



Report **04.328**
Date 9 June 2004
File CFO/7/6/12

Committee **Policy, Finance and Strategy**
Author **Greg Schollum Chief Financial Officer**

Finalisation of the 2004/05 Annual Plan

1. Purpose

- To note the latest position in relation to the projected level of regional rates and the bulk water levy.
- To seek approval to rebudget expenditure between years within the Council's 2004/05 Annual Plan (incorporating projections for 2005/06-2012/13 as supplementary information) 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 2004/05 Annual Plan 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 projected level of regional rates and the bulk water levy for 2004/05 and the following eight years, to be incorporated into the final version of the 2004/05 Annual Plan (incorporating projections for 2005/06 – 2012/13 as supplementary information).

2. Background

As Councillors are aware the process for preparing the 2004/05 Annual Plan started nearly 8 months ago with the preparation of business plans by each of the departmental managers within the Council.

These business plans were reviewed by Councillors during February/March 2004 and on the basis of approved business plans the 2004/05 proposed Annual Plan was prepared. The 2004/05 proposed Annual Plan included a proposed increase in regional rates of 2.8%, 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 eight 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 each year, before the final LTCCP or 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 by the Policy, Finance and Strategy Sub-committee following 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 2.8%, with no change proposed in the bulk water levy. Table 1 below shows the latest position in relation to projected rates and levies for 2004/05 compared with 2003/04. Regional rates are now projected to increase by approximately 2.6%, compared with 2.8% in the Council's 2004/05 proposed Annual Plan (refer **Attachment 1**). In the remaining eight years of the LTCCP the projected rate profile is similar to that contained in the supplementary information within the proposed Annual Plan.

The bulk water levy is still projected to be held at the 2003/04 level (refer to report 04.322 on this order paper).

Table 1

Rates/Levies (excluding GST)				
	2004/05 \$000	2003/04 \$000	Additional Funding \$000	% Change
General Rate	21,621	21,107	514	2.4
Regional Transport Rate	27,088	26,366	722	2.7
River Management Rates	2,928	2,781	147	5.3
Stadium Purposes Rate	2,676	2,676	0	0.0
Total District Wide Rates	54,313	52,930	1,383	2.6
Wairarapa Scheme Rates	938	934	4	0.4
South Wairarapa District – River Rates	145	145	0	0.0
Bovine Tb Rates	143	131	12	9.2
Total Regional Rates	55,539	54,140	1,399	2.6
Bulk Water Levy	22,776	22,776	0	0.0
Total GWRC Community Charges	78,315	76,916	1,399	1.8

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 as a result of the recent floods. However, this will have no impact on the overall level of regional rates.

The major reasons for the reduction in the projected level of regional rates for 2004/05 (from 2.8% to 2.6%) are as follows:

- New works as a result of the February 2004 floods.
- Addition of a new capital project to upgrade the Council's Masterton office.
- Addition of soil quality monitoring work which had been previously removed from the 2004/05 proposed work programme.

More than offset by:

- Reduction in the size of Bovine Tb vector control programme, compared with what was previously planned. The vector control programme has been reduced by approximately \$1.25 million in both 2004/05 and 2005/06. The 2005/06 programme can be reviewed as part of the 2005/06 Annual Plan.
- Savings in rate collection costs, compared with what was previously planned.
- Savings in Council's Treasury function, primarily as a result of lower than previously budgeted external debt.

4. Results of the Public Consultation process, including the Policy, Finance and Strategy Sub-committee meeting on 1 and 3 June 2004

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 2004/05 Annual Plan figures on 14 June 2004.

Following the Council workshop on 4 June 2004, officers have summarised below the financial impact of those projects on which Councillors sought further information.

4.1 Wairarapa Irrigation Project

The "Go Wairarapa" submission sought \$25,000 from the Council in 2004/05 to help complete public consultation associated with the Wairarapa Irrigation Investigation project. The Council has already participated in earlier phases of the project and has provided some funding to date. (\$25,000 was included in Council's 2003/04 Annual Plan.)

Inclusion of this project would add approximately 0.05% to Regional rates in 2004/05.

4.2 Friends of Queen Elizabeth Park

The friends of Queen Elizabeth Park have sought financial assistance from the Council in relation to fencing and tree planting around Whareroa Stream as it passes through the dairy unit at Queen Elizabeth Park.

Officers consider that the Friends group of Queen Elizabeth Park is one of the most active and has the potential to be one of the most effective in the Region, and that the Park would greatly benefit from any assistance which the Council could provide.

The Council also needs to be comfortable that its actions are consistent with the spirit of the Fonterra accord.

An amount of \$15,000 could therefore be included in the 2004/05 Annual Plan to provide a kick start to the work of the Friends group by enabling detailed planning of the work programme to be completed.

Inclusion of this project would add approximately 0.03% to Regional rates in 2004/05.

4.3 Karori Wildlife Sanctuary

The Trustees have sought ongoing funding assistance to the value of \$25,000 p.a. for additional pest control work in and around the Sanctuary. The Trustees have specifically sought project work from the Council rather than a cash grant.

Councillors will be aware of both the history of the land transfer from the Regional Council to Wellington City Council for a peppercorn sum, and the ongoing KNE work programme around the edges of the Sanctuary.

However, officers consider that some additional pest management work (say \$10,000) could be conducted in the area, possibly with input from the local community that would be of benefit to the Sanctuary and its inhabitants.

Inclusion of this project (at \$10,000 p.a.) would add approximately 0.02% to Regional rates in 2004/05.

4.4 Chrystall's bend extended stopbank

The Kapiti Coast District Council (KCDC) has requested that the Council bring forward this capital project (project cost \$1.3 million) by three years to commence in 2005/06, in exchange for KCDC making a direct contribution of \$520,000. The direct contribution of \$520,000 is expected to bring the funding ratio for this project to 70:30 (local share:general rate).

Although the Council currently has no formal policy of "buying priority", such a request by KCDC is not without precedent.

The project to extend the Chrystall's bend stopbank is a high priority in the Otaki Floodplain Management Plan and is expected to provide considerable benefit to the Otaki township, through increased flood protection.

Officers consider that operationally it is feasible to bring this project forward three years to commence in 2005/06.

The commencement of this project in 2005/06, by advancing it three years, will have no impact on Regional rates in 2004/05.

4.5 Summary

If the Committee wished to add all four items to its 2004/05 Annual Plan, Regional rates would need to increase by a further 0.10% taking the proposed increase from 2.6% to 2.7%.

5. Other matters that the Committee should be aware of prior to finalising the 2004/05 Annual Plan

5.1 Impact of funding the backlog of investment required in passenger rail

As Councillors are aware the current financial projections include estimates for Council's contribution to the cost of the passenger rail network. These estimates include the Council's contribution to refurbishment and replacement of rolling stock.

However, until discussions, which are currently underway with Toll Holdings/Tranz Metro, are complete and a new contract entered into, the Council cannot determine how reasonable its current projections are.

Key questions which are yet to be answered include:

- What is the optimal capex programme?
- What is the optimal asset ownership structure?
- What is the optimal funding mix (including what is the optimal level of fares)?
- Does the Council need to revise service levels?

Until the answers to these questions are clearer the Council will not be in a position to assess the impact on its financial projections.

This uncertainty will be noted in a prominent place within the 2004/05 Annual Plan document and accompanying communications.

5.2 Sale of Mabey Road surplus land

As Councillors will recall, the Council has declared some land at its Mabey Road depot in Lower Hutt to be surplus and has determined that when such land is ultimately disposed of the sale proceeds should be used to reduce flood protection debt.

As it has been Council policy not to budget for uncertain asset sales, the 2004/05 Annual Plan does not incorporate any allowance for the sale proceeds (and therefore reduced debt) within flood protection.

6. Proposed changes to expenditure budgets

In **Attachments 2-5**, we 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 incorporated into the 2004/05 Annual Plan or contained in the attachments of this report, such as those identified in section 4 of this report, the financial impact of these 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. However, in addition we should provide a release to the media including specific reference to the uncertainties in the transport area.

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 2004/05 Annual Plan (incorporating projections for 2005/06-2012/13 as supplementary information).*
- (3) approve the capital expenditure items listed within **Attachment 3** of this report (as amended by the Committee) to be rebudgeted within the 2004/05 Annual Plan (incorporating projections for 2005/06-2012/13 as supplementary information).*
- (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 2004/05 Annual Plan (incorporating projections for 2005/06-2012/13 as supplementary information).*
- (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 2004/05 Annual Plan (incorporating projections for 2005/06-2012/13 as supplementary information).*
- (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 2004/05 Annual Plan, approve the level of regional rates and the bulk water levy for the 2004/05 year (and the following eight years) as contained in this report (as amended by the Committee).*

Report prepared by:

Report prepared by:

Greg Schollum
Chief Financial Officer

Kerry Saywell
Treasurer

Attachment 1: 2004/05 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