# ANNUAL PLAN 2019/20

Variations to Year Two of the Long Term Plan 2018-28

## Consultation Document

Including a proposed amendment to the Long Term Plan 2018-28 for Community Housing.

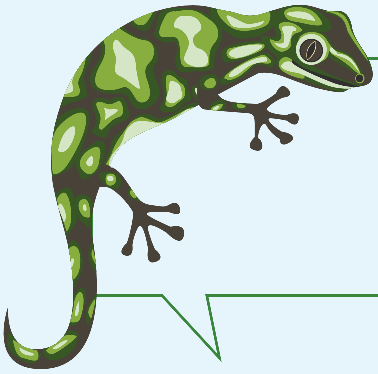
# SHAPING NELSON'S FUTURE

Nelson City Council
te kaunihera o whakatū

# WHAT'S IN THIS CONSULTATION DOCUMENT

ngā rārangi take o te uiuinga nei





## Watch out for Gabe the Nelson Green Gecko

Look for Gabe as he points out the consultation issues and other matters we'd like your feedback on.



Nelson City Council
te kaunihera o whakatū

# THE ANNUAL PLAN CONSULTATION DOCUMENT 2019/20 IS OPEN FOR SUBMISSIONS

Council's Annual Plan Consultation Document outlines the main changes to Council plans for 2019/20, compared to what was approved in the Long Term Plan 2018-28.

Supporting information for the Annual Plan Consultation Document is available on our website at **nelson.govt.nz/annual-plan-2019-20**

## 2019 TIMELINE

**Consultation opens:** 29 March

**Consultation closes:** 5.00pm, 2 May

**Hearings:** 14, 15 and 16 May

**Council deliberations:** 4 and 6 June

**Council adopts Annual Plan:** 27 June

**Annual Plan comes into effect:** 1 July

MARCH | APRIL | MAY | JUNE | JULY

## HOW TO HAVE YOUR SAY – IT'S EASY!

### Whakahoki kōrero mai

Submissions on the Annual Plan 2019/20 Consultation Document can be made online at **nelson.govt.nz**, or using the submission form at the back of this document. Submissions must be received **by 5.00pm on 2 May 2019**.

All submitters may speak to their submissions at the **public hearings on 14 – 16 May 2019**. Council will then write to submitters and provide feedback on any suggested changes.

We have popped a feedback form into every copy of this document. You can pick up more from our:

- Customer Service Centre at the corner of Trafalgar and Halifax Streets
- The public libraries in Nelson, Tahunanui and Stoke
- Online at **nelson.govt.nz**
- Or write your own

**NOTE:** All numbers in this document exclude GST unless otherwise stated. All references to the 'Long Term Plan' refer to the Long Term Plan 2018-28.

# MAYOR'S MESSAGE

E ngā mana, e ngā reo
E ngā rau rangatira mā
Tēnā koutou katoa

Our Long Term Plan set four key priorities to guide us over the next ten years. These are: future-proofing core infrastructure, protecting and enhancing our natural environment, developing our City Centre, and lifting Council performance. This Annual Plan Consultation Document outlines our continued commitment to delivering a balanced programme of projects that support these priorities.

The Long Term Plan also focussed on the importance of working in partnership. Throughout the last year we have continued to work together to strengthen our relationship with iwi and the marae. The Council is committed to continue working with the eight iwi of Te Tau Ihu to progress and strengthen this partnership through collaborative engagement and decision making throughout this next year and beyond.

The Annual Plan also maintains the financial strategy that we consulted on through the Long Term Plan. This includes our commitment to carefully manage rate increases and debt levels within capped levels. These caps were set at a conservative level while ensuring that we can continue to invest in our city. Our Long Term Plan projection for 2019/20 was 3.9% rates increase and $121.5 million Total Net Debt. Caps were set at 4.3% for rates and $173.4 million Total Net Debt for this financial year.

This Annual Plan proposes an average rates rise of 4.2%, which is 0.3% higher than projected, however remains within the rates cap. Total Net Debt is forecast to be $91.9 million, which is $29.6 million less than projected in the Long Term Plan.

A strong area of focus for our Annual Plan 2019/20 is climate change. Council recognises that climate change mitigation and adaptation present key challenges for our region, country and the globe. We need to build our resilience and harness innovation to ensure we can plan and act in a responsive and responsible way. Given the immediacy and scale of the challenge, we propose to deliver some new climate change initiatives this year. This includes work to better understand Council's and the community's emissions profile in order to establish a benchmark and identify opportunities to reduce emissions. We are also building resilience to climate-related hazards in the coastal margin where many of us live and work. Regular dialogue with the community, including business, will enable us to build partnerships that advance our mitigation and adaptation aims.

We also continue our focus on the City Centre. This year we will design and scope a range of projects to support and develop existing precincts and link them to Nelson's outstanding natural and cultural environment. We are also working to improve walkability and liveability, and encourage high quality development and investment. Building on the success of the upper Trafalgar Street summer closure, a series of trials will be undertaken to use laneways, and promote hospitality and events. This will contribute to the City Centre being an exciting and attractive place to enjoy throughout the year. It will also build momentum as we work towards a refreshed City Centre Plan.

Outside of the City Centre, we are continuing to invest in the wide range of parks and recreation facilities that offer so much enjoyment to the community. This includes ongoing weed control in the Grampians Reserve, and investigation of an all-weather artificial turf.

Council recognises we need to support all of our citizens, including the most vulnerable, so a $50,000 increase in our funds allocation is proposed to support social development partnerships in Nelson.

Many Nelson residents face difficult circumstances because they can't find appropriate housing. Council has participated in two well-attended housing forums to discuss what can be done by a wide range of organisations and businesses to tackle this issue. Alongside this, Council has been considering the best way to achieve much needed investment in our own community housing portfolio. You'll see there is an opportunity to give your views on the future of our community housing on page 36.

Council's ability to deliver a range of high-quality amenities and services to our community relies on a well-resourced and capable Council. The Chief Executive's Message outlines his advice on how we can achieve this.

I encourage you to have your say on the proposals outlined in this document and to put forward your ideas to help us support a thriving Nelson Whakatū. Your views are essential as we arrive at the right balance of projects to meet the interests and aspirations of our residents.

Our region continues to deliver outstanding opportunities to live well but in recent times we have also faced some big challenges. I am looking to the year ahead with renewed confidence and optimism that we are up to the challenges. That optimism is based on the incredible spirit demonstrated by the community in drawing together and supporting each other during last year's storm event and this year's fires and water shortage. That sense of whanaungatanga (connection and working together) bodes very well as we look to deliver on this year's Annual Plan, tackle the climate change challenge, and maintain our long term aspirations for this special corner of the world - Nelson the smart little city - he tāone tōrire a Whakatū.

Nō reira,

Tēnā koutou, tēnā koutou, tēnā koutou katoa

**Rachel Reese**
MAYOR OF NELSON

# CHIEF EXECUTIVE'S MESSAGE

For some time prior to the development of the Long Term Plan Council had been concerned that, although very committed, our staff were facing unsustainable volumes of work. This had significant implications for their ability to deliver for the community and, in many cases, also for their individual wellbeing. Internal surveys told us that, while staff were proud of Nelson and want to serve the community, too many were dissatisfied with the Nelson City Council as a place to work. Staff turnover rates were consequently high, at 18.7% per annum. Something needed to change.

To address this, Council identified lifting performance as one of four top priorities in our Long Term Plan. We have already set about appointing new staff in critical roles, addressing pay disparities, and improving systems to ensure greater delivery and accountability. However, the process is not yet complete. The Long Term Plan proposed a three year period to address staffing issues, but this Annual Plan is proposing that this work be accelerated.

Investing in the retention of existing staff and recruitment of additional staff is essential if Council is to fulfil its commitments to Nelson and position our city effectively now and into the future. On behalf of our community, we want to fully capitalise on opportunities to maintain and enhance Nelson as a first rate place to live, work, and visit. We seek your support in enabling us to do so.

**Pat Dougherty**
CHIEF EXECUTIVE

# DELIVERING ON OUR LONG TERM PLAN 2018-28

When the Long Term Plan 2018-28 was developed and consulted on, Council identified four priorities for the ten year period that contribute towards Council's vision of: **Nelson is the Smart Little City - he tāone tōrire a Whakatū.**

## VISION

### Nelson is the Smart Little City:
*he tāone tōrire a Whakatū*

Nelson is a vibrant place where we are deeply connected with, and committed to, our natural, social and cultural environment. Clever business and innovation help us thrive. We enjoy living fulfilled lives in smart, sustainable communities.

# THE FOUR PRIORITIES

## 1. INFRASTRUCTURE

### Ko ngā Tūāpapa

Our city, community and environment all depend on our core infrastructure networks to provide safe and smart transport, water, wastewater, stormwater, and flood protection. Council is putting essential infrastructure at the forefront to future-proof our city.

## 2. ENVIRONMENT

### Ko te Taiao

Kia whakatu tika te tai ao me te tai ao tiaki te tai ao - if the environment is kept well and strong it will look after itself and us. Council recognises investing in the environment is essential for our future.

## 3. CITY CENTRE DEVELOPMENT

### Whakahou tāone

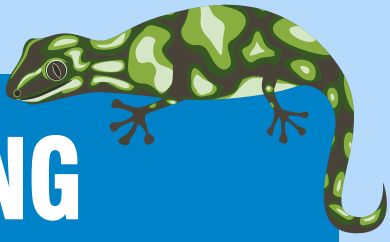
Our aim for Nelson's central business district is for it to be attractive to businesses, residents and visitors, with an exceptional mix of events, civic facilities and retail. We are working to build an environment that supports commerce, encourages inner city living and is a catalyst for private sector investment.

## 4. LIFTING COUNCIL PERFORMANCE

### Whakapikinga pūkenga

To achieve our vision of a Smart Little City, we need a Council team that enables things to happen. It needs to provide solutions to cut through the red tape so that real value can be delivered to our community.

* The Annual Plan 2019/20 section of this document includes two features, Climate Change and the City Centre Programme. Both these areas have significant new information since the Long Term Plan was approved.



# COMMUNITY HOUSING CONSULTATION

This document also includes a proposal to amend Council's Long Term Plan to provide for divesting* Council's 142 community housing units to a provider who can upgrade and expand the housing.

We recognise the need for social housing continues to grow and is still a very important issue to Council. We have looked at how we can enable more social housing and wellbeing in our community, and think the best option is to work with organisations that bring specialist housing expertise and have opportunities to access government and other funding sources not available to Council.

This proposal also reflects the Council's desire to work with partners to tackle the big issues facing us and leverage available resources to strengthen the city's position. For these reasons, Council is consulting on the proposal to divest some or all of its community housing units and the public is invited to submit on the proposal. Details of the proposal can be found on pages 28 to 39 of this document.

***What is divesting?**

Throughout this document, the word 'divest' is used, which encompasses the sale of the assets but also allows for the transfer of the assets from Council ownership by other means. For example, Council could sell the bulk of the portfolio, but subdivide a portion for smaller partners to develop.

# WAKATU SQUARE CONSULTATION

Council has received an approach from a developer interested in purchasing a section of the eastern end of Wakatu Square and Wakatu Lane for the development of an integrated shopping precinct.

Separate consultation on this proposal is being undertaken over the same period as the submissions are being sought on the Annual Plan 2019/20 process and community housing. The Statement of Proposal for the Wakatu Square consultation is available from Council's website and the customer service centre. Members of the public are invited to make submissions on any or all of the consultation processes. For details of the hearings, please refer to page 3.

# IWI AND COUNCIL PARTNERSHIP

Council and iwi are committed to working together.

In 2019/20, the Iwi-Council Partnership Group will meet quarterly to discuss the review of the joint Memorandum of Understanding between Tangata Whenua o Whakatū and Council, as well as to develop an Iwi Engagement and Partnership Strategy. The Iwi-Council Partnership Group includes representatives of each of the eight Te Tau Ihu (top of the south) iwi (Ngāti Kuia, Rangitāne, Ngāti Apa, Ngāti Koata, Ngāti Rārua, Ngāti Toa, Ngāti Tama and Te Āti Awa), the Mayor, and three Council elected members.

A work programme that iwi and the Nelson, Marlborough and Tasman Councils have started to develop for 2019/20, includes economic strategies and applications for funding from the government Provincial Growth Fund.

A key objective for our work together is to improve the relationship between iwi and Council, support communication, and implement a genuine partnership between iwi and Council.

# CLIMATE CHANGE AND OUR ENVIRONMENT

## REGIONAL MITIGATION, ADAPTATION, INNOVATION AND RESILIENCE IN THE FACE OF CLIMATE CHANGE

ENVIRONMENT

Council recognises that climate change presents key challenges for our region, and will drive a need for greater mitigation (reducing net greenhouse gas emissions), adaptation (adjusting to the effects of climate change), innovation and resilience. This year's high temperatures, drought and fires, as well as last year's extreme storm events, have brought into sharper focus the need to accelerate our work to cut emissions and enhance resilience to the impacts of climate change. In the Long Term Plan we budgeted $58,000 for resilience and sustainability initiatives in 2019/20. We propose to add an additional $42,000 for new climate change initiatives that will commence this year.

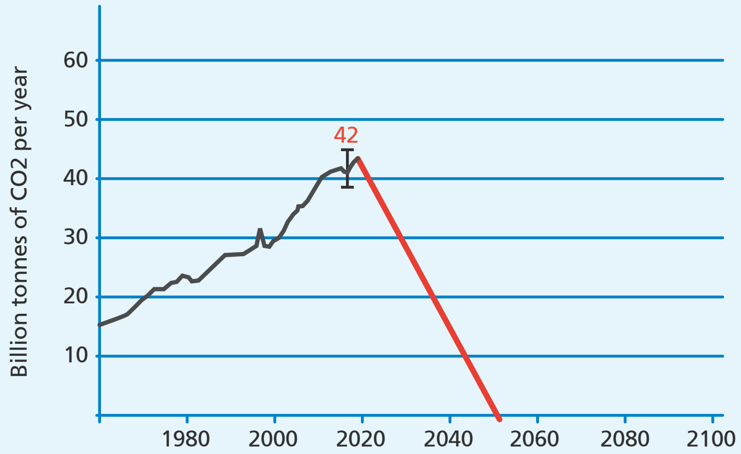
The case for a stronger focus on climate change is supported not only by recent experience, but by a range of external sources outlining the significance and scale of the issue. This includes Local Government New Zealand's 2019 report on the economic impacts of sea level rise, which makes it clear climate change needs to be a top priority and should not be left for future generations to manage. The report identified Nelson as one of the South Island's priority areas in terms of the financial implications of sea level rise on water management and on buildings and facilities.

In addition, the Ministry for the Environment has identified climate change as the leading environmental challenge of our time. Projections suggest that in our lifetime Nelson will experience effects across climate, oceans, agriculture, native ecosystems, infrastructure, health and biosecurity. These include sea level rise, more severe and frequent weather events including both extreme rain and drought, an increase in summer water-borne and food-borne diseases, a potential increase in tropical diseases, greater spread of pests and weeds, and a more challenging environment for agricultural and horticultural production.

Addressing climate change now, urgently, gives us the greatest potential to manage risks and harness economic opportunities for innovation and diversification. Research by the Intergovernmental

Panel for Climate Change (IPCC) shows that it is still technically possible to keep average global temperatures to 1.5C° above pre-industrial levels, (the temperature at which the most damaging aspects of climate change can be minimised). However, this would require net emission reductions of 45% from 2010 levels by 2030, then reducing to net zero emissions by 2050. Achieving this will require changes in all aspects of society in order to reduce our net emissions (referred to as "mitigation"). We also need to adapt to the impacts of climate change (referred to as "adaptation").

## KEEPING GLOBAL WARMING TO AN INCREASE OF 1.5%




For a 50% chance of limiting air temperature to a 1.5°C increase, net emissions must be cut from 2010 levels by 45% by 2030 and to net zero by 2050.

# CLIMATE SCIENCE IN A NUTSHELL

The earth's atmosphere is made up of oxygen, a large amount of nitrogen and certain other gases, including a small percentage of greenhouse gases. Greenhouse gases act like a blanket around the earth. When the balance is right, they trap warmth from the sun and make life on earth possible. However, increasing the concentration of greenhouse gases in the atmosphere traps too much heat and causes the climate to change. Increases in concentrations of greenhouse gases, such as carbon dioxide, methane and nitrous oxide, are largely a result of human activities such as burning fossil fuels, deforestation and agriculture.

Although the climate changes as a result of natural processes, and we have always experienced periods of extreme weather, the increase in greenhouse gases is generating changes in global, national and local climate at unprecedented rates, resulting in:

Sea level rise

Acidification and warming of the oceans

More heavy rainfall and flooding events

More frequent and more severe droughts with greater fire risk

Stronger winds

More extreme temperatures, more often

# ADDRESSING CLIMATE CHANGE: JOINING WORLDWIDE AND SOCIETY-WIDE EFFORTS

We don't need to tackle this alone. Efforts to address climate change are underway worldwide and at all levels of society. They involve international organisations, national and local governments, and a wide range of other stakeholders such as businesses, schools, and community groups. These efforts are generating a range of useful scientific research and data that will help us to understand where we can be effective in reducing greenhouse gas emissions, as well as a range of policies, partnerships, and innovations that Council will be able to draw on in the years ahead. Examples include:


International science reporting, modelling and data (e.g. the IPCC), and international commitments to reduce greenhouse gas emissions (e.g. the Paris Agreement).

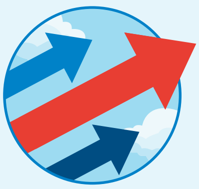
Central government initiatives (e.g. the One Billion Trees Programme, the Zero Carbon Bill, and the Climate Commission).

Advice (e.g. guidance from the Ministry for the Environment for local government on how to manage and adapt to coastal hazards and climate change).

Partnerships with other councils (e.g. the Local Government Leaders Climate Change Declaration, and Local Government New Zealand's extensive climate change work programme) and collaboration with neighbouring councils.

# A WHOLE OF COMMUNITY RESPONSE TO CLIMATE CHANGE

Partnerships with Nelson businesses and the wider community will be essential for achieving substantial reductions in net greenhouse gas emissions and becoming more resilient to the effects of climate change. However, Council recognises that we will only be credible asking others to take significant actions if we have our own house in order. Nelson City Council is therefore committed to pursuing the following principles:



Taking the lead in responding to climate change, and working together with other local leaders and the community to coordinate a region-wide response.


Reducing our net greenhouse gas emissions as an organisation, including through an audited approach to measuring and reducing emissions.

Being fully informed about the expected effects of climate change including severe weather events, sea level rise, economic impacts and biosecurity risks, and helping to raise awareness of these issues amongst the public.

Demonstrating, encouraging and supporting best practice for mitigation across all sectors in the region.

# WHAT WE ARE PROPOSING FOR THE NEXT 12 MONTHS FOR CLIMATE CHANGE
## (INCLUDING ONGOING WORK AND NEW INITIATIVES)

### 1. INFRASTRUCTURE INVESTMENTS

The use of extensive computer modelling to help determine the nature and extent of flood hazard events and sea level rise, and adopting a climate change framework to guide investment decision-making so that projects are prioritised appropriately and solutions fit for purpose. This will be reflected in reports to Council on specific issues, as well as in the 2021–2051 Infrastructure Strategy, associated asset management plans, and in the 2021–2031 Long Term Plan.

### 4. PARTNERSHIPS WITH THE COMMUNITY (INCLUDING BUSINESSES) AND COMMUNITY SURVEY

Facilitating discussions with the community on how Nelson can both adapt to climate change, and reduce Nelson's net greenhouse gas emissions. We will seek feedback through a community survey in 2019/20.


### 2. MEASURING AND REDUCING COUNCIL'S GREENHOUSE GAS EMISSIONS

Measuring Council's greenhouse gas emissions from its own activities using the Certified Emissions Measurement and Reduction Scheme (CEMARS). These results will be used to identify the most effective opportunities to reduce emissions, and to then take action. The initial focus will be investigating opportunities to reduce emissions in the longer term, as well as low-cost but effective actions ('low-hanging fruit'). We will also focus on actions which have important co-benefits such as to our health, energy resilience and local ecosystems. An additional $22,000 is budgeted in 2019/20 for expert advice to help investigate options and develop business cases to significantly reduce carbon emissions.

### 3. INVESTIGATING COMMUNITY EMISSIONS

Initial investigation of how to effectively work with the wider community to measure and reduce Nelson's greenhouse gas emissions, with an additional $20,000 budgeted for this work in 2019/20.

### 5. ADAPTING TO COASTAL HAZARDS

Engaging with the public on coastal hazards. We started this process in Feburary 2019, outlining step one of a 10-step decision-making framework for managing coastal areas which are potentially or already affected by coastal hazards and climate change effects.

### 6. ENVIRONMENTAL AND URBAN PLANNING

Factoring the need for both climate change adaptation and mitigation into key planning documents, including the Nelson Plan and the Future Development Strategy.

### 7. TRANSPORT

Continuing to diversify and enhance transport options by enabling, promoting and supporting active transport (in particular cycling), as well as ridesharing, use of public transport, and investigating the adoption of new transport technologies, where it is safe and effective to do so.

*continued overleaf*

## 8. BIODIVERSITY AND HEALTHY STREAMS

Providing ongoing support to Nelson Nature to protect and enhance biodiversity. This includes factoring the need for climate change mitigation and adaptation into planning and implementation of biodiversity protection and restoration. Planting for biodiversity restoration and to mitigate hill country erosion will contribute to carbon sequestration*. Under the Healthy Streams programme, we will also pilot riparian carbon forestry models that reduce the number of grazing animals and sequester carbon, in addition to improving outcomes for freshwater.

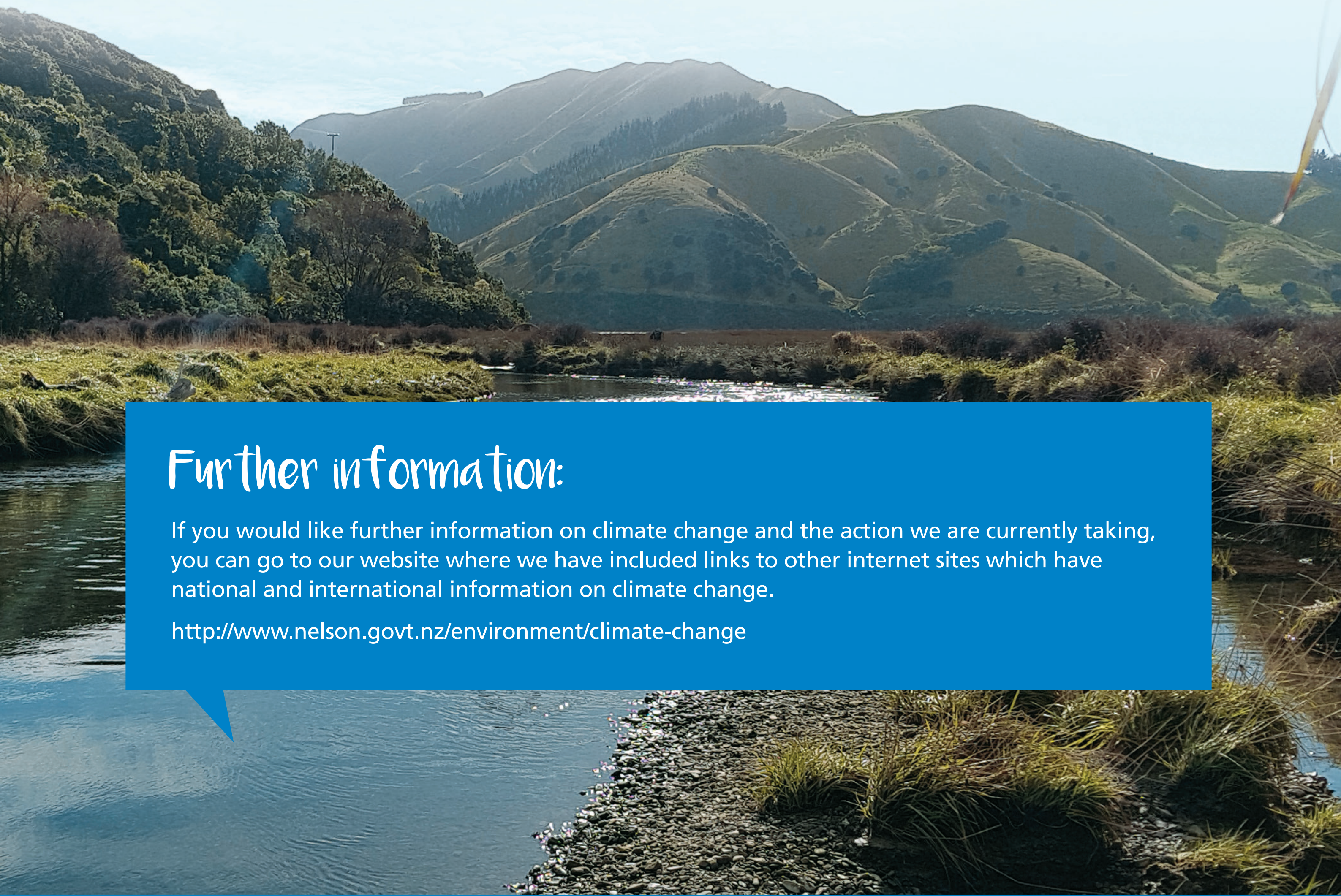
***What is carbon sequestration?**
The process involved in carbon capture and the long-term storage of atmospheric carbon dioxide or other forms of carbon to mitigate global warming.

## 9. COUNCIL CONTROLLED (TRADING) ORGANISATIONS

Using Statements of Expectation to Council Controlled Organisations to encourage climate change responsiveness, including risk resilience, mitigation and adaptation.

### Your feedback:

- Do you think that putting resources into helping our region deal with climate change is important? (This includes direct actions taken by Council, as well as collaboration with the community on adapting to climate change impacts and reducing our region's greenhouse gas emissions).
- The overall increase in budget for this work in 2019/20 is $42,000 (in addition to the $58,000 outlined in the Long Term Plan) to investigate how Council and the community can measure and reduce greenhouse gas emissions. Do you support this additional level of investment?
- If you have other ideas about how Council can help our region respond to climate change, please let us know.



### Further information:

If you would like further information on climate change and the action we are currently taking, you can go to our website where we have included links to other internet sites which have national and international information on climate change.

http://www.nelson.govt.nz/environment/climate-change

# CITY CENTRE DEVELOPMENT

ECONOMIC

Nelson City is a major centre of employment for the region and is a popular destination for visitors. In the past year, we have hosted four major events that each attracted over 20,000 attendees.

Our proposed plans include central activation and an urban park to bring people to the City Centre for longer periods of time and therefore support local businesses, including cafes, restaurants and retail.

Our City Centre is relatively compact so it makes sense to focus on how people move around the city, ensuring that people can get where they need to go, easily on foot. These projects will be considered alongside improved mobility and walking spaces around the city and public transport options. Our work programme will focus on the following six themes:



## 1. DESTINATION NELSON

A people-focussed City Centre expressing its unique identity hosting major events, and supporting and growing existing precincts including The Haven/ Waterfront, Riverside, Civic, Justice, Medical/Professional, Arts, Learning, Shopping/Hospitality.

## 2. WALKABLE NELSON

Well designed areas and laneway links in order to easily move about the City Centre on foot (Upper Trafalgar, Church Street, Laneway Circuit and amenity standards).

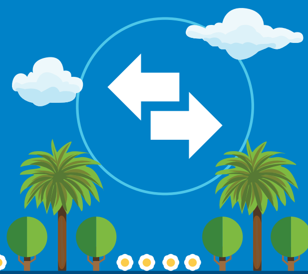
## 3. BLUE GREEN HEART

Integrating frameworks linking Nelson's City Centre to its iconic natural environment in order to deliver meaningful social spaces with areas that appeal to all ages (City Centre Urban Park, Marina link, River walk and street trees).

## CITY CENTRE PARK / RUTHERFORD PARK

The Long Term Plan included a development in Rutherford Park. As part of the City Centre Programme, we are proposing to transfer the funding from this project to incorporate a park in the City Centre.

As enhancement of the City Centre is considered a higher priority, Council is proposing to reallocate $20,000 from Rutherford Park to the City Centre Programme for 2019/20.




## 4. SMART DEVELOPMENT

Attracting and enableing high quality development that supports our vision and positively contributes to the City Centre.


## 5. LIVEABLE CENTRE

Trends across New Zealand show a desire by some to live in close proximity to safe urban centres that offer a diverse selection of amenities including retail, restaurants and bars, and cultural and arts facilities.

## 6. CLEVER BUSINESS

Supporting local businesses that contribute to Nelson's identity and sense of place to attract customers and visitors to the City Centre. This year, we are proposing to launch Meanwhile Spaces, a concept of using temporarily vacant buildings to house arts organisations, start-ups, community organisations and charities. An additional $50,000 is proposed as part of the delivery of this project in 2019/20.

These themes will be brought together in a City Centre Vision and City Centre Plan. This will serve as a framework to help prioritise projects in the City Centre.

Building on the success of the upper Trafalgar Street summer closure, we will roll out a series of trials over the next couple of years to engage the City Centre community, use laneways, promote hospitality and events, celebrate winter, and build momentum for future developments.

# VARIATIONS TO THE 2019/20 WORK PROGRAMME

The following sections cover the significant or material changes in activity areas from what was stated in Year Two (2019/20) of the Long Term Plan 2018-28. The amounts mentioned in this section are mostly capital expenditure, and are normally funded by borrowings. Where the expenditure is operational expenditure, and funded from rates or charges, this is mentioned.

## CAPITAL AND OPERATING COSTS

Capital expenditure is generally expenditure on assets that are expected to last more than one year. An increase in capital expenditure of $1 million increases rates by between $100,000 and $250,000 per annum. This covers interest, depreciation, maintenance and running costs for the asset. The reason for the range of increased costs is that depreciation and running costs vary between different assets, for example, library books wear out much faster than pipes in the ground, which can last for over 80 years before they need to be replaced.

Operating costs include expenditure for items such as staff costs and overheads, asset maintenance, running costs and depreciation, interest on borrowings, and grants made by Council. An increase of $100,000 in operating costs increases rates by 0.14%, to put this in context, 1% of rates is $736,000. So, by considering the impact of increasing or decreasing Council expenditure you can estimate what effect any changes to our work programme will have on rates.

As part of the process of developing budgets for 2019/20, Council discussed the option of using some or all of the special dividend of $750,000 received from Port Nelson in 2018/19. This would reduce rates for one or two years, but then rates would need to increase to continue funding expenditure. Council's policy is to use special dividends for debt reduction. Council decided the best option was not to use the special dividend to reduce the 2019/20 rates.

# TRANSPORT

The figures below are the cost, before New Zealand Transport Agency subsidies of up to 51% are applied:

## CROSS-TOWN LINKS

A cycle link from the Brook and Nelson East to Nelson Intermediate will make it easier to get on your bike. In 2019/20 we propose budgeting $150,000 in order to identify the best options, and carry out related public consultation and business case work.

## WAIMEA ROAD/HAMPDEN STREET INTERSECTION

As part of the cycle safety initiative, this project will be considered alongside the cross-town links project. For 2019/20, we propose spending $20,000 to identify a preferred solution to address the site safety issues. The balance of the $255,500 included in the Long Term Plan will be allocated once this has occurred.

**WAIMEA ROAD/HAMPDEN STREET**
**$20,000**
**TO IDENTITY A SITE SAFETY SOLUTION**

## MAIN ROAD STOKE CYCLEWAY – SAXTON CREEK TO CHAMPION ROAD

Design work for the cycleway from Saxton Creek to Champion Road is scheduled for completion in the 2018/19 year, with construction work to follow in 2019/20 and 2020/21. The budget has been altered from the Long Term Plan, with $18,000 of additional funding in 2019/20, bringing the total 2019/20 budget to $100,000.

**MAIN ROAD STOKE CYCLEWAY**
**$18,000**
**ADDITIONAL FUNDING**

# WATER SUPPLY

## WATER RENEWALS

Some of Nelson's pipework dates from the 1950s, and is almost 70 years old. Therefore it's time to continue with upgrading some of the older cement pipes before they start to fail. We will be undertaking a number of upgrades each year, with work in the 2019/20 year to include:

- Completion of Hardy Street
- Tui Glen Road
- Annesbrook (Manchester Way – Maire Street)

The pipe renewal budgets proposed for 2019/20 total $2,092,000, which compares to $2,038,000 budgeted in the Long Term Plan.

# WASTEWATER

## WASTEWATER RENEWALS

Relining wastewater pipes has proved effective in reducing infiltration of groundwater. This is designed to improve the effectiveness of our wastewater system and lower the risk of faults while supporting new growth areas. Priority projects for the 2019/20 year include:

- Saint Vincent Street
- Bronte Street and Collingwood Street
- Stansell Avenue and Princes Drive
- Halifax Street and Halstead Street

The wastewater pipeline renewal budgets proposed for 2019/20, total $1,018,000, compared to the $1,034,000 budgeted in the Long Term Plan.

## THE WASTEWATER MODEL CALIBRATION

Calibration and flow monitoring is required with an additional proposed budget of $260,000 in capital expenditure in 2019/20, being partially funded by a reduction in the wastewater renewals budget. This model is an important tool to help improve decision making around inflow and infiltration, growth, and effects from climate change.

**AN ADDITIONAL**
**$260,000**
**FOR WASTEWATER MODEL CALIBRATION**

# STORMWATER AND FLOOD PROTECTION

## LITTLE GO STREAM UPGRADE - RUTHERFORD STREET

Investigations into upgrading the Rutherford Street / Little Go Stream stormwater system have been re-phased to allow more time for design and easement negotiations and will cost $100,000 in 2019/20. The remaining Long Term Plan budget of $1,433,000 for 2019/20 will be re-phased over future years.

# SOLID WASTE

## LANDFILL CHARGES – CONSULTATION

The fees and charges for the York Valley regional landfill facility are set by the Nelson/Tasman Regional Landfill Business Unit. The Business Unit takes into account the local disposal levy required by each Council to undertake their solid waste activities. In Nelson, this local disposal levy is used to manage the Pascoe Street Transfer Station, undertake waste minimisation initiatives, green waste disposal and recycling which in total comes to $2.4 million.

Current issues in international commodity markets have had an impact on recycling, not only for Nelson, but for the rest of New Zealand, and many countries worldwide. We have made the decision to continue to recycle in the 2019/20 year, recognising the strong commitment from our community.

In setting the fees and charges, other important factors are taken into account, such as the costs to run the landfill and increased costs for the Emission Trading Scheme (ETS).

Taking all of these factors into account, the landfill fee for 2019/20 is proposed to be set at $163/tonne (including GST). The cost in 2018/19 was $141/tonne (including GST) giving an increase of $22/tonne.

# ENVIRONMENT

Our amazing environment, including our hills, rivers, coastlines, and flora and fauna all contribute to making Nelson a unique and special place for residents and visitors. However, the maintenance and enhancement of our environment doesn't happen by itself but is a combination of care, aroha (care, love), and time and money from individuals, groups, businesses, Council and iwi engagement as kaitiaki (guardians) of the environment.

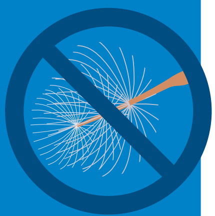
## BIOSECURITY AND REGIONAL PEST MANAGEMENT PLAN IMPLEMENTATION

As part of our work as a regional council, we undertake an extensive environmental monitoring and enhancement work programme. The main changes to our work programme in 2019/20 include a proposed funding increase for eradication and control of two pests, Taiwan Cherry and Sabella (Mediterranean fanworm).

**TO CONTROL SABELLA**

**$20,000**

**PER YEAR, ONGOING BASIS**



**TO CONTROL TAIWAN CHERRY**

**$20,000**

**PER YEAR, UP TO 15 YEARS**

The cost of effectively controlling Taiwan Cherry in Nelson is expected to be around $20,000 per year for up to 15 years, starting in 2019/20. The cost for Sabella in Nelson is expected to be $20,000 per year on an ongoing basis. Therefore, an additional $40,000 is proposed in the biosecurity budget for 2019/20.

*continued overleaf*

# SOCIAL

Council works together with the community to deliver facilities and services that support the wellbeing of Nelson residents. Expenditure to support social outcomes is classified as operating expenditure.

**PROPOSING TO SET ASIDE**

**$50,000**

**TO ASSISST SOCIAL DEVELOPMENT**

## COMMUNITY PARTNERSHIP PROJECTS

There are opportunities for Council to partner with and support the work of community groups to focus on community wellbeing. Council values working in partnership with the community and is proposing to set aside $50,000 in 2019/20 to assist with funding social development projects.

## COUNCIL AND CIVIC EVENTS

In recent years, Nelson's profile has significantly increased and we have been fortunate to host overseas delegations, diplomats and sporting events in the city. In addition, there have been requests to support civic events.  Council is proposing to continue to support these activities and has therefore set aside funding of $50,000 in 2019/20.

# PARKS AND ACTIVE RECREATION

## ARTIFICIAL TURF

Feedback from sporting clubs has emphasised the benefits of artificial turf and called for this to be provided at Nelson sporting grounds. This would enable more all-weather play and training for sporting teams, including those involved in national competitions.

To enable a detailed feasibility study and examination of options and locations for the turf, $50,000 is proposed to be spent in 2019/20.

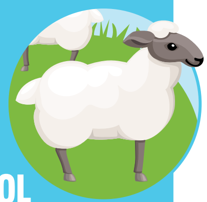
## GRAMPIANS WEED CONTROL

Grass and weed control work in the Grampians Reserve is continuing with the help of some sheep. They moved into their new home in November 2018 and we are proposing to keep them there for 2019/20, at a cost of $50,000 of capital expenditure for improved fencing and additional stock.

**GRAMPIANS RESERVE**

**$50,000**

**FOR GRASS AND WEED CONTROL**



## QUEEN'S GARDENS TOILET

The Queen's Gardens will receive a much needed upgrade in the form of a permanent toilet facility. This will be a welcome addition for visitors to the Queen's Gardens and will be located adjacent to the Suter Gallery. An additional $140,000 for 2019/20 will be required, subject to tender, to complete construction. The total cost of this project is now expected to be $413,000.

## TRAFALGAR PARK – LIGHTS AND ACCESSIBLE RAMP

An upgrade of the flood lighting at Trafalgar Park is required to seal any gaps and ensure they are waterproof.  In 2019/20, $50,000 is proposed to be spent to complete the required maintenance. This would enable Council to meet the needs of people using the grounds, including for sporting and cultural events. We are also proposing to spend an additional $15,000 in 2019/20 for an accessible ramp from Trafalgar Pavilion to the Trafalgar Park main field.

**TRAFALGAR PARK TO GET**

**$50,000**

**FOR UPGRADE OF FLOOD LIGHTING**

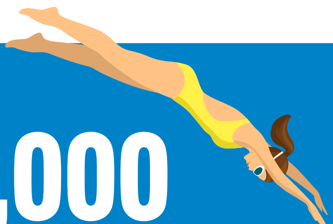
## NATURELAND

In the Long Term Plan 2018-28, it was agreed that Council would continue to support Natureland with an operating grant of $248,000 in 2018/19 and an annual grant of $170,000 per year after this, for 2019/20 and 2020/21. We have recently received a letter from Natureland Wildlife Trust, raising their concerns that $170,000 would not be sufficient to continue current operations as they are currently delivered, and requesting further funding from Council.

If the funding of $170,000 per annum is insufficient for Natureland Wildlife Trust, the following options could be considered:

1. Council increases funding by $78,000 from $170,000 to $248,000 per annum. This would be funded from general rates and increase rates by 0.1% per annum.
2. Natureland reduces the services that it provides. For this option, the funding would remain at $170,000, and therefore there would be no impact on rates.
3. Council confirms the outcomes it is seeking from Natureland then seeks expressions of interest or tenders from other parties to operate the facility. For this option, the funding would not be more than $170,000 (and could be less depending on the outcomes sought), and therefore there would be no impact on rates.
4. Natureland Wildlife Trust will close down its facility. If this is the option that is decided, the $170,000 would still be required in 2019/20 to fund costs associated with closing down.

Council is seeking public feedback on these four options.



**AN ADDITIONAL**

**$300,000**

**FOR RIVERSIDE POOL HEATING SYSTEM**

## RIVERSIDE POOL WATER HEATING SYSTEM

The Riverside Pool requires an upgrade to the water heating system to replace the existing heating system and increase the heating capacity. The cost of this will be additional capital expenditure of $300,000 within the 2019/20 year.

## WATER SPORTS BUILDING AT THE MARINA

A proposed new water sports building at the marina could be used by a wide range of water sports such as kayaking, waka ama, sea scouts, rowing, and as a place to store equipment and operate from. We will be working alongside the Water Sports Group to agree on the scope of the project, its timeframes and the funding partnership.

The water sports building at the marina had a budget of $600,000 in 2018/19, with Council agreeing earlier in the year to carry forward $555,000 to 2019/20. The 2019/20 Annual Plan budget has been reduced to $150,000, to allow for comprehensive design work and consideration of options to be completed prior to decisions being made on this project.

**DETAILED DESIGN AND CONSULTATION**

**$51,000**

**FOR STOKE COMMUNITY YOUTH FACILITY**

## STOKE COMMUNITY YOUTH FACILITY

Council has been considering a youth facility for Stoke for a number of years. Recent consultation has identified the need for a facility that appeals to a broader range of young people in Stoke. A consultant was commissioned to review previous consultation carried out by Council and other groups.

This review concluded there is a clear demand for a youth-centred facility for young people to meet and socialise. Consistent with Long Term Plan funding, we have allocated $51,000 in 2019/20 for detailed design and consultation and $501,000 in 2020/21 for construction.

# LIFTING COUNCIL PERFORMANCE

CORPORATE

In the Long Term Plan, one of Council's four priorities was to lift council performance. To enable this, we have increased staffing in critical areas and implemented new systems of monitoring and reporting on programmes and projects.

A total of 23.2 Full Time Equivalents (FTEs) were agreed in the Long Term Plan for 2018/19 and 2019/20. Most of those have been recruited, with the remainder anticipated to commence before 30 June 2019. In addition, critical staff shortages, particularly in capital project management, utilities management and transport and roading have been addressed through the recruitment of a small number of staff to support the development and maintenance of key infrastructure.

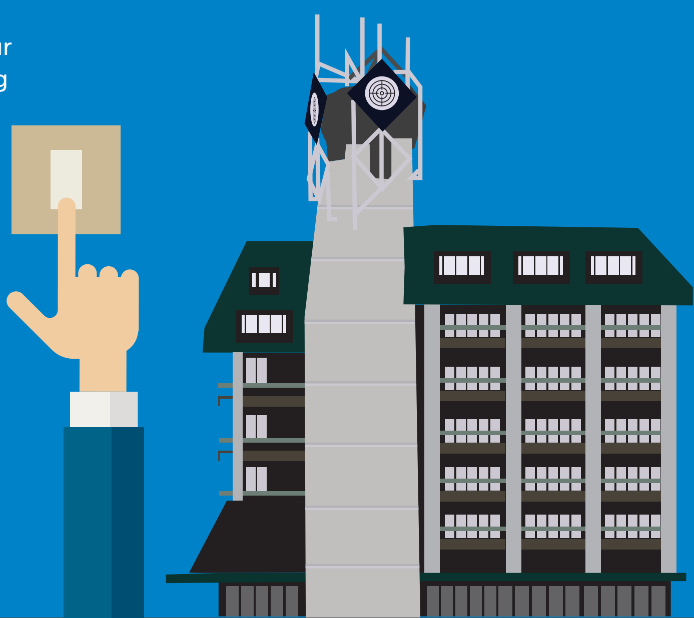
We have also started to address the disparities between our pay structures and those of the wider market. This Annual Plan has also had to address the problem that the allowance for the annual wage/salary movement in the Long Term Plan for the 2019/20 year is too low compared to the latest forecasts.

The investment in people has resulted in a higher level of resources available to deliver programmed work and improved Council's ability to attract and retain staff. Increased numbers in key areas and higher staff retention across the organisation directly improves our ability to deliver the projects planned over the coming years. Those changes have added approximately $1.169 million per annum to council expenditure in 2019/20, with approximately $882,000 of that to be funded from rates.

These additional costs are being largely offset by savings in lower interest and depreciation costs forecast for the 2019/20 year. We will of course continue to seek to further offset these additional costs through prudent financial management and pursuing efficiency gains wherever possible.

The changes have improved our ability to employ staff in hard-to-fill vacancies and has reduced staff turnover. At the start of 2018, 27% of vacancies under active recruitment had been vacant for four or more months. However, by the end of 2018, the proportion of positions vacant for four or more months had dropped to 12% of active vacancies. Turnover of permanent employees has nearly halved – from 18.7% for the 12 months to December 2017, to 10.2% for the 12 months to December 2018.

We are already seeing the benefits from these changes, with improvements to the services that we provide to businesses and residents, better meeting of project timelines, and providing greater accountability to Council and committees.



# THE FINANCIALS

## HOW WE PLAN TO FUND THE 2019/20 WORK PROGRAMME

This section of the Annual Plan outlines Nelson City Council's Financial Strategy for the next year. Council must, under the Local Government Act 2002, manage its assets, expenses, revenues, investments, liabilities and general financial dealings prudently. It must manage these in a manner that sustainably promotes the community's current and future interests.

## KEEPING WITHIN THE LIMITS SET OUT IN OUR FINANCIAL STRATEGY

A key priority for Council is to keep within the rating and debt limits that were set as part of last year's Long Term Plan. The following table summarises the Annual Plan 2019/20 values against those agreed in the Long Term Plan. An explanation of those benchmarks can be found in the supporting information on our website.

| Benchmark | Long Term Plan Limit | 2019/20 Annual Plan | Met |
|---|---|---|---|
| Rates affordability benchmark: | | | |
| • income | $105m | $77m | Yes |
| • increase | 4.3% | 4.2% | Yes |
| Debt affordability benchmark | <150% | 78% | Yes |
| Balanced budget benchmark | >100% | 104% | Yes |
| Essential services benchmark | >100% | 154% | Yes |
| Debt servicing benchmark | <10% | 3.4% | Yes |

Updated information on some of the key drivers of our operating expenditure for 2019/20 have resulted in the proposed rates increase being 4.2%, (compared to the 3.9% projected in the Long Term Plan) and total net debt is forecast to be $91.9 million (compared to the $121.5 million projected in the Long Term Plan) at the end of June 2020. The lower proposed debt forecast reflects proposed sale of community housing, as well as lower opening debt levels anticipated at 30 June 2019 compared to the Long Term Plan.

The financial impacts for the 2019/20 Annual Plan have been calculated on the basis that the sale of the Community Housing assets will go ahead, reflecting Council's preferred option, half way through the financial year. For the purpose of these calculations the sale price has been assumed as net book value, with no gain or loss. If Council does not resolve to sell these assets, Council will incur additional costs of $230,000 and net debt would increase by $8.382 million.

Movements in a number of significant operating costs to Council have resulted in proposed rates being 0.3% higher than anticipated in the Long Term Plan. This includes an increase in staff costs and a slower rate of growth in rating units than predicted. These have been offset by lower interest rates and depreciation costs. Some of the factors to affect the rates increase are as follows:

- Due to the 2017/18 revaluation of fixed assets, funded depreciation was higher than expected in the Long Term Plan with an increase of $411,000. This amount was offset by a reduction in the rate funding of roading assets depreciation of $1.3 million.
- The interest rate is lower than anticipated in the Long Term Plan and our total debt is also considerably lower. This combination has led to a reduction in interest expenditure by $563,000.
- Reduction in natural increment – based on the latest information, we have reassessed the expected number of new rating units to be completed in 2019/20.
- Recruiting and filling new positions earlier than anticipated in the Long Term Plan has led to an increase of $882,000. This amount also factors in increased provisions for staff progression and the 2019/20 annual salary review.

Council has had to carefully consider the mix of projects and programmes that it intends to provide in 2019/20. Total operating expenditure is forecast to be $113.6 million in 2019/20, compared to $111.9 million in the Long Term Plan for 2019/20. However total revenue has also increased, from $128 million in the 2019/20 Long Term Plan to $130.3 million. Capital expenditure is forecast to be $46.8 million, which is slightly higher than the Long Term Plan forecast of $46 million.

Because of our financial limits Council will need to carefully consider any requests for additional services or expenditure. If new expenditure is included as a result of the final Annual Plan, savings will need to be made in other areas.

# COMMERCIAL DIFFERENTIAL

The commercial differential recognises the additional Council services that businesses receive, such as extra rubbish collection, street sweeping, and events to attract visitors. In the Long Term Plan, Council consulted on reducing the commercial differential by 0.5% each year for 5 years, to be reviewed annually.

Reducing the commercial differential reduces the rates collected from the City Centre and Stoke and allows a re-balancing of the relative rating contributions from commercial and residential properties. It also keeps our Central Business District competitive relative to other centres that do not have such a charge.

In the Long Term Plan, Council reduced the commercial differential for 2018/19 for the City Centre and Stoke commercial areas by 0.5%, subject to reassessing this at each Annual Plan. Council is proposing to implement the 0.5% reduction again this year. This will mean that the City Centre and Stoke City Centre rates will increase by less than they would have without this change. Residential rates will increase slightly more as a result of this change.

Council proposes that in 2019/20, 24.1% of total rates are collected from commercial rates (0.5% reduction). With less rates collected from those commercial ratepayers in 2019/20, there will be an increase to residential rates of 0.4% to 0.8%, depending on land value.

# WHAT HAS CHANGED?

| | Long Term Plan 2018/19 ($000) | Long Term Plan 2019/20 ($000) | Annual Plan 2019/20 ($000) | Difference to Long Term Plan ($000) |
|---|---|---|---|---|
| Total Revenue | **122,080** | **127,980** | **130,322** | **2,342** |
| Total Operating Expenditure | 108,987 | 111,880 | 113,562 | 1,681 |
| Total Capital expenditure | 44,494 | 45,973 | 46,830 | 857 |

# WHAT WILL MY NEW RATES BE?

Council proposes the overall increase in rates required for 2019/20 to be 4.2%, plus an allowance for growth.

Following a community consultation period, Council will make decisions about the final Annual Plan 2019/20. Any changes resulting from consultation may affect the final rates and charges. Further information on how Council has calculated the proposed rates is available in the draft Funding Impact Statement and financial information section of the supporting information on Council's website.

The three yearly revaluation of properties was undertaken on behalf of Council in September 2018 by Quotable Value Limited. The revaluation is required under the Ratings Valuation Act 1998.

The new values will be used as the basis for assessing rates as from 1 July 2019. The revaluation does not, of itself, generate any additional revenue for Council. The updated base amount means that rates will be spread between ratepayers in different proportions than they were previously.

Generally if the land value for a property has increased by more than the average for the city, the rates on that property will increase by more than the average.

## Further information:

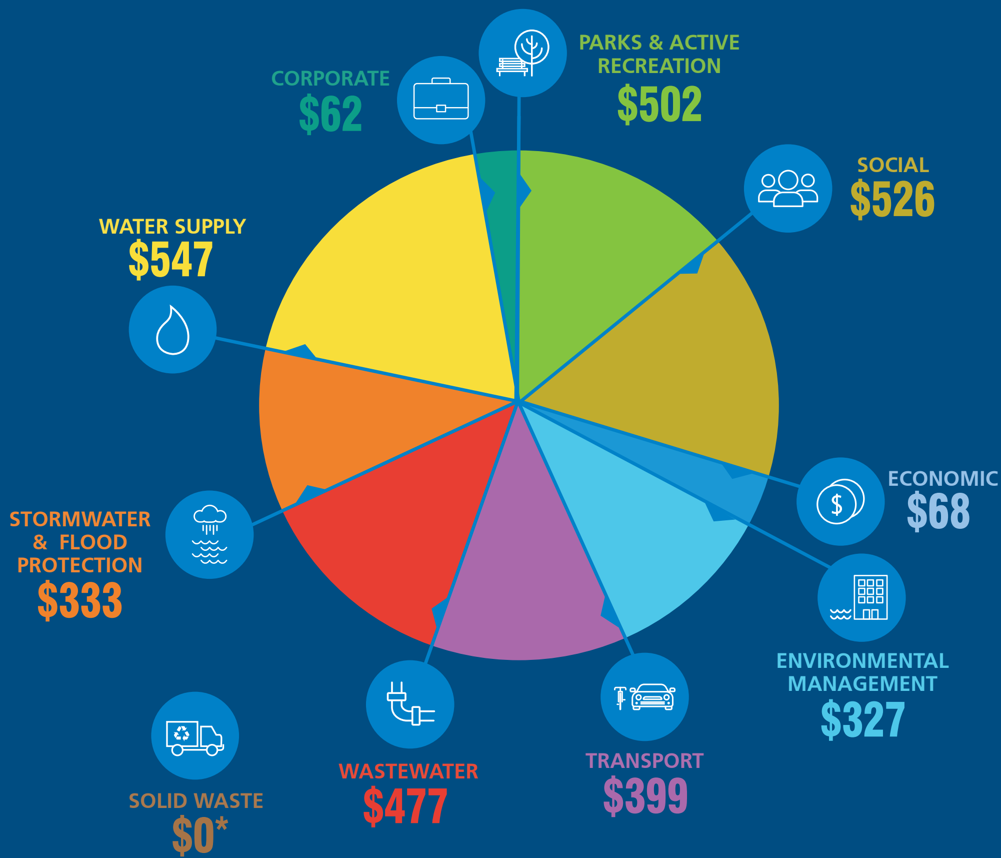
If you'd like to know what the rates increase change is for your property, you can find out at www.nelson.govt.nz/rates-search/

For the full set of financial statements, including the Funding Impact Statement, please refer to the Supporting Information, which can be found at www.nelson.govt.nz/annual-plan-2019-20

# AVERAGE ANNUAL RATES BILL

There are two types of rates: the general rate based on the land value of a property, and targeted rates for specific services received, such as wastewater services.

## MAKEUP OF THE AVERAGE ANNUAL RATES BILL ($3,240 INCL GST)



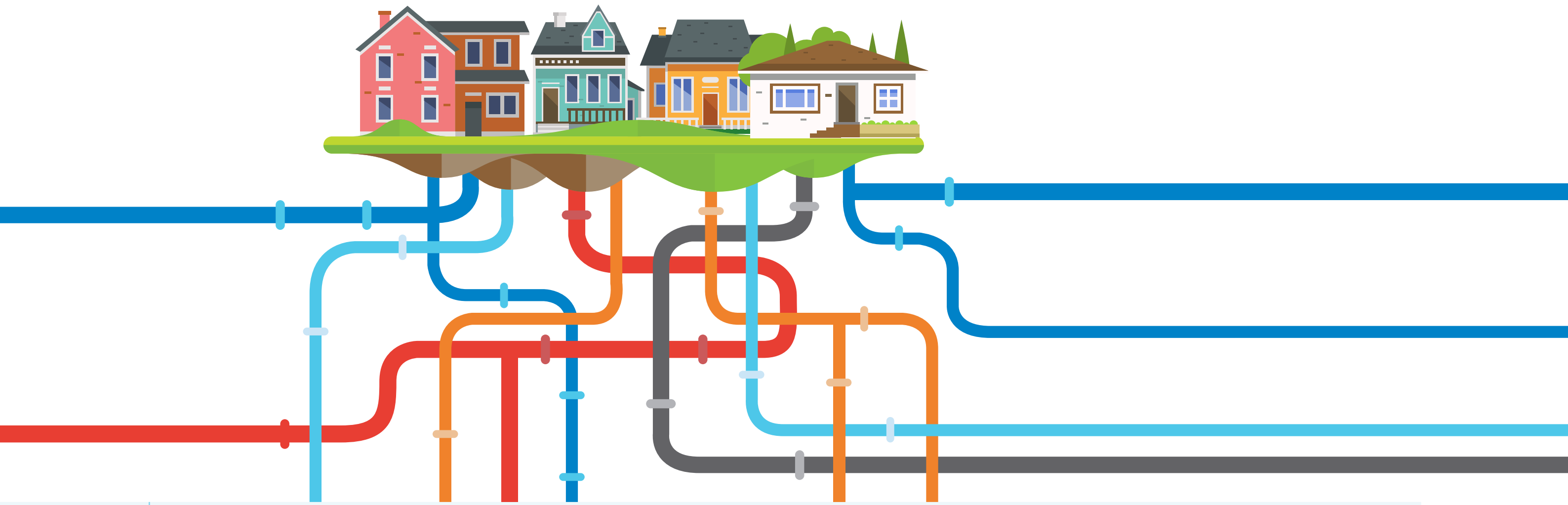

**Solid waste costs are user pays and not rate funded.*

# EXAMPLES OF PROPOSED RATES FOR 2019/20

To further clarify the rates changes from 2018/19 to those for the 2019/20 rating year a selection of properties have been shown to provide a guide. The following table is GST inclusive.

## EXAMPLES OF TOTAL IMPACT OF GENERAL AND TARGETED RATES ON DIFFERENT LAND USES AND VALUES (GST INCLUSIVE)

| Property Type | 2015 Land Value | 2018/19 Rates | 2019/20 Rates | | |
|---|---|---|---|---|---|
| | | | 2018 Land Value | % Land Value Increase | General Rate |
| Residential (Average LV Change 48.3%) | $90,000 | $2,018 | $147,000 | 63.3 | $757 |
| | $105,000 | $2,127 | $160,000 | 52.4 | $824 |
| | $125,000 | $2,272 | $175,000 | 40.0 | $901 |
| | $147,000 | $2,432 | $220,000 | 49.7 | $1,133 |
| | $200,000 | $2,818 | $275,000 | 37.5 | $1,416 |
| | $210,000 | $2,890 | $315,000 | 50.0 | $1,622 |
| | $230,000 | $3,036 | $370,000 | 60.9 | $1,906 |
| | $255,000 | $3,218 | $400,000 | 56.9 | $2,060 |
| | $315,000 | $3,654 | $435,000 | 38.1 | $2,240 |
| | $330,000 | $3,763 | $495,000 | 50.0 | $2,549 |
| | $445,000 | $4,599 | $650,000 | 46.1 | $3,348 |
| | $580,000 | $5,581 | $800,000 | 37.9 | $4,120 |
| | | | | | |
| Multi Residential (Two flats - Two UAGC & Wastewater Charges) | $220,000 | $4,169 | $320,000 | 45.5 | $1,813 |
| | $800,000 | $8,610 | $1,100,000 | 37.5 | $6,232 |
| | | | | | |
| Empty Residential Section (Water annual charge included if water meter is installed) | $82,000 | $1,330 | $113,000 | 37.8 | $582 |
| | $220,000 | $2,531 | $295,000 | 34.1 | $1,519 |
| | $405,000 | $3,876 | $560,000 | 38.3 | $2,884 |
| | | | | | |
| Small Holding (Water annual charge included if water meter installed) | $280,000 | $2,566 | $370,000 | 32.1 | $1,715 |
| (Average LV Change - 35.85) | $385,000 | $3,451 | $520,000 | 35.1 | $2,410 |
| | | | | | |
| Rural (Water annual charge included if water meter installed) | $790,000 | $4,150 | $920,000 | 16.5 | $3,080 |
| (Average LV Change 12.2%) | $1,940,000 | $9,783 | $2,140,000 | 10.3 | $7,164 |
| | | | | | |
| Commercial - Outside Inner City / Stoke - 1 Unit | $365,000 | $7,719 | $475,000 | 30.1 | $6,695 |
| Commercial - Outside Inner City / Stoke - 1 Unit | $355,000 | $8,258 | $495,000 | 39.4 | $6,976 |
| Commercial - Outside Inner City / Stoke - 1 Unit | $335,000 | $7,170 | $470,000 | 40.3 | $6,624 |
| Commercial - Stoke - 1 Unit | $35,000 | $1,670 | $44,000 | 25.7 | $797 |
| Commercial - Inner City - 2 Units | $290,000 | $8,699 | $365,000 | 25.9 | $6,816 |
| Commercial - Inner City - 2 Units | $330,000 | $9,683 | $415,000 | 25.8 | $7,750 |
| Commercial - Inner City - 1 Unit | $1,160,000 | $29,582 | $1,450,000 | 25.0 | $27,078 |
| Average Residential Property | | | **$280,000** | | **$1,442** |



| | 2019/20 Rates | | | | | | |
|---|---|---|---|---|---|---|---|
| | UAGC | Stormwater/ Flood Protection | Waste water | Water Annual Charge | Total Rates | % increase on 2018/19 | $ increase on 2018/19 |
| | $435 | $332 | $475 | $202 | $2,201 | 9.05 | $182 |
| | $435 | $332 | $475 | $202 | $2,268 | 6.61 | $140 |
| | $435 | $332 | $475 | $202 | $2,345 | 3.19 | $72 |
| | $435 | $332 | $475 | $202 | $2,577 | 5.93 | $144 |
| | $435 | $332 | $475 | $202 | $2,860 | 1.49 | $43 |
| | $435 | $332 | $475 | $202 | $3,066 | 6.07 | $176 |
| | $435 | $332 | $475 | $202 | $3,349 | 10.32 | $313 |
| | $435 | $332 | $475 | $202 | $3,504 | 8.89 | $286 |
| | $435 | $332 | $475 | $202 | $3,684 | 0.82 | $30 |
| | $435 | $332 | $475 | $202 | $3,993 | 6.11 | $230 |
| | $435 | $332 | $475 | $202 | $4,791 | 4.17 | $192 |
| | $435 | $332 | $475 | $202 | $5,564 | -0.31 | -$17 |
| | | | | | | | |
| | $870 | $332 | $950 | $404 | $4,368 | 4.78 | $199 |
| | $870 | $332 | $950 | $202 | $8,585 | -0.29 | -$25 |
| | | | | | | | |
| | $435 | $332 | | | $1,349 | 1.42 | $19 |
| | $435 | $332 | | $202 | $2,488 | -1.70 | -$43 |
| | $435 | $332 | | $202 | $3,853 | -0.60 | -$23 |
| | | | | | | | |
| | $435 | $332 | | | $2,482 | -3.28 | -$84 |
| | $435 | $332 | | $202 | $3,379 | -2.08 | -$72 |
| | | | | | | | |
| | $435 | | | | $3,515 | -15.30 | -$635 |
| | $435 | | | $202 | $7,801 | -20.26 | -$1,982 |
| | | | | | | | |
| | $435 | $332 | $119 | $202 | $7,782 | 0.81 | $63 |
| | $870 | $332 | $238 | $404 | $8,820 | 6.80 | $562 |
| | $435 | $332 | $119 | $202 | $7,711 | 7.55 | $541 |
| | $435 | $332 | $119 | $0 | $1,682 | 0.73 | $12 |
| | $870 | $332 | $238 | $202 | $8,457 | -2.78 | -$242 |
| | $870 | $332 | $238 | $202 | $9,391 | -3.02 | -$292 |
| | $435 | $332 | $119 | $202 | $28,165 | -4.79 | -$1,417 |
| | **$435** | **$332** | **$475** | **$202** | **$2,886** | | |

This table does not include water charges based on consumption. This is charged at $2.156 per cubic meter and an average residential ratepayer uses 160 m³ costing $344.96 (GST Incl).

# PROPOSAL ON THE FUTURE OF COUNCIL'S COMMUNITY HOUSING

# 1. NELSON CITY COUNCIL'S PROPOSED DIVESTMENT OF COMMUNITY HOUSING

**1.1** With rising house prices putting increasing pressure on the community and an unprecedented demand for subsidised housing, Council is looking for practical ways it can make a difference. A number of social housing[1] providers are interested in developing Council's nine community housing[2] locations to provide more housing for low-income tenants. Such providers have opportunities to access government and other funding sources that are not available to councils, which could be rental subsidies or capital grants for example.

**1.2** In addition Council is facing significant upgrade costs to bring the community housing units up to modern living standards that tenants would expect. It has also recently started to subsidise community housing costs from rates.

**1.3** Through any divestment of Council's community housing, protection of the wellbeing of the current tenants would be prioritised. Tenants would also benefit from increased investment in upgrading units.

**1.4** This consultation document outlines the proposal by Council to divest some or all of its community housing portfolio to address the above issues.

**1.5** Throughout this document, the word 'divest' is used, which encompasses the sale of the assets but also allows for the transfer of the assets from Council ownership by other means. For example, Council could sell the bulk of the portfolio, but subdivide a portion for smaller partners to develop.

**1.6** The public is invited to submit on this proposal. You can make a submission online at nelson.govt.nz or in writing by using the submission form at the end of this document. Submissions must be received by 5pm 2 May 2019.

# 2. INTRODUCTION

**2.1** Council houses around 152 people in its 142 community housing units at nine locations around Nelson (see map in Appendix 1). The units were built mainly during the 1960s and 70s using low interest loans from central government. This was a time when the government was encouraging councils to establish community housing for low-income older people, and close to 90% of councils took up loans. Over 14,000 community housing rental units were built around the country and generally operated on a cost-recovery basis whereby rents covered the cost of maintaining the housing with no subsidy from ratepayers. Community housing is a discretionary activity for Council, not required by legislation or considered a core activity. However, Council's community housing portfolio is identified as a strategic asset in Council's Significance and Engagement Policy.

**2.2** As with most other councils, Nelson is now finding that its community housing no longer meets modern expectations in a number of areas, for example around size (many of the units are bedsits); accessible entrances, showers and interiors; affordable heating etc. Most of the units are over 40 years old and the original low cost building materials, coupled with the age of the units, means that maintenance demands are increasing over time.

**2.3** Also of concern are the future costs that ratepayers face. Advice from external consultants provided to Council last year estimated the upgrade costs spread over the next 20 to 25 years to be around $20 million. The majority of the upgrade cost would be needed for demolition and replacement of older units, but also includes more general improvement work. Routine maintenance costs are also increasing due to the age of the units.

**2.4** Council is aware of increasing demand for subsidised housing. Over the last 12 months the waiting list for Council units has reached all-time highs (up to 60) when there are usually about 12 vacancies a year. Numbers on the Ministry of Social Development's Public Housing Register (from which it sources tenants for its social housing) show close to a tripling in demand in Nelson over the last two years (from 46 to 123). The Nelson Tasman Housing Trust (which provides housing for those on low incomes and with particular needs) has been receiving five requests for help a week, but averages only five vacancies a year.

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1 For the purposes of this proposal social housing is defined as housing provided at a reduced (subsidised) rental for people on low incomes or with particular needs.

2 For the purposes of this proposal community housing is defined as a type of social housing provided by local authorities at a reduced (subsidised) rental for people on low incomes or with particular needs, most often older adults.

**2.5** Costs associated with Council's community housing have in the past been covered by rents. Increased costs mean community housing is now subsidised from rates (at around $160,000 per year or about $8 per household each year).

**2.6** Council is concerned that there are likely to be residents in difficult financial situations who are now indirectly subsidising the living costs of the small number who can access Council's community housing. While there is a general community good that comes from supporting subsidised housing for those in need, the size of the investment required ($20 million for upgrades and substantial funding for new units) may not be a reasonable or affordable amount to take from rates.

**2.7** Having considered these challenges and knowing that central government was prioritising social housing, Council started talking with government officials to see what could be done. After much discussion it was agreed to explore the option of Housing New Zealand buying all 142 units. The Nelson Tasman Housing Trust subsequently also made a proposal to purchase the units.

**2.8** Other local providers such as Abbeyfield and Habitat for Humanity Nelson are interested in being partners in a solution. This could, for example, involve Council selling the bulk of the portfolio but subdividing a portion for smaller partners to develop.

**2.9** Council believes that the willingness of such experienced and well-regarded providers to address these issues presents a unique opportunity to achieve a sustainable future for Nelson's community housing. The aim is an outcome which will bring the units up to modern living standards and increase the amount of community housing available in Nelson.

# 3. BACKGROUND

**3.1** Council's community housing was established to provide housing for older residents with limited financial means. The first priority has been superannuitants aged 65 plus, and the second priority beneficiaries aged 55 plus. Applicants for tenancies have to provide an assurance that their assets do not exceed $40,000 for a couple or $25,000 for a single person, although Council does not verify financial circumstances or require tenants to advise if their circumstances change. The past practice has been to take applicants from a waiting list on a first come, first served basis rather than prioritising according to need.

**3.2** Tenants' rents are fixed at the equivalent of 25% of New Zealand Superannuation – which means $100 per week for a single person in a bedsit or $154 for a couple in a one bedroom unit. This means that the majority of tenants, being single, are currently paying below 50% of Nelson market rents (lower quartile) rather than the 70-80% that is the norm for council-owned community housing nationally. This puts Nelson community housing rents amongst the lowest in the country. Council has previously proposed increasing rents to 30% of superannuation but due to strong community opposition this was not pursued.

**3.3** In November 2017 a contract for management of the units was awarded to the Nelson Tasman Housing Trust. Council wanted to ensure that adequate social support was provided for tenants and this meant the new contract came at a significantly higher cost. This has led to community housing moving from being a cost-recovery activity to being subsidised by ratepayers at a level of $160,000 in most years of the current ten year plan. As a result of this subsidy Council again discussed the possibility of increasing tenant rents, which could go towards both eliminating the subsidy and meeting upgrade costs[3]. Although it did not pursue a rent increase at the time this option is outlined below at 5e. It also considered the option of selling some locations to fund the upgrades of other sites but as this would lead to a reduction in the number of units Council did not pursue this option further.

3 For example, an average rental increase of $21.67 per unit per week would eliminate the $160,000 subsidy and a further increase of between $170 and $298 per unit per week would be required to cover the interest and depreciation on the $20 million upgrade.

# 4. COUNCIL'S PREFERRED OPTION

**4.1** Council is proposing to divest some or all of its community housing to one or more providers. It considers this will allow the upgrading and expansion of the community housing by groups that can access government and other funding that Council is not eligible for. The objective of this proposal is to improve the wellbeing of existing tenants and increase the amount of subsidised housing, available in Nelson.

**4.2** The provider will be either a government agency or a community housing provider registered with the government. To ensure they have a good understanding of the Nelson community and local context, Council will only divest to a provider that has a local presence (noting that they may have partners, including from outside Nelson, who bring other advantages such as investment capital to redevelop the community housing).

**4.3** It is likely, if the housing is divested, that current tenants may need to be assessed by the new provider for eligibility. It is expected that all current tenants will be able to continue their tenancy with the new provider.

**4.4** Council is not proposing to require that the purchaser restrict access to the community housing to people 55 and over, as is the case with Council's current policy. Council believes it is fairer for a future provider to make the subsidised housing available to residents based on need, not on age. Council is, however, very mindful of the existing communities at each of the nine locations and has had discussions with potential purchasers about the importance of the established, stable environments that tenants currently live in.

**4.5** Council will aim to achieve the highest possible price in any divesting of the assets while looking to secure the wellbeing of current and future tenants. However, the restrictions on the type of purchasers and expectations around how the properties will be used, will impact the price Council can achieve.

**4.6** Council intends that the net proceeds from any divesting of community housing assets, up to the book value (i.e. $8.382 million), would be used to fund future work on housing in Nelson (with any remainder being used to pay down debt). The aim would be to work with partners who have the ability to deliver housing solutions for the community and support their efforts. This could include an investment of capital by Council into other social housing projects but would not include Council owning social housing or being a social housing landlord. The price achieved will determine the funds available for future investment in housing related projects.

**4.7** Council will make it a condition of any potential divestment that the purchaser(s) agrees to negotiate with Council to develop a mutually agreed Memorandum of Understanding (MOU) to cover a number of elements in relation to community housing. Council expects the MOU to outline the purchaser's plans, including timelines, for upgrading the community housing and developing new units, noting this will depend on funding availability, ability to relocate tenants during works, and detailed assessments of priority locations for redevelopment.

**4.8** The MOU will also document expectations around the continued provision of at least the same number of units of social housing in the Nelson district into the future. It will also encourage the purchaser to use sustainable and energy efficient approaches when upgrading existing or building new units and to consider the wellbeing of tenants in all aspects of the design.

**4.9** The reason Council is proposing to use an MOU to outline expectations is because valuation advice is that using an encumbrance or covenant in gross on the title could result in a significant decrease in the price that could otherwise be achieved.

**4.10** Council considers that this proposal will have a number of advantages as set out above. One disadvantage of this proposal is that Council will no longer own community housing assets. Council considers that the safeguards proposed above will help to minimise this disadvantage. Another disadvantage is that an MOU is not legally binding (meaning Council could not necessarily require the purchaser to meet the expectations outlined above). However, Council considers that the risk of a provider not following the MOU will be minimised by restricting the class of providers to those who have a demonstrable commitment to providing community housing.

**4.11** Legislation requires Council, when considering the divestment of a strategic asset (such as Council's community housing portfolio) to any person, to describe any accountability or monitoring arrangements to be used to assess the performance of any person in relation to that asset; and consider any conflicts of interest that might arise with the proposed divestment. Council does not propose to undertake any monitoring or assessment of the asset following divestment. However, as outlined above, Council proposes to negotiate a MOU with the purchaser that will outline the future intentions of the purchaser and how they will manage and develop the community housing.

**4.12** No conflicts of interest have been identified in relation to any of options above.

## FINANCIAL IMPLICATIONS

**4.13** If it was decided to divest some or all of Council's community housing portfolio, ratepayer funding currently allocated for community housing could be used elsewhere or rates may be reduced (achieving savings of around $160,000 uninflated in most years of the ten year plan). It would also mean that future funding (approximately $20 million spread over 20 to 25 years) for renovating the units, or any funding to build new units, would not need to be borrowed or rated for.

**4.14** The housing portfolio has a current net book value of $8,382,000 which includes the value of its land, approximately 3.1 hectares. The net book value takes into account the historical cost of the housing asset plus any revaluations of land[4] but minus depreciation. This is different to the rateable value of the portfolio provided by Quotable Value Ltd (and used to calculate rates) which is $16,500,000 as at 1 September 2018. Neither of these values is indicative of the current market value so the final price might be more or less than the book value or rateable value.

**4.15** The net proceeds will reduce debt and associated interest costs until such a time as the reserve is utilised. As an indication, if the net proceeds were equal to the net book value of $8.382 million, then debt would reduce by $8.382 million, and interest costs (and thereby rates) would reduce by approximately $361,000 per annum. Council funding for the operation of the activity of $160,000 per annum would also cease, in total saving $521,000 in rates.

**4.16** Over time, as the reserve is used to fund future work on housing, debt will increase up to a maximum of $8.382 million (in this example) and the associated interest will need to be funded from rates.

**4.17** Council's Orchard Street Flats were partially upgraded in 2011 using a 20 year Housing New Zealand suspensory loan of $1.17 million. The terms of the loan are such that Council will need to apply to Housing New Zealand for approval to sell the property and if approval is not given, to repay the loan as well as interest to the full term of 20 years. There is also a clause requiring Council, if selling this property, to offer it first to Housing New Zealand or a housing provider approved by Housing New Zealand, at market value.

**4.18** Council's proposal would not lead to a change to the levels of service based on the assumption that the new provider would continue to maintain current service.

# 5. OTHER OPTIONS ALSO CONSIDERED BY COUNCIL

**5.1** In addition to the proposal outlined above, Council has also identified the following options that are reasonably available to it in relation to its community housing portfolio. Council has assessed each of these options (including the proposal) in terms of their advantages and disadvantages. It considers that none of the alternative options identified below offer the advantages of the proposal outlined above. However, if you believe any of these alternatives are preferable, Council would welcome hearing your views.

### a) Council continues to own community housing

This option would see the Council continuing to provide community housing. It could choose to outsource the management contract (as it does now) or deliver that in-house. Funding from rates to partially subsidise the management of the units would continue. This option does not include renovating or expanding the housing as these have different implications on rates and debt.

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|---|---|
| **Advantages** | • Provides more certainty for Council and the community about the future of the community housing.<br>• Continues to provide subsidised housing for residents 55 and over in small communities with peers of a similar age. |
| **Disadvantages** | • Continued rates subsidy of the management contract costs.<br>• Inequity for other ratepayers, in effect, subsidising tenants in community housing through rates.<br>• Likely that the quality of the housing would decline without the additional rates funding required to undertake upgrades. |

4 Under Council policy, the land is revalued, but not the buildings.

## a) Council continues to own community housing...continued

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|---|---|
| **Financial implications** | • **Rates:** This option would not require any changes to Council's Long Term Plan budgets. The rates subsidy of $160,000 (approximately $8 per household) per annum would continue.<br>• **Debt:** This option would not require any changes to Council's Long Term Plan budgets.<br>• **Level of Service:** This option would not lead to any changes to current levels of service. |

## b) Council continues to own community housing and commits to renovating the asset

This option would see Council commit to additional borrowings and rates funding to bring the portfolio up to a modern living standard.

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| **Advantages** | • Provides more certainty for Council and the community about the future of the community housing.<br>• Continues to provide subsidised housing for residents 55 and over in small communities with peers of a similar age. |
| **Disadvantages** | • Would require additional borrowings of approximately $20 million spread over the next 20 to 25 years with interest and depreciation subsidised by rates over subsequent years.<br>• Continued rates subsidy of the management contract costs of $160,000 (approximately $8 per household) per annum.<br>• Inequity of other ratepayers, in effect, subsidising tenants in community housing through rates.<br>• May require selling some complexes to generate funding for upgrades, resulting in less housing available for tenants. |
| **Financial implications** | • **Rates:** Under this option the rates subsidy of the management contract of $160,000 (approximately $8 per household) per annum would continue. It would also require additional funding over time of between $1.3 million to $2.2 million per annum to fund interest on borrowings of $20 million and additional depreciation. Community housing rents, the Council subsidy or a combination of both of these might need to increase to offset these costs.<br>• **Debt:** This option would lead to an increase in borrowings of $20 million to fund upgrade costs.<br>• **Level of Service:** This option would not lead to any change to the current level of service. |

## c) Council continues to own community housing and commits to expanding the asset

This option would see Council keep the community housing and commit extra rates funding to provide additional community housing.

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| **Advantages** | • Provides more certainty for Council and the community about the future of the community housing.<br>• Continues to provide subsidised housing for residents 55 and over in small communities with peers of a similar age.<br>• Increases the amount of community housing to help meet growing demand. |
| **Disadvantages** | • Additional borrowings and subsequent cost to rates to build new units, in addition to meeting upgrade costs for the portfolio of approximately $20 million spread over the next 20 to 25 years. Continued rates subsidy of the management contract costs of $160,000 (approximately $8 per household) per annum.<br>• Inequity of other ratepayers, in effect, subsidising tenants in community housing through rates.<br>• Cost of building new units would significantly increase debt, and rates, and displace other Council projects. |

*Table continued overleaf*

## c) Council continues to own community housing and commits to expanding the asset...continued

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|---|---|
| **Financial implications** | • **Rates:** Under this option the rates subsidy of the management contract of $160,000 (approximately $8 per household) per annum would continue but may well increase as new units are added. It would also require additional funding over time of between $1.3 million to $2.2 million per annum to fund interest on borrowings of $20 million and additional depreciation relating to the upgraded units. There would be further additional interest, depreciation and maintenance costs in future years for the additional new units. For every $1 million borrowed to expand the housing asset a rates impact (interest and depreciation) would be expected of between $66,000 and $113,000 per annum plus any maintenance costs. The Council subsidy would be expected to increase to offset these costs.<br>• **Debt:** This option would lead to an increase in borrowings of $20 million to fund upgrade costs. Further borrowings would be required to fund additional new units.<br>• **Level of Service:** This option would not lead to any change to the current level of service. |

## d) Council continues to own the community housing but leases the housing units to another provider

This option would see an accredited provider or government agency lease the housing and be responsible for all operating costs such as day-to-day maintenance.

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| **Advantages** | • Provides more certainty for Council and the community about the future of the community housing.<br>• Funding for maintaining the current units to be met by lease and would not be a cost to ratepayers.<br>• Housing New Zealand or an accredited provider expected to be able to access funding from sources not available to Council.<br>• Goes some way to reducing the inequity for other ratepayers, as there would no longer be a community housing rental subsidy of $160,000. |
| **Disadvantages** | • Under a lease scenario Council would remain responsible for the upgrade costs estimated at $20 million spread over the next 20 to 25 years.<br>• Inequity for other ratepayers in respect of the additional rates funding required to fund housing upgrades of $20 million spread over the next 20 to 25 years for interest and depreciation of borrowings as well as additional maintenance costs in future years for the additional new units, if these proceeded. |
| **Financial implications** | • **Rates:** Under this option additional funding would be required over time of between $1.3 million to $2.2 million per annum to fund interest on borrowings of $20 million and additional depreciation relating to the upgraded units. There would be further additional interest, depreciation and maintenance costs in future years for the additional new units, if these proceeded.<br>• **Debt:** Council would retain ownership of the community housing and accordingly not reduce debt from proceeds. This option would lead to an increase to borrowings of $20 million to fund upgrade costs. Further borrowings would be required to fund additional new units, if these proceeded.<br>• **Level of Service:** This option would not lead to a change to the levels of service based on the assumption that the new provider would continue to maintain current service. |

## e) Council continues to own community housing but increases rents to cover costs

Council could retain the community housing and increase rent for tenants to the standard 80% of market.

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|---|---|
| **Advantages** | • Provides more certainty for Council and the community about the future of the community housing.<br>• Continues to provide subsidised housing for residents 55 and over in small communities with peers of a similar age. |

## e) Council continues to own community housing but increases rents to cover costs...continued

| | |
|---|---|
| **Disadvantages** | • While 80% of market rates would generate sufficient income to cover the $160,000 subsidy the additional income would not be sufficient to renovate existing units as well as cover the provision of new community housing units.<br>• Current tenants may be disadvantaged by this option especially if they are not entitled to financial assistance. |
| **Financial implications** | • **Rates:** The rates subsidy of $160,000 per annum would no longer be required and could be used for other work. However additional funding of between $1.3 million to $2.2 million per annum would be required to fund interest on borrowings of $20 million and additional depreciation relating to upgrading the units. As well as the increase in community housing rents, the Council subsidy would be expected to increase further to offset the costs of upgrades.<br>• **Debt:** This option would lead to an increase of borrowings of $20 million to fund upgrade costs.<br>• **Level of Service:** This option would not lead to any change to the current level of service. |

## f) Mixed ownership of community housing

Under this option Council would divest part of the portfolio to a CCO, Trust or joint venture.

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| **Advantages** | • Council would continue to own a share of its community housing and therefore continue to have some control of the provision of community housing. The value of the share, (and control) would be determined by the nature of the ownership agreement. |
| **Disadvantages** | • Likely to attract one-off establishment costs and ongoing governance and management costs for little additional benefit.<br>• Depending on government policy, it may not be possible to access government funding as Council still has a level of ownership.<br>• For a CCO or joint venture there would be ongoing governance and management costs as well as potential income tax liability. |
| **Financial implications** | • **Rates:** There would be initial establishment cost and ongoing governance and management costs that would need to be met by rates. Depending on the form of the arrangement it is likely that a share of the $1.3 million to $2.2 million additional funding for interest and depreciation relating to upgrading the units would have to be borne by Council. Community housing rent increases, a Council subsidy or a combination of both of these might be needed to offset these costs.<br>• **Debt:** Although Council would receive some income (through net proceeds) it would still have financial commitments through ongoing ownership, including an increase in borrowings for its share of $20 million for upgrade costs. The Housing New Zealand loan ($1.17 million plus interest) may also need to be repaid.<br>• **Level of Service:** This option would not lead to a change to the levels of service based on the assumption that the new provider would continue to maintain current service. |

## g) Council sells its community housing on the open market by private sale

This option would see Council dispose of the housing on the open market.

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| **Advantages** | • Maximises potential value and return to ratepayers.<br>• Would avoid any rates funding for upgrade or for the potential expansion of the housing portfolio. |
| **Disadvantages** | • Loss of control over the future of the community housing asset.<br>• May reduce subsidised housing for those in need at a time when demand is increasing significantly.<br>• Council would be required to repay in full the suspensory loan of $1.17 million from Housing New Zealand on Orchard Street units (plus interest) if these were divested. |

*Table continued overleaf*

| g) Council sells its community housing on the open market by private sale... continued | |
|---|---|
| **Financial implications** | • **Rates:** Saves $160,000 rates subsidy per annum as well as interest savings from any debt reduction, if all units were divested.<br>• **Debt:** Net proceeds from the divestment would be used to repay the loan debt to Housing New Zealand of $1.17 million along with the associated interest due, and the remainder (up to the book value of $8.382 million) would be available for Council to support partners working to deliver housing solutions for the community.<br>• **Level of Service:** Likely that the levels of service would change as there would be no guarantee that community housing would continue to be provided. |

# 6. ASSUMPTIONS

**6.1** The calculations for this proposal have assumed that the divestment will be at net book value, calculated at December 2018. Net book value is not indicative of the current market value so the final price might be more or less than the book value of $8,382,000 used in this proposal.

**6.2** The calculations for the upgrade of the units (approximately $20 million spread over 20 to 25 years) is based on a square metre rate of $3,000 (excluding GST).

**6.3** It has been assumed that there are no other changes to the Long Term Plan 2018-28.

# 7. SUBMISSION

**7.1** A submission form is included at the end of this document. Anyone may make a submission about any aspect of Council's proposal, the alternatives and issues that have been considered. Council, in making its final decision, will take account of all matters raised in submissions and may, as a result, decide to pursue one, or a combination of, the alternatives above instead of its proposal. Copies of the text that will be amended in the current Long Term Plan if a divestment goes ahead can be found at nelson.govt.nz/community-housing.

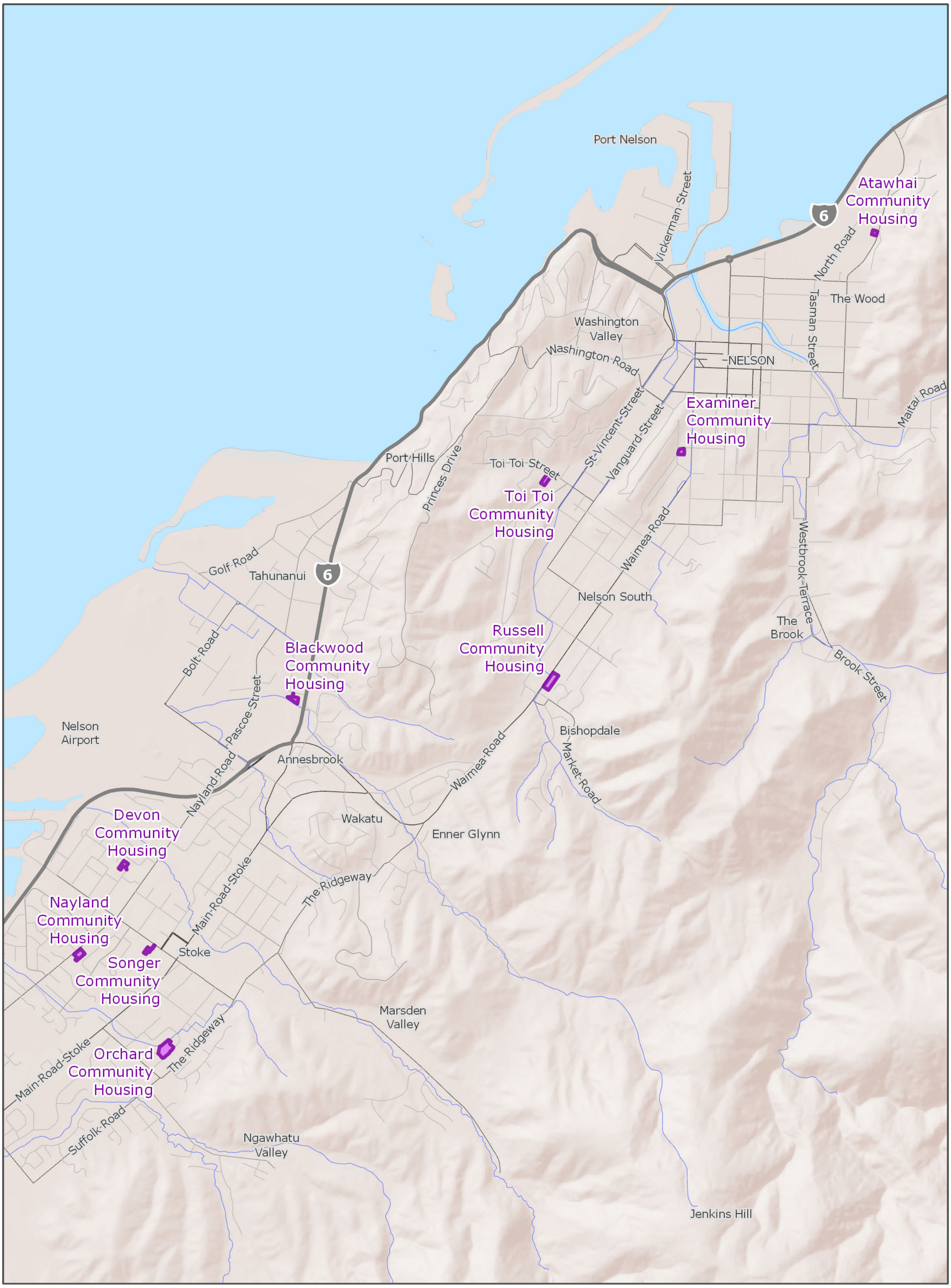
**7.2** All submissions (including the names and contact details of submitters) are public information and will be available to the public and media in various reports and formats including on the Nelson City Council website. Personal information will also be used for administration relating to the subject matter of submissions. Submitters have the right to access and correct any personal information included in any reports, information or submissions.

Submissions can be made:

- Online at nelson.govt.nz
- By post to Community Housing, PO Box 645, Nelson 7010
- By dropping off to Civic House, 110 Trafalgar Street, Nelson

**Submissions must be received no later than 5pm 2 May 2019.**

**7.3** Any person who wishes to speak to the Council in support of their submission will be given the opportunity to address the Council at hearings on 14, 15 and 16 May 2019.




## Council Community Housing

Legend

Community Housing

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*January 2019*

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Nelson City Council
te kaunihera o whakatū

*PO Box 645 Nelson 7040 New Zealand PH 03 5460200 nelson.govt.nz*



File Ref: A2123106 KS. Original map size A4.

# AUDIT OPINION

## ngā whakāro arotake

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**To the readers of Nelson City Council's consultation document**

**Independent Auditor's Report**
**on the proposed amendment of the 2018-28 long-term plan**

I am the Auditor-General's appointed auditor for the Nelson City Council (the Council). I have audited the information in the consultation document on pages 28 to 37 about the proposed amendment of the 2018-28 long-term plan (long-term plan), using the staff and resources of Audit New Zealand. We completed our audit on 27 March 2019.

**Opinion**

In my opinion:

- the information in the consultation document about the proposed amendment of the long-term plan provides an effective basis for public participation in the Council's decisions about the proposed amendment, because it:
  - fairly represents the reasons for and implications of the proposed amendment; and
  - identifies and explains the main issues and choices facing the Council and the city, related to the proposed amendment; and
- the information and assumptions underlying the information in the consultation document related to the proposed amendment are reasonable.

**Basis of Opinion**

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council’s systems and processes applying to the preparation of the proposed amendment.

We did not, as part of our audit work, evaluate the security and controls over the publication of the consultation document.

**Responsibilities of the Council and auditor**

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document that meet the purposes set out in the Local Government Act 2002 (the Act); and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

I am responsible for reporting on the consultation document, as required by section 93D of the Act. I do not express an opinion on the merits of any policy content of the consultation document.

**Independence and quality control**

In carrying out our audit, we complied with the Auditor-General’s:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

In addition to our work in carrying out all legally required external audits, we have carried out an engagement in the areas of the Council’s Debenture Trust Deed, which is compatible with those independence requirements. Other than these assignments, we have no relationship with or interest in the Council or any of its subsidiaries.

Jacques Coetzee
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

# Remember

Get your feedback
in by Thursday
2 May 2019!

**Nelson City Council**
*te kaunihera o whakatū*

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