

<b>Report to:</b>	<b>Council</b>	<b>File #</b>
<b>Date:</b>	13 August 2020	
<b>Subject:</b>	<b>UPDATES TO THE DRAFT ANNUAL PLAN 2020/2021 BEFORE SUBMISSIONS</b>	
<b>Prepared by:</b>	S Poulsen, Finance Manager	
<b>Input sought from:</b>	All budget holders	
<b>Authorised by:</b>	M Dickson, Senior Manager Corporate Services	

## 1 INTRODUCTION

In revising the Draft Annual Plan as a result of COVID-19 Council’s clear direction was to reduce the 2020/2021 costs for ratepayers as much as reasonably practicable, without creating undue impacts on the following years (such as through the use of short-term loans).

The Council direction was clear that additional Annual Plan “bids” whether internally or external would not be encouraged so that the key aim of reducing rates was achieved.

The Council direction also included a reduction in staff head count to reduce personnel costs as part of the method of cost reduction (the change proposal).

The forecast rates increase of 10% was reduced to 4.6%.

## 2 SUMMARY

As a result of events since the Draft Plan was published, a number of changes have been identified. For example, these include Government COVID-19 related funding, and progress with staff reductions.

The Draft Annual Plan budgets are now showing a proposed rate increase of 4.00% and total debt to reach no more than \$11.5 million. This compares with the published Draft Annual Plan rate increase of 4.6% and total debt of \$12.25 million.

The staff reduction (change proposal) is still in progress – however, the majority of the outcomes have been determined. To date personnel and related costs have been reduced by \$272,000, and staff have had their roles disestablished.

It is in this context that the Council is now entering deliberations to consider submissions.

In the meantime, certain projects and their funding sources have also now become clearer. Notably last week there was an announcement of 3-Waters funding – as a result staff are urgently reviewing plans, as that expenditure must occur prior to March 2022. This will need to be taken account of in the final Annual Plan. It is hoped to produce a paper on this next week (the effects of this funding will be “positive”).

## 3 THE CHANGES MADE

The following interim changes have been made since the Draft Annual Plan 2020/2021 was published, due to having better information around certain costs and funding sources. Note these changes also result in minor overhead allocation adjustments throughout all activities due to the formula used in the allocation process.

	Opex	Capex	Revenue	Reserves / Loans
Change proposal reduction in personnel costs to date	-272,309			
Reduced water renewal budget as expenditure not identified for 2020/21	-60,000			
Add one-off \$15k Workplace support budget – for identified staff training, and also support resulting from the change proposal	15,000			
Sale of land now agreed; actual amount now known (slightly less than original forecast) was estimated via reserves			143,000	-150,000 R
Due to Govt announcement - Remove extra grant to the Aquatic Centre Trust in lieu of the Rata loan (was to be funded by loan)	-500,000			-500,000 L
Update 2020/21 balance to pay to Aquatic Centre Trust (from \$1M grant)	-38,341			-38,341 L
Added \$15k operating costs for the new pool (now assumed ready for March 2021) – cross-over with pop-up pool costs	15,000			
Added \$470k to Scout Hall refurbishment due to government announcement of grant		470,000	470,000	
Added \$25k for Long-Term Plan external costs - including Vision/community Outcomes Council review workshop process	25,000			
Reduced short-term loans from \$245k to \$80k (\$50k off general rate, \$30k off UAGC). As result of staff reduction primarily – including Destination Kaikoura additional funding now attributed to Commercial Rates				-165,000 L
Reduced staff secondment revenue due to shorter timeframe of secondment			-17,500	
Reduced budget for community surveys	-5,000			
Aligned with staff reduction removed some economic development costs e.g. personnel related conference, training and association memberships – to allow for external economic development costs	-7,600			
Added \$20k economic recovery governance group related expenses (enabled by staff reductions)	20,000			
Removed Rebuild earthquake sewer opex not required	-53,101			-53,101 L

Corrected interest rates on term deposits from 2% to 0.25% - mainly relates to holding PGF funding for Wakatu Quay/South Bay – to be attributed to that project			-59,655	
	-861,351	470,000	535,845	-906,442