

Report 12.238
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File CFO/13/02/01

Committee Council
Author Chris Gray, Manager, Finance & Support

Finalisation of the Long Term Plan 2012-2022

1. Purpose

The purpose of this paper is to finalise the financial information to be included in the Long Term Plan 2012-2022 incorporating the 2012/13 Annual Plan (LTP).

Approval is sought for adjustments to the budgets, rates and charges from the draft Plan, to reflect the changes recommended by the LTP Hearing Committee, and other changes in circumstances.

2. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

The subject matter of this report is part of a decision-making process that will lead to the Council making a decision of high significance within the meaning of the Local Government Act 2002. The decision-making process is explicitly prescribed for by section 93 of the Local Government Act 2002, which requires the use of the special consultative procedure.

2.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Due to the procedural nature of this decision officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

3. Background

Councillors have been through an extensive process to develop the draft LTP.

This has included: identifying community outcomes; reviewing all existing activities and levels of service; considering issues and options; reviewing the financial context; considering proposed service improvements and savings; considering draft budgets; reviewing the structure of the LTP; and the options for public engagement. Councillors were presented with draft business plans that summarised all this in December 2011.

On 8 March 2012, Council approved the draft LTP which included the rate and water levy numbers for inclusion in the draft annual plan 2012/13, with a rates increase of 5.68% and a 3% increase in the bulk water levy.

A total of 1,326 submissions were received. The LTP Hearing Committee heard 68 oral submissions and considered all submissions on 21, 22 and 23 May 2012.

It has been our normal practice each year, before the final LTP 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. The process ensures that ratepayers are not rated twice for the same activity.

In addition, any new items of expenditure and other adjustments which have arisen since the draft LTP 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 LTP for adoption by Council on 27 June 2012, subject to any amendments requested by Council.

4. Results of the Public Consultation process, including the recommendations of the Long Term Plan Hearing Committee

The previous report (12.225) outlined the results of the public consultation process and the recommendations of the LTP Hearing Committee.

The LTP Hearing Committee asked officers to investigate and recommend options, including those relating to our buildings in Attachment 3 to Report 12.195, which would bring the average rate line below 5% in 2012/13.

Management have undertaken this review and make the following recommendations to Council. These have been factored into the advice and recommendations in this paper.

4.1 Enviro Schools

An increase of \$35,000 is recommended to enable a 20% increase in hours for the regional co-ordinator, as well as increasing the operating budget to cover the additional resources required with this.

4.2 NZ Dryland Forests initiative - Eucalyptus trees

An increase in expenditure of \$5,000 per annum is recommended to support a NZ Dryland Forests and University of Canterbury 6 year initiative to develop more naturally durable eucalypts. The cost of this project is recommended to be absorbed into the existing land management programme.

4.3 Greater Wellington Work in QE Park Heritage Precinct

A decrease of \$65,000 in rates required is recommended, as the planning work has been substantially completed this year.

4.4 Integrated strategic planning

A decrease of \$60,000 is recommended. This was a new proposal that can be deferred.

4.5 Electronic ticketing

A \$50,000 reduction in rates required due to a review of the timing of this project.

4.6 Increase in resource consents revenue

An increase of \$50,000 in revenue has been identified due to the on-going significant consents underway.

4.7 Savings in the Wairarapa Water Use Project

A decrease in rates requirements of \$50,000, as Government support from the Irrigation Acceleration Fund has in principle been secured.

4.8 Investment management

The primary driver of change in investment management is a lower opening debt position and slightly lower interest rates than assumed in the draft LTP. This has resulted in \$430,000 less rates being required in 2012-13.

4.9 GW Buildings

It is recommended the draft LTP is amended to include bringing the start of the new Masterton building forward by one year and changing the budget for the Regional Council Centre to be one of additional rent instead of capital works. Neither of these changes impacts the proposed rates requirement for 2012/13.

4.10 Other adjustments

A number of adjustments that did not impact the overall rate requirement for 2012-13 were also made. These adjustments were due to having increased

information and have not impacted any service levels contained in the draft LTP.

5. Total changes required to the draft 2012/13 rates

The changes outlined above have the following impact on the 2012/13 rates:

| LTP Budget | | |
|--|-----------|---------|
| Rates impact in 2012-13 | (\$000's) | % |
| Draft budget rates increase | 4,822 | 5.68% |
| Plus new proposals | | |
| Environ Schools - budget increase | 35 | |
| Eucalyptus tree proposal (rates impact absorbed \$5,000) | - | |
| Less suggested reductions | | |
| GW work in QE Park Heritage precinct | (65) | |
| Integrated strategic planning | (60) | |
| Electronic ticketing | (50) | |
| Increase in consents revenue | (50) | |
| Savings in Wairarapa water use project | (50) | |
| Effect of investment management reviews | (430) | |
| Proposed reductions | (705) | (0.83%) |
| Proposed rates increase 2012/13 | 4,152 | 4.89% |

6. Rate Increase 2012/13

The draft LTP had a rate increase for 2012/13 of 5.68%. After the changes above the proposed rates increase is 4.89%.

7. Water levy

The draft LTP assumed a 3% increase in the water levy. It is recommended that the 3% increase is maintained for the final LTP.

8. Rebudgets of 2011/12 Expenditure

The list of projects which the groups are seeking to rebudget by transferring the unspent funds to 2012/13 are detailed in **Attachment 1** (operating expenditure) and **Attachment 2** (capital expenditure).

Rebudgets total \$942,652 in respect of operating expenditure, \$40,154,443 for transport capital improvements and \$8,219,000 for other capital expenditure. The rebudgets have been reviewed by senior management to ensure that the projects will be progressed in 2012/13 according to the updated plans. Management is satisfied that the projects are still required.

9. Final 10-year Plan rates and water levy requirements

The final LTP will provide for the following level of regional rates and bulk water levy (including inflation) for the next ten years.

9.1 Regional Rates

Overall there has been a reduction in forecast rate requirements due to the lower opening debt position and a small decrease in our interest rate assumptions. The timing of some of the capital works has also impacted the forecast rates in later years.

The projected rates for 2013/14 will be a matter for further consideration by the Council during the 2012/13 year.

| Year | Draft LTP rates \$000 | Proposed rates increase % | Final LTP rates \$000 | Final rates increase % |
|---------|--------------------------|------------------------------|--------------------------|---------------------------|
| 2012/13 | 89,676 | 5.69% | 89,004 | 4.89% |
| 2013/14 | 98,789 | 10.16% | 97,337 | 9.36% |
| 2014/15 | 109,948 | 11.30% | 107,475 | 10.42% |
| 2015/16 | 117,270 | 6.66% | 113,487 | 5.59% |
| 2016/17 | 128,056 | 9.20% | 120,708 | 6.36% |
| 2017/18 | 135,159 | 5.55% | 126,985 | 5.20% |
| 2018/19 | 137,703 | 1.88% | 130,573 | 2.83% |
| 2019/20 | 145,273 | 5.50% | 137,792 | 5.53% |
| 2020/21 | 151,638 | 4.38% | 142,351 | 3.31% |
| 2021/22 | 152,958 | 0.87% | 146,421 | 2.86% |

9.2 Bulk Water Levy

In respect of the bulk water levy, the increases have remained the same as the Draft LTP.

| Year | Draft LTP levy \$000 | Proposed levy increase % | Final LTP levy \$000 | Final levy increase % |
|---------|-------------------------|-----------------------------|-------------------------|--------------------------|
| 2012/13 | 24,888 | 3.00% | 24,888 | 3.00% |
| 2013/14 | 25,884 | 4.00% | 25,884 | 4.00% |
| 2014/15 | 26,919 | 4.00% | 26,919 | 4.00% |
| 2015/16 | 28,265 | 5.00% | 28,265 | 5.00% |
| 2016/17 | 29,679 | 5.00% | 29,679 | 5.00% |
| 2017/18 | 31,163 | 5.00% | 31,163 | 5.00% |
| 2018/19 | 32,721 | 5.00% | 32,721 | 5.00% |
| 2019/20 | 34,357 | 5.00% | 34,357 | 5.00% |
| 2020/21 | 36,075 | 5.00% | 36,075 | 5.00% |
| 2021/22 | 37,878 | 5.00% | 37,878 | 5.00% |

10. Audit

The draft LTP including the summary sent to all ratepayers was audited by the Audit Office. Unqualified opinions were obtained.

The final LTP will also be audited. However, the majority of audit work was completed at the time of the draft plan, and so work on the final LTP 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 LTP on 27 June 2012.

11. Communication

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

12. Recommendations

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Approves the operating expenditure items listed within Attachment 1 of this report (or as amended by the Council) to be rebudgeted within the 2012/13 Annual Plan.*
4. *Approves the capital expenditure items listed within Attachment 2 of this report (or as amended by the Council) to be rebudgeted within the 2012/13 Annual Plan.*
5. *Approves the operating expenditure adjustments within this report (or as amended by the Council) for inclusion within the 2012/13 Annual Plan.*
6. *Notes that the impacts of the rebudgeting and other adjustments, as approved in recommendations 3-5 above, have been reflected in this report.*
7. *Approves the rate increase of 4.89% and the bulk water levy increase of 3% for the 2012/13 year (and the following nine years as contained in this report, or as amended by the Council) for inclusion in the LTP and Annual Plan 2012/13, to be considered by the Council on 27 June.*

Report prepared by:

Report approved by:

A handwritten signature in black ink, appearing to be 'BS', with a long horizontal line extending to the right.

Chris Gray
Manager, Finance & Support

Bruce Simpson
Chief Financial Officer

Attachment 1: Rebudgeted Operating expenditure

Attachment 2: Rebudgeted Capital expenditure