

Annual Plan 2025–26

LTP/Annual Plan subcommittee
16 December 2024

1. High level timeline and approach
2. Overview of budget process and Council decisions sought
3. Projected financial position
4. Rating impacts
5. Water reform



High level timeline

Activity	Date	Status
Council agreed high level direction and key financial assumptions for Draft AP26, budget carryovers from 2024-25.	26-Aug-24	Complete
Council Briefing	27-Nov-24	Complete
Council meeting to progress decisions, includes budget matters, fees, engagement approach etc.	16 -Dec-24	Today
Council briefing	3-Feb-24	Not Started
Council agrees to final DAP26 content and approves engagement approach.	24-Feb-25	Not Started
Council adopts DAP26 and engagement material for the engagement process.	25-Mar-25	Not Started
Community engagement	April 2025	Not Started
Council provides direction and progresses decisions to support plan being finalised post receiving the feedback analysis for engagement. 14-16 May	16-May-25	Not Started
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 approach

- Year 2 of the Long-term Plan 2024-2034 so there should be limited changes
- Overall strategic priorities remain in place, similarly the levels of service remain unchanged
- That there will be light community engagement
- Range of financial challenges to be solutioned with aim to find offsetting mechanisms (impact of NLTP lower funding than LTP, Standard and Poors Credit Rating downgrade, unexpected wastewater repair costs Days Bay etc).



High level engagement overview

- General intention to pursue 'light touch' engagement, similar to the Annual Plan 2022-23 "Making Progress".
- Light engagement reduces cost of communications and engagement, as it can leverage the significant effort made as part of the LTP development.
- Light engagement is appropriate if there are no material changes from the LTP. This can be confirmed in early 2025 as it depends on Council decisions.

Water Reform running in parallel

- Consultation on Water Services Delivery Plan likely to be March/April – further details to be worked through with regional team.



Budget review process

Base budget review process included detailed review by Budget Managers, Business Unit Managers, Directors and Corporate Leadership Team (CLT).

Budgets are adjusted for

- Underlying assumptions approved by Council 26 August (e.g., inflation, interest costs etc);
- Unavoidable increases, such as contractual commitments;
- Approved staffing levels and related costs;
- Revenue reviews;
- Other justifiable approved changes
- CLT Savings target \$500k per year factored into budgets;
- All decision papers, assuming they proceed per officer advice.

Changes relating to bulk water costs and related revenue are not factored into the budget changes and modelling.

Summary of key Council decisions

Proposed budget changes

- Wellington Water Ltd advice on capex increase \$23M and opex etc.
- Water services transition planning opex funding \$3M
- National Land Transport Programme reduction in NZTA funding of \$22M, capex \$19M (incl. funding for minor safety & footpaths renewal) and opex \$5M
- Silverstream Landfill proposed capex increase \$23M
- Tupua Horo Nuku cost escalation \$2M (offset from Cross Valley budget)
- Asset revaluation impacts on depreciation \$437M, with flow on to balanced budget projection impacts
- **GWRC bulk water – late advice post agenda – extra \$0.8M opex**

Budget rephasing requests, unavoidable due to range of reasons

- Reserves Development
- Petone Wharf
- Petone Library Renewal
- Eastern Hutt Road resilience
- Cross Valley Connections
- Te Wai Takamori o Te Awa Kairangi (formerly RiverLink) reduction in revenue and capex of \$38M
- IAF budget rephasing timeline to two years later

Fees and charges – proposed changes as per standard annual review and aligned to LTP

Water Services operating

1. WWL advice includes additional opex request for funding of \$0.7M, officer advice to manage within existing budget and WWL to advise risks.
2. Additional costs for work on the Regional water services delivery plan **estimated at \$3M is proposed to be debt funded** with no rates impact in 2025/26.
3. Based on the latest GWRC advice bulk water costs are increasing from the 12.15% planned through the LTP to 16.9% largely due to WWL advice on cost increases to maintain level of service and contribution to additional uplift for management and advisory services. The net additional cost of \$0.8M would equate to **0.45% rates increase** in 2025-26. Note this item is NOT included in 13.4% rates increase that follows.

Bulkwater costs Inflated \$'M	2025/2026	Total
Current Draft DAP	20.4	214.5
Revised Draft DAP	21.5	225.6
Variance	(1.2)	(11.1)
Water meter revenue Inflated \$'M	2025/2026	Total
Current Draft DAP	(6.7)	(70.2)
Revised Draft DAP	(7.0)	(73.5)
Variance	0.3	3.3

Water Services capital

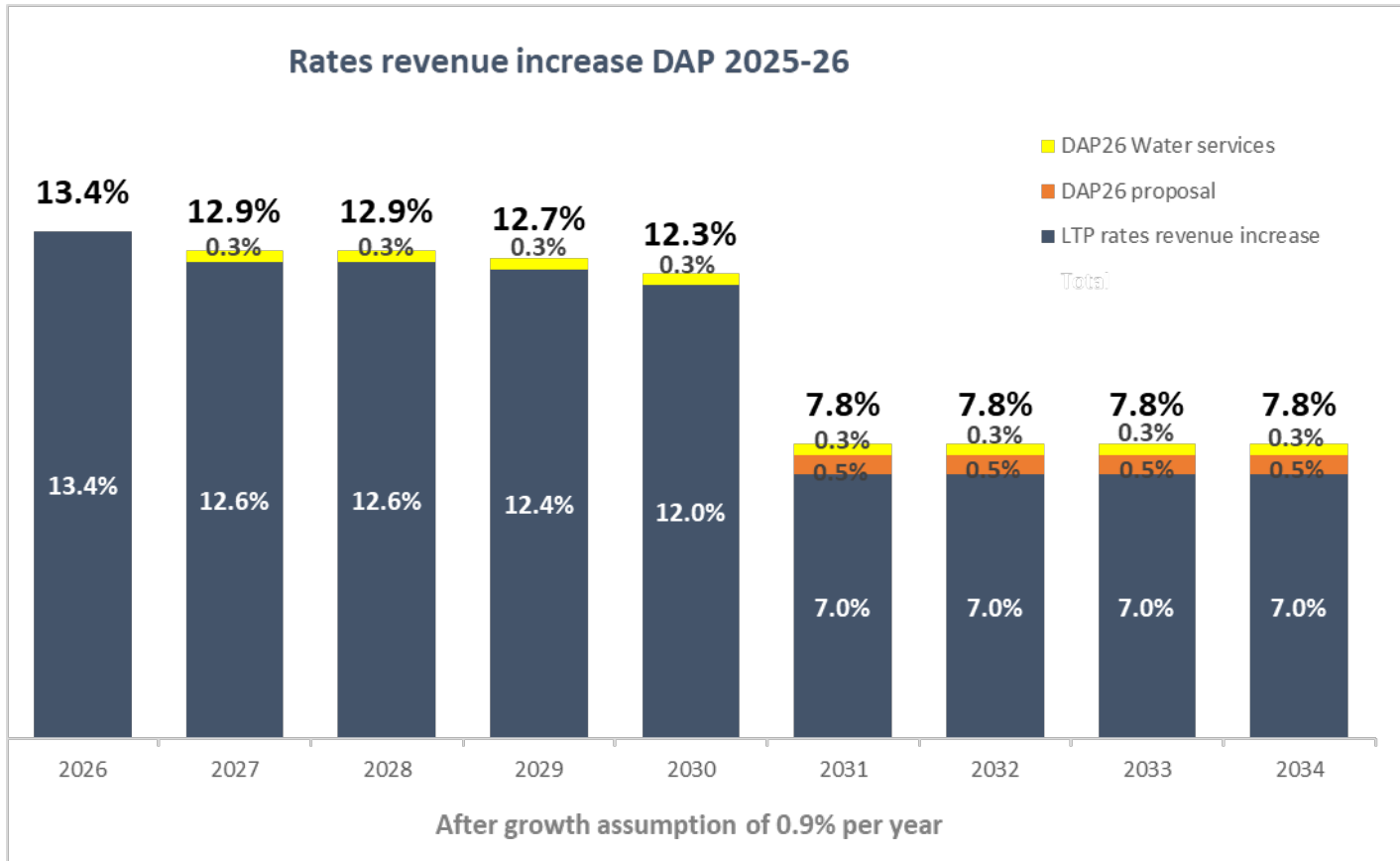
This would result in an overall increase to the current DAP budgets over 10 years and has an unfavourable impact in 2027 with debt being brought forward as follows. A slight **rates adjustment of 0.3% per year from 2026/27** is proposed to offset debt servicing costs of the additional \$23M debt.

Budget changes Inflated \$'M	2025	2026	2027	Triennium total	Ten year total
2026 DAP	85.44	107.52	147.97	340.93	1,498.46
2026 DAP proposed (per WWL memo)	82.48	96.30	177.84	356.62	1,521.84
Budget change	2.96	11.23	(29.88)	(15.69)	(23.38)

There are a range of project level changes included in the proposed advice and WWL budget projections including phasing out some projects, removal of some projects, additional funding and bringing some projects forward.

Rates increases

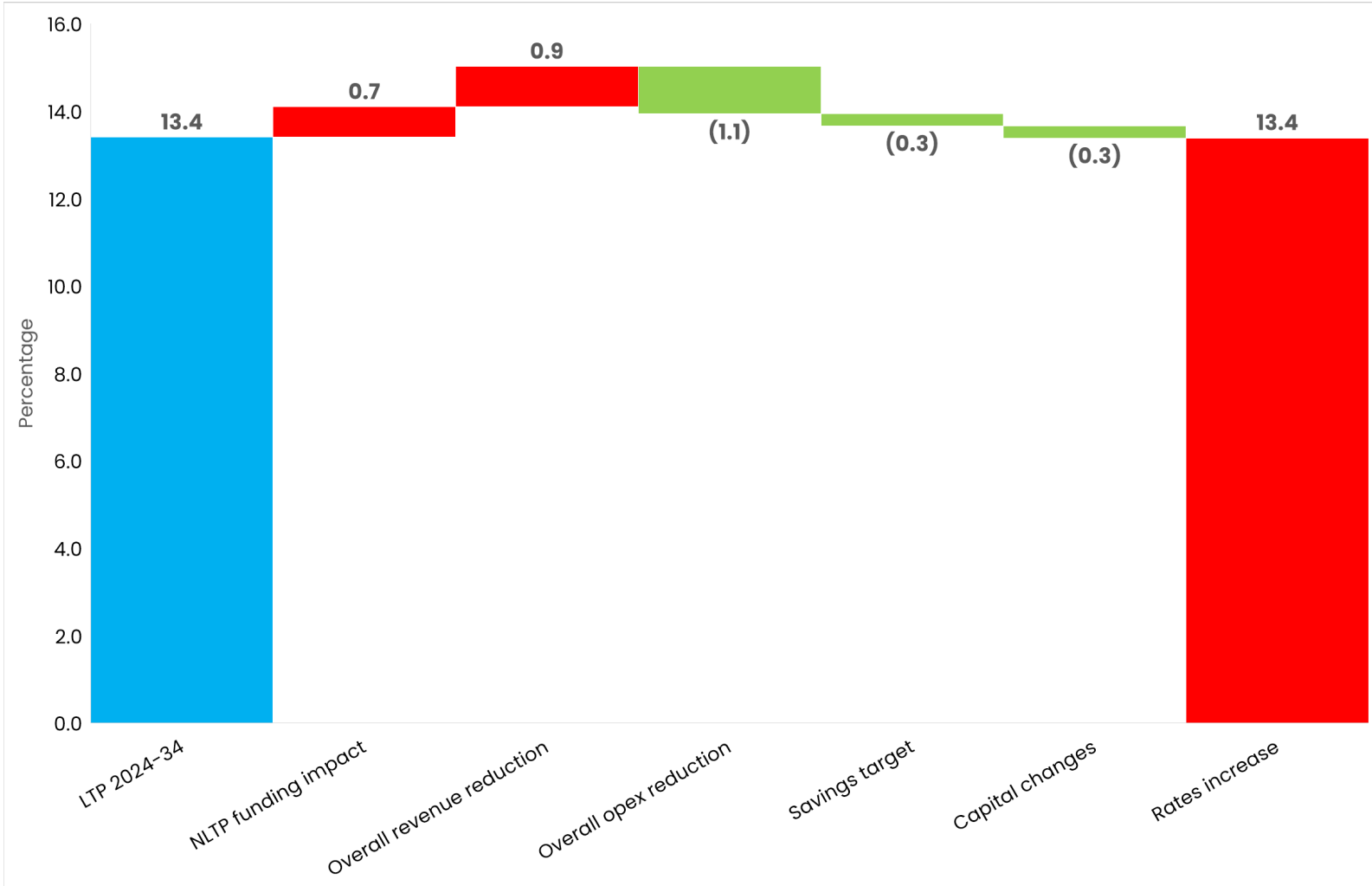
No change proposed to 2025-26 rates increase 13.4% as per LTP



2025-26 indicative rating impact 13.4%

Rates increase moves up by 1.6% to 15% before offsets back to 13.4%

Rates revenue increase 25-26



Savings

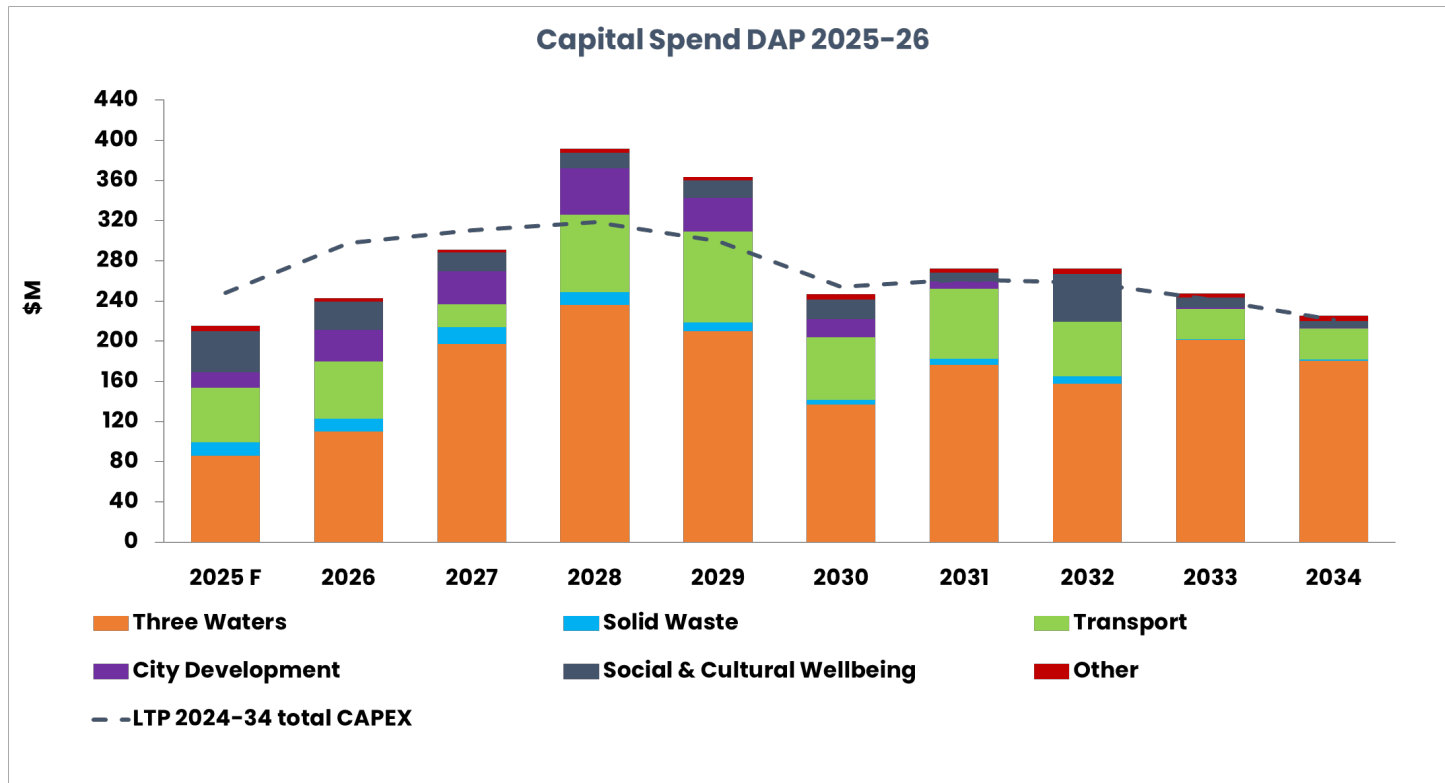
- Savings target of \$0.6M in 2024/25 on track mainly through procurement activity.
- The base assumption through the 2025/26 budget review process was net nil impact to LTP budgets.
- This is evidenced through the revenue decrease with a corresponding decrease in operating costs per the previous slide.
- To further contain the rates increase requirement for 2025–26, a savings target of \$0.5M has been built into budgets for 2025–26 and future years.
- Capital rephasing has also been considered in terms of deliverability and other project variables. This has a favourable impact through reduced interest costs in 2025–26.

To achieve further savings, elected member direction is required on service level reductions.

Capital Expenditure - AP26 versus LTP

Capex is \$2,770M (an **increase of \$57M** on LTP) over the 10-years of the LTP. Changes reflect the proposed budget decisions, changes to timing and inflationary impacts.

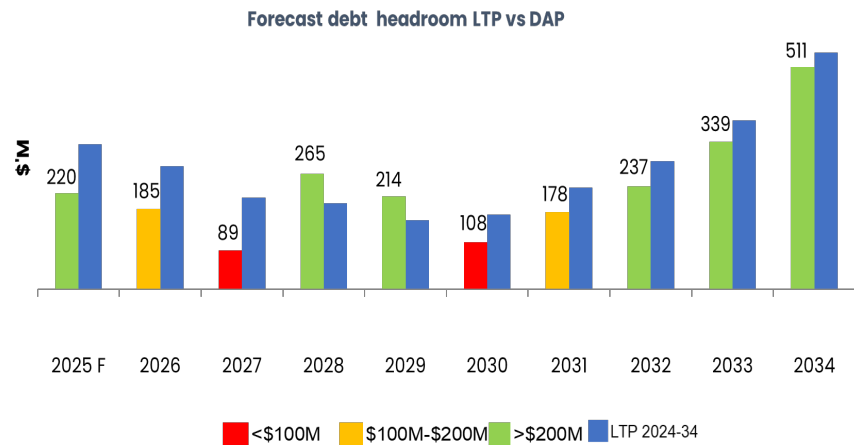
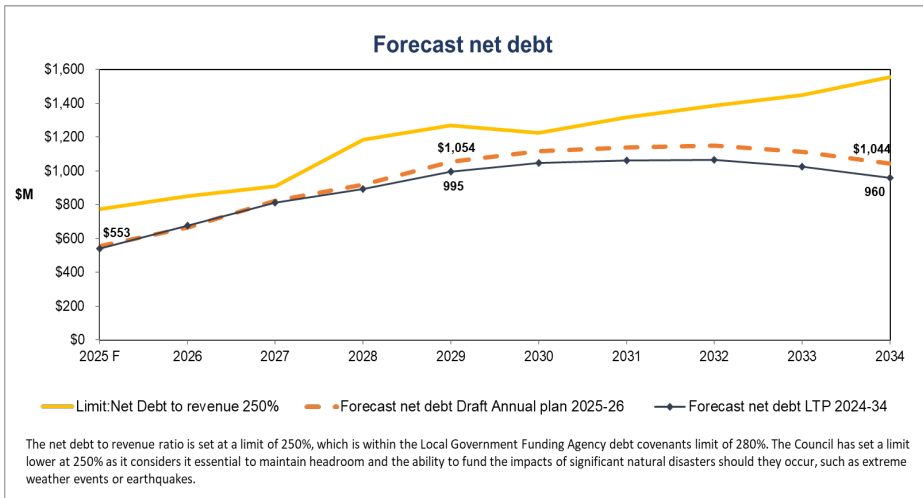
2028 and 2029 includes impacts of Te wai Takakamori o Te Awa Kairangi (RiverLink) rephasing and delivery change decisions as well as IAF projects being rephased out from the first two years. The graph below includes funding for footpaths and safety works in Transport and Water services capex changes.



Forecast net debt projections

- Projected net debt and debt headroom similar to LTP*

	HCC limit	13.4% rates(+ growth)
Net debt to revenue	250%	228% (Headroom \$108M)
Net interest to rates revenue	25%	16.3%
Net interest to revenue	15%	11.7%

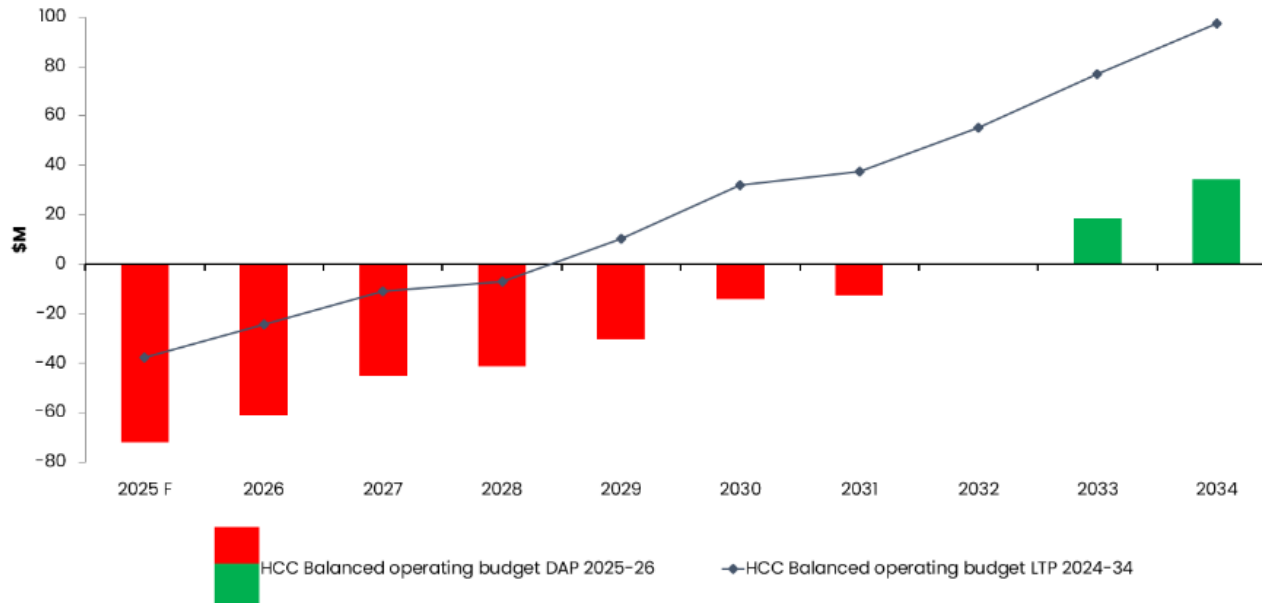


*Projections based on inclusion of all the base budget changes and officer recommendations per papers while rates revenue increase remains at 13.4% (after growth) in 2025-26.

Balanced operating budget

Projecting to reach a balanced budget in 2032–33 **five years** later than LTP mainly due to the higher depreciation impacts. **Deficits of \$276M (LTP \$80M).**

Balanced operating budget



Council also 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 are based on inclusion of all the base budget changes, rates revenue increase remains at 13.4% (after growth). Further details about depreciation changes are in appendix 2.

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 \$10.01 per week per household or an average increase of \$521 per annum. Investment in Three Waters infrastructure makes up around 54% (\$281) of the average \$521 per annum rise. The remaining \$240 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 Estimate	\$ Change Amount Annual	\$ Change Amount Weekly	% Change Amount
Average Residential	\$815,000	\$3,910	\$4,431	\$521	\$10.01	13.3%
Average Commercial Central	\$2,350,000	\$22,994	\$25,953	\$2,959	\$56.90	12.9%
Average Commercial Suburban	\$2,418,000	\$19,425	\$21,652	\$2,227	\$42.83	11.5%
Average Rural (no water or wastewater)	\$1,247,000	\$2,694	\$2,964	\$270	\$5.19	10.0%
Utilities	\$3,262,068	\$28,467	\$31,481	\$3,014	\$57.96	10.6%

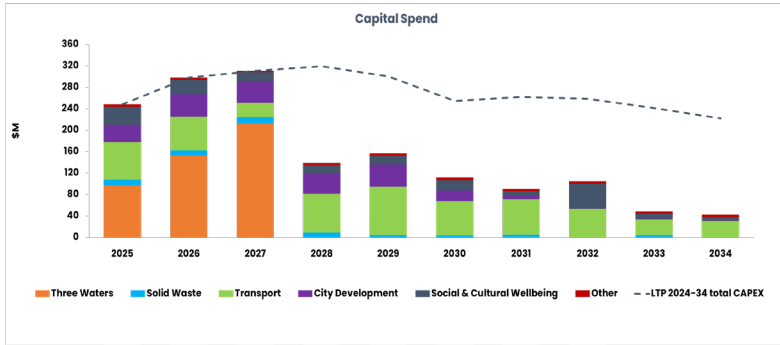
Further details average residential property

Description	2024-2025 Actual	2025-2026 Proposed	\$ Change Amount annual	\$ Change Amount Weekly
Average Residential Total	\$3,910	\$4,431	\$521	\$10.01
General rate	\$2,076	\$2,286	\$210	\$4.04
Water targeted rate	\$746	\$893	\$147	\$2.83
Wastewater targeted rate	\$766	\$900	\$134	\$2.58
Recycling targeted rate	\$130	\$130	\$0	\$0.00
Refuse targeted rate	\$192	\$222	\$30	\$0.58

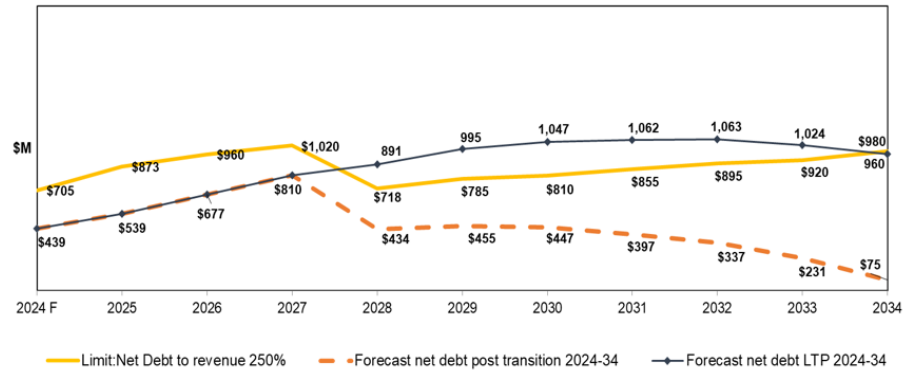
Post water reform – positive impact

Early indicative modelling completed based on a range of assumptions to understand the impact the proposed move to a Regional water services entity delivery model. This is based on the LTP budgets and shows mostly favourable results with some risks.

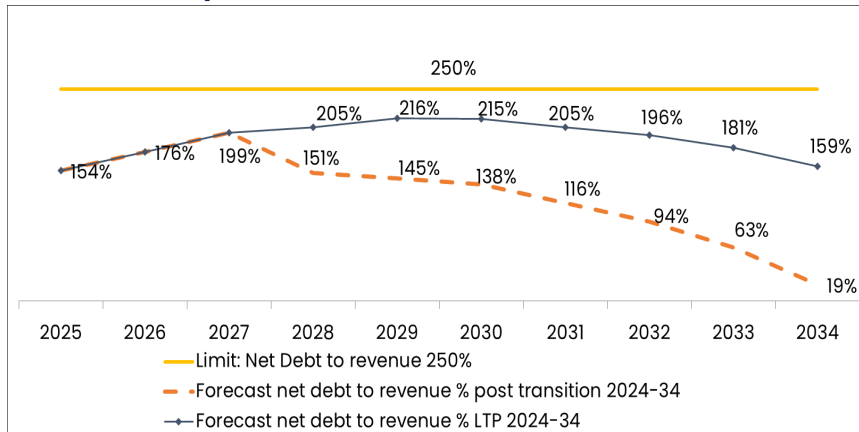
Capex investment – **significant drop of \$1.2B** over the 10-year period of LTP post transition to new entity



Debt projections – Net debt **reduces to \$434M** by 2028, compared to LTP \$891M and in the same year **debt headroom improves by \$87M** compared to LTP.



Net debt to revenue **LTP high of 216%**, the post transition results show a **peak of 151%**.



Balanced operating budget achieved in 2028-29, **same as LTP**

