



**PAPAIOEA  
PALMERSTON  
NORTH  
CITY**

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# **PALMERSTON NORTH CITY COUNCIL**

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AGENDA

## **COUNCIL SEPARATE COVER**

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**9AM, WEDNESDAY 1 MARCH 2023**

COUNCIL CHAMBER, FIRST FLOOR  
CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH

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# MEMBERS

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<b>Grant Smith (Mayor)</b>	
<b>Debi Marshall-Lobb (Deputy Mayor)</b>	
<b>Mark Arnott</b>	<b>Leonie Hapeta</b>
<b>Brent Barrett</b>	<b>Lorna Johnson</b>
<b>Rachel Bowen</b>	<b>Billy Meehan</b>
<b>Vaughan Dennison</b>	<b>Orphée Mickalad</b>
<b>Lew Findlay (QSM)</b>	<b>Karen Naylor</b>
<b>Roly Fitzgerald</b>	<b>William Wood</b>
<b>Patrick Handcock (ONZM)</b>	<b>Kaydee Zabelin</b>

AGENDA ITEMS, IF NOT ATTACHED, CAN BE VIEWED AT

[pncc.govt.nz](http://pncc.govt.nz) | Civic Administration Building, 32 The Square  
City Library | Ashhurst Community Library | Linton Library

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**Waid Crockett**

**Chief Executive | PALMERSTON NORTH CITY COUNCIL**

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Te Marae o Hine | 32 The Square  
Private Bag 11034 | Palmerston North 4442 | New Zealand  
[pncc.govt.nz](http://pncc.govt.nz)

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## **COUNCIL MEETING**

1 March 2023

## **ORDER OF BUSINESS**

### **REPORTS**

7. **Annual Budget (Plan) 2023/24 - Consideration of draft of Consultation Document and Supporting Information** Page 5  
Memorandum, presented by Steve Paterson, Strategy Manager - Finance.



## **MEMORANDUM**

**TO:** Council

**MEETING DATE:** 1 March 2023

**TITLE:** Annual Budget (Plan) 2023/24 - Consideration of draft of Consultation Document and Supporting Information

**PRESENTED BY:** Steve Paterson, Strategy Manager - Finance

**APPROVED BY:** Cameron McKay, Chief Financial Officer

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### **RECOMMENDATION(S) TO COUNCIL**

1. That the Chief Executive incorporate the following in the draft of the 2023/24 Annual Budget (subject to any amendment):
    - a. The proposed capital new programmes, including assumptions about carry forwards from the 2022/23 year, as detailed in Schedule A
    - b. The proposed capital renewal programmes, as detailed in Schedule B
    - c. The proposed operating programmes, as detailed in Schedule C
    - d. Updated assumptions for key drivers such as interest rates, inflation, electricity, insurance and remuneration.
  2. That the differentials for the general rate remain unchanged from 2022/23 and that the uniform annual general charge remain \$200.
  3. That the Chief Executive incorporate the outcomes from recommendation 1 into updated versions of the consultation document and supporting information to be presented for adoption at the Council meeting on 15 March 2023.
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## 1. ISSUE

- 1.1 The Council is required to adopt an Annual Budget<sup>1</sup> for 2023/24. A draft of the budget has been prepared for consideration by the Council. The Local Government Act 2002 (LGA) requires councils to consult with the public before adopting the Annual Budget. This requirement does not apply if there are no material or significant differences between year 3 of the 2021-31 10-Year Plan and what is now proposed in the budget.
- 1.2 In preparing this report it has been assumed the Council will wish to engage with the public so a draft of the consultation document and supporting information has been prepared for Council consideration. The draft will be updated once the Council has discussed the content of the report and the supporting information.
- 1.3 The updated material will be presented to a Council meeting on 15 March for adoption. It is anticipated it will be necessary to produce updated versions of the Consultation Document and the supporting information along with recommendations to be adopted.

## 2. BACKGROUND

### GENERAL

- 2.1 Under Local Government legislation, the Council is not required to consult on an Annual Budget unless there is significant change to levels of service, funding issues, or strategic assets by comparison with the particular year of the 10 Year Plan. The Council must still adopt an annual plan prior to 30 June 2023.
- 2.2 There are no significant changes to Year 3 (2023/24) of the 10 Year Plan in terms of the proposed outcomes and day to day levels of service. However, there are some proposed changes to the timing of a number of programmes due in the main to an updated assessment of what would be practical to deliver in the current operating environment.
- 2.3 An incomplete draft of the **proposed Consultation Document is attached**. Once updated it will highlight what changes there are from Year 3 of the 10 Year Plan, primarily due to changed circumstances and updated timelines for

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

some programmes. It will also highlight proposed rates levels for (average) properties.

- 2.4 The legislative intent is that the Council no longer publishes a full draft of the Annual Plan. However, much of the information that would have been in the draft plan is still required to be adopted as supporting information and made publicly available, particularly through Council's website.
- 2.5 Preparation of the material for consideration at this meeting has been assisted by direction received from elected members at a workshop held on 22 February 2023.
- 2.6 A strategy for public engagement has been developed. This will include provision of the final Consultation Document and Supporting Information on Council's website and at the Customer Service Centre and libraries, from 21 March 2023. There will be opportunities for group meetings and for information to be provided through social media channels.
- 2.7 It is intended that the proposed rates for each property will be able to be viewed on the Council's website.
- 2.8 The public will have the option of making a submission and speaking to a Council Hearings' Committee.
- 2.9 Following the consultation period and hearings, the Council will be required to adopt its final Annual Budget (Plan) prior to 30 June 2023.
- 2.10 A presentation, highlighting the key features of the proposed budget, will be made at the meeting.
- 2.12 Attached is a series of explanations of some of the matters to be covered in the presentation and in particular:
  - Schedule A – Proposed capital new programmes including assumed carry forwards of incomplete 2022/23 programmes for completion in 2023/24 – these assumptions will be reviewed again in May.
  - Schedule B – Proposed capital renewal programmes.
  - Schedule C – Proposed operating programmes.
  - Schedule D - Proposed capital new programmes – Top 10 \$ programmes
- 2.13 In the context of the legislation the following are being considered in the **supporting information** to be adopted by the Council:
  - Financial overview and forecast financial statements
  - Annual Budget (Plan) Disclosure Statement

- Groups of Activities information, including financial forecasts and programme schedules
- Significant forecasting assumptions
- Descriptions of the proposed rating system, rates and funding impact statements
- Levels of service and performance measures

Drafts of these are attached.

### KEY ISSUES

- 2.14 Key matters influencing the preparation of the annual budget will be highlighted in the presentation to the meeting and are incorporated in the more detailed material.

#### Changes to key assumptions

- 2.15 **Market interest rates** are volatile and have risen significantly. For the purposes of the draft an average interest rate of 4.2% has been assumed. This compares with the assumption of 2.8% in the 10-Year Plan and 3.4% in the 2022/23 Annual Budget. New longer-term debt will be at least 5.5% but the lower assumption is possible due to the positive value of the interest rate swap portfolio the Council holds. There is a risk that the 4.2% assumption will be too low however it is considered appropriate at this stage.
- 2.16 **Inflation** - Local Government cost adjustors provided by BERL have been used. They range from 3.5% to 5.1% (depending on the activity) compared with the 10-Year Plan assumption of 2.2% to 3%.

#### Approach to budget preparation

- 2.17 The budget is based on Year 3 of the 10-Year Plan updated to reflect subsequent decisions of Council (through the adoption of the 2022/23 annual budget and other one-off decisions about particular programmes) as well as the updated key assumptions.
- 2.18 The initial drafts of the budget contained an unrealistically large capital expenditure programme and increases in operating costs (including operating programmes) that would have resulting in an even higher rates increase. Staff have undertaken detailed reviews of the budgets in an effort to develop a draft for consideration.
- 2.19 In doing so we have used the following philosophy:
- Endeavouring to ensure that changes would not materially impact on the level of service being provided on the front line for the public.



- Recognising the realities of increasing costs for some things where the Council has no choice (e.g. interest, electricity, insurance and some specific input costs that are subject to higher than average inflation) but being prepared to take some risks that there will be other savings during the year that might offset increases that are not provided for.
  
- Making sure the capital renewal programme remains fully funded (at levels considered to be deliverable).
  
- Trying to understand the critical path for each proposed capital programme and to be realistic about what can be delivered. It is recognised that within the proposed total capital programme there is some risk the full budgets will not be utilised, particular in situations where the Council's expenditure is in response to the actions of others. Further information will be provided about the capital programme so the nature of the risks of non-completion can be better understood – refer to Schedule D which shows the top 10 programmes by \$ value. They represent 58% of the total proposed capital new expenditure for the year.

**Rates**

- 2.20 At the present time the draft shows an increased total rates requirement of 7.6%. This is lower than the 9.5% presented in the recent workshop. Most of this reduction has been achieved through a further review of the operating programmes and a proposed reduction of approximately \$2m. These will be further explained at the meeting.
  
- 2.21 It has been assumed there will be no change to the differential rating surcharges and that the Uniform Annual General Charge (UAGC) will remain at \$200. Examples showing the impact on the various categories of property are included in the attached draft supporting information.
  
- 2.22 Year 3 of the 10-Year Plan highlighted the need for a rates increase of 8.3%.

**3. NEXT STEPS**

- 3.1 Officers will make any changes resulting from the Council's decisions.
  
- 3.2 An updated final Consultation Document and supporting information will be presented to the Council for adoption at its meeting on 15 March 2023.

**4. COMPLIANCE AND ADMINISTRATION**

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

**ATTACHMENTS**

1. Schedule A - Capital new programmes [!\[\]\(cf5be311f7b2821912d8009884508fa2\_img.jpg\) !\[\]\(9804e70d96ff9fe9899b264c06a33cd7\_img.jpg\)](#)
2. Schedule B - Capital renewal programmes [!\[\]\(4f49380f3d6bce047bc47b2072cc076f\_img.jpg\) !\[\]\(73944fd4f6fb83e4c64013731d1820cc\_img.jpg\)](#)
3. Schedule C - Operating programmes [!\[\]\(d8f7165d5a8d1eba426ea452457190e5\_img.jpg\) !\[\]\(f608c4821f4fa8f3141b1baf96fa88f9\_img.jpg\)](#)
4. Schedule D - Top 10 capex by \$ value [!\[\]\(ecaac2a7ce9fc9f5de2e0b330d2ae13c\_img.jpg\) !\[\]\(f9b536c6b3afa5ea31dceef88a94e509\_img.jpg\)](#)
5. Supporting information [!\[\]\(d6dd49217bf3ceede8ee3a91c4ef7927\_img.jpg\) !\[\]\(fca66e4dcc57d71aae53b43a17649d9d\_img.jpg\)](#)
6. Draft Consultation Document [!\[\]\(9ff5120b524da85ef60b4c4679a8f290\_img.jpg\) !\[\]\(ca0ae29f8fe0e283028131449e4c896b\_img.jpg\)](#)

# A

## Capital New Programmes in Draft Annual Budget 2023/24 (including provisional assessment of Carry Forwards from 2022/23 to 2023/24)

	LTP 2021/31 - Year 3 2023/24	Draft Annual Budget 2023/24	\$ Change	Categorisation	Commentary
<b>Connected &amp; Safe Community</b>					
<b>Connected Communities</b>					
161-Public Toilets - New City-wide Toilets	\$263	\$270	\$60 -	Already under contract	Contract awarded at start of 22/23 FY. Construction to start next FY. Carry forward of \$156.
1459-Social Housing - Additional Social Housing Units	\$1,049	\$0	(\$1,049)	4 - Deferred to LTP	Design phase of \$14M programme from LTP
1585-C/fwd - City-wide - Public Toilets	\$0	\$156	\$156 0 -	Carry Forward	Contract awarded at start of 22/23 FY. Construction to start next FY.
1833-City Growth - Cemeteries - Extensions to burial and ashes areas to meet demand	\$115	\$118	\$3	1 - Safety or legislative requirement	Required to meet ongoing demand for plots.
2155-C/fwd - Social Housing - Papaioea Place Redevelopment - Stage 3	\$0	\$322	\$322 0 -	Carry Forward	Currently under construction and due to complete in July. small potential Carry Forward to allow for final claim
2215-C/fwd - Cemeteries - Kelvin Grove - Replacement & enhancement of staff facilities	\$0	\$203	\$203 0 -	Carry Forward	Dependant on completion of seismic strengthening of the Crematorium, which was delayed.
<b>Connected Communities Total</b>	<b>\$1,427</b>	<b>\$1,069</b>	<b>(\$358)</b>		
<b>Safe Communities</b>					
1552-Animal Shelter - New Building	\$0	\$2,324	\$2,324 0 -	Already under contract	Multi-Year project which is underway. On track to be delivered as planned. Carry forward of \$526.
2080-C/fwd - Animal Shelter - New Building	\$0	\$526	\$526 0 -	Carry Forward	Multi-Year project which is well underway. Slight variance between financial years predicted although still on track to be delivered as planned.
<b>Safe Communities Total</b>	<b>\$0</b>	<b>\$2,850</b>	<b>\$2,850</b>		
<b>Creative &amp; Exciting City</b>					
<b>Active Communities</b>					
111-Local Reserves - Roslyn - Edwards Pit Park Development	\$37	\$38	\$1 3 -	Community Partnership	Ongoing commitment to development of a community group-led initiative
165-Outdoor Adventure Reserves - Arapuke Forest Park/Kahuterawa Development	\$5	\$6	\$0 3 -	Community Partnership	Provides for minor improvements - eg fences and signs at the Park. Corrects earlier error.
761-C/fwd - Cleanview Reserve Development	\$0	\$41	\$41 2 -	Growth	Developer dependent
967-City-wide - Edibles Planting	\$5	\$6	\$0 3 -	Community Partnership	Supports fruit tree planting in public parks
990-Central Energy Trust Arena - Southern Grandstand (subject to part external funding)	\$105	\$0	(\$105)	4 - Deferred to LTP	Defer to Council Decision
1099-Parks and Reserves - Shade Development	\$32	\$62	\$31 1 -	Safety or legislative requirement	Implementation of Sun Protection Policy. 2022/23 budget decision - Shade tree planting increase from \$20k to \$40k. Artificial component \$22k. Shade Tree component increased via Council resolution from \$20k to \$40k
1133-Sportsfields - Artificial Football Field (subject to part external funding)	\$2,058	\$199	(\$1,859)	3 - Community Partnership	Design, cost estimation and consenting. Construction reliant on external funding. Risk if project does not proceed, the cost of design phase will need to be converted to operational expenditure
1487-Walkways and Shared Paths - Mangaone Stream Shared Path enhancement - Harness Racing Club planting strip purchase and development	\$373	\$0	(\$373)	2 - Growth	Reconsider timing and funding level when Kakatangiata plan change processed. Year 2 of LTP 2024
1560-Sportsfields - Bill Brown Park - Additional Carparking	\$0	\$206	\$206 3 -	Community Partnership	In design phase 2022/23 at present. Will need additional budget to deliver

# A

## Capital New Programmes in Draft Annual Budget 2023/24 (including provisional assessment of Carry Forwards from 2022/23 to 2023/24)

	LTP 2021/31 - Year 3 Budget 2023/24	Draft Annual Budget 2023/24	\$ Change	Categorisation	Commentary
1838-City Growth - City Reserves - Victoria Esplanade - Exotic Aviaries	\$132	\$135	\$3 2 - Will cost more if not done in future years.		Detailed design and consenting - including design of shade house replacement. Required to gain confidence in the costs and to have design ready for construction in future years.
1845-City Growth - City Reserves - Te Marae o Hine - The Square - Capital New	\$82	\$0	(\$82) 4 - Deferred to LTP		To improve turf management by addressing areas of water ponding and improving irrigation. Could defer but would mean increased operating costs to restore turf.
1846-City Growth - City Reserves - Walkway Extensions - Capital New	\$241	\$0	(\$241) 4 - Deferred to LTP		Development contribution funded - will need to revise in LTP 24 due to escalation in land values. Construction of walkways to extend network. Could be deferred but would mean land acquired recently would remain undeveloped
1847-City Growth - City Reserves - Victoria Esplanade - Capital New	\$608	\$308	(\$300) 2 - Growth		Programme of works associated with Esplanade Master Plan - based on 2018 LTP funding and input from Esplanade User Group. Recommend deferral of duck pond upgrade and Camellia garden pathway, and include in 2024/25, along with EQ strengthening of padding pool wall, for consultation on priorities as part of LTP 24
1850-City Growth - City Reserves - Memorial Park - Capital New	\$8	\$8	\$0 3 - Community Partnership		Sensory Garden. Carry forward of \$184 for Hero walk
1851-Sportsfield Improvements - Capital New	\$223	\$0	(\$223) 4 - Deferred to LTP		Irrigation and drainage of Senior fields (Skoglund and Ongley) to enable increased use of existing fields
1853-Local Reserves - Improvements to existing reserves to close identified level of service gaps	\$147	\$0	(\$147) 4 - Deferred to LTP		Programme of work to address service provision gaps at suburb reserves - 2023/24 Kelvin Grove Park & Celeano Park
1853-Local Reserves - Development of Existing Reserves - Capital New	\$293	\$300	\$7 2 - Growth		A programme to develop reserves that Council has owned for some time, as homes are now being built around them.
1857-Urban Growth - Kakatanga - Reserves - Purchase and Development	\$303	-\$1,295	(\$1,598) 2 - Growth		Negotiations with land owner stalled due to fall in land values. Purchase and development delayed.
1859-Urban Growth - Whakarongo - Reserves Purchase and Development	\$37	\$0	(\$37) 2 - Growth		This programme provides for walkway purchase and development.
1860-Urban Growth - Ashhurst - Reserves Purchase and Development	\$11	\$0	(\$11) 2 - Growth		This project has been further delayed by changes in developers plans for the wider land holding
1861-Urban Growth - Flyers Line - Reserves Purchase and Development	\$796	\$0	(\$796) 2 - Growth		There is uncertainty as to whether reserve titles would be obtained before end of 2023/24
1884-Local Reserves - Accessibility and Safety Improvements	\$104	\$107	\$3 2 - Will cost more if not done		Ongoing programme to address accessibility and safety of reserves in conjunction with other programmes of work
1890-City Growth - City Reserves - Victoria Esplanade Master Plan Developments - Stage Two	\$25	\$0	(\$25) 2 - Growth		Rolled into programme 1847
2006-City Centre Play - Fixed Play Development	\$74	\$151	\$77 4 - Deferred to LTP		Temporary installations of park equipment has proved popular
2043-Urban Growth - Napier Road Extension - Reserve and walkways purchase and development	\$114	\$0	(\$114) 2 - Growth		Development of lower Terrace area has not progressed as planned
2151-C/fwd - 708 - Urban Growth - Aokautere - Reserves Land Purchase	\$0	\$34	\$34 2 - Growth		
2209-Arena 3 Upgrade	\$0	\$1,477	\$1,477 0 - Already under contract		Capital renewal programme (1051) converted to NEW. Go to Council on 15th to award contract with construction to begin in April
2216-C/fwd - City Growth - Memorial Park - Capital New	\$0	\$184	\$184 0 - Carry Forward		Budget not enough to complete work. Defer to Council for decision













































































































































































































































































































































































































































