

Notice is hereby given that an extraordinary meeting of Horowhenua District Council will be held on:

**Date:** Wednesday 17 June 2020  
**Time:** 4:00pm  
**Meeting Room:** Council Chambers  
**Venue:** 126-148 Oxford St  
Levin

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## Council OPEN AGENDA

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### MEMBERSHIP

<b>Mayor</b>	Mr Bernie Wanden	
<b>Deputy Mayor</b>	Mrs Jo Mason	
<b>Councillors</b>	Mr David Allan	
	Mr Wayne Bishop	
	Mr Ross Brannigan	
	Mr Todd Isaacs	
	Mr Sam Jennings	
	Mrs Victoria Kaye-Simmons	
	Mr Robert Ketu	
	Mrs Christine Mitchell	
	Ms Piri-Hira Tukapua	
<b>Reporting Officer</b>	Mr David Clapperton	(Chief Executive)
<b>Meeting Secretary</b>	Mrs Karen Corkill	

Contact Telephone: 06 366 0999  
Postal Address: Private Bag 4002, Levin 5540  
Email: [enquiries@horowhenua.govt.nz](mailto:enquiries@horowhenua.govt.nz)  
Website: [www.horowhenua.govt.nz](http://www.horowhenua.govt.nz)

**Full Agendas are available on Council's website**  
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**Full Agendas are also available to be collected from:**  
**Horowhenua District Council Service Centre, 126 Oxford Street, Levin**  
**Te Awahou Nieuwe Stroom, Foxton,**  
**Shannon Service Centre/Library, Plimmer Terrace, Shannon**  
**and Te Takeretanga o Kura-hau-pō, Bath Street, Levin**



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**1 Apologies**

**2 Public Participation**

Notification of a request to speak is required by 12 noon on the day of the meeting by phoning 06 366 0999 or emailing [public.participation@horowhenua.govt.nz](mailto:public.participation@horowhenua.govt.nz).

See over the page for further information on Public Participation.

**3 Late Items**

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

**4 Declarations of Interest**

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

**5 Announcements**

Public Participation (further information):

The ability to speak at Council and Community Board meetings provides the opportunity for members of the public to express their opinions/views to Elected Members as they relate to the agenda item to be considered by the meeting.

Speakers may (within the time allotted and through the Chairperson) ask Elected Members questions as they relate to the agenda item to be considered by the meeting, however that right does not naturally extend to question Council Officers or to take the opportunity to address the public audience be that in the gallery itself or via the livestreaming. Council Officers are available to offer advice too and answer questions from Elected Members when the meeting is formally considering the agenda item i.e. on completion of Public Participation.

Meeting protocols

1. All speakers shall address the Chair and Elected Members, not other members of the public be that in the gallery itself or via livestreaming.
2. A meeting is not a forum for complaints about Council staff or Council contractors. Those issues should be addressed direct to the CEO and not at a Council, Community Board or Committee meeting.
3. Elected members may address the speaker with questions or for clarification on an item, but when the topic is discussed Members shall address the Chair.
4. All persons present must show respect and courtesy to those who are speaking and not interrupt nor speak out of turn.
5. Any person asked more than once to be quiet will be asked to leave the meeting

File No.: 20/216

## Annual Plan 2020/2021 - Further Deliberations

### 1. Purpose

To present Council, for its consideration and deliberation, options for the Annual Plan 2020/2021, in response to COVID-19 pandemic's potential economic and social implications and the submissions Council received during consultation on this Annual Plan.

### 2. Executive Summary

On completion of hearing of submissions and associated deliberations on the Annual Plan 2020/2021, Council requested Officers to undertake further analysis and report back on key issues raised by submitters and Council itself.

### 3. Recommendation

- 3.1 That Report 20/216 Annual Plan 2020/2021 - Further Deliberations be received.
- 3.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- 3.3 That the Horowhenua District Council resolves to adopt Scenario 3b: The Levin Landfill additional operational expenditure is retained, but is reduced to \$250,000, and lower the reduction of income assumption from \$426,000 to \$150,000.
- 3.4 That the Horowhenua District Council supports the construction of a Community Splash Pad.
- 3.5 That the Horowhenua District Council allocates \$50,000 capex in the Annual Plan 2020/21 to complete the following in association with the proposed Community Splash Pad at Jubilee Park:
  - Site Planning and Analysis
  - Feasibility and Evaluation
  - Stakeholder input
  - Aquatic Project drawings.
- 3.6 That following completion of the above, the Horowhenua District Council considers allocating a capex budget of \$400,000 for the construction of a Community Splash Pad as part of the preparation of the 2021/2041 Long Term Plan, and explores the appropriate funding arrangements.
- 3.7 That the Horowhenua District Council allocates \$30,000 for maintenance of the Shannon School Pool in the Annual Plan 2020/2021.
- 3.8 That the Horowhenua District Council does not retain \$20,000 for Community Plans in the Annual Plan 2020/2021.
- 3.9 That the Horowhenua District Council retains \$32,000 for Long Term Plan development in the Annual Plan 2020/2021.
- 3.10 That the Horowhenua District Council retains \$60,000 for the District Plan in the Annual Plan 2020/2021
- 3.11 That the Horowhenua District Council allocates \$110,000 for the District Plan Changes in the Annual Plan 2020/2021.

- 3.12 That the Horowhenua District Council retains \$110,000 (Capex) in the Annual Plan 2020/2021 for the Levin Town Centre Project and that prior to this money being spent on the Al Fresco dining areas in 2020/2021, the project be subject to further Council approval by way of a resolution of Council.

#### **4. Background / Previous Council Decisions**

- 4.1 Council is currently in the process of preparing its Annual Plan for the 2020/2021 financial year. An Annual Plan includes the budget and financial impact statement for the year to which it relates. The Annual Plan 2020/2021 will be Year Three (3) of the Long Term Plan (LTP) 2018-2038.
- 4.2 There is limited scope for Council to make changes through an Annual Plan to what was approved in the associated LTP for the year to which that the Annual Plan relates. An Annual Plan must be prepared in accordance with the requirements outlined in section 95 of the Local Government Act (LGA) 2002. Any significant or material changes proposed to the Annual Plan from what was approved in the associated LTP must be consulted on.
- 4.3 Preparation of the Annual Plan 2020/2021 commenced in late 2019. Prior to Christmas (2019) Council made decisions on the changes it would propose in the Annual Plan, whether it would undertake consultation, and what this consultation would look like. At this point there were no specific significant or material changes that would require consultation. However, Council wanted to undertake consultation with the community to provide them with an opportunity to provide feedback on what it was planning for the 2020/2021 financial year.
- 4.4 A Consultation Document was drafted for the Annual Plan 2020/2021 and included an overview of how our District was growing, gave key financial updates, and key project updates for 2020/2021. Consultation also provided an opportunity to get the community to start putting forward ideas for the upcoming LTP 2021-2041, with work on this LTP due to commence later this year. The potential for Council to construct a splash pad at Jubilee Park was subsequently added to the Consultation Document (this would be a significant change for this financial year to what was approved in the LTP 2018-2038).
- 4.5 Council approved the Consultation Document for the Annual Plan 2020/2021 along with the supporting information (i.e. the draft Annual Plan 2020/2021) at an extraordinary meeting on 20 March 2020.
- 4.6 New Zealand went into Level Four (4) Lockdown for the COVID-19 pandemic at midnight on 25 March 2020. Consultation on the Annual Plan 2020/2021 was planned to commence on 25 March and while it was recognised that the pandemic and the Lockdown made this more difficult, Council proceeded with consultation as planned due to the legal requirement to adopt an Annual Plan by 30 June.
- 4.7 Public consultation on the Annual Plan 2020/2021 opened on 25 March 2020 and closed on 24 April 2020. Council was required to adapt its planned consultation to align with the restrictions in place due to Lockdown. Unfortunately, due to the restrictions, Council was unable to print hard copies of the Consultation Document or draft Annual Plan 2020/2021 and make these available for people to collect at Council's service centres. Council was also not able to hold the planned community engagement events.
- 4.8 Instead, Council used its website, social media, radio advertising, and a flyer (which was delivered to every house in the district) to reach people and encourage them to provide feedback on the Annual Plan 2020/2021. It was recognised that not everyone had the ability to submit their feedback online, so postal submissions and telephone submissions were also provided for. Council received 142 submissions, more than the number of submissions it had received on its last two Annual Plan consultations combined; this was a great effort from the community during a challenging time.



- 4.9 The submissions that Council received on the Annual Plan 2020/2021 covered a wide variety of topics and issues. Some key themes included the splash pad, rates, and suggestions for what Council should be considering for the LTP 2021-2041. However, COVID-19 and the implications of this pandemic on the economic and social wellbeing of the community was also a strong theme in the submissions received, with many submitters requesting Council: revise its Annual Plan; revise its work programme for 2020/2021; reduce its expenditure; and either reduce the proposed rates income increase or have a 0% rates income increase for the 2020/2021 financial year.
- 4.10 The Hearing of Submissions was carried out remotely with Elected Members and submitters attending the Hearing either via video or telephone using 'Zoom' instead of being held in person. These Hearing meetings were livestreamed for the public to watch. Overall this different approach to the Hearing of Submissions ran relatively smoothly and was successful in giving many submitters who wanted to speak to their submission the opportunity to do so.
- 4.11 Deliberations took place on 3 June 2020. While decisions were made on a number of matters raised in the submissions, Council decided to largely hold off deliberating on the matters that would have financial implications. Council gave direction to officers that there was a list of matters that would require further debate and a decision for this Annual Plan. More information and financial modelling was required from officers to ensure that Council understood the issues and their potential implications. Officers and Elected Members have since held several briefings and as a result officers have modelled the different scenarios requested by Elected Members for them to consider. These scenarios are outlined in the options presented below for Elected Members to consider and on which to make decisions.

## 5. Discussion

- 5.1 This is an unprecedented time that Council and the community is facing with uncertainty around the implications of the COVID-19 pandemic. The Annual Plan 2020/2021 was drafted prior to the COVID-19 pandemic being a factor. Council is now in a position where it needs to carefully consider the potential economic and social implications of the pandemic for our community and how best to plan for these in the coming year(s).
- 5.2 Council is in the process of looking at a Rates Postponement Policy which would provide some relief to eligible ratepayers (e.g. Small and Medium Enterprises). Another way Council is looking to provide some relief during this difficult time is through making changes to the Annual Plan 2020/2021. This was something that was requested by many of the submitters as part of feedback on the draft plan.
- 5.3 Elected Members have provided officers with direction for the matters they would like to better understand and debate as they work towards amending and finalising the Annual Plan 2020/2021. Officers have developed five options, which are outlined below including the implications of each option.

## 6. Options

There are five options that Elected Members indicated to officers that they would like to explore as they consider and decide on what the final Annual Plan 2020/2021 should include. These options are:

- Option 1 - Adopt the Annual Plan 2020/2021 with the 6.9% rates income increase
- Option 2 - Adopt the Annual Plan 2020/2021 with a 2.75% rates income increase
- Options 3 - 5 - Adopt the Annual Plan 2020/2021 with a reduced rates income increase and subject to further changes

Each of these options is outlined in more detail below to aid Council, as it considers the issues for the coming financial year and makes key decisions on what the final version of the Annual Plan will look like.

NOTE: In accordance with Council's decision on 10 June 2020, the \$50,500 budget for the Heritage Incentive Fund has been removed from options 2-5; however, an additional \$15,723.13 has been added to the budget for Community Grants and Funds in options 2-5. Council also through deliberations requested to add \$7,297 for a grant to Sport Manawatu.

**Option 1: Adopt the Annual Plan 2020/2021 with the 6.9% rates income increase (as consulted on)**

This option effectively takes the draft Annual Plan 2020/2021 as it was adopted for consultation at the 20 March 2020 Council meeting. The rates income increase proposed in the draft Annual Plan 2020/2021 was 6.9% (in comparison to the 5.54% projected by Council in Year 3 of the LTP 2018-2038).

The draft Annual Plan 2020/2021 included capex of \$39m in value, inclusive of an estimated \$10m carried forward from the 2019/20 year. This option would result in Council breaching its own debt to income ratio of 195% (as specified in Council's Financial Strategy).

**Financial and Resourcing Implications**

Option 1 would mean Council would have a total rates revenue of \$43.073m. Operating expenditure would be \$60.15m and capital expenditure would be \$39m.

**Risk Analysis**

This option clearly places most of the additional funding requirements on to ratepayers. It therefore increases the likelihood of more ratepayers looking for assistance under Council's existing Rates Remission Policy and the proposed new Rates Postponement Policy.

**Consistency with Policies and Plans**

The draft Annual Plan 2020/2021 funds some operating expenditure from borrowing (depreciation) so it is not consistent with the Revenue and Financing Policy. This option has a slightly higher rates income increase than set out in the LTP 2018-2038 and Financial Strategy (i.e. Council has a self-imposed limit of 6.54% identified in its Financial Strategy and the rates income increase for this option would be 6.9%).

**Advantages and Disadvantages**

This option provides a significant uplift in maintenance and strategic infrastructure investment and community planning to address longstanding issues for the Council. However, it results in a large rates income increase that was strongly opposed through submissions on the draft Annual Plan 2020/2021, and officers acknowledge Council considers this is no longer an appropriate increase in light of the new economic circumstances.

**Option 2: Adopt the Annual Plan 2020/2021 with a 2.75% rates income increase**

This option uses the draft Annual Plan 2020/2021 as adopted by Council for consultation on 20 March 2020 as a starting point and then would amend it with changes outlined below.

Officers have reduced employee costs for 2020/2021 by \$1,285,000 and this was achieved through a strategy of limited salary increases, limited new recruitment, wage freezes, efficiencies and voluntary salary reductions.

Officers have reduced interest costs by \$795,000 and this was achieved by reducing the interest rate assumption from 3.75% to 3.0% for the 2020/2021 year. As discussed with Council at a prior briefing, officers consider it appropriate to reduce this assumption at this time given that the average cost of funds for Council debt as at 30 May 2020 is 2.97% and this is expected to reduce further over the next 12 months.

Officers assumed a reduction in revenue of \$426,000 due to the new economic circumstances the district faces. These were reductions were across a number of Council activities as outlined:

<b>Activity</b>	<b>Net Impact</b>
Building Consents	\$135,000
Resource Consents	\$110,000
Parking	\$ 46,000
Aquatics	\$ 58,000
Community Hubs	\$ 61,000
Environmental Health/Liquor	\$ <u>16,000</u>
<b>Total</b>	<b>\$426,000</b>

This reduction in revenue assumes reduced building activity, reduced CBD activity, facility booking revenue being down, and there being reduced food and alcohol applications. Officers recommend that this shortfall in operating revenue is funded by an increase in rates rather than an increase in debt. This is considered a practical option as it has a small impact on ratepayers and does not affect Council's debt.

Officers have reduced the capital expenditure for 2020/2021 from \$39m to \$25m, although it is acknowledged that additional capital expenditure may be required as Council moves forward with Central Government and it continues to announce its government funded capital works programme.

Officers have reduced the operational expenses by \$452,865 across a number of Council activities as outlined:

People and Capability	\$ 85,000
Customer and Strategy	\$ 68,171
Community Support and Facilities	\$192,694
Property	\$ 7,000
Infrastructure	\$ <u>100,000</u>
<b>Total</b>	<b>\$452,865</b>

Officers have included an additional cost of \$500,000 in the operational expenditure of the Landfill activity. In the 2020/2021 financial year, as part of a separate process Council will decide on the future of the Levin Landfill. Irrespective of the decision through this process there will be costs required to support the work required to reach this decision.

#### Financial and Resourcing Implications

This would result in a 2.75% rates income increase. Council would meet its balanced budget benchmark (revenue would be 107% of its operating expenses) and its debt to income ratio would be 170%, which is within its limit of 195% set in the Financial Strategy.

#### Risk Analysis

The employee cost reduction risks losing key staff to other organisations, which are able to offer higher salaries and additional benefits such as professional development opportunities. Some of these staff may be in technical roles e.g. planners, engineers and building control staff that are difficult roles to replace, and which have become even more competitive since COVID-19. The limitations on filling these sorts of roles with overseas candidates has seen a recent sharp increase in the number of approaches that are being made by other councils and recruitment companies to our current staff.

#### Advantages and Disadvantages

This option allows a continued uplift in infrastructure maintenance and renewal investment.

#### **Option 3: Adopt the Annual Plan 2020/2021 with a reduced rates income increase and subject to further changes**

This option uses Option 2 as a starting point but explores two matters that Council wanted to further understand and debate.

Council requested to explore lowering the assumed revenue reduction from \$426,000 to \$150,000 across Council activities as outlined:

Activity	Net Impact
Building Consents	\$ 51,000
Resource Consents	\$ 55,000
Parking	\$ 20,000
Aquatics	\$ 13,000
Community Hubs	\$ 11,000
Environmental Health/Liquor	\$ <u>00,000</u>
<b>Total</b>	<b>\$150,000</b>

Council requested to explore removal of the Levin Landfill additional operational expenditure, and a scenario of lowering the placeholder expenditure cost of \$500,000 in the operational expenditure of the Landfill activity to \$250,000,

As such there are various scenarios within this option and each has a different financial impact. The scenarios are as follows:

- Scenario 3a: Removal of Levin Landfill additional operational expenditure (\$500,000) and lower the reduction of income assumption from \$426,000 to \$150,000
- Scenario 3b: The Levin Landfill additional operational expenditure is retained, but is reduced to \$250,000, and lower the reduction of income assumption from \$426,000 to \$150,000
- Scenario 3c: The Levin Landfill additional operational expenditure is retained, but is reduced to \$250,000, but the reduction of income assumption is kept at \$426,000

#### Scenario 3a:

For this scenario the additional operational expenditure for the Levin Landfill of \$500,000 (as outlined in Option 2) is not included and the reduction of income assumption of \$426,000 (as outlined in Option 2) is lowered to \$150,000.

The financial implications of this scenario would mean a ~~0.75% increase~~ **2.00% decrease** to the 2.75% rates income increase outlined in Option 2 (this would mean a ~~3.50%~~ **0.75% rates income increase**). Council would meet its balanced budget benchmark (revenue would be 107% of its operating expenses) and its debt to income ratio would be 171% which is within its limit of 195% set in the Financial Strategy.

#### Scenario 3b:

For this scenario the additional operational expenditure for the Levin Landfill (as outlined in Option 2) is retained but reduced to \$250,000. The reduction of income assumption of \$426,000 (as outlined in Option 2) is lowered to \$150,000.

The financial implications of this scenario would mean a **rates income increase of 1.39%** which is 1.36% less than the 2.75% rates income increase outlined in Option 2. Council would meet its balanced budget benchmark (revenue would be 107% of its operating expenses) and its debt to income ratio would be 170% which is within its limit of 195% set in the Financial Strategy.

#### Scenario 3c:

For this scenario the additional operational expenditure for the Levin Landfill (as outlined in Option 2) is retained but reduced to \$250,000 and the reduction of income assumption remains at \$426,000 (as outlined in Option 2).

The financial implications of this scenario would mean a **rates income increase of 2.10%** which is 0.65% less than the 2.75% rates income increase outlined in Option 2. Council would meet its balanced budget benchmark (revenue would be 107% of its operating

expenses) and its debt to income ratio would be 170% which is within its limit of 195% set in the Financial Strategy.

**Option 4: Adopt the Annual Plan 2020/2021 with a reduced rates income increase and subject to further changes**

This option uses Option 2 as a starting point and explores the implications of Council debt funding \$1m in renewals instead of rate funding them. There are multiple scenarios because officers have assessed the impact of this against Option 2 as well as Option 3a, Option 3b and Option 3c.

Scenario 4a:

This scenario is based on Option 2 with the Levin Landfill additional operational expenditure of \$500,000 and the reduction of income assumption of \$426,000.

The financial implications of this option would mean a **rates income increase of 0.26% 0.17%** which is ~~2.49%~~ **2.58%** less than the 2.75% rates income increase outlined in Option 2. Council would meet its balanced budget benchmark (revenue would be 105% of its operating expenses) and its debt to income ratio would be 174% which is within its limit of 195% set in the Financial Strategy.

Scenario 4b:

This scenario is based on Scenario 3a with the additional operational expenditure for the Levin Landfill of \$500,000 (as outlined in Option 2) not included and the reduction of income assumption of \$426,000 (as outlined in Option 2) is lowered to \$150,000.

The financial implications of this option would mean a **rate requirement below 0%, resulting at -1.83%** which is 4.58% less than the 2.75% rates income increase outlined in Option 2. Council would meet its balanced budget benchmark (revenue would be 105% of its operating expenses) and its debt to income ratio would be 176% which is within its limit of 195% set in the Financial Strategy.

Scenario 4c:

This scenario is based on Scenario 3b with the additional operational expenditure for the Levin Landfill (as outlined in Option 2) is retained but reduced to \$250,000. The reduction of income assumption of \$426,000 (as outlined in Option 2) is lowered to \$150,000.

The financial implications of this option would mean a **rate requirement below 0%, resulting at -1.19%** which is 3.94% less than the 2.75% rates income increase outlined in Option 2. Council would meet its balanced budget benchmark (revenue would be 105% of its operating expenses) and its debt to income ratio would be 174% which is within its limit of 195% set in the Financial Strategy.

Scenario 4d:

This scenario is based on Scenario 3c with the additional operational expenditure for the Levin Landfill (as outlined in Option 2) is retained but reduced to \$250,000 and the reduction of income assumption remains at \$426,000 (as outlined in Option 2).

The financial implications of this option would mean a **rate requirement below 0%, resulting at -0.48%** which is 3.23% less than the 2.75% rates income increase outlined in Option 2. Council would meet its balanced budget benchmark (revenue would be 105% of its operating expenses) and its debt to income ratio would be 174% which is within its limit of 195% set in the Financial Strategy.

Option 4 is to reduce rate funding of asset renewals (replacing like for like) in favour of loan funding those asset renewals for \$1m. This has the effect of reducing rates by \$1m (or 2.5%) but also increasing debt by \$1m.

In making a decision on whether to use loan funding in this way, Council must take a long-term view to ensure it maintains its Balance Sheet capacity to fund projects in the future to



enable growth that might be compromised by extra loan funding of renewals in year 3 of the LTP immediately before the consideration of the next LTP.

As stated above Council also has an obligation under LGA S100 to balance the budget and the Financial Strategy sets a debt limit of 195% (net debt to total revenue) calculated as per the Local Government Funding Agency (LGFA) Covenant.

If loan funding is to be used to fund renewal of assets in the future Council would need to change some fundamental foundation documents around financial strategy and funding of those renewals.

Currently the funding of renewals would be contrary to both the current Financial Strategy (FS) and the current Revenue and Financing Policy (RFP) as explained below.

However, the Local Government Act 2002 (LGA) s80 "identification of inconsistent decisions" allows for an inconsistent decision;

*"If a decision of a local authority is significantly inconsistent with, or is anticipated to have consequences that will be significantly inconsistent with, any policy adopted by the local authority or any plan required by this Act or any other enactment, the local authority must, when making the decision, clearly identify—*

- (a) the inconsistency; and*
- (b) the reasons for the inconsistency; and*
- (c) any intention of the local authority to amend the policy or plan to accommodate the decision."*

Council has a Financial Strategy (FS) set every three years as part of the long term plan (LTP). This is prescribed under s101A of the LGA.

The purpose of the FS is set out in subsection 2

- (a) facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and*
- (b) provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.*

Council's Financial Strategy states:

*"A key aspect of the Financial Strategy is to try and reach a balance between loan and rate funding for the purchasing of new assets and the maintenance of old assets."*

*"This Strategy is the foundation of Council's LTP goal of managing growth while living within its means. We have signalled higher than inflation rate increases over the first five years of the 2018-2038 Long Term Plan in order to achieve the financial goals of:*

- Rate funding asset renewals*
- Find alternative sources of income to fund growth projects*
- Maintaining a balanced operating budget"*

Council is also obliged under LGA s101(2) to have a Revenue and Financing Policy (RFP) which is described in s103 and under subsection 1(b) must state *"the local authority's policies in respect of the funding of capital expenditure"*. This policy (under S103(3)) *"must also show how the local authority has, in relation to the sources of funding identified in the policy, complied with [section 101\(3\)](#)"*.

S101(3) (iii) *"the period in or over which those benefits are expected to occur"* commonly referred to as the "Generational Equity" clause.

Council's RFP states under clause 2.5 Borrowing;

*Borrowing is used to fund capital expenditure where other sources of funding are not available or not appropriate, in order to spread the incidence of the expenditure over both current and future beneficiaries.*

Section 4 of the RFP describes Council's method of funding Capital Expenditure. Note debt is listed as the last source of funding capital expenditure

The following sources of funding are used to finance capital expenditure in the order of preference shown:

1. The first source of financing capital expenditure will always be third party sources that relieve the burden on ratepayers generally. These are not commonly available, but would include any government subsidies for water and wastewater schemes, and third party donations, financial contributions and lump sum contributions.
2. The second source considered will be asset sales. Such sales will be applied firstly to the activity to which the asset is attributed to. This may also result in early repayment of any borrowing relating to this activity.
3. The third source considered will be rates. This reflects a prudent propensity on the Council's part to ensure that special purpose reserves are only utilised on a selective basis on relatively significant works in the context of long-term planning, rather than on minor works over a shorter term, and a prudent reluctance to increase loan indebtedness unless necessary.
4. The fourth source considered will be reserves, and in particular funds that may be held for larger capital works in specific activities. Examples include water, wastewater, road and property works financed from the Foxton Beach Freeholding Account, cemetery extensions financed from the Capital Projects Fund and vehicle purchases financed from the Plant Depreciation Fund.
5. The final source considered for the financing of capital expenditure will be borrowing. This reflects a prudent reluctance to increase loan indebtedness unless necessary. Although it is the last option considered, the Long Term Plan (LTP) provides for substantial new borrowing to achieve an element of intergenerational equity in the financing of a range of major capital expenditure works. Loan funding is also used for infrastructural asset renewals where the rate generated reserves are inadequate due to the level of renewals in any one year.

**Option 5: Adopt the Annual Plan 2020/2021 with a reduced rates income increase and subject to further changes**

The rates income increase for this option will vary depending on which of the above options Council decides to go with. The below table outlines the additional matters that Council still need to debate for the Annual Plan 2020/2021 and each of these will have a financial implication.

Item Description	Cost	Rate Impact
Splash Pad – currently included in Capex budgets	\$50,000	-
Shannon Pool – not currently included in budgets	\$30,000	+ 0.07%
Growth Response (Community Plans) – currently included in Opex budgets	\$20,000	- 0.05%
LTP (Development Contributions review) – currently included in Opex budgets	\$32,000	- 0.08%
District Plan – currently included in Opex budgets	\$60,000	- 0.15%

District Plan (Plan Change) – not currently included in budgets	\$110,000	+ 0.28%
Levin Town Centre – currently included in Capex budgets	\$110,000	-

## Splash Pad

### Background

Jubilee Park in Levin (also known as the Donald Duck Park) has a small paddling pool which provides free water play for toddlers and small children. The pool was built in 1988 and has become an iconic feature of Jubilee Park over the last 32 years.

However, the paddling pool is nearing the end of its life. It also poses a safety issue, because Jubilee Park is away from Levin's main aquatics centre and the pool has no lifeguards. It is not practical to have a lifeguard there because people use the pool too irregularly. Council is planning to remove Jubilee Park pool following the 2021/22 summer season.

Council was aware of support from the community for a splash pad to be established at Jubilee Park and a concept was brought to Council for its attention. Therefore, Council decided to consult with the community through the Annual Plan 2020/2021 process on whether a splash pad should be constructed at Jubilee Park to replace the paddling pool. Since Council made this decision, COVID-19 has had a substantial impact on New Zealand and our district. However, as Council had already adopted the draft Annual Plan 2020/2021 for community consultation, engagement with the community on this issue proceeded.

Overview of results from consultation Council received a total of 142 submissions on the draft Annual Plan 2020/2021, and of these submissions 109 provided a response about the splash pad.

The community was asked to specify which option they preferred:

- Option 1: Remove the paddling pool, but have no splash pad.
- Option 2: Remove the paddling pool and build a splash pad (full Council funding).
- Option 3: Remove the paddling pool and build a splash pad, but only if Council subsidises its construction with grants.

Of those who submitted, 30% chose option 1, 22% option 2 and 16% option 3, and a further 9% did not select an option but provided some comment on the splash pad.

One of the key drivers for proposing the splash pad be built at Jubilee Park was a suitable replacement for the pool. We know that the pool is in a poor state of repair and there are risks to both the Council and the public in the operation of the pool. Replacing this aquatic asset with an alternate safer solution still allows for a continued free aquatic provision for the community. The location of the splash pad at Jubilee Park was identified by the community itself when the idea was submitted to Council for consideration. As this was community-led, officers left the concept and location as per the community idea and did not propose alternatives for purposes of the Annual Plan consultation. Council is aware the site was used as an informal landfill by the surrounding residents until the 1960s. If the proposal proceeds further investigation would occur to ensure site stability and suitability.

As the project is loan funded, the cost to the ratepayer to fully fund the project is relatively small, with the rate impact starting in the 2021/2022 financial year:

- Full Council funding \$450,000 would result in an estimated 0.16% rates increase or \$3.90 per ratepayer per year for the life of the loan.
- Partial Council funding of \$250,000 would result in an estimated 0.14% rate increase or \$3.43 per ratepayer per year for the life of the loan. The splash pad would be loan funded, with loan servicing costs funded via a district-wide targeted rate based on SUIPs in accordance with Council's Revenue and Financing Policy.



### Officer Recommendation

- A. That Council supports the construction of a Community Splash Pad.
- B. That Council allocates \$50,000 capex in the Annual Plan 2020/21 to complete the following in association with the proposed Community Splash Pad at Jubilee Park;
  - Site Planning and Analysis
  - Feasibility and Evaluation
  - Stakeholder input
  - Aquatic Project drawings
- C. That following completion of the above, Council considers allocating a capex budget of \$400,000 for the construction of a Community Splash Pad as part of the preparation of the 2021/2041 Long Term Plan, and explores the appropriate funding arrangements.

### Shannon Pool

#### Introduction

Shannon Pool is a seasonal pool that is open to the public during the summer season. Aquatics Horowhenua assist in managing and lifeguarding the pool for six weeks over the Summer School Holidays, and work with the school to commission the pool prior to the start of the new season.

Horowhenua District Council does not own the asset, although has been working with the school for a number of years. This partnership is important for the community of Shannon and was initially started following a near drowning of a child in the river. Together Horowhenua District Council and Shannon School are providing a safe place for tamariki to swim during Summer.

Shannon School does not have the funding available to spend on the pool and does not receive any funding from the Ministry of Education to maintain the pool. In the past the school has applied to The Shannon Community Development Trust for funding and has been successful; however, in this case the funding required is significantly higher than money available via this grant scheme.

The pool is a popular attraction within Shannon and provides the opportunity for families to access a safe swimming facility within their community. We know that the cost of transport and admission to other Horowhenua Aquatic Facilities is a barrier for some members of the Shannon Community and the water safety lessons provided by the school during the term may be the only formal training that these children receive.

#### Proposed Change

Allocation of \$30,000 for urgent maintenance and repairs of Shannon School Pool.

#### Explanation

Shannon Pool is in need of some urgent maintenance to ensure that the pool remains operational. These costs are shown in the table below:

Work required	Cost	Explanation
Replacement of main pool filter	\$10,000	Repurposing of an old filter from Foxton pool, currently stored at Council's depot. This cost includes installation and commissioning.
Replacement of chemical analysers	\$4,000	The chemical analysers that are in the plant room are difficult to use and measure in a different way to our other facilities, all staff that work here require specific training to ensure they are familiar with this system to ensure compliance with NZS 5826:2010.

		The replacement analysers will be consistent with Council's other pools.
Servicing of pumps	\$10,000	The pumps are overdue for servicing. This means that callouts to repair them are becoming more frequent and unsustainable.
Repair and replacement of seating on the bleachers.	\$6,000	The paint on the bleachers is in poor condition. Replacement of seating is required for safety and painting is required to prolong the life of the asset.

Last season Council managed to limp by with a temporary fix to the main filter; however, this is not a long term solution. There is an old filter from Foxton pool that is stored at the depot that could be repurposed for installation and commissioning (\$10k).

The Chemical analysers that are in the plant room are difficult to use and measure in a different way to Council's other facilities, all staff that work here require specific training to ensure they are familiar with this system to ensure compliance with NZS 5826:2010.

The pumps are overdue for servicing and if one fails a call out is required to a technician to repair or replace. Callouts are becoming more frequent and band-aid fixes are being applied to get by.

There is some minor work required to be undertaken within the changing facilities onsite to make them more useable.

The seating and bleachers need to be repaired and painted.

#### **Financial Impact**

The financial impact of an additional \$30,000 to the Annual Plan 2020/21 would result in an 0.07% increase in overall rates or 1.47% increase in the Aquatics targeted rate.

#### **Officer Recommendation**

That Council allocates \$30,000 for maintenance of the Shannon School Pool in the Annual Plan 2020/2021.

#### Growth Response – Community Plans

Within the Growth Response budget officers identified potential savings of \$20,000 from the Draft Annual Plan budget for the preparation of Community Plans.

#### **Detail/Risk:**

The proposed change to the Growth Response budget would see the budget for completing the Community Plans reduced by \$20,000. The remaining budget would enable the completion of the current Community Plans underway for Ohau, Manakau, Foxton Beach, Levin and Mangaore, with the remaining funds of \$40,000 used to support the community engagement processes and completion of those Community Plans currently underway and cover the cost of a discretionary project for each of those communities. The costs are currently being managed by having internal officers lead the development of these plans instead of using external consultants.

Several of the Community Plans are well advanced and are nearing completion. The Community Plans currently underway are estimated to be completed ready for presentation to Council for adoption in the following anticipated timeframes:

Levin Community Plan – August 2020

Ohau Community Plan – August 2020

Manakau Community Plan – September 2020

Mangaore Community Plan – September 2020

Foxton Beach Community Plan – prior to December 2020

The reduced budget is signaling that there will be no new Community Plans developed for other communities after the Community Plans currently underway have been completed.

The Waitarere Beach Community Plan was adopted by Council earlier in 2020. On the back of that Community Plan being adopted, a discretionary project identified through the community consultation was enabled. The intention is to enable this through the available budget, to occur in association with the Community Plans that are currently being prepared, allowing approximately \$10,000 for the Levin community and \$5,000 for Ohau, Manakau, Mangaore and Foxton Beach communities.

**Officer Recommendation**

That Council does not retain \$20,000 for Community Plans in the Annual Plan 2020/2021.

Long Term Plan Development

Within the Annual Plan / Long Term Plan Work Order budget, officers identified potential savings of \$32,000 associated with the preparation of the Long Term Plan 2021-2041 from the Draft Annual Plan budget.

**Detail/Risk:**

The proposed savings of \$32,000 for the Long Term Plan would result in a reduction to the professional services budget that had been identified to contribute towards external technical support required for work on key inputs to the Long Term Plan. Subject to the direction of Council, this budget had been included to undertake the technical work on Development Contributions or Rating System changes. Removal of this budget will limit the delivery of this work placing an additional burden on the organisation and potentially leaving a gap in technical expertise necessary to deliver this work if Council chose to prioritise exploring either Development Contributions or Rating System changes as part of the 2021-2041 Long Term Plan. The proposed savings also include a reduced amount budgeted for the costs of community engagement and consultation as part of the Long Term Plan. New options or technology may be required to reflect the Post-COVID-19 environment and the reduced budget could constrain the available options and the level of engagement undertaken may not match the Council's expectations for community engagement in the following year.

**Officer Recommendation**

That Council retains \$32,000 for Long Term Plan development in the Annual Plan 2020/2021.

District Plan

Within the District Plan budget officers identified potential savings of \$60,000 from the Draft Annual Plan budget.

**Detail/Risk:**

The proposed savings of \$60,000 for the District Plan Change budget would see the professional services budget required to provide technical support to reviewing and developing the District Plan Changes reduced. This includes the costs of independent accredited commissioners to chair the Plan Change hearings and write the technical decisions. Reducing this budget will potentially limit the number of the plan changes that can be advanced next financial year. It will reduce the ability to engage technical support for internal officers to prepare the Plan Changes.

Having the Hearings Committee chair their own RMA hearings and write their own decisions would reduce costs that would otherwise have been spent on Independent

Commissioners. It is noted that it has been many years since the Hearings Committee prepared their own decisions and the current Committee may wish to develop this capability over the coming financial year through working with Independent Commissioners as part of the hearings held.

Further risk identified is that of Council potentially having an appetite for more extensive District Plan changes either to respond to growth, as part of the COVID-19 recovery or in response to the Housing Action Plan.

**Officer Recommendation**

That Council retains \$60,000 for the District Plan in the Annual Plan 2020/2021.

District Plan Changes

Through the post-hearing Annual Plan process, Elected Members have signaled a desire to consider allocating an additional \$110,000 to the Annual Plan 20/21 budget for a review of the District Plan provisions.

**Detail/Risk:**

This is a new workstream that has been identified through the work of the Horowhenua District Council Financial Resilience Working Party in response to COVID-19. While the detail of the changes to the District Plan have yet to be developed or have officer input, the Working Party supported the intent of enabling a first phase of changes that would support significant growth in demand. This could include changes to create more opportunities for more small scale Rural Residential subdivision, Infill Residential subdivision and higher density housing development. The proposed budget would enable the relevant professional services to be able to be engaged to support the timely preparation of the plan changes during 2020/21 and use of accredited independent commissioner(s) for the associated hearing.

The risk with the proposed budget relates to the uncertainty of the extent of the changes that may be needed to achieve the outcome sought by the Working Party and whether the proposed budget will be sufficient to cover those costs given the nine-month timeframe the Working Party has referenced.

The District Plan costs are usually loan funded, with the costs spread over a 10 year period reflecting the "life" of the plan provisions (District Plan provisions are legally required to be reviewed within 10 years).

**Officer Recommendation**

That Council allocates \$110,000 for the District Plan Changes in the Annual Plan 2020/2021.

Levin Town Centre – Al Fresco Dining Area

That Draft Annual Plan 2020/2021 includes a Capex budget of \$110,000 for the Levin Town Centre Project.

**Detail/Risk:**

The Al Fresco Dining Areas forms part of the overall Transforming Taitoko/Levin Town Centre Strategy and was identified in the Draft Annual Plan 2020/2021 as a Capex project with a budget of \$110,000

The Al Fresco dining areas form part of a series of actions identified in the Transforming Taitoko/Levin – Town Centre Strategy that seek to help the town centre transition into a more resilient and attractive place for the community. One key component of this is providing places for people to stop and spend time, rather than going into town to complete a set task and leave again. It is important that this transition begins before O2NL is complete and traffic bypasses Levin, so that people come to view Levin as a destination

worth spending time in. The O2NL project will provide opportunities for additional changes to Oxford Street as part of the revocation process.

The proposal is to upgrade the existing dining areas outside Whispers Café and Sponge Kitchen. The objective is to utilise existing assets, but make it more attractive and inviting to use them.

In comparison to other AI fresco dining areas that perform well there are several design aspects of the existing AI fresco dining area that limit its effectiveness and could be improved. The AI fresco dining area project is intended to improve the existing outdoor area by working in with the existing structure and by:

- Building a ramp and deck to 'flatten' the surface, dealing with the 'slope' created by the road/footpath to make users more comfortable, particularly when sitting.
- Building up the wall between the footpath and the dining area, with planting on top to create a visual barrier between the dining area and the road, making users feel protected and sheltered from the passing traffic
- Increasing seating options within the dining area
- Increasing the overall amenity and quality of the construction
- Providing the opportunity to make the areas usable all year round – including sun shelter, rain shelter, and use of material/design to make it warmer in winter.

Officers consider this project to have merit and to be an appropriate starting point for implementing the Transforming Taitoko/Levin – Town Centre Strategy. Undertaking this project in the 2020/2021 year would help send a positive signal to businesses that Council has confidence in the town centre and is committed to ensuring that the town centre has a successful future. More significant and expensive projects as part of the Transforming Taitoko/Levin – Town Centre Strategy are anticipated to be delivered in future years.

Making an investment of this nature in the Town Centre demonstrates a belief in the future of the Levin Town Centre, showing private businesses that the Levin Town Centre is a place worth investing in. These streetscape improvements will help to improve perceptions of the Levin Town Centre, hopefully leading to further investment from other parties.

The Officers recommendation to Council is that the \$110,000 is retained in the Annual Plan 2020/2021 and is not spent until it has been through a further approval process by Council. This option would enable the current concept design work and feasibility work for the East Laneway and the Town Square to be undertaken and shared with Elected members providing an understanding of the context for how the AI Fresco dining areas complement and tie into the other Town Centre projects and the wider context of the Levin Town Centre transformation. If after understanding the wider context the AI fresco dining area project did not receive Council approval to proceed in 2020/2021 then the budgeted Capex of \$110,000 would not be spent. Continuing to include the \$110,000 within the Annual Plan budget is not considered to have a material impact on Council's debt performance levels.

### **Officer Recommendation**

That Council retains \$110,000 (Capex) in the Annual Plan 2020/2021 for the Levin Town Centre Project and that prior to this money being spent on the AI Fresco dining areas in 2020/2021, the project be subject to further Council approval by way of a resolution of Council.

## **6.1 Rate Impact**

Impact on rates of the various options:

- (i) The Annual Plan 2020/2021 is based on the new property valuations that came into effect in September 2019. As a result of the revaluation, some categories of property will see a significant swing in their rates even if Council decides to reduce or even forego an increase in rates income for 2020/2021.
- (ii) Officers are modelling the information on the new property valuations, to provide supporting information at the extraordinary meeting to demonstrate how each of the options outlined in section 6 of this report will impact on a range of property types and values. It will also take into account the estimated increase in new rateable assessments from 1 July 2020.

## 6.2 Community Wellbeing

Covered throughout the report.

## 6.3 Consenting Issues

Not applicable.

## 6.4 LTP Integration

### Long Term Plan 2021-2041 Development

Over the next 12 months Council will be developing its Long Term Plan 2021-2041. Council will need to consider service level adjustments in some Council services to reflect potential changes in economic and social circumstance, as well as capital works and operational programmes which can provide economic recovery stimulus. Council may need to create a new operating state to reflect the new economy and society that emerges. There will be longer term responses to the changed circumstances.

## 7. Consultation

### Significance and Engagement

- I. In accordance with Council's Significance and Engagement Policy, this matter has been assessed as being critical because of the impact on the interests of the district and community, the impact on the social and economic wellbeing, the financial costs, inconsistencies with policy and standard LGA obligations, and the wide public interest in the social and economic recovery and the setting of rates.
- II. The statutory threshold for Annual Plan consultation is whether the Council considered it is making significant or material changes to that envisaged in year three of the LTP 2018-2038. Consultation was undertaken on the Draft Annual Plan and submissions were received and heard.
- III. It is officers' view that none of the Options outlined require further consultation on the basis that there is not a significant or material change being made, the proposed change reflect the scope of submissions received, nor do the options impact levels of service.

## 8. Legal Considerations

Debt funding of operational expenditure has legal impacts. Section 100 of the LGA requires the Council to have a balanced budget (that is, projects operating revenue must be set at a level sufficient to meet projects operating expenditure). Section 100 enables Council to set projected operating expenditure, having considered certain matters.



## 9. Financial Considerations

The Revenue and Financing Policy provides that the debt cannot be used to fund operating expenditure. Section 81 of the LGA requires Council to identify this inconsistency, the reason for it, and whether Council intends to alter the relevant policy. This inconsistency is justified due to the unique economic circumstances as a result of the COVID-19 pandemic. There is no intention to amend the policy to accommodate this decision.

## 10. Iwi Considerations

There are no Iwi considerations.

## 11. Climate Change Considerations

Not applicable.

## 12. Environmental Considerations

Not applicable.

## 13. Health & Safety Considerations

Not applicable.

## 14. Other Considerations

Covered throughout the report.

## 15. Next Steps

This report recommends that Council adopts a Proposed Annual Plan 2020/21 based on the resolutions resulting from decisions on matters in this report. Council officers will then finalise the Annual Plan 2020/21 and present it for adoption later in June 2020.

## 16. Supporting Information

Risk Area	Risk Identified	Consequence	Likelihood	Risk Assessment (Low to Extreme)	Managed how
Strategic	A lower than proposed rates income increase to what was consulted on could affect Council's ability to achieve its financial strategic direction.	Moderate	Likely	Significant	
Financial	Standard and Poors Credit rating could be jeopardised.	Major	Unlikely	Moderate	Any changes to the Annual Plan 2020/2021 should not jeopardise Council's ability to

					continue to manage its finances prudently.
Service Delivery	A lower than proposed rates income increase could affect Council's ability to carry out some of its services to their current level.	Minor	Likely	Moderate	Changes to the Annual Plan 2020/2021 should focus on areas where there will not be a noticeable drop in a level of service for the community.
Legal	A lower than proposed rates income increase could require further consultation required on the Annual Plan 2020/2021 or an amendment to the Long Term Plan 2018-2038.	Major	Likely	Significant	Avoid significant changes to levels of service. Changes made to the Annual Plan 2020/2021 are in response to or within the scope of submissions.
Reputational	A lower than proposed rates income increase could risk the attraction of Government funding.	Major	Unlikely	Moderate	Ensure that processes are in place to enable Council to take advantage of and deliver on any projects that could attract government funding.

**Confirmation of statutory compliance**



In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.



## 17. Appendices

There are no appendices for this report

Author(s)	David McCorkindale <b>Group Manager - Customer &amp; Strategy</b>	
	Nicki Brady <b>Deputy Chief Executive</b>	
Approved by	David Clapperton <b>Chief Executive</b>	