

ADDITIONAL REPORT

File Reference: 7.00315

Significance of Decision: Low



Report To: Regional Council

Meeting Date: 11 March 2010

Report From: Bill Bayfield, Chief Executive

Additional Changes to Draft Annual Plan 2010/2011

Executive Summary

This report is additional to the "Adoption of the Draft Annual Plan 2010/2011 for Public Consultation" report in the Council agenda. In that report it was noted that staff would give Council an update on any other changes to the plan resulting from an Audit NZ review.

Discussions with Audit NZ have resulted in a small number of recommended changes to the Draft Annual Plan document that has been circulated to Council with the agenda.

It is recommended that Council agree to the additional changes identified in this report and then subsequently adopt the Draft Annual Plan 2010/2011.

1 Recommendations

That the Regional Council:

- 1 Receives the report, "*Additional Changes to Draft Annual Plan 2010/2011*".
- 2 Confirms that the significance of the decision has been assessed as LOW, and under Section 79 of the Local Government Act 2002 (LGA) confirms that in light of the level of significance of the decision it does not require:
(a) Further identification and assessment of different options under section 77 LGA; (b) Further investigation or consideration of community views under section 78 LGA; (c) Any further written record of the manner in which section 77 and section 78 matters have been addressed.
- 3 Agrees to amend the Draft Annual Plan 2010/2011 in accordance with the changes listed in section 3 of this report.

2 Background

This report is additional to the "*Adoption of the Draft Annual Plan 2010/2011 for Public Consultation*" report in the Council agenda. In that report it was noted that staff would give Council an update on any other changes to the plan resulting from an Audit NZ review. Such reviews need to occur at an advanced stage of drafting and therefore the advice was not available prior to the agenda closing.

The results of earlier discussions with Audit NZ have already been included in the Draft Annual Plan document. Two further requests have been made by Audit NZ relating to

more clearly identifying inconsistencies between the Draft Annual Plan and the Ten Year Plan, and secondly recognising the likelihood of an increase in GST. There are also a small number of necessary corrections or changes that have been identified by staff.

It is recommended that Council agree to the changes identified and discussed in section 3 of this report, and then adopt the Draft Annual Plan 2010/2011 as amended. Recommendation 3 in the report titled 'Adoption of the Draft Annual Plan 2010/2011 for Public Consultation' should be amended to read "Adopts the Draft Annual Plan 2010/2011 **as amended**, as its Statement of Proposal for public consultation through the Special Consultative Procedure under the Local Government Act 2002."

3 Additional Changes to the Draft Annual Plan 2010/2011

The following are the additional changes to the Draft Annual Plan 2010/2011 recommended to Council before it is adopted for its release for public consultation.

| Section and Page Number | Change to Draft Annual Plan 2010/2011 | Reason |
|---|---|---|
| <p>Notable Variances from Year 2 of the 2009-2019 Ten Year Plan, page 10, right hand column</p> | <p>Replace existing text under the heading 'Ten Year Plan':</p> <p>"Section 80 of the Local Government Act requires Council to disclose decisions that are inconsistent with its Ten Year Plan. Two of the notable variances above (Regional Infrastructure Fund and Lake Rotoiti sewerage grant) are different to the approaches used in our Ten Year Plan 2009-2019.</p> <p>The decision to direct fund infrastructure projects in 2010/11 is inconsistent with the approach in the Ten Year Plan to hold a contestable funding round for the Regional Infrastructure Fund. However, the change retains the level of service to accelerate infrastructure projects, and does not change the financial framework for that programme.</p> <p>The decision to change the funding mix for the Lake Rotoiti sewerage scheme in 2010/11 does not affect the overall funding mix for the Rotorua Lakes programme, and will reduce the General Rate and Rotorua Lakes Targeted Rate.</p> <p>As these decisions are not significant under our Policy on Significance we will not amend the Ten Year Plan."</p> | <p>Request by Audit NZ to more clearly disclose decisions inconsistent with the Ten Year Plan</p> |
| <p>Funding Impact Statement, Major targeted differential rates, Clean Heat Conversions, page 25</p> | <p>Council has a clear policy intention to use voluntary targeted rates for properties within the Rotorua Local Air Management Area to fund the repayment of loans for clean heat conversions. However the Draft Annual Plan does not specifically include a value for striking a rate. This may cause issues with the first year of conversion loans being unsecured.</p> <p>Minor amendments to existing text to read:</p> <p>"Council will provide the opportunity for properties in the Rotorua Local Air Management Area to have a voluntary targeted rate imposed in the 2010/2011 financial year. The purpose of the voluntary targeted rate is to cover the cost of loan repayments in respect of funds lent to ratepayers for clean heat conversions and associated works."</p> | <p>Necessary clarification of intent identified by staff</p> |

| Section and Page Number | Change to Draft Annual Plan 2010/2011 | Reason |
|---|---|--|
| | Add table: "Rotorua Air Clean Heat Conversion Voluntary Targeted rate 2010/2011 Category: Clean Heat Conversion (Loan) Proposed Rate: per rating unit: \$ value of loan Revenue sought: Repayment of loan" | |
| Sustainable Air Management, page 63, middle column | Delete the last bullet point under the heading 'Key Projects in 2010/2011' that reads: "Implement loan ... through internal loans." This is a duplication of the last bullet point. | Deletes repeated text (the first bullet point under the heading is the correct text). Identified by staff. |
| Prospective Statement of Comprehensive Income, page 103 | Replace the figures in the 'Users Fees & Charges' row with the following: Budget 2010 – 6,824 Budget 2011 – 7,454 Revised 2011 – 7,287 Replace the figures in the 'Other Public Funding' row with the following: Budget 2010 – 14,440 Budget 2011 – 18,880 Revised 2011 – 17,923 | Necessary correction identified by staff |
| Significant Forecasting Assumptions and Risks, page 112, left hand column | Under the heading 'Assumptions about revenue' (heading on page 111), add a new assumption after the last bullet point: <ul style="list-style-type: none"> ▪ "Rates strike in the Funding Impact Statement is based on GST at 12.5 percent." | Recommendation by Audit NZ and staff around the possibility of GST increasing in the near future. This links to the risk change below. |
| Significant Forecasting Assumptions and Risks, page 115, middle column | Amend the heading 'Failure to achieve projected investment revenue' to read 'Failure to achieve projected revenue' Add new sub-heading before first paragraph: 'Investment income', and add the words "in future years" at the end of paragraph. Add a new heading after the first paragraph: 'Rates Income', and add new paragraph to read: "Rates are set inclusive of GST. If the GST rate increases, this will result in a revenue shortfall equal to the change in GST." | Recommendation by Audit NZ and around the possibility of GST increasing in the near future. This links to the assumption change above. |

4 Financial Implications

Current Budget

The development of the Annual Plan 2010/2011 is within its current financial budget allocation for its preparation in the 2009/2011 year.

Future Implications

Future financial implications of the Draft Annual Plan 2010/2011 have been discussed by Council during its development. Public submissions and Council's deliberations must now occur before final implications are known.

Ten Year / Annual Plan Implications

The Draft Annual Plan 2010/2011 will supersede Year 2 of the Ten Year Plan 2009-2019 when it is adopted in June 2010.

Stephen Lamb
Acting Manager Strategic Support
for Chief Executive

3 March 2010