



Report 07.68
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Proposed 2007/08 Annual Plan

1. Purpose

To seek approval for the proposed rate and levy numbers for inclusion in the Council's proposed 2007/08 Annual Plan.

2. Significance of the decision

The subject matter of this report will lead to the Council making a "significant" decision within the meaning of the Local Government Act 2002. The process of adopting an Annual Plan will include use of the special consultative process. The documentation to be considered on 13 March 2007 will cover the consultative process the Council is undertaking.

3. Background

Over the last three months management has been developing the Council's 2007/08 Annual Plan. Councillors were taken through the first draft numbers in December. Prior to Christmas the detailed business plans by Divisions was circulated to Councillors. In the new year a series of workshops were held between Councillors and each Division which covered the detailed numbers and projects.

As a result of those workshops a number of savings were identified. These involved reducing or deferring some projects, increasing revenues and decreasing reserve transfers. A total of \$1.0 million was taken off the first draft rate requirement figure. These decreases have been included in the numbers below.

As noted above, the Council is approving the rate and levy numbers for inclusion in the proposed 2007/08 Annual Plan. The approval of the proposed 2007/08 Annual Plan will be at the Policy, Finance and Strategy meeting on 13 March. This will include the amendment to its Revenue and Financing Policy. This change relates to the length of time over which certain rail expenditure can be loan funded. Further discussion of this amendment will be considered on 13 March.

The Council will also be considering the Wellington Regional Strategy (WRS) rate of \$4.0 million at this meeting. The rate numbers including the WRS rate are discussed in sections 5 and 6 of this report.

All the tables below exclude GST.

4. Projected Rates and Water Levy Increases for 2007/08

Excluding the WRS rate, the overall rate increase for 2007/08 is 6.5%. The Water levy increase is 3.0%.

4.1 Divisional breakdowns

Rates & Levies	2006/07	2007/08	% change
	\$000's	\$000's	
Corporate	4,008	4,078	1.7%
Environment	9,686	9,950	2.7%
Catchment	14,887	15,872	6.6%
Transport.	32,819	35,894	9.4%
Parks & Forests Group	5,297	5,240	-1.1%
Investment Management.	-4,747	-5,083	7.1%
Total Rates	61,950	65,951	6.5%
Water	22,776	23,460	3.0%
Total Rates & Levies	84,726	89,411	5.5%

4.2 Rates and levies by type

Rates & Levies	2006/07	2007/08	%
	\$000's	\$000's	change
Flood Protection General	6,433	6,663	3.6%
General Rates Other	15,457	15,836	2.5%
Total General Rates	21,890	22,499	2.8%
River & Scheme Rates	4,422	4,739	7.2%
Pest Rates	143	143	0.0%
Transport Rates	32,819	35,894	9.4%
Stadium Rates	2,676	2,676	0.0%
Total Rates	61,950	65,951	6.5%
Water Levy	22,776	23,460	3.0%
Total Rates & Levies	84,726	89,411	5.5%

4.3 Regional Rates

The overall rate increase is 6.5%. This is less than the 10.7% figure predicted in our LTCCP.

The general rate component, excluding flood protection and transport, is 2.5% - less than the rate of inflation.

When Council consulted on its 2006-16 LTCCP, the community responded that it wanted our flood protection programme in the Hutt Valley speeded up. This is a large, long-term programme to protect the Hutt Valley and, of course, is already underway.

The large increase in international oil prices has brought about an additional burden to an already challenging transport programme. We had not budgeted for this oil price increase. This, along with the other transport infrastructure improvements means that we have had to increase the total transport rates by 9.4%. It should be noted that without the increase in the oil price the rate increase in Transport would have been less than the rate of inflation.

4.4 Water Levy

The Water Levy will increase to \$23.5 million for 2007/08, an increase of 3.0%. The LTCCP for the corresponding year had an increase of 6.2%.

There are two major reasons for the Water Levy increases:

- An increasing capital expenditure programme has resulted in operating deficits which now require an increase in the levy.
- Based on the region's population growth and water usage it is expected that a new water source will have to be developed by 2012/13. The expected costs of this are in excess of \$60 million. If the new water source could be delayed the level of future increases in the water levy could be reduced.

Two main factors will determine the timing of any new water source:

- A decrease in water usage, from water demand management and conservation.
- The population increase for the region.

5. WRS Economic Development Agency (EDA) Rate

The Council will be considering at this meeting whether to adopt the WRS rate for the EDA. This is the subject of a separate paper to Council. The proposed rate is \$4.0 million in 2007/08. This would replace the \$3.4 million rate currently collected by the other Councils in the region. Therefore, the increase in the EDA rate for the region is \$0.6 million, which is a little over \$3 per year per rateable property.

The table below illustrates the increase in rates, including the net increase in the EDA rate. The other Councils will be disclosing in their Annual Plans, the decrease in their contributions to existing EDAs, for example, Positively Wellington Business.

Rates & Levies	2006/07	2007/08	%
	\$000's	\$000's	change
Flood Protection General	6,433	6,663	3.6%
General Rates Other	15,457	15,836	2.5%
Total General Rates	21,890	22,499	2.8%
River & Scheme Rates	4,422	4,739	7.2%
Pest Rates	143	143	0.0%
Transport Rates	32,819	35,894	9.4%
Stadium Rates	2,676	2,676	0.0%
Total Rates	61,950	65,951	6.5%
EDA net rate increase	-	600	
Total Rates	61,950	66,551	7.4%
Water Levy	22,776	23,460	3.0%
Total Rates & Levies	84,726	90,011	6.2%

It is proposed that the EDA rate would be allocated as follows:

- Residential Uniform charge of \$12.50 (plus GST)
- Rural Uniform charge of \$25.00 (plus GST)
- Business Capital value

6. Total GWRC rates and levies

Subject to the EDA rate being approved by Council at this meeting, the total GWRC rates will be as follows:

Rates & Levies	\$000's	\$000's	
Flood Protection General	6,433	6,663	3.6%
General Rates Other	15,457	15,836	2.5%
Total General Rates	21,890	22,499	2.8%
River & Scheme Rates	4,422	4,739	7.2%
Pest Rates	143	143	0.0%
Transport Rates	32,819	35,894	9.4%
Stadium Rates	2,676	2,676	0.0%
Total Rates	61,950	65,951	6.5%
EDA rate	-	4,000	
Total Rates	61,950	69,951	12.9%
Water Levy	22,776	23,460	3.0%
Total Rates & Levies	84,726	93,411	10.2%

7. Process from here

The process from here regarding the completion of the Annual Plan is as follows:

- 22 February** Council approves the overall rates and levy numbers for inclusion in the proposed 2007/08 Annual Plan.
- 22 February** Proposed amendment of the 2006-16 LTCCP given to Audit New Zealand for review.
- 2 March** Audit New Zealand gives verbal clearance on the detailed document.
- 13 March** Council approves the proposed detailed, policies and summary and LTCCP documents.

Audit New Zealand issues its opinion.

Council adopts the proposed 2007/08 Annual Plan incorporating the proposed amendment to the LTCCP.

5 April – 7 May	Proposed 2007/08 Annual Plan and proposed LTCCP amendment public submission period.
23-25 May	Hearings of submissions.
12 June	Council approves the overall rates and levy numbers for inclusion in the Annual Plan
28 June	Approval of the final Annual Plan and striking of the rates/levies

8. Communications

A press release is being prepared and will be circulated to Councillors separately.

9. Recommendations

That the Council:

1. ***Receives the report.***
2. ***Notes the content of the report.***
3. ***On the basis that the Wellington Regional Strategy rate **IS ADOPTED** then **Approve** for inclusion in the Council's Proposed 2007/08 Annual Plan the projected rates and levy numbers included in **Section 6** (as may be amended by the Council).***
4. ***On the basis that the Wellington Regional Strategy rate is **NOT ADOPTED** then **Approve** for inclusion in the Council's Proposed 2007/08 Annual Plan the projected rates and levy numbers included in **Section 4.2** (as may be amended by the Council).***

Report prepared by:

Report approved by:

Barry Turfrey
Chief Financial Officer

David Benham
Chief Executive Officer