

# Summary of Proposal

## Proposed Draft Annual Plan 2008-09

### What is a Draft Annual Plan?

The Draft Annual Plan is a snapshot of the business Horizons would like to conduct on your behalf during the 2008-09 financial year. The focus is on the 2008-09 year only and outlines any variations from the Community Plan 2006-16. It also includes any effects of the proposed amendments to the Community Plan for the 2008-09 year only. By reading this, or the full Draft Annual Plan/Amendment document, and then making a submission, you have an opportunity to influence what we do to secure our region's future. The Draft Annual Plan 08-09 shows that most of our activities are occurring as laid out in the Amended Community Plan 2006-16. 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 Annual Plan. This detailed proposal is available on request. The page numbers referred to below are where the changes are explained in depth in the detailed proposal.

#### Land Management (page 4 of detailed proposal)

To reduce the burden on ratepayers it is proposed that some existing soil management programmes be redirected to SLUI at a cost saving of \$125,000 and others be reduced at a saving of \$54,000. Income from the Whanganui River Enhancement Trust (WRET) and other sources of \$150,000 has also been included. The total effect of these changes is to reduce the General Rate by \$329,000 when compared to the Community Plan. The effect on the General Rate from last year is a reduction of \$250,000. The General Rate on average will pay 69 cents (including GST) less per \$100,000 capital value.

#### Habitat Protection (page 12 of detailed proposal)

The interaction between the variation to the Community Plan and change in rates from 2007-08 to 2008-09 resulting from the Proposed Annual Plan and Community Plan Amendment is complex for this activity. Compared to the Community Plan, Old Man's Beard control outside the containment area has reduced by \$176,000. However, the reduction in the General Rate is \$137,000. Rangitikei Old Man's Beard programme is in line with the Community Plan but results in a \$15,000 reduction in that targeted rate. The canopy rates remission was not envisioned in the Community Plan and appears as a \$50,000 increase in expenses. However, last year we rated \$100,000 so the proposed expenditure of \$50,000 appears as a reduction in the General Rate of \$25,000 and the environmental UAC of \$25,000\*1. All other expenditure on habitat programmes has reduced compared to the Community Plan by \$94,000 and results in a \$21,000 in rates shared between General Rate (\$7,000) and environmental initiatives (\$14,000). In total, all ratepayers will pay an additional \$1.45 (including Retaruke\*2 & GST) per property and on average, the general ratepayer will pay 54 cents (including GST) less per \$100,000 capital value with Rangitikei ratepayers paying 46 cents (including GST) less per \$100,000 capital value.

\*1 Additional external revenue of \$50,000 reduces both the general and environmental rate

\*2 Retaruke/Manganui o te Ao Integrated Catchment Project as explained outlined on page 11 of the detailed proposal

#### Regulatory (page 18 of the detailed proposal)

Proposed expenditure has increased overall by \$175,000 when compared to the Community Plan. Compliance monitoring has decreased (\$60,000) while the following expenses have increased: incidents (\$28,000), consents (\$117,000), resource management (\$13,000), and district liaison (\$76,000). Revenues have decreased by \$113,000 mainly due to the change in the revenue and financing policy for consents and compliance activities. The result of these changes has been an increase of rates compared to the Community Plan of \$288,000.

The increase in terms of rates between 2007-08 and the Proposed 2008-09 Annual Plan and Amendment is \$263,000. This increase is divided between a General Rate increase of \$189,000 and a UAGC increase of \$74,000. The majority of the General Rate increase is driven by the revenue and finance policy changes for consents (\$126,000) and compliance \$55,000. The increase in the Uniform Annual General Charge (UAGC) stems from increased costs in RMA advice (\$42,000) and district liaison (\$32,000). The general ratepayer would, under the proposed changes, pay on average 52 cents (including GST) per \$100,000 of capital value and 79 cents (including GST) per property.

#### Strategic Management

The One Plan project will take longer than initially planned due to the demand for more public consultation. It is proposed that a further \$245,000 needs to be expended in 2008-09. This additional expenditure will result in a proposed increase in General Rate of

\$36,000 compared to the 2007-08 year. One Plan costs vary from the Community Plan by \$645,000 as the Community Plan assumed the One Plan could be capitalised. In order to create intergenerational equity the One Plan will be funded by reserves and repaid over 10 years.

If the Lower Whanganui flood protection scheme goes ahead, parts of the Whanganui River Enhancement project will be incorporated into the scheme. This absorption allows \$60,000 to be removed from the strategic management budget, which will reduce the General Rate when compared with last year and the Community Plan.

The Green RIG, our environmental educational unit on wheels, is far exceeding our usage expectations. Increased fuel costs, additional support and increased depreciation costs mean a further \$89,000 of funding is proposed by Council above the 2007-08 year and the Community Plan.

In the Proposed Annual Plan a project for catchment information has been transferred from corporate overheads to this activity. This has added \$131,000 to both expenditure and rates compared to last year. Against the Community Plan, other project reductions have resulted in an \$80,000 variance to the Community Plan. It must be noted that, in total, rates will not have increased as overheads for all other output projects will have decreased in total by \$131,000.

In year 3 of the 2006-16 Community Plan both revenues and expenses were overstated by \$168,000. This error does not affect the rates or variance to the 2007-08 year but does mean a variance to the Community Plan.

A number of projects have had minor differences. These differences have resulted in a \$82,000 variance to expenses and a \$72,000 variance to rates. In terms of the Community Plan the variance is a reduction of \$35,000.

In total the General Rate for the Strategic Management Activity has increased \$268,000 above the 2007-08 year. On average the general ratepayer will pay 74 cents (including GST) per \$100,000 capital value more.

## Possum and other Production Pest Animal Control (page 28 of detailed proposal)

We are now in the second year of our possum control programme (PCO programme). This programme provides possum control throughout the Region while also responding to the planned and phased withdrawal of some Tb possum control programmes (formally Animal Health Board funded). This programme is proving very successful and in 2008-09 will take in a further 110,000 ha of new land or former AHB funded land. The total net cost of this planned increase in level of service (2006-16 Community Plan) is \$246,000 above 2007-08 and would be funded from the General rate \$148,000 and the Targeted Pest Animal rate \$98,000. It should be noted that this proposed expenditure is \$765,000 less than expected in the Community Plan. The general ratepayer on average would pay an additional 41 cents (including GST) less per \$100,000 capital value, and properties 4 ha and over 7 cents (including GST) less per hectare.

## Emergency Management (page 34 of detailed proposal)

In the 2008-09 year it is proposed that the Emergency Management Office implements contracts with Rangitikei and Manawatu District Council for the delivery of emergency management services. These contracts (totalling \$400,000) are to provide the day-to-day administrative and management services required by the Councils to ensure that they are in a position to respond to actual or potential local emergencies and rural fires. The cost of these contracts is fully recoverable as a debt to the contracting Councils. The effect of this proposal is to increase both costs and revenue for supporting the CDEMG by \$400,000 per year.

In 2008-09 inflationary pressure increases the activity to \$540,000 above the anticipated level in the Community Plan. Compared to the 2007-08 financial year the 2008-09 cost has increased \$463,000 including the \$400,000 for the management contracts. This has resulted in an increase of the General Rate of \$63,000 or 18 cents (including GST) on average per \$100,000 capital value.

## Transport (page 51 of detailed proposal)

A number of minor cost and service changes have resulted in a proposed rate increase budget \$70,000 compared to the 2007-08 year.

## Community Plan (page 55 of detailed proposal)

During the 2008-09 year Council, in consultation with the community, must produce the 2009 to 2019 Community Plan. In the 2006-16 Community Plan Council allowed \$648,000 to be expended on the Community Plan in the 2008-09 year. Council considers this amount to be more than the Region can afford and will attempt to produce the plan for \$251,000 which represents \$100,000 increase in rates (Uniform Annual General Charge) for the 2008-09 year. This change increases the Uniform Annual General Charge by \$1.07 (including GST) in the 2008-09 year.

## Community Relationships (page 62 of detailed proposal)

In 2007-08 public information costs increased significantly due to the redirecting of communication expenses from corporate overheads and increased costs of public information services, such as the call centre. In total this accounts for \$317,000 of the variance to the Community Plan. For the 2008-09 year an additional cost of \$123,000 is proposed above the 2007-08 year. This increases the variance to the Community Plan to \$440,000. These additional costs are associated with salaries for casual relief staff and additional overhead costs of running the call centre and public reception in Regional House. This increase adds \$123,000 to the UAGC and will increase the charge per property by \$1.32 (including GST).

## Corporate Support (page 66 of detailed proposal)

During the 2007-08 Annual Plan process, corporate overheads were increased by \$588,000 to \$5.85 million. In the 2008-09 Draft Annual Plan, corporate overheads are proposed to increase \$207,000 or 3.5%. This increase is spread over all the output activities via overhead drivers and staff time.

In relation to the Community Plan, the variance for corporate overheads is \$795,000. It should also be noted that the proposed Draft Annual Plan has budgeted an extra \$498,000 for salaries over the entire organisation. This increase has been allocated by staff time and is included in activity areas costs.

## Investments (page 69 of detailed proposal)

Income from investments is \$91,000 greater than anticipated by the Community Plan. However, this is offset by a decrease in rate penalties due of \$50,000 as a result of better credit control. In comparison to 2007-08, total income has remained the same while rate penalty income has decreased by \$150,000. This decrease in income increases the General Rate on average by 42 cents (including GST) per \$100,000 capital value Financial Effect of Amended Community Plan and Draft Annual Plan.

The effect of these above variations, along with 2006-16 amendments, is considerable as illustrated below:

	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 (UAC's)	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, which is \$2.47million 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 SLUI (\$4.0 million) and Flood protection schemes (\$900,000). 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 will the proposed amendments and variations affect my rates next year (2008-09)?

There are numerous factors that contribute to an individual property's rates such as value, movement in value, size, district, flood and drainage or transport schemes. The table below gives an indication of the range of rate increases that may occur depending on the above mentioned factors for the 2008-09 year excluding Wanganui District.

Regional Excluding Wanganui District		
Type of Property	Capital Value Range	Proposed change in Regional rates range (excluding Wanganui) for the 2008-09 year*1*2
Urban	Up to \$150,000	-\$1 to 15
Urban	\$150,000 to \$250,000	\$0 to \$55
Urban	\$250,000 to \$500,000	-\$20 to \$70
Rural	Up to \$2,000,000	-\$160 to \$140
Rural	\$2 to \$5 million	\$6 to \$600

\*1 The rates changes can vary from a reduction in rates (eg -1) to an increase in rates (eg 15)

\*2 The rate impact ranges cover 95% of properties; there will be some properties that fall outside these ranges due to other factors (e.g. revaluation markedly different from average, very large property size, very low property value)

Please note that properties in the Wanganui District will experience higher rates increases as shown below due to the proposed flood scheme and the increases as outlined on page viii of the detailed proposal. The range proposed changes are listed below:

Wanganui District		
Type of Property	Capital Value Range	Proposed change in Wanganui rates range including proposed scheme for the 2008-09 year*1*2
Urban	Up to \$150,000	\$45 to \$55
Urban	\$150,000 to \$250,000	\$60 to \$90
Urban	\$250,000 to \$500,000	\$80 to \$190
Rural	Up to \$2,000,000	\$9 to \$120
Rural	\$2 to \$5 million	\$290 to \$490

\*1 The rates changes can vary from a reduction in rates (eg -1) to an increase in rates (eg 15)

\*2 The rate impact ranges cover 95% of properties; there will be some properties that fall outside these ranges due to other factors (e.g. revaluation markedly different from average, very large property size, very low property value)

## 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. Over the page we have provided a submission form 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 please freephone 0508 800 800 and we will post you out a free CD or hard copy of the Draft Annual Plan.

Alternatively you can download the Draft Annual Plan and a submission form from [www.horizons.govt.nz](http://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. Hearings will be held on 19 and 21 May 2008 at various locations around the Region (depending on submissions received).