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Report 01.393

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Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

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

1. Purpose

- To note the latest position in relation to the level of Regional rates, other rates and the bulk water levy.
- To seek approval to rebudget expenditure between years within the Council's LTFS: 2001 Update, *Investing in the Future 2000-2010:2001 Update (incorporating the 2001/02 Annual Plan)* as a result of a more accurate assessment of the timing of previously budgeted expenditure.
- To seek approval for new items and other adjustments to be made to the LTFS: 2001 Update as a result of changes in circumstances since the proposed document was adopted, and as a result of submissions received.
- To seek approval for the level of regional rates, other rates and the bulk water levy for 2001/02 and the following eight years, to be incorporated into the final version of *Investing in the Future 2000-2010:2001 Update (incorporating the 2001/02 Annual Plan)*.

2. Background

As Councillors will be aware the process for updating the LTFS and preparing the 2001/02 Annual Plan started over six months ago with a review of business plans by each of the Departmental Managers within the Council.

These business plans were reviewed by Committees during February and on the basis of approved business plans the LTFS Update (incorporating the proposed Annual Plan for 2001/02) was prepared.

The consultation phase on the proposed plan has now been completed and officers also have improved information upon which to plan the next year (and the following eight years).

Part of the improved information that we now have is a better knowledge of the timing of projects (i.e. when they are expected to be completed).

It has been normal practice that before the final LTFS Update/Annual Plan is adopted, officers 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 provided there is sufficient funding available.

I have asked Managers in each area to estimate which specific projects need to be rebudgeted from 2000/01 to 2001/02 (refer **Attachments 2 and 3** of this report).

In addition, any new items of expenditure and other adjustments which have arisen since the proposed LTFS Update/Annual Plan was prepared, also need to be considered by Council before the LTFS Update/Annual Plan is adopted (refer to **Attachments 4 and 5** of this report). These include the items considered by the Policy and Finance Sub-committee on 6-7 June 2001.

The financial impact of expenditure rebudgeting and additional items have already been incorporated into the overall figures within section 3 of this report.

3. **Latest Position in relation to Regional rates, other rates and the bulk water levy**

Table 1 below shows the latest position in relation to projected rates and levies for 2001/02 compared with 2000/01. Regional rates are now projected to increase by approx. 2.8% compared with 4.2% in the Council's proposed Annual Plan 2001/02. Pest rates (Bovine Tb rate) have been significantly reduced in accordance with the recommendation of the Rural Services and Wairarapa Committee (report 01.292). Bulk water levies are also proposed to be reduced by 2% in accordance with report 01.392 on this order paper.

Table 1

Rates/Levies (excluding GST)				
	2000/01 Budget \$000	2001/02 Budget \$000	Additional Funding \$000	% Change
General Rates	20,353	19,571	(782)	(3.8%)
Transport Rates	22,333	24,319	1,986	8.9%
River Rates	2,286	2,420	134	5.9%
Stadium Rates	2,676	2,676	0	0%
Total Regional Rates	47,648	48,986	1,338	2.8%
Scheme Rates	1,009	1,025	16	1.6%
Pest Rates	583	207	(376)	(64.5%)
Total Rates	49,240	50,218	978	2.0%
Bulk Water Levy	23,241	22,776	(465)	(2.0%)
Total WRC Community Charges	72,481	72,994	513	0.7%

Notes:

- (1) At the time of preparing this report the allocation between river rate and general rate was still subject to review due to the rebudgeting of expenditure in the Flood Protection Budget. This has no impact on the overall level of Regional rates.
- (2) Scheme rates have not yet been set following the recent completion of Scheme Advisory Committee meetings.

3.1 Regional Rates

The main reason for the reduction in regional rates is the impact of the change in Animal Health Board (AHB) funding for Bovine Tb work. As indicated in report 01.293, considered by the Rural Services and Wairarapa Committee (and as was signalled in the proposed annual plan), the change in AHB funding has meant Council is able to reduce the general rate contribution to Bovine Tb work by approximately \$606,000 in 2001/02.

This \$606,000 equates to approximately 1.3% of the 1.4% reduction in Regional rates [4.2% increase proposed – 2.8% latest position = 1.4% reduction].

The other changes to Regional rates are minor and relate to rebudgeting of capital expenditure and the reduction in the number of elected members from 14 to 13, with effect from October 2001. (refer **Attachment 1**)

Currently these figures exclude any additional expenditure that the Council may choose to add into the budget as a consequence of the consideration of report 01.387 in relation to a possible enhancement of the KNE programme.

Should the Council decide to add additional expenditure in relation to the issues contained in report 01.387 this will need to be added to the projected increase in Regional rates of 2.8%.

The projected profile for increases and decreases to Regional rates in future years is noted in **Attachment 1**.

3.2 **Other Rates**

As can be seen from Table 1 scheme rates are projected to increase slightly in 2001/02. However, it is important to appreciate that these figures may change as the individual scheme rates have not yet been finally determined (Scheme Advisory Committee meetings have only recently been completed).

Table 1 also shows a dramatic decrease in the projected Bovine Tb rate (64.5% reduction from the 2000/01 level). This flows from a recommendation of the Rural Services and Wairarapa Committee which considered the impact of the changed AHB funding on the Council's Bovine Tb rates.

It is expected that as a result of the above reduction the Bovine Tb rate reserve will now begin to reduce over time (in recent years it has been growing significantly).

The projected Bovine Tb rate in the remaining eight years is expected to be around the 2001/02 level.

3.3 **Bulk Water Levy**

Table 1 incorporates a further 2% reduction in the bulk water levy in 2001/02 (following 4% reductions in each of last 2 years). No further reductions are proposed over the remaining eight years.

Report 01.392 which is also on this order paper explains in more detail the rationale for the proposed reduction and how the levy will be distributed amongst the four City Council customers.

4. **Key Issues of Note**

4.1 **Potential Acquisition of Tranz Metro (Public/Private partnership)**

As the process is not sufficiently far advanced it is not appropriate (nor practical) to incorporate any financial impacts of the potential acquisition within the 2001/02 Annual Plan.

4.2 **Additional kick start funded projects**

Those kick start projects identified by the Council on page 7 of the proposed Annual Plan have not been incorporated into the Final Annual Plan.

4.3 **Transfer of bulk water assets into stand alone Water Trust**

No adjustments have been made to the Council's financial projections as a result of the Water Trust proposal. Although there are likely to be financial consequences for the Council, both if the integration proposal proceeds or if it does not proceed, such consequences are not sufficiently certain at this stage.

As a result any such financial consequences will need to be reported as variances against budget when they become sufficiently certain (as opposed to trying to incorporate financial impacts within next year's budget).

It is possible that we may have sufficient certainty to incorporate the impact of any changes within the 2000/01 Annual Report.

4.4 **Update of Transport Assumptions**

The key assumptions in the transport area (e.g. inflation on contracted services) have been updated to reflect the latest available information. Although there have been some changes to the transport budget these have been largely offsetting.

4.5 **Tauherenikau Delta**

On 6 March 2001 the Policy and Finance Committee resolved:

“that the possible land purchase at the Tauherenikau Delta be included in the Annual Plan for public consultation but at this stage no financial provision be made”.

Consultation has since occurred with the Lower Wairarapa Valley Advisory Committee and the recommendation is that the item not be included in the 2001/02 Annual Plan. However, this item may need to be revisited in future.

4.6 **Changes to Investment Managements budgets**

As a result of the latest available information on interest rates the investment management budgets have been updated. Although there are some large impacts on individual areas (e.g. WRC Holdings Group and Treasury) the net impact of interest rate changes is negligible.

5. **Proposed Changes to Expenditure Budgets**

In **Attachments 2-5**, I have summarised details of all projects that Managers seek to rebudget, as well as some new items for consideration by the Committee (incorporating the recommendations of the Policy and Finance Sub-committee arising from the 6-7 June 2001 meeting).

Specific recommendations relating to approval of the items contained in each attachment are included within section 7 of this report.

6. **Communications**

The projected reduction in pest rates and the bulk water levy and the lower than anticipated increase in Regional rates is expected to be well reported.

7. **Recommendations**

That the Committee recommend that Council:

- (1) receive the report and note its contents.*
- (2) approve the operating expenditure items listed within **Attachment 2** of this report (as amended by the Committee) to be rebudgeted within the Long Term Financial Strategy 2000-2010:2001 Update and 2001/02 Annual Plan.*
- (3) approve the capital expenditure items listed within **Attachment 3** of this report (as amended by the Committee) to be rebudgeted within the Long Term Financial Strategy 2000-2010:2001 Update and 2001/02 Annual Plan.*
- (4) approve the new items of operating expenditure/(savings) and other adjustments within **Attachment 4** of this report (as amended by the Committee) for inclusion within the Long Term Financial Strategy 2000-2010:2001 Update and 2001/02 Annual Plan.*
- (5) approve the new items of capital expenditure and other adjustments listed within **Attachment 5** of this report (as amended by the Committee) for inclusion within the Long Term Financial Strategy 2000-2010:2001 Update and 2001/02 Annual Plan.*
- (6) note that the impacts of the rebudgeting and budgeting of new items, as approved in recommendations 2 - 5 above, have been reflected within Table 1 and **Attachment 1** of this report.*
- (7) after having considered the other reports on this order paper which could impact on the finalisation of the 2001/02 Annual Plan, approve the level of Regional rates, other rates and bulk water levies for the 2001/02 year (and the following eight years) as contained in this report (as amended).*

GREG SCHOLLUM
Chief Financial Officer

- Attachment 1: 2001/02 Annual Plan – Regional Rates**
- Attachment 2: Rebudgeted Operating Expenditure**
- Attachment 3: Rebudgeted Capital Expenditure**
- Attachment 4: New items/other adjustments – operating expenditure**
- Attachment 5: New items/other adjustments – capital expenditure**