



Report 05.275
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Committee Policy, Finance and Strategy Committee
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Wholesale Water Levy 2005/6 and End of Year Adjustment Levy 2004/5

1. Purpose

To set the wholesale water levy for 2005/6 and the end of year adjustment levies for 2004/5.

2. Significance of the decision

The matters in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

As is normal practice, the Council consulted with its water supply customers (the four metropolitan city councils) and the community about the water supply levy for 2005/6. The proposed Annual Plan outlined that the levy for the 2005/6 financial year would be the same as the levy for the current year.

4. Events Occurring Since the Proposed Annual Plan was Approved

4.1 Financial projections

Since finalisation of the Proposed Annual Plan, two significant input increases and a number of minor reductionary adjustments have been made to the budgets over the eight year planning horizon. The annual rates charges have been augmented by \$200,000 per annum to reflect Upper Hutt City Council's late notification of an infrastructure asset rating increase. Secondly the capital expenditure programme has been finalised, which has increased the total budgeted spend over the eight years by \$2.3 million, of which \$1.3 million has been rebudgeted from 2004/5.

The impact of these changes results in a trend of rising annual budgeted deficits from \$817,000 in 2005/6 to \$1,675,000 in 2012/13. In addition, the debt balance in 2012/13 is projected to be \$55.1 million, an increase of \$3.6 million from that stated in the Proposed Annual Plan.

While we are budgeting for ongoing annual deficits across the next eight years, we are confident that the financial forecasts reported here remain prudent. Essentially the accounting deficit arises from a significant increase in depreciation charges of approximately \$1M per annum which resulted from the asset revaluation exercise as at 30 June 2004. The cash position of the water operation remains very strong and we are confident that the capital expenditure programme ensures that our infrastructure asset base will remain in good shape across the budgeted period.

Notwithstanding that, population changes mean that a significant augmentation to the supply system may need to be implemented from about 2013 onwards. This clearly will have funding implications and will be considered during the upcoming 2006-2016 LTCCP process.

4.2 Submissions

It is pleasing to record that no issues have resulted from consultation with our customers or the public.

5. Proposed 2005/6 Wholesale Water Levies

The proposed levy for 2005/6, as contained in the Council's proposed Annual Plan is the same as the current year's levy.

If this position is approved, the levy for the 2005/6 financial year will be \$25,623,531 GST inclusive, the same as for 2004/5.

Levies for individual city councils would be as follows:

	2005/6 Levy (GST Inclusive)
	\$
Hutt City Council	6,424,833
Porirua City Council	2,771,762
Upper Hutt City Council	2,446,450
Wellington City Council	13,980,486

Total	25,623,531

For comparison purposes, the 2004/5 and 2005/6 levies are as follows:

Table 1

Council	2004/5 Levy \$(GST inclusive)	2005/6 Levy \$ (GST inclusive)	Change + / (-) %	Change \$ GST inclusive
Hutt City Council	6,570,318	6,424,833	(2.5)	(145,485)
Porirua City Council	2,747,563	2,771,762	1.0	24,199
Upper Hutt City Council	2,483,256	2,446,450	(1.7)	(36,806)
Wellington City Council	13,822,394	13,980,486	1.3	158,092
	25,623,531	25,623,531	-	-

6. Proposed End of Year Adjustment Levies for 2004/5

Because the percentage consumption assumed for each city in setting the 2004/5 levies a year ago differed from the actual consumption, year end adjustments are required. Consumption is based on the metering year that finished at the end of March 2005. Table 2 is the end of year adjustments.

Table 2

Council	Adjustment for 2003/4 \$ (GST inclusive)	
Hutt City Council	(145,485)	Refund from GW
Porirua City Council	24,199	To pay GW
Upper Hutt City Council	(36,806)	Refund from GW
Wellington City Council	158,092	To pay GW

The adjustments are between the cities and do not affect Greater Wellington's total revenue. Refund cheques will be sent to Hutt City and Upper Hutt City on 20 July 2005. Likewise, invoices will be sent to the other cities for payment on 20 July 2005.

7. Communications

It is suggested that a media release is made after the Council meeting highlighting the number of years the levy has either remained static or has been reduced.

8. Recommendations

That the Committee:

(1) **Recommend** to Council that:

- *Pursuant to section 91 of the Wellington Regional Water Board Act 1972, the wholesale water contributions payable by constituent authorities for 2005/6 be as follows:*

	2005/6 Levy \$ (GST inclusive)
<i>Hutt City Council</i>	6,424,833
<i>Porirua City Council</i>	2,771,762
<i>Upper Hutt City Council</i>	2,446,450
<i>Wellington City Council</i>	13,980,486
Total	25,623,531

- *The end of year adjustment levies for 2004/5 be as follows:*

***2004/5 Adjustments
\$ (GST inclusive)***

<i>Hutt City Council</i>	<i>(145,485)</i>	<i>Credit</i>
<i>Porirua City Council</i>	<i>24,199</i>	<i>Debit</i>
<i>Upper Hutt City Council</i>	<i>(36,806)</i>	<i>Credit</i>
<i>Wellington City Council</i>	<i>158,092</i>	<i>Debit</i>

- *Settlement takes place on 20 July 2005.*

- (2) ***Forward*** the Council resolution to each of the city councils under the Common Seal of the Wellington Regional Council.

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