



NOTICE OF MEETING

LONG TERM COUNCIL COMMUNITY PLAN AND ANNUAL PLAN SPECIAL COMMITTEE

I hereby give notice that an Ordinary Meeting of the Long Term Council Community Plan and Annual Plan Special Committee will be held on:-

<u>DATE:</u>	Friday,	27 February 2004	<u>TIME:</u>	9.30 am
	Monday,	1 March 2004		9.30 am
	Tuesday,	2 March 2004		9.30 am
	Friday,	5 March 2004		9.30 am
	Wednesday,	10 March 2004		9.30 am
	Thursday,	11 March 2004		9.30 am

VENUE: Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City

to consider the business as set out herein and to take any necessary action connected therewith.

25 February 2004

Ngareta Delamere
COMMITTEE SECRETARY
Telephone (09) 836 8000 extn 8552

MEMBERSHIP:

Councillor	JM	Clews, QSO, JP (Chairperson)
Mayor	Bob	Harvey, QSO, JP (Deputy Chairperson)
Deputy Mayor	CA	Stone
Councillors	DQ	Battersby, JP
	BA	Brady, JP
	RP	Dallow, QPM, JP
	AC	Fenton
	OE	Hoskin, MNZM, JP
	PA	Hulse
	JP	Lawley
	GE	Nash, QSM, JP
	VS	Neeson, JP
	GB	Presland
	GW	Russell, JP
	DA	Yates, JP

(Quorum 5 members)

(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted.)

WAITAKERE CITY COUNCIL



AGENDA FOR AN ORDINARY MEETING OF THE LONG TERM COUNCIL COMMUNITY
PLAN AND ANNUAL PLAN SPECIAL COMMITTEE TO BE HELD IN THE CIVIC
CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY, ON
FRIDAY, 27 FEBRUARY 2004, COMMENCING AT 9.30 AM.

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AGENDA FOR AN ORDINARY MEETING OF THE LONG TERM COUNCIL COMMUNITY PLAN AND ANNUAL PLAN SPECIAL COMMITTEE TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY, ON FRIDAY, 27 FEBRUARY 2004, COMMENCING AT 9.30 AM.

1 APOLOGIES



2 URGENT BUSINESS

Section 46A(7) and (7A) of the Local Government Official Information and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the item is a minor matter; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting; and
- (iii) the Committee resolves to deal with the item.

No resolution, decision, or recommendation may be made in respect of the item except to refer the item to a subsequent meeting for further discussion.

NOTE: Urgent Business need not be dealt with now and may be delayed until later in the meeting.



3 CONFIRMATION OF MINUTES

Ordinary Monday, 20 October 2003
Reconvened Friday, 21 November 2003
Ordinary Wednesday, 11 February 2004

RECOMMENDATION

That the minutes of the Ordinary Meeting of the Long Term Council Community Plan and Annual Plan Special Committee held on Monday, 20 October 2003 and Reconvened on Friday, 21 November 2003 and the Ordinary Meeting held on Wednesday, 11 February 2004, as circulated, be taken as read and now be confirmed.



4 **ANNUAL PLAN PROCESS AND TIMETABLE**

PURPOSE OF THE REPORT

The purpose of the report is to inform the Long Term Council Community Plan and Annual Plan Special Committee of the process for the adoption of the Draft and Final Annual Plans 2004/2005 and the indicative timetable to meet the planned adoption date of 11 March 2004.

DRAFT ANNUAL PLAN PROCESS

Councillors and Community Board representatives have been issued with a Draft Annual Plan folder along with supporting material.

The folders contain the following:

Section A	Agenda and Chief Executives Overview
Section B	Unit Overview Reports
Section C	Draft Annual Plan Document Content and Mock Up
Section D	Additional Reports

The folders and accompanying supporting material will include the following material that will be provided during the Deliberations:

- Unit Budgets;
- Cost of Services Statements;
- Draft Development and Financial Contributions Policy;
- City Services Information Book.

The folders will be updated at each of the Long Term Council Community Plan and Annual Plan Special Committee meetings with additional information that has been requested or is intended to be supplied to assist elected members in their decision-making.

TIMETABLE FOR PRESENTATION OF DRAFT ANNUAL PLAN MATERIAL

The timetable below sets out the indicative times for the Long Term Council Community Plan and Annual Plan Special Committee to consider draft Annual Plan material. At the conclusion of the deliberations of the Committee the recommendations will need to be ratified at a Council meeting scheduled for 12.00 noon on Thursday, 11 March 2004.

Friday, 27 February 2004

9.30 - 11.00 Agenda - Process and Timetable
Chief Executive's Overview

11.00 - 11.15 BREAK

11.15 - 12.45 Chief Executives Overview

12.45 - 1.30 LUNCH

1.30 - 2.45 City Services

2.45 - 3.00 BREAK

3.00 - 4.00 City Services

Monday, 1 March 2004

9.30 - 11.00 City Services

11.00 - 11.15 BREAK

11.15 - 12.45 City Services

12.45 - 1.30 LUNCH

1.30 - 2.45 Strategy and Development

2.45 - 3.00 BREAK

3:00 - 4:00 Strategy and Development

Tuesday, 2 March 2004

9.30 - 11.00 Strategy and Development

11.00 - 11.15 BREAK

11.15 - 12.45 Finance
Public Affairs

12.45 - 1.30 LUNCH

1.30 - 2.45 Corporate and Civic Services

2.45 - 3.00 BREAK

3.00 - 4.00 Corporate and Civic Services

Friday, 5 March 2004

9.30 - 11.00 Further Deliberations

11.00 - 11.15 BREAK

11.15 - 12.45 Further Deliberations

12.45 - 1.30 LUNCH

1.30 - 2.45 Further Deliberations

2.45 - 3.00 BREAK

3.00 - 4.00 Further Deliberations

Wednesday, 10 March 2003

9.30 - 11.00 Further Deliberations

11.00 - 11.15 BREAK

11.15 - 12.45 Further Deliberations

12.45 - 1.30 LUNCH

1.30 - 2.45 Further Deliberations

2.45 - 3.00 BREAK

3.00 - 4.00 Further Deliberations

Thursday, 11 March 2004

9.30 - 12.00 Further Deliberations and Recommendations to Council

Council

Thursday, 11 March 2004

12.00 noon Adopt draft Annual Plan and recommendations

TIMETABLE FOR ADOPTION OF FINAL ANNUAL PLAN 2004/2005

The Council has approved the following timetable for the adoption of the Annual Plan for 2004/2005.

DELIBERATIONS ON DRAFT ANNUAL PLAN 2004/2005

Friday, 27 February 2004	9.30 am - 4.00 pm
Monday, 1 March 2004	9.30 am - 4.00 pm
Tuesday, 2 March 2004	9.30 am - 4.00 pm
Friday, 5 March 2004	9.30 am - 4.00 pm
Wednesday, 10 March 2004	9.30 am - 4.00 pm
Thursday, 11 March 2004	9.30 am - 12.00 noon

Council Adoption of draft Annual Plan, Thursday, 11 March 2004, at 12.00 noon.

SUBMISSION PERIOD

13 April 2004 Submissions Open
13 May 2004 Submissions Close

ANNUAL PLAN HEARINGS

Friday, 4 June 2004	9.30 am - 4.00 pm
Tuesday, 8 June 2004	3.00 pm - 9.00 pm
Wednesday, 9 June 2004	3.00 pm - 9.00 pm
Thursday, 11 June 2004	9.30 am - 4.00 pm
Tuesday, 15 June 2004	3.00 pm - 9.00 pm
Thursday, 17 June 2004	9.30 am - 4.00 pm
Friday, 18 June 2004	9.30 am - 4.00 pm

DELIBERATIONS ON FINAL ANNUAL PLAN 2004/2005

Tuesday, 22 June 2004	9.30 am - 4.00 pm
Wednesday, 23 June 2004	9.30 am - 4.00 pm
Friday, 25 June 2004	9.30 am - 4.00 pm
Monday, 28 June 2004	9.30 am - 4.00 pm
Tuesday, 29 June 2004	9.30 am - 12.00 noon

Council Adoption of Annual Plan Tuesday, 29 June 2004, 12.00 noon

CONCLUSION

An indicative presentation timetable to consider information and content for inclusion in the draft Annual Plan 2004/2005 has been provided.

The scheduled approval of the draft Annual Plan on 11 March 2004 by Council will ensure that the statutory requirement to adopt the final Annual Plan by 30 June 2004 will be met.

RECOMMENDATION

That the Annual Plan Process and Timetable report be received.

Report prepared by: Dick Guy, Corporate Planner: Finance.



5 CHIEF EXECUTIVE'S OVERVIEW

PURPOSE OF THE REPORT

This report brings to the Long Term Council Community Plan and Annual Plan Special Committee's attention the process surrounding the preparation of the Annual Plan for 2004/2005. The report outlines the planned work programmes, indicates changes from the Long Term Council Community Plan adopted in 2003, discusses financial issues and the proposed rates requirement. The report seeks a recommendation to Council for adoption of the draft Annual Plan for 2004/2005 for consultation.

BACKGROUND

Council has 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.

This means that in 2004/2005, there is only a requirement to produce an Annual Plan. An Annual Plan is not such a comprehensive document as a Long Term Council Community Plan. The requirements are detailed in Section 95, subsection 5 of the Local Government Act 2002 which states:

The purpose of an annual plan is to:

- (a) contain the proposed budget and funding impact statement for the year to which the annual plan relates; and
- (b) identify any variation from the financial statements and funding impact statement included in the Local Authority's long-term council community plan in respect of the year; and
- (c) support the long-term council community plan in providing integrated decision-making and co-ordination of the resources of the local council; and
- (d) contribute to the accountability of the Local Authority to the community; and
- (e) extend opportunities for participation of the public in decision-making processes relating to the costs and funding of activities to be undertaken by the Local Authority.

PROCESS

The process focused on comparison to year 2 of the Long Term Council Community Plan which was previously approved by Council. Variations were identified and reasons sought for those variations so that these can be summarised in the published draft Annual Plan 2004/2005 document for submissions from the community.

To achieve this and to reflect this legislative requirement, the preparation of the Annual Plan involved the following processes:

- recognition that this is year 2 of the approved Long Term Council Community Plan;
- review of previous Council decisions to ensure inclusion in the plan;
- preparation of a budget guidelines booklet and individual training sessions with each budget holder;
- reviews of budgets to ensure strategic compliance and fiscal responsibilities;
- ensuring that there were no instances that triggered the Significance Policy;
- preparation of Unit Overview Reports.

The format of the Annual Plan will essentially follow that of the Long Term Council Community Plan, together with a summary document.

This plan provides me, as Chief Executive, with the tools necessary to efficiently manage the organisation whilst supporting the Mayor, Deputy Mayor and Elected Members. There are some items in the Unit Overview reports that require special consideration by Council as they are not included in the draft budgets presented to this Committee.

COMPLIANCE WITH THE LOCAL GOVERNMENT ACT 2002 REQUIREMENTS FOR ANNUAL PLAN CONTENT

As mentioned above, the process is to produce an Annual Plan based on the Long Term Council Community Plan adopted June 2003. Schedule 10, part 2 of the Local Government Act details what information is to be included in an Annual Plan. In summary, these are:

- Forecast financial statements;
- Funding impact statement.

The Annual Plan must also contain appropriate references to the Long Term Council Community Plan in which the Local Authority's activities for the financial year covered by the Annual Plan are set out. These are noted in the unit overview reports.

The document will of course contain any other information considered necessary to advise the community of Council's aims and intent for 2004/2005.

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.

This was signalled in year 2 in the Long Term Council Community Plan by rates smoothing, but because of a stringent budgeting process, this smoothing effect has been eliminated from the draft Annual Plan.

There is also a requirement in the Act 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 Annual Plan 2004/2005 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;
- the distribution of benefits between the community as a whole; any identifiable part of the community and individuals;
- the period in or over which those benefits are expected to occur;
- the extent to which the actions or in-actions of particular individuals or a group contribute to the need to undertake that activity;
- 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 the above matters are addressed in Council's Revenue and Financing Policy adopted in June 2003.

The Act also sets out a new 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 in the draft Annual Plan by including:

- the details of the proposal;
- the reasons for the proposal; and
- an analysis of the reasonably practical options to achieve the objective of the proposal.

There are no changes in this Annual Plan which require a statement of proposal.

POLICIES

The Local Government Act 2002 requires Local Authorities to adopt funding and financial policies as set out below. Some of these policies are already in place and others will need to be adopted as part of the overall process. Each policy to be adopted through this Annual Plan process has a separate agenda report to enable consideration of the issues.

When Council adopted its Long Term Council Community Plan, it adopted the following policies:

- a Significance Policy;
- 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.

Policies that require adoption under the Act during 2004/2005 Annual Plan process are:

- a Development Contributions and Financial Contributions Policy;
- a Rates Remission Policy;
- a Rates Postponement Policy.

Policy on Development Contributions and Financial Contributions

The Local Government Act 2002 sets out a requirement for a policy on financial contributions and development contributions. Council has adopted a Financial Contributions policy through the proposed District Plan but this is subject to appeal.

Council has indicated in the Long Term Council Community Plan that a new policy for Development Contributions would be prepared for adoption by 30 June 2004.

This policy must summarise and explain the capital expenditure identified in the Long Term Council Community Plan that the Local Authority expects to incur to meet the increased demand for community facilities resulting from growth, and must state the proportion of capital expenditure that will be funded by development contributions, financial contributions, and other sources of funding. The policy must state what activities Council will seek development contributions or financial contributions for.

Consultation is being undertaken as part of the Annual Plan but will be supplemented by developer focus groups.

Agenda items are scheduled for consideration by the Finance and Operational Performance Committee and the Environmental Management Committee in March 2004. A separate report to this Committee will be circulated and discussed during the deliberations on the draft Annual Plan.

Rates Remission Policy

The policy must state the objectives sought to be achieved by the remission of rates and the conditions and criteria to be met in order for rates to be remitted.

Rates Postponement Policy

This policy must state the objectives sought to be achieved by postponement of the requirement to pay rates and the conditions and criteria to be met in order for the requirement to pay rates, to be postponed.

The Finance and Operational Performance Committee is considering these rating policies and will be recommending them to Council.

Adoption of Policy Documents

The above policies must be consulted upon and it is practical to include them as part of the draft Annual Plan consultation process, and the documents will be appended to the draft Annual Plan so that submissions can be received and considered through the consultation process. The policies must be adopted by 30 June 2004 and will be effective from 1 July 2004.

Other Policies

There are a range of policies to be developed in 2004/2005 - of these, only the policies noted above are specific requirements of the Local Government Act 2002. Other policies are driven by identified needs for the strategic development of the city, or separate central government legislation. Some of the additional policies to be delivered in the coming year will address:

- Alcohol;
- Sustainable Housing;
- Parks and Open Space;
- Facility Partnerships;
- Treaty of Waitangi Framework.

STRATEGIC CONTEXT

Council's activities are being carried out within national and regional strategic frameworks which are increasingly favourable to the sustainability principles of Agenda 21, and the methodologies of partnership. Relevant government strategies include, amongst others:

- Sustainable Development Programme of Action;
- Local Government Act 2002;
- Land Transport Management Act;
- Building Bill;
- Waste Minimisation Strategy;
- Agenda for Children;
- Growth and Innovation Framework;
- Anti Violence Strategy;
- Changes to Resource Management Act.

Council continues to be well placed to take advantage of this framework.

The Government's Sustainable Development Programme of Action features Sustainable Cities, with a strong emphasis on Auckland issues, Energy, Water, and investing in Child and Youth development. This programme was established in January 2003. Over the past 12 months, progress has been made on developing a joint programme. To develop the Auckland regions' urban sustainability, specific projects will be considered by Councils in February 2004 and March 2004, but most initiatives under consideration are already part of Waitakere's Strategic Programme.

The Local Government Act 2002 has required considerable work over the last year as staff ensured that all the requirements of the Act were met. The Act has a particularly strong emphasis on community consultation, long term planning and participation, which this Council has been practising and developing for many years. The main areas of work for 2004/2005 will be the Water Services Assessment, the development of service level assessment for Asset Management as part of the preparation for the Long Term Council Community Plan for 2006.

DELIVERY OF STRATEGIC OUTCOMES

A schedule of major programmes over the ten-year timeframe is part of the Long Term Council Community Plan document and has been updated in preparation for the draft Annual Plan 2004/2005 documentation. This is a summary of the strategic platforms information and provides easily accessible information on key ten-year projects for Councillors, staff and the community.

The following is a list of highlights for inclusion in the Annual Plan 2004/2005. This is a summary of major projects to be completed in the 2004/2005 year. More details are available in Unit Overview reports.

Urban and Rural Villages

- Sustainable code of urban engineering - will support innovation;
- Heritage Manager - to support heritage coordination and actions;
- Major centres support - investment in major town centres;
- Continuation of the development of Harbourview/Orangihina.

Integrated Transport and Communication

- Transport - bus, rail, cycleway support;
- Travel demand management for schools;
- Station development at New Lynn;
- 3 Park and Rides developed;
- Clark Street reconstruction and rehabilitation;
- Broadband installation developed.

Strong Innovative Economy

- Implement Economic Development Strategy;
- Employment and Skills project continued;
- Incubator in Henderson continued;
- City promotion - high profile events, arts programmes;
- One Stop Shop (including Developer Relationships Manager) fully established.

Strong communities

- Partnerships ongoing - for example, Te Taumata Runanga, Iwi, Pacific Island Advisory Board, Waitakere Wellbeing Collaboration Project, Waitakere Education Sector Trust, Auckland Regional Economic Development Strategy, Regional Growth Forum;
- Stadium completed - planning and design to increase grandstand capacity to 12,000;
- New migrant and ethnic communities support continuing;
- Ranui Action Project final year;
- Safe Waitakere ongoing - youth, crime, drugs, alcohol and injury prevention programmes.

Active Democracy

- Local Government Act implementation;
- Civics education underway in schools;
- One Stop Shop services available;
- E-government and E-citizenship programmes developed in Library Learning Centres;
- Consultation with community for service levels and projects.

Green Network

- Ranges protection project underway;
- Ecomatters Trust and Keep Waitakere Beautiful supported;
- Park rangers supported;
- Historic jetty at Tui Glen restored and Art Jetty at Waitakere Stadium.

Three Waters

- Water Services Assessment;
- Phased introduction of Air, Land and Water Plan;
- Preparation for routing of fibre cable for broadband as part of infrastructure development;
- Twin Streams project (expanded to Henderson Creek, Pixie, Swanson and Waikumete Streams).

Sustainable Energy and Clean Air

- Climate Change protection project;
- Energy and Air forum;
- Biodiversity programme forum and programme;
- Community based sustainable housing and retrofits in New Lynn;
- Incentives for vehicle emissions testing at Council's vehicle testing station.

Zero Waste

- Action plan for targets in the Long Term Council Community Plan;
- Education and promotion programmes for waste minimisation;
- Enviroschools programme;
- Increased recycling through resource recovery 'poozling' centre;
- Business liaison programme for hazardous substances substitution.

However, in order to ensure implementation of key projects, considerable preparation and planning also needs to continue concurrently. The major developmental work underway includes:

- Northern Strategic Growth Area planning, Whenuapai, Hobsonville, State Highway 16/18 motorway;
- Community engagement - community outcomes review and Long Term Council Community Plan preparation;
- Development contributions 2006;
- Asset Management Plans and service level reviews and updating;
- Continued organisational development through performance development and other programmes for staff development;
- State Highway 20 motorway - planning for impacts on Waitakere.

However, some projects have been deferred for a range of reasons - budgetary constraints, awaiting Central government decisions, or unavoidable delays. These are signalled in detail in the Unit Overview reports.

There are also items not included in the budget, and these are also detailed in the Unit Overview reports.

REGIONAL DEVELOPMENTS

Major programmes of work for 2004/2005 will be the reviews of the Regional Policy Statement and the Regional Land Transport Strategy, and required changes to Waitakere's District Plan arising from those reviews. The region will be establishing new transport governance arrangements that will affect the Council's funding and planning arrangements. This programme of work is required by June 2005 to enable access to the transport funds from Central Government. The work is currently being scoped by regional teams but will affect staff work programmes considerably.

Other regional issues such as Shared Services, Watercare and the Auckland-only provisions of the Local Government Act, the governance of Auckland Region Economic Development Strategy and other regional strategy development such as the Migrant Policy will continue to influence budgets and staff work programmes in currently unforeseeable ways.

Also under discussion among the regions officers are the development of regional Long Term Community Plans. While still in development phase, current thinking is that the regional Long Term Council Community Plans will be developed from community outcomes already adopted by each Local Authority, or by working alongside Councils who are still developing theirs.

One of the main concerns this Council would have over the increasing level of regional planning is the potential for local community input to be lost or swamped by larger or more organised groups.

For a number of years, Council has discussed in various forums the issues around marketing, branding and imaging the city in order to increase the economic base. This kind of work is noted as a component of the draft Economic Development Strategy. This work is not funded in the draft Annual Plan but some budget implications are noted in the Strategy and Development overview 'omissions' section.

The regional programmes and issues include:

- Transport funding and governance;
- Changes to Regional Policy Statement and District Plans;
- Northern sector planning - joint approach to economic development, budgeting, urban development issues, shared areas of Central Government agencies and sharing information;
- Auckland Regional Economic Development Strategy - proposed change in governance;
- Watercare;
- Sustainable Programme of Action - regional projects and programmes.

The draft budgets makes provision for the following project costs to support these regional issues.

Auckland Regional Economic Development Strategy	100,000
Urban Development and Design	28,500
Transport Strategy	140,000
Auckland Regional Transport Network Limited Operations Funding	300,000
Transport Governance	50,000
Total	\$618,500

This does not include any staff time but there will be considerable staff resources needed to deliver these.

Capital Expenditure for Passenger Transport totals \$2,950,000 in 2004/2005.

KEY ISSUES FOR CONSULTATION

The following key issues have been identified for separate attention in the draft Annual Plan:

- Development Contributions and Financial Contributions policy;
- Economic Development Strategy and associated issues such as the Business Incentives package;
- Kaikoura Island support;
- Auckland Regional Economic Development Strategy governance;
- Rates Remission;
- Rates Postponement;
- Heritage Strategy and Action Plan;
- Water Services Assessment.

The Dog Policy and the Gambling Policy will be signalled in the draft Annual Plan but will follow separate consultation processes in order to tie in with regional timeframes.

The Committee may, during its deliberations, determine other areas that they wish to highlight.

SUMMARY OF OVERALL RATE REQUIREMENT 2004/2005

Comparison to Year 2 of the Long Term Council Community Plan (2004/2005)

The Long Term Council Community Plan indicated a rates increase of 9.33% before the "smoothing adjustment" of \$4.1 million and 4.75% after smoothing. Included in these increases was an amount of approximately \$1.2 million for anticipated savings to be identified.

The draft budgets presented here, together with the rate increase, have eliminated the "smoothing adjustment" and the anticipated savings line which totalled approximately \$5.3 million. This was achieved by a combination of:

- Diligence in the budgeting process;
- Use of asset sales;
- Higher rating base growth than anticipated, (based on previous years' experience);
- Expected carry forward surplus from 2003/2004

Individual variances within the cost of service statements and capital expenditure schedules, will be commented upon in the actual document.

The **Council Controlled** rate increase in the draft Annual Plan is 3.53%.

This rates increase is made up of costs that are driven by growth and previous decisions of Council. In addition to this are increases in regional levies of 0.90%.

The key influences on the rates increase are interest, increased maintenance of additional assets and increased use of Council services and facilities as a result of growth.

Costs of Growth

Waitakere is one of the fastest growing cities in the country. It also belongs to a fast growing region and these factors combined put increasing pressure on Council costs. On average, Waitakere City can expect to grow by around 1,000 dwellings (3,000 people) each year.

Growth is not steady. In some years the market for new dwellings is buoyant and in other years quiet. However, the main underlying drivers in growth in households, population growth, and internal migration are not going to change. It is the Council's job to plan long term to accommodate future growth, while remaining informed about short term market swings.

The additional rates estimated to be received into the City in 2004/2005 from properties created in 2003/2004 is expected to be at \$1.41 million. This is offset by increased costs shown below:

Growth Component	2003/2004 \$000s	2004/2005 000s	Increase
Interest	7,307	8,354	1,047
Use of Facilities	6,991	7,777	786
Increased Maintenance	19,672	20,501	829
Total	33,970	36,632	2,662

Mechanisms used to mitigate the rate increase

In determining the rate increase, the following factors (\$000s) were taken into account:

Rating base growth	1,410
Asset Sales	4,650
Anticipated Surplus from 2003/2004	1,252

The asset sales figure includes the sale of 81A Godley Road and anticipated proceeds from Waitakere Properties Limited. The figure for the Waitakere Properties Limited distribution is conservative as it is considered prudent to keep some back for 2005/2006, when it is anticipated that the distribution will be a lot less.

This lesser distribution will generate intense pressure on the 2005/2006 budgets, especially with the anticipated increase in interest and depreciation costs.

Anticipated Surplus from 2003/2004

Following the 6 monthly review, there is predicted to be a surplus from 2003/2004 of \$1,252,000.

The surplus is predicted after covering for a projected loss on the Aquatic Centre operations of \$862,000 and the need to recover approximately \$1.3 million in "corporate efficiency savings" identified in the Annual Plan.

This has been achieved primarily through interest savings on deferred capital works, extra revenue in Consents and Field Services, revised project costs and extra revenue in Solid Waste, financial contributions within Stormwater and Wastewater operations and other miscellaneous items.

Interest and Debt

There is an increase in loan interest expense of approximately \$1 million. This amount is considerably less than expected because of the amount of loan funded carried forward into 2003/2004 and expected carry forwards into 2004/2005. The loan interest increase is purely due to the capital works programme that Council approves on an annual basis.

The approved **new** loan programmes over the past four years is shown below:

	<u>\$ Millions</u>
2000/2001	20.73
2001/2002	56.46
2002/2003	49.67
2003/2004	47.60

Over the past four years, the approved capital works programme has been unable to be completed within the approved financial year as a result of capacity issues, tendering, timing or external factors such as acquisition or negotiation with affected parties.

For every \$10 million of new capital loan funded expenditure, there is an associated ongoing interest cost of \$750,000 budgeted on an annual basis. In the year in which the new capital expenditure is approved, the full interest charge is not provided for in the Annual Plan, as the loans are not raised on the 1st of July each year. An assessment of the project is undertaken and in most cases only one quarter of the interest payment required is provided for.

This draft Annual Plan makes no provision for interest on strategic land purchases, as there is uncertainty over the acquisition of the land in question.

If the budgeted capital works programme was completed in its entirety, there would be an increase in interest costs of over \$4 million dollars which would approximate to a rates increase of 4.5%. If depreciation was included, this could rise to 6%.

The management of debt and interest expense is controlled through the Council's Liability Management and Investment Policy. Interest expense exposure is managed on a daily basis and the Finance and Operational Performance Committee is informed monthly of financial instruments that have been entered into to limit interest rate risk.

Details of Rate Increase (\$000s)

Analysis of Rate Increase	2004/2005 Draft Budget	2003/2004 Budget	Change	2004/2005 LTCCP	Change
Details					
Council Rates Funded Expenditure	82,985	77,763	5,222	85,921	(2,936)
External Levies	16,841	16,035	806	16,036	805
Total	99,826	93,798	6,028	101,957	(2,131)
Offset by:					
Sale of Assets	(4,650)	(3,000)	(1,650)	(3,800)	(850)
Carried Forward Surplus	(1,252)	(2,269)	1,017	0	(1,252)
Total	(5,902)	(5,269)	(633)	(3,800)	(2,102)
Net Increase	93,924	88,529	5,395	98,157	(4,233)
Main Components of Council Increase					
Growth	2,662				
Insurance Premiums	171				
Aquatic Centre	984				
Other Net Costs	1,405				
Total Increase as per Above	5,222				

Percentage Increase as Follows:	2004/2005 Draft Budget	2004/2005 LTCCP
Rates for 2003/2004	88,529	88,529
Rating Base Growth	1,410	1,250
New Base for Calculation	89,939	89,779
Percentage Increase		
Rates Requirement for 2004/2005	93,924	98,157
Increase on New Base	3,985	8,378
Less Increase in External Levies	806	1
Council Increase	3,179	8,377
Council Percentage Increase	3.53%	9.33%
External Levies Percentage Increase	0.90%	0.00%

CONCLUSION

The draft Annual Plan submitted for this Committee's consideration is the culmination of a process that started in September 2003 and has been through many iterations to produce a work programme that is both sustainable and capable of delivering on Council's strategic direction.

RECOMMENDATIONS

1. That the Chief Executive'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 Annual Plan and recommend to Council for adoption and public consultation

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

