

Attachment A
Council
9 March 2023

Comprehensive Report: 2022/23 Annual Plan – adoption of the Consultation Document, Communications Plan and supporting information

1 Background

The Local Government Act 2002 (the Act) requires the Council to adopt an Annual Plan for the years in which it does not adopt a Long Term Plan (LTP). The Annual Plan for 2023/24 must be adopted by 30 June 2023.

The Annual Plan outlines the work programme and associated budgets for the 2023/24 financial year only and is primarily a budgeting instrument. The Annual Plan is required to explain any variations between the LTP and the Annual Plan and provide reasons for the variations.

Proposals for consultation as part of the development of the 2023/24 Annual Plan and the draft 2023/24 Annual Plan Consultation Document have been the subject of several reports taken to Council meetings and workshops in recent months. An outline of the proposals and discussion on these is below.

Kerbside rubbish collection funding model

At the 13 September 2022 Council meeting and following a procurement and tender evaluation process it was resolved to engage Waste Management NZ as the solid waste contractor from 1 September 2023. The new solid waste service sets up new systems for provision of kerbside collection services, management of the Council's seven Refuse Transfer Stations (RTSs) as well as the bulk haulage and processing of food, recycling and glass.

The possible funding model options for these new systems was the subject of a further report to the 13 December 2022 Council meeting. At this meeting Council approved the proposal to consult on two of the options in the Annual Plan consultation process subject to staff checking the options were compliant with the Revenue and Financing Policy. At the 26 January 2023 workshop staff advised Council that Option One was not compliant with the Revenue and Financing Policy and discussed revising option two into three new sub-options. These three sub-options are recommended for consultation as part of the proposed 2023/24 Annual Plan and are discussed below.

Fees and charges

At Council's 26 January 2023 workshop the changes to the fees and charges were discussed. The changes are to help keep up to date with legislation, technology and with the costs of delivering our services. These were presented again in the draft consultation document at Council's 21 February 2023 workshop. The schedule of changes to fees and charges is **Attachment C** to this report. Further information is discussed below in the discussion section.

Capital Expenditure Programme

Council reviewed the draft Capital Expenditure (CAPEX) programme 2023/24 at the 26 January 2023 workshop. Staff responded to this feedback and presented Council with a further revised CAPEX programme at the 21 February 2023 workshop. Due to the need to include storm recovery projects, further projects are recommended for reduction or deferral to help enable a deliverable work programme and to help reduce rate increases.

At the 21 February 2023 workshop, it was recommended that feedback be sought on the possible deferral of the Pollen Street infrastructure upgrade and roading reinstatement project. This is due to the level of disruption it is likely to cause Thames businesses who are currently recovering from COVID-19 impacts and more recently severe weather events. As a result, changes to the proposed CAPEX Programme are recommended to be included in the consultation document for consultation and information purposes. Further information is discussed below in the discussion section.

The 2023/24 CAPEX list is included as **Attachment D** to this report. Where changes other than an inflation adjustment have been made, brief comments have been included beside the project.

Operational Expenditure Programme

The Operational Expenditure (OPEX) programme was discussed at Council's 26 January 2023 workshop. At this time staff were tasked with giving further consideration to the OPEX programme to identify where savings could be made in order reduce the proposed rates increase.

Staff presented Council with a revised OPEX programme at the 21 February 2023 workshop. Council went through this and discussed the following:

- The cost of depreciation
- Disaster Reserve top up
- Property maintenance
- IT reductions
- Staff training
- Grants and community events
- Financial reserves
- Economic Development
- Spatial Planning
- Investigations.

Approximately \$2.9 million of reductions were identified and changes to the proposed OPEX programme are recommended to be included in the consultation document for information purposes.

The proposed reductions are further discussed in the discussion section.

Rates increase

The drivers for rates increases and how to address them was discussed with Council at its 26 January 2023 and 21 February 2023 workshops. The planned rates increase for the district forecast in the 2021-31 LTP was 7.7 percent for the 2023/24 year. Recent inflation would have seen this figure increase to approximately 12.5 percent. Upward pressure from interest rate increases, project and contract cost escalations, asset revaluations resulting in a significant increase in the cost to fund depreciation and the need to rebuild and recover from recent storm events brought this figure to 25.1 percent.

To accommodate this, the OPEX and CAPEX programmes were reviewed, and projects reduced or deferred. With the reduction to these programmes the average district wide proposed rates increase now sits at **11.4** percent.

Also discussed at Council's 21 February 2023 workshop was the yet to be calculated cost to repair our roading network due to recent storm damage. This is unable to be included in our proposed 2023/24 budget as the costs and possible subsidy from Waka Kotahi (NZTA) are yet to be identified.

The proposed rating increase is recommended to be included in the Consultation Document for information purposes.

Draft Consultation Document

At the 26 January and 21 February 2023 workshops staff provided advice about the significance of the identified differences between the proposed 2023/24 Annual Plan and the forecast for year three in the 2024-2034 LTP, and the level of engagement recommended for these.

At Council's 21 February 2023 workshop, staff also discussed the draft Consultation Document, supporting documents and Communications Plan.

Council requested that the Consultation Document include the following:

- emphasis on storm recovery and rebuilding
- Council's awareness of the tough economic times facing our communities
- tough decisions have had to be made in order to keep costs and rates increases down
- what Council wants/needs to continue doing
- Council will be seeking additional funding for storm recovery projects as we can't do it on our own.

The Consultation Document is **Attachment F** to this report.

The Communications Plan will include print, radio and online media promotion and the use of e-newsletters during a consultation period from 14 March to 10 April 2023. Discussion covered the following points:

- Clear messaging is required
- Radio talking points for Councillors can be used.

Further information is discussed below in the discussion section.

The Communications Plan is also attached to this report as **Attachment G**.

2 Discussion

Kerbside rubbish collection funding model

The kerbside rubbish collection funding model and options for consultation were discussed at Council's 26 January 2023 workshop. There are three options available for public consultation with Council recommending Option 2. The three options are:

- Option 1: Pay as You Throw (PAYT) – lower fee, higher targeted rate

PAYT tag costing \$7.00 including GST per 140L bin empty and a targeted rate (for those in an area of service) increase of 89 per cent. This is higher than options 2 (80 per cent) and 3 (71 per cent).

Under this option, full-time residents who put their bins out for every collection would likely benefit a little more than holiday homeowners, however the rate charged each property will vary, depending on occupancy, the time of the year a holiday home is in use and its location.

- Option 2: Pay as You Throw (PAYT) – mid priced – this is Council’s preferred option

PAYT tag costing \$8.00 including GST per 140L bin empty, and a targeted solid waste rate increase (for those in an area of service) of 80 per cent. This is less than option 1 (89 per cent), but more than option 3 (71 per cent).

This is Council’s preferred option as it provides a balance between the benefits to full-time residents and holiday homeowners.

- Option 3: Pay as You Throw (PAYT) – higher fee, lower targeted rate

PAYT tag costing \$9.00 including GST per 140L bin empty, and a targeted rate increase (for those in an area of service) of 71 per cent (less than options 1 (89 per cent) and 2 (80 per cent)).

Setting the PAYT tag at a higher price and the targeted rates at a lower price would likely benefit holiday homeowners and those who do not create much waste who are not putting their bins out every fortnight. It may also further encourage people to reduce their waste.

The funding options discussed are significant and will be included in the Consultation Document for public consultation.

Fees and charges

The proposed changes to some of the fees and charges will help with the costs of delivering services. These include:

- Small wording changes throughout the schedule
- Added fees for PAYT tags
- Fees for 140L refuse wheelie bins and 25L food waste bins to cover the cost of replacements
- Adjusted fees for replacement of 240L and 80L recycling wheelie bins and glass crates
- Increases to some Refuse Transfer Station fees to reflect increased operation costs
- The replacement of the ‘Parks and Concessions All Areas’ fee with an ‘All Areas Commercial Operator Licence minimum fee per tendered site’ of \$350 and a ‘Transitory Licence’ of \$50 per site
- Development Contributions fee adjustments to reflect the amended capital expenditure programme
- Building consents and building inspection fee increases due to increases in inflation and operational costs
- The removal of library fines, to encourage people to access the many resources that libraries offer, including Council services

- Thames Centennial Pool 'learn to swim' fee increases to reflect rising operational costs
- Water usage fee increases to reflect actual costs
- Septic tank disposal fee increases to reflect actual costs
- New fees for Thames War Memorial Civic Centre equipment hire
- Resource Consents:
 - some fixed, initial deposit fee increases
 - changing pre-application meetings on large resource consent applications from the actual cost of attendance to a set fee of \$360. This is to encourage pre-application meetings for larger resource consent applications
 - introducing a set fee for a site visit. The fee is based on the average cost of a site visit in our district and will simplify the administrative costs of calculating the cost of site visits.

Section 150 of the Act requires that fees and charges are consulted on in a manner that gives effect to the requirements of section 82. The proposed changes to fees and charges will be consulted on in the proposed 2023/24 Annual Plan consultation process.

Capital Expenditure Programme

Council reviewed and provided feedback on the draft CAPEX programme at the 26 January 2023 workshop. To help accommodate storm recovery projects and to mitigate the impact of the rates increase, at the 21 February 2023 workshop staff presented Council with a revised list of proposed CAPEX deferrals and reductions. The drivers for budget increases include inflation and new projects including storm recovery, management of stormwater, water supply improvements, and the shift to wheelie bins for our kerbside rubbish collection.

Larger projects (for example, Kōpū Marine Precinct and Porrit Park) are largely funded by grants and will not have a major impact on rates.

Further additional projects relating to storm events will need to be added at a later date as cost estimates have not yet been finalised.

The changes to the CAPEX Programme are recommended to be included in the Consultation Document for consultation and information purposes. The proposed CAPEX list is **Attachment D** to this report.

Operational Expenditure Programme

The OPEX programme has been reviewed and additional cost savings found for 2023/24 to help reduce the rate increase. The proposals mean that:

- Council will not fund \$6.7 million in depreciation resulting from the revaluation of assets. This approach isn't sustainable long term as depreciation is needed to fund the replacement of assets
- Council will not be able to progress all of its property maintenance or stormwater, wastewater and water supply investigations that were planned
- Council's level of support for economic development and community grants will decrease
- Council will not fund the Power NZ Reserve interest for the 2023/24 financial year. This decision is against policy set out in our Financial Strategy, but is allowed if considered financially prudent. In this case, it is considered prudent as it will help to

make rates affordable. Council will need to resolve to this effect prior to the adoption of its Annual Plan 2023/24

Storm damage to the District's roading network, and particularly State Highway 25A means that alternative arrangements need to be considered for the transport of solid waste off the Coromandel. This additional OPEX cost is signalled in the Consultation Document. Further consideration of this will need to be given prior to including any additional costs in the 2023/24 Annual Plan.

Changes to the OPEX programme are recommended to be included in the Consultation Document for information purposes.

Rates increase

The average district wide rates increase is forecast to be 11.4 per cent, rather than the 7.7 per cent forecast for year three in the 2021-2031 LTP. This is due to rising costs such as inflation, interest rates, supply chain demand and new projects, including storm recovery.

For 2023/24, the new Business and Economic Research Limited (BERL) average inflation rate is 10.5 per cent, an 8 per cent average increase across CAPEX and OPEX on the inflation assumptions for 2022/23.

As Council loan funds its costs over the life of the asset, rising interest rates mean the cost of servicing our debt rises.

Escalating infrastructure costs, including costs for freight, materials, petrol and labour, have also increased above our forecast inflation rate. The cumulative impact is that delivery of our capital works programme has been, and will continue to be, much more expensive to deliver. Supply chain delays have particularly affected the procurement of civil engineering materials as well as mechanical and electrical equipment. The impact is most significant in the areas of our Three Waters (stormwater, wastewater and drinking supply) and Solid Waste projects.

A programme of rebuild and recovery will be needed following recent storm events. New roading projects have been added to the CAPEX programme and there will be more projects added for storm recovery and rebuild once costs are known. Alternative arrangements also need to be made to address the transport of solid waste off the Coromandel.

A comparison between the current financial year budget, the forecast for year three in the 2021-2031 LTP and the draft Annual Plan budget is shown in Table 1 below.

Table 1: Proposed district wide average rates increase for 2023/24 compared with the current financial year and what was forecast in years two and three of the LTP.

	2022/2023	2023/2024	2022/2023	2023/2024
Average Rates Increase	Long-term plan	Long-term plan	Annual plan	Draft Annual Plan
District Average \$	\$3,525	\$3,797	\$3,465	\$3,861
District Average Rates Increase %	7.7%	7.7%	5.9%	11.4 %
Increase per Year \$	\$253	\$272	\$193	\$396

Public Consultation

Any significant differences that have been identified between the proposed 2023/24 Annual Plan and the forecast for that year in the 2021-2031 LTP must be consulted on in a way that gives effect to the principles of consultation set out in [section 82](#) of the Act.

Consultation on an Annual Plan must be supported by a Consultation Document and relevant supporting information as required by [section 95A](#) of the Act. The format of the draft Consultation Document and supporting information is an interim one, as graphic design work is still in progress. The supporting information includes:

- Rating examples by Community Board Area (Attachment B)
- Proposed Schedule of changes to fees and charges 2023/24 (Attachment C)
- Proposed Capital Expenditure List 2023/24 (Attachment D)
- Prospective Financial Statements 2023/24 (Attachment E)

Reference will also be made to the following reports:

- 8 November 2022 Council Meeting Report “Out of Cycle Budget Request – 29-30 May and 25 July 2022 Storm Events Emergency Works Funding”
- 13 December 2022 Council Meeting Reports “Out of cycle Budget Request – 1 October 2022 Storm Event” and “Solid Waste Fees and Charges”
- 9 March 2023 Council Meeting Report “Adoption of the Annual Plan Consultation Document.”

The proposed Communications Plan is **Attachment G** to this report. It proposes a consultation period from 14 March 2023 to 10 April 2023 and identifies key dates for the community engagement are as follows:

Date	Event	Commentary
14 March 2023	Consultation begins	-
10 April 2023	Consultation ends	-
26 April 2023	Hearing of submitters	Dates as required.
17 May 2023	Special Council meeting	Deliberate on submissions
27 June 2023	Council meeting	Annual Plan adopted Fees and charges adopted Rates resolutions adopted.

Staff will write to all iwi and hapū on Council's list of Māori contacts to inform them of the consultation on the proposed changes and extend an invitation to meet with staff and elected members to discuss the proposal further if required.

Staff will be available to attend Community Board meetings as required during the consultation period to assist Boards who may be considering making submissions on the proposed changes.

Assessment of options

The Act requires Council to consult on matters proposed for inclusion in an Annual Plan that are significantly different from what is set out in its LTP.

As a result of the assessments against Council's Significance and Engagement Policy, staff recommend public consultation on the following significant matters proposed for the 2023/24 year (year three of the LTP):

- CAPEX programme
- Kerbside rubbish collection funding model
- Proposed changes to fees and charges.

While public consultation is not required on the revised OPEX programme or the rates increase, it is recommended that information be provided on these matters in the Consultation Document.

A brief assessment of the significance of these matters and the appropriate level of engagement on them is provided below.

3 Significance and engagement

As previously indicated, consultation on an Annual Plan is legally required if there are significant or material differences from the content of the LTP for that particular financial year. A summary of the significance of the identified differences is below:

Rates increase

There is a proposed average district-wide rates increase of 11.4 per cent, compared with 7.7 per cent forecast for the year in the Long Term Plan. This is an additional 3.7 per cent on what was forecast.

When considering significance and engagement, relevant criteria in the [Significance and Engagement Policy](#) (the Policy) include:

- Level of financial consequences
- Level of impact on those people affected by the decision
- Likely impact on present and future interests of the community
- Community interest is high
- Likely consequences are controversial
- Community views are already known, including the community's preferences about the form of engagement
- Form of engagement used in the past for similar proposals and decisions.

It is considered that the proposed rates increase has a medium-high level of significance when assessed against the criteria within the Policy. It is appropriate that the public are provided with information about the proposed changes to help with their understanding and that engagement be undertaken using the Annual Plan Consultation Document, which will be made available and promoted to all ratepayers.

OPEX programme

Proposed changes to the OPEX programme include reductions totalling \$2.9 million and the loan funding of work relating to spatial planning.

When considering the significance of this matter and the appropriate community engagement, the relevant criteria in the Policy triggered include:

- Level of impact on those people affected by the decision
- Likely impact on present and future interests of the community
- Community interest is high
- Community views are already known, including the community's preferences about the form of engagement.

It is considered that this matter has a low-medium level of significance when assessed against the criteria within the Policy. It is appropriate that the public are provided with information about the proposed changes to help with their understanding and that engagement be undertaken using the Annual Plan Consultation Document, which will be made available and promoted to all ratepayers.

CAPEX programme

The CAPEX programme has been reconsidered and reviewed against the following criteria:

- Deferral of project delivery times
- Risk of overall capital programme deliverability
- Deferral of discretionary projects.

The programme has been reduced from approximately \$60 million to \$48 million in order to help ensure the programme is deliverable, given that additional storm recovery projects will need to be added.

The relevant criteria include:

- Level of financial consequences
- Likely impact on present and future interests of the community
- Community interest is high
- Likely consequences are controversial
- Community views are already known, including the community's preferences about the form of engagement
- Form of engagement used in the past for similar proposals and decisions.

It is considered that this matter has a medium/high level of significance when assessed against the criteria within the Policy. It is appropriate that the public are provided with information about the proposed changes to help with their understanding and that consultation be undertaken using the Annual Plan Consultation Document, which will be made available and promoted to all ratepayers.

Kerbside Rubbish Collection Funding Model

This matter was the subject of reports to Council's 13 December 2022 meeting at which Council resolved to consult on options. No further assessment of this matter against the Policy has been undertaken.

Consultation on this proposal and its options will be undertaken using the Annual Plan Consultation Document, which will be made available and promoted to all ratepayers.

Fees and Charges

The proposed changes to some of Council's fees and charges have varying levels of significance. Section 150 of the Act sets out that fees may be prescribed following consultation that gives effect to section 82 of the Act. It is appropriate that the public are provided with information about the proposed changes to help with their understanding and the opportunity to provide feedback is given using the Annual Plan Consultation Document, which will be made available and promoted to all ratepayers.

Conclusion

For the reasons outlined above, a public consultation process on the significant proposed changes to the 2023/24 Annual Plan is recommended. It is considered that the draft Consultation Document in **Attachment F** and the draft Communications Plan in **Attachment G** will enable Council to give effect to [section 82](#) of the Local Government Act 2002.