



PALMERSTON NORTH CITY COUNCIL

AGENDA
COMMITTEE OF COUNCIL

9AM, WEDNESDAY 20 MAY 2020
ELWOOD ROOM, CONFERENCE & FUNCTION CENTRE
354 MAIN STREET, PALMERSTON NORTH



MEMBERSHIP

Grant Smith (Chairperson)

Tangi Utikere (Deputy Chairperson)

Brent Barrett

Susan Baty

Rachel Bowen

Zulfiqar Butt

Vaughan Dennison

Renee Dingwall

Lew Findlay QSM

Patrick Handcock ONZM

Leonie Hapeta

Lorna Johnson

Billy Meehan

Karen Naylor

Bruno Petrenas

Aleisha Rutherford

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

Palmerston North City Council

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Private Bag 11034, 32 The Square, Palmerston North



COMMITTEE OF COUNCIL MEETING

20 May 2020

ORDER OF BUSINESS

Note: Due to the changing situation in relation to COVID-19, this meeting will also be held via audio visual links. A recording of the meeting will be made available on our website shortly after the meeting has finished.

If you wish to attend this meeting via audio visual link then please contact the Democracy & Governance Advisor, Sarah Claridge, on sarah.claridge@pncc.govt.nz to request a link.

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**

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“That the minutes of the Committee of Council meeting of 8 May 2020 Part I Public be confirmed as a true and correct record.”

6. **Annual Budget 2020/21 - Moving Forward**

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Memorandum, presented by Stuart McKinnon, Chief Financial Officer.

(NOTE: Additional attachments (Appendix 2 and Appendix 3) to be provided as a supplementary item.)

7. **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 Meeting Part I Public, held as an audio visual meeting on 08 May 2020, commencing

Friday 8 May 2020 – 9.00am

Monday 11 May 2020 – 9.00am and 3.30pm

8 May 2020, 9am

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

Present:

Apologies: The Mayor (Grant Smith) (on Council business).

11 May 2020, 9am

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

Present:

11 May 2020, 3.30pm

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

Present:

4-20 Apologies

Moved Tangi Utikere, seconded Vaughan Dennison.

The **COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 4-20 above was carried 15 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

5-20 Confirmation of Minutes

Moved Tangi Utikere, seconded Zulfiqar Butt.

The **COMMITTEE RESOLVED**

1. That the minutes of the Committee of Council meeting of 4 March 2020 Part I Public be confirmed as a true and correct record.

Clause 5-20 above was carried 15 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

6-20 Submissions to Annual Budget 20-21

The Committee considered submissions on the Annual Budget 2020-21 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.

9.00am Friday 8 May 2020

Dale O'Reilly (1):

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

- Unhappy that an unbudgeted, substantially larger dog pound is included in the draft Annual Budget, when the proposed Bunnythorpe Community Centre is too small will not meet the need of the growing population of Bunnythorpe.
- PNCC did not consult with the Bunnythorpe Community Centre Association on the proposed plans and have not shared relevant information with the Association or the community.
- PNCC tends to treat Bunnythorpe as part of the city, however Bunnythorpe is a rural community and its needs are different.
- Bunnythorpe's close geographical location to Feilding and Palmerston North has allowed councils to ignore its needs in the past. It has no community centre and often infrastructure funding is diverted or deferred. This has meant children have to cross busy roads to get to school, the Bunnythorpe to Palmerston North cycle pathway never progressed and a

proper-sized, fit for purpose plan for a community centre is not included in the Annual Budget.

- The Association rejects the reasons given by Council and other funding agencies to not fund the building of a larger centre.

Annette Nixon and Rev Susan Blaikie - Presbyterian New Church (28):

Annette Nixon and Rev Susan Blaikie spoke to the Presbyterian New Church submission and made the following comments:

- They welcomed the opportunity to engage with Council and updated Councillors on the community work being done by the Presbyterian New Church. The Presbyterian New Church was formed by the merging of St David's and St Marks Parishes.
- The Church continues to meet with council planners to explore the opportunities that exist with the vacant Awapuni land.
- During the Covid-19 lockdown the Church has been operating a free food delivery service for the vulnerable and elderly in the community.
- The Church has been encouraging information technology take-up and has been running a training service to support people to learn new technology. The service relies on donated devices; tablets are especially useful as they can access the internet by mobile hot-spots. A lot of people are taking up this offer.
- The Presbyterian New Church would like to be involved in the City Council's recovery plan.
- In terms of the rate increase, the Church would like to see a smaller rate increase than the proposed 4% but council services that focus on people's wellbeing should be retained.
- There are no plans yet for the building at St David's, the Church's focus is on the needs of the community at the moment.

Beth Tolley – Extinction Rebellion Manawatū (29):

Beth Tolley spoke to the Extinction Rebellion Manawatū submission and made the following comments:

- Really liked Council's strategic goal of eco-city and actions to reduce carbon footprint, the signed climate change MOU with Horizons Regional Council, established climate change portfolio and Environmental Sustainability Committee.
- The Annual Budget lacks urgency in regard to mitigating climate change. The Budget needs to be more ambitious in regard to climate change because CO² emissions continue to increase.
- Disagreed with the term 'sustainable growth' as growth is not sustainable,

we can't have infinite growth on a finite planet. Concerned with the balance between economic growth and protecting the environment.

- The Covid 19 lockdown offers hope that we can change our behaviour to improve the environment. Climate change is an environmental emergency that we need to address now.
- Actions we would like Council to consider:
 - Remove the term 'sustainable growth' from 10 Year Plan/ Council plans and what you mean by it.
 - Investigate alternatives to growth based economy. For example the donut economic model requires meeting peoples' basic needs within the limits of the economy. The model requires economies to operate between an outer limit of destroying the planet and the inner limit of causing suffering to people.
 - Be more ambitious with the reducing carbon dioxide goal – for example 0% net carbon emission by 2025
 - Encourage more Iwi input into climate change issues.
 - Empower people to want to live sustainable by telling the truth about the climate emergency. Authorities overseas use environmental dashboards to show the daily level of pollution in river, drinking water being used etc.
 - Enable or support interest free loans for households to install solar panels and rainwater collection tanks on existing houses and make it a requirement for new builds.
 - Encourage the reuse, and repair of goods.
 - Council should start collecting food waste.
 - Proposed Council project should outline whether they reduce carbon emissions, increase environment sustainability or biodiversity and help the poorest in the city.
 - Look at local currency to encourage money to stay in the local economy.
- In regard to helping the poorest people in the city, we believe the Council should be careful with a rate increase. Council could encourage community gardens, and use resources we already have rather than create new ones.

Karen Adams (34):

Karen Adams spoke to her submission and made the following comments:

- To reflect the effects of Covid-19, Council expenditure should be transparent, necessary and the budget should be rewritten depending on needs and wants.
- She thanked the officers on the Council helpdesk for answering her queries promptly or connecting her through to the right person to assist her.
- The overflowing rubbish bins at He Aha Kotahi had been collected, however there needs to be more rubbish bins there, or the coffee carts

located there should provide their own bins to take away the rubbish they create.

- The footpath on College St needs to be repaired from Cook street to Maxwell Line as it is uneven, lifting and cracked. It's a real danger for the elderly.
- Council should re-prioritise its expenditure and focus on its core business but with an environmental lens. for example, rubbish should be collected in an environmentally friendly way, diverting more recyclables from landfill and reducing the city's carbon emissions.
- Money could be saved by having more regionally focussed waste collection services. She would like to see a regional incinerator built to stop waste going to landfill. The incinerator could be run on the electricity it produced.
- Should make rain water collection mandatory on all new builds. Council could reduce development costs if developers include elements to their designs that produce less strain on the infrastructure
- Have a minimum permeable area for all subdivisions (including in-fill housing), to enable effective ground water run-off and to reduce the threat of flooding.
- Ensuring the quality of construction and ongoing maintenance needs of Council's capital projects. The poor quality of work at He Ara Kotahi meant there were cracks in the pathway leading to Ahimate Park one week after it was completed. Council needs to have better oversight of the design of these projects and the materials used.

Note:

Councillor Lew Findlay declared a conflict of interest in the above submission and withdrew from discussion.

Jo Erkens (4):

Jo Erkens chose not to address the Committee and instead provided a verbal report to be presented. The Democracy and Governance Manager read his verbal submission to the Committee and the following comments were made:

- Concerned about the ability of many, particularly elderly to pay.
- Feels lack of understanding from Councillors and CEO of what some residents are struggling with.
- Requests a 0% rates increase.
- Requests reschedule of priorities to wastewater treatment plant, wastewater systems, stormwater, water.
- Understands that Council costs will decrease as a result of COVID-19.

The meeting adjourned at 10.00am.

9am Monday 11 May 2020**Jean Hera, Women's Health Collective (5):**

Jean Hera spoke on behalf of the Women's Health Collective's submission and made the following comments:

- Women's Health Collective advocates for women and most vulnerable people, Covid-19 will affect funding for these people.
- Thanked PNCC for their continued support and assistance.
- Ongoing support for community groups is needed. Post Covid-19, the funding pool for community groups will be smaller, need to consider backup plan for support.

Russell Hallam (16):

Russell Hallam spoke to his submission and made the following comments:

- The city's footpaths need to be widened and should be better maintained to encourage people to walk.
- Footpaths should be for pedestrians only, Council should be encouraging people to walk by making sure cyclists stay off the footpaths. Cyclists should ride on the roads/ cycleways as bikes on footpaths can be dangerous.
- Council should build more cycleways to alleviate the need for people to cycle on footpaths.
- Concerned with both the speed of the bike on footpaths and the volume of cyclists using footpaths.
- More people have been using the cycleways during the lockdown. Council should create dedicated spaces for pedestrians, cyclists and motorists to ensure the safety of all users and to encourage people to walk and bike.
- Speed Limit Concern on College St. between Victoria Ave and Albert St. It is a busy, narrow road and he would like to see the speed limit lowered to reduce the high density of traffic. He was informed by council officers that because the road is an arterial route, speed bumps are not allowed.
- Mr Hallam was informed that the Council is in the middle of a multi-stage speed limit review, so it would be possible to review the speed limit during this review.

Stewart Harrex, Environment Network Manawatū (17):

Stewart Harrex spoke on behalf of the Environment Network Manawatū submission and made the following comments:

- Would like to see Council support the creation of a re-generative economy to build the resilience in the city.
- Have drafted a post Covid-19 discussion paper which includes immediate actions for waste minimisation and biodiversity enhancement and there are opportunities for co-funding in the waste minimisation fund and predator free 2050 funds.
- Environment Network Manawatū has been working on the following initiatives:
 - Working with Enviro Hub Aotearoa to create a central city hub for the Environment sector
 - Creating a city-wide register of businesses working in regenerative actions
 - Developing a register for locally grown food initiatives
 - Creating a city wide planting and weed control programme
- The City wide plan around food availability includes all food, not just foodbanks. We're aiming to reduce food waste and are working with existing groups for example churches and Just Zilch to assist them in their work and help them with any problems they face.
- Would like Council assistance to co-ordinate volunteer groups for pest control.
- It would be great if more council officers had sustainability/climate change qualifications to deliver on the Council's eco city plan.
- Would like to see more public discussions around the effects of climate change on everyday life. We need to increase public understanding and knowledge in the wider community, in order to improve public engagement.

Emma Ochei and Kim Penny, Palmerston North Community Services Council (38):

Emma Ochei and Kim Penny spoke on behalf of the Palmerston North Community Services Council submission, they made the following comments:

- Supports the continued contracted funding of \$60,000 for administration and \$5,000 for furniture for Hancock House. Palmerston North Community Services appreciates its close relationship with Council .
- Council funding allows for a reception service at Hancock Community House which provides a point of contact for tenants and clients and Council support officers. It has opened up the possibilities for further shared services in the future. Provides structure to look at benefits for all users of Hancock House.
- Due to Covid-19 demand for social services will increase, unsure when or what services will be required, but know there is a need for

continued support of the community sector. Council support is vital financially and for championing the work of the community sector.

- The reception service has the potential to expand and take on more administrative responsibilities to allow social services to focus on their clients. There is also an opportunity for further shared services in the future.
- Elements of the work done during the lockdown can continue. The collaboration between organisations was fantastic and the urgency of assisting those in need should continue. The sector is looking forward to seeing their clients face to face and will be once government guidelines are released.
- Believe the \$5000 furniture grant is in addition to the \$60,000 grant in the proposed Annual Budget. The \$5000 furniture allowance was agreed by Council in December 2018 as an annual payment.

Note:

Councillor Pat Hancock declared a conflict of interest in the above submission and withdrew from discussion.

Noel Beavers & Steve Yanko, The Order of St John (39):

Noel Beavers and Steve Yanko spoke on behalf of The Order of St John submission and made the following comments:

- Currently fundraising for a second Ambulance station on Willis Street to allow for better response times on the east side of city. Already have a site and can provide a minimal service during the day but it doesn't have adequate facilities to be manned 24/7.
- Building target is \$650,000, St John did have 50% of it but some funding previously earmarked for the building had to be used for Covid-19 response.
- Asking for Council funding of \$200,000, as St John's needs to get two thirds of the money before national body will consider topping it up.
- Infrastructure and buildings are not government funded. There are ongoing discussions with government to improve national funding for St John, and for the government to fund infrastructure.
- Territorial Authorities are starting to assist St Johns, mostly in rural communities – with gifts of land and assistance, no formula for council support and it's not taken for granted by St John.
- National arm of St John provides grants and support with fund raising.
- St John would consider a different site if PNCC had suitable land available. Would also consider hubs for services and have investigated co-location with other emergency services, but nothing suitable.
- St John would like to get the project started by the end of the year as there is an urgency to get this building build.

Alastair Cole, Manawatū River Source to Sea (44):

Alastair Cole spoke on behalf of the Manawatū River Source to Sea submission and made the following comments:

- Manawatū River Source to Sea is a branch of Environment Manawatū, it focuses on biodiversity along the Manawatu river catchment.
- There are post Covid-19 co-funding opportunities to rebuild the economy into a green economy. Mr Cole has been in discussion with PNCC, Horizons Regional Council, Ministry for Environment (MfE), Department for Conservation (DOC) and Ministry for Primary Industries (MPI) about a proposed environmental work programme for the Manawatū catchment. He still has other Territorial Authorities to speak with.
- Could make a pitch with Councils for funding for projects around unallocated Crown land in river corridors in region for planting and enhancement, pest and weed control, and constructing predator free areas.
- Know 10-year plan are happening next year and this is an opportunity to discuss the options available to improve the waterways in the Manawatū .
- Speak to all councils in the Manawatu region, PNCC's leadership in the environment sector has allowed Manawatū River Source to Sea to have more fruitful conversations with the other councils.
- Opportunities to partner up for projects around predator- free zones and waste minimisation.
- Manawatū River Source to Sea can act as conduit to get other groups involved in projects.

Amanda Linsley, Manawatū Chamber of Commerce (49):

Amanda Linsley spoke on behalf of the Manawatū Chamber of Commerce submission and made the following comments:

- Manawatū Chamber of Commerce does not agree with a rate freeze as it could lead to job losses and economic downturn. Instead, Council should reprioritise spending and review the proposed rate increase.
- PNCC encouraged to apply for central government funding to support businesses emerging from Covid-19.
- Council should fund projects that support local skills and talents for example the "Choose Manawatu" campaign, and look at long term environmentally sustainable projects, such as waste minimisation, environmental space, recycling, up-cycling and using resources we have in

city.

- For businesses facing severe hardship, PNCC should consider rates relief or a rates deferral/payment option. However, this rates relief need to be passed onto commercial tenants.
- There are redundancies in the hospitality sector, numbers likely to increase as time goes by.

The meeting adjourned at 10.27am.

3.30pm, Monday 11 May 2020

Ben Schmidt (Co-ordinator) Manawatū Tenants Union (30):

Ben Schmidt spoke on behalf of the Manawatū Tenants Union submission and made the following comments:

- Thanked the staff for their work during the Covid 19 response, especially the Welfare team.
- Council needs to retain its capability to assist the community in the future, it should not make rates cuts that will restrict its future capabilities.
- The housing crisis remains, and we need more council housing to alleviate it. The Council needs to continue to build social housing and keep it affordable for the vulnerable people in society.
- Homelessness continues to grow in the city, and we have expanded our services to meet the additional need.
- During the lockdown, we experienced a lull in the number of people accessing our services, this might have been because of the laws put in place to protect tenants from eviction during covid-19, however we expect this to change as the wage subsidy stops.

David Chapple, Menzshed Manawatū (11):

David Chapple spoke on behalf of the Menzshed Manawatū submission and made the following comments:

- Menzshed is a community group which encourages the sharing of ideas, being creative, giving back to the community through community projects and supporting each other. During the lockdown we have been meeting via zoom. There have been lots of enquiries during the lockdown from men who have lost their job or are planning to retire early.
- He updated the Council on the plans to renovate the Menzshed building (council owned building). We have detailed plans to renovate the building both internally and to build an external addition to the building.
- Due to the Covid-19 lockdown we now plan to split the work into two

stages. Stage 1 is the interior and Stage 2 the external extension. We hope to have stage 1 completed this year and stage 2 completed by end of 2021.

- The Council's 10 year plan made a commitment towards this project and we would like Council to cover the cost of the resource consent, this will allow our own funding to go towards the building work.
- Mr Chapple was informed that the Finance and Audit Committee has a fund available which grants relief for resource consent.

Stephen Berg and Wayne Edwards New Zealand Rugby Museum (7):

Stephen Berg spoke on behalf of the New Zealand Rugby Museum submission and made the following comments:

- David Kirk will be the new patron of the museum following the passing of Graham Lochore.
- Would like to receive an annual grant from the Arts, Culture and Heritage Committee to help them guarantee their annual budget.
- In the long term, the Rugby Museum would like a long-term assured tenure and would like to stay with Te Manawa museum.
- Due to Covid-19 the museum is currently shut and it has lost its NZRU grant for the year.
- The museum was mostly reliant on international visitors; however, it is working with CEDA to market itself to domestic tourists.
- The PNCC arts grant to the museum remains for the next 3 years.

Trevor Shailer (CEO) and Nolan King (Chair) Sport Manawatū (32):

Trevor Shailer (CEO) and Nolan King (Chair) spoke on behalf of the Sport Manawatū submission and made the following comments:

- Sport Manawatū supports the work being done by Council, especially with the work to improve the walkway network, sports field renovations and funding around sports fields.
- Believes that play, active recreation and sport is going to be very important in the next few weeks.
- The planning for the fit for purpose Sports House recreation centre is continuing. Sport Manawatū is keen to keep things going during Covid-19 and want to keep the allocation for the project in the LTP. The landowner of the site is providing the land but no additional financial support. The Sports House project is reliant on a strong partnerships approach with all partners including PNCC.
- The Sports NZ Relief fund is offering grants to regional sport organisations and clubs to support the sector. The funds available are for fixed costs. Sport Manawatu has processed 12 applications today and decisions are

being made in 10 days' time to get the money to the sector quickly.

- Sport Manawatū is working hard to keep their sports afloat and will provide ongoing support as the wage subsidy is removed. It is important that we have a sector to rebuild.
- Relationship with council fundamental for providing the facilities for people to use.
- The use of facilities and how sports are going to apply the measures of level 2 is still being worked out. The message to sport clubs is to make sure the planning is done to keep people safe before we start sport again.
- We expect the use of facilities to be around 50% (of previous use) for structured sports and slightly more than 50% for unstructured sports.
- We are still waiting for confirmation around secondary school sports and when they will start.
- We have given our support to Basketball NZ and Volleyball NZ for them to re-start competitions in Manawatū.
- Sport Manawatū continues to fund and encourage active transport programmes which are assisted by the great work being done by other groups. Council maintaining and building cycleways and pathways is equally important.

Cliff Wilson (Chair) Hoffman Kiln Trust (18):

Mr Wilson was unable to connect to the meeting. If Mr Wilson has anything he wishes to share with the Councillors he is welcome to contact the Democracy and Governance Manager, who will pass his comments on.

Note:

Councillor Bruno Petrenas declared a conflict of interest in the above submission.

Moved Grant Smith, seconded Tangi Utikere.

The **COMMITTEE RESOLVED**

1. That all material be referred to the Committee of Council meeting on 20 May 2020 for its consideration in the first instance.

Clause 6-20 above was carried 16 votes to 0, the voting being as follows:

For:

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

The meeting finished at 4.26pm.

Confirmed 20 May 2020

Chairperson

MEMORANDUM

TO: Committee of Council

MEETING DATE: 20 May 2020

TITLE: Annual Budget 2020/21 - Moving Forward

PRESENTED BY: Stuart McKinnon, Chief Financial Officer

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That the written submissions from the consultation process on the proposed Annual Budget 2020/21 be received.
 2. That the Chief Executive be instructed to prepare a draft of the final Annual Budget document for consideration by the Committee of Council at its meeting on 10 June 2020 and that it incorporate:
 - a. Proposed budget changes entitled “Annual Budget 2020/21 Schedule of Proposed Budget Changes” (attached as Appendix 1);
 - b. The proposed programme carry forwards entitled “Annual Budget 2020/21 – Schedule of Proposed Carry Forward Capital Programmes” (attached as Appendix 2);
 - c. The proposed amendments to the capital expenditure programme entitled “Annual Budget 2020/21 - Schedule of Proposed Amendments to Capital Expenditure Programmes” (attached as Appendix 3);
 - d. Other budget changes determined from the schedule entitled “Annual Budget 2020/21 - Schedule of Possible further Budget Changes” (attached as Appendix 4);
 - e. Establishment of an operating programme of \$200,000 to provide support for community relief efforts post COVID-19 with the support to be subject to criteria yet to be developed and approved by Council;
 - f. Any amendments determined by the Committee.
-

1. ISSUE

This report is the vehicle through which the Council formally receives the written submissions to the Annual Budget and related consultation, and considers information raised in the submissions. On this occasion it also outlines Budget implications of the COVID-19 pandemic. 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 specifically the proposal to fund an additional \$500,000 in debt repayment. In addition, feedback was sought on what Council should be considering for the upcoming 10 Year Plan.

The Consultation Document and public messaging also indicated the Council would be reviewing the proposed budget given the implications of the COVID-19 pandemic were becoming more obvious and would require changes to a number of underlying assumptions.

Process Used for Community Engagement

The community engagement process had to be modified as the practicalities of operating at the various alert levels became known.

The Consultation Document (and the more detailed supporting information) was made available on Council's website. Copies were also made available to be posted to anyone who sought them. Public notices were made in the local media and on the website. Prompts were made through radio and social media.

Results:

Submissions

The public had the option of making a submission and speaking to a Council Hearings Committee. 49 submissions were received (33 online, 1 form, 15 emails).

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

A summary of the comments made in submissions during the formal consultation period, is collated in the "Summary of Submissions" document previously circulated.

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

- 1 Please tell us what you think about our proposed Annual Budget for 2020/21

Submitters recognised the proposed budget was prepared in pre-COVID times and a significant number of them believed the Council should find ways of limiting the rates increase even further. It was interesting to note that some, including the Manawatu Chamber of Commerce, urged the Council to prioritise spending but not withdraw from investing in those things that will help foster city development and economic recovery.

- 2 Do you want to make any comments about what's changed from Year 3 of the 10 Year Plan?

No significant comments as covered in question 1.

- 3 Please tell us what you think about Council's proposal to allocate \$500,000 in this budget for additional debt repayment.

Those who commented generally supported the approach but felt that in the light of COVID-19 it should not be proceeded with this year.

- 4 What should we be considering for the upcoming 10 Year Plan?

There was a variety of views but a consensus on more focus on environment, communities and cutting costs.

Submitters made comment on a number of other issues, with the most popular being nature calls, organisational development, social housing, environmental sustainability and climate change.

Hearings

16 of the 49 submissions were presented by people or organisations at the 3 hearing sessions. To assist the Committee, minutes from these hearings held as virtual meetings on 8 and 11 May 2020 are included with this Agenda.

2.2 COVID-19 pandemic related issues & impact on Annual Budget

At the time the proposed Annual Budget was adopted for public consultation the potential challenges of COVID-19 were only just starting to become obvious.

This report does not attempt to cover the full range of impacts on the City or Council but rather those things that are necessary to enable the Annual Budget for 2020/21 to be finalised and the rates for the year to be set.

The matters are considered under the following headings:

- Impacts on the Council's services and operations
- Progress with the 2019/20 capital expenditure programme and impact on proposed 2020/21 programme

2.2.1 Impacts on the Council's services and operations

Throughout the period of the level 4 lockdown the Council was able to maintain a wide range of core services, particularly those relating to water supply, wastewater treatment and disposal, rubbish and recycling collection and disposal. For a number of others only critical services were possible. Under alert level 3 a wider range of services has been possible (where they have been able to operate in accordance with safety guidelines). However, a number of public facing services such as libraries, venues, wildbase and parking were severely constrained.

From a financial point of view the effect for 2019/20 has been:

- A minimal reduction in operating costs
- A significant impact on revenues for activities such as parking, venues and some regulatory services
- Incurring some unexpected costs related to the COVID response eg purchase of laptops to enable more staff to work remotely
- Lower interest costs due to deferrals of capital programmes

As a result of disruption to services and the new operating environment officers have reviewed **proposed budgets** and make recommendations for a number of **changes**. These are outlined in **Appendix 1**.

The COVID-19 pandemic has had a reasonably large impact on non-rates revenue, with an expected reduction of approximately \$3.9m.

In response, officers have recommended significant cuts to operating expenditure, and have revised assumptions about inflation, debt levels, debt repayment and interest costs.

2.2.1 (a) Parking revenue

It is difficult to make any informed judgement about some of the potential revenue reduction, especially in relation to parking and there is a risk that revenue losses might be greater than assumed. The provisional budget assumed total parking revenue of \$4m for 2020/21 compared with a budget of \$3.9m for 2019/20 and an actual of \$3.68m for 2018/19.

Assuming parking enforcement recommences before 1 July then it is recommended that the budgeted revenue for parking be reduced by \$700k to \$3.3m – this represents \$100k per month for the first 6 months for metered parking and \$100k less in infringement revenue.

This introduces an element of revenue risk but on balance it is believed to be a reasonable assumption. In the event revenue begins to track at levels less than assumed the Council

may need to consider options such as postponing operating expenditure programmes or borrowing temporarily to fund the revenue gap.

2.2.1 (b) Dividend from Airport Company

The provisional budget included an assumption of \$0.6m dividend from PN Airport Ltd in relation to its operations for 2019/20. The company's revised forecasts and budgets indicate it will not have the capability of paying the Council a dividend during the year.

2.2.1 (c) Venues Revenue

Council's key venues are CET Arena and the Conference & Function Centre. Both will be hit hard by on-going restrictions on numbers attending events. Although both venues have some variable costs it has been assumed that the combined net revenue (ie revenue less costs) will be \$0.7m lower than assumed in the provisional budget.

2.2.1 (d) Environment, Building & Planning Revenues

It is difficult to assess how much impact COVID will have on regulatory activity (building and planning consents) but it has been assumed there will be some reduction, albeit, temporary. It is possible that some businesses such as restaurants will not survive and so there will be lower environmental fee revenue. Some costs associated with these revenues are variable so this will help mitigate the revenue loss. An overall net reduction of \$0.4m has been assumed.

2.2.1 (e) Other Revenue

It has been assumed there will be some loss of revenue from the library and for sportsfields due to restrictions on use.

2.2.1 (f) Adjustments to assumptions for inflation and staff costs

The provisional budget included an assumption that costs would increase in accordance with forecasts provided by BERL in September 2019. For most types of expense this assumption was 2.2%. Due to the changes in the marketplace it has now been proposed that this assumption could reasonably be reduced to 1.2%. This reduction may place pressure on some activities, but as usual officers will be seeking more efficient and effective operating processes to compensate for this. This reduction amounts to approx. \$0.9m.

The provisional budget assumed there would be upward pressure on staff costs due to marketplace pressure to retain and recruit staff. As a specific response to the pandemic and need to reduce costs, it is recommended that the inflationary provision for remuneration be removed. This amounts to approx. \$1.15m.

Further to this a number of other efficiency savings are proposed amounting to approx. \$0.5m. These relate to reduced training and travel provisions, consulting costs and further salary savings. Savings of \$37k are also proposed for the elected member training budget.

2.2.1 (g) Changed assumption regarding the funding of Council's new ERP

In adopting the proposed budget the Council agreed that the costs of the investment in the planned new ERP would be recouped from rates over a period of five years. It is now recommended that as the investment is expected to last longer than five years the cost be recouped from rates over an extended period, in this instance seven years. This lowers the rates requirement for 2020/21 by approx. \$0.2m.

2.2.1 (h) Adjustments to debt assumptions and interest cost provisions

Capital expenditure in 2019/20 is now projected to be lower than assumed in the proposed budget. As a consequence, it has been assumed the opening debt balance as at 1 July 2020 will be \$142.6m compared with the assumption of \$155m in the proposed budget. The effect of this is that the interest expense budget can be reduced by approx. \$0.2m and the loan repayment assumption also by \$0.2m.

The Council had proposed that there be an accelerated debt repayment of \$0.5m funded from rates in 2020/21. In view of the desire to limit the overall rates increase it is recommended this provision be deleted.

2.2.1 (i) Potential Budget items for further consideration

Officers have looked for opportunities to further reduce the requirement for rates for the 2020/21 year and these are scheduled as **Appendix 4** attached.

Some of these items are a consequence of COVID-19 (eg events, library, information management & international relations) whilst others are of a level of service nature. Altogether these items add to approx. \$0.842m impact on the rates requirement.

It is recommended that elected members consider these individually.

2.2.2 Progress with the 2019/20 capital expenditure programme and impact on proposed 2020/21 programme

The proposed budget made an assumption that \$14.4m of capital programmes would need to be carried forward to 2020/21. This assumption has now been reviewed in the light of the disruptions during the lockdown in alert levels 4 then 3 and the move to alert level 2.

Attached as **Appendix 2** (may be separately circulated) 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

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amount to \$17.6m (\$2.9m for renewals & \$14.7m for capital new). These figures are still subject to further review as it may be that some of these will be carried forward to 2021/22. An update will be provided at the meeting.

With such a high value of capital work not being completed during 2019/20 and bearing in mind that construction work is likely to take longer (complying with the various COVID related health and safety rules) officers have again reassessed the proposed capital programme for 2020/21.

Infrastructure officers have looked closely at the proposed capital programme and have assessed the likelihood of delivery, given contractor availability, new work rules and programmes where future action by third parties determines programme delivery. Officers believe it is important that the Council's budgets are credible and that project plans are developed sufficiently in advance that the chance of physical delivery in the programmed year is relatively high.

Appendix 3 (may be separately circulated) contains a schedule of **proposed amendments to capital programmes** that were in the draft annual budget adopted for consultation. This schedule does not include programmes that are to be carried forward from 2019/20.

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

	Proposed Annual Budget for Consultation \$m	Updated recommendations \$m
Capital new programmes	39.4	31.3
Carry forward from 2019/20	14.4	14.7
Total capital new programmes	53.8	46.0
Capital renewal programmes	21.6	20.9
Carry forward from 2019/20	0.8	2.9
Total renewal programmes	22.4	23.7
Grand Total	76.2	69.7

2.2.3 Potential additional programme for Community relief

At this stage it is difficult to project the overall impact of COVID on the community and community organisations. It can be projected that many community organisations will struggle to obtain funding due to constraints on funding from usual charitable sources. It is likely the Council will wish to provide a hand up to some of these and there has been informal discussion about making budgetary provision to enable the Council to be able to respond. A programme of \$0.2m is recommended for consideration. It would be expected that if such a provision was made criteria for its use would be developed and approved by the Council.

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 10 June prior to Council adopting the final Annual Budget on 24 June 2020. Rates for 2020/21 will also be formally set at that meeting.

After the Council adopts the final Annual Budget all submitters will receive a personalised letter outlining the Council's response to the points raised in their submissions.

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 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	Adopting the Annual Budget is an essential part of the process of facilitating the achievement of the Council's strategic direction.
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ATTACHMENTS

1. Appendix 1 - Schedule of Proposed Budget Changes [↓](#)
2. Appendix 4 - Schedule of possible further budget changes [↓](#)

Changes incorporated in 2020/21 Budget model to date

Appendix 1

Starting point for increase in total rates requirement 4.4%

Adjustment (negative = reduction in rates)	Revenue \$k	Expenses \$k	Net \$k	Rates	Rates
				Impact %	Cumm %
Parking revenue reduced	700		700		
Airport dividend removed	600		600		
Venues revenue & expenses reduced					
* Central Energy Trust Arena	903	-419	484		
* Conference & Function Centre	512	-318	194		
Environmental revenue reduction	100		100		
Regulatory revenue & expenses reduced					
* Building consents	748	-546	202		
* Planning consents	203	-54	149		
Other revenue reductions					
* Library	100		100		
* Sportsfields	57		57		
Net revenue reduction			2586	2.6%	7.0%
Inflation provision reduced from 2.2% to 1.2%		-840	-840		
Reduction in salaries & wages		-1150	-1150		
Miscellaneous reductions					
* travel, accommodation & training		-146	-146		
* consultancy		-125	-125		
* recruitment		-19	-19		
* salaries budget		-125	-125		
* libraries & information management (various)		-102	-102		
* elected member training		-37	-37		
Proposed reduction in expenses			-2544	-2.6%	4.4%
Extend ERP rate funding from 5 to 7 years		-201	-201	-0.2%	4.2%
Adjustments to debt assumptions & interest costs					
* Interest reduced due to carry forward of programmes		-216	-216		
* Debt repayment provision reduced due to carry forwards		-182	-182		
* One-off debt repayment provision removed		-500	-500		
Proposed debt related reductions			-898	-0.9%	3.3%
Total adjustments	3923	-4980	-1057	-1.1%	

These adjustments collectively move the total rates increase from 4.4% to 3.3%

Palmerston North City Council

Appendix 4

Annual Budget 2020/21 - Schedule of Possible Further Budget Changes**A. Items that have been influenced by COVID**

	Present Budget \$k	Potential Reduction \$k	Timing	Comment
1. Events/Grants				
National Young Performers Awards	15	0	Oct-20	Civic partnership expectations. Still to determine whether alert level 2 will allow awards to be held or postponed. Nominations rounds due pre-October
Enzed Superstock Teams Champs	20	0	Feb-21	10 year agreement
Jazz festival	35	0	Jun-21	Expectations of funding
Palmy Unleashed	68	18		Seed for new ideas - small gatherings, could be prime for alert level 2 events
Christmas in the Square	80	0	Dec-20	Recommending planning & direction lead by PNCC events team, with EOI for collaboration for a single weekend of Christmas
Christmas parade	26	21	Dec-20	
Christmas tree lighting	10	10	Dec-20	
Winterfest	40	0	May-21	May 2020 event cancelled. Assumes next event in May 2021
Fireworks	24	0	Nov-20	
Anzac Day 2021	35	10	Apr-21	2019/20 budget increased around WW1 centenary, recommend return to simpler service
	353	59		
Massey Arts Funding	10	10		Possibly can be funded from the operational Arts initiatives budget. Summer Shakespeare were thinking they might have 1 last season only.
Arts Event Fund	51	51		COVID gathering & travel restrictions mean there is no certainty that significant arts events designed to attract large national audiences will be viable to run. The risk is that if the application for funding from MBIE for a River Based art events in Feb 2022 is successful this funding would be required.
Sculpture Trust	50	50		Option to negotiate with Sculpture Trust for City to not receive a sculpture during 2020/21
	111	111		

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2. Library Renewals adjustments					
178 Library fixtures & fittings	75	55			Delay in the replacement of fixtures and fittings across all sites that is needing to be replaced due to wear and tear, seismic requirements and change in use eg. Tables, chairs, shelving units
188 Library materials	800	75			Reduction in the quantity and range of library materials across all formats - print, database and eResource
202 Design renewals - central	85	60			Reduction in scope of works and delay in completing interior layout changes (workrooms and staff areas) needed at the Central Library for safety reasons as indicated by OPSEC report
203 Community libraries & youth space	50	21			Reduction in scope of works and delay in completing layout changes at Youth Space, Awapuni and Roslyn Libraries (staff areas and meeting rooms) for safety reasons as indicated by OPSEC report
777 heritage genealogy equipment	21	21			Replacement and upgrade of genealogy equipment will be delayed
1138 digit technology for 21C renewals	71	56			Reduction in the ability to upgrade or replace digital technology for the public
1144 Manawatu heritage renewals	10	10			Manawatu heritage kiosk upgrade will be delayed
	1112	298			
Reduced rates requirement		100			
3. Information management reductions					
60 IMSP project (capex new)	106	90			Can be reduced slightly given that significant costs will be incurred in 2019/20
53 Computer replacement lifecycle (renewal)	496	223			The significant hardware purchased to operate during the COVID crisis will be redeployed for BAU in due course reducing the procurement required in 2020/21
	602	313			
Reduced rates requirement		75			
4. International relations					
Reduced travel component of budget		30			Reduced opportunity for international travel

B Other items for consideration				
1 Transport				
1472 Accelerate 25	Gross	1000	500	NZTA has approved funding support of \$1million in each of 2019/20 and 2020/21 FY to support business case work, optioneering and early concept design for upgrades to roads linking to the Rural Freight Ring Road (PNITI). Council approved matching funding assuming 51% subsidy from NZTA.
1472 Accelerate 25	NZTA subsidy	500	250	No work has been progressed in the 2019/20 year because Council has been waiting for confirmation of the preferred option for PNITI so that any PNCC Business Case work can proceed on the back of the NZTA work. NZTA are due to report back soon. Officers expect to initiate early BC and options work on upgrades to key roads including Robert's Line and Richardson's Line and this budget supports this work.
				Officers believe it would be possible to reduce the approved funding for this programme for 2020/21 from \$1m to \$500k, on the basis that the remaining funding is sufficient to advance work in advance of the RLTP. If no funding is approved, there are two risks:
				* Work will not be advanced sufficiently to support a robust application for capital funding to be included in the next RLTP with the risk NZTA capital funding will not be secured either delaying the projects further or resulting in additional costs for Council to fund 100% of the projects
				* BC and investigation work will have to be funded from normal operating budgets requiring deferral of other critical roading activities
1472 Accelerate 25	Rates funded	500	250	
162 City-wide vehicle crossing renewals		450	350	This programme of renewals could be significantly reduced for a year without major consequences - say reduce by \$350k to \$100k
Reduced rates requirement			117	

2 Sportsfields					
Operations & maintenance (incl interest & depreciation)	3304	100			Proposed budget included an additional \$250k for sportsfield renovation programmes to improve their durability. This is in effect a level of service increase and could be cut back, to say \$150k. The implications are the increased level of service desired by sports codes across all fields would not be achieved, however, the \$150k could be prioritised to those fields where the additional renovation work would make the largest difference to sports ie those fields which experience the highest usage.

Summary of Potential Items for consideration

	Rates Reduction
Events/Grants	\$k
Events/Grants	59
Library renewals	111
Information management renewals	100
International relations travel	75
Transport - Accelerate 25	30
Transport - Vehicle crossing renewals	250
Sportsfield maintenance	117
Total possible rates reduction for consideration	100
	842