

**9.1 Draft Annual Plan 2020/21**

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**Recommendation**

That the Council:

- Considers the proposed 2020/21 annual plan projects, budget and fees and charges
- Considers and make decisions on feedback received from Community Boards
- Considers and makes decisions on the additional expenditure requests as provided with this report
- Confirms the proposed consultation approach for the Annual Plan 2020/21
- Provides any other feedback

**Purpose of Report**

- 1 The purpose of this report is to present the proposed annual plan projects, draft budget and fees and charges (budget document circulated separately) for 2020/21.
- 2 Please note the impact of Covid19 on our operations has not been taken into account when developing this budget. This will require consideration at the Council budget meeting and as the situation evolves.

**Assessment of Significance**

- 3 The consideration of the Annual Plan/budget is considered of low to medium significance in accordance with the Council's Significance and Engagement Policy. The level of engagement on the Annual Plan process will be confirmed by the Council as part of this meeting.

**Background**

- 4 The Local Government Act 2002 requires the Council to prepare an Annual Plan for each financial year.
- 5 Under Section 95 of the Local Government Act, the purpose of an Annual Plan is to:
  - a) *contain the proposed annual budget and funding impact statement for the year to which the annual plan relates; and*
  - b) *identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year; and*
  - c) *provide integrated decision-making and co-ordination of the resources of the local authority; and*
  - d) *contribute to the accountability of the local authority to the community.*
- 6 The annual plan contains the proposed annual work programme, budget and funding impact statement and identifies any variation from year 3 of the 2018-2028 Long Term Plan adopted

by Council in June 2018. It also covers the fees and charges proposed to be charged by the Council for various services in the 2020/21 year.

- 7 The Annual Plan represents an exceptions-based document rather than being for the purpose of revisiting the third year of the Long Term Plan 2018-28. The Council is required to review the Long-term Plan this year and this is being prepared for the period 2021-31.
- 8 Community Boards are considering draft information relating to their areas and any feedback will be provided at the meeting.

**Draft Annual Plan 2020/21 Overview**

- 9 This budget is based on the third year of the LTP but reflects changes that have occurred since its adoption in June 2018. These include reprioritisation or rephasing of some projects, the impact of how the Council organisation operates, changes in funding, some new projects and changes in the Council’s obligations under government legislation.

**Major Projects**

- 10 Timaru District Council will be continuing its major projects as set out in year 3 of the Long Term Plan, albeit with some changes to the timing of projects.

Project	LTP Budget 2020/21 (\$m)	Draft Annual Plan Budget 2020/21 (\$m)  <i>*Figures below include or reflect changes in the timing or phasing of projects across LTP years, where applicable</i>
Cemetery Replacement	1.7	1.7
Theatre Royal Upgrade/Heritage Facility Centre	2.6	5.4m <i>(Theatre/Heritage projects now combined/re-phasing)</i>
Bridge Replacements	1.2	0.8
Pavement Rehabilitation	2.2	3.0
Minor Improvement Works	0.8	0.8
Kerb and Channelling	1.2	1.2
Footpath improvements/renewals	1.0	1.67
Washdyke Road Network Improvements	1.6	1.6
Timaru CBD Carparking	1.6	0.85

<b>Project</b>	<b>LTP Budget 2020/21 (\$m)</b>	<b>Draft Annual Plan Budget 2020/21 (\$m)</b>  <i>*Figures below include or reflect changes in the timing or phasing of projects across LTP years, where applicable</i>
Waste Minimisation – All Projects	1.1	0.5
Urban Water – Various Projects	4.7	19.6
Downlands – 82% Treatment Plant Upgrade	4.1	4.1
Caroline Bay Soundshell Seating ( <i>moved forward from 2021/22</i> )		1.68

- 11 A number of projects have also been highlighted as part of community board discussions in the last week, and these are outlined below:

<b>Project</b>	<b>Proposed Cost 2020/21 (\$m)</b>
<b>Geraldine</b>	
Sewer – Talbot Street	\$0.96
Stormwater – Huffey Street Upgrade	\$0.2
Te Moana Water Supply upgrade	\$0.344
Te Moana Storage and Treatment Upgrade	\$2.2
Tiplady Road Roundabout	\$2
Geraldine Footpaths	\$0.18
<b>Pleasant Point</b>	
Stormwater Upgrades	\$0.2
Pleasant Point Footpaths	\$0.1
Harrison Road Bridge Replacement	\$0.25
<b>Temuka</b>	
Sewer Upgrades	\$1
Fraser St Stormwater Upgrade	\$0.2
Temuka Water Storage	\$1.1
Temuka Water Headworks	\$0.25
Temuka Pool Upgrade	\$1.2

Project	Proposed Cost 2020/21 (\$m)
Temuka Aviary Rebuild	\$0.1
Temuka Footpaths	\$0.2

- 12 There are some projects which have not been included in the proposed plan to be discussed at the meeting. These are outlined in the papers sent with this report. The impact of these projects, if included is outlined below:

Project	Opex/Capex	Cost	Funding	Reason
Airport Runway Renewal (Attached)	Capex	\$660,000	Loan Funding	Required as part of larger maintenance programme in two years.
Airport Carparking (Attached)	Capex	\$63,000	Loan Funding	Additional Drop Off Parks. Currently insufficient parking.
Orari Back Road Sealing (Recommendation)	Capex	\$900,000 estimate	To be confirmed	Geraldine Community Board request.
Additional Staff	Opex	To be confirmed as part of the budget discussion.	Rates	Additional positions for: Parks, 1 FTE Parks .5 Shared/Property .5 Shared IT, 1 FTE Communications .6 FTE.
Aoraki Development	Opex	\$120,000	Rates	Requested by Aoraki Development in its draft SOI. Does not include funding for Tourism/Visitor Promotion.

- 13 Some other projects may be proposed as part of the community board discussions held in the last week, and these will be presented at the meeting.

**Variations to the 2020/21 Budget from Year 3 LTP**

- 14 Personnel Costs have increased \$3.6 million from the LTP. \$1.9 million is attributable to the 2019/20 Budget, with \$1.7 million spending relating to the proposed 2020/21 budget. Of this,

\$900,000 can be attributed to minimum wage movement and proposed remuneration increases. The remaining \$800,000 is made up of new positions or rescaling of existing positions.

- 15 There are a number of new positions, which are comprised of:
  - 15.1 A Senior Programme Delivery Manager role focused on enhancing the delivery and oversight of key Council projects
  - 15.2 Three roles into People & Capability, (two permanent and one fixed term). One focused on overhauling the performance framework and the way we measure and monitor staff performance, another focused on building our learning and development capacity and improving performance, while the third position focuses on advising staff and managers on recruitment, performance and various personnel issues
  - 15.3 A fixed term Digitisation Project Officer working on the scanning project for the Building Unit files and records
  - 15.4 Backfill roles into the Land Transport Unit for the Development Manager and increased Airport Operations role.
  - 15.5 A general increase in paid hours for a number of areas, including Property, Fitness and Planning. This is in response to increase demand, compliance and legislative requirements
  - 15.6 In addition, market pressures and competition when recruiting vacant positions have driven up the 'replacement' cost, impacting our total remuneration costs
- 16
- 17 Contractor costs have increased \$2.3 million from the LTP. \$1.6 million can be attributed to the Council's Infrastructure activities reflecting changes in their work programmes and increased costs for services. The remainder can be attributed to increases in Parks maintenance \$375,000, and to increased costs spread over the remainder of the Council's activities.
- 18 Elected Member's remuneration varies \$122,000 from the LTP. This figure is set by the Remuneration Authority.
- 19 Carbon Credit Costs are proposed to increase up to \$650,000 on the LTP figure. This is a result of an increase in the cost of Units and increased use of Council's landfill facilities.
- 20 The cost of insurance has increased 70% on the proposed LTP figure. This can be attributed to the increasing cost of insurance and a move from indemnity to replacement costs on certain assets. This is subject to the upcoming insurance renewal process.
- 21 Planning Consultant Costs associated with the District Plan Review have been carried forward from the 2019/20 year. This has created an \$820,000 variance to the LTP.
- 22 Other Consultant Costs have increased \$729,000 on the LTP. \$400,000 of this can be attributed to increased support across the infrastructure units, with the remainder spread across other Council Units.
- 23 The IT costs of \$500,000 have been carried forward from 2019/20 meaning a variance of that amount to the LTP.

- 24 The dividend received from Timaru District Holdings Limited is projected to decrease \$850,000 on Year 3 LTP. There will be a reduction of \$200,000 in interest received from the Holdings Company which is offset by a reduction of \$850,000 of subvention payments paid.
- 25 Software operating costs are proposed to increase \$370,000 on the LTP. This relates to increased costs of existing software licenses, and additional software required by the organisation to operate.
- 26 Finance Costs are projected to decrease \$1.8M due to lower borrowing costs and less debt being required than forecast in the LTP.
- 27 The budget is proposing to carry out \$64 million of Capex in 2020/21. This is a variance of \$29 million against the LTP. The majority of the variance to LTP relates to projects in the Infrastructure, and Recreation and Leisure space being re-phased into the 2020/21 budget. \$1.68 million relates to the Bleachers project being proposed to be moved forward from Year 4 of the LTP. Approximately \$3m represents contingency, which may not go ahead in FY20/21 (sewer \$1m, cemetery \$1.7m, seal extension \$330k, pumps \$70k). The Capex programme will be reviewed during the submission process, in light of circumstances such as Covid19. It is to be noted that the timing of this work means the annual costs of funding and depreciation (i.e. operational cost having rates effect) comes into effect in FY2021/22.
- 28 The Council's share of Downlands Capex is \$18 million. The variance of \$12.6 million from LTP can be attributed to a re-phasing of the budget.

#### **Rates Impact**

- 29 The 2020/21 budget is based on year 3 of the 2018/28 Long Term Plan. Year Three of the Long Term Plan originally forecast a 7.09% overall rates increase in district-wide rates (including inflation). Since this time, there have been numerous changes and circumstances which have impacted on the Council's work programme and budget, and subsequent sources of funding.
- 30 Council has a self-imposed limit on rate increases via its Financial Strategy of 6% plus inflation, forecast in the Long Term Plan 2018-28 assumptions for the 2020/21 year of 2.2%.
- 31 The proposed plan has an indicative increase in district-wide rates for FY2020/21 of 8.02%. The main impacts on total rates for average value properties are outlined in the table below. A Timaru residential property with an average land value of \$148,600 will pay an additional \$2.91 per week in Rates.

#### **Table - Rate Movement for Average Residential Properties and Indicative Rural/Commercial Properties**

**Timaru District Council  
Rates per household 2020/21**

	Residential				Rural	Commercial		
	Geraldine	Pleasant Point	Temuka	Timaru				
Land Value	\$166,400 <i>(Average)</i>	\$137,500 <i>(Average)</i>	\$105,600 <i>(Average)</i>	\$148,600 <i>(Average)</i>	\$389,900 <i>(Sample)</i>	\$1,493,800 <i>(Sample)</i>	\$3,898,800 <i>(Sample)</i>	\$403,600 <i>(Sample)</i>
UAGC	\$704.00	\$704.00	\$704.00	\$704.00	\$704.00	\$704.00	\$704.00	\$704.00
General Rates	\$461.58	\$381.41	\$292.92	\$412.20	\$540.77	\$2,071.82	\$5,407.42	\$4,478.17
<b>General Rates (including UAGC)</b>	<b>\$1,165.58</b>	<b>\$1,085.41</b>	<b>\$996.92</b>	<b>\$1,116.20</b>	<b>\$1,244.77</b>	<b>\$2,775.82</b>	<b>\$6,111.42</b>	<b>\$5,182.17</b>
Community Works and Services	\$368.48	\$8.03	\$288.32	\$180.07	\$22.78	\$87.29	\$227.83	\$489.09
Community Boards	\$3.00	\$5.00	\$3.50					
Sewer	\$364.00	\$364.00	\$364.00	\$364.00				\$364.00
Waste Management	\$338.00	\$338.00	\$338.00	\$338.00				\$338.00
Water	\$435.00	\$435.00	\$435.00	\$435.00				\$435.00
<b>Targeted Rates</b>	<b>\$1,508.48</b>	<b>\$1,150.03</b>	<b>\$1,428.82</b>	<b>\$1,317.07</b>	<b>\$22.78</b>	<b>\$87.29</b>	<b>\$227.83</b>	<b>\$1,626.09</b>
<b>Total Rates</b>	<b>\$2,674.06</b>	<b>\$2,235.44</b>	<b>\$2,425.75</b>	<b>\$2,433.27</b>	<b>\$1,267.55</b>	<b>\$2,863.11</b>	<b>\$6,339.25</b>	<b>\$6,808.25</b>
2019/20 rates	\$2,447.54	\$2,101.00	\$2,289.23	\$2,281.93	\$1,217.77	\$2,663.88	\$5,814.43	\$6,252.21
Increase % over 19/20	9.25%	6.40%	5.96%	6.63%	4.09%	7.48%	9.03%	8.89%
Increase \$ over 19/20	\$226.52	\$134.44	\$136.52	\$151.34	\$49.78	\$199.23	\$524.82	\$556.04
Increase \$ per week over 19/20	\$4.36	\$2.59	\$2.63	\$2.91	\$0.96	\$3.83	\$10.09	\$10.69
Cost per week	\$51.42	\$42.99	\$46.65	\$46.79	\$24.38	\$55.06	\$121.91	\$130.93
Cost per day	\$7.33	\$6.12	\$6.65	\$6.67	\$3.47	\$7.84	\$17.37	\$18.65

32 The impact of these rate changes will vary according to the services received by individual ratepayers, their location in the district and the land value of their properties.

33 The total rate revenue forecast for collection in 2020/21 is \$56.4M. This is below the \$58.2M what was forecast in Year 3 of the Long Term Plan 2018-28, although a number of changes have occurred since the 2018-28 Plan was developed. The reduction in rates required can be attributed in part to a reduction in finance costs, due to lower interest costs and a modified capital programme. In addition, Council adopted a 4.7% rates increase last year against a proposed LTP increase of 7.5% when resulted in a lesser rates requirement.

**Fees and Charges**

34 The draft Fees and Charges schedule, showing changes is distributed separately as Appendix A.

35 There are mostly small increases for a number of activities to reflect the costs associated with providing these services and facilities. In some areas, fees and charges are being impacted by changing market conditions or government regulation, such as in waste/waste minimisation where the cost associated with meeting our carbon liability is expected to increase reasonably significantly.

**2020/21 Annual Plan Approach**

36 The proposed annual plan/budget is based on delivering the service levels adopted in the LTP 2018-28 and subsequent decisions resolved by Council.

37 The level of consultation on an Annual Plan is subject to the Council's discretion depending on its assessment against Section 82 of the LGA and the 'significance' or 'materiality' of

differences to the LTP or how the Council chooses to. The Annual Plan is not required to go through a formal Special Consultative Procedure as previously occurred. The level of consultation can be tailored to the significance of the issues being considered and should give effect to the consultation principles under the LGA (S82) as appropriate.

- 38 Where consultation occurs, a Consultation Document (CD) is prepared. The focus of the CD can only be around the 'significant' and 'material' changes between the 2020/21 year in the LTP 2018-28 and the Annual Plan 2020/21.
- 39 The level of consultation on the 2020/21 Annual Plan will be confirmed by the Council when it is considered in March, and the Community Board views are welcome.
- 40 If consultation is confirmed, it will likely take the form of a consultation document included as part of a community newspaper, and made available through other means (e.g. Council's website, service centres) and through general distribution to key stakeholders. Other consultation tools would be used to promote the consultation as required. An opportunity to speak to Council would be provided in a format yet to be determined.
- 41 If a higher level of consultation than undertaken for previous Annual Plan processes is not required, an information brochure on the Annual Plan will be distributed district-wide using the timeframe outlined below. This will give general information about the Annual Plan 2020/21 work programme, including an overview of the main projects in 2020/21, changes to what was included in Year Three of the LTP and the financial and rating impact. It will seek general feedback on the plan, some of which will be feed into the 2021/31 Long Term Plan process.
- 42 The timetable for the Annual Plan 2020/21 process (as required) is:
- **16,19 March** Extraordinary Annual Plan meetings for Community Boards
  - **23-24 March** Council Annual Plan meetings (days as required)
  - **7 April** Council adopts Consultation Document or approach to Consultation
  - **9 April** Consultation opens (as required)
  - **7 May** Consultation closes (as required)
  - **19 May** Council consideration of Annual Plan feedback received and speaking opportunity (if required)
  - **23 June** Council adopts Annual Plan 2020/21

### Consultation

- 43 Relevant parts of the draft budget have been discussed with Community Boards in the last week. Further consultation on the impact of the Plan will be considered during the week.

### Relevant Legislation, Council Policy and Plans

- 44 Long Term Plan 2018-28

### Attachments

1. **Additional Budget Funding Request - Airport - Additional Carparking**
2. **Additional Budget Funding Request - Airport - Runway Resurfacing**