

Council Briefing Agenda

Date: Tuesday, 11 February, 2020

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Her Worship the Mayor Sheryl Mai
(Chairperson)
Cr Gavin Benney
Cr Vince Cocurullo
Cr Nicholas Connop
Cr Ken Couper
Cr Tricia Cutforth
Cr Shelley Deeming
Cr Jayne Golightly
Cr Phil Halse
Cr Greg Innes
Cr Greg Martin
Cr Anna Murphy
Cr Carol Peters
Cr Simon Reid

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

1. Apologies

2. Reports

2.1 Annual Plan 2020 - 2021 Update

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3. Closure of Meeting

2.1 Annual Plan 2020/2021 Update

Meeting: Council Briefing
Date of meeting: 11 February 2020
Reporting officer: Dominic Kula (GM Strategy and Democracy)

1 Purpose

To provide an update to Elected Members on the 2020/2021 Annual Plan.

2 Background

Elected members received briefings on 26 November 2019 and 12 December 2019 on the corporate planning cycle and the proposed approach to the 2020/21 Annual Plan. The matters raised at these briefings included:

- Overview of the corporate planning cycle including the Long Term Plan, Annual Plan and Annual Report
- Current assumptions and context for the 2020/21 Annual Plan
- Overview of communication and engagement options
- Budget update
- Options for ensuring a realistic starting point, and to manage the capital programme/carryforwards

Minutes from the briefing on 12 December 2019 have been included as Attachment 1. At that briefing it was proposed to cap the capital works programme at \$60m with exception of the Civic Centre and Whau Valley Water Treatment Plant (large one-off projects already underway). In doing so it was noted that the total programme (\$83.9m) would then be comparable to the figure consulted on last year, and the starting point for Year 3 of the Long Term Plan.

Three options were presented for achieving this, with councillors indicating a clear preference for Option 1 (proceed with planned carry forward – accepting an estimated \$26.3m and up to \$40m, noting formal consultation would not be required if there are no material or significant changes).

This was to be achieved whilst still maintaining a balanced budget.

3 Discussion

This briefing will be used to provide further updates on the following aspects of the 2020/21 Annual Plan:

3.1 Communication approach

At the 12 December Briefing elected members indicated a strong preference to not formally consult on the 2020/21 Annual Plan (noting consultation requirements for Fees and Charges). However, the need for communication on the plan was stressed.

At this briefing, staff will provide an overview of the proposed communication plan, including the suggested communication approach and key messages.

The proposed approach is to build on last year's digitally-led video campaign, which statistics show was well received by the community (an overview of campaign results will be presented on the day). The campaign will be updated to reflect our progress on major projects in the district, as well as confirming what we'll be focusing on in year 3 of the Long Term Plan.

Staff will also provide an update on the new consultation calendar, which will be used to take a more strategic and proactive approach to engaging and consulting with our community.

3.2 Approach to capital works programme and carry forwards

Project Managers, with the assistance of the General Managers, are reviewing the 2020/21 capital works programme with a view to bring an initial draft (including proposed carry forwards) to this briefing.

This is looking positive with the starting point for the programme currently at \$61.9m (excluding Civic Centre and Whau Valley Water Treatment Plant) and identified carry forwards (out of 2020/21) at \$28.2m. Work is ongoing however. It is likely that the recommended programme will be tabled at the briefing.

The programme will also need ongoing review (i.e. the current years estimated carry forwards will be revised as part of our February forecasting). This may result in further changes being required to maintain a \$60m (excluding Civic Centre and Whau Valley Water Treatment Plant) starting point for the 2020/21 capital works programme.

3.3 Fees and Charges update

Staff will provide an update on the progress of the fee setting process for 2020/21, including a timeline for consultation and adoption.

Staff will also discuss a proposed approach for the Long Term Plan, and how the setting of fees and charges links to the Revenue and Financing Policy.

4 Attachment

Council Briefing Meeting Minutes dated 12 December 2019.

Council Briefing Meeting Minutes

Date: Thursday, 12 December 2019
Time: 1:00 p.m.
Location: Council Chamber
 Forum North, Rust Avenue
 Whangarei

In Attendance	Her Worship the Mayor Sheryl Mai (Chairperson) Cr Gavin Benney Cr Vince Cocurullo Cr Nicholas Connop Cr Ken Couper Cr Shelley Deeming Cr Jayne Golightly Cr Phil Halse Cr Greg Innes Cr Anna Murphy Cr Carol Peters Cr Simon Reid
Not in Attendance	Cr Tricia Cutforth Cr Greg Martin
Scribe	Jennie Thomas (Democracy Adviser)

1. Apologies

Crs Cutforth and Martin (absent) and Cr Reid (late arrival-1.13pm)

2. Reports

2.1 Update on 2020-2021 Annual Plan

Her Worship the Mayor convened the meeting and advised that Dominic Kula (General Manager Strategy and Democracy) would be leading today's presentation.

Mr Kula provided an overview for the briefing which would include a recap of the last briefing, a budget update and options in relation to carry forwards.

The purpose of the briefing would be to establish direction for the 2020-2021 Annual Plan.

Delyse Henwood – Manager Finance continued the presentation and provided a budget update and a review of the process to date. Ms Henwood advised that one of the key parameters set for the 2018-2028 LTP Financial Strategy is to achieve a balance budget benchmark for opex. This is a very prescriptive benchmark, revenue is expected to equal or exceed our operating expenses. The timing of projects can directly influence this benchmark, subsidies for projects need to be considered as well. The other complicating factor is that the annual review of the balanced budget does not consider the previous years operating surpluses.

Ms Henwood advised of the known operation variances which include a significant increase in depreciation due to a large gain on infrastructure revaluation undertaken in June 2019.

- Additional recurring opex costs added during the 2019-20 Annual plan process including insurances and electricity.
- Both NZTA subsidies and opex on projects with variances that can not be quantified at present.
- Approved operational expenses from the Women's Rugby World Cup and the timing of TIF Funding.

Ms Henwood illustrated the current forecast for the balanced budget benchmark as at the limit in terms of opex and advised that Council may need to find savings, increase rates or not have a balanced budget. She also stated that she was cautiously optimistic that the benchmark would be achieved. Once capex has been confirmed there would be a clearer understanding of the situation.

Mr Kula advised the meeting that the largest capex programme ever was delivered in 2018/19 at \$57m. Carry forwards have been considered and discussed in a variety of forums to date including the pre-election report where it was stated that under the 2021-31 Long Term Plan, Council will need to stage and manage the capital works programme carefully. These decisions will be challenging, and options may include reducing the capital works programme to a more manageable level. Audit New Zealand's report recommendation also noted that management continue to progress carry forwards to avoid any significant decline in service delivery and escalated project costs.

Mr Kula explained there are a number of factors which create carry forwards, some of which Council has no or little control over. These include Central Government decisions e.g. NZTA, capacity of the sector to deliver, seasonal and environmental influences and projects being moved to obtain government subsidy. There have been factors that Council have had more control over including delays in decision making, capacity for Council to deliver programmes and introduction of new projects into the capital works programme e.g. further road sealing.

Mr Kula advised, that to manage carry forwards and ensure transparency, it was proposed to have a \$60m capital works programme with the exception of the Civic

Centre and Whau Valley Water Treatment Plant. The total programme (\$83.9m) would then be comparable to the figure consulted on last year and the starting point for Year 3. The size of the programme will change if there are further carry forwards from 2019/2020.

Mr Kula outlined the three options in relation to Carry Forwards and the relevant pros and cons of each.

Option 1:

Proceed with planned carry forward – accepting an estimated \$26.3m and up to \$40m. Formal consultation would not be required if there are no material or significant changes.

Option 2:

Delete projects to minimise the impacts of carry forwards. Formal consultation required. Focus on specific projects to be cancelled. An LTP Amendment may be required.

Option 3:

Hybrid – manage carry forwards as per option 1 but proactively discuss with the community on the issue. Focused communication-engagement on the issue.

Mr Kula advised that with all options it is proposed to undertake analysis of carry forward trends by activity, driver and impact before bringing recommendations back to Council in the New Year.

Discussion on opex included a query and response on the asset management plan being reasonably aligned with depreciation. The asset management plan would be reviewed before the LTP.

It was stated that elected members do not wish to move away from a balanced budget. There was an appreciation of the fact that this could mean a lower level of service or an increase in income, which could be generated from higher rates.

There was discussion regarding growth in the community and the requirement for service levels to increase. It was stated that this conversation needs to be held with the community, but it will be a conversation for the LTP. Council would need to have this conversation first before going to the community. This will be part of the LTP process.

It was suggested that Council could run a separate programme that relates to TIF funding. It was stated that if we had a separate plan for tourism projects it could give us more opportunity to attract funding. This was discussed in the context of the LTP.

There was a suggestion made that Council could run its own contractors to ensure that more of the planned programme of works be completed. It was highlighted that

procuring and retaining staff for this would be an issue due to the pressure already on the sector to deliver infrastructure projects and services.

The three options, and the various pros and cons of each, were further discussed by elected members. There was no indication of a desire to remove projects from the Plan. There was some support shown for Option 3 - a hybrid of the options. Overall, there was strong indication of a desire to proceed with Option 1.

Observations were made that consultation created an expectation for the community and that further projects would then be added to the work programme. It was acknowledged this would be difficult given our opex constraints and capacity to deliver. Members stated and staff agreed, that if no formal consultation were to take place, communication would still need to take place with the community on the Annual Plan to let the community know what we were planning. This could also feed into the LTP process.

There was some discussion on ways of increasing our capital expenditure with the suggestion made to work with community groups to stimulate works on community projects. Also, to identify and bring projects forward if there was an ability to do so. It was advised that projects have been brought forward for the last three years. The option of helping to fund community projects can be investigated as long as they relate to a Council owned asset and they go through our procurement process. It was advised that any grants would need to come from opex, which we currently don't have.

It was queried whether a specific strategy could be formulated to look at how the issue of carry forwards could be addressed. Rob Forlong (CE) advised that options could be provided to elected members which could lead to some hard decisions needing to be made.

There was strong indication from the majority of the elected members that there was not a wish to formally consult on this year's Annual Plan. Mr Kula made it clear, and it was acknowledged, that there would be no time for a change of direction regarding consultation on the Annual Plan in the New Year.

There was a request for an engagement work programme to be used as a tool for planning communication and consultation with the community.

Mr Kula clarified there is still a statutory requirement to consult on fees and charges.

3. Closure of Meeting

The meeting concluded at 2.21 pm.