

12. 2005/06 BUDGET AND ANNUAL PLAN

Officer responsible General Manager Corporate Services	Author Roy Baker, DDI 941-8540
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The purpose of this report is to inform the Committee of the approach being adopted for the 2005/06 budget and the implications of the 2002 Act on our LTCCP and Annual Plan process.

The Executive Team considered a paper dealing with the 2005/06 budget in light of our LTCCP.

Business Units, and indeed Community Boards, are keen to start the process. I have indicated to both groups that the budget will be prepared in a different manner from 2005 onwards. The Community Boards in particular are keen to understand how to proceed.

The new local government legislation will have a significant impact on our first LTCCP budget and annual plan process for 2005/06. While the Act gave the Council considerably more freedom in a number of areas, it also imposed a number of constraints and one could say less flexibility. In particular, the Act is looking to provide stakeholders with more certainty over our levels of service and capital expenditure for a far greater period of time than we were obliged to under the 1974 legislation.

The Act requires that we provide detailed estimates of expenditure (both opex and capex) in the LTCCP to achieve and maintain the identified levels of service in relation to each of the first three financial years of the plan, and an outline in relation to the following seven. This is a significant point.

As we are all aware, the Act requires an LTCCP to be prepared every three years. While changes to plans can be made in the intervening years, the Act requires us to undertake an amended LTCCP (as distinct from an Annual Plan in the intervening years) where certain events occur. Attached as Appendix 1 is the summary of the type of events that will trigger an amended LTCCP. Appendix 2 (attached) sets out what is required by Councils in preparing an Annual Plan in the intervening years of the LTCCP cycle.

While historically much time and effort has gone into producing Annual Plans, and this was also the case for our first LTCCP, these documents must **not** be seen as the prime drivers of our activities. Rather, we must develop processes and systems that are robust, aligned, and enable us to deliver in the long run the community outcomes expected. An LTCCP every third year and the Annual Plan in the intervening years need to **fall out** of our processes rather than be a centre of them. Looked at another way, they are just snapshots of where we are in our continuous cycle, albeit that the LTCCP itself will be more of an album.

Appendix 3 (attached) sets out a strawman framework that we are developing and supports a number of our change programmes that we have in place (financial planning system, asset management programme, community outcomes, and financial planning programme). We have a lot of work to do to achieve this framework, but if we are to ensure that we have the necessary alignment and process in place to develop the community outcomes and produce the snapshots required by the Act, then our processes will have to change.

The key points are:

- We will be introducing rolling forecasts, which will also focus on any changes to 2005/06.
- The 2005/06 budget is as per the just adopted LTCCP and our ability to change this is dramatically reduced without triggering an amended LTCCP.
- The Executive Team will manage changes requested by business units actively.
- As this is an “Annual Plan” year, we believe we can significantly reduce the time required for the Council to work through the budget.
- Items considered by the Council during the year need to address any financial impacts on 2005/06.
- Community Board input needs to move to reflect the three-year cycle of the LTCCP framework. Any changes/new requests for 2005/06 capex need to be substitution based and able to be “built” within the timeframe.

- The General Managers Corporate Services and Regulation and Democracy Services will be addressing the new approach with Community Board Chairpersons on 6 September.
- We will be looking at different ways to report our capital programme (local and metropolitan).

Appendix 3 (attached) is a key document to note. It is aimed at moving to best practice and will require staff to be far more disciplined and structured in our approach to our budgeting, capital programme and level of service determination. This will mean we provide elected members with a higher standard of service than in the past.

Staff

Recommendation: That the report be received.

Chair's

Recommendation: That the report be received and referred to the incoming Community Boards.