

Appendix 9

Chief Executive's statement to Council meeting 7 May 2020

Over the last six weeks we have rapidly responded to the lockdown as a council in terms of our staff, facilities and services. We have taken swift action to lessen the impacts of Covid-19 that are being felt in our community. This has included quickly developing and implementing a comprehensive response plan (www.huttcity.govt.nz/covid19) which includes a range of measures to help our community get through at this time.

Some highlights are:

- Supporting our local Emergency Operations Centre with 32 staff working in a range of roles from welfare through to logistics.
- Holding council and other meetings online. This has involved allocating more staff to enable this to happen (3.2 FTE compared with 1 previously) but has meant council can continue to undertake its work and the community can participate in these virtual meetings.
- Hutt City Council vehicles involved in the response have travelled 13,900 kms – almost nine times the length of NZ - during the lockdown to get to our people and do everything that has been necessary for the response.
- Working in partnership with the Hutt Valley Chamber of Commerce and Upper Hutt City Council to provide support to local businesses including the Love Local campaign, networking opportunities and business advice. An online resource hub has been established along with a business Facebook group (currently more than 641 members).
- 20 Livestreams for businesses have been held with local experts providing advice on issues relevant to businesses. There have been over 6000 views.
- A business survey has been issued today by the Hutt Valley Chamber of Commerce, Upper Hutt City Council and Hutt City Council to gauge how businesses are doing and what they need. This information will be used to inform our own work.

Today and, as requested by Council, we have developed a one-year budget based on an overall rates rise of 3.8 per cent for ratepayers. The one-year emergency budget will see services and key projects continuing while refocusing resources to help our community now and during recovery.

The emergency budget includes operational savings of \$3 million. It means there would be a rates increase of \$2.35 per week, per household based on an average residential property value of \$627,000. The emergency one-year budget has been developed on the basis of prioritising investment in Three Waters infrastructure. The average rates increase per household of \$2.35 per week, or \$122 per annum, largely relates to this priority area. Investment in Three Waters infrastructure makes up \$84 of the average \$122 per annum rise and the remaining \$38 covers cost increases for all the other services provided by Council.

Staff have worked on the budget line by line. In addition to the emergency budget, from July we will undertake a base budget review and to look at what we fund, what it costs, and what it achieves so that council can be clear about resources and priorities. Inevitably, given the ongoing effects of COVID19 to our own income and expenditure base emergency budget and budget review aside, this year will be one of reconfiguration and adjustment to reflect

and respond to what unfolds in the coming year. There is a clear need to invest in technology, and I have flagged this to you previously. This investment like others, will lead to greater efficiency and savings over time.

Considering the very short timeframes we've had to respond to this ever-changing situation I think where we have got to is sound and we now seek Council's approval and hear from the community on our proposals.

Included in the papers is information on a zero rates increase as requested by Council. We have set out what zero might look like which includes the closing of some facilities and other significant budget reductions. If Council wishes to pursue this option today, we would not be able to meet community expectations for the services we as a council should be providing. There would also be no ability to invest in key infrastructure like water. Three Waters continues to be identified by Wellington Water as requiring investment to ensure our community's water supply and water network is not at risk.

Some might ask why "what zero looks like" does not include things like asset sales etc. Firstly, such sales produce a one-off amount, they don't fundamentally change the operating base expenditure. Secondly, such sales are by no means secure in the current climate and would require a more thought out approach. This is of course an option for members in the future not least because the Council, whilst it has pressed pause on its previous path of sorting the longer term financial challenge to focus on the immediate, that financial challenge remains and must be addressed. A review of the Council's current financial strategy is imperative, ahead of the next long term financial plan.

I draw your attention to the 22 page report in your agenda today by Philip Jones from PJ & Associates which has been peer-reviewed by Bruce Robertson, former Assistant Auditor General. The Mayor requested that the report be commissioned and I am pleased that we have done so. The report notes the following in respect of the proposed financial strategy we have pressed pause on:

This is an improvement on the existing strategy and there are further improvements to be made, in particular by defining the need for increased funding for renewal expenditure and considering the impact of a balanced budget and noting the intention to increase revenues over time to "balance the budget".

In conclusion, the proposed financial strategy and the approach taken in the development of the proposed amendment to the 2018-2028 Long term plan is a significant improvement.

The reason for this improvement from the existing strategy is by clearly explaining the need to increase expenditure and move to a tighter balanced budget test consistent with good practice. This will assist in forming a sound and financially prudent approach for the development of the 2021-2031 Long term plan.

I would like to conclude by acknowledging the efforts of staff over the last several weeks. They have made changes to the way we operate at speed and on the whole, they have managed to balance family needs and working from home incredibly well. I am proud of their efforts to date and their work now as we move into Alert Level 2 and recovery.