

8. 2002/03 DRAFT BUDGET REVIEW

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The purpose of this report is to provide information for the Committee to review the draft operating budget for 2002/03 including new operating initiatives and also to examine the budget impact of land purchases and Port Hills Reserve maintenance.

REPORT CONTEXT

The Annual Plan Subcommittee has requested that the Parks, Gardens and Waterways Committee review the draft budget for 2002/03 including any new initiatives with a view to identifying potential operating savings particularly in year two. In addition to this there is a request to review the impact of land purchases on operating costs along with a review of the Port Hills Reserves maintenance expenditure.

INTRODUCTION

A particularly restrained approach has been taken in preparing the 2002/03 budget for Parks and Waterways with the focus being on maintaining current service standards in a climate of asset growth. The primary cost drivers have been CPI adjustments on maintenance contracts, capital programme impact, growth of the land asset, depreciation on infrastructural and fixed assets, waste disposal charges and a variety of other internal and external price increases. The budget also includes a 2.5% saving on maintenance contract costs as provided for in the agreement with City Care. Overall the budget is close to targets set and increases are generally covered in earlier operating projections and inflation adjustments.

The future operating projections covering 2003/04 and beyond have been carefully calculated to reflect as accurate picture as possible of predicted cost of service increases of which the majority relate to asset growth.

LAND ACQUISITION

The Annual Plan Subcommittee has requested that a review of the land acquisition programme be carried out and, in particular, its cumulative impact on the operating budget. The following information sets out the basis of the land acquisition programme, its impact on operational costs along with options and effects of reducing or deferring the programme.

Drivers for Land Acquisition

The key drivers behind the parks and waterways land acquisition programme indicate the rationale for continuing to provide for land purchases or contributions of land from subdivision.

- /// Areas for recreation and leisure
- /// Protection and access to coastline
- /// Preservation of outstanding natural landscapes
- /// Protection of significant ecological heritage sites
- /// 'Garden City' identity and amenity values
- /// Flood retention and waterway protection
- /// Green corridors and linkages
- /// Mitigation of adverse environmental effects
- /// Address open space deficiencies
- /// Meeting city urban growth requirements

Land Acquisition Programme

Land is generally either acquired through direct purchase or as a contribution from urban development. Occasionally land is gifted to the Council for a specific purpose.

The Council has an obligation under its City Plan policies to provide areas of open space to meet the needs of the city's residents as the city grows. Population growth is currently increasing by 0.5% per annum and medium term projections indicate that the population will have increased from the present estimate of 325,000 to around 358,000 by 2021. Currently around 1200 new dwellings are constructed in the city each year.

Where subdivision occurs the Council has the option of taking either land and/or cash in lieu of reserve contribution. Land acquired through the subdivision process is an integral part of the service provision for new residential areas. Assessments are made on contribution requirements based on existing levels of open space in the area and other amenity factors and values such as drainage requirements, linkages, natural habitats, notable trees etc. Around 15 to 25 new parks or extensions are acquired annually from subdivision and many of these now include adjoining naturalised waterways to provide for drainage requirements. These contributions add approximately 12 to 14 hectares per year to the parks and waterways land asset.

The Parks and Waterways Unit is working closely with land developers and consultants to promote the best environmental results with reserves and waterway systems in subdivisions. A set of design guidelines is being prepared to support this process and a unit team is working with the Environmental Services Unit to provide co-ordinated outcomes for new subdivisions.

With the recent release of more land for subdivision through the Proposed City Plan there is an increase in 'greenfields' developments in the outer urban areas where there is less existing reserve land. In these areas there is an expectation from residents that they will have access to a local park with amenities for their use and enjoyment and consequently there has been an increase in land acquired from subdivision. A further current trend to note is that some developers are trading off a portion of the reserve contribution in order to substantially develop the reserve areas prior to hand over. This has the effect of reducing the total land area taken as reserve but provides a 'ready to use' facility for the new community.

In localities where there is already sufficient reserve areas provided cash in lieu of reserve contribution will be taken. On average this has provided around \$3.5 million per year that is held in a special fund account and used for reserve purchase and development. The recent trend towards 'greenfields' development suggests that the funds accruing from this source are likely to reduce over the next few years.

A salient point to remember in reviewing the land acquisition programme is that the rating base is growing with the expansion of the city and high value developments generate additional rates revenue.

The land purchase programme is aimed at a number of key outcomes including:

- /// Addressing open space deficiencies in the city in accordance with the Council policy related to this.
- /// To pre-emptively secure land on the periphery of the city particularly in urban growth areas to ensure there is sufficient land for sports and recreation pursuits.
- /// Securing land that has underlying natural significance and to provide large tracts of open space to enable residents to experience natural and scenic environments.
- /// Provision of open space in inner city areas to mitigate the effects of multi-unit developments
- /// Obtaining protection of land to provide space for flood mitigation and in stream capacity along with creating other values. This relies on securing land at early stage and at a lower price to enable optimum future outcomes, especially in areas of urban growth.
- /// Protection of land adjoining city waterways to provide for public access and the enhancement of ecological, recreational, heritage, cultural, landscape and drainage values.
- /// Flood plain protection for the Avon and Heathcote Rivers and retention and storage of head waters in the event of high rainfall to protect private property.
- /// The preservation of significant heritage features and landscapes that contribute to the 'Garden City' identity.

This Council also provides a regional focus in its reserve acquisition programme as, unlike other major centres like Auckland and Wellington, there is not a Regional Council that provides those services. It is interesting to note that in the greater Auckland area there is some 63 hectares of open space per 1,000 population compared with around 18.5 hectares in Christchurch.

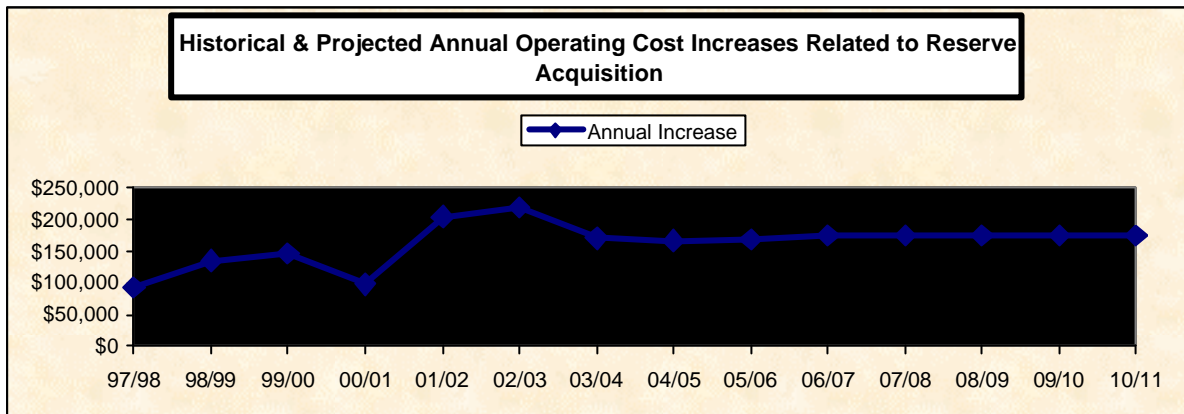
The following table sets out land purchases that are currently identified in the 2002/03 programme:

Site	Area	Purchase Cost	Priority	Annual Mtce cost	Comments
Richmond Hill	240 ha	\$400,000	Priority 1	\$18,500	Subdivision opportunity to acquire more hills reserve to link other parks. (John Britten & Mt Pleasant)
Porritt Park	2000m ²	\$30,000	Priority 1	\$0	Acquire crown land as reserve for corner of hockey surface facility.
Clare Park	4 ha	\$250,000	Priority 2	\$16,000	Subdivision opportunity to acquire park frontage as park landlocked and more development in area.
Papanui Pocket Park	1200m ²	\$250,000	Priority 3	\$900	Whole of Papanui deficient in open space need for a local park.
Heathcote Valley	16.9 ha	\$100,000	Priority 1	\$25,000	Term payment on park valley floor. Contract committed.
Burkes Bush	270 ha	\$400,000	Priority 3	\$20,000	Protect natural heritage bush remnant jointly with Selwyn D.C. (some subdivision may occur)
Halswell Quarry Park Extn	1 ha	\$104,000	Priority 1	\$1,000	Committed payment to Property Unit for extra land extension, pay over 4 years.

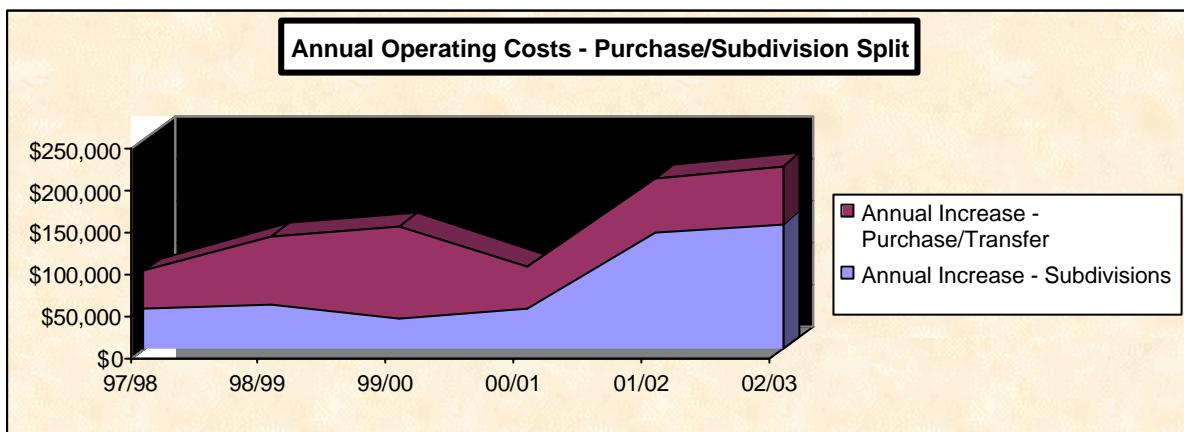
Site	Area	Purchase Cost	Priority	Annual Mtce cost	Comments
Lyttelton Port Co Land	23.5 ha	\$250,000	Priority 1	\$20,500	Committed over 3 years.
Heathcote Valley Cost Share	1.2 ha	\$100,000	Priority 1	\$1,020	Committed purchase for cost share drainage scheme Heathcote Valley
Old No2 Drain QEII Drive	4 ha	\$300,000	Priority 1	\$3,400	Drainage detention from Marshlands area subdivision
Horners Drain	4 ha	\$340,000	Priority 1	\$3,400	Drainage detention from Cranford St area subdivision
Upper Heathcote	1 ha	\$125,000	Priority 1	\$850	Drainage detention from Halswell area subdivision
Styx River	4 ha	\$277,000	Priority 2	\$3,400	Wigram/Awatea cost share drainage scheme down stream of Wigram Rd.
Snellings Drain Green Corridor	1000m ²	\$100,000	Priority 1	\$750	Marshlands cost share scheme

Impact of the Land Acquisition Programme on Operating Costs

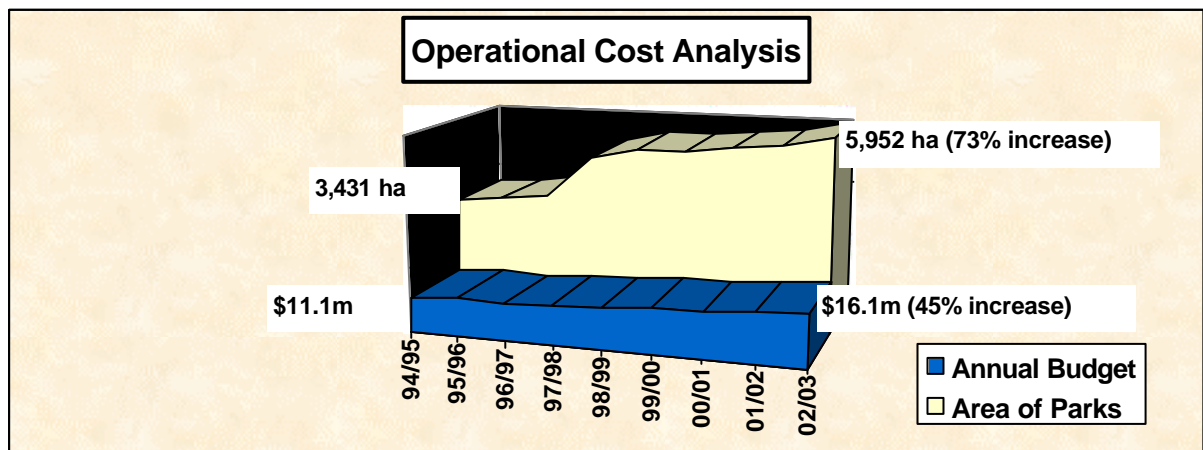
Information for calculating the impact of acquiring additional land for reserves has been derived from an analysis of historical data. This has provided a yearly average and other influencing factors such as the \$ value of the annual purchase programme and subdivision trends have been used to arrive at an annual cost for future projections. (See graph – *Historical & Projected Annual Operating Cost Increases Related to Reserve Acquisition*)



On average the acquisition of new reserve areas through the purchase programme adds about \$70,300 operating costs to the budget each year. The acquisition of reserves from subdivision contribution adds on average about \$78,700 operating costs to the budget each year. Currently in 2001/02 and 2002/03 there is a cost increase peak related to the number of reserves acquired from subdivision contribution with the large amount of land around the city released for residential development. This is predicted to flatten out in future years. (See graph – Annual Operating Costs – Purchase/Revenue Split)



Operating costs for maintenance per hectare of reserve land have reduced significantly over the last eight years. The land area has increased by 73% and the corresponding budget for maintenance has increased by around 45% over this period. This has resulted from a number of factors including: efficiency gains from maintenance practices, design that incorporates maintenance requirements, more land purchased that has minimal maintenance requirements, land not developed and held for grazing, provision of larger areas for neighbourhood reserves from subdivision especially through extending existing reserves. (See graph – Operational Cost Analysis)



The operating costs attributed to waterways purchases are relatively minor given that much of the larger tracts of land being secured are in predominantly rural areas and the land can be grazed or leased with minimal operating costs in the short term. The average annual operating costs resulting from waterways purchases is estimated to be about \$23,000. A number of the waterways purchases are associated with cost share schemes where there is an on going commitment by the Council for support.

Land Acquisition Programme Reduction/Deferral

There is very limited opportunity to reduce or defer the programme related to land that is derived from subdivision activity. Already cash is taken where this is appropriate and with the move towards 'greenfields' development there is an obligation to ensure that future communities have the necessary open space areas and drainage systems to meet their needs. If land was taken as subdivision contribution and then not developed to reduce maintenance costs there would be an outcry from both developers and residents. This action would also simply delay the expenditure streams which could inevitably result in a significant expenditure spike in later years.

The purchase programme could be reduced or stopped for a period and operational savings made. However a primary reason for taking cash in lieu of reserve contribution is to purchase additional reserve land and this course of action would result in funds being accumulated and not used for the intended purpose. It should also be noted that a number of the purchases identified for 2002/03 are already committed to through existing agreements.

Other effects of a reduced or postponed purchase programme include:

- /// Lost opportunities for purchase that may not be available again.
- /// May need to pay a higher price for land at a later date if not secured early.
- /// Reduced ability to protect areas of ecological significance.
- /// Longstanding open space deficiency issues not addressed and community dissatisfaction.
- /// Ratio of open space per 1,000 population reduces as the population grows.
- /// Land not acquired to maximise drainage options and mitigate future flooding potential.
- /// Waterways and Wetlands Natural Areas Asset Management strategy not able to be achieved in optimum time frame. Note that the current level of expenditure in the capital plan is already \$1 million below that required to achieve the strategy.

If the Committee was to support a reduction or deferral of the land purchase programme the maximum savings in 2002/03 would be minimal based on no further purchases as most of the expenditure allowance is required for land that has already been committed to in the preceding year. The savings in year two is estimated to be \$63,050 if a moratorium was placed on the total programme including both waterways and reserve purchases. (Excluding those purchases subject to ongoing commitments). Obviously a reduced programme would yield smaller savings. In proceeding with a deferral/reduction option the Committee needs to carefully consider the impacts that would result and particularly in relation to future city requirements.

PORT HILLS RESERVES MAINTENANCE

In examining maintenance and operating expenditure on the Port Hills Reserves detailed in the draft budget it is evident there has been a substantial net cost increase between 2001/02 and 2002/03. This has resulted from a number of reserve areas previously shown under Separate Regional Parks being transferred to the Port Hills budget (a total of \$110,820). In real terms the Port Hills Reserves maintenance expenditure has, in actuality, reduced by around \$20,000.

The management of the Port Hills Reserves involves undertaking minimal maintenance practices in some areas where there is no demand or necessity to open the land up for extensive public use. A Grazing Strategy has recently been developed to assist with management of these reserves and to enable noxious weed, fire hazard control and native plant conservation.

There is an item included in the budget (\$51,000) to cover new Port Hills Reserves maintenance and this provides some basic funding to carry out essential maintenance works in new areas. These works include fencing, noxious weed control and protection of existing site features and natural habitats. If this was reduced the effect would be an inability to control weed and animal pests adequately on these sites, diminished opportunity for grazing and degradation of the land asset.

OPERATING BUDGET REVIEW

During preparation the budget was closely scrutinised to identify any potential savings or additional revenue opportunities. The request to take a second look has revealed little scope for further cost savings or revenue increases without reducing current levels of service. Nevertheless a number of possible items have been put forward for consideration including the option to apply a reduced minimal maintenance programme on new Port Hills Reserves. With each of these the consequence of proceeding is noted.

Item	Proposal	\$	Consequence
Port Hills Reserve Maintenance	Reduce minimal maintenance regime on new sites	10,000	Degradation of existing features, inadequate weed & animal pest control, reduced grazing ability.
Park Access Alterations	Defer programme	15,000	Policy not met, limited access to some parks for people with disabilities
Parks Promotions & Publications	Reduce programme	5,000	Less information for the public, reduction in events & promotional activities
Local Parks Maintenance Mowing	Reduction in standards	20,000	Level of service reduced, increase in public complaints. Requires renegotiation with the contractor.
Waterways & Wetlands Education	Reduce programme	11,000	Jeopardise continuation of existing programmes such as Water Link
Student Assistance for Planning	Delete	10,000	No holiday assistance for planning
Sea Lettuce Removal	Cease this work	20,000	Increased public complaints dependant on weather
Reserve Classification	Reduce programme	10,000	Time frame for meeting Reserves Act requirements is extended, may delay some lease or licence applications
Education Resource Kits	Delete	5,000	No kits available for schools
Graffiti Response	Reduce response time	20,000	Increased public complaints, diminished city amenity values, contrary to current policy to remove as soon as possible
Riverbank Grass Maintenance	Reduce cutting frequency	10,000	Level of service reduced, increased public complaints. Requires renegotiation with the contractor.
River Litter Control	Reduce frequency of clearing litter booms	5,000	Level of service reduced, increased public complaints. More river pollution
New Street Tree Planting After Care	Reduce new street tree planting programme by 50%	12,500 yr 1 25,000 yr 2	Reduced level of service and consequent reduction in city amenity values

NEW OPERATING INITIATIVES

The only new operating initiative put forward in the draft budget for 2002/03 is the provision of an additional person to provide coverage at the Botanic Gardens Information Centre. This is an essential item to provide the required seven day a week service and is fully funded from additional revenue and operating savings at the Botanic Gardens.

SUMMARY

As stated earlier in the report this budget has been prepared in a responsible and restrained manner and no non-essential add-ons have been included. There has also been a genuine attempt to identify cost savings, efficiency gains and revenue opportunities but this has been difficult to achieve in a climate of asset growth and cost escalations beyond the unit's control.

Most of the items submitted for review involve a reduction in service levels which could be potentially very unpalatable to the public and in some cases would result in the degradation of the asset and the quality of the city. However these items still need to be given due consideration by the Committee.

The notion of reducing or deferring the land acquisition programme to reduce down stream operating costs has been raised. With respect to land derived from subdivision there is no acceptable reduction/deferral options. On the other hand land purchase reduction or deferral could achieve some cumulative savings in the short term but may not be financially prudent in the longer term if land is not secured when it is relatively cheap. It should be noted that a number of the target land purchases listed in the report are already committed and cannot be deferred. If the Committee does propose a reduction or deferral of the land acquisition programme this needs to be carefully weighed against the opportunities and quality outcomes that may be lost for the city's current and future residents.

Recommendation: That the information be received.

Chairman's

Recommendation: For discussion.