

Council

Open Agenda



Notice is hereby given that an ordinary meeting of Matamata-Piako District Council will be held on:

Date: Wednesday 7 March 2018
Time: 9:00am
Venue: Council Chambers
35 Kenrick Street
TE AROHA

Membership

Mayor

Jan Barnes, JP

Councillors

Donna Arnold
Teena Cornes
Paul Cronin
Neil Goodger
Brian Hunter
Peter Jager

James Sainsbury
Ash Tanner
Kevin Tappin
James Thomas, JP
Adrienne Wilcock

Phone: 07-884-0060
Address: PO Box 266, Te Aroha 3342
Email: corp.legal@mpdc.govt.nz
Website: www.mpdc.govt.nz



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1 Meeting Opening

2 Apologies

At the close of the agenda no apologies had been received.

3 Leave of absence

At the close of the agenda no requests for leave of absence had been received.

4 Urgent Additional Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
 - (i) The reason why the item is not on the agenda; and
 - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
 - (i) That item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

5 Declaration of interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

6 Confirmation of minutes

Minutes, as circulated, of the Ordinary Meeting of Matamata-Piako District Council, held on 14 February 2018

7 Matters Arising

Audit and Risk Committee Update

Trim No.: 1970474

Executive Summary

9.00am Hon John Luxton will be in attendance to provide an update from the Audit & Risk Committee meeting held 6 March 2018.

Recommendation

That:

1. The information be received.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Vicky Oosthoek Corporate Strategy Administration Officer	
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Approved by	Don McLeod Chief Executive Officer	
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Audit New Zealand

Trim No.: 1970473

Executive Summary

9.30am Audit New Zealand will be present to give Audit opinion on the Long Term Plan Consultation Document.

Recommendation

That:

1. The information be received.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Michelle Staines-Hawthorne Corporate Strategy Manager	
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Approved by	Don McLeod Chief Executive Officer	
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Adoption of Long Term Plan 2018-28 Consultation Document and supporting information

Trim No.: 1970471

Item 10.3

Executive Summary

The purpose of this report is to adopt Council's 2018-2028 Long Term Plan (LTP) Consultation Document (CD) for public consultation. A copy of the CD and full LTP has been circulated separately to this report.

The LTP and related work streams have been discussed with Council through a series of workshops and formal meetings throughout 2017 and early 2018.

The CD has been audited by Audit New Zealand and been through a "hot review" by the Office of the Auditor General in Wellington. As a result of the audit some changes have occurred but fundamentally these have not changed the CD or full LTP. Council is expected to obtain an unqualified audit opinion from the Office of the Auditor-General.

Audit Director, Ben Halford will be in attendance to present the Audit opinion to Council. A copy of the Audit opinion and letter of representation have been circulated separately to this report.

Council is proposing an un-balanced the budget in the LTP. Under section 100 of the Local Government Act 2002, a resolution of Council is required to confirm this arrangement.

Before adopting the CD, Council must adopt the information that is relied upon by the content of the CD.

As part of the development of LTPs the Local Government Act 2002 requires Councils to use a CD to consult with the community. Adoption and notification of the CD triggers the start of the formal consultation period.

It is proposed to release the CD for public consultation on 28 March 2018. The consultation period for submissions will run through to 29 April 2018. A series engagement exercises will be held during this time to allow the community to engage directly with Councillors and Council officers. Hearings of submissions are scheduled to occur on 16 May (and 17 May if required). The final adoption of the 2018-2038 LTP is scheduled to occur on 27 June 2018.

Recommendation

That:

- 1. The information be received**
- 2. Council in accordance with Section 100 of the Local Government Act 2002, resolve that the operating revenues projected in the Long Term Plan 2018-28 will not meet operating expenses, specifically:**
 - (a) In all years of the Long Term Plan 2018-28, a surplus is forecast because:**

- (i) assets will be vested in Council from developers;
 - (ii) interest earned on special funds/reserve funds will be allocated to these reserves to be used for a specified purpose in the future;
 - (iii) part of the Power New Zealand investment will be used as a source of internal borrowing to activities;
 - (iv) Development contributions and grants and subsidies which fund capital expenditure will be shown in the statement of comprehensive revenue and expense but the capital expenditure will not;
- (b) In all years of the Long Term Plan 2018-28 Council will not fully fund depreciation on rural halls and some community facility buildings.
 - (c) In all years of the Long Term Plan 2018-28 Council will ring-fence the financial performance for some activities i.e. housing and rural hall activities that should be self-funding (with a projected annual deficit).
3. In accordance with section 93G of the of the Local Government Act 2002 Council adopts the draft Long Term Plan as the underlying information:
- (a) relied on by the content of the Consultation Document
 - (b) that provides the basis for preparing the Long-Term Plan
 - (c) is necessary to enable the auditor to give the opinion on the Consultation Document.
4. The Consultation Document for the Long Term Plan 2018-28 be adopted for consultation purposes and proceed through the special consultative process in accordance with the Local Government Act 2002.

Content

Background

Long-Term Plans

Under the Local Government Act 2002, Council has to set out its long term plans for the community. The LTP:

- identifies the key projects to take place over the next 10 years
- provides an overview of each activity Council will carry out and the services Council will provide for the next ten years
- determines how much this will cost and how Council will fund it.

The Long Term Plan must be adopted by 30 June 2018. The project timeline for a Long Term Plan is typically 14-18 months and involves staff across the whole organisation, Councillors and the community.

Development of the LTP

The LTP CD is the compilation of approximately twelve months of Council briefings and information that has been presented to Council and the Audit and Risk Committee. The CD is informed by several Council Policies and Strategies.

An outline of the project steps to develop the LTP and the way the project risks have been managed will be presented to the Audit and Risk Committee on 6 March 2018.

How the LTP has been presented

The full LTP consists of the following information:

- about Council, its structure,
- its financial strategy,
- its infrastructure strategy
- Information about the district, population growth and its economy, and community outcomes.
- the activity plans and activity group funding impact statements
- our processes to involve Maori in decision making.
- Significant assumptions that have been made in preparing the plan
- financial statements
- mandatory policies.

Audit

The CD was the primary document audited by Audit New Zealand. However, to ensure the CD is correct, Audit New Zealand also reviewed the material that the LTP Consultation Document was based on. An interim audit was carried out in December 2017 followed by a audit in January/February 2018.

The CD content has been subject to an independent audit by Audit NZ and also a Hot Review Audit (which is essentially a quality control audit of the audit). The Hot Review audit is undertaken by a separate review panel and is designed to ensure there is consistency between the audits being undertaken across New Zealand. All Councils are required to go through the Hot Review Audit.

The audit opinion that will be presented to Council at this meeting and will be included in the CD (a legislative requirement s93C(4) LGA) before the document is printed and released for public submission. Audit Director, Ben Halford will be in attendance to present the Audit opinion to Council. A copy of the Audit opinion and letter of representation have been circulated separately to this report.

Financial Local Government (Financial Reporting and Prudence) Regulations 2014

Under these regulations Council is required to disclose its financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. In section 7 of the LTP, there is a 'Long Term Plan Disclosure Statement' which addresses these requirements.

The council is required to report against these benchmarks in the annual reports.

Supporting information to the CD

The documents informing the CD include but are not limited to the following:

- Population, dwelling, rating unit projections
- Financial Strategy & Infrastructure Strategy – and the information that underlies them such as asset management information.
- Revenue & Financing Policy
- Council Activity Statements

- Significant Forecasting Assumptions
- Funding Impact Statement
- Community Outcomes
- Rates Remission Policy
- Rates Remissions of Maori Freehold Land
- Fees and Charges 2018/19
- Statement on Council Controlled Organisations,
- A Statement on the Development of Maori Capacity to Contribute to Decision Making processes,
- A Summary of Council's Significance and Engagement Policy,
- Remissions of Rates policies
- Set of financial statements/forecasts

These documents have already been adopted or considered by Council prior to this meeting; other documents such as the Statement on Council Controlled Organisations have been the subject of Council briefings and are being presented at this meeting for adoption prior to this report. Legally they must be adopted prior to the adoption of the CD.

In accordance with section 93C of the LGA the Council's CD must be presented in a concise and simple manner and cannot contain or have attached to it a full draft of LTP Supporting Information such as policies or strategies. Given the requirement to keep the CD 'concise and simple' there are a suite of documents which officers have produced that have informed the CD but which cannot be included in this document.

Council does not need to publish a draft LTP for consultation. However under section 93C (3)(c) of the LGA, the CD must state where members of the public may obtain the supporting information which may include, for example, providing links or references to the relevant documents on a website maintained by Council. It is considered that publication of a full draft LTP will address the requirement to make the information underlying the CD available to the public "in one place". If the community wish to seek further information from reading the CD they will be able to find the detail in the LTP itself.

The supporting documents covered in this report are;

- Financial Strategy
- Infrastructure Strategy
- Council's Activity Statements,
- Significant Forecasting Assumptions for the 2018-2038 LTP,
- Statement on Council Controlled Organisations,
- Statement on the Development of Maori Capacity to Contribute to Decision Making processes,
- Summary of Council's Significance and Engagement Policy,
- Community Outcomes.

Financial Strategy

Council is required to prepare and adopt a Financial Strategy. The purpose of the Financial Strategy is to facilitate prudent financial management by councils, providing a guide against which proposals for funding and expenditure can be considered. The Financial Strategy is intended to facilitate consultation on Council proposals by making the effects of proposed expenditure on services, rates, debt and investments transparent.

Council must also state:

- its policy on providing security for its borrowing,

- its objectives for holding and managing investments and equity securities,
- quantified targets for returns on investments and equity securities.

Some changes have been made to the Financial Strategy as a result of feedback from audit and Council, these are in the nature of improvements, rather than any legislative compliance problems with the strategy as it had been presented to Council on 13 December 2017 and do not alter the substantive policy direction set by Council.

Infrastructure Strategy

Council is required to prepare and adopt a 30 year Infrastructure Strategy as per Section 101B of Local Government Act (LGA) 2002, and forms part of the supporting documentation to the CD. The purpose of the Infrastructure Strategy is to “*identify significant infrastructure issues for the local authority over the period covered by the strategy and to identify the principal options for managing those issues and the implications of those options*”.

The Infrastructure Strategy looks beyond the ten year LTP horizon and considers the significant asset issues that Council might face and what changes in our environment may require of Council.

Some additional information has been included in the Infrastructure Strategy as a result of feedback from audit..

Activity Statements

Schedule 10(2) of the LGA 2002 requires Council to identify:

- “(a) *the activities within the group of activities;*
- (b) *identify the rationale for delivery of the group of activities (including the community outcomes to which the group of activities primarily contributes);*
- (c) *outline any significant negative effects that any activity within the group of activities may have on the local community;*
- (d) *include the information specified in clauses 4 and 5 -*
 - (i) *in detail in relation to each of the first 3 financial years covered by the plan; and*
 - (ii) *in outline in relation to each of the subsequent financial years covered by the plan.”*

For each of the activity groups, levels of service, performance measures and targets must be included. A funding impact statement must be included in the prescribed form (Schedule 10(4-5)).

Schedule 10(2) also identifies the Groups of Activities that the Council must include in the above information on as well as noting that Council may treat any other Activity as a Group of Activities and thus include this information on that Activity as well.

The Activity Statements document (see the activity plans and activity group funding impact statements section of the LTP) outlines the Groups of Activities (Water Supply, Wastewater Disposal, Stormwater, Roading, Solid Waste, Community Facilities and Property, Strategy & Engagement, Consents and Licensing), as well as the sub-activities that are undertaken by Council for the Community.

For each Group of Activities and the sub-activities that sit under them Council has outlined; what is involved in a Group of Activities and/or a sub-activity; the rationale for the Activity; intended levels of service, performance measures and targets, key drivers and our responses to them; significant negative effects associated with an activity; key legislation, strategies and policies that influence the activity; associated costs; and how the costs will be funded.

The Activity Statements have undergone a review by Activity Managers and have been discussed with Councillors to ensure that each statement contains the most up-to-date information on each

Group of Activities or sub-activity and reflects Council's direction. During this process all performance measures and targets underwent a full review. Some of the performance measure and targets are mandatory and therefore Council is required to include them. Others have been changed to provide more meaningful measures to the Community of the services delivered. The performance measures included in the Activity Statements are what officers will be reporting on to Council throughout each of the next three years through the Annual Reports (until the next review is undertaken).

Significant Forecasting Assumptions

In accordance with Schedule 10(17) of the LGA 2002 Council is required to identify any significant forecasting assumptions that it has made in developing the LTP which underpin the financial estimates. Council must also identify any risks associated with these assumptions.

Statement on Council Controlled Organisations

Council is required under Schedule 10(7) of the LGA 2002 to name any council-controlled organisations and any subsidiary of council-controlled organisations as well as identify –

- “(i) the local authority's significant policies and objectives in relation to ownership and control of the organisation; and*
- (ii) the nature and scope of the activities to be provided by the council-controlled organisation; and*
- (iii) the key performance targets and other measures by which performance is to be judged.”*

Officers have updated the Statement on Council Controlled Organisations (see Section 9 - Key Relationships of the LTP) from the statement included in the 2015-2025 LTP.

Statement on the Development of Maori Capacity to Contribute to Decision Making

In accordance with section 81 of the LGA 2002 Council is required to have processes in place to provide opportunity for and to foster/develop Maori capacity to contribute to Council's decision making processes. Under Schedule 10(8) of the LGA 2002 Council is required to include a statement of any steps it has taken, or will take, to foster the development of Maori capacity to contribute to the decision making processes of Council over the period covered by this LTP.

Officers have updated Council's Statement on Developing Maori Capacity to Contribute to Council's Decision Making processes (refer to the Vibrant Cultural Values part of the LTP – section 6). The changes that have been made to this statement since the 2015-2025 LTP reflect Council's increased desire to develop closer and more meaningful partnerships working relationships with the Te Manawhenua Forum and Maori community generally. These updates include the development of new partnership agreements with Iwi.

Summary of Council's Significance and Engagement Policy

Council is required under Schedule 10(11) to include a summary of its Significance and Engagement Policy in its LTP. Officers have prepared this summary (see section 8, Policies) so that it is in line with Council's Significance and Engagement Policy which was reviewed and then adopted by Council on 9 August 2017.

Remission of Rates Policies

In accordance with section (102)(4A) the Remission of Rates on Maori Freehold Land Policy must be reviewed every six years using a consultation process that gives effect to the requirements of section (82). The policy has been reviewed by staff as part of the LTP process and was adopted by Council on 22 November 2017 for consultation.

It is also proposed to make some amendments to the *Policy on the remission of rates: other categories* and adopt two new policies:

- Draft Policy on remission of rates on abandoned land
- Draft Policy on the remission and postponement of rates for natural disasters and emergencies

Community Outcomes

As set out in the Local Government Act 2002, Community Outcomes are what Council aims to achieve in meeting the current and future needs of the Community for good quality infrastructure, public services and performance regulatory functions. Council has set a new vision and community outcomes which have been reflected in the CD.

Consultation document

Section 93B of the LGA sets out that:

“The purpose of the consultation document is to provide an effective basis for public participation in local authority decision-making processes relating to the content of a long term plan by—

- (a) providing a fair representation of the matters that are proposed for inclusion in the long-term plan, and presenting these in a way that—
 - (i) explains the overall objectives of the proposals, and how rates, debt, and levels of service might be affected; and*
 - (ii) can be readily understood by interested or affected people; and**
- (b) identifying and explaining to the people of the district or region, significant and other important issues and choices facing the local authority and district or region, and the consequences of those choices; and*
- (c) informing discussions between the local authority and its communities about the matters in paragraphs (a) and (b)”.*

The information is designed to be presented in a way that is engaging and informative. The LTP individual supporting documents must all tell the same story. There needs to be dependencies and linkages between the documents that are well understood. The independent audit process has been closely checking to ensure there are no inconsistencies.

The CD focuses on six key issues that Council is seeking community feedback on which are:

- Financials (rates, debt etc.)
- Economic development (increasing support for this)
- Vibrant cultural values (increasing support for youth and community groups)
- Connected Infrastructure (town bypasses and the Infrastructure Strategy)
- Environmental sustainability (increasing waste minimisation activities)
- Healthy communities (extensions to the cycleway, funding in place for sports facilities in Matamata)

The CD expresses the vision make the Matamata-Piako District the ‘place of choice’ for lifestyle, opportunities and home. The CD is anchored around this vision and the outcomes Council wants to achieve towards this. Some changes are planned over the next 10 years to move towards this vision.

All matters contained in the CD (and Supporting Information) are open to public submission. The usual LTP process of submissions, hearings, deliberations and final decisions by Council remains unchanged from previous LTP processes. The ‘Communication, consultation and decision making processes’ section of this report goes into more detail about the details of the consultation process Council will be following for this LTP.

The CD and documented Supporting Information cover the background, options, and financial implications of the matters Council is consulting on. It is not the intention of this report to go into any detail on each of the matters in the CD or the implications of them as that would be duplicating the material circulated separately.

The information contained in the Consultation Document reflect the LTP community Pre-engagement outcomes (on waste minimisation and community grants) in conjunction with the discussion, debate and direction provided by Council to staff over the last twelve months through a number of Council workshops.

The CD is to be read as Council's proposal, with their preferred option to address each challenge specified. If, for instance, there were no submissions on a particular topic it should be understood that the preferred option is the direction Council would be likely to proceed with.

Balancing the budget

Under section 100 of the LGA 2002 Council must ensure that projected operating revenues are sufficient to cover operating expenses. In other words, Council must balance the budget.

Section 7 of the LTP provides further details about the reasons for the proposed unbalanced budget.

Council may make an exception (by resolution) if is satisfied that it is financially prudent to do so, having regard to:

- the estimated expenses of achieving and maintaining desired level of service and the service capacity of assets
- the costs and revenues needed to maintain the capacity and integrity of assets throughout their useful lives
- how these costs will be equitably funded over the life of assets and facilities
- Council's funding and financial policies (e.g. Revenue and Financing Policy)

The LTP statement of comprehensive revenue and expense indicates that there will be a surplus in each of the 10 years of the plan.

The LTP provides that Housing and Rural Halls should be self-funding and for non-funding of depreciation for halls and some other community buildings.

Issues

Prudency

Financial prudency – Council has considered its debt levels and ability to service debt in compiling the financial forecasts for the LTP. These are disclosed in our Financial Strategy. Council took treasury advice from Price Waterhouse Cooper on prudent limits for local government organisations of our size. These limits were reviewed by the Audit and Risk Committee in December 2017.

The limits set out below are considered to be conservative:

- A limit on a prudent level of debt has been set as follows: Net debt as a percentage of total revenue will not exceed 150%.
- Rates limit discussion – Council has set a limit of 4% on rates and rates increases for the 10 year period. This is considered to be an appropriate limit in terms of affordability for our community. It is also considered to be both prudent and realistic to ensure that current levels of service are maintained. In order to achieve the improved levels of service that Council seeks however, the LTP proposes, that rates will exceed this limit for some years.

Council will seek the Community's acceptance (or otherwise) of this through the consultation process. Refer to the CD for further discussion on this issue.

We have reviewed the overall budget and revenue sources against previous performance in each activity and the proposed fees and charges – on this basis we consider that the expected revenue sources are reasonable.

Capital funding – renewals form the major portion of annual capital expenditure. Council fully funds depreciation on assets for essential services and this provides the main source of capital funding. Loan funding is used primarily for new assets or where renewals expenditure exceeds depreciation funds in any one year. Development contributions are also a source of capital funding in accordance with the Development Contributions Policy.

Risks

We have identified the major risks to budgets in the forecasting assumptions set out in the LTP including:

- Borrowing/interest rates
- Revenue from Development contributions
- Revenue expected from major industries
- Return on investments
- Inflation
- Subsidies

It is also assumed that Council will be able to access sufficient resources (i.e. contractors/staff) to undertake the projects planned within the timeframe in the LTP.

One of the key improvement plan items in the utilities area is to continue improving the asset condition around criticality and performance of assets. Council is reasonably confident that the asset management data is reliable. It uses asset conditions, lifecycle management and growth forecasting to assist in making financial and budgetary decisions. A gap analysis has also been completed for each activity to ensure the improvement plan focuses in the correct area.

Analysis

Options considered

The LTP is the major strategic planning document for Council. Council therefore needs to carefully consider the content of the plan.

The two options Council has are:

Option 1: Adopt the LTP CD for public consultation.

If the LTP CD is adopted at this meeting then officers can proceed to publicly notify the Consultation document on 26 March 2018 and make the documented Supporting Information available to the public for their use. The scheduled submission period, public engagement events, hearings and deliberations would continue as scheduled.

Option 2: Delay the adoption of the LTP CD and provide specific direction to officers on the changes required to the current version.

It is suggested that Option 2 would be appropriate if Council considers that there needs to be fundamental changes to the CD. Delaying the adoption and public notification of the CD would potentially mean adjusting the timeframes for the scheduled submission period, public engagement events, hearings and deliberations. Depending on the length of delay it has potential

to compromise the ability of Council to adopt the LTP (final) by the required date of 30 June 2018. Most likely it would have the effect of reducing the quality of service that officers are able to provide throughout the LTP process. For instance shorter timeframes may compromise the ability of staff to be able to provide advice to Council on submissions before the hearing.

Likewise, if the Council considers that there needs to be fundamental changes to one or more of the supporting document this may have some implications. Depending on which document (or part of it) requires the significant changes to be made to it will effect whether the public notification of the CD needs to be delayed as well as, given that Supporting Information must be adopted prior to the adoption of the CD.

For example, if the Significant Forecasting Assumptions require significant changes then the public notification of the LTP CD would need to be delayed as the assumptions inform a lot of projections and financial estimates of the LTP documents. Whereas if the Statement on Council Controlled Organisations requires changes then notification of the Consultation Document need not be delayed as this statement does not necessarily affect information contained in the CD.

Analysis of preferred option

The preferred option is for Council to approve the CD and LTP (as the underlying information supporting the CD) at this meeting for the purposes of public consultation.

Should Council desire any further changes it is noted that these can be considered as part of the consultation process if raised by the community and as part of on-going work either for the Annual Plan 2019/20, or an amendment to the Long Term Plan at an another date.

Legal and statutory requirements

There are an array of legislative requirements for the LTP set out in the LGA 2002, the Local Government (Financial Reporting and Prudence) Regulations 2014 and Local Government Rating Act 2002. The legislative requirements have been summarised through the various sections of this report and are not set out further.

An external legal review of the LTP and CD has been undertaken and the lawyer was generally satisfied the legislative requirements have been met, subject to some relatively small changes which staff have actioned where needed.

Impact on policy and bylaws

The outcome of this process will result in new plans for Council to take effect from 1 July 2018.

The LTP is the 'cornerstone' of the Local Government Act 2002 planning process. Once adopted, the LTP will set the direction for Annual Plans and Annual Reports over the next three year cycle.

Section 96 of the Local Government Act 2002 states that when a council adopts a LTP it is providing a formal and public statement of the council's intentions; but a resolution to adopt a LTP does not constitute a decision to act on any specific matter included within the plan. There are statutory restrictions if Council wants to deviate from the direction established in the adopted LTP.

There are several other policy documents that Council will be consulting on alongside the LTP and the status of these is below:

Policy / document	Status	Consultation requirements
Revenue and financing policy and statement of proposal	Included within the LTP for adoption at this meeting	Consult alongside the CD.

Policy / document	Status	Consultation requirements
		Give effect to Section 82 Local Government Act 2002
Development contributions policy and statement of proposal	Separate document to the LTP. Adopted by Council on 13 December 2017 (without project schedule). Council to confirm policy details at its 7 march Corporate and Operations Committee meeting.	Consult alongside the CD. Must give effect to 82 Local Government Act 2002
Rates Remission policies and statement of proposal - <ul style="list-style-type: none"> • Policy on the remission of rates on land protected for conservation purposes • Policy on the remission of penalties on unpaid rates • Policy on the remission of rates: other categories • Policy on the remission of small rates balances • Policy on the remission of rates on Maori freehold land • Policy on the postponement of rates on Maori freehold land • Policy on remissions for metered water leaks • Policy on remissions of pan charge targeted rates based on water use • Policy on remissions of pan charge targeted rates for Educational Establishments • Draft Policy on the remission of rates on abandoned land (<i>new policy</i>) • Draft Policy on the remission and postponement of rates for natural disasters and emergencies (<i>new policy</i>) 	Separate document to the LTP. Adopted by Council on 22 November 2017.	Consult alongside the CD. Must give effect to 82 Local Government Act 2002
Significance and engagement policy	Separate document to the LTP. Adopted by Council on 9 August 2017	Consultation not required as per Council resolution. A summary of the policy is included within the full LTP.

Policy / document	Status	Consultation requirements
Fees and charges 2018/19 and statement of proposal	Separate document to the LTP. Adopted by Council for consultation on 13 December 2017	Consult alongside the CD. Must give effect to section 82 Local Government Act 2002 with some fees subject to the special consultative procedure, section 83 (e.g. RMA fees).

Consistency with the Long Term Plan / Annual Plan

This report seeks approval of the LTP for consultation purposes.

Impact on significance policy

The LTP and the proposals within it are significant in terms of the Significance and Engagement Policy. The LTP will be subject to a full special consultative process (see timeline below).

Communication, consultation and decision making processes

Council is required to use the special consultative procedure as detailed in section 83 of the Local Government Act 2002 which states that the period of consultation must be not less than one month and we must provide an opportunity for persons to present their views in a manner that enables spoken (or New Zealand sign language) interaction between the person and Councillors. A communications/consultation plan was discussed with Council at a workshop on 21 February 2018. The communications plan includes a mixture of communication methods, including: print, digital, individual/targeted communications, displays, and face to face (e.g. market days).

Consent issues

There are no consent issues.

Timeframes

The timeframes proposed are as follows:

Process	Start	Finish
LTP CD approved for consultation (and supporting information)	7 March 2018	7 March 2018
Submissions open	28 March 2018	29 April 2018
LTP hearing	16 May 2018 (17 May if required)	16 May 2018 (17 May if required)
Council adopt final LTP Rates struck for 2018/19	27 June 2018	27 June 2018
LTP in force	1 July 2018	30 June 2021

Contribution to Community Outcomes

The LTP contributes all community outcomes. The community outcomes are set out in Part 1 (Introduction) of the LTP and the contribution that each activity makes to the outcomes is outlined in the relevant activity plans.

Financial Impact

i. Cost

Preparation of the LTP is provided for within existing budgets.

The total budget for the LTP 2018-28 is \$135,000 (funded \$45,000 per year) and \$90,000 for external audit fees (funded \$30,000 per year). This is broken down to external consultant on specific tasks (i.e. population projections), legal advice/peer review, design and printing, consultation, advertisement and external audit by Audit NZ.

The cost of the various activities and major proposals within the LTP are funded separate to the LTP project cost and these costs are detailed within the LTP itself.

ii. Funding Source

The LTP project is funded from existing budgets.

The funding source for all the activities within the LTP is set out in the Revenue and Financing Policy.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Niall Baker Acting Senior Policy Planner	
	Michelle Staines-Hawthorne Corporate Strategy Manager	

Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	

Six Monthly Report July - December 2017

Trim No.: 1978726

Executive Summary

The Local Government Act 2002 requires Council to adopt its Annual Report and Summary by 31 October each year.

To ensure that there are no unexpected performance or financial matters leading up to this report, a Six Month Report has been prepared to advise of progress and any likely issues that may arise.

Following recommendations from Audit and Risk Committee, staff have again prepared a condensed Six Month Report which highlights financial and non-financial performance for July to December 2017. A copy is circulated separately to this report.

Recommendation

That:

1. The report be received.

Content

Background

The Local Government Act 2002 requires Council to adopt its audited Annual Report and Summary by 31 October each year. The Annual Report and Summary must be published within one month of adoption. The Annual Report and Summary must be audited, and an opinion on the Annual Report and Summary provided to Council and the report's readers.

The Six Month Report provides Council with an opportunity to review the non-financial and financial performance of the organisation. The financial information builds on the monthly financial reports whereby staff endeavour to ensure there are no "surprises" for Council.

Issues

Financial overview

Council's six month financial result to 31 December 2017 is in a surplus situation and we project a surplus of \$2,024,000 at 30 June 2018.

The statement of comprehensive revenue and expense (page 3) shows that expenditure of \$23,168,000 is \$35,000 less than the budget of \$23,203,000, and shows revenue of \$24,701,000 is \$1,149,000 more than budgeted of \$23,552,000.

The final result is a surplus at 31 December 2017 of \$1,533,000 compared to a budgeted surplus of \$349,000.

The revaluation of utilities and property at 1 July 2017 has not been completed in time for this report. Staff plan to report that information to Council in the three quarter report.

The major variances in income and expenditure are tabled at the end of this report. The more significant of those are summarised as follows:

- Total subsidy income from NZTA for our roading programme is \$453,000 down on the six month budget (with expenses also down \$196,000), however the bulk of the roading work is traditionally completed in the second half of the financial year, and income and expenditure are planned to reach budgeted levels. In addition, NZTA have approved an increased subsidy on the LED street light project, meaning an additional \$169,000 subsidy from the last 2 years will be received in this year, and a further \$211,000 subsidy is possible before the end of the financial year for further LED replacement contract work to be awarded.
- Revenue from fees and charges across all activities was \$585,000 ahead of budget, (with related costs also \$210,000 ahead), due to a number of minor ups and downs.
- Revenue from metered water (which is classified as targeted rates) was \$191,000 lower than budgeted due to one large industrial user developing their own supply.
- Development and financial contributions are \$705,000 higher than budget at the 6 month point, which is due to the completion of significant development in Morrinsville.
- Interest from investments was \$278,000 more than budgeted to date due to the delay in capital spending that has resulted in more cash being available for investment.
- Due to the timing of the weekly and fortnightly wage and salary payments, payments to staff were \$546,000 less than budgeted.
- Finance costs are \$197,000 less than budget and are projected to be lower than budget at 30 June 2018 by around \$380,000. We have not raised any new debt this year to date.

Risks

- Income – Other than the drop in metered water revenue discussed above, we are not aware of any significant risks to Council's income streams to year end at this stage.
- Expenditure – We are not aware of any significant risks to Council's expenditure to year end at this stage.

Variances to budget after six months and projected variances to year end

In the table in attachment A, we have identified significant areas where we are under budget, (shown as a negative) or over budget, in terms of our expenditure and revenue at the six month point. There may be seasonal factors that mean more of the budget is spent or received early or later in the financial year. These and other reasons for variances are discussed in attachment A. We have then projected where we think we will be against budget by the time we get to 30 June, taking these seasonal and other factors into account.

At 31 December, our income statement shows a surplus of \$1,533,000. By 30 June, we have projected that our surplus will be approximately \$2,024,000, noting however that we have not projected for any non-cash or accounting type transactions that will affect the bottom line (e.g. loss on the disposal of assets that are renewed, movements in the valuation of interest rate swaps, vested assets, etc.)

Compliance with financial covenants to 31 December 2017

Financial Covenants	31/12/2017	2018	2018
	Actual	Council Limit	LGFA Limit
Net Debt : Total Revenue	11%	<150%	<175%
Net Interest : Total Revenue	1%	<15%	<20%
Net Interest : Annual Rates Income	2%	<20%	<25%
Available Financial Accommodation: External Indebtedness	124%	>110%	>110%

Financial performance benchmarks to 31 December 2017

Financial Performance Benchmarks	31/12/2017
Rates (income) affordability	✓ within limits
Rates (increases) affordability	✓ within limits
Debt affordability	✓ within limits
Balanced budget	✓ benchmark met
Essential services	✓ benchmark met
Debt servicing	✓ benchmark met

Non-financial information

Full details of performance measured to date against our targets are set out in the Six Month Report. A number of these measures can only be measured annually and are not included e.g. the Annual Customer Survey which is undertaken in March each year.

Analysis

Options considered

The preparation of the Six Month Report is a non-statutory process for Council. Council may have recommendations to make regarding the content of the report.

Analysis of preferred option

There are no preferred options.

Legal and statutory requirements

Under Section 98 of the Local Government Act 2002, Council is required to prepare and Annual Report and Summary at the close of each financial year.

Impact on policy and bylaws

There are no policy or bylaw issues.

Consistency with the Long Term Plan / Annual Plan

The Annual Report measures our performance against the Long Term Plan 2015-25.

Impact on Significance and Engagement Policy

This issue is not considered significant in terms of Council's Significance and Engagement Policy.

Communication, consultation and decision making processes

Council staff have largely confirmed the Annual Report timeline with Audit New Zealand.

Consent issues

There are no consent issues.

Timeframes

Key dates for the Annual Report 2017/18 are as follows:

6 Month Report	Date
Audit and Risk Committee review	6 March 2018
Approved by Council	7 March 2018
Annual Report	
Interim Audit	14 – 18 May 2018
Interim Audit report Audit and Risk Committee review	26 June 2018
Interim Audit report Approved by Council	27 June 2018
Draft Report and Summary to Council	22 August 2018
Final Audit	27 August – 14 September 2018
Audit and Risk Committee review of annual report and summary	9 October 2018
Council adoption of annual report and summary	10 October 2018
Annual report summary published	7 November 2018

Financial Impact

i. Cost

The production of the Annual Report and Summary has a budget of \$15,000 (excluding audit costs) for production of the Annual Report and Summary.

Audit fees have a budget of \$120,000.

ii. Funding Source

The Annual Report cost is provided for within the strategies and plans activity budgets. The Annual Report and audit are funded from general rates.

Attachments

A. Variances to budget after six months and projected variances to year end 2018

Signatories

Author(s)	Sandra Harris Senior Policy Planner	
	Larnia Weir Deputy Finance Manager	

Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Danny Anglesey	

	Finance & Business Services Manager	
	Manaia Te Wiata Group Manager Business Support	
	Don McLeod Chief Executive Officer	

Variances to the Annual Plan budget to 31 December 2017, and projected variances through to 30 June 2018

In the table below we have identified significant areas where we are under budget, (shown as a negative) or over budget, in terms of our expenditure and revenue at the 6 month point. There may be seasonal factors that mean that more of the budget is spent or received earlier or later in the financial year. These and other reasons for variances are discussed below. Considering these seasonal and other factors we have then projected variances to 30 June 2018. The income statement at 31 December 2017 shows a surplus of \$1,533,000. By 30 June 2018, we project that our surplus will be approximately \$2,024,000 noting however that we have not projected for any non-cash or accounting type transactions that will affect the bottom line (e.g. any provisions that may have to be recognised for vested assets, interest rate swap etc.)

A positive net result below is a positive for Council

Variance explanations	Variances to budget at 6 months			Projected variances to 30 June 2018		
	Expenditure \$	Income \$	Net result \$	Expenditure \$	Income \$	Net result \$
Budgeted income and expenditure from Annual Plan 2017-2018	23,203,000	23,551,500	348,500	46,407,000	47,103,000	696,000
Administration and Support Services: Information Management expenditure is higher by \$76,000 due to the payment of annual software licences earlier in the year. IT recovery is higher due to more usage of internet and photocopying. Asset management costs are higher due to more work being undertaken during this period, which will be offset by a higher recovery. Plant expenditure is under budget due to a less vehicles, fuel prices and maintenance costs. Insurance expenditure will come to charge in the third quarter. Asset management, insurance fees and audit expenditure will result in a projected \$184,000 cost above budget.	-19,000	-181,000	-162,000	184,000	144,000	-40,000
Business unit overall expenditure and income is lower than budgeted. KVS revenue from external work is reduced due the loss of the Fonterra moving contract.	-96,000	-329,000	-233,000	-55,000	-65,000	-10,000
Housing and Property Management - Waihou depot operating cost and OYO maintenance costs are higher, which is partially offset by lower building maintenance for staff housing, and elderly pensioner housing (EPH) during this period. EPH income is higher than budget due to increased rents since February 2017.	-26,000	33,000	59,000	39,000	51,000	12,000
Library expenses for the first half is higher due to annual subscription and software licences paid for early in the year. Library Income is lower than budgeted largely due to the Matamata Library relocation and lower borrowing in Te Aroha.	30,000	-10,000	-40,000	0	-15,000	-15,000
Parks and Tracks cost are higher than budget. Weather events created safety concerns in Hetana Street and extra tree work was required. Waihou rugby ground re-soiling and reseeding was required prior to the rugby season to provide a safe playing field. We removed old vegetation at Herries Park. Extra maintenance was required on the bike track in Te Aroha following the weather events.	124,000	3,000	-121,000	207,000	2,000	-205,000
Pools and Spa costs are higher than budgeted mainly due to unplanned maintenance at Matamata Sport Centre including the replacement of steel framed tables, chlorine tube, valves etc., and chemical costs. Te Aroha Spa cost is higher due to increased admissions and more material purchased during this period, offset by higher income. The Te Aroha Swim pool and Matamata Sports centre have had lower admissions to date compared to budget, and Morrinsville pool income is typically higher in the second half of their season.	27,000	3,000	-24,000	59,000	60,000	1,000
Public Amenity costs have increased compared to budget including -for the replacement of seats in the Matamata CBD, street cleaning in the three CBDs were carried out during this period. We have increased the number of rubbish bins with an external contractor being used for cleaning which attracts a higher cost. Public toilet expenditure is higher due to more materials ordered during this period. More electrical and plumbing work required than estimated. Cemeteries costs are higher than budgets as we now use external contractors for digging graves instead KVS. Cemeteries income is lower due to less sale of plots and burials than budgeted.	65,000	-8,000	-73,000	68,000	-4,000	-72,000
Recreation and Culture & Heritage - Savings on the operation costs of the Matamata Memorial Hall during the period, and building maintenance costs have not been required. The Te Aroha Event Centre operating and Firth Tower costs are higher due to unplanned maintenance and more usage partially offset by higher income. Te Aroha Event Centre contribution received \$125,000 at December. The \$11,000 revenue budget from the Matamata Memorial Hall will not be realised in this year.	-14,000	143,000	157,000	15,000	131,000	116,000
Resource consent and Monitoring - Resource consents expenditure is higher due high activity. This cost will be offset to an extent by higher income.	187,000	214,000	27,000	458,000	422,000	-36,000
Building Consent - Building consents expenditure is higher due to high activity. This cost will be offset by higher income.	23,000	114,000	91,000	48,000	296,000	248,000
Roading - Subsidised expenditure is underspent at this time due to timing, with the bulk of the work occurring in the 2nd half of the year. Street cleaning costs will be higher due to district wide mechanical sweeping. NZTA subsidy income is lower than budgeted at this point in line with expenditure. And NZTA have approved an increased subsidy on the LED street light project, meaning an additional \$169,000 subsidy from the last 2 years will be received in this year, and a further \$211,000 subsidy is possible before the end of the financial year for further LED replacement contract work to be awarded.	-196,000	-453,000	-257,000	41,000	380,000	339,000
Rubbish and Recycling - Waste minimisation expenditure will be spent later in year. An unbudgeted increase in the refuse contract price is offset by higher income due to higher volumes and an increase in landfill charges	23,000	61,000	38,000	70,000	85,000	15,000
More stormwater maintenance has been required during this period.	22,000		-22,000	24,000		-24,000
Wastewater expenditure is higher than budgeted due to more reticulation maintenance required this period. We project that the Reticulation costs will be higher than budget by the end of the year. Treatment plant costs are higher by \$15,000. Tradewaste Income is higher in Morrinsville due to higher activity by industries which is partially negated by lower income in Te Aroha.	46,000	54,000	8,000	12,000	60,000	48,000
Water - Treatment plant expenditure is lower than budget by \$33,000 at the six month point but will increase to the end of the year. There was more reticulation work required during this period as Scott Road water main event cost \$70,000 and Snell Road water main issue. Metered water income is lower by \$191,000 due to lower consumption by industries (mainly Open Country Cheese) which is negated by higher tankered water income by \$134,000.	83,000	-57,000	-140,000	185,000	-194,000	-379,000
Strategies & Plans - Underspent in Economic development which is budgeted \$150,000. LTP and Annual report costs are still to come. Costs for Regional policy for Plan Change 1 and Waikato Regional Council involvement are about to start. This budget will be underspent at end of year. District plan costs are underspent to date. These savings are partially negated by various grants that have been uplifted early in the financial year.	-190,000		190,000	-32,000		32,000
Civil Defence -More staff time on Civil Defence calls is negated by an underspend on rural fire as it has been transferred to Central Government.	-59,000	-3,500	55,500	-119,000	-7,000	112,000
Community Leadership - Savings in Election costs - this budget is smoothed over 3 years. Communication and events cost is higher during this period.	24,000	2,000	-22,000	5,000	2,000	-3,000
Animal control cost is higher due to the use of an external contractor. Annual dog registration income is received at the start of the year. The increase in the set registration fee has contributed to this increase.	4,000	142,000	138,000		52,000	52,000
Salary cost is underspent due to timing of weekly and fortnightly salary. Asset Management salary cost will be recovered from other activities.	-535,000		535,000	44,000		-44,000
Asset Management cost is overspent in Parks, Roothing and Stormwater due to more consultant work during this period. Expenditure includes a high level analysis of Water Reticulation, obtaining a building report on Heaton Stadium, and the Hobbiton traffic study etc. Council has approved an additional \$150,000 to be funded from the Community Purpose fund.	230,000		-230,000	100,000		-100,000
Finance costs are lower due to less debt held than budgeted due to the delay in the capital spend.	-197,000		197,000	-380,000		380,000
Interest from Investments is higher due to lower capital spending, resulting in more cash held in investments.		278,000	278,000		355,000	355,000
Development contributions are higher than budgeted - significantly related to Morrinsville developments.		705,000	705,000		550,000	550,000
Other minor ups and downs and variance in internal charges	409,000	439,000	30,000	5,000	1,000	-4,000
Actual at 31 December and Projected at 30 June 2018	23,168,000	24,701,000	1,533,000	47,385,000	49,409,000	2,024,000

Variances to budget after six months and projected variances to year end 2018 Y/C/Y