

9. UPDATE ON BUDGET SCRUTINY PROCESS

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The purpose of this report is to provide an update on the achievements of the budget scrutiny process. The oversight of this project now rests with the Strategy and Finance Committee, following the abolition of the Budget Scrutiny and Audit Special Committee. This report also seeks to confirm the continuation of the budget scrutiny process notwithstanding the likely achievement of the \$10 million savings target.

ACHIEVING THE \$10 MILLION SAVINGS

The Budget Scrutiny and Audit Special Committee was set up following a realisation during the preparation of the 2002/03 Annual Plan that the future projected rate increases were greater than was acceptable, and a target was set to reduce the total expenditure of the Council by at least \$10 million by the 2005/06 financial year. That target was set at a time when the predicted total rates requirement for the 2005/06 was \$176.87m. By the time the 2002/03 Annual Plan was adopted, that projected figure had already dropped to \$170.34m, mainly as a result of a \$4.5m reduction in rate requirements because of the proposal to charge for black bags.

The draft Annual Plan for 2003/04, currently being presented in relevant parts to each of the Committees, has produced a budget which results in the total rates requirement for 2005/06 being \$162.82 million, which is \$14 million less than originally predicted at the time of the draft 2002/03 annual plan.

There are a number of reasons for being able to achieve that level of reductions. They include:

- (i) The budget scrutiny significant activity reviews (these are described in more detail later in this report).
- (ii) A number of internal service unit/team reviews undertaken by the Business Improvement Team (these are also described in more detail later in this report).
- (iii) The Corporate Team challenged units to produce budgets for the 2003/04 draft Annual Plan which absorbed the 2% inflation provision assumed in forward projects for the 2003/04 Plan (other than 2.1% for salaries and wages). This challenge resulted in nearly \$4 million savings from the projected budget (over and above those referred to above and below).
- (iv) A number of reserve funds being wound up and incorporated into the 2003/04 financial year as a funding source.
- (v) The shifting of the operational costs associated with the sewerage outfall back a number of years (this has increased projections for years beyond 2005/06).
- (vi) The black bag charging provision in the forward projections.

BUDGET SCRUTINY COMMITTEE REVIEWS SO FAR

The reviews completed by the Budget Scrutiny and Audit Special Committee are as follows.

Art Gallery Review

- Identified a double counting of depreciation (\$785,000), although this had no impact on rates.
- Identified \$370,000 of savings in revenues, salaries, and items already provided in other budgets, which were included in the 2002/03 Annual Plan.
- Identified further opportunities to increase budgeted revenue over the next 2-3 years of between \$300,000 and \$550,000. It is noted that \$250,000 of that is included in the draft Annual Plan for 2003/04.

Waste Minimisation

- Identified \$200,000 of savings in the Target Zero budget, over two financial years. These savings have been included in the 2003/04 draft Annual Plan (for 2003/04 and 2004/05).
- Achieved significant reductions in the funding of RMF, so that the projected \$300,000 reductions in each of projected budgets for three financial years (2003/04, 2004/05, + 2005/06) will actually be achieved, and achieved earlier than budgeted. Prior to this exercise, not only were the three \$300,000 reductions unlikely, there were suggestions that there would be increases as well.
- A review of current contracting arrangements and practices for the waste disposal supply chain has been initiated. While no savings have yet been confirmed, it is anticipated that savings in the order of \$500,000 are realistic.

The following Budget Scrutiny reviews were commenced by the special committee, and will be reported through the Standing Committees (seminars) to the Strategy and Finance Committee.

Sports and Leisure and Events

- This review has involved three individual reviews, looking at leisure facilities, events, and recreation programmes.
- There will be a joint seminar with the relevant committees in early March to report the findings and opportunities.
- It is likely that this review will identify opportunities in the order of \$1 million, although it is noted that not all of the opportunities identified will necessarily be accepted by the Council. (None of those opportunities have yet been put into the draft 2003/04 Annual Plan.)

Car Parking

- This review is at an early stage, and will probably be reported through the committee process in April/May 2003.
- The Car Parking Unit, in conjunction with the review team has already identified a number of savings that will be included in the draft 2003/04 Annual Plan. These include:

- a proposed increase in meter fees	\$155,000
- increase in projected court fine revenue	\$50,000
- increase in projected revenue from infringement fees	\$250,000
- increase in projected revenue from reserved parking	<u>\$150,000</u>
Total	\$605,000

INTERNAL SERVICE PROVIDER REVIEWS

The following reviews of internal service units have been undertaken by the Business Improvement Team, in conjunction with the affected teams and units.

Financial Services

- In 2001 a review of the Financial Services Unit was undertaken, which resulted in a restructure of the unit into a transactions team and an accounting team, and identified opportunities for improvements and process redesign over a period of time.
- In particular, a review of banking services and arrangements has been commenced which should lead to improvements and savings.
- While no savings target has been set, it is anticipated that savings could eventually be in the order of \$250,000, and \$110,000 of savings have been included in the draft 2003/04 Annual Plan.
- Savings in the Valuation Service provider contract of \$350,000 were incorporated in the projections for 2003/04.

Property Unit

- In 2002 a review of the Property Unit led to some minor restructuring, and some significant changes to the way we purchase building maintenance services with a facility maintenance management (FMM) contract being put into place with City Care.
- Savings from the introduction of the FMM contract, from subsequent changes to Council processes and from minor restructuring in the Property Unit are around \$700,000. While most of those savings impact on the Housing Account, those affecting rates amounted to \$257,000.

Information and Management Technology

- A major review of the Council's Information Management and Technology (IM&T) services was undertaken during 2002. This included MIS, Geodata Services, E-Council team, document management team and core business solutions team. The review has resulted in the establishment of a new IM&T Group, and an appropriate new structure.
- While there are some details still being completed, it is anticipated that this review will result in savings in excess of \$1 million, achieved over a 2-3 year period.
- These savings have not yet been included in the draft 2003/04 Annual Plan, but it is expected that most of them will be incorporated by the time the draft plan is advertised.

Corporate Services

- A review of the corporate services area has recently commenced, and it is too early to report on potential savings.
- However, a number of existing and previous saving opportunities have been identified already and are included in the draft 2003/04 Annual Plan.

- changes to computer disposal process	\$81,000
- reduction in vehicle costs	\$166,000
- rationalisation of mailroom costs	<u>\$200,000</u>
	\$447,000

Corporate Office

- A number of saving opportunities have been identified in the Corporate Office budgets and included in the 2003/04 draft Annual Plan.

- reductions in corporate consulting budgets	\$200,000
- removal of inflation contingency	\$300,000
- savings in communications team	\$160,000
- removal of ACC corporate contingency	\$40,000
- Current reviews of Human Resources and Policy Directorate budgets are underway.

CONTINUATION OF BUDGET SCRUTINY PROCESS

The budget scrutiny reviews, (including those of significant outputs reported to the special committee, and those of internal service provider units), and the general expectations of reducing the costs of the operation of the Council, have already resulted in savings which would achieve the \$10m target set by the Council. The Council could decide that, having achieved that target, then the emphasis on reducing our costs could be lessened. It is fair to say that the budget scrutiny emphasis has placed some pressures on the organisation, and has impacted directly and indirectly on a significant number of Councillors and staff.

However, the exercise has been useful and productive, and it is appropriate to continue reviewing the range of significant activities not yet subjected to the budget scrutiny process. Following is a list of the significant area activities that have not yet been commenced.

That list:

Parks and Waterways
Public Accountability
Environmental Services and Policy
City Streets
Water Supply
Sewerage
Libraries
Economic Development and Employment
Community and Customer Services
Housing and Property

It is suggested that the Council now move on from the \$10m target, having achieved it, but continue to carry out a budget scrutiny exercise of the balance of the significant activities undertaken by the Council. These reviews would continue much in the way as they have with a terms of reference being adopted by the Strategy and Finance Committee, and the relevant Committee, with the results of the review being presented to seminars of the relevant standing committees, followed by a report with recommendations to the Strategy and Finance Committee and on to the Council.

It is likely that the order of reviews will be modified. Parks and Waterways are undertaking a number of internal reviews and projects, so it is agreed that the budget scrutiny review should be delayed (we will keep involved with those reviews to ensure issues are not reviewed twice). The public accountability review should be delayed so that it follows or coincides with the Council's decision of the number of councillors, wards etc. The next review to be undertaken is likely to be Environmental Services and Policy, probably followed by Water Supply and Sewerage.

The Chair commented:

The budget scrutiny process adopted by the Council is proving to be successful and I fully support the continuation of the significant activity reviews as planned. There has been a tremendous effort by many staff to achieve the savings as identified and this effort has extended both to the internal/team reviews and the leadership and direction given by the corporate team. The target set by the Council has been met and with potential further savings as identified and as will arise with the subsequent reviews, the appreciation of the Mayor and Councillors should be extended to staff.

- Recommendation:**
1. That the Council acknowledge the achievement of the \$10 million savings target.
 2. That a programme of significant activity reviews continue, acknowledging that the savings target has been reached, while focusing on achieving ongoing efficiency gains, doing so in a context which takes account of the Council's changing strategic directions.
 3. That staff be thanked for their efforts in achieving the savings.

(Note: Councillor O'Rourke requested that his vote against the above recommendation be recorded.)