

Decisions for Final Long-Term Plan 2024-34

4 June 2024 LTP/AP Subcommittee meeting

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A challenging financial context

Overall challenging economic climate, particularly driven by high inflation and borrowing costs.

Ageing Infrastructure

Council owns many ageing assets that require significant investment in part due to the growing population.

While this is critical, there is a need to balance investment against financial sustainability and rates affordability.

High levels of debt

Money Council has to pay back in the long run but which will help fund infrastructure investment.

Standard & Poors Credit Rating Aug. 2023 – AA Stable outlook revised to AA negative outlook

Affordability/Funding constraints

We don't want to put off necessary investment, but we do want to ensure we recognise the need to prioritise and consider what we ask the community to pay for, given the economic climate.

High level timeline

Activity	Date	Status
Elected member hui to set initial priorities and objectives for the DLTP	31 May 2023	Completed
Council decisions on draft strategic framework and high-level approach to DLTP	30 Jun	Completed
Council decisions following early engagement and decisions on key assumptions	30 Aug	Completed
Council decisions on draft budgets, policies and strategies, key initiatives, trade-off considerations	30 Oct	Completed
Council decisions on draft budgets, policies and strategies, trade-off considerations, KPIs.	27 Nov	Completed
Council agrees draft budgets, policies and strategies, approach to consultation	12 Dec	Completed
Council decisions on draft CD and DLTP, further budget and policy decisions	8 Feb 2024	Completed
External audit by Audit NZ	Jan-Feb	Completed
Council adopted audited DLTP & consultation material for public consultation process	27 Mar	Completed
Public consultation process	2 Apr – 3 May	Completed
LTP Hearings process and review of public consultation feedback	15 to 16 May	Completed
Council provides initial direction and progresses decisions to support the plan being finalised	17 May	Completed
Final decisions on LTP	4 June	Completed
LTP adopted (post Audit NZ audit)	27 June	Completed

Key decisions/direction on 17 May 2024

Decision	Financial impact
Key consultation items (1) Water services (2) FOGO (4) Petone assets incl. Library, Petone Rec and wharf.	(1) Water services – proceed with option 1. (2) FOGO – officers to do further work and report back on community concerns raised, uncertainty of govt funding etc. with provisional budgets retained. (4) Petone wharf - \$12M, Petone Library \$5M, Petone Rec grandstand \$3M.
Development Contributions Policy - Option 2 Transition valley floor fee increases over three years - CHP remission up to 60%	Agreed project changes & removals– reduced revenue \$21M over 10 years. Option 2 transition– lower revenue \$1.4M in 2024-25, \$1M in 2025-26 (assumed debt impacts) CHP remission \$0.5M p.a. (assumed debt impacts)
Proposed initiative to improve equity in access to aquatic services- Children under 10 swim for free, with Community Card holder	Revenue reduction of \$0.03M in 2024-25 (\$0.28M over 10 years). Minor impact.
Huia Pool refurbishment and decarbonisation	Net nil impact, transfer of budgets from other capex lines to earlier.
Community hubs and libraries savings (public excluded)	Savings adjusted
Further savings agreed	Includes Transport \$0.3M in 2024-25 and \$1.3M over 10 years. Plus further initiatives such as resource consent fee increases.
Carryovers/deferrals of range of projects	Opex of \$8.9M, Capex of \$7.2M, Revenue of \$5.9M from 2023-24 to later yrs
Unavoidable cost increases since DLTP	Includes higher interest costs and GWRC cost increases (bulkwater, rates)

Key final decisions sought today

Decision sought	Financial impact
Key consultation item - Rates remission low income households, HCC top up to maximum \$1,000 per household	Opex \$0.5M p.a. for 2024-25, 2025-26 and 2026-27. Rates decrease if removed 0.28% year 1.
Petone parking fees included in DLTP 2024-25 onwards	Range of options presented- noting all have rates increase impacts if different to DLTP.
RiverLink - budget increase	Budget increase – refer public excluded report.
Infrastructure Acceleration Fund – rephasing and Stormwater option 1B	Net nil total change. Reallocation of \$22M capex from stormwater to wastewater project with rephasing of capex and grant funding across the years of the plan.
Micromobility – review of priorities and funding levels	Option to reprioritise funding in early years and also option to extend programme to years 7 to 10
Three Waters – review of work programme, rescheduling related to \$20M	Net nil total change. Additional costs identified by WWL of \$20M have been absorbed across existing projects by changing timing of projects.
Cost efficiencies- service level changes for Neighbourhood hubs	No savings in 2024-25, from 2025-26 \$170k, with total of \$1.77M over nine years
Rangatahi action plan budget and service levels	Opex of \$100k in 2024-25 (\$1.2M over 10 years). Indicative rates impact 0.06% in 2024-25.

Development contributions policy

Direction was provided on 17 May 2024 for changes to the policy (refer slide 5)

Also updates to reflect revised water services programme (post \$20M adjustment).

Projected reduced revenue of \$32M over 10 years (\$114M vs DLTP of \$146M).

These result in charges effective from 1 July 2024 (GST inclusive) as per table below for a standard 3 Bedroom unit (smaller units would get a discount of up to 50%).

	Eastbourne	Stokes Valley	Valley Floor (post transition adjustment)	Wainuiomata	Western Hills	Rural
Per DLTP consultation Charge per EHU (including the district-wide charge)	\$19,736	\$18,608	\$53,003	\$41,955	\$19,233	\$5,275
Final post consultation Charge per EHU (including the district-wide charge)	\$17,037	\$16,038	\$26,487	\$38,498	\$16,663	\$2,681

Financial projection assumptions

Budgets included in the financial projections presented here

- Reflects all decisions/direction per 17 May meeting.
- Rates remission for low-income households retained in budgets.
- Includes RiverLink, IAF and Three waters budget changes.
- Updated budget savings of \$38M over 10 years, includes Corporate Leadership Team \$0.6M savings target for 2024-25.
- Parking revenue retained as per DLTP.
- Includes rates increase as per table below, total change across 9 years of 3.5%. May require slight adjustments post any other Council decisions today.

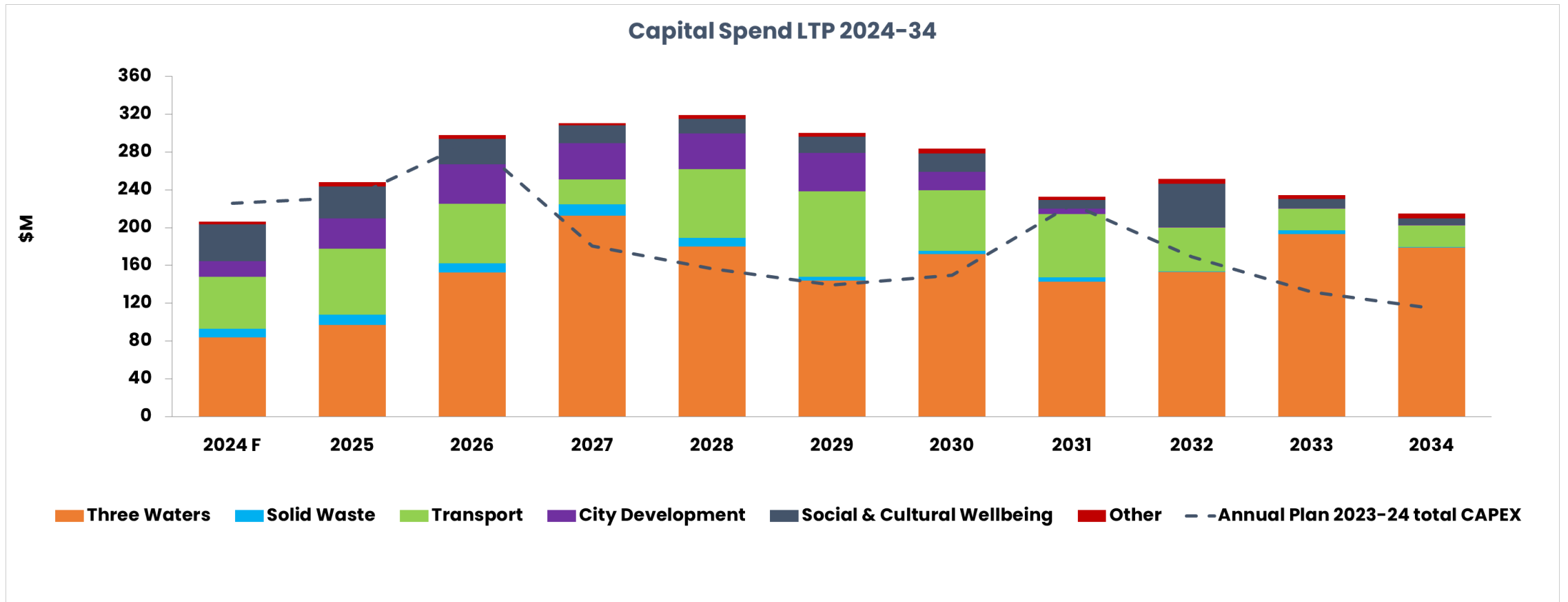
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Draft LTP	16.9%	12.0%	12.4%	11.5%	11.0%	11.0%	7.2%	7.2%	7.2%	7.2%
Final LTP	16.9%	12.6%	12.6%	12.6%	12.4%	12.0%	7.0%	7.0%	7.0%	7.0%

Capital investment

Capex \$2.7B (an increase of \$0.9MB on AP24) over the 10-years, based on inclusion of all decisions to date as well as all Officer recommendations included in the report.

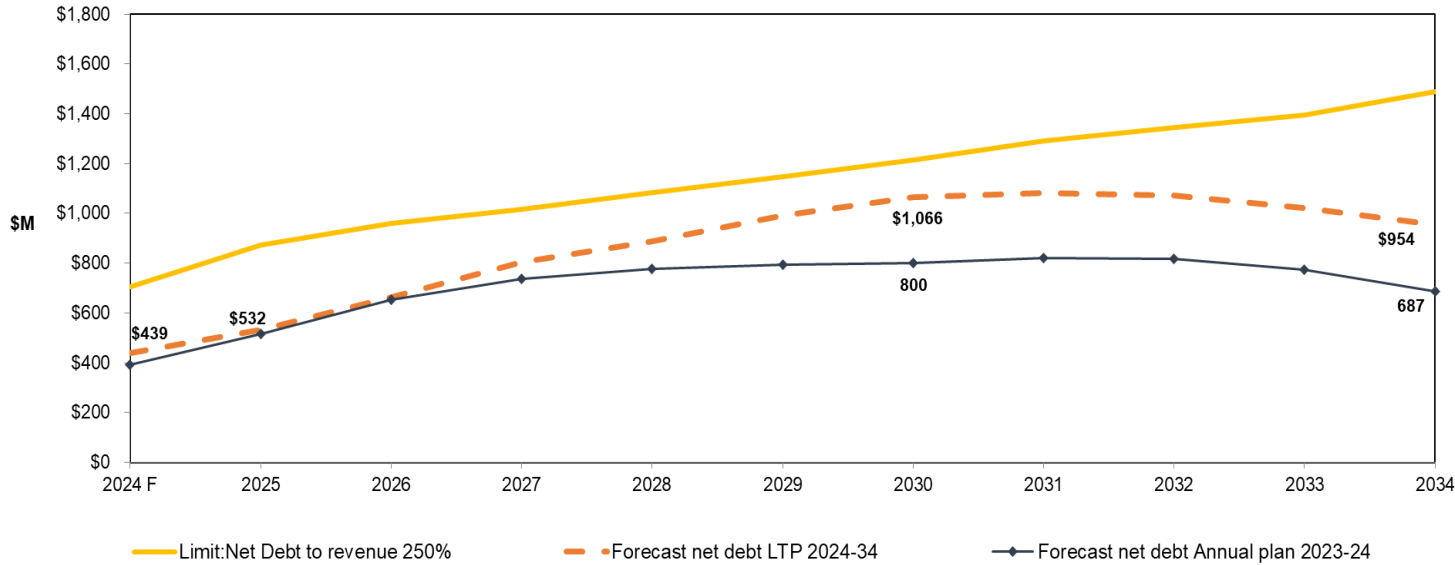
Includes \$1.2M renewals, \$1.1M new capital and \$0.5M growth related works.

60% relates to Three Waters and 20% to Transport



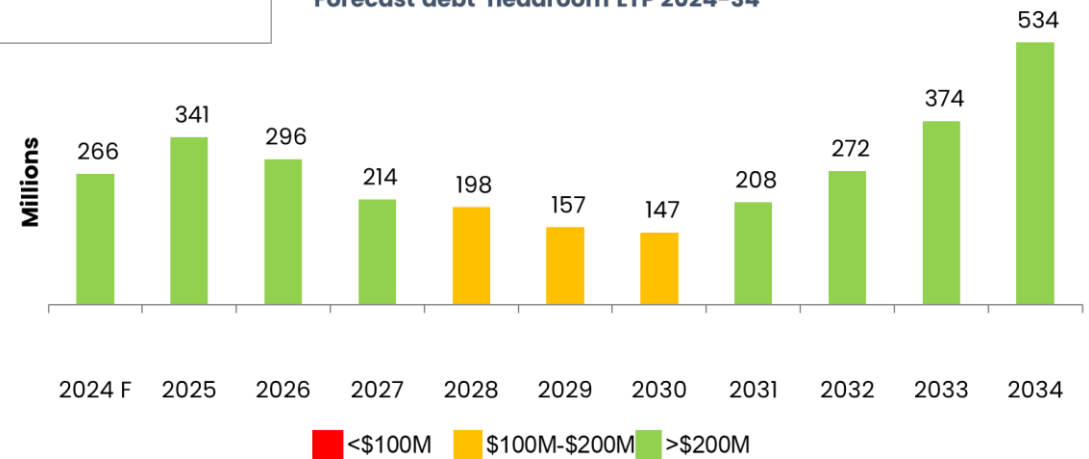
Debt forecast – peak \$1.1 Billion in 2030

Forecast net debt



The net debt to revenue ratio is set at a limit of 250%, which is within the Local Government Funding Agency debt covenants limit of 280%. The Council has set a limit lower at 250% as it considers it essential to maintain headroom and the ability to fund the impacts of significant natural disasters should they occur, such as extreme weather events or earthquakes.

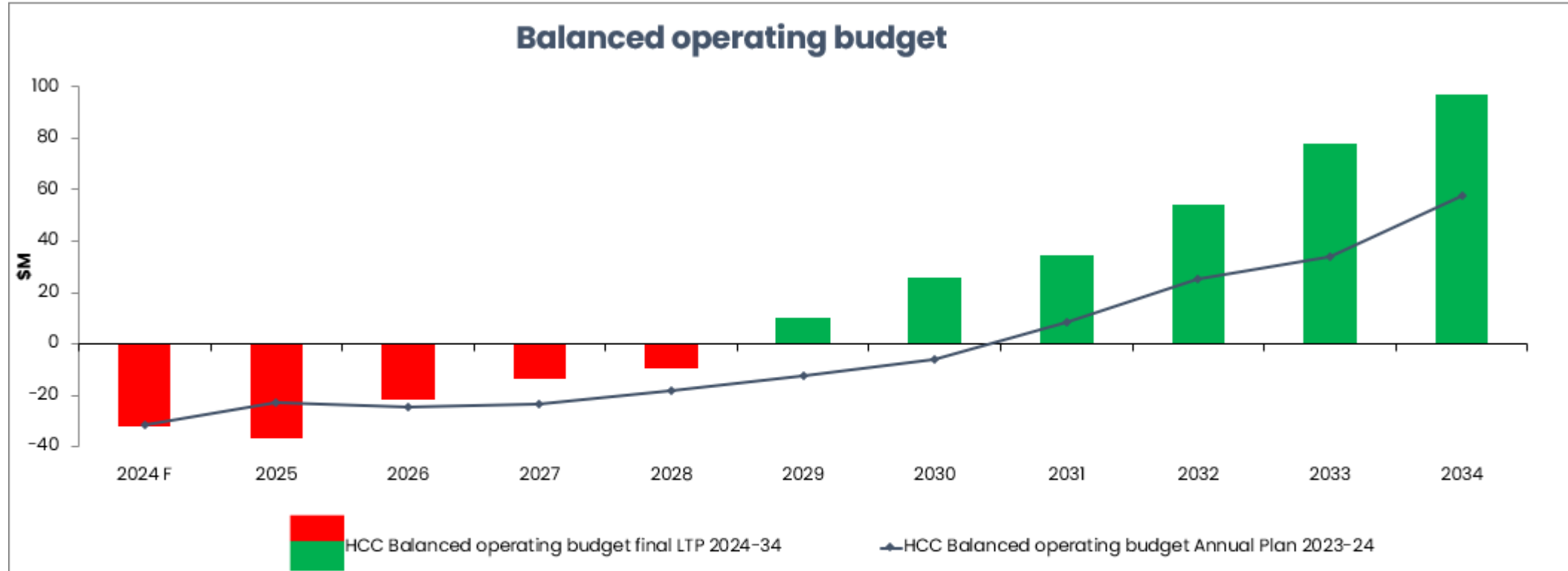
Forecast debt headroom LTP 2024-34



	Limit	16.9% rates (+ growth)
Net debt to revenue	250%	220%
Net interest to rates revenue	25%	15.6%
Net interest to revenue	15%	10.9%

Balanced operating budget projection

Projected operating deficit in 2024-25 \$37M, balanced budget achieved in 2029.



Council meets the legislative balanced budget requirement as defined in s100 of the Local Government Act 2002 over the 10 years of the plan (you can refer to our Financial Strategy for further details). The legislative calculation includes capital grants and subsidies which can only be applied to capital projects and cannot be used to fund everyday operational costs over the period. As Council is projecting to receive significant capital grants and subsidies over the period of the plan, the legislative calculation makes it appear that there is more income available to meet everyday operational costs than there actually is. Therefore, we have excluded capital improvement subsidies and capital grants from the graph to only show the projected operating balanced budget for everyday operational income and costs.

Indicative rating impact – 16.9% (after growth)

Property Category	1-Jul-24 Capital Value	2023-24 Rates	2024-25 Rates	\$ Change Amount annual	\$ Change Amount weekly	Change Amount %
Average Residential	\$815,000	\$3,348	\$3,910	\$562	\$10.81	16.8%
Average Commercial Central	\$2,350,000	\$19,367	\$22,994	\$3,627	\$69.76	18.7%
Average Commercial Suburban	\$2,418,000	\$16,501	\$19,425	\$2,924	\$56.23	17.7%
Average Rural (no water or wastewater)	\$1,247,000	\$2,342	\$2,694	\$352	\$6.77	15.0%



Next steps

- Decisions per Council today will be incorporated into the final Long term Plan document presented for adoption on 27 June 2024.
- A separate policy on Development contribution remissions for Community Housing Providers will be presented on 27 June for adoption.
- The Final LTP is undergoing an audit process.
- Any significant changes due to the audit process or other information becoming available will be presented to the LTP working group for endorsement before 27 June.

