar in Auckland due to achieve the 6-Star Green Star rating from the New Zealand Green Building Council.

Forecast capital expenditure on the redevelopment is estimated to be \$21m-\$26m over the three year period of the SOI, reflecting an estimated 36month project duration and the current construction and material costs. The project timeline and estimated cost are to be confirmed at the end of concept design phase in June 2022, and further refined during detailed design phase in February 2023.

The terminal redevelopment has several goals, including:

- to streamline and facilitate the movement of customers through the terminal building,
- to enable and support future growth and operating requirements including passenger & hold bag security screening,
- to enhance the sense of place and pride in the airport for tangata whenua and our communities in general,
- to upgrade the seismic capability of the existing terminal; and
- to achieve sustainable design principles through low carbon, low energy, waste minimisation and biodiversity options.

The project includes a refresh of the terminal exterior, an estimated 1,550m² extension to accommodate baggage make-up and security screening, additional office accommodation for airlines and Aviation Security, and a refreshed terminal forecourt.

The project also provides for an enlarged retail area, relocation of the escalator, new and extended passenger departure lounge, and a dedicated cargo acceptance area outside of the passenger terminal.

As the redesign of the terminal develops and considers accessibility and intuitive ease of movement, it may influence other customer facing aspects of the terminal, such as the terminal entry and exit locations, with a flow on impact to planned carpark improvement projects.

The airport maintains a close relationship with local iwi Rangitāne and worked collaboratively in selecting and adopting the Legend of Haunui-a-Nanaia as the means to articulate our airport's sense of place. Collaboration will continue, with Rangitāne invited to partner with the airport company and Studio Pacific in the co-design of the new terminal.

RUAPEHU BUSINESS PARK

INCOME DIVERSIFICATION & PROPERTY STRATEGY



PALMERSTON NORTH AIRPORT
RUAPEHU
BUSINESS PARK

Palmerston North/Manawatu is positioning itself to be the centre of excellence for freight, logistics and goods distribution across the Lower North Island. A nationally focused stakeholder group are developing a comprehensive plan to create a cohesive, resilient, efficient, competitive and multi-modal transport system referred to as the Central New Zealand Distribution hub.

Palmerston North Airport is an active participant and stakeholder within the hub, especially given its significant value of being one of three key nodes on the national air freight network with a 24/7 operation, and with airfreight operations connecting Christchurch, Palmerston North, and Auckland on a nightly basis.

The scheduled overnight freight operation which connects express parcel networks across the country, combined with the significant existing investment in road and rail networks makes Palmerston North the ideal location for businesses seeking to leverage our central location and efficient connectivity to supply chains and end consumers.

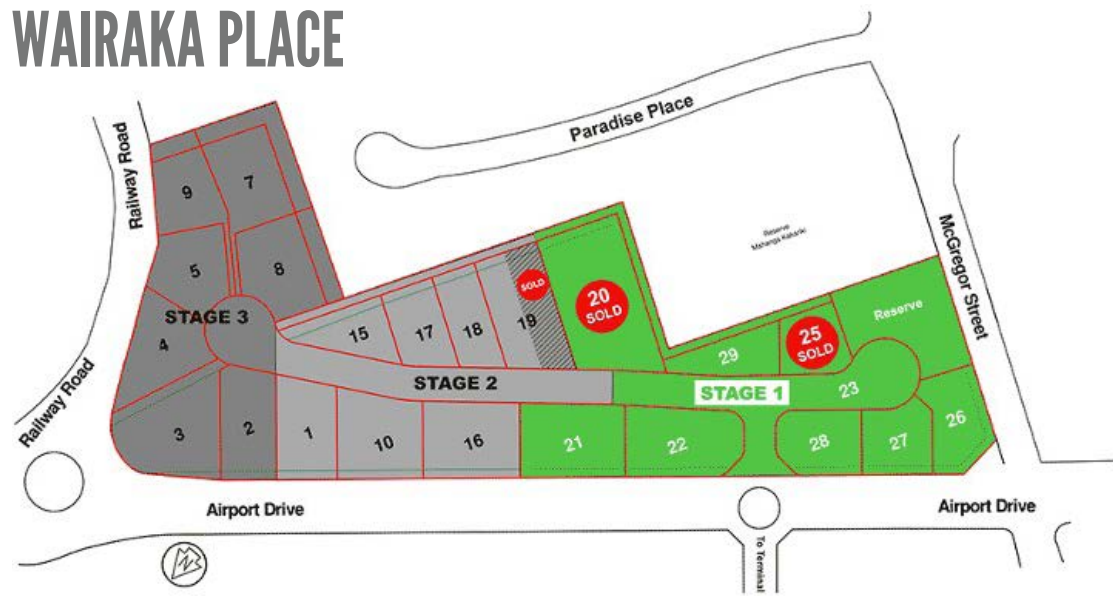
PNAL's planned development of Ruapehu Business Park, enhances and contributes to the activities within the Central New Zealand Distribution hub which is developing into one of the preferred locations for large scale distribution centres within the North Island.

The reality of aviation cycles has seen regional airports in recent times embark on commercial projects to diversify income away from reliance on aeronautical revenue sources such as passenger volumes. PNAL's decision to invest in the \$5.5 million Massey School of Aviation facility in 2017, provided a vital source of continued income during the Covid-19 multiple lockdowns. The growth of airfreight operations has also assisted to provide income diversification.

PNAL has considered strategic partnerships and working with like-minded partners to accelerate the development of Ruapehu Business Park. During December 2021, PNAL entered into general sales agency agreements to enable multiple agents across Palmerston North to promote Stage 1 of Wairaka Place, with the subdivision works almost complete opposite the entrance to the airport.

There are eight Lots available which range from 1,300m² to 4,000m², being sizes that are in increasing demand in Palmerston North City. The high-profile sites are being released to the market under a PNAL funded custom design-build program with facilities then available for lease.

WAIRAKA PLACE



Scheme Plan of Wairaka Place Stages of Development

The three-year SOI provides for capital expenditure of \$2.9m for Stage 2 of the development of Wairaka Place as shown in the above plan. Stage 3 will then follow in a later income year, as demand requires.

With PNAL focussed on offering customers design-build and lease back options, PNAL is budgeting to spend approximately \$8.2m on purpose built commercial facilities during the three-year SOI period.

OUR SUSTAINABILITY JOURNEY



PNAL is committed to doing all it can to minimise its impact on the environment by reducing its carbon emissions and energy consumption. This can only be achieved through long term planning, with a focus on continual improvement to achieve these aims, and by following a structured program.

In this regard, PNAL embarked on its sustainability journey back in 2017, with the first stage of our core work involving the benchmarking and the establishment of energy, water and waste reduction targets. Our priorities for our sustainability activities are based on the Airport Council International (ACI) Airport Carbon Accreditation (ACA) programme which we joined in 2019.

ACI is the only institutionally endorsed, global carbon management certification programme for airports. It independently assesses and recognises the efforts of airports to manage and reduce their carbon emissions through 6 levels of certification: 'Mapping', 'Reduction', 'Optimisation', 'Neutrality', 'Transformation' and 'Transition'.

In December 2021, PNAL took another major step in its commitment to becoming carbon neutral by achieving Level 2 'Reduction' of the ACI Programme. In order to achieve this, we fulfilled all the requirements of 'Mapping', provided evidence of effective carbon management procedures including target setting, and showed that a reduction in the carbon footprint has occurred by comparing our latest carbon footprint to the emissions of the previous years.

PNAL carbon reduction initiatives include the installation of LED lighting in the terminal and on aircraft apron areas, the ongoing installation of an energy efficient HVAC system, and most recently the commencement of the introduction of hybrid vehicles into the airport's fleet.

The next major steps are based on ACI Level 4 requirements and will involve the completion of the HVAC install resulting in the decommissioning of the terminal's aging and energy intensive natural gas-powered boiler system. PNAL will also embark on the selection of, and collaboration with, a third-party business operator (e.g., terminal tenant) in order to reduce their carbon emissions. Such collaboration is a key requirement for PNAL to achieve ACI Level 4 and demonstrates PNAL's leadership of going beyond just our core business in order to reduce overall carbon emissions.

In addition to carbon reduction this year alone, PNAL diverted 71% of its waste to landfill and the company continues to review opportunities to reduce water consumption.

PNAL has also announced its commitment to achieving net zero emissions by 2035 through the establishment of a science-based emission reduction target.

COMPLIANCE, COMMUNITY AND SAFETY



Historical firefighting and rescue fire training using aqueous film-forming foams resulted in small traces of poly fluorinated alkyl substances (PFAS) being found in isolated areas of the airport land in 2017. PNAL has worked collaboratively with PNCC, Horizons Regional Council, MidCentral Health, Rangitāne and our community in its response to the historical PFAS contamination. The process of monitoring residual contamination continues in conjunction with other stakeholders. With the upcoming terminal redevelopment and the construction including soil disturbance, PNAL is working on a soil contamination site management plan to ensure safety and compliance.

PNAL's ability to offer 24/7 access for airfreight services provides our city and region with a comparative advantage in terms of attractiveness to freight & logistics operators. PNAL therefore places significant focus on ensuring that existing and projected future air services are protected from the risk of reverse noise sensitivities from our community.

The District Plan provides the necessary safeguards to ensure air services are protected whilst also placing a requirement on PNAL to develop and comply with a Noise Management Plan. This plan was developed in conjunction with Palmerston North City Council and Manawatu District Council and was finalised in August 2020. It includes performance standards on air and ground noise emissions, compliance monitoring, reporting, and stakeholder communication.

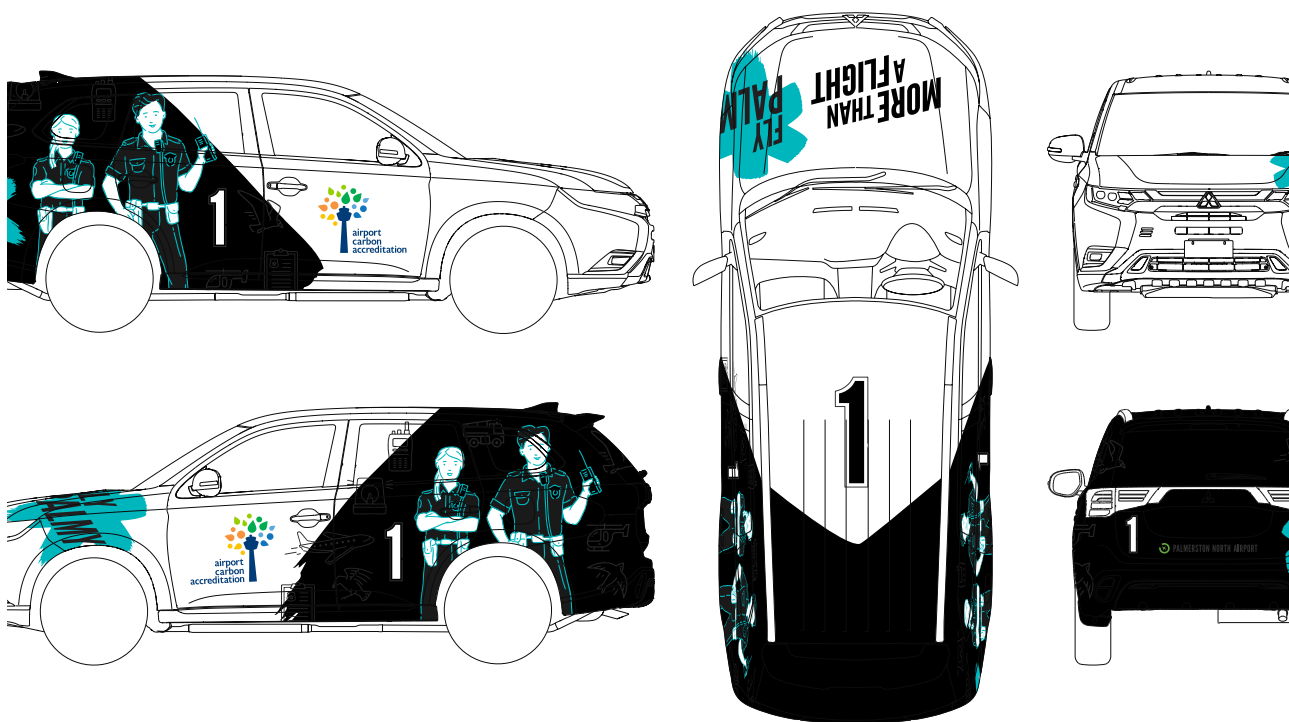
At present PNAL is in the process of finalising a process for the ongoing reporting and monitoring of air and noise emissions.

In September 2021, the Palmerston North Airport rescue fire service was fully insourced with eight personnel becoming PNAL employees. In addition, two refurbished rescue fire appliance vehicles (Panther FL 6x6) were purchased. The Covid-19 lockdowns in Australia and New Zealand have delayed the delivery of the vehicles and their introduction to service.



PALMERSTON NORTH AIRPORT LIMITED | STATEMENT OF INTENT 2022

Supporting the sustainability plan, a plug-in Hybrid Mitsubishi Outlander operational vehicle is leased. This replaced a petrol SUV used by the rescue fire team daily to conduct perimeter patrols, attend to wildlife management requirements and any other operational matters.



PNAL's Safety Management System (SMS) was certified by the CAA in December 2020. In November 2021, an independent SMS auditor undertook an audit to assess the SMS effectiveness and compliance with CAA Rule Part 100 requirements.

The auditor awarded the SMS a rating of operating/effective, an improvement on the original classification of present/suitable. PNAL is aiming to achieve best practice in the next five years, this being the appropriate timeframe for regional airports to achieve maturity of their SMS. The continuous improvement of the SMS is a high priority for PNAL with the next audit scheduled in December 2022.

Concurrent with the SMS audit, an anonymous aerodrome safety culture survey was conducted by the auditor. The average score of 87% was well above the 72% industry benchmark. The comments included in the survey demonstrated that health and safety is an overriding priority and that it is embedded across the airport community.



COVID 19 IMPACT AND RESPONSE



PNAL continues to play a significant role within our regional economy by weathering the storm of further cyclical downturns in the aviation industry as highlighted by the Covid-19 pandemic. Uncertainty associated with Covid-19 has impacted on PNAL's ability to accurately predict and achieve Service Performance targets set within the Statement of Intent, including those relating to financial performance, customer loyalty, and passenger movement related targets.

As has been seen in early calendar 2022 with the rise of Omicron cases in the community, Covid-19 continues to have a significant impact on PNAL. This makes forecasting passenger numbers, and associated revenue, inherently difficult. The FY23 SOI passenger numbers were reported at 480,000. The latest forecast is 314,000 which has been a direct response to Covid-19 regionwide lockdowns and Omicron projections. Over the SOI period, PNAL anticipates a gradual rebound and moderate recovery to pre-Covid-19 levels while continuing to remain cautiously optimistic with the ever-looming threat of Omicron or other variants in the community.

The impacts of Covid-19 lock-downs in 2021 resulted in lost revenue of \$1.1m, which was partially offset by Covid-19 wage subsidy and resurgence support payments. Due to the effects of the August 2021 nationwide lockdown, PNAL undertook a review of its capital and operating expenditure plans for FY22 and, where possible, elected to defer or minimise costs. This assisted to preserve cashflow during a critical and uncertain time.

Underpinning these challenges PNAL remains focussed on the wellbeing and safety of its team and acknowledges each member's ongoing dedication and high level of morale and resilience displayed during a difficult operating period. The team has transitioned well during the threat of ongoing lockdowns to working remotely from home as necessary and continue to boost morale through our Wellness programme and associated initiatives. PNAL's Pandemic Response Plan has since been updated to reflect the ongoing threat of Covid-19 in the community and to the organisation as well as regular Status Updates to keep team members informed and supported.

KEY OBJECTIVES

	Strategic Project	Measure	Completion
COMPLIANCE	Medical Apron Evaluation	• Evaluation completed	FY 2023
	Ongoing SMS development (audit recommendations adopted)	• Audit recommendations adopted • Continual improvements made on safety culture	FY 2023
	Noise Management (Ground)	• Noise Management Plan completed	FY 2023
	PFAS Management (Global consent, community engagement)	• Global consent approved • Community Engagement Plan implemented	FY 2023
	Microsoft 365 transition project	• Microsoft 365 transition complete • Outsourcing	June 2022
	Fibre Relocation	• Fibre Relocation completed	June 2022
	Cyber security	• Zero down time due to cyber attacks	Ongoing
CUSTOMER	Terminal Development Project (includes seismic)	• Seismic work complete • Terminal Development Project complete	FY 2025
	Carpark Forecourt Cover Upgrade	• Stage 1 • Stage 2 • Stage 3	FY 2023 FY 2024 FY 2025
	Terminal Air Conditioning Upgrade	• Upgrade complete	June 2022
	IT carparking systems and infrastructure	• IT systems and infrastructure installed	June 2022
	Maintain a Net Promoter Score of 30 or above	• Net Promoter Score of 30 or above achieved monthly	Ongoing
	Customer experience review and roadmap	• Review and roadmap created and complete	June 2022
COMMUNITY	Sustainability - Achievement of Airport Carbon Accreditation (ACA) Level 4	• ACA Level 4 achieved • Waste & water targets achieved	December 2022
	Implement and refine Community Engagement Plan	• Annual completion of objectives	June 2022
CULTURE	Continual improvement of safety culture	• Zero lost time injuries	Ongoing
	Wellness Plan rollout	• Improved team engagement scores	Ongoing
	Strategic Plan completed and communicated to team members	• Completed	April 2022

COMMERCIAL	Ruapehu Business Park Design and Builds	• Design and Builds leased and approved	Ongoing
	Airport Drive upgrade Massey to McGregor	• Stage 1 • Stage 2 • Stage 3	February 2022 FY 2023 FY 2024
	IT Finance systems upgrade (Castaway, Xero)	• IT Finance systems upgraded	FY 2023
	Debt strategy and implementation	• Debt strategy finalised	April 2022
	Development of Wairaka Place	• Stage 2 • Stage 3	FY 2024 FY 2026
	Air Service development strategy	• Air Service development strategy completed	FY 2023
	Asset Management Plan (Building, carpark, Airport Drive infrastructure and maintenance plan) version 1	• Asset Management Plan version 1 complete	FY 2023
	Freight precinct feasibility	• Freight precinct feasibility complete	FY 2023
	Passenger volumes	• 459,000 • 550,000 • 634,000	FY 2023 FY 2024 FY 2025
	Increase shareholder value	• \$69.6m • \$71.0m • \$74.1m	FY 2023 FY 2024 FY 2025

*The FY 2022 Strategic Projects aimed for completion by June 2022 are in progress at the time of writing the SOI and noted as they may provide for continuity in the SOI period.

PERFORMANCE METRIC TARGETS

For the 12 Months to 30 June

Performance Metric	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
I A ratio of surplus before interest/ tax/depreciation/revaluations to total assets	3%	4%	4%	7%
II A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	1%	1%	2%	4%
III To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	76%	72%	58%	58%
IV To maintain an interest coverage ratio of EBITDA (excl revaluations) to interest of at least 2.5	4.9	6.6	5.4	5.5
V To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50 million	\$68.6 m	\$69.6 m	\$71 m	\$74.1 m

GOVERNANCE

GOVERNANCE OBJECTIVES

The Board's approach to governance of PNAL is to preserve and enhance shareholder value. The Board is committed to ensuring a high level of governance of company processes and policies, including health and safety and encouraging ethical and responsible decision making to ensure Management effectively achieve the Company's goals.

Due to the everchanging commercial environment of the aviation and airport industry, the Board is committed to ensuring regular reviews of all aspects of the business and the implementation of best practice.

REGULATORY FRAMEWORK AND STATEMENT OF EXPECTATIONS

The Board is responsible for the proper direction and control of PNAL's activities and is accountable to the shareholder within the strategic framework set out in this Statement of Intent, PNAL's Constitution, and the provisions of the Local Government Act 2002 (LGA), and the Companies Act 1993.

SHAREHOLDER STATEMENT OF EXPECTATION

The Board is also responsible for ensuring it meets the requirements of the shareholder's Statement of Expectations dated 6 December 2021 for the three-year period of the Statement of Intent, with particular reference to Schedule 8, Part 2 LGA, Section 64B (1) and 64B (2). Importantly the Board will ensure alignment of the Company's objectives with the Shareholder's vision, goals and key strategies and the District Plan.

BOARD COMPOSITION AND FEES

The Board comprises six Directors appointed by the Shareholder in accordance with PNAL's Constitution. Director appointments are for a period of three years with retiring directors able to be reappointed by the Shareholder.

The Board normally meets eleven times per year with intervening meetings in person or by other means as required. To enhance efficiency, the Board may formally document and delegate some of its powers and authorities to the Chief Executive or other senior executives.

At the request of the Shareholder, a director intern has also been appointed, commencing from January 2022, as part of the Shareholder's Governance Internship Programme.

PNAL has an Audit & Risk Committee comprised of three directors of the PNAL Board. The Committee has a board-approved Charter, outlining its membership, authority, primary and secondary roles and reporting procedures.

The Committee meets a minimum of four times each year and is responsible for overseeing the financial accounting, financial statements and audit activities of PNAL. This includes the adequacy and effectiveness of internal controls, external auditor performance, insurances, risk management and financial and accounting policies.

Fees for the Board are reviewed annually. The Board recommends fee levels to the Shareholder for approval based on commercial or near-commercial rates.

SHAREHOLDERS EQUITY IN PNAL

PNAL's land, building, and airside infrastructure assets are revalued on a three yearly cycle, unless warranted earlier. PNAL's land and buildings were last revalued at 30 June 2019, while airside infrastructure was last revalued at 30 June 2020. Fair value assessments were last conducted on the above asset classes at 30 June 2021, which were not sufficiently material to require revaluations to be recognised.

PNAL's investment property is revalued annually, in line with accounting standards.

Shareholder equity as shown in the Statement of Financial Position as at 30 June 2021 is \$68.3 million.

The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 40%. For the purposes of this ratio, 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

The Shareholder will receive:

- An Annual Report including audited financial statements within three months of balance date.
- A summary of PNAL's achievements of the Key Objectives and its performance against the metric targets as outlined in this SOI.
- An Interim Report including non-audited financial statements within two months of the end of the first half of the financial year.
- A Statement of Intent submitted for shareholder consideration in accordance with the Local Government Act 2002.
- Other interim reports as agreed with the Shareholder.

Timeframes for the Interim and Annual Reports are legislative maxima. However, PNAL will meet the reporting and governance requirements of the Shareholder.

ACCOUNTING POLICIES

The accounting policies adopted by PNAL are consistent with New Zealand's Financial Reporting Standards, with PNAL designated as a Public Benefit Entity (PBE) for financial reporting purposes.

The policies are included in PNAL's Annual Report which is available on PNAL's website: www.pnairport.co.nz/corporate/corporate-profile.

FORECAST FINANCIAL STATEMENTS

The financial information contained in the SOI is a forecast for the purposes of the PBE financial reporting standard (FRS) 42. This information may not be appropriate for purposes other than those described. It has been prepared on the basis of assumptions as to future events that PNAL reasonably expects to occur, associated with the actions it reasonably expects to take, as at the date the forecast was prepared. The actual results are likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

COMPENSATION SOUGHT FROM THE SHAREHOLDER

PNAL acknowledges that the Palmerston North City Council holds shares in PNAL for strategic reasons and that PNAL needs to facilitate the development and promotion of both aeronautical and complimentary non-aeronautical business activities. As well as direct benefit to PNAL this impacts through to the economic development of the city and the wider region.

At the request of the shareholder, PNAL may undertake activities that are not consistent with normal commercial objectives subject to the Shareholder providing a specific subsidy to meet the full commercial cost for providing such activities.

PNAL anticipates significant future capital investment within this SOI period and will be required to materially increase its debt levels in order to fund this investment. Refer to the separate debt funding section below for further details.

DEBT FUNDING VIA THE SHAREHOLDER

At the time of preparing this draft SOI, PNAL and the shareholder have agreed in principle to changing how PNAL raises capital debt funds. Currently, in line with its treasury policy, PNAL is required to obtain capital debt from a registered New Zealand bank (currently BNZ) at their prescribed interest rates.

PNAL and the shareholder have agreed in principle that this will be amended, such that PNAL may obtain capital debt lending from the shareholder at a fair market rate, who in turn will receive lending from the Local Government Funding Agency (LGFA), referred to as 'indirect LGFA funding'.

Indirect LGFA funding is anticipated to save PNAL ~\$6m in financing costs over the next 10 years. PNAL will still require a 'business as usual' funding arrangement with a New Zealand bank.

An indirect LGFA funding arrangement is anticipated to be in place with the shareholder prior to commencement of the FY23 financial year. The exact terms, covenants and requirements associated with this funding are yet to be confirmed and approved by PNAL and the shareholder. Once these are known, this may impact some of the performance metrics specified in this draft SOI, which will be updated prior to finalisation.

DIVIDEND POLICY

Investment by PNAL in major capital projects for the long-term benefit of the airport and region is critical over the next three years. This includes airside infrastructure, terminal and car park redevelopment and progression with the development and commercialisation of Ruapehu Business Park.

While it remains PNAL's long-term intention to pay 40% of NPAT as a dividend, due to the recent disruption caused by COVID-19 and the level of upcoming capital expenditure projects, PNAL will therefore suspend payment of dividends over the three years until FY26 and utilise equivalent funds for these major projects.

Notwithstanding this, PNAL will continue to add value to the shareholder and community, through the delivery of a new terminal, more diversified revenue streams and an increase in shareholder wealth (total equity) by \$5.5m over the three-year SOI period.

STATEMENT OF FINANCIAL PERFORMANCE

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Revenue	10,035,463	7,792,562	9,966,141	11,499,878	15,065,855
Less					
Operating Expenditure	3,386,509	2,620,756	3,308,637	3,423,045	3,542,616
Administration and Employment Costs	2,679,497	2,681,344	2,827,096	2,900,768	2,975,535
Total Operating Expenditure	6,066,006	5,302,100	6,135,733	6,323,813	6,518,151
Extraordinary Items (PFAS Related)*	20,000	56,294	50,000	51,250	52,531
Surplus Before Int, Depn & Tax	3,949,457	2,434,168	3,780,409	5,124,815	8,495,173
Less					
Depreciation	1,789,607	1,744,995	1,805,235	2,199,836	2,686,412
Finance Costs	610,895	501,767	573,232	951,177	1,556,015
Loss/(Gain) on Sale of Asset	(1,064,435)	(616,268)	-	-	-
	1,336,067	1,630,494	2,378,467	3,151,012	4,242,428
Surplus Before Taxation	2,613,390	803,674	1,401,942	1,973,803	4,252,745
Income Tax	732,029	225,032	392,544	552,665	1,190,769
Net Operating Surplus	1,881,361	578,642	1,009,398	1,421,138	3,061,977

* The Extraordinary Items are soil, sediment, surface and ground water sampling for PFAS at Palmerston North Airport and adjacent sites including the Mangaone Stream.

The impact of revaluations or vesting of any assets to PNCC has not been included in the Statement of Financial Performance.

STATEMENT OF FINANCIAL POSITION

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Current Assets					
Bank & Short Term Deposits	50,000	50,000	50,000	50,000	50,000
Trade Debtors	875,109	677,090	842,334	993,575	1,283,250
Doubtful Debt Provision	(8,751)	(6,771)	(8,423)	(9,936)	(12,833)
Accrued Income	1,373	1,163	1,367	1,580	1,854
Prepaid Expenditure	-	-	-	-	-
Assets Held For Sale	-	-	-	-	-
Total Current Assets	917,730	721,481	885,278	1,035,219	1,322,271
Current Liabilities					
Trade Creditors	894,217	695,212	647,902	1,580,689	473,095
Income Received In Advance	145,851	112,848	140,389	165,596	213,875
Accrued Expenditure	106,975	103,515	141,124	130,239	134,646
Taxation	93,879	41,625	73,249	252,003	164,203
Other Provisions	325,000	325,000	325,000	325,000	325,000
Short Term Loan	-	-	-	-	-
Total Current Liabilities	1,565,921	1,278,200	1,327,664	2,453,527	1,310,820
Working Capital	(648,191)	(556,719)	(442,386)	(1,418,308)	11,452
Non Current Assets					
Land	31,470,289	27,976,970	27,976,970	27,976,970	27,976,970
Buildings	17,504,621	13,537,469	16,921,747	36,291,491	36,530,719
Infrastructural - Land	12,421,500	7,464,576	9,405,664	13,391,279	18,096,860
Infrastructural - Air	27,014,073	24,193,403	24,776,741	25,787,380	27,068,903
Plant & Equipment	1,908,056	1,484,463	1,747,310	2,098,055	2,015,600
Furniture & Fittings	122,304	123,391	152,011	159,861	167,120
Computers	56,358	39,206	56,765	71,761	84,569
Fire Appliances	958,148	1,272,757	1,151,156	1,041,173	941,697
Investment Property	6,813,357	13,786,000	13,786,000	13,786,000	13,786,000
Intangible Assets	23,843	18,863	16,666	14,725	13,010
Total Non Current Assets	98,292,547	89,897,098	95,991,030	120,618,695	126,681,449
Non Current Liabilities					
Term Loan	19,759,756	14,235,379	19,434,245	41,664,850	46,095,387
Deferred Tax	6,542,668	6,542,668	6,542,668	6,542,668	6,542,668
Total Non Current Liabilities	26,302,424	20,778,047	25,976,913	48,207,518	52,638,055
Net Assets	71,341,932	68,562,332	69,571,730	70,992,868	74,054,845
Shareholders' Funds					
Paid Up Share Capital	9,380,400	9,380,400	9,380,400	9,380,400	9,380,400
Asset Revaluation Reserve	36,056,772	35,557,673	35,557,673	35,557,673	35,557,673
Retained Earnings	24,023,399	23,045,617	23,624,259	24,633,657	26,054,795
Shareholders Dividend	-	-	-	-	-
Current Year Surplus	1,881,361	578,642	1,009,398	1,421,138	3,061,977
Total Shareholders' Funds	71,341,932	68,562,332	69,571,730	70,992,868	74,054,845

The impact of revaluations or vesting of any assets to PNCC has not been included in the Statement of Financial Position

STATEMENT OF CHANGES IN EQUITY

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Equity at the Beginning of the Year	69,994,632	71,341,932	68,562,332	69,571,730	70,992,868
Asset Revaluation Reserve Movement	-	(499,099)	-	-	-
Total Comprehensive (Loss) Income	1,881,361	578,642	1,009,398	1,421,138	3,061,977
Dividends Paid	-	-	-	-	-
Equity at the End of the Year	71,341,932	68,562,332	69,571,730	70,992,868	74,054,845

STATEMENT OF CASHFLOWS

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Cash Flow From Operating Activities					
Cash Was Provided From					
Receipts From Customers	9,910,277	7,829,986	9,802,345	11,349,937	14,778,803
Tax Refund	-	-	-	-	-
Interest Received	-	-	-	-	-
Cash Was Disbursed To					
Payment to Suppliers	6,920,598	5,856,126	6,167,893	5,427,954	7,625,590
Payment of Tax	457,695	325,772	360,919	373,911	1,278,569
Interest Payments	610,895	501,767	573,232	951,177	1,556,015
Net Cash Flow From Operating Activities	1,921,089	1,146,322	2,700,301	4,596,895	4,318,629
Cash Flow From Investing Activities					
Cash Was Provided From					
Sale of Fixed Assets	2,123,834	2,029,789	-	-	-
Cash Was Applied To					
Land and Developments	-	-	-	-	-
Buildings	4,305,000	538,807	3,769,167	20,042,500	1,185,000
Infrastructure - Landside	2,905,000	1,952,395	2,215,000	4,325,000	5,214,167
Infrastructure - Airside	2,625,000	1,770,000	1,450,000	1,895,000	2,205,000
Plant and Equipment	545,000	476,537	400,000	520,000	100,000
Investment Property	-	-	-	-	-
Furniture and Fittings	20,000	31,822	40,000	20,000	20,000
Computers	25,000	26,879	25,000	25,000	25,000
Fire Appliances	112,000	259,052	-	-	-
Intangible Assets	-	4,906	-	-	-
PNCC Contribution	-	-	-	-	-
Net Cash Flow From Investing Activities	(8,413,166)	(3,020,795)	(7,899,167)	(26,827,500)	(8,749,167)
Cash Flow From Financing Activities					
Cash was Provided From					
Term Loan Draw Downs	8,661,796	4,070,515	5,198,866	22,230,605	4,905,130
Cash was Applied To					
Term Loan Repayments And Dividend Payment	2,168,484	2,508,499	-	-	474,593
Net Cash Flow From Financing Activities	6,493,311	1,562,016	5,198,866	22,230,605	4,430,537
Net Increase/(Decrease) in Cash Held	1,234	(312,458)	-	-	-
Opening Cash Balance	46,253	359,946	47,488	47,488	47,488
Closing Cash Balance	47,487	47,488	47,488	47,488	47,488

CAPITAL EXPENDITURE PROGRAMME

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Capital Expenditure Programme					
Land	-	-	-	-	-
Buildings	395,000	196,794	550,000	395,000	45,000
Terminal Development	680,000	294,750	2,010,000	17,510,000	1,140,000
Infrastructure - Landside	1,315,000	150,493	905,000	975,000	1,030,000
Infrastructure - Airside	2,625,000	1,770,000	1,430,000	1,875,000	2,185,000
Plant and Equipment	545,000	437,019	400,000	200,000	100,000
Furniture and Fittings	20,000	20,000	40,000	20,000	20,000
Computers	25,000	25,000	25,000	25,000	25,000
Fire Appliances	112,000	317,290	20,000	20,000	20,000
Ruapehu Business Park And Airport Dr Development	4,820,000	1,846,075	2,519,167	5,807,500	4,184,167
Intangible Assets	-	-	-	-	-
	10,537,000	5,057,421	7,899,167	26,827,500	8,749,167
Capital Sales Programme					
Total Sales Proceeds of Zone A, B & C land	2,154,760	2,224,260	-	-	-



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MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Debt funding arrangements for Palmerston North Airport Ltd - Loan Facility Agreement

PRESENTED BY: Steve Paterson, Strategy Manager Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That the loan facility agreement (attached) that would enable the Council to borrow sums from the Local Government Funding Agency and on-lend to Palmerston North Airport Limited in the form of fixed rate unsecured debt be approved.
2. That the Chief Executive be authorised to approve amendments to the agreement (if required) to address the way in which Local Government Funding Agency Borrower Notes are treated between the parties, or as a consequence of annual reviews.
3. That the Chief Executive be authorised to enter transactions contemplated by the loan agreement of amounts not exceeding \$10 million in advance of the approval of the final Statement of Intent each year.

1. ISSUE

At its December 2021 meeting the Council resolved to approve a request from Palmerston North Airport Ltd (PNAL) for the Council and PNAL to enter a formal loan agreement that would enable the Council to borrow sums from the Local Government Funding Agency (LGFA) and on-lend to PNAL in the form of fixed rate unsecured debt. This arrangement was sought to enable PNAL to obtain funding at interest rates lower than otherwise obtainable, potentially saving \$6m in interest costs over the next 10 years. The Chief Executive was delegated authority to agree the terms and conditions of the loan agreement for subsequent approval by the Council.

This memorandum seeks formal Council approval as required by Council's Treasury Policy.

2. BACKGROUND

2.1 Council's Treasury Policy

Council's Treasury Policy includes provision for the Council to be able to either borrow on behalf of PNAL or to provide uncalled capital to PNAL to facilitate it becoming a LGFA member. Decisions to approve such actions must be made by the Council itself and staff hold responsibility for negotiation and management of any on-going lending relationship.

Extract from Treasury Policy dated 26 August 2020

3.14 Borrowing Mechanisms to Council Controlled Organisations and Council Controlled Trading Organisations

3.14.1 To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the Chief Financial Officer considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing and rating, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

2.2 Proposed loan facility agreement

PwC has been engaged jointly by PNAL and the Council to prepare an appropriate loan agreement that addresses the legal and financial responsibilities of both entities.

The proposed loan facility agreement is attached.

Key aspects of the loan agreement are:

- Facility limit of up to \$50m with the limit each year dependent on an approved statement of intent;
- The facility will be unsecured and sub-ordinated to all other external debt of PNAL;
- The initial term will be for 10 years reviewable by the parties;
- Interest will be charged at the cost of the funds borrowed from the LGFA plus a margin – the initial margin being 0.4% based on an independent fair market rate analysis completed by PwC. The margin reflects PwC's assessment of risk to the Council of lending to PNAL as well as covering administrative costs of maintaining the facility.

The Board of PNAL has advised it approves the proposed loan facility agreement.

One complexity to the arrangement is that the Council is required to invest 2.5% of any sum borrowed from the LGFA in LGFA Borrower Notes. This is a feature of the LGFA structure designed to ensure it retains an appropriate level of equity as its loan book increases. This means the Council will receive in cash only 97.5% of the sum borrowed to pass on to PNAL. We are still finalising what is the most practical way of handling this issue and have at present assumed Council would pass on to PNAL the 97.5% sum. It is possible it may be determined there is another preferable alternative. The recommendations enable such an arrangement to be agreed to.

Under current income tax arrangements the Council pays income tax on income received from PNAL. This effectively means that in relation to these transactions the Council will pay tax on the margin the Council charges PNAL above the rate charged by LGFA. The cost will be a tax deductible expense to PNAL so as a group the tax impact will be nil.

The loan facility will be managed by Council staff and subject to review at least annually. It is expected that in the normal course any changes to the agreement as a result of these reviews will be approved by the Chief Executive. Council approval would be sought if there was any proposal to materially change the level of the facility.

At this stage the timing of the first proposed drawdown under the facility has to be finalised but it is likely to be prior to 30 June 2022. This could be in advance of the adoption of the final statement of intent for 2022/23. For this reason it is proposed that each year additional advances of up to \$10m can be made in advance of the adoption of the statement of intent.

3. NEXT STEPS

Assuming the recommendations are approved then the loan facility agreement would be signed by the parties, all administrative process determined and borrowing and lending commence pursuant to the terms of the agreement.

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?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 1: An Innovative and Growing City	
The recommendations contribute to the achievement of action/actions in Economic Development	
The action is: operating a key gateway for people and freight to and from the city and the wider region; grow passenger numbers and freight using the airport	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	PNAL is playing an active part in growing the City.

ATTACHMENTS

1. Proposed loan facility agreement [↓](#) 



Loan Facility Agreement

Palmerston North City Council (NZBN: 9429041913925)
(the **Lender**)

Palmerston North Airport Limited (NZBN: 9429039345486)
(the **Borrower**)

PwC Legal
PwC Tower, Level 27, 15 Customs Street West, Private Bag 92162, Auckland 1010, New Zealand
T: +64 (9) 355 8000, pwc.co.nz/legal

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Date

2022

Parties

Name	Palmerston North City Council
NZBN	9429041913925
Description	Lender
Notice details	Address: Civic Administration Building, The Square, Palmerston North, New Zealand Email: [insert email] Attention: [insert name]
Name	Palmerston North Airport Limited
NZBN	9429039345486
Description	Borrower
Notice details	Address: First Floor, Terminal Bldg, Palmerston North Airport, Airport Drive, Palmerston North, 4442, New Zealand Email: [insert email] Attention: [insert name]

Background

- A. The Borrower is a wholly owned subsidiary of the Lender. The Borrower is a Council Controlled Trading Organisation established under the Local Government Act 2002.
- B. The Lender has agreed to make financial accommodation available to the Borrower, from time to time, up to the Maximum Amount on the terms and conditions set out in this Agreement.

Agreed Terms

1. Definitions

1.1 Definitions

In this Agreement unless the context otherwise requires:

Agreement means this agreement and any schedules and annexures attached to this agreement, as amended by the parties in writing, from time to time.

Business Day means a day on which banks are open for general banking business in Auckland, New Zealand, excluding Saturdays, Sundays or public holidays in Auckland, New Zealand.

Drawdown Amount means, from time to time, the amount requested to be drawn down by the Borrower in accordance with the terms of this Agreement, as referred to in the relevant Drawdown Notice.

Drawdown Date means the date on which Borrower has requested that the relevant Drawdown Amount be advanced to it, as referred to in the relevant Drawdown Notice.

Drawdown Conditions means the conditions referred to in clause 5(a).

Drawdown Notice means the form of drawdown notice set out in Schedule 1.

Drawing means each drawing of a Principal Sum made under this Agreement.

Deed of Subordination means the deed entered or to be entered into by the Lender, the Borrower and Bank of New Zealand which regulates both the Lender's and Bank of New Zealand's rights of enforcement against, and repayment of the indebtedness owed by, the Borrower.

EBIT means, in respect of a person or group, for any period ending on a particular date, the sum of operating profit or loss (which shall be expressed as a negative amount) of that person or group for that period from ordinary operations before transaction costs, Interest Expense and income tax but after minority interests have been excluded as would be disclosed by financial statements of that person, or consolidated financial statements of that group, if they were prepared in accordance with NZ GAAP.

EBITDA means, in respect of a person or group, for any period ending on a particular date EBIT adjusted to exclude (by adding back) fair value gains and losses on revaluation and any deductions in respect of amortisation and depreciation, plus any negative extraordinary items and less any positive extraordinary items, in each case relating to such person or group for that period and as determined in accordance with NZ GAAP.

Effective Date means the date of this Agreement.

Event of Default means any of the events or circumstances described in clause 9.2.

Facility has the meaning given to that term in clause 2.1.

Government Agency means any government agency or government department, any governmental, semi-governmental or judicial authority or person, any statutory body or authority or body exercising any administrative or legislative function.

GST Act means the Goods and Services Tax Act 1985.

Income Tax Act means the Income Tax Act 2007.

Interest Expense means, in respect of a person or group, and in respect of a period, all gross interest expenses of that person or group during that period, including any outgoings in the nature of interest (i) paid or payable during that period or (ii) in relation to the finance leases;

Interest Rate means the Lender's Cost of Funds plus 0.40% per annum as notified by the Lender, and subsequently agreed by the Borrower, in writing prior to the Drawdown Date.

Interest Payment Date means the payment date in each calendar year during the Term, provided that:

- (a) in the event that such date is not a Business Day, the Interest Payment Date will be the next Business Day following that date; and
- (b) if an Interest Payment Date would extend beyond the last day of the Term, it shall be shortened so that it ends on the last day of the Term.

Lender Notes means subordinated convertible debt instruments issued by the LGFA and which must be subscribed for by the Lender in an amount equal to 2.5% of the total Drawdown Amount or such other Lender Notes percentage as the LGFA may determine from time to time.

Lender's Cost of Funds means, in relation to a Drawing, the aggregate of all costs, charges, fees, commissions, taxes, expenses (including legal fees and expenses on a full indemnity basis), claims, liabilities (absolute or contingent), fines and penalties that the Lender incurs in relation to or in connection with funding that Drawing.

LGFA means the Local Government Funding Agency and includes its successor.

LGFA Settlement Date means the settlement date for LGFA bonds scheduled by the LGFA, from time to time.

Maximum Amount has the meaning given to that term in clause 2.1.

Outstanding Balance means, at any time, the amount of the Principal Sum plus all ordinary and/or default interest accrued under this Agreement, less all amounts repaid (if any) by or on behalf of the Borrower to the Lender in accordance with this Agreement before that time.

Principal Sum means the aggregate amount (in NZ\$) of principal as the Borrower has drawn down under this Agreement, from time to time.

Repayment Date means the earlier of:

- (a) the date on which this Agreement is terminated in accordance with its terms;

- (b) date that is the last day of the Term, provided that, in the event that such date is not a Business Day, the Repayment Date will be the last Business Day prior to that date.

Tax means any present or future tax (including, without limitation, any betterment tax, consumption tax, gross receipts tax or any tax or charge of a like nature), levy, import, deduction, charge, stamp or other duty, compulsory loan or withholding (and any related interest, penalty or fine) levied or imposed by any Government Agency, and includes any tax payable under the GST Act or the Income Tax Act.

Tax Administration Act means the Tax Administration Act 1994.

Tax Laws includes the GST Act, the Income Tax Act, the Tax Administration Act, and any other statutes, regulations, orders in council, or any other primary or secondary pieces of legislation enacted or imposed by a Government Agency that relate to Tax.

Term means the period of ten years commencing on the Effective Date subject to automatic extension under clause 2.2.

2. Facility

2.1 Facility

Subject to clause 5, on and from the Effective Date, during the Term, the Lender must make available to the Borrower a credit facility (the **Facility**) equal to the lesser of:

- (a) NZ\$50 million; and
- (b) the amount representing the Borrower's total capital requirements recorded in the Borrower's annual Statement of Intent (**SoI Capital Requirement**) plus an additional amount equal to 10% of the SoI Capital Requirement,

(the **Maximum Amount**).

The Maximum Amount may be increased or decreased by written agreement of the Borrower and the Lender.

2.2 Automatic Extension of Term

Provided there is no Event of Default which is continuing, the Borrower may, no later than 3 calendar months (or such other period as the Lender may agree in writing) prior to the end of the Term, give written notice to the Lender requiring that the Term be automatically extended for an additional period of 364 days. Such extension will commence at the expiry of the then current Term and be on the same terms and conditions as set out herein unless other terms and conditions are (or have previously been) agreed in writing between the Borrower and the Lender under clause 2.3. The then current Term may continue to be extended from time to time in accordance with this clause 2.2 until such time as the Borrower does not give notice under this clause 2.2 in which case there will be no extension of the then current Term.

2.3 Annual Review

Notwithstanding anything to the contrary in this Agreement, the Facility is subject to annual review by the Lender. Following completion of any such annual review process, the Lender may require that this Agreement be amended to include such terms and conditions as the Lender sees fit. If the Borrower does not agree to any changes to the terms and/or conditions of this Agreement which the Lender proposes to introduce following the completion of any annual review process then the Borrower may, by notice in writing to the Lender, require that the parties enter into negotiations with a view to reaching agreement. If, after 60 days from the date of the Borrower's notice, the parties have not been able to reach agreement either party may terminate this Agreement on giving the other party not less than 30 Business Days prior written notice. If this Agreement is terminated under this clause 2.3, the Borrower will pay to the Lender the Outstanding Balance up to the date of termination. Nothing in this clause 2.3 affects the Lender's rights to recover any amounts properly due and payable prior to the date of termination of this Agreement.

2.4 Purpose

A Drawing may be used by the Borrower for any purpose.

2.5 Security

The Facility made available by the Lender to the Borrower pursuant to clause 2.1 is unsecured and subordinated to all other external indebtedness incurred by the Borrower but will rank *pari passu* with all intra-group indebtedness incurred by the Borrower. The parties and Bank of New Zealand have separately entered into the Deed of Subordination.

2.6 Interest

- (a) Interest will accrue on a daily basis (and, if not paid in accordance with the terms of this Agreement, compound on each Interest Payment Date) on each Drawing, at the Interest Rate.
- (b) Subject to the provisions of this Agreement, the Borrower agrees to pay the Lender interest accrued on a Drawing (calculated in accordance with clause 2.6(a)), in arrear, on each Interest Payment Date.

2.7 Repayment of Principal and Interest

- (a) Subject to the provisions of clause 9, the Borrower must repay the Outstanding Balance on the Repayment Date.

- (b) The Borrower may not, without the written consent of the Lender, repay a Drawing and/or the Principal Sum early.
- (c) Once an amount of the Principal Sum has been repaid, the Borrower may not redraw such amount.

2.8 Other Costs

The Lender will separately issue a valid tax invoice to the Borrower to cover the Lender's direct costs incurred in relation to the set-up and ongoing administration of the Facility.

2.9 Withholding taxes

The Borrower may, subject to clause 11, deduct from the interest any withholding or similar tax required to be deducted by the Borrower by law. The Borrower must, on demand, promptly provide the Lender with evidence of payment of such tax or taxes.

2.10 Payments

- (a) All payments to be made to the Lender under this Agreement shall be made prior to 12:00 pm on the day on which payment is due (or such later time agreed to by the Lender) and shall be made to a bank account nominated by the Lender in writing, or, if the Lender fails to nominate a bank account, then payment shall be made to the address of the Lender to which notices are to be served under this Agreement. If any sum becomes due for payment under this Agreement on a day which is not a Business Day, then that payment shall be made on the following Business Day.
- (b) Subject to clause 2.9, all payments to the Lender under or pursuant to this Agreement shall be made without set-off, counterclaim, condition or qualification and free and clear of and without any deduction or withholding.

3. Reporting obligations

During the Term, the Borrower shall comply with the reporting requirements set out in the Borrower's Statement of Intent or such other reporting requirements that may apply to the Borrower from time to time.

4. Financial Covenants

EBITDA (earnings before interest, taxes, depreciation and amortisation) is to be maintained at a minimum of 2.5 times gross Interest Expense at all times and will be tested as at the last Business Day of each financial year on a rolling 12 month basis.

5. Drawdown Conditions

- (a) All Drawings shall be subject to the following conditions:
 - (i) the Borrower must provide a properly completed and signed Drawdown Notice to the Lender at least 15 Business Days prior to the proposed Drawdown;

- (ii) the Lender must have completed successful tender or bespoke borrowing arrangement with the LGFA in relation to the Drawing requested under the Drawdown Notice;
 - (iii) the requested Drawdown Date must fall on or after the relevant LGFA Settlement Date relating to that Drawing;
 - (iv) the Drawing, if made, would not cause the Maximum Amount to be exceeded;
 - (v) the Drawdown Amount must be an amount of not less than NZ\$1.0million and, if higher, in integral multiples of NZ\$500,000;
 - (vi) no Event of Default is continuing or would occur as a result of the making of the Drawing; and
 - (vii) the Borrower must confirm to the Lender in writing that the Borrower:
 - (A) is not in default (however defined or described) with any other external indebtedness including indebtedness outstanding to Bank of New Zealand; and
 - (B) has met any other conditions as are reasonably notified by the Lender to the Borrower, from time to time.
- (b) The conditions in this clause 5 are inserted for the sole benefit of the Lender and only the Lender may waive them (or any part thereof), and any such waiver must be in writing.

6. Drawdown of the Facility

Subject to the Drawdown Conditions being satisfied, the Borrower may make Drawings up to the Maximum Amount.

7. Drawdown acknowledgment

The Borrower and the Lender each acknowledge and agree that:

- (a) each Drawing drawn down under this Facility will be for an amount equal to the Drawdown Amount; and
- (b) all rights, benefits, interests and other entitlements in the Lender Notes will belong to the Lender at all times.

8. Post Drawdown Obligations

The Lender's Chief Financial Officer or Lender's Authorised Signatory must countersign the Drawdown Notice given by the Borrower under clause 5(a)(i), within 5 Business Days of advancing the Drawing relating to that Drawdown Notice, and confirm the Interest Rate, semi-annually Interest Payment Dates and semi-annually interest payment amount relating to that Drawing.

9. Events of Default

9.1 If an Event of Default occurs in relation to the Borrower:

- (a) the Lender may declare part or all of the Borrower's Outstanding Balance due and payable within the period set out in a written notice to the Borrower and the Borrower must comply with the terms of that notice; and
- (b) the Borrower shall be liable for any costs or expenses incurred by the Lender together with any administration fees that result from the Event of Default, including for avoidance of doubt any costs or expenses of the Lender as a result of the Lender not being able to meet their obligations under any other loan or facility agreement to which the Lender is a party.

9.2 For the purposes of this Agreement, each of the following events will be an Event of Default:

- (a) **Non-Payment:** if the Borrower defaults in the due payment of any amount under this Agreement on its due date;
- (b) **An Insolvency Event:** if in respect of the Borrower:
 - (i) an application is made to a court for a winding up or bankruptcy order;
 - (ii) a provisional liquidator, administrator, receiver or similar officer is appointed;
 - (iii) the Borrower enters into or takes any steps for the purpose of entering into any moratorium, composition, arrangement or similar agreement in respect of all or any of its debts with its creditors or any person; or
 - (iv) the Borrower is, or states that it is, unable to pay all of its debts as and when they fall due for payment;
- (c) **Material Adverse Change:** if any situation occurs which in the opinion of the Lender gives it grounds to believe that a material and adverse change in the business or financial condition of the Borrower has occurred or that the ability of the Borrower to perform its obligations under this Agreement has been or will be materially and adversely affected; or
- (d) **Cross Default:** any other external indebtedness (including indebtedness outstanding to Bank of New Zealand):
 - (i) is not paid when due or within originally applicable grace periods;
 - (ii) is declared, or becomes capable of being declared to be, due and payable or is placed on demand prior to its specified maturity as a result of an event of default, potential event of default or review event (in each case, however described);
 - (iii) is cancelled or suspended by a creditor of the Borrower as a result of an event of default, potential event of default or review event (in each case, however described),

provided that no Event of Default will occur under this sub-clause (d) if the aggregate amount of external indebtedness, or commitment for external indebtedness, falling within subclauses (i) to (iii) above is less than NZ\$50 million.

10. Default Interest

If the Borrower fails to pay any amount payable under this Agreement on the due date, then (without prejudice to any of the Lender's other rights, powers and remedies under this Agreement and at law), upon having received 5 Business Days' written notice from the Lender, the Borrower will pay interest on that overdue amount to the Lender at the Interest Rate plus 5% per annum from the date immediately following the date of expiry of that notice to the date upon which the overdue amount is repaid in full. All default interest payable under this Agreement will be calculated and accrue on a daily basis and compound every 30 days.

11. Tax Gross-Up

11.1 If:

- (a) the Borrower is required by law to make any deduction or withholding from any amount paid or payable by it under this Agreement; or
- (b) the Lender is required by law to make any payment, on account of tax (other than tax on the Lender's overall net income) or otherwise, on or in relation to any amount received or receivable by it under this Agreement,

then the amount payable by the Borrower in respect of which such deduction, withholding or payment (each a **deduction**) is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction, the Lender receives and retains (free from any liability in respect of any such deduction) a net amount equal to the amount which it would have received and so retained had no such deduction been made.

11.2 The Borrower will pay any amount referred to in clause 11.1(a) to the relevant taxation or other authority within the time allowed, without incurring a penalty for late payment.

11.3 If the Lender is required to make any payment to any Government Agency or other authority on account of any deduction or withholding of the nature referred to in clause 11.1 which either the Lender or the Borrower should have made but failed to make, then the Borrower will indemnify the Lender on demand against any liability to make that payment except to the extent of any liability caused by the neglect or default of the Lender.

12. General

12.1 Interpretation

In this Agreement headings are for convenience only and do not affect the interpretation of this Agreement and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning;

- (d) an expression importing a natural person includes any individual, company, partnership, joint venture, association, corporation or other body corporate and any Government Agency;
- (e) in determining the time of day where relevant to this Agreement, the relevant time of day is the time of day in the place where the party required to perform the obligation is located; and
- (f) a reference to:
 - (i) anything (including any right) includes a part of that thing but nothing in this clause 12.1 implies that performance of part of an obligation constitutes performance of the obligation;
 - (ii) a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Agreement and a reference to this Agreement includes any annexure, exhibit and schedule;
 - (iii) a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or bylaws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
 - (iv) a document (including this Agreement) includes all amendments or supplements to, or replacements or novations of, that document;
 - (v) a party to a document includes that party's executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
 - (vi) "including", "for example" or "such as" when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
 - (vii) "law" includes legislation, the rules of the general law, including common law and equity, and any judgment order or decree, declaration or ruling of a court of competent jurisdiction or Governmental Agency binding on a person or the assets of that person; and
 - (viii) a monetary amount is a reference to New Zealand dollars, unless the context requires otherwise.

12.2 Notices

- (a) Unless expressly stated otherwise in this Agreement any notice or communication (**Notice**) given under this Agreement must be in legible writing and marked for the attention of and addressed to the addressee.
- (b) Notices must be hand delivered or sent by prepaid express post (next day delivery) or emailed to the addressee's email address specified in the notice details in the Parties section of this Agreement or as otherwise agreed by the parties.

- (c) A Notice given in accordance with this clause takes effect when taken to be received (or at a later time specified in it), and is taken to be received:
 - (i) if hand delivered, on delivery;
 - (ii) if sent by prepaid post, the second Business Day after the date of posting;
 - (iii) if sent by email, on the date and time at which it enters the recipient's information system (unless the sender receives a notice from the recipient's email server or internet service provider that the message has not been delivered to the recipient),
 but if the delivery, receipt or transmission is not on a Business Day, or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

12.3 Governing law and jurisdiction

This Agreement is governed by the laws of New Zealand. The parties submit to the non-exclusive jurisdiction of the New Zealand courts in respect of all matters relating to this Agreement.

12.4 Prohibition or enforceability

Subject to clause 12.5, if any provision of this Agreement is or becomes invalid or unenforceable, that provision will be deemed modified to the minimum extent necessary to render that provision valid and enforceable or, if the parties cannot agree (acting reasonably) to such modification, will be deleted from this Agreement. The invalidity or unenforceability of that provision will not affect the other provisions of this Agreement, all of which will remain in full force and effect to the extent permitted by law, subject to any modifications made necessary by the deletion of the invalid or unenforceable provision.

12.5 Change to Tax Laws

In the event there is any change to any Tax Law, or a proposed change to any Tax Law that will come into force on a future date, and such change will or is likely to result in either party's rights or obligations under this Agreement becoming invalid or unenforceable, the following will apply:

- (a) Either party (**Initiating Party**) may notify the other party (**Receiving Party**) in writing of the relevant change to the Tax Laws as soon as it becomes aware of the change (**Change Notice**);
- (b) The Change Notice must (at a minimum) set out the following:
 - (i) The details of the Tax Laws that are to be changed;
 - (ii) The date the change to the Tax Laws will take effect;
 - (iii) What the Initiating Party considers (acting reasonably) to be the impact on this Agreement as a direct result of the change to the Tax Laws; and
 - (iv) What the Initiating Party considers to be a suitable solution (by way of an amendment to this Agreement) to counter the relevant change to the Tax Laws;
- (c) Following receipt of the Change Notice, the Receiving Party will have 20 Business Days to consider the Change Notice and:

- (i) Notify the Initiating Party in writing that it accepts the amendment set out in the Change Notice, following which the parties will do all things, and enter into all documents, reasonably required to give effect to the amendment; or
- (ii) Provide the Initiating Party with an alternative solution (by way of an amendment to this Agreement), following which the Initiating Party must, within 20 Business Days, notify the Receiving Party in writing that it:
 - (A) Accepts the Receiving Party's alternative solution, in which case the parties will do all things, and enter into all documents, reasonably required to give effect to the agreed solution; or
 - (B) Does not accept the Receiving Party's alternative solution and that it wishes to initiate a 20 Business Day period to negotiate a satisfactory solution with the Receiving Party at the end of which, the parties will either agree to a suitable amendment to this Agreement (which will then be documented and entered into by the parties) or not agree at which point either party may notify the other in writing that it wishes to immediately initiate the procedure in clause 12.5(d); or
 - (C) Rejects the alternative solution and that it wishes to immediately initiate the process set out in clause 12.5(d);
- (iii) Notify the Initiating Party that it does not consider that the change to the Tax Laws will have any impact on this Agreement and that there is no need for any amendment to this Agreement, following which the Initiating Party must, within 20 Business Days, notify the Receiving Party in writing that it either:
 - (A) Accepts the Receiving Party's position that no amendment is required as a result of the change to the Tax Laws, in which case no amendment to this Agreement will be made; or
 - (B) Rejects the Receiving Party's position and that it wishes to immediately initiate the process set out in clause 12.5(d);
- (d) In the event the parties cannot negotiate a satisfactory solution under clause 12.5(c)(ii)(B), the Initiating Party rejects the alternative solution under clause 12.5(c)(ii)(C) or the Initiating Party rejects the Receiving Party's position under clause 12.5(c)(iii)(B), the following will apply:
 - (i) The parties will have 10 Business Days to agree on a suitably qualified independent accountant (if the parties are unable to agree on a suitably qualified independent accountant within 10 Business Days, one will be selected by the President for the time being of the New Zealand Law Society at either party's request) (**Expert**) to assess the change to the Tax Laws and its impact on this Agreement;
 - (ii) Following the appointment of the Expert, the Expert will consider the change to the Tax Laws, the change's impact on this Agreement and determine a solution to counter the change's impact on this Agreement by way of an amendment (if the Expert considers an amendment to be necessary);
 - (iii) The Expert must notify both parties in writing of his or her determination within 20 Business Days of his or her appointment;

- (iv) The Expert's determination will be binding on the parties (except for any manifest error) and both parties must do all things and enter into all documents reasonably required to give effect to the determination (if an amendment to this Agreement is required) within 10 Business Days of the determination; and
- (v) Unless the Expert rules otherwise, the costs of the Expert will be shared equally by the parties.

12.6 Waivers

Any waiver by a party of any of its rights or remedies under this Agreement will be effective only if it is recorded in writing and signed by a duly authorised senior representative of that party. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy.

12.7 Variation

A provision of this Agreement or a right or obligation created under it may not be varied except in writing and signed by all the parties.

12.8 Cumulative rights

The powers, rights and remedies of a party under this Agreement are in addition to and do not exclude any other power, right or remedy provided by law or otherwise.

12.9 Further assurances

Each party must do all things reasonably necessary to give full effect to this Agreement and the transactions contemplated by this Agreement.

12.10 Entire agreement

This Agreement records the entire understanding and agreement of the parties relating to the matters dealt with in this Agreement. This Agreement supersedes all previous understandings or agreements (whether written, oral or both) relating to such matters.

12.11 Relationship

The parties acknowledge and agree that nothing in this Agreement will constitute one party the partner of, employee of, agent of, or joint venturer with, the other and that other than as expressly provided for in this Agreement no party will have the right to bind the other without the other's prior written consent.

12.12 Third party rights

No person other than the parties has or is intended to have any right, power or remedy or derives or is intended to derive any benefit under this Agreement.

12.13 Counterparts

This Agreement may be executed in any number of counterparts which read together will constitute one instrument. A party may execute this Agreement by signing any counterpart. This Agreement is binding on the parties on exchange of counterparts. A copy of a counterpart that is electronically scanned and emailed will be treated as an original counterpart.

12.14 Non-merger

No provision of this Agreement merges on execution, completion or termination.

12.15 No Assignment or Novation

A party may not assign or novate this Agreement or otherwise transfer the benefit of this Agreement or an obligation, right or remedy under it, without the prior written consent of the other party which consent will not be unreasonably withheld or delayed.

Schedule 1 – Drawdown Notice

Date:

Loan Facility Agreement between Palmerston North City Council (as lender) and Palmerston North Airport Limited (as borrower) (the *Loan Facility Agreement*)

We refer to the Loan Facility Agreement. This is a Drawdown Notice. Terms defined in the Loan Facility Agreement have the same meaning in this Drawdown Notice unless given a different meaning in this Drawdown Notice.

Palmerston North Airport Limited wishes to drawdown the Drawdown Amount (as noted below) pursuant to the terms of the Loan Facility Agreement and acknowledges that the actual Drawing will be equal to the Drawdown Amount.

We confirm that the Drawdown Conditions referred to in the Loan Facility Agreement are satisfied.

<i>Term</i>	<i>Details</i>
Drawdown Amount <i>Note: Must be an amount of not less than NZ\$1.0million and, if higher, in integral multiples of NZ\$500,000</i>	
Maturity Date and/or Drawdown Term	
Proposed Drawdown Date	
Bank Account number	

This Drawdown Notice is irrevocable.

Please advise when the advance has been made.

Yours sincerely

[insert name]

Chief Executive Officer, Palmerston North Airport Limited

We hereby agree to the terms of the Drawdown Notice and agree to be bound by them. We also set out below the applicable Drawing amount, Interest Rate, the relevant Interest Payment Dates and the interest payment amounts relating to the requested Drawing:

<i>Drawing Cost and payment date</i>	<i>Details</i>
Drawing amount	
Interest Rate on Drawing	
Interest payment on initial interest period	
Semi-annual Interest Payment Dates	
Semi-annual interest payment amount on Drawing	

SIGNED by **Palmerston North City Council**

Chief Financial Officer or Lender's
Authorised Signatory

Name

Signing Page

Executed as an Agreement

SIGNED by **Palmerston North City Council** by its duly authorised representative in accordance with its constituent documents and the law of its place of incorporation:

Signature of Director/Authorised signatory

Print Full Name

SIGNED by **Palmerston North Airport Limited** by its duly authorised corporate representative in accordance with its constituent documents and the law of its place of incorporation:

Signature of Director/Authorised signatory

Print Full Name

REPORT

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Fees and Charges Review

PRESENTED BY: Steve Paterson, Strategy Manager Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council receive the report titled 'Fees and Charges Review', presented to the Finance & Audit Committee on 23 March 2022, and that the current status of fees and charges be noted.

Trade Waste

2. That the proposal to adopt updated fees and charges for Trade Waste services effective from 1 July 2022 as attached in Appendix 2, be approved for public consultation and the Chief Executive be authorised to undertake the necessary consultative process under sections 82 and 150 of the Local Government Act 2002.

Planning & Miscellaneous

3. That the Statement of Proposal (and the associated summary) to adopt updated fees and charges for Planning Services and Miscellaneous Services effective from 1 July 2022 as attached in Appendix 3, be approved for public consultation and the Chief Executive be authorised to undertake the necessary consultative process under sections 83 and 150 of the Local Government Act 2002.

Building

4. That the fees and charges for Building Services, as proposed in Appendix 4 be adopted and following public notification take effect from 1 July 2022.

Environmental Health

5. That the fees and charges for Environmental Health Services (in terms of regulation 7 of the Health (Registration of Premises) Regulations 1966) as proposed in Appendix 5, be adopted and following public notification, take effect from 1 July 2022.

Animal Control

6. That the fees and charges for the Impounding of Animals (in terms of section 14 of the Impounding Act 1955) and for Dog Registration and Dog Impounding (in terms of sections 37 and 68 of the Dog Control Act 1996) as proposed in Appendix 6 be adopted, and following public notification, take effect from 1 July 2022.

Burial & Cremation

7. That the fees and charges for Burial and Cremation, as proposed in Appendix 7 be adopted and following public notification, take effect from 1 July 2022.

Service Connections

8. That the fees and charges for Service Connections, as proposed in Appendix 8 be adopted and take effect from 1 July 2022.

Resource Recovery/Waste Management

9. That the changes to fees and charges for Resource Recovery/Waste Management relating to the recycling of tyres as proposed in Appendix 9 be adopted and take effect from 1 July 2022.

Sportsfields

10. That the fees and charges for Sportsfields as proposed in Appendix 10 be adopted and take effect from 1 July 2022.

Backflow Prevention

11. That the fees and charges for Backflow Prevention testing and maintenance as proposed in Appendix 11 be adopted and take effect from 1 July 2022.

Corridor Access Request

12. That the fees and charges for Corridor Access Requests as proposed in Appendix 12 be adopted and take effect from 1 July 2022.

SUMMARY OF OPTIONS ANALYSIS FOR

Problem or Opportunity	Fees and charges need to be reviewed annually to ensure they adequately meet Revenue & Financing policy, budgetary and other objectives
OPTION 1:	Approve fee increases as proposed
Community Views	Each of different types of fees requires a different process for community engagement. Where this is legislatively controlled it is identified in the report
Benefits	More likely to comply with funding proportions contained in Revenue & Financing Policy
Risks	Public criticism of increases
	Increased charges for some activities may discourage compliance or reduce volumes
Financial	Budgeted revenue targets more likely to be achieved
OPTION 2:	Approve fee amendments for some of those proposed at greater or lesser levels
Community Views	As above
Benefits	Lower fees than recommended likely to mean policy targets will not be achieved
	Higher fees than recommended in some instances will increase likelihood of policy user fee target being achieved
Risks	Higher fees than recommended may increase the risk of public criticism
Financial	If lower increases are approved for some fees likely that budgeted revenue will not be achievable
OPTION 3:	Do not approve any fee increases
Community Views	As above
Benefits	Lower fees than recommended likely to mean policy targets will not be achieved
Risks	When increases eventually are made (to reduce the pressure on rates increases) the extent of the increase required will be publicly and politically unacceptable
Financial	If no increases are approved likely that budgeted revenue will not be achievable

RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 The purpose of this report is to provide an overview of the current status of fees and charges made by the Council and to recommend the adoption of updated fees for some of them.
- 1.2 It is important that fees and charges be regularly reviewed. There are a variety of reasons for this including:
 - Compliance with legislative requirements – many fees and charges made by the Council are governed by specific legislation
 - Consistency with Council's Revenue and Financing policy – for each activity the Council has adopted targets for the funding mix, i.e. the proportion of costs to be funded from fees and charges
 - Transparency – in some instances it is important to be able to demonstrate that the charge being made represents a fair and reasonable recovery of the costs of providing a particular service
 - Market comparability – for some services the Council operates in a contestable market and it is important that fees and charges are responsive to market changes.
- 1.3 However, as a review process is sometimes very time-consuming the depth of the review for each type of fee or charge may vary depending on the circumstances.
- 1.4 Attached as Appendix 1 is a schedule listing, in broad terms, the various types of fees and charges made by the Council. The schedule is ordered by activity (consistent with the proposed 10 Year Plan 2021-31) and within that by function (consistent with the Revenue & Financing Policy). Comments are made within the schedule outlining the reasons for there being no change recommended to a particular fee or charge. In cases where changes are recommended more detail is provided in the appendices.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

- 2.1 Council has previously indicated that as a matter of policy it wishes all fee and charge revisions to be encapsulated in a single report to this Committee early each year.
- 2.2 Council's current Revenue & Financing Policy (10 Year Plan 2021-31 pages 245-283) describes how the Council goes about deciding who should pay for the provision of each activity and in what proportions. The policy should be the foundation for decisions about the levels of fees and charges.
- 2.3 For some activities (such as swimming pools) only a portion of the operating costs is borne by the Council and none of the revenue is received directly by the Council. The Council does have the right under the agreement with CLM to set the maximum fees charged for the services. The Revenue & Financing Policy addresses only that portion of the net operating costs funded by the

Council and therefore makes no reference to user charges for swimming pools.

- 2.4 In some of the activities shown above it is not practical to charge users through a separate charge specifically related to use. An example of this is water where large consumers are metered but the majority of users are charged through the rating system by way of a fixed targeted rate as the best proxy for direct user charge.
- 2.5 In some activities a combination of charging mechanisms is used. Rubbish and recycling is an example. Users are responsible for their own rubbish disposal. The Council does provide a collection and disposal service which is funded from the sale of rubbish bags. Recycling activity is funded from the sale of recyclables and the balance through the rating system by way of fixed targeted rates.

3. DESCRIPTION OF OPTIONS

- 3.1 With a few exceptions (e.g. cemetery/crematorium), draft revenue budgets for 2022/23 have been set at levels which aim to meet the Revenue & Financing Policy proportion targets. Achieving these revenue levels is dependent not only on the level of fee or charge set but also the actual volumes of activity by comparison with budget assumptions. On occasions changes are made to the way indirect costs are allocated to activities and this impacts on whether budgeted revenue meets the policy targets. In such situations it is appropriate to accept the policy may not be met but that it will be reviewed at the three yearly intervals.
- 3.2 The timing of this review is scheduled to fit into the annual planning timetable in a way which ensures appropriate revenue assumptions are made in the proposed 10 Year or Annual Plans and changes to fees and charges can be implemented as soon as practicable.
- 3.3 Much of this report is focused on providing an overview of Council's fees and charges. However the report does include specific proposals for change for a number of fees and charges as explained in more detail in the following appendices:

List of Appendices

Appendix		
2	Trade Waste	Proposal for public consultation
3	Planning & Miscellaneous	Proposal for public consultation
4	Building	Proposed increases
5	Environmental Health	Proposed increases
6	Animal Control	Proposed increases
7	Burial & Cremation	No change
8	Service Connections	Proposed increases
9	Resource Recovery/Waste Management	Proposed increases/changes
10	Sportsfields	Proposed increases
11	Backflow Prevention	Proposed increases
12	Corridor Access Requests	Proposed increases

4. ANALYSIS OF OPTIONS

- 4.1 Analysis of the options for each of the fee types for individual activities is contained in the appendices.

5. CONCLUSION

- 5.1 A broad review of fees and charges has been undertaken. Revenue from these is an important part of the funding mix. There are two elements to achieving revenue budgets. The first is the actual level of the fee or charge. The second is the volume of sales or use. A change to the level of fee or charge can influence demand. Achieving revenue targets is sometimes more about volumes than the level of the charge. There is a fine balance between the two. This report recommends increases in charges for a number of services and many of these are reflective of revenue assumptions made in the proposed Annual Budget 2022/23.

6. NEXT ACTIONS

- 6.1 There is a series of procedural steps to be followed to enable some of the revised fees and charges to be implemented. In some cases (as specifically identified in the recommendations) this involves a period of public consultation and a report back to the Council for final confirmation (taking into account any public submissions).

7. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

- 7.1 The Revenue & Financing Policy incorporates the Council's current views on what portion of each activity should be directly funded from users. This policy forms part of the 10 Year Plan which was the subject of public consultation in 2021.
- 7.2 There are varying types of public consultation required to enable changes to be made to fees and charges. For some the special consultative process or a process consistent with the principles of section 82 of the Local Government Act is to be used. More detail about each is provided in the detailed appendices.

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 and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
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	<p>The process for setting fees and charges depends on the nature of the activity and the particular requirements of the relevant bylaw, legislation or Council policy.</p> <p>The recommendations take account of Council's Revenue & Financing Policy that in turn reflects Council's strategic direction.</p>

ATTACHMENTS

1. Appendices 1 to 12  

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2022/23 Budget	Comments
Economic development	Conference & Function Centre	Venue rental Percentage of catering revenue			Restoration to pre-covid levels	Charges depend on market conditions.
City Growth	Building Services	Building Services Fees	1 Jul 2021	1 Jul 2022	Increased fees & higher revenue - higher volumes assumed	Increases recommended. Refer Appendix 4 & recommendations.
City Growth	Planning Services - Private	Services Fees & Charges	1 Jul 2021	1 Jul 2022	Increased fees & higher revenue – higher volumes assumed	Increases recommended. Refer Appendix 3 & recommendations.
Roading	Parking enforcement	<ul style="list-style-type: none"> Registration WOF Fines (Stationary vehicles) 	9 Dec 1999	Next Statutes Revision	No change	Charges are set and changed by legislation/regulation.
Roading	Metered Parking	Metered Parking Fees – on street & off-street	Nov 2021	1 Jul 2022	Increased revenue	As significant changes were made last year no change is proposed this year despite resolution that there would be small increases each year.
Roading	Off-street parking – leased carparks	Long term lease	1 Jul 21	1 Jul 2022	No change	No change proposed
Roading	Road corridor access	Corridor access request	1 Jul 21	1 Jul 2022	No change	New fee introduced last year. Minor increase proposed. Refer Appendix 12 & recommendations.

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2022/23 Budget	Comments
Active Community	Central Energy Trust Arena	Venue Rentals - Commercial - Community & Schools	1 Jan 2022 1 Jan 2022	1 Jan 2023 1 Jan 2023	No change	Charges reviewed under delegated authority.
Active Communities	Sportsfields	Sportsfield Rental/Charges	1 Jul 2020	1 Jul 2022	Restoration of pre-covid revenue	Increases recommended. Refer Appendix 10 & recommendations
Active Communities	Swimming Pools	Admission charges	1 Jul 2019		No change	The contract for pool operations provides for the Council to approve maxima for charges able to be made by the contractor. In Nov 2018 Council approved 4.6% increases in admission & concession rates effective from 1 Jul 2019.
Connected Communities	Cemeteries	<ul style="list-style-type: none"> Burial Cremation 	1 Jul 2021	1 Jul 2022	Minor increase in revenue	Increases recommended. Refer Appendix 7 & recommendations.
Connected Communities	Community Centres	Community halls & facilities	1 Jul 2021	1 Jul 2022	CPI increase	Rentals are adjusted annually by the CPI.

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2022/23 Budget	Comments
Connected Communities	Libraries	<ul style="list-style-type: none"> • Membership Subscription • Lending charges • Interloan charges • Overdues • Reserves • Lost material 	1 July 1999 (non-resident membership)	1 Jul 2022	No change	<p>No changes proposed in 2021/22.</p> <p>Some reduction assumed since 2021/22 due to elimination of some overdues fees.</p>
Connected Communities	Social Housing	Rental	Jul 2021	Jul 2022	Increase in total revenue based on assumption increased no of units & CPI increases	<p>As per the Social Housing Guidelines, former 'public housing' rentals will be set at market rates.</p> <p>The remaining housing will be subsidised, with rent to be set at no more than 25% of superannuation, supported/living payment, job seeker support or other relevant benefit).</p>
Safe Communities	Animal Control	<ul style="list-style-type: none"> • Registration Fees • Impounding Fees 	1 Jul 2021 1 Jul 2021	1 Jul 2022 1 Jul 2022	Increased revenue	<p>Dog Control Act 1996 Section 37 requires Council to give public notice of fees annually prior to 1 July.</p> <p>Refer to Appendix 6 & recommendations.</p>
Safe Communities	Public Health	<p>Health Inspection, Verification & Monitoring Fees</p> <p>Liquor licensing fees</p>	1 Jul 2021 18 Dec 2013	1 Jul 2022	<p>Minor increase in revenue</p> <p>No change</p>	<p>With introduction of Food Act 2004 Council no longer issues health licences. Role is now inspection, verification & monitoring Increase proposed - Refer to Appendix 5 & recommendations.</p> <p>Council has chosen to use the default liquor licensing fees set by regulation.</p>

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2022/23 Budget	Comments
Rubbish & Recycling	Waste Management	Rubbish Bag Sales	1 July 2021	1 Jul 2022	No change	Policy is that full costs of collection are to be covered by bag sales. No change proposed. Refer to Appendix 9
Rubbish & Recycling	Waste Minimisation	Landfill Charges – Green waste	1 Oct 2007	1 Jul 2022	No change	Landfill now closed. However still accept green waste. Fees for this increased from 1 Oct 2007. Recommend holding prices to promote green waste diversion.
		Transfer Station – Ashhurst	1 Jul 2021	1 Jul 2022	No change	Price increased from 1 July 2021 – No change recommended. Refer to Appendix 9.
		E-waste – Ferguson St	1 Jul 2018	1 Jul 2022	No change	Rationalisation, simplification & some reduction in charges for e-waste implemented from 1 July 2018.
		Event Recycling	1 Jul 2018	1 Jul 2022	No change	Regime for event recycling implemented in July 2018.
		Recycling charge for tyres	1 Jul 2021	1 Jul 2022	No change	Some changes proposed. Refer Appendix 9 & recommendations.
Stormwater	Stormwater	Connection fees	1 Jul 2021	1 Jul 2022	No change	Minor increases proposed. Refer to Appendix 8 & recommendations.
Wastewater	Wastewater	Trade waste charges	1 Jul 2021	1 Jul 2022	Fee based on cost-based formula. Increase in revenue.	Formula for determining charges based on Council's Trade Waste By-Law. 2021/22 charges approved by Council in June 2021. Refer to Appendix 2 & recommendations
		Connection fees	1 Jul 2021	1 Jul 2022		Minor increase proposed. Refer to Appendix 8 & recommendations.

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2022/23 Budget	Comments
Water Supply	Water Supply	Water by meter tariff	1 Jul 2021	1 Jul 2022	Any change is related to change in level of targeted fixed rate-increased tariff assumed. Changes proposed	Water by meter tariffs are deemed to be targeted rates & are set as part of annual rates resolution.
		Tanker filling station fees	1 Jul 2021	1 Jul 2022		Set under terms of Water Supply Bylaw. Related in part to level of water by meter tariff.
		Connection fees	1 Jul 2021	1 Jul 2022		Refer to Appendix 8 & recommendations.
		Backflow preventer fees	1 Jul 2021	1 Jul 2022		New fees introduced last year. Refer Appendix 11 & recommendations.
Governance & Active Citizenship	Direction Setting	District Plan changes	1 Jul 2008	1 Jul 2022	No change	Policy is to recover costs relating to private plan change applications from applicants. Present charges achieve this aim. Changed from a specific charge to charge at cost from 1 Jul 2012.
		District Plan documents & updates	1 Jul 2012	1 Jul 2022	No change	

Note - Amounts for Development contributions (for water, wastewater, stormwater, roading & reserves) are increased annually on 1 July in accordance with the movement in the Producers Price Index – Construction or through an amendment to the Development Contributions Policy.

Appendix 2

PROPOSED AMENDMENTS TO FEES AND CHARGES FOR TRADE WASTE

1. INTRODUCTION

It is Council's policy to review its fees and charges for trade waste each year in accordance with the Palmerston North Trade Waste Bylaw.

Changes to these fees and charges are required to be approved using the consultation principles of the Local Government Act.

2. BACKGROUND

2.1 Revenue & Financing Policy Requirements

As part of Council's financial framework it has in place a Revenue and Financing Policy that was adopted in 2021.

The policy defines how operating expenditure for each activity will be funded. In summary the funding sources are from either, user charges or targeted rates (private), rates (public), or based on the exacerbator principle whereby the cost of an activity can be attributed to an individual or a group of individuals.

Some of the discharges of trade waste into the sewerage system use up more of the sewerage systems capacity than normal domestic discharges.

Council's Revenue and Financing policy states "volumes of trade waste are capable of being measured so those who discharge trade waste should be charged based on the nature and volume of discharge". The setting of the charges is regulated under Council's Trade Waste Bylaw 2015 and a specific charging mechanism has been established to recover the extra costs imposed on the Council's system.

These costs are incurred in the following way;

- Compliance Monitoring – the inspection, sampling and analysis of trade waste discharges
- Trade Waste Application – the processing of new or renewal applications
- Consent Processing – when the cost of processing the consent exceeds the normal application fee
- Re-inspection – for re-inspection of premises when a notice served by the Council has not been complied with

- Annual Trade Waste Charges – for administration and monitoring of individual consent holders
- Trade Waste Charges – these are for the impact of consented discharges on Council's system.

The following factors impact on the fees and charges;

- Costs to administer and monitor consents
- Cost of operating the Palmerston North sewerage system
- Flows within the Palmerston North sewerage system
- Loading on the Palmerston North Wastewater Treatment Plant.

These costs, flows and loadings vary from year to year.

2.2 Statutory Requirements

The Council adopted the Palmerston North **Trade Waste** Bylaw in 2015 under its statutory powers contained in the Local Government Act 2002 (LGA). Accordingly, in terms of section 150 of the LGA the trade waste charges are required to be set in a manner giving effect to the requirements of the Act. Schedule 1 of the Bylaw contains a list of types of charges that may be imposed. In June 2021 the Council adopted the current schedule of charges following appropriate consultation.

2.3 Factors Impacting on Setting Fees and Charges

A number of other considerations are factored into the proposed fees. They are:

Transparency It is important that fees and charges are structured in a manner that clearly identifies the specific service being provided and the true cost of providing such services.

Fair and reasonable That the charges are demonstrated to be fair and reasonable.

Market comparable Where appropriate.

2.4 Outline of Proposed Fees and Charges

The proposed fees and charges are shown in detail below:

Palmerston North City Council

Trade Waste Charges

Pursuant to the Palmerston North Trade Waste Bylaw
2015

Category		2021/2022 Charge (GST Incl)	2022/2023 Charge (GST Incl)	Description
Administrative Charges (Table 2 – Schedule 1)				
2.2	Compliance Monitoring - Conditional Consents	\$135 per sampling & analysis	\$237 per sampling & analysis	Fee to recover inspection and monitoring costs of trade premises
2.2	Compliance Monitoring – Grease Trap Sampling Fee	\$120 per inspection	\$120 per inspection	Fee to recover inspection and sampling costs of grease traps
2.4	Trade Waste Application Fee	\$1,600	\$1,600	Fee to recover cost of processing new or renewal applications
2.5	Consent Processing Fee	\$195 per hour	\$195 per hour	Fee to recover cost of processing extraordinary applications
2.6	Re-inspection Fee	\$195 per inspection	\$195 per inspection	Fee to recover cost of re-inspections of individual trade premises
2.9	Trade Waste Charge - Permitted Consents for Grease traps/Oil interceptors/Amalgam traps	\$120 per annum	\$120 per annum	Charge to recover administration and monitoring cost of grease traps/ oil interceptors & other treatment devices/ amalgam traps at dental surgeries
2.9	All other premises (conditional) plus trade waste charges	\$1,320 per annum	\$1,320 per annum	Charge to recover administration and monitoring cost of trade waste consents
2.9	Annual Trade Waste database Licence Fee - delete	N/A	N/A	Charge for access to on-line database
2.9	Discharge administration fee	\$600 per annum	\$600 per annum	Charge to recover administration and monitoring costs of permitted customers with discharges exceeding 5m ³ /day
Trade Waste Charges (Table 3 – Schedule 1)				
3.1	Volume Charge (\$/m ³)	\$0.5871/m ³	\$0.6430 /m ³	Charge to recover sewerage collection costs
3.3	Suspended Solids Charge (SS) (\$/kg)	\$0.8498/kg SS	\$0.72 /kg SS	Charge to recover suspended solids treatment costs
3.4	Organic Loading Charge (BOD) (\$/kg)	\$0.8370/kg BOD	\$0.6034 /kg BOD	Charge to recover organic loading treatment costs
3.6	Phosphorous Charge (DRP) (\$/kg)	\$41.78/kg DRP	\$41.1866 /kg DRP	Charge to recover phosphorous (DRP) removal costs

Tankered Waste Charges (Table 4 – Schedule 1)				
4.1	Tankered Wastes Charge	\$45/1,000 litres	\$45/1,000 litres	Charge to recover administration, receiving and treatment costs of tankered wastes

The volume dependent charges are based on historic flows, strengths and costs. The 2021/22 charges were based on flows and costs from 1 January 2019 to 31 December 2020 and the proposed 2022/23 charges are based on flows and costs over the two years from 1 January 2020 to 31 December 2021.

The changes proposed above represent increases of 9.5% in the rate charged on the volume of sewage discharged and a reduction of 15.3% in the suspended solids charge, 27.9% in the charge for organic loading treatment, an 1.4% in the charge for phosphorous removal.

The fixed charges are set to recover direct costs of sampling, analysis and administration of tradewaste effluent charged from conditional consent holders under the provisions of the bylaw. Sampling is required to confirm compliance with the consent conditions and in conjunction with the measured flows used to determine the monthly charges.

Last year the \$36 per sampling and analysis charge recovered approx. 30% of the cost of the service and the expectation is that these costs will be fully recovered from consent holders.

It was therefore proposed that the charges be increased over two years to achieve the cost recovery meaning an increase to \$135 in 2021/22 and to \$237 in 2022/23. Although these increases appear significant they are a relatively small component of most customers total tradewaste costs.

2.5 Level of Service

As part of the process of preparing the 10 Year Plan 2021-31 the level of service for all areas was considered. This determined that the current levels are appropriate.

3. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables Council to be satisfied that they are transparent, fair and reasonable and market comparable. This does not necessarily mean that fees will be increased every year.

The options available include no change being made, proceeding with the recommendations or changing fees by a different amount. If no change is made or fees are increased by a lesser amount, the proposed budgeted revenue for 2021/22 cannot be met. This will result in the

level of ratepayer funding having to be increased to make up the shortfall or the level of services being reduced.

The remaining option is to proceed with the recommended changes. This will ensure that the charges for providing the services are fair and reasonable. It will ensure that the revenue attained from fees and charges reflects the true cost to Council of providing such services.

4. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget targets for 2022/23 as defined in the proposed Annual Budget 2022/23 to be met based on the volume assumed. In particular it will enable the generation \$ 1.1 million of revenue from trade waste charges.

5. MAKING A SUBMISSION

Submissions on the proposal are invited and must be received by the Council during the submission period which opens on Monday 11 April 2022 and closes at 5.00 pm on Friday 13 May 2022. Enquiries may be directed to the Group Manager – Three Waters on telephone 356 8199.

Submissions must be in writing and may be delivered, posted or emailed to:

Democracy & Governance Manager
Palmerston North City Council
Private Bag 11-034
Palmerston North 4442

Email submission@pncc.govt.nz

Submissions should include the name and address of the person making the submission, including a daytime telephone contact number, and also advise if they wish to speak about their submission to a meeting of Councillors.

Chief Executive

PROPOSED AMENDMENTS TO FEES AND CHARGES FOR PLANNING AND MISCELLANEOUS SERVICES

STATEMENT OF PROPOSAL

1. INTRODUCTION

It is Council's policy to review its fees and charges every year. As a result of the most recent review the proposed to change the fees and charges varies. Some of the fixed charges and deposits will increase to reflect that more time is being required to be spent assessing issues such as urban design, stormwater and roading. Charges based on hourly charge out rates will increase by approximately 6%.

The changes to fees and charges are designed to ensure there is sufficient revenue to match the increase in operational costs and satisfy the requirements of Council's Revenue & Financing Policy.

Changes to these fees and charges are required to be approved using the special consultative procedure or a similar procedure.

2. BACKGROUND

2.1 Revenue & Financing Policy Requirements

As part of Council's financial framework it has in place a Revenue and Financing Policy that was adopted in 2021.

The policy defines how operating expenditure for each activity will be funded. In summary the funding sources are from either, user charges or targeted rates (private), rates (public), or based on the exacerbator principle whereby the cost of an activity can be attributed to an individual or a group of individuals.

For the fees and charges being considered funding is based on the following principles:

2.1.1 Planning Services

The entire community benefits from safe reliable infrastructure and resources and consistent transparent Council procedures. The entire community benefits from advice relating to potential resource consents or resource management as well as from resource consent monitoring and enforcement activities. Developers and property owners benefit from the resource consent advice, information and certainty provided by the Council.

The Revenue & Financing Policy outlines that the funding source for public services (namely planning advice, information, consent monitoring and enforcement) as compared to private services (being resource consent processing) should be clearly separated to reflect those who benefit from the service, the period of benefit and those who create the need.

The Policy indicates that a “high” percentage of planning (public) services should be funded from rates with a “high” percentage of planning (private) services to be funded by fees and charges.

The proposed budget for 2022/23 compared to the proposed funding policy is as follows:

Activity	Target Policy	Budget 2022/23	Compliance with Policy?
Planning Services – Private	100% Fees and Charges	100% Fees and Charges	<i>Meets the policy</i>
Planning Services – Public	100% Rates	100% Rates	<i>Meets the policy</i>

2.2 Statutory Requirements

The setting of the fees and charges for the fee group entitled **Planning Services** is empowered by Section 36 of the Resource Management Act 1991 (RMA) and requires the Council to follow the special consultative procedure as set out in section 83 of the Local Government Act 2002 (LGA). This requires the fees and charges proposed for planning to be initially referred to Council and then notified for public consultation before they can be approved by Council.

The Council is required to have regard for the criteria outlined in section 36AAA of RMA when establishing fees and charges. The key purpose of such charges is required to be to recover the reasonable costs incurred by the Council in relation to the activity for which the charge is being made.

Most of the charges for the fee group entitled **Miscellaneous** (except for those set under the Food Act 2014) are empowered under the LGA. This authorises the Council to recover the costs it incurs for approvals, authorities and inspections not covered by the primary legislation under which the Council operates, e.g., RMA. Accordingly, in terms of section 150 of the LGA they are required to be set in a manner which gives effect to the consultation principles in section 82 of the LGA. However, as they are being reviewed in conjunction with the charges for planning services it is practical to use the special consultative procedure.

Those set under section 205 of the Food Act 2014 to cover the Council’s activities relating to registration, verification and compliance and monitoring under the Act must be set using the special consultative procedure.

2.3 Factors Impacting on Setting Fees and Charges

A number of other considerations are factored into the proposed fees. They are:

Transparency

It is important that fees and charges are structured in a manner that clearly identifies the specific service being provided and the true cost of providing such services.

Fair and reasonable

That the charges are demonstrated to be fair and reasonable.

2.4 Outline of Proposed Fees and Charges

2.4.1 Planning Services

The proposed fees and charges are shown in detail in **Attachment A**.

Most of the charges are proposed to be increased by approximately 6% to reflect increased operating costs.

2.4.2 Miscellaneous Services

The proposed fees and charges are shown in detail in **Attachment B**.

Most of them are proposed to be increased by approximately 6% to reflect increased operating costs.

2.5 Level of Service

As part of the process of preparing the 10 Year Plan 2021-31 the level of service for all areas was considered. This determined that the current levels are appropriate.

6. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables Council to be satisfied that they are transparent, fair and reasonable and market comparable. This does not necessarily mean that fees will be increased every year.

The options available include no change being made, proceeding with the recommendations or changing fees by a different amount. If no change is made or fees are increased by a lesser amount, the proposed budgeted revenue for 2022/23 cannot be met. This will result in the level of ratepayer funding having to be increased to make up the shortfall or the level of services being reduced.

The remaining option is to proceed with the recommended changes. This will ensure that the charges for providing the services are fair and reasonable. It will ensure that the revenue attained from fees and charges reflects the true cost to Council of providing such services.

7. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget target of \$1.45 million for 2022/23 as defined in the proposed Annual Budget to be met based on the volume assumed.

8. MAKING A SUBMISSION

Submissions on the proposal are invited and must be received by the Council during the submission period which opens on Monday 11 April 2022 and closes at 5.00 pm on Friday 13 May 2022. Enquiries may be directed to the Planning Service Manager on telephone 356 8199.

Submissions must be in writing and may be delivered, posted or emailed to:

Democracy & Governance Manager
Palmerston North City Council
Private Bag 11-034
Palmerston North 4442

Email submission@pncc.govt.nz

Submissions should include the name and address of the person making the submission, including a daytime telephone contact number, and also advise if they wish to speak about their submission to a meeting of Councillors.

Chief Executive

Palmerston North City Council		Attachment A	
Planning Services		Fees & Charges	
Planning services charges listed below are imposed under the Resource Management Act 1991 to recover the cost to Palmerston North City Council for processing applications, monitoring consents and for Notice of Requirements Designations and Private District Plan Changes.			
Section 36 of the Resource Management Act enables the Council to charge additional fees to recover actual and reasonable costs when the fixed fee is inadequate. This means that applications that exceed standard processing times or which involve a hearing may incur additional charges. Consultants and solicitors fees associated with all work types are also included. We may also refund part of the fee if the work required to process the application is minimal.			
The deposits specified in the tables below are required up front and no action will be taken in accordance with section 36AAB(2) until paid. That does not mean that the Council is required to complete the activity upon payment of the deposit. The costs incurred will be monitored and additional amounts up to the total of the fixed charge may be required. Then additional charges may also be required before completion of the task if the fixed charges are inadequate to cover the Council's actual and reasonable costs.			
All fees and charges shown are GST inclusive unless indicated			
Fixed Charges			
Charges payable by applicants for resource consents, for the carrying out by the local authority of its functions in relation to the receiving, processing and granting of resource consents (including certificates of compliance [and existing use certificates] (section 36(1)(b))			
Activity Type	Fixed Charge from 1 Jul 2021	Fixed Charge from 1 Jul 2022	Deposit from 1 Jul 2022
Instant resource consents	\$ 215	\$ 250	\$ 250
Boundary Activity	\$ 300	\$ 320	\$ 320
Temporary or Marginal Breaches	\$ 300	\$ 320	\$ 320
Non notified land use consents (minor, see note (d) (b))	\$ 1,900	\$ 2,000	\$ 1,500
Non notified land use consents (other than minor)	\$ 4,000	\$ 4,400	\$ 3,000
Limited notified land use consents	\$ 60,000	\$ 64,000	\$ 48,000
Notified land use consents (full notification)	\$ 80,000	\$ 85,000	\$ 64,000
Non notified subdivision consents (Controlled Activity)	\$ 2,400	\$ 3,000	\$ 1,900
Non notified subdivision consents (Discretionary Restricted)	\$ 3,000	\$ 3,200	\$ 2,400
Non notified subdivision consents (other)	\$ 5,000	\$ 6,000	\$ 4,500
Notified subdivision consents for up to and including 20 lots in total (full and limited notification)	\$ 22,300	\$ 24,000	\$ 18,000
Notified subdivision consents for more than 20 lots (full and limited notification)	\$ 39,000	\$ 42,000	\$ 31,000
Certificates of compliance	\$ 460	\$ 500	\$ 400
Town Planning Certificate (Alcohol)	\$ 400	\$ 400	\$ 300
Existing use certificates	\$ 890	\$ 1,000	\$ 700
Outline Planning Approval	\$ 1,110	\$ 1,200	\$ 900
Waiver for requirement for Outline Plan	\$ 380	\$ 400	\$ 300
Notified notice of requirements, heritage orders, designation alterations.	\$ 16,800	\$ 18,000	\$ 13,000
Non notified notice of requirements, heritage order, designation alterations	\$ 2,550	\$ 3,000	\$ 2,000
District Plan changes	\$ 26,000	\$ 28,000	\$ 20,000

Charges payable by holders of resource consents, for the carrying out by the local authority of its functions in relation to the administration, monitoring and supervision of resource consents (including certificates of compliance [and existing use certificates], and for carrying out its resource management functions under section 35. (section 36(1)(c))

Activity Type	Fixed Charge from 1 Jul 2021	Fixed Charge from 1 Jul 2022	Deposit from 1 Jul 2022
Monitoring of non notified resource consents	\$348 per consent for inspections and monitoring (2 hours)	\$369 per consent for inspections and monitoring (2 hours)	
Monitoring of notified resource consents	\$696 per consent for inspections and monitoring (4 hours)	\$738 per consent for inspections and monitoring (4 hours)	
Variations to conditions (section 127 and 221 - subdivision and land use)	\$ 1,800	\$ 1,900	\$ 1,400
Extensions of time (section 125)	\$ 1,100	\$ 1,200	\$ 900
Cancellation of building line restrictions (under Local Government Act 1974)	\$ 1,100	\$ 1,200	\$ 900
Adjustment of easements	\$ 1,100	\$ 1,200	\$ 900
Subdivision certificates (including section 223, 224)	\$ 400	\$ 425	\$ 300
Subdivision certificates (section 226)	\$ 1,350	\$ 1,500	\$ 1,100
Subdivision inspections for up to and including 5 lots, or staged, in total	\$ 800	\$ 900	\$ 600
Subdivision inspections for between 6 lots and up to and including 10 lots, or staged, in total	\$ 1,600	\$ 1,700	\$ 1,300
Subdivision inspections for between 11 lots and up to and including 20 lots, or staged, in total	\$ 3,200	\$ 3,400	\$ 2,500
Subdivision inspections for more than 20 lots un-staged	\$ 4,800	\$ 5,000	\$ 4,000
Removal of designations	\$ 265	\$ 280	\$ 280
Purchase of District Plan & District Plan updates	At cost	At cost	At cost

Charges payable by holders of resource consents, for the carrying out by the local authority of its functions in relation to reviewing consent conditions if:

- 1 the review is carried out at the request of the consent holder;
- 2 the review is carried out under section 128(1)(a);
- 3 the review is carried out under section 128(1)(c)

Activity Type	Fixed Charge from 1 Jul 2021	Fixed Charge from 1 Jul 2022	Deposit from 1 Jul 2022
Review at the request of the consent holder	\$ 1,670	\$ 1,800	\$ 1,300
Review pursuant to section 128(1)(a)	\$ 1,670	\$ 1,800	\$ 1,300
Review pursuant to section 128(1)(c)	\$ 5,000	\$ 5,300	\$ 4,000

Charges for supply of documents payable by the person requesting the document. (Section 36(1)(f))			
Activity Type	Fixed Charge from 1 Jul 2021	Fixed Charge from 1 Jul 2022	Deposit from 1 Jul 2022
Replacement copies of certificates	\$ 110	\$ 115	
Replacement copies of resource consents	At cost of officer's time per hour + disbursements	At cost of officer's time per hour + disbursements	At cost of officer's time per hour + disbursements
Other documents	\$1 per page	\$1 per page	\$1 per page
Additional copies of order papers	\$ 40	\$ 40	\$ 40
Notes:			
(a) The number of lots in a subdivision includes the balance lot			
(b) The fixed charges do not include other charges that may be imposed under the Resource Management Act or other legislation such as:			
(i) Additional charges (section 36(5));			
(ii) Bonds;			
(iii) Monitoring and supervision charges expressly provided for in a resource consent;			
(iv) Development contributions			
(c) If the fixed charges are not sufficient to meet the Council's actual and reasonable costs then additional charges may be payable- Note this may include but not be limited to charges for consultants, solicitors, independent Commissioners and Council officers' time.			
(d) Fees Methodology:			
(a) Land use and subdivision consents have been based on an average costs of consents issued. Deposits have generally been set at 75% of the average unless the difference between the deposit and the total of actual and reasonable costs is of such a minor nature it is not cost effective to recoup the difference from an applicant. In such a case the deposit is set at the same value as the Fixed Charge. In terms of the Fixed Charge they are set at 100% of the average fee. Final charges will be charged at staff hourly rates, technical officer or consultant time and any standard fees applicable.			
(b) Minor non notified land use consents usually applies to:			
(i) Applications for a dwelling or a minor dwelling, dependent dwellings, accessory buildings, home occupations and access in the residential and rural zones.			
(ii) Applications for signage in the business and industrial zones.			
(c) Monitoring and inspection charges are based on staff hourly rates to complete. For non notified resource consents the inspection fee of \$362 is for 2 hours of inspections by the Monitoring & Enforcement Officer. For notified consents the inspection fee of \$724 is for 4 hours of inspections by the Monitoring & Enforcement Officer. In terms of dealing with compliance issues this is based on the actual time spent by the Monitoring Officer based on the hourly rate for the Monitoring & Enforcement Officer.			

Other Charges			
Advisory Service - Applies where staff provide information in response to customer queries		For queries received by Front of House staff - no cost for an individual enquiry up to 30min (whether in person or in writing), where an individual enquiry is for a period longer than 30min, charged at cost based on the relevant officer's hourly rate For any queries received by staff not based at Front of House - to be charged at cost based on relevant officer's hourly rate	
Pre lodgement meetings; Applies where staff vet information prior to the lodgement of an application		Charged at the relevant officer's hourly rate	
Objections considered by a Hearings Commissioner (section 36(1)(af))		At cost plus disbursements of the Hearings Commissioner	
Consultant Charges			
Work Type		Rate per hour from 1 Jul 2020	Rate per hour from 1 Jul 2021
Consultants and Solicitors fees associated with all work types, including the processing of a consent or certificate (including specialist technical or legal advice where a consent involves creating legal instruments) and new notice of requirements, heritage orders, designation alterations, removal of designations and District Plan changes.		At cost plus disbursements	
Charges for hearings		Rate per hour from 1 Jul 2020	Rate per hour from 1 Jul 2021
Hearings for all applications, designations, notice of requirements private District Plan changes, development contributions and remittance fees and associated work by relevant staff.		At cost of officers time per hour as per rates listed below	
Production of Order Papers		At cost plus disbursements	
The following hourly rates for Council Officers and Decision Makers will be charged for the processing of consents, hearings, designations etc that do not have a fixed charge or where the fixed charge is inadequate to cover the actual and reasonable costs of the Council.			
Council Officer's Hourly Rates		Rate per hour from 1 Jul 2021	Rate per hour from 1 Jul 2022
Planning Officers/Graduate Planning Officer		\$ 194	\$ 206
Monitoring and Enforcement Officer		\$ 174	\$ 181
Senior Planning Officer		\$ 207	\$ 219
Planning Services Manager		\$ 226	\$ 240
City Planning Manager		\$ 226	\$ 240
Senior Business Support officer		\$ 168	\$ 175
Administration/Committee Administration Staff		\$ 120	\$ 125
Technical and Professional Staff from all other Council units		\$ 194	\$ 235
General Manager		\$ 246	\$ 256
Commissioner		At cost plus disbursements	
Hearing Committee Chair and Members		At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements	

Palmerston North City Council		Attachment B	
Miscellaneous Services		Fees & Charges	
The miscellaneous charges detailed below are imposed under the Local Government Act 2002. They seek to recover the cost to Palmerston North City Council for approvals, authorities and inspections not covered by the primary legislation under which the Council operates. (<i>These being the Resource Management Act 1991, Building Act 2004, Dog Control Act 1996, Impounding Act 1955, Food Act 2014 and Land Transport Act 1998</i>).			
All fees and charges shown are GST inclusive			
Fixed Fees			
Payable when request for service/information is submitted to Council. No additional charges will be applied.			
Work Type	Fixed Fee from 1 Jul 2021	Fixed Fee from 1 Jul 2022	
LIMS			
Land Information Memorandum	\$ 455	\$ 455	
GIS			
GIS Inputting (per consent)	\$ 184	\$ 191	
Street Numbering			
Request for street number changes	\$ 393	\$ 409	
Noise			
Return of seized sound equipment:			
- for first offence	\$ 181	\$ 188	
- for second or third offence	\$ 422	\$ 439	
- for fourth or subsequent offence	\$ 422	\$ 439	
Disconnection of alarms under the Resource Management Act		Recovery of actual cost incurred by Council, including staff time and contractor costs	
Food Act 2014 Non-refundable Food Control Plan Auditing (including site visit, reporting and general administration)			
Processing an application under the Food Act 2014 for registration of a Food Control Plan or a National Programme	\$ 281	\$ 292	
Processing an application under the Food Act 2014 for renewal of registration of a Food Control Plan or a National Programme	\$ 281	\$ 292	
Verification -Initial site visit (including reporting)(hourly rate)	\$ 174	\$ 181	
Verification - Follow-up visits (including reporting) (hourly rate)	\$ 174	\$ 181	

Deposits		
Charges for all services are based on the actual costs incurred by the Council. Any deposit specified in the table below are payable before the Council commences the service. The total charge for the service will be determined upon completion of the service, on the basis of the time spent by the relevant officer undertaking the work specified at that officer's hourly rate.		
Work Type	Deposit from 1 Jul 2021	Deposit from 1 Jul 2022
Right of Way Approval		
Right of Way Approval- section 348	\$ 500	\$ 500
Certificates		
Certificate of Compliance Building Code - Alcohol	\$105 Deposit, then billed at actual cost of officer's time per hour	\$109 Deposit, then billed at actual cost of officer's time per hour
Gambling		
Gambling venue consent	\$454 plus officer's hours after 3 hours	\$472 plus officer's hours after 3 hours

Other Charges		
These fees may be applicable to a consent or may be applied as a single charge. Note that photocopying and scanning charges includes both material and labour costs associated with such work.		
Work Type	Charge from 1 Jul 2021	Charge from 1 Jul 2022
Photocopying / Copy of scanned documents		
A0, A1, A2	\$10/page	\$10/page
A3	\$0.45/page	\$0.50/page
A4	\$0.35/page	\$0.40/page
Double sided A3	\$0.55/sheet	\$0.60/sheet
Double sided A4	\$0.45/sheet	\$0.50/sheet
For colour copies		
Single sided	Additional charge of \$1.70/page	Additional charge of \$1.70/page
Double sided	Additional charge of \$3.80/sheet	Additional charge of \$3.80/sheet
Request for Property Information		
Copy of Property Information	At cost of officer's time per hour plus disbursements	At cost of officer's time per hour plus disbursements
Certificate of Title	\$ 28	\$ 29
Swimming Pools		
Swimming Pool initial compliance inspection	\$ 203	\$ 211
Swimming Pool reinspections (second and subsequent inspections)	\$203 per inspection	\$211 per inspection
Vehicle Crossings (cost per inspection)		
T1; Inspect existing vehicle crossing	\$ 216	\$ 225
T2; New vehicle crossing	\$ 400	\$ 416
T3; Alter an existing vehicle crossing	\$ 216	\$ 225
Over-weight Vehicle Permit (note 4)		
Application for each single, multiple trip or linked permit *	\$ 18.18	\$ 18.18
Application for each continuous, high-productivity motor vehicle, or specialist vehicle permit *	\$ 54.55	\$ 54.55
Application for each renewal of each continuous permit *	\$ 9.09	\$ 9.09
* Additional charge for each of the above permits where less than 3 working days available for processing	\$ 9.09	\$ 9.09
Asset Bonds		
Council Asset Bond (payable for each building consent above the value of \$100,000)	\$1,000 (no GST)	\$1,000 (no GST)
Administration & processing fee	\$ 190	\$ 198
Overgrown Trees/Shrubbery		
Removal of Overgrown Trees/Shrubbery	Recovery of actual cost incurred by Council, including staff time and contractor costs	Recovery of actual cost incurred by Council, including staff time and contractor costs

Charges for Council Officers and Decision Makers		
The following hourly rates will be charged for those approvals, authorities and inspections listed in this schedule that are not listed as a fixed fee		
Council Officer's Hourly Rates (per hour)	Charge from 1 Jul 2021	Charge from 1 Jul 2022
General Manager	\$ 246	\$ 256
Division Head	\$ 226	\$ 240
Senior Planner	\$ 207	\$ 219
Planning Officers/Graduate Planning Officers	\$ 194	\$ 206
Monitoring and Enforcement Officer	\$ 174	\$ 181
Team Leader - Building	\$ 212	\$ 220
Senior Plumbing and Drainage Officer and Advanced Building Officer	\$ 212	\$ 220
Building Officer	\$ 194	\$ 202
Principal Environmental Health Officer	\$ 209	\$ 217
Environmental Health Officer, Environmental Technical Officer and Liquor Licensing Officer	\$ 187	\$ 194
Environmental Health Officer Cadet	\$ 169	\$ 176
Senior Business Support Officer	\$ 168	\$ 175
Administration/ Committee Administration Staff	\$ 120	\$ 125
Technical and Professional Staff from all other Council Units	\$ 194	\$ 235
Commissioner	At cost plus disbursements	At cost plus disbursements
Hearings Committee Chair and Members	At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements	At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements
Notes:		
1 The hourly rates for Council Officers noted above will be charged for the work type listed above which do not have a fixed fee		
2 The hourly rates for the services which are listed in the above tables are for those staff listed in the table headed "Charges for Council Staff"		
3 Where it states above the fee per hour, please note this should be read in full as "fee per hour or part thereof".		
4 Over-weight vehicle permit fees are set by the Land Transport (Certification & Other Fees) Regulations 2014		

PROPOSED AMENDMENTS TO FEES AND CHARGES FOR PLANNING AND MISCELLANEOUS SERVICES

Appendix 3b

SUMMARY OF INFORMATION

Pursuant to Sections 83 and 150 of the Local Government Act 2002, the Palmerston North City Council gives notice that it is commencing the Special Consultative Procedure to obtain community feedback on proposed updates to fees and charges for Planning and Miscellaneous Services. It is Council's policy to review the above fees and charges every year to ensure there is sufficient revenue to match the increase in operational costs and satisfy the requirements of Council's Revenue and Financing Policy.

As a result of the most recent review it is proposed to increase most fees and charges by approximately 6% to cover increasing costs.

A copy of the Statement of Proposal including the schedule of proposed fees and charges can be inspected and/or obtained as follows:

- Through the Council's website pncc.govt.nz
- At the Customer Services Centre, Civic Administration Building or the City Library (both in the Square)
- By telephoning 356 8199.

Enquiries may also be directed to the Planning Services Manager on telephone 356 8199.

Submissions on the proposal are invited and must be received by the Council during the submission period which opens on Monday 11 April 2022 and closes at 5.00 pm on Friday 13 May 2022. Submissions must be in writing and may be delivered, posted or emailed to:

Democracy & Governance Manager
Palmerston North City Council
Private Bag 11-034
Palmerston North 4442
Email submission@pncc.govt.nz

All submissions received will be considered. Submissions should include the name and address of the person making the submission, including a daytime telephone contact number, and also advise if they wish to speak about their submission to a meeting of Councillors.

CHIEF EXECUTIVE

Building Services Fees and Charges

Appendix 4

1. INTRODUCTION

The Council's Revenue and Financing Policy (10 Year Plan 2021-31, page 255) outlines that as the main beneficiaries of the building activity are those who use the service (i.e. property developers and building owners), a significant portion of the cost should be borne by users. For the purposes of the Policy this portion is described as medium/high (i.e. 60-79% of the costs).

Broadly the Policy is based on the belief that consents processing and inspections should be user funded with information gathering and monitoring to be publicly funded.

Fees and charges were last increased from 1 July 2021.

2. BACKGROUND

2.1 Statutory Requirements

The setting of fees and charges for Building Services is empowered by Section 219 of the Building Act 2004. As such, they can be set by Council resolution and do not require any special consultative procedures. In accordance with the spirit of the LGA it is recommended that they be publicly notified.

2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges;

- The legislative requirements as to the nature of the work required to be undertaken by the Council
- The volume of work undertaken as some costs are fixed and do not fluctuate depending on volume

2.3 Other Factors Impacting on Setting Fees and Charges

In response to approaches from building industry representatives in 2013 the previous fees were restructured to:

- Provide more certainty for clients by having more fixed fees
- Simplifying the processing required for low value work and as a result lowering fees, making them more affordable, and as a consequence encouraging higher levels of compliance.

3. PROPOSED FEES AND CHARGES

The proposed amended fees and charges are contained in attached schedule (**Attachment A**).

Increases of approximately 4% are proposed to reflect the desire to cover sufficient of the estimated costs to meet Council's policy target.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable. The options available are:

- no change being made to existing fees and charges; or,
- proceeding with the recommendations set out in this proposal

5. FINANCIAL IMPLICATIONS

The proposed amended fees and charges will assist budget targets for 2022/23 being met, based on the volume of work assumed. The actual fees and charges for 2021/22 represented 76% of costs incurred and the budget for 2022/23 is 74%. The proposed budget for 2022/23 includes a 75% fee recovery assumption.

Activity	Target Policy	Budget 2022/23	Compliance with Policy?
Building services – PNCC	60 – 79% Fees and Charges	75% Fees and Charges	Within policy target band

Palmerston North City Council		Attachment A	
Building Services		Fees & Charges	
Building Services charges listed below are imposed under the Building Act 2004 to recover the cost to Palmerston North City Council for processing applications, undertaking inspections, and related work.			
All fees and charges shown are GST inclusive unless indicated			
Fixed Fees			
Work Type		Fixed Building Consent Fee (excludes PIM)	
		from 1 July 2021	from 1 July 2022
Demolitions			
The demolition fixed fee contains all fees applicable, however a refundable asset bond may be taken additionally to the fixed fee			
K1	Residential - Demolition/Removal of existing residential building or outbuilding. Separate consent required to replace.	\$ 739	\$ 769
K2	Commercial - Demolition/Removal of existing commercial building. Separate consent required to replace.	\$ 834	\$ 867
Conservatories			
N	Conservatory (proprietary) - Conventional construction placed on <u>existing</u> deck or platform only. No Foundations included.	\$ 702	\$ 730
Fast-track minor consents (note 1)			
F1	Freestanding Solid Fuel Heater (Approved customers only)	\$ 571	\$ 594
F2	Inbuilt Solid Fuel Heater (Approved customers only)	\$ 777	\$ 808
F3	Proprietary Garage (Approved customers only)	\$ 1,200	\$ 1,248
Project Information Memorandum (fixed fee work)			
	PIM Fixed Fee Work	\$ 129	\$ 134
Note 1 - An "approved customer" must be pre-approved by Palmerston North City Council Building Services. An "approved customer" are those who submit applications with agreed construction parameters utilising a refined method, to Council's satisfaction.			

Other Fees			
The fees in this table are processing fees for the applications listed under "Work Type"			
Work Type		Building Consent Fee/Deposit	
		from 1 July 2021	from 1 July 2022
Private Building Consent Authorities			
	BCA Filing Fee	\$ 110	\$ 114
Warrant of Fitness and Compliance Schedules			
	Annual Building Warrant of Fitness Renewal	\$ 100	\$ 104
	New Compliance Schedule	\$ 185	\$ 192
	Alteration to existing compliance schedule	\$ 118	\$ 123
	Building Warrant of Fitness Site Audit/Reinspections	\$203 per inspection	\$211 per inspection
	IQP Registration (for new IQP's)	\$ 408	\$ 424
	IQP Renewal (annual) refer to note 3	\$ 113	\$ 118
Engineering Checking			
	Structural Engineering Checking	As charged by the consultant engineer - actual cost	
	Fire Engineering Checks sent to New Zealand Fire Service	As charged by the Fire Service - actual cost	
Advisory Service			
	Applies where staff provide information in response to customer queries	For queries received by Front of House staff - no cost for an individual enquiry up to 30 min (whether in person or in writing), where an individual enquiry is for a period longer than 30 min, charged at costs based on the relevant officer's hourly rate For enquiries received by staff not based at Front of House - to be charged at cost based on relevant officer's hourly rate	
Pre Lodgement Vetting			
	Applies where staff vet information prior to the lodgement of an application	Charged at the relevant officer's hourly rate	
Other Fees			
	Code Compliance Certificate - Residential	\$ 159	\$ 165
	Code Compliance Certificate - Commercial	\$ 513	\$ 534
	Standard Building Inspection	\$203 per inspection	\$211 per inspection
	Third Party Report	\$ 578	\$ 601
	Section 72 certificate condition	\$ 708	\$ 736
	Section 75 certificate condition	\$ 781	\$ 812
	Application to extend building consent/CCC timeframes	\$ 89	\$ 93
	Building Consent (BC) application, Amendment to BC, Certificate of Public Use, Exempt building work, Waiver and Modification applications	Charged at relevant officer's hourly rate + any additional relevant fees/charges	
	Licensed building practitioner registration - additional fee for all restricted building work projects	\$ 147	\$ 153

Work Type		Building Consent Fee/Deposit	
		from 1 July 2020	from 1 July 2021
	Certificate of Acceptance	\$750 non refundable lodgement fee. Processing charged at relevant officer's hourly rate plus any inspections, planning checks etc	\$750 non refundable lodgement fee. Processing charged at relevant officer's hourly rate plus any inspections, planning checks etc
	BCA Accreditation Fee (per \$1,000 of project value)	\$ 1.59	\$ 1.65
	Scanning Fee, Digital storage and File Management Fee for Building Consent Applications - refer Note 3 (for all applications other than fixed fee applications)		
	A0 - A2	\$3.75/page	\$3.75/page
	A3 & A4	\$2.25/page	\$2.25/page
Note 3 The scanning, digital storage and file management fee will not be charged against those building consent applications and/or additional information lodged for processing subject to the Online Building Consent System being operational and the application being submitted in a format that meets Council's requirements.			
Online Consenting Service Charge and System Implementation Charge (Note 4)			
The Online Consenting Charge is a charge to use the online system. The System Implementation Charge is to recover the cost Council has incurred in implementing the online system.			
All application types		from 1 July 2021	from 1 July 2022
Online consenting service charge			
	Value of work less than \$125,000	\$ 86	\$ 86
	Value of work more than \$125,000 up to \$2.5m	0.0748%	0.0748%
	Value of work more than \$2.5m	\$ 1,868	\$ 1,868
Note 4 - The fee for online consenting service will be charged against all applications processed by Council.			
Additional to the charges prescribed by the Palmerston North City Council are levies imposed by the Building Research Association of New Zealand (BRANZ) and the Ministry of Business Innovation and Employment (MBIE) on all building consents that have a building work value of \$20,000 or more. BRANZ levies contribute to the cost of testing and certifying building materials for use while MBIE levies contribute to the cost of Building Consent administration at the National level.			
Current levies (subject to change without notice) are:			
	Building (MBIE) levies (per \$1,000 of project value over threshold of \$20,444 GST inclusive)	\$ 1.75	\$ 1.75
	BRANZ levies (per \$1,000 of project value) (No GST)	\$ 1.00	\$ 1.00

Charges for Earthquake-prone building matters		
These charges are to recover the cost Council has incurred in implementing the legislative requirements under the Building (Earthquake-prone Buildings) Amendment Act 2016.		
	from 1 July 2021	from 1 July 2022
Earthquake-prone buildings		
Extension of time	\$ 89	\$ 93.00
Determine Earthquake rating	\$ 1,182	\$ 1,229.00
Exemption	\$ 362	\$ 376.00
Alterations to EPB (added to building consent fees & charges)	\$ 520	\$ 541.00
Charges for Council Staff		
The following hourly rates for Council Officers will be charged for the processing of consents which do not have a set fee.		
	from 1 July 2021	from 1 July 2022
Council Officer's Hourly Rates		
Team Leader - Building	\$ 212	\$ 220
Senior Plumbing and Drainage Officer and Advanced Building Officer	\$ 212	\$ 220
Building Officer	\$ 194	\$ 202
Senior Planning Officer	\$ 207	\$ 219
Planning Officer/Graduate Planning Officer	\$ 194	\$ 206
Monitoring and Enforcement Officer	\$ 174	\$ 181
Principal Environmental Health Officer	\$ 209	\$ 217
Environmental Health Officer and Environmental Technical Officer	\$ 187	\$ 194
Senior Business Support Officer	\$ 168	\$ 175
Division Head	\$ 226	\$ 240
General Manager	\$ 246	\$ 256
Technical and professional staff from other parts of Council	\$ 194	\$ 235
Administration/Committee Administration Staff	\$ 120	\$ 125

Environmental Health Fees and Charges

Appendix 5

1. INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2021-31, page 267) outlines that as licensed business' are major beneficiaries of the environmental/public health activity they should bear a significant portion of the cost of the activity. For the purposes of the Policy this portion is described as medium/low (ie 20-39% of the costs).

This activity consists of Environmental Health, Alcohol Licensing and Bylaws. The Policy seeks to ensure that inspections and processing of applications is generally user funded from fees and charges. Also, that the provision of information and enforcement, particularly in terms of Bylaws, be generally funded by rates.

Fees and charges were last increased from 1 July 2021. The latest review proposes that an increase of approximately 4% to fees and charges is needed to enable Council's targeted recovery from users to be obtained.

2. BACKGROUND

2.1 Statutory Requirements

The charges for Environmental Health Services are empowered by Regulation 7 of the Health (Registration of Premises) Regulations 1966.

Alcohol licensing fees are set through the Sale and Supply of Alcohol (Fees) Regulations 2013. The Council does have the authority to make bylaws in relation to the fees payable to it (as authorised by the Sale and Supply of Alcohol (Fee-setting Bylaws) Order 2013) in respect of on-licences, off-licences and club licences. The Council has chosen to continue to use those set by regulation at this stage.

Fees set under section 205 of the Food Act 2014 to cover the Council's activities relating to registration, verification and compliance and monitoring under the Act must be set using the special consultative procedure.

2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges;

- The legislative requirements as to the nature of the work required to be undertaken by the Council
- The volume of work undertaken as some costs are fixed and do not fluctuate depending on volume

For 2021/22 environmental health revenue reached 45% of operating expenses which was slightly above the target policy band. The budgets for 2021/22 and 2022/23 assume user charges of 30% and 31% respectively will be achieved.

3. PROPOSED FEES AND CHARGES

The proposed fees and charges are contained in attached schedule (**Attachment A**). Alcohol licensing fees are not included in the schedule as they are prescribed by regulation. Charges set under the Food Act 2014 (and associated Regulations) are likewise not included. Those set by the Council under the Food Act 2014 are contained in the separate schedule of Miscellaneous Services.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget targets for 2022/23 as defined in the proposed Annual Budget to be met. This is projected to generate revenue of \$625,000 which at 31% is within the Policy band.

Activity	Target Policy	Budget 2022/23	Compliance with Policy?
Public Health	20 – 39% Fees and Charges	31% Fees and Charges	Yes

Palmerston North City Council				Attachment A	
Environmental Health Services		Fees & Charges			
Environmental Health charges are imposed under Regulation 7 of the Health (Registration of Premises) Regulations 1966 to recover the cost to the Palmerston North City Council of providing Environmental Health Services.					
All fees and charges shown are GST inclusive					
Fixed Charges					
These charges cover the standard cost to Council in undertaking the work listed. However, additional charges may be set down depending on the circumstances, such as for additional inspections, change of ownership or interpretation services that may be incurred by the Council during or after the processing of the applications, or undertaking related inspections.					
	Work Type	Discounted fee if paid between 1 July 2021 - 31 July 2021	Discounted fee if paid between 1 July 2022 - 31 July 2022	Standard fee if paid after 31 July 2022	
	Annual Health Licence of Hairdressers	\$ 170	\$ 177	\$ 266	
	Annual Inspection of Camping Grounds	\$ 430	\$ 447	\$ 671	
	Annual Inspection of Mortuaries	\$ 430	\$ 447	\$ 671	
	Annual Inspection for Offensive Trades	\$ 430	\$ 447	\$ 671	
	Fee per activity	Takes effect from 1 July 2021		Takes effect from 1 July 2022	
	Mobile Trader - Food Permit	\$ 202		\$ 210	
	Mobile Trader - Non-Food Permit	\$ 109		\$ 113	
	Event/festival food inspections	At cost of Officer's time per hour		At cost of Officer's time per hour	
	Amusement Device Inspection Fee	\$11.50 (plus Officer Time for inspection)		\$11.50 (plus Officer Time for inspection)	
	Change of Ownership for a Health Licence	\$ 215		\$ 224	
	Change of ownership for Hairdresser	\$ 108		\$ 112	
	Note:				
	Event/festival organisers are responsible for the cost of inspections.				

Other Fees			
These fees may be applicable to an application, inspection etc or may be applied as a single charge.			

Animal Control Fees and Charges

Appendix 6

1. INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2021-31, page 267-8) outlines that the animal control activity is principally related to the actions or inactions of dog owners. These owners, and the public at large (through reduced nuisance), benefit from this. A significant portion of the costs should therefore be borne by dog owners. For the purposes of the Policy this portion is described as high (ie 80-100% of the costs).

The Policy reflects the belief that services related to dog registration, enforcement work, housing and feeding animals be funded by user charges. Also, that patrolling and provision of information be covered by rates.

Registration fees and charges were last increased from 1 July 2021.

A number of changes were made to the fee structure for 2020/21 incorporating a greater focus on the preferred owner arrangements.

2. BACKGROUND

2.1 Statutory Requirements

Animal Control Services includes impounding fees and driving charges that are set under the Impounding Act 1955.

Animal Control Services also includes dog registration and dog control fees that are empowered by Section 37 (1) of the Dog Control Act 1996. It also includes fees for impounding dogs which are empowered under Section 68 of the Dog Control Act 1996. No consultative procedure is required to be followed to adopt the fees but they are required to be publicly notified during June.

3. PROPOSED FEES AND CHARGES

The proposed fees and charges are contained in attached schedule (**Attachment A**).

As there was a significant restructure of the fees in 2019/20 no further structural change is proposed for 2022/23. However to cover increasing costs it is proposed to increase registration fees by approximately 4%.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed fees and charges will help the budget targets for 2022/23 as defined in the proposed Annual Budget to be met.

Over recent years the actual portion of the costs of the activity funded from fees and charges has varied from 92% in 2018/19 to 77% in 2019/20 and 89% in 2020/21. The budget for 2021/22 is 90% whilst the draft budget for 2022/23 is 92%. Future costs will rise significantly with the proposed development of the new animal shelter.

Activity	Target Policy	Budget 2022/23	Compliance with Policy?
Animal Control	80 – 100% Fees and Charges	92% Fees and Charges	Yes

Palmerston North City Council		Attachment A	
Animal Control Services		Fees & Charges 2022/23	
Dog Registration and Dog Impounding Fees are imposed under the Dog Control Act 1996. Impounding fees and driving charges are imposed under the Impounding Act 1955. The fees and charges are necessary to recover the cost to Palmerston North City Council of providing animal control services.			
All fees and charges shown are GST inclusive			
The fees are effective from 1 July 2022.			
Fixed Fees			
These charges cover the standard cost to Council in undertaking the work listed. However, additional charges may be charged depending on the circumstances such as additional inspection fees that may be incurred in undertaking the work noted below.			
Work Type	Current Standard Fee from 1 July 2021	Proposed Standard Fee from 1 July 2022	Total Fee (incl. penalty) if paid after 1 August 2022
(a) Dog Registration (set under the Dog Control Act 1996)			
General Registration	\$ 148	\$ 154	\$ 231
General Registration (Desexed dog)	\$ 110	\$ 114	\$ 172
Preferred Owner	\$ 88	\$ 92	\$ 137
Rural Working	\$ 51	\$ 53	\$ 80
Disability Assist	\$ nil	\$ nil	\$ nil
Certified for use by Specified Agency	\$ nil	\$ nil	\$ nil
Preferred Owner Application - new	\$ 60	\$ 60	
Work Type	Standard Fee from 1 July 2021	Standard Fee from 1 July 2022	
(b) General Impounding Fees (set under the Impounding Act 1955)			
All animals other than dogs (per head)	\$124 (first offence) \$187 (repeated offence) \$15 per day (sustenance & care)	\$124 (first offence) \$187 (repeated offence) \$15 per day (sustenance & care)	
(c) Dog Pound Fees (set under s.68 of the Dog Control Act 1996)			
Where a dog is registered, microchipped, has had no history within the last 12 months and can be returned immediately, this will be done at no cost. Where the dog needs to be held in the pound pending same day collection, a holding fee of \$50.00 will apply.			
First impound	\$ 124	\$ 129	
Second impound - within 12 months of first impound	\$ 187	\$ 194	
Third or subsequent impound - within 12 months of previous impound	\$ 250	\$ 260	
Daily Charge per dog per day or part of a day	\$ 19	\$ 20	
Surrender of a dog	\$ 83	\$ 86	
Adoption fee - covers microchipping, vaccination, neutering, flea and worm treatment. Additionally, a pro-rata registration will apply.	\$ 360	\$ 374	

Other Fees		
These fees may be added to a fixed fee type of work listed earlier or may be applied as a single charge.		
Work Type	Standard Fee from 1 July 2021	Standard Fee from 1 July 2022
(a) Impounding Fees (set under the Impounding Act 1955)		
Supplementary feed for stock	150% of sustenance charge	
(b) Dog Pound Fees (set under the Dog Control Act 1996)		
Emergency release of animals outside normal hours ie 8am - 5pm Monday to Friday excluding statutory and public holidays	\$61 for first impound, \$92 for subsequent impounds (within 12	\$61 for first impound, \$92 for subsequent impounds (within 12 months)
(c) Pound Fees for all other animals (set under the Impounding Act 1955)		
Emergency release of animals outside normal hours ie 8am - 5pm Monday to Friday excluding statutory and public holidays	\$61 for first impound, \$92 for subsequent impounds (within 12	\$61 for first impound, \$92 for subsequent impounds (within 12 months)
(d) Driving Charges (set under the Impounding Act 1955)		
Hire transport	Actual cost incurred by Council	
Council vehicles	\$2.26 per kilometer	
(e) Microchipping (set under the Dog Control Act 1996)		
To undertake microchipping	\$20 per dog	\$20 per dog
Charges for Council Staff		
Council Officer's Hourly Rates (per hour)	Rate per hour from 1 July 2021	Rate per hour from 1 July 2022
Team Leader Animal Management & Education	\$ 187	\$ 194
Animal Control Officer	\$ 132	\$ 137
Administration Staff	\$ 120	\$ 125
Environmental Protection Services Manager	\$ 226	\$ 240
General Manager	\$ 246	\$ 256
Notes:		
1 The hourly rates for the services which are listed in the above tables are for those staff listed in the table headed "Charges for Council Staff"		
2 Where it states above the fee per hour, please note this should be read in full as "fee per hour or part thereof"		
3 'Disability Assist' and 'Specified Agency' are as defined in section 2 of the Dog Control Act 1996		
4 The Environmental Protection Services Manager is authorised to remit, reduce or refund the dog control fee or part of the fee in any particular case or class of dog where there are special grounds for doing so		
5 The registration fee for a dog that is declared a dangerous dog will be 150% of the level that would apply if it were not so classified (as required by section 32 (1)(e) of the Dog Control Act 1996)		

Burial & Cremation Charges

Appendix 7

1. INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2021-31, page 262) outlines that as the main beneficiaries of the cemetery and crematorium activity are those who use the service, a significant portion of the cost should be borne by the users. For the purposes of the Policy this portion is described as medium/high (ie 60-79% of the costs). The remaining costs are funded from rates recognising there is a wider community benefit to providing cemetery and crematorium services.

Fees and charges were increased from 1 July 2021 by an average of 2.5%, following a similar increase the year before. No change is proposed for 2022/23.

2. BACKGROUND

2.1 Statutory Requirements

The Council adopted a revised Cemeteries and Crematorium Bylaw in 2018 under its statutory powers contained in the Burial and Cremation Act 1964. The Bylaw prescribes the Council may, by resolution publicly notified, set fees and charges for all services relating to the operation and maintenance of cemeteries and crematoria.

2.2 Factors Impacting on Setting Fees and Charges

The Council's Community Services and Facilities Plan (developed under the Connected Community Strategy) outlines the Council provides cemeteries that 'meet community needs' now and in the future. Primary community needs are met through providing a final resting place for former residents of the city and surrounding area. Cemeteries are not just a place for burials, they hold significant social connections, historical character, along with amenity features and memorials for living residents. The other focus of meeting community need is the burial and cremation services provided to families of the deceased.

The community has high expectations relating to the standards of presentation of cemeteries. As the cemetery expands, and the Council better meets community needs through enabling family decoration of graves in the lawn cemetery, the cost of management and maintenance of cemeteries increases.

The following factors impact on the fees and charges;

- Costs of managing and maintaining cemeteries and the crematorium
- The number of burials and cremations
- The level of charges set by other providers – i.e. private crematoria.

Cost of Service Provision: Table 1 summarises the budgets for cemeteries for 2020 through to 2023. Actual cemetery and crematorium revenue for 2020/21 represented 64% of the operating costs. The budgets for 2021/22 and 2022/23 assume recoveries of 54% and 57% respectively will be achieved i.e. marginally below the Policy target.

	Budget 2020/21	Actual 2020/21	Budget 2021/22	Budget 2022/23
Expenses (\$k)	1,160	1,232	1,350	1,327
Revenue (\$k)	706	789	735	755
Revenue as % of Expenses	61%	64%	54%	57%

Table 1: Cemeteries Budget Summary

During the 2021/22 fees and charges review, the Council was advised that operating expenses for the cemeteries activity had increased, due in part to the increase decorated graves, which necessitate more hand mowing and the cost of administering the annual grave decoration permit system. Council increased the 2021/22 operating budget by 16% between 2020/21 and 2021/22 to address these cost pressures.

The provisional 2022/23 budget assumes a small decrease in expenditure of 2% (largely due to overhead reallocations) and an increase in revenue of 2.7%.

Demand for services: Volumes of burials have remained reasonably static over recent years. By comparison cremations in 2021/22 were higher than usual. The increase may be due to COVID Level 4 restrictions preventing families gathering for funerals and burials. Some families chose cremation over burial, and to postpone the funeral service, particularly when borders were closed. Figure 1 summaries the burial and cremation trends.

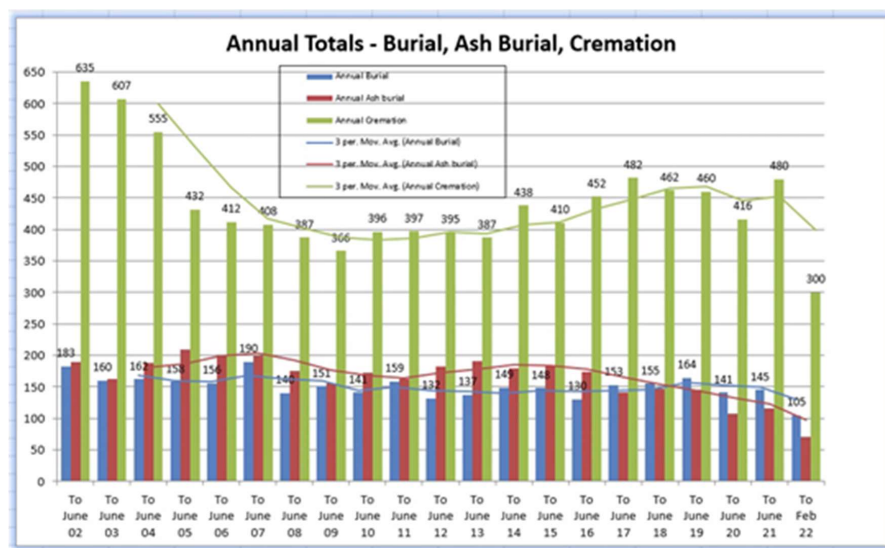


Figure 1 – Palmerston North City Council Burial and Cremation Trends

* note the data for "June 2022" is for the first 8 months of this financial year

It is forecast that cremations will return to pre – 2020/21 levels, and that burials will remain relatively static, providing fees and charges do not increase to an extent as to alter demand for services.

Level of Charges: Palmerston North City Council charges for burials, including plot purchase, are on par with Horowhenua District Council and higher than Whanganui and Manawatu District Councils. The Council fees for cremation are slightly lower than Whanganui District Council and private crematoria in the district.

3. PROPOSED FEES AND CHARGES

It is recommended that council does not increase fees and charges for cemetery services in 2022/23.

Retaining fees and charges at their current level, seeks not only to achieve the budgeted revenue but also recognises that as the costs of delivering the services are forecast to fall slightly in 2022/23, the share of costs of the activity borne by ratepayers is not forecast to increase.

As part of the fees and charges review in 2021, Council approved increasing the plot cancellation fee from \$57 to \$100, to reflect the actual cost of administering the cancellation of a plot certificate.

The fee was inadvertently published as \$58 in the 2021/22 schedule. It is proposed to correct this error when the 2022/23 schedule of cemetery fees and charges is published.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget targets in the proposed 2022/23 Annual Budget, to be met based on historical trends in burials and cremations. The budget assumes revenue of \$755,000 will be generated. This is \$20,000 more than budgeted in 2021/22, and \$34,000 less than the actual revenue received in 2020/21.

The budgeted revenue, at 57% of costs, is slightly below the Council's targeted % recovery from users, but higher than the budgeted recovery of 54% for 2021/22.

Palmerston North City Council

Burial and Cremation Charges**Fees & Charges****(Terrace End, Kelvin Grove, Ashhurst & Bunnythorpe Cemeteries)**

All fees and charges shown are GST inclusive

BURIAL FEES *See Note 1		From 1 July 2021	From 1 July 2022
Purchase of Plot			
	Kelvin Grove, Ashhurst & Bunnythorpe Cemeteries (Double beam plots)	\$ 2,087	\$ 2,087
	Kelvin Grove Cemetery (Single beam areas) Section V	\$ 3,083	\$ 3,083
	Children's Section at Kelvin Grove (up to 13 years old)	\$ 1,043	\$ 1,043
	Services Section (RSA) - Kelvin Grove & Ashhurst	\$ 522	\$ 522
NOTE: Each plot is able to be used for two burials providing that, at the first interment, an extra depth requirement is advised to the Cemetery Administration Officer			
Interment Fees (Standard hours Mon-Fri 9.00am - 4.00pm)			
	Adult (14 years or over, including Services Personnel)	\$ 1,013	\$ 1,013
	Child up to 13 years	\$ 400	\$ 400
	Child up to 12 months	\$ 238	\$ 238
	Extra depth surcharge	\$ 222	\$ 222
	"Fill-your-own" surcharge (Clean-up)	\$ 256	\$ 256
	Overtime surcharge per hour or part thereof - applied if funeral activities at the cemetery have not concluded by 4pm Monday - Friday	\$206/hour	\$206/hour
	Disinterment	\$ 2,094	\$ 2,094
Interment Fees (Saturdays) - Applies to Interment, Extra depth and "Fill-your-own" fees			
	Saturday morning	Standard fee x 1.5	Standard fee x 1.5
	Saturday afternoon (By arrangement with cemetery staff) *See Note 3	Standard fee x 2	Standard fee x 2
CREMATION AND ASH BURIAL FEES *See Note 1		From 1 July 2021	From 1 July 2022
(Standard hours: Monday-Friday 9am - 4pm)			
	Adult Cremation only	\$ 638	\$ 638
	Child (1-13 years) - cremation only	\$ 288	\$ 288
	Child (up to 12 months) - cremation only	\$ 80	\$ 80
	Medical Referee's Fee	\$ 60	\$ 60
USE OF CHAPEL - (Standard Hours: Monday-Friday 9am - 4pm)			
	Committal service (total 1 hour)	\$ 126	\$ 126
	Full service (total 2 hours)	\$ 171	\$ 171
CREMATION FEES (Saturdays)			
	Saturday morning cremation	Cremation & chapel fees x 1.5	Cremation & chapel fees x 1.5

	Saturday afternoon cremation (by arrangement with cemetery staff) *See note 3	Cremation & chapel fees x 2	Cremation & chapel fees x 2
CREMATION AND ASH BURIAL FEES (Continued)			
PURCHASE OF ASHES PLOT FOR ASH INTERMENT			
	Lawn Cemetery - (Plaque) Section P/1A, (Headstone) Section T, P/2A,V/A, (Memorial Gardens) - Section T, Bunnythorpe and Ashhurst Bunnythorpe & Ashhurst	\$ 669	\$ 669
	Remembrance Garden Kerb - Section GK 1, 2 & 3	\$ 669	\$ 669
	Niche Walls - Kelvin Grove and Ashhurst	\$ 750	\$ 750
	Services Section (RSA) - Kelvin Grove and Ashhurst	\$ 167	\$ 167
	Child - Section T/4A & Section O ash beams	\$ 625	\$ 625
PURCHASE OF MEMORIAL PLAQUE PLOT			
	Remembrance Garden Kerb - Section GK 4 - Plaques only	\$ 561	\$ 561
OTHER CREMATION FEES			
	Burial of Ashes - Weekdays *See Note 2	\$ 197	\$ 197
	Burial of ashes with no family present and no service	\$ 136	\$ 136
	Burial of Ashes - on Saturday morning *See Note 2	\$ 296	\$ 296
	Burial of Ashes - on Saturday afternoon *See Note 3	\$ 394	\$ 394
	Disinterment of Ashes	\$ 78	\$ 78
	Overtime surcharge (per hour or part thereof) will be applied if funeral activities at the crematorium have not concluded by 4pm Monday - Friday	\$100/hour	\$100/hour
OTHER CHARGES *See Note 1		From 1 July 2021	From 1 July 2022
	Memorial permit fee (for all headstones and plaques)	\$ 45	\$ 45
	Plot cancellation fee	\$ 100	\$ 100
	Entry in Book of Remembrance	\$ 97	\$ 97
	Out of District Surcharge *See note 1	Plus 30% on all services except Chapel and Cremation. Plus 10% on Chapel and Cremation charges.	

NOTES

Note 1: "Out of District" surcharge applies to persons normally resident outside of the Palmerston North City boundary. (These people do not pay rates to Palmerston North City Council). Exemptions apply to persons who can provide evidence of residence in the City for at least 20 years or who have operated a rate-paying business in the City for at least 20 years.

Note 2: For regular ash interment the site is prepared for a ceremony. The hole is cut and tidied, soil left alongside with a shovel, and a container of sand provided. Requests for Ash interment by cemetery staff with no friends or family present will incur the reduced fee.

Note 3: Burials or cremations may be provided by arrangement, subject to availability of staff, after 12.00 noon Saturday.

Service Connecton Fees

Appendix 8

1. INTRODUCTION

Service connection fees are levied on those wishing to connect to one or more of the Council's water, wastewater, or stormwater systems. The actual physical connection is made at the applicant's cost, by an approved contractor. The charges levied by the Council cover the administration of processing the application, and the researching of plans, the inspection of the finished work to ensure it meets Council's standards and the production of as built plans of the connection(s). The data gathered in the as built process is then input to Council's asset management system.

2. BACKGROUND

2.1 Statutory Requirements

The setting of fees and charges for service connections is empowered by Section 12 of the Local Government Act 2002 i.e. the general power of competence to carry on any activity or business with associated rights, powers and privileges. As such, they can be set by Council resolution and do not require any special consultative procedures.

2.2 Factors Impacting on Setting Fees and Charges

The Council's Revenue and Financing Policy (10 Year Plan 2021-31, pages 245-283) outlines Council's views about the extent to which users should bear the cost of providing particular services. The policy outlines that "an activity should be funded on a user pays basis if an individual or group of individuals directly receives benefits of the activity exclusively, and the costs of the activity can easily be attributed to that individual or groups of individuals."

As service connections is a relatively small activity the policy does not specifically address what proportion of the costs should be covered by user fees.

Service connection fees were considered in detail in 2017 and as a consequence restructured and increased. The charges have increased by an inflationary factor each year since then. The resulting fee structure included a discount for applications for multiple connections at any single property. The discount was introduced on the assumption there was a cost saving to processing and administration, but this was reassessed in 2021 and the fee structure simplified.

The current fees and charges are as follows:

Service required	Current Fees (\$) GST Inclusive from 1 July 2021		
	Application Fee	Inspection Fee	Total Fee
One connection (water, wastewater or stormwater)	100.00	160.00	260.00

3. PROPOSED FEES AND CHARGES

The proposed fees and charges, incorporating an allowance for an increase of approx.5% are as follows:

Service required	Proposed Fees (\$) GST Inclusive from 1 July 2022		
	Application Fee	Inspection Fee	Total Fee
One connection (water, wastewater or stormwater)	105.00	168.00	273.00

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis although a review of these particular fees and charges has been overlooked.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal; or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

It is the expectation that services such as connections to the infrastructure should be funded by users so it is important to adjust charges to reflect changing costs. The proposed charges reflect this.

Resource Recovery (Waste Management) Fees & Charges

1. INTRODUCTION

Council's resource recovery/waste management activity comprises a number of elements including rubbish collection and disposal and recycling. There are a number of sub-activities with different funding arrangements and each of these has been reviewed for the 2022/23 year.

2. BACKGROUND

2.1 Statutory Requirements

The setting of fees and charges for waste management is empowered by Section 12 of the Local Government Act 2002 i.e. the general power of competence to carry on any activity or business with associated rights, powers and privileges. As such, they can be set by Council resolution and do not require any special consultative procedures.

Rates for kerbside recycling and rubbish and public recycling are set through the processes contained in the Local Government Rating Act 2002.

2.2 Factors Impacting on Setting Fees and Charges

The Council's Revenue and Financing Policy (10 Year Plan 2021-31, pages 245-283) outlines Council's views about the extent to which users should bear the cost of providing particular services. The policy outlines that "an activity should be funded on a user pays basis if an individual or group of individuals directly receives benefits of the activity exclusively, and the costs of the activity can easily be attributed to that individual or groups of individuals."

The policy outlines that kerbside rubbish collection should be funded by users of the service, that costs of rubbish collection from public spaces should be funded by way of a targeted rate assessed on all properties, that recycling costs should be funded from the sale of recyclables and the balance funded by users of the services (where practicable) and the net cost of the kerbside recycling service be funded by way of a targeted rate on properties on the recycling route.

In addition to the policy fees and charges for waste management activities are impacted by:

- Volumes of rubbish & recycling material
- Costs of waste disposal (including any government waste levies)
- Prices for the products sold from the recycling process
- Plant maintenance and operating costs

3. PROPOSED FEES AND CHARGES

3.1 Kerbside rubbish bags

The Council sets the maximum retail price for the sale of rubbish bags and sells directly to the public from its own office and through wholesale contracts with major retailers. The current maximum price was set from 1 July 2021.

Although there are many variables in determining likely levels of bag sales it is proposed that there be no change to the maximum sale price for 2022/23 meaning they will remain as follows:

Council official bag size	Current maximum retail price (GST incl.)
Large (60L) Small (40L)	\$2.75/bag \$1.95/bag

3.2 Recycling car & truck tyres

In July 2021 a charge was introduced for a tyre recycling service at the Awapuni Resource Recovery Park. With the experience gained providing this service a restructuring of the charges is proposed as the present charges do not cover the cost to Council. It is understood these proposed charges are significantly lower than any market alternatives.

Tyre size	Current charge (GST incl.)	Proposed charge (GST incl.)
Car tyre	\$5.00	\$7.00
Car tyre, dirty	\$6.00	\$8.00
4WD tyre	\$6.00	\$7.00
4WD tyre, dirty	\$7.00	\$8.00
Heavy truck tyre	\$18.00	\$10.00
Heavy truck tyre, dirty	\$20.00	\$12.00

3.3 Other services

No changes are proposed to charges for greenwaste disposal at the Awapuni landfill, E-waste disposal charges, charges for the Ashhurst transfer station or waste charges for events.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis although a review of these particular fees and charges has been overlooked.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal; or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed changes to prices for the recycling of tyres should mean the provision of this particular aspect of the resource recovery activity is cost neutral.

Sportsfield Fees and Charges

Appendix 10

1 INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2021-31 pages 260-1) outlines that users of sportsfields are expected to contribute through charges a low (i.e. 1-19%) proportion of the costs.

The policy also acknowledges that either it is not practical to identify and charge users (e.g. for city-wide or local reserves) or that in some instances charges would be prohibitively high if they were set at the level which would be necessary to cover the entire cost.

In April 2019 Council reviewed the funding policy for sportsfields, concluding it would continue with its funding model of charging sportsfield users a percentage of the costs of sportsfield provision, targeting a level of approximately 5% cost recovery. Council also resolved to continue its policy of not charging for sportsfields used exclusively by junior players.

Sportsfield charges were last increased in 2020. Commercial charges and bonds were last increased in 2021.

2 BACKGROUND

2.1 Statutory Requirements

Under its statutory powers contained in the Local Government Act 2002 (LGA) the Council has power to set fees and charges for the use of reserves including sportsfields.

2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges:

- Cost of building, maintaining and administering sportsfields and playing surfaces, and associated facilities
- The practicability of charging for some types of use
- Council's policy on the extent to which users should contribute toward the cost
- The utilisation of the sportsfield network
- The standard of playing surface provided (level of service)
- The number of fields required by various sports codes – this varies depending on changing ground allocation practices and the number of teams playing/training each year.

3. PROPOSED FEES AND CHARGES

Fees and charges would need to be increased significantly before revenue from sportsfields increased to any significant extent compared with operating costs.

Prior to 2020/21 sportsfield revenue represented between 5% and 6% of operating costs.

The initial draft budget for 2020/21 assumed a 4% recovery. During the adoption of the budget, council reduced sports user charges by 50% as part of its COVID recovery plan. This budget dropped the recovery percentage to 1.7%.

Table 1 summarises the budget forecasts for sportsfields for 2020 through to 2023.

	Budget 2020/21	Actual 2020/21	Budget 2021/22	Proposed Budget 2022/23
Expenses (\$k)	3,309	3,393	3,174	3,309
Revenue (\$k)	57	80	120	123
Revenue as % of Expenses	1.7	2.4	3.8	3.7

Table 1: Sportsfield Budget Summary

The revenue received in 2020/21 was slightly higher than forecast, leading to a recovery of 2.4%. The budget assumption for 2021/22 budget was revenue levels would return to pre-COVID levels. Revenue in 2021/22 is now forecast to be slightly less than budgeted due to the cancellation of sports tournaments as result of the Government restrictions on gatherings.

The forecast revenue for 2022/23 is 2.7% higher than the budgeted revenue for 2021/22. The budgeted costs for 2022/23 is an increase of 4.3% compared to 2021/22. As the increase in costs is slightly higher than forecast the percentage increase in revenue, the recovery is forecast to fall from 3.8 to 3.7%.

The cost of the inputs needed to maintain sportsfields have risen considerably over the past six months, including specialist weed sprays and fertilisers, which have increased in price by more than 50%. Whilst council staff endeavour to reduce the use of chemicals, such products are a necessary part of maintaining turf surfaces to a high standard. These large price increases combined with increasing fuel prices and wage rates means that if user fees and charges are not increased in 2022/23, council will continue to move further away from its recovery policy of approximately 5%.

An increase in sports field user charges of 35% would be required to enable Council to recover 5% of the overall cost of providing sports fields, if the current policy of not changing fees for junior players is maintained. An increase in fees of 8% would be required if Council were to recover 4% of its costs.

Priority 5 of Council Goal 2 is to be one of the most active communities in New Zealand. Success measures include an increase in use of parks, sportsfields and playgrounds and an increase in participation rates for all adults in sport and recreation. Whilst Council fees and charges are only a small portion of the overall cost for an adult participating in organised sport, a large increase in council fees could potentially impact adversely on the attraction and retention of adult players.

The nature of sport and recreation is changing. New sports emerge and as participation grows, there is an expectation that council will allocate grounds to these new sports on an ongoing basis. Where possible, Council makes provision for these emerging sports through the reallocation of existing fields and courts. The fee schedule needs to be continually reviewed to ensure that the fees for these new sports are transparent.

The Memorial Park Sports Trust has a MOU with Council to enable clubs to book and use the Memorial Park skating rink. At present there is no fee in the schedule for this use. The annual fee for the rink, based on estimated costs to maintain the rink in accordance with the provisions of the MOU, and considering Council's Revenue and financing policy is \$600 per annum.

Recommended changes shown in the **attached schedule** comprise the following elements:

- An increase of 4% on the current fees and charges
- Continuing to impose zero fees for fields used exclusively for junior sport (school age teams)
- Inclusion of an annual fee for the use of the Memorial Park skating rink
- No change to bonds or mobile vendor site fees

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable an increase in budgeted revenue of \$5K (provided that one-off use of parks for tournaments returns to pre-COVID levels), and a lift in the budgeted percentage recovery in the draft 2022/23 Annual Budget from 3.7 to 3.9%.

Palmerston North City Council

Sportsfield Fees and Charges

All fees and charges shown are GST inclusive

Season Charges		Current For summer 2021/22 and Winter 2022	Proposed For summer 2022/23 and Winter 2023
Winter			
Rugby Union	per field (8280 sq m)	\$1,224	\$1,273
League	per field (8280 sq m)	\$1,084	\$1,127
Football	per field (7300 sq m)	\$1,145	\$1,191
Netball (Vautier Park)	per court (665 sq m)	\$543	\$565
Lacrosse	per field (5500)	\$825	\$858
Skating (Memorial Park)	per rink New	n/a	\$300
Winter Training Grounds			
Football	1 @ Skoglund - 3,000 m.sq	\$501	\$521
	1 @ Waterloo - 11,000 m.sq	\$1,842	\$1,916
	1 @ Takaro - 8,400 m.sq	\$1,406	\$1,462
	1 @ Hokowhitu - 2,500 m.sq	\$419	\$436
	2 @ Monrad - 5,580 m.sq	\$937	\$975
	2 @ Bill Brown - 6,000 m.sq	\$1,107	\$1,151
	1 @ Ashhurst Domain - 8,400 m.sq	\$1,406	\$1,462
	2 @ Ongley - 7,000 m.sq	\$1,193	\$1,241
	1 @ Bill Brown - 7,000 m.sq	\$1,193	\$1,241
	1 @ Lincoln - 6,050 m.sq	\$1,012	\$1,052
Rugby	1 @ Colquhoun - 6,050 m.sq	\$1,012	\$1,052
	1 @ Bunnythorpe - 4000 m.sq	\$668	\$694
	1 @ Coronation - 7,700 m.sq	\$1,147	\$1,193
Summer			
Cricket	Per field (14320 sq m)	\$2,648	\$2,754
	per grass wicket	\$251	\$261
	per artificial wicket	\$190	\$198
Softball	per grass diamond (playing/ training) (6013 sq m)	\$813	\$846
	per skin diamond (6013 sq m)	\$737	\$766
Touch	per field (3500 sq m)	\$345	\$359
	per Coronation Pavilion	\$1,997	\$2,077
Athletics	per grass track	\$1,075	\$1,118
Tennis (669sq m)	per court @ Vautier	\$454	\$472
	per court @ Colquhoun	\$155	\$161
	per court @ Awapuni per season	\$381	\$396
	per court @ Takaro	\$288	\$300
	per court @ Wallace	\$288	\$300
Summer Football	per field	\$573	\$596
Rugby 7's	per field	\$612	\$636
Skating (Memorial Park)	Per rink New	n/a	\$300
Charge Grounds			
Fitzherbert Park	Summer	\$4,254	\$4,424
	Winter	\$4,132	\$4,297
Memorial Park	Summer	\$4,274	\$4,445
	Winter	\$4,274	\$4,445
Winter Season = 2nd week April to 3rd week September. (22 weeks)			

Summer Season = 2nd week October to 3rd week March. (22 weeks)

One off charges (Inc GST)				Current For summer 2021/22 and Winter 2022	Proposed For summer 2022/23 and Winter 2023
Sportsfields	Playing Field	Pre-Season	per game	\$88	\$92
	Playing Field	Casual	per game	\$113	\$118
	Touch field	Casual/Preseason	per game	\$40	\$42
	Ongley Park	Tournament	per day (excl change rooms)	\$677	\$705
			per day (excl change rooms)	\$677	\$705
	Ashhurst Domain	Tournament	1/2 day	\$200	\$208
	Fitzherbert Park	Casual	per day	\$383	\$398
	Memorial Park	Casual	1/2 day	\$200	\$208
	Memorial Park	Casual	per day	\$383	\$398
	Cricket	Grass Wicket	per day	\$312	\$324
	Cricket	Artificial Wicket	per day	\$138	\$144
Manawaroa Pavilion	Pavilion Hire	Regular	1/2 day per week per season	\$524	\$545
	Pavilion Hire	Regular	1/2 day per week per year	\$1,048	\$1,090
	Pavilion Hire	Regular	1 day per week per season	\$894	\$930
	Pavilion Hire	Regular	1 day per week per year	\$1,786	\$1,857
	Pavilion Hire	Casual	per day	\$88	\$92
	Pavilion Hire	Casual	per hour	\$27	\$28
The Square	Serviced Rest rooms open after hours		per hour	\$55	\$57
Railway Land	Commercial	Occupancy	Small event per day	\$160	\$166
	Commercial		Large event per day	\$320	\$333
Bonds	Large commercial event	Major Event	e.g. Food & Wine Festival	\$2,000	\$2,000
	Large tournament	Large Event	e.g. NZ Touch Nationals	\$1,000	\$1,000
	All other events	Medium Event	e.g. Marching	\$250	\$250
	Key Bond	Building key		\$50	\$50
	Key Bond	Gate Key		\$25	\$25
Commercial usage					
Mobile vendor eg coffee cart, food truck (Note 1)	Up to 2 days per season (note 2)		Per site - licence to occupy	\$500	\$500
Mobile vendor	Up to 2 additional days per season (note 2)		Per site - licence to occupy	\$500	\$500
	Power		per site per season	\$140	\$140
Tennis Coaching	Per season		Per court	\$488	\$507
	Per day		Per court	\$28	\$29

Note 1: All applications are assessed against the Council policy for the use of public spaces - applies to all Council sites, not just parks. Vendor applications for trading on sportsfields requires support from the sports code allocated the grounds.

Note 2: Playing season 6 months

Backflow Preventer Charges

Appendix 11

1 INTRODUCTION

Testable backflow preventers (BFPs) are required on all non-residential water connections. These prevent any contaminated water from within a property affecting the water supply and other consumers. There are in excess of 450 properties classified as requiring BFPs.

In an effort to reduce public health risks the Council, as from 1 July 2021, assumed full responsibility for repairs and renewals of all BFPs as well as for annual testing to confirm compliance. An annual charge was introduced for this work. The fixed annual fee avoids the need for large one-off fees to be recovered from property owners when major upgrade work is required for a specific BFP. It also ensures that issues are solved quickly to protect public health. The fee is only be payable on the property water connection at the boundary and not any internal connections which are dealt with under the Building Warrant of Fitness.

Costs associated with BFPs consist of:

- Regular testing
- Repairs
- Replacements
- Administration

While repairs and replacements are more expensive for larger BFPs, the uniform charge that applies to all premises spread costs, provides clarity to customers, and reduces administration cost and time for Council.

There are 455 BFPs on the Council's reticulation. These are tested annually, with the exception of 25 which are tested six-monthly. This equates to 480 total tests per year.

2. BACKGROUND

2.1 Statutory Requirements

The setting of fees and charges for wastewater is empowered by Section 12 of the Local Government Act 2002 i.e. the general power of competence to carry on any activity or business with associated rights, powers and privileges. As such, they can be set by Council resolution and do not require any special consultative procedures.

Rates for water services are set through the processes contained in the Local Government Rating Act 2002.

2.2 Factors Impacting on Setting Fees and Charges

The Council's Revenue and Financing Policy (10 Year Plan 2021-31, pages 245-283) outlines Council's views about the extent to which users should bear the cost of providing particular services. The policy outlines that "an activity should be funded on a user pays basis if an individual or group of individuals directly receives benefits of the activity exclusively, and the costs of the activity can easily be attributed to that individual or groups of individuals."

The policy makes no specific mention of backflow preventers.

3. PROPOSED FEES AND CHARGES

It is proposed that the fees be increased by approx. 5% to cover increases in costs, as shown in the following table.

Proposed Fees and Charges for BFP testing and maintenance

Item	Current Charges (GST incl.)	Proposed Charges (GST incl.)	Unit
Annual BFP charge	\$240	\$252	Per BFP per year
Administration fee	\$25	\$26	Per BFP per year
Total charge	\$265	\$278	Per BFP per year

Note that properties with multiple BFPs pay separately for each. For example, a property with two BFPs would pay $\$278 \times 2 = \556 per year.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis although a review of these particular fees and charges has been overlooked.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal; or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed Annual Plan 2022/23 includes provision of revenue of \$48k pa from these charges, thereby reducing the sum required to be collected from rates.

Corridor Access Request Fee

Appendix 12

1 INTRODUCTION

A Corridor Access Request (CAR) is an application to the Council for access to the road corridor in order to carry out works. It is required to ensure all work sites on roads are as safe as possible for workers, motorists, pedestrians, and cyclists. As from 1 July 2021 a fee for CARs was introduced. Prior to that the costs associated with administering and issuing CAR were funded by rates.

This user pays model is working satisfactorily and it is proposed to increase the charges to cover increasing costs.

2. BACKGROUND

2.1 Statutory Requirements

The setting of fees and charges for an activity such as corridor access is empowered by Section 12 of the Local Government Act 2002 i.e. the general power of competence to carry on any activity or business with associated rights, powers and privileges. As such, they can be set by Council resolution and do not require any special consultative procedures.

2.2 Factors Impacting on Setting Fees and Charges

The Council's Revenue and Financing Policy (10 Year Plan 2021-31, pages 245-283) outlines Council's views about the extent to which users should bear the cost of providing particular services. The policy outlines that "an activity should be funded on a user pays basis if an individual or group of individuals directly receives benefits of the activity exclusively, and the costs of the activity can easily be attributed to that individual or groups of individuals."

The policy makes no specific mention of corridor access fees.

3. PROPOSED FEES AND CHARGES

Reflecting the cost of issuing CARs there are two types of CAR charges:

- Standard CAR Charges
- Generic CAR Charges

3.1 Standard CAR Charges

The standard CAR is a one-off corridor access request. The following table contains the current charging schedule showing proposed increases to cover rising costs:

Item	Charges from 1 Jul 21 (GST incl.)	Charges from 1 Jul 22 (GST incl.)	Comment
Administration Fee	\$110	\$115	Per application
Reinstatement Inspection Fee – first 20m of trench opening	\$76	\$80	Provides for two reinstatement inspections to be made per CAR.
Standard CAR Charge	\$186	\$195	Assuming no more than two reinstatement inspections required
Additional Reinstatement Inspection fee – payable for every additional 100m of road opening >20m	\$39	\$41	An additional reinstatement fee would be payable for one additional inspection for each additional 100m of trench beyond the 20m standard fee.
Rebate for Overlap CAR and Vehicle Crossing Inspection	-\$76	-\$80	When CAR and Vehicle Crossing Inspections overlaps, a rebate payment of \$80 would apply

3.2 Generic CAR Charges

The generic CAR is a long-term permit that allow utility service contractors to work on road corridors without having to apply for a different CARs for each job. The following table contains the current charging schedule showing proposed increases to cover rising costs:

Item	Charges from 1 Jul 21 (GST incl.)	Charges from 1 Jul 22 (GST incl.)	Comment
Administration Fee	\$220	\$230	Per application
Reinstatement Inspection Fee	\$76	\$80	Provides for two reinstatement inspections
Generic CAR Charge	\$296	\$310	Assuming no more than two reinstatement inspections required
Additional Reinstatement Inspection fee	\$39	\$41	Additional reinstatement will incur an additional charge on a per visit basis.

4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis although a review of these particular fees and charges has been overlooked.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal; or
- changing fees by a different amount.

5. FINANCIAL IMPLICATIONS

The proposed annual budget 2022/23 includes provision for revenue of \$140k from these charges.

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Variations to Operating Budget

PRESENTED BY: Cameron McKay, Acting Chief Financial Officer

APPROVED BY: Heather Shotter, Chief Executive

RECOMMENDATION(S) TO COUNCIL

1. That Council receive the memorandum titled 'Variations to Operating Budget' presented to the Finance & Audit Committee on 23 March 2022.
 2. That Council note and approve bringing forward capital expenditure of \$1m from 2022/23 into 2021/22 for Programme 1879 - Council's Plant and Vehicle Replacements.
-

1. ISSUE

To provide a further update on variations to operating budgets and major operating programmes of the Council for the period ending 31 December 2021, as resolved at the February Finance & Audit Committee meeting.

2. BACKGROUND

At the Finance & Audit Committee meeting on 23 February 2022, the Committee recommended that a report be presented to the March Finance & Audit Committee meeting outlining 'expected / forecast variations' to operational budgets.

Since the meeting, the Chair and Deputy Chair have met with Officers to further explain the intent of the recommendation.

At the meeting, the Chair and Deputy Chair outlined that they would like to see more detail around the operating budgets that sit underneath each activity, particularly a focus on operating programmes.

Whilst an operating forecast was requested in the recommendation from the committee, Officers discussed with the Chair and Deputy Chair the practicalities of doing this in a timely manner without diverting attention away from the preparation of the Draft Annual Budget 2022/23. It was decided that reporting will include any known commitments that could result in exceeding the financial delegations in the Delegations Policy.

The tables in the body of this memorandum present the intention from that conversation whilst also delivering on what is feasible and realistic at this time.

3. FORM AND STRUCTURE OF THE FINANCIAL DATA

The legislation requires the reporting of Council's financial data to be structured around groups of activities. This applies for the 10 Year Plan, Annual Plans and Annual Reports. In a sense these groups represent outcomes rather than inputs. In an effort to make these more meaningful the Council's reports are then developed to one level lower, i.e. activities.

Operating programmes are incorporated into operating budgets and are reported as part of the nett operating cost of an activity. Operating programmes can be broadly categorised by three types as indicated in section 5 below. To aid decision making at the budget development stage, it has been our practice to highlight significant variances to levels of service or one-off operational projects through what we have termed operating programmes. These programmes are often not capable of being separately identified in the accounting system but in the normal course are treated as adjustments to underlying budgets. This means reporting on them on a regular basis is difficult and time consuming. Such analysis is undertaken annually for the purposes of the Annual Report.

For its age, Council's financial system has coped remarkably well with the restructuring of the groups of activities from time to time. In addition to the external reporting requirements the system is required to provide information in a form that is more relevant to the individual responsibilities of the management structure. Data in this business unit form is what is required by Officers to ensure effective delivery of services.

In addition, with the current finance system, it is not simple to record costs against a programme. It is hoped a planned replacement finance system will be more flexible and intuitive.

4. ACTIVITY LEVEL OPERATING BUDGETS

Overall, for the period ending December 2021, our net operating position is \$5.1M favourable against budget. The bulk of the favourable position is due to continuing difficulty in sourcing contractors, border restrictions affecting the Te Huringa programme, delays in the digital transformation programme, and filling vacancies.

Table 1 details the actual vs budget variance at an activity level, with high level comments on any major under and overs. The framework used for the commentary is clause 210 of the Delegations Manual which in relation to operating budgets is based on 30% of the specified sum or 10% of the budget against the net of an activity. In the absence of a detailed forecast, Officers have indicated where variances are expected to remain at year end.

Table 1

\$000s	YTD Actual (Surplus)/ Deficit	YTD RV ¹ Bud (Surplus)/ Deficit	Var. YTD Fav / (UnFav)	% Var. YTD	FY RV Bud (Surplus)/ Deficit	Commentary
<u>Innovative & Growing City</u>	3,443	3,738	295	8%	7,663	
City Growth	1,734	1,767	33	2%	3,794	
Economic Development	1,710	1,971	262	13%	3,869	YTD variance mostly due to vacancies in International Relations and City Marketing. Positions are now filled but is forecast to remain favourable to budget at year-end.
<u>Transport</u>	3,562	3,707	145	4%	8,227	
Active and Public Transport	457	711	254	36%	1,448	YTD variance due to inability to source contractors for maintenance. This is forecast to remain favourable to budget at year-end.
Roading	3,105	2,996	(109)	-4%	6,779	
<u>Creative & Exciting City</u>	9,456	9,747	291	3%	17,964	
Active Communities	5,819	5,890	71	1%	10,836	
Arts and Heritage	3,315	3,467	152	4%	6,559	
City Shaping	322	390	68	17%	568	YTD favourable variance due to inability to source contractors for maintenance. This is expected to remain favourable to budget at year-

¹ RV stands for Revised Budget. This is the Annual Budget that has been revised either by Council resolution or Chief Executive Delegations Policy.

\$000s	YTD Actual (Surplus)/ Deficit	YTD RV ¹ Bud (Surplus)/ Deficit	Var. YTD Fav / (UnFav)	% Var. YTD	FY RV Bud (Surplus)/ Deficit	Commentary
						end.
<u>Connected & Safe Community</u>	6,804	7,787	984	13%	15,548	
Connected Communities	6,526	7,496	970	13%	14,214	YTD favourable variance due to vacancies and Covid framework leading to less events. This is expected to remain favourable to budget at year-end.
Safe Communities	278	291	13	5%	1,333	
<u>Eco-City</u>	2,333	2,690	357	13%	5,514	
Climate change mitigation and adaption	0	105	105	100%	208	Under due to vacancies in first half of year. These have now been filled, but is expected to remain favourable to budget at year-end.
Environmental Sustainability	391	492	101	21%	997	Under YTD due to inability to source contractors. Expected to be close to budget at year-end.
Manawatu River	2	47	45	96%	94	Under YTD due to vacancies. This is expected to remain favourable at year-end.
Resource Recovery	1,940	2,045	105	5%	4,215	
<u>Stormwater</u>	992	1,091	99	9%	2,270	
Stormwater	992	1,091	99	9%	2,270	
<u>Wastewater</u>	2,484	2,768	284	10%	5,419	
Wastewater	2,484	2,768	284	10%	5,419	YTD favourable

\$000s	YTD Actual (Surplus)/ Deficit	YTD RV ¹ Bud (Surplus)/ Deficit	Var. YTD Fav / (UnFav)	% Var. YTD	FY RV Bud (Surplus)/ Deficit	Commentary
						variance due to inability to source contractors for maintenance. This is expected to remain favourable to budget at year-end.
<u>Water</u>	2,015	2,379	363	15%	4,765	
Water	2,015	2,379	363	15%	4,765	YTD favourable variance due to inability to source contractors for maintenance. This is expected to remain favourable to budget at year-end.
<u>Driven & Enabling Council</u>	2,696	4,481	1,785	40%	8,917	
Governance and Active Citizenship	4,850	4,436	(413)	-9%	8,996	*This is over budget YTD with some direction setting work being ahead of schedule, but expected to be within budget at year-end.
Organisational Performance	(1,702)	745	2,447	328%	1,000	*This is underspent due to Te Huringa (ERP Replacement), Digital Transformation and vacancies in overhead areas. *An adjustment will be made at the end of the year to operating activities for underspends in overhead areas. *A carry forward will be requested to 2022/23 for Te Huringa and Digital

\$000s	YTD Actual (Surplus)/ Deficit	YTD RV ¹ Bud (Surplus)/ Deficit	Var. YTD Fav / (UnFav)	% Var. YTD	FY RV Bud (Surplus)/ Deficit	Commentary
						Transformation through the Annual Budget process.
Strategic Investments	(451)	(701)	(249)	-36%	(1,079)	*YTD over budget in after hours contact centre, with higher remuneration than budget due to absenteeism and high staff turnover.
Grand Total	33,786	38,389	4,603	12%	76,286	

5. OPERATING PROGRAMMES OF \$250K OR MORE

Operating programmes can be categorised into three different types:

1. Some programmes are for additional staff resource. Often the actual costs may be for only one staff member which would breach confidentiality because the general reader would see how much the staff member was paid. For example, this would include #1898 – City-wide community facilities needs assessment, #1918 – Compliance with new RMA requirements, #1920 – Climate Change and Sustainability Resource.
2. Some programmes are 'top ups' to existing budgets in order to meet required levels of service. For example, #1980 – CET Wildbase Recovery Centre – Building Maintenance was created initially as a programme simply to assist Officers and Elected Members in describing the rates requirement throughout the 10YP workshops and committee meetings. Another example of an operating programme that is simply a top up budget is #2116 – Funding for Strategic Priority Grants (increased funding) where Elected Members agreed to increase the base level funding that sits back in 'maintain service level' budgets.
3. The third group of programmes are where there is a distinct level of service being provided and costs are recorded against the programme to assist with monitoring and tracking. Examples of these are included in the table below.

Table 2 lists the operating programmes (by annual budget) that are \$250k or more with their actual vs budget to December 2021 variance and a brief commentary update. The commentary also notes where Officers anticipate the year end result may be significantly different from budget.

In addition to the schedule of programmes that are greater than \$250k, there are two programmes included which Officers have noted that Council has particular interest in monitoring.

Table 2

	YTD Actual	YTD RV Bud	YTD Variance	YTD Var % FAV/ (UNFAV)	FY RV Bud	Comment
1572-Enterprise Resource Planning (ERP) System Replacement	\$665	\$981	\$317	32%	\$2,125	YTD Te Huringa (ERP) has been behind schedule due to border restrictions and reviewing of the programme. This programme is expected to be under budget at year-end, and will be requested as a carry forward to 2022/23 through the Annual Budget process.
1520-Digital Transformation	\$12	\$750	\$738	98%	\$1,500	Behind YTD due to lack of internal resourcing to drive the programme. Expected to be under budget at year-end, and will be requested as a carry forward to 2022/23 through the Annual Budget process.
1506-Community Events	\$237	\$256	\$19	7%	\$433	YTD close to budget, but with red light under Covid Framework, expect to be under budget at year-end. Work is underway to repurpose for community relief efforts.
1319-Totara Road Wastewater Treatment Plant - Consent Renewal Upgrade Options Analysis	\$436	\$513	\$77	15%	\$464	Programme changed to be Capital Budget through Council in December as consent process was sufficiently advanced.
2054-Funding Palmy BID group	\$117	\$117	\$0	0%	\$250	Total is allocated to BID. Will be on budget at year-end.
1949-Civic and Cultural Precinct Master Plan	\$36	\$125	\$89	71%	\$250	YTD under budget. There has been difficulties in delivery due to Covid but a reset timeline is seeking to make

	YTD Actual	YTD RV Bud	YTD Variance	YTD Var % FAV/ (UNFAV)	FY RV Bud	Comment
						up for lost time. May possibly be underspent at year end. A progress update was provided to the Planning & Strategy Committee on 9 March 2022.
1344-Major Events Fund	\$108	\$93	(\$15)	-16%	\$200	YTD close to budget, but with red light under Covid Framework, expect to be under budget at year-end. Work is underway to repurpose for community relief efforts.
1675-Support for community relief efforts post COVID-19	\$78	\$66	(\$12)	-19%	\$131	YTD over budget due to higher uptake of support than expected to December. This is expected to be over budget at year end. Efforts are underway to repurpose events funds to increase the budget on this operating programme.

6. OPERATING BUDGETS THAT MAY EXCEED FINANCIAL DELEGATIONS POLICY

Officers are not aware of any commitments that are likely to breach the Financial Delegations Policy in respect to operating budgets, including operating programmes.

Any approved variations to budgets made by the CE are reported to the Finance & Audit Committee through the quarterly performance and financial report and are also included below.

After the 10-Year Plan 2021-31 was approved, the following changes were authorised by Council for the 2021/22 financial year. These also impacted the debt.

Variations to 10-Year Plan 2021-31 (Year 1) approved by Council

Profit and Loss	\$000
10-Year Plan (Year 1) Net Surplus/(Deficit) Before Tax	7,601
Changes authorised by Council:	
Adjust budget for capital revenue as a result of carry forwards	2,301
Adjustment to carryforward of DIA 3 waters operating revenue	744
Adjustment to carryforward of DIA 3 waters operating expense	(744)
Carry forward of support for community relief efforts post COVID 19	(131)
Reduction in budget for BPO to begin capitalisation of expenses	786
Reduction in capital revenue budgets from Waka Kotahi	(1,910)
Moving of budgets from Sealed pavement renewals to Sealed Pavement Maintenance	(500)
Increase in budget for Chief Executive Performance Review Panel	(6)
17A Caccia Birch review outcome (6-month revenue budget adjustment)	57
17A Caccia Birch review outcome (6-month expense budget adjustment)	(35)
Capital Revenue from Horizons for programme 1970-Gordon Kear Forest Culvert Replacements	40
Revised Budget 2021/22 Net Surplus/(Deficit) Before Tax	8,203

Variations to 10-Year Plan 2021-31 (Year 1) approved by Chief Executive

The Delegations Manual provides that the Chief Executive may approve transfers of budgets where this will best achieve the outcome intended and savings can be made to offset the authorised increase. Where the amounts authorised cross activities, these are required to be reported quarterly to the Finance and Performance Committee.

Profit and Loss	Activity and Budget change
Description	\$000
Correction to administrative error in budgeting process where expenses were attached to incorrect activity	Wastewater Expense (297) Water Expense 297
Active Community offsetting increase in revenue and expense due to CET Arena community subsidies	Active Communities Revenue 350 Active Communities Expense 350
Corporate Support offsetting increase in both revenue and expenses due to Warm up Palmy	Organisational Performance Revenue 31 Organisational Performance Expense 31

7. PROGRAMME 1879 – COUNCIL'S PLANT AND VEHICLE RENEWALS

At the Finance & Audit Committee meeting on 23 February 2022, the memorandum titled: 'Quarterly Performance and Financial Report - Quarter Ending 31 December 2021' under heading 'Attachment 2 – Capital expenditure by funding source and Group of Activities Full Year' outlined that Capital Renewal expenditure for the year to December 2021 is \$5,472k or 34% behind budget. It is anticipated that there will be a significant underspend on renewals by year end of about 10%, so officers have explored the possibility of bringing forward expenditure from the next financial year into the current year, reducing the rating impact for the Annual Budget.

Plant & Fleet that is planned for replacement in the next financial year could be purchased a few months earlier therefore resulting in the costs being allocated into the current financial year. Officers have made some initial delivery enquiries with suppliers and this would be possible.

To that end, a request is made to bring forward a sum of \$1m capital expenditure from 2022/23 for programme 1879 – Council's Plant and Vehicle, into 2021/22. This will be funded from underspends in other capital renewal budgets yet to be identified with the intention that the total capital renewal budget will not increase nor decrease.

The assumption that this will be approved has been factored into the draft of the Annual Budget. If this was not approved, the Annual Budget would need to be adjusted along with the consequential rates requirement.

8. NEXT STEPS

Officers will incorporate Table 1 and Table 2 into the next Quarterly Performance and Financial Report being presented to Finance & Audit Committee on 27 April 2022 and subsequent quarterly reports thereafter.

9. 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?	No
Is there funding in the current Annual Plan for these actions?	No
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 Governance and Active Citizenship	

The action is: to enable Council to exercise governance by reviewing financial performance and operating performance and provide accountability for these to the public.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	As above.

ATTACHMENTS

Nil

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Allocation of funding from the Low Carbon Fund to Capital Renewal Programmes

PRESENTED BY: Adam Jarvis, Senior Climate Change Advisor

APPROVED BY: David Murphy, Chief Planning Officer

RECOMMENDATION(S) TO COUNCIL

1. That 'Programme 1791 – Parks Depot – Building Reserves' be increased by \$90,000 in the 2021/2022 Financial Year for the upgrade of the Ferguson Street Depot boiler to modern energy efficiency standards.
 2. That 'Programme 1837 - Swimming Pools – Pool Renewals' be increased by \$39,558 in the 2021/2022 Financial Year for the upgrade of the modern energy efficient variable speed drives at the Lido Aquatic Centre
 3. That 'Programme 1888 – Low Carbon Fund' be reduced by \$129,558 in the 2021/2022 Financial year.
-

1. ISSUE

The Low Carbon Fund ('LCF') was established through the 2021-2031 LTP, and provides \$1,000,000 of capital (capital new) funding to enable investments in organisational greenhouse gas emission reductions. Funding is allocated to internal projects based upon their capital cost, operational savings, emission reductions, and wider strategic benefit.

Collectively, the first round of selected programmes are estimated to save 94t CO₂e per year. They will also provide considerable return on investment due to lower energy and maintenance requirements, with an estimated net present value of \$852,062 (compared to a cost of \$473,381). Hence, the programmes will deliver significant financial value to Council in addition to the carbon emission reductions.

However, two of the top ranked programmes (Programme 1791 and Programme 1837) are capital renewal programmes; therefore Programme 1888 (capital new) cannot be utilised to fund those two capital renewal programmes due to the difference in funding source.

2. BACKGROUND

Councillor workshops have established that the purpose of the fund is to flexibly provide capital to enable operational emission reductions. The scope for funding is

therefore the same as our annual organisational emissions inventory. These are emissions that occur across the lifetime of an asset and sit within our operational control. Conversely, 'embodied emissions' of construction materials or emissions controlled by another organization are out of scope for funding.

Officers have worked with a range of staff to identify eligible and operationally deliverable projects. These were then assessed by the Senior Climate Change Advisor with the assistance of the Finance Unit. Each is analysed in terms of its 'Net Present Value' (specifically, looking at their projected operational savings discounted by PNCC's cost of capital subtracted by the capital cost of the project), the projected carbon savings, and a 30% weighting to wider strategic benefit, if any. Applications are then prioritised by which projects deliver the greatest benefit per dollar. Hence, the fund is generally ambivalent to the scale of the project – a \$30,000 application is at no inherent disadvantage compared to a \$300,000 application; if the former provides greater value for money then it will receive priority. Following this analysis, the prioritisation is approved by the fund steering group, which consists of the Chief Planning Officer and Chief Infrastructure Officer. Finally, approval is given by the Chief Executive for Finance to increase the budget of the programmes associated with each project, and to decrease the budget of the LCF by the same amount, thus enabling the selected projects to be delivered.

3. FINANCIAL ANALYSIS

As mentioned in the Issues section above, two of the top ranked programmes (Programme 1791 and Programme 1837) are capital renewal programmes. This means that Programme 1888 (capital new) cannot be utilised to fund those two capital renewal programmes due to the difference in funding source. Capital new programmes are funded by debt, whereas capital renewals and operating expenditure are funded by rates.

As reported in the December Quarterly Report, Council has an operating surplus to budget of \$5.1 million. We have not been able to identify specific savings from other capital renewal programmes that could be transferred to these two programmes, but funding could be provided from the overall Council surplus that would otherwise be used to fund debt repayment. As a result, we are seeking Council approval to:

- Increase the budget of Programme 1791 by \$90,000, and
- Increase the budget of Programme 1837 by \$39,558.

Programme 1888 (LCF) to reduce by \$129,558 to recognise the application of funds to the two programmes mentioned above. The additional budget requirements will be funded from expected cash surplus. Changes are summarised in the table below.

Program Name	Budget 2021/22 (LTP 21/31)	Requested budget change	Revised budget
1888 - Low Carbon Fund *	\$655,000	-\$129,558	\$525,442
1837 - Swimming Pools - Pool Renewals	\$452,900	\$39,558	\$492,458
1791 - Parks Depot - Building Renewals	\$5,000	\$90,000	\$95,000
	\$1,112,900	\$0	\$1,112,900

* Programme 1888 has already allocated \$345,000 to other capital new programmes during the current financial year

4. NEXT STEPS

Officers will continue to look for opportunities through the remainder of the financial year, particularly to provide marginal additional funding to other projects to enable cost-effective low carbon delivery.

Work continues internally to develop a process by which cost-effective low-carbon options are incorporated into Council programmes for the next LTP. However, Officers expect there will continue to be a role for the LCF providing flexibility and enabling Council to seize opportunities such as where detailed design reveals an opportunity for further cost-efficient (but unbudgeted) carbon reductions, or where Central Government funding becomes available, for example.

Officers will provide an annual report on the LCF, with the first such report expected to be delivered to the September 2022 Environmental Sustainability Committee.

5. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
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?	No
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 4: An Eco City	
The recommendations contribute to the achievement of action/actions in Climate Change	
The action is: Create a low carbon fund to allow Council the flexibility to respond to	

opportunities to reduce organisational emissions and, where possible, costs.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Implementation of the Low Carbon Fund, delivering both carbon and cost reductions in excess of Council's cost of capital.

ATTACHMENTS

Nil

REPORT

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Ashhurst Domain - Vacant Ex-Cafe Building Options

PRESENTED BY: Bryce Hosking, Group Manager - Property, and Kathy Dever-Tod, Group Manager - Parks and Logistics

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council either:

- a. Sell or dispose of the ex-café building within Ashhurst Domain but retain the toilet block onsite for public use within Ashhurst Domain, with the Chief Executive being given delegated authority to sell or dispose of the building on terms negotiated by the Chief Executive.

or

- b. Retain the ex-café building within Ashhurst Domain and seek to lease the building once the review of Ashhurst Domain Reserve Management Plan is completed.

SUMMARY OF OPTIONS ANALYSIS FOR

Problem or Opportunity	<p>The former café facilities within Ashhurst Domain have been vacant since 2017.</p> <p>The use of the vacant café building has not been determined as Council Officers are working through the review of Ashhurst Domain Reserve Management Plan.</p> <p>As the building is sitting vacant, there has been an increase in vandalism and the maintenance strategy for the building has been to only undertake reactive maintenance.</p> <p>This has resulted in the overall condition of the building deteriorating and it will continue to deteriorate until a decision is made on the future use of this building.</p> <p>A party has approached Council expressing early interest in purchasing the building. This has not been explored any further by Officers pending direction from the Council on the building's future.</p> <p>Given that interest has been expressed in purchasing the building, this report is now being brought to the Finance & Audit Committee to seek Council's direction on their preferred future use of the ex-café building within Ashhurst Domain.</p> <p>For clarity, as the sale or disposal of building assets falls outside the Chief Executive's delegations this matter is being brought to Council. If selling or disposing of the building is Council's preferred option, this report also seeks delegated authority to be given to the Chief Executive to negotiate terms and undertake the sale/ disposal.</p>
Community Views	<p>There have been no community views sought at this stage on either option, however, community views will be sought during the review of Ashhurst Domain Reserve Management Plan and as part of the leasing or sale/ disposal process.</p>
OPTION 1:	<p>Sell or dispose of the ex-café building within Ashhurst Domain but retain the toilet block onsite for public use within Ashhurst Domain.</p>
Benefits	<p>A party has approached Council expressing early interest in purchasing the building. This has not been explored any further by Officers pending direction from the Council on the building's future.</p> <ul style="list-style-type: none"> • This option allows Council to immediately mitigate the risks resulting from the building currently sitting vacant. • Council will not need to invest further maintenance and renewal funds into the building. • Revenue can be generated from the sale of the building. The building is currently valued at between \$7,500-\$10,000, although this benefit will only be realised if the building is sold; if it is removed or demolished, no sale revenue will be

	<p>achieved.</p> <ul style="list-style-type: none"> The toilet facilities will remain and can be used to help service the needs of the users within Ashhurst Domain especially near the sports fields and Pony Club.
Risks	<ul style="list-style-type: none"> There is an opportunity cost associated with the building being sold or disposed of; once the building is sold or disposed of it will no longer add value or potential future amenity to the Domain. Sectors of the community may have a negative view of the building leaving the Domain given its history.
Financial	<ul style="list-style-type: none"> Council will not need to invest further maintenance and renewal funds into the building. There will be costs associated with the sale or disposal process. The costs associated with the review of the Reserve Management Plan are not included in this option as this would be undertaken irrespective of the option chosen.
OPTION 2:	Retain the ex-café building within Ashhurst Domain and seek to lease the building once the review of Ashhurst Domain Reserve Management Plan is completed.
Benefits	<ul style="list-style-type: none"> This option allows Council to implement strategic direction changes, if any, after the review of Ashhurst Domain Reserve Management Plan prior to entering a lease. Most, if not all, of the security, maintenance and vandalism issues will be mitigated once a tenant is occupying the building. The building will generate lease revenue for Council. The extent of this revenue will not be known until a lease proposal is furthered. The building, which was originally the old jockey changing rooms when the Domain was a racecourse, will be retained on site.
Risks	<ul style="list-style-type: none"> Given the deteriorated condition of the building, there may be a considerable amount of maintenance and renewals that will need to be undertaken prior to entering a lease. The extent of this work will need to be considered as part of the leasing process. The building will remain vacant for a period until the review of the Ashhurst Domain Reserve Management Plan is completed. Council may not be able to find a suitable tenant in a timely manner for the building that aligns with the Ashhurst Domain Reserve Management Plan.
Financial	<ul style="list-style-type: none"> The building lease will generate revenue for Council. The

	<p>extent of this revenue will not be known until a lease proposal is furthered.</p> <ul style="list-style-type: none"> • Given the deteriorated condition of the building, there may be a considerable amount of maintenance and renewals that will need to be undertaken prior to entering a lease. • There will be minor costs associated with the process of finding a tenant, such as advertising. • As with Option 1, the costs associated with the review of the Reserve Management Plan are not included in this option as this would be undertaken irrespective of the option chosen.
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RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 The former café facilities within Ashhurst Domain have been vacant since 2017.
- 1.2 The use of the vacant café building has not been determined as Council Officers are working through the review of Ashhurst Domain Reserve Management Plan.
- 1.3 As the building is sitting vacant, there has been an increase in vandalism and the maintenance strategy for the building has been to only undertake reactive maintenance.
- 1.4 This has resulted in the overall condition of the building deteriorating and it has now reached the point that a decision needs to be made on the future use of this building.
- 1.5 A party has approached Council expressing early interest in purchasing the building. This has not been explored any further by Officers pending direction from the Council on the building's future.
- 1.6 Given that interest has been expressed in purchasing the building, this report is now being brought to the Finance & Audit Committee to seek Council's direction on their preferred future use of the ex-café building within Ashhurst Domain.
- 1.7 For clarity, as the sale or disposal of building assets falls outside the Chief Executive's delegations this matter is being brought to Council. If selling or disposing of the building is Council's preferred option, this report also seeks delegated authority to be given to the Chief Executive to negotiate terms and undertake the sale/ disposal.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

- 2.1 The former jockey changing room has a historic connection to the site as it was from when the Ashhurst Domain had a racecourse. However, it is not listed as a heritage building.

Council's Acquisition of the Building

- 2.2 Previous tenants owned the café building and leased the land from Council. This lease expired in 2017.
- 2.3 At that time members of the Ashhurst community expressed interest in the building remaining within the Domain. Subsequently Council purchased the buildings and improvements from the vacating tenant, however, no direction was provided for the future use of the building.

Previous Decision – Glasshouse Events

- 2.4 Glasshouse Events approached Council to investigate the proposal of building a wedding and events venue at the old café site in the Ashhurst Domain after Council purchased the café building.
- 2.5 The proposal was declined by Council in the full Council meeting dated 23 September 2019 and the resolutions are as follows:
- *That the Committee considers there to have been an insufficient opportunity for consultation with the wider community about the proposal. As such, that the Chief Executive be instructed to undertake a further round of public consultation, following which the decision regarding the Function Centre Lease Proposal will be made by the new Council.*
 - *That the desirability of hospitality services in the Ashhurst Domain be referred to the process underway to review the Ashhurst Domain Reserve Management and Development Plan.*

3. DESCRIPTION AND ANALYSIS OF OPTIONS

Option One: Sell or dispose of the ex-café building within Ashhurst Domain but retain the toilet block onsite for public use within Ashhurst Domain

- 3.1 This option sees Council sell or dispose of the ex-café building within Ashhurst Domain but retain the toilet block onsite for public use within Ashhurst Domain.
- 3.2 A party has approached Council expressing early interest in purchasing the building. This has not been explored any further by Officers pending direction from the Council on the building's future.
- 3.3 Given that interest has been expressed in purchasing the building, this report is now being brought to the Finance & Audit Committee to seek Council's

direction on their preferred future use of the ex-café building within Ashhurst Domain.

Benefits

3.4 The following benefits have been identified for Option One:

- This option allows Council to immediately mitigate the risks resulting from the building currently sitting vacant.
- Council will not need to invest further maintenance and renewal funds into the building.
- Revenue can be generated from the sale of the building. The building is currently valued at between \$7,500-\$10,000, although this benefit will only be realised in the building is sold; if it is removed or demolished, no sale revenue will be achieved.
- The toilet facilities will remain and can be used to help service the needs of the users within Ashhurst Domain especially near the sports fields and Pony Club.

Risks

3.5 The risks identified for Option One are:

- There is an opportunity cost associated with the building being sold or disposed of; once the building is sold or disposed of it will no longer add value or potential future amenity to the Domain.
- Sectors of the community may have a negative view of the building leaving the Domain given its history.

Financial

3.6 Council will not need to invest further maintenance and renewal funds into the building.

3.7 There will be costs associated with the sale or disposal process. Any costs associated with the review of the Reserve Management Plan are not included in this option as this would be undertaken irrespective of the option chosen.

Option Two: Retain the ex-café building within Ashhurst Domain and seek to lease the building once the review of Ashhurst Domain Reserve Management Plan is completed

3.8 This option sees Council retain the ex-café building within Ashhurst Domain and lease the building once the review of Ashhurst Domain Reserve Management Plan is completed.

Benefits

3.9 The following benefits have been identified for Option Two:

- This option allows Council to implement strategic direction changes, if any, after the review of Ashhurst Domain Reserve Management Plan and prior to entering a lease.
- Most, if not all, of the security, maintenance and vandalism issues will be mitigated once a tenant is occupying the building.
- The building will generate revenue for Council from the lease. The extent of this revenue will not be known until a lease proposal is furthered.
- The building, which was originally the old jockey changing rooms when the Domain was a racecourse, will be retained on site.

Risks

3.10 The risks identified for Option Two are:

- Given the deteriorated condition of the building, there may be a considerable amount of maintenance and renewals that will need to be undertaken prior to entering a lease. The extent of this work will need to be considered as part of the leasing process.
- The building will remain vacant for a period until the review of the Ashhurst Domain Reserve Management Plan is completed.
- Council may not be able to find a suitable tenant in a timely manner for the building that aligns with the Ashhurst Domain Reserve Management Plan.

Financial

- 3.11 The building will generate lease revenue for Council. The extent of this revenue will not be known until a lease proposal is furthered.
- 3.12 Given the deteriorated condition of the building, there may be a considerable amount of maintenance and renewals that will need to be undertaken prior to entering a lease.
- 3.13 There will be minor costs associated with the process of finding a tenant such as advertising. Costs associated with the review of the Reserve Management Plan are not included in this option as this would be undertaken irrespective of the option chosen.

4. CONCLUSION

- 4.1 Both options are considered relatively balanced in terms of benefits and risks, and both options will have some minor implementation costs.
- 4.2 Given this, both options are considered valid and feasible.

5. NEXT ACTIONS

- 5.1 The review of the Ashhurst Domain Reserve Management Plan will commence in the 2022/23 Financial Year.
- 5.2 Council Officers can proceed with Council's preferred option for the future of the building.

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?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the achievement of action/actions in Active Communities	
The action is: Provide strategic direction to the future use of a Council owned vacant building.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Facilities are available, accessible and inviting to all people in the community.

ATTACHMENTS

Nil

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Colquhoun Park - Proposal to grant a lease on reserve land to Manawatu Softball Association Incorporated and Freyberg Old Boys' Rugby Football Club Incorporated

PRESENTED BY: Bryce Hosking, Group Manager - Property and Kathy Dever-Tod, Group Manager - Parks and Reserves

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council approve entering a new lease with Manawatu Softball Association and Freyberg Old Boys' Rugby Club Incorporated for part of the Colquhoun Park Pavilion, 134-136 Fairs Road, Palmerston North, in accordance with Section 54 of the Reserves Act 1977.
-

1. ISSUE

- 1.1 Manawatu Softball Association and Freyberg Old Boys' Rugby Club Incorporated, operating as Colquhoun Park Sports Association ('the Sports Club'), has leased part of the Colquhoun Park Pavilion since 1982.
- 1.2 The lease of the Sports Club expired in 2015 and the Club has been on a month-to-month tenancy since that time.
- 1.3 Council Officers have worked with the Sports Club on a new lease since the expiry in 2015 and the Club is now ready to enter a new lease agreement.
- 1.4 As the building is situated on reserve land, any new lease is subject to the requirements of the Reserves Act 1977. This includes public notification of Council's intention to grant a new lease on the reserve.
- 1.5 Consultation was completed in 2016. No submissions or objections were received.
- 1.6 This report requests Council approval to grant the lease in accordance with Section 54 of the Reserves Act 1977.

2. BACKGROUND

- 2.1 In 1983 Council granted a 33 years lease to Manawatu Softball Association Incorporated and Freyberg Old Boys' Rugby Club Incorporated for the use of the pavilion at Colquhoun Park.
- 2.2 The original lease had a right of renewal for a further 33 years. This term length exceeds the Reserves Act maximum terms. At the end of the first term in 2015, Council Officers negotiated with the Tenants to enter a new lease rather than renewal to bring the term within the Reserves Act requirements and to be consistent with Council's standard recreational leasing practices and policies. This was agreed to by the Club.
- 2.3 At this point, in 2016, the public notification of this lease proposal was undertaken. No submissions or objections were received.
- 2.4 However, the lease was never executed as it was discovered that Freyberg Rugby Club was no longer incorporated at the time so a lease could not be entered.
- 2.5 In addition, considering the planned major renovation of the Colquhoun Park Pavilion for the Softball World Cup, it was decided that entering the new lease should be delayed until these renovations were complete.
- 2.6 The renovation of the Colquhoun Park Pavilion was completed in 2020/2021 and the Freyberg Rugby Club had its incorporated status reinstated in March 2021.

3. STRATEGIC FIT

Policy for the Use of Public Space

- 3.1 The Policy for the Use of Public Space (page 6) contains several criteria for assessment of applications to use public space.
- 3.2 Below is the direction given from this policy, and the assessment of the activity:

'In considering an application to use public space, and particularly where there are competing applications for the use of public space or high demand for a public space, the Council will consider whether the event or activity':

Criteria	Assessment
Supports the achievement of the Council's goals	The sports activities are consistent with Council's Creative and Active Community goal.
Is accessible to the wider community	The sports activities seek and support community membership.
Adds to the variety of events or activities available in Palmerston North	The Sports Club takes part in wider community events as well as running and supporting events and activities of their own.
Enhances any precinct identities (e.g. Broadway as a hospitality precinct)	The Sports Club supports and enhances the range of recreation activities at Colquhoun Park.
Provides an experience (rather than a simple commercial exchange)	Sports is an ongoing programme of recreation and community development related activities. They are not a commercial activity.
Does not significantly limit the availability of space for general community use	The sports pavilion has been operating on the proposed location since the 1980s. The lease will not affect the availability of space for general community use.

Table One: Assessment against Policy for the Use of Public Space

4. LAND STATUS

4.1 The legal description and status of the land is summarised in table two.

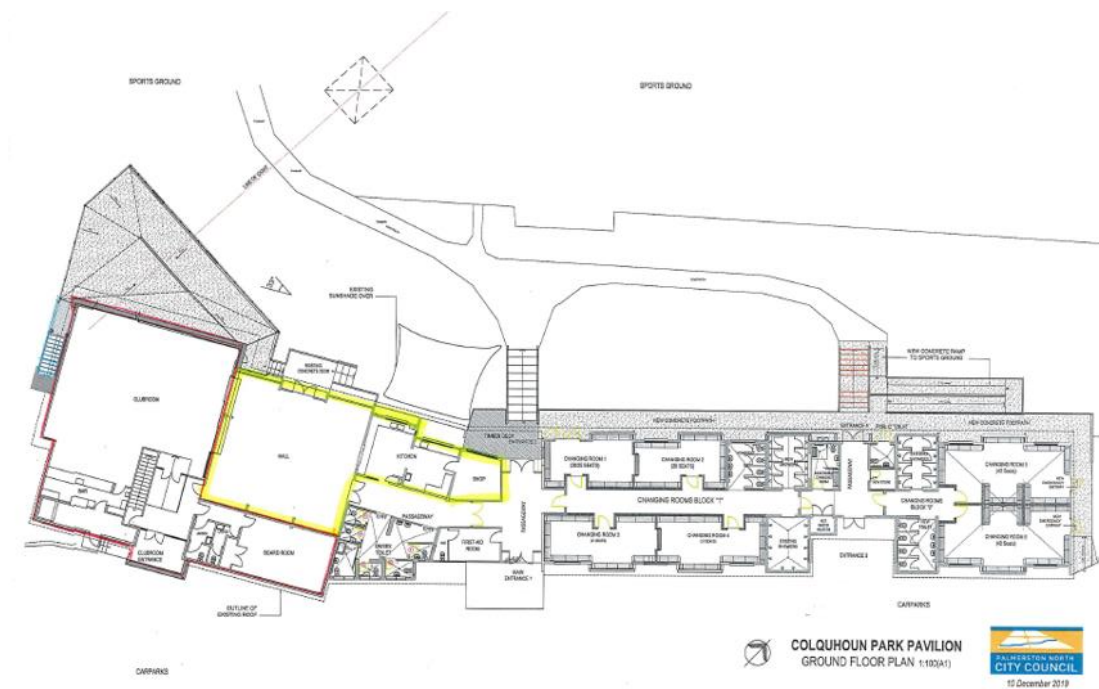
Title	Reserve Status	Comment
WN933/16 Lot 1 DP 54027	Recreation Reserve	In 1982, Lot 1 DP54027 was defined, being a survey of part of Lot 1 DP18964. The subdivision was for the purpose of granting a 33 year lease to the current tenants.

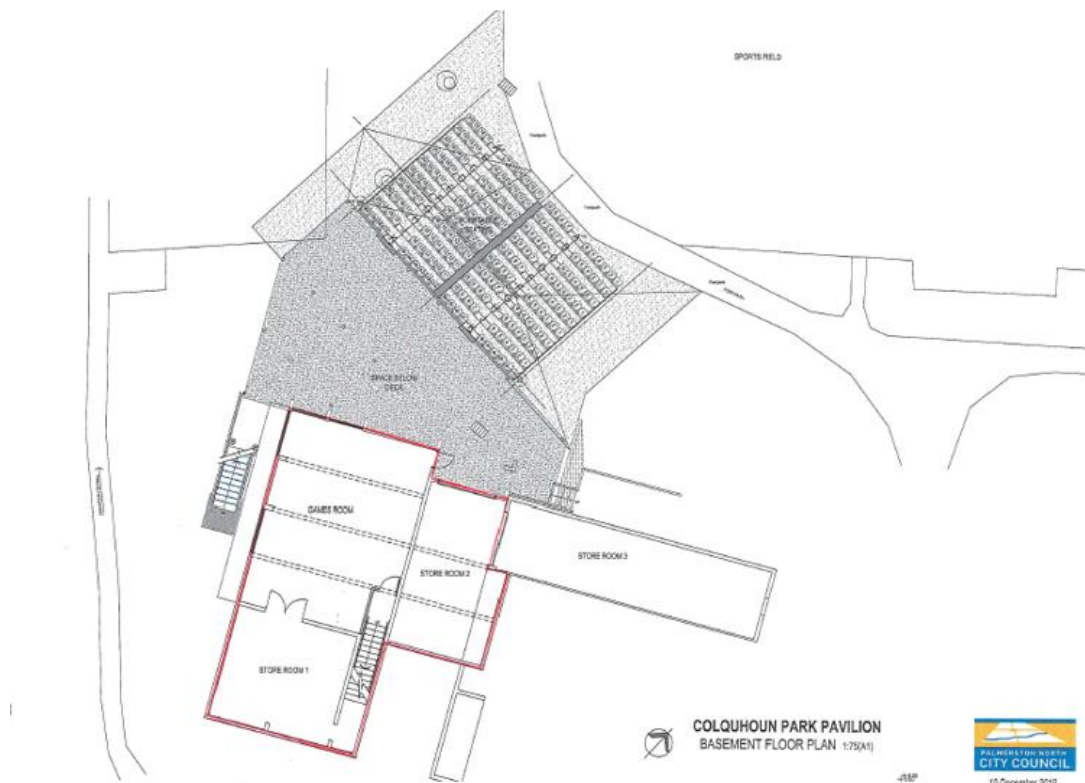
Table Two: Reserve land status

5. THE PROPOSAL

5.1 The lease area is approximately 391 square metres and is part of the Colquhoun Park Pavilion, situated at Fairs Road, Palmerston North. The Sports Club owns the buildings outlined in red in the floor plan, and leases part of the Council owned building outlined in yellow on the floor plan.

- 5.2 The proposed annual rent is \$600 plus GST and outgoings. This is consistent with Council's draft Support and Funding Policy 2022.
- 5.3 The proposed term is ten years, with a right of renewal for another ten years.
- 5.4 The proposed lease term provides additional security to reflect the Sports Club's considerable financial investment into their respective facilities.
- 5.5 If a new lease is entered, the use of the site will remain the same as the existing use.





6. LEASING POWERS UNDER RESERVES ACT

6.1 Section 54 (1)(b) of the Reserves Act 1977 allows for an administering body to:

'lease to any voluntary organisation part of the reserve for the erection of stands, pavilions, gymnasiums, and, subject to sections 44 and 45, other buildings and structures associated with and necessary for the use of the reserve for outdoor sports, games, or other recreational activities, ... which lease shall be subject to the further provisions set out in Schedule 1 relating to leases of recreation reserves issued pursuant to this paragraph:

provided that a lease granted by the administering body may, with the prior consent of the Minister given on the ground that he or she considers it to be in the public interest, permit the erection of buildings and structures for sports, games, or public recreation not directly associated with outdoor recreation.'

6.2 'Necessary' is not interpreted as requiring that all or even most visitors or users of the reserve need/want to use the service or activity provided under the lease. Reserves often have activities on them that only some of the visitors to the reserve use.

6.3 The proposal would see the continued use of the reserve by the Sports Club. The location does not reduce the current user experience or impact the existing capacity for other activities in the future.

7. IMPACT ON THE LOCALITY AND PARK OPERATIONS

Aesthetics

- 7.1 The Sports Club is operated on the site currently. There are no new impacts from continuing occupation of the lease site.

Security

- 7.2 The Sports Club provides activities on the reserve, improving its safety and security.

Cleaning and offensive litter

- 7.3 The Sports Club is responsible for managing litter within their leased area.

Vegetation

- 7.4 No trees or shrubs would be required to be removed.

Car parking

- 7.5 Council provides public car parking for users of the reserve. No new effects are created in approving a new lease.

Affected parties

- 7.6 Parties identified include:
- Neighbouring residents
 - Park users
 - Rangitāne o Manawatū

8. RESERVES ACT 1977 CONSIDERATIONS

- 8.1 Section 17(1) of the Reserves Act 1977 defines the purpose of recreation reserves as:

'recreation reserves, for the purpose of providing areas for the recreation and sporting activities and the physical welfare and enjoyment of the public, and for the protection of the natural environment and beauty of the countryside, with emphasis on the retention of open spaces and on outdoor recreational activities, including recreational tracks in the countryside.'

Officer comment: The Sports Club meets this purpose.

- 8.2 Section 17(2) requires:

- (a) The public shall have freedom of entry and access to the reserve, with the exception of the ability to lease areas under Section 54.

Officer comment: The lease is being considered under Section 54 and so freedom of entry to the area is not a necessity.

- (b) Where scenic, historic, archaeological, biological, geological, or other scientific features or indigenous flora or fauna or wildlife are present on the reserve, those features or that flora or fauna or wildlife shall be managed and protected to the extent compatible with the principal or primary purpose of the reserve.

Officer comment: No trees or vegetation are required to be removed by the proposal.

- (c) Those qualities of the reserve which contribute to the pleasantness, harmony, and cohesion of the natural environment and the better use and enjoyment of the reserve shall be conserved.

Officer comment: The Sports Club has been an existing activity present since the 1980s and will not negatively impact the existing pleasantness and enjoyment of the reserve.

- (d) To the extent compatible with the principal or primary purpose of the reserve, its value as a soil, water, and forest conservation area shall be maintained.

Officer comment: The proposed lease will not impact on soil, water and forest conservation.

9. DESCRIPTION AND ANALYSIS OF OPTIONS

- 9.1 Option One: Grant a lease to Manawatu Softball Association Incorporated and Freyberg Old Boys' Rugby Club Incorporated for a part of Colquhoun Park Pavilion, Fairs Road, Palmerston North, in accordance with Section 54 of the Reserves Act 1977.

Entering a formal lease agreement with the current tenants for the pavilion is good management of Council's property and enables compliance with the Reserves Act.

- 9.2 Option Two: Do not grant a lease to Manawatu Softball Association Incorporated and Freyberg Old Boys' Rugby Club Incorporated for a part of Colquhoun Park Pavilion, Fairs Road, Palmerston North.

The Sports Club has been operating from the site without a lease. It is poor practice to allow a group to occupy Council land and/or building without a lease, especially where the group has made significant investment in assets. Option Two is therefore not deemed to be a valid option.

10. CONCLUSION

- 10.1 The proposal is consistent with the purposes of recreation reserves as the Sports Club supports public recreation or enjoyment of Colquhoun Park.

10.2 It is recommended Council proceed to grant a new lease.

11. NEXT STEPS

11.1 A new lease is prepared for execution.

12. 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?	No
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 2: A Creative and Exciting City	
The recommendations contribute to the achievement of action/actions in Active Communities	
The action is: To carry out recreation and reserves planning functions under the Reserves Act 1977 and Local Government Act including the preparation of Reserve Management and Development Plans and Master Plans.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	This aligns well with the direction to create a city that has great places for all people, particularly families, and have the most active community in New Zealand (Priorities 1 and 5, Creative Land Liveable Strategy).

ATTACHMENTS

Nil

COMMITTEE WORK SCHEDULE

TO: Finance & Audit Committee

MEETING DATE: 23 March 2022

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the Finance & Audit Committee receive its Work Schedule dated March 2022.

ATTACHMENTS

1. Committee Work Schedule - March 2022 [↓](#) 

FINANCE & AUDIT COMMITTEE

COMMITTEE WORK SCHEDULE – MARCH 2022

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1.	March 2022	Report outlining 'expected / forecast variations' to operational budgets	Chief Financial Officer		23 February 2022 Clause 4.3-22
2.	April 2022	Report quantifying the likely underspend across PN City Council 2021/2022 events and events-related budgets and outlining options to reallocate funds to provide relief and support to the city's events sector	Assistant Chief Executive		23 February 2022 Clause 4.2-22
3.	April 2022	Quarterly Performance & Financial Report (quarter ending 31 March 2022)	Chief Financial Officer		
4.	May 2022 September 2022	Health and Safety quarterly update	Safety & Health Manager		
5.	May 2022	Review of Property Asset Renewals	Business Assurance Manager		15 December 2021 Clause 95
6.	May 2022	Procurement review	Business Assurance Manager		15 December 2021 Clause 95
7.	August May 2022	Financial delegation of Authority Policy Review	Business Assurance Manager		15 December 2021 Clause 95
8.	August 2022	Business Assurance six-monthly accountability report	Business Assurance Manager		16 December 2020 Clause 68.2
9.	August 2022	Quarterly Performance & Financial Report (quarter ending 30 June 2022)	Chief Financial Officer		

Oasis # 13972985

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
10.	August 2022	Asset Management Review	Business Assurance Manager		15 December 2021 Clause 95
11.	February 2023 August 2022	Sustainable Practices Review	Business Assurance Manager		15 December 2021 Clause 95
12.	August 2022	Review of Rating System	Chief Financial Officer		15 December 2021
13.	October-December 2022	Annual Report	Chief Financial Officer		
14.	November 2022	Review of Project Planning and Budgeting	Business Assurance Manager		15 December 2021 Clause 95
15.	November 2022	Enterprise Risk Management Framework review	Business Assurance Manager		15 December 2021 Clause 95
16.	February 2023	Benefits Realisation Framework and Strategic Prioritisation Review	Business Assurance Manager		15 December 2021 Clause 95

CONFIDENTIAL DECISIONS RELEASED

Meeting date	Title	Released	Not Released

More information on the decisions released can be found on [released decisions](#)