

Summary

This appendix explains the proposal to amend the 2006-16 Long Term Council Community Plan (LTCCP) for changes to the Council's programmes for:

- Land Transport (Roading)
- Solid & Hazardous Waste Management
- Biosecurity
- Coasts, Harbours & Navigation

Although the 2006-16 LTCCP sets out Council's direction for the next 10 years, changes to projects, programmes and core policies contained in the base plan are often inevitable. Reasons for such changes may include information becoming available, changes to timing or cost of projects, changes in public expectations, changes to legislation, changes in funding arrangements or natural disasters or other environmental factors. Such changes are categorised as being either amendments or variations to the base 2006-16 LTCCP.

What is an Amendment to the LTCCP?

An amendment is where Council proposes to make a significant change to the direction of a project, programme or core policy outlined in the 2006-16 LTCCP, as required by the Local Government Act 2002.

The following were considered to be amendments to Council's 2006-16 LTCCP:

- Land Transport (Roading): Additional expenditure on roading projects which will increase the level of service to the community
- Solid & Hazardous Waste Management: Deferral of the Solid Waste Project pending confirmation of funding
- Biosecurity: Implementation of the Pest Management Strategy following its adoption by Council
- Coasts, Harbours & Navigation: Replacement of the Owenga Wharf

Full details of each of these amendments are set out on the following pages. For a number of other projects, circumstances have changed, resulting in variations to the position set out in its 2006-16 LTCCP and details of these are set out in the draft Annual Plan 2008-09.

Purpose of this Proposal

The purpose of the draft 2008 Amendments to the LTCCP 2006-16 is to consult with the community. Following the consultation period there may be changes made to the draft amendments. If at the end of the consultative process the Council decides to make the amendments these will be formally adopted at the Council meeting in June 2008.

Forecast Financial Information

The forecast financial information in the draft Amendments to the LTCCP 2006-16 have been prepared on the basis of best estimates available at the time of preparation. Actual results are likely to vary from the information presented and the variations may be material.

Fundamental Uncertainty

All of the amendments rely on government funding. If funding is not approved at the required level the proposals will be reviewed and revised as necessary to fit within budget constraints.

Overall Financial Impact of Amendments to LTCCP

There is no additional disclosure required in relation to the Council's policy on balancing the budget and no amendment to the Revenue and Financing Policy.

Summary of Overall Financial Impact of Amendments

	LTCCP 2008/09	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015-16
	\$	\$	\$	\$	\$	\$	\$	\$
Per LTCCP								
Roading	296,914	315,822	375,562	391,327	401,778	423,180	433,825	434,835
Waste	160,878	349,130	307,994	314,983	320,923	327,623	340,122	346,951
Coasts	119,543	117,105	116,986	120,125	117,311	117,587	121,136	118,677
Total per LTCCP	577,335	782,057	800,542	826,435	840,012	868,390	895,083	900,463
As Amended								
Roading	549,814	433,890	488,154	482,694	444,276	466,419	464,186	474,208
Waste	(111,692)	(1,243,805)	1,089,869	3,908	(24,860)	(6,156)	10,965	17,284
Coasts	104,899	270,177	72,362	76,566	74,815	76,156	80,769	79,375
Total as Amended	543,020	(539,738)	1,650,385	563,168	494,230	536,419	555,920	570,867
Change in General Funds	34,315	1,321,795	(849,843)	263,267	345,782	331,971	339,163	329,596

Overall the changes proposed have a favourable effect on general funds, except in 2010/11, where funding will be received in the previous year to offset the increased requirement. Roading has an adverse effect on general funds requirements to fund the local share of the planned increase in expenditure. This is offset by receipt of Government funding in the area of solid waste.

General funds are made up of General Rate income, interest income and Central Government Assistance.

Land Transport (Roading)

Proposal

The Land transport New Zealand (LTNZ) audit of Council roading activities in 2006-07 highlighted the difference between Chatham Island roads and those in the rest of New Zealand. In addition, surveys of residents continue to show residents' dissatisfaction with Chatham Island roads. During 2007-08 discussions were held with MWH, the Council's professional service providers for roading, as to whether improvements could be made. MWH have prepared an additional programme of work for 2008-09 and submitted it to LTNZ as part of the Government budget process. Decisions are due in May following the government's budget announcement for 2009. Council proposes to sustain this higher level of spending for the remaining years of the LTCCP, at a level of \$1,050,000 each year.

Options

Options include LTNZ funding for 87% (rising to 90% in 2009/10) of the proposed spending with the community funding the "local share" of the cost of roading projects. Options for funding the local share include using general funds, seeking central government assistance or loan financing.

Preferred option

The preferred option is to seek the increased programme of work subject to funding being available for the local share. Where funding is not available the programme will be prioritised and adjusted accordingly.

Cost and Funding

Cost implications are set out below and in the 2008-09 Financial Summary for Land Transport. A bid has been made to Central Government to fund the increase in General Funds required, and the Council is optimistic that there will be no impact on ratepayer funding. Should Central Government funding not be forthcoming Council's preferred option is to re-prioritize expenditure, not increase rates.

Amendments to the Financial Summary		LTCCP 2008/09 \$	LTCCP 2009/10 \$	LTCCP 2010/11 \$	LTCCP 2011/12 \$	LTCCP 2012/13 \$	LTCCP 2013/14 \$	LTCCP 2014/15 \$	LTCCP 2015-16 \$
General Funds	Per LTCCP	296,914	315,822	375,562	391,327	401,778	423,180	433,825	434,835
	As Amended	549,814	433,890	488,154	482,694	444,276	466,419	464,186	474,208
		(252,900)	(118,068)	(112,592)	(91,367)	(42,498)	(43,239)	(30,361)	(39,373)
Expenditure	Per LTCCP	2,503,403	2,644,782	3,001,333	3,177,245	3,330,224	3,488,424	3,628,142	3,838,499
	As Amended	2,609,794	2,716,907	3,181,453	3,356,532	3,481,349	3,682,455	3,850,331	4,072,041
		(106,391)	(72,125)	(180,120)	(179,287)	(151,125)	(194,031)	(222,189)	(233,542)
Capital Expenditure	Per LTCCP	1,831,087	1,987,087	2,245,587	2,358,837	1,922,477	2,110,477	2,020,477	2,074,517
	As Amended	2,720,000	3,037,087	3,295,587	3,408,837	2,972,477	3,160,477	3,070,477	3,124,517
		(888,913)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)
Grant Income	Per LTCCP	2,365,058	2,555,592	2,853,046	3,001,985	2,623,011	2,854,536	2,804,229	2,900,657
	As Amended	3,205,022	3,611,800	3,904,719	4,049,085	3,645,410	3,873,690	3,819,009	3,908,842
		839,964	1,056,208	1,051,673	1,047,100	1,022,399	1,019,154	1,014,780	1,008,185
Depreciation	Per LTCCP	1,630,519	1,716,455	1,972,312	2,094,770	2,177,912	2,269,185	2,356,565	2,521,524
	As Amended	1,532,958	1,664,304	2,038,167	2,185,590	2,314,141	2,450,823	2,583,613	2,757,508
		(97,561)	(52,151)	65,855	90,820	136,229	181,638	227,048	235,984

Solid & Hazardous Waste Management

Proposal

Government approval for funding the solid waste plan at a cost of \$2.8 million was received in January 2008. Until approval was received the project could not proceed. The original plan was for the project to commence early in 2006-07, the expected start date is now July 2008.

Options

Once approval had been received options considered included changing the phasing of the work programme to complete the work faster in line with original plans. This was not the preferred option because it was not considered prudent or practical to accelerate the work programme due to limited building capacity on the Islands and the time needed for site selection and approval.

Preferred option

The preferred option is for the project to be delayed two years from the date specified in the LTCCP 2006-16 to give adequate time to call and assess tenders for the work to be performed. Government funding was approved at a level consistent with costs estimated in 2005 so adjustments may prove necessary as tenders are finalised. This will also allow adequate time for site selection.

Cost and Funding

The capital and operational cost of the solid waste programme is being met entirely by Government Grant. Full details are set out in the financial summary for Solid & Hazardous Waste. The funding approved is \$2.8m. Capital expenditure will be \$268,500 in 2008-09, \$144,780 in 2009-10, and \$1.35m in 2010-11. Subsequent government funding of \$319,000 per annum will cover ongoing operational costs.

Amendments to the Financial Summary		LTCCP	LTCCP	LTCCP	LTCCP	LTCCP	LTCCP	LTCCP	
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015-16
		\$	\$	\$	\$	\$	\$	\$	
General Funds	Per LTCCP	160,878	349,130	307,994	314,983	320,923	327,623	340,122	346,951
	As Amended	(111,692)	(1,243,805)	1,089,869	3,908	(24,860)	(6,156)	10,965	17,284
		272,571	1,592,935	(781,875)	311,075	345,783	333,780	329,157	329,667
Expenditure	Per LTCCP	200,246	390,410	351,287	360,389	368,548	377,578	392,524	401,922
	As Amended	129,460	260,012	199,959	422,711	383,573	392,774	402,920	412,168
		70,786	130,398	151,328	(62,322)	(15,025)	(15,196)	(10,396)	(10,246)
Depreciation	Per LTCCP	4,217	16,515	16,868	17,062	17,260	17,463	17,670	18,133
	As Amended	1,200	5,417	4,217	47,993	48,878	49,748	50,669	51,640
		3,017	11,098	12,651	(30,931)	(31,618)	(32,285)	(32,999)	(33,507)
Interest Income	Per LTCCP	0	0	0	0	0	0	0	0
	As Amended	67,017	150,880	94,203	34,403	21,669	9,679	0	0
		(67,017)	(150,880)	(94,203)	(34,403)	(21,669)	(9,679)	0	0
Capital Expenditure	Per LTCCP	1,350,622	27,999	28,739	29,453	30,116	30,728	31,263	31,824
	As Amended	268,500	144,760	1,350,622	27,999	28,739	29,453	30,116	30,728
		1,082,122	(116,761)	(1,321,883)	1,454	1,378	1,276	1,148	1,097

Amendments to the Financial Summary		LTCCP 2008/09	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015-16
		\$	\$	\$	\$	\$	\$	\$	\$
Grants	Per LTCCP	1,350,622	27,999	28,739	29,453	30,116	30,728	31,263	31,824
	As Amended	402,067	1,451,000	319,000	319,000	319,000	319,000	319,000	319,000
		948,555	(1,423,001)	(290,261)	(289,547)	(288,884)	(288,272)	(287,737)	(287,176)

Biosecurity

Proposal

The Pest Management Strategy was adopted last year following consultation with the community. Implementation of the strategy will require increased spending of \$265,000 in 2008/09 and \$220,000 thereafter adjusted for annual inflation at 3%. This has been treated as an amendment as it exceeds the limit set out in the Council's Policy on Significance.

Options

If Government funding is approved in the budget 2008 then the preferred option is for the implementation plan to go ahead at a cost of \$265,000 in the first year and \$220,000 adjusted for inflation thereafter.

An alternative option is to scale back the planned implementation program to fit within available Biosecurity activities budgets; however this is not seen as desirable as the Council wishes to implement the Pest Management Strategy.

Preferred Option

Council would like to see the Pest Management Strategy funded at the required level and this will go ahead if funding is secured. If lesser funding is approved then a reduced level of work will be performed.

Cost and Funding

As set out above the cost will be \$265,000 in the first year then \$220,000 inflation adjusted in subsequent years. Application has been made for this to be funded 100% by central government grant. The work is likely to be contracted to Environment Canterbury under the contract for Regional Council Services.

Amendments to the Financial Summary		LTCCP 2008/09	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015-16
		\$	\$	\$	\$	\$	\$	\$	\$
Grant Revenue	Per LTCCP	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000
	As Amended	335,000	303,700	312,661	321,891	331,398	341,189	351,275	361,663
		233,000	201,700	210,661	219,891	229,398	239,189	249,275	259,663
Expenditure	Per LTCCP	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000
	As Amended	335,000	303,700	312,661	321,891	331,398	341,189	351,275	361,663
		233,000	201,700	210,661	219,891	229,398	239,189	249,275	259,663

Coasts, Harbours & Navigation

Proposal

The Owenga wharf is not specified as a strategic asset however replacement costs associated with the wharf are more than 10% of rates and dues. Under Council's Policy on Significance expenditure over the threshold will qualify it as significant. The wharf is considered a vital local resource as a link to Pitt Island, is important to local fishermen and fishing industry and is also used by Doc.

The LTCCP 2006-16 stated that a decision to repair or replace the wharf would be taken following receipt of the technical report on the condition of the wharf, options for repair or replacement and likely costs. The favoured option at the time was to repair the Owenga wharf at a cost of \$266,000 which was to be financed by a loan over 25 years. This option did not proceed and temporary repairs were made instead.

The current plan is to replace the wharf in the 2008/09 year at a cost of 1.46m. This option has been selected as a result of engineering reports on the condition of the Owenga wharf showing that its useful life is now much less than planned as a result of infestation by Toredos worm. Ongoing repairs could potentially extend its useful life by up to twenty years however the high cost of repairs as opposed to total replacement was a factor in the decision.

Options

The latest engineering report by MWH on the Wharf explores the technical and cost options. The options considered were as follows:

- Do nothing – this would result in the Owenga Wharf deteriorating and becoming unusable
- Repair the existing wharf – this would extend the life by up to twenty years at an approximate cost of \$776,000
- Replace the Wharf – this would involve construction of a new wharf with an estimated life of 50 years at a cost of \$1.46 million

Preferred option

The cost of repairing the wharf in return for extending its useful life is less attractive compared to the additional cost of replacing the wharf with a structure with a life of a full fifty years or more. This is therefore the favoured option of the Council and initial consultation suggests this is the favoured option for wharf users.

Cost and Funding

The Council's engineers estimate that the replacement cost for the Wharf is estimated at \$1.46 million. This would be funded by a grant from LTNZ with the balance to come from money set aside for the Chathams by LTNZ (the "R" fund). In subsequent years depreciation will be charged to cover the cost of eventual replacement. Interest expense and loan repayments have decreased as it is now not proposed to fund this project by a loan.

Amendments to the Financial Summary		LTCCP 2008/09	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015-16
		\$	\$	\$	\$	\$	\$	\$	\$
General Funds	Per LTCCP	119,543	117,105	116,986	120,125	117,311	117,587	121,136	118,677
	As Amended	104,899	270,177	72,362	76,566	74,815	76,156	80,769	79,375
		(14,644)	153,072	(944,624)	(43,559)	(42,496)	(41,431)	(40,367)	(39,302)
Grant Income	Per LTCCP	-	-	-	-	-	-	-	-
	As Amended	1,460,000	-	-	-	-	-	-	-
		1,460,000	-	-	-	-	-	-	-

Amendments to the Financial Summary		LTCCP 2008/09	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015-16
		\$	\$	\$	\$	\$	\$	\$	\$
Depreciation	Per LTCCP	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300
	As Amended	48,911	29,200	29,200	29,200	29,200	29,200	29,200	29,200
		35,611	15,900	15,900	15,900	15,900	15,900	15,900	15,900
Interest Expense	Per LTCCP	19,152	18,088	17,024	15,960	14,896	13,832	12,768	11,704
	As Amended	-	-	-	-	-	-	-	-
		(19,152)	(18,088)	(17,024)	(15,960)	(14,896)	(13,832)	(12,768)	(11,704)
Capital Expenditure	Per LTCCP	-	-	-	-	-	-	-	-
	As Amended	1,460,000	-	-	-	-	-	-	-
		1,460,000	-	-	-	-	-	-	-
Loan Repayments	Per LTCCP	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300
	As Amended	-	-	-	-	-	-	-	-
		(13,300)	(13,300)	(13,300)	(13,300)	(13,300)	(13,300)	(13,300)	(13,300)
Write off old wharf	Per LTCCP	-	-	-	-	-	-	-	-
	As Amended	-	198,760	-	-	-	-	-	-
		-	198,760	-	-	-	-	-	-