

## 7.1 Adoption of the 2023/24 Annual Plan

**Author:** Jason Rivett, Financial Advisor  
Andrea Rankin, Financial Controller  
Brendan Madley, Policy Advisor  
Bradley Robertson, Senior Finance Business Partner

**Authoriser:** Trudie Hurst, Group Manager Commercial and Strategy

### Recommendation

1. That Council:
  - (a) Adopts the Timaru District Council Annual Plan 2023/24, in accordance with Section 95 of the Local Government Act 2002.
  - (b) Sets the Timaru District Council Fees and Charges 2023/24.
  - (c) Authorises the Chief Executive and Group Manager Commercial and Strategy to make any non-material changes to the Annual Plan 2023/24 prior to publication, for example to improve readability.

### Purpose of Report

- 1 The purpose of this report is to adopt the Timaru District Council 2023/24 Annual Plan and set the fees and charges for 2023/24. These documents are attached for reference.

### Assessment of Significance

- 2 The Annual Plan is considered of high significance when assessed against Council's Significance and Engagement Policy, and accordingly there has been extensive community consultation on the proposed plan using the Special Consultative Procedure outlined in sections 83 and 93A of the Local Government Act 2002 (LGA).
- 3 Specifically with reference to adopting an Annual Plan section 95 of the LGA states:
  - (2) Subject to subsection (2A), a local authority must consult in a manner that gives effect to the requirements of section 82 before adopting an Annual Plan under this section.
  - (2A) Subsection (2) does not apply if the proposed Annual Plan does not include significant or material differences from the content of the Long-Term Plan of the financial year to which the proposed annual plan relates.

### Background

- 4 The LGA requires Council to prepare and adopt an Annual Plan each financial year, the purpose of which is to:
  - (a) Contain the proposed annual budget and funding impact statement for 2023/24
  - (b) Identify any variations from the financial statements and funding impact statement contained in the Long Term Plan (LTP) 2021-31
  - (c) Provide integrated decision-making and coordination of the resources of the local authority

- (d) Contribute to the accountability of the local authority to the community.
- 5 Council considered the draft Annual Plan 2023/24 work programme, budget and fees and charges at its meetings on 21 March 2023<sup>1</sup> and 4 April 2023<sup>2</sup>.
- 6 It was determined that the proposed Annual Plan 2023/24 met the legislative threshold of having significant or material differences from the content of the Long Term Plan 2021-2031 (LTP), and specifically with regards to the proposed rates increase. In these circumstances the consultation undertaken was both appropriate and necessary.
- 7 The LGA requires Council to adopt its Annual Plan prior to the commencement of the year to which it relates. Accordingly, the Annual Plan 2023/24 and the Fees and Charges for 2023/24 are presented for adoption, as attached.

## Discussion

### Annual Plan

- 8 The Annual Plan 2023/24 consultation was carried out from 13 April to 15 May 2023. The Consultation Document and supporting information was available online from 5pm 13 April<sup>3</sup>.
- 9 Council met on 30 May 2023 to hear submissions, deliberate and give direction to Officers regarding submissions and community feedback received on the Annual Plan.
- 10 Decisions made at the meeting of 30 May 2023 have been incorporated in the full Annual Plan document (and are set out below).

### Adjustments to draft Annual Plan and budget

- 11 The Annual Plan 2023/24 captures the prior decisions of Council in relation to the draft annual plan considered on 30 May 2023.
- 12 The cost of Emissions Trading Scheme (ETS) credits have reduced from that proposed in the draft Annual Plan. The effect of this saving is \$880,000. Credits were budgeted at \$80 per unit. However, Council has acquired the majority of the credits it estimates it will be required to surrender in 2023/24 at an average cost of \$58 per unit.
- 13 Other minor changes have been made to the draft Fees and Charges. The total impact of these on rates is nil to minimal. As per Council's request, all fees and charges that had not already been changed or considered were increased by 5%, with the exception of swimming pools and the South Island Independent Qualified Persons (IQP) Processing fee. The IQP Processing fee has remained the same as this is set by a body outside of Council. In addition, the waste minimisation landfill access permit holders' fee was increased by \$5 (from \$50 to \$55) and will generate approximately \$200 in additional revenue.
- 14 Community Boards receive funding through a targeted uniform annual Community Board rates set and assessed per rating unit within each of the Temuka, Geraldine and Pleasant Point communities. Following submissions received from the Temuka Community Board the rate has been increased by \$1.50 per rating unit to \$5.00 per rating unit (increasing the total revenue collected from the targeted Temuka Community Board rate from \$10,000 to

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<sup>1</sup> Refer agenda of 21 March 2023, report 9.7 Annual Plan 2023/24

[https://www.timaru.govt.nz/\\_\\_data/assets/pdf\\_file/0005/726026/Council-AGENDA-FINAL-RS-21.03.23.pdf](https://www.timaru.govt.nz/__data/assets/pdf_file/0005/726026/Council-AGENDA-FINAL-RS-21.03.23.pdf)

<sup>2</sup> Refer agenda of 4 April 2023, report 7.1 Annual Plan 2023/24 - Supporting Information

[https://www.timaru.govt.nz/\\_\\_data/assets/pdf\\_file/0004/729211/Council-AGENDA-04.04.23.pdf](https://www.timaru.govt.nz/__data/assets/pdf_file/0004/729211/Council-AGENDA-04.04.23.pdf)

<sup>3</sup> Refer <https://www.timaru.govt.nz/tell-us/current-consultations/annual-plan-202324>

\$14,000). Similarly, the Geraldine Community Board rate has also submitted that its Community Board rate be increased, in its case, by \$1.00 per rating unit to \$6.00 per rating unit (increasing the total revenue collected from the targeted Geraldine Community Board rate from approximately \$14,000 to \$17,000).

- 15 As part of the 2021/22 Annual Report, Audit NZ requested that Council recognise the Peel Forest remedial work as a provision in 2021/22 financial year, so the expense has been removed from the 2023/24 Annual Plan. There is no impact on rates as the spend will still occur, however it will be expensed against the provision created in 2021/22, rather than recognised as an expense in the 2023/24 financial year.

#### Capital delivery

- 16 The 2023/24 Annual Plan includes a total capital investment of \$90.8M. Of this, \$81.7M will be delivered in accordance with the 90% delivery assumption adopted as part of the Long Term Plan 2021-31 and records in Council's financial statements Downlands at 82%, which is Council's share of the scheme.

#### Revenue

- 17 Total operating revenue is \$128.4M. This is \$4.6M lower than that included in the Draft Annual Plan. The main revenue changes are:
- (a) Reduction in rates of \$285,000. This is due to savings in ETS costs of \$880,000, offset by an increase of \$595,000 due to realised growth within the District, which is slightly higher than the 0.5% assumption in the Long Term Plan 2021-31.
  - (b) Reduction in fees and charges of \$4.35M. This is due to removing the Peel Forest remediation income which would have been charged across the weighbridge and which was being paid by Council to itself.

#### Operating Expenditure

- 18 The total operating expenditure of \$122.8M is \$12.6M lower than that included in the Draft Annual Plan. Key variances are due to:
- (a) Other expenses reducing by \$12.8M. Almost all of this reduction (\$11.8M) arises from the accounting treatment of the provision for the Peel Forest Landfill remediation and the period in which it is measured and presented. As noted above \$4.35M of fee income paid by Council to itself is not been recognised. The contra to this fee income not being recognised is that Council also eliminates the offsetting \$4.35M expense. Essentially what has occurred is that an internal charge and income have been netted off to zero and so eliminated from the financial statements. The balance of \$7.45M (\$11.8M - \$4.35M) related to the Peel Forest Landfill remediation is the provisions which has been recognised and measured in the financial statements for the 2022/23 financial year, and accordingly it is removed from the Annual Plan. Other expenses also decreased by \$880,000 as noted above due to savings in the cost of purchasing units through the emissions trading scheme.
  - (b) Finance costs are forecast to decrease by \$16,000 due to decreases in revenue, offset by decreases in other expenses. Note that the majority of the decrease in other expenses relates to Peel Forest remediation which still has a cash outflow in 2023/24, only the accounting treatment has changed.

### Rates

- 19 The Annual Plan includes a rates requirement (excl. GST) to be levied of \$72.34M (including metered water rates), as presented in the Statement of Comprehensive Revenue and Expenses section of the draft Annual Plan 2023/24.
- 20 The proposed increase in rates was forecast at 13.3% in the Draft Annual Plan 2023/24 (refer Council Meeting 21 March 2023, page 136, para 28, report 9.7), following consideration of the Draft Annual Plan Council consulted on a rates increase of 12.5%. With the adjustments noted above the increase in rates for the 2023/24 Annual Plan is 11.1%.

### Fees and Charges

- 21 The schedule of fees and charges for 2023/24 includes mostly modest increases for a number of activities to reflect the costs associated with providing these services and facilities. These were highlighted through the Annual Plan community feedback opportunity and are noted above in paragraph 13. The revised schedule of fees and charges apply from 1 July 2023.

### Operating Surplus

- 22 The Annual Plan for 2023/24 shows an accounting surplus of \$5.6M before revaluations. This is an increase of \$7.9M from the draft Annual Plan. This is also \$7.9M higher than the LTP, largely a result of increased Capital grants which are recorded within the accounting surplus, while the spend these relate to are recorded within capital expenditure on the Statement of Financial Position (also known in common parlance as the balance sheet). As there is an operating surplus Council satisfies the requirements of section 100 of the LGA to have a balanced budget for 2023/24.

### **Options and Preferred Option**

- 23 The following options are available to Council:
- 24 **Option One: Adopt the Annual Plan 2023/24 as presented and set the Fees and Charges as attached** (*preferred option*).
- 25 **Option Two: Do not adopt the Annual Plan 2023/24 as presented and do not set the Fees and Charges as included due to requiring changes to levels of service, uncertainty on the financial statements and/or the fees and charges.**
- 26 The advantages of adopting the Annual Plan by 30 June 2023 avoids further complications that may arise due to setting the rates at a later date and delays in confirmation of the 2023/24 work programme.
- 27 Should the Annual Plan not be adopted at this point, there will be delays in setting the rates, application of fees and charges and implementation of the 2023/24 work programme.

### **Consultation**

- 28 Section 95 of the LGA requires a local authority to consult in a manner that gives effect to the requirements of Section 82 of the LGA before adopting an Annual Plan. This requirement has been satisfied.

### **Relevant Legislation, Council Policy and Plans**

- 29 Local Government Act 2002.
- 30 Timaru District Council Long Term Plan 2021-31.

**Financial and Funding Implications**

- 31 The cost of preparing the 2023/24 Annual Plan and the associated community engagement has met from existing budgets.

**Other Considerations**

- 32 There are no other matters that require consideration.

**Attachments**

1. Annual Plan 2023/24
2. Fees and Charges Schedule 2023-24