

Regional Council

**Agenda item distributed under separate cover for
Council meeting on Thursday, 12 December 2019**

Agenda item 11.4: Annual Plan 2019/20 - Confirmation of Direction



Report To: Regional Council
Meeting Date: 12 December 2019
Report From: Mat Taylor, General Manager, Corporate

Annual Plan 2020/21 - Confirmation of direction given at 3 December 2019 Council Workshop

Executive Summary

This paper seeks to confirm the direction from the 3 December 2019 Annual Plan 2020/21 Council workshop (the workshop). The paper provides an update on the draft budget for Annual Plan 2020/21 and seeks confirmation of the direction provided at the workshop on:

- Key issues discussed at the workshop 2020/21,
- Confirming direction for Council to consult on the Annual Plan 2020/21, and
- Confirm the proposed Consultation Topics.

The draft AP 2020/21 budget contains a number of variances from Year 3 of the Long Term Plan 2018-2028. The 2020/21 budget includes an operating deficit of \$4.6 million which is \$1.5 million *lower* than the budgeted deficit of \$6.3 million in Year 3 of LTP 2018-2028. This comprises of operating revenue of \$144.3 million and operating expenditure of \$148.9 million. Council's forecast capital expenditure for 2020/21 has increased from \$30.7 million to \$34.0 million; this is a net increase of \$3.3 million.

The forecast total real rates revenue increase is approximately 4.0%. The forecast real general rates increase is approximately 5.1% (up to \$12 per household). These forecast rates increases are *prior* to inclusion of the financial implications for the key issues.

The projected total borrowings as at 30 June 2021 is \$203.0 million, comprised of \$142.0 million of core debt, \$11.0 million of pre-funding and \$50.0 million on-lending. Council is projected to have cash investments of \$170.0 million at 30 June 2021.

Pursuant to section 95 2A of the Local Government Act (2002), these variances are not considered to be significant or material enough to require a full special consultative procedure (SCP). Following consideration of the key issues, direction from the 3 December workshop was to prepare for formal consultation on the Annual Plan 2020/21, including a specific focus on the following topics:

- Passenger Transport – the potential changes in the Passenger Transport activity, including consultation options will be refined by staff and considered through the Passenger Transport Committee on 14 February.
- Regional Climate Change fund – focusing on 'What should the focus and purpose of the fund be' and 'where should the funding come from.'

Further to the direction at the workshop, Council are requested to confirm that its \$5 million contribution to the Awatarariki Fanhead Managed Retreat is to be funded from the Regional Fund and the Chief Executive is delegated to approve payments including early release of funds if required.

Subject to Council confirming the direction at this meeting, staff will prepare an updated draft Annual Plan budget, Consultation Document and Community Engagement Plan to deliver public Consultation on the Annual Plan 2020/21.

Recommendations

That the Regional Council:

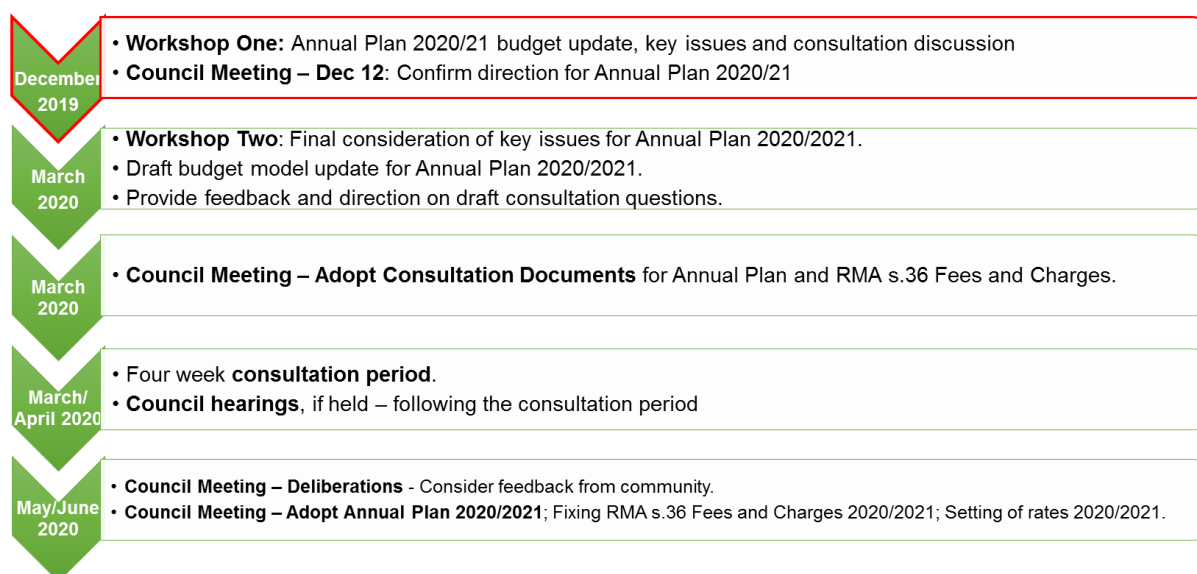
- 1 Receives the report, Annual Plan 2020/21 - Confirmation of direction given at 3 December 2019 Council Workshop ;**
- 2 Notes the following draft real rates revenue increases prior to including the financial implications from the key issues:**
 - a. Forecast total real rates revenue increase of approximately 4.0%**
 - b. Forecast real general rates increase of 5.1%, (approximately \$12 per household.**
 - c. Forecast real targeted rates increase of 3%.**
- 3 Notes the draft budget for Annual Plan 2020/21 will be updated following this meeting and an updated draft Annual Plan budget will be provided to Council in March 2020.**
- 4 Agrees to include the following additional expenditure in the next draft Annual Plan 2020/21 budget as set out in section 2.2 of this report.**
 - a. \$0.65 million additional expenditure for the proposed Regional Pest Management Plan.**
 - b. \$0.18 million additional expenditure to prepare for implementing Government's actions for Healthy Waterway's package**
 - c. \$5 million contribution to the Awatarariki Fanhead Managed Retreat**
 - d. \$0.45 million for Climate Change Fund development.**
- 5 Agrees to fund a \$5 million contribution to the Awatarariki Fanhead Managed Retreat from the Regional Fund and delegates to the Chief Executive approve payments including early release of funds if required.**
- 6 Agrees for the draft budget to include \$0.45 million from the Civil Defence Emergency Management Reserve in 2020/21 to partially offset the increased Emergency Management Activity expenditure of \$1.1 million, which has shifted from local Councils to Regional Council.**
- 7 Agrees that pursuant to section 95 2A of the Local Government Act (2002), these variances are not considered to be significant or material enough to require a full special consultative procedure (SCP).**

- 8 **Agrees that Council will prepare for a formal consultation process in a manner that gives effect to the principles of consultation set out under s82 of the LGA 2002.**
- 9 **Directs staff to prepare a consultation document for the Annual Plan 2020/21 to address the following consultation topics:**
 - a. **Passenger Transport – noting that consultation questions will be refined by staff and considered through the Passenger Transport Committee on 14 February.**
 - b. **Regional Climate Change fund – focusing on ‘What should the focus and purpose of the fund be’ and ‘Where should the funding come from?’.**
- 10 **Agrees that Resource Management Act Section 36 Fees and Charges will be fixed following a special consultative procedure separate from the Annual Plan 2019/20 process.**
- 11 **Confirms that the decision has a low level of significance.**

1 Background

At the Annual Plan 2020/21 Council workshop on the 3 December 2019 (the workshop), Councillors considered an update on the draft Annual Plan (AP) 2020/21 budget, including changes from Year 3 of the Long Term Plan (LTP) 2018-2028, and also discussed and provided direction to staff on a number of key issues expected to impact on AP 2020/21. Through this discussion, Councillors provided direction on whether to consult on the AP 2020/21, and on what issues. The purpose of this paper is to confirm the direction given at the December workshop.

The high level process for delivering the AP 2020/21 is outlined in Figure 1 below.



2 Annual Plan 2019/20 - changes to Year 3 of LTP 2018-2028

2.1 Draft Annual Plan budget 2020/21

A full programme of work and the budget for 2020/21 was set through the LTP 2018-2028 and then updated through AP 2019/20. During the current year, further changes to the draft AP 2020/21 budget have been identified through:

- In year monitoring of work programme deliverables, capital projects and key performance indicators (KPIs),
- Financial implications arising from changing commitments,
- Council decisions during 2019/20,
- Changing circumstances that may impact Council's activities.

This has resulted in an updated draft AP 2020/21 budget has been developed and is summarised below. Note: The draft budget summary below does not include financial implications from the key issues discussed at the workshop and summarised in table 2.

Table 1: Draft AP 2020/21 budget compared to Year 3 of LTP 2018-2028

Draft Annual Plan Budget 2020/21	LTP 2018-2028 Year 3	Draft AP 2020/21 Baseline (V2)	Variance
	(\$ million)	(\$ million)	(\$ million)
Operating			
Revenue	\$138.52	\$144.28	\$5.76
Expenditure	\$144.75	\$148.92	(\$4.17)
Operating Deficit	\$6.23	\$4.64	\$1.59
Capital			
Capital expenditure	\$30.71	\$34.03	(\$3.32)
Real rates increase			
General rates	2.8%	5.1%	2.3%
Targeted rates	2.8%	3.0%	0.2%
Total rates	2.8%	4.0%	1.2%

2.2 Key issues for Annual Plan 2020/21

At the workshop, Councillors considered and provided direction on a number of key issues expected to impact Annual Plan 2020/21. All issues had been assessed by staff to ensure alignment with Councils Strategic Framework set out in the LTP 2018-2028.

The table below summarises the direction provided at the Council workshop including initial indicative financial implications, proposed funding sources and whether to consult on the issue. Further detail on some of the issues is provided below the table.

Following approval from Council at this meeting, the Draft Budget will be updated ahead of the next Annual Plan workshop planned for early March 2020.

Table 2: Summary of direction on key issues from Council workshop on 3 December 2019

Key Issue and workshop direction	Draft financial implication 2020/21 \$000	Proposed funding \$000	Consultation?
Proposed Regional Pest Management Plan (RPMP) – additional funding sought following public consultation to support implementation of the proposed RPMP	\$650 OPEX	50% General funds, 50% Equalisation Reserve.	Not required
Insulation, heating and ventilation rate scheme – consideration of an interest-bearing rate scheme for ratepayers living outside the Rotorua Airshed to be deferred to next LTP.	-	-	No, consider though LTP 2021-2031
Implementation of Motiti Protection Areas – await confirmation of the courts process (<i>further detail below table</i>)	-	-	Not required
Government’s actions for Healthy Waterway’s Policy – additional funding sought to prepare for and launch consenting and compliance work to implement the National Environmental Standards for Freshwater Management	\$180 OPEX	General funds	Not required
Awatarariki Fanhead Retreat funding (<i>further detail below table</i>)	\$5,000 OPEX	Regional Fund	Not required
Climate Change Fund development – develop through 2020/21 and implement through LTP 2021-2031	\$45 OPEX	General funds	Yes
Rangitaiki Floodway	Update early 2020 CAPEX	Borrowings	Not required
Regional Safety and Rescue Fund implement through development of LTP 2021-2031			No, consider though LTP 2021-2031
Passenger Transport (<i>further detail below table</i>)	TBC following Passenger Transport Committee Feb 2020	Targeted and General Rate/ Subsidy	Yes

2.2.1 Implementation of Motiti Protection Areas

Following a lengthy process involving the Environment Court, High Court, and Court of Appeal, a prohibition on the taking of plants and animals, including fish and shellfish, from three areas of the coastal moana near Motiti Island (‘the Motiti Protection Areas’) are likely to be included in the Bay of Plenty Regional Coastal Environment Plan. The final stage is for the Environment Court to make a final decision on the plan provisions.

It is recommended Council waits for confirmation of the courts process before determining options and resourcing to implement Council compliance and monitoring activity.

2.2.2 Awatarariki Fanhead Retreat Funding

Council are requested to confirm that its \$5 million contribution is to be funded from the Regional Fund and that all required decision making requirements have been met.

Following the Council workshop, staff received further information on Whakatāne District Council's progress with property purchases. To date eight properties have been settled or have unconditional purchase contracts in 2019/20 totalling \$3.6 million, and a further four offers have been drafted totalling \$2.2 million.

Whakatāne District have requested from Government a first drawdown of \$1.9 million, being one third of the \$5.8 million that is in contract processes. If Council were to pay its share earlier than anticipated it would result in a loss of interest revenue in the order of \$15-20,000.

On balance, staff consider that the loss of interest revenue is minor compared to the risk that Whakatāne District may have to slow down the voluntary acquisition process. Therefore, staff recommend that the Chief Executive is delegated to approve payments including early release of funds if required.

2.2.3 Passenger Transport

Councillors recommended that further detailed analysis was required on Passenger Transport matters discussed at the workshop and that this should be considered by the Passenger Transport Committee (PTC) in February with recommendations from PTC to come to the next Annual Plan workshop in March 2020. Areas of focus include:

- Regional Fare and Ticketing Review
- Tauranga Free School Fares trial (extension July – December 2020)
- Phase 3 Network Review
- Other transport issues
- Network and trial - Contingency

2.3 Civil Defence Emergency Management Targeted rate

Following a new Civil Defence Emergency Management (CDEM) Partnership agreement being signed earlier this year, all Group CDEM services will be funded through a Regional Council targeted rate from 2020/21. In the past, some Group services were funded through rates collected by local Councils and passed on as a subsidy to Regional Council. Local Councils may still deliver and fund local services.

The shift in the collection of funding from local Councils to Regional Council will result in an increase in funding collected through the CDEM targeted rate by \$1.1 million, the Civil Defence Emergency Management Group Joint Committee have recommended the use of \$0.45 million from the CDEM reserve to help smooth the full impact to the rate payer in year one. Using the reserve to partially fund this shift would result in an average increase per household of up to \$6 per household in 2020/21.

3 Use of Reserves to support delivery of the Annual Plan 2020/21

There are a number of tools available to Council to assist with funding and delivery of the issues discussed at the Council workshop. This includes the use of Councils reserves.

As at 30 September 2019, Councils Equalisation (EQ) Reserve, which is used to record surpluses from all General Funded activities, had a forecast end of year balance of \$8.0 million, due in part to an increase in revenue compared to what was forecast. Council could decide to use some or all of this EQ Reserve for general funded activities.

The combined balance across Passenger Transport reserves is forecast to be \$0.3 million as at 30 June 2020.

Council may decide to budget for increased expenditure and then use some of its reserves to fund specific work in order to reduce the amount of rates collected and therefore lessen the impact on the ratepayer.

4 Community Engagement

At the workshop, Council were reminded that under LGA s 95(2A), Council is only required to consult on “significant and material changes” to the Long Term Plan. The term “significant” is defined by Council’s Significance and Engagement Policy (Appendix 3). The Local Government Act 2002 defines “material” difference as *“a difference, variation, or departure which could, itself or in conjunction with other differences, influence the decisions or assessments of those reading or responding to the consultation document”*.

Staff assessed all proposed changes for AP 2020/21, including the issues discussed in the workshop, against Council’s Significance and Engagement Policy and an assessment for materiality. Staff recommendations were that none of the proposed changes were likely to be considered “significant” or “material”.

On this basis, Council has the flexibility to determine the most appropriate community engagement pathway. Council may choose to consult fully; or take other pathways such as informing, or not engaging at all. These engagement pathways are consistent with Council’s Spectrum of Engagement included in the Significance and Engagement Policy published on the Bay of Plenty Regional Council website.

Councillors were also informed that the Resource Management Act and Building Act Charges Policy 2020/21 will be required to be consulted on through a separate consultation process and that the Floodway and Drainage Bylaw review will take place in parallel to the development of AP 2020/21. Resourcing and events will be combined wherever possible to ensure an efficient process for engaging with our community.

4.1 Confirming our Approach to Community Engagement

At the 3 December workshop, Councillors discussed and provided direction on consultation for each of the issues considered and considered the overall approach for consultation.

Councillors recommended staff prepare for a full Annual Plan consultation process in a manner that gives effect to the principles of consultation set out under s82 of the LGA 2002.

4.2 Consultation Topics

In addition to the direction on the community engagement approach for AP 2020/21, Councillors provided staff with direction to seek the views of the community on the following topics:

- Passenger Transport - to be informed by further analysis and recommendations from the Passenger Transport Committee in February 2020.
- Regional Climate Change fund – focusing on ‘What should the focus and purpose of the fund be’ and ‘where should the funding come from.’

4.3 Community Engagement and Next Steps

Staff are seeking confirmation of the approach for Community Engagement and the proposed consultation topics. Following confirmation, staff will prepare the community engagement plan for the Council Workshop planned for March 2020.

5 Implications for Māori

Our region has New Zealand’s largest number of iwi entities and the second largest Māori population. In addition there are multiple hapū, Māori entities and marae. This provides the region and its communities with a rich and vibrant cultural dynamic.

As partners to the Treaty of Waitangi, Māori have constitutional rights and interests which are expressed not only in law through empowering Treaty legislation and other statutes (such as the Resource Management and Local Government Acts), but also in the way Māori participate and engage at a national and regional level through their practices of kaitiakitanga, expressions of Tikanga and Te Reo Māori and knowledge and application of mātauranga Māori.

The Local Government Act requires Councils to have in place mechanisms for Māori to participate in decision-making processes. Council also has an important role in fostering Māori capacity and capability.

Recognising our commitment to engage with Māori in a sincere and appropriate manner, relevant staff will consider a range of options for Māori to provide feedback into Councils Annual Plan 2020/21.

In addition to the development of the Annual Plan 2020/21, Council recognises some key challenges and opportunities on the horizon. Of particular importance is ensuring there is funding available to implement the current and proposed provisions in the National Policy Statement on Freshwater Management.

With an increasing number of complex issues where participation with Māori is sought, a range of engagement and participation options will need to be considered and executed. Reaching out and working with iwi, hapū, kaitiaki and practitioners may require changing our approach and ensuring internal/external capability is deployed where required.

6 Next Steps

Following decisions from Councillors at the Council meeting on the 13 December 2018, staff will prepare material, including draft budgets and consultation questions for the Annual Plan 2020/21 workshop planned for March 2020.

Graeme Howard
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for General Manager, Corporate

5 December 2019