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**Report 02.87**

26 February 2002

File: CFO/7/6/10

AE: Reports/Annual Plan/2002-03/Reports to Council

Report to the Policy and Finance Committee  
from Margaret Shields, Chairperson

**Long-Term Financial Strategy 2000-2010:2002 Update (incorporating Council's 2002/03 Annual Plan)**

**1. Purpose**

To recommend to Council that the Operating Plans put forward by Standing Committees and the Policy and Finance Sub-Committee (as may be amended by the Policy and Finance Committee on 5 March 2002) form the basis of the Council's Proposed 2002/03 Annual Plan and updated Long-Term Financial Strategy (LTFS) to be released for public consultation.

**2. Background**

Having completed the recent Committee round we now need to provide direction to officers in relation to the projected rate line and projected water levy line that we wish to see in the Proposed 2002/03 Annual Plan, and the remaining seven years of the LTFS.

The Chief Financial Officer (in report 02.92) has identified the impact of the changes recommended by Standing Committees and has, as requested, included more detail on those transport projects that need further consideration by the Policy and Finance Committee.

The Divisional Manager, Utility Services, has reported separately on bulk water levies (refer Report 02.93).

It is now crunch time in terms of agreeing what figures we instruct officers to build into the Proposed 2002/03 Annual Plan.

### 3. **Comment**

#### 3.1 **Results of the Committee Round**

Leading into the Committee round, the Chief Financial Officer advised us that the projected increase in Regional rates was 5.3% and the projected decrease in the bulk water levy was 3%.

You will recall the Policy and Finance Committee's recommendation to Council, which was subsequently adopted on 14 February 2002, which read:

*“that all Standing Committees be asked to exercise restraint, and in particular, take into account the desire of the Council to reduce the projected rate level of 5.3% to below 4%.”*

In other words, the Council was seeking an increase in Regional rates of no more than 4%.

Mr Schollum is now able to report back that, as a result of the review of budgets by Standing Committees and the Policy and Finance Sub-Committee, the projected increase in Regional rates is now only 1.9%, with the projected Water Levy still reducing by 3% in 2002/03.

The Committee must now consider whether it is comfortable with a 1.9% increase in Regional rates, knowing that there are numerous other projects, including the six transport projects referred to the Policy and Finance Committee by the Passenger Transport Committee, which have not been incorporated into our budgets. We must remember, of course, that nothing is factored into the budgets in respect of the potential acquisition of Tranz Metro.

As you are aware, the consideration of major new projects is normally an LTFS issue which we consider as part of a full reprioritisation exercise every three years.

However, in my view the funding arrangements associated with transport (ie the complex and sometimes unusual funding arrangements with Transfund NZ) does make transport a bit different. Transport has always been a balancing act between doing more, thereby maximising the contribution from Central Government, and setting regional rates (including the transport rate) at an affordable level. The introduction in November 2000 of the patronage funding scheme strengthened the incentive for us to do more.

I'm sure that there are a number of Councillors who may wish to add into our proposed budget some, or all of those transport projects which are covered in the Chief Financial Officer's report (Report 02.92). I look forward to the debate on the 5<sup>th</sup> of March.

#### 3.2 **The next step**

Given appropriate direction by Council on 5 March, the next step is for officers to report back on 19 March with a draft of the Proposed Annual Plan/LTFS Update for adoption as the basis for public consultation.

#### 3.3 **Another opportunity**

We should also not lose sight of the fact that there will still be the opportunity in June 2002 to amend the expenditure programme in the final 2002/03 Annual Plan, in order to

take into account the feedback from public consultation, and to build in any new information that comes to hand between now and then.

#### **4. Recommendations**

*That the Committee recommends that the Council:*

- (1) Receive the report and note its contents.*
- (2) Approve the proposed increase in Regional rates of 1.9% (as may be amended) and the proposed reduction in the Bulk Water Levy of 3%, as the basis for public consultation.*

MARGARET SHIELDS  
Chairperson