3. DRAFT SUB-BUDGETS 2004/05

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The purpose of this report is to highlight the key factors which have influenced the draft sub-budgets. The report also provides information on the budget format, budget timetable and the recommended review approach.

This report brings together the 2004/05 draft budgets for which the Arts, Culture and Heritage Committee is responsible. Work on the budgets has been in hand for the last five months and reflects input from a large number of individuals and community groups. Once approved by the Council on 18 March 2004, the budgets will form part of the Draft Strategic Plan (LTCCP).[1] The Draft Strategic Plan will be available for public submission from Friday 26 March 2004.

BACKGROUND AND PROCESS

The Standing Committee consideration of the draft budgets is the first stage in the Strategic Plan review process. This stage is an opportunity for Standing Committees to review those budgets which they have responsibility for and to set priorities.

The sub-budgets which are circulated with the agenda and which the Arts, Culture and Heritage Committee is responsible for are:

- Art Gallery,
- Library Services,
- Community and Recreation - Recreation,
- Planning,
- Marketing.

As in previous years the 'pink pages' have been collated and printed in a separate booklet. These pages summarise all the significant changes between what was projected for in 2004/05 and what has been reflected in the draft budgets for 2004/05.

OPERATING BUDGET

It is pleasing to report that for the first draft of the budget the projected rate increase for 2004/05 was below the projected rate increase of 3.60%. (This is the rate projection for 2004/05 which was adopted by the Council on 15 July 2003.)

This achievement has not been easy as there have been some significant cost pressures which were not known about when the projections were adopted on 15 July 2003. Examples of these cost pressures include capital/operating corrections and insurance costs. Fortunately there have also been other items like a growth in revenue, reduced interest expenses and efficiency savings, all of which have helped reverse the impact of the cost increases.

Other factors which have been contributed to the favourable position are:

- **Staff Commitment**

  This year management set tough guidelines for budget preparation and staff have made an all out effort to contain budget increases.

- **Growth in the Rating Base**

  The current building boom is projected to have a significant impact on the rating valuation database. The Council's valuation service provider (State Valuation Office) has projected out the likely growth for the year and this translates into $2.2M of additional rates revenue.

CAPITAL EXPENDITURE

The capital expenditure programme can be summarised as follows:

[1] The Local Government Act (2002) refers to the 2004 Planning document as the Long Term Council Community Plan (LTCCP). At the time this report was prepared an alternative name for common usage was being sought. For the purposes of this report the document has been referred to as the Strategic Plan.

	Draft Budget 2004/05	Financial Model 2004/05
Capital Expenditure	$114.67M	$118.88M

The main items contributing to the draft budget reduction of $4.2M compared to the Financial Model projection can be summarised as follows:

	Draft Budget 2004/05
• **Leisure**	
Jellie Park Upgrade - Now spread out over three years. This is considered to be a more realistic timeframe for the work to be done in 2004/05.	($1,837,000)
• **Water and Waste**	
Sewer Renewal - City wide. Has resulted from Asset Management changes.	($760,000)
Lifelines, Brick-barrel Renewals has resulted from Asset Management Plan changes.	($530,000)
• **Facilities - Asset Management**	
Contingencies reduction. All future property bids will now be funded via the budget bidding process rather than by Unit contingency. (Reduced at the Corporate Review Team meeting.)	($800,000)

	($3,927,000)
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It should be noted that within the 2004/05 and 2005/06 capital programmes there are provisions for the Belfast Station and Pressure Main. It was planned to decommission the Belfast Wastewater Treatment Plant and replace it with a pipeline into the City's reticulation system in 2007/08 - 2008/09. A recent resource consent hearing however, has disallowed the current discharge into the Otukaikino Stream (south branch of the Waimakariri River). It has become imperative therefore to advance the pipeline project by bringing it forward from years 2007/08 and 2008/09 to years 2004/05 and 2005/06.

The capital programme has been amended as follows:

	2004/05	2005/06	2006/07	2007/08	2008/09
Belfast Station and Pressure Main	$1.65M	$1.65M		($1.65M)	($1.65M)

SIGNIFICANT NEW INITIATIVES

Since the 'first' draft budget was prepared there have been some resolutions arising from the Council meeting on 11 December 2003 which will have a significant impact on the budget.

- **City Streets Asset Management Plan**

The first relates to the City Streets Asset Management Plan and the details of the financial adjustments are as follows:

Sweeping of on-road cycleways (Change in level of service)	$120,000 (o)
Road pavement replacement (Required to maintain service levels)	$500,000 (c)
Bridge strengthening - (Change in level of service)	$300,000 (c)
Passenger transport infrastructure - 2004/05 2005/06 2006/07	$739,000 (c) $840,000 (c) $40,000 (c)
Cross suburban route - 2005/06	$150,000 (c)
Roading network (to comply with City Plan designations) Additional funding to bring level up to $5M per annum - from 2008/09	Up to $5,000,000 pa (c)

(o) = operating
(c) = capital

The above items relate to changes in service levels or corrections to meet service levels.

The impact on rates has been assessed as follows:

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Rates Impact	0.76%	(0.05%)	(0.05%)	0.02%	(0.06%)	(0.01%)	0.02%	0.03%	0.03%

The above budget adjustments are designed to help address the issues of under strength road pavements, footpath resurfacing, sweeping marked on-road cycleways at selected sites and bridge and culvert strengthening.

- **Metropolitan Christchurch Transport Statement (MCTS)**

The Council resolved to adopt the MCTS and to refer the funding implications of the MCTS to the Annual Plan Subcommittee for its consideration.

"Work done to date on the MCTS indicates a need for considerable additional expenditure over and above the City Streets Asset Management Plan over the next 20 years in order to implement the required direction. This will be an item of significance for consultation as part of the Strategic Plan development." [2]

	1st Strategic Plan: 2004/05-05/06			Average over 20 years to 2023/24		
	Recommended	Current	Change	Recommended	Current	Change
Roading	53.5M	53.6M	+0.0M	52.9M	52.6M	+0.3M
Central City Amenity	3.6M	3.5M	+0.0M	3.7M	2.7M	+1.0M
Passenger Transport	5.6M	4.6M	+1.0M	8.8M	3.9M	+4.9M
Cycling	2.3M	1.7M	+0.6M	2.6M	1.9M	+0.8M
Pedestrians	9.7M	8.9M	+0.8M	10.5M	8.8M	+1.8M
Demand Management	0.2M	0.0M	+0.2M	1.8M	0.0M	+1.8M
Total	74.8M	72.3M	+2.6M	80.4M	69.8M	+10.6M

At this stage there have been no changes made to the draft budget. This will be one of the priority tasks for the Annual Plan Subcommittee to consider when it meets from 19-27 February 2004.

- **Flat Water Recreation Facility**

At the Council meeting on 15 July 2003 it was resolved that investigations be undertaken in 2003/04 on the feasibility of a Christchurch Watersports facility. Work has been progressing on this project and the Community and Leisure Committee will consider the proposal at a meeting on 18 February 2004. The recommendations arising from this meeting will then be forwarded to the Annual Plan Subcommittee meeting in February 2004.

At this stage there is no provision in the draft budget for this facility. If the Council decides to proceed with the project the capital costs would be $11M and they would be spread as follows:

	2004/05	2005/06	2006/07	2007/08
Capital Costs	$630,000	$3,400,000	$3,400,000	$3,570,000

A further significant new initiative which has been discussed in Council seminars is the Organics Recycling Services Project. Details of this project are as follows:

[2] Report of the Sustainable Transport and Utilities Committee to the Council meeting of 11 December 2003.

- **Organics Recycling Services Project**

OPERATING COSTS	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Process Putrescible Material collected from businesses and households in Christchurch. Initially start processing putrescibles from businesses then expand to a citywide kerbside collection service in 2006/07.		450,000	1,800,000	1,800,000	1,800,000	1,800,000
Citywide Kerbside Collection of Putrescibles and small amounts of greenwaste from households and small businesses. Including replacement collection containers.			4,000,000	4,000,000	4,000,000	4,000,000
CAPITAL COSTS						
Putrescible Processing Plant In 2004/05 establish 2 Rotocom units plus buildings (a start up plant) to process commercial putrescibles. Then expand to a total of 8 Rotocom units to process the feedstock from a citywide food waste and small greenwaste kerbside collection service.	3,000,000	5,000,000				
Containers for Kerbside Putrescibles Collection In 2005/06 provide all households with putrescible collection containers for a kerbside collection service.		2,000,000	50,000	50,000	50,000	50,000

FURTHER NEW SIGNIFICANT PROPOSALS

The new Local Government Act prescribes processes which must be followed for proposals regarded as significant in the Council's Policy on Significance. This applies to proposals which would incur a capital cost of more than $5 million, or an operational cost of more than $500,000. These processes are in hand for the projects discussed above.

Rex Harrison is available to provide a briefing on the processes to be followed for such proposals if elected members wish to consider any additional to the four discussed.

THE ATTACHED SCHEDULES

As in previous years, service add-ons have been separated out into:

- committed costs; and
- new initiatives.

Committed costs have been defined as those costs which the Council is committed to and unable to avoid. New initiatives have been defined as initiatives which the Council/Community Board or staff would like to see in the operating or capital budget, but at this stage have not been included.

The 2004/05 format is very similar to last year in that Units were asked to note on their pink pages, the changes and potential changes using the following headings:

Categories for the 2004/05 financial year	**Totals***
• New Operating Initiatives	$0.822M
• New Capital Initiatives	$4.51M
• Committed Costs - Operating Budgets	$13.11M
• Committed Costs Approved by Council during the year	$0.448M

- Increased Costs Due to Increased Demand $3.00M
- Efficiency Contributions ($9.05M)
- Capital Costs Approved by Council during the year $2.312M

***** Totals for the Council as a whole.

The categories as they relate to each Committee are:

- **Schedule 1A - New Operating Initiatives**

  These items are not in the draft budget but have been identified by Councillors, Community Boards or staff for possible inclusion. Funding should preferably be by way of substitution with an existing operating item(s).

- **Schedule 1B - New Capital Initiatives**

  These items are not in the draft budget but have been identified by Councillors, Community Boards or staff for possible inclusion. Funding should preferably be by way of substitution with an existing capital item(s). Suggested submissions where appropriate have been noted. However, in the case of major new initiatives this may not be possible. (There are no items in this category for the Arts, Culture and Heritage Committee.)

- **Schedule 1C - Committed Operating Costs - Operating Budgets**

  This schedule is designed to reflect the operating costs arising from capital projects or other commitments which have been made.

- **Schedule 1D - Committed Costs Approved by Council During the Year - Operating**

  This represents those operating items which have been approved by the Council since the 2004 Annual Plan was adopted on 15 July 2003.

- **Schedule 1E - Increased Costs due to Increased Demand**

  These items reflect growth and the consequential increased demand for Council goods and services.

- **Schedule 1F – Unit Contribution to Efficiency Savings**

  This schedule highlights all the efficiency gains and cost savings for those budgets for which this Committee is responsible.

- **Schedule 1G - Committed Costs - Approved by Council During the Year - Capital**

  This schedule includes additional capital items to which the Council is committed. (There are no items in this category for the Arts, Culture and Heritage Committee.)

REVIEW APPROACH

The suggested approach is to:

(a) Review the level of service for each output and where appropriate confirm that level.

(b) Consider the proposed new operating initiatives (Schedule 1A). In addition to Schedule 1A, Standing Committees should also identify any other new initiatives and potential substitutions with which to fund new initiatives. The substitution needs to be of equal value. Once approved by the Committee, the new initiatives and matching substitutions will go forward to the Annual Plan Subcommittee as a recommendation. Where a matching substitution is not identified, the Committee should assign a priority ranking (1 = high priority, 2 = priority, 3 = desirable) to the initiative.

It is suggested that elected members refer to the Statement of Community Outcomes they have prepared when considering new initiatives. See attachment for copy of the Statement.

(c) Confirm the draft capital programme and consider any new capital initiatives (Schedule 1B). The Statement of Community Outcomes may need to be referred to here as well.

Where a matching substitution is not identified for a new capital initiative, the Committee should use the priority ranking referred to above.

It should be noted that once approved then the new capital initiatives and matching substitutions will go forward to the Annual Plan Subcommittee as a recommendation.

TIMETABLE

The next step in the process is for the draft budgets to be referred to the Annual Plan Subcommittee. The Subcommittee meets in the late February (19, 20 23, 24, 25 and 27 February 2004) and early March (4 and 5 March 2004).

The Subcommittee will:

- consider the overall strategy;
- consider the projects and programmes requested by Committees and assess overall priorities; and
- recommend a Draft Strategic Plan (LTCCP) to the full Council.

Details of the other steps in the process are as follows:

18 March 2004	Council Meeting to adopt a Draft Strategic Plan
26 March 2004 to 6 May 2004	Public Submission period on the Draft Strategic Plan
1 - 4, 8 - 11, 14 - 15 and 18 June 2004	Draft Strategic Plan Hearings
30 June 2004	Council Meeting to adopt the Strategic Plan

Staff Recommendation:

1. That the draft operating and capital budgets be confirmed.

2. That any new operating or capital initiatives plus matching substitutions be referred to the Annual Plan Subcommittee for approval.