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REPORT 3B  
(1215/11/IM)

**REPORT OF THE STRATEGY AND POLICY COMMITTEE  
MEETING OF TUESDAY 12 JUNE 2012: ADOPTION OF  
THE 2012-2022 LONG TERM PLAN**

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**1. Purpose of Report**

This report provides for the adoption of the 2012-22 long-term plan in line with the decisions and recommendations of the Strategy and Policy Committee meeting of 12 June 2012.

**2. Recommendations**

It is recommended that the Council:

1. *Receive the information.*
2. *Note that the Strategy and Policy Committee considered the issues raised in written and oral submissions at its meeting of 12 June 2012.*
3. *Note that the 2012-22 Long-Term Plan (attached as appendix 1) has been prepared based on the decisions and recommendations of the Strategy and Policy Committee meeting of 12 June 2012 following the special consultative procedure, and note that all changes from the draft are highlighted.*
4. *Note that Audit New Zealand has completed its review and has indicated that it expects to issue an unqualified report at this meeting.*
5. *Agree the three-year Waterfront Development Plan included in the appendices of the 2012-22 Long-Term Plan (attached as appendix 1).*
6. *Agree the changes to the fees and charges as outlined in the appendices of the 2012-22 Long-Term Plan (attached as appendix 1) and note these will come into effect on 1 July 2012.*
7. *Agree the project and programme budgets (attached as appendix 2) and note that these are reflected in the activity budgets provided in the 2012-22 Long-Term Plan.*

8. *Agree that, having regard to the requirements of section 100 of the Local Government Act 2002, the Council's forecasting assumptions and Revenue and Financing Policy, it is financially prudent not to set a level of operating revenue that meets the projected operating expenses of Council.*
9. *Agree that for 2012-22, it is financially prudent to forecast a surplus of \$37.426 million, comprising:*
  - (a) *unfunded depreciation on the following assets:*
    - (i) *Clearwater Sewerage Treatment Plant (\$3.325M)*
    - (ii) *The building that housed the Living Earth Joint Venture Plant (\$0.221M)*
    - (iii) *Transport assets (\$7.665M)*
    - (iv) *General Assets (\$4M)*
  - (b) *Revenue received for capital purposes:*
    - (i) *NZTA capital subsidies (\$10.289M)*
    - (ii) *Housing capital grant and ring-fenced surplus (\$34.600M)*
    - (iii) *Development contributions (\$5M)*
    - (iv) *Bequests, trusts and other external funding (\$0.876M).*
  - (c) *Self-insurance reserve (\$0.75M).*
  - (d) *Unrealised fair value adjustments for loans and receivables (\$0.5M).*
10. *Agree new borrowings of up to \$34.919 million to fund capital expenditure (including forecast carried forward capital expenditure) and loans for the 2012/13 year.*
11. *Agree that the general rate differential for 2012/13 be set at a level where commercial, industrial and business properties pay 2.8 times the amount of general rate per dollar of capital value than properties incorporated in the Base (residential) differential.*
12. *Adopt the 2012-22 long-term plan (as attached in appendix 1) including:*
  - *Community outcomes and three year priorities*
  - *Groups of activities: activity statements on the intended levels of service for activities grouped by the Council's seven activity areas*
  - *Outcome indicators and performance measures*
  - *An outline of the steps the Council intends taking to develop Māori capacity to contribute to decision-making processes*
  - *A schedule covering the nature and scope of the activities of the Council's council-controlled organisations*
  - *A schedule of changes to fees and charges*
  - *Financial Strategy*
  - *Forecast Financial Statements*
  - *Funding Impact Statement*
  - *Statement concerning the balancing of the budget*

- *Funding and Financial Policies (Revenue and Financing Policy, Investment and Liability Management Policy, Rates Remission Policy, Rates Postponement Policy)*
  - *Statement of Significant Forecasting Assumptions*
  - *Significance Policy.*
13. *Note an index and glossary will be added to the 2012-22 long-term plan document before it is published.*
14. *Delegate to the Chief Executive and the Mayor the authority to make any editorial changes that may arise as part of the publication process, and any changes that occur as a result of decisions made at this Council meeting of 27 June 2012.*

### **3. Background**

#### **3.1 The process**

The Council's 2012-22 Long-Term Plan is provided for adoption. This follows:

- preparatory work including an early engagement process
- the adoption of a statement of proposal in March 2012
- a special consultative procedure in April and May 2012
- associated oral hearings
- Strategy and Policy Committee deliberations on community feedback and consideration of recommendations /decisions on the long-term plan.

#### **3.2 Audit review**

Since the 12 June 2012 Strategy and Policy deliberations, Audit New Zealand has completed its audit work. The Council has received feedback from Audit New Zealand and no substantive issues were raised which could impact on the audit opinion. Audit New Zealand expects to provide an unqualified audit opinion at this meeting of the Council.

#### **3.3 Changes from the draft plan**

The contents of the long-term plan outlined in appendix two reflect changes to the statement of proposals covering:

- the decisions and recommendations made at the Strategy and Policy Committee meeting of 12 June 2012
- revised funding and financial statements to reflect the final budgets
- a refreshed executive summary
- updated performance measure targets for some Council Controlled Organisations to reflect their most recent Statements of Intent
- minor editorial changes to reflect that the document is no longer a draft
- a new Audit Report.

### **3.4 Changes from June 2012 deliberations**

#### *Targeted Water Rates*

During the Strategy and Policy Committee meeting of 12 June 2012, Councillors recommended an increase in our non-funding of depreciation of some assets as part of the Long Term Plan. Approximately \$0.9 million of this non-funding of depreciation has been applied to the water network, therefore the increase in costs to be funded by rates is now only 1% higher than 2011/12.

The Funding and Activity Review Working Party had previously recommended to Council increases to the fixed pricing around the water meter consumption charges and our administrative charges. The balance was to be recovered through the rate levied per dollar of capital value on the residential sector.

The following water charging structure is now recommended for the 2012/13 rates strike. It is based on the same principles as the charging structure agreed and consulted on in the draft long-term plan, but reflects the reduced funding requirement for this activity since the Funding and Activity Review Working Party considered water charges.

<b>Targeted Water Rate Mechanism</b>	<b>2011/12 price (excl GST)</b>	<b>2012/13 price in draft LTP (excl GST)</b>	<b>Recommended 2012/13 price for final LTP (excl GST)</b>
Water consumption charge for properties with a water meter	\$1.715 per cubic metre	\$1.784 per cubic metre	\$1.730 per cubic metre
Annual administrative charge for properties with a water meter	\$100.00	\$103.50	\$103.50
Fixed charge for base (residential) sector properties without a water meter	\$119.75	\$127.25	\$127.25
New connection charges for new residential properties	\$60.00	\$62.00	\$62.00
New connection charges for new commercial properties	\$200.00	\$207.00	\$207.00

The balance of the recovery of costs will flow through the base (residential) and commercial, industrial and business water rates levied via a rate per dollar of capital value.

### **4. Conclusion**

Following an extensive process the Council is asked to adopt the 2012-22 Long-Term Plan including a report from its auditor.

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