



PALMERSTON NORTH CITY COUNCIL

MINUTES ATTACHMENTS COUNCIL

**9AM - DELIBERATIONS ANNUAL BUDGET
2023/24, WEDNESDAY 31 MAY 2023**

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

COUNCIL MEETING

31 May 2023

8 2023/24 Annual Budget - Deliberations

1. Presentation Annual Budget 23-24

4

Annual Budget 2023/24

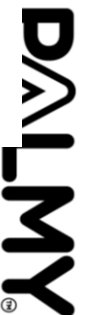
Council meeting

31 May 2023

As at 30 May 2023

TODAY

- Formally receive and consider public submissions on the proposed 2023/24 Annual budget (Plan)
- Receive and consider updated officer advice
- Determine approach & provide guidance so officers can prepare draft of Budget document for consideration and adoption at Council meeting on 14 June.



PROPOSED APPROACH

- Officer presentation
- Questions for clarification
- Progressively work through recommendations

Recommendations

- Engagement summary (1), submissions summary (2) & comments on submissions (3)
- Proposed budget changes (Cl. 2.2.1)
- Proposed operating programmes (5)
- Proposed capital new (6) and renewal (7) programmes incl. carry forwards
- Referrals from Council (Cl. 2.2.4)
- UAGC & targeted rates
- Swimming pool charges



ENGAGEMENT

- Actively promoted engagement process using various media channels
- Property search tool used to demonstrate rates impact for individual properties
- 124 submissions received

See pages 44 & 55 to 210 of agenda

(Attachments 1, 2 and 3)

Submissions

Key issues/topics

- Aquatic facilities
- Cycling
- Climate change
- Proposed rates increase
- Safety
- Change to rates based on capital value



KEY FINANCIAL ASSUMPTIONS

- Key financial assumptions have been reviewed & the updated position is outlined

See page 45 agenda – Cl. 2.2

Interest rate for debt:

- Proposed AB assumption was 4.2% (up from 2.8% in 10YP)
- Still a volatile market – although market rates have risen further than prevailing in March Council has significant portion of debt hedged. Propose no further change but recognise that depending on actual level of new debt raised during 2023/24 there is a risk actual interest costs may exceed the budget

Inflation:

- Current BERL assumptions are low compared with latest rapid increases in CPI and other cost indices
- Propose no change but recognise significant risk that services may not be able to be delivered within budget



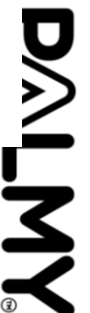
PROPOSED CHANGES TO OPERATING BUDGETS

Several changes are recommended for operating budgets

They result from both changed circumstances & corrections to errors in the draft

Refer to pages 45 & 46 of the agenda

What	\$ Impact on rates	Why
Grant for surf life saving	+14,600	Council decision – draft budget error
Contribution to Food HQ	+23,100	Draft budget error
Conference & Function Centre revenue	+60,000	Draft budget error
Consultancy (advocacy)	-116,000	Draft budget error
Rating Valuation services	+34,000	Council decision (up to \$47k)
Insurance	+400,000	Draft budget inadequate



OPERATING BUDGET ISSUES WHERE NO CHANGE PROPOSED

Swimming pools operating costs

&

Rubbish bag revenue

Refer to page 46 of the agenda

Swimming pools operating costs

- Under management agreement CLM will be seeking additional funding support. Budget does not provide sufficient provision - \$66k shortfall
- Propose enabling CLM to increase entry fees and charges

Rubbish bag revenue

- Council decision to hold bag prices to \$2.90 means a deficit of at least \$200k is projected for the rubbish bag collection activity
- Propose no increase in rates requirement but monitor activity & report on progress quarterly



PROPOSED CHANGES TO OPERATING PROGRAMMES

Clarifying allocation of better-off
funded programmes & carry forwards
for digital change programmes

Refer to pages 227 to 234 of the agenda
(Attachment 5)

Better-off funded programmes

These programmes were not individually scheduled in the draft budget but this latest schedule does now allocate them to the correct activities
(prog # 2240 \$500k, 2242 \$500k, 2235 \$100k, 2236 \$450k, 2237 \$100k, 2238 \$400k)

Digital transformation & ERP system programmes

Carry forwards of \$613k & \$245k are proposed for programmes 1993 & 2064 respectively

The cost of these programmes is being funded from rates over 7 years so the change of timing outlined here does not result in any changes to the sum funded from rates for 2023/24



CAPEX PROGRAMME



\$million	Actual 2020/21	Actual 2021/22	Annual Budget 2022/23	Annual Budget 2022/23 + updated carry forwards & Council approvals	Long Term Plan 2023/24	As per draft annual budget 2023/24	Latest position 2023/24 (if recommendations included)
Capital New	39.0	26.6	64.1	77.9	95.4	66.3	65.1
Capital Renewals	24.3	21.4	32.7	34.6	30.1	27.5	27.9
Total	63.3	48.0	96.8	112.5	125.5	93.8	93.0

Assumptions for 2023/24:

- Includes carry forwards from 2022/23 (\$13.3m for capital new & \$3.1m for capital renewals) as at per Attachment 6 & 7 – pages 235 to 245



PROPOSED CHANGES TO CAPITAL PROGRAMMES

Some changes are recommended for capital budgets.

Level of carry forwards reassessed.

Deliverability of overall capex programme assessed.

Refer to pages 47 & 48 and Attachments 6 & 7 of the agenda

Carry forwards

Only minor change proposed to level of carry forwards compared with draft

Proposed carry forwards are less than difference between 2022/23 capex budget & forecast year end spend.

Reasons for this include:

Others	\$m
Roading contract underspend (weather & capacity)	2.4
Lack of internal resource	1.1
Growth – no demand on budget	1.7
Savings	0.5
Total	\$5.7

Deferred to LTP	\$m
- Council decision –CAB	4.0
- Land purchases	1.7
- Shared paths – working thru’ legal process	0.6
- To align with PNITI strategy	0.5
- Deliverability challenges	0.4
- Insufficient budget	0.2
- Not required at this time	0.1
- WWTP consent application	2.8
- Weather related & supply delays (unable to complete)	4.0
- Design delays	0.3
- Rescope due to cost	0.5
Total	\$15.1
Grand total	\$20.8



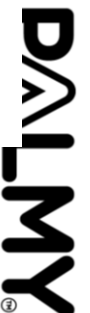
REFERRALS FROM COUNCIL MEETINGS

During recent months Council has referred a no. of matters to this meeting to be considered when finalising the budget.

Decisions are required for each of these matters.

Refer to pages 49 & 50 of the agenda

Issue	Additional info
<ul style="list-style-type: none"> Resourcing KPI re sufficient zoned land for development Funding for Te Manawa & the Globe Central Library roof Food resilience policy Funding of Rural Games NZ NZ Food awards College St/Botanical Road intersection Artist in residence scheme Grant for Niuvaka Trust Age friendly status & funding 	<ul style="list-style-type: none"> separate report 4B 4C none 4D 4E none 4F Separate memo none



RATES REQUIREMENT

Draft for consultation 6.4% increase in total rates

(8.3% assumed in 10YP)

For reference:

\$1.15m increase in operating costs
translates to a 1% increase in total rates

Financial Strategy policy limit for
rates increase equates 7.2%

Calculated as follows.....

BERL 4.3% + 3% + growth 0.4% - avg
renewals decrease 0.5% = 7.2%

Note – although we have used BERL inflation factors
of between 3.5% & 5.1% for 2023/24 we have not
taken into account that BERL's index for the 2022/23
year is 5.9% compared with our budgetary
assumption of 2.3% - some of our costs will be
increasing at these higher levels. Risk management
approach is to assume there will be other savings
during the year that might offset increases that are
not provided for



REQUEST FOR INFORMATION – LEVEL OF UAGC

Council requested that information be provided about the impact on rates incidence if the UAGC was \$100 or \$50 compared with the level of \$200 approved for consultation

Refer to pages 51-52 of agenda

% of total rates	\$200	\$100	\$50
Single unit residential	63.1	62.5	62.2
Multi unit residential	5.6	5.7	5.7
Miscellaneous	2.5	2.5	2.5
Commercial/industrial	25.0	25.6	25.9
Rural/semi-serviced	3.8	3.7	3.7
	100.0	100.0	100.0

Rates share \$m	\$200	\$100	\$50
Single unit residential	87.69	86.85	86.43
Multi unit residential	7.79	7.85	7.87
Miscellaneous	3.48	3.50	3.51
Commercial/industrial	34.73	35.61	36.06
Rural/semi-serviced	5.25	5.13	5.07
	138.94	138.94	138.94

Reducing the UAGC to \$100 would increase the share borne by Commercial/industrial properties by 0.6% or \$0.88m



REQUEST FOR INFORMATION – LEVEL OF UAGC

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Refer to pages 51-52 of agenda

Reducing the UAGC to \$100 would decrease rates for all residential properties with land values less than \$700k. It would also decrease rates for rural properties but increase rates for multi-unit residential & commercial/industrial properties. Reducing to \$50 would further exacerbate this.

Single unit residential properties

Total rates with varying levels of UAGC			
Land Value	\$200	\$100	\$50
200,000	2,012	1,941	1,906
250,000	2,228	2,164	2,132
300,000	2,443	2,387	2,359
350,000	2,659	2,610	2,585
400,000	2,874	2,832	2,812
450,000	3,090	3,055	3,038
500,000	3,305	3,278	3,265
550,000	3,521	3,501	3,491
600,000	3,736	3,724	3,717
650,000	3,952	3,946	3,944
700,000	4,167	4,169	4,170
750,000	4,383	4,392	4,397
800,000	4,598	4,615	4,623
850,000	4,814	4,838	4,850
900,000	5,029	5,060	5,076
950,000	5,245	5,283	5,303
1,000,000	5,460	5,506	5,529
468,000	3,167	3,135	3,120

	Avg LV	\$200	\$100	\$50
Commercial/industrial	1,022,000	17,335	17,799	18,031
Rural (>5ha)	1,373,000	2,179	2,143	2,124
Rural (>0.2ha & <5ha)	549,000	1,805	1,756	1,731
2 unit residential	561,000	5,463	5,476	5,483



RATING ASSUMPTIONS FOR 2023/24

	2022/23	Original Proposed 2023/24	Final Proposal 2023/24
Water	348	374	Updated to reflect changes to budgets for each activity
Wastewater (and pan charges)	284	319	
Kerbside recycling	129	148	
Rubbish & public recycling	92	109	
UAGC	200	200	200

Recommendation is UAGC remain at \$200

Any further reduction which means more of the rates is based on the land value:

- Transfers unreasonable further share to commercial/industrial & multi-unit residential sectors with average increase for commercial/industrial being 9.3%
- Reduces rates for rural/semi-serviced properties to unreasonably low levels
- Further increases rates on residential properties with high LVs (like those who made submissions)
- Reduces flexibility for the future



WHERE
ARE WE
NOW
AND
PROCESS
FROM
HERE

