

LONG TERM COUNCIL COMMUNITY PLAN AND ANNUAL PLAN SPECIAL COMMITTEE

**Friday, 24 February 2006
Commencing at 9.30 am**

Item 5: Chief Executive Officer's Overview

**SUPPLEMENT TO A MEETING OF THE LONG TERM COUNCIL COMMUNITY PLAN
AND ANNUAL PLAN SPECIAL COMMITTEE HELD IN THE CIVIC CENTRE,
6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY, ON FRIDAY,
24 FEBRUARY 2006, COMMENCING AT 9.30 AM.**

5 CHIEF EXECUTIVE OFFICER'S OVERVIEW

PURPOSE OF THE REPORT

This report brings to the Long Term Council Community Plan and Annual Plan Special Committee's attention the processes surrounding the preparation of the draft Long Term Council Community Plan for 2006-2016, the planned work programmes to meet the Council's strategic direction and its contribution to meeting the Community Outcomes and discusses financial issues, rates requirement and policies associated with the Long Term Council Community Plan.

BACKGROUND

During 2005, the Long Term Council Community Plan and Annual Plan Special Committee has met to consider matters in relation to the new Long Term Council Community Plan 2006-2016 that is required to be publicly consulted on and adopted by 30 June 2006.

The "establishment" phase of Waitakere City is now being succeeded by a phase of development on the established base. This shift emphasises the need to build resilience, so that the city can "bounce back" from downturn or disaster; to improve liveability so that the wellbeing of people is at the core of our concerns; and to work towards achieving sustainability across all four areas of social, economic, cultural and environmental wellbeing.

The Long Term Council Community Plan and Annual Plan Special Committee has recommended to Council a series of long term strategic commitments and principles to guide it in its decision-making. These provide a framework for the 2006-2016 Long Term Council Community Plan which incorporates the 2006/2007 Annual Plan. Beneath these commitments is a level of agreement about the need to scrutinise all costs and new initiatives within the discipline of the long term commitments.

It has also been suggested to the Long Term Community Plan and Annual Plan Special Committee that future Annual Plan debates will focus on exceptions to the 2006-2016 Long Term Council Community Plan and not be a wholesale re-litigation. From August 2006, meetings of the Long Term Council Community Plan and Annual Plan Special Committee are scheduled and these can focus on the development of the 2007/2008 Annual Plan and the next Long Term Council Community Plan for 2009-2019.

The work programmes for the 2006-2016 Plan are set out in each of the Unit Overview Reports, where appropriate. Strategic priorities for the city include:

1. Better integration of transport and land use.
2. A shift towards public transport and travel demand management.
3. A boost to town centre development as the focus for intensified urban growth, the growth in jobs and the growth in population.
4. The successful passage into law and implementation of the Waitakere Ranges Heritage Area Bill.
5. Flood protection and mitigation works.
6. The implementation of a parks strategy.
7. Continuing focus on economic development and growth in employment in the City.

The Committee has been informed of the community outcomes preparation process and activity plans development. It has also held workshops to discuss the strategic direction and financial issues facing the City.

Council adopted a Long Term Council Community Plan under the transitional provisions of the Local Government Act 2002 on 30 June 2003. This plan was the result of extensive community consultation, which established community outcomes and priorities for the next ten years for the city. It was amended in June 2004, primarily to include Development Contributions and Financial Contributions. For 2006-2016 the Council is required to prepare a new plan.

The purpose of a Long Term Council Community Plan is to:

- (a) describe the activities of the local authority; and
- (b) describe the community outcomes of the local authority's district or region; and
- (c) provide integrated decision-making and co-ordination of the resources of the local authority; and
- (d) provide a long-term focus for the decisions and activities of the local authority; and
- (e) provide a basis for accountability of the local authority to the community; and
- (f) provide an opportunity for participation by the public in decision-making processes on activities to the undertaken by the local authority.

PROCESS

The process focused on determining the community outcomes and meeting the strategic direction of the Council. The preparation of the Long Term Council Community Plan included the following processes:

- a review of previous Council decisions to ensure their inclusion in the Plan;
- the preparation of a budget guidelines booklet and individual training sessions with each budget holder;
- rigorous reviews of budgets to ensure strategic compliance and fiscal responsibilities;
- preparation of applicable Unit Overview reports;
- a review of existing policies.

COMMUNITY OUTCOMES PROCESS

The community were consulted through workshops, including city-wide workshops, hui, fono, business, youth and ward based community consultation from May through to July 2005. The material gathered from these workshops was compiled for two panels of Waitakere residents who deliberated over the development of the 2006-2009 community outcomes. Other information that contributed to this process was the:

- Waitakere City Council's 2003 platforms and priorities.
- Wellbeing Collaboration Project.
- Calls to Action.
- Waitemata District Health Board paper.
- Health link consultation.
- Wellbeing Summit 2004.
- Council consultation literature reviews.
- Waitakere City Council major trends summary.
- Maori partnership hui presentation.

The community outcomes have been widely distributed and are available under separate cover.

The community outcomes for Waitakere City reflect significant similarities to the 2003-2013 community outcomes. However in some cases these outcomes have been expanded, and community outcomes specific to Maori have been included.

In linking the community outcomes to the Council's strategic platforms, it is apparent that there are considerable synergies and also areas that can be developed further.

Community Outcome Areas 2006 - 2009	Council Strategic Platforms
Te Mana Whakahaere - Autonomy	Active Democracy Urban and Rural Villages Strong Communities Strong and Innovative Economy
Nga Manukura - Maori Leadership	Strong Communities Integrated Communication Active Democracy
Whaiora - Participation in Society	Active Democracy
Toiora - Personal Wellbeing & Healthy Lifestyle	Strong Communities Urban and Rural Villages
Waiora - Environmental Protection	Green Networks Zero Waste Sustainable energy and clear air 3 Waters Strong and Innovative Economy
Mauri Ora - Access to Maori Resources	Strong Communities Urban and Rural Villages Strong and Innovative Economy
Urban and Rural Villages	Urban and Rural Villages
Strong Economy	Strong and Innovative Economy
Sustainable and Integrated Transport	Integrated Transport and Communication
Sustainable Environment	Three Waters Sustainable Energy and Clean Air Zero Waste
Green Network	Green Network
Strong Communities	Strong Communities
Vibrant Arts and Culture	Included in Strong Communities
Working Together	Active Democracy

The four most highly endorsed community outcomes based on community feedback were, in order: Sustainable and integrated transport, strong economy, strong communities and sustainable environment. There was also endorsement for the Maori community outcomes.

FINANCIAL MANAGEMENT PROVISIONS

The Local Government Act 2002 requires that Local Authorities prepare their budgets in a prudent manner. A Local Authority must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. However, the Act does allow that when a Local Authority resolves to do so, and it is financially prudent, that having regard to the estimated expenses of achieving and maintaining the projected levels of service provision set out in its Long Term Council Community Plan, projected operating revenues may be set at a different level. This allows the Council some flexibility in matching its operating revenues and expenditure in any year, however, it would need to be clearly signalled why such a non-matching is occurring and how it will be rectified in future years.

There is also a requirement in the Local Government Act 2002 that a Local Authority must manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The draft Long Term Council Community Plan 2006 - 2016 presented to this Committee has been prepared on that basis.

The funding of the Council's activities must also be met from those sources that the Local Authority determines to be appropriate, following consideration of:

- The community outcomes to which the activity primarily contributes; and
- The distribution of benefits between the community as a whole and any identifiable part of the community and individuals; and
- The period in or over which those benefits are expected to occur; and
- The extent to which the actions or in-actions of particular individuals or a group contribute to the need to undertake that activity; and
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural well-being of the community.

All these matters are addressed in the revised draft Revenue and Financing Policy that will be considered and recommended to Council during the deliberation meetings.

The Local Government Act 2002 also sets out a procedural requirement in relation to any decision to construct, replace or abandon a strategic asset. Any such decision must be highlighted through a statement of proposal. There are no items in the draft Long Term Council Community Plan which require a statement of proposal.

FINANCIAL ISSUES

There are challenges that the Council has to face in considering the financial implications of the Long Term Council Community Plan 2006 – 2016.

The City is still experiencing growth pressure. This growth places considerable strain on the City's resources and infrastructure. In addition to this, the on-going costs of previous strategic decisions on capital expenditure are now being incurred and are incorporated in the proposed budgets.

The following table shows some of the impacts:

Details	2005/2006 \$000's	2006/2007 \$000's	Movement \$000's
Depreciation	30,548	35,235	4,687
Interest	10,167	14,614	4,447
Increased Infrastructure Asset Maintenance	21,177	23,194	2,017
Total	61,892	73,043	11,151

There is some offset to these increased costs by the growth in the rating base which is \$2.4 million under capital value rating. (This growth under land value would be \$1.0 million.)

The 2005/2006 rates percentage increase for the Council controlled rate requirement was 7.11%. Adjustments \$7.271 million were made to get to this level of rate increase. These were:

Details	Millions (\$)
Proceeds from Sale of Assets	0.900
Miscellaneous Income	0.792
Surplus Brought Forward from 2003/2004	1.040
Anticipated Surplus 2004/2005	3.471
Watercare Surplus (Wastewater component)	0.568
ARTNL Refund	0.400
Additional Sale of Power Shares Refund	0.100
Total	7.271

These adjustments are not all available for 2006/2007 or have been reduced.

The budgets prepared for 2006/2007 are based on meeting the strategic direction of the Council's current work programme as determined by the Long Term Council Community Plan 2003-2013.

The budgets include price level adjustments (inflation) as mandated by Auditor General.

Two scenarios have been prepared. Scenario 1 is full funding of depreciation from rates and no debt repayment other than from any depreciation surplus. Scenario 2 (which is the recommended option) uses funding adjustments to spread the rate increase, together with additional debt repayment in years 6 to 10.

Scenario 1

The Council rate requirement before any funding adjustments for the proposed work programmes to meet the strategic direction with no additional debt repayment for the next 10 years requires the following percentage movements in the rate requirement:

Year	Percentage Increase
2006/2007	18.38%
2007/2008	7.01%
2008/2009	4.98%
2009/2010	3.40%
2010/2011	2.52%
2011/2012	2.52%
2012/2013	3.03%
2013/2014	2.95%
2014/2015	0.84%
2015/2016	-2.37%

The above table shows that there is a significant rate increase in 2006/2007. Rate increases beyond 2007/2008 are manageable.

Scenario 2

Scenario 2 has been prepared to mitigate the significant rate increase in 2006/2007 with funding adjustments that are proposed to spread rate increases over the 10 years of the Plan.

No allowance had been included at this stage for an anticipated surplus from 2005/2006 as this is still being determined. An assessment will be provided to the Committee during its deliberations.

The following funding adjustments are proposed:

- Non-funding of some depreciation from rates.
- Loan funding of renewals as opposed to funding from rates.

Non-funding of Depreciation from Rates

The Council has built some major new facilities over the past few years including the new Civic Centre, Libraries and the Aquatic Centre. It is proposed that depreciation on these new assets not be funded as there is little or no requirement for renewals during the initial years of the lives of these assets.

The useful lives of library books and information management is eight years and five years respectively. This means that the depreciation costs for these items are increasing rapidly. It is proposed not to fund these in the early years of the Plan.

All of the Council's assets are fully maintained.

The proposed depreciation for non-funding of is as follows:

Details	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
New Civic Centre	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>
Information Management	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	Funded
Library Books	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	Funded	Funded
New Libraries	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	Funded	Funded
Community Centres Property	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	Funded	Funded
Heritage Property Cost	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	Funded	Funded
Other Parks Properties	<i>Not Funded</i>	<i>Not Funded</i>	<i>Not Funded</i>	Funded	Funded
Aquatic Centre	<i>Not Funded</i>	<i>Not Funded</i>	Funded	Funded	Funded

The total of proposed depreciation not to be funded is:

Year	Amount \$000's
2006/2007	8,421
2007/2008	10,264
2008/2009	10,313
2009/2010	8,382
2010/2011	1,587
Total	38,967

All depreciation is fully funded from 2011/2012 onwards with the funds generated being used for renewals and debt repayment.

Loan Funding of Renewals

Renewals are capital expenditure for asset creation and as such, they can be funded by loan.

In the past, these have been funded by surplus funds generated by rating for depreciation, in effect, rates.

With the proposed non-funding of some depreciation as detailed above, and the increased level of renewals required, the surplus from funding for depreciation under scenario 2 is not enough to fund these renewals.

The proposed loan-funding of renewals is therefore:

Year	Amount \$000's
2006/2007	4,256
2007/2008	7,904
2008/2009	2,511
2009/2010	700
2010/2011	1,500
Total	16,871

It is proposed to implement both these funding adjustments in year one and then to decrease the reliance on them from years two to five.

From 2011/2012 onwards, the fund-adjusted budgets (Scenario 2) have included additional funding for the repayment of debt from rates.

The proposed scenario 2 funding adjustments will result in the following rate increases:

Year	Percentage Increase
2006/2007	6.82
2007/2008	6.88
2008/2009	6.90
2009/2010	6.98
2010/2011	6.90
2011/2012	6.83
2012/2013	6.74
2013/2014	6.73
2014/2015	6.91
2015/2016	6.72

A1 The graph attached at page A1 shows the comparisons between the 2 scenarios

Debt Levels

The amended 2003-2013 Long Term Council Community Plan showed approved net debt of \$212.420 million.

Since then, the Council has made investment decisions which resulted in approved net debt in the 2005/2006 Annual Plan of \$230.202 million. The forecasted net debt at 30 June 2006 is expected to be \$217.102 million.

The 10 year forecast net debt for the two scenarios is predicted to be:

Year	Scenario 1 Millions (\$)	Scenario 2 Millions (\$)
2006/2007	257.520	269.834
2007/2008	320.065	346.221
2008/2009	385.908	424.952
2009/2010	426.564	474.690
2010/2011	476.126	527.339
2011/2012	520.444	567.657
2012/2013	557.379	593.592
2013/2014	579.272	596.485
2014/2015	595.078	579.791
2015/2016	619.678	550.891

There is not provision for any debt repayment other than from any depreciation surplus in scenario 1

A2 The graph attached at page A2 shows the comparisons between the 2 scenarios.

Scenario 2 is presented as the starting point for the deliberations of the Long Term Council Community Plan and Annual Plan Special Committee.

There are still further options remaining to the Committee. These are:

- To defer the timing of major capital expenditure projects.
- To delete major capital expenditure projects.
- To defer or delete non-recurring operating costs.
- To examine the levels of services that this budget will provide and to modify these with resultant changes to expenditure levels.

10 YEAR WORK PROGRAMME

A3-A7

The chart attached at pages A3 to A7 shows the 10 year programme at a very high level by strategic platform. Detailed Unit budgets will also be provided.

POLICIES

When adopting its Long Term Council Community Plan, The Local Government Act 2002 requires Local Authorities to adopt funding and financial policies as set out below.

- A Revenue and Financing Policy.
- A Liability and Management Policy.
- An Investment Policy.
- A Partnerships with the Private Sector Policy.
- A Remission and Postponement of Rates on Maori Freehold Land Policy.
- A Development Contributions and Financial Contributions Policy.
- A Rates Remission Policy.

These policies have all been reviewed and will be presented during the deliberations. There are no significant policy changes.

A draft significance policy will also be presented to the Long Term Council Community Plan and Annual Plan Committee for recommendation to Council. This is not part of the Long Term Council Community Plan process, but this requires a separate special consultative procedure which will run concurrently with that for the plan.

CONCLUSION

The draft Long Term Council Community Plan 2006-2016 submitted for this Committee's consideration is the culmination of a process that started in August 2004 and has been through many iterations to produce a work programme that is both sustainable and capable of delivering on the Council's long term strategic commitments and principles

RECOMMENDATIONS

1. That the Chief Executive Officer's Overview Report be received.
2. That the Long Term Council Community Plan and Annual Plan Special Committee consider the budget information and content of the draft Long Term Council Community Plan 2006-2016 in the context of the long term strategic commitments and principles and recommend to the Council for adoption and public consultation.

Report prepared by: Harry O'Rourke, Chief Executive Officer.

