

Report 14.291
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Committee Council
Author Chris Gray, Manager, Finance & Support

Finalisation of the Annual Plan 2014/15

1. Purpose

The purpose of this paper is to finalise the financial information to be included in the 2014/15 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 2014/15 Hearing Committee, and other changes in circumstances.

2. Background

Councillors have been through a comprehensive process to develop the draft Annual Plan 2014/15.

On 6 March 2014, Council approved the draft Annual Plan 2014/15 with a proposed rate increase of 6.1%, compared to 10.4% as set out for Year 3 in the LTP, and a water supply levy of 2.5% compared to 4% as set out for Year 3 in the LTP.

Public consultation was carried out from 24 March to 28 April 2013. A total of 85 written submissions were received on the draft Annual Plan. The Annual Plan 2014/15 Hearing Committee heard 34 oral submissions and considered all submissions on 27 May 2014.

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 2014, subject to any amendments requested by Council.

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

Report 2014.294 outlines the results of the public consultation process and the recommendations of the Annual Plan 2014/15 Hearing Committee.

The Hearing Committee recommended the following amendments:

- a. *no public transport fare increase in 2014/15*
- b. *amendment of an error relating to the development of the Rimutaka Summit site*
- c. *reference to GWRC's continuing participation in the Wellington Regional Recreation Initiatives Group*
- d. *\$30,000 additional funding for Enviroschools in 2014/15, with reports-back on progress against the KPIs expected through the year.*

4. Recommended changes to the proposed 2014/15 Plan

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

4.1 Public Transport changes, \$0.4m reduction in transport rate requirement

	Proposed Rates	Final Rates	Increase / - Decrease in Rates
	\$M	\$M	\$M
Rail	15.8	15.1	-0.7
Remove fare increase	0.0	0.5	0.5
Diesel bus	15.9	15.8	-0.1
Debt repayments	9.6	9.5	-0.1
Public Transport			-0.4

A revised estimate of projected rail operational expenditure, primarily as a result of improved fare revenue growth, results in a \$1.5 million saving in expenditure and a \$0.7 million saving in rates.

Removal of the proposed 2014/15 fare increase results in an increase in rates of \$0.5 million. The proposed fare increase is no longer required to keep within the limits of the farebox recovery policy of 55-60%.

A revised estimate of contractual inflation for diesel buses results in a small saving of \$0.2 million in expenditure and a \$0.1 million saving in rates.

A small change to the overall debt repayments results in a saving of \$0.1 million in rates.

4.2 Surplus from the sale of forestry cutting rights

4.2.1 Forestry Capital Reserve

That \$500,000 be set aside from the final funding surplus as a capital project reserve to manage funding peaks driven from future capital projects associated with the forestry land. Any surplus from the annual rental will be added to this reserve. This has no rates impact.

4.2.2 Above ground asset Insurance Reserve

That the remaining net surplus of the forestry sale transaction after clearing all costs and associated debt will be set aside as an insurance reserve. The rates impact of this is in the insurance saving noted in the next section and in limiting future insurance increases.

4.3 Insurance Savings

Insurance costs for 2014/15 have been reviewed and a reduction of \$161,000 in rates can be passed on from expected premiums.

With the decision to utilise the forestry surplus to boost the above ground asset insurance reserve further rates savings of \$109,000 which were being invested in the reserve can be halted.

4.4 Other adjustments

A number of minor adjustments that did not impact the overall rate requirement for 2014-15 were also made. These adjustments were due to having increased information and have not impacted any service levels contained in the draft annual plan or LTP.

5. Total changes required to the draft 2014/15 rates

The changes outlined above have the following impact on the 2014/15 rates:

	Annual Plan 2014/15		LTP	
	\$000 ^S	%	\$000 ^S	%
Rates 2013/14	91,304		97,338	
Draft Rates 2014/15	96,879	6.1%	107,475	10.4%
Changes since draft plan				
Enviro Schools	30			
Public Transport	(409)			
Remove contribution from forestry	310			
Insurance				
Lower premiums 2014/15	(161)			
Remove current contribution to insurance reserve	(109)			
Net Change	(339)			
Final Proposed Rates 2014/15	96,540			
Rates increase per average residential property of \$416,000				
	\$19.81			

The draft annual plan had a rate increase for 2014/15 of 6.1%. After the updates and changes recommended above the proposed rates increase is reduced to 5.7%, an average residential increase of \$19 per annum.

6. Water levy

The draft annual plan assumed a 2.5% increase in the water levy. It is recommended that the 2.5% increase is maintained for the final annual plan.

7. Communication

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

8. 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.

8.1 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.

9. Recommendations

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Approves the recommendation of the Annual Plan 2014/15 Hearing Committee that there should be no passenger transport fare increase for 2014/15 and that an additional \$30,000 should be allocated to the Enviro School programme.*
4. *Approves the operating expenditure items listed within Attachment 1 of this report to be rebudgeted to 2014/15 and included within the 2014/15 Annual Plan.*
5. *Approves the capital expenditure items listed within Attachment 2 of this report to be rebudgeted to 2014/15 and included within the 2014/15 Annual Plan.*
6. *Approves the operating expenditure adjustments within this report for inclusion within the 2014/15 Annual Plan.*
7. *Approves \$500,000 from the forestry cutting rights surplus being transferred to a forestry capital project reserve to be utilised for capital projects required on the forestry land*
8. *Approves any remaining funding surplus from the forestry cutting rights surplus being transferred to an above ground asset insurance fund to be utilised to manage the ongoing insurance programme of council*
9. *Approves the rate increase of 5.7% and the bulk water levy increase of 2.5% for the 2014/15 year for inclusion in the Annual Plan 2014/15, to be considered by the Council on 26 June 2014.*

Report prepared by:

Report approved by:

Chris Gray
Manager, Finance & Support

Mike Timmer
Treasurer/Acting Chief Financial Officer

Attachment 1: Rebudgeted Operating expenditure

Attachment 2: Rebudgeted Capital expenditure