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**Committee** Policy, Finance and Strategy  
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## **Proposed Amendment to 2003/13 LTCCP and 2005/06 Annual Plan**

### **1. Purpose**

To seek approval of the broad content of the Amended Long-term Council Community Plan (LTCCP) and 2005/06 Annual Plan and the projected rates and water levy figures (including any amendments that the Committee may agree).

### **2. Significance of Decision**

The subject matter of this report will lead to the Council making a “significant” decision within the meaning of the Local Government Act 2002. The process of adopting an Amended LTCCP and the Annual Plan will include use of the special consultative process. The documentation to be considered on 15 February will cover the options considered and the reasons for proposing the particular direction for Transport.

### **3. Background**

Since October 2004 officers have been working on updating the operating plans to provide an “updated by exception” Annual Plan for 2005/06, recognising that this is the third year of the 2003/13 LTCCP. However, the transport content and figures have been substantially revised to take account of the new contract with Toll Rail NZ and the recently announced Government Transport Package. The LTCCP has to be amended to take account of the changes in the transport area, the consequential changes across the Council, and changed ownership proposals which require amendments to certain Council policies.

For the Annual Plan, Councillors have received presentations from each divisional manager, focusing on the proposed changes from the LTCCP. Councillors should, therefore, have an appreciation of the nature of the changes, which are in large part minimal, and that the main financial implications come from increases in input costs, e.g. staff salaries.

Proposed operating plans have been distributed previously to councillors. A new set following a detailed review over the summer period is attached.

## 4. Projected Rates and Levies

4.1 The projected level of rates and water levy for 2005/06, as supported by the operating plans, is shown below. The projected 3.8% increase in regional rates in 2005/06 is in line with the 3.5% signalled in the LTCCP for the 2005/06 year. Considering the fact that the 3.5% increase did not include any allowance for inflation, and the scale of the transport investment, the proposed increase of 3.8% seems to us to be a very good result.

The water levy is projected to remain unchanged as was signalled in the LTCCP. Thus the overall increase in community charges from this Council is 2.7%, an increase close to inflation.

**Table 4.1**

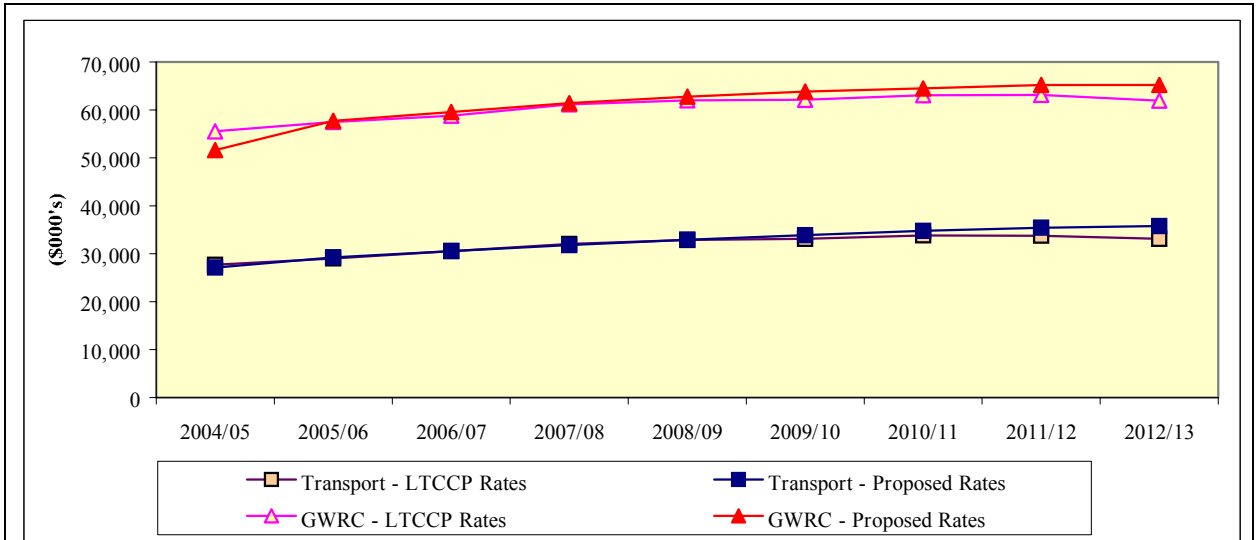
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Transport Rates	27088	29255	30571	31794	32907	33894	34742	35436	35791
Other Rates	28501	28443	29012	29627	29835	29920	29715	29781	29431
<b>Total Rates</b>	<b>55589</b>	<b>57698</b>	<b>59583</b>	<b>61421</b>	<b>62742</b>	<b>63814</b>	<b>64457</b>	<b>65218</b>	<b>65222</b>
<b>Year on year increase</b>		<b>3.8%</b>	<b>3.3%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>1.7%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>0.0%</b>
Water Supply Levy	22776	22776	22776	22776	22776	22776	22776	22776	22776
<b>Total Community Charges</b>	<b>78365</b>	<b>80475</b>	<b>82360</b>	<b>84198</b>	<b>85519</b>	<b>86591</b>	<b>87233</b>	<b>87994</b>	<b>87999</b>
<b>Year on year increase</b>		<b>2.7%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>1.3%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>0.0%</b>

4.2 The figures for the remaining seven years of the 2003/13 LTCCP are shown in Table 4.2 against those previously included in the LTCCP.

The graph and table shows the particular changes in the Transport area. As the Amendment only relates to Transport, there are no new figures included for Greater Wellington's other activities.

It can be seen that despite the significant changes to the content of the LTCCP the impacts are relatively small.

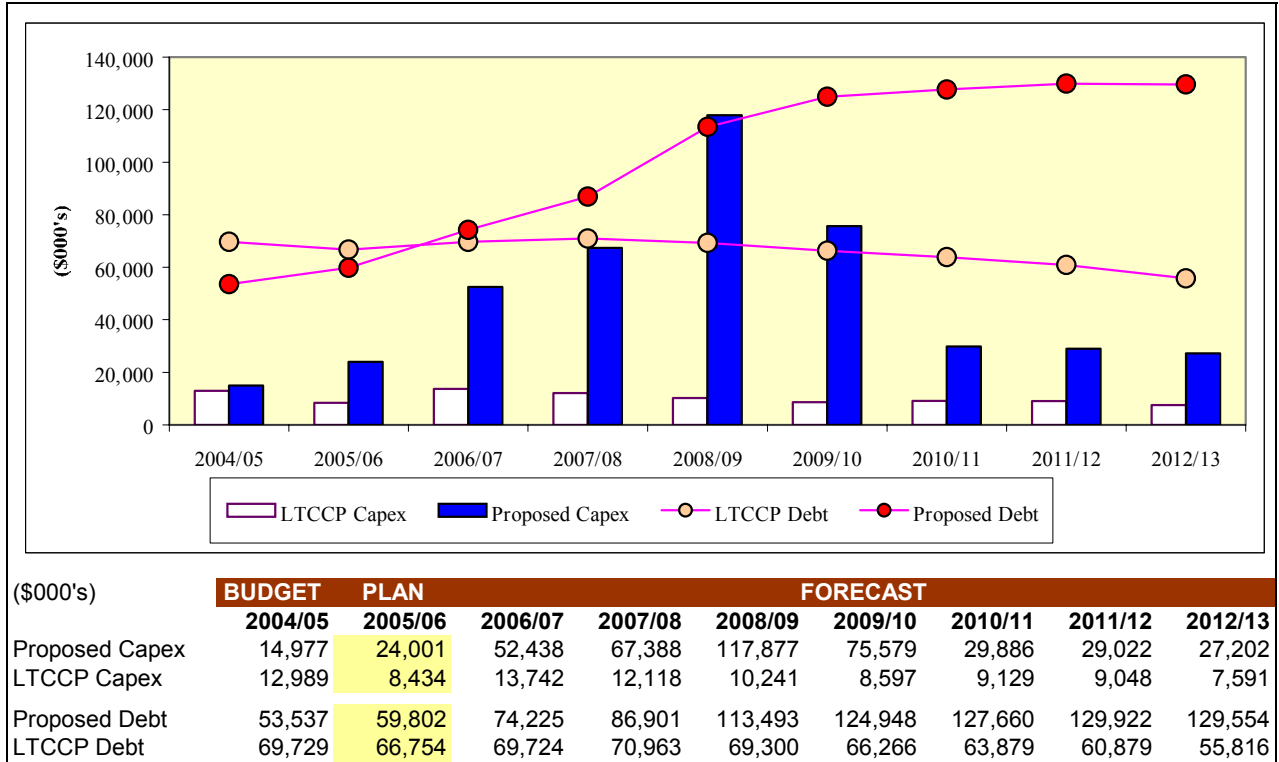
**Table 4.2**



(\$000's)	BUDGET		FORECAST						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Transport - Proposed Rate	27,088	29,255	30,571	31,794	32,907	33,894	34,742	35,436	35,791
Transport - LTCCP Rates	27,729	29,020	30,523	32,060	32,835	33,106	33,831	33,775	33,124
GWRC - Proposed Rates	51,589	57,698	59,583	61,421	62,742	63,814	64,457	65,218	65,222
GWRC - LTCCP Rates	55,506	57,453	58,799	61,180	62,000	62,108	63,083	63,092	61,943

4.3 The impact of the proposed changes to ownership structures (as described in Section 6) is clearly seen in Table 4.3.

**Table 4.3**



4.4 The main component of the 3.8% projected rate increase for 2005/06 comes from Transport. Table 4.4 below shows the make-up of the projected rate increase for 2005/06 compared with the current year, 2004/05. The figures in Table 4.4 are summarised from the information included in the operating plans.

**Table 4.4**

	2005/06 Annual Plan \$000	2004/05 Budget \$000	Additional Funding \$000	% Change
Environment Management	10393	10573	-180	-1.7%
Land Management	4187	4041	147	3.6%
Parks & Forests	5444	5064	380	7.5%
Flood Protection	10393	10809	-416	-3.8%
Regional Transport.	29255	27088	2167	8.0%
Investment in Democracy	2575	2292	284	12.4%
Other	666	671	-5	-0.7%
Investments	-5216	-4948	-268	5.4%
<b>Total Regional Rates</b>	<b>57698</b>	<b>55589</b>	<b>2110</b>	<b>3.8%</b>
Water Supply Levy	22776	22776		0.0%
<b>Total Community Charges</b>	<b>80475</b>	<b>78365</b>	<b>2110</b>	<b>2.7%</b>

Table 4.5 shows the comparison with the LTCCP figures for the 2005/06 year.

**Table 4.5**

	<b>2005/06 Annual Plan \$000</b>	<b>2005/06 LTCCP \$000</b>	<b>Additional Funding \$000</b>	<b>% Change</b>
Environment Management	10393	10073	320	3.2%
Land Management	4187	3862	326	8.4%
Parks & Forests	5444	5372	72	1.3%
Flood Protection	10393	11072	-679	-6.1%
Regional Transport.	29255	29020	235	0.8%
Investment in Democracy	2575	2228	348	15.6%
Other	666	760	-94	-12.4%
Investments	-5216	-4933	-283	5.7%
<b>Total Regional Rates</b>	<b>57698</b>	<b>57453</b>	<b>245</b>	<b>0.4%</b>
Water Supply Levy	22776	22776		0.0%
<b>Total Community Charges</b>	<b>80475</b>	<b>80230</b>	<b>245</b>	<b>0.3%</b>

## 5. What are the main changes in the operating plans?

- 5.1 Overall there is very little change in the majority of the Council activities – the obvious exception being Transport, dealt with below. As noted earlier, all areas of the Council have been affected to a greater or lesser degree by increases in input costs, and there are also increases resulting from additional corporate costs.

Table 5.1 shows the year on year changes

**Table 5.1**

	<b>2005/06 Annual Plan \$000</b>	<b>2004/05 Budget \$000</b>	<b>Additional Funding \$000</b>	<b>% Change</b>
Elected Members	2575	2292	284	12.4%
Rates Collection..	666	671	-5	-0.7%
Environment Division	8097	8199	-102	-1.2%
Landcare Division	13078	13203	-125	-0.9%
Transport Division	29255	27088	2167	8.0%
Utility Services Division	-150	-150		0.0%
Wairarapa Division	9117	8959	159	1.8%
Investment Management	-4941	-4673	-268	5.7%
<b>Total Regional Rates</b>	<b>57698</b>	<b>55589</b>	<b>2110</b>	<b>3.8%</b>
Bulk Water Levy	22776	22776		0.0%
<b>Total Community Charges</b>	<b>80475</b>	<b>78365</b>	<b>2110</b>	<b>2.7%</b>

5.2 Table 5.2 shows the comparisons against the numbers in the LTCCP.

**Table 5.2**

	<b>2005/06 Annual Plan \$000</b>	<b>2005/06 LTCCP \$000</b>	<b>Additional Funding \$000</b>	<b>% Change</b>
Elected Members	2575	2228	348	15.6%
Rates Collection..	666	760	-94	-12.4%
Environment Division	8097	7963	134	1.7%
Landcare Division	13078	13759	-681	-5.0%
Transport Division	29255	29020	235	0.8%
Utility Services Division	-150	-150		0.0%
Wairarapa Division	9117	8532	586	6.9%
Investment Management	-4941	-4658	-283	6.1%
<b>Total Regional Rates</b>	<b>57698</b>	<b>57453</b>	<b>245</b>	<b>0.4%</b>
Bulk Water Levy	22776	22776		0.0%
<b>Total Community Charges</b>	<b>80475</b>	<b>80230</b>	<b>245</b>	<b>0.3%</b>

Particular changes are described below:

#### 5.2.1 **Environment:**

There is a provision for increased insurance costs for harbour navigation aids, as well as for work resulting from the Maritime Safety Authority's Port and Harbour Safety Review. Some capital expenditure for Harbour Safety has been moved back a year. The customer satisfaction survey for consents management is now planned for every four years instead of biennially. Staff resources have increased for communications and our *Take Action* school education programme. The overall budget for Environment in 2005/06 has decreased with the move of the Iwi liaison officer to the Secretariat.

#### 5.2.2 **Landcare:**

The effects of the January 2005 floods are not included, but will be assessed for the 2006/16 LTCCP.

The proceeds from the sale of surplus land at Mabey Road, Lower Hutt, have been applied to Flood Protection debt. This has reduced the debt servicing cost in 2005/06 by \$920,000.

Following the impact on the community from the February 2004 floods, \$97,000 has been included in 2005/06 to progress a flood hazard assessment on the Waiwhetu Stream.

We are continuing our investigations into renewable energy sources on our lands at a cost of \$100,000 in 2005/06.

The timing of equipment replacements has been reviewed to ensure they are consistent with Council policy. This has resulted in a net \$77,000 of asset purchases being deferred to future years.

There have been some changes made to the cost and timing of some flood protection capital works. The total cost of these (loan funded) in 2005/06 is \$410,000.

### 5.2.3 Wairarapa:

Expenditure of \$18,000 has been budgeted in the isolated river works budget to begin willow clearing on the Koparanga River. A rating scheme will be agreed with the locals.

As a consequence of delays in replacing the Waiohine SH2 Bridge, the upgrading of stopbanks there has been delayed one year.

Expenditure on our Bovine Tb vector management programme has been increased by \$791,000. The Animal Health Board and the Council approved a substantial increase in the Bovine Tb vector management programme from 2004, to contribute towards meeting the Tb-free status criteria in the Wellington region by 2013. Greater Wellington's share of this increase is approximately \$103,000.

### 5.2.4 Investments:

The increased contribution to rates from Greater Wellington investments compared to the 2004/05 budget and the LTCCP numbers (shown in the following tables) for 2005/06 has been driven by:

- Changes in assumed interest rates;
- An increased rate requirement in WRC administrative properties, resulting from development of the new Wairarapa building.

**Table 5.2.4(a)**

	<b>2005/06 Annual Plan \$000</b>	<b>2004/05 Budget \$000</b>	<b>Additional Funding \$000</b>
Liquid Financial Deposit	3014	2794	220
WRC Holdings Group	648	696	-49
WRC Admin Properties	-130	18	-148
Treasury	4085	3840	244
Forestry & Business Unit Dividends	275	275	
<b>Subtotal</b>	<b>7892</b>	<b>7624</b>	<b>268</b>
Regional Stadium	-2676	-2676	
<b>Investment Management</b>	<b>5216</b>	<b>4948</b>	<b>268</b>

**Table 5.2.4(b)**

	<b>2005/06 Annual Plan \$000</b>	<b>2005/06 LTCCP \$000</b>	<b>Additional Funding \$000</b>
Liquid Financial Deposit	3014	2574	440
WRC Holdings Group	648	723	-76
WRC Admin Properties	-130	22	-152
Treasury	4085	4014	70
Forestry & Business Unit Dividends	275	275	
<b>Subtotal</b>	<b>7892</b>	<b>7609</b>	<b>283</b>
Regional Stadium	-2676	-2676	
<b>Investment Management</b>	<b>5216</b>	<b>4933</b>	<b>283</b>

### 5.2.5 Regional Water Supply:

While a number of changes to the financial estimates have occurred from the 2004/05 Annual Plan, there is no change to the water levy for 2005/06. Budgeted 2005/06 expenditure, excluding depreciation, is \$377,000 higher than the current year's budget. However, this has been offset by higher internal and external revenue of \$381,000. Depreciation estimates have increased by \$376,000 as a result of the water infrastructure revaluation exercise completed in June 2004. Therefore, this results in a projected deficit for the 2005/06 year of \$764,000, which is \$377,000 greater than the budgeted deficit for the 2004/05 year. Capital expenditure has moved somewhat in timing but not in quantum across the planning period.

A significant population "blip" has occurred in the four city areas in the last couple of years. The population on Census night 2001 was 343,000. Statistics New Zealand has since revised that number up to 367,600 as at 30 June 2004, with the main factor being immigration. While this population increase is significant, it has been somewhat moderated by a reduction in the water used per head. Trends indicate that water use per capita is falling and hence our current estimate of the population that we can supply from current sources of 377,000 might possibly be increased.

Work is under way reviewing our various new source options and that information should be available in May/June 2005. Our capital expenditure programme allows for a new pumping station to be built near Te Marua on the Hutt River in 2009/11. This would provide additional supply capacity to meet perhaps another 3 to 5 years of population increases at the current rate.

## 6. The proposed changes in Transport

- 6.1 The Transport rate is expected to increase by 8% in 2005/6 and is the main contributor for the overall rate increase of 3.8%. In subsequent years the increase in Transport will also significantly affect the overall rate increases. Transport rate increases are expected to be 4.5% in 2006/7, 4.0% in 2007/8 and 3.5% in 2008/9. In later years the increases range between 1.0% and 3.0%.



The major aspects of the changes in Transport are:

- The consequences for Greater Wellington of the local share in response to the Government Transport package. The details have been circulated separately.
- Finalisation of a ten year contract for the operation of Tranz Metro between Toll and the Council.
- Proposed ownership of new and refurbished rolling stock and other rail infrastructure by the Council. Ownership of these assets is a major change from the previous LTCCP and is the reason for the planned Amendment to the LTCCP.
- Commitments from Land Transport New Zealand (LTNZ) to fund \$276 million over a ten year period.
- Legislative changes to allow ownership of Transport assets.
- Change in ownership of Tranz Metro to Toll.

The increase in Transport rate in 2005/6 is mainly due to the proposed new ten year contract between Toll and the Council for the operation of Tranz Metro.

The proposed 8% increase compares with a 4.7% increase noted in the 2003/13 LTCCP. Council should note that as the LTCCP forecast excluded the effect of inflation, and once included the level of increase between the 2003/13 LTCCP and the 2005/6 Annual Plan are very close.

- 6.2** In subsequent years the major change to the existing LTCCP is the ownership by Council of new and refurbished rolling stock along with other rail infrastructure such as station improvements. Previously it was intended that Tranz Metro would own these assets and be funded by the Council. However, it is now intended that the Council will own rolling stock etc as it is now permitted to do so under the Land Transport Management Act.

The main reasons for Council ownership as opposed to Tranz Metro are:

- The Council's ability to access Government funding. A precondition of the LTNZ commitment was public ownership of the rolling stock.
- The Council's cost of capital being considerably lower than that of Tranz Metro, thus saving ratepayers significant funding costs.
- Ownership, along with a long term contract, would allow the Council to meet its transport objectives.

As mentioned above, the ownership of these assets is the major change requiring the Council to amend its LTCCP.

Apart from the savings to ratepayers of Council ownership, the main consequence of ownership is an increase in Council debt which is forecast to

peak at \$130 million in 2010/11. This compares to a peak of \$70 million in the LTCCP in 2007/08. This level of debt is sustainable due to the Council's current low level of debt and its AA credit rating. The increased debt will fund the increased capital expenditure. The majority of this capital expenditure will be funded via the Government.

In respect of non rail expenditure while there are changes to the timing and amounts there are no new projects that were not included in the previous LTCCP.

## **7. Need for Approval**

In order to finance the Council's proposed LTCCP Amendment and 2005/06 Annual Plan for 15 February Policy, Finance & Strategy Committee meeting, officers now need direction on the level of projected rates and levies for 2005/06 and the transport content for the proposed Amended LTCCP.

Approval is now sought to the figures contained in Table 4.1 of this report, as may be amended by the Committee.

## **8. Communications**

The comprehensive consultation process will be undertaken around the amended LTCCP and Annual Plan when they are released. Details of this programme will accompany the draft plans on 15 February. The press release covering the financial aspects and the next stages has been prepared for the Chairman.

## **9. Recommendations**

*That the Committee recommend to Council that it:*

- 1) **Receive** the report and note its contents;*
- 2) **Approve** for inclusion in the Council's Proposed 2005/06 Annual Plan and Amended LTCCP, the projected rates and levy figures included in Table 4.1 (as may be amended by this Committee).*

Report prepared by:

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