

Report 17.198
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Committee Council
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Finalisation of the Annual Plan 2017/18 budget

1. Purpose

The purpose of this report is to finalise the financial information to be included in the 2017/18 Annual Plan.

Approval is sought for adjustments to the budgets, rates and charges set out in the consultation document and supporting information for the Annual Plan 2017/18.

2. Background

Councillors have been through a comprehensive process to develop the Annual Plan 2017/18.

On 2 March 2017 Council approved the consultation document and supporting information for the Annual Plan 2017/18; this included a proposed rates increase of 5.6%, compared to 8.8% as set out for Year 3 in the 10 Year Plan 2015-25, and a water supply levy increase of 6.1% compared to 5.9% as set out for Year 3 in the 10 Year Plan 2015-25.

Public consultation was carried out from 16 March to 12 April 2017. A total of 1,819 written submissions were received. The Annual Plan 2017/18 Hearing Committee heard 19 oral submissions and considered all submissions on 23 May 2017.

It has been our normal practice each year, before the Annual Plan is adopted, for officers to recommend to Council those items that are required to be re-budgeted. The general principle followed is that if expenditure on a project cannot be completed in a given year, it can be re-budgeted to another year (normally the following year), provided it is still a Council priority and there is sufficient funding available. The process ensures that ratepayers are not rated twice for the same activity.

Some new items of expenditure and other adjustments have arisen since the proposed Annual Plan was prepared. These changes are outlined further below.

Once the proposed rates and bulk water levy have been approved by Council, they will be incorporated into the Annual Plan for adoption by Council on 28 June 2017, subject to any amendments requested by Council.

3. Public consultation process

Report 17.197 outlines the results of the public consultation process and the recommendations of the Annual Plan 2017/18 Hearing Committee.

The Hearing Committee recommended the finalisation of the Annual Plan 2017/18 incorporating the matters set out in the consultation document for the Annual Plan 2017/18.

4. Recommended changes to the proposed 2017/18 Plan

Changes to the proposed Annual Plan, as a result of new and updated information and changed assumptions, are as follows:

4.1 Public Transport

The final Public Transport rates are the same level as the proposed plan.

There have been several small operating cost changes for Public Transport due to updated estimates for communications support, and the rates impact of additional capital items. These costs are partially offset by updated budgets from the National Ticketing Programme and revised assumptions on oil prices and exchange rates.

Key revised cost estimates (rates impact):

Operating Cost Changes	Changes in Rates
	\$M
National ticketing programme	(0.4)
Revised base assumptions	(0.1)
Communications support	0.2
Additional funding costs (Capex)	0.4
Cost Change	0.1
Reserve Transfer	(0.1)
Net Change in Rates	0.0

There are several other minor adjustments that did not impact the overall rates.

There are two additional capital expenditure items:

- ICT systems for PTOM business readiness of \$5.0m, involving the enhancement of Real Time Information (RTI) capability. RTI enhancement had originally been budgeted in future years, but has been

partially brought forward to address immediate PTOM contract requirements.

- An additional \$2.5m capital expenditure for earthquake repairs for the Ava Bridge is also required.

These cost changes have been absorbed through the use of an additional \$0.1m of Public Transport reserves, as outlined in the table above.

4.2 Other adjustments

There are a number of minor changes for other Groups. The only change of note is outlined below.

Environment

- **Proposed Natural Resources Plan** – an additional \$0.5m required to complete the hearings. The consultants’ costs remain debt funded.

The net result of all of the adjustments is no impact on the overall rates for 2017/18.

5. Final 2017/18 Rates

The Annual Plan 2017/18 has a rates increase of 5.6%.

	Rates 2016/17	Annual Plan 2017/18	LTP
Rates	114,376	120,782	132,158
\$ change		6,406	10,739
% change		5.6%	8.8%

6. Water levy

The proposed Annual Plan included a 6.1% increase in the water levy. It is recommended that the 6.1% increase is maintained for the Annual Plan 2017/18.

7. Communication

The Council’s final decision on rates and levies will be reported by way of a media release.

8. Consideration of climate change

The matters addressed in this report are of a procedural nature, and there is no need to conduct a climate change assessment.

9. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

9.1 Significance of the decision

The subject matter of this report is part of a decision-making process that will lead to the Council making a decision of medium significance within the meaning of the Act.

In accordance with section 95 of the Act, as the proposed annual plan contained material differences from the content of the long-term plan for the year to which this annual plan relates, the Council was required to consult on the proposed annual plan in a manner that gave effect to the requirements of section 82 before adopting an annual plan.

Officers have assessed the significance and materiality of the proposed capital expenditure items outlined in this report. Officers consider that the PTOM capital expenditure is of low significance and not material; this is based on the expenditure already being budgeted (the proposal is merely a timing change). Officers have formed a similar view on the significance and materiality of the capital expenditure required for the repairs to the Ava Bridge; this is based on the fact that we are replacing an existing asset, there is already a category of expenditure for this type of work, and the quantum of cost in 2017/18 is minimal and does not affect the rates required.

The financial impact of these capital expenditure changes for 2017/18 has been offset by cost revisions in the overall budget, resulting in no rates impact for 2017/18.

9.2 Engagement

In accordance with the Significance and Engagement Policy, officers' determined that the appropriate level of engagement is 'consulting'.

10. Recommendations

That the Council:

1. ***Receives the report.***
2. ***Notes the content of the report.***
3. ***Approves the operating expenditure items listed in Attachment 1 of this report to be rebudgeted to 2017/18 and included within the Annual Plan 2017/18.***
4. ***Approves the capital expenditure items listed in Attachment 2 of this report to be rebudgeted to 2017/18 and included within the Annual Plan 2017/18.***
5. ***Approves the operating expenditure adjustments in this report for inclusion within the Annual Plan 2017/18.***
6. ***Approves the rates increase of 5.6% and the bulk water levy increase of 6.1% for the 2017/18 year for inclusion in the Annual Plan 2017/18, to be considered by the Council on 28 June 2017.***

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Attachment 1: Rebudgeted Operating expenditure

Attachment 2: Rebudgeted Capital expenditure