

10.2. Annual Plan 2019-20

Prepared for:	Finance and Corporate Committee
Report No.	CS1900
Activity:	Community: Governance & Community
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Date:	24 May 2019

PURPOSE

- [1] To receive the proposed Annual Plan 2019-20 (AP) in advance of adoption at the 26 June 2019 Council meeting.

EXECUTIVE SUMMARY

- [2] The Council has completed a review of the financial forecasts and work programme detailed in year two the Long-Term Plan 2018-28 (LTP). This has resulted in adjustments to the LTP and these are now reflected in the AP prepared for adoption.
- [3] The review process has included Council workshops that culminated in the consideration of a draft 2019/20 budget position and funding requirements, including rating. This occurred at the 3 April 2019 Council meeting where a decision was also made on the approach to public engagement.
- [4] Given the Council's decision not to significantly change its direction and programme as consulted with the community in May 2018, a less formal public engagement approach was agreed ie. no formal submission and hearing process.
- [5] Community engagement involved Councillors and staff making themselves available to the community and stakeholders at various venues across the region over April and May this year. This was well advertised and supported by information about our key priorities and adjustments to the LTP. Paragraph 14 of this report discusses the feedback.
- [6] The Annual Plan 2019-20 has now been drafted by Council staff and presented to the Finance and Corporate Committee for final consideration prior to Council adoption. Importantly it contains the financial forecasts and associated funding impacts as considered and agreed at the 3 April Council meeting.

RECOMMENDATION

That the Council:

- 1) **Adopts** the proposed Annual Plan 2019-20 as circulated with this committee report
- 2) **Notes** that council staff will complete a final proof edit of the Annual Plan 2019-20 version as provided to this committee and a publish version will be presented for adoption at the 26 June 2019 Council meeting.

BACKGROUND

- [7] The Otago Regional Council Long-Term Plan 2018-28 (LTP) contains detailed forecasts for the 2018/19, 2019/20 and 2020/21 financial year. This plan was consulted with the Otago regional community in April-May 2018 and adopted by Council in June 2018.
- [8] The Annual Plan process has enabled the Council to review the 2019/20 financial forecasts and associated work programmes contained in the LTP. The 3 April 2019 Council meeting provided an important decision-making step in the review process. Council agreed that the result of the review provided the basis for staff to complete the AP.
- [9] At the above meeting the Council also agreed that the adjustments to the LTP did not result in significant or material difference from that previously consulted and agreed with the community. This reflected the Council's will to stick to the strategic direction already agreed with the community in June 2018.
- [10] Given the questionable value of re-consulting with the community when no significant change was proposed to the LTP, a decision was made not to consult the AP. However, opportunities across the Otago region were provided for ratepayers and interested parties to connect with Councillors and Council staff.

DISCUSSION

Proposed Annual Plan 2019/20

- [11] The proposed AP, as attached 10.2.1, reflects the result of Council's review of the detailed financial forecasts and work programme contained in the LTP. Importantly it reflects the same expenditure, funding and work programme position as agreed at the 3 April 2019 Council meeting. Attachment 10.2.2 provides a summary of the adjustments that have been made to year two of the LTP.
- [12] This committee meeting provides elected members with an opportunity to gain a level of assurance leading into the 26 June 2019 Council meeting to adopt the AP.

Community Engagement

- [13] While a decision was made not to formally consult the AP Council were still interested to hear from the community. We held drop in sessions, attended farmers markets and invited large stakeholders to discuss their thoughts on our direction, to ensure our community is still in agreement with the direction of the ORC. Details of all feedback is in Attachments 10.2.3, 10.2.4, and 10.2.5.
- [14] Community feedback:
- YourSay: Feedback provided was of a general nature; we did not receive anything of a strategic nature, it was mainly about Dunedin public transport – having a 'hub' sitting within DCC to answer ORC related matters to save a walk up the hill to the ORC office, ensuring bus stops were smokefree, GPS monitoring for buses.
 - Social media: The comments received online were around the size of the percentage increase of the general rates and what we're spending this money on. Some of their comments suggested we need to change the way we communicate with them, e.g. one question asked was 'what is governance and regulation?'

- Community events: Numbers at council-led events were low but those that did speak with us wanted clarification or reassurance on existing projects. At events where we went to the community (i.e. farmers markets), we had good interaction with people, and around 20 – 30 people approached us at both the Oamaru and Dunedin markets. At both the ORC-led events and farmers markets, people talked with us about similar topics. Their interest in the Annual Plan was low; they were more interested in business as usual processes – e.g. wanting to know more about the Pollution Hotline, noise pollution from Port Otago, possum traps, trees in South Dunedin that help reduce flood-risk are being removed from private properties, rabbit shooting, air pollution, too much development in Cromwell, an additional civil defence person for Cromwell to help the community understand where to go and what to do in their area.
- Stakeholder groups: 20 stakeholder groups were invited to speak with Councillors at the ORC council chambers. The Otago Chamber of Commerce was the only group that attended this session to provide comment. Their concerns were mainly around the percentage increase of general rates. They also made comment on Water and Public Transport. They would like to gain a better understanding of the work we're doing. The Dunedin City Council sent a written submission (10.2.4). They covered the following topics: Public Transport, urban development strategy, climate change, monitoring and compliance, pest management, Tomahawk lagoon, harbour management, urban water quality initiative and infrastructure design.
- Other: Submission presented to council (15 May) regarding the development of cycling and hiking tracks and trails (Attachment 10.2.5).

[15] While feedback numbers were low across all engagement methods, the key learnings to come from engaging the community in this way is that the community wants to better understand what we do and how the rates they pay, benefit them. We need to tailor the language we use so that it resonates with our community in a way we all understand.

Financial Summary

[16] This section provides a summary of the financial implications of the changes to the LTP as reflected in the attached Annual Plan 2019/20.

[17] The table below provides the proposed changes in expenditure (both operating and capital) compared to that consulted and agreed with the community for the LTP. The proposed total expenditure is \$67.7 million representing an increase of \$3.7 million compared to the year 2 Long-term Plan forecast. Most of this increase is comprised of 'Wilding Pine Control' (\$1.8m), and 'Flood Protection and River Control' (\$1.3m) and are grant and reserve funded with no rate impact.

Annual Plan 2018/19 (000's)	Significant Activity	Yr2 LTP (000's)	Annual Plan 2019/20 (000's)
	Environment		
3,485	- Freshwater Implementation	3,527	3,139
300	- Air	309	366
80	- Coast	84	0
4,228	- State of Environment	4,208	4,048
3,540	- Biodiversity and Biosecurity	3,714	5,082

3,816	Regional Leadership		
	- Regional Planning and Urban Development Strategy	4,013	3,629
3,333	- Governance and Community Engagement	3,501	4,651
5,924	Regulatory	6,438	6,518
	Flood Protection & River Management		
8,608	- Flood	6,526	7,289
2,230	- Rivers	2,243	2,865
	Safety & Hazards		
2,454	- Emergency management	2,416	2,425
1,603	- Hazards	1,402	1,852
24,619	Transport	25,633	25,838
64,221	Total Expenditure	64,014	67,702

The proposed sources of revenue budgeted to cover the cost of Council activity are as follows:

Annual Plan 2018/19 (000's)	Funding Source	Yr2 LTP (000's)	Annual Plan 2019/20 (000's)
8,808	General rates	10,816	11,180
14,366	Targeted rates	15,180	15,183
22,366	Fees & charges; Grants	23,332	25,477
9,067	Reserves	5,599	6791
9,614	Port Otago dividends; investment interest	9,087	9,072
64,221	Total Revenue	64,014	67,703

[18] Total revenue requirements are \$3.69 million higher than forecasted in the LTP. This increase is reflected in:

- Grants – additional government grant for Wilding trees
- Reserves – applied to Flood and Drainage Scheme activity
- General rates - additional funding for adjustments to the LTP as summarised in Attachment 10.2.2.

General Rates

[19] The general rate increase is shown below.

Annual Plan 2018/19 (000's)		Yr2 LTP (000's)	Annual Plan 2019/20 (000's)
18,422	General rates for Activities	19,594	20,251
	Less:		
7,700	Dividend from Port Otago	7,900	7,900
1,164	Interest and Investment Income	1,187	1,172
750	Special Dividend	-	
8,808	General Rates Payable	10,507	11,180
21.1%	% increase	19.3%	26.9%

[20] The majority of the 26.9% general rate increase relates to a range of service deliverables previously agreed in the LTP including:

- Freshwater planning & implementation
- Water state of the environment monitoring
- Biodiversity and environmental enhancement
- 2019 Elections
- Harbour management

[21] Adjustments to the LTP, as introduced via this AP process, account for 7.6% of the general rate increase and relate to the following services:

- Freshwater planning
- Urban Development Strategy – improving Council’s understanding of current and future service delivery (gearing-up)
- Climate change adaptation – fast tracking planned work
- Regulatory – meeting demands relating to monitoring, compliance and investigations.

[22] Importantly, this proposed rating requirement includes a dividend ‘offset’ from Port Otago of \$7.9 million. The special dividends decreased over year 1 and 2 of the LTP to reduce the regions reliance on this funding source.

Targeted Rates

[23] A summary of targeted rates is shown below

Annual Plan 2018/19 (000's)	Funding	Yr2 LTP (000's)	Annual Plan 2019/20 (000's)
2454	Emergency Management	2416	2425
209	Wilding Trees	213	209
1292	Freshwater Implementation	1329	1326
	Transport Rates		
3977	Transport Dunedin	4384	4384
718	Transport Queenstown	845	845
	River Management Rates		
300	Central Otago District	300	300
300	Clutha District	330	330
200	Dunedin City	250	250
150	Wakatipu	150	150
180	Wanaka	180	180
400	Waitaki District	400	400
	Flood & Drainage Scheme Rates		
1461	Leith	1461	1461
650	Lower Clutha	700	700
750	Lower Taieri	800	800
550	West Taieri	600	600
450	East Taieri	475	475
105	Tokomairiro	122	122
80	Shotover Delta	80	80
142	Lower Waitaki	144	146
14366	Total Targeted Rates	15180	15183

Balanced Budget

[24] Council is required to ensure that our estimated revenue can cover the estimated operating costs. However, Council can set revenue at a different level if it is prudent to do so.

[25] The table below shows that the Council is sticking to the planned revenue deficit for the 2019/20 year, albeit at a reduced level compared to the LTP forecast.

Annual Plan 2018/19 (000's)	Activity	Yr2 LTP (000's)	Annual Plan 2019/20 (000's)
	Targeted Rate Reserve		
145	Air – Clean Heat	149	146
100	Lake Hayes Rehabilitation		
558	Asset Reserve	497	477
	General Reserve		
300	Predator Free Dunedin		
76	Yellow Eyed Penguin Trust	78	76
147	Designation and Bylaws	124	112
100	Public Awareness	103	
100	Climate Change Adaptation	103	
280	Freshwater – SOE		
158	Freshwater Implementation	158	81
	Kuriwao Reserve		
138	Climate Change Adaptation (Lwr Clutha Retreat)	140	148
498	Water Management Reserve	492	388
2849	Total Revenue Deficit	2099	1778

Fees & Charges

- [26] At this stage of the AP process Council staff are not proposing change to fees and charges. However, a review of fees and charges for regulatory consenting activity is underway and will be reported to Council. This review will result in a proposal, including charging options, to consent applicants. The Council's decision-making options will not materially impact the 2019/20 financial forecasts. The reasons for the review are more about managing customer expectations and service experience verses adjusting revenue requirements.
- [27] Fees and charges relating to other aspects of Council activity including, 'consent monitoring', 'compliance monitoring' and 'enforcement' would also benefit from review. Council staff will broaden the scope of the above review where feasible to include these other regulatory matters.

CONSIDERATIONS

Policy Considerations

- [28] The Strategy and Policies developed as part of the Long-Term Plan 2018-19 and as required under the Local Government Act 2002 remain as previously adopted by Council.

Financial Considerations

- [29] These have been covered in the discussion section above

Significance and Engagement

- [30] The Council Significance and Engagement Policy was considered against the adjustments that have been made to the LTP. Council decided at its 3 April 2019 meeting that the adjustments proposed to the LTP, via the Annual Plan 2019/20 process, did not represent a significant or material difference.

Legislative Considerations

- [31] Council staff have completed the Annual Plan 2019/20 under the requirements of the Local Government Act 2002 and Financial Reporting Standards.

Risk Considerations

- [32] Key process risk, such as a material mis-statement of the financial forecasting has been managed to a point that risk is low.

NEXT STEPS

- [33] The next steps are:
- Editorial proofing of the published version of the Annual Plan 2019/20 will be completed
 - Adoption of the Annual Plan 2019/20 is programmed for the 26 June 2019 Council meeting
 - At that meeting and following adoption of the Annual Plan the Council will adopt the rating resolution to enable rating for the new financial year.

ATTACHMENTS

1. Annual Plan 2019-20 - 12 June F&C Committee Meeting Version 1 **[10.2.1]**
2. A P- Attach 2- Summary of LTP Adj-12 June Cmmt **[10.2.2]**
3. Annual Plan community engagement 2019 **[10.2.3]**
4. DCC submission letter on ORC Annual Plan 2019-20 **[10.2.4]**
5. Rachel Elder submission Tracks and Trails Public Forum 20190515 **[10.2.5]**