

Annual Plan 2025–26

LTP/Annual Plan Subcommittee

16 May 2025

1. High level timeline
2. Overview of feedback from community engagement process
3. Overview of finance aspects and next steps for Council decisions
4. Projected rating impacts
5. Appendices



High level timeline

Activity	Date	Status
Council agreed high level direction and key financial assumptions for Draft AP26.	26-Aug-24	Complete
Council briefing	27-Nov-24	Complete
Council progressed decisions and provided direction, included budget matters, fees etc.	16 -Dec-24	Complete
Council briefing	12-Feb-24	Complete
Council agreed decisions for final Draft AP26 and approved engagement approach.	24-Feb-25	Complete
Council adopted Draft plan and engagement content.	25-Mar-25	Complete
Community engagement on draft plan	27 Mar to 27 Apr	Complete
Council receives feedback from community engagement. Council provides initial direction and progresses decisions to support plan being finalised.	16 May-25	Today
Council meets to make final decisions	4-Jun-25	Not Started
Council adopts Annual Plan 2025-26 and sets the rates	27-Jun-25	Not Started

High level engagement overview

In March, Council agreed:

- Light engagement on the Draft Annual Plan to signal
 - the progress being made on the LTP
 - the work planned for the year ahead
 - the challenges we are facing
 - decisions Council has had to make

We provided:

- content on our website and social media platforms
- specific information online about rates and changes
- printed information at our hubs and libraries.

Feedback was limited and largely focussed on known themes:

- Petone Parking
- The affordability of rates increases
- Asking Council to find further savings

High level approach

LTP 2024-2034 key challenges

- ageing infrastructure requiring significant investment, growing population, high levels of debt
- affordability & funding constraints, with need to carefully consider what we ask community to pay for
- Focus on trade-offs and prioritisation.

Annual Plan 2025-26

- year 2 of the LTP so there should be limited changes
- overall strategic priorities remain in place, similarly the levels of service remain unchanged
- range of financial challenges to be solutioned with aim to find offsetting mechanisms (Impact of National Land Transport Programme funding, Standard and Poors Credit rating downgrade impacts, GWRC bulk water levy increase etc.

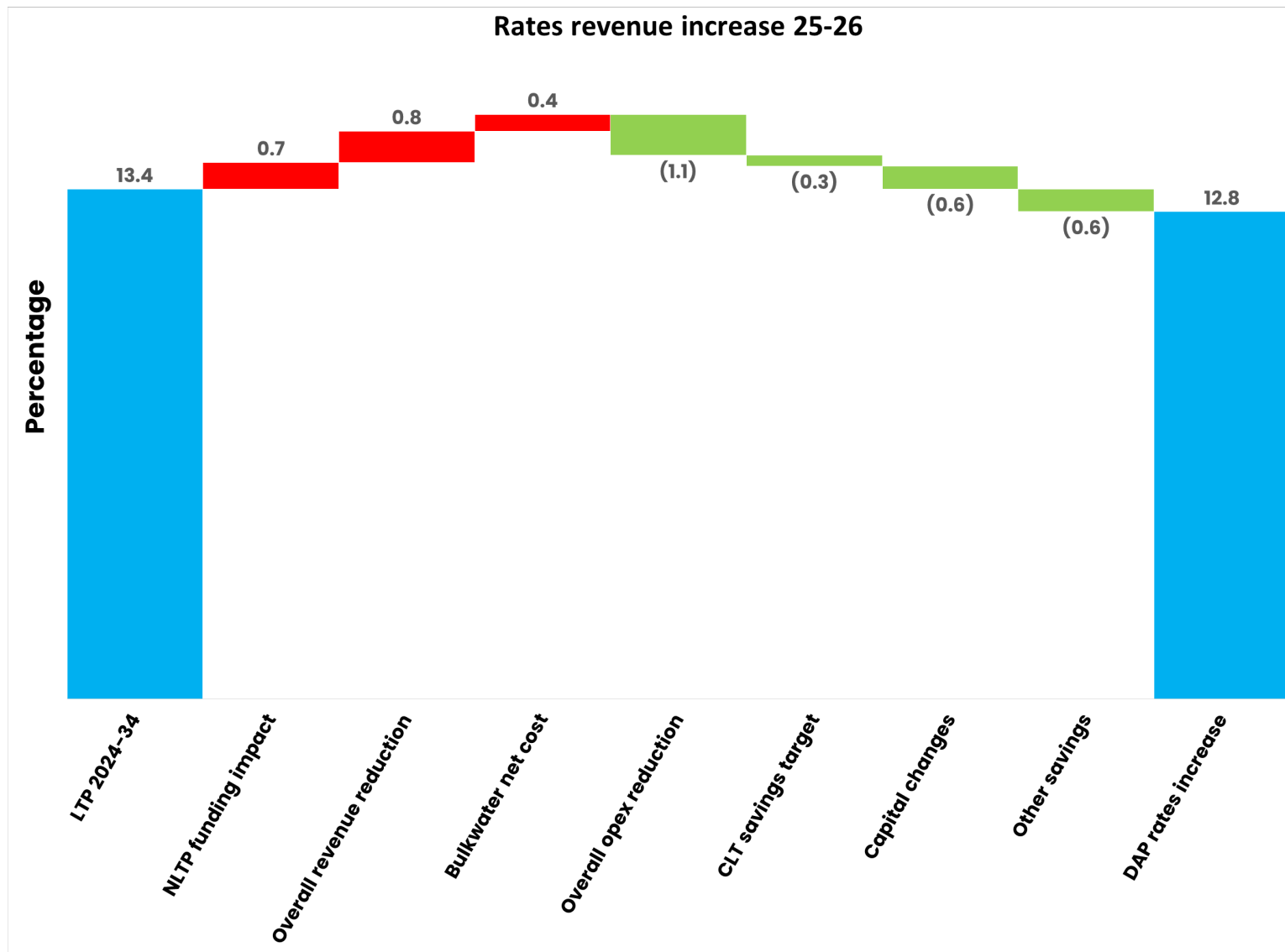
High level approach and decisions to date

- The Draft AP prepared while balancing a range of cost pressures together with rates affordability considerations.
- Key budget decisions made to date*:
 - Decrease in NZTA funding \$22M, reduced capex \$19M and reduced opex \$5.1M
 - Increase to landfill capex \$23M
 - Increase to Water services capex \$23M
 - Asset revaluation June 2024 impacts, with related depreciation increase \$437M.
- \$17.5M* of cost savings factored into the DAP budgets to reduce the rates revenue increase.

*Refer appendix for further details

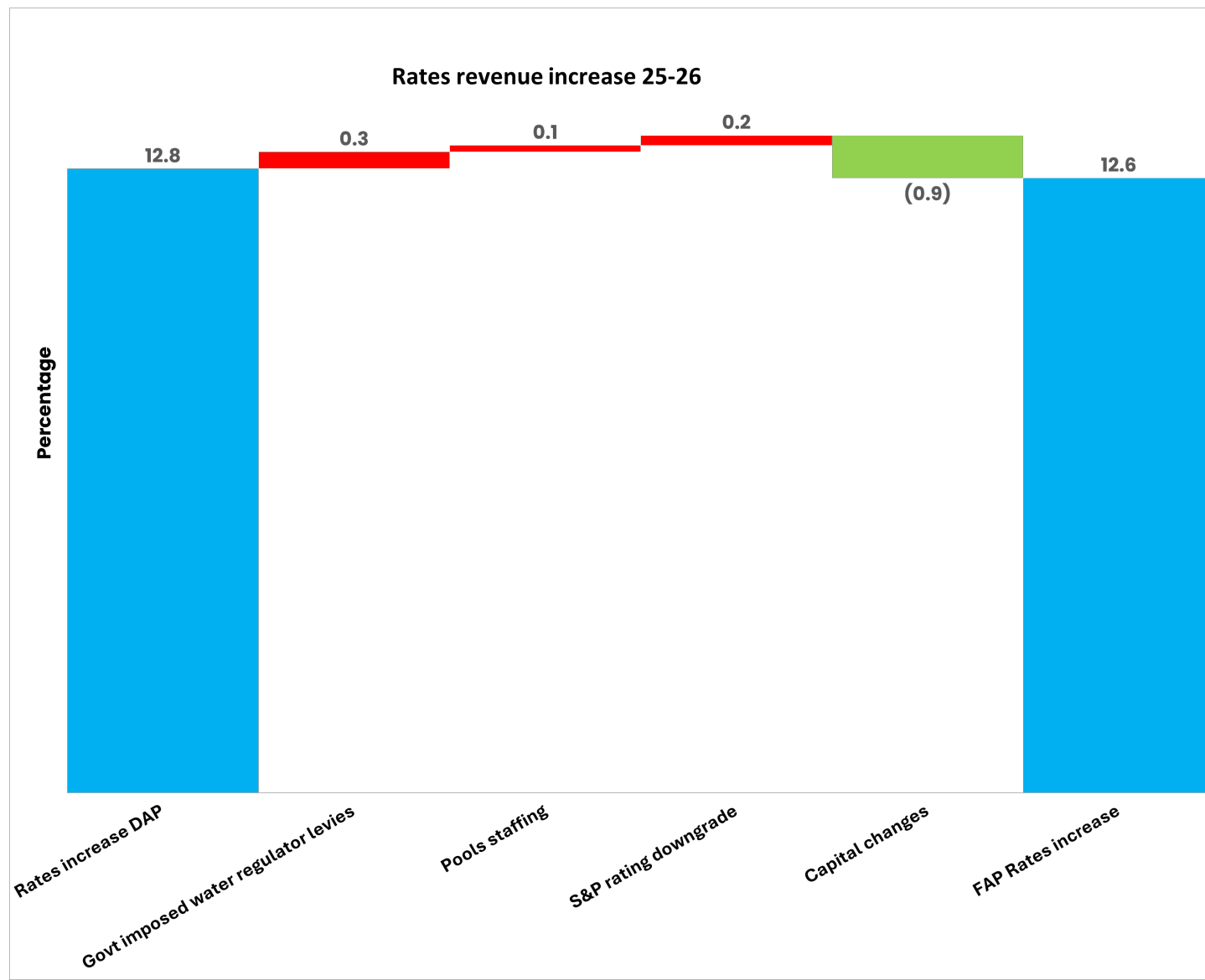
Rates increase for Draft AP – from 13.4% to 12.8%

Rates increase compared to LTP – moved up by 0.9% to 15.3% before offsets down to 12.8%.



Rates increase final AP – from 12.8% to 12.6% so far

Rates increase compared to DAP – moves up by 0.6% to 13.4% before offsets down to 12.6%.



Key decisions/direction sought today

Detail	Financial impact
WWL advice on Water Services – Officers requested WWL to manage capital project changes within LTP budget and to provide advice on impacts. Refer separate report.	\$9.98M decrease in capex in 2024-25 rephased to later years, overall decrease of \$7.8M over 10 years. \$0.78M decrease in capital subsidy in 2024-25, overall decrease of \$0.25M over 10 years.
Local Water Done Well – Water services transition funding* – Funding is required to progress Water Services Delivery Plan. There are HCC internal costs and a share of the regional costs associated with programme.	HCC project costs – \$0.6M opex carryover from 2024-25 rephased \$0.4M to 2025-26 and \$0.2M to 2026-27. Regional costs – \$1.3M increase in opex to fund our share of the new Water Services Organisation establishment (from \$3M up to \$4.3M). Debt funded.
Water services regulator levies* – Estimated levies to be charged by Taumata Arowai and Commerce commission. Govt decision to be finalised end May, budget assumed based on consultation levy rates.	\$0.6M in 2025-26 (\$6.2M over 9 years) 0.3% rates increase impact
S&P rating downgrade from AA- to A+ based on broader sector review and concerns around high debt levels across the sector.	\$0.37M in 2025-26 (\$3.3M over 9 years) 0.2% rates increase impact
Te Ngaenae pool staffing – Based on further review additional staffing needs have been identified to meet service and safety standards.	\$0.18M in 2025-26 (\$1.9M over 9 years) 0.1% rates increase impact

*Unfunded government mandate

Key decisions/direction sought today

Detail	Financial impact
Huia Pool renewal programme capital budget increase Increase in budget based on finalised design and reviewed cost estimates.	Net nil – \$1.3M increases capex is proposed to be funded from Contingent facilities management project budget.
Ava footbridge budget The existing pedestrian footbridge attached to the Ava Rail bridge is being removed by KiwiRail, as it is a Council asset it will not be replaced by KiwiRail.	\$5.4M increase in capex in 2025–27, offset by govt funding of \$2.4M The net cost is proposed to be offset through a transfer and bringing forward of budget from Cross Valley Connections project in 2027–28 as follows \$3.3M decrease in subsidy revenue. \$6.5M decrease in capex.
Speed review reversals budget* The new Government introduced the Speed Limit Setting Rule (2024) which requires Council to reverse speed limits around 41 schools citywide.	\$0.35M increase in capex and \$0.18M in subsidy revenue in 2025–27. The net cost of \$0.17M is proposed to be offset through the Road network improvements capex budget reduction in 2025–27.
Regulatory services budget change Due to the low volumes for consents in the current year there is a high risk that the revenue budgeted for in 2025–26 will not be achieved.	Revenue decrease of \$0.87M in 2025–26. Opex decrease of \$0.81M in 2025–26. Overall increase in net deficit from operations of \$0.06M in 2025–26.

*Unfunded government mandate

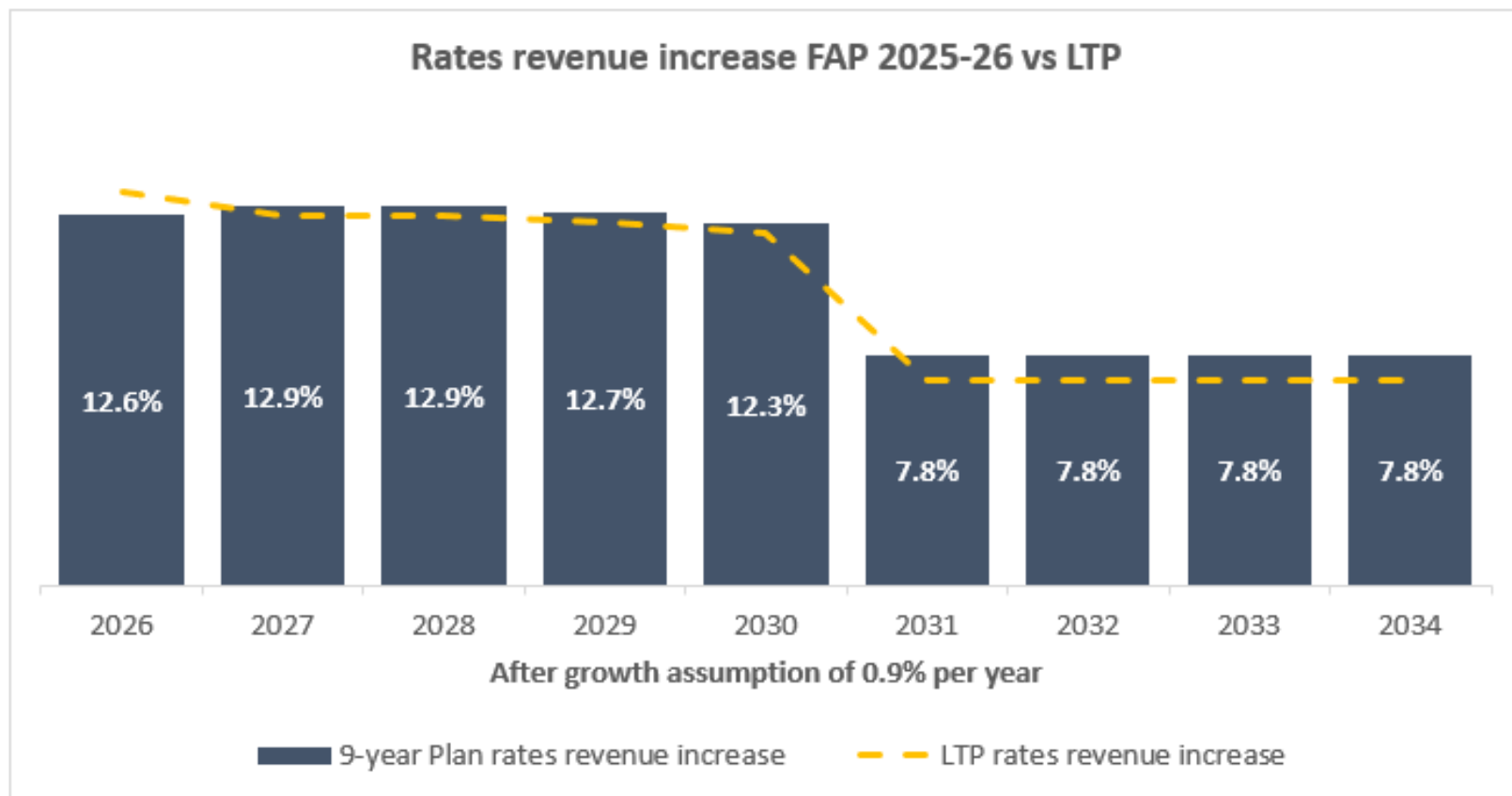
Key decisions/direction sought today

Detail	Financial impact
Petone Wharf 3 options for consideration; two within and one greater than the \$12M budget with option 2 – ‘partial repair/remediation of reduced wharf’ recommended by Community, Culture and Partnerships Committee.	LTP budget of \$12M
Development contribution charges for Valley Floor Concern raised by developers through feedback to Mayor, CE and officers around adverse impact of DC charges to development on Valley Floor. DC relief options developed for Council decision.	Direction sought on relief option to be progressed, the range of financial impact could be revenue loss of anywhere between \$0.75M to \$1.5M. Funding impact on debt.
Capex deferrals Delays across a range of projects in 2024/25 with budgets rephased to 2025/26 and later – e.g. RiverLink, IAF, Micromobility, Reserves development etc. Detailed project list included in report for Council decision	\$31.5M capex rephasing from 2024-25 to 2025-26 and later years 0.9% rates decrease impact for 2025-26.

Seeking direction from Council on any further savings actions?

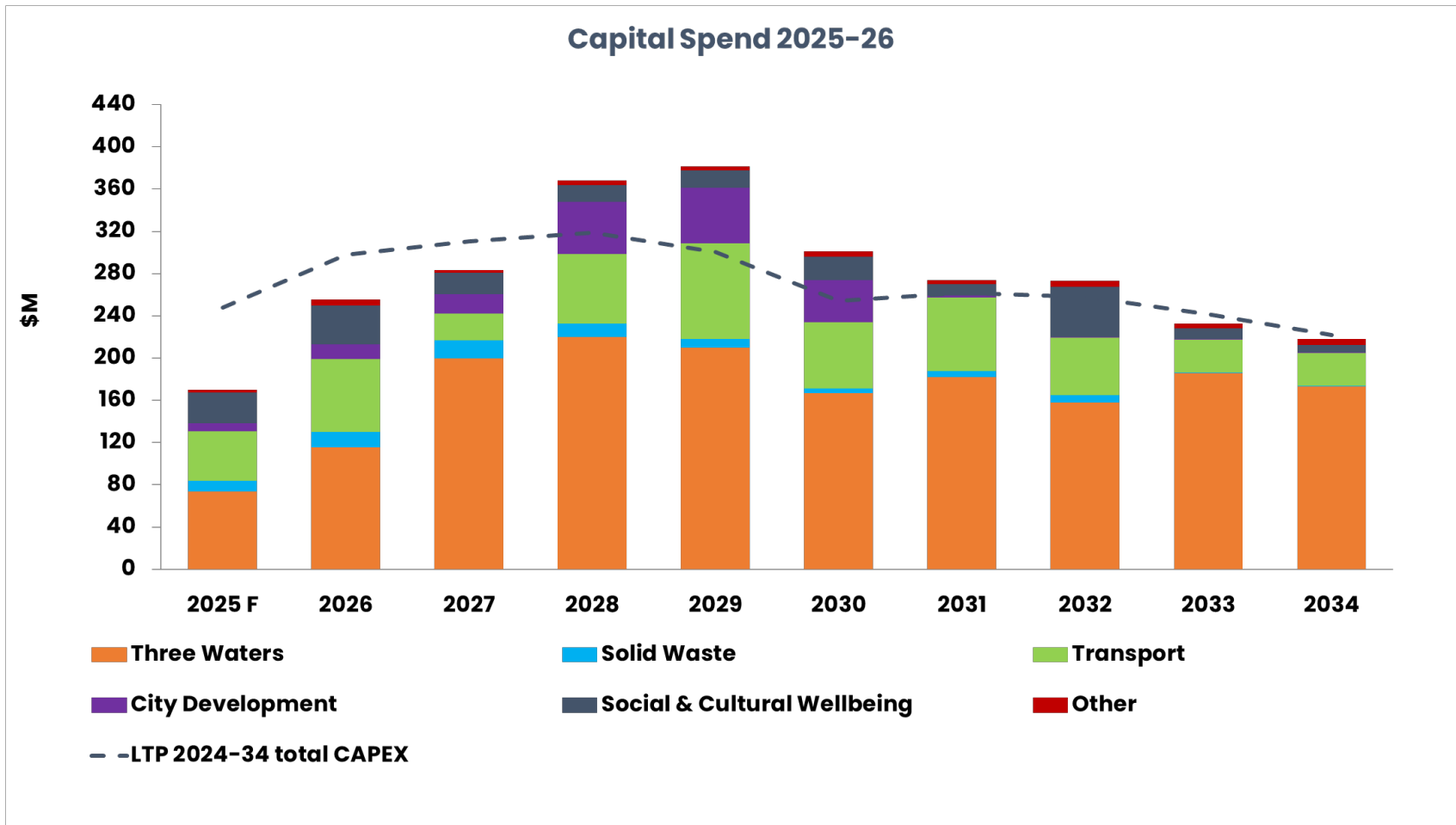
Rates increases

Slight decrease proposed for the 2025-26 rates increase.
LTP 13.4%; DAP 12.8%; FAP now at **12.6%** (no changes to out years proposed against DAP)



Capital Expenditure – FAP versus LTP

Capex is \$2,756M (an **increase of \$43M** on LTP) over 10 years. Changes reflect budget decisions, inflation impacts, and capex deferrals from the first three years, aligned with reprioritisation efforts.



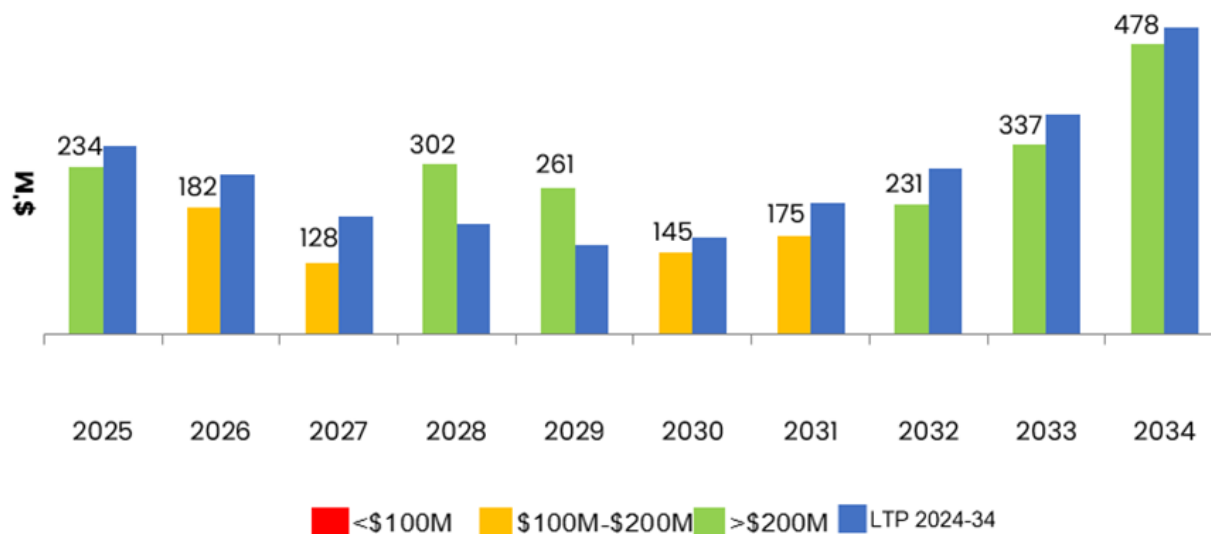
Financial strategy considerations

Projected* net debt, debt headroom and balanced budget metrics are worse than LTP

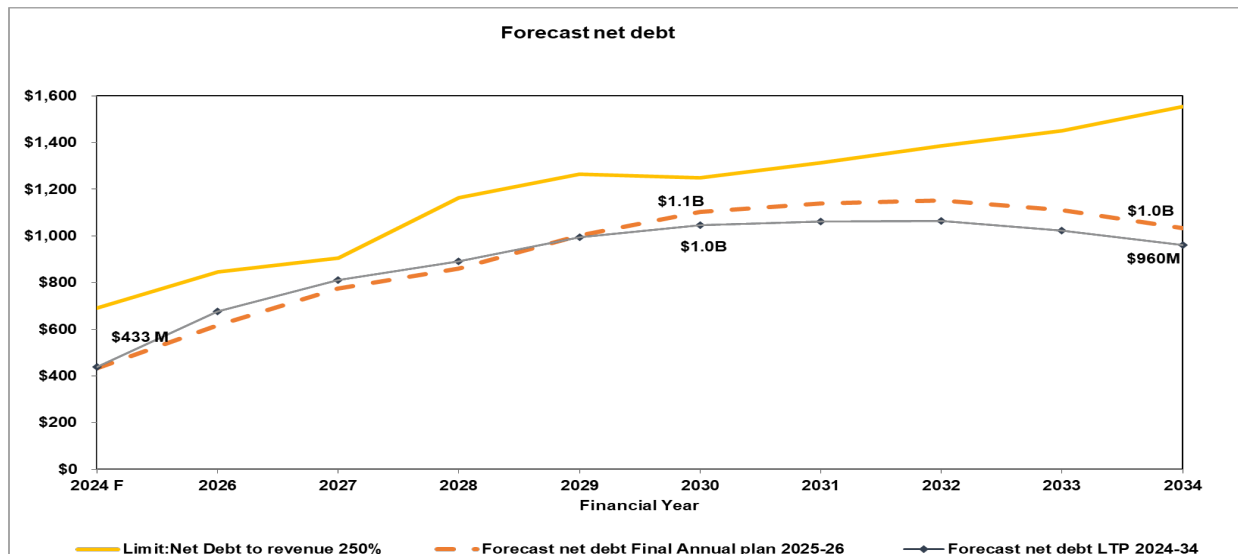
Detail	HCC Limit / target	LTP 2025-26	FAP 2025-26
Rates revenue increase	13.4%	13.4% rates revenue increase+ growth	12.6% rates revenue increase+ growth
Net debt to revenue	250%	216% (Headroom \$158M)	221% (Headroom \$145M)
Net interest to rates revenue	25%	15.5%	15.9%
Net interest to revenue	15%	10.9%	11.4%
Balanced operating budget metric HCC		2028-29	Moves out by 4 years to 2031-32
Balanced operating budget metric LGA and Financial reporting and Prudence regulations (FRP)	Met	Met in all years	Met from 2028

*Projections based on inclusion of all budget changes and officer recommendations per papers and rates revenue increase of 12.6% (after growth) in 2025-26.

Forecast net debt projections



Projected* net debt and debt headroom is unfavourable compared to the LTP in most years.

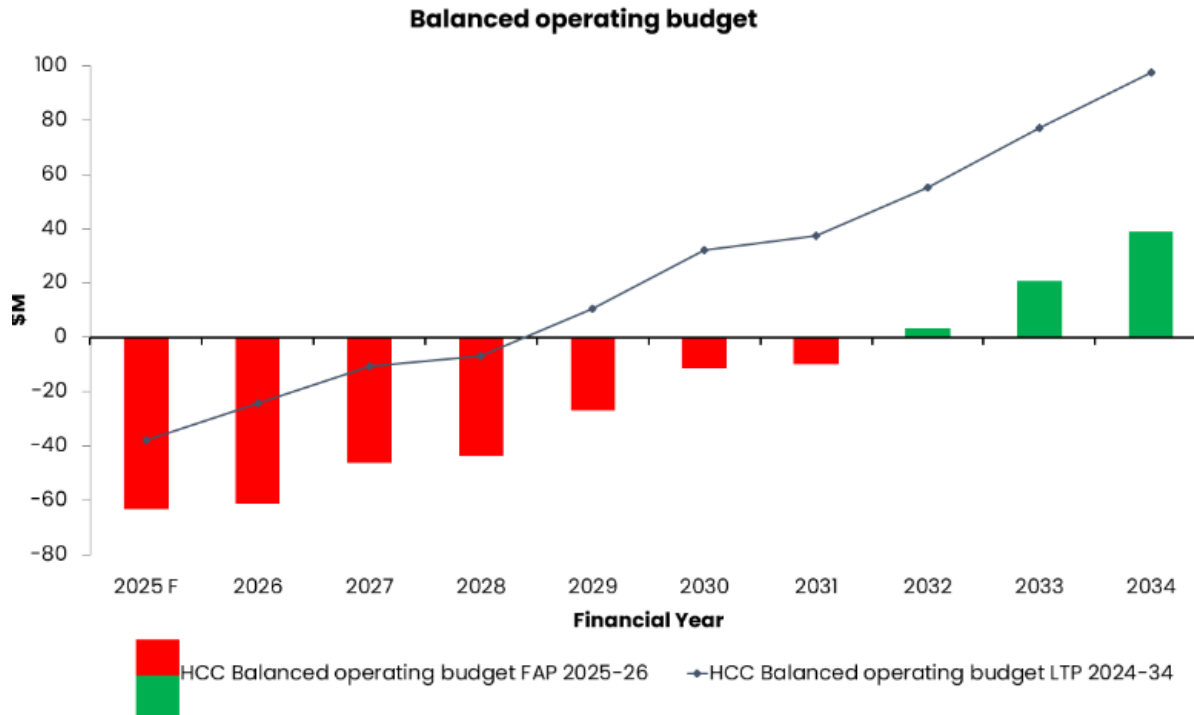


The net debt to revenue ratio is set at a limit of 250%, which is within the Local Government Funding Agency debt covenants limit of 280%. The Council has set a limit lower at 250% as it considers it essential to maintain headroom and the ability to fund the impacts of significant natural disasters should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

*Projections based on inclusion of all budget changes and officer recommendations per papers and rates revenue increase of 12.6% (after growth) in 2025-26.

Balanced operating budget

Projecting to reach a balanced budget in 2032–33 **four years** later than LTP mainly due to the higher depreciation impacts. **Deficit of \$60M for 2025–26**



Council does not meet the legislative balanced budget requirement as defined in s100 of the Local Government Act 2002 until 2028 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.

* Projections based on inclusion of all budget changes and officer recommendations per papers and rates revenue increase of 12.6% (after growth) in 2025–26.

Indicative rates impact by rating category*

Assuming all decisions are approved as per officer advice the rates revenue rise equates to an average increase of \$8.90 per week per household or an average increase of \$463 per annum. Investment in Three Waters infrastructure makes up more than half(\$248) of the average \$463 per annum rise. The remaining \$215 covers cost increases for all the other services provided (including transport, parks, community facilities, rubbish, recycling etc.).

Property Category	1 July 2025 Capital Value	2024-2025 Rates Actual	2025-2026 Rates Proposed	\$ Change Amount annual	\$ Change Amount Weekly	Change Amount %
Average Residential	\$815,000	\$3,910	\$4,373	\$463	\$8.90	11.8%
Average Commercial Central	\$2,350,000	\$22,994	\$25,648	\$2,654	\$51.04	11.5%
Average Commercial Suburban	\$2,418,000	\$19,425	\$21,394	\$1,969	\$37.87	10.1%
Average Rural (no water or wastewater)	\$1,247,000	\$2,694	\$2,936	\$242	\$4.65	9.0%
Utilities	\$3,262,068	\$28,467	\$31,136	\$2,669	\$51.33	9.4%

***Based on 12.6% (after growth)**

Impact on average residential property*

Property Category	1 July 2025 Capital Value	2024-2025	2025-2026	\$ Change Annual	\$ Change Weekly	% Change Amount
Average Residential	\$815,000	\$3,910	\$4,373	\$463	\$8.90	11.8%
General rate		\$2,076	\$2,261	\$185	\$3.56	8.9%
Water targeted rate		\$746	\$884	\$138	\$2.65	18.5%
Wastewater targeted rate		\$766	\$876	\$110	\$2.12	14.4%
Recycling targeted rate		\$130	\$130	\$0	\$0.00	0.0%
Refuse targeted rate (120L)		\$192	\$222	\$30	\$0.58	15.6%

*Based on 12.6% (after growth)

Appendix



Key Council decisions to date – details

Decisions	Financial impact
Three waters programme update and advice from WWL	Capex increase \$23M Subsidy increase \$10M Depreciation increase due to change in detailed projects \$35M
Water Services reform planning	\$3M in 2025/26 debt funded
National Land Transport Programme reduction in AA funding of \$22M over three years	Revenue reduced \$22M, Capex reduced \$19M, opex reduced \$5.1M
Silverstream Landfill capex	Capex increase \$23M
Tupua Horo Nuku cost escalation \$2M (offset from Cross Valley budget)	Net nil
Asset revaluation (30 June 2024 Annual Report) impacts on depreciation, with flow on impacts for balanced budget projections	\$437M increase over 9 years
GWRC bulk water cost increase	Net opex increase \$0.8M p.a.
Range of capex budget rephasing to slightly later (Reserves Development, Petone wharf, Eastern Hutt Road resilience, Cross Valley Connections, RiverLink, IAF) with associated changes to revenue	2024/25 Capex decrease of \$41M, revenue decrease of \$26.2M with phasing to 2025–26 and later years.
Fees and charges – proposed changes as per standard annual review and aligned to LTP	Various
Savings and revenue opportunities	\$17.5M over 9 years of the plan

Savings initiatives

LTP factored in ongoing savings in a range of areas.

DAP included further savings of \$17.5M over 9 years, such as:

- CLT Savings target of \$0.5M per year
- Decrease in rates instalments from 6 to 4 per year
- Review of operations & associated budgets (refer public excluded decisions)
- Introduction of new fee for officer time on parks subdivisions applications processing
- Introduction of new fee for parks officer time on leases and licenses for public use of private land
- Increased parking fee revenue due to extended paid parking area
- Reduction in climate engagement projects
- Reduction in sustainability related projects for e.g. energy audits.
- Removal of capex and opex funding for Petone 2040 for one year

Seeking direction from Council on any further savings actions?

Risks

Detail	Mitigation
Water Reform planning costs could be higher than estimated	Any costs are expected to be debt funded and recovered through the new entity so longer term impact would be nil.
Cost escalations higher than assumed for capital and operating budgets	Contingencies are built into projects, further reprioritisation may need to be done if that is insufficient.
Actual revenue achieved could be lower than assumed due to economic conditions.	There would be efforts made to reduce costs and offset this where possible with Council decisions sought on any material changes.
GWRC bulkwater final advice is not yet received and is expected to be finalised at the end of May.	Offsetting actions will be carried out and changes brought to Council for decisions.