RURAL CITY LIVING

GORE DISTRICT COUNCIL

**Minutes of an extraordinary meeting of the Gore District Council, held in the Council Chambers, James Cumming Wing, 10C Ardwick Street, Gore, on Tuesday 7 July 2020, at 4.03pm**

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| **Present** | **His Worship the Mayor, Mr Tracy Hicks JP, Crs Dickson, Gardyne, D Grant JP, N Grant, Highsted, MacDonell, McPhail, Phillips and Reid.** |
| **In attendance** | **The Chief Executive (Mr Stephen Parry), Chief Financial Officer (Ms Lornae Straith), HR/Administration Manager (Susan Jones), Communications-Marketing Manager (Sonia Gerken), Accountant (Mrs Donna McKewen) and four members of the public in the gallery.** |
| **Apologies** | **Cr Bolger and Davis apologised for absence.** |

1. ADOPTION OF THE ANNUAL PLAN 2020-21 (SC2820)

A memo had been received from the Accountant together with a copy of the draft Annual Plan for 2020-21. The preparation of the Council budget for 2020/2021 had been a challenging exercise. The current year meant that Council activities had been disrupted with Covid-19 and the severe restrictions that were put in place. Overall, there were relatively few changes for what was set out for year three of the 10 Year Plan. However, due to the change in economic conditions the Council was determined to provide a prudent rates increase for ratepayers.

The proposed rates increase for the third year of the 10 Year Plan was 4.53%. Prior to Alert Level 4 of Covid-19 restrictions, the Council was looking at a proposed rates increase of 6.7%. After extensive fine tuning of the budget, savings were able to be identified to enable the rates increase to be minimalised. That had resulted in the proposed rate increase of 2.84%.

Due to the change in economic circumstances, the Annual Plan 2021 would not balance its budget in the 2021 year. When the Council adopted the 10 Year Plan it forecast that it would be running a balanced budget. Due to underlying changes from the 10 Year Plan which mainly centred on reducing the overall rating impact on ratepayers, the budget was now unbalanced by $730,000. The main driving force behind that situation was the removal of $2,000,000 in subsidies for the Murauwai

Project. After the project received approval from the Provincial Growth Fund, the corresponding budget was removed. The Hokonui Moonshine Trust had taken full ownership of the project and funding received.

It was important to note that it was not a cash deficit. The prospective statement of cash flow showed positive operating cash flow of $5,834,000 which was applied to capital expenditure and debt repayment.

The unbalanced budget in 2021 was considered to be financially prudent given that:

- It would not affect the Council's ability to achieve the predicted levels of service, service capacity or the integrity of the assets.
- The Council would have sufficient income to meet its cash expenses.
- To balance the budget an extra 4.21% increase on rates would have been required in the 2021 year. That would have been a breach of the self-imposed rating cap of 5% and given the two previous points, would be an unnecessary increase in cost to the ratepayer.
- The Council maintained a very strong financial position. For example, the Council's forecast term debt was 8% of its total assets.
- There was nothing in any of the Council's financial policies that precluded it from adopting an unbalanced budget.

His Worship said there had been a high level of interest in the draft Plan and strong lobbying from Federated Farmers. He thought it appropriate that any Councillor who was a member of Federated Farmers should declare a conflict of interest. He was confident that any conflict could be managed. Cr Gardyne advised he was a member. Cr Highsted said his employer, Tulloch Farms was a member of Federated Farmers.

His Worship had expected a presence from Southland Federated Farmers at the meeting and had extended an invitation for a representative to speak at the meeting, however, that had not been responded to.

The Chief Executive said the annual plan had been disrupted by the February floods, Covid-19 and the departure of the former Chief Financial Officer. Annual plans had changed in recent years in that there was no requirement for consultation to be undertaken unless there was a significant departure from a Council's Long Term Plan (LTP). It was important to note that the Council's Revenue and Financing Policy was the basis for striking the rates. The policy was reviewed every three years as part of the LTP process. The UAGC had been frozen in 2015 at $650 per property and would remain frozen until such time as the UAGC reached a point of 25% of total rates. That was an important point to understand and that was what the staff had applied for this year's rates strike. That had impacted on the rating differences between urban and rural as 65% of the balance was met by the rural sector according to the Revenue and Financing Policy. Any notion that the staff had somehow changed the rules or application of the Council's policy was completely untrue. The District revaluation announced late in 2019 had had an impact and were being used for the rates strike.

The new valuations would result in some differences especially if there was an increase in a property's value over and above the normal increase experienced by those properties in the same rating areas, eg lifestyle blocks which had increased as a percentage greater than say large farms. A similar situation arose in the urban area with lower valued properties in particular, which were popular.

Cr Gardyne was disappointed with the problems suffered prior to last week's meeting and the changes at this meeting resulted in a 4.7% increase. It would have been good to have heard the explanations at a workshop. He asked if the UAGC was at its maximum of 25% this year. His Worship confirmed it was and said there were only a certain number of elements that could go into the UAGC. The Chief Executive said the Revenue and Financing Policy could not be changed unless it went through a consultation process. It was part of a suite of policies in local government that had to be consulted with before any change was implemented. That was why any changes to it were restricted to each LTP. It was a detailed undertaking. Cr Gardyne said some of the activities spilling over outside the UAGC would continue unless the LTP was changed. His Worship said the Council would need to review that and while the UAGC was capped at 25% the maximum it could be was 30%. Anything that spilt over was rated on capital value and with rural properties making up 65-70% of the District's capital value, it would have an impact.

Cr Gardyne asked why the capital value differential had changed from 2019 to this year between rural and urban. The Chief Executive said 65% of the capital value in the rural area would change the rate in the dollar. Cr Gardyne thought the general rate would be the same over all the capital value in the district but there were variations. His Worship said for that to happen there would need to be the same shift in values across the urban, industrial and rural areas, but that was not the case. The Chief Executive said there needed to be some differentiation between district wide capital value rating and the targeted rates used for the libraries and pool. The UAGC components were quite different. Those types of tools were available for exploration as part of the policy review. In response to Cr Gardyne, the Chief Executive said the policy could not be changed at the meeting. The Council was obligated to undergo a formal review to amend the policy and it would then need to consult with the community. He had had the process confirmed by a preeminent local government specialist at Simpson Grierson earlier in the day and said any review of the process would take at least two months to comply with the legislation.

In response to Cr Gardyne, the Chief Executive said about $650,000 had been removed from the budget and no consideration had been given to the impact the reductions would have. He appreciated the frustrations being expressed and said concerns around fairness would be the subject of a lot of discussion in the coming months with the LTP. Taking something away from one area would place a burden on another. The Council's Revenue and Financing Policy in the way it sets rates was very complex.

A copy of three graphs showing the average percentage rate increases over a ten year period had been tabled at the meeting. His Worship said they showed there had been winners and losers over that time.

Cr McPhail said in relation to how the Council had ended up, how did the Councillors provide assurance to the community that it would not be in the same situation again going forward? His Worship said confidence would be provided by the auditors who were currently on site. In terms of what happened in the future that came down to the political will around the table to either make changes or leave things the way they were. Rating was a political exercise and there would be winners and losers. The Chief Executive said he had no reservations about the future. The valuation issue was a one-off. There had been a rare set of circumstances this year. There had not been a consultation document prepared because the country was in Level 4 lockdown. His biggest encouragement for elected members was to get involved with the mechanics of the rating process so they could participate in it. There needed to be a diversity of views and a good debate. The first report for the next LTP would be on the July Council meeting agenda. It was the Councillors opportunity to get involved with the workshop programme. He said modelling was also a good tool to use to test how various options may work out. His Worship endorsed those comments and said there would be a number of workshops held. A commitment was required from all Councillors to participate so that they could have confidence with next year's rate setting and the structure of it, knowing that all opportunities had been explored.

Cr Highsted was concerned at where the Council found itself. There had been extraordinary circumstances this year with floods, a departing CFO and Covid-19. Gore had a small team. The Council had a Revenue and Financing Policy and this was the third year it was rating under the same policy. The past two years the Council had not heard from Federated Farmers. One could conclude that Federated Farmers were only vocal when the rates increase did not suit it. There were also revaluations which would increase the rates requirements. There were winners and losers. If the Council took a three year view, urban had an average rates increase of 4.54% and rural 4.58%. It seemed some quarters were using the errors to create civil unrest and a divide between urban and rural. He found the insinuation of a rating manipulation by Council staff to be unpalatable. The accusation amounted to fraud and as Chair of the Audit and Risk Committee he required Councillors to inform him of any wrongdoing. It was serious. To manipulate the UAGC to deliver a higher increase to lower properties was a complete contradiction to what the Council had said in 2015. Rates were about 1.5% of a farmer's expenditure. But they could claim GST and a taxable deduction. They only paid one UAGC for their home and business. It needed to be kept in perspective. He recalled a previous tatement from David Cooper of Federated Farmers who said Gore was one of the fairest to rural ratepayers. Rating examples on pages 54 and 55 of the annual plan did reflect some unexpected variances. One example with an 8.52% increase was based on a QV value of 800k this year compared to 700k last year. The increase included an additional 100k of capital value that had not been driven by the Council. Comparing the same property to an 800K property last year, the actual increase was 2.23%. That was comparing apples with apples. He would guarantee that very few Councillors around the table would understand the approach unless they spent a lot of time researching it. He asked the Chief Executive about the insinuation that staff had manipulated the Revenue and Financing Policy and what the consequences would be under audit. He recalled extensive lengths gone to in the past to ensuring rates resolutions were correct. The Chief Executive said the auditors went through the rates resolution, the calculation of the UAGC and the annual plan with a fine tooth comb. The Office of the Auditor General had stated rating was a form of taxation and had to be exercised with a high degree of accuracy. There was no way staff would manipulate the rates. It made no sense whatsoever. Cr Highsted referred to Cr McPhail's question about certainty and recalled at the last extraordinary meeting supporting having the Audit and Risk Committee involved in ensuring that the certainty of the rating process was above reproach. The Chief Executive confirmed he had recorded that to action.

Cr D Grant supported Cr Highsted's comments. Each Councillor around the table had their own strength. He had received a call from a Waikaka resident asking how he was going to vote. They had a debate about how the system worked. He had told the resident his strengths were not accounting based. He had added due to flooding and Covid-19, that more in-depth examples were not able to be provided to Councillors. It was fortunate that Cr Gardyne had noticed the error. Cr Grant was told if he didn't vote against the annual plan his business would be targeted. He had not signed up for that sort of rubbish. Each elected member did the best they could. He said the graphs tabled at the meeting should have been included in the annual plan as they would have helped people understand. He would be voting to adopt the annual plan.

His Worship acknowledged each Councillor had their own strengths and was concerned that bully boy tactics were being used to threaten businesses. That made him mad. There was no place in the Council or the community for that type of behaviour.

Cr Gardyne said the threats were an individual's opinion, not Federated Farmers. If rates percentages were turned into dollar increases he thought rural people would have had a larger increase than other areas. He said it had been pretty fair the last two years but it was not fair this year. He picked up the error a couple of weeks ago and had let the Council know. He informed Federated Farmers but it went no further. He did not participate in the correspondence submitted by Federated Farmers to Councillors. Federated Farmers had made their own opinions and had not accused the Council of fraud. It was questioning the Council what it was doing. He questioned if the Council had adopted the annual plan last week, would the error had been picked up.

His Worship took the point that individuals made statements but there was no place for that sort of tactic in the community. He acknowledged that Cr Gardyne had been an eagle eyed observer to pick the problem up. Cr Gardyne said he had approached the Chief Executive. He did not go to the media. He did it the right way.

Cr Highsted quoted from the letter from Geoffrey Young of Federated Farmers who stated "*More concerning is the indication these changes have been made without Councillors being informed. The changes reflect a clear and deliberate intention to increase the rates paid by rural ratepayers to the benefit of other sectors and it is not at all clear that Councillors have been made aware of these changes.*" That was the basis he had made his comments about fraud. It was pretty clear to him. Cr Gardyne said it was not fraud. Mr Young was asking the question. Cr Highsted believed the comments "*… a clear and deliberate intention to increase …*" was not a question. It was a statement and insinuated that the staff were manipulating the Revenue and Financing Policy. That was fraud. He took a different view. People around the table were in it together and wanted to achieve the best outcome for everyone. He said his comments were rural centric, but the attack had come from the rural sector. He was also a rural ratepayer at the moment.

Cr MacDonell noted there were two new major projects this year that had not been included in last year's rural rates including the Pyramid Bridge and Falconer Road. He was surprised last week at the error in the draft plan. He said Cr Gardyne had rung him and told him about it and he had compared it with last year's rates. There had been a lot of variations.

Cr Gardyne said using the rural fund had been discussed previously about reducing debt which would alleviate rural rates. He noted nothing had been done about it and he thought the fund was sitting at about $500,000 to repay some debt. Using two thirds of it could assist the rural sector. His Worship said it could be put into the mix during the LTP process. The fund had been the subject of much discussion in past years.

Cr MacDonell referred to a table on page 68 where the number of UAGCs did not add up. There was a number missing. He asked about the special reserve funds and how many were backed by cash. The Accountant said the number in the table did have a missing number and should have read 1,673. She said there were some funds held in term deposit amounting to about $2 million. The Chief Executive said the special bequests had their own cash.

Cr D Grant questioned whether the Mimihau Community Centre was located in the Gore District. The Chief Executive said part of the rateable area for that community centre would be in the Gore District, but not the building itself.

Cr Reid thanked Cr Highsted for his diligence and his earlier comments. She did not appreciate the external comments that had been directed at elected members.

**RESOLVED on the motion of Cr Highsted, seconded by Cr Reid, THAT the unbalanced budgets in the draft Annual Plan 2021 are considered to be prudent in the circumstances of the Council's current financial situation,**

**THAT the draft Annual Plan 2021 be adopted,**

**<u>AND THAT</u> the Chief Executive be authorised to make any layout and formatting changes required to publishing the Annual Plan 2021.**

**2020/77**

***Cr Gardyne voted against the motion and asked for it to be recorded.***

2. <u>RATES RESOLUTION</u> (SC2825)

A memo had been received from the Accountant providing a recommendation to set the rates for the 2020-21 financial year.

**<u>RESOLVED</u> on the motion of Cr Highsted, seconded by Cr Phillips, <u>THAT</u> under the Local Government (Rating) Act 2002, the Council set the following rates on rating units in the district for the financial year commencing 1 July 2020 and ending on 30 June 2021:**

***a. Uniform Annual General Charge***
**A uniform annual general charge set under section 15 of the Local Government (Rating) Act 2002 for all rateable land in the district of $747.88 (GST inclusive) per separately used or inhabited part of a rating unit.**

***b. General rate***
**A general rate set under section 13 of the Local Government (Rating) Act 2002 for all rateable land in the district of an amount of $0.000503 (GST inclusive) in the dollar of capital value of the land.**

***c. Southland Regional Heritage Trust rate***
**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 in relation to all rateable land in the district, to fund the Council's contribution to the Southland Regional Heritage Trust, of an amount of $38.07 (GST inclusive) per separately used or inhabited part of a rating unit.**

***d. Targeted rate for various specified activities***
**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 to fund the following activities: roading; civil defence; aquatic facilities; district libraries; property; MLT Event Centre and public toilets. The rate is set based on the capital value of the land and at different rates in the dollar for different categories of land as follows:**

| Categories of rateable land | Per $ of capital value (GST inclusive) |
|---|---|
| Gore, residential | 0.001561 |
| Gore, commercial | 0.004076 |
| Mataura, residential | 0.000501 |
| Mataura, commercial | 0.003537 |
| Rural | 0.000763 |
| Heavy industry 1 | 0.063564 |

| | |
|---|---|
| **Heavy industry 2** | **0.011330** |
| **Heavy industry 3** | **0.012318** |
| **Utilities** | **0.000861** |

e. ***Parks and reserves residential rate***
**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for parks and reserves on all rateable land defined as residential, and at different amounts for different categories of such land as follows:**

| Categories of rateable land | Factor(s) for calculating liability | Rate (GST inclusive) |
|---|---|---|
| Gore, residential | Per separately used or inhabited part of a rating unit | $328.17 |
| Mataura, residential | Per separately used or inhabited part of a rating unit | $257.77 |

f. ***Parks and reserves rural rate***
**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for parks and reserves on all rateable land defined as rural, and at different fixed amounts for different categories of such land, as follows:**

| Categories of rateable land | Factor(s) for calculating liability | Rate (GST inclusive) |
|---|---|---|
| Rural, capital value $0 - $175,000 | Per separately used or inhabited part of a rating unit | $219.10 |
| Rural, capital value $175,001 and above | Per separately used or inhabited part of a rating unit | $355.20 |

g. ***Parks and reserves commercial rate***
**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for parks and reserves on all rateable land defined as commercial, and at different amounts or rates in the dollar for different categories of such land, as follows:**

| Categories of rateable land | Factor(s) for calculating liability | Rate (GST inclusive) |
|---|---|---|
| Commercial, capital value $0 – 98,000 | Per rating unit | $450.00 |
| Commercial, capital value $98,001 - $955,000 | Capital value | $0.004503 |

| | | |
|---|---|---|
| **Commercial, capital value $955,001 and above** | **Per rating unit** | **$4,450.00** |

***h. Water rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for water supply, at different amounts for different categories of land as follows:**

| **Categories of rateable land** | **Factor(s) for calculating liability** | **Rate (GST inclusive)** |
|---|---|---|
| **Gore or Mataura water scheme – connected** | **Per separately used or inhabited part of a rating unit** | **$394.84** |
| **Gore or Mataura water scheme – serviceable** | **Per separately used or inhabited part of a rating unit** | **$197.42** |

***i. Additional water rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for water supply, on all non-residential land which is connected to the Gore or Mataura water schemes, of an amount of $394.84 (GST inclusive) per connection after the first connection.**

***j. Wastewater and stormwater rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for wastewater and stormwater at different amounts for different categories of land, as follows:**

| **Categories of rateable land** | **Factor(s) for calculating liability** | **Rate (GST inclusive)** |
|---|---|---|
| **Gore or Mataura scheme, connected** | **Per separately used or inhabited part of a rating unit** | **$439.38** |
| **Gore or Mataura scheme, serviceable** | **Per separately used or inhabited part of a rating unit** | **$219.69** |
| **Waikaka scheme, connected** | **Per separately used or inhabited part of a rating unit** | **$135.70** |
| **Waikaka scheme, serviceable** | **Per separately used or inhabited part of a rating unit** | **$67.85** |
| **Pukerau scheme, connected** | **Per separately used or inhabited part of a rating unit** | **$101.78** |

*k.* ***Additional wastewater and stormwater rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for wastewater and stormwater on all non-residential land connected to the Gore, Mataura or Waikaka wastewater and stormwater schemes, at different amounts for different categories of land, as follows:**

| Categories of rateable land | Factor(s) for calculating liability | Rate (GST inclusive) |
|---|---|---|
| Connected to Gore or Mataura scheme, short term accommodation | per water closet or urinal after the first | $219.69 |
| Connected to Gore or Mataura scheme, educational institutions | per water closets or urinals after the first. The number of water closets or urinals will be assessed on the basis of 6.25% of the total number of staff and pupils at each establishment | $439.38 |
| Connected to Gore or Mataura scheme, all other non-residential rating units (excluding educational institutions) | per water closet or urinal after the first | $439.38 |
| Connected to Waikaka scheme, all non-residential (excluding educational institutions) | per water closet or urinal after the first | $135.70 |

*l.* ***Otama water unit allocation rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for the Otama water scheme on all land connected to the scheme, of an amount of $200 (GST inclusive) per water unit allocation ie on the extent of the provision of the service.**

*m.* ***Otama water connection rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for the Otama water scheme on all land connected to the scheme, of an amount of $215 (GST inclusive) per water connection.**

*n.* ***Solid waste rate***

**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for solid waste at different amounts for different categories of land as follows:**

| Categories of rateable land | Factor(s) for calculating liability | Rate (GST inclusive) |
|---|---|---|
| Gore and Mataura, vacant land (unserviced) | Per separately used or inhabited part of a rating unit | $73.02 |
| Gore and Mataura, small wheelie bin service (80 ltr) | Per separately used or inhabited part of a rating unit | $251.23 |
| Gore and Mataura, (standard wheelie bin service (240 ltr) | Per separately used or inhabited part of a rating unit | $295.86 |

**o. Community hall rate**
**A targeted rate set under section 16 of the Local Government (Rating) Act 2002 for rural halls as follows:**

| Categories of rateable land | Factor(s) for calculating liability | Rate (GST inclusive) |
|---|---|---|
| Brydone hall area | Per separately used or inhabited part of a rating unit | $24.22 |
| Mandeville hall area | Per separately used or inhabited part of a rating unit | $46.00 |
| Otama hall area | Per rating unit | $80.50 |
| Pukerau hall area | Per separately used or inhabited part of a rating unit | $36.00 |
| Tuturau hall area | Per separately used or inhabited part of a rating unit | $34.86 |
| Waikaka hall area | Per separately used or inhabited part of a rating unit | $50.00 |
| Knapdale hall area | Per separately used or inhabited part of a rating unit | $57.50 |

**2. That all rates will be payable in four instalments with the due dates for payment being:**

| Instalment No | Period covered | Due date for payment |
|---|---|---|
| 1 | 1 July to 30 September | 28 August 2020 |
| 2 | 1 October to 31 December | 27 November 2020 |
| 3 | 1 January to 31 March | 26 February 2021 |
| 4 | 1 April to 30 June | 28 May 2021 |

3. **Penalties**
   **That a 10% penalty will be added to each instalment, or any portion of the instalment, of rates assessed in the 2020/2021 rating year that remain unpaid on the day after the due date for payment of that instalment.**

   **That additional 10% penalties will be added to any rates assessed in previous financial years that remain unpaid on 14 July 2020; and then again on 14 January 2021.**

   **Only payments actually received at the Council offices named below will be accepted as paid on that date.**

4. **Method of payment**
   **Rates can be paid at the main Council office in Bowler Avenue, Gore or at the Mataura Service Centre in Bridge Street, Mataura.**

   **Payments may be made in cash or by cheque or EFTPOS. Credit card payments may be made online via the Council's eservices website. A 2.88% surcharge will be added to any credit card payment.**

   **Electronic payments by direct debit or online banking can be arranged by contacting a customer services representative on 209-0330.**

***Crs Gardyne and MacDonell voted against the motion and asked for their votes to be recorded.***

**2020/78**

## 3. WASTE MANAGEMENT AND MINIMISATION PLAN REVIEW (SC0708)

A report had been received from the General Manager Infrastructure presenting the outcomes of the Southland Waste Management and Minimisation Plan review undertaken by WasteNet Southland, and to request support from the Council to accept the recommendations from the Waste Advisory Group.

Territorial authorities were required to have a Waste Management and Minimisation Plan in accordance with the Waste Minimisation Act 2008. The WasteNet Councils had jointly prepared and adopted the Southland Plan in 2012. WasteNet Southland had engaged external consultants to assist with reviewing the Waste Plan. The first stage of the review, the Southland Waste Assessment, had been complete and adopted by the WasteNet Councils. A copy had been circulated with the agenda for adoption by the Council together with a copy of the draft minutes of the Waste Advisory Group (WAG) meeting held on 25 June 2018. Approving the recommendation would ensure that the Council received the next quarterly funding payment from the National Waste Minimisation fund as indicated in the minutes of the WAG meeting.

**RESOLVED on the motion of Cr D Grant, seconded by Cr Dickson, THAT the report be received,**

**THAT the Council approve the Waste Advisory Group recommendation to adopt the Southland Waste Assessment 2020 subject to approval from the Medical Officer of Health,**

**AND THAT the Council adopt the Waste Advisory Group recommendation to amend the Southland Waste Management and Minimisation Plan.**

**2020/79**

The meeting concluded at 4.58pm