



Notice is hereby given that a Meeting of the Around the Mountains Cycle Trail Project Subcommittee will be held on:

Date: Wednesday, 15 November 2017
Time: 3pm
Meeting Room: Council Chambers
Venue: 15 Forth Street
Invercargill

Around the Mountains Cycle Trail Project Subcommittee Agenda OPEN

MEMBERSHIP

Chairperson Brian Dillon
Mayor Gary Tong
Councillors Stuart Baird
Paul Duffy
Julie Keast
Ebel Kremer

IN ATTENDANCE

Group Manager Services and Assets Ian Marshall
Committee Advisor Fiona Dunlop

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Full agendas are available on Council's Website
www.southlanddc.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.

Terms of Reference for the Around the Mountains Cycle Trail Project Subcommittee

This Subcommittee is a Subcommittee of the Services and Assets Committee and has responsibility for:

- Project Completion - To ensure the cycle trail project is completed to the standard expected on a no surprises basis, by
 - (i) Monitoring progress and making decisions to allow completion to be achieved.
- Project Progress - To monitor progress of the project and make necessary decisions to keep the project on track in accordance with the project plan. To ensure the project is completed on time in accordance with the project plan, by
 - (i) Receiving sufficiently detailed progress reports from the Project Manager to be able to be fully informed of progress towards the completion outcome.
 - (ii) Making decisions on actions necessary to overcome constraints that put achieving the planned outcome at risk.
- Financial Management - To ensure the project is completed to the agreed budget, by
 - (i) Receiving sufficiently detailed progress reports from the Project Manager to be able to be fully informed of the likely completion outcome.
 - (ii) Making decisions on actions necessary to overcome constraints that put achieving the completion within budget at risk.
 - (iii) Approving Procurement Plans and let Contracts in accordance with those plans for the purchase of goods and services to complete the cycle trail project.
- Risk Management - To monitor Risk Management processes and ensure that risks are being identified, mitigated and managed, by
 - (i) Receiving reports on risk management,
 - (ii) Assessing if all important risks are being managed properly.
 - (iii) Flagging any unmanaged risks.
- Health and Safety Management - To monitor Health and Safety management and ensure it is being carried out appropriately, by
 - (i) Receiving reports on Health and Safety management including evidence of proactive management and evidence of safety observations and due diligence.
 - (ii) Ensuring unsafe practices are eliminated from the project.
- Compliance - To monitor consent compliance to ensure all work is carried out under necessary consents and to ensure all consent conditions are complied with, by
 - (i) Receiving confirmation reports of consent compliance
 - (ii) Receiving exception reports on issues of non-compliance and proposals to correct non-compliance.

The Around the Mountains Cycle Trail Project Subcommittee shall have authority to:

- Expend funds in accordance with the approved budgets for the Around the Mountains Cycle Trail project.
 - Approve Procurement Plans and let Contracts in accordance with those plans for the purchase of goods and services to complete the cycle trail project.
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1 Apologies

At the close of the agenda no apologies had been received.

2 Leave of absence

At the close of the agenda no requests for leave of absence had been received.

3 Conflict of Interest

Committee Members are reminded of the need to be vigilant to stand aside from decision-making when a conflict arises between their role as a member and any private or other external interest they might have.

4 Public Forum

Notification to speak is required by 5pm at least two days before the meeting. Further information is available on www.southlanddc.govt.nz or phoning 0800 732 732.

5 Extraordinary/Urgent Items

To consider, and if thought fit, to pass a resolution to permit the committee to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) the reason why the item was not on the Agenda, and
- (ii) the reason why the discussion of this item cannot be delayed until a subsequent meeting.

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"Where an item is not on the agenda for a meeting,-

- (a) that item may be discussed at that meeting if-
 - (i) that item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion."

6 Confirmation of Minutes

- 6.1 Meeting minutes of Extraordinary Around the Mountains Cycle Trail Project Subcommittee, 3 May 2017

Extraordinary Around the Mountains Cycle Trail Project Subcommittee

OPEN MINUTES

Minutes of a meeting of Extraordinary Around the Mountains Cycle Trail Project Subcommittee held in the Council Chambers, 15 Forth Street, Invercargill on Wednesday, 3 May 2017 at 9.01am.

PRESENT

Acting Chairperson Mayor Gary Tong
Councillors Stuart Baird
Paul Duffy (9.03 – 10.48am)
Julie Keast
Ebel Kremer

IN ATTENDANCE

Councillor John Douglas
Councillor Neil Paterson
Chief Executive - Steve Ruru
Group Manager, Services and Assets - Ian Marshall
Chief Financial Officer – Anne Robson
Group Manager, Community and Futures – Rex Capil
Communications Manager – Louise Pagan
Committee Advisor – Fiona Dunlop

Confirmation of Chair

The Chair of the Subcommittee Councillor Dillon was not present for the meeting. A nomination for a member of the Subcommittee was called for.

Mayor Tong was nominated to Chair the meeting.

Moved Cr Kremer, seconded Cr Baird and **resolved that Mayor Tong chairs this meeting of the Around the Mountain Cycle Trail Project Subcommittee.**

1 Apologies

Apologies for absence were received from Councillor Dillon and for lateness from Councillor Duffy.

Moved Cr Baird, seconded Cr Keast and **resolved:**

That the Around the Mountain Cycle Trail Project Subcommittee accept the apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

6 Confirmation of Minutes

There were no minutes to confirm as this is the first meeting of the Subcommittee for this Triennium

Public Excluded

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

Resolution

Moved Cr Keast, seconded Cr Kremer **and resolved:**

That the public be excluded from the following part(s) of the proceedings of this meeting.

C6.1 Around the Mountains Cycle Trail - Issues and Options

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Around the Mountains Cycle Trail - Issues and Options	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

That the Chief Executive, Group Manager - Services and Assets, Chief Financial Officer, Group Manager - Community and Futures, Communications Manager and Committee Advisor be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C6.1 Around the Mountains Cycle Trail - Issues and Options. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

The public were excluded at 9.02am.

Councillor Duffy joined the meeting at 9.03am.

Meeting adjourned at 10.25am for morning tea and reconvened at 10.33am.

Mayor Tong and Councillors Baird, Douglas, Duffy, Kremer, Keast and Paterson were present when the meeting reconvened.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not publicly available unless released here.

The meeting concluded at 10.48am.

CONFIRMED AS A TRUE AND CORRECT
RECORD AT A MEETING OF THE AROUND
THE MOUNTAINS CYCLE TRAIL PROJECT
SUBCOMMITTEE HELD ON WEDNESDAY 3
MAY 2017.

DATE:.....

CHAIRPERSON:.....

Options for Funding the Around the Mountains Cycle Trail

Record No: R/17/11/26655
Author: Anne Robson, Chief Financial Officer
Approved by: Steve Ruru, Chief Executive

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 To recommend to Council that the decision on how to fund the balance of costs to date for the Around the Mountains Cycle Trail be consulted on as part of the 2018-2021 Long Term Plan.

Executive Summary

- 2 Council has previously deferred the decision on how it is going to fund the net cost (ie the difference between costs to date and external funding received) of developing the Around the Mountain Cycle Trail until the Deloitte report and the Environment Court decision had been received. Both have now been received.
- 3 Council is still in the process of deciding how it will complete the trail after deciding that the proposed Oreti River option is no longer a feasible option.
- 4 This paper explores the issues of when Council wants to make the funding decision on the net cost to date, how it wants to fund it and the level of consultation, if any, it wishes to undertake.
- 5 This report recommends that the funding decision be made as part of the 2018-2028 Long Term Plan.
- 6 The decision on how to fund any costs to complete the trail is not part of this report and it is suggested that that decision be made at the time that Council decides how and if to complete the trail.
- 7 A version of this report has been to the Finance and Audit committee for discussion. The committee agreed to recommend to Council that how the trail be funded be consulted on as part of the 2018-28 Long term Plan. They also noted that their preferred option on which to consult was funding by way of a 30 year loan collected by a fixed amount per rating unit.

Recommendation

That the Around the Mountains Cycle Trail Project Subcommittee:

- a) Receives the report titled “Options for Funding the Around the Mountains Cycle Trail” dated 8 November 2017.**
- b) Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.**
- c) Determines that 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 Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) Recommends to Council that the decision on how to fund the net cost to date of \$4.6 million incurred to develop the Around the Mountains Cycle Trail be made as part of the 2018-2028 Long Term Plan.**
- e) Recommends to Council that options to be consulted on for funding include:**
 - i) The preferred option is funding by way of loan over 30 years, with loan repayments collected by way of the uniform annual general rate.**
 - ii) Funded by the Strategic Asset Reserve, with no repayments of the reserve.**
 - iii) Funded 50% by way of a loan over 30 years, with repayments collected by way of the uniform annual general rate and 50% funded by the Strategic Assets Reserve, with no repayments of the reserve.**
- f) Recommends to Council that the decision on how to fund the \$4.6 million be included as part of the 2018/2028 Long Term Plan consultation document as prescribed in terms of Section 93C of the Local Government Act 2002.**
- g) Recommends to Council that it amends the Revenue and Financing Policy to include funding of the loan repayments for the Around the Mountains Cycle Trail from the uniform annual general rate.**

Background

- 8 In preparing the 2016/17 Annual Plan, Council agreed to complete the Deloitte review and wait for the decision from the Environment Court prior to making any decisions on the future of the project and its funding.
- 9 Since then the Deloitte review and the decision from the Environment Court have been received. The decision of the Environment Court has resulted in the proposed route up the Oreti River Valley no longer being a viable option.
- 10 Council agreed at its meeting on the 19th May to “*further investigate the “Heartland Ride” option including consideration of the Walter Peak to Centre Hill section of the Trail being developed as either, A Great Ride; or A “Heartland Ride”*”. This is being discussed in a separate report.
- 11 As the decision on how to complete the trail is still progressing, Council staff are recommending that any funding decisions are now split into two decisions. The first decision being that of how Council wants to fund the balance of costs incurred to date. The second funding decision being made when the decision on how to complete the trail is made.
- 12 A version of this report was considered at the Finance and Audit committee on the 6th September 2017. The committee discussed options for funding and also the method of collection. The resolutions that the committee approved are reflected in the resolutions in this report and form the basis for the ATMCT committee to discuss.
- 13 For information the resolution included in the report to the Finance and Audit committee was as follows,
- e) Recommends to Council that options to be consulted on for funding include:
 - i) The preferred option, based on current Council policy, funding by way of loan over 30 years, with loan repayments collected by way of the Roding rate.
 - ii) Funded by the Strategic Asset Reserve, with no repayments of the reserve.
 - iii) Funded 50% by way of a loan over 30 years, with repayments collected by way of the roading rate and 50% funded by the Strategic Assets Reserve, with no repayments of the reserve.
- 14 The finance and audit committee resolved amendments to the proposed resolutions. The amended resolutions are reflected in this report as of e, f and g.
- 15 In making the amendments the finance and audit committee thought about the activity to which the cycle trails belongs now and in the future, the most appropriate way of funding the \$4.6 million and from what rate they would collect the loan repayments
- 16 In considering the activity to which the cycle trail belonged, the committee discussed what the trail is now and what it will be in the future. The discussion was around is it a community facility, a roading asset or part of parks and reserves. The decision was that any ongoing promotion is incidental to providing a cycleway to provide the ability of getting from A to B and as such in their view forms part of the roads and footpaths activity.
- 17 In discussing how to fund the trail the committee agreed that the preferred option to be consulted on was by way of a loan over 30 years. Some members felt that the use of the strategic assets reserve given its historical background was not appropriate for the funding of this project.

Others noted there comfort with the 50%loan and 50% strategic assets reserve. The consensus at the end was loan funding as the preferred option.

- 18 In considering how the loan repayments should be recovered it was felt by one member that using the roading model was not appropriate if a portion was to be assigned to heavy traffic and that a portion was from capital value. Members thought it was more appropriate to have a fixed amount per rating unit and to do this by way of the uniform annual general rate. In doing so it was acknowledged that the Revenue and Financing policy needed to be updated to reflect this funding change.
- 19 Generally this report is the same as that presented to the Finance and Audit committee, however some small changes have been made as follows:
- The numbers referred to in the report have been reflected where necessary for the updated 2018-28 Long Term Plan interest rates, the change to the interest rate on internal loans is from 5.15% to 4.65% and on reserves it has changed from 3.27% to 3.29%.
 - Acknowledgement that in using the strategic assets reserve it does have a cost to the ratepayer in that the interest currently received on the reserve is used to offset the roading rate. This was noted in the meeting of the finance and audit committee.
 - This report includes a summary of the discussion held at the finance and audit committee.

Issues

- 20 Council needs to decide how it wishes to fund the balance of the development cost of the trail incurred to date. At the 30 June 2017, the balance of costs was \$4,601,165 (after interest has been charged for 2016/17 of \$235,279).
- 21 Council also needs to consider if it wishes to make the decision to fund on the basis of past discussions with the community or if it wishes to undertake further consultation.
- 22 Council has still to decide how and if it will complete the trail. As such additional costs will be incurred but the quantum will depend on the choices made.
- 23 A funding decision can be made at any time. It could be made now, given the trail is substantially complete or when the total costs are known. In the meantime, interest will continue to be accrued on the negative reserve from which the project has been funded.
- 24 Additionally, Council still has a number of contractual obligations with external funders to complete development of the trail as originally envisaged. Council needs to work through its options and at the same time enter into discussions with these funders over the implications that any proposed change it makes to completing the trail has on the contractual obligations it has with the funders.

Factors to Consider

Legal and Statutory Requirements

- 25 This report recommends the use of the Uniform annual general rate as the funding choice to repay any loan repayments. This is contrary to the current Revenue and Financing policy and as

such will require us to amend the Revenue and Financing policy as part of the Long Term plan Section 80 requires that if this decision where to be made, Council as part of the decision making needs to clearly identify the inconsistency, the reasons for the inconsistency and any intention Council has to amend the policy or plan to accommodate the decision.

- 26 Section 100 of the Local Government Act, requires Council to ensure that each years projected operating revenues are set at a level sufficient to meet that years projected operating expenses.
- 27 Section 101(1) of the Local Government Act states Council must manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community.
- 28 Section 101(3) of the Local Government Act, states that the funding needs of the local authority must be met from those sources that the local authority determines appropriate, following consideration of:
- (a) In relation to each activity to be funded, -
 - (i) The community outcomes to which the activity primarily contributes; and
 - (ii) The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals and
 - (iii) The period in or over which those benefits are expected to occur; and
 - (iv) The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities and
 - (vi) The overall impact of any allocation of liability for revenue needs on the community.

Community Views

- 29 Submissions on the trail have been received as part of previous Long Term Plans and Annual Plans. These submissions were mixed in their support. A number supported the construction of the trail on the basis that it supports active healthy communities and would provide recreational opportunities for residents and visitors. Submissions noted the likelihood that the Around the Mountains Cycle Trail will also attract new visitors and present opportunities for vibrant and successful Southland District communities. Additionally, submissions discussed the funding of the trail and noted the plan's lack of detail in regards to funding and on-going maintenance. A submitter also queried how future resources would be sourced and allocated to continue to support active communities, protect the local environment and maintain the trail.
- 30 It would be fair to say that a number are concerned about the increase in projected costs, beyond the original \$8 million cost that was communicated to ratepayers, and the financial implications that these increases will have for ratepayers.
- 31 In recent months a number from within the community have made representations to Council on the issues relating to the way in which development of the ATMCT has been managed to date and the options that exist for its future development and funding.

- 32 Some of those speaking to Council have questioned the appropriateness of Council's indication in its Long term Plan and Annual Plan to use the Strategic Assets Reserve (formally known as the Southroads Reserve) to partially fund the balance of costs. They have also asked how this fund would be repaid.

Costs and Funding

- 33 The actual costs of the trail to the 30 June 2017 is \$10.4 million, including interest for 2016/17 of \$234,000.
- 34 The actual income received to the end of June 2017 is \$5.8 million. This excludes the balance of funding yet to be received from NZ Lotteries of \$500,000. This funding was to be received on completion of the trail. As discussed previously, discussions with funders about monies received and to be received are yet to be undertaken.
- 35 The balance to be funded at the 30 June 2017 is \$4.6 million (costs \$10.4 million less income \$5.8 million).
- 36 In the accounts to the 30 June 2017, \$1.8 million was expensed, with the balance capitalised (made into a fixed asset and depreciated over the life of the asset). The \$1.8 million is the cost of the consent, Environment Court and appeal costs in relation to the Oreti River stage. Because Council has decided not to pursue the Oreti River option, the costs incurred in relation to this stage need to be expensed as they no longer meet the definition of an asset as defined within the accounting standards.
- 37 It is generally considered good practice to fund any expensed item from funds collected in the year or cash held particularly given the section 100 requirement to operate a balanced budget. This also reflects the fact that the expense does not have any long term benefits. Council does, however, have the option of funding these costs over a longer timeframe if it considers that to be desirable.
- 38 Options for funding the capital costs incurred to date include:
- (a) Loan, repayments funded from rates over a 30 year term.
 - (b) Reserves, payment from existing cash reserves.
 - (c) Combination of a loan and reserves.
- 39 Council has indicated previously in its Annual plans that it is considering funding the balance of costs, half from a loan over 30 years and the remainder from the Strategic Assets reserve (previously called the Southroads reserve). The loan was to be repaid from rates.
- 40 At the 30 June 2017, the balance of this reserve was \$8,507,783. There is no change budgeted to this reserve in the year to 30 June 2018. Interest on this loan is used to offset the roading rates. There was no intention to repay the reserve.
- 41 Council has indicated in its Annual Plans/Long Term Plans to date that the purpose of the Strategic Assets Reserve was to offset rates.

Policy Implications

- 42 Council has included the cycle trail as part of its Roothing activities. Council's current Revenue and Financing policy states that the rates funding of roading will be from the roading rate.

- 43 As part of the Long Term Plan process, Council will be reviewing its Revenue and Financing Policy and hence any proposed changes to funding sources may be considered. Additionally, as part of the preparation of the Long Term Plan Council may also review the activity to which the cycle trail is allocated.

Analysis

Options Considered

- 44 In considering options for funding of the balance, Council needs to consider:
- The timing of the funding decision. Although the Deloitte report and the Environment Court verdict is back, a decision on how to complete the trail is still required.
 - The funding option. Loan, reserves or a combination.
- Loan:
- \$4.64 million funded from a loan over 30 years at 4.65% would be \$285,214 of repayments per year. Currently the maintenance costs of the trail are collected through the roading rate which is a combination of a targeted fixed rate and a rate in the \$ in CV.
 - The collection of the loan repayments is recommended to be collected from the Uniform Annual General Rate (UAGR) at \$18.33 per rateable unit. The Revenue & Financing policy will need to be updated to reflect the change in funding methods as it is contrary to the current policy.
 - The below table illustrates the impact of collecting through the roading rate or using the same tools but from the General Rate. This is based on the 2017/18 roading rate model.

Impact if Roading Rate used						
	General Rate	Share of General rate		Roading Rate	Share of Roading rate	Variance
UTR	19,313	7%		19,313	7%	-
Commercial	3,740	1%		7,432	3%	- 3,692
Dairy	78,981	28%		105,884	37%	- 26,903
Farming Non Dairy	127,828	45%		96,547	34%	31,281
Forestry	1,714	1%		15,809	6%	- 14,095
Industrial	4,310	2%		7,812	3%	- 3,502
Lifestyle	14,495	5%		9,652	3%	4,844
Mining	206	0%		5,390	2%	- 5,184
Other	12,192	4%		2,435	1%	9,757
Residential	22,430	8%		14,935	5%	7,495
	285,210	100%		285,210	100%	

- 45 Reserves: The most likely reserve to use, given Council's indication in the past to use this reserve to offset rates is the Strategic Assets Reserve. The current balance is \$8.5 million. In using this reserve Council needs to decide if it would look to recover the funds used. To not recover the funds would mean a reduction on the interest earned on this reserve that is used to

offset the roading rate. This amounts to \$151,378, if the reserve was used to fully fund the project. To recover the principal monies over say 30 years would mean \$153,372 per year.

- 46 Combination: The combination could be whatever Council chose. To date Council has indicated repayment of 50% Loan, 50% reserves. This would mean \$142,605 in repayments of the loan over 30 years assuming Council would not seek reimbursement of the Strategic Assets Reserve.
- 47 The level of consultation, if any, Council wants to undertake with the community over the funding choice. Given the level of discussion on this issue, Council may consider undertaking further consultation on how to fund the balance of costs as part of the Long Term Plan.
- 48 Analysis of Options

Option 1 – Consult on the funding option for the repayment of \$4.64million as part of the 2018-2028 Long Term Plan. Consultation on 3 options:

- i) **Funded from a loan over 30 years with loan repayments being collected from the uniform annual general rate over 30 years.**
- ii) **Funded from the Strategic Assets reserve, no repayment of the reserve being sought with no impact on future rates.**
- iii) **Funded 50% from a loan over 30 years and 50% from the Strategic Assets reserve. With loan repayments being collected from the uniform annual general rate over 30 years.**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Greater transparency on the decision making process Decisions on the completion of the trail and potential costing of such will be more certain. Can provide details of the impact of various options to the ratepayers. 	<ul style="list-style-type: none"> Further delays the certainty for ratepayers.

Option 2 - Council could decide the option of how to fund the balance of costs now

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Certainty for ratepayers now. 	<ul style="list-style-type: none"> Could face criticism from ratepayers given the level of recent submissions received over Council's current proposed funding option. The total costs to completion are unknown at this time.

Option 3 - Council could delay the decision on how to fund the current balance of costs until the decision is made on how it is going to complete the trail

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• The total costs would be known and a decision on how to fund the total cost could be made at one time.	<ul style="list-style-type: none">• Continued lack of certainty for ratepayers

Assessment of Significance

- 49 In terms of Council's Significance and Engagement policy, the financial implications of developing the Around the Mountain Cycle Trail are significant. There has also been a high level of interest in the issues relating to it. As such a decision on the Trail is to be funded is considered to be significant.
- 50 Council has previously consulted on the trail as part of its Long Term Plans and Annual Plans. In these it proposed a funding option of 50% from a loan and 50% from the Strategic Assets Reserve.
- 51 Given the level of community interest and recent representations by some members of the community Council may consider it appropriate to further consult as part of the 2018-2028. This consultation would focus on how to fund the current balance of costs and provide ratepayers with the impact of each option.

Recommended Option

- 52 Option One - Consult on the funding option for the repayment of \$4.64million as part of the 2018-2028 Long Term Plan.

Next Steps

- 53 The resolutions agreed by this committee and the finance and audit committee will be incorporated into a final report to council on the 23 November 2017.
- 54 The decision made by council, will be if agreed incorporated into the options in the consultation document of the 2018-2028 Long Term Plan.

Attachments

There are no attachments for this report.

Around the Mountains Cycle Trail Business Case Development

Record No: R/17/11/26833
Author: Ian Marshall, Group Manager Services and Assets
Approved by: Steve Ruru, Chief Executive

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 To inform the Subcommittee of progress with the development of a business case for options to progress the Around the Mountains Cycle Trail project.
- 2 To seek the Subcommittee's direction on the consultation process to be adopted, in particular whether the issue should be included in the 2018-2028 Long Term Plan (LTP) consultation document and if so how should it be framed.

Executive Summary

- 3 This report discusses the process and progress on the development of a business case on the future development of the Around the Mountains Cycle Trail.
- 4 The business case is still being developed and will be considered at a future meeting of the Around the Mountains Cycle Trail Project Subcommittee. It is proposed that the final draft will be included in the Council meeting agenda set down for 13th December 2017.
- 5 This report seeks feedback on the current draft of the business case, which is to be circulated under separate cover.
- 6 Staff are also seeking an indication as to the Subcommittee's current view as to how the options available should be reflected in the LTP consultation document. Feedback at this stage will assist staff with planning for completion of the business case and LTP consultation document.

Recommendation

That the Around the Mountains Cycle Trail Project Subcommittee:

- a) **Receives the report titled “Around the Mountains Cycle Trail Business Case Development” dated 9 November 2017.**
- b) **Determines that this matter or decision be recognised not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that 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 Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Provide feedback on the draft of the Around the Mountain Cycle Trail Business Case.**
- e) **Indicates to staff, that while it will make a final decision at a subsequent meeting that it is likely to recommend to Council that it should consult on its preferred option in the 2018-2028 Long Term Plan consultation document.**

Background

7 On the 17th May 2017 Council resolved

- e) *Asks staff to develop a Business Case that outlines the projected costs, funding options and risks associated with pursuing a “Heartland Ride” Strategy option.*

8 Alicia McKay from Structured Conversations was engaged to develop the business case and to undertake the facilitation of workshops to help construct the business case. Members of the Around the Mountains Cycle Trail Project Subcommittee were identified as key stakeholders to participate in this process.

Process

- 9 The first workshop was held on the 25th September 2017. Since then three more workshop sessions have been held. Alicia McKay is facilitating these, collating the data from those workshops and using it to inform her work in drafting the business case.
- 10 The plan is for the business case to be adopted at the Council meeting on the 13th December 2017.
- 11 The business case has identified three primary alternatives for further development of the trail. One of these alternatives has two variations so in effect there are four options. Simply they are labelled Options 1, 2, 3a and 3b.
- 12 The business case process, when completed, will point to one of these options being the preferred option. The Subcommittee will then need to recommend to Council which option is the preferred option.

- 13 What is unclear at this time is what the Subcommittee's preference is in relation to process from the point in time when a preferred option is identified.

Status of Draft Business Case

- 14 A draft of the business case will be circulated prior to the meeting. It is not yet completed. The business case is planned for completion in time for the Council meeting on 13th December 2017.
- 15 The draft incorporates all of the findings from the workshops that Subcommittee members have participated in. It also contains the results of the analysis of information collected by Alicia McKay in researching the subject matter.
- 16 Councillors are asked to review and provide feedback on the draft of the business case that has been developed to date. This should include identifying areas in which they would like to see further work completed. If specific direction is intended the Subcommittee members are asked to discuss the issue and give direction to staff accordingly.
- 17 There are a number of options for decision making and consultation that Council can consider as it moves toward finalising the business case and making a final decision. Direction from the Subcommittee on how they believe Council should consult on the further development options that are outlined in the draft business case would be helpful to guide staff in the preparation of material for consultation and in finalisation of the business case.
- 18 The options for consultation are likely to include:
- Option 1 – Subcommittee recommends to Council that they adopt the Business Case, accept the preferred option and commit to this option through the LTP process. The cost of the option is added to the LTP financial plan. The issue is not specifically flagged in the LTP consultation document.
 - Option 2 - Subcommittee recommends to Council that they adopt the Business Case and the preferred option. The cost of the option is added to the LTP and specifically flagged in the LTP consultation document. The options using this model would likely be "Do the preferred option" or "Do absolute minimum".
 - Option 3 – Subcommittee recommends to Council that they adopt the Business Case without choosing any particular option and that Council put the options in the Business case into the LTP consultation process and seek public submission on their preferred option. Council would have to signal the cost and rates impact of the options, assumptions would have to be made and stated so the public could make informed submissions.

Issues

- 19 The content of the draft business case is extensive but still incomplete. It is noted that the members of the Subcommittee have been involved in the workshops held to develop the business case.
- 20 Comment is now sought from members of the Project Subcommittee on the draft and areas in which they would like to see further analysis completed. This will then enable any further work required to be progressed so that it can be included in the next draft.

- 21 It is anticipated that the complete draft business case will be presented to a future meeting of the Around the Mountains Project Trail Subcommittee. At that meeting we will be seeking a recommendation to Council as to its preferred option and how that option should be addressed in the 2018-2028 LTP consultation document.

Factors to Consider

Legal and Statutory Requirements

- 22 The most relevant and significant legislation is the Local Government Act 2002. The general requirements of this Act under Section 10 and Section 76 Decision making.
- 23 There are no special or extraordinary circumstances relating to this report matter.

Community Views

- 24 This report proposes ways of gaining community feedback through the LTP process.

Costs and Funding

- 25 The costing information is not yet fully developed but the order of magnitude of the options is included in the current draft of the business case.

Policy Implications

- 26 The most relevant policy is the Council's Significant and Engagement Policy. The most relevant section of the policy is:

A3 STEP 1 - DETERMINING THE LEVEL OF SIGNIFICANCE

3.1 Significance is about measuring the degree of importance of an issue, proposal, decision, or matter. Council has to determine how people, services, facilities and infrastructure in the District will be affected. Significance is a continuum ranging from matters that have a low impact/risk and therefore low significance, right up to matters that have very high levels of impact/risk and significance.

3.2 During the development stages of an issue, proposal, decision or matter, significance should be considered as it will guide both the extent options should be developed, and the degree to which advantages and disadvantages are assessed. Significance should also be considered when determining the appropriate extent and type of community engagement.

Factors to Assess Significance

3.3 Council will take into account the following factors when determining the level of significance. These factors are of equal weighting. The greater the cumulative impact of the matter as assessed by these factors, the more significant the issue, proposal, decision or matter will be. Significance means the degree of importance of the matter as assessed by its likely impact on, and likely consequences for;

- the current and future social, economic, environmental or cultural wellbeing of the district or region;*
- people who are likely to be particularly affected by or interested in, the issue, proposal decision or matter;*
- the capacity of Council to performs its role, and the financial and other costs of doing so;*
- the ownership or function of a strategic asset.*

3.4 Council may also take into account knowledge it has previously gained about the community and its views on an issue to assess whether the matter has a high level of significance.

Analysis

Options Considered

- 27 The options discussed here are options about process. They are not construction options. The question is which consultation process is likely to be the preferred process to follow. The preferred process should be recommended to Council and if agreed will be incorporated in the LTP process.

Analysis of Options

Option 1 – Decide on option and action it.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> This option has the shortest time frame which will allow progress to be made with implementation of it in a timely manner. 	<ul style="list-style-type: none"> Issue will not be specifically flagged in the LTP consultation document. The community consultation will be minimal. There is strong argument for Council to consult further on its preferred option.

Option 2 – Decide the preferred option from the business case and consult the community through the LTP process.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> This option is a simple combination of two choices. The Community view will be explicitly sought on the options. Will ensure that Council will have a good understanding of community views prior to a final decision being made. 	<ul style="list-style-type: none"> The Community submissions may favour an option that is not supported by the robust business case process.

Option 3 – Put all options in the Business Case out for consultation with the community through the LTP process.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> The Community has a wide range of viable options to make submission on. The Community view will be explicitly sought on the options. 	<ul style="list-style-type: none"> The Community submissions may favour an option that is not supported by the robust business case process. Multiple options may result in no clear preferred option. Council is not seen as giving clear direction as to preferred option.

Assessment of Significance

- 28 At this stage Council is simply being asked to provide feedback on a draft of the business case and its likely recommendation in relation to how the Around the Mountains Cycle Trail project might be reflected in the 2018-2028 Long Term Plan consultation document. A final decision as to the Subcommittee's preferred option will be made at a later date.
- 29 A decision in accordance with the recommendations is not considered significant.

Recommended Option

- 30 It is recommended that the Subcommittee agree in principle that it is likely that Option 2 will be their recommended option.

Next Steps

- 31 The Business Case will be completed and will be presented to a future meeting of the Project Subcommittee and then presented to Council for action on 13th December 2017.

Attachments

There are no attachments for this report.