



# FINANCE AND CORPORATE COMMITTEE AGENDA

## Wednesday 12 June 2019

11:00 am Council Chamber  
Level 2 Philip Laing House, 144 Rattray Street,  
Dunedin

### **Membership**

Cr Doug Brown	<i>(Chairperson)</i>
Cr Andrew Noone	<i>(Deputy Chairperson)</i>
Cr Graeme Bell	
Cr Michael Deaker	
Cr Carmen Hope	
Cr Trevor Kempton	
Cr Michael Laws	
Cr Ella Lawton	
Cr Sam Neill	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Stephen Woodhead	

### **Disclaimer**

Please note that there is an embargo on agenda items until 48 hours prior to the meeting. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

*For our future*

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## **1. APOLOGIES**

No apologies were advised.

## **2. LEAVE OF ABSENCE**

No leaves of absence were advised.

## **3. ATTENDANCE**

## **4. CONFIRMATION OF AGENDA**

*Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.*

## **5. CONFLICT OF INTEREST**

*Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.*

## **6. PUBLIC FORUM**

No requests to address the Committee Members have been received.

## **7. PRESENTATIONS**

No Presentations have been scheduled.

## **8. CONFIRMATION OF MINUTES**

### **Recommendation**

*That the minutes of the (public portion of the) meeting held on 1 May 2019 be received and confirmed as a true and accurate record.*

### **Attachments**

1. Minutes - Finance 20190501 **[8.1.1]**

## **9. ACTIONS**

### **Status report on the resolutions of the Finance & Corporate Committee**

No outstanding actions.

## 10. MATTERS FOR COUNCIL DECISION

### 10.1. General Manager's Report

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1898  
**Activity:** Governance Report  
**Author:** Nick Donnelly, General Manager Corporate Services  
**Endorsed by:** Nick Donnelly, General Manager Corporate Services  
**Date:** 29 May 2019

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#### PURPOSE

- [1] This report informs the Finance and Corporate Committee of significant financial and corporate activity and presents account payments to the Committee for endorsement.

#### RECOMMENDATION

*That the Finance and Corporate Committee:*

- a) **Receives** this report.
- b) **Endorses** the April 2019 payments summarised and detailed in the payments schedule, totalling \$5,789,382.98.

#### ELECTION UPDATE

- [2] The 2019 local authority triennial elections will be held on Saturday 12 October 2019. Nominations open on Friday 19 July 2019. Nomination forms will be available in early July and a candidate information booklet has been completed and will be available at ORC and City/District Council offices and on ORC's website together with other information useful to potential candidates by the end of June.
- [3] A joint candidate information presentation will be conducted for the ORC and DCC at 7 p.m. Wednesday 24 July in the DCC Municipal Chamber. Council CEO Sarah Gardner will attend and present to candidates interested in standing for the Otago Regional Council.
- [4] The following table shows the key dates for the election:

Friday 19 July 2019	Nominations open Electoral Roll open for inspection
Friday 16 August 2019	Nominations close (12 noon) Electoral Roll close
Friday 20 September 2019	Voter packs mailed to electors Voting period commences
Saturday 12 October 2019	Election Day Voting closes 12 noon
By Thursday 17 October 2019	Official result released
From Thursday 17 October 2019	Official result advertised

- [5] Council has already resolved the following in relation to the 2019 elections:
- To conduct this election under the first past the post (FPP) electoral system.  
*(resolved by Council on 16 August 2017)*
  - To not establish one or more Maori constituencies for the Otago region.  
*(Council; 1 November 2017)*
  - To appoint Anthony Morton from Electionz.com as Electoral Officer for the Otago Regional Council.  
*(Council; 31 October 2018)*
  - That the Otago Regional Council shall comprise 12 members elected from 4 regional constituencies as follows:
 

Dunedin	6 members
Molyneux	2 members
Moeraki	1 member
Dunstan	3 members

  
*(Council; 31 October 2019)*
  - That the order of candidate names on voting papers will be arranged in random order.  
*(Council 15 May 2019)*

## RATES UPDATE

- [6] The following tables provide a summary of rates struck for the current and previous financial years and include information on penalties, direct debits and ratepayers opting to receive invoices via email.

Rates	2017-2018	2018-2019
Rates due	31 Oct 2017	31 Oct 2018
Total rates struck	\$24,061,200	\$26,786,278
Collected as at 31 Oct	\$20,161,200	\$22,626,809
Percentage paid by 31 Oct	84%	84%
Outstanding as at 31 Oct	\$3,900,000	\$4,159,469
Due by tri-annual DD	\$635,400	\$1,076,998

Penalties	2017-2018	2018-2019
Notices sent	17,105	17,003
Total penalty amount	\$296,727	\$339,168
Percentage of total rates	1.23%	1.27%

Direct Debits	2017-2018	2018-2019
Annual		13,716
Tri-annual		4,405
Total direct debits	16,521	18,121
Percentage total rates	14.3%	15.6%

Emailed Invoices	2017-2018	2018-2019
Invoices emailed		3,057
Percentage total rates		2.6%

## ACCOUNT PAYMENTS

- [7] Schedules of payments made are referred to the Finance and Corporate Committee for endorsement. The financial commitments and payment authorisation are made in accordance with Council's financial delegations and internal control procedures.

Payment Category	April 2019
Trade payments	4,980,434.69
Payroll	808,948.29
<b>Total</b>	<b>5,789,382.98</b>

## ATTACHMENTS

Nil

## 10.2. Annual Plan 2019-20

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<b>Prepared for:</b>	Finance and Corporate Committee
<b>Report No.</b>	CS1900
<b>Activity:</b>	Community: Governance & Community
<b>Author:</b>	Mike Roesler, Manager Corporate Planning
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	24 May 2019

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### 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 i.e.. 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)
	<b>Environment</b>		
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
	<b>Regional Leadership</b>		
3,816		4,013	3,629

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

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
<b>64,221</b>	<b>Total Revenue</b>	<b>64,014</b>	<b>67,703</b>

[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	-	
<b>8,808</b>	<b>General Rates Payable</b>	<b>10,507</b>	<b>11,180</b>
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	<b>Freshwater Implementation</b>	1329	1326
	<b>Transport Rates</b>		
3977	Transport Dunedin	4384	4384
718	Transport Queenstown	845	845
	<b>River Management Rates</b>		
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
	<b>Flood &amp; Drainage Scheme Rates</b>		
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
<b>14366</b>	<b>Total Targeted Rates</b>	<b>15180</b>	<b>15183</b>

### 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)
	<b>Targeted Rate Reserve</b>		
145	Air – Clean Heat	149	146
100	Lake Hayes Rehabilitation		
558	<b>Asset Reserve</b>	497	477
	<b>General Reserve</b>		
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
	<b>Kuriwao Reserve</b>		
138	Climate Change Adaptation (Lwr Clutha Retreat)	140	148
498	<b>Water Management Reserve</b>	492	388
2849	<b>Total Revenue Deficit</b>	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]**

## 11. NOTICES OF MOTION

No Notices of Motion were submitted.

## 12. RESOLUTION TO EXCLUDE THE PUBLIC

The following resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7 of that Act.

*On the grounds that matters will be prejudiced by the presence of members of the public during discussions on the following items, it is resolved:*

1. That the following items are considered with the public excluded:

Meeting Item	Grounds for excluding the public
1.1 Confirmation of the minutes of the 1 May 2019 Public-Excluded Finance and Corporate Committee Meeting.	To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Section 7(2)(h))  To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Section 7(2)(i))

This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.

## 13. CLOSURE