

Summary of Proposal

Proposed Amendments to the Community Plan 2006-16

From 2008-09 to 2015-16

What is an Amendment to the Community Plan?

In the first half of 2006 we put together, in consultation with the community, a Long Term Community Plan (Community Plan) 2006-16. This ten-year document sets out detailed budgets and policies for years 1-3 and less detailed budgets for years 4-10.

If we wish to make any significant amendments to this plan we must consult with you and show you how these changes affect the Community Plan over the remaining years of the plan. Due to events over the past year we need to outline significant amendments to the plan in a number of areas.

The changes and their effects are highlighted below with more detailed explanations contained in the relevant activities and financial statements in the combined Amendment and detailed Annual Plan proposal, both of which are available on request. The page numbers referred to below are where the changes are explained in depth in the detailed Annual Plan proposal.

Sustainable Land Use Initiative (SLUI) (page 3 of detailed proposal)

Central Government's Sustainable Land Use (Hill Country Erosion) funding package has provided the SLUI project with \$5.78 million for the four years starting 2007-08. This level of funding for years 2007-08 to 2009-10 is the full amount budgeted in this amendment. In the 2010-11 year, however the Central Government's Sustainable Land Use (Hill Country Erosion) is \$1.565 million less the amount anticipated in this amendment. Council is assuming that through proven results and negotiation that the full amount anticipated will be received. Additional funding will also be applied for from the Afforestation Grant Scheme (AGS) from 2008-09 onwards, once criteria are finalised for applications during the current year. This amendment assumes that the following amounts will be obtained from the AGS: 2008-09 \$292,000, 2009-10 \$413,000, 2010-11, \$532,000 and by 2014-15 \$2.35 million per year.

When we consulted on the Community Plan during the early half of 2006 we anticipated Government revenue would become available to aid our Sustainable Land use Initiative (SLUI) work. This funding has now become available and we need to amend our plan to reflect both the amount to be expended and funding splits that have been agreed with Central Government. In the Community Plan we anticipated the costs of SLUI would be borne 25% by the landowner, 25% by Horizons and 50% by Central Government. Under the agreement with MAF regarding funding from the Sustainable Land Use (Hill Country Erosion) funding package, and assumed funding from other Government sources, the costs of SLUI are now proposed to be shared 34% landowner, 33% Horizons, 33% Central Government.

This change in funding strategy, along with variations in planned total expenditure, has resulted in a significant change in the SLUI Uniform Annual Charge (UAC) over the period of the Community Plan. We previously anticipated the SLUI UAC would be \$9.30 (2008-09), \$11.50 (2009-10) rising to \$54.00 in (2012-13). Now the SLUI UAC is proposed to be \$19.88 (2008-09), \$27.36 (2009-10), rising to \$85.70 in (2014-15) all inclusive of GST.

Section 21 of the Local Government (Rating Act) 2002 limits the proportion of rates that can be obtained through UACs to 30% of total rates. It must be noted that by the financial year 2011-12 the SLUI UAC will result in a breach of this cap. As part of the review of the Revenue and Financing policy during the 2009-19 Community Plan consultation process, Council will address this issue.

Water Quality Science & Research Billing Structure (page 8 of detailed proposal)

Council is retaining the same proportion of user fees (30%) to General Rate (70%) that is in the current Revenue & Financing Policy until its scheduled review next year. However Council proposes to change the structure of these fees. It is suggested that instead of having a fee level based on the quantity of the discharge, the policy will now take into account both the quantity and the type of discharge. Also the policy of not charging benign discharges such as clean stormwater, river water from hydro power stations, and residential septic tanks will be formally acknowledged in this table, rather than applied without acknowledgement.

Currently consents that do not specify a maximum daily discharge volume are charged at the lowest fee. An analysis of these consents showed that the majority were either large volume discharges to water or landfill discharges. Therefore, Council proposes to charge these consents at the highest fee.

The effect of these proposed changes will see annual user fees ranging from \$124 to \$496, when in the previous year they ranged from \$195 to \$370.

Retaruke/Manganui o te Ao Integrated Catchment Project (page 11 of detailed proposal)

The Retaruke/Manganui o te Ao Rivers Project is a joint proposal involving 183,000 ha of public (Department of Conservation estate) and private land in the Waimarino area. Through the principles of integrated catchment management we aim to reduce the extent and severity of hill country erosion, maintain and improve water quality, and protect and improve biodiversity throughout the proposed project area. The area has been chosen because of the opportunity to partner with the DoC, Iwi and other key stakeholders, and the fact that the area ranks highly in terms of its priority across the 'big 4' environmental issues facing the Region. It is also the last stronghold of several iconic species, eg. North Island brown kiwi and blue duck (whio). The annual cost to us for this proposed new initiative is \$200,000. It should be noted that Council propose that the final commitment to the initiative will only be made with a guarantee of equal funding for the duration of the project from DoC. It is anticipated that the project would become an ongoing activity for Council.

Under the current funding policy environmental projects such as this are funded 50% from the General Rate and 50% from the environmental initiatives Uniform Annual Charge (UAC). As the Retaruke/Manganui o te Ao Integrated Catchment Project is a substantial new project, Council suggests that applying the standard environmental initiative revenue and financing policy would place too great a burden on higher valued properties. In order to avoid this Council proposes to fund its share of the cost of the project 100% from the environmental initiatives UAC. If the project is funded in this manner all properties within the Region will pay approximately \$2.14 (including GST) towards this project from 2008-09 onwards.

Compliance (page 16 of detailed proposal)

Council is proposing to move from an 80% user fee and 20% General Rate funding split to a 70% user fee and 30% General Rate split. This change would decrease user fees by \$55,000 and increase the General rate by the same amount. The general ratepayer on average would pay 15 cents (including GST) per \$100,000 capital value. Council also proposes using an annual fee rather than a per inspection fee, particularly for standard discharges such as dairy shed effluent. This would spread the burden of the fee over two years rather than having a larger bill every second year. On sites where more than one discharge requires inspection, Council has also considered discounting the additional inspections, as some of the time involved with inspections (like travel) does not significantly increase when multiple compliance inspections are carried out on one site. Considerable time saving accrues when telemeters are used in place of physical inspection or receipt and assessment of manual records. It is proposed that Council discount those consents being monitored by telemeters to recognise this saving and encourage other water users to install such equipment.

The effect of these proposed changes would see annual user fees being \$258 (excluding GST) for the first consent on a site, with additional consents being charged at \$65 (excluding GST) per additional consent, for the 2008-09 year. In the previous year the charges ranged from \$230 to \$280 (excluding GST) on a per inspection basis.

In order to recover the full cost of non-compliance inspections Council proposes that standard non-compliances are charged at \$600 (excluding GST) and significant non-compliances are charged at \$1,200 (excluding GST) per inspection, irrespective of type of consent. The current non-compliance fees per inspection are \$375 (excluding GST) for water takes and \$415 (excluding GST) for land takes.

Consents (page 17 of detailed proposal)

The current policy for recovering consent processing charges is set at 100% from user fees. Council considers that some consents do have a public good benefit and it is proposed that Council move to a 80% user fee and 20% General rate funding of non-notified consents. This will add \$126,000 to the General rate and reduce revenue from user fees in the 2008-09 financial years if implemented. The general ratepayer on average would pay 35 cents (including GST) per \$100,000 capital value under this change.

Concurrently a review of consent processing has questioned the need for an administration fee on each consent. It is suggested that the administration fee be removed and hourly rates be amended to include such costs. Fees for Council staff should be close to the fees of external consultants in order to recover costs on the entire consent process. Words also need to be added to the fees and charges schedule that allow reasonable recovery of external consultants' costs when Horizons uses them when in-house resources and expertise are not available.

Dam Consents (page 17 of detailed proposal)

Under the Building Act 2004 Horizons is now responsible for performing the functions of a building consent authority in relation to buildings that are dams. This includes the processing and granting of building consents for dams¹, the inspection of building work in progress, and the issue of code compliance certificates on the completion of building work (Building Control Functions). Council proposes to contract out this work to Environment Waikato, as this reduces the burden on the ratepayer for unrecoverable administration by \$36,000 to \$33,000 per year. Council also proposes that this \$33,000 cost be added to the General Rate. The general ratepayer on average would pay 9 cents per \$100,000 capital value. The direct cost associated with processing a consent for a dam will be recovered in line with the consent revenue & financing policy and resulting schedule of hourly charges.

Production Pest Plant Management (page 28 of detailed proposal)

Council is proposing to spend \$284,000 less on targeted pest plant activities than the 2007-08 year and \$38,000 less than anticipated in the community plan. This action will represent a significant reduction in production pest plant management levels of service from Horizons and an increase in responsibility to the landowners. This proposed change will decrease the General Rate by \$137,000 and the targeted pest plant rates by \$147,000. The general ratepayer on average would pay 38 cents (including GST) less per \$100,000 capital value, properties 4 ha and over 9 cents (including GST) per ha less and properties under 4 ha would pay 26 cents (including GST) less per property.

TB Vector (page 31 of detailed proposal)

During the past six months the Animal Health Board (AHB) has signalled that from the 2008-09 financial year it will take over the management of TB Vector work in the Region. Currently we conduct this management work on contract to the AHB. Both the cost of the work and the management of the work, flow through Council's financial statements. From 2008-09 onwards Council will only pay for the local share of such work with a decrease in both revenues and expenses of about \$5.6 million. There may be redundancy costs for staff no longer required for this work which will be absorbed in the 2007-08 financial year.

The fact that the AHB work is declining in the Region and the recent move to take over the management of this work has caused Council to reconsider the amount that it currently funds of the AHB work. In this Amendment, Council proposes to reduce the funding for AHB work from \$830,000 provided for in the Community Plan to \$500,000 for the 2008-09 year onwards. Council will reconsider future years funding during formulation of the 2009-19 Community Plan. In the 2008-09 year the proposed change would decrease the General rate by \$198,000, on average 54 cents (including GST) per \$100,000 capital value and the targeted pest animal rates by \$132,000 9 cents (including GST) per hectare for properties 4 ha and over.

River and Drainage Schemes (page 41 of detailed proposal)

Proposed interim funding for Lower Manawatu Scheme Capital Works Project

An entirely new rating system for the Lower Manawatu Scheme is presently being developed. It was anticipated in the 2006-07 LTCCP that the system would be adopted by Council and applied as from 1 July 2008. To allow capital works to proceed, an interim funding arrangement was put in place for two years (2006 to 2008). The interim arrangement has comprised an equalised capital value rate across the entire scheme area, to partly fund the capital works costs and related loan servicing charges. Development of the rating system has not progressed to the point necessary for adoption through the 2008-09 Annual Plan and it is now proposed to undertake a non-statutory consultation process in advance of inclusion of a rating proposal in the 2009-10 LTCCP. That necessitates a one-year extension of the interim funding arrangement. The rate will be applied at the same level as in 2007-08.

Scheme Upgrades

A review of the Ashhurst Drainage Scheme has resulted in community demand for the addition of flood protection benefits to the current service provided by the scheme. It is proposed that a three year programme of capital works will commence in 2008-09, and that the scheme be renamed the Ashhurst Stream Scheme to reflect the shift from its previous drainage focus. The capital works proposed are estimated to cost \$173,000. In order to fund the loan servicing costs of this project the scheme rates will increase from \$2,000 (2007-08) to \$26,000 (2008-09) and then to \$32,000 from 2009-10 onwards. A new targeted rating system, developed to reflect the changed scheme benefits, would be applied from 2008-09.

A review of the Eastern Manawatu Scheme has resulted in a proposal for significantly increased channel clearance work in the upper reaches of the scheme. Improvement works will be programmed over 13 years and partly loan funded. Over the next seven years it is proposed that the scheme will expend \$328,000 on channel clearance work which is considered an operational rather than capital

¹ A dam under the Act is defined as capable of retaining three or more metres depth and holding 20 000 or more cubic metres of water or other fluid (Annex A)

expense. This expenditure would see scheme rates increase from \$7,400 (2007-08) to \$40,000 (2008-09), peaking at \$43,000 (2012-13) and reducing to \$39,000 by 2015-16. A new targeted rating system has been developed and will be applied from 2008-09.

The total cost of both schemes to the general ratepayer will increase from \$3,800 (2007-08) to \$18,500 (2008-09) and reduce to \$15,800 by (2015-16).

Proposed Lower Whanganui River Scheme

A Statement of Proposal for the establishment in 2008-09 of a Whanganui River Flood Protection Scheme was adopted by Council on 11 March 2008. The proposal is for the provision of a 0.5% AEP standard of flood protection to four separate urban, commercial and industrial areas within Wanganui. That protection would be provided by a combination of earth stopbanks and concrete flood walls at an estimated capital cost of approximately \$10million. Capital works would be constructed over a period of seven years and would be funded by a combination of borrowing, targeted and General Rates, and a special Council grant of \$500,000 over five years.

The scheme is estimated to cost a total of \$20.2 million over 20 years and will have substantial impacts on both targeted scheme and general ratepayers. Council has also proposed that, in addition to the usual 20% General Rate contribution towards schemes, the General Rate will contribute a further \$100,000 per annum special grant for the first five years of the project. As this grant reduces the amount required from external loan borrowings, it reduces the overall cost for scheme ratepayers by \$699,000 over the life of the project. Council has also proposed a flat rate option, where ratepayers pay the same amount for each year over the life of the project.

A targeted rate will be assessed on rating units in Wanganui District to fund the works in part. The rate will be based on capital value of rating units within the Wanganui 'urban' area as defined by rating roll numbers 13080 to 13280 inclusive. The rate will be differentially applied between those properties which would be flooded in a 1 in 200 year event and those not at risk of flooding. A uniform rate will be payable by all rating units outside the urban area and within the Wanganui District.

A property within the floodable area and having a capital value of \$215,000 would pay an additional \$72.74 per annum, and a similar property not subject to flooding would pay an additional \$46.70 per annum. Under the proposal, a rural property in the Wanganui District would pay a uniform annual charge of \$8.81 per year irrespective of property value. Ratepayers will pay the same scheme rates each year, adjusted only to reflect the effect of inflation on scheme operating costs and loan servicing costs.

For further detail on the Lower Whanganui River Management and Flood Protection Scheme please refer to the separate summary of proposal and statement of proposal also available from Horizons service centres and website.

Establishing a Council Controlled Organisation (CCO) for Shared Services

There are a number of services provided by local authorities, particularly involving information collection and management, where improved services at lower aggregate cost can be achieved by having a number of authorities participate in purchase or development of the infrastructure for the service, and ongoing operation of it.

Historically those have been addressed by one Council developing the service and sharing it with others on an agreed basis. Aerial photography purchasing is an example of this. This has shown significant benefits to all the Councils involved and it is considered similar benefits could be obtained through the sharing of other services.

An appropriate structure is required to do this for the following reasons:

- It will provide for a more transparent governance structure that involves the local authorities in the region in deciding what the priorities should be for shared services, and in the management of such shared services
- It will provide an entity that can enter into commercial arrangements with suppliers and partners on behalf of the participating local authorities
- It will ensure there is focus on ensuring the services do add benefit to the community through enhanced services and/or reduced costs, and that opportunities to sell processes and systems to other local authorities to reduce the cost of services to the shareholding local authorities are pursued.

Similar structures have been established by all of the local authorities in the Waikato region and by all of the local authorities in the Bay of Plenty region. After considering their advice and possible options for their structures, their limited liability company structure has been proposed as the preferred option. The main reasons for this are the ease of involving different groups of participating local authorities for each type of shared services through the flexibility of this structure as well as the established commercial rigour and processes around limited liability companies.

Council is proposing to spend \$1,000 in the 2008-09 year to establish this Council Controlled Organisation. As the CCO is proposed to be formed during the financial year Council's policy and performance targets for the CCO are yet to be established in detail. The overall Council policy and performance target for the CCO will be to deliver savings or better service for the same expenditure to the rate-payers of the Region.

Financial Effect of Amended Community Plan and Draft Annual Plan

As illustrated below the effect of these above amendments, along with 2008-09 annual plan variances, is considerable (\$,000).

	Adopted Annual Plan 2007-08	Community Plan 2008-09	Proposed Community Plan 2008-09	Community Plan 2015-16	Proposed Community Plan 2015-16
Prospective Income Statement (2008-09 & 2015-16)					
Revenues	42,451	46,777	40,310	58,919	58,028
Expenses	40,855	44,510	36,811	55,774	53,302
Net Operating Surplus	1,596	2,267	3,499	3,155	4,726
Prospective Balance Sheet Statement (2008-09 & 2015-16)					
Assets	307,235	332,652	318,508	393,661	419,305
Liabilities	16,105	21,392	17,650	33,066	38,584
Net Asset/Equity	291,130	311,160	300,858	360,545	380,721
Prospective Cash Flows Statement (2008-09 & 2015-16)					
Net Cash From Operating	5,498	5,984	8,115	7,659	9,305
Net Cash From Investing	(9,903)	(10,650)	(13,686)	(6,148)	(9,549)
Net Cash From Financing	4,411	4,608	5,621	(1,516)	228
Net Cash for the Period	6	(58)	50	(5)	(16)
Plus Opening Cash	337	343	256	325	322
Closing Cash	343	285	306	320	306
Prospective Rates Statement (2008-09 & 2015-16)					
Uniform Annual Charges (UACs)	6,250	6,306	7,212	9,554	13,925
Total Rates	25,900	28,066	28,370	34,971	40,482
Percentage UAC to total	24.13%	22.46%	25.42%	27.31	34.39%

Total rates will be \$28.37 million in 2008-09. This is \$2.47 million higher than last year, but only \$300,000 higher than the Amended Community Plan. By the 2015-16 year rates will have risen to \$40.48 million, which is \$5.51 million higher than predicted in the Amendments to the Community Plan adopted last financial year. Most of this increase in rates over the next seven years is attributable to the Sustainable Land Use Initiative (SLUI) (\$4.0 million) and flood protection schemes (\$0.9 million). It must be noted that the Council surplus results from the repayment of scheme debt from scheme rates. The scheme rates are shown as revenue in the Prospective Income Statement but the loan repayments are shown as loan repayments in the Prospective Balance Sheet rather than expenses against the rate income. This accounting surplus does not indicate ratepayers are being over charged.

How to have your say

The proposed amendment affects you as a community member in our region. We want you to consider what we are proposing and let us know your thoughts. A submission form will be attached to this summary proposal for you to use. All public submissions to the Draft Annual Plan/Amendment will be carefully considered before any final decisions are made. Further information about any of these activities, or others, can be found in the Draft Annual Plan/Amendment document.

For further information or a copy of the full Draft Annual Plan, or more submission forms please freephone 0508 800 800 and we will post you out a free CD or printed copy of the Plan.

Alternatively you can download the Draft Annual Plan and a submission form from www.horizons.govt.nz, or drop into one of our Regional Houses in either Palmerston North (11-15 Victoria Avenue) or Wanganui (181 Guyton Avenue).

Submissions will be accepted until 5pm Friday 2 May 2008. If you wish to present your submission at a Submission Hearing, please ensure that you provide us up-to-date contact information so we can phone you to arrange a suitable speaking time. Submission Hearings will be held on 19 and 21 May 2008 at various locations around the Region (depending on submissions received).