

Report 14.65
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Committee Council
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Approval of Draft Annual Plan 2014/15

1. Purpose

To seek approval for the release for public consultation of the Greater Wellington Regional Council draft Annual Plan 2014/15 and the associated Summary document.

2. 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 draft Annual Plan 2014/15 relates to year 3 of the 2012-22 Long Term Plan (LTP). Officers have been working with councillors to develop the draft Annual Plan 2014/15 over the last 6 months, including a number of councillor

workshops to discuss aspects of the budget. Group business plans were also circulated to Councillors in December 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 2014/15
- 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 6.1%, compared to 11.3% as set out for Year 3 in the LTP. The proposed rates increase averages around \$18 per household, with a range between \$5 and \$40 depending on the location and value of the property.

3. 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 draft Annual Plan 2014/15 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 impact on the levels of service and major infrastructure projects agreed with the community through the LTP 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 2014/15 and include the following:

- The LTP provided for either the refurbishment or replacement of the Ganz Mavag trains. In 2012 Council made the decision to replace the Ganz Mavag fleet with more Matangi trains. Expenditure of \$40 million is now planned in 2014/15 compared to \$100 million projected in the LTP.

- The timing of the project to introduce network-wide integrated fares and ticketing for public transport has changed. There have been delays in commencing the investigation phase, partly as a result of slower than expected completion of the Auckland integrated fares project. A business case is expected to be completed in 2014/15. If this is approved, the system is expected to begin rolling out in 2016/17.
- The review of the Regional Public Transport Plan scheduled for 2012/13 was delayed until 2014/15 due to changes in legislative requirements.
- The Wairarapa Water Use Project is progressing slower than anticipated in the LTP due to the complexities of the investigations and engagement associated with such a large project. If it is decided to proceed with full feasibility investigations they will be completed in 2015.
- In 2013 Council decided to continue the successful Warm Greater Wellington Scheme. As the EECA Heat Smart programme has been refocused to fully fund insulation for residents with high health need GWRC increased its funding limit to \$3,900 per eligible property.
- An additional \$250,000 has been budgeted to support the development of whitua committees – a collaborative approach to the management of the region's natural resources.
- The timeframe for the review of the Regional Plan is slightly longer than anticipated in the LTP. Publication of the proposed Regional Plan is now scheduled for 2014/15 with finalisation likely to be in 2015/16, rather than 2014/15.
- Completion of the Waiwhetu Floodplain Management Plan has been delayed from 2013/14 to 2014/15, as the focus has been on the preparation of the Upper Ruamahanga Floodplain Management Plan and the Resource Consent Renewal project.
- Works to stabilise the Maoribank bend (Hutt River) were planned to start in 2014/15. However, temporary works undertaken in 2012/13 have been very effective. As a consequence, the work planned for 2014/15 has been deferred to 2016/17 and other Hutt River edge protection works that have become more urgent will be completed instead.
- The LTP assumed a 3% increase in public transport fare revenue in 2014/15. This has been revised to 2%. To achieve a 2% increase in fare revenue, most non-cash fare products will increase by 1%. There will also be a 50 cent increase in adult cash fares for zones 1,7,10,13 and 14, and child cash fares for zones 1 and 2.

- The LTP planned a 4% increase in the water levy for 2014/15. This has been revised to a 2.5% increase due to the deferral of forecast capital expenditure for a new water source.

4. Proposed Budget

4.1 Rates and Levies

At the meeting of 25 February 2014 (refer Report 14.15) Council approved a proposed increase in regional rates of 6.1% for inclusion in the draft Annual Plan 2014/15, which compares with the rate increase signalled in the 2012-22 Long Term Plan (LTP) for 2014/15 of 11.3% (see table below).

The proposed rates increase averages around \$18 per household, with a range between \$5 and \$40 depending on the location and value of the property.

Increases from 2013/14 Annual Plan

	\$000s	Increase
Rates 2013/14	91,304	
Proposed rates increases		
Existing services	1,376	1.5%
Commitments	3,492	3.8%
Proposed service improvements – in LTP	708	0.8%
Proposed rates increases	5,576	6.1%
Proposed rates for 2014/15	96,880	6.1%
Water Levy	26,276	2.5%
Total rates and levy for 2014/15	123,156	5.3%

Water Levy

As agreed on 25 February 2014 (refer Report 14.15) the water levy is proposed to increase in 2014/15 to \$26.3 million a 2.5% increase on 2013/14. The LTP for the corresponding year had an increase of 4%. The Water Supply levy is charged to the 4 metropolitan city councils and is on charged according to each city council revenue and financing policy.

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

4.2 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 2014/15 are included in the attached draft Annual Plan 2014/15.

It is important to note that the rate increase in each territorial authority area varies from the average increase of 6.1%. 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 rates increase averages around \$18 per household, with a range between \$5 and \$40.

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

By rate and levy type:	2013/14	2014/15		
	Budget \$000s	Plan \$000s	Change \$000s	
General rates	28,476	31,006	2,530	
Targeted rates:				
Region wide targeted rates:				
River management rates	4,826	5,079	253	
Transport rates	48,736	51,367	2,631	
Stadium rates	2,676	2,676	-	
WRS rates	4,631	4,633	2	
Specific area targeted rates:				
Bovine Tb rates	284	284	-	
Possum / Predator rates	240	398	158	
South Wairarapa district – river rates	88	88	-	
Wairarapa scheme and stopbank rates	1,347	1,349	2	
Total targeted rates ¹	62,828	65,874	3,046	
Total regional rates	91,304	96,880	5,576	6.1%
Water supply levy	25,635	26,276	641	2.5%
Total regional rates and levies ¹	116,939	123,156	6,217	5.3%

¹ 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 2013/14.

4.3 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 which are still subject to decision or negotiation. We will update our assessment of costs and risk prior to finalising the 2014/15 Annual Plan
- Higher interest rates
- Lower consents revenue
- Inflation higher than expected.

These risks have been considered in the preparation of the draft Annual Plan 2014/15. They will be further reviewed prior to the Council considering the final Annual Plan in June.

5. Additional items for consultation

At the Council meeting on 6th March 2014, Council will be considering a Statement of Proposal (Integrated delivery of water services) (refer Report 14.99). Subject to the Council adopting the Statement of Proposal this will be consulted on concurrently with the draft Annual Plan 2014/15.

The Statement of Proposal and Summary of Information will be published with the draft Annual Plan 2014/15 and draft Annual Plan 2014/15 Summary.

The water supply section of the draft Annual Plan 2014/15 is drafted on the basis of the status quo. If, following public consultation, the Council decides in favour of the Water supply proposal then the Annual Plan 2014/15 will be amended to reflect this decision.

6. Documents

There are two documents for the Council's consideration: the draft Annual Plan 2014/15 (**Attachment 1**); and the draft Annual Plan 2014/15 Summary (**Attachment 2**). Once approved these will be fully designed and printed.

For consistency and to show clear linkages between our statutory documents, the draft Annual Plan 2014/15 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.

7. Community consultation

The timetable for the draft Annual Plan 2014/15 consultation is:

Draft Annual Plan & Summary released and submissions invited	24 March 2014
Submission period closes	28 April 2014
Summarising of submissions	20 May 2014
Copies of submissions and summaries sent to Councillors	Week of 20 May 2014
Hearings & deliberations	27 -29 May 2014
Council meeting to adopt Annual Plan and strike rates	26 June 2014
Annual Plan released to the public	30 July 2014

The draft Annual Plan 2014/15 Summary will form the main consultation document. As well as being available from Council offices and other key

locations in the Wellington region a copy will be sent to stakeholders. The summary contains a submission form and details of how to obtain further information.

The full draft Annual Plan document 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)

Submissions are to be heard by the Annual Plan 2014/15 hearings subcommittee.

Feedback letters will be sent to submitters once the Annual Plan 2014/15 has been adopted.

8. 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.

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. ***Approves the 2014/15 draft Annual Plan and Summary (as set out in Attachments 1 and 2) for public consultation, subject to any changes agreed at the meeting.***
5. ***Delegates to the Chair the ability to make minor editorial changes prior to publication to correct errors and improve public understanding.***

6. *Notes the submission period from 24 March to 28 April 2014, and the proposed public engagement activities.*
7. *Notes that subject to the Council adopting the Statement of Proposal (Integrated delivery of water services), this will be published with draft Annual Plan 2014/15 and the Summary and there will be concurrent consultation.*

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Report approved by:

David Benham
Chief Executive

Attachment 1 – 2014/15 draft Annual Plan
Attachment 2 – 2014/15 Annual Plan Summary