

Draft Long-Term Plan 2024-34

Finance update – LTP/AP subcommittee 30 August 2023

Context of this draft Long-Term Plan

- Challenging economic environment and cost of living pressures – these challenges, that were worked through as part of the Annual Plan 2023–24, remain relevant
- Continuing to deliver in line with the rates revenue increases as planned is not going to be possible in the current economic context without challenging choices/trade–offs being agreed.
- Balancing investment in infrastructure and key projects against financial responsibility and rates affordability

High level timeline to December 2023

Activity	Date
Council decisions following feedback from early engagement and progressing decisions on key DLTP assumptions	30 August 2023
Officer budget update and review process	September 2023
Council workshop	17 October 2023
Council decisions on draft budgets, policies and strategies and any issues arising from asset management planning review process.	30 October 2023
Council workshop	13 November 2023
Council decisions on final budgets, policies and strategies, trade-off considerations.	27 November 2023
Council decisions on draft plan and approach to consultation	12 December 2023



HUTT CITY 30 August reports, Summary of financial impact

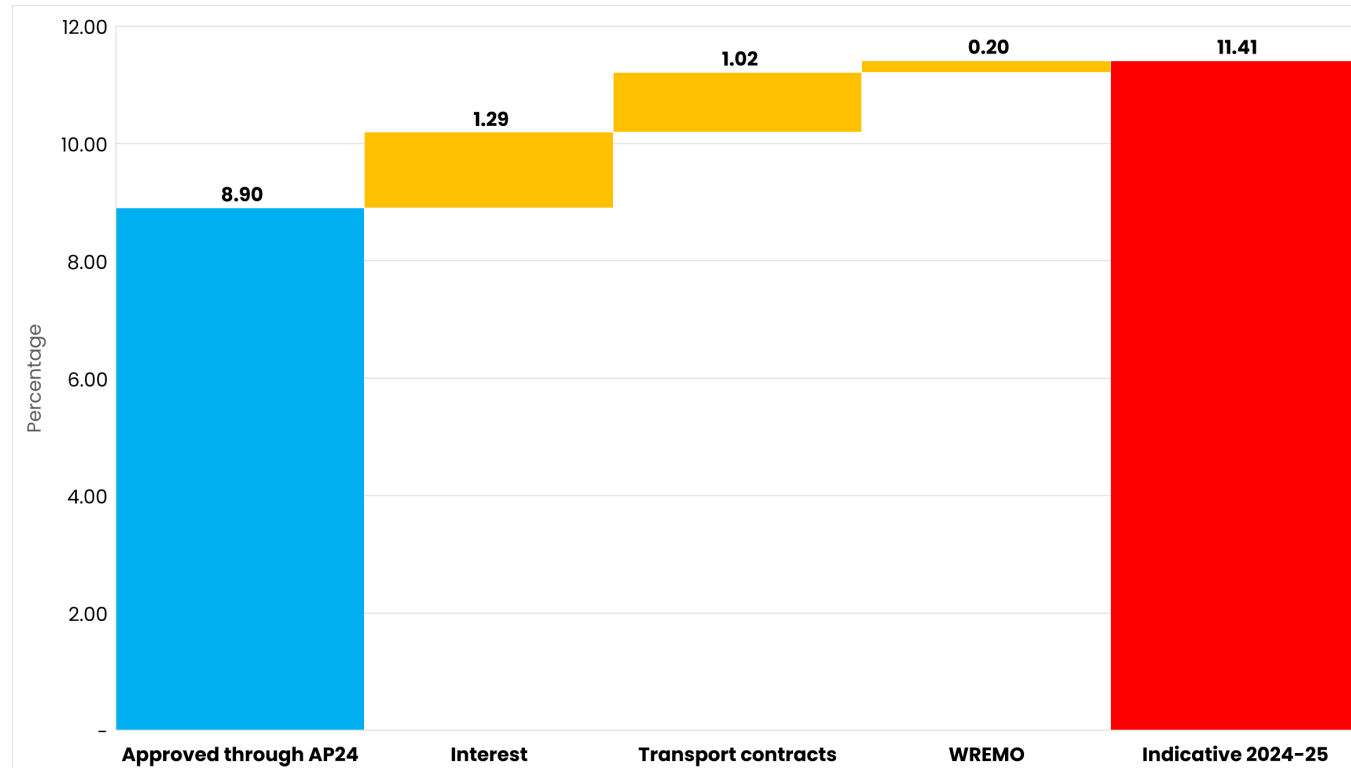
Detail	Decision sought	Indicative rates impact of recommended option 2024-25	Indicative debt impact of recommended option Over 10 years
Unavoidable cost increases			
Interest costs on borrowings	Update budgets with most up to date interest costs for DLTP24.	1.29%	N/A
Transport Street maintenance contract cost increase (maintaining current LOS)	Operating contract cost escalation approval - \$18.4M budget shortfall over 10 years	0.9%	N/A
Transport pavement surfacing contract cost increase (maintaining current LOS)	Capital contract cost escalation – approved by Council 30 June 2023	0.12%	\$14.3M
Emergency management WREMO grant	Paper and decision will go to 30 October meeting - \$2.2M budget shortfall over 10 years	0.2%	N/A
Optional funding requests			
Assets review report (Green and Built assets)	Shortfall in renewals and improvements capital budgets to maintain service levels (assumes some divestment and increased cost recovery)	0.5%	\$30.9M
Co-ordinated Urban renewal programme (proposed increase in programme)	Increase in operating (\$24.92M) and capital budgets (\$8.4M) to plan for the current and future growth and leverage opportunities.	1.21%	\$8.4M
New rates remission proposal - Financial hardship rates remission	\$250 remission for eligible residents - \$5.3M budget shortfall	0.34%	N/A
LTP financial aspects paper – assumption for staff salary increase	Increase to employee costs from 2.5% to 5% for first three years of the DLTP24(\$3.6M over 3 years)	0.77%	N/A

Note that Petone wharf is not included here, due to multiple options to consider

Rates impact – unavoidable costs

Rates increases set through AP24	2024-25	2025-26	2026-27	2027-34
DLTP24 current planned rates increase, (after growth)	8.9%	7.2%	7.2%	7.2%

Delivery in line with the rates revenue increases as planned in AP24 is not going to be possible unless trade-offs are agreed when any new or escalation of funding proposals are considered.



Presented in the graph is the indicative rates impact based on current known unavoidable costs. A rates revenue increase (after growth) of 11.41% is required to meet the current funding needs ahead of any optional initiatives being considered as a part of the DLTP24.

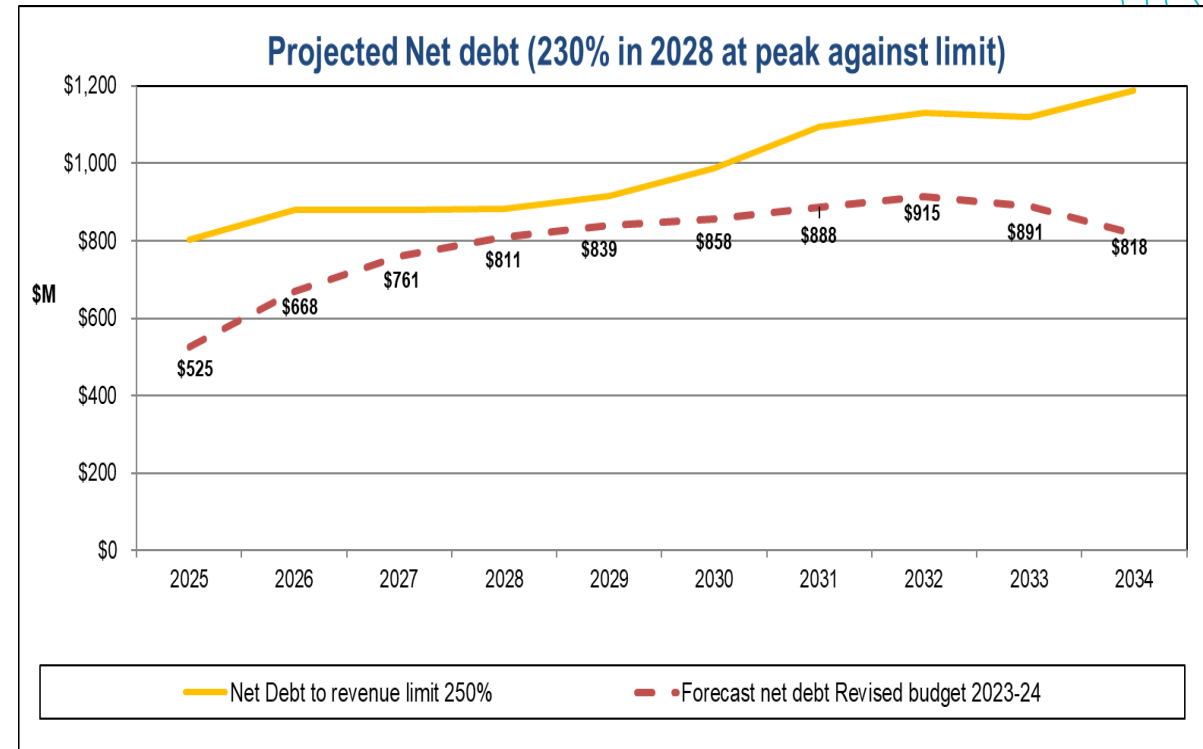
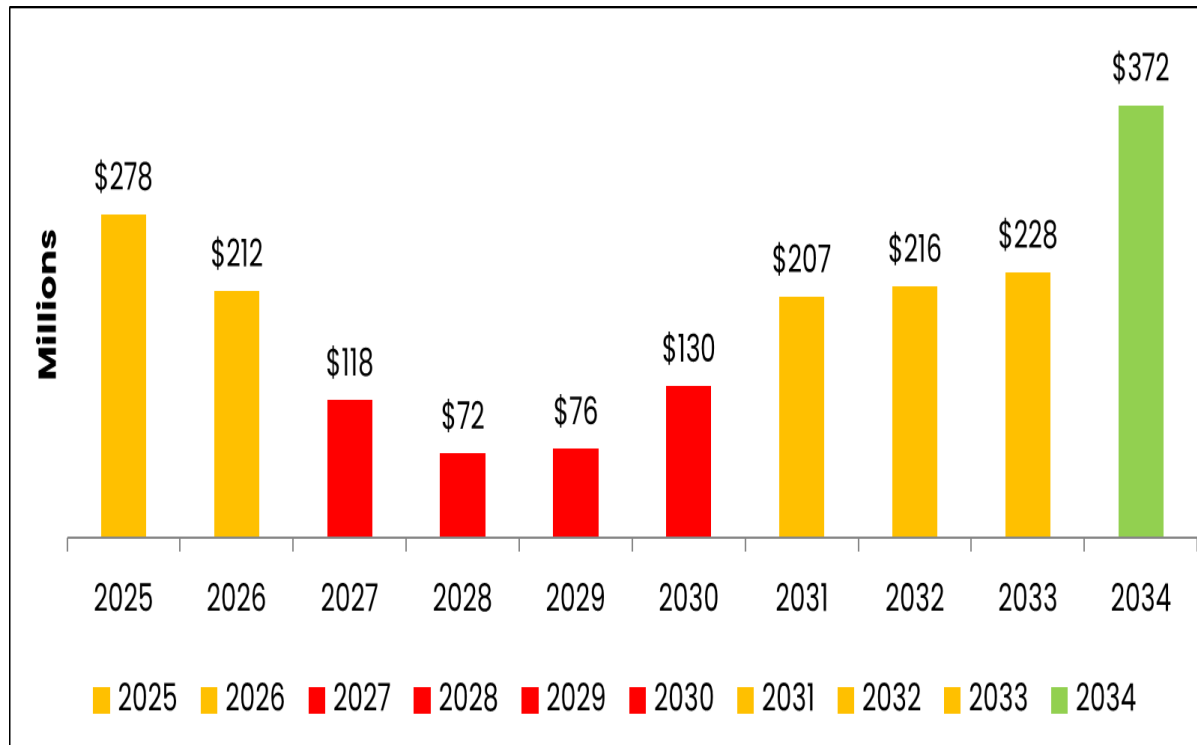
Rates impact – Optional initiatives



Graph presents the known optional initiatives being considered. Each initiative adds onto the rates funding requirement. An indicative rates revenue increase (after growth) of 14.23% would be required to meet the funding needs as a part of the DLTP24. This is an addition of 2.82% on the known unavoidable cost increases rates impact.

Debt impact

The indicative impact on debt levels after the inclusion of current capital funding proposals being considered on 30 August is presented below. This assumes no additional rates funding and does not consider any of the operating funding requirements included in the table.



Initiatives	Detail	Likely funding impact
Three Waters investment options	Three priority areas of renewals, growth and water sustainability	High
Transport - Slips	Additional funding to support this activity	High
Impacts of National Land Transport Programme decisions	Risks of changes to funding decisions to support this activity – will be offset by subsidy revenue at an assumed rate of 51% and reprioritisation options.	Medium
Engagement and funding to support partnerships to achieve outcomes for Māori	Additional funding to support this activity	Low
Reserves Investment strategy	No overall CAPEX funding requirement as it will be funded from existing Reserve development contributions fund but will impact on debt as the reserve is not “cash-backed”. Also any new assets will create additional OPEX costs for maintenance in the future.	Low
Naenae Community Centre	Reinstated and additional funding to support operations of the new community centre	Low
Fees and charges reviews	A number of areas (Consents, Aquatics, Animal health etc.) are currently recovering below the minimum range per the Revenue and Financing policy – these will require a fee review and will likely result in fees being set at above the default minimum increases.	Low



EARLY DRAFT LTP initiatives

Initiatives	Detail	Likely funding impact
Green and Built assets review	Shortfall in renewals and improvements capital budgets as well as operational budgets based on options progressed.	High
Information technology other projects and initiatives	Additional funding to support this activity - customer experience projects, asset management, technology currency, cyber security etc.	Medium
Transport – Street widening – impacts of intensification	Additional funding to support this activity	Medium
Petone Wharf	Options will be provided to Council but will likely have additional funding implications in early years of LTP	Medium
Indigenous Biodiversity strategy rollout	Additional funding to support this activity	Medium
Employee cost increase	Additional funding to support ability to attract and retain staff at the right capability	Low
Information technology CCTV and monitoring requirements	Additional funding to support the / upgrade / replacement of the technical components (Cameras, Data connections), increase the CCTV network reach and to resource more hours of monitoring.	Low



Initiatives	Detail	Likely funding impact
Co-ordinated Urban renewal programme	Shortfall in operating and capital budgets	High
Lowry Bay Seawall	Additional funding to support this activity	High
Food waste system	Additional funding to support this activity	High
Petone Wharf	Options will be provided to Council but will likely have additional funding implications	High
Petone Library	Options for funding will be provided but may require some top up funding to existing budgets	Medium
Rates remissions for financial hardship	Options for funding will be provided – medium option around \$525K per year	Medium
Funding for increased events support	Additional funding to support this activity	Low
Funding for youth engagement	Specific resource and opex for youth engagement	Low
Heritage Incentives fund	Additional funding to support this activity	Low
Programme to accelerate planting trees	Overall funding requirement needs to be confirmed, some could potentially be funded from existing Financial contributions reserve funds but will impact on debt and there would be additional OPEX.	Low



30 August 2023 – Key financial assumption decisions

Detail	Decision sought	Financial impact
Interest cost increases	Update budgets with most up to date interest costs for DLTP24.	Average increase in cost of \$2M per annum.
Inflation rates (Interim rates 25 August 2023 Final rates November 2023)	Update budgets with most up to date BERL projections for DLTP24.	None to report at present – this is an assumption.
Employee cost increase	Increase to employee costs from 2.5% to 5% for first three years of the DLTP24.	\$3.6M (2024-25 \$1.2M) increase in costs
Fees and charges increases	Fees and charges to be set at a minimum to recover increases in operating costs (including salaries).	None to report at present – this is an assumption.

30 August 2023 – Rates remission policy options

Detail	Decision sought	Financial impact
NEW – Rates remission to support financial hardship and rates affordability	Further direction regarding options for a new rates remission. Narrow policy with limited qualifying criteria or policy tied to DIA rebate qualification – 4 amount options provided for consideration.	Option 1 - \$200 = \$420k Option 2 - \$250 = \$525k Option 3 - \$300 = \$630k Option 4 - \$500 = \$1M
NEW – Rates remission to support planning and environmental outcomes for Te Wai Takamori o Te Awa Kairangi development	Explore other mechanisms better suited to support development outcomes such as reduced development and financial contributions and/or building consent fees.	None to report at present.
Change to existing – Rates remission for natural calamity	Small changes to the application process.	None of the options for changes would impact the amount of the remission granted.
Change to existing – Rates remission for land protected for natural, historic, or cultural conservation purposes	Small changes to the application and qualifying criteria	Potential for applications and qualifying properties to increase following upcoming District Plan change

