

PALMERSTON NORTH CITY COUNCIL

AGENDA
COMMITTEE OF COUNCIL
LATE ITEMS

9AM, WEDNESDAY 17 FEBRUARY 2021
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH



MEMBERSHIP

Grant Smith (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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COMMITTEE OF COUNCIL MEETING

17 February 2021

LATE ITEMS

8. **Additional supporting information for Consultation Document for 10 Year Plan - Long Term Plan Disclosure Statement**

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

MEMORANDUM

TO: Committee of Council

MEETING DATE: 17 February 2021

TITLE: Additional supporting information for Consultation Document for 10 Year Plan - Long Term Plan Disclosure Statement

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That the supporting material comprising the Long Term Plan Disclosure Document be approved, subject to audit, as the basis for the Consultation Document for the 2021 10 Year Plan.
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1. ISSUE

The draft supporting material for the 10 Year Plan circulated as attachments to the agenda did not include the Long Term Plan Disclosure Statement that is required to be produced under the Local Government (Financial Reporting and Prudence) Regulations 2014.

2. BACKGROUND

Attached is a proposed series of graphs and statements that are required to be produced in the format contained in the regulations. They flow from the information that has previously been circulated. The auditors will require these as part of their audit so it is necessary for them to be endorsed by the Council.

These had not been completed at the time of the circulation of the agenda.

3. NEXT STEPS

Any changes to underlying budgets made at the meeting would flow through to an updated version of the disclosure statement that will then be provided to the auditor.

4. COMPLIANCE AND ADMINISTRATION

ITEM 8

| | |
|--|---|
| 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 all of the goals and plans. | |
| Contribution to strategic direction and to social, economic, environmental and cultural well-being | Part of supporting material for adoption of consultation document for 10 Year Plan. |

ATTACHMENTS

1. Long-Term Plan Disclosure Statement [↓](#) 

Long-term plan disclosure statement for period commencing 1 July 2021

What is the purpose of this statement?

The purpose of this statement is to disclose the Council’s planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The Council is required to include this statement in its long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

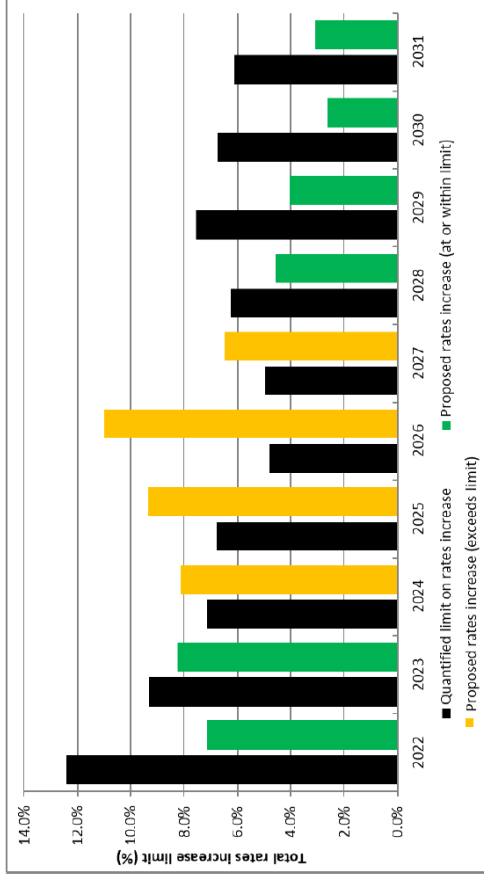
The Council meets the rates affordability benchmark if:

- its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (increases) affordability

The following graph compares the Council’s planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is that total rates will increase by no more than the Local Government Cost Index (LGCI):

- plus the growth in the rating base
- plus 3% (to fund the cost of higher standards and new services)
- plus increase in funding for asset renewal.

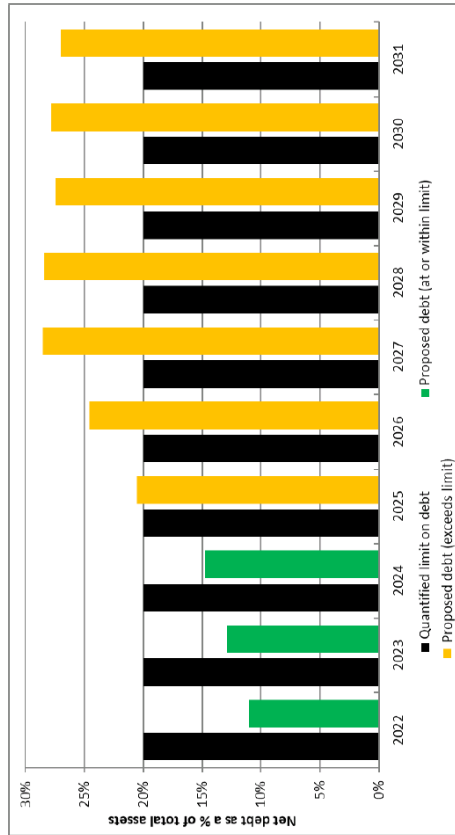


Debt affordability benchmark

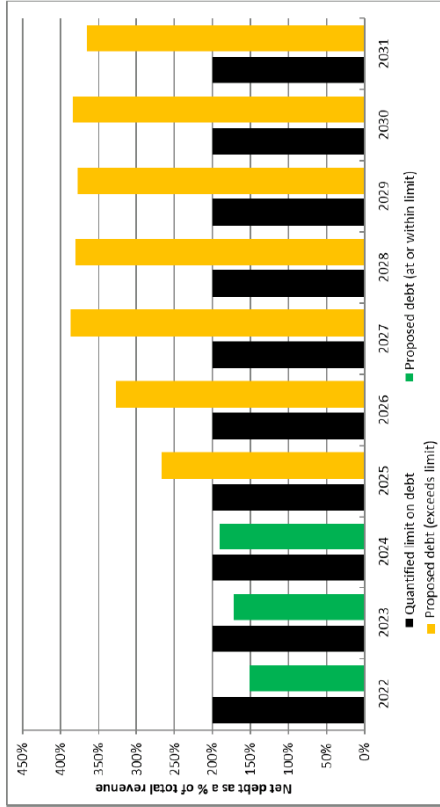
The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following four graphs compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan.

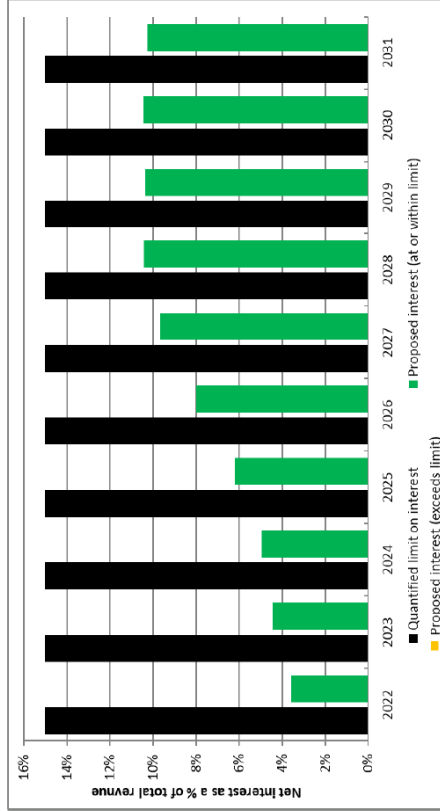
The quantified limit for this graph is that net external debt as a percentage of total assets will not exceed 20%.



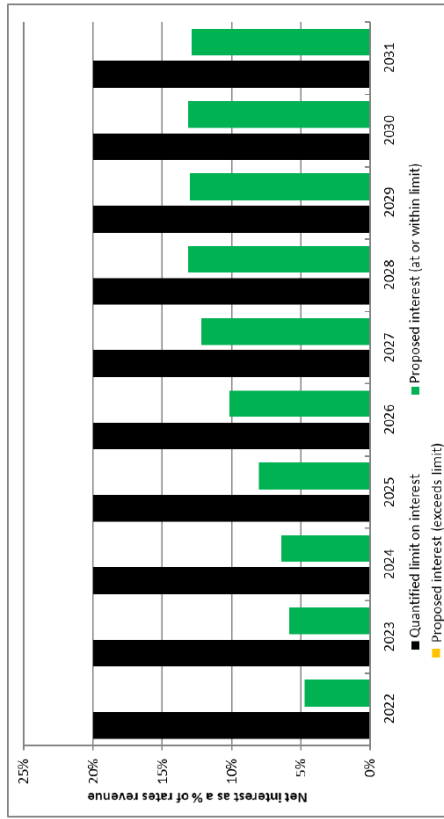
The quantified limit for this graph is that net external debt as a percentage of total revenue will not exceed 200%.



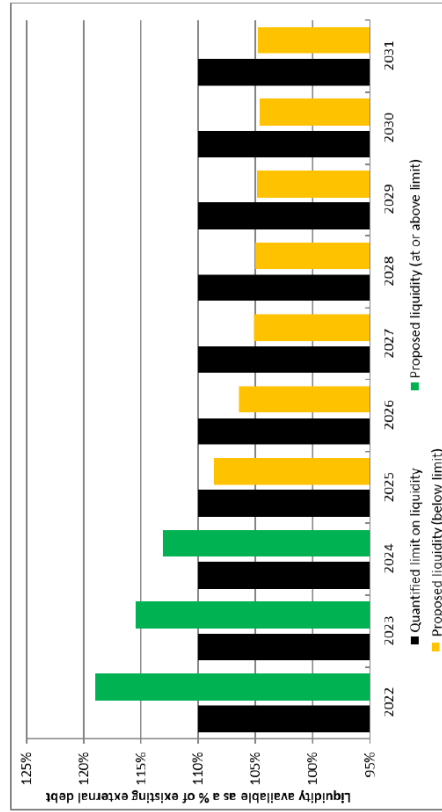
The quantified limit for this graph is that net interest as a percentage of total revenue will not exceed 15%.



The quantified limit for this graph is that net interest is that net interest as a percentage of annual rates income will not exceed 20%.



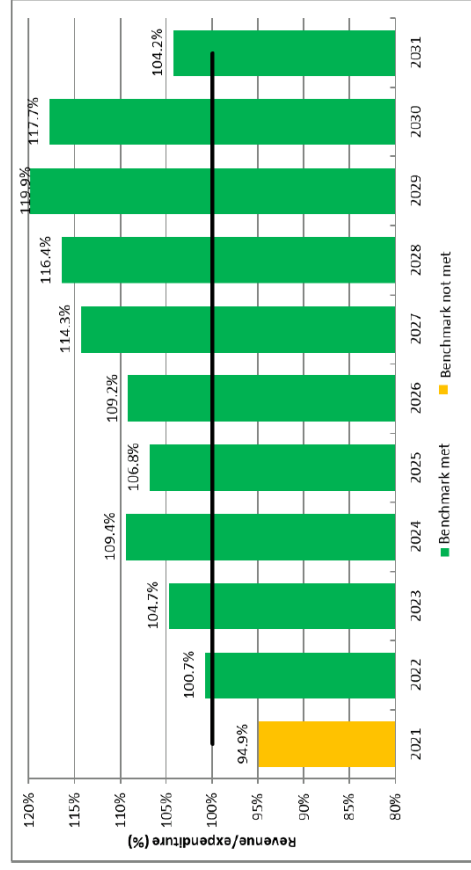
The quantified limit for this graph is that liquidity available will exceed 110% of existing external debt. Liquidity available is defined as the sum of existing external term debt, unused committed bank/loan facilities and liquid investments.



Balanced budget benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

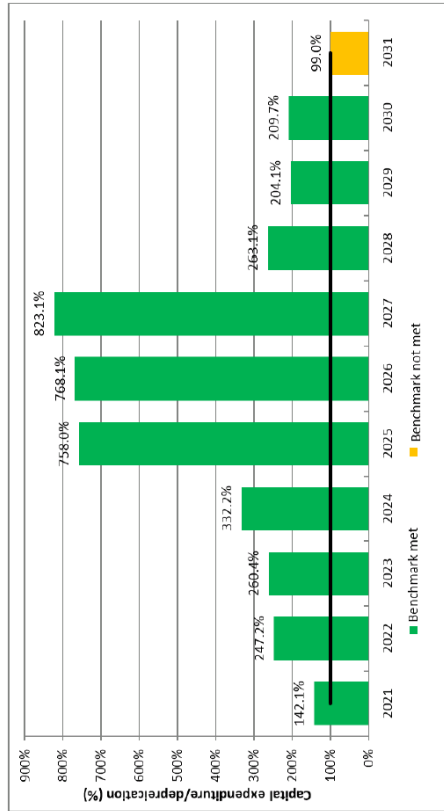
The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

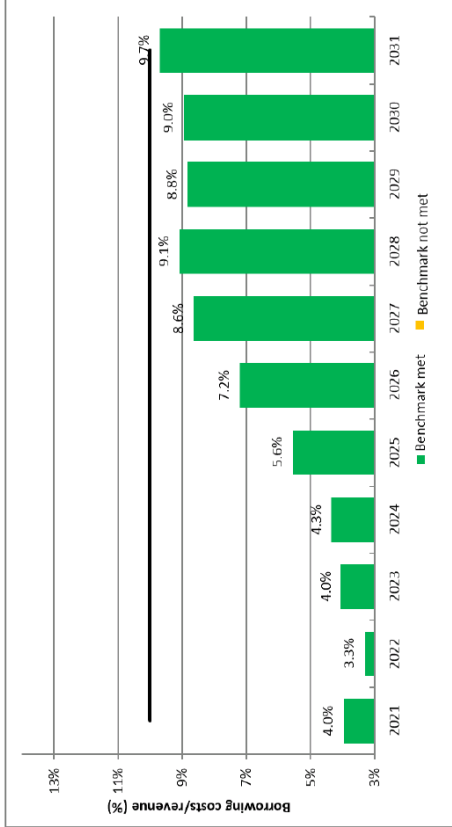
The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow as fast as the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.



Additional information or comment

Rates (increases) affordability

At this stage the proposed 10 Year Plan does not achieve the policy aims for four of the years. To meet its Vision and Goals for the City the Council believes rates need to increase by more than its target limit when the full impact of the proposed upgrade to the wastewater treatment and disposal system takes effect. The forecast rates increases (and the policy maxima) include provision for significant accelerated expenditure on asset renewal from year one. The actual increase each year will be determined in the light of updated circumstances and the development of the Annual Plan.

Debt affordability benchmark

The forecast debt levels proposed in the 10 Year Plan will result in two of the debt affordability benchmarks being exceeded from year four onward. The Council recognizes this and will prepare an updated plan once there is more certainty about the preferred option for the wastewater upgrade project and the government's proposal for reform of 3 waters activities. These graphs acknowledge that under the present funding arrangements the Councils' financial strategy is not sustainable in the medium to longer term.

The forecasts for available liquidity are based on the current funding lines the Council has organised. The present funding lines will not be sufficient for the forecast requirements from 2025 onward updated funding lines will be arranged before then based on updated forecasts.