

Northland Regional Council Minutes

Annual Plan Deliberations held remotely
on Wednesday 6 May 2020, commencing at 9.30am

Present:

Chairperson, Penny Smart

Councillors:

John Bain

Justin Blaikie

Jack Crow

Colin Kitchen

Amy Macdonald

Marty Robinson

Rick Stolwerk

Joce Yeoman

In Attendance:

Full or Part Meeting

Independent Financial Advisor

Independent Risk Advisor

Chief Executive Officer

GM – Strategy, Governance and Engagement

GM – Environmental Services

GM – Regulatory Services

GM - Corporate Excellence

Deputy GM Customer Service/Community Resilience

Corporate Planning Manager

Finance Manager

Assistant Management Accountant (x2)

Governance Support Manager

The Chair declared the meeting open at 9.35am and welcomed attendees; including members of the public watching the livestreamed meeting. Proceedings commenced with a karakia provided by Councillor Robinson.

Apologies (Ngā whakapahā) (Item 1.0)

There were no apologies.

Declarations of Conflicts of Interest (Nga whakapuakanga) (Item 2.0)

It was advised that councillors should make declarations item-by-item as the meeting progressed.

Secretarial Note:

- *The Chair acknowledged the impact and hardship resulting from the current drought and pandemic event on the organisation and Northland as a whole. Appreciation was extended*

to the Chief Executive and staff for the huge undertaking to rework the budget. Appreciation was also extended to all of the NRC staff for the highly valued work they did; acknowledging they were NRC's most valued asset.

- *The Independent Financial Advisor provided commentary on the current situation from a financial and procedural perspective. It was noted that the modelling undertaken by the financial team went a long way to provide both the council and community assurance that the current 'threats and opportunities had been identified'. However, it was noted that while the Annual Plan took a year long view the situation was dynamic and some of the risks faced by council occurred within weeks or even days. Appreciation was extended to the team for a 'good collaborative effort', however it was noted that council needed a more 'granular understanding' of cashflow and that measures were in place if the situation continued to deteriorate.*
- *To provide context for the debate, the Chair read the Executive Summary pertaining to Item 3.1 and noted that the decision at hand was the appropriate rate strike to maintain a level of environmental services and economic stimulus that would be supported by the community. Many items of expenditure had been removed and it was suggested that councillors develop a priority list of those that should be reinstated if funding came available.*

Council deliberations on the Annual Plan 2020/21 (Item 3.1)

ID: A1302781

Report from Kyla Carlier, Corporate Planning Manager and Jonathan Gibbard, Group Manager - Strategy, Governance and Engagement

Moved (Yeoman/Macdonald)

1. That the report 'Council deliberations on the Annual Plan 2020/21' by Kyla Carlier, Corporate Planning Manager and Jonathan Gibbard, Group Manager - Strategy, Governance and Engagement and dated 6 April 2020, be received.
2. That the Chief Executive Officer be directed to prepare the final annual plan following the council's decisions below, for council adoption in June 2020.
3. That the council notes that the amounts set out in the report are based on best estimate forecasts at the time of writing, and that the Chief Executive Officer be given delegated authority to approve changes required to revise the financial statement and rating information within the final Annual Plan 2020/21 to give effect to the council's deliberations, with final amounts presented for council approval in June 2020.

Carried

Matters arising from Recommendations 1 – 3

Clarification was provided that the purpose of Recommendation 2 was to instruct the Chief Executive Officer to prepare the necessary reports, to give effect to the outcome of Annual Plan Deliberations, for formal approval by council in June 2020.

'Keeping up the pace'

It was further moved (Yeoman/Kitchen)

4. That council **does not support** provision of \$101,000 of ongoing operational expenditure, and \$4,700 of one-off capital expenditure for a Kaiarahi Mahere Māori – Māori technical advisor, as detailed the supporting information document.

5. That council **does not support** provision of \$7000 of ongoing operational expenditure for Northland Māori representation on national committee 'Te Maruata' as detailed in the supporting information document.
6. That council **does not support** provision of \$30,000 of ongoing operational expenditure for Tangata whenua capability and capacity as detailed in the supporting information document.
7. That council **does not support** provision of \$40,000 of ongoing operational expenditure, and \$4,700 of one-off capital expenditure for a campaigns and engagement coordinator as detailed in the supporting information document.
8. That council **does not support** provision of \$110,000 of one-off operational expenditure for pest plant prevention as detailed in the supporting information document.
9. That council **does not support** provision of \$69,000 of ongoing operational expenditure and \$4,700 of one-off capital expenditure for a junior hydrology officer as detailed in the supporting information document.

Carried

Matters arising from Recommendations 4 – 9

- While council did not currently have the resource to support increasing Tangata whenua capability and capacity (Recommendation 6), it was stressed that council could have a facilitatory role by connecting Tangata whenua with other partners to access funding.
- There was general agreement that proactive work with Tangata whenua partners was important and should be included on council's priority list for reinstatement if funding was forthcoming.

'Keeping up the pace'

It was further moved (Stolwerk/Macdonald)

10. That council **does not support** provision of \$17,000 of ongoing and one-off operational expenditure for off-site storage of consent files as detailed in the supporting information document.
11. That council **does not support** provision of \$75,000 of one-off operational expenditure for data asset management as proposed in the supporting information document.
12. That council **support** provision of \$300,000 of operational expenditure ongoing for three years, for technology upgrades, to be funded by the Council Services Rate.

This recommendation represents a change from the \$500,000 proposed in the Annual Plan 2020/21 Consultation Document.

Carried

'Keeping up the pace'

It was further moved (Craw/Stolwerk)

13. That council **support** provision of \$35,000 of one-off capital expenditure for replacement engines for the vessel 'Ruawai' to be funded from retained earnings, with future depreciation of \$3,500 to be funded from the Council Services Rate.

Carried

Matters arising from Recommendation 13

It was stressed that the maritime team could not operate without functional equipment and this was vital.

‘Gearing up for change’

It was further moved (Bain/Yeoman)

14. That council **does not support** provision of \$7,000 of ongoing operational expenditure for water quality monitoring stations as detailed in the supporting information document.
15. That council **does not support** provision of \$100,000 of operational expenditure, ongoing for three years, for the modelling of highly allocated aquifers as detailed in the supporting information document.
16. That council **does not support** provision of \$20,000 of one-off operational expenditure for a national wells database as detailed in the supporting information document.
17. That council **support** provision of \$50,000 of one-off operational expenditure for a freshwater quality accounting system, to be funded by the Freshwater Management Rate.

This recommendation represents a change from the \$150,000 proposed in the Annual Plan 2020/21 Consultation Document.

Carried

Matters arising from Recommendations 14 – 17

It was stressed that due to the increasing pressure on water takes, the modelling of highly allocated aquifers was ‘hugely important work’ (Recommendation 15). However, staff had provided assurance that the existing information would be sufficient in the interim. This item also to be included on council’s priority list for reinstatement if funding was forthcoming.

‘Gearing up for change’

It was further moved (Stolwerk/Blaikie)

18. That council **support** provision of \$105,000 of one-off capital expenditure for water quality monitoring stations, to be funded by retained earnings with future depreciation of \$7,000 to be funded from the Council Services Rate.
19. That council **support** provision of \$20,000 of one-off operational expenditure for Aupōuri groundwater analysis, to be funded from the Freshwater Management Rate.
20. That council **support** provision of \$33,000 of one-off capital expenditure for lake level sensors, to be funded from retained earnings with future depreciation of \$3,300 to be funded from the Council Services Rate.
21. That council **support** provision of \$78,000 of one-off capital expenditure for expansion of the poplar and willow nursery, to be funded from retained earnings with future depreciation of \$7,800 funded from the Council Services Rate.
22. That council **support** provision of \$105,000 of one-off operational expenditure for a climate change adaptation strategy, to be funded from the Council Services Rate.

Carried

Matters arising from Recommendations 18 – 22

- Resolution 18 was amended from that included in the original agenda to include the quantum of future depreciation.
- It was highlighted that council's Flyger Road nursery generated poplar/willow poles that were important for erosion control and the expansion of the facility was based on projected growth in demand (Recommendation 21). Clarification was also provided that the capital expenditure for the nursery did not impact on rates. However, the depreciation over the life of the asset was rate funded.
- This suite of recommendations recognised that 'freshwater was important for our people' and critical to ensure that council had the necessary information to manage Northland's water ecosystems.
- Attention was also drawn to the climate change adaptation work (Recommendation 22) which was important work that 'would shape our future'.

Non-consulted topics

It was further moved (Stolwerk/Blaikie)

23. That council **does not** make any changes to the Annual Plan 2020/21 as a result of submissions on these topics: Regional sporting facilities rate, climate change, water shortages, Kauri die back, weeds on roadsides, monitoring staff, and Northland Inc.
24. That council **support** provision of \$72,273 of ongoing operational expenditure, and \$4,700 of one-off capital expenditure for a Monitoring Officer for Kaitāia, to be funded from the Freshwater Management Rate on the basis that this is not a significant and/or material change from the LTP 2018-28 for the 2020/21 year.

Carried

Matters arising from Recommendations 23 – 24

- Clarification was provided that the new role for a Monitoring Officer based in Kaitāia (Recommendation 24) was in response to an increase in monitoring required in the Far North. Furthermore, staff who had traditionally provided regulatory support from the Kaitāia office were now dedicated to accelerating the Awanui flood scheme.
- As part of the Long Term Plan process, council would need to consider the recovery of monitoring costs and whether costs were fairly apportioned.
- Attention was drawn to council's support through the Regional Sporting Facilities Rate and the importance of sport to address mental health issues and assist recovery post COVID-19.

Long Term Plan – pre-approved year three spend

It was further moved (Stolwerk/Yeoman)

25. That council **support the removal of** \$70,322 from the 2020/21 budget, previously approved in the Long Term Plan 2018-2028 for a far north nursery manager.
26. That council **support the removal of** \$82,206 from the 2020/21 budget, previously approved in the Long Term Plan 2018-2028 for Eastern Bays Hill country staff.
27. That council **support the removal of** \$41,854 from the 2020/21 budget, previously approved in the Long Term Plan 2018-2028 for Project costs associated with Northern Wairoa and lakes project.

28. That council **support the removal of** \$86,385 from the 2020/21 budget, previously approved in the Long Term Plan 2018-2028 for Enviroschools staff position and programme costs.
29. That council **support the removal of** \$68,880 from the 2020/21 budget, previously approved in the Long Term Plan 2018-2028 for sponsorship, intern and environmental awards funding.
30. That council **support the removal of** \$104,004 from the 2020/21 budget, previously approved in the Long Term Plan 2018-2028 for painting of the Water Street building and vehicle costs.
31. That council record that it considers it can make the changes described in recommendations 25 to 30 without consultation, on the basis that in relation to what the Long Term Plan 2018-28 provides for the 2020/21 year, none of them are a significant change, and that they are not a material change, either by them self, or in combination with others.

Carried

Matters arising from Recommendations 25 – 31

- There was unanimous support from council for the Enviroschools Programme and it was agreed that the Enviroschools staff position (Recommendation 28) be included on the council priority list to be reinstated if funding was forthcoming.
- Attention was drawn to the success and importance of the Environmental Awards for 'acknowledging and celebrating the efforts of our people' (Recommendation 29). Clarification was provided that the awards would proceed but in reduced capacity.

Alterations to 2020/21 budget

It was further moved (Blaikie/Craw)

32. That, in consideration of the desired level of rate increase for the 2020/21 financial year, council **support** a reduction in the business-as-usual budget by \$686,720.
33. That, in consideration of the desired level of rate increase for the 2020/21 financial year, council **support** a reduction in the recruitment budget by \$411,449.
34. That council record that it considers it can make the changes described in recommendations 32 and 33 without consultation on the basis that in relation to what the Long Term Plan 2018-28 provides for the 2020/21 year, none of them are a significant change, and that they are not a material change, either by them self, or in combination with others.

Carried

Matters arising from Recommendations 32 – 34

It was stressed that whilst council was proposing a rate increase it was making a major reduction in business as usual budgets and 'cutting our cloth to fit the current crisis'.

Use of reserves and funds

It was further moved (Stolwerk/Blaikie)

35. That, in consideration of the desired level of rate increase for the 2020/21 financial year, council **support** the allocation of \$150,000 from the Equalisation Fund Reserve, to fund general operating activities.
36. That, in consideration of the desired level of rate increase for the 2020/21 financial year, council **support** the allocation of \$1,700,000 from the Community Investment Fund, to fund the economic development activities.
37. That in consideration of the desired level of rate increase for the 2020/21 financial year, council **support** the allocation of \$696,838 from the Community Investment Fund, and \$250,000 from the Infrastructure Investment fund, to fund general operating activities (\$401,686) and council's Environment Fund (\$545,152).
38. That council record that the allocation of gains from the Community Investment Fund described in resolution 37 is inconsistent with the assumptions made in the Long Term Plan 2018-2028, and the use of the fund for purposes other than economic development, but that this is not considered to be a material departure from the Long Term Plan 2018-2028. The use of the gains to fund activities is broadly consistent with the Revenue and Financing Policy and the achievement of objectives set out council's financial strategy, and is required in response to the significant decrease in investment income experienced as a result of the economic downturn associated with Covid-19.
39. That in consideration of the desired level of rate increase for the 2020/21 year and the economic impacts of Covid-19 on council's property investments, council **support** the allocation of \$123,583 from the Property Reinvestment fund to fund general operating activities.
40. That council record that it considers it can make the allocation of funds described in recommendations 35 to 37 and 39, as the allocation is consistent with the purpose of the reserve (as applicable) or the use of investment returns to reduce targeted region-wide rates in council's Revenue and Financing Policy in the case of the use of money from other funds.

Carried

Matters arising from Recommendations 35 – 40

- Appreciation was extended to staff for the work developing a budget in the face of council losing substantial revenue across the breadth of its activities.
- Support was expressed for the retention of the full budget for the Environment Fund (Recommendation 37) given it was a 'grass roots fund' that incentivised land owners.
- The Independent Financial Advisor provided commentary on the use of reserves. It was advised that the proposal would not diminish reserves below their designated cap. The reserves were ratepayers' money, had accumulated as a result of prudent investment and the purpose of which was to take pressure off ratepayers. This was the appropriate time for council to 'review what it can afford and spend wisely'. Appreciation was extended to the team for developing models that provided assurance.
- Appreciation was also extended to the prudent approach of previous councillors and staff who had had the foresight to establish these funds for critical situations such as this.

Secretarial Note: The meeting adjourned at 10.47am and reconvened at 11am. At this time the Chair clarified that Recommendation 41 summed up the rate increase as a result of the previous decisions.

Rates increase

Moved (Stolwerk/Yeoman)

41. That council **support** an overall rate increase of 4.5% for the 2020/21 year to fund the annual plan proposals in recommendations 12, 13, 17 - 22, and 24 above, and proposals that were approved for year three of the Long Term Plan 2018-2028 and aren't recommended for removal in 25 – 30 above, and to deliver a balanced budget.

This recommendation represents a change from what was proposed in the Annual Plan 2020/21 Consultation Document.

Matters arising from Recommendation 41

- It was stressed that council was taking a prudent approach by proposing a 4.5% rate increase compared to the 8.6% consulted on in the Draft Annual Plan.
- Council was in a unique position given the submission period had spanned into the rapidly developing situation with Covid-19 and the submissions that specifically related to this had been taken into consideration.
- It was stressed that any rate increase less than 4.5% and council 'would go backwards'.
- Councillor Crow proposed an amendment that council support an overall rate increase of 2.2% for the 2020/21 year and that staff investigate further savings to meet that rate strike. The amendment lapsed for lack of a seconder (as per Standing Order 23.1).
- It was stressed that this decision was 'not being made lightly'.
- It was suggested that council had a dual purpose; it needed to be in a position to leverage projects that were good for Northland while maintaining the important role as guardians and regulators for the environment. A 4.5% rate increase would keep the organisation functional and support the environment going forward.

An amendment was moved (Blaikie/Robinson)

- 41a. That council support an overall rate increase of 4.0% for the 2020/21 year and that staff investigate further savings to meet the rate strike.

Lost

Matters arising from the amendment to Recommendation 41

- It was stressed that council must be empathetic to the financial effects of COVID-19/the drought and the strong message for a zero rate increase emanating through the later submissions on the Draft Annual Plan. It was suggested that council would be able to capitalise on opportunities from central government which would allow the reduction in a rate increase by 0.5%.
- It was also noted that the way rates were structured, predominantly based on land value, the rating burden was greater for rural property owners.
- Clarification was provided that if council decided on a rate increase less than 4% it would need to re-consult with the community.
- It was stressed that if council decided on a rate increase less than 4.5% it may result in a large rate increase in the future to compensate.

- It was further stressed that the current proposal for a 4.5% rate increase was appropriate given the substantial budget cuts that had been made and the fact that council's full loss of revenue was as yet unknown.

Secretarial Note: Given the amendment was lost the meeting resumed debate on the original motion (as per Standing Order 23.7).

Further matters arising from Recommendation 41

- It was stressed that this was a difficult decision, but council must bear in mind the legislative expectations and community expectations of council. It was acknowledged that any rate increase would be unwelcome, but a 4.5% rate increase was the 'balance we need to achieve at this difficult time'.
- It was important for council to demonstrate financial prudence but at the same time the role of the regional council was critical, and it would not be prudent for it to reduce its levels of service. It needed to look futuristically, it needed to hold the line environmentally and show leadership. Toitū te whenua, Toitū te moana, Toitū te tangata. If the land is well, if the sea is well, the people will thrive.

Secretarial Note: The Chair then put the original motion.

Moved (Stolwerk/Yeoman)

41. That council **support** an overall rate increase of 4.5% for the 2020/21 year to fund the annual plan proposals in recommendations 12, 13, 17 - 22, and 24 above, and proposals that were approved for year three of the Long Term Plan 2018-2028 and aren't recommended for removal in 25 – 30 above, and to deliver a balanced budget.

This recommendation represents a change from what was proposed in the Annual Plan 2020/21 Consultation Document.

Carried

Councillors Craw and Blaikie voted against the motion.

Council deliberations on the User Fees and Charges 2020/21 (Item 3.2)

ID: A1302962

Report from Robyn Broadhurst, Policy Specialist and Kyla Carlier, Corporate Planning Manager

Moved (Stolwerk/Yeoman)

1. That the report 'Council deliberations on the User Fees and Charges 2020/21' by Robyn Broadhurst, Policy Specialist and Kyla Carlier, Corporate Planning Manager and dated 7 April 2020, be received.
2. That Jonathan Gibbard, Group Manager – Strategy, Governance and Engagement be given delegated authority to approve any consequential amendments as a result of council decisions on submissions and any minor accuracy and grammatical amendments.
3. That council supports the inflationary increase in charges contained in the Draft User Fees and Charges 2020/21 by 2.2%, as set out in the schedule.

4. That council supports the Draft User Fees and Charges 2020/21 as notified, and direct staff to prepare the final user fees and charges for council adoption in June 2020.

Carried

Matters arising from Recommendations 1 - 4

- It was recommended that the proposed user fees and charges were the 'right balance' and that significant changes were not appropriate at this time.
- There was general agreement that as part of the Long Term Plan process council would need to examine user fees and charges to determine whether costs were fairly apportioned.

Secretarial Note: Before closing the meeting the Chair extended appreciation to councillors for their contribution to the Annual Plan Deliberations.

Conclusion

The meeting concluded at 11.42am.