


18. CHANGES TO 2011/12 ANNUAL PLAN PROCESS



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PURPOSE OF REPORT

1. The purpose of this report is to:
 - (a) Brief Council on the impact of the 22 February 2011 earthquake on the draft Annual Plan.
 - (b) To recommend a modified process.

EXECUTIVE SUMMARY

2. The 22 February earthquake occurred shortly before the draft Annual Plan for the 2011/12 financial year was due to go to a meeting of Council. Obviously new financial implications have since arisen for Council, and priorities may be shifting in some cases.
3. However, the requirement to have a plan and budget in place and to strike a rate at the start of the next financial year remains.
4. Council is being asked to support a range of changes to the normal Annual Plan process, and to support a proposed Order in Council that will give effect to these changes.
5. The aim is to present Council with a recommended Annual Plan that is as accurate as possible. A secondary aim is to give Council the ability to make timely decisions over the coming financial year.

BACKGROUND

6. Council normally follows a defined project timeline for its Annual Plan. A recommended draft plan is presented to Council (setting out budgets, financial policies, levels of service and capital projects for the coming financial year) for adoption by late February.
7. Consultation on the Draft Annual Plan then occurs mid-March to mid-April, followed by public hearings in May. Council then debates and resolves upon a final Annual Plan in June. This adoption of a final plan puts Council in a position to strike a rate for the coming year, which is critical for business continuity.
8. The earthquake of 22 February renders this standard timetable obsolete. At this stage the cost of the emergency phase is yet to be finalised. Levels of service are not stabilised and in many key areas (notably water supply and waste water) projected levels of service will not be available for some time. Reprioritisation of capital expenditure is yet to occur. Assessment of the recovery steps to be taken in 2011/12 remains an ongoing task.
9. Given this level of complexity it will take several months to revise a draft Annual Plan. This in turn means that the normal consultation processes (which consume several months in total) cannot be adhered to if Council is to strike a rate at end of the financial year.
10. Council has supported Annual Plan and LTCCP consultation in the past and usually exceeds statutory requirements. However in these exceptional circumstances Council finds itself obliged to seek exemptions from some of the provisions contained in the Local Government Act 2002 via an Order in Council.
11. The Department of Internal Affairs DIA is the Central Government Agency responsible for the Local Government Act 2002. DIA officials support the making of an Order in Council to address the matters referred to in this report. More details about the exemptions sought are contained in the legal considerations section.
12. It is highly likely that during the course of the coming year there will be unforeseen changes to budget, levels of service and capital projects to accommodate the recovery effort. These will be addressed in the quarterly performance reports and the annual report presented to the Council.

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13. This form of rolling review will serve to keep the plan and budget as accurate as possible during the recovery period. The changes arising would not lack transparency but would be recorded in formal Council minutes and reflected in an online version of the Annual Plan. They can also be notified via public notice and / or a summary document, explaining the rationale behind the new plan and budget, the location of the full document online, and the quarterly Performance Report review process.
14. While year end financial results will be able to be published in the Annual Report, levels of service will present a major problem. In many cases data recording systems have failed or have been compromised during the earthquake or its aftermath, while in others the service itself has been suspended. Many major facilities have been closed and repair times remain unclear.
15. Quantifying non financial results will be fruitless in many cases, and it is questionable whether reporting post-earthquake results against pre-earthquake targets would be a meaningful exercise in any event. An exemption from the requirement to report on activities and levels of performance is being sought.
16. DIA officials will put the case for new Orders in Council, firstly to the Recovery Commission and then to a Cabinet committee.
17. Orders are drafted by the Parliamentary Counsel Office in response to instructions from DIA.

FINANCIAL IMPLICATIONS

18. The main benefit of an Order in Council is that it will allow the financial position of the Council to be better defined post emergency before re-presenting a recommended plan to Council.

LEGAL CONSIDERATIONS

19. Section 95 of the Local Government Act 2002 requires the Council to prepare and adopt an Annual Plan for each financial year. The Council must use the special consultative procedure and adopt its Annual Plan before 1 July 2011.
20. For the reasons set out elsewhere in this report it is not feasible for the Council to consult on the 2011/12 Annual Plan. The time that would normally be spent undertaking a Special Consultative Procedure will be required to re-work budgets as a result of the impact of the 22 February earthquake.
21. Legal Services and Simpson Grierson have been working with DIA officials on the legislative solution to the problems facing the Council. It is generally agreed that the best approach is to recommend to the Recovery Commission and to the Cabinet that an Order in Council be made.
22. Attached to this report is a letter to DIA that followed a recent meeting with Department officials. The letter sets out the process that Council staff are suggesting for the adoption of the 2011/12 Annual Plan as well as the changes to the current provisions of the Local Government Act 2002 that are being sought.
23. It is likely that these will find favour with DIA and that the drafting of the proposed Order in Council will begin shortly.

STAFF RECOMMENDATION

It is recommended that the Council resolves to:

- (a) Approve the modified Annual Plan and Annual Report processes recommended by Council staff.
- (b) Support the making of an Order in Council to validate these processes.