

Report 13.645
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Committee Council
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Finalisation of the Annual Plan 2013/14

1. Purpose

The purpose of this paper is to finalise the financial information to be included in the 2013/14 Annual Plan.

Approval is sought for adjustments to the budgets, rates and charges from the draft Plan, to reflect the changes recommended by the Annual Plan 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 a comprehensive process to develop the draft Annual Plan 2013/14.

On 26 March 2013, Council approved the draft Annual Plan 2013/14 with a proposed rate increase of 2.6%, compared to 9.4% as set out for Year 2 in the LTP, and a water supply levy of 3.0%.

Public consultation was carried out from 25 March to 26 April 2013. A total of 41 written submissions were received on the draft Annual Plan. The Annual Plan Hearing Committee heard 18 oral submissions and considered all submissions on 28 May 2013.

It has been our normal practice each year, before the final Annual Plan is adopted, for officers to recommend to Council those items that are required to be re-budgeted. The general principle followed is that if expenditure on a project cannot be completed in a given year, it can be re-budgeted 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 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 Annual Plan for adoption by Council on 26 June 2013, subject to any amendments requested by Council.

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

Report 13.661 outlines the results of the public consultation process and the recommendations of the Annual Plan Hearing Committee.

The Hearing Committee has not recommended any changes to the rates or levies, or to the PT fare increase proposal set out in the Draft Annual Plan.

5. Recommended changes to the proposed 2013/14 Plan

Changes to the proposed Plan, as a result of new information and changed assumptions, are as follows:

5.1 Updates to Public Transport, \$1.1m reduction in transport rate requirements

Saving in the TranzMetro contract expenditure of \$2.3 million result in a \$1.0 million saving in rates - KiwiRail has identified cost savings but more significantly has revised the average fare yield expected from passengers.

Savings in other rail operations expenditure of \$0.8 million result in a \$0.3 million saving in rates - we now have more up-to-date estimates of expenditure with the most significant of these being rail insurance.

Savings in diesel bus contract expenditure of \$0.4 million result in a \$0.2 million saving in rates - we have revised our estimate of contractual inflation.

There is also a \$0.3 million rates reduction because of the lower internal interest rate.

Offsetting these is the recommendation to reduce the transfer from the transport reserve by \$0.6m for 2013/14, meaning that this money is available for use in later years, noting that we are forecasting future rate increases associated with the Matangi 2 project and the reducing financial assistance rate from NZTA on rail expenditure.

5.2 Greater Wellington Regional Council Work on Roads of National Significance (RONS) programme

An increase of \$200,000 is recommended, as the additional input required from external parties into the on-going RONS programme requires greater funding than what was included in the draft plan.

5.3 Reinstatement of the pine block at Belmont Regional Park

At its meeting on 17 April 2013 the Social and Cultural Wellbeing committee recommended that surplus logging revenue from the Stratton Street pine plantation (approximately \$200,000) be reinvested in the park (Report 13.93). This has no rates impact.

5.4 Reduction in internal and external interest rates

The continued success of the Local Government Funding Agency in reducing the costs of funding for the sector has made it prudent to review the cost of borrowing for the coming year.

We recommend reducing the internal interest rate charged by 1% to reflect the expected average cost of funds for the 2013/14 year. Council operates a treasury function that charges an internal interest rate including a funding margin to the operational units that need funding. The funding surplus generated from this function reduces the general rate, so all ratepayers share equally from this function.

Changes to the internal interest rate impact both rates and non-rate areas including the Water Levy charged to the four city councils, NZTA's contribution to transport costs and the debt costs of forestry, so a reduction in the rate reduces the general rate contribution from the treasury function.

Offsetting the internal rate reduction is the recalculation of the likely net external interest cost. This reduction is not as great as the impact of lowering the internal interest rate as the net external debt is lower than the internal debt portfolio. The net impact of reducing the internal rate by 1% increases the net

rates requirement in 2013/14 by \$0.6 million (including a \$0.3m reduction in Public Transport) compared to the draft Annual Plan.

5.5 Other adjustments

A number of minor adjustments that did not impact the overall rate requirement for 2013-14 were also made. These adjustments were due to having increased information and have not impacted any service levels contained in the draft LTP.

6. Total changes required to the draft 2013/14 rates

The changes outlined above have the following impact on the 2013/14 rates:

	\$m
Draft 2013/14 Annual Plan Rates	91.3
Public Transport Savings (excluding \$0.3m interest rate saving)	(0.8)
Environment Cost Increase	0.2
Net interest rate impact	0.6
Final 2013/14 Annual Plan Rates	91.3

7. Rate Increase 2013/14

The draft LTP had a rate increase for 2013/14 of 2.6%. After the updates and changes recommended above the proposed rates increase remains at 2.6%.

8. 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 Annual Plan.

9. Communication

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

10. Recommendations

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*

3. *Notes that the Hearing Committee has not recommended any changes to the rates or levies, or to the PT fare increase proposal set out in the Draft Annual Plan.*
4. *Approves the operating expenditure items listed within Attachment 1 of this report (or as amended by the Council) to be rebudgeted within the 2013/14 Annual Plan.*
5. *Approves the capital expenditure items listed within Attachment 2 of this report (or as amended by the Council) to be rebudgeted within the 2013/14 Annual Plan.*
6. *Approves the operating expenditure adjustments within this report (or as amended by the Council) for inclusion within the 2013/14 Annual Plan.*
7. *Approves revenue from the planned logging of the Stratton Street pine plantation in the Belmont Regional Park being reinvested into Belmont Regional Park as outlined in Report 13.93*
8. *Notes that the impacts of the rebudgeting and other adjustments, as approved in recommendations 3-5 above, have been reflected in this report.*
9. *Approves the rate increase of 2.6% and the bulk water levy increase of 3% for the 2013/14 year (or as amended by the Council) for inclusion in the Annual Plan 2013/14, to be considered by the Council on 26 June 2013.*

Report prepared by:

Report approved by:

Chris Gray

Manager, Finance & Support

Mike Timmer

Acting Chief Financial Officer

Attachment 1: Rebudgeted Operating expenditure

Attachment 2: Rebudgeted Capital expenditure