



**PAPAIOEA
PALMERSTON
NORTH
CITY**

PALMERSTON NORTH CITY COUNCIL

AGENDA

COMMITTEE OF COUNCIL

9AM, THURSDAY 26 MAY 2022
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH

MEMBERS

Grant Smith (Chairperson)
Aleisha Rutherford (Deputy Chairperson)

Brent Barrett

Patrick Handcock
ONZM

Susan Baty
Rachel Bowen
Zulfiqar Butt

Leonie Hapeta
Lorna Johnson
Billy Meehan
Orphée Mickalad
Karen Naylor
Bruno Petrenas

Vaughan Dennison
Renee Dingwall
Lew Findlay QSM

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

Chris Dyhrberg

Acting Chief Executive | PALMERSTON NORTH CITY COUNCIL

COMMITTEE OF COUNCIL MEETING

26 May 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. Confirmation of Minutes

"That the minutes of the Committee of Council meeting of 10 May 2022 Part I Public be confirmed as a true and correct record."

Page 5

5. 2022/23 Annual Budget - Moving Forward

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

6. Exclusion of Public

To be moved:

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

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

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

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

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

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

PALMERSTON NORTH CITY COUNCIL

Minutes of the Committee of Council (Hearing of Submissions on the Annual Budget 2022-23) Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on:

Tuesday 10 May 2022 – 9.00am, 3.30pm and 7.00pm

Thursday 12 May 2022 – 9.00am and 3.30pm

Friday 13 May 2022 – 3.30pm

The meeting commenced at 9.00am.

Members Present: The Mayor (Grant Smith) (in the Chair) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Bruno Petrenas and Aleisha Rutherford.

Apologies: Councillors Vaughan Dennison and Karen Naylor,

4-22 Apologies: Session 1 - 9am, 10 May 2022

Moved Grant Smith, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 4-22 above was carried

5-22 Confirmation of Minutes

Moved Grant Smith, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That the minutes of the extraordinary Committee of Council meeting of 2 March 2022 Part I Public be confirmed as a true and correct record.

Clause 5-22 above was carried.

6-22 Confirmation of Minutes

Moved Grant Smith, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That the minutes of the Committee of Council meeting of 23 June 2021 Part I Public be confirmed as a true and correct record.

Clause 6-22 above was carried.

7-22 Appointment of Chairs for following sessions

Moved Grant Smith, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the chairs for the remaining sessions be agreed as follows:

Tuesday 10 May, 3.30pm to 5.30pm: Cr Patrick Handcock
Tuesday 10 May, 7.00pm to 9.00pm: Cr Zulfiqar Butt
Thursday 12 May, 9.00am to 11.00am: Cr Karen Naylor
Thursday 12 May, 3.30pm to 5.30pm: Cr Bruno Petrenas
Thursday 12 May, 7.00pm to 9.00pm: Cr Renee Dingwall
Friday 13 May, 3.30pm to 5.30pm: Deputy Mayor Aleisha Rutherford

Clause 7-22 above was carried.

8-22 Extension of Meeting Time

Moved Grant Smith, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That as per Standing Order 2.1.7 the meeting be extended until 6.00pm on Friday 13 May 2022.

Clause 8-22 above was carried.

9-22 Submissions to the Annual Budget 2022-23: Session 1

Moved Grant Smith, seconded Aleisha Rutherford.

The **COMMITTEE RESOLVED**

1. That the Committee hear submissions from presenters who indicated their wish to be heard in support of their submission.
2. That the Committee note the Procedure for Hearing of Submissions, as described in the procedure sheet.

Clause 9-22 above was carried.

The Committee considered submissions on the draft Annual Budget (Plan) 2022/23 together with supporting oral statements including additional tabled material.

The following persons appeared before the Committee and made oral

statements in support of their submissions and replied to questions from Elected Members, the additional points being:

Paul Perry (130):

Paul spoke to his submission and made no additional comments.

James Russell (122):

James spoke to his submission and made no additional comments.

Water Safety New Zealand (173):

Dan Gerrard, Rob Hewitt and Caron Mounsey-Smith spoke to the submission and made the following additional comments:

- Leading a joint initiative with iwi, council staff from PNCC and Horizons Regional Council and Police to change the behaviour of New Zealanders around fresh water and locally to reduce the number of drownings in the Manawatū Awa.
- Joint initiative to focus on:
 - Formalising protocols of rāhui with the public
 - Improving Signage at rivers – eg infographics. Working closely with English language school to improve signage for second language speakers
 - Ongoing education – opportunities to build
 - Conduct 3-4 risk assessments of popular swimming holes in Manawatū to be presented with a report to Council.
- The local body of Surf lifesaving NZ has been contacted to see if they could share skills with local groups.
- Seeking funding of \$25,000 for Year one of the initiative.
- Funding required for Financial Year 2022/23.

The meeting adjourned at 9.50am

The meeting resumed at 10.08am

Emma Ochei (266):

Emma spoke to her submission and made the following additional comments:

- Not representing the Toy Library this is an individual submission.
- Advocated for the increase in remuneration for staff as it's important to be able to retain staff. From her experience working in the community sector, it is important to be able to build a strong relationship with council staff which is difficult to do if the council liaison officers keep changing.

- Being left on hold for 4 minutes to talk to someone at the call centre isn't good for the reputation of the council as it makes Council appear inaccessible.
- Beggars approaching people while sitting in cafes isn't great - not great for the city or cafes.
- Hancock House – funding decrease to 61K from 63K proposed in LTP is effectively a cut.
- Covid relief funding still needed – many community groups are low on funds, having used up their reserves in the last two years. The focus is on providing the basics to the most vulnerable. Don't want to see the loss of these organisations that encourage community cohesion.

The meeting adjourned at 10:22 am.

The meeting resumed at 10:29 am.

The meeting adjourned (Session 1 finished) at 10:30 am.

The meeting resumed (Session 2 started) at 3:30 pm.

Members Present: Councillor Patrick Handcock ONZM (in the Chair), the Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

10-22 Submissions to the Annual Budget 2022-23: Session 2

The **COMMITTEE RESOLVED**

1. That the Committee note the Procedure for Hearing of Submissions, as described in the procedure sheet.

Clause 10-22 above carried.

The Committee considered submissions on the draft Annual Budget (Plan) 2022/23 together with supporting oral statements including additional tabled material.

The following persons appeared before the Committee and made oral statements in support of their submissions and replied to questions from Elected Members, the additional points being:

Lindsay Gray (61):

Lindsay spoke to his submission and made no additional comments.

Disability Reference Group (285):

Nick Dow and Hugh O'Connell spoke to their submission and made the following additional comments:

- The DRG would like to see more accessibility funding budgeted for the coming year on top of the NZ\$100,000 already in the budget. A figure between NZ\$250,000 to 300,000 should be considered to increase the scope of the facilities review beyond the Building Code and Council owned buildings.
- Also, to address a general misunderstanding amongst Council Officers in terms of what the DRG refers to as a general accessibility audit, the DRG would like a Workshop session between the DRG and the Council Officers to discuss what DRG is seeking and what is realistic to achieve within the budget allocated for.

Te Hā o Hine-ahu-one Palmerston North Women's Health Collective (306):

Jean Hera spoke to the submission and made no additional comments.

Environment Network Manawatū (325):

Helen King spoke to the submission and made no additional comments.

The meeting adjourned at 4:10 pm.

The meeting resumed at 4:30 pm.

Richard Bedford (310):

Richard spoke to his submission and made no additional comments.

Further information was tabled at the meeting for circulation to Elected Members.

The meeting adjourned (Session 2 finished) at 4:49 pm.

The meeting resumed (Session 3 started) at 7:10 pm.

Members Present:

Councillor Patrick Handcock ONZM (in the Chair), the Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

11-22 Submissions to the Annual Budget 2022-23: Session 3

The **COMMITTEE RESOLVED**

1. That the Committee note the Procedure for Hearing of Submissions, as described in the procedure sheet.

Clause 11-22 above carried.

The meeting adjourned at 7:11 pm.

The meeting resumed at 7:20 pm.

The Committee considered submissions on the draft Annual Budget (Plan) 2022/23 together with supporting oral statements including additional tabled material.

The following person appeared before the Committee and made oral statements in support of his submissions and replied to questions from Elected Members, the additional points being:

Deniz Gultekin (123):

Deniz spoke to his submission and made the following additional comment:

- The roads in Longburn and around Palmerston North are of poor quality and should be fixed.

The meeting adjourned (Session 3 finished) at 7:33 pm.

The meeting resumed (Session 4 started) at 9:08 am Thursday 12 May 2022.

Members Present: Councillor Patrick Handcock ONZM (in the Chair), the Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

12-22 Submissions to the Annual Budget 2022-23: Session 4

Moved Karen Naylor, seconded Patrick Handcock ONZM.

The **COMMITTEE RESOLVED**

1. That the Committee note the Procedure for Hearing of Submissions, as described in the procedure sheet.

Clause 12-22 above carried.

The Committee considered submissions on the draft Annual Budget (Plan) 2022/23 together with supporting oral statements including additional tabled material.

The following persons appeared before the Committee and made oral statements in support of their submissions and replied to questions from Elected Members, the additional points being:

Tony Passman (129):

Tony spoke to his submission and made no additional comments. Further information (Powerpoint presentation and a hard copy of a map of his property) was tabled at the meeting for circulation to Elected

Members.

River Stop Awapuni (197):

David Chapple and Annette Nixon spoke to their submission and made no additional comments.

Ngāti Hineaute Hapu Authority (126):

Christopher Whaiapu spoke to the submission and made the following additional comments:

- The River Rangers concept was first mooted as a prevention measure due to the increase of foot traffic along with the entire river space.
- The Rangers concept is to have somebody's physical presence in each of the river locations throughout the day, in particular, the summer and hotter months when a lot more people visit those sites, especially spots where people can access the river which are otherwise unmonitored.
- The River Rangers proposal is best suited to fit within the current Te Motu O Poutua Management Plan, the River Park and the River Framework rather than begging a whole new project and being included in the LTP for 2024. The costs are not to be included in the Annual Budget, but funding to be included into the Management Plan for Te Motu O Poutua.
- Rangers, as a new concept has been taken from both the Department of Conservation and Greater Wellington Council models. Rangers would do all sorts of tasks related to the maintenance, safety, security and preservation of the river space and their remuneration would be from \$42,000 to \$50,000 (junior) and \$65,000 to \$90,000 (senior).
- Other Agencies such as the Manawatū River leaders, the Green Corridors, Manawatū Striders, Horizons Regional Council, Manawatū District Council, Tararua District Council, DoC, Water Safety NZ, internally Rangitāne, and other community groups have been included in the discussion of the Rangitāne River Rangers.
- Alternative solutions were proposed as well such as an Ambassador Programme, very similar to the City Ambassador Programme; also, could some Lifeguards be deployed from the Lido, Guides, voluntary workers groups formed to monitor some aspects of the river, however, those would be only voluntary initiatives largely at the risk of availability of the volunteers.
- In Summer months, the concept could be that the Rangers would be needed seven days for two Rangers, one to monitor or patrol the eastern bank all the way up to Te Āpiti and another Ranger covering the western side from Te Motu O Poutua river side all the way to Linton.

Environment Network Manawatū- the Manawatū Food Action Network (326):

Daniel Morrimire spoke to the submission and made no additional comments.

The meeting adjourned at 10:15 am.
The meeting resumed at 10:30 am

Malcolm Frith (340):

Malcolm spoke to his submission and made the following additional comments:

- The rates should not be increased and some measures should be adopted to decrease Council expenditure such as:
 - Reducing costs on outsourcing – consultants, designers etc. – because contractors cost more, and they don't know the realities of the city e.g. Hospital entrance facing the wrong side.
 - Stop wasting time debating unimportant issues instead debate important issues e.g. dangerous intersections yet to be looked after.

Mike Clement (90):

Mike spoke to his submission and made no additional comments.

The meeting adjourned (Session 4 finished) at 10:52 am.
The meeting resumed (Session 5 started) at 3.30pm Thursday 12 May 2022.

Members Present: Councillor Patrick Handcock ONZM (in the Chair), the Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

Apologies Councillor Leonie Hapeta (early departure)

13-22 Apologies: Session 5, 3.30pm, 12 May 2022

Moved Bruno Petrenas, seconded Patrick Handcock ONZM.

The **COMMITTEE RESOLVED**

1. That the apologies be received.

Clause 13-22 above was carried.

14-22 Submissions to the Annual Budget 2022-23: Session 5

Moved Bruno Petrenas, seconded Patrick Handcock ONZM.

The **COMMITTEE RESOLVED**

1. That the Committee note the Procedure for Hearing of Submissions, as described in the procedure sheet.

Clause 14-22 above was carried.

The Committee considered submissions on the draft Annual Budget (Plan) 2022/23 together with supporting oral statements including additional tabled material.

The following persons appeared before the Committee and made oral statements in support of their submissions and replied to questions from Elected Members, the additional points being:

Memorial Park Sports Trust Board (298):

Sandi Nimmo spoke to the submission and made no additional comments.

Malcolm Prince (105):

Malcolm spoke to his submission and made the following additional comments:

- There is no fairness in the rating system considering everyone uses the same city services.
- Had emailed all of the Elected Members and only Councillors Barrett and Johnson replied to him.
- Properties like his with trees, grass and shrubs should be rewarded for being eco-friendly.
- Proposes that PNCC set a general rates increase of 6.9% in line with inflation. Use a capital rating system.

Richard Wilde (207):

Malcolm Prince read Richard's submission on his behalf and made the following additional comments:

- The land value rating is not fit for purpose and does not reflect the costs of delivery of city services. The value of a particular parcel of land alone is not relevant to the costs of running the city in 2022.
- It is what occupies the land that better represents the costs to the city services.
- Adopting the Capital Value Rating system would spread the rating burden to the owners of the large expensive properties, who are currently sheltering behind their lower land values but

much larger capital values.

- Concerned about the increase of infill within the city, which could lead to the requirement of upgrading the present stormwater system, adding to future rate burdens.

Palmerston North Youth Council (287):

Caragh (Chair) and Lucas (Treasurer) spoke to their submission and made the following additional comments. Further information (Powerpoint presentation) was tabled at the meeting for circulation to Elected Members.

- They had over 230 responses from young people around the city on their survey they conducted on active transport, connected & safe communities and eco-city.
- They shared the statistics and information that came from their survey.

Rod Pik (174):

Rod and Vanja Pavarno spoke to his submission and made the following additional comments. Further information (Powerpoint presentation) was tabled at the meeting for circulation to Elected Members.

- Vogel Street is too dangerous to cross or cycle on.
- There were no plans to improve the safety of the streets.
- There has been a sudden increase of traffic, including trucks, over the last five years with only one pedestrian crossing on the whole street.
- The street is narrow and often there are parked cars on both sides of the street, which leaves no room for cyclists.
- Concerned about where the new Freight Hub is going, which will increase heavy traffic even more.
- Vogel Street urgently requires road markings that slow traffic, limited carparking, bypass route for trucks, controlled intersections, safe places for pedestrians to cross and cycle lanes.

Councillor Vaughan Dennison left the meeting at 4.38pm.

Martia Alico (181):

Martia spoke to her submission and made no additional comments.

Moved Karen Naylor, seconded Patrick Handcock ONZM.

The **COMMITTEE RESOLVED**

1. That Councillor Renee Dingwall be agreed to Chair the Friday 13 May, 3.30pm to 5.30pm session.

Clause 15-22 above was carried.

The meeting adjourned (Session 5 finished) at 4.47pm.

The meeting resumed (Session 6 started) at 3.30pm Friday 13 May 2022.

Members Present: Councillors Renee Dingwall (in the Chair), Brent Barrett, Rachel Bowen, Zulfiqar Butt, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

Apologies The Mayor (absent on Council business), Councillors Susan Baty and Leonie Hapeta.

16-22 Apologies: Session 6 – 3.30pm, 13 May 2022

Moved Patrick Handcock ONZM, seconded Zulfiqar Butt.

The **COMMITTEE RESOLVED**

1. That the apologies be received.

Clause 16-22 above was carried.

Councillor Vaughan Dennison entered the meeting at 3.34pm.

17-22 Submissions to the Annual Budget 2022-23: Session 6

Moved Patrick Handcock ONZM, seconded Rachel Bowen.

The **COMMITTEE RESOLVED**

1. That the Committee note the Procedure for Hearing of Submissions, as described in the procedure sheet.

Clause 17-22 above was carried.

The Committee considered submissions on the draft Annual Budget (Plan) 2022/23 together with supporting oral statements including additional tabled material.

The following persons appeared before the Committee and made oral statements in support of their submissions and replied to questions from Elected Members, the additional points being:

Robert Dabb (296):

Robert spoke to his submission and made the following additional

comments:

- Would like to see a system where no-one pays less rates than last year and no-one pays over 10% than last year, applied to both the residential and commercial sectors.
- Suggested Council go back to 2018 valuations and apply an 8% increase (or whatever it is) across the board.
- Land value system is outdated and not fit for purpose; people live in houses, not sections.

Central Palmerston North Business Improvement District Inc. (Palmy BID) (319):

Rob Campbell spoke to the submission and made the following additional comments:

- Some would say that the role of security in the city centre should fall to the Police, but this is not the 1960s when Police resources were vastly greater relative to population size and the nature of crime.
- With respect to City Ambassadors - while we wait for someone else to take ownership we lose our children to gangs, we put our people at risk and discourage investment in the heart of the city.
- Palmy BID does not have the mandate to take over funding for this programme.

Manawatū Business Chamber (336):

Amanda Linsley & Steve Davey spoke to the submission and made the following additional comments:

- It was concerning to see the number of submissions from individuals whose personal proposed rate increase due to their land valuation is very high.
- Whilst MBC have always supported realistic rate valuations and acknowledged the necessity to invest in infrastructure, so as to manage growth sustainably, we do feel that Council needs to review its rates proposal and seek to cut costs this year; reflect, review and take stock of where we are.
- An additional budget for employee remuneration should be reviewed on an individual basis based on performance this year.
- Keen to be kept updated on what 3 Waters means for our city in terms of infrastructure, ownership and potential costs and benefits.
- With respect to the Civic and Cultural Precinct project, whilst we endorse the concept, we feel it is important that costs are clearly articulated and that everyone appreciates this is a long-term plan and a collaboration.
- We encourage Council to be aspirational and to consider new

ways of doing things .

Dale O'Reilly (314):

Dale O'Reilly spoke to her submission and made the following additional comments:

- The burden of a large rates increase is a little cruel in the current economic climate.
- It seems that the planning for the PNITI group of work makes up a large proportion of this year's rates increase and surely needs to be reassessed.
- In terms of being referred to by PNCC as part of one community, it was obviously speaking from a place where the word community refers to the entire jurisdiction of PNCC because no-one from Bunnythorpe was included in any of the discussions that led to either the 2010 Joint Transport Strategy or the PNITI group of projects, nor any of the freight hub workshops that were held.
- Another example of Council not acknowledging the individual history and makeup of their outlying communities is that it did not challenge an expert witness of KiwiRail's social impact expert that resulted in the consideration on which the panel of commissioners concluded that KiwiRail go ahead with their notice of requirement.
- If we had a community board (which has been requested) the manipulation of statistics within planning would be picked up on.
- What Bunnythorpe needs is a meeting dedicated specifically for PNCC representatives to speak candidly and honestly to the people of Bunnythorpe about the northeast industrial zone, the PNITI and the regional freight ring road.

The meeting closed at 4.17pm, Friday 13 May 2022

Confirmed 26 May 2022

Chairperson

MEMORANDUM

TO: Committee of Council

MEETING DATE: 26 May 2022

TITLE: 2022/23 Annual Budget - Moving Forward

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council receive:
 - a. the Engagement Summary (Attachment 1).
 - b. the Summary of Submissions (Attachment 2).
 - c. Officer Comments to the Summary of Submissions (Attachment 3)
 2. That Council instruct the Chief Executive to prepare a draft of the final Annual Budget document for consideration by the Committee of Council at its meeting on 15 June 2022 and that it incorporate:
 - a. The proposed amendments to the rating system to further moderate impacts of the rating revaluation entitled – “Rating incidence & proposed changes to the rating system” (Attachment 4: Schedule A)
 - b. The proposed options for funding operating programmes from the 2021/22 operating surplus entitled “Schedule of one-off operating programmes” (Attachment 5: Schedule B);
 - c. Proposed operational budget changes entitled “Annual Budget 2022/23 Schedule of Proposed Budget Changes” (Attachment 6: Schedule C);
 - d. Prioritised capital programme (Attachment 7: Schedule D)
 - e. The proposed programme carry forwards entitled “Annual Budget 2022/23 – Schedule of Proposed Carry Forward Capital Programmes” (Attachment 8: Schedule E);
 - f. The proposed amendments to the capital expenditure programme entitled “Annual Budget 2022/23 - Schedule of Proposed Amendments to Capital Expenditure Programmes” (Attachment 9: Schedule F)
 3. That Council agree the change to interest rate assumption.
-

1. ISSUE

This report is the vehicle through which the Council formally considers submissions to the Annual Budget. It is also the mechanism by which the Committee, in light of community consultation, provides direction to enable officers to prepare a draft of the final Annual Budget.

2. BACKGROUND

2.1 Community Engagement

The Council decided to consult on the Annual Budget and in doing so sought feedback on the direction, budget and programmes proposed and the changes proposed to the rating system to help moderate the effect of the revaluation on rates incidence.

Process Used for Community Engagement

Due to the uncertainties of the Covid protection framework it was planned that most of the community engagement process would be undertaken on-line.

An **engagement summary** is attached for information.

Results:

Submissions

The public had the option of making a submission and speaking to a Council Hearings Committee. 340 submissions were received (317 online, 12 emails, 76 letters, 2 via telephone and 1 petition of 568 signatures).

Elected members have received copies of all submissions, including those received after the closing date.

A **Summary of Submissions** (attached) groups submissions into key themes.

Council's Consultation Document sought specific feedback on the following three questions:

- What do you think of our proposed budget?
- What changes would you make?
- Do you have any other feedback?

Submitters made comment on a number of other issues, with the most popular being:

- the discomfort around the proposed rates increase,
- the issue of a capital based rating system vs land value,
- "Planter Box" Cycle Lane Barriers,
- a petition consisting of over 500 signatories to improve the road on Vogel Street

- staff remuneration, and
- Streets for People.

Hearings

26 of the 340 submissions were presented by people or organisations at the six hearing sessions. To assist the Committee, minutes from these hearings held as meetings on 10, 12 and 13 May 2022 are included with this Agenda.

2.2. Proposed further changes to the annual budget

Since consultation on the proposed annual budget, there have been a number of issues that have arisen that need to be considered in addition to the public feedback, when finalising the budget and setting the rates. These are outlined in summary below and in more detail in the attached schedules.

2.2.1 Inflation Assumption

In the draft annual budget Council factored an overall inflation increase of 2.4%. This is based on BERL's Local Government Cost Index (LGCI) that is updated annually in September.

The current CPI forecast is 6.7% and has been trending upwards at a rate not seen for some decades. The inflation assumption applied within the Annual Budget is the BERL LGCI.

This means that if a sustained period of inflation continues during the next financial year, it is possible that costs Council incurs as part of delivering its services could increase beyond the inflation assumption provided for in the budget.

2.2.2 Adjustments to debt assumptions and interest cost provisions

Council's 10 Year Plan assumption was that an average interest rate of 2.8% on Council's term debt would be appropriate. This assumption was changed to 3.1% for the proposed annual budget. Financial markets internationally and locally have been volatile and there has been more significant increases in interest rates than previously assumed. Although some of Council's debt portfolio is fixed there is still a significant portion that is floating and subject to the latest market rates.

The most recent assessment is that the average cost of funds for the debt portfolio (taking into account the portion that is at fixed rates) is more likely to be approximately 3.4% than the current provision of 3.1%.

It is therefore recommended the budget assumption for the average cost of funds be increased from 3.1% to 3.4%. The proposed budget assumed a total interest expense of \$6.47m. Increasing the interest rate, without making any other changes would increase this expense by \$615K. Having said that, it is expected that there will be reductions to the forecast opening debt balance and that these adjustments will mean it will be possible to accommodate increasing the interest rate without increasing the interest expense or increasing the rates income requirement.

2.2.3 Rating incidence & proposed changes to the rating system

The Consultation Document and supporting information contained a number of assumptions about the rating system for 2022/23. In addition to those about the levels of the fixed charges for services, it was also assumed there would be changes to the differential surcharges and that the Uniform Annual General Charge ("UAGC"- fixed charge) would be \$300. These changes were proposed in an effort to moderate the impacts of the latest city revaluation on the incidence of rates.

Despite our best endeavours to highlight that the changes in the level of rates for individual properties would vary widely as a consequence of the revaluation, many people expressed concern at the extent to which their increase was higher than the 8.3% increase in the Council's overall rates requirement. Although the Council's rating system is relatively simple (in national terms) it is still difficult to understand for most. Although rates are a tax many people view it as a charge for services and so if the rates on their property increase significantly, they expect there to have been commensurate increases in the services they receive. The Council needs to be confident the rates being assessed represent fair value for the Council's services and facilities that are provided.

The three yearly revaluation is the occasion when the base for calculating rates is reset to represent the changing circumstances. This is a legislative requirement of the Rating Valuations Act with the new values audited by the Valuer-General as required under this Act. As such the new valuations must legally be used as the rating base from 1 July 2022.

Although a number of scenarios for moderating the impact of the revaluation were considered prior to the adoption of the proposed budget, further analysis has since been undertaken in an effort to provide elected members with a better understanding of the position and some options for moving forward.

It is possible for the Council to determine it is appropriate to adopt an option where the differentials and the UAGC are different from those assumed in the proposed budget. However, consideration must be given as to whether the option being adopted is so different from that consulted on that it would need an additional period of public engagement, acknowledging that such changes will favourably impact some ratepayers, and have a negative effect on others.

An option for consideration is contained in Attachment 4: Schedule A, which increases the commercial/industrial surcharge from the proposed 180% to 200%, thereby further moderating the impact of the revaluation on residential properties. Further adjustments to the UAGC and/or the differentials were modelled but not considered due to the significance of the change it causes to the rating system.

There is insufficient time before the 30 June budget adoption deadline available for further engagement.

2.2.4 Potential use of cash operating surplus from previous year

It has been Council's policy to borrow externally only as required to fund capital expenditure. Council then limits borrowing during the year if the Council is operating with cash surpluses. That is the case this current year although there are indications the operating cash surplus is likely to be larger than usual. This has been as a result of Covid-19 lockdowns and restrictions in the red settings on Council delivering its activities.

An option to moderate the effects of the rating revaluation is to effectively utilise the cash surplus from the current year and by doing so reduce the cash required from rates in the new year. This option reduces the amount of surplus available to limit external borrowings.

If this option is exercised and rates revenue is held artificially low by utilising the current years cash surplus it is important to acknowledge the following considerations:

- This should be only be used for one-off operating programmes to avoid Council being hit with the need in the following year to increase rates to make up for the shortfall – this will exacerbate the size of any rates increase for that succeeding year.
- To be financially sustainable over the longer term in an environment where Council is investing heavily in new capital development, revenue needs to increase by an appropriate amount each year. This is measured through the use of the net debt to revenue ratio.
- There is a legislative requirement (s.100 of the Local Government Act) that a local authority must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. In certain circumstances the Council is permitted by resolution to set income at a lower level if, having regard for the criteria in the legislation, it believes it is prudent to do so.
- Any ring fencing of funds will mean the level of borrowing required in 2022/23 will increase as it will limit the amount of surplus to be applied to debt repayment in 2021/22.

Officers have identified items that this funding approach could be applied against and these are attached in Attachment 5: Schedule B.

2.2.5 Government's "Better-off" funding

At the time of the adoption of the draft Budget, there was insufficient information regarding the criteria and process required to be used by Council to access any of the first tranche (approx. \$8.1m) of 'better-off' funding. Therefore, an assumption was made to not include this potential funding in the draft budget and to reassess the assumption as part of finalising the 2022/23 budget.

In April the criteria and process to be followed for applying for 'better-off' funding was released. This involves a significant process to determining what will be able to be applied for (including iwi involvement). Council has until the 30 September 2022 to lodge a funding proposal, resulting in the outcome of our application not being known in time to be able to inform the Annual Budget.

2.2.6 Proposed adjustments to other budgets

As part of reviewing the draft budget, officers have made the following adjustments based on updated assumptions and new Council recommendations since the preparation of the draft budget:

1. As per Planning & Strategy Committee Meeting recommendations of 9 March 2022, Council agreed (31-22) that an operating programme for a Traffic and Parking bylaw review be brought forward to 2021/22- 2022/23. \$30K has been allocated to 2022-23 (#2143-Traffic and Parking Bylaw review).
2. Updated the remuneration budget and allocation of staff costs between activities based on the latest staffing position. This results in little change overall however some variation at individual activities.
3. The waste levy that Council receives from the Ministry for the Environment has now been confirmed as increasing by a further \$288K. The budget has been updated to reflect this increase.
4. Other minor budget corrections based on revised assumptions.

The following recommendation from Play, Recreation & Sport Committee Meeting of 27 April 2022 is noted here for debate. It has not been included in the budget at this stage.

1. That the funding for tree planting in programme 1099 be brought forward from years 4-10, to a maximum of \$40,000 each year, and that this be referred to the annual budget deliberations.

Officers have also considered further options and implications of reducing the operating programme in response to submissions on the discomfort of proposed rates increases. These are itemised in Attachment 6: Schedule C for Elected Member consideration.

2.2.7 Progress with the 2021/22 capital expenditure programme and impact on proposed 2022/23 programme

Officers reforecast the capital programme for 2021/22 in February, based on the deliverability review. This included looking at any work that was not yet procured, for design and for construction for both the 2021/22 year and for the 2022/23 year. Changes were made, allowing a robust time frame for design and consenting and procurement, as well as a robust timeframe for delivery. For some larger or more complex projects, this spread the design and delivery from one 10 Year Plan year to be across two years to be realistic. The revised forecast also took into account any

known market constraints for delivery. We also specifically identified growth programmes, as they are constrained by when the developers want them. Growth programmes had made up approximately 20% of our capital new programme. These have now been carried forward over two years to be more realistic about COVID and other market impacts on development.

Whilst this highlighted the need to order materials and equipment early, and moved a few budgets forward, in the main this cautious analysis resulted in identifying 2022/23 projects to be carried forward to 2023/24, and resulted in moving some 2021/22 carry forwards out two years rather than one year.

This was presented to Elected Members at the start of the annual plan process, to demonstrate that officers were being realistic about what could be delivered. At time of consultation, the 10 Year Plan sum for 2022/23 of \$74.2m had been reduced to \$37m comprising \$32.6m programmes and \$4.4m growth. Capital new has now increased from \$37m to \$42m. The change relates to an increase in growth programmes to account for Custom Street being moved back into the 2022/23 programme from where it had been moved to 2023/24 in February.

The deliverability review last year resulted in work being undertaken to secure our supply chain to give Council more certainty of delivery. The design panel will give more security of design delivery in a timely matter, which then significantly increases predictability of construction procurement and delivery.

Attachment 10: Schedule G shows the proportion of work including carry forwards made up by large contracts or under procurement which enables officers to focus on their delivery. This gives confidence that staff will be able to deliver the programme of new works through more comprehensive planning and early design.

The proposed budget made an assumption that \$27m of capital programmes would need to be carried forward to 2022/23, made up of \$24.5m new and \$2.5m renewal. This assumption has now been reviewed to show the impact that the pandemic had on delivery through February to May 2022.

Attached as Attachment 8: Schedule E is an updated schedule of proposed carry forward assumptions highlighting where there is a difference from the assumption in the proposed annual budget released for consultation. Proposed carry forwards now amount to \$36m (\$4.2m for renewals, \$29.0m for capital new & \$2.7m for operating).

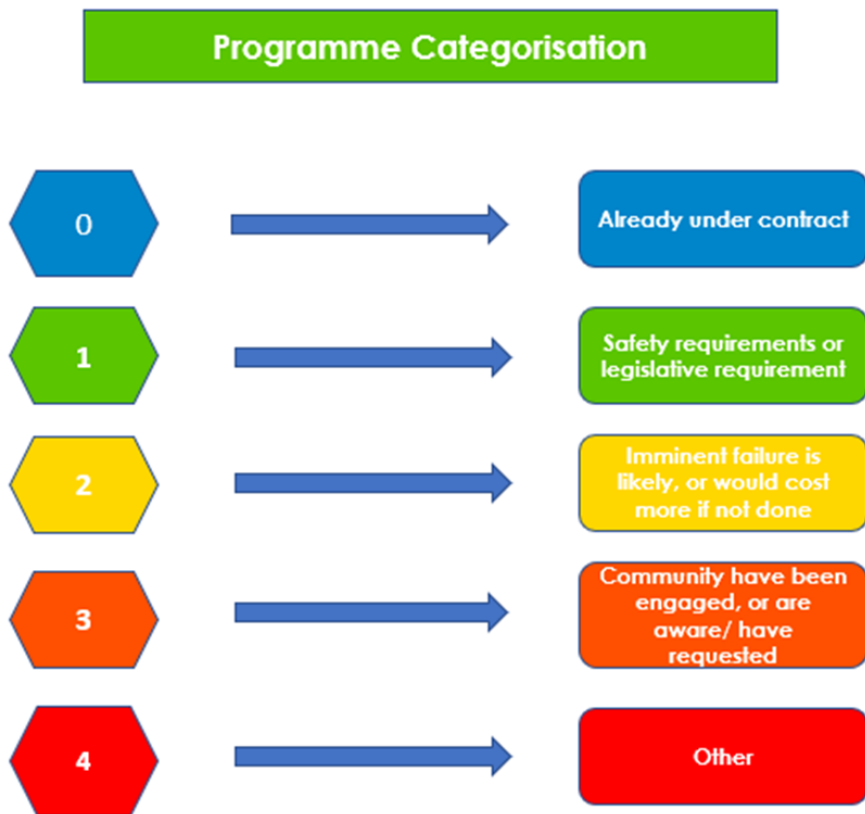
In summary the updated capital programme is recommended to be as follows (may be subject to change):

	10YP 2021-31 (2022/23)	Proposed Annual Budget for Consultation \$m	Updated recommendations \$m
Capital new programmes:	74.2	37.0	40.2
<i>Programmes</i>	45.6	32.6	32.6
<i>Growth</i>	28.6	4.4	7.6*

			<i>Custom street</i>
Capital renewal programmes	30.2	28.6	28.3
Capital New - Carry forward from 2021/22 to 2022/23	-	24.7	29.0
<i>Programmes</i>	<i>-</i>	<i>23.0</i>	<i>25.7</i>
<i>Growth</i>	<i>-</i>	<i>1.7</i>	<i>3.3</i>
Capital Renewal - Carry forward from 2021/22 to 2022/23	-	2.5	4.2
Grand Total	104.4	92.9	101.8

Officers have developed a programme categorisation matrix to help Elected Members with decision making on further prioritisation. This matrix is shown below with programmes categorised in Attachment 7: Schedule D.

Decision Matrix / Programme Categorisation



The table below provides a summary of the proposed capital programme by programme categorisation:

Category	Capital New \$m	Capital Renewal \$m
0 – Already Under Contract	15.9	5.0
1 – Safety/Legislative requirements	14.9	12.7
2 – Risk of failure or increased costs if not done	3.4	10.2
3 – Community engaged/requested	1.5	0.0
4 – Other	4.4	0.3

3. NEXT STEPS








Direction provided by the Committee of Council will assist officers to prepare a draft of the final Annual Budget. This will be discussed by the Committee of Council at its meeting on 15 June prior to Council adopting the final Annual Budget on 29 June 2022. Rates for 2022/23 will also be formally set at that meeting.

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 5: A Driven & Enabling Council	
The recommendations contribute to the achievement of action/actions in (Not Applicable)	
Contribution to strategic direction and to social, economic, environmental	Adopting the Annual Budget is an essential part of the process of facilitating the achievement of the Council's strategic direction.

and cultural well-being	
-------------------------	--

ATTACHMENTS

1. Engagement Summary [↓](#) 
2. Summary of Submissions [↓](#) 
3. Officer Comments to Summary of Submissions (attached separately)
4. Schedule A - Rating Incidence & Proposed Changes to the Rating System [↓](#) 
5. Schedule B - One-off Operating Programmes [↓](#) 
6. Schedule C - Proposed Operating Budget Change (attached separately)
7. Schedule D - Prioritised Capital Programmes [↓](#) 
8. Schedule E - Carry Forwards from 2021-22 [↓](#) 
9. Schedule F - Proposed Amendments to Capital Programmes [↓](#) 
10. Schedule G - Work contracted and in procurement (attached separately)

