

8. DRAFT CAPITAL PLAN FOR THE 2006/16 LTCCP

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PURPOSE OF REPORT

1. The purpose of this report is to recommend to the Council a list of capital expenditure projects that will form the basis of the capital programme for the 2006/16 Long Term Council Community Plan.

EXECUTIVE SUMMARY

2. Capital expenditure priorities are listed in Appendix A (attached), and are the result of a number of priority ranking exercises conducted with Councillors over the past couple of months, at a number of seminars designed to get a general consensus as to the projects that will ultimately form part of the next LTCCP.
3. The initial review of the capital programme indicated a level of capital expenditure over the ten years, approximately \$300m to \$400m more than what the original 2004/14 (for LTCCP) was indicating.
4. The prime drivers for the increase in capital expenditure level were:
 - (i) Significant cost increases associated with many projects as a result of the price increases we have experienced over the past couple of years with construction costs being considerably above the rate of inflation;
 - (ii) We now have better planning information for projects in the years four to ten (these were in the years six to ten in the old LTCCP); and
 - (iii) The identification of a number of new initiatives that need to be considered along with existing identified projects.
5. This saw us review how we classified capital and determined the categories: The core category is Base, namely projects and programmes carried out to maintain the current level of service, ie what the community receives today. This is effectively our renewals and replacement programmes together with some asset improvements or new asset projects that are directly related to meeting growth where we have no choice, eg new subdivision-related infrastructure work. The other category was Choice – all asset improvements and new assets.
6. All choice projects (projects that were identified in the 2004/14 LTCCP) and all new initiatives that did not meet our definition of base (renewals and replacements) were considered against a prioritisation process and matrix, comparing service delivery gaps and strategic priority (Appendix B - attached).
7. The initial list of projects totalled 93, and collectively represented expenditure up to \$500m (Appendix C - attached).

8. Two other key ingredients of the capital programme were also considered, firstly affordability of the overall programme, ie the rate level, and secondly the ability of the Council to deliver the desired capital programme.
9. It was determined that in terms of delivering the core infrastructure type capital projects, we have constraints regarding people and processes that will limit our ability to deliver a programme in the first two years of the 2006/16 LTCCP, beyond the \$80-\$90m per annum level. This level also allows for use of consultants to deliver in the order of \$30m.
10. At the Council meeting on 27 October, the Council endorsed a long-run capital spend of up to \$130m per annum, ie \$1.3b over the ten years. This allows for:
 - (i) Projects in the base category;
 - (ii) Large base (the strategic land acquisition for Aidenfield and the Ocean Outfall project);
 - (iii) Base no choice category (projects originally on the list as either choice or new initiative projects but upon examination were in fact base-type projects or projects where we don't have any choice but to proceed with them); and
 - (iv) \$147m of the capital programme yet to be allocated to specific projects.
11. At a seminar on 10 November, the Council reviewed the list of projects that had received the most support by Councillors as a result of a ranking exercise up to a capex limit of \$250m.
12. There was general consensus as to the order of the list of projects, and a recognition of where the line would be drawn (through the list) to meet the 27 October Council decision of a long-run average capex of up to \$130m.
13. At the seminar staff advised that they would look at the costings of the priority list and see if there were options to "move the line down".
14. Staff have conducted a high level review and believe that it is possible to:
 - (i) Manage some of the strategic land acquisitions within a revolving fund concept. This will reduce the capex requirement down by \$10m.
 - (ii) Move towards the MCTS at \$85m pa rather than the \$100m originally planned.
 - (iii) Deliver a City Mall redevelopment concept for \$10m rather than \$12m.
15. The result of this is that \$27m is available for funding the next few projects on the list.
16. Once the Council has formally adopted its priority list, staff will start working in some detail on the capex and opex implications of the projects. This will form the basis of the draft LTCCP and will be discussed with the Council on 21 February 2006 at a seminar when the full impact of the capex, revenue and opex streams will indicate the likely rate impact.
17. It is at this February 2006 seminar that the Council will have the opportunity to review the capex list desired in light of the level of rates. Please note, however, that while we could handle slight movements in the priority list (say up to \$10m), any significant reassessment would place the process to sign off the LTCCP at risk. This seminar will also detail any other funding options that are available, eg Development Contributions, Transfund subsidy.
18. While this report indicates the line lower than at the seminar, because of continuing cost pressure on existing base projects, it may be that the line will need to go back up.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Receive this report.
- (b) Adopt the priority list of capex projects as per Appendix A, as those (to the value of \$150m) to form the basis of the capital programme for the 2006/16 LTCCP.
- (c) Note where the current \$150m cut-off total falls and accept that it may move up or down slightly as the whole capital programme (base and priority) is finalised.