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Committee Council  
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## Approval of Draft Annual Plan 2013/14

### 1. Purpose

To seek approval for the release for public consultation of the Greater Wellington Regional Council 2013/14 draft Annual Plan and the associated Summary document.

### 2. The decision-making process and significance

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 sections 85 and 95 of the Local Government Act 2002, which requires the release of a draft Annual Plan and the use of the special consultative procedure.

### 3. Background

The Local Government Act 2002 requires the Council to prepare and adopt an annual plan for each financial year. The purpose of the annual plan, as defined by section 95 (5) of the Local Government Act 2002 is to:

- (a) contain the proposed annual budget and funding impact statement for the year to which the annual plan relates; and
- (b) identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year; and
- (c) support the long-term plan in providing integrated decision-making and co-ordination of the resources of the local authority; and
- (d) contribute to the accountability of the local authority to the community; and

- (e) extend opportunities for participation by the public in decision-making processes relating to the costs and funding of activities to be undertaken by the local authority.

The 2013/14 Annual Plan relates to year 2 of the 2012-22 Long Term Plan (LTP). Officers have been working with councillors to develop the 2013/14 Annual Plan over the last 6 months, including a number of councillor workshops to discuss aspects of the budget in September, October, December and January. Group business plans were also circulated to Councillors in early January 2013.

Over this period significant work has been undertaken by General Managers, group accountants and staff to:

- Review our current environment and context
- Review increases projected in the LTP forecasts for 2013/14
- Complete a 'top down' review to identify potential savings and additional funding needs
- Build a draft budget from the 'bottom-up' through the business planning process.

These reviews have resulted in a proposed rate increase of 2.6%, compared to 9.4% as set out for Year 2 in the LTP.

#### **4. Comment**

Schedule 10 of the Local Government Act 2002 sets out the information that GWRC must include in the annual plan. This includes:

- Forecast financial statements
- Financial statements for the previous year
- Funding impact statement
- Reserve funds
- How information in the draft annual plan differs from the LTP.

The 2013/14 draft Annual Plan does contain some differences from the 2012-22 LTP. These relate to savings as a result of deferments, re-prioritising, and efficiencies across the organisation. These changes do not affect the levels of service and major infrastructure projects agreed with the community through the LTP process last year, and are not considered to trigger the need for an LTP amendment. The changes are outlined within the relevant activity sections of the draft Annual Plan 2013/14.

The Local Government Act 2002 Amendment Act 2012 (enacted in December 2012) contains a number of significant changes to the legislative framework within which GWRC operates. Of relevance to this annual plan are the changes made to the purpose of local government in section 10 of the Act. This has narrowed the purpose of local government from a very broad enabling role to a more specific role that focuses on the provision of infrastructure, local public services and regulatory functions. An increased emphasis has also been placed on providing these roles in the most cost-effective way. There are no transitional provisions in respect of this change, which means that the changes come into immediate effect.

GWRC is currently reviewing its activities and investments to ensure that it remains compliant with the Act. It is the officers opinion that all activities are likely to remain compliant however until this review is finalised further changes to activities included within the Annual Plan 2013/14 cannot be ruled out. The results of this review will be brought back to Council with the final Annual Plan.

## 5. Proposed Budget

### 5.1 Rates and Levies

After thoroughly reviewing all operational expenditure and the timing of capital expenditure the proposed increase in regional rates is 2.6%, which compares with the rate increase signalled in the 2012-22 Long Term Plan (LTP) for 2013/14 of 9.4% (see table below).

#### Increases from 2012/13 Annual Plan

	Previous commitments	New initiatives	Business as usual	Rates increase	Percentage increase on 2012/13 Annual Plan
	\$000s	\$000s	\$000s	\$000s	%
<b>Per LTP</b>	2,964	2,472	2,897	8,333	9.4%
<b>Savings Opportunities</b>	(387)	(3,183)	(4,416)	(7,986)	(9.0%)
<b>New Funding Requirements</b>	544	352	1,046	1,942	2.2%
<b>Draft Annual Plan 2013/14</b>	3,121	(359)	(473)	2,289	2.6%

Rates requirements for business as usual expenditure has been reduced by \$473,000 or 0.5% and new initiatives have also been trimmed back from that proposed in the LTP.

The increase in previous commitments of \$3,121,000 over 2012/13 is made up as follows.

<b>Commitments</b>	<b>\$000s</b>
Flood protection programme	\$313
Matangi 2 train fleet	\$744
Complete Matangi 1 programme	\$129
Government grant decrease	\$720
Trolley bus contract	\$544
Rail capex and renewals	\$680
Trolley capex related	\$267
Rail insurance	\$47
Other capex related	\$64
Savings	(\$387)
<b>Total</b>	<b>\$3,121</b>

The proposed rates and levies are consistent with the Council's Financial Strategy as outlined in the LTP 2012-2022.

The 2013/14 budget assumes a public transport fare increase in 2013 in order to deliver a 2% increase in revenue. The LTP allowed for a 3% increase. The proposed fare increase involves increasing smartcard, 10-trip and monthly pass fares by close to 2.5%, except for one zone fares which would increase by 3.8% (or 6 cents a trip). Adult cash fares would increase by 50 cents for zones 8,11 and 12 as will the concession fare for zones 11 and 12.

## **5.2 Impact on ratepayers**

The calculations to give the proposed cents in the dollar of capital value that is proposed to be charged to ratepayers for 2013/14 are included in the attached draft Annual Plan.

It is important to note that the rate increase in each Territorial Authority area varies from the average increase of 2.6%. The variations are dependant on the relative movements in capital values between the Territorial Authority areas and the specific work programme and services being undertaken in each area each year.

The proposed allocation between general and targeted rates is detailed below:

By rate and levy type:	2012/13	2013/14		
	Budget	Plan	Change	
	\$000s	\$000s	\$000s	
General rates	27,468	27,172	(296)	
<b>Targeted rates:</b>				
Region wide targeted rates:				
River management rates	4,784	4,980	196	
Transport rates	47,512	49,878	2,366	
Stadium rates	2,676	2,676	-	
WRS rates	4,668	4,631	(37)	
Specific area targeted rates:				
Bovine Tb rates	284	284	-	
Possum / Predator rates	201	240	39	
South Wairarapa district – river rates	85	85	-	
Wairarapa scheme and stopbank rates	1,326	1,347	21	
<b>Total targeted rates <sup>1</sup></b>	<b>61,536</b>	<b>64,121</b>	<b>2,585</b>	
<b>Total regional rates</b>	<b>89,004</b>	<b>91,293</b>	<b>2,289</b>	<b>2.57%</b>
<b>Water supply levy</b>	<b>24,889</b>	<b>25,634</b>	<b>745</b>	<b>3.00%</b>
<b>Total regional rates and levies <sup>1</sup></b>	<b>113,893</b>	<b>116,927</b>	<b>3,034</b>	<b>2.66%</b>

<sup>1</sup> This table excludes the Warm Wellington targeted rate as it is only charged to those individuals that participate in the scheme. The rate per dollar of service provided does not need to be changed from 2012/13.

### 5.3 Balanced Budget

The Local Government Act requires the Council to project a balanced budget in the Annual Plan. This is defined as operating revenue being set at a level to meet planned operating expenditure.

In 2013/14 the Council is projecting an operating deficit after transport improvements and investment revaluations of \$8.2 million. This net deficit primarily arises from the accounting treatment for the purchase of the Matangi 2 train fleet and other passenger rail infrastructure upgrades which will be owned by Greater Wellington Rail Ltd (GWRL).

These projects are funded by way of government grants as expenses are incurred, government grants over time as debt servicing costs are incurred, and by the Council through rates. The Council's debt funded share creates an accounting loss in the draft Annual Plan.

The Council is permitted under the Act to plan for a deficit provided it meets the following criteria:

- it is financially prudent
- service levels are maintained
- the integrity of assets are maintained through their useful life
- the Council resolves to plan for a non-balanced budget.

Officers are of the opinion that these criteria will be met and that it is financially prudent not to balance the budget in respect of these issues and that service levels will not be decreased.

#### **5.4 Financial Risks**

As in previous years, there are a number of uncertainties and risks surrounding this year's budget. The major ones are:

- Increases in the oil price and/or decreases in the NZ dollar/US dollar exchange rate impacting the NZTA index
- Non-approval of NZTA funding for proposed transport activities and projects
- Variations from budget assumptions for a number of public transport activities which are still subject to decision or negotiation, including finalising the contract for the purchase of further Matangi trains, completing the mid-term review of the trolley bus contract, receiving a decision on the future operation of the Capital Connection train service and receiving an updated budget for rail operations. We will update our assessment of costs and risk prior to finalising the 2013/14 Annual Plan
- Higher interest rates
- Lower consents revenue
- Inflation higher than expected.

#### **6. Additional items for consultation**

Alongside consultation on the 2013/14 draft Annual Plan, GWRC will be concurrently consulting on the Proposed Resource Management Charging Policy 2013 (a separate item on the meeting agenda) and the Proposed Parks Concession Guidelines (considered by the Social and Cultural Wellbeing Committee on 30 January 2013). Submissions received on the above policies

will be considered alongside the Annual Plan submissions, but with separate recommendations to Council.

A copy of the summary of the Proposed Resource Management Charging Policy 2013 and the Proposed Parks Concession Guidelines is included in the draft Annual Plan 2013/14.

## 7. Documents

There are two attachments to this report (circulated separately), the 2013/14 draft Annual Plan (**Attachment 1**) and the draft Annual Plan 2013/14 Summary (**Attachment 2**). Once approved these will be fully designed and printed.

For consistency and to show clear linkages between our statutory documents, the 2013/14 draft Annual Plan is structured around the format of the LTP including the six groups of activities: regional leadership; public transport; water supply; environment; flood protection and control works; and parks.

## 8. Communication

The timetable for the Annual Plan consultation is:

Draft Annual Plan & Summary released for consultation	25 March 2013
Consultation closes	26 April 2013
Summarising of submissions	29 April – 17 May 2013
Copies of submissions and summaries to Councillors	Week of 20 May
Hearings & deliberations	28 -29 May 2013
Council meeting to adopt Annual Plan and strike rates	June 2013
Annual Plan must be released to the public	By 30 July 2013

The 2013/14 draft Annual Plan Summary will form the main consultation document and will be available from Council offices and other key locations in the Wellington region. It contains a submission form and details of how to obtain further information.

The full draft Annual Plan document, the Proposed Resource Management Charging Policy 2013 and the Proposed Parks Concession Guidelines will be published on the GWRC website and hard copies will be available on request. The documents can also be viewed at libraries and GWRC offices.

Proposed communication techniques include:

- Newspaper advertisements
- Media releases
- Updates/item in 'Our Region'
- Distribution of Summary document
- Website information and link to online submissions form
- Social networking media
- Individual Councillor engagement (Councillor packs to be provided)
- Feedback letters to submitters.

The proposed engagement process for the draft Annual Plan reflects the likely concurrent timing of engagement on local government structural reform options. Officers will ensure alignment of these processes as far as possible.

## 9. Recommendations

*That the Council:*

1. *Receives the report.*
2. *Notes the contents of this report.*
3. *Agrees that the matters in the report will lead to the Council making a decision with a high degree of significance.*
4. *Notes that it is proposed to operate a non balanced budget in 2013/14 as set out in section 5.3 of this report.*
5. *Notes that the proposed rates have been prepared on the assumption that there will be a 2% increase in fare revenue for public transport services.*
6. *Approves the 2013/14 draft Annual Plan and Summary (as set out in Attachments 1 and 2) for public consultation, subject to any changes agreed at the meeting.*
7. *Delegates to the Chair the ability to make minor editorial changes prior to publication to correct errors and improve public understanding.*
8. *Notes the submission period from 25 March to 26 April 2013, and the proposed public engagement activities.*
9. *Notes the draft Annual Plan 2013/14 and the Summary will contain information on the Proposed Resource Management Charging Policy 2013 and the Proposed Parks Concession Guidelines.*



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Attachment 1 – 2013/14 draft Annual Plan (to be circulated separately)

Attachment 2 – 2013/14 draft Annual Plan Summary (to be circulated separately)