



Report **04.97**
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Committee **Policy, Finance and Strategy**
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Wairarapa Division : Proposed Business Plan 2004-2013

1. Purpose

To seek approval of the proposed Business Plan for the Wairarapa Division, including any amendments approved by the Committee.

2. Overview

The current activities of the Wairarapa Division are very well aligned with the Council's goal of working towards a sustainable region. The Division contributes to many of the "Take 10" success measures with the more significant contributions being in the Biodiversity, Water, Land, Safety/Hazards and Community categories.

The Operating Plans for the departments set out the proposed activities and budgets for the next nine years from the 2004/05 financial year. These Operating Plans are largely based upon a continuation of the present level and scope of activities. Our current programmes are working successfully and are supported by our stakeholders. Provision has been made for increased costs that have arisen since the last Long Term Plan.

The proposed Business Plan for the Division includes the following proposed Operating Plans;

- Biosecurity
- River Management
- Land Management
- Planning and Resources

It also incorporates the Wairarapa Division Business Units Operating Budget 2004-2013.

The Proposed Business Plan has been previously distributed to Councillors and will be tabled at the meeting on 4 March 2004.

The following sections outline the significant changes from the previously approved Long Term Council Community Plan (LTCCP).

3. Biosecurity

The Biosecurity budget from the current LTCCP has been updated to reflect current day costs.

The only other significant change proposed is a substantial increase for the Bovine Tb vector control programme. Since the Council's LTCCP was prepared last year the Animal Health Board has recognised the need for a greatly enhanced programme to occur in the Wellington region if the national target of being declared Tb free by 2013 is to be achieved. Accordingly, the Board is prepared to spend more in this region – they currently meet 88% of the cost of Bovine Tb vector control work.

The attached report (04.27) to the recent Rural Services and Wairarapa Committee meeting sets out the background details and reasons for this proposed change. Essentially, the current Bovine Tb vector control programme can be increased from approximately \$6m per annum to about \$8m for several years at a cost on the general rate of about \$145,000 and approximately \$97,000 to the Bovine targeted rate.

At the time of receiving the attached report, the Rural Services and Wairarapa Committee recommended that:

- (1) *That the Committee notes the information contained in the report, and in particular the effects should the region not achieve the 2013 Bovine Tb targets under the National Pest Management Strategy, such as the Council having to continue funding the programme at the current level for a longer period of time.*
- (2) *That the Committee looks favourably at the proposed enhancement of the programme, and that the above points be considered in the Council's overall budget.*

The Chairman of the Committee has since received a letter from the Chairman of the Wellington Regional Animal Health Advisory Committee strongly urging the Council to support the increased programme and noting that in their view that all farmers would support such a move.

At present there is a Bovine rate reserve of approximately \$850,000 which has been built up from savings in the programme over a number of years. The current LTCCP proposes to draw down this reserve over the next 7 years so that

the current Bovine rate can be held at its current level of 30 cents per hectare on rural land over 10 hectares.

The additional Bovine rate required for the enhanced programme outlined above can also be drawn from this reserve without an increase in the Bovine rate at the present time. However, the increased draw down from the reserve is expected to exhaust the reserve within 3 years and a significant increase in the Bovine rate will need to be made in 2-3 years time.

4. River Management

The Wairarapa River Management budget from the current LTCCP has been adjusted to include present day costs for the various programmes.

Two items have been removed from the 2004/05 financial year budget. The painting of the Lake Wairarapa Barrage Gates is being carried out at present, as agreed by Council in December, and this has removed \$150,000 from the coming year's budget. The same amount of \$150,000 has been removed from the capital expenditure budget by deferring a start on the reconstruction of the Waiohine River stopbanks by a year.

Two additional items are proposed for the 2004/05 year. The Lower Wairarapa Valley Scheme stopbank at Scadden's has been regarded as vulnerable for a number of years as it is located very close indeed to a steep drop down to the Ruamahanga riverbed. In the moderate flood in October 2003 this stopbank began leaking quite significantly. The very recent serious flooding on 16-17 February confirmed a very risky situation existed with further substantial flows occurring under a concrete wall that forms part of the bank in this area. It is therefore proposed to reconstruct this stopbank 20 metres or so back from the river's edge in 2004/05. This work would be loan-funded resulting in an annual debt servicing cost of approximately \$8,000 per annum.

The other additional item is a contribution of \$150,000 to enable the replacement State Highway 2 bridge over the Waiohine Bridge to be constructed a span longer than originally planned thus giving additional flood capacity in the river system.

The two Wairarapa Councillors and staff have been in discussion with Transit NZ, the Waiohine Scheme Advisory Committee, Carterton District Council and South Wairarapa District Council for about 3 years over this matter. The result is that Transit NZ have agreed to construct a new bridge in the next financial year with an increased length of 15 metres provided the three councils contribute \$300,000 between them towards this bridge. The two district councils have agreed to meet 50% of the \$300,000 on behalf of the Waiohine Scheme ratepayers provided the Regional Council meets the other \$150,000.

The overall rationale for wanting a greater flood capacity under the bridge is to avoid the future costs of having to upgrade and complete the so-called Apple Barrel Floodway. The Waiohine Floodplain Study undertaken 3 years ago showed that upgrading the bridge and current Waiohine stopbanks over a period

of some years would be approximately \$2.5m cheaper than the option of upgrading the floodway.

The Regional Council's proposed contribution of \$150,000 has been included in the proposed budget as a loan funded item resulting in an annual debt servicing cost of approximately \$14,600 per annum.

5. Land Management

The Land Management LTCCP budget which covers our soil conservation and other sustainable land management activities has been adjusted to present day costs for the various programmes.

There are no other variations proposed.

6. Planning and Resources

The Planning and Resources LTCCP budget, which covers our consents and compliance, planning, hazards and environmental monitoring work, has been adjusted to present day costs for the various activities.

There are no other variations proposed.

7. Business Units

There are no particular issues to highlight in relation to the Akura Conservation Centre and Workshop Business Units. Both of these units are expected to generate their annual dividend payments to Council.

The debt level in the Reserve Forestry Business Unit is steadily increasing. This has been exacerbated in the last 2 years by the lack of access to the mature trees in the Tauanui Soil Conservation Reserve. This situation was finally resolved in November last year and some significant logging revenue was beginning to be produced. However, the recent severe flooding has washed away a significant portion of the access road into the forest and it is likely to be some months before logging can resume.

Forestry debt levels relative to asset values are projected to be high during the next 10 years before the bulk of the Hiwinui Reserve plantings come onstream. There has been no provision made for any payments to recognise the soil conservation benefits of this forestry, which is constrained relative to normal production forestry by being located on severely eroding land.

This year is the first year where we have compiled a separate budget for the newly established Bovine Business Unit. This unit has been established to enable us to comply with the Animal Health Board's requirements for competitive

pricing of Bovine Tb vector control work. The actual expenditure and revenue for this business unit will be determined by the contracts that the unit obtains. So far the unit has been successful in winning many of the contracts that it has tendered for.

At this stage it is not proposed to have a budgeted dividend from the Bovine Business Unit. It is considered more important to allow the unit to build up some reserves so that it is covered in the event of any unexpected contract failures. This situation will be closely monitored over time.

8. Financial Implications across the remaining eight years

Funding required by the division is relatively flat over the period.

9. Changes to the proposed business plan recommended by officers

Officers are not recommending any changes to the proposed business plan.

10. Communications

Any communication opportunities will be dealt with as part of the overall communication of the Annual Plan.

11. Recommendations

That the Committee recommend to Council that it:

- (1) Receive the report and note its contents.*
- (2) Note that the proposed Business Plan for the Wairarapa Division includes Proposed Operating Plans for the following departments:*
 - *Biosecurity*
 - *River Management*
 - *Land Management*
 - *Planning and Resources*

It also incorporates the Wairarapa Division Business Units Operating Budget 2004-2013.

- (3) *Approve the Proposed Business Plan for the Wairarapa Division (including any amendments approved by the Committee) for inclusion in the Council's Proposed 2004/05 Annual Plan.*



Colin Wright
Divisional Manager, Wairarapa

Attachment 1: Report 04.27 to the Rural Services and Wairarapa Committee