



I hereby give notice that an ordinary meeting of the Finance and Performance Committee will be held on:

Date: Wednesday, 28 October 2015
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Finance and Performance Committee OPEN ADDENDUM AGENDA

MEMBERSHIP

Chairperson	Cr Penny Webster	
Deputy Chairperson	Cr Ross Clow	
Members	Cr Anae Arthur Anae	Cr Calum Penrose
	Cr Cameron Brewer	Cr Dick Quax
	Mayor Len Brown, JP	Cr Sharon Stewart, QSM
	Cr Dr Cathy Casey	Member David Taipari
	Cr Bill Cashmore	Member John Tamihere
	Cr Linda Cooper, JP	Cr Sir John Walker, KNZM, CBE
	Cr Chris Darby	Cr Wayne Walker
	Cr Alf Filipaina	Cr John Watson
	Cr Hon Christine Fletcher, QSO	Cr George Wood, CNZM
	Deputy Mayor Penny Hulse	
	Cr Denise Krum	
	Cr Mike Lee	

(Quorum 11 members)

Mike Giddey
Democracy Advisor

27 October 2015

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Budget review

File No.: CP2015/21916

Purpose

1. This report provides updates and advice on the review of group budgets for the Annual Plan 2016/2017.

Executive Summary

2. The 2015-2025 Long-term Plan (LTP) sets out budgets for 2016/2017 which include a 3.2 per cent overall average general rates increase. If the council wishes to make material or significant changes to this budget, it will need to consult as part of the Annual Plan 2016/2017.
3. Staff constantly review key financial forecasting assumptions and targets for efficiency gains and the sale of surplus property assets. At this stage, it appears unlikely that any changes in these assumptions will materially change budgets for 2016/2017 compared to the projections in the LTP.
4. The review of alternative financing sources will be reported to this committee in November. The results of the review will provide the council with options to improve the value it gets from its assets. Because these changes are focused on the council's balance sheet and long-term financial performance, it is unlikely that any changes will have a material impact on 2016/2017 operating budgets.
5. To materially reduce the rates revenue requirement for 2016/2017 spending reductions (or increases to non-rates revenue items such fees and charges) will be necessary. If the committee wishes to consult on such changes, staff will require direction on which activity areas should be targeted for spending reductions.
6. Staff have provided the committee with budget trend information across all activity areas to help improve understanding of the council's finances and to support discussions about potential spending reductions. Further information and advice will be provided on specific areas based on direction from the committee.
7. The changes to local government legislation mean that it is not necessary at the consultation stage to develop a full draft budget or identify the precise budget movements. Rather the requirement is to provide enough information for the community to understand the type of impact the proposed changes may have.
8. A highly significant change, such as significantly altering transport service levels, could trigger a need to amend the LTP. This would increase the consultation requirements, require audit review and put considerable pressure on the annual plan timelines.
9. In addition to any significant or material budget changes that the council chooses to consult on to reduce the rates requirement for 2016/2017, some potential changes to the capital programme may also require consultation via the annual plan.

Recommendation/s

That the Finance and Performance Committee:

- a) receive the report.

Comments

Background

10. The 2015-2025 Long-term Plan sets out budgets for 2016/2017 which include a \$1.9 billion group capital expenditure programme to look after existing assets while providing new assets for a rapidly growing Auckland. This programme includes:
- Continuing work on the CRL
 - Continued investment in sportsfield capacity enhancement
 - Delivery of the Westgate multi-purpose facility (library/community centre)
 - Completion of the new Albany Pool
 - Further investment in Wynyard Quarter
 - Continued work on AMETI
 - Completion of the Manukau Bus Interchange
 - Continued work on the Hunua No.4 water supply scheme
 - Infrastructure to support Special Housing Areas
11. The investment in new assets is the primary driver of the council's rising cost base and the need to grow rates and other revenue each year. The key financial parameters of the 2016/2017 budget currently include:
- \$3.7 billion group operating expenditure
 - \$1.8 billion of non-rates operating revenue
 - \$1.6 billion of rates revenue
 - a 3.2 per cent overall average general rates increase
 - an interim transport targeted rate of \$114 (including GST) for non-business ratepayers and \$183 (including GST) for business ratepayers.
12. On 25 June 2015, the Governing Body resolved to review the level of the general rate and the Interim Transport Levy as part of the annual plan process. Other resolutions were also passed relating to rating policy and the composition of the Interim Transport Levy. These matters are addressed in other reports on this agenda.
13. If the council wishes to make material or significant changes to this budget, it will need to consult as part of the Annual Plan 2016/2017.
14. Recent changes to local government legislation mean it is no longer necessary to prepare a full draft budget for consultation. Instead the requirement is to prepare a consultation document that clearly and simply explains what budget changes might occur, what options are being considered, and what the implications of those options are likely to be for the community.
15. The review of alternative financing sources will be reported to this committee in November. The results of the review will provide the council with options to improve the value it gets from its assets. Because these changes are focused on the council's balance sheet and long-term financial performance, it is unlikely that any changes will have a material impact on 2016/2017 operating budgets.

26. As discussed above, it is not necessary at the consultation stage to develop a full draft budget or identify precise budget movements. Rather the requirement is to provide enough information for the community to understand the type of impact any proposed changes may have. If the council does not include any reference to a potential budget change with significant impacts on the community in its annual plan consultation material, it may be restricted in its ability to make decisions about that budget change in May next year.
27. A highly significant change, such as significantly altering transport service levels, could trigger a need to amend the LTP. This would increase the consultation requirements, require audit review and put considerable pressure on the annual plan timelines.
28. Once any potential areas of spending reductions are identified, there is a choice about whether to consult on options to reinvest the savings back into public infrastructure or other programmes, or use the savings to reduce the level of general or targeted rates.

Other potential budget changes

29. In addition to any significant or material budget changes that the council chooses to consult on to reduce the rates requirement for 2016/2017, there may be some material changes to the capital programme that might require a council decision by May next year. Staff will report to this committee in November on any capex changes that are likely to trigger annual plan consultation requirements.
30. It is not anticipated that any of these capital changes would have a material impact on the operating budgets or rates requirements for 2016/2017. However, changes to the capital programme, particularly in combination with any reduction in rates revenue, may have an impact on the council’s prudential debt ratios. When there is greater clarity about the likely extent of the budget changes, staff will advise on the consequential impact on these ratios.

Process steps to agree 2016/2017 budget

31. The following table sets out the key process steps to agree the budgets for 2016/2017.

Timing	Process step
28 October	Finance and Performance Committee review budgets and consider changes to rating policy.
19 November	Finance and Performance Committee agree to consult on any changes arising from the review the review of alternative financing sources.
27-30 November	Governing Body discussion with Local Boards
8 December	Mayoral Proposal on consultation items for the annual plan presented to the Finance and Performance Committee, including potential budget changes and their impact on the community
17 December	Governing Body agree consultation items
10 February	Governing Body adopt annual plan consultation document
Mid April	Staff provide a budget update report with the latest available information following a detailed review of 2016/2017 budgets by CCOs and council departments.

Early May	Staff provide the Finance and Performance Committee with a report summarising the feedback from public submissions.
16 May	Finance and Performance Committee agree budgets for 2016/2017
By 30 June	Governing Body adopts annual plan and sets rates for 2016/2017

Consideration

Local Board views and implications

32. Local Board views will be considered as part of the annual plan process.

Māori impact statement

33. Consultation and engagement with Māori will occur as part of the annual plan process.

Implementation

34. The annual plan process steps are outlined above.

Attachments

There are no attachments for this report.

Signatories

Author	Ross Tucker - Manager Financial Planning and Strategy
Authorisers	Matthew Walker - General Manager Financial Plan Policy & Budgeting Sue Tindal - Chief Financial Officer