

I hereby give notice that an ordinary meeting of the Albert-Eden Local Board will be held on:

Date: Wednesday, 3 September 2014
Time: 3.00pm
Meeting Room: Albert Eden Local Board Office
Venue: 135 Dominion Road
Mt Eden

Albert-Eden Local Board OPEN ADDENDUM AGENDA

MEMBERSHIP

Chairperson	Peter Haynes
Deputy Chairperson	Glenda Fryer
Members	Helga Arlington
	Lee Corrick
	Graeme Easte
	Rachel Langton
	Margi Watson
	Tim Woolfield

(Quorum 4 members)

Michael Mendoza
Democracy Advisor

29 August 2014

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Deferral of 2014/2015 capital projects

File No.: CP2014/19720

Purpose

1. To seek agreement from the Albert-Eden Local Board to the list of capital projects outlined in Attachment A that are proposed for deferral from 2014/2015, prior to consideration by the Finance and Performance Committee on 18 September 2014.

Executive summary

2. Prior to decisions being made by the Finance and Performance Committee regarding a 2014/2015 capex deferral programme, engagement was held with all local boards.
3. Between 12 and 19 August 2014, staff attended 21 local board workshops to outline the capex deferral process and obtain feedback on proposed deferrals affecting each local board area.
4. On 21 August 2014, the Finance and Performance Committee resolved that decisions on the deferral of local board capital projects from 2014/2015 to 2015/2016 be deferred until local boards have formally considered and responded to each project in full (FIN/2014/47).
5. The list of capex projects proposed for deferral is outlined in Attachment A.

Recommendation/s

That the Albert-Eden Local Board:

- a) formally consider and agree the deferral of capex projects outlined in Attachment A to 2015/2016.
- b) note that any projects where timing has been deferred, but project planning is underway, should be given high priority in the 2015/2016 capital programme.

Comments

Background

6. As foreshadowed in the 2014/2015 Annual Plan and LTP workshops, operating budgets for 2015/2016 (the first year of the LTP 2015-2025) would need to be reduced by about \$90 million to achieve a 2.5 per cent average rates increase.
7. It is not possible to reduce the average rates increase for 2015/2016 down to 2.5 per cent solely by reducing or deferring capex in that particular year. The lagged impact of changes in the capital programme on operating budgets means that reducing or deferring capex in 2014/2015 will have a greater impact on rates for 2015/2016.
8. Since amalgamation the quantum of planned projects each year has exceeded the council parent's capacity to deliver. While delivery capacity is now increasing, a significant bow wave has built up. This historical underspend is acknowledged in the Annual Plan and factored into council's rates and debt projections by way of a \$207 million assumed underspend. However, the individual projects that will not be delivered are not explicitly identified in the Annual Plan as they had not yet been identified.
9. Council staff have reviewed 2014/2015 capex budgets to identify work that must be completed this year as a matter of practical necessity, or where not doing the project in this

timeframe would negatively impact existing service levels, external revenue or the realisation of efficiency savings.

10. The specific categories used to develop the list of deferred projects and process undertaken is explained further in Attachment B which was circulated to Local Boards prior to the proposed capex projects for deferral being discussed at a recent workshop.
11. In order to develop a realistic capex programme for 2014/2015 and contain pressure on rates in 2015/2016, staff recommend that the capex projects included in Attachment A for the council parent be explicitly deferred from 2014/2015 to 2015/2016, and be included as part of the LTP prioritisation process.
12. Between 12 and 19 August, staff attended workshops for all 21 local boards to obtain feedback on the proposed capital deferral schedules for 2014/2015. This engagement provided opportunity for local boards to ask questions, reinforce the reason for deferring capital funds and provide feedback on the status of projects in alignment to criteria used to assess proposed deferrals.
13. Of the total proposed projects for deferral tabled at the Finance and Performance Committee on 21 August 2014, regional projects amounted to \$80 million, local projects amounted to \$35 million and CCO's collectively deferred \$109 million.
14. Staff reduced the total of local projects for deferral by approximately \$7 million due to responding to the information provided through the recent workshops held with local boards. These reductions were due to corrections in applying the criteria used for identifying potential deferrals. Attachment A takes into account these reductions.
15. Local boards also identified projects that are discretionary and could be deferred, but which are very important to their local community. Rather than making decisions about removing any high-priority discretionary projects from the deferral list, staff included these comments in the schedule provided to the Finance and Performance Committee.
16. The decisions being made are budget adjustments that represent timing changes only. Any decisions to drop or reprioritise projects should be made as part of the LTP process.
17. Through September and October Local Boards, the Governing Body, CCOs and council staff will all contribute to the development of draft LTP 2015-2025 budgets in response to the Mayoral Proposal. Decisions on discretionary local budgets will be made by Local Boards in October and decisions on regional activities and local asset based services will be made by the Budget Committee on 5-7 November.
18. Local Board Plans, along with the Auckland Plan and the agreed spatial priorities will help inform this prioritisation. Final decisions on which projects are included in the LTP 2015-2025 will be made by 30 June 2015, following full public consultation.

Attachments

No.	Title	Page
A	List of 2014/2015 projects proposed for deferral until 2015/2016 including Local Board feedback	7
B	Local Board Memo distributed prior to the workshops on 7 August 2014	9

Signatories

Authors	Taryn Crewe – Financial Planning Manager Council Parent
Authorisers	Matthew Walker - Manager Financial Plan Policy and Budgeting Karen Lyons – Manager Local Board Services Adam Milina - Relationship Manager - Albert-Eden & Orakei Local Boards

Attachment A
List of 2014/2015 projects proposed for deferral until 2015/2016 (Inflated 2015 \$)
*** TABLED AT FINANCE AND PERFORMANCE COMMITTEE 21 AUGUST 2014**

Project Description	Location	Capital to be deferred into 2015/2016	Capital retained in 2014/2015	Notes
Community facility renewals	Albert-Eden	68,556	411,141	Deferral relates to FY14 underspend. The Board requires further information from the Community Facilities team regarding the rationale for this deferral and what project/projects wont be delivered this year to accommodate this proposed deferral.
Public art programme	Albert-Eden	103,476	0	The Board requires further information from the Public Art Team to explain why this is being suggested for deferral. The Board thought that the Public Art team were confident that this budget would be spent by the end of the year.
Artificial sportsfields (SH16/20 Phyllis reserve)	Albert-Eden	83,116	0	Budget for this project is part of the Board of Inquiry decision on the SH20 project. It can be deferred, but cannot be cut in the LTP discussions
Building refurbishment (Gribblehurst Park)	Albert-Eden	150,690	0	Parks officers noted that it would be preferable if this renewal budget is retained in the 2014/15 financial year as the building is currently sitting vacant which could trigger security issues.
Improvement to existing reserves (SH16/20)	Albert-Eden	44,645	51,655	Budget for this project is part of the Board of Inquiry decision on the SH20 project. It can be deferred, but cannot be cut in the LTP discussions
Park signage	Albert-Eden	57,565	3,500	The Board has undertaken 'whole of park' project planning over the last two years for a number of parks requiring renewals work and SLIPs capex funding. New parks signs are a key part of the parks development and \$3,500 will contribute very little. The Board requests that at least half of this funding be retained in the 14/15 year to ensure that when park projects are carried out the signs can be upgraded at the same time, otherwise the parks will have new facilities and old signage.
Soil restoration and development (Nicholson Park)	Albert-Eden	65,000	46,035	
Mt Albert town centre renewal	Albert-Eden	1,891,124	1,500,000	This is in line with the brief that has been provided by the City Transformation team, however the Board raised concern that this budget was on the table due to the longevity of the project and the expectations raised a long period of time with the community. The Board would like confirmation that the deferred funding will be retained in FY16.
Renewal of village centres	Albert-Eden	1,999,533	800,000	
TOTAL		4,463,705		

Memo

8 August 2014

To: Local Board members
cc: Karen Lyons, Manager Local Board Services
From: Matthew Walker, Manager Financial Planning Policy and Budgeting

Subject: **2014/2015 capex review**

Background

Since amalgamation the quantum of planned projects each year has exceeded the council's capacity to deliver. While delivery capacity is now increasing, a significant bow wave has built up. Including unspent capex from 2013/2014, \$650m of projects are planned for 2014/2015 within the council parent. In contrast, the council parent delivered about \$395m last year¹.

This historical underspend is acknowledged in the Annual Plan and factored into council's rates and debt projections. However, the individual projects that will not be delivered are not explicitly identified.

Proposed budget adjustments

A report to the 21 August Finance and Performance Committee will recommend that about \$130m of Auckland Council projects are explicitly deferred from 2014/2015 to the 2015-2025 LTP period. This budget adjustment will leave \$520m of planned projects in the 2014/2015 financial year.

The report will also include recommendations to defer CCO capex, including \$100m for Auckland Transport.

Any budget adjustments that the committee agrees on 21 August will be timing changes only. Decisions to drop or reprioritise projects will only be made as part of the LTP process following full public consultation.

LTP prioritisation process

In late August the Mayoral Proposal will outline the proposed rates increases and funding levels for 2015-2025. The Mayor has previously signalled that there is no public appetite for large increase in rates or debt. He has therefore called for frank discussions with the community on question such as:

- What is the right balance of progress and affordability?
- Which things should we do to make the biggest difference for Aucklanders?
- What things will we stop doing, or do slower, to remain affordable?

In September-October Local Boards, the Governing Body, CCOs and council staff will all contribute to the development of draft 2015-2025 LTP budgets in response to the Mayoral Proposal. Decisions on discretionary local budgets will be made by Local Boards in October and decisions on regional activities and local asset based services will be made by the Budget Committee on 5-7 November.

¹ Excluding a \$61m property acquisition for Colin Maiden Park

Local Board Plans, along with the Auckland Plan and the agreed spatial priorities will help inform this prioritisation. Final decisions on which projects are included in the 2015-2025 LTP will be made by 30 June 2015, following full public consultation.

Process for identifying proposed deferrals

Council staff have reviewed 2014/2015 capex budgets to identify work that must be completed this year as a matter of practical necessity, or where not doing the project in this timeframe would negatively impact existing service levels or the council's efficiency savings programme.

The aim is to develop a 2014/2015 programme that can realistically be delivered, and also ensure that pressure on 2015/2016 rates increases is contained.

It is acknowledged that this is a pragmatic approach, rather than a strategic prioritisation exercise. However, the high level of existing contractual commitments combined with the need to complete a large renewals programme means that there is now limited flexibility to reprioritise the programme for this year.

The LTP is a different story. That process will provide the opportunity to discuss with the community the relative importance of projects and programmes, based on the priorities identified in Local Board Plans.

The specific categories used to assess the 2014/2015 capex programme were:

Category	Examples
1. Legally committed Legislative or contractual commitment for delivery in 2014/2015	<ul style="list-style-type: none"> Otahuhu library redevelopment, Mangere-Otahuhu
2. Growth related DC funded capex but not committed	<ul style="list-style-type: none"> Land Acquisitions, Regional
3. Urgent health and safety renewal A significant health and safety risk that must be addressed in 2014/2015	<ul style="list-style-type: none"> Symonds St East cemetery pathway, Waitemata Mt Albert Aquatic Centre, Albert-Eden
4. In tender process Signed procurement plan, currently under tender or about to go to tender	<ul style="list-style-type: none"> Albany Aquatic Centre, Hibiscus & Bays Bledisloe Park, Franklin
5. Cost savings Capital works that support cost savings	<ul style="list-style-type: none"> IS costs in moving offices to Albert Street
6. Revenue generating The investment will be offset by associated revenue	<ul style="list-style-type: none"> Hobsonville marine precinct development Yard 37, ACPL Papatoetoe redevelopment, ACPL Ormiston town centre development, ACPL
7. Renewals To maintain existing levels of service	<ul style="list-style-type: none"> Renewal of community facilities, local parks, libraries etc. Renewal of regional parks, regional cemeteries etc.
8. Discretionary Projects have flexibility to be deferred and reconsidered through the LTP process	<ul style="list-style-type: none"> Fort Takapuna Heritage Project Fort Street area upgrade, Regional Ponsonby village square development, Waitemata

For some projects the total cost may have been allocated across more than one category. For example, phase 1 may be committed, but phase 2 remains discretionary.

Next steps

Detailed schedules of the proposed deferrals will be provided to each board shortly and your local board support staff will be in touch to arrange workshops prior to any decisions being made. These workshops will allow you to hear more from staff and feedback any further information that you feel staff need to be aware of in relation to these projects.

Council staff will then report to the Finance and Performance Committee on 21 August with recommendations on the project budgets to be deferred from 2014/2015.