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**Special Meeting Of Kaipara District Council In The Council Chambers, Station Road,
Dargaville On Tuesday 20 December 2011 Commencing 1.00pm**

Confirmed Minutes

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Confirmed

Minutes: Tuesday 20 December 2011

1 Opening: Mayor

1.1 Present

Mayor N Tiller, Councillors J Blackwell, J Geange, H Harding, W Linton, B McEwing, J Sutherland, A Wade, J Larsen.

1.2 In Attendance

Chief Executive, General Manager Operations, General Manager Policy and Governance, Management Accountant. Policy Analyst (Minutetaker)

1.3 Apologies

There were no apologies.

2 Declaration of Conflicts of Interest

2.1 Declaration of Conflicts of Interest

General Manager Policy and Governance 1902.0

There was no Declaration of Conflicts of Interests.

3 Policy

3.1 Policy on Significance

Chief Executive 2304.09

A report from the Chief Executive dated 16 December 2011 was circulated prior to the meeting.

The report sought Council approval of a proposed new Policy on Significance. Formulation of Policy on Significance is a statutory requirement. The Policy was to be included in the 2012/2022 Long Term Plan. The Policy applied to all areas of Council operation.

The Local Government Act 2002 (LGA02) required Council to adopt a Policy on Significance. The Policy must be adopted by use of the special consultative procedure and a summary of it must be included in the Long Term Plan.

There were two key options:

Option 1: Adopt the proposed new Policy: Under this option Council would agree to consult on the proposed new Policy on Significance using the special consultative procedure as part of its draft 2012/2022 Ten Year Plan. A summary of the proposed Policy would also be included in the Long Term Plan itself.

Option 2: Retain the existing Policy: Under this option Council would retain its existing Policy on Significance as reflected in the 2009 Long Term Plan.

After consideration of the above, Council decided on Option1.

Moved Wade/Linton

- 1 *That Kaipara District Council determines that it believes it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with the provisions of Section 79 of the Act determines that it does not require further information prior to making a decision on this matter; and*
- 2 *That Council agrees to proceed to community consultation on the proposed new Policy on Significance via the draft 2012/2022 Long Term Plan special consultative procedure.*

Carried

Reason for the decision

This option would enable Council to proceed with a formal review of the Policy on Significance and adopt a policy that is considered to better reflect current local government practice and recent case law. This should lead to improved and more consistent decision-making across Council.

3.2 Forecast One: 2011/2012 Annual Plan

General Manager Policy and Governance 2302.15.05

A report from the General Manager Policy and Governance dated 15 December 2011 was circulated prior to the meeting. The report outlined the results of Forecast One, noted issues and options, and requested that Council formally approved the reforecast. This will enable Council to take appropriate action to manage the financial position going forward.

Over the past five months, at Council's request, the incoming management team had been reviewing and improving financial data and reporting. As part of this exercise, reconciliation between the Annual Plan budget for 2011/2012 and the Council's financial system was completed. From September, budget and actual data had been accessible

to budget managers and Council had received improved financial reporting. It was, however, a continual improvement process and there was still a way to go. The Annual Report for 2010/2011 was due for completion shortly. The next major step forward was the completion of this reforecast for 2011/2012. Following that, Council staff will be able to compile the Draft Long Term Plan financial projections which will be discussed with Council in the new calendar year.

The report also set out the results of Forecast One and noted issues and options. Council staff had a reasonable level of confidence in the data at this point and intended doing a further reforecast in the next quarter (between January and March 2012) to ensure that they had a robust position to move forward from in the Long Term Plan. The 2010/2011 Annual Report once completed, together with Forecast Two will provide an updated starting position for the Long Term Plan projections. It was the Long Term Plan process that will allow Council the opportunity to move to a prudent and sustainable long term financial management position.

The forecast exercise outlined errors and omissions in the 2011/2012 Annual Plan together with the impact of new information. Overall, the forecast showed that there was a cash shortfall of \$5.104 million instead of a surplus of \$0.515 million. In addition, it was estimated that there will be an additional amount, in the order of \$2 million, required for working capital due to the operating deficit in the 2010/2011 financial year.

The reforecast reflected the Council decision not to fund debt funded capital expenditure where possible, which amounted to a reduction of \$3.658 million of capital expenditure and associated debt funding. Council also requested that staff report back on whether savings in the order of 5% was achievable. Given the scale of the corrections that were required, savings that had been found to date were forlorn.

The overall impact was that Council will need to borrow in the order of \$7.5 million to fund the shortfall for 2011/2012. While Council may not need to borrow this entire amount externally, it would be prudent to prepare for this eventuality. Staff will continue to explore options around release of sinking funds and the utilisation of an internal borrowing regime within the context of appropriate liquidity facilities.

Going forward, the Long Term Plan process was the opportunity to put Council's affairs in order. This will encompass appropriate strategy, policy and planning including asset and financial management and service delivery.

Moved Harding/Wade

That Council:

- 1 *Receives the report from the General Manager Policy and Governance, titled 'Forecast One: 2011/2012 Annual Plan' dated 15 December 2011; and*
- 2 *Determines that it believes it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision;*

and in accordance with the provisions of section 79 of the Act determines that it does not require further information prior to making a decision on this matter; and

- 3 *Approves the forecast as set out in the forecast sections of this report and determines that no further action is required at this point in time; and*
- 4 *Determines in accordance with section of the Local Government Act 2002 that the decision to approve this reforecast constitutes an inconsistent decision; that in making this decision, Council has taken the steps that it considers reasonable to address the impacts of the issues identified through the reforecast; determines that it will not be proposing an amendment to the 2011/2012 Annual Plan as a result of making this decision; and notes that it will be addressing the issues arising from this reforecast during production of the 2012/2022 Draft Long Term Plan.*
- 5 *Notes that funding in the order of \$7.5 million will be required to cover expenditure for the 2010/2011 and 2011/2012 years and that a separate report seeking formal approval for this level of borrowing will be brought to the next Council meeting; and*
- 6 *Notes that the Long Term Plan is the opportunity to move Council forward to a position of prudent and sustainable long term financial management and that it will address the issues arising from the current year reforecast as part of this process.*

Carried

Councillor Larsen voted against the resolution and wished for this to be recorded.

Reason for the decision

Council has a duty to fulfil statutory and community obligations and committed expenditure, some of which is currently not provided for in the 2011/2012 Annual Plan. Council's options are very limited until next year after the Draft Long Term Plan has been compiled, consulted on, adopted and actioned. For the current financial year borrowing will be required to fund the shortfall.

Sections 76 to 82 of the Local Government Act set out the decision making requirements. The resolution recognises that the decision-making is appropriate to the need.

Closure

The meeting closed at 3:55pm

Confirmed this..... day of

Mayor