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Report 01.398

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Report to the Policy and Finance Committee
from Stuart Macaskill, Chairman

Finalisation of the LTFS: 2001 Update and 2001/02 Annual Plan

1. Purpose

To provide a basis for the Council to finalise the Long-term Financial Strategy (LTFS): 2001 update and 2001/02 Annual Plan.

2. Background

As Councillors are aware we are now at the stage where we need to provide firm direction to officers in terms of the 2001/02 rate line and bulk water levy.

We released our proposed 2001/02 Annual Plan for public comment in April and the public has had its say. It is now up to us, as elected members, to decide what should be in the final annual plan.

To assist you I wanted to take this opportunity to provide you with my own perspective on the various issues before us.

3. Key Issues

You will recall that we included three key issues in the front of the proposed annual plan. My views on these issues, having heard what the public has had to say, are as follows:

(1) Potential Acquisition with a Private Sector Partner of Tranz Metro (Wellington).

I am heartened at the level of public support for our proposed public/private partnership. Both through the annual plan process and the results of the rail user survey the message is clear. We have the public behind our public/private partnership model – that's great.

I was pleased to hear the General Manager advise us last week that the interested rail operators believe that the public/private partnership model is the way to go. It was also interesting to note that the operators believe franchising generally sets up a hostile environment between operator and funder.

I guess this is where our model is quite fundamentally different – ours is a partnership built on shared goals, ambitions and most importantly shared risk, rather than the traditional contracting/franchising model where the contract is the sole driver.

I am looking forward to the next few months in the hope that we can keep things moving towards a sensible outcome for the Region – I only hope that we are not unduly constrained in our endeavours to get the best long-term deal for the Region's ratepayers.

We will need to consult more widely with the public once we have a firm proposal in front of us. When we do, I am confident that we will receive a strong mandate to proceed. In the meantime we clearly can't incorporate the financial implications of any potential acquisition of Tranz Metro into our 2001/02 Annual Plan.

(2) **The extent to which the Council should take advantage of additional kick start funded transport projects.**

I am conscious of the demands on the rate line this year from the transport area and I believe that we have the balance about right between taking advantage of the kick start funding scheme and being financially prudent.

While we didn't receive a lot of feedback from the public about whether we should go further I believe we have gone far enough with kick start projects. I am therefore comfortable with the kick start projects which are currently excluded from the work programme.

(3) **Transfer of the WRC's bulk water assets into a stand alone Water Trust controlled by Wellington City Council, Hutt City Council and the Wellington Regional Council.**

It appears that the public has given us a strong message that they do not support the establishment of a stand alone Water Trust.

As you know, I have personally had some misgivings about this particular proposal, principally in the area of Governance and accountability. However, I still support the long-term goal of integration.

It isn't the first attempt we have had at water integration and it is not likely to be the last. One day I hope to see our water supply organised on a Regional basis.

4. **Financial Results**

I was pleased to see in Mr Schollum's report (report 01.393) that we are currently looking at a 2.8% increase in Regional rates for 2001/02 – coupled with the proposed reductions in the Bovine Tb rate and the bulk water levy this means that overall community charges are currently projected to go up by only 0.7%. Taking into account

the increased number of rate assessments in the Region (which will have the effect of further reducing the rate increase) I believe this is a very satisfactory result.

Given the very satisfactory financial position outlined above, I personally do not favour any further significant expenditure in terms of the Council's Biodiversity initiatives (KNE work), as proposed in report 01.387, particularly as we have not consulted the community about such increased spending.

However, I do believe some additional expenditure in terms of the matters raised in report 01.387 is warranted. I see that the additional \$110,000 per annum for implementation of the new Regional Pest Management Strategy (RPMS) is a must. The public have a right to expect delivery of our core responsibilities against approved strategies and therefore I see that we have little choice but to amend our budget accordingly. As far as the additional KNE work goes, I would like to suggest that we go some way towards what is put forward in report 01.387 but not to the extent detailed in the officers' report. I suggest we allocate an additional \$60,000 for further KNE/Mainland Island work.

Also I have been thinking a lot about our funding of iwi projects and in particular our recent approval for development of iwi administrative capacity (up to \$105,000 p.a.). Given that the 2000/01 year is nearly at an end I believe we should be rebudgeting \$105,000 of expenditure from 2000/01 into 2001/02. Mr Schollum advises me that such an approach will mean we will retain a total iwi budget of \$300,000 next year but that we can reduce next year's rates by the extent of the carry forward i.e. \$105,000.

Mr Schollum advises me that the addition of the RPMS expenditure of \$110,000, KNE/Mainland Island expenditure of \$60,000 and rebudgeting of iwi administrative capacity expenditure of \$105,000 will add \$65,000 (or 0.14%) to next year's proposed rate increase of 2.81%. This would result in an overall increase in Regional rates in 2001/02 of 2.95%. Mr Schollum advises that the impact on future year's rates will be higher than the 0.14% as the expense rebudgeting has a one-off effect.

5. Recommendations

That the Committee recommend that Council

- (1) *receive the report and note its contents.*
- (2) *approve additional expenditure of \$110,000 per annum for implementation of the Regional Pest Management Strategy.*
- (3) *approve additional expenditure of \$60,000 per annum for additional KNE/Mainland Island work.*
- (4) *approve the expenditure rebudgeting of \$105,000 from 2000/01 to 2001/02 for building iwi administrative capacity, within the Long-term Financial Strategy 2000-2010:2001 Update and 2001/02 Annual Plan.*