



Waitakere City Council
Te Taiao o Waitakere

AMENDED NOTICE OF THE FIRST MEETING OF THE 2004-2007

LONG TERM COUNCIL COMMUNITY PLAN AND ANNUAL PLAN SPECIAL COMMITTEE

Pursuant to Clause 21 of Schedule 7 of the Local Government Act 2002, I hereby give notice that that the First Meeting of the 2004-2007 Long Term Council Community Plan and Annual Plan Special Committee will be held on:-

<u>DATE:</u>	Tuesday, 22 February 2005	<u>TIME:</u>	9.30 am
	Friday, 25 February 2005		9.30 am
	Monday, 28 February 2005		9.30 am
	Tuesday, 1 March 2005		9.30 am
	Wednesday 2 March 2005	<u>REVISED:</u>	12.30 pm

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.

17 February 2005

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

MEMBERSHIP:

Councillor	JM	Clews, QSO, JP (Chairperson)
Mayor	RA	Harvey, QSO, JP (Deputy Chairperson)
Deputy Mayor	CA	Stone (Deputy Chairperson)
Councillors	DQ	Battersby, JP
	PJ	Booth, OBE
	MFP	Chan, JP
	RI	Clow
	LA	Cooper
	AK	Corban, OBE, JP
	RP	Dallow, QPM, JP
	WW	Flaunty, QSM, JP
	DE	Gilmour
	PA	Hulse
	JP	Lawley
	VS	Neeson, JP

(Quorum 5 members)

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(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.)

**AGENDA FOR THE FIRST MEETING OF THE 2004-2007 LONG TERM COUNCIL
COMMUNITY PLAN AND ANNUAL PLAN SPECIAL COMMITTEE TO BE HELD
IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,
WAITAKERE CITY, ON TUESDAY, 22 FEBRUARY 2005,
COMMENCING AT 9.30 AM.**

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IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,
WAITAKERE CITY, ON TUESDAY, 22 FEBRUARY 2005,
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1 APOLOGIES



2 URGENT BUSINESS

Section 46A(7) 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 Committee by resolution so decides; 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 and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

The Committee may make a decision on a matter determined to be urgent.

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



3 ANNUAL PLAN PROCESS AND TIMETABLE

PURPOSE OF THE REPORT

This 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 2005/2006 and the indicative timetable to meet the planned adoption date of 2 March 2005.

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 Additional Reports
- Section D Unit Budgets

Monday, 28 February 2005

9.30 am - 11.00 am Further Deliberations

11.00 am - 11.15 am BREAK

11.15 am - 12.45 pm Further Deliberations

12.45 pm - 1.30 pm LUNCH

1.30 pm - 2.45 pm Further Deliberations

2.45 pm - 3.00 pm BREAK

3.00 pm - 4.00 pm Further Deliberations

Tuesday, 1 March 2005

9.30 am - 11.00 am Further Deliberations

11.00 am - 11.15 am BREAK

11.15 am - 12.45 pm Further Deliberations

12.45 pm - 1.30 pm LUNCH

1.30 pm - 2.45 pm Further Deliberations

2.45 pm - 3.00 pm BREAK

3.00 pm - 4.00 pm Further Deliberations

Wednesday, 2 March 2005

12.30 pm - 1.00 pm Further Deliberations and recommendation to Council

Council

1.00 pm Adopt draft Annual Plan and recommendations

TIMETABLE FOR ADOPTION OF FINAL ANNUAL PLAN 2005/2006

The Council has approved the following timetable for the adoption of the Annual Plan for 2005/2006.

DELIBERATIONS ON DRAFT ANNUAL PLAN 2005/2006

Tuesday, 22 February 2005	9.30 am - 4.00 pm
Friday, 25 February 2005	9.30 am - 4.00 pm
Monday, 28 February 2005	9.30 am - 4.00 pm
Tuesday, 1 March 2005	9.30 am - 4.00 pm
Wednesday, 2 March 2005	12.30 pm - 1.00 pm

Council Adoption of draft Annual Plan, Wednesday, 2 March 2005, 1.00 pm.

SUBMISSION PERIOD

4 April 2005 Submissions Open
4 May 2005 Submissions Close

ANNUAL PLAN HEARINGS

Friday, 27 May 2005	9.30 am - 4.00 pm
Monday, 30 May 2005	9.30 am - 4.00 pm
Tuesday, 31 May 2005	9.30 am - 4.00 pm
Friday, 3 June 2005	9.30 am - 4.00 pm
Tuesday, 7 June 2005	3.00 pm - 9.00 pm
Wednesday, 8 June 2005	3.00 pm - 9.00 pm
Thursday, 9 June 2005	3.00 pm - 9.00 pm

DELIBERATIONS ON FINAL ANNUAL PLAN 2005/2006

Monday, 20 June 2005	9.30 am - 4.00 pm
Tuesday, 21 June 2005	9.30 am - 4.00 pm
Friday, 24 June 2005	9.30 am - 4.00 pm
Monday, 27 June 2005	9.30 am - 4.00 pm
Tuesday, 28 June 2005	9.30 am - 12.00 noon

Council Adoption of Annual Plan Friday, 28 June 2005, 12.00 noon.

CONCLUSION

An indicative presentation timetable to consider information and content for inclusion in the Draft Annual Plan 2005/2006 has been provided.

The scheduled approval of the Draft Annual Plan on 2 March 2005 by Council will ensure that the statutory requirement to adopt the final Annual Plan by 30 June 2005 will be met.

RECOMMENDATION

That the Annual Plan Process And Timetable report be received.

Report prepared by: Bob Preston, Group Manager: Financial Management.



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 process surrounding the preparation of the Annual Plan for 2005/2006. The report outlines the planned work programmes, indicates changes from the Long Term Council Community Plan adopted in 2003, and discusses financial issues and the proposed rates requirement. The report seeks a recommendation to Council for adoption of the draft Annual Plan 2005/2006 for consultation.

BACKGROUND

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 2005/2006, 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 the delivery of the programmes identified in year 3 of the Long Term Council Community Plan. Also considered were the implications of the work programme in the 2004/2005 Annual Plan.

To achieve this, the preparation of the Annual Plan involved the following:

- Recognition that this is year 3 of the approved Long Term Council Community Plan.
- Assessing the implications of the approved work programme in the 2004/2005 Annual Plan.
- Reviewing 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 proposals or other instances that triggered the Significance Policy.
- Preparation of Unit Overview reports.

This Plan provides me, as Chief Executive Officer, with the tools necessary to efficiently manage the organisation whilst supporting the Council to achieve its strategic goals. 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, but are likely to contribute further to progress toward Council goals and community outcomes.

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 2005/2006.

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 indicated in years 2 and 3 in the Long Term Council Community Plan by rates smoothing, but because of a stringent budgeting process and use of other funding mechanisms, this smoothing effect has been eliminated from the draft Annual Plan.

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 Annual Plan 2005/2006 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 and 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.
- 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 Local Government Act 2002 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.
- An analysis of the reasonably practical options to achieve the objective of the proposal.

The Council holds shares in Auckland Regional Transport Network Limited, together with other Local Authorities in the region. These shares are identified as a strategic asset in Council's Significance Policy.

As part of the regional changes to the transport structure, if it is agreed, these shares or the assets of Auckland Regional Transport Network Limited will transferred to Auckland Regional Holdings Limited. Either way, Council will recover the capital that it has put in.

Once defined as a strategic asset in the Significance Policy, any significant changes to Council's ownership or control requires a special consultative procedure to implement this change. This consultation will take place concurrently with the Annual Plan consultation.

POLICIES

The Local Government Act 2002 requires Local Authorities to adopt funding and financial policies as set out below.

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 adopted during the Annual Plan 2004/2005 process were:

- A Development Contributions and Financial Contributions Policy.
- A Rates Remission Policy.
- A Rates Postponement Policy.

STRATEGIC OVERVIEW

Year 3 of the 2003/2013 Long Term Council Community Plan provides for the delivery of key projects such as Waitakere Central (including the rail, Civic and commercial components), major libraries in Henderson and New Lynn (together with expanded service delivery), rail station development and significant gains in the physical (water, stormwater, parks) and social (education, health, housing) infrastructure of the City. These projects and programmes lie at the heart of the City's sustainable development strategy. It includes and provides for the strengthening of the local economy and for the protection and restoration of ecological systems including the Ranges, the waterways and harbours. Much of this work has been done with partners – from the community, business, universities and research institutes, central, regional and local government agencies in increasingly focused and productive partnership arrangements.

In recent years national and regional strategic policies and funding systems (while acknowledging the limits of a property based rating system) have been more favourably aligned with Waitakere City Council programmes for encouraging and implementing sustainable city strategies. Among the key initiatives since the Local Government Act 2002 came into effect are the following:

Central Government changes/policy platforms:

- Sustainable Development Programme of Action.
- Kyoto Protocol implementation.
- Urban design protocol.
- Transport package for Auckland (\$1.6 billion).
- New Zealand Transport Strategy (plus new funding criteria / structures).
- New Zealand Housing Strategy (draft).
- Early Childhood Education (Strategic Plan).
- Prostitution, gambling, drugs initiatives (and legislation).
- Youth in Transition (funding to Local Government).
- Cluster development (film, seed funding).
- Re-organisation of Government departments to reflect a “whole of Government” approach.
- A range of Central Government and regional initiatives (transport, sustainable development, youth initiatives).

New legislation includes:

- Local Government Act 2002 (ongoing implementation).
- Land Transport Management Act 2003 (new goals and consequential funding).
- Local Government (Auckland) Amendment Act (2004) (ties transport priorities to land use consolidation and gives direction to the Environment Court).

Regional changes:

- Auckland Regional Council has enhanced social and economic roles and changed transport responsibilities.
- Auckland Regional Transport Authority and Auckland Regional Holdings Authority established - replacing and including the role of the Infrastructure Auckland and in July 2005, Auckland Regional Transport Network Limited.

Among these changes, the most important for Waitakere City in 2005/2006 is transport restructuring (and increased funding) to accelerate the completion of the core motorway network, improve public transport systems and introduce better methods to manage demand on road systems. In 2002 when the current Long Term Council Community Plan was under preparation, little progress could be made on regional transport priorities. This reflected the then ownership of key assets, the demand-led basis for asset development and funding, and lack of unity regionally and between regional and central government on priorities and solutions. Since 2003 significant changes have occurred in transport management, strategic priorities and funding nationally and regionally. Relatively small amounts of funding were provided for in the Long Term Council Community Plan (year 3) as the Plan included only items where the funding could be specified in 2003. In 2005/2006 the funding environment is significantly different with \$160 million funding available to the Regional Transport Programme. Priorities have been agreed regionally, with Waitakere likely to receive approximately 17% of the additional regional funding. To uplift these funds Council will need to contribute funding and resources to ensure delivery.

DELIVERY OF STRATEGIC OUTCOMES

The Long Term Council Community Plan identified a schedule of major programmes to be delivered over the 10 year period on a year by year basis.

The following is a list of highlights for inclusion in the Annual Plan 2005/2006. More details are available in Unit Overview Reports:

Urban and Rural Villages

- Waitakere Central completed.
- Massey North Centre land release begins.
- Waitakere Central Library (with Unitec) completed.
- Progress development of arts / cultural precincts at Corban Estate and Lopdell House.
- Pacific Island Advisory Board cultural centre (design phase continues).
- Quality affordable housing strategy progressed.
- Quality urban design programme progressed.

Integrated Transport and Communication

- Upgrading of stations and double tracking from Henderson to Fruitvale.
- Complete park and rides (Henderson).
- Land purchase and design of New Lynn Transport Interchange.
- Advocate for high frequency buses on key routes (implementation target late 2006).
- Advocate for broadband linkages extension.
- Bus lane planning underway (Lincoln/Te Atatu Road) – (in Transport Assets).
- Bus service/integration improvements including real time information (in Transport Assets).
- Whau crossing planning.
- Parking facilities at West Harbour.

Dependant on additional Council and external funding (not currently funded):

- Completion of Waitakere Central transport components (Henderson).
- Transport interchange and precincts.
- Three rail station precincts (Fruitvale, Glen Eden, Sunnyvale).
- Cycle walkway.
- Travel demand management (school / business travel plans infrastructure requirements).
- Park and rides (facilities at Sunnyvale, design Glen Eden and Sturges).
- Bus signage and shelters.
- Land purchase and design of bus park and ride (Massey North / Westgate).

Strong Innovative Economy

- Youth employment targets reached.
- Massey North Centre land release.
- Continuing support to film and marine industry clusters.
- A Sustainability Institute (likely to evolve from current initiatives such as Beacon and other research programmes).
- Continued support to Hobsonville, Whenuapai and Massey North/Westgate development.

Strong Communities

- Collaboration calls to action implemented (housing, information technology, youth skills).
- Improved early childhood education.
- Sustainable and affordable housing programme.
- Increased information technology access for citizens.
- Barrier free access at Waitakere Central.
- Youth facility (Henderson) project planning.

Active Democracy

- Increased youth participation in decisions.
- Increased participation by ethnic, migrant, refugee communities.
- Treaty of Waitangi framework progressed.
- Schools programme on civics and sustainability (national and regional initiative).

Green Network

- Waitakere Ranges and Foothills project advanced to implementation stage.
- Harbourview/Orangihina Park progressed (boardwalks, planting).
- Heritage strategy for Council owned sites.
- Land purchases for parks in growth areas.
- Eco sourcing planting extended (Paremutka, Ranui, Te Atatu, Whenuapai).
- Integration of green network and urban development pilots underway in Twin Streams and Northern Strategic Growth Area.
- Harbour (Waitemata) walkway consents progressed.
- Second stage Swanson Rail Station Park.
- Parks improvements (e.g. Te Pai Courts, Shadbolt Park, Tui Glen).

Three Waters

- Complete web based sustainability management tool (TUSC).
- Develop and progressively implement findings from sustainable water/land management research programmes (eg. Landcare, Ministry for the Environment, University of Auckland, Building Act/Code).
- Integrate best practice for sustainable catchment management with community initiatives (Twin Streams, Eco Matters Trust).
- Continue systematic improvements e.g. New Lynn catchment programme year 6 of 8 year programme.

Sustainable Energy and Clean Air

- Continued focus on corporate energy efficiency initiatives.
- Continued support for home energy efficiency programme (external funding Council supported).
- NOW House performance monitored (New Lynn part of Beacon Pathways research project).
- Travel demand programmes for schools and business planned (to decrease vehicle emissions).
- Quality Council buildings built - demonstrate high quality energy efficiency in New Lynn and Henderson.

Zero Waste

- Implementation of Waste Bylaw to progress zero waste target.
- Improved separation of waste at Transfer Station.
- Development of Recycling Recovery Centre at the Transfer Station.

This programme will enable Council to contribute to its key priorities including:

- Better integration of the transport network and land use (focussing on town centres).
- Better protection of outstanding natural and cultural landscapes (the Waitakere Ranges and Foothills).
- Higher quality built environment in both amenity and quality outcomes (e.g. energy efficiency, economic environmental and social impacts).
- Strengthening the economic base of the City by attracting key investors and supporting existing business.
- Reduced waste and improved environmental quality results.
- Contribute to quality of life of residents and ratepayers.

ECONOMIC DEVELOPMENT

While the emphasis with regard to Economic Development is on improving the overall environment for business, Council will continue to invest in ventures that encourage investment in the City by major players. In 2005/2006 the Council will be directly involved in major projects of urban renewal in all the key town centres and in collaborating with other major agencies regionally and nationally to begin to introduce a modern, integrated transport system.

The Council initiatives in Henderson in particular (but also New Lynn and Massey North/Westgate) will see a quantum strengthening of the City's key centres. The Council will continue to support the exciting proposals for Westpark Marina.

Council has also allocated resources to working with investors to try to grow and attract employment and investment activity.

REGIONAL DEVELOPMENT

Regional programmes relating to land use planning (such as the Regional Policy Statement and District Plan work) arising from LG(A)AA, from recent transport sector changes and new funding availability described earlier will continue. The result will be significant progress on the City's rail and roading networks and greatly increased access for citizens to both bus and rail based public transport. Key initiatives to reduce peak hour car use by encouraging alternatives will be progressed through travel demand management programmes. The benefits for business and freight transport to be gained from relieving congestion are substantial.

There is extensive regional collaboration on the quality of built environment, migrant settlement, policing, safety, economic development, stormwater initiatives and other programmes including funding options.

While the programme proposed for 2005/2006 is strong on delivery of on the ground projects such as Libraries, Waitakere Central, Harbourview (Orangihina) Park, the rail/roading network, it also provides resources to develop the city of the future. This includes investment in asset management, in the development of new landscape and housing/building technologies, on building and supporting community capacity, and on collaborating with Government, iwi, business and community groups who concurrently are investing time and resources into the City's future. The Council's ongoing support for initiatives from the diverse communities of Waitakere is provided for in the plan.

Costs associated with regional development are:

Operating Costs	2004/2005 Budget \$	2005/2006 Draft Budget \$
Chief Executive Officer Regional Projects	0	100,000
Urban Intensification Growth Management Plan	72,000	75,000
Monitoring RGS Implementation	9,500	0
Regional Settlement Strategy	0	7,000
Transport Strategy	140,000	246,500
Regional Transport governance	50,000	50,000
ARTNL operations funding	30,000	0
Total	301,500	478,500
 Capital Expenditure		
Rail park and ride	400,000	190,000
Bus park and ride	50,000	100,000
Rail stations	150,000	50,000
Ferry facilities and park and ride	100,000	0
Old Henderson Station relocation	20,000	0
Rail corridor walk cycle - \$1.7m total, possible 75% IA funding	0	50,000
New Lynn Town Centre transport interchange and road development	2,000,000	6,250,000
Travel Demand Management Plans	500,000	0
Travel Plans (physical works)	0	180,000
Signal pre-emption for buses	0	50,000
New Lynn transit exchange	0	200,000
Bus/HOV lanes, advance areas and signals	25,000	0
Regional Integrated Traffic Management	175,000	250,000
Henderson transit exchange	100,000	886,000
Waitakere Central traffic lights and widening	300,000	300,000
New Lynn transport design	10,000	100,000
Total	3,830,000	8,606,000

FORWARD PLANNING

In the coming year Council will work closely with the communities of the City and other key stakeholders to identify where the City should be heading over the next 10 years, what the priorities are and how those preferences can be turned into real actions. Council officers will be doing extensive work on forecasting the ways assets and services need to be developed to support the growth and prosperity of the City and its citizens over the 10 year period and into the future. There is significant work underway in Council and nationally to identify the most robust methods of funding the growth requirements of urban areas such as Waitakere. Clearly my focus will also be on improving the quality of service delivery to citizens and the businesses operating in the City.

SUMMARY OF OVERALL RATE REQUIREMENT 2005/2006

Comparison to Year 3 of the Long Term Council Community Plan (2005/2006)

The Amended Long Term Council Community Plan indicated a rates increase of 5.45% before the “smoothing adjustment” of \$5.9 million and 3.75% after smoothing.

The draft budgets presented here, together with the rate increase, do not include this “smoothing adjustment” This was achieved by a combination of:

- Diligence in the budgeting process.
- Funding mechanisms (see below).
- Expected carry forward surplus from 2004/2005 and an additional surplus from 2003/2004 as reported to the Finance and Operational Performance Committee in October 2004.

The **Council Controlled** rate increase proposed for the draft Annual Plan is 6.45%.

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 0.77%.

The key influences on the rates increase are interest, increased maintenance of additional assets, significantly reduced use of proceeds from asset sales 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 2005/2006 from properties created in 2004/2005 is expected to be at \$1.41 million. This is insufficient to cover the costs of growth.

These are:

Growth Component	2004/2005 \$000s	2005/2006 \$000s	Increase \$000s
Net Interest & Depreciation	28,529	30,418	1,889
Use of Facilities	8,514	9,763	1,249
Increased Maintenance	27,892	29,432	1,540
Total	64,935	69,613	4,678

Mechanisms used to mitigate the rate increase

In prior years, Council has used various mechanisms to reduce the impact of proposed rate increases. Some of these are not available in 2005/2006.

A comparison of proposed mitigation mechanism for 2004/2005 and 2005/2006 are:

Details	2004/2005 \$000s	2005/2006 \$000s	Change \$000s
Adjustments & Offsets			
Proceeds from Sale of Assets	(4,650)	(900)	3,750
Surplus Brought Forward	(1,645)	(1,040)	605
Anticipated Surplus 2004/2005	0	(1,360)	(1,360)
ARTNL Shares Proceeds	0	(400)	(400)
Additional Share Proceeds from UnitedNetworks Limited	0	(100)	(100)
External Levy Surplus	(1,500)	0	1,500
Depreciation Not Funded	0	(3,826)	(3,826)
Total Adjustments	(7,795)	(7,626)	169

Asset Sales Proceeds

For a number of years there has been a reliance upon a distribution of profits from Waitakere Properties Limited. Those distributions, mainly arising from the development of Harbourview land, were signalled in the Long Term Council Community Plan to reduce in 2005/2006. The use of the asset sales proceeds to reduce the rate requirement has been recognised as not being sustainable in the long term. The decrease in available asset sales proceeds alone has contributed to upward pressure on the rate requirement of 4.00%.

Other Adjustments

As can be seen from the above table, the proceeds from sale of assets has been reduced as has the available surpluses. There is an expected return from the transfer of the Auckland Regional Transport Network Limited shares and there is a final distribution of the proceeds of the shares in UnitedNetworks Limited.

To lessen the impact of the rates increase in 2005/2006, it is proposed that not all depreciation be funded. There are buildings that will not be replaced such as the existing Civic Centre, the old Henderson Library, Civil Defence Headquarters, Heritage Buildings and other miscellaneous properties.

It is also believed that depreciation on new facilities like the Glen Eden Library, Massey Facility, Westwave and the New Lynn Community Centre should not be funded in the early years of their lives as expected renewals are minimal. These assets are being fully maintained.

In addition, it is proposed that not all the depreciation on infrastructure be funded. This is because:

- Sufficient funding is being provided to ensure that assets are being maintained in 2005/2006.
- Detailed activity plans for each asset type are currently being prepared for the 2006/2016 Long Term Council Community Plan. These plans will re-assess future funding and the asset lives. Asset lives are the key determinant in assessing realistic and meaningful depreciation needs.
- Infrastructure depreciation is at best, an estimate. Changing technologies and methods of managing infrastructure is occurring which may well impact on future depreciation.

Anticipated Surplus from 2004/2005 (Six Monthly Review)

Following the 6 monthly review, there is predicted to be a surplus from 2004/2005 of \$1.36 million.

Expenditure levels are currently in line with budgets but revenue is greater than expected because of increases in activity in Solid Waste, Consents and Field Services. There are also "one-off" adjustments as a result of changes to contracts in Animal Welfare and the Quarry. These, together with expended revenue growth, have been factored into the 2005/2006 budgets.

Interest and Debt

The increase in the interest requirement for 2005/2006 is \$2.473 million of which, \$0.346 million is to be funded. The details are:

	\$ Millions
Capitalisation of interest during construction of Waitakere Central and the new Henderson Library (funded from Loan)	1.377
Special fund interest adjustments	0.750
Interest to be funded	0.346
Total	2.473

It is a generally accepted accounting practice to capitalise interest during the construction period of major projects. It is proposed to do this for Waitakere Central and the new Henderson Library.

The special funds interest adjustment is the non-allocation of interest income to some special funds in 2004/2005 and future years.

The following funds will still accrue interest:

- Community Wellbeing Fund.
- Cemetery Fund.
- Harbourview/Orangihina Fund.

The main fund that will not accrue interest is the Land Subdivision Reserve Fund which had a balance of \$4.8 million at the start of the 2004/2005 financial year, with contributions for the year well ahead of budget. This balance is uncommitted so the loss of any interest will not have any operational impact.

Loan interest is purely due to the capital works programme that Council approves on an annual basis.

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

	\$ Millions
2000/2001	20.73
2001/2002	56.46
2002/2003	49.67
2003/2004	47.60
2004/2005	40.18
Total	214.64

Over the past five 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 land 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.

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)

	2004/2005 \$000s	2005/2006 \$000s	Change \$000s
Rates Funded Council Expenditure	83,533	90,837	7,304
External Levies	16,877	17,603	726
Total Rates Funded Expenditure	100,410	108,440	8,030
Adjustments & Offsets			
Proceeds from Sale of Assets	(4,650)	(900)	3,750
Surplus Brought Forward	(1,645)	(1,040)	605
Anticipated Surplus 2004/2005	0	(1,360)	(1,360)
ARTNL Shares Proceeds	0	(400)	(400)
Additional Share Proceeds from UnitedNetworks Limited	0	(100)	(100)
External Levy Surplus	(1,500)	0	1,500
Depreciation Not Funded	0	(3,826)	(3,826)
Total Adjustments	(7,795)	(7,626)	169

Net Rates	92,615	100,814	8,199
2004/2005 Rate Requirement	92,615		
Rating Base Growth for 2005/2006	1,410		
New Base	94,025		
Rate Requirement	100,814		
Increase on New Base	6,789		
External Levies	726	0.77%	Increase
Council Controlled Increase	6,063	6.45%	Increase

CONCLUSION

The draft Annual Plan submitted for this Committee's consideration is the culmination of a process that started in September 2004 and has been through many alterations to produce a work programme that is both sustainable and capable of delivering on Council's strategic direction. The Unit Overview reports include where applicable, details of items that have not been included in the proposed work programme for 2005/2006 together with the implications of not including these items.

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 Annual Plan and recommend to Council for adoption and public consultation.

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

