



Report 03.287
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Committee Policy, Finance and Strategy
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Finalisation of the LTCCP 2003-2013 (incorporating the 2003/04 Annual Plan)

1. Purpose

- To note the latest position in relation to the level of regional rates and the bulk water levy.
- To seek approval to rebudget expenditure between years within the Council's LTCCP: *Towards a Sustainable Region – Greater Wellington Regional Council's Proposed Ten Year Plan 2003-2013 (incorporating the 2003/04 Annual Plan)* as a result of a more accurate assessment of the timing of previously budgeted expenditure.
- To seek approval of new items and other adjustments to be made to the LTCCP arising from the public consultation process or as a result of changes in circumstances since the proposed document was adopted.
- To seek approval of the level of regional rates and the bulk water levy for 2003/04 and the following nine years, to be incorporated into the final version of the LTCCP.

2. Background

As Councillors will recall the process for updating the LTCCP and preparing the 2003/04 Annual Plan started nearly 12 months ago with a series of Council workshops on a range of issues, followed by the preparation of business plans by each of the Departmental Managers within the Council.

These business plans were reviewed by Councillors during February 2003 and on the basis of approved business plans the proposed LTCCP (incorporating the proposed Annual Plan for 2003/04) was prepared. The proposed Annual Plan for 2003/04 included a proposed increase in regional rates of 3.6%, with no change proposed in the bulk water levy.

The consultation phase on the proposed plan has now been completed and officers also have improved information upon which to plan the next year (and the following nine years).

Part of the improved information that we now have is a better knowledge of the timing of projects (i.e. when they are expected to be completed).

It has been our normal practice that before the final Ten Year Plan/Annual Plan is adopted, officers recommend to Council those items that are required to be rebudgeted. The general principle followed is that if expenditure on a project cannot be completed in a given year, it can be rebudgeted in another year (normally the following year), provided it is still a Council priority and provided there is sufficient funding available.

I have asked Managers in each area to estimate which specific projects need to be rebudgeted (refer **Attachments 2 and 3** of this report).

In addition, any new items of expenditure and other adjustments which have arisen since the proposed LTCCP/Annual Plan was prepared, also need to be considered by Council before the LTCCP/Annual Plan is adopted (refer to **Attachments 4 and 5** of this report).

The financial impact of expenditure rebudgeting and other adjustments have already been incorporated into the overall figures within section 3 of this report. **However, as noted in section 4 the potential changes identified during the public consultation process have not been incorporated into the figures contained in this report.**

3. Latest position in relation to regional rates and the bulk water levy

As noted above, the proposed Annual Plan released for public consultation included a proposed regional rate increase of 3.6% with no change proposed in the bulk water levy. Table 1 below shows the latest position in relation to projected rates and levies for 2003/04 compared with 2002/03. Regional rates are now projected to increase by approximately 3.4% compared with 3.6% in the Council's 2003/04 proposed Annual Plan (refer **Attachment 1**). In the remaining nine years of the LTCCP the projected rate profile is similar to that contained in the proposed LTCCP.

Bulk water levies are still projected to be held at 2002/03 levels, despite further pressure on costs, particularly rates payable by the bulk water activity (refer to report 03.313 on this order paper).

Table 1

| Rates/Levies (excluding GST) | | | | |
|---|-------------------------------------|-------------------------------------|---|---------------------|
| | 2002/03 Budget \$000 | 2003/04 Budget \$000 | Additional Funding \$000 | % Change |
| General Rates | 20,311 | 20,695 | 384 | 1.9% |
| Transport Rates | 25,324 | 26,366 | 1,042 | 4.1% |
| River Rates | 2,592 | 3,047 | 455 | 17.6% |
| Stadium Rates | 2,676 | 2,676 | - | - |
| Scheme Rates | 1,067 | 934 | (133) | (12.5%) |
| Pest Rates | 131 | 131 | - | - |
| Total Regional Rates | 52,101 | 53,849 | 1,748 | 3.4% |
| Bulk Water Levy | 22,776 | 22,776 | - | 0% |
| Total GWRC Community Charges | 74,877 | 76,625 | 1,748 | 2.3% |

Note:

- (1) At the time of preparing this report the allocation between river rate and general rate was still subject to review due to the rebudgeting of expenditure in the Flood Protection budget. However, this would have no impact on the overall level of regional rates.

The major reasons for the reduction in the projected level of regional rates for 2003/04 (from 3.6% to 3.4%) are as follows:

- Delay in the planned implementation of the Hutt River capital programme as a result of delays in the Strand Park project.
- Reduction in the inflation assumption for rail services as a result of a general review of assumptions underpinning the LTCCP.
- Reduction in projected interest rates resulting in lower tax losses available for transfer within the group, meaning a lower contribution from Council's investments.
- Reduction in the projected return from Treasury as a result of changes to the planned internal debt profile.

- Inclusion within regional rates of the rates for Saywell's stopbank and Donald's Creek (previously budgeted as external revenue in error).

4. Results of the Public Consultation process, including the Policy, Finance and Strategy Sub-committee meeting on 3,5 and 6 June 2003

The majority of submissions received this year were focussed on the "Take 10" quality for life outcome areas identified in the strategic overview of the proposed LTCCP.

However, there were a number of projects identified during the public consultation process which now need to be considered by the Committee prior to finalisation of the LTCCP figures on 16 June 2003. **None of these items have been incorporated into the figures contained in this report.** Therefore, if the Committee approves some or all of these items for inclusion in the LTCCP, the figures contained in this report will need to be amended. Officers will be in a position on 16 June to demonstrate the rating impact of the items below to assist the Committee in its deliberations.

4.1 Renewable Energy Initiatives

Report 03.312 on this order paper outlines a proposal for additional expenditure in response to the strong support received from the public for increased use of renewable energy sources (e.g. wind energy).

4.2 Wairarapa Irrigation Project

The "Go Wairarapa" submission sought \$25,000 funding from the Council to help complete phase 3 of the Wairarapa Irrigation investigation project. The Council has already participated in phases 1 and 2 of the project and has provided some funding to date, although such funding has never been included within the Council's budget (i.e. previous funding has come from Council surpluses during the year).

4.3 Economic Development

We have received strong submissions of support for Council's involvement in economic development initiatives within the Region.

Unfortunately the Local Government Act 2002 (section 16) precludes any involvement by the Regional Council in this activity as it is already undertaken by a number of territorial authorities in the Region, and was not included in Council's draft LTCCP.

It will therefore need to be reconsidered at a later date subject to the views of all territorial authorities in the Region. At this stage it is not sufficiently certain to amend the LTCCP figures.

4.4 Expansion of Parks/Forests Network

The Council received a number of submissions encouraging GWRC to establish more recreational opportunities within Wellington City. Officers consider that the most appropriate response at this stage is to include sufficient funding (\$20,000) in the 2003/04 year to conduct an investigation/preliminary work into establishing a regional coastal trail on the south west coast.

4.5 Porirua Interchange

The Council received a request from PCC to delay the timing of the Porirua Interchange project to enable the Porirua bus service review to be completed, and as a result of PCC's concerns over taking on new debt to fund the construction of the facility.

Officers have estimated the investigation component of the project to be approx \$200,000 which is already contained in the Transport business plan for 2003/04. It is suggested that the budgeted costs and funding required for this project in later years be reviewed against the existing LTCCP figures after completion of the investigation phase during 2003/04. As a result, no change is proposed to the existing LTCCP figures at this stage.

5. Other matters that the Committee should be aware of prior to finalising the LTCCP (incorporating the 2003/04 Annual Plan)

5.1 Potential Acquisition of Tranz Metro with Stagecoach

As Councillors will recall the LTCCP does not currently incorporate any financial impacts of the potential acquisition of Tranz Metro through the Joint Venture with Stagecoach. Should the Council subsequently decide to reactivate the joint venture, an amendment to the LTCCP will need to be prepared for the purpose of public consultation. This process is likely to take a number of months.

5.2 Petone Railway Station upgrade

On 12 June 2003 the Passenger Transport Committee is considering report 03.307 in relation to the planned upgrade of Petone Railway Station.

Currently the project is included in the 2002/03 year's budget but the budgeted expenditure and funding is now not considered to be sufficient.

The Committee needs to decide if this project should be rebudgeted into the LTCCP (from 2002/03 to 2003/04) given the uncertainty over Transfund's planned contribution and the likely increased costs of the project. Officers have suggested that if the Committee wishes to see the project rebudgeted any shortfall in funding could be funded from the Transport Reserve during 2003/04. This would mean no additional rate impact but is likely to mean a reduced contingency component within the Reserve balance.

If the Committee wishes to rebudget this project it will need to be added to those items listed in **Attachment 2** of this report.

5.3 Hutt River Floodplain Management Plan implementation

On 10 June 2003 the Landcare Committee endorsed the revised Hutt River capital works programme. That revised programme has been incorporated into the figures presented in this report. In endorsing the revised programme the Committee requested that in the finalisation of the Council's LTCCP, officers investigate smoothing the rating impact of the proposed new Hutt River capital expenditure programme, for the years 2003/04 to 2006/07.

In effect, the smoothing being sought by the Committee already exists as all major capital expenditure projects are loan funded over a period of 20 years. As each new project is carried out a new internal loan is raised resulting in a spreading of the impact of each new capital project. It is therefore suggested that no further smoothing is required.

6. Proposed Changes to Expenditure Budgets

In **Attachments 2-5**, I have summarised details of all projects that managers are seeking to rebudget, as well as the new items already included in the figures, for consideration by the Committee.

Specific recommendations relating to approval of the items contained in each attachment are included within section 8 of this report.

If the Committee wishes to add in new projects which are not already in the LTCCP or contained in the attachments of this report, such projects will need to be added to the overall rates and levy figures included in this report.

7. Communications

It is expected that the Council's final position in respect of rates and levies will be well reported.

8. Recommendations

That the Committee recommend that Council:

- (1) receive the report and note its contents.*
- (2) approve the operating expenditure items listed within **Attachment 2** of this report (as amended by the Committee) to be rebudgeted within the Long Term Council Community Plan 2003-2013 (incorporating the 2003/04 Annual Plan).*
- (3) approve the capital expenditure items listed within **Attachment 3** of this report (as amended by the Committee) to be rebudgeted within the Long Term Council Community Plan 2003-2013 (incorporating the 2003/04 Annual Plan).*

- (4) *approve the items of operating expenditure/(savings) and other adjustments within **Attachment 4** of this report (as amended by the Committee) for inclusion within the Long Term Council Community Plan 2003-2013 (incorporating the 2003/04 Annual Plan).*
- (5) *approve the items of capital expenditure and other adjustments listed within **Attachment 5** of this report (as amended by the Committee) for inclusion within the Long Term Council Community Plan 2003-2013 (incorporating the 2003/04 Annual Plan).*
- (6) *note that the impacts of the rebudgeting and other adjustments, as approved in recommendations 2-5 above, have been reflected within Table 1 and **Attachment 1** of this report.*
- (7) *after having considered the other items contained within this report and other reports on this order paper which could impact on the finalisation of the 2003/04 Annual Plan, approve the level of regional rates and bulk water levies for the 2003/04 year (and the following nine years) as contained in this report (as amended by the Committee).*

Report prepared by:

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Attachment 1: 2003/04 Annual Plan – Regional Rates

Attachment 2: Rebudgeted Operating expenditure

Attachment 3: Rebudgeted Capital expenditure

Attachment 4: Other adjustments – Operating expenditure

Attachment 5: Other adjustments – Capital expenditure