



A G E N D A

Council

Council Chambers

Thursday

10 April 2014

commencing at 1.00 pm

His Worship the Mayor, M.T. Havill (**Chairperson**)

Deputy Mayor P.M. Cox

Cr. J.H. Butzbach, Cr. M.S. Dawson, Cr. D.G. Hope,

Cr. A.R. Keenan, Cr. L.J. Martin, Cr. M.D. Montagu, Cr. C.A. van Beek

NOTICE IS HEREBY GIVEN THAT A SPECIAL MEETING OF THE WESTLAND DISTRICT COUNCIL WILL BE HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 10 APRIL 2014 COMMENCING AT 1.00 PM

Tanya Winter
Chief Executive

4 April 2014

Purpose:

Council Vision

“Westland will, by 2030, be a world class tourist destination and have industries and businesses leading through innovation and service.

This will be achieved by:

- *Involving the community and stakeholders*
- *Having inspirational leadership*
- *Having expanded development opportunities*
- *Having top class infrastructure for all communities*
- *Living the ‘100% Pure NZ’ brand*

“Westland, the last best place”

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action, by and on behalf of, communities; and
- (b) To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

1. MEMBERS PRESENT AND APOLOGIES:

1.1 Apologies.

1.2 Register of Conflicts of Interest.

2 BUSINESS:

2.1 Adoption of 2014/2015 Draft Annual Plan

(Pages 3-8)

A copy of the Draft Annual Plan is included separately.

Report



DATE: 10 April 2014

TO: Mayor and Councillors

FROM: Group Manager: Planning, Community and Environment

ADOPTION OF 2014/2015 DRAFT ANNUAL PLAN

1.0 SUMMARY

- 1.1 The purpose of this report is to formally adopt the 2014/2015 Draft Annual Plan for consultation.
- 1.2 This issue arises from legal compliance.
- 1.3 The matters raised in this report relate to those elements of the vision identified in the following table.

Vision's Objectives	Achieved By
Involving the community and stakeholders Having inspirational leadership Having expanded development opportunities Having top class infrastructure for all communities Living the '100% Pure NZ' brand	The Draft Annual Plan contributes to all objectives.

- 1.4 This report concludes by recommending that Council adopt the 2014-15 Draft Annual Plan attached at **Appendix 1**.

2.0 BACKGROUND

- 2.1 This is Year 3 of the Long Term Plan 2012-22, and like the 2013-14 Annual Plan this draft Annual Plan is a major departure from what was proposed in the Long Term Plan.

- 2.2 In the normal course of business Annual Plans are a more detailed account of what is in the Long Term Plan and include only minor changes. However for this Council a significant amount of work was required to develop the 'Getting Real' Annual Plan for 2013-14. This process involved a number of workshops and meetings, and a comprehensive consultation process.
- 2.3 The audited LTP 2012-22 contains errors for which there is no explanation. Most significantly, debt and employee benefits were incorrectly included, which has had flow on effects into both the 2013-14 and 2014-15 Annual Plans.
- 2.4 Last year, because of the time required to develop the budgets from scratch, Council was late in adopting the Annual Plan. Westland was the only Council to do this and this is reflected in the Office of the Auditor General's report to Parliament which will be tabled in May.
- 2.5 Council has planned to adopt the Draft Annual Plan, which contains a proposed rates increase of 12.1%, on 10 April 2014.
- 2.6 A consultation plan was adopted by Council on 27 February 2014.

3.0 CURRENT SITUATION

- 3.1 Council must adopt an Annual Plan (it cannot be delegated).
- 3.2 Council adopted a timeline for the Annual Plan on 27 February 2014. However, to provide staff with enough time to write the draft Annual Plan this has been amended as follows:

Date	Type of Meeting	Description
10 April	Adopt Draft Annual Plan	Special Council Meeting. To confirm document for consultation. No debate.
17 April to 17 May	Consultation	Consultation Plan is confirmed. Summary draft Annual Plan distributed to all ratepayers
28 May	Hearing of Submissions	Formal Meeting to listen to and read submissions.
29 May	Consideration of Submissions	Formal Meeting to consider submissions and seek further advice from Officers
12 June	Last Debate	Formal Meeting to debate final Annual Plan amendments.
26 June	Adopt Annual Plan	Ordinary Council Meeting to adopt Annual Plan. No debate

- 3.3 A rates resolution will need to be adopted on 26 June 2014 with the adoption of the final Annual Plan.

Content of the Draft Annual Plan

- 3.4 Attached as **Appendix 1**, is a final proof of the Draft Annual Plan.
- 3.5 As resolved at the Council meeting on 12 March 2014, the plan proposes a 12.1% overall rates increase. This increase is comprised of:

Depreciation	2013 / 14 renewals 2.7% + austerity unwind 1.6%	4.3%
Solid Waste	Reduced volumes – income reforecast	1.6%
Maintenance Contracts	Increases in 3 Waters and Parks and Reserves	1.6%
Projects	New projects 2014-15	2.2%
General savings	From the operational budgets	(0.1%)
Debt repayment	\$250,000 off the debt associated with Westland Holdings Ltd	2.5%
	TOTAL	12.1%

- 3.6 Unlike 2013-14, Council is not proposing any reductions to service levels.
- 3.7 Before adopting the draft Annual Plan, Council must consider one important matter: is the proposed unbalanced budget prudent?

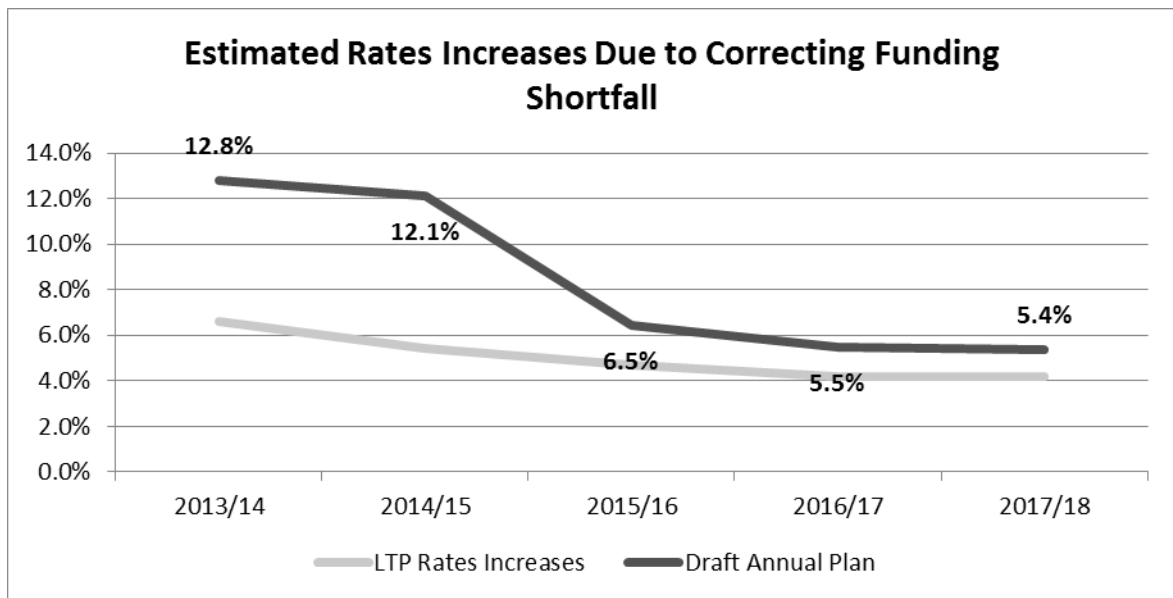
Is the proposed unbalanced budget prudent?

- 3.8 The Draft Annual Plan Statement of Prospective Comprehensive Income shows that Council is budgeting a deficit after tax of \$1.1m. This deficit arrives primarily from the continuation of Council's Austerity Depreciation Funding Policy.
- 3.9 The proposed budget is unbalanced because depreciation is being partially funded. Last year, as part of the 'Getting Real' doctrine the Austerity Depreciation Funding Policy was introduced. The purpose of this is to alleviate the immediate burden on ratepayers while Council restructured its cost base to a realistic level. In the long term this is neither prudent nor sustainable. However to revert to fully funded depreciation in one year would require a 32% increase on the current rate take. Thus it is proposed that the policy of gradually reinstating funding for depreciation is retained

- 3.10 The LGA requires councils to have a balanced budget and be prudent. Not only that, Council must pass a resolution to this effect.
- 3.11 The following chart shows the funding shortfall and how the continued implementation of the policy intends to get Council back to an appropriate level of funding within five years.

	2014	2015	2016	2017	2018	TOTAL
Financial Impact	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Base Charge	5,044	5,319	5,485	5,650	5,816	25,220
Funded	1,856	2,288	2,676	2,974	3,277	9,278
Subsidies / Grants	1,836	1,891	1,948	2,006	2,066	9,180
Shortfall	1,352	1,140	860	670	472	4,494
Increase in rates		432	388	298	303	
%		4.3%	3.7%	2.8%	2.7%	

- 3.12 Funding the shortfall by 2017/18 will also reinstate a balanced budget.
- 3.13 By continuing this policy Council will be funding \$430,000 into depreciation reserves in 2014-15.
- 3.14 This policy also results in a smoothing of rates increases by spreading the impact of Council's revenue shortfall over five years.
- 3.15 Assuming no changes in service levels, 2.97% inflation (same as LTP) and no changes in other funding sources (especially NZTA) then the following increases for the whole of Council's budgets:



3.16 Without this policy an increase of around 30+% would be required this year followed by at inflation increases in the following years. Council considers that smooth and predictable rate increases are more beneficial to the community.

3.17 Council is required to conclude whether or not the unbalanced budget is prudent in the circumstances.

4.0 OPTIONS

4.1 **Option 1:** Council can adopt the Draft Annual Plan as drafted and continue with the revised timetable.

4.2 **Option 2:** Council can further debate items in the plan and revise the consultation and final annual plan adoption timetable.

5.0 SIGNIFICANCE AND CONSULTATION

5.1 The decision to adopt an Annual Plan is significant, hence the legislative requirement to adopt a statement of proposal (Draft Annual Plan) and summary and then consult with the community on that proposal.

6.0 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

6.1 **Option 1:** Council's financial circumstances are leading to much higher rates increases than projected in the LTP. Some sectors are hit harder than others (see the rates samples in the Draft Annual Plan). The community engaged well with Council through the 2013-14 Annual Plan process and they now have a good level of understanding of Council's challenges.

6.2 **Option 2:** Council has had one workshop and two meetings debating the Draft Annual Plan components. If Councillors wish to further change the plan prior to seeking the communities' views it may amend the current timetable. However, the timetable has been established to meet the end of June legislative deadline for adoption the final Annual Plan. A delay now will result in the late adoption of a draft, delayed consultation and the late adoption of the final Annual Plan.

7.0 PREFERRED OPTION AND REASONS

7.1 Option 1 is the preferred option so that Council meets the statutory deadline of 30 June 2014 for the adoption of a final Annual Plan.

8.0 RECOMMENDATIONS

- A) **THAT** the unbalanced budget proposed in the Draft Annual Plan is considered by Council to be prudent in the circumstances of Council's current financial situation.
- B) **THAT** the Draft Annual Plan 2014/15 be adopted for consultation.
- C) **THAT** the Chief Executive be authorised to make necessary minor drafting or presentation amendments prior to publication of the Draft Annual Plan.

Jim Ebenhoh

Group Manager: Planning, Community and Environment

Appendix 1: Draft Annual Plan 2014/2015 (attached separately)