

ASSESSMENT REPORT FOR ANNUAL PLAN 17/18 – DIFFERENCES FROM YEAR 3 OF THE LTP 2015 - 25

SIGNIFICANT OR MATERIAL?

In order to determine if consultation is required on the Annual Plan 2017/18 Council must assess the changes from the content of the LTP 2015 – 25 for the financial year to which the proposed annual plan relates and whether these changes are considered significant or materially different (section 95). See Appendix 1 for section 95 and 95A of the Local Government Act.

This report has assessed the differences between the draft financials for the Annual Plan 2017/18 against the 2017/18 year in the LTP 2015 – 25.

When making an assessment the purpose of the consultation document must be considered:

“to provide a basis for effective public participation in decision-making processes relating to the activities to be undertaken by the local authority in the coming year, and the effects of those activities on costs and funding, as proposed for inclusion in the annual plan”.

When considering this purpose an assessment of significance and materiality must be undertaken of:

- any identified differences from the financial statements or the funding impact statement;
- any new spending proposals;
- any proposal to substantially delay, or not proceed with, a significant project.

Significance can be determined using the Significance and Engagement Policy. Clauses 11 and 12 of this policy will be utilised to make this determination (see Appendix 2).

A definition of materiality is not provided for in the Act. The Act does provide limited guidance in section 95A “for the purposes of this section, a difference, variation, or departure is material if it could, itself or in conjunction with other differences, influence the decisions or assessments of those reading or responding to the consultation document”.

Materiality will not be determined solely on the dollar number of the variation. A number of factors must be considered including the following:

- does the difference involve a change to the financial strategy or funding impact statement
- might the difference(s) alter a reasonable persons conclusion about the affordability of the plan;
- might the difference(s) lead to a reasonable person deciding (or not deciding) to make a submission on any consultation document (e.g. policy shifts)

The matters outlined in clause 11 of the Significance and Engagement Policy will also be used to assist with determining materiality.

If required the consultation document will then include any identified significant or material differences between the proposed annual plan and the content of the long-term plan for the financial year to which the annual plan relates.

ASSESSMENT OF CHANGES

Council adopted its financial strategy as part of the Long-term Plan 2015.

The three key threads of this strategy are:

- looking after the assets we have while maintaining levels of service
- keeping rates affordable and sustainable
- prudent management of our investments and borrowings

An assessment has been undertaken of the draft financial information and budgets against year 3 of the LTP. This assessment has identified some differences, several which are considered material or significant.

The other differences identified are as follows:

- The proposed rates increase for 17/18 is 2.4%. This is lower than forecast in the LTP of 2.54%.
- The gross debt forecast for 17/18 is \$144 million. This is a reduction of \$8 million from the \$152 million forecast in the LTP.
- There has been a reduction in Council's investment income (TEL fund and other investments). This is due to market conditions which are resulting in lower than forecast returns.
- There has been a reduction in other operating expenses which includes lower maintenance costs, electricity costs, advertising, lease costs, consultant fees and vehicle running costs.
- Timing changes to several capital projects have resulted in lower than forecast debt, interest costs and depreciation. There has also been an increase in the forecast subsidy revenue due to the timing of the Waitahanui water treatment project.

These changes are considered to be consistent with the financial strategy and do not result in a material or significant change in the philosophy contained within the funding impact statements.

The following are the operational and capital projects (excluding renewals) where a difference has been identified. Renewals are excluded as they are part of our regular asset maintenance programme and are required to look after the assets we have and maintain the existing level of service. The changes to the capital programme are generally due to delays in the implementation of a project, further investigations are required or updated cost estimates. With two exceptions there are no significant new spending proposals or any proposals to substantially delay, or not proceed with, a significant project. All other differences in the schedule of capital expenditure are due to the removal of forecast inflation. Please refer to the prospective Schedule of Capital Expenditure for the proposed capital expenditure for 2017/18.

Identified changes

| Project | Year 3 LTP 2015 (\$000) | Draft Annual Plan 2017/18 (\$000) | Explanation |
|--|-------------------------|-----------------------------------|---|
| Begin construction of the Acacia Bay water treatment plant upgrade to meet Drinking Water Standards NZ | \$1,770,000 | \$100,000 | The preferred site for the upgrade of the Acacia Bay water treatment plant is located on private land. Delays in completing a suitable lease agreement have resulted in a delay to the design and construction. Consequently the estimated capital expenditure in the 2017/18 year is less than expected. |
| Complete security of supply upgrade for the Kinloch water supply (upgrade reservoir) | \$2,905,000 | \$1,000,000 | Kinloch has seen significant growth over the past two years with further growth forecast. To ensure the water supply service meets the needs of this community a master plan is being prepared. Following the development of the master plan the detailed design will be undertaken for the reservoir. |
| Upgrade the Titoki falling main | \$538,000 | \$650,000 | The original estimate for this project was provided in 2014. An updated estimate has been received from the consultant based on a refined scope. This project is still required and the minor increase in funding is not considered material or significant. |
| Connect the Waitahanui community to the Taupo water treatment plant. | - | \$1,487,543 | Council resolved in June 2016 to undertake this project. Detailed design work is nearly completed with construction expected to begin in 2017. It is anticipated that the construction will be completed in 2018. |
| Motuoapa bulk flow meter | \$27,000 | - | Capturing data from infrastructure sites is a key project to assist with effective and efficient service delivery. This project is being deferred while the appropriate technological solution is developed. |
| Bus bay on Waikato Street, Taupo | - | \$75,000 | Taupo-nui-a-Tia College has advised Council of their concerns for the safety of students using the bus system. This particular area on Waikato Street is used as a transfer area for a number of schools. An appropriate solution to this matter is to install a formal bus bay. |
| LED light installation | - | \$2,500,000 | NZTA have offered a co-funding rate of 85% for replacement of current streetlights with LED lighting. This will mean that Council's contribution will be approximately \$3750,000. |

| Project | Year 3 LTP 2015 (\$000) | Draft Annual Plan 2017/18 (\$000) | Explanation |
|--|--|--|---|
| Norman Smith Street intersection investigations | - | \$100,000 | Council agreed to include funding for investigations to be undertaken regarding potential alternatives to the current intersection. Given the direction provided in the Commercial and Industrial Structure Plan and the feedback that has recently been provided from parts of the community this funding is not considered material or significant. Dependant on the outcome of the investigations Council may decide to include funding in the Long-term Plan 2018 – 28. |
| Integration of old bowling green into Tongariro Domain | \$84,160 | - | Further consideration is required of the Council and community assets in the surrounding area prior to the integration of the bowling green. As such this project has been deferred until a decision has been made regarding the surrounding area. |
| Redevelopment of Te Kapua Park | \$10,530 | - | Council and Ngāti Tūrangitukua are currently developing the Turangi Reserves Management Plan. The redevelopment of Te Kapua Park is considered premature until the management plan is completed. |
| Taupo Events Centre (additional stage units) | \$12,360 | \$20,000 | Minor increase in expenditure to allow the provision of additional stage units, and front of house curtain and masking. |
| Investigations for Improvements to the Great Lake Centre | - | \$50,000 | Council signalled in the Long-term Plan 2015 – 25 that detailed investigations would be undertaken of the Great Lake Centre. It is anticipated that these investigations will identify options for discussion with the community. |
| Improvement to the Kinloch Lakefront Reserve | - | \$100,000 | Council has agreed to include this funding to allow for improvements to the reserve. This follows consultation with the community regarding the reserve. |
| Pukawa pond improvement/remediation | - | \$400,000 | This project was initially planned for the 15/16 and 16/17 years in the Long-term Plan, however construction has been delayed due to retendering as Council looks at a more cost effective option. |

| Project | Year 3 LTP 2015 (\$000) | Draft Annual Plan 2017/18 (\$000) | Explanation |
|--|-------------------------|-----------------------------------|---|
| Optimisation at the Turangi Wastewater Treatment Plant | \$753,000 | \$60,000 | The optimisation of the Turangi wastewater treatment plant includes resizing the balance pond. Material for the pond walls can be sourced locally from the dredging of the Tokaanu canal which is to be undertaken by the Department of Internal Affairs. This has been delayed until the summer of 2017/18. Consequently a reduced amount of capital expenditure is required in 2017/18 with an expectation that the optimisation of the plant will be completed in 2018/19. |
| Undertake works for the remediation of the unused wastewater ponds at the Turangi Wastewater Treatment Plant | \$215,000 | - | This project is linked to the optimisation of the Turangi wastewater treatment plant. Due to the delays experienced with that project it is prudent to delay this project. The scope of this project will be reviewed when the optimisation project is completed and the Waikato Regional Council consent conditions are finalised. |
| Acacia Bay wastewater treatment plant upgrade | - | \$220,000 | This was a multi-year (2015-17) project planned in the Long-term Plan in anticipation of the new discharge conditions. However negotiation of the wastewater discharge conditions only required upgrading the effluent disposal field. The initial tender was declined because it was much higher than engineers estimate. The contract has now been awarded. The budget for this project currently sits within the current BowWave and draft Annual Plan 2017/18. |

| Project | Year 3 LTP 2015 (\$000) | Draft Annual Plan 2017/18 (\$000) | Explanation |
|---|-------------------------|-----------------------------------|--|
| Kinloch – wastewater land disposal system | - | \$1,627,240 | In the Annual Plan 2013/14 Council had anticipated that a project would be undertaken to upgrade the disposal field for the Kinloch wastewater treatment plant to meet new consent conditions. Consent conditions were delayed and further approval was required from the Waikato Regional Council (WRC) for the disposal methodology considering the limitation of useful land. \$500,000 was carried forward from the Annual Plan 2013/14. Following further discussion with WRC two capital expenditure projects were included in the Long-term Plan 2015 – 25 for the Kinloch wastewater treatment plant and disposal field with a total budget of \$909,000 giving a total project budget of \$1.4m. Of the \$1.63m sought for this project \$720,000 was released in 2016/17 due to timing and \$189,000 is identified for a stage in 2018/19 which will no longer be required. An additional \$718,000 is required due to increased costs following completion of final design. |
| Install a quality improvement device for stormwater at Kohineheke Reserve (previously known as Crescent Reserve). | \$129,120 | \$300,000 | It is proposed to increase the funding to allow for the installation of the Ruapehu Street device (which was deferred from 2015/16). The increased cost is based on updated engineering and design information. It is proposed to install the Kohineheke Reserve device in 2018/19. |
| Funding toward Tourism New Zealand's marketing campaign promoting Taupō | - | \$100,000 | Council approved an increase of \$100,000 + GST to the 2017/18 economic development group of activities budget toward Tourism New Zealand's marketing campaign promoting Taupō as the primary winter resort town to service visitors to the Whakapapa ski fields. This decision was made at the Council meeting on 28 February 2017. The report noted that further consultation was not required and that this proposal did not need to be included in the consultation document for the Annual Plan 2017/18. |

| Project | Year 3 LTP 2015 (\$000) | Draft Annual Plan 2017/18 (\$000) | Explanation |
|---|--------------------------------|--|--|
| Funding for Go Tongariro | \$7,000 | \$20,000 | Council decided to include additional funding of \$13,000 for Go Tongariro in the draft Annual Plan 2017/18 at the Council meeting on 28 March 2017. In the Long-term Plan 2015 – 25 Council resolved that the funding for Go Tongariro would reduce over a three year period from \$20,000 in 2015/16, \$14,000 in 2016/17 and \$7,000 in 2017/18. Council does not have an understanding of the community view regarding providing additional funding to Go Tongariro. It is considered appropriate to include this proposed funding in the consultation document for the Annual Plan 2017/18. |
| Mangakino – replacement funding for the existing community coordinator position | - | \$35,000 | Funding has been included to provide staff support for the destination marketing and management for the Mangakino community. The proposed increase in funding is not considered material and is consistent with the Council's approach to economic development across the district. |
| Future of the main Council building | - | \$1,000,000 | At an extraordinary meeting of Council on 13 April 2017 a decision was made to include the preferred option for the future of the main Council building in the consultation document for the Annual Plan. |
| Investigations for the future of the Turangi i-Site building. | - | \$50,000 | Funding has been included to develop conceptual designs for a new gateway building. |
| CBD laneway lighting | - | \$70,000 | This funding will be Council's share of funding for a collaborative project with Town Centre Taupo to provide lighting through the laneway network. The new lighting will provide enhanced amenity and address existing safety issues. |

CONCLUSIONS

The following matters are considered materially different from the Long-term Plan 2015 – 25 and should therefore be included in a consultation document for the Annual Plan 2017/18:

- The future of the main Council building
- A proposed increase in funding for Go Tongariro

Appendix 1 – Section 95 and 95A of the Local Government Act 2002

95 Annual plan

(1) A local authority must prepare and adopt an annual plan for each financial year.

(2) Subject to subsection (2A), a local authority must consult in a manner that gives effect to the requirements of [section 82](#) before adopting an annual plan under this section.

(2A) Subsection (2) does not apply if the proposed annual plan does not include significant or material differences from the content of the long-term plan for the financial year to which the proposed annual plan relates.

(3) An annual plan must be adopted before the commencement of the year to which it relates.

(4) Despite subsection (1), for the first year to which a long-term plan under [section 93](#) relates, the financial statement and funding impact statement included in that long-term plan in relation to that year must be regarded as the annual plan adopted by the local authority for that year.

(5) The purpose of an annual plan is to—

(a) contain the proposed annual budget and funding impact statement for the year to which the annual plan relates; and

(b) identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year; and

(c) provide integrated decision making and co-ordination of the resources of the local authority; and

(d) contribute to the accountability of the local authority to the community.

(e) [Repealed]

(6) Each annual plan adopted under this section must—

(a) be prepared in accordance with the principles and procedures that apply to the preparation of the financial statements and funding impact statement included in the long-term plan; and

(b) contain appropriate references to the long-term plan in which the local authority's activities for the financial year covered by the annual plan are set out; and

(c) include the information required by [Part 2](#) of Schedule 10.

(6A) Except where subsection (5) requires otherwise, the local authority must comply with subsection (6)(b) and (c) by means of reference to, rather than duplication of, the long-term plan.

(7) A local authority must, within 1 month after the adoption of its annual plan,—

(a) make its annual plan publicly available; and

(b) send copies of that plan to—

(i) the Secretary; and

(ii) the Auditor-General; and

(iii) the Parliamentary Library.

95A Purpose and content of consultation document for annual plan

(1) The purpose of the consultation document under [section 82A\(3\)](#) is to provide a basis for effective public participation in decision-making processes relating to the activities to be undertaken by the local authority in the coming year, and the effects of those activities on costs and funding, as proposed for inclusion in the annual plan, by—

(a) identifying significant or material differences between the proposed annual plan and the content of the long-term plan for the financial year to which the annual plan relates; and

(b) explaining the matters in paragraph (a) in a way that can be readily understood by interested or affected people; and

(c) informing discussions between the local authority and its communities about the matters in paragraph (a).

(2) The content of the consultation document must be such as the local authority considers on reasonable grounds will achieve the purpose set out in subsection (1), and must—

(a) explain identified differences, if any, between the proposed annual plan and what is described in the long-term plan in relation to the financial year to which the annual plan relates, including (but not limited to)—

(i) an explanation of any significant or material variations or departures from the financial statements or the funding impact statement; and

(ii) a description of significant new spending proposals, the costs associated with those proposals, and how these costs will be met; and

(iii) an explanation of any proposal to substantially delay, or not proceed with, a significant project, and the financial and service delivery implications of the proposal; and

(b) outline the expected consequences of proceeding with the matters referred to in paragraph (a), including the implications for the local authority's financial strategy.

(3) The consultation document—

(a) must be presented in as concise and simple a manner as is consistent with this section; and

(b) without limiting paragraph (a), must not contain, or have attached to it—

(i) a draft of the annual plan as proposed to be adopted; or

(ii) a full draft of any policy; or

(iii) any detailed information, whether described in [Part 2](#) of Schedule 10 or otherwise, that is not necessary or desirable for the purposes of subsections (1) and (2); and

(c) must state where members of the public may obtain the information held by the local authority that is relied on by the content of the consultation document, including by providing links or references to the relevant information on an Internet site maintained by or on behalf of the local authority; and

(d) may be given the title of the local authority's choice, provided that the title or subtitle make reference to this being a consultation document for the proposed annual plan for the relevant year.

(4) The local authority must adopt the information that is relied on by the content of the consultation document, as referred to in subsection (3)(c), before it adopts the consultation document.

(5) For the purposes of this section, a difference, variation, or departure is material if it could, itself or in conjunction with other differences, influence the decisions or assessments of those reading or responding to the consultation document.

Appendix 2 – Clause 11 and 12 Significance and Engagement Policy

11. Council will take into account the following matters when **assessing the degree of importance** of proposals and decisions:
 - a. The level of financial consequences of the proposal or decision;
 - b. Whether the proposal or decision will affect a large portion of the community or community of interest;
 - c. The likely impact on present and future interests of the community, recognising Māori culture values and their relationship to land and water;
 - d. Whether the proposal affects the level of service of an activity identified in the Long Term Plan;
 - e. Whether community interest is high; and
 - f. The capacity of Council to perform its role and the financial and other costs of doing so.

12. For the avoidance of doubt, Council decisions are **considered to be significant** if they:
 - a. Are identified as being of a high degree of importance;
 - b. Incur operational expenditure exceeding 7.5% of the annual Council budget;
 - c. Incur capital expenditure exceeding 2.5% of the total value of Council's assets, or where spent on a strategic asset, exceeds 25% of that assets value;
 - d. Require the transfer of ownership or control or the disposal or abandonment of a strategic asset as a whole;
 - e. Require the sale of Council's shareholding in any council controlled trading organisation or council controlled organisation;
 - f. Directly or indirectly, severely affect the capacity of Council to carry out any activity identified in the long term plan;
 - g. Concern the entry into any partnerships to carry out a significant activity