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The purpose of this report is to identify capital items which could be deferred or deleted from the capital works programme.

At the Council meeting to adopt the 1998 Annual Plan, it was resolved that “*a review of the entire capital works programme be carried out for years 4 to 10*” (now years 3 to 9 in the draft 1999 Plan). This resolution was prompted by concerns about the size of the long term capital programme.

APPROACH

The approach taken has been to review the programme for years 3 to 9 and identify items which have the potential to be deferred, deleted or reduced. The managers responsible for these items were approached and they have in turn come back with some proposals.

Those capital programmes which were identified for potential smoothing were:

- Waste Management (Years 3 to 9)
- Leisure (Years 3 to 9)
- Car Parking (Year 9)
- Libraries and Information Services (Years 8 to 9)
- Property - Asset Management (Years 3 to 9)

The impact of the proposed reductions which the respective managers have put forward are summarised below:

		1998 Plan Capital Total	1999 Draft Plan Capital Total (including Proposed Smoothing)	Smoothing Reduction
Year 3	2001/02	\$93,642,870	\$91,586,532	(2,056,338)
Year 4	2002/03	\$82,522,091	\$81,342,285	(1,179,806)
Year 5	2003/04	\$96,612,800	\$88,710,203	(7,902,597)
Year 6	2004/05	\$93,883,237	\$86,716,024	(7,167,213)
Year 7	2005/06	\$88,329,094	\$81,163,628	(7,165,466)
Year 8	2006/07	\$91,635,365	\$83,992,187	(7,643,178)
Year 9	2007/08	\$95,666,694	\$87,553,274	(8,113,420)
				(\$41,228,018)

Details of the proposed smoothing are as follows:

- **Waste Management** (City Services Committee)

The Waste Management reductions relate to the Lifelines brick barrel renewals (\$1M in 2003/04) and asset improvements for liquid waste (major trunk expansion) (\$2.85M in 2001/02). This represents a total smoothing of \$3.85M for Waste Management.

Both reductions represent a change to the Liquid Waste Asset Management Plan which was approved by the Council in September 1997.

The Waste Manager advises that:

“The reason years five and six for the Waste Management Unit’s total draft 1999/00 capital budget are significantly above other years is due to the \$7.50M in each of these years (ie \$15.00M total) for the Christchurch Wastewater Treatment Plan Ultra Violet sterilisation. The timing is at this stage a guesstimate. Councillors are aware that if the City chooses an ocean outfall, up to an additional \$35M may be required with a time frame somewhere in the five to 15 year period.

- **Leisure** (Parks and Recreation Committee)

The Leisure Unit’s proposal relates to the Jellie Park upgrade for the changing rooms and entrance way. Instead of planning for all work to be completed in year 4 (2002/03), the Leisure Unit advises that some of this work (\$260,000) can be done in year 5 (2003/04).

- **Leisure** (Projects and Property Committee)

There has also been some smoothing to the QE II asset management plan provision. The QE II smoothing involves moving some of the QE II renewals and replacements programme as well as the new asset programme so that expenditure is more evenly spread. The smoothing includes years 1 and 2.

- **Car Parking** (City Services Committee)

The Car Parking reductions relate to the deletion of a \$30,000 Reminder Notice Printer in year 9 (2007/08) and smoothing out from year 9 to year 10 \$300,000 on the Parking Meter replacement programme.

The Parking Operations Manager advises:

“Provision of \$30,000 is included in the Year 9 budget for the replacement of a Reminder Notice printer.

This item can be deleted as the trial we are currently running with Print City, whereby that Company is printing our reminder notices, appears as though it will be successful, to the point I am comfortable in deleting the provision to replace our current printer.

\$1,300,000 has been provided in Year 9 for Parking Meter Replacement. This provision is part of a three year replacement programme and whilst ideally we would like to retain the current Year 9 provision \$300,000 could be 'smoothed' into Year 10, thus raising that year's provision from \$450,000 to \$750,000."

- **Libraries and Information Services** (Community Services Committee)

The Libraries Manager comments:

"You have requested that we look at years 8 and 9 with a view to capital smoothing. The capital requirements for these years have jumped from just on 5 million to just under 7 million.

The reason for the jump is that in my view we will need to be making provision or further extensions to the Central Library or, alternative arrangements for some of the functions that are currently located in the Central Library. The recent refurbishment programme, completed in 1997 was always seen as having no more than a 10 year life - this was certainly made clear at the original planning which commenced in 1992. Year 8 of the annual plan will be 2006/7 and whatever extensions are needed, planning will have to commence in that year, followed by implementation the following year.

I am unable to be more specific than I have been to date. We do not yet know what might be required and much change can occur in those intervening 8 years. However, I think it prudent to flag that we are likely to have to spend further money at the end of the original 10 year period.

For this reason I have not made any attempt to 'smooth' out the capital requirements."

- **Property - Asset Management** (Projects and Property Committee)

The Property Asset Manager comments:

"That the \$6M provided for in each of years 6, 7, 8 and 9 for new assets be deleted. These provisions were for unspecified sums. Bids for new assets within the Asset Management Section will be processed like all other Council bids."

(For further details of the overall impact of the capital smoothing, see Capital Smoothing Summary attached.)

Recommendation: That the smoothing proposals as outlined be confirmed and referred to the Annual Plan Working Party.

**Chairman's
Recommendation:** For discussion.