

---

**REPORT 5**  
*(1215/52/IM)*

## **STRATEGIC PRIORITISATION EXERCISE**

---

### **1. Purpose of Report**

This report provides an update on the Prioritisation Framework review undertaken across the Council's 81 activities. The purpose of the review was to identify options for reducing expenditure without adversely impacting on the Councils: risk profile; strategic priorities; or agreed levels of service.

### **2. Recommendations**

It is recommended that the Committee:

1. *Receive the information.*
2. *Agree to the following reductions:*

a.	A312	Wellington Waterfront	\$150,000
b.	C105	Positively Wellington Tourism	\$100,000
c.	P065	Heritage development	\$100,000
			<b>\$350,000</b>

### **3. Background**

In late 2006 work commenced on preparing the Draft Annual Plan for the 2007/08 year. A range of exercises were undertaken to review the levels of expenditure, both opex and capex. One of the exercises was to complete a strategic prioritisation framework.

### **4. Discussion**

The framework used a series of filters to allocate our projects into review categories. The filters were:

#### **A. Risk**

The Council's key risks were applied to all activities and those with 'high' risk weightings were considered lowest priority for discretionary changes. This recognises the 'zero-tolerance for failure' that is attached to these activities – top among them being items like sewage collection, water supply, etc.

## **B. Strategic Priority**

Those activities that are being undertaken primarily in response to the 23 strategic priorities were identified and maintained. In particular for new initiatives it is considered too early to assess whether these activities are delivering against the desired outcomes, so they should be continued.

## **C. Performance analysis**

Finally, all activities were rated for their performance against budget, and against performance targets.

From this we identified those activities where performance is being achieved, on or under budget; or where we are over-achieving against budget. We then drilled down into the relevant projects, to see if there is some discretion over the expenditure.

Some of the projects identified had primarily asset ownership costs, or were all labour-related and thus had little or no short term discretion over costs. Four projects were put forward to Councillors for consideration, and all were considered worthy of further review. One – *C562 Recreation Programmes* - did not appear to result in a satisfactory outcome, and it has been removed from the list. Councillors were not convinced that reducing the number of programmes was aligned with a desire for a healthy and active population, and accordingly officers will look to review the targets for the relevant performance measure.

Two of the projects involved CCO's, and feedback has been sought from them. Their comments are provided below.

### **4.1 Project A312 – Wellington Waterfront**

The prioritisation framework identified potential reductions to the Wellington Waterfront budget, based on performance both financial and against key performance measures. In 2005/06 the company recorded a surplus of \$248k, and in the 2006/07 year it is tracking under budget. Officers suggested a reduction of \$150k, and sought feedback from the company. Their response was:

#### Wellington Waterfront Limited response

The budgeted management fee for 2006/07 of \$1,900k is under spent by \$176k in the December 2006 accounts. Some of this underspend is attributable to the departure of two project managers in August 2006 and the subsequent recruitment of a Development Manager in December 2006. The other area of current under-expenditure is Information Technology, but this is a timing issue only.

The Company is in agreement, that with recent staffing changes, a reduction in the annual management fee of \$150k is unlikely to hamper Wellington Waterfront Limited's operational activities.

## **4.2 Project C102 – Positively Wellington Tourism**

The prioritisation framework identified potential reductions to the Positively Wellington Tourism budget, based on performance both financial and against key performance measures. In 2005/06 Positively Wellington Tourism made a \$283,000 surplus which has not been required in the first two quarters of 2006/07. For this reason, and because the desired levels of service are being achieved, the Council is proposing to reduce Positively Wellington Tourism's annual funding by \$100,000 per year.

### Positively Wellington Tourism response

Positively Wellington Tourism (PWT) do not believe that their funding should be reduced.

The primary reason for the surplus in the 2005/06 year were timing issues. These were brought about by PWT's commercial partners wanting to delay activity in the Downtown marketing and Australian programmes. It should also be noted that the Trust produced a \$141,000 deficit in the 2004/05 year.

PWT holding back on activity until commercial partners are ready to invest is a typical practice for the organisation that in the 2007/08 financial year will leverage in excess of \$1.7m from commercial partners.

Further to this, PWT has reforecast its current budget and it will produce a \$270,000 deficit in this financial year. PWT will not build any reserves in this financial year.

PWT is highly effective at leveraging partner contributions for its work. The ongoing nature of its programmes means that any cut in budget will mean a cut in activity in the 2007/08 year.

Additional to this, other regions such as Christchurch will increase funding for competitive activity in the next year. PWT believe it is not the time to be reducing activity in a more competitive marketplace.

Other than specific new programmes, PWT's funding levels have remained constant for the last three years. There has been no inflation adjustment despite the increasing costs in areas such as rent, labour and marketing.

The recent activity review by the Council found PWT to be effective and well regarded and recommended that PWT's activities should be expanded. This may not be possible with a reduction in funding. The WRS is also likely to impact on PWT's budgets in the 2007/08 year.

The remaining project – P065 Heritage development – is managed within the Urban Design unit, and includes staff resources and a heritage grants fund. In 2006/07 the fund has been fully subscribed, after years of under-achievement. In 2007/08 the fund had been budgeted to increase by \$100k, but it is proposed to retain the project at the same levels as the current year.

## **5. Conclusion**

The strategic prioritisation framework has provided a starting point for considering the relative priorities within the Council's 81 activities; and has identified some areas where budget reductions are proposed on the basis of performance being achieved to target (and within budget). Officers recommend that Councillors accept the 3 budget reductions that have been proposed.

Contact Officer: *Wayne Maxwell - Director, Strategy & Partnerships*

## Supporting Information

### 1) Strategic Fit / Strategic Outcome

*Example: The policy supports Council's overall vision of Creative Wellington – Innovation Capital. The policy supports Council activities as a facilitator of recreation partnerships and provider of recreation services. Agreement to the policy will contribute to Council meeting the outcome of offering a diverse range of quality recreation and leisure activities (see outcome 7.1 Recreation Opportunities).*

### 2) LTCCP/Annual Plan reference and long term financial impact

*Example: The project is contained in the Council Plan # CX651. The changes indicated here will lead to an increase in capital expenditure in the coming year. Operational expenditure to cover 0.5FTE is anticipated for each subsequent year.*

### 3) Treaty of Waitangi considerations

*Example: The proposal is to be located on a site that Mana Whenua regard as important. The site is the former shoreline and waka used to moor there prior to reclamation. The Tenth Trust has been approached and considers the proposal an appropriate use of the land.*

### 4) Decision-Making

*Example: This is not a significant decision. The report sets out a number of options and reflects the views and preferences of those with an interest in this matter who have been consulted with.*

### 5) Consultation

#### a) General Consultation

*Example: All affected parties have been identified. The effects of this work are confined to the street and surrounding neighbourhood. It is proposed that consultation be targeted to the local neighbourhood. We propose a letter box drop and to hold a meeting with the residents. Council is not required under legislation to consult on this matter.*

#### b) Consultation with Maori

*Example: Mana whenua have been provided with a draft of the policy. Their comments were limited to the timing of the project. These concerns have been noted and are covered in section 3 of the report.*

### 6) Legal Implications

*Example: Council's lawyers have been consulted during the development of this report.*

### 7) Consistency with existing policy

*Example: This report recommends certain measures which are inconsistent with some existing WCC policy, such as ..... These measures are recommended despite this inconsistency because.....*

