

APPENDIX I – KEY VARIANCES

The following sections outline key variances by LTCCP activity. Where variances occur due to changes in internal transfer charges or movements of budget across units these are not commented on as there is a corresponding variance within the receiving activity budget. Likewise variances due to changed revenue assumptions are not commented on where there is a similar reduction in cost e.g. EcoWater connections revenue.

Executive Suite

Chief Executive

A reduction of \$60,000, mainly through cost savings initiatives.

Community Wellbeing

Library Services

- \$18,000 income from Unitec for the shared Central Library use has now been included in the Draft Plan. This is a provisional increase subject to current negotiations and agreement with Unitec confirming the cost share arrangement.

Emergency Management

- Revenue changes relating to receipts for Rural Fire services from North Shore City Council affected by the transition process are offset by equivalent reductions in expense.

Leisure Services

- Aside from internal budget adjustments and transfers, the main variance relates to the operational grant funding provided for the McLaren Park Community House facility in the LTCCP. The facility will not be completed in the 2010/2011 financial year; therefore the budget grant provision has been removed from the Draft Plan.

Social and Cultural Strategy

- Project cost reductions arise due to the transition environment. The LTCCP budget incorporated work programmes that continued direction in line with the Waitakere Eco City vision and agreed strategies in a way, which may continue on a regional basis but it is now prudent to reduce the scope of the programmes at this stage, subject to Auckland Council policy. Items included Sustainable and Affordable Housing Initiatives; Future Strategy / Policy projects - Culture; Strategy Development - Social; Advocacy; City for Peace Plan; QBL Assessment, Social Infrastructure planning and the Auckland Graffiti Free Project.

Corporate and Business Services

- A reduction of \$365,000. Waitakere Central One building is to be retained and rental revenue net of facility management costs has been included in the Draft Plan.

Human Resources

- An increase of \$296,000 has arisen due to increases in Accident Compensation Corporation (ACC) levy costs of \$200,000. Provision has been made for costs arising from transition activities including the employee assistance programme and career planning and CV preparation programme costs.

Information Management

- Increases of \$381,000, rental previously received from Eagle Technologies as part of the digitisation project will no longer be received. Draft Plan Payroll costs are 4% higher than the LTCCP as band progression was originally under budgeted; these have now been brought in-line with market expectations. However Capital Recoveries have been reduced by \$259,000 to reflect the amended Capex programme for 2010/2011 as requested by the ATA.

Legal Services

- A reduction of \$247,000 in Insurance premiums has come about as a result of changing market conditions.

Strategic Projects

Noted, that there is a change in the scope, function and situation of this activity within Council the major variances are as below:

- Additional targeted rates and matched expenditure for Business Improvement Districts in Henderson and New Lynn (subject to consultation); and
- \$103,000 reduction in budget requirement relating to the Whenuapai Plan Change being cancelled.

Public Affairs

Arts Events and Communications

- Budgets for operational spending in the arts sector is at current levels without the LTCCP inflation adjustment. This will allow continued delivery of arts and cultural services to the community through the transition period.
- Adjustments have been made to event funding. The main changes are related to the literary festival and art events. These were reliant on Creative NZ funding which has been discontinued with a total overall reduction in event funding of \$67,000. The operating project 'Arts Infrastructure' has also been removed as this is covered under capital expenditure and is not required as an operating expense, this has yielded an additional \$100,000 savings. None of these adjustments will affect delivery of the events programme to current agreed levels of service.

Strategic Planning

Strategic Planning

- Overall project cost reductions have arisen due to the transition environment. The Transport Strategy budget now allows for some work programmes to be undertaken in-house as a result of deferred work (e.g. State Highway advocacy) or due to the transition environment. The Urban Planning and Design work programme has also been reduced and will focus on completing legacy work for transfer to the new Auckland Council and work that can be undertaken by in-house staff.

City Services

Asset Management

Water Supply

- Revenue based on a 5% increase in the price of water in 2010/11 to \$1.69 per cubic metre (inclusive of GST) is included in the Draft Plan budget. Year 2 of the LTCCP assumed a charge of \$1.71/m per cubic metre. Previous budget assumptions have been amended based on further analysis of water supply sale trends in recent periods and the Draft Plan has lower revenue and costs against the LTCCP arising from reduced water supply volumes. The net effect of the changes is budgeted revenue down \$2,101k (8.7%) and budgeted costs down \$1,184k (11.3%). Revenue is down due to lower than expected price rises, decreasing per capita demand and lower than expected population. Resulting costs are lower than planned growth due to the latter two causes.
- \$291,000 (74%) reduction to the LTCCP budget for Health (Drinking Water) Act compliance costs is in the Draft Plan due to a reassessment of the original cost estimates.

Wastewater

- No variances of significance noted for comment.

Stormwater

- No variances of significance noted for comment. It is noted that there has been a transfer of management responsibility for the Project Twin Streams project to Parks and Open Spaces but that the budgets for the project should technically remain with the Stormwater activity in relation to the LTCCP and Draft Plan.

Parks and Open Spaces

- Operational saving initiatives have provided a reduction in the Draft Plan budget against the Year 2 LTCCP of \$60,000 representing approximately 0.5% of total Parks Operations budget.
- Changes in passive grass maintenance have allowed meadows to develop in remote and large open space areas and a reduction in the mowing of berms has resulted in a \$70,000 reduction in the budget requirement between the Draft Plan and the LTCCP. This is in line with policy flagged in Parks and Open spaces activity plan for the LTCCP.

- Parks Planning budget adjustments have been made due to amended assumptions on revenue to be received on consent processing volumes less than LTCCP Year 2 assumptions.

Property Assets

- The Draft Plan rate requirement is \$40,000 below the LTCCP due change in price level assumptions. A reduction to the Asset Management System budget line recognises these circumstances.

Waitakere Quarry

- The Draft Plan has revenue \$72,000 lower than the LTCCP reflecting the new lower minimum royalty payment incorporated in the operating licence. However, this is offset by there no longer being a need for Council to provide for revegetation programme costs as the new contract transfers responsibility for this to the operator.

Transport Assets

- Changes have been necessary following the New Zealand Transport Agency's release of the National Land Transport Programme outlining available, confirmed and possible, subsidy for programmes over the next three years. Programme timing and expenditure adjustments in accordance with the changed priorities for funding are incorporated. While this primarily affects loan-funded expenditure, rates-funded budget adjustments include full funding by Council of community-focused activities including the Sustainable Transport & Road Safety Team. However, the additional expenditure requirements are offset by a reduced budget for streetlight power costs confirmed by recent costs and expected to be continued once pricing for the new regional electricity contract is confirmed.

Customer Services

- A reduction of \$181,000 has arisen through amended assumptions for revenue. This is from LIMS processing due to the success of the online service and from lower consent volumes with corresponding staffing cost reductions and the deferral of some activity due to the transition process.

Cemetery

- Revenue assumptions have been adjusted in line with recent performance leading to an overall \$103,000 revenue decrease. However, \$64,000 of this reduction relates to amended assessments of cremation revenues and there is a pending policy change allowing discounts on fees to Funeral Directors to be put shortly to the Infrastructure and Works Committee for approval that seeks to improve the competitive and revenue position for the Cemetery in this area.

Planning and Community Services

West Wave Aquatic and Recreation Centre

- The Draft Plan Budget when compared with the LTCCP largely reflects the improved operating position achieved at the West Wave Aquatic and Recreation Centre in recent periods particularly regards to membership and patronage for the Fitness Centre and pool facilities. The Draft Plan also assumes an increase in the pricing schedule for the Fitness Centre and for Pool Admittance at CPI levels. Various adjustments have also been made to expenditure budgets to better reflect the current operating position.

Field Services

- A variation of \$13,000 is primarily due to costs associated with an additional pool fencing inspector that could not be offset by other savings.

Resource Management

- The Draft Plan recognises some savings from the LTCCP budget due to the reduction in plan changes and project activity due to the transition process.

Consent Services

- Draft Plan Fees revenue does not factor in the inflation factor allowed in the LTCCP and volume assumptions are re-based allowing a marginal increase in Resource (2.5%) and Building Consents (5%) from 09-10 figures. The net Draft Plan budget excluding internal budget movements is close to the LTCCP.

Service Management

Animal Welfare

- A net variance of \$47,000 is due to the Draft Plan having slightly lower costs in some areas and a slightly higher animal registration volume assumption than was applied in the LTCCP.

Solid Waste

- A number of adjustments affecting both revenues and expenses have been made reflecting recent trends in waste volumes as follows:
- Transfer Station: Landfill Expense: reduced by \$297,000;
- Transfer Station: Cartage Expense: reduced by \$192,000;
- Transfer Station: Composting Expense: reduced by \$36,000; and
- Transfer Station: Gate Fees Revenue reduced by \$404,000.
- The Transfer Station Grants Received budget for funding received from Central Government via the Waste Minimisation Levy for Waste Minimisation Initiatives has also been reduced by \$77,000 as the original LTCCP budget assumption of NZ total population was lower than the current estimate resulting in a lower allocation to Waitakere from the total funding pool.

Aftercare

- Positive variance of \$43,000 is due to the audited independent re-evaluation of Aftercare term liability for 2010/2011 as at 30 June 2009.

Vehicle Testing Station

- Realised cost savings in the operation of \$103,000 will be offset by a \$65,000 revenue budget reduction based on recent analysis of WOF volumes.