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Report to the Policy and Finance Committee  
From David Benham, Divisional Manager Utility Services and  
Murray Kennedy, Strategy and Asset Manager

## **Bulk Water Levy 2001/02 and End of Year Adjustment Levy 2000/01**

### **1. Purpose**

To set the bulk water levy for 2001/02 and the end of year adjustment levies for 2000/01.

### **2. 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 2001/02. The Proposed Annual Plan outlined that the levy for the 2001/02 financial year would be the same as the levy for the current year.

Recently the Council approved a change in the way the wholesale water levy is set. (Report 01.300 of 30 April 2001 to the Utility Services Committee – Method for setting the Wholesale Water Levy). A water levy will be set as usual for the year starting 1 July 2001. However, as a result of the change to the way the levy is set, end of year adjustments also need to be set for the year ended 30 June 2001. These adjustments, as previously advised, are financially neutral to the Council. They only affect the allocation of the total levy between our customers.

### **3. Proposed 2001/02 Bulk Water Levies**

When the Proposed Annual Plan was prepared, financial results were only available for the first six months of the current financial year. In the intervening period the financial results for the current year have become more certain. The operational costs are under budget and the capital work has cost less than anticipated. We believe that most of these cost savings are sustainable next year and hence propose a reduction in the levy of two percent or \$522,930 (incl. GST). This though will result in a reduction in the rate at which debt is expected to be paid off.

If adopted, the two percent reduction brings the total reduction to ten percent over the last three years. (The cumulative effect though is 9.7 percent). This reduction follows two years when the levy was constant.

The proportion of the levy that each city council pays is directly proportional to their relative consumption for the year to the end of the previous March. As each city council's percentage varies from year to year there will not be a two percent uniform reduction across all customers, compared with the previous year's levy. However, each city council will clearly be better off than if the levy had not reduced.

If the two percent reduction is approved by the Committee, the levy for the financial year 2001/2002 will be \$25,623,531 GST inclusive.

Levies for individual city councils are as follows:

	<b>2001/02 Levy GST Incl. (\$)</b>
Hutt City Council	6,621,001
Porirua City Council	2,735,170
Upper Hutt City Council	2,607,107
Wellington City Council	13,660,253
<b>Total</b>	<b>25,623,531</b>

For comparison purposes the 2000/01 and 2001/02 levies are as follows:

**Table 1**

	<b>2000/01 Levy GST Incl. (\$)</b>	<b>2001/02 Levy GST Incl. (\$)</b>	<b>Change %</b>	<b>Change GST Incl. (\$)</b>
<b>HCC</b>	6,532,308	6,621,001	+1.4	+88,693
<b>PCC</b>	2,631,504	2,735,170	+3.9	+103,666
<b>UHCC</b>	2,723,333	2,607,107	-4.3	-116,226
<b>WCC</b>	14,259,316	13,660,253	-4.2	-599,063
	<b>26,146,461</b>	<b>25,623,531</b>	<b>-2.0</b>	<b>-522,930</b>

These figures do not represent a true comparison between financial years as the 2000/2001 levy figures contain the end of year adjustments from the 1999/2000 year. There are no end of year adjustments in the 2001/02 figures as end of year of adjustments from now on are accounted for separately. (Refer to section 4 of this report).

A strict comparison between financial amounts using the new basis of levy calculation is as follows:

**Table 2**

	<b>2000/01 Financial Year Amount GST Incl. (\$)</b>	<b>2001/02 Levy GST Incl. (\$)</b>	<b>Change %</b>	<b>Change GST Incl. (\$)</b>
<b>HCC</b>	6,852,827	6,621,001	-3.4	-231,826
<b>PCC</b>	2,693,660	2,735,170	+1.5	+41,510
<b>UHCC</b>	2,687,652	2,607,107	-3.0	-80,545
<b>WCC</b>	13,912,322	13,660,253	-1.8	-252,069
	<b>26,146,461</b>	<b>25,623,531</b>	<b>-2.0</b>	<b>-522,930</b>

The differences in the amounts between years for each Council in Table 1 and Table 2 highlights why approval was sought to separate the end of year adjustments from the following year's levy. Table 2 is more correct than Table 1 for a year on year accounting comparison.

#### 4. **Proposed End of Year Adjustment Levies for 2000/01**

Because the percentage consumption assumed for each city in setting the 2000/01 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 2001. Details of the adjustment levy calculations are included in Attachment 1. A summary is in Table 3 as follows:

**Table 3**

	<b>Adjustment for 2000/2001 GST Incl. (\$)</b>	
<b>HCC</b>	-96,703	Refund from WRC
<b>PCC</b>	97,330	To pay WRC
<b>UHCC</b>	-27,339	Refund from WRC
<b>WCC</b>	26,712	To pay WRC
	<b>0</b>	

As previously advised, the adjustments are between the cities and do not affect WRC's total revenue. Refund cheques will be sent to Hutt and Upper Hutt City Councils on 20 July. Likewise, invoices will be sent to Porirua and Wellington City Councils for payment on 20 July.

## 5. **Communications**

It is suggested a media release is made after the Council meeting.

## 6. **Recommendations**

(1) *That the Policy and Finance Committee recommend to Council that:*

*Pursuant to section 91 of the Wellington Regional Water Board Act 1972, the Bulk Water contributions payable by constituent authorities for 2001/02 be as follows:*

	<b>2001/02 Levy GST Incl. (\$)</b>
<i>Hutt City Council</i>	6,621,001
<i>Porirua City Council</i>	2,735,170
<i>Upper Hutt City Council</i>	2,607,107
<i>Wellington City Council</i>	13,660,253
<b>Total</b>	<b>25,623,531</b>

*and the end of year adjustment levies for 2000/01 be as follows:*

	<b>2000/01 Adjustments GST Incl. (\$)</b>	
<i>Hutt City Council</i>	(96,703)	<i>Refund</i>
<i>Porirua City Council</i>	97,330	<i>To pay</i>
<i>Upper Hutt City Council</i>	(27,339)	<i>Refund</i>
<i>Wellington City Council</i>	26,712	<i>To pay</i>

*with settlement to take place on 20 July 2001.*

(2) *That the Council resolution be forwarded to each of the city councils under the common seal of the Wellington Regional Council.*

Report prepared by

Approved for submission by

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Strategy and Asset Manager

GREG SCHOLLUM  
Chief Financial Officer

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HOWARD STONE  
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Attachment