

ROADING FINANCIAL ASSISTANCE RATES (FAR)	WORKS & SERVICES MANAGER CHRIS HOPMAN
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PURPOSE

The purpose of this report is to outline the issues of differing financial assistance rates between BPDC and CCC based on the 2005/06 budgets and to recommend a way forward to resolve this difference.

BACKGROUND

The Capital Strategies Report dated 15 April 2005 provides a good background on financial rates of assistance for roading works subsidised by Land Transport NZ (formerly Transfund). This is reported below:

A2.3.5 LTNZ Subsidy

LTNZ provides subsidies to BPDC of 53% for the following items of work:

- Road maintenance (such as metalling and grading of unsealed roads).
- Reseals, seal smoothing, some seal extension and seal widening on sealed roads.
- Retaining-wall maintenance and replacement below roads.
- Bridge maintenance and some bridge replacement.
- Provision of 63% for minor safety improvements and 43% for street lighting.
- New capital works

CCC receives a 43% subsidy from Land Transport New Zealand ("LTNZ") for roading costs, as compared to BPDC's 53%.

ITEM FOR CONSIDERATION AT OWL GROUP MEETING TO BE HELD ON THURSDAY, 28 JULY 2005

Nonetheless to be conservative we have assumed a 43% subsidy rate in our modelling. Based on capex and opex in the BPDC LTCCP, the increased cost to CCC under Options 1 and 2 would be in the range \$328,000 - \$555,000 per annum.

Although the topography of Banks Peninsula means the cost of road construction and maintenance is high relative to CCC and SDC roading networks, LTNZ has indicated that the current subsidy rates of 43% and 48% should be used for the roading network that would transfer to Christchurch City and Selwyn District respectively. This includes the areas in Map A and Map B.

The LTNZ formula for FAR is practically non-negotiable but does vary from year to year by one or two percentage points per local authority. This is dependant on the size of the roading programme and the land value of the City or District. Some further technical information is attached (see Appendix A). This is slightly out of date (2003).

Based on today's projected budgets, the difference in funding available for the 2005/06 BPDC roading programme under proposed subsidies would be \$374,903 less than if abolition and inclusion with the City occurred. This is 9.6% of the total subsidised roading budget.

A more detailed spreadsheet is attached (see Appendix B).

PROPOSAL

The Capital Strategies Report has adopted a conservative approach to maintain the FAR's at 43%. It is likely that combining the City and District roading programmes and land values, that the minimum threshold of 43% would not be improved. This has been confirmed with Land Transport NZ who advise that the current CCC FAR should be 37% based on the formula.

To improve the FAR considerable lobbying of LTNZ will be required, and this could be successfully done through the Transitional Joint Committee. The new Regional Manager of LTNZ, Mrs Jackie Curtis, Partnership Manager [Southern], could be asked to present to the Committee, firstly to provide background to FARs, and secondly to comment on the likelihood of extending the BPDC subsidy for a period of five years, or alternatively raise the FAR for the new enlarged City.

From past history, it is likely that the BPDC FAR could possibly be maintained at the current level with a sliding scale over a number of years down to the current CCC FAR.

RECOMMENDATION

It is recommended that a report be forwarded to the Transitional Joint Committee on Roothing Financial Assistance Rates with a recommendation that they obtain information directly from the LTNZ Partnership Manager [Southern] in order to improve future roading subsidies.