



Report: 04.104
Date: 27 February 2004
File: CFO/7/6/12

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

2004/05 Annual Plan - Chief Financial Officer's Report

1. Purpose

- To summarise the projected rates and levies figures which are reflected in the proposed business plans prepared by each division.
- To seek approval of the projected rates and water levies figures (including any amendments approved by the Committee) for inclusion in the Council's proposed 2004/05 Annual Plan.

2. Background

Since November, officers have been working on updating divisional business plans using the Long Term Council Community Plan (LTCCP) figures as the starting point.

As such, the preparation of the 2004/05 Annual Plan has been very much an "update by exception", in line with the requirements of the Local Government Act 2002.

Councillors have also received presentations from each Divisional Manager, primarily focussing on the proposed changes to be made to the LTCCP figures. Councillors should therefore have a good appreciation of what projects have been included and what projects officers have excluded from the proposed budgets.

Proposed Divisional business plans have been distributed to Councillors and a complete set of these plans will be tabled at the Committee meeting on 4 March 2004.

3. Projected Rates and Levies

The projected level of rates and water levy across the remaining nine years of the LTCCP, as reflected in the Divisional business plans, is included as **Attachment 1**.

The projected 2.8% increase in regional rates in 2004/05 is marginally above the 2.5% increase signalled in the LTCCP for the 2004/05 year. Considering the fact that the 2.5% increase did not include any allowance for inflation, the proposed increase of 2.8% is a very good result in my view.

Apart from a projected increase of 4.5% in 2005/06 there are modest increases projected across the remaining years of the LTCCP horizon.

The water levy is projected to remain unchanged across the nine year period.

3.1 What are the main components of the 2.8% projected rate increase in 2004/05?

Table 1 below shows the main drivers of Council's projected rate increase in 2004/05 compared with the current year, 2003/04. The figures in table 1 are a summary of the information presented in the reports from each Divisional Manager which follow on this order paper.

Table 1

	2004/05 \$000	2003/04 \$000	Additional funding \$000	%
Environment	8,169	7,640	529	1.0
Landcare	13,151	12,934	217	0.4
Transport	27,164	26,366	798	1.5
Wairarapa	9,117	8,467	650	1.2
Investment in Democracy	2,292	2,200	92	0.1
Rates Collection (General Rate)	638	741	(103)	(0.2)
Core operational responsibilities	60,531	58,348	2,183	4.0
Investments (excl Stadium)	(7,549)	(6,884)	(665)	(1.2)
Stadium	2,676	2,676	-	0
Total Regional Rates	55,658	54,140	1,518	2.8

As noted in table 1 the projected increase in regional rates is 2.8%, although if it were not for the increased contribution from Council's investments the projected regional rate increase would be 4%.

3.2 Where are the changes from the LTCCP?

3.2.1 Regional Rates

Table 2 below shows the projected level of regional rates in 2004/05 compared with what was included in the LTCCP adopted by the Council in June 2003.

At this stage we have been unable to incorporate any changes as a result of the recent flooding event. However, existing reserves are expected to be sufficient to fund any unplanned works.

Table 2

	2004/05 Annual Plan \$000	2004/05 LTCCP \$000	Additional funding	%
Environment	8,169	7,957	212	0.4
Landcare	13,151	13,088	63	0.1
Transport	27,164	27,729	(565)	(1.0)
Wairarapa	9,117	8,742	375	0.6
Investment in Democracy	2,292	2,252	40	0.1
Rates Collection (General Rate)	638	755	(117)	(0.2)
Core operational responsibilities	60,531	60,523	8	-
Investments (excl Stadium)	(7,549)	(7,693)	144	0.3
Stadium	2,676	2,676	-	-
Total Regional Rates	55,658	55,506	152	0.3

Overall, there is little change from what was projected in the LTCCP although there have been some movements in individual areas.

Apart from changes in input costs there have been a number of changes in terms of projects being added, delayed or removed from the work programme which was identified in the LTCCP.

None are “significant” (in terms of the Local Government Act 2002), with the major ones being:

- Delay in Kapiti rail (Waikanae electrification) package
 - ⇒ Rating impact in 2004/05 \$262,000
- Addition of Wairarapa freight logging project
 - ⇒ Rating impact in 2004/05 NIL as it is a fully funded alternative to roading project via Transfund NZ.
- Addition of Waiohine bridge extension for flood protection purposes
 - ⇒ Rating impact in 2004/05 \$15,000 due to the fact that the project is to be debt funded
- Addition of an expanded Bovine Tb programme
 - ⇒ Rating impact in 2004/05 \$151,000
- Extension of renewable energy project
 - ⇒ Rating impact in 2004/05 \$141,000

3.2.2 Water Levy

As noted earlier in this report there is no change proposed to the projected water levy compared with what was contained in the LTCCP.

However, there have been changes to the input costs (e.g. power, chemicals) and officers are recommending the Committee approve an amended capital expenditure programme across the next nine years which will add new or amended projects totalling \$3.876 million.

3.3. What is the projected increase in total community charges?

Table 3 below shows the projected level of regional rates and water levies representing the total charges projected to be levied on the community by the Council in 2004/05.

Table 3

Rates/Levies (excluding GST)				
	2004/05 \$000	2003/04 \$000	Additional Funding \$000	% Change
General Rate	21,695	21,107	588	2.8
Regional Transport Rate	27,164	26,366	798	3.0
River Management River Rates	2,928	2,781	147	5.3
Stadium Purposes Rate	2,676	2,676	-	0
Total District Wide Rates	54,463	52,930	1,533	2.9
Wairarapa Scheme Rates	919	934	(15)	(1.6)
South Wairarapa District – River Rates	145	145	-	0
Bovine Tb Rates	131	131	-	0
Total Regional Rates	55,658	54,140	1,518	2.8
Bulk Water Levy	22,776	22,776	-	0
Total GWRC Community Charges	78,434	76,916	1,518	2.0

4. What is driving the projected rate increase in 2005/06?

As noted in **Attachment 1** there is now a projected increase in regional rates in 2005/06 of 4.5%, compared with 3.5% signalled in the LTCCP.

The major components of the proposed increase of 4.5% in 2005/06 are as follows:

	\$000	%
Transport	1,870	3.4
Landcare	601	1.1
Other	31	-
	2,502	4.5

This could be further reviewed by the Committee prior to the finalisation of the 2004/05 Annual Plan in June or considered as part of the 2005/06 Annual Plan process.

5. Where to from here?

In order to finalise the Council's proposed 2004/05 Annual Plan for the 18 March Policy, Finance and Strategy Committee meeting, officers now need direction on the level of projected rates/levies for 2004/05 and the following eight years.

Approval is now sought to the figures contained in **Attachment 1** of this report, as may be amended by the Committee after consideration of the proposed Divisional business plans.

6. Communications

It is expected that the results of the Committee's deliberations will be fully reported by the media. To assist in this process a suitable press release has been prepared.

7. Recommendations

That the Committee recommend to Council that it:

- (1) receive the report and note its contents.*
- (2) note that the figures included within this report do not incorporate the financial impact (if any) of the recent floods on the 2004/05 year, and beyond.*
- (3) approve for inclusion in the Council's proposed 2004/05 Annual Plan the projected rates and levy figures included within **Attachment 1** of this report (as may be amended by the Committee).*

Report prepared by:

Greg Schollum
Chief Financial Officer

Attachment 1: Projected Rates and Levies over the next nine years – Annual % increase