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Committee Policy, Finance and Strategy
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Finalisation of the 2006-16 LTCCP (incorporating the 2006/07 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 of new items and other adjustments to be made to the 2006-16 Long-term Council Community Plan (LTCCP) arising from the public consultation process, or as a result of changes in circumstances since the proposed document was adopted.
- To seek approval to rebudget expenditure from 2005/06 to the 2006/07 Annual Plan.
- To seek approval of the level of regional rates and the bulk water levy for 2006/07 and the following nine years, to be incorporated into the final version of the 2006/07 Annual Plan and the 2006-16 LTCCP.

2. Significance of Decision

The content of this report is the result of the Council's consultation with the public which took the form of submissions being made on the proposed 2006-16 LTCCP (incorporating the 2006/07 Annual Plan). The proposed 2006-16 LTCCP triggered section 76 (3)(b) of the Local Government Act 2002 and triggered the Council's own policy on significance. The formal submission process undertaken by the Council complied with the decision making and special consultative procedures set out in sections 76 to 79 and 83 to 85 of the Local Government Act 2002.

3. Background

As Councillors will recall, the process of preparing the 2006-16 LTCCP started over a year ago with a series of Council workshops on a range of general background issues. These were followed by workshops on Greater Wellington's specific activity areas and the preparation of business plans by each of the departmental managers within the Council.

The business plans were reviewed by Councillors during January 2006 and the proposed 2006-16 LTCCP (incorporating the 2006/07 Annual Plan) was prepared.

The proposed LTCCP had a rates increase of 6.3% with no increase in the bulk water levy.

It was approved for public consultation by Council on 9 March. The consultation period ran from 1 April 2006 to 4 May 2006, although submissions were received up to 11 May. The Planning and Monitoring Sub-Committee heard oral submissions and considered all submissions on 16, 17, 18 May. As a result the Sub-Committee noted some changes to be made to the LTCCP, and asked the Chief Executive to report further on the implications of these.

It has been our normal practice each year, before the final LTCCP is adopted, for officers to 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 there is sufficient funding available.

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.

Once the proposed rates and bulk water levy have been approved by Council, they will be incorporated into the final 2006-16 LTCCP (incorporating 2006/07 Annual Plan) for adoption by Council on 29 June 2006, subject to any amendments requested by Council.

4. Results of the Public Consultation process, including the Planning and Monitoring Sub-Committee meeting on 16,17 and 18 May 2006

Following public submissions, one additional budget item has been included in the 2006-16 LTCCP and 2006/07 Annual Plan, namely \$15,000 in 2006/07 for the Friends of Queen Elizabeth Park to complete the Whareroa Stream restoration project.

However, the Sub-Committee noted the following changes to be made to the LTCCP/Annual Plan:

- The transport targets to be revisited and/or explained better to show that they are stretch targets.
- The Chairman's message to include reference to the Council having further discussions on issues raised through the submissions, particularly regional leadership and strategic direction, and our approach to such issues as water conservation, sustainability and climate change. It also needs to explain the changing face of transport and outline our current and projected transport expenditure – and what that will mean in relation to transport services.
- The Council's biodiversity function and approach needs to be given greater emphasis.

5. Other matters that the Committee should be aware of

There have been some modifications to the proposed LTCCP for 2006/07 as a result of new information and changed assumptions. These are as follows:

5.1 Increase in Inflation for Bus Contracts, \$400,000

The price of diesel is expected to be at a higher level than originally budgeted for in the proposed LTCCP. An additional \$400,000 has been included as GWRC's share of this increased cost.

5.2 Lower Wairarapa Valley Development Scheme, \$100,000

Additional maintenance expenditure for the Lower Wairarapa Valley Development Scheme is required.

5.3 Additional Income – Investments, \$142,000

The rebudgets, coupled with a lower debt position at the start of the year have contributed to additional income from investments of \$142,000.

5.4 Transport and C1/C2 Funding

The Crown has allocated C1/C2 funding in respect of public transport. This funding is to pay for some/all of the local share in respect of specific projects. The C1/C2 funding is capped and non-inflated.

Therefore, the incentive for GWRC is to spend the funding sooner, rather than later, to minimise the effect of inflation. However, following an internal review and discussions with Land Transport New Zealand (LTNZ) we have changed our allocation of this C1/C2 funding. Previously, some of the projects were 100% funded by LTNZ, now these projects include a local share. In the final LTCCP, this means that GWRC's contribution will increase in the earlier years and reduce in later years. The majority of this change is for capital expenditure. Thus, our debt in the earlier years is higher than in the proposed

LTCCP. The increased level of debt in 2006/07 is \$3 million. The increased finance costs on this debt have been included in the adjusted numbers.

5.5 Porirua Bus – Rail Interchange

The proposed LTCCP had \$10 million to be spent over a number of years on the Porirua Bus – Rail Interchange. This was to be funded entirely out of C1/C2 funding, with no local share contribution. This project has now been removed in accordance with the proposed Western Corridor Plan.

6. Total changes required to proposed 2006/07 rates

The addition and changes outlined above have the following impact on the 2006/07 rates:

	\$000	% Change
Proposed Rates 2006/07	61,620	6.32
Changes arising from Public Submission process		
Friends of Queen Elizabeth Park	15	0.02
Other changes		
Increased inflation for bus contracts	400	0.65
Increased amount for LWVD Scheme	100	0.16
Increased income from investments	(142)	(0.23)
Other sundry adjustments	(43)	(0.03)
Proposed Final Rates	61,950	6.89

7. Rates required in 2006/07 compared to 2005/06

If the above changes are approved by Council, the breakdown of rates will be as follows:

	2005/06	2006/07	Additional Funding	Increase
	\$000	\$000	\$000	%
General Rate	21,671	21,890	219	1.01
Regional Transport Rate	29,255	32,819	3,564	12.18
River Management Rates	3,069	3,175	106	3.45
Stadium Purposes Rate	2,676	2,676	-	-
Total District Wide Rates	56,671	60,560	3,889	6.86
Wairarapa Scheme Rates	974	1,071	97	9.96
South Wairarapa District – River Rates	168	176	8	4.76
Bovine Tb Rates	143	143	-	-
Total Regional Rates	57,956	61,950	3,994	6.89
Bulk Water Levy	22,776	22,776	-	-
Total GWRC Community Charges	80,732	84,726	3,994	4.95

8. Other Matters

8.1 Trolley Buses

The Board of LTNZ decided at its meeting on 25 May to fund future trolley bus contracts on a 50/50 basis. In other words LTNZ will fund 50% of the costs of running trolley buses and not on a diesel bus equivalent basis as previously advised to GWRC. LTNZ will also continue to fund the existing contractual arrangements on a 50/50 basis while new contracts are negotiated. However, there are a number of conditions attached to the approval for the new contracts namely;

- A complete costed funding request is received from GWRC.
- A new procurement procedure for trolley buses is agreed between GWRC and LTNZ. This procurement procedure will require the trolley

bus contract between Stagecoach and GWRC to be on an open book basis.

- The \$1 million per annum from Council funding for 10 years to assist funding new trolley buses is off the table in the meantime. However, LTNZ will consider this in any new funding application.
- LTNZ wish to await the outcome of the Stagecoach – Mana - Commerce Commission High Court case before finalising any contractual arrangements.
- LTNZ want to review the outcome of the Transport Services Licensing Act consultation.

While the decision to fund trolley buses is a step forward, the conditions LTNZ has attached to its approval are likely to add considerable delay to the process. At this stage, as a number of matters raised are outside both LTNZ and GWRC control, it is difficult to put any accurate timing on the process from here.

In terms of the numbers included in the LTCCP, GWRC has included \$1.5 million for the maintenance of the trolley bus wires. There is no allowance for any additional costs for upgrading the sub stations owned by Vector. The latest estimate from Vector for next year was additional costs of approximately \$970,000.

In respect of the numbers for the LTCCP it is proposed that;

- No changes are made to the existing amounts included in the rates for 2006/07.
- The existing contractual arrangements are extended to allow time for LTNZs conditions to be met.
- If GWRC/LTNZ/Stagecoach cannot agree the new conditions and arrangements within six months, GWRC may have to consider consulting with the public over trolley buses.

8.2 Rail Contract

It is expected that the rail contract will be considered by GWRC at its meeting on 29 June 2006. Assuming that no major issues arise from that meeting or with LTNZ, it is proposed to sign the contract between GWRC and Toll shortly thereafter.

It is assumed that there will be a 15% rail fare increase in the early part of the 2006/7 year.

GWRC has assumed a \$6.2 million share of the access fees from Ontrack in the LTCCP. However we have recently been informed that Ontrack is going to increase the access fees for the New Zealand system as a whole by around 20% for next year. Neither Toll nor Greater Wellington has any breakdown of how much of this additional amount will be allocated to the Tranz Metro system.

GWRC has not made any allowance in its Plan for 2006/07 for access fees over and above the \$6.2 million.

In addition, Ontrack has indicated that it will need to charge significant amounts over the next 10 years for renewals. Neither GWRC nor Toll has a breakdown of these renewals or know how much would be allocated to the Tranz Metro system. GWRC has told Ontrack that it has no ability to pay these additional amounts in respect of 2006/07 as it has not allowed for this in the LTCCP.

It is proposed that no changes are made to the LTCCP numbers for either the increased access fees or renewals.

9. Rebudgets of 2005/06 Expenditure

The list of projects which the divisions are seeking to rebudget by transferring the unspent monies to 2006/07 are detailed in **Attachment 1** (operating expenditure) and **Attachment 2** (capital expenditure).

The proposed rebudgets are given to Council at this stage for in consideration to enable the completion of the 2006-16 LTCCP (incorporating the 2006/07 Annual Plan).

Rebudgets total some \$6.5 million in respect of operating expenditure and \$8.8 million for capital expenditure. The large amounts are mainly due to the delays in transport which have been noted to Council previously. In respect of operating expenditure, transport accounts for \$6.0 million of the rebudgets. In terms of capital expenditure, transport accounts for \$6.6 million of the rebudgeted amounts.

The rebudgets have been reviewed by senior management to ensure that the projects will be completed in 2006/07. Management are satisfied that the projects are still required.

10. Final LTCCP rates and water levy requirements

The final LTCCP (including the final 2006/07 Annual Plan) will provide for the following level of regional rates (including inflation) for the next ten years:

Regional Rates.

'000'	Proposed LTCCP	Proposed Rate Increase %	Final LTCCP	Final Rate Increase %
2006/07	61,620	6.3	61,950	6.9
2007/08	65,426	6.2	68,592	10.7
2008/09	69,999	6.0	73,299	6.9
2009/10	75,084	7.8	77,521	5.8
2010/11	80,120	7.6	82,063	5.9
2011/12	82,789	7.4	83,956	2.3
2012/13	85,467	7.2	85,915	2.3
2013/14	87,586	1.9	86,619	0.8
2014/15	91,978	1.6	88,950	2.7
2015/16	92,987	1.6	89,759	0.9

As noted in section 5.4 the increased amount that GWRC must spend for public transport investment has resulted in an increase in rates for the first 3 years in the final LTCCP. This is due to the lower level of C1/C2 funding. The counter balance to this is lower rate increases in the later years from 2009/10 onwards.

However, this means a final rate increase in 2007/08 of 10.7%, compared with the proposed rate increase of 6.2%. This rate increase will be reviewed towards the end of this year when we are preparing the next annual plan.

In respect of the bulk water levy the increases are unchanged from the proposed LTCCP. They are outlined in the table below:

Bulk Water Levy.

	\$'000'	Levy Increases %
2006/07	22,776	-
2007/08	24,187	6.20
2008/09	25,635	5.99
2009/10	27,644	7.84
2010/11	29,751	7.62
2011/12	31,957	7.41
2012/13	34,260	7.21
2013/14	34,911	1.90
2014/15	35,470	1.60
2015/16	36,037	1.60

11. Audit

The proposed 2006-16 LTCCP (incorporating the 2006/07 Annual Plan), including the summary sent to all ratepayers, was audited by the Audit Office. Unqualified opinions were obtained.

The final 2006-16 LTCCP (incorporating the 2006/07 Annual Plan) will also be audited. However, the majority of audit work was completed at the time of the proposed plan, and so work on the final LTCCP will focus on any changes from the proposed plan and the process for consulting with ratepayers.

This work will be completed by the time the Council approves the final LTCCP on 29 June 2006.

12. Communications

The Council's final position in respect of rates and levies will be reported by way of a media release.

13. Recommendations

That the Committee recommend that Council:

- (1) **Receive the report.**
- (2) **Note its contents.**

- (3) ***Approve** the operating expenditure items listed within Attachment 1 of this report (as amended by the Committee) to be rebudgeted within the 2006/07 Annual Plan.*
- (4) ***Approve** the capital expenditure items listed within Attachment 2 of this report (as amended by the Committee) to be rebudgeted within the 2006/07 Annual Plan.*
- (5) ***Approve** the additional items of operating expenditure and other adjustments within this report (as amended by the Committee) for inclusion within the 2006/07 Annual Plan.*
- (6) ***Note** that the impacts of the rebudgeting and other adjustments, as approved in recommendations 3-5 above, have been reflected in section 7 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 2006/07 Annual Plan, **approve** the level of regional rates and the bulk water levy for the 2006/07 year (and the following nine years) as contained in this report (as amended by the Committee).*

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Attachment 1: Operating Expenditure Rebudgets

Attachment 2: Capital Expenditure Rebudgets