

8. REDUCING THE COST OF COUNCIL OPERATIONS

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The purpose of this report is to identify and recommend to the Annual Plan Subcommittee an appropriate target in order to achieve an acceptable level of rate increases over the next few years. The draft Annual Plan for 2002/03 projects rate increases ranging from 3.8% to 6.8% over the following five years.

At the Council budget meeting in March, the Council resolved:

“That the Budget Scrutiny and Audit Special Committee work with each of the Standing Committees and Community Boards to identify cost reductions and the priority setting of expenditure, with the Budget Scrutiny and Audit Special Committee to submit a series of reports on this topic to the Council over the next 10 months.”

The series of significant activity reviews being undertaken by the Budget Scrutiny and Audit Special Committee will form the basis of that series of reports to the Council. At the last Council meeting, the Council adopted a process by which those reports will be recommended to the relevant Standing Committees, and on to the Council.

At this stage there is no target or agreement as to the level of savings necessary to achieve an “acceptable level of rate increases”. This report has been written so that the Budget Scrutiny and Audit Special Committee can make a recommendation on that matter to the Annual Plan Subcommittee for inclusion in the 2002/03 Annual Plan to be adopted by the Council in July.

Achieving savings is often not easy and past experience has shown that identified opportunities for achieving savings are not always acceptable. It is considered that having an explicit commitment to the achievement of a savings total, set out in the Annual Plan, would help ensure that sufficient political and management effort was put into achieving at least that level of cost reduction.

Savings will need to be achieved by a number of methods:

- Continuation of further efficiencies.
- Reductions in services or levels of service, particularly in areas of more discretionary expenditure.
- Alternative or modified sources of funding, including consideration of the Council’s revenue policy under the new Local Government Act.

At a seminar meeting in April, the Budget Scrutiny and Audit Special Committee discussed this matter, and it was suggested that a target of \$10m by financial year 2005/06, would be a target that was realisable and worthy of aiming at.

Staff

Recommendation: That the Budget Scrutiny and Audit Special Committee recommend to the Annual Plan Subcommittee that it include in the adopted Annual Plan for the 2002/03 year, that the Council will set in place processes to identify opportunities to achieve cost reductions and revenue increases in its operational budget totalling at least \$10 million by the financial year 2005/06.

Chairperson’s

Recommendation: That the above recommendation be adopted.