

# Extra Ordinary Council Meeting

## PUBLIC BUSINESS AGENDA

An Extra Ordinary Council Meeting  
will be held in the Council Chamber,  
Torphin Crescent, Tokoroa  
on Friday, 5 May 2023  
Commencing at 9.30am

### OUR VISION

“Healthy people thriving in a safe, vibrant and sustainable community.”



## Attendees

Members	Mayor (Chairperson)	G Petley
	Deputy Mayor (Deputy Chairperson)	W Machen
	Councillors	H Daine
		M Farrell
		R Garner
		T Lee
		H Nelis
		K Purdy
		M Te Kanawa
		J Teokotai
		S Wallace
Staff	Chief Executive	S Law
	Interim Executive Manager (IEM) Corporate	M Booth
	Interim Executive Manager (IEM) Transformation	D Lascelles
	Interim Executive Manager (IEM) Operations	J Hassall
	Corporate Planning Manager	C Litchfield
	Marketing & Communications Manager	K Fabrie
	Chief Finance Officer	W Cortesi
	Executive Support Assistant (Minutes)	C Cawood

## Agenda Confirmed by:

S Law  
**Chief Executive**

*RECOMMENDATIONS contained in reports are NOT to be construed as COUNCIL DECISIONS.  
Refer to Council minutes for RESOLUTIONS.*

## **Order of Business**

<b>1.</b>	<b>Welcome / Blessing .....</b>	<b>4</b>
<b>2.</b>	<b>Apologies / Leave of Absences .....</b>	<b>4</b>
<b>3.</b>	<b>Conflicts of Interest .....</b>	<b>4</b>
<b>4.</b>	<b>Confirmation of Agenda .....</b>	<b>4</b>
<b>5.</b>	<b>Reports .....</b>	<b>5</b>
<b>5.1</b>	<b>Annual Plan 2023-24 .....</b>	<b>5</b>

**1. Welcome / Blessing**

**2. Apologies / Leave of Absences**

**3. Conflicts of Interest**

**4. Confirmation of Agenda**

## 5. Reports

### 5.1 Annual Plan 2023-24

---

#### Document Information

Report To:	Council
Meeting Date:	Friday, 5 May 2023
Author:	Debbie Lascelles
Author Title:	Interim Executive Manager Transformation
Report Date:	Thursday, 27 April 2023

---

#### Purpose

1. To approve in principle the Consultation Document and supporting financial information on the Annual Plan 23-24 for public consultation.

#### Recommendation

2. That Council:
  - a. receives Report 2022-Docset 622223, Annual Plan 2023-24 and endorses in principle the Consultation Document and supporting financial information for 2023-24.
  - b. Delegates final approval of the Consultation Summary Document for public release to the Chief Executive.
  - c. Delegates final approval of the Annual Plan 2023-24 Consultation Document and Financial Statements for public release to the Chief Executive.

#### Executive Summary

3. South Waikato District Council needs to address its immediate financial issues as well as start securing its ongoing sustainability via its Annual Plan for the 2023-24 financial year (FY).
4. An existing operating deficit combined with inflation and significant cost escalations means that the forecasts for the next FY require an approximate 27% rates increase to balance the budget.
5. Staff have completed financial modelling for three options and explored a range of ways to reduce the deficit and the required rate increase.
6. The closest option to what was originally proposed for this Annual Plan year in the 2021-31 Long Term Plan (10%) is not viable without making significant changes to current services.
7. Staff recommend that option three (18.5%) is proposed in the Consultation Summary Document (CD), with narrative also provided on the other options that Council considered during their financial workshops. The CD and Financial statements are attached to this report for Council approval.
8. The Council has a statutory requirement to consult with the public on proposed changes to the Annual Plan. Council will then consider the community's views on how we address these financial challenges before making a final decision.

## Context

9. Councillors were made aware of the South Waikato District Council's financial position at a workshop held on 24 January 2023.
10. The discussion centred around the fact that operating expenses were being subsidised from debt and that there was an operating deficit that needed to be addressed. It is not considered good financial practice to operate with a deficit and demonstrates that the Council's financial position is not sustainable in either the medium or long term.
11. Options for managing this deficit were discussed and Councillors requested that staff explore shared services and other alternative service delivery options, business efficiencies, ceasing and reducing current services, asset sales, fees and charges and the impact of a rates increase of 10% which is marginally higher than the 8% forecast for year three of the 2021-31 Long Term Plan, the 2023-24 Annual Plan year.
12. A second workshop was held on 30 March to report back on financial modelling completed as a result of the first workshop.
13. A number of additional challenges for South Waikato District Council's budgets were identified at this workshop.
14. Average inflation is predicted to rise to at least 7.2% this year and this will be considerably higher for the construction/ building sector, where a lot of the Council's spend is.
15. The construction sector will also be disrupted by supply chain issues relating to the impacts of the cyclones, rising interest rates, the war in Ukraine, a recession and an increasing pipeline of works across the globe creating shortages of labour and machinery. These are all expected to contribute to dynamic and escalating construction costs.
16. A range of other expenses have already increased with further increases to come. These include:
  - energy costs have gone up approximately 83%, with another increase of 29% expected in 23/24.
  - interest costs have almost doubled, increasing the cost of debt repayments.
  - depreciation costs have gone up approximately 47%, with another 18% expected in the coming year.
  - salary increases as talent shortages continue to create a competitive job market and difficulty in recruitment of skilled staff.
17. In addition, staff responded to Councillors' requests to identify potential savings from the previous workshop.
18. Business cases for shared services and alternative service delivery will be worked on as part of the analysis for the Long Term Plan. Business cases on these types of issues are complex, require considerable analysis and are therefore not an option for the current Annual Plan now being deliberated.
19. Likewise, assets sales were considered. While surplus properties have been identified, there is both time and cost to prepare assets for the market and asset sales only contribute a one off cash injection, which does not address the ongoing financial sustainability of the organisation. Beyond 2023-4, the Council will need address significant pressures on its operating costs.
20. Services were identified that would need to be cut in order to keep rates at a 10% increase. These will be discussed in the following sections.
21. A third and final workshop was held 6 April 2023 to further address Councillors questions and concerns about the financial position.

22. In this workshop, it was identified that a rates increase of approximately 27% would be required. Councillors were also provided financial modelling showing the comparative impacts of both a 10% and 18.5% rates increase on the operating deficit and net-debt revenue. These options will be explored further in this report.
23. The 2023-24 Annual Plan programme and associated timings have been pushed out to accommodate Councillor requests for further analysis and more information. The path to approve an Annual Plan 2023-24 by 30 June 2023 is now critical and further delays will compromise Council's ability to meet this time frame and strike a rate for the next FY.

## Options

24. Staff and Council considered three options for rates increases. The options are set out below.

### Option one – 27% rates increase.

25. This is the only option that would address the Council's forecasted operating deficit for the 2023-24 Annual Plan.
26. It should be noted that this option includes savings that staff have already made to try and keep budgets at a manageable level.
27. This is a one-off fix and will not negate the need for fundamental budget reform in the medium term.
28. While this option is the best option in terms of financial sustainability, it is acknowledged that the burden of a 27% rates increase would place on our community during a recession would be difficult to manage. This is a one off fix and will not negate the need for more fundamental budget reform in the medium term.

### Option two – 10% rates increase.

29. This option would leave South Waikato District Council with an annual operating deficit of approximately \$7m.
30. Financial modelling also demonstrates that without intervention, at a 10% rates increase, the deficit would continue to grow exponentially over time and our debt cap would be breached by 2026. This is not a sustainable financial position.
31. Financial modelling of expenditure cuts to mitigate the deficit show that it would result in significant impacts to services currently provided to our communities. Examples of the services that would be impacted by cuts of this magnitude are summarised in the table below. The list below sums to approximately \$7m.

Reduction of road maintenance to critical repairs of a safety nature only and leading to a rapid deterioration in the District's roads and longer term cost implications.
Reduction to budgets for repairs, maintenance, vandalism costs, mowing, planting and garden restoration in town centres, parks, reserves and playgrounds leaving longer grass, removal of high-maintenance planting and reactive or no maintenance.
Closing the Putāruru Transfer station
Ceasing funding for all external community organisations
Ceasing Community Development Grants
Closing Tīrau iSite

Closing Putāruru Service Centre and Library
Closing Tīrau and Putāruru outdoor pools
Reduction in maintenance of Council owned facilities (as per parks example)
Further reduction of consultancy costs, resulting in capital projects being deferred or deleted.
Significant reduction in planned roading projects
Termination of subscriptions to sector membership organisations such as LGNZ, WLASS resulting the loss of a unified sector voice.

**Table one: services that would cease or be reduced to avoid a \$7m overspend.**

32. As a result of the impact on the community, cuts of this magnitude would result in a Long Term Plan (LTP) amendment which neither staff nor auditors could accommodate this late in the schedule.

Option three – 18.5% rates increase.

33. This option would leave the Council with a \$4m operating deficit.
34. However, the long-term financial trajectory at this level is much more optimistic than the 10% scenario and the deficit does start to decrease over time. It also prevents the Council from breaching its debt cap.
35. Staff recommend *option three* because it strikes a balance between financial sustainability and rates affordability until these issues can be better addressed and consulted on more fully during the Long Term Plan process.

**Discussion**

36. A 27% rates increase would be unmanageable for our communities during a time of high inflation and likely recession. For this reason, staff do not consider this option as viable.
37. A 10% rates increase is not a financially sustainable option and essentially sets the organisation on a path to technical insolvency in the long term. Cutting expenditure to accommodate a rates increase of this size would result in significant reductions to services which would trigger an LTP amendment and require significant consultation.
38. Therefore, staff have recommended that the 18.5% rates increase is proposed in the CD and this figure is released for consultation with our community about these issues.
39. The 18.5% rate still results in a deficit and ideally would require some reductions or changes to services, however, it is financially sustainable enough to allow more time to prepare business cases and consider these issues the viability of alternative modes of service delivery, shared services and the impact of technology on the ways of working and doing business more fully. It also takes into account the reduction of controllable operating costs such as those for consultancies, subscriptions and communications. Staff propose that service levels are considered next FY as part of the deliberations for the 2024-34 Long Term Plan.
40. The financial scenarios that have been considered and the rationale for the recommendation are summarised in the CD. This has been attached as a text only document. Design will be in keeping with the branding used previously in similar documents. Delegation to the Chief Executive has been sought to enable sign off on the final designed document.



41. The statutory timeframes for the approval of the Annual Plan for 2023-24 have been discussed with the elected Council. Any delay in being able to put the Consultation Document and Financial Statements out to the public may risk a breach of those statutory time limits.

## **Consultation & Engagement**

42. Consultation on changes to Annual Plans is required under section 82 of the Local Government Act.
43. Consultation is proposed to start on Friday 12 May 2023 and run for four weeks, closing on Friday 9 June 2023.
44. A Communications Plan is being developed which will incorporate the normal range of communication tactics to promote and encourage submissions, such as print advertising in South Waikato News, social, Antenno and our website. Call to action promotion will drive residents to our website and offices. In addition, public drop-in sessions will be planned so the public can ask in-person questions during the four-week consultation period.
45. We expect that a rates increase of this size will attract a reasonable level of engagement from our community.

## **Risks**

There is a risk that the community will not support the proposed increase and fail to engage with the supporting material or reasons the increase is required. The consequence will impact negatively on the Council's financial position and/or cause it to breach the statutory timeframes for the approval of the Annual Plan 2023-4

## **Attachments**

Docset 622494 Forecast Financial Statements for the 2023-24 Annual Plan

Docset 622517 Draft Annual Plan 23-24 Consultation Document

## Council Outcomes

**Growth** - Activities and strategies that facilitate sustainable economic growth and lift community pride.

**Resilience** - A resilient district with good infrastructure, services, a sound financial position, rates affordability and a healthy environment that has the ability to anticipate, resist, respond to and recover from significant change or events.

**Relationships** - Strong relationships with Iwi and Māori, Pacific Peoples and community and business groups that can achieve growth and a resilient community.

# Attachment

Docset 622494

Forecast Financial Statements for the 2023-24 Annual Plan

**Prospective Statement of Comprehensive Revenue and Expenses**

<b>Prospective Statement of Comprehensive Revenue and Expenses</b> <b>Forecast for the year ending 30 June 2024</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2023-24</b>
	<b>Annual Plan</b>	<b>Long-Term Plan</b>	<b>Annual Plan</b>
	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
<b>Revenue</b>			
Rates revenue	33,473	35,804	40,468
Development and financial contributions	227	344	437
Subsidies and grants	4,879	5,212	5,168
Fees and charges	4,883	6,149	4,397
Finance revenue	370	362	431
Other revenue	2,155	2,146	889
<b>Total revenue</b>	<b>45,988</b>	<b>50,017</b>	<b>51,790</b>
<b>Expenditure</b>			
Personnel costs	12,476	12,265	12,944
Finance expenses	818	1,377	1,872
Depreciation and amortisation	9,640	10,592	10,422
Other expenses	25,507	25,774	27,471
<b>Total expenditure</b>	<b>48,441</b>	<b>50,008</b>	<b>52,709</b>
<b>Net surplus/(deficit)</b>	<b>(2,454)</b>	<b>9</b>	<b>(919)</b>
<b>Other comprehensive income</b>			
Increase in asset revaluation reserves	19,558	2,054	40,000
<b>Total other comprehensive revenue and expenses</b>	<b>19,558</b>	<b>2,054</b>	<b>40,000</b>
<b>Total comprehensive revenue and expense</b>	<b>17,105</b>	<b>2,063</b>	<b>39,081</b>

## Prospective Statement of Financial Position

Prospective Statement of Financial Position Forecast as at 30 June 2024	2022-23 Annual Plan \$000s	2023-24 Long-Term Plan \$000s	2023-24 Annual Plan \$000s
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,803	1,435	1,435
Receivables	4,540	3,680	3,680
Inventory	171	171	171
<b>Total current assets</b>	<b>7,514</b>	<b>5,286</b>	<b>5,286</b>
<b>Non-current assets</b>			
Property, plant and equipment	493,303	555,080	718,516
Other financial assets	22,548	22,972	16,575
Intangible assets	328	328	328
<b>Total non current assets</b>	<b>516,179</b>	<b>578,380</b>	<b>735,419</b>
<b>Total assets</b>	<b>523,693</b>	<b>583,666</b>	<b>740,705</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables and deferred revenue	5,965	7,085	7,085
Employee entitlements - current	609	893	893
Borrowings - current	1,904	3,226	6,000
Provisions	748	968	50
<b>Total current liabilities</b>	<b>9,226</b>	<b>12,172</b>	<b>14,028</b>
<b>Non current liabilities</b>			
Employee entitlements	248	250	250
Provisions	873	677	600
Borrowings	42,883	71,154	64,000
<b>Total non-current liabilities</b>	<b>44,004</b>	<b>72,081</b>	<b>64,850</b>
<b>Total liabilities</b>	<b>53,230</b>	<b>84,253</b>	<b>78,878</b>
<b>Net assets</b>	<b>470,463</b>	<b>499,413</b>	<b>661,827</b>
<b>EQUITY</b>			
Accumulated funds	163,972	169,380	163,053
Council created reserves	1,078	(1,634)	(2,686)
Restricted reserves	23,428	22,606	15,736
Asset revaluation reserves	278,569	305,645	482,308
Investment revaluation reserves	3,416	3,416	3,416
<b>Total equity</b>	<b>470,463</b>	<b>499,413</b>	<b>661,827</b>

### Prospective Statement of Changes in Equity

Prospective Statement of Changes in Equity Forecast for the year ending 30 June 2024	2022-23 Annual Plan \$000s	2023-24 Long-Term Plan \$000s	2023-24 Annual Plan \$000s
<b>Equity at beginning of year</b>	<b>453,368</b>	<b>497,350</b>	<b>622,746</b>
Net surplus/(deficit)	17,105	2,063	39,081
<b>Total equity at end of year</b>	<b>470,473</b>	<b>499,413</b>	<b>661,827</b>
<b>Components of equity</b>			
<b>Accumulated surplus/(deficit) at beginning of year</b>	<b>162,560</b>	<b>168,447</b>	<b>164,964</b>
Net surplus/(deficit)	(2,454)	9	(919)
Net other movements	3,865	924	(993)
<b>Accumulated surplus/(deficits) at end of year</b>	<b>163,972</b>	<b>169,380</b>	<b>163,053</b>
<b>Council created reserves at beginning of year</b>	<b>1,077</b>	<b>(1,404)</b>	<b>(3,039)</b>
Transfers to/(from) reserves	1	(230)	353
<b>Council created reserves at end of year</b>	<b>1,078</b>	<b>(1,634)</b>	<b>(2,686)</b>
<b>Restricted reserves at beginning of year</b>	<b>27,294</b>	<b>23,300</b>	<b>15,097</b>
Movements	(3,866)	(694)	640
<b>Restricted reserves at end of year</b>	<b>23,428</b>	<b>22,606</b>	<b>15,736</b>
<b>Revaluation reserves at beginning of year</b>	<b>262,427</b>	<b>307,007</b>	<b>445,724</b>
Revaluation surplus/(deficit)	19,558	2,054	40,000
<b>Revaluation reserves at end of year</b>	<b>281,985</b>	<b>309,061</b>	<b>485,724</b>
<b>Total equity at end of year</b>	<b>470,463</b>	<b>499,413</b>	<b>661,827</b>

### Prospective Statement of Cash Flows

Prospective Statement of Cash Flows Forecast for the year ending 30 June 2024	2022-23 Annual Plan \$000s	2023-24 Long-Term Plan \$000s	2023-24 Annual Plan \$000s
<b>Cash flows from operating activities</b>			
Rates	33,473	35,804	40,468
Subsidies and grants	4,879	5,212	5,168
Development and financial contributions	227	344	437
Finance revenue	370	362	30
Fees, charges and other revenue	7,038	8,295	5,286
Finance expenses	(818)	(1,377)	(1,872)
Cash disbursed to suppliers and employees	(37,983)	(38,038)	(40,415)
<b>Cash flows from operating activities</b>	<b>7,186</b>	<b>10,602</b>	<b>9,102</b>
<b>Cash flows from investing activities</b>			
Proceeds from investments	681	665	401
Purchase/(withdrawal) of investments	-	1,002	(1,828)
Property, plant & equipment acquired	(16,355)	(38,868)	(26,537)
<b>Cash flows from investing activities</b>	<b>(15,674)</b>	<b>(37,201)</b>	<b>(27,964)</b>
<b>Cash flows from financing activities</b>			
Loans raised	7,697	30,056	23,000
Loans repaid	(2,393)	(2,858)	(6,000)
<b>Cash flows from financing activities</b>	<b>5,304</b>	<b>27,198</b>	<b>17,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,184)</b>	<b>599</b>	<b>(1,862)</b>
Cash and cash equivalents at start of year	5,986	836	3,297
<b>Cash and cash equivalents at end of year</b>	<b>2,802</b>	<b>1,435</b>	<b>1,435</b>

## Prospective Whole of Council Funding Impact Statement

Prospective Whole of Council Funding Impact Statement Forecast for the year ending 30 June 2024	2022-23 Annual Plan \$000s	2023-24 Long-Term Plan \$000s	2023-24 Annual Plan \$000s
<b>Sources of operating funding</b>			
General Rates, Uniform Annual General Charges, rates penalties	22,813	23,321	26,667
Targeted Rates	10,319	12,123	13,446
Subsidies & grants for operating purposes	2,558	2,980	3,053
Fees, charges & targeted rates for water supply	5,179	6,456	4,752
Interest & dividends from investments	711	695	431
Local authorities fuel tax, fines, infringement fees, and other	494	707	889
<b>Total operating fuunding (A)</b>	<b>42,074</b>	<b>46,282</b>	<b>49,238</b>
<b>Application of operating funding</b>			
Payments of staff & suppliers	34,746	34,847	38,398
Finance Costs	818	1,376	1,872
Other operating funding applications	1,605	1,570	990
<b>Total application of operating funding (B)</b>	<b>37,169</b>	<b>37,793</b>	<b>41,260</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>4,905</b>	<b>8,489</b>	<b>7,978</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	2,052	1,761	2,115
Development & financial contributions	227	344	437
Increase (decrease) in debt	5,305	27,197	17,000
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>7,584</b>	<b>29,302</b>	<b>19,552</b>
<b>Application of capital funding</b>			
Capital expenditure:			
- to meet additional demand	2,931	2,516	7,505
- to improve the level of services	6,335	20,480	7,922
- to replace existing assets	7,089	15,871	11,110
Increase (decrease) in reserves	(3,866)	(1,076)	993
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>12,489</b>	<b>37,791</b>	<b>27,530</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(4,905)</b>	<b>(8,489)</b>	<b>(7,978)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Prospective Reserve Movements

<b>Prospective Reserve Movements</b>					
<b>Forecast for the year ending 30 June 2024</b>					
	Note	Opening Balance	Transfers in	Transfers out	Closing Balance
<b>Council created reserves</b>					
Pensioner housing	A	(807)	160	-	(646)
Roading - extra NZTA subsidy	B	(966)	-	-	(966)
Riverside access	C	428	-	-	428
National waste levy	D	242	450	(210)	482
Financial contributions - roading	E	436	-	-	436
Financial contributions - reserves	E	71	-	-	71
Financial contributions - stormwater	E	2	-	-	2
Financial contributions - water	E	1	-	-	1
Financial contributions - wastewater	E	16	-	-	16
Forestry / airport	F	629	-	-	629
Land purchase	G	(2,843)	-	(47)	(2,890)
Whakamaru forestry	H	47	-	-	47
Solid waste ringfencing	I	(295)	-	-	(295)
<b>Total council created reserves</b>		<b>(3,039)</b>	<b>610</b>	<b>(257)</b>	<b>(2,686)</b>
<b>Asset replacement reserves</b>					
General	J	(60)	244	(309)	(125)
Water	J	2,657	670	(855)	2,471
Wastewater	J	3,652	1,131	(528)	4,255
Stormwater	J	5,991	235	-	6,227
Refuse disposal	J	(168)	168	(156)	(156)
The Plaza	J	37	16	-	53
Vehicles	J	(16)	137	(300)	(179)
Toilets	J	(124)	49	(92)	(167)
Sport and events centre	J	952	109	(85)	976
Sportsgrounds	J	35	97	(464)	(332)
Parks and reserves	J	(157)	551	(315)	79
Cemeteries	J	(18)	43	(42)	(17)
Libraries	J	(42)	-	-	(42)
Pools	J	(52)	324	-	272
Bridges	J	709	-	-	709
General properties	J	37	309	(297)	49
Putaruru CCTV	J	46	-	-	46
Tokoroa CCTV	J	33	8	-	41
Information services	J	(2)	-	-	(2)
District recycling	J	163	15	(27)	152
<b>Total asset replacement reserves</b>		<b>13,675</b>	<b>4,105</b>	<b>(3,469)</b>	<b>14,310</b>
<b>Restricted reserves</b>					
Water	K	950	3,728	(3,728)	950
Wastewater	K	1,135	6,926	(6,926)	1,135
Stormwater	K	(349)	867	(867)	(349)
Refuse collection	K	(287)	1,549	(1,549)	(287)
Piarere Hall	K	-	1	(1)	-
Upper Atiamuri Hall	K	(14)	10	(8)	(12)
Puketurua Hall	K	13	10	(10)	13
Waotu Hall	K	1	8	(8)	1
Lichfield Hall	K	7	5	(5)	7
Arapuni Hall	K	25	17	(17)	24
Tapapa Hall	K	22	13	(11)	25
Tirau Community Board	K	7	21	(21)	7
Tirau CCTV	K	14	18	(18)	14
Tokoroa CBD	K	185	131	(131)	185
Putaruru Promotion (CCTV)	K	58	80	(80)	58
Putaruru CBD	K	18	68	(68)	18
District recycling	K	(363)	581	(581)	(363)
<b>Total restricted reserves</b>		<b>1,422</b>	<b>14,032</b>	<b>(14,028)</b>	<b>1,426</b>
<b>Total reserves</b>		<b>12,058</b>	<b>18,748</b>	<b>(17,755)</b>	<b>13,051</b>



#### **Purpose of reserves**

- A Pensioner housing** - Manage the surpluses and deficits from the pensioner housing activity, when more or less rental is collected than is required to fund the annual expenditure of the pensioner houses.
- B Roading - extra NZTA Subsidy** - Created from additional subsidy provided from NZTA as a result of the change in the subsidy rates. The reserve will be used to fund part of the roading programme in future years.
- C Riverside access** - Manage sale of proceeds from certain stopped roads. This is to be used for opening up areas to public access in the South Waikato district.
- D National waste levy** - Manage the funds distributed by government from the national waste levy.
- E Financial contributions** - Manage financial contributions levied from the development of subdivisions to provide infrastructure.
- F Forestry / Airport** - To ring fence the proceeds of the sale of harvested logs near the airport to be used in the future to fund the replacement of the runway and maintenance of the planted forest.
- G Land purchase** - To ring fence the loan costs from the purchase of strategic land. When this land is sold, the proceeds will be applied against this reserve.
- H Whakamaru Forestry** - To ring fence the proceeds of the sale of trees from the Whakamaru reserve to be used in the future at the reserve.
- I Solid waste ringfencing** - The Tokoroa landfill was closed in October 2020. The increased fees which were applied from 1 March 2019 were to fund additional operating costs from 1 March to its closure. This reserve is being used to ring fence the costs associated with the Tokoroa landfill and Tokoroa Transfer Station.
- J Asset replacement reserves** - These accumulate funds from rates and are used for the future capital funding for the replacement of assets. Each major activity group has their own depreciation reserve so that the funds from each can be applied to the appropriate activity's capital expenditure.
- K Restricted (targeted rate) reserves** - Targeted rate reserves are used to manage the surpluses and deficits of specific targeted activities such as water, stormwater, wastewater and halls that arise when more or less rates revenue is collected to fund the annual expenditure of that activity. This ensures that rates collected from a certain group of targeted rate payers can only be used for the benefit of that group.

## CAPEX PROJECTS

Project Name	Project Description	Proposed 2023-24 Annual Plan
<b>ECONOMIC &amp; COMMUNITY DEVELOPMENT</b>		
Economic Development	Council's involvement in residential property	300,000
Economic Development	Maraetai Road Intermodal Business Park	3,324,000
Economic Development	Stanley Park Development	1,600,000
		<b>\$5,224,000</b>
<b>PARKS &amp; RESERVES</b>		
Toilets - Leith Place	Upgrade to Leith Place Toilets	1,000,000
Sportsgrounds - General	Glenshea Park Netball Courts Resurfacing	430,000
Reserves - General	Walkways Renewal	22,000
Reserves - General	Walkways Additional	28,000
Reserves - General	Play Equipment Additional	4,500
Reserves - General	Rural Bike Racks	11,500
Reserves - General	Playgrounds Digital Games Elizabeth Park	8,000
Reserves - General	General	32,000
Reserves - General	Playgrounds	110,000
Reserves - General	Signage, Furniture, Bins & Fences	17,500
Reserves - General	Retaining Walls Renewals	175,000
Reserves - General	Play Equipment Renewals	100,000
Reserves - General	Internal Roads	25,000
Reserves - General	Tokoroa Reserves	102,000
Cemeteries - Tokoroa	Additional Berms	12,000
		<b>\$2,077,500</b>
<b>COMMUNITY FACILITIES</b>		
Events Centre	South Waikato Sport and Events Centre plant replacement	5,000
Events Centre	SWSEC - Replacement of arena carpet tiles	80,000
Pools - Tokoroa	Tokoroa Heated Swimming Pool Upgrade	2,300,000
Pools - Tokoroa	Tokoroa Pool Equipment Replacement	30,000
Pools - Putaruru	Putaruru Pool Refurbishments	50,000
Pools - Putaruru	Putaruru Pool Equipment Replacement	10,000
Pools - Putaruru	Pool Relining	175,000
Pools - Tirau	Tirau Pools Refurbishment	470,000
Pools - Tirau	Tirau Pools Equipment Replacement	10,000
Libraries - District	Library collection and information resources	125,000
Libraries - Putaruru	Shelving & Furniture	10,000
		<b>\$3,265,000</b>
<b>SOLID WASTE &amp; RECYCLING</b>		
Waste Disposal - Putaruru	Refuse Transfer Station Renewals	5,000
Waste Disposal - Putaruru	Refuse Transfer Station Upgrade Programme	325,000
		<b>\$330,000</b>
<b>TRANSPORT &amp; ROADING</b>		
Sealed maintenance	Road formation widening	389,000
Sealed Road Resurfacing	Sealed Road Resurfacing	1,823,000
Drainage Renewals	Drainage Renewals	590,000
Pavement Rehabilitation	Pavement Rehabilitation Programme	1,077,000
Traffic Services Renewals	Streetlighting Capitals	200,000
Traffic Services Renewals	Traffic Services Signs Renewals	76,000
Minor Improvements	Widening associated with pavement rehab - LCLR (low cost low risk)	216,000
Minor Improvements	Old Taupo Road 13k curve improvements - LCLR	108,000
Minor Improvements	Old Taupo Road 14k alignment improvements - LCLR	108,000
Minor Improvements	Domain Road geometric and sight benching improvements - LCLR	108,000
Minor Improvements	Wiltsdown Road corridor study and improvements - LCLR	22,000
		<b>\$4,717,000</b>

## CAPEX PROJECTS CONTINUED

Project Name	Project Description	Proposed 2023-24 Annual Plan
<b>WASTEWATER</b>		
WW - District	Health & Safety	15,000
WW - District	Wastewater Development Contributions	15,000
WW - District	Water and Wastewater Telemetry/SCADA	1,152,000
WW - Tokoroa	Wastewater Treatment Plant - Plant & Equipment Replacement	315,000
WW - Tokoroa	Wastewater Main renewal programme	115,000
WW - Tokoroa	Wastewater Treatment Plant - Duplicate drum filter	210,000
WW - Tokoroa	Maraetai Road Intermodal Business Park	294,000
WW - Putaruru	Plant & Equipment Replacement	52,500
WW - Putaruru	Putaruru WWTP Consent Upgrades	275,000
WW - Tirau	Depot St Pumpstation - Stage 1	925,000
WW - Tirau	Plant & Equipment Replacement	25,000
		<b>\$3,393,500</b>
<b>STORMWATER</b>		
Stormwater - District	Minor New Works	30,000
Stormwater - Tokoroa	Maraetai Road Intermodal Business Park	1,175,000
Stormwater - Putaruru	Putaruru stormwater	1,500,000
		<b>\$2,705,000</b>
<b>WATER SUPPLY</b>		
Water - District	Health & Safety improvements	15,000
Water - District	Water and Wastewater Telemetry/SCADA	1,157,000
Water - Tokoroa	Watermain Renewal Programme	600,000
Water - Tokoroa	Plant & Equipment Replacement	15,000
Water - Tokoroa	Elizabeth Park Water Supply Headworks Improvements	150,000
Water - Tokoroa	Honohenua Water Supply	308,000
Water - Tokoroa	Maraetai Road Intermodal Business Park	489,000
Water - Putaruru	Watermain Renewal Programme	149,500
Water - Putaruru	Reticulation minor new works	10,000
Water - Tirau	Watermain Renewal Programme	42,000
Water - Tirau	Plant & Equipment Replacement	15,000
Water - Tirau	Reticulation minor new works	10,000
Water - Arapuni	Plant & Equipment Replacement	5,000
		<b>\$2,965,500</b>
<b>REGULATORY</b>		
Resource Management	District Plan - ePlan - Planning and IS costs	50,000
Emergency Management	Replacement Generator	38,000
		<b>\$88,000</b>
<b>PROPERTY</b>		
Plaza Theatre	Seat Replacement	60,000
Pensioner Housing	Property Upgrades	80,000
Property Development	CCTV Renewals	21,000
Property Development	Property Upgrade Works	30,000
Property Development	Charging hub for EV's in Council car park	50,000
Tokoroa Office	HVAC	115,000
Tokoroa Office	Front Portaco Replacement	135,000
Tokoroa Depot	Office Building Renewal	20,000
		<b>\$511,000</b>

**CAPEX PROJECTS CONTINUED**

<b>Project Name</b>	<b>Project Description</b>	<b>Proposed 2023-24 Annual Plan</b>
<b>GOVERNANCE &amp; CORPORATE</b>		
Information Systems	Council Online Web Services Development Programme	40,000
Information Systems	Desktop PC Hardware	90,500
Information Systems	IS Core Infrastructure - Firewall Replacement	27,000
Information Systems	IS Core Infrastructure - Network Equipment Rolling Replacement	12,000
Information Systems	Business Improvement - Offline / Mobile Data Collection - Mobile Forms Capability	36,000
Information Systems	Smartsheet Automation - 3 month Sprint 1 of 3	26,000
Information Systems	Smartsheet Automation - 3 month Sprint 2 of 3	26,000
Information Systems	Digital Signage (iSite +)	51,000
Information Systems	Innovation Fund	66,000
Information Systems	Cloud Migration - Cloud-based CCTV Programme	41,000
Information Systems	3WR Data Migration	50,000
Information Systems	SOC + SIEM	60,000
Information Systems	Knowledge Base and CRM	20,000
Information Systems	Magiq ERP Development	100,000
Information Systems	CCTV Server Replacement	20,000
Information Systems	Meeting Room Upgrades	80,000
Information Systems	Physical Network Redesign	50,000
Information Systems	Online Resource Consents	20,000
Information Systems	Online Dog Registrations	20,000
Information Systems	Website Development	20,000
Information Systems	HRIS Managed HR Software	75,000
Information Systems	Governance Agenda Management	20,000
Vehicles	Vehicle Replacement	300,000
Property Administration	Furniture renewals	10,000
		<b>\$1,260,500</b>
<b>Total</b>		<b>\$26,537,000</b>

# Attachment

Docset 622517

Draft Annual Plan Document

## Draft Annual Plan 2023-24 - He mahere hukihuki ā - tau 2023-24

### Stepping towards sustainability – Whāia te pae whakauka kia tata

#### Introduction - Whakatakinga

The draft Annual Plan sets out what projects and work Council proposes to deliver in the 2023-24 financial year (starting 1 July 2023) and the budget to achieve the mahi (work). The 2023-24 financial year is Year 3 of the 2021-31 Long-term Plan (LTP).

The proposal sees an average rate revenue increase is high at 18.5%. The drivers and reasons behind this proposal are outlined in this document and we encourage you to read on.

Council is consulting on this proposal now. Consultation closes Friday 9 June 2023.

We want to hear from you. Ā tēnā, kōrero mai ki a mātou.

---

#### Proposal - Whakakaupapa

For the upcoming Annual Plan 2023-24, we are proposing a holding position to give the Council time to repair the underlying financial issues so that in the future the Council can refocus its spending to ensure it can deliver projects and services that are necessary, in a cost-effective way. The present projections are not sustainable for us to afford basic services. This work is currently underway through the Long Term Plan (LTP) process. This is where Council's resources must be focussed.

Our focus for this Annual Plan is to work towards sustainable financial management in the face of significant challenges. Detailed analysis, investigation, planning and community consultation for our full suite of activities and services is underway – but not complete. This work will feed into the next LTP.

This draft Annual Plan is in keeping with Council's key focus of embracing and rising to the challenge of **growth** (te tupunga ohanga), building both Council and community **resilience** (kia eke panuku) and fostering **relationships** (ngā hononga) for the betterment of our people.

---

#### What is an Annual Plan? He aha tēnei mea, te mahere ā - tau?

Every three years we develop a Long Term Plan in consultation with the community. The LTP sets our direction and work plans for the following ten years. The LTP 2021-32 was completed in June 2021 and amended in 2022.

For the two years following the adoption of the LTP, we develop an Annual Plan (Years 2 and 3 of the LTP). Essentially, it's an update of what we agreed through the LTP. It highlights our budgets and work plans for the respective years.

We then report back to the community each year through the Annual Report.

Any significant changes must be consulted on with our community.

The current draft Annual Plan 2023-24 is changed from the LTP. We would like your feedback on the change and the proposal.

---

## **The key change - Ko te panonitanga matua**

Council is proposing an average rate revenue increase of 18.5%. Rates on some properties will be higher and/or lower than this average. Please see the rates examples on page x. You can also go to our website and use the rates calculator for a more accurate result specific to your property.

This is significantly changed from what was adopted in the LTP 2021-31 in June 2021 of 6.3% and increased to 7.2% through the LTP Amendment last year.

---

## **Average rate increases – Ko te pikinga toharite o ngā tāke kaunihera**

Average rate increases vary across properties for several reasons, including your property type (rural, lifestyle, urban, other) and valuation where you live (Tokoroa, Putāruru, Tirau etc).

---

## **The DRIVERS behind the 18.5% proposal – Ko ngā take e piki ai ki te 18.5%**

### Inflation - Tāmi ahumoni

Inflation is hitting everyone hard, and our business is no different. The inflation rate of 7.2% affects a range of expenses.

### Cost escalation – Te pikinga ake o te utu

Escalating infrastructure costs, including costs for freight, materials, fuel and labour have made capital works far more expensive to deliver. Supply chain delays have particularly affected the procurement of civil engineering materials, as well as necessary equipment. These factors are facing all councils. While some councils have made the decision to reduce operational spend by cutting or postponing capital projects and reducing services, our Council is not able to do that because our district is already behind in its response to growth. If we take our foot off the accelerator now, we're never going to catch up.

### Interest - Itareti

Interest rates have doubled, which increases the cost of repaying our debt.

### Zero% rate increase - Ko te pikinga koretanga o ngā tāke kaunihera

During COVID Council made the decision to adopt a zero percent rate increase (for the 2020-21 financial year). We did this at the time due the hardships amid the COVID crisis. We were always going to have to make that up. Gleaning back the zero increase from several years ago accounts for 7% of the 18.5% proposed total.

### Operating deficit/depreciation funding – Takarepa Whakahaere/Pūtea hekenga wāriu

Our district has been growing for the past five to six years. Prior to that we were declining. We have cut our cloth to suit this decline, but that has changed. As we moved out of a decline phase into a growth phase, we were also mindful of keeping rates as low as possible. But we've done this for too long and it's catching up with us.

In the past Council has borrowed money (by loans and from reserves) to subsidise operations and by under-funding depreciation. This is not a sustainable solution. It's like borrowing from the bank to pay your grocery bill. Borrowing is good, IF it's for a house or even a car, but not for your day-to-day expenses. Using loan funding and/or reserve funding to prop up operational spend is not sustainable. It basically means that our income has not kept pace with the cost of running Council. As a result of this method of funding operations we have a forecasted deficit of \$7 million.

Why an 18.5% rate increase?

- The projected INFLATION rate of 7.2% affects a range of expenses.
- INTEREST rates have almost doubled, increasing the cost of debt repayments.
- ENERGY costs have increased by 83% with a further 29% since 2021.
- CONTRACT costs have increased by 30% since 2021.
- DEPRECIATION increased by 47%, with a further 18% expected in the coming year that will continue to increase, due to the escalating cost of maintaining and replacing existing assets.
- SALARY increases as talent shortages continue to create a competitive job market and difficulty in recruitment.
- Two years of COVID recovery from lockdowns and skills shortages have seriously impacted our economy.
- SUPPLY CHAIN DEMAND has resulted in escalating infrastructure costs, including costs for freight, materials, fuel and labour are impacting progress and budgets]

---

### **The 2024-34 Long Term Plan - Ko te mahere pae tawhiti**

We have already started doing work on the 2024-34 Long Term Plan. This is where we must put our limited resources and effort. The landscape has changed dramatically since the 2021-31 LTP was adopted. This is why Year 3 (the coming 2023-24 year) has such a large average rate revenue increase.

During 2023 and the early part of 2024, staff will be engaging with communities regarding the full breadth of our services - what we deliver and how, at what level we deliver each service, and how to best fund the activity between rates and fees and charges.

We're signaling change. We cannot continue to deliver the current suite of services at the current level sustainably into the future. So together we're going to have to make some tough decisions. We'll need to decide what services we can cut, what services we can deliver using a different more efficient model (shares service for instance with other councils), and what services we can no longer afford to deliver at the current level.

---

### **The money – Te pūtea**

Where our money comes from – I ahu mai te pūtea i whea?

GRAPH

What your money pays for – He aha tāu pūtea i utua ai?

GRAPH

---

### **A word on three waters – He kōrero mō Ngā Wai e Toru**

You may have read that Council is only partly supportive of the water reforms proposed by Central Government. Even with the most recent announcements that increases the number of water entities from four to ten, we still have concerns about asset ownership and loss of local voice.

Council has committed over \$50 million to several capital projects in the three waters space. This is being loan funded to minimise the impact on rates. This is an example of good borrowing.

When/if the Government takes three waters off local government, they take our assets, reserves, costs and debt. This means that our debt commitment becomes the entity's debt. This was set to happen in 2024 (next year) but it has been pushed out to 2026. Which means we could keep our debt for two years longer than anticipated.



Planning around our Three waters' needs is challenging for next year's LTP. There is even talk of councils doing budget modelling for two LTP scenarios – one with three waters and one without. Lack of clarity in this space continues to be an issue. Uncertainty from the Government around the resource management reforms is also complicating our budgeting planning for the long term. Economic circumstances in New Zealand are not getting any better. There is also a very real struggle in both the public and private sectors for talent, capability, contractors, suppliers and materials.

### How did we get to 18.5% - He aha te take i whakatauria ai te 18.5%

Council looked at three scenarios to arrive at the proposed 18.5% average increase.

#### Don't address the deficit – 10% - Ki te kore te takarepa e anganuitia -10%

We looked carefully at not addressing the deficit of \$7 million at all. Under this scenario, we would still need a 10% rate increase to tread water. We don't believe this is sustainable. At a high level, we looked at a range of services and activities to achieve some savings. Some savings have been made, however most of these items require significant levels of analysis, robust community engagement and an LTP Amendment. This volume of work is better done as part of the next LTP, not mid-LTP cycle. The analysis below is incomplete. It is a massive amount of work that we need more time to do properly before having robust discussions with our community.

But it's worth including for our community to start thinking about the services and activities our people get from Council and what sorts of things people would be willing to change, reduce or receive differently.

Activity	What we could potentially look to change	Possible impacts
Roading	Reduce roadside mowing, second road marking, maintenance/issue response times, cleaning cycles, information collected.	Safety, land instability, network availability, unkempt, knowledge
Parks and Reserves	Increasing grass height, removal of flower beds, reduced maintenance of play equipment and other park structures	Scruffy looking, litter accumulation, visual appeal, safety, reduced reserve use, negative perception
Solid Waste	Close or reduced hours of transfer stations	Increased travel for residents, reduced access, increase in illegal dumping, negative perception of district
Community contracts	Council has several community contracts in place amounting to almost \$1M.	Need for groups to source funding elsewhere, loss of community service
Community grants	Council's grant scheme supports a range of community groups to deliver programmes to our community	Lower levels of community support for a range of programmes
Facilities	Closure or reduced operating hours of facilities such as Tirau I-site, Putaruru service centre	Community accessibility, staffing, leasing arrangements, service delivery
Pools	Closure and/or reduced operating hours of Indoor pools and/or seasonal pools	Availability for community, service delivery

Consultants	Consultants are used by Council for specialist work that staff cannot do	Ability to obtain specialist advice compromised
Council owned buildings	Reduce maintenance schedules	Unkempt Council buildings, facility deterioration

Address the financial issues - 27% - Ki te anganuitia te āinga ā ōhanga - 27%

To fix the deficit, cope with the bow wave caused by the zero per cent rate increase we adopted during COVID and meet the current financial challenges, we need approximately 27% more income than we're currently receiving. Obviously a 27% average rate increase is too high.

Partly address the deficit - 18.5% - Ki te anganui hukihukitia te takarepa –18.5%

This scenario is the only feasible way forward in Council's view. The longer we delay addressing the fundamental financial sustainability problem coupled with the financial challenges that are not going away and will likely only get worse, the more severe the correction will be when it comes.

We can't keep funding operational expenses through debt. Our annual deficit just grows.

To bring our deficit to a manageable level at \$4 million (reduced from \$7 million) we are proposing an 18.5% average rate increase. This gives us the necessary breathing space to focus our efforts on the upcoming LTP. Over time, the deficit starts to reduce and Council won't reach its debt cap. As part of this process, we will address structural budget reform, external challenges, a complete activity review, a review of levels of service, funding models and other; alongside community engagement.

Our Council has kept rates increases as low as possible for years. Most of our neighbouring councils have been increasing rates to cover cost challenges over the past years. We've tried to remain low, but it's not sustainable.

The proposed average rate increase of 18.5% strikes a balance between financial sustainability and rates affordability.

The proposed 18.5% rate increase in dollar terms is \$13.77 per week. Please see the rates examples on page for more detail.

---

**How to have your say – E whakatakoto whakaaro ai koe**

- Use the online survey form at [www.southwaikato.govt.nz](http://www.southwaikato.govt.nz). Click on Community Engagement – just under the search bar.
  - Email us at [info@southwaikato.govt.nz](mailto:info@southwaikato.govt.nz) – please write Annual Plan 2023-24 in the SUBJECT bar.
  - Write to us at SWDC, Private Bag 7, Tokoroa, 3444
  - Phone us on 07 885 0340 (8am - 5pm Monday to Friday).
  - Collect a hard copy submission form from the Council offices in Tokoroa or Putāruru or from the Dog in Tīrau.
  - Attend one of our Annual Plan drop-in sessions.
-

## Submission form – He puka tāpae kōrero

Name

Would you like to speak to your submission? Yes No

Address

Email

Phone

QUESTION 1 - What are your thoughts about the proposed Annual Plan rate increase? Open ended

QUESTION 2 - Do you have anything else you would like to add? Open ended

You can provide feedback on separate piece of paper or make a submission online.

Post to: Annual Plan 2023-24 Consultation, South Waikato District Council, Private Bag 7, Tokoroa 3444

Deliver to: South Waikato District Council, Torphin Crescent, Tokoroa; or 2 Overdale Street (Jim Howland Centre), Putāruru; or Tīrau i-SITE, Main Road, Tīrau

Email to: [info@southwaikato.govt.nz](mailto:info@southwaikato.govt.nz) (write Annual Plan 2023-24 submission in the subject bar)

Online: [www.southwaikato.govt.nz](http://www.southwaikato.govt.nz). Click on Community Engagement (just under the search bar)

The submission period is open from Friday 12 May to Friday 9 June 2023.