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**REPORT 6**  
*(1215/11/IM)*

**REPORT OF THE STRATEGY AND POLICY COMMITTEE  
MEETING 16 JUNE 2011: RECOMMENDED  
ADOPTION OF THE 2011/12 ANNUAL PLAN**

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**1. Purpose of Report**

The Council is required to prepare and adopt the 2011/12 annual plan by 30 June 2011.

This report provides for the adoption of the 2011/12 annual plan in line with the decisions of the Strategy and Policy Committee meeting of 16 June 2011.

This report consolidates the recommendations made at that meeting to allow these to be considered as a coherent package<sup>1</sup>.

**2. Recommendations**

It is recommended that Council:

1. *Receive the information.*
2. *Note that the 2011/12 draft annual plan was consulted on using the special consultative procedure from mid April to mid May 2011.*
3. *Note that the Strategy and Policy Committee considered the issues raised in written and oral submissions at its meeting of 16 June 2011.*
4. *Note that the 2011/12 annual plan has been prepared based on the decisions and recommendations of the Strategy and Policy Committee meeting of 16 June 2011.*
5. *Agree the project and programme budgets (attached as appendix one) and note that these are reflected in the activity budgets provided in the 2011/12 annual plan.*
6. *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.*

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<sup>1</sup> The financial information in the recommendations provided in this report have also been updated to reflect the final position recommended by the Strategy and Policy Committee of 16 June 2011.

7. *Agree that for 2011/12, it is financially prudent to forecast a surplus of \$51.148 million, comprising:*
  - (a) *unfunded depreciation on the following assets:*
    - (i) *Clearwater Sewerage Treatment Plant (\$3.029)*
    - (ii) *The building that housed the Living Earth Joint Venture Plant (\$0.204)*
    - (iii) *Transport assets (\$9.605).*
  - (b) *Revenue received for capital purposes:*
    - (i) *NZTA capital subsidies (\$14.347)*
    - (ii) *Housing capital grant and ring-fenced surplus (\$42.702)*
    - (iii) *Development contributions (\$5.753)*
    - (iv) *Bequests, trusts and other external funding (\$1.452).*
  - (c) *Self-insurance reserve (\$0.5).*
  - (d) *Unrealised fair value adjustments for loans and receivables (\$0.5).*
8. *Agree new borrowings of up to \$45.021 million to fund capital expenditure (including forecast carried forward capital expenditure) and loans for the 2011/12 year.*
9. *Agree that the general rate differential for 2011/12 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.*
10. *Agree to use the 2009/10 audited surplus of \$1.5 million to fund operational expenditure for 2011/12 as provided for in the Revenue and Financing Policy.*
11. *Agree the variations to the Revenue and Financing Policy as outlined in section 3.3.*
12. *Adopt the 2011/12 annual plan (as attached in appendix two).*
13. *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 29 June 2011.*

### **3. Background**

The 2011/12 annual plan describes the third and final year of the 2009 long-term plan. It describes the activities and the services it will deliver for that year, the cost of providing them, and how Council intends to measure progress towards delivering its activities and services.

The purpose of the annual plan process is to:

- support the long-term plan in providing integrated decision-making and the coordination of Council resources
- extend the opportunity for public participation in the decision-making process
- contribute to Council's accountability to the community
- detail the annual budget and funding impact statement
- identify and consider the community's views on any variances from the long-term plan for that year.

### **3.1 The process**

The Council's 2011/12 annual plan is provided for adoption in line with the Local Government Act 2002. This follows:

- preparation, consultation and adoption of the 2009-19 long-term plan
- the adoption of a statement of proposal (the 2011/12 draft annual plan) in March 2011
- a special consultative procedure in April and May 2011
- associated hearings
- Strategy and Policy Committee deliberations on the consultation results and consideration of recommendations/decisions on the annual plan.

### **3.2 Changes from the draft plan**

A total of 789 submissions were received during a month long consultation period and over eighty submitters presented in person to the Strategy and Policy Committee.

The Strategy and Policy Committee meeting of 16 June 2011 deliberated on community feedback and made a number of changes. The changes from the draft plan are highlighted below and in more detail in the front section of the 2011/12 annual plan. They include:

- Not proceeding with the following savings options:
  - reduced Central Library opening hours in the evening
  - pest monitoring savings
  - Economic grants savings.
- Not proceeding with the swimming pool feasibility study.
- Not proceeding with the following fees and charges:
  - increase in parking charges and introducing evening charges for parking in the CBD
  - new fee relating to maintenance of children's unmarked burial plots.
- Proceeding with the following funding changes:
  - bringing forward funding to replace the number two field at the National Hockey Stadium
  - bringing forward funding for planning and resource consent work for the new building and artificial surface at Alex Moore Park
  - continuing with funding support for the NZ Academy of Sport Wellington Talent Development Programme for the 2011/12 year

- additional funding to construct a hydrotherapy pool at the Wellington Regional Aquatic Centre
  - additional funding to upgrade McMillan Court in Newlands
  - additional funding for strategic cycleways.
- Other changes:
    - minor wording changes to the text of some activities where these provide context and detail without adversely adding to the length and readability of the activity and overall document
    - updated funding and financial statements to reflect the recommendations of the Strategy and Policy Committee (changes noted above, additional efficiencies, and use of additional WIAL dividend and audited surplus).

The final publication will be printed following the annual plan's adoption.

### **3.3 Changes to the Revenue and Financing policy**

Changes to the Revenue and Financing Policy - to enable the funding of Weather-tight Homes settlements - were consulted on as part of the draft annual plan and recommended by the Strategy and Policy Committee. Changes to the Revenue and Financing Policy relate to activity 6.2.1 on page 53 of the 2009-19 long-term plan as follows:

#### Current wording

*"This activity is expected to be non-compliant to the user charges funding target in the 2009/10 and 2010/11 financial years due to the economic climate, however it is expected to achieve compliance again in 2011/12."*

#### New wording

*"This activity is expected to be non-compliant to the user charges funding target in the 2009/10 and 2010/11 financial years due to the economic climate and in 2011/12 due to the impact of weathertight homes settlements. In 2011/12 it is proposed that the general rates will fund \$2.22m of settlements under the Financial Assistance Package as an interim solution prior to further consideration of the Council's funding approach during the development of the 2012-22 Long Term Plan."*

It is also proposed that the following paragraph be inserted into the Revenue and Financing Policy within the "Policy Statement on funding operating expenditure" to provide for the use of borrowings to fund weather-tight homes settlements and record that the use of borrowings is an interim approach prior to further consideration during the development of the 2012-22 long-term plan.

*"Borrowings – Borrowings to fund the Council interim approach for the 2011/12 financial year for the funding of weather-tight homes."*

To ensure that the funding of weather-tight homes settlements is fully transparent and accountable the associated settlement costs, borrowings and general rates funding for this activity will be effectively ring fenced and reported separately.

The variations as outlined above will be formalised as part of the 2012-22 long-term plan process.

#### **4. Conclusion**

Following an extensive process the Council is asked to adopt the 2011/12 annual plan.

*Contact Officers: Baz Kaufman – Senior Corporate Planner and Martin Read – Manager Financial Planning.*



## **APPENDIX 1**

### **2011/12 Project and Programme Budgets**





## **APPENDIX 2**

### **2011/12 Annual Plan**

**Copy for adoption by Council 29 June 2011**