

QLDC Council
25 June 2020

Report for Agenda Item | Rīpoata mot e Rāraki take : 1

Department: Corporate Services

Title | Taitara 2020-2021 Annual Plan Adoption

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

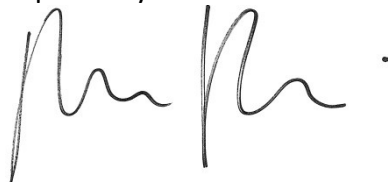
The purpose of this report is to adopt the Council's 2020-2021 Annual Plan.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report;
2. **Adopt** the Council's 2020-2021 Annual Plan pursuant to section 95(2A) of the Local Government Act 2002.
3. **Agree** to reduce the penalty on rates that are paid late for the 2020/21 financial year from 10% to 5% of the unpaid balance.

Prepared by:



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11/06/2020

Reviewed and Authorised by:



Mike Theelen
Chief Executive

11/06/2020

CONTEXT | HORPOAKI

- 1 The 2018-2028 Ten Year Plan contained a significant ten-year capital delivery programme, three times bigger than any previous plan produced by this Council.
- 2 The Council took the decision on 12 March 2020 in adopting the Annual Plan Consultation Document and supporting document that it could be satisfied it could rely on the Ten Year Plan analysis for Year 3 as the basis for the 2020-2021 Annual Plan budget.
- 3 The Council announced on 8 April that it was intending to proactively review alternative budget scenarios for the 2020-2021 Annual Plan due to the COVID-19 pandemic.

COVID-19

- 4 The Consultation Document approved on 12 March, signalled an average rates increase of 6.76%. As a direct result of the COVID-19 Pandemic and the subsequent and emergent challenge to our community, the Council urgently set itself the target of a revised budget to significantly reduce the average rates increase closer to the current rate of inflation – 1.8%. The anticipated average rates increase for 2020-2021 in the Ten Year Plan was 3.91% (after allowing for growth of 3.5%).
- 5 Limiting the rates increase to this degree has not been an easy task. Officers have, however, managed to revise the original budget to deliver a ‘baseline’ average rates increase of 0.7%. A ‘zero’ average rates increase for all ratepayers was not possible without the prospect of significantly reducing levels of service. The reduction was however, achieved through a comprehensive review of operational costs and capital funding whilst not altering levels of service for ratepayers. The average rates increase rises to 1.59% (after allowing for growth of 3.5%) and after taking into account the changes made to the budget as a result of the submission process.
- 6 It should be highlighted that a significant contribution to the reduction was decreases in staff costs of \$4.7m due to a removal of 20 FTE and introduction of salary freeze for 2020-2021 year. Additionally, a reduction of \$1.7m (34.5%) has been made in contractor costs. The revised staffing structure reflects the expected downturn in demand especially within the consenting activities.
- 7 Residential rates are now set to increase by between \$34 to \$125 per annum for next year. Whilst most components of residential rates are reduced, some elements increase due to the impact of COVID-19 on Council income for recreational services (libraries, recreation centres and aquatic centres). Most business rates show a decrease from last year.
- 8 A major budget issue for QLDC is that it has significant tourism related revenue budgets which are now at risk - QAC dividend, turnover based concessions as well as tourism related rental income from campgrounds and wharves etc. Much of this tourism related revenue directly subsidises and therefore reduces rates.

- 9 The revised budget has seen these budgets all reduce significantly, which means we have had to find significant additional savings elsewhere. In revising the budget, we have made the following revenue assumptions:
 - a. Tourism related revenues down by at least 50% - i.e. Shotover and Skyline concessions, turnover based rents, infringements (down \$4.7m)
 - b. Forecast QAC Dividend (\$5.8m) will not be paid (used 100% to repay debt)
 - c. Other user fees down by 20% (consenting, parking, Sport and Rec - down \$2.9m)
 - d. Development Contribution income down \$4.5m (22.6%)
- 10 The total revenue adjustment equates to a reduction of \$17.9m with 42.5% of this figure directly impacting rates.
- 11 Despite this picture, the work that the Council has committed to in the economic recovery space becomes crucial for our community. Council is still able to continue to invest in its significant capital programme for the 2020-2021 Annual Plan (\$184m). It is a large programme which will provide a vital stimulus to the local economy, and continue to address pre-existing infrastructure deficits.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 12 Submissions opened 16 March 2020 and closed on 17 April 2020. The Council received 211 submissions, with hearings taking place at Wānaka and Queenstown respectively on 28 and 29 May 2020.
- 13 The Annual Plan supporting document has been amended to reflect the submission and hearing process and deliberation in relation to internal submissions as follows:
- 14 As outlined the proposed average rates increase for 2020-2021 is 1.55% (after allowing for growth of 3.5% in the rates database). This is below the 3.91% signalled in the Ten Year Plan for 2020-2021 and significantly less than the 9.85% for last year and the 6.76% signalled in the draft 2020-2021 Annual Plan. Council will also be asked to reduce the rates penalty for late payments in 2020/21 from 10% to 5%.
- 15 The capital budget has increased by \$20.77m to last year as explained above, and by \$12.30m to the draft Annual Plan as a result of the submission process.
- 16 Operating costs are up by \$5.02m compared to the last year's Annual Plan which is largely driven by the following factors:
 - a. Increased Depreciation expense of \$8.66m due to the significant uplift in infrastructure values in 2019. The increase in funded depreciation is \$0.75m.
 - b. Increased landfill costs of \$1.3m due to increased volumes of waste; the cost of carbon credits and the recovery of the gas capture facility (largely covered by additional revenue).

- c. Decreased Interest Costs \$2.46m – this decrease reflects lower interest rates and capex deferrals.
- 17 The budget for total revenue has decreased by \$16.7m overall compared to last year. This is largely the result of the adjustments made as a result of COVID-19 as follows:
 - a. Decreased user charges (\$6.6m) due to the timing of expected forestry receipts (\$3.6m) which is partly offset by increased waste management disposal income (\$0.4m); decreased consent revenue (\$2.6m) and parking revenue (\$0.56m).
 - b. Decreased QAC dividend of \$5.4m, rentals down by \$2m and infringements by \$1.5m. These are offset by an increase of \$4.1m for land sales (Lakeview).
 - c. Decreased Development Contributions of \$4.1m as a result of reduced development activity
 - d. Decreased NZTA subsidy of \$5.8m as a result of Transport capex deferrals.
- 18 The large (33%) increase in Depreciation Expense is due predominantly to the significant lift in 3 Waters and Roding asset values as a result of revaluations in 2019. Although the gross expense has increased by \$8.66m; the rates impact is limited to the amount of depreciation actually funded. This amount has increased by \$0.75m for 2021 which is broadly in line with Year 3 of the Ten Year Plan and will allow the current renewals programmes to proceed as planned. Further analysis is required in this area to inform the next Ten Year Plan.
- 19 The Council would like to acknowledge all those who took the opportunity to make a submission on the Annual Plan. All submissions were individually considered but not all could be funded or in some cases, fully funded.
- 20 Given the adopted approach to the Ten Year Plan and the Annual Plan, funding constraints do exist. Jurisdictional, policy and legislative issues also apply. Council was however able to make a number of changes to the budgets as a direct result of the submission process.

Submissions/Grants:

- 21 The following funding recommendations were made on the basis of external submissions:

New Unbudgeted Requests for Grant Funding Approved for 20/21

- Aspiring Gym Sports - \$15k grant
- Bike Wanaka - \$10k grant
- Three Lakes Cultural Trust - \$40k grant
- LINK Upper Clutha (part of the Alpine Community Development Trust) - \$47.5k grant
- Te Ao Marama - \$30k additional grant
- Wai Wanaka - \$50k grant
- Wakatipu Community Hub - \$15k grant
- Wanaka Alcohol Group - \$7.5k grant
- Whakatipu Wildlife Trust - \$20k grant

Additionally the Council agreed to support the Lakes District Museum restoration and earthquake strengthening project. The amount of \$1.04m (excluding GST) will be loan funded.

Internal Submissions

Operational Expenditure: \$1,296,137 (\$586,137 rate funded)

- Subsidy Lake Wakatipu Public Ferry Service \$100k increase
- Worldwide Publications porta cabins lease \$106k increase
- Canon photocopying contract reduction \$28k decrease
- Website support costs \$11k increase
- Ladies mile masterplan \$700k increase offset by \$500k District Plan loan funding
- Recovery Team Resourcing \$407k increase offset by \$210k MBIE grant funding

Capital Expenditure: \$12,294,718

Project Name	Budget Increase
Glenorchy Reservoir Upgrade	1,265,191
Recreation Ground new WW Pump Station	6,540,000
Wastewater Network Audit	140,000
Lakeview Transportation	2,647,489
Lakeview WW Thompson St Sewer & Pressure	352,038
Coneburn Valley WW Network	900,000
Trade Waste Water Metering	450,000
	12,294,718

Options:

- 22 Option 1 Adopt the 2020-2021 Annual Plan based on Council’s decision to adopt a Consultation and supporting document on 12 March 2020 under section 95 (2A) of the Local Government Act 2002.
- 23 Option 2 Resolve to make changes of a significant financial nature to the 2020-2021 Annual Plan (rating impact). This would result in a delay/rework and Council not being in a position to adopt the Annual Plan at the meeting of 27 June 2020.
- 24 This report recommends **Option 1**.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 25 This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy because under Council chose to rely on the Ten Year Plan Year 3 budgets and clearly indicating any changes to that budget.

> MĀORI CONSULTATION | IWI RŪNANGA

26 Iwi engaged in the Annual Plan process and the Council received submissions from Te Ao Marama and Aukaha on behalf of Mana Whenua.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

27 This matter relates to the Strategic/Political/Reputation risk.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

28 As a result of the COVID-19 global pandemic and the submission process, the Council now proposes a drastically reduced rate increase, which includes a significant staffing cut and capex deferral. The rating impact of these changes sees the overall average rates increase reduce from 6.76% to 1.59% (after allowing for growth).

29 In addition to this, the Council agreed to support the submission from Destination Queenstown, Arrowtown Promotion Board and Lake Wanaka Tourism to reduce their funding allocation by 7.5% for 2020-21 a total reduction of \$0.45m to the rates paid by businesses in the Lakes District.

30 COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

31 The following Council policies, strategies and bylaws were considered:

2018-28 Ten Year Plan

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

32 The recommended option:

- Will help 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.
- Can be implemented through current funding under the Ten Year Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Annual Plan 2020/2021
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