

Report to Council



DATE: 30 May 2024

TO: Mayor and Councillors

FROM: Group Manager, Corporate Services and Risk Assurance

Long Term Plan Amendment estimated costs

1. Summary

- 1.1. The purpose of this report is to provide the estimated costs and timings for a Long Term Plan Amendment.
- 1.2. This issue arises from an Elected Members request to consider selling the Pakiwaitara Building outside of a Long Term Plan (LTP) process.
- 1.3. Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in June 2021, which are set out in the Long Term Plan 2021 - 31. Refer page 2 of the agenda.
- 1.4. This report concludes by recommending that Council resolve to include the sale of the Pakiwaitara Building in the Long Term Plan 2025-34 and consultation document.

2. Background

- 2.1. The reason the report has come before the Council is due to the request by Elected Members for the costs associated with carrying out an LTP amendment by consultants.
- 2.2. Elected Members have an appetite for staff to carry out an LTP amendment instead of including in the next LTP to be consulted on early 2025.
- 2.3. Staff are unable to carry out this work due to the heavy workload for statutory commitments on the Annual Report and Annual Audit and preparation for the LTP 2025-34 therefore the cost of a consultant to carry out the work has been obtained.

3. Current Situation

- 3.1. The current situation is that PricewaterhouseCooper (PwC) have been approached to provide estimated costs and timings to carry out the LTP amendment as they are Council advisors and understand Westland District Council (WDC).
- 3.2. PwC have provided estimated costs to carry out the amendment up to \$70,000. They have advised that an LTP amendment is a lot of work to carry out therefore high cost.

- 3.3. Included in this cost is 3-4 weeks work, summarising submissions (up to 50), and preparation of reports for decisions for Council.
- 3.4. This does not include the cost of valuation of the building or tax advice, although tax is not likely an issue.
- 3.5. There would still be a requirement for some work by WDC staff which puts statutory deadlines at risk. WDC staff would be expected to incorporate the amendment into the financial statements and would therefore need to produce and set up a model to do this. The time and work on this alone is weeks of work. Staff are already working excess hours to complete the annual plan 2024-25 and this workload will only increase during annual report and audit and preparation of the LTP 2025-34.
- 3.6. EY have also been approached to provide estimated costs for the audit of the LTP amendment consultation document. The cost of \$30,000 is a minimum cost as EY did not audit the current LTP and EY have stated that the cost would need to be revised if the audit became more complex than originally considered, or they are required to make a more detailed assessment of the underlying financial model/strategy document.
- 3.7. EY have stated that if the amendment goes ahead, realistically they only have capacity to carry out the audit of the consultation document early September as they will also be busy with Annual Report Audits and Long Term Plan audits.

4. Options

- 4.1. Option 1: That Council resolve to include the sale of the Pakiwaitara Building through the Long Term Plan 2025-34 process and include in the LTP consultation document.
- 4.2. Option 2: That Council resolve to provide for the sale of the Pakiwaitara Building through a Long Term Plan amendment.

5. Risk Analysis

- 5.1. Risk has been considered and the following risks have been identified. Financial and reputational risk due to an increase in Annual Plan 2024-25 rates for the costs of the LTP amendment. Compliance risk due to staff having to redirect away from statutory reports to the LTP amendment.

6. Health and Safety

- 6.1. Health and Safety has been considered and the following items have been identified. Staff burnout from the excess work that an LTP amendment will bring on top of a very heavy workload due to the amendment being carried out at the same time as the annual report and audit and preparation of the LTP 25-34.

7. Significance and Engagement

- 7.1. The level of significance has been assessed as being high.
 - 7.1.1. Public consultation is necessary as the Pakiwaitara Building is listed as a Strategic Asset in WDC's significance and engagement policy and must go through an LTP amendment and special consultative process for transfer of ownership and control. Legal advice was taken to confirm this stance.

8. Assessment of Options (including Financial Considerations)

- 8.1. Option 1 – That Council resolve to include the sale of the Pakiwaitara Building through the Long Term Plan 2025-34 process and include in the LTP consultation document.
- 8.2. The sale of the building can be provided for through the normal process with the only extra cost to ratepayers being the cost of valuation of the building estimated at between \$1,000 and \$2,000. Current

cost of service for Pakiwaitara is \$146,770 compared to a minimum cost of \$102,720 for the LTP amendment, net cost of \$44,020 to Council to retain until the LTP proper.

8.3. Considerations to reduce this cost could include not funding depreciation with a saving of approx. \$16,000.

Repairs and maintenance could be funded from the accumulated depreciation that is currently held. The budget for R&M is \$29,000 and the accumulated depreciation reserve is \$29,608.56. Total rates saving \$45,000.

Risk with this is that Council changed direction and decided not to sell.

Pre work on the sale of the building can take place once Councillors make a decision to include the sale in the LTP proper, such as valuation of the building.

8.4. Staff can commit to the Annual Report 2024 and LTP 2025-34 in order to meet statutory deadlines.

8.4.1. There are no financial implications to this option other than those already budgeted in the Annual Plan 2024-25 for the LTP.

8.4.2. The item other than the valuation of the building is budgeted expenditure and will be funded from rates.

8.5. Option 2 – That Council resolve to carry out a Long Term Plan amendment to provide for the sale of the Pakiwaitara building.

8.6. The audit costs are estimated and may increase due to complexity and lack of knowledge of the current LTP financial model and strategies. There is limited time for PwC to prepare the LTP amendment due to time constraints of the EY audit team.

There is extra pressure on the whole Corporate Services team to enable PwC to carry out the amendment at a time when the pressure of workload is already significantly higher than business as usual.

8.4.1. The minimum cost of the amendment process is estimated at \$102,720.

8.4.2. The cost would need to be provided for in the Annual Plan 2024-25 yet to be finalised and would be funded through rates, this would be an increase in the annual plan of approximately 0.5%.

8.4.3. If the cost is not provided for in the Annual Plan 2024-25 it would be unbudgeted and reduce WDC cash reserves.

9. Preferred Option(s) and Reasons

9.1. The preferred option is Option 1: That Council resolve to include the sale of the Pakiwaitara Building through the Long Term Plan 2025-34 process and include in the LTP consultation document.

9.2. The reason that Option 1 has been identified as the preferred option is that the cost of the consultants and Audit team would not exist if Elected Members resolved to include sale of the Pakiwaitara Building in the Long Term Plan.

The Long Term Plan will be subject to preparation during the latter part of 2024 and early 2025 with consultation to be undertaken in April 2025.

There would be no duplicated work.

10. Recommendation(s)

10.1. That the report be received.

10.2. That Council resolve to include the sale of the Pakiwaitara Building through the Long Term Plan 2025-34 process and include in the LTP consultation document.

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