

Draft Long-Term Plan 2024-34

12 December 2023 LTP/AP subcommittee meeting

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High level timeline

Activity	Date	Status
Council hui to set initial priorities and objectives for the DLTP	31 May 2023	Complete
Council decisions on draft strategic framework and high-level approach to DLTP	30 June	Complete
Council decisions following early engagement and decisions on key assumptions	30 August	Complete
Council decisions on budgets and key initiatives, trade-off considerations	30 October	Complete
Council decisions on budgets, policies and strategies, trade-off considerations, KPIs.	27 November	Complete
Council agrees DLTP budgets, policies and strategies, approach to consultation	12 December	Today
Council approves Consultation Document (CD) and DLTP	8 Feb 2024	Not started
External audit	Jan-Feb	
Council adopts audited DLTP and consultation material for formal public consultation process	27 March	
Public consultation process	April	
LTP Hearings process and review of public consultation feedback	15 to 17 May	
Final decisions on LTP	5 June	
LTP adopted	27 June	

A challenging context

Challenging economic climate, particularly driven by high inflation and borrowing costs

Infrastructure deficit

Council owns many ageing assets that require significant investment.

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

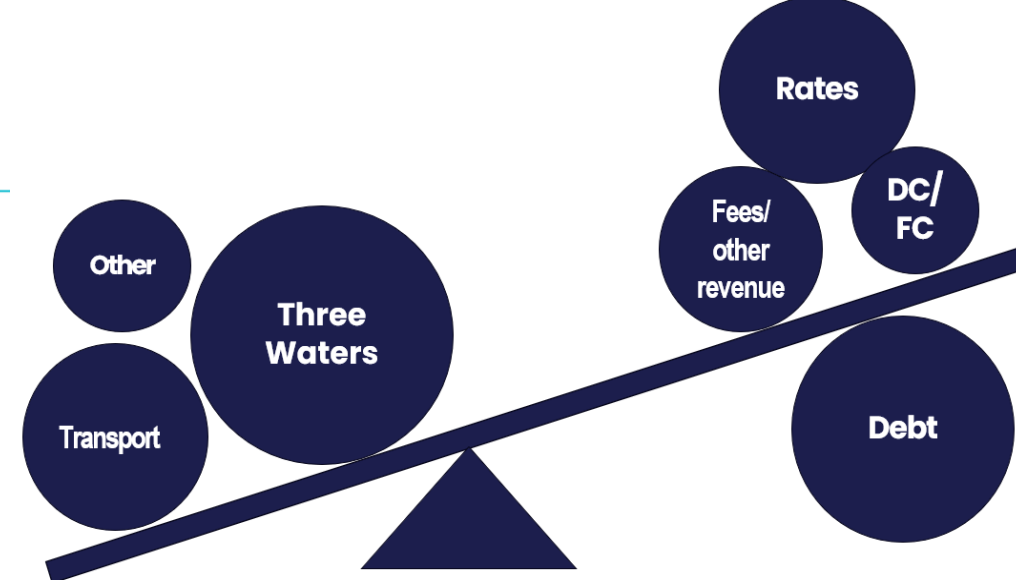
Borrowing capacity constraints

Due to the rising costs across the board which limits our debt capacity, there is a need for prioritisation of the investment options.

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

Affordability constraints

We don't want to put off intergenerational and strategic investments, 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.



Updates to budgets

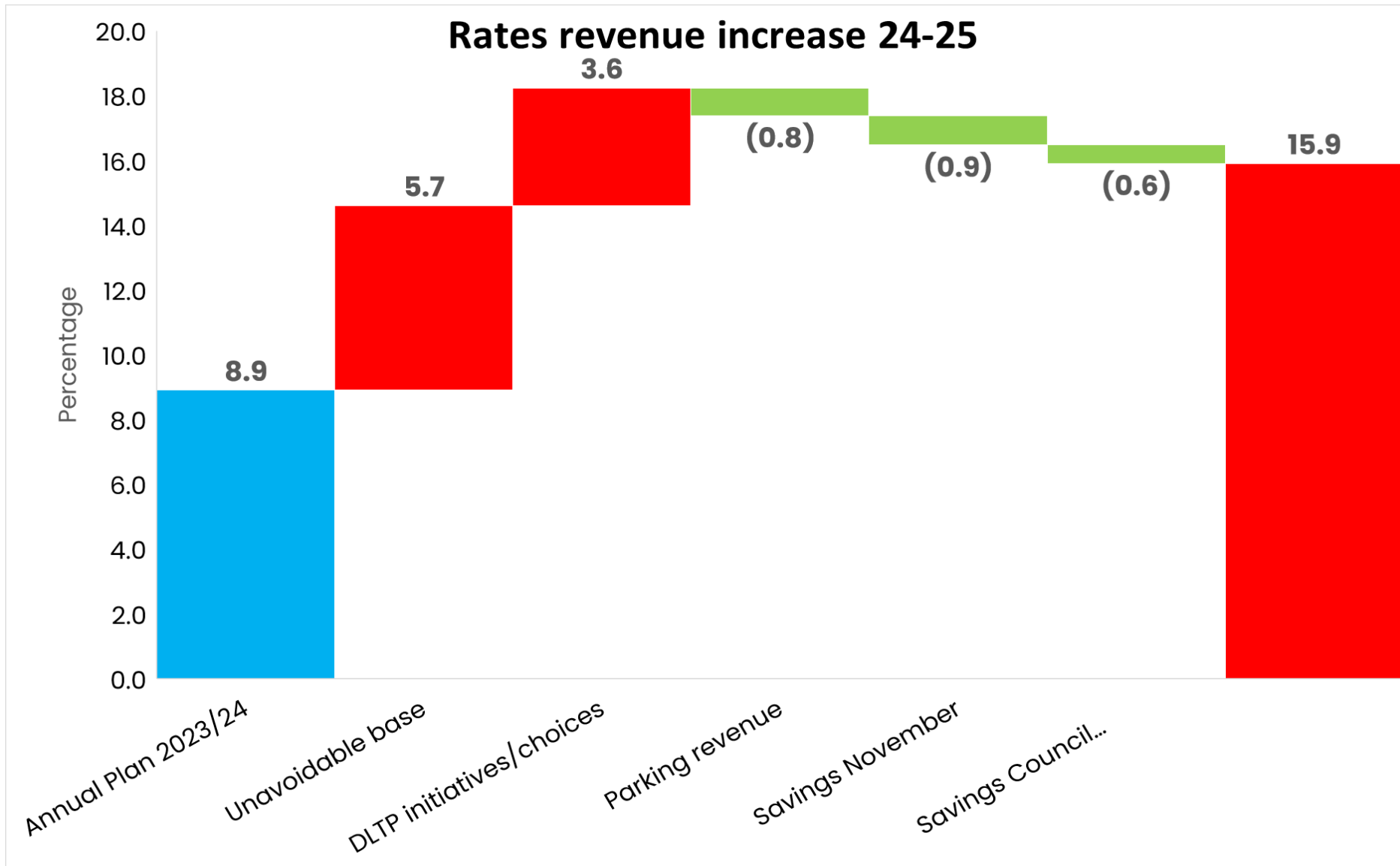
Budgets have been updated to reflect Council decisions at the last meeting for:

- RiverLink
- Water services capex
 - Updated baseline budget of \$1.5B from \$0.8B which includes water meters
 - Eastern Hills Reservoir brought forward to 2027-2029, \$87M
 - Seaview wastewater treatment plant odour control brought fwd to 2024 -2026, \$13M
- GWRC Bulk water cost
- All savings agreed by Council

Budgets have been updated to reflect Council decisions being sought today for:

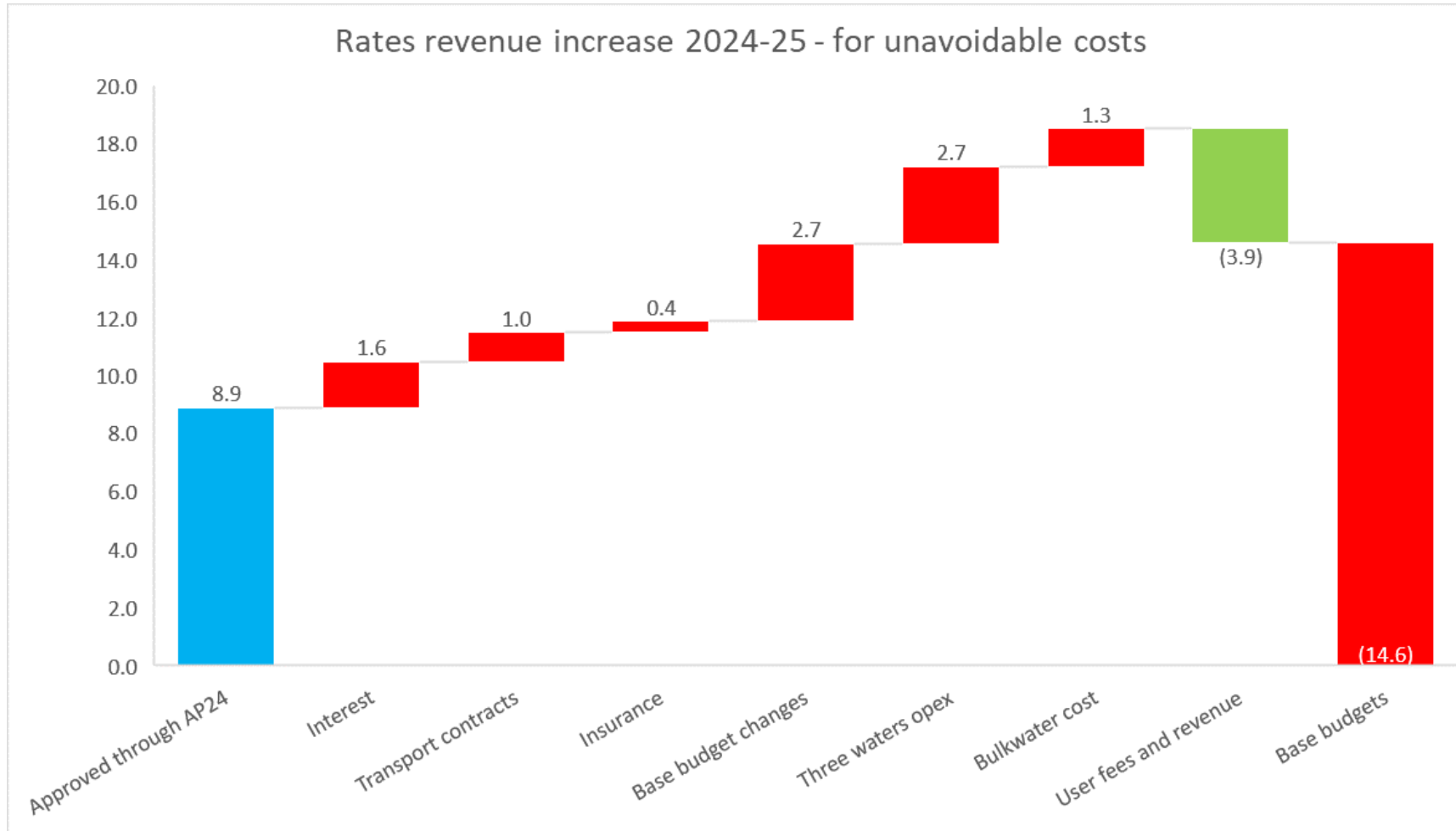
- Development contributions revenue – per the updated policy
- Landfill annual review changes to reflect updated estimates
- Rubbish annual review changes to reflect updated estimates
- Eastern Hutt Road rephasing
- Bulkwater revenue per the updated fee structure





Base budget review, key unavoidable cost pressures

Of the 15.9% rates increase proposed, 14.6% relates to unavoidable costs as presented below.

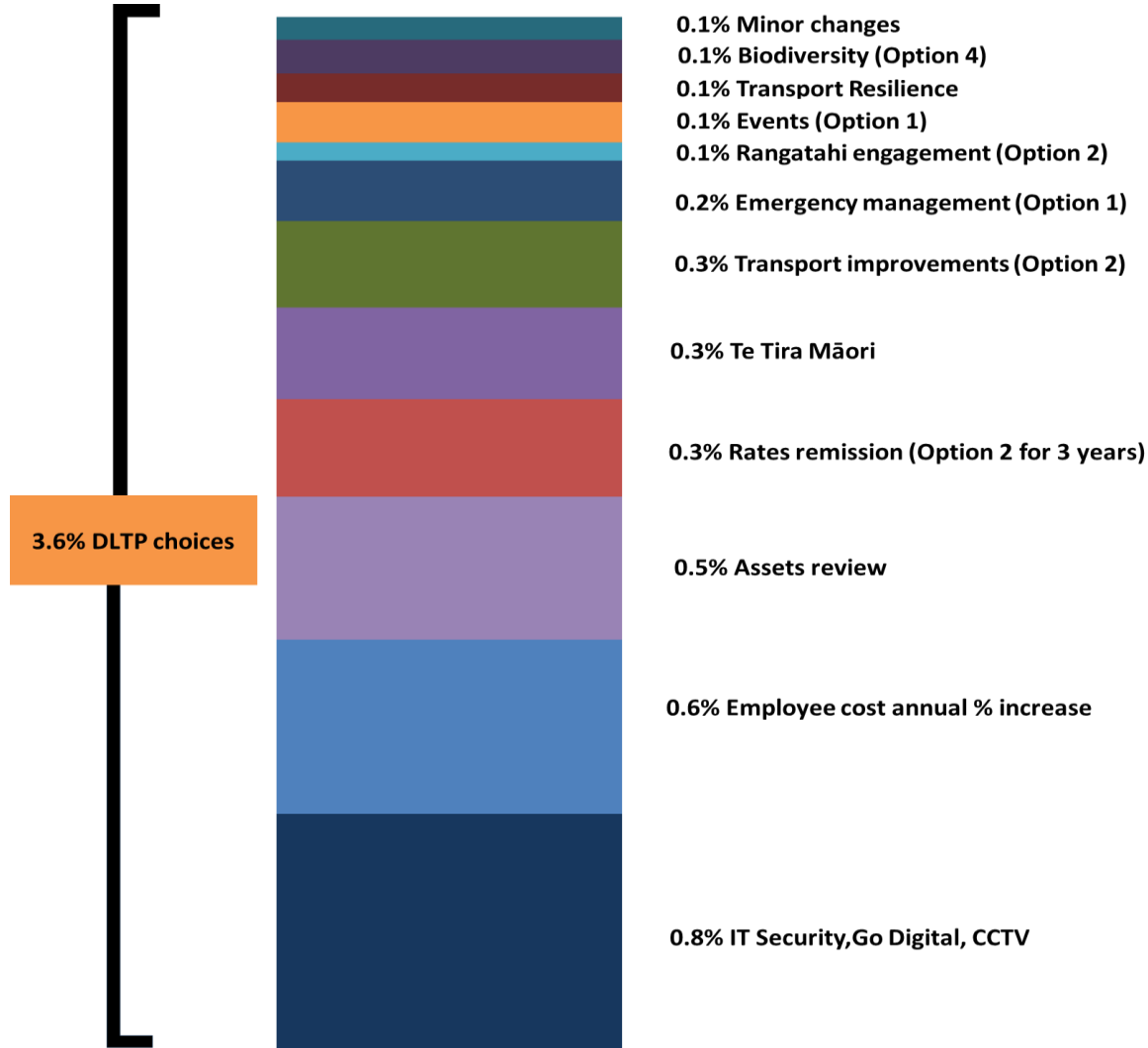


Key unavoidable cost pressures impacting rates revenue requirements include:

- Three waters opex cost escalations (WWL advice)
- Transport contract increases (procurement tender outcome)
- Higher interest costs on borrowing
- Insurance
- GWRC Bulkwater cost
- Other base budget cost escalation e.g. IT
- employee cost changes for revised organisational structure, higher market related costs and impacts of living wage and new budget bids approved.

Cost increases are partially offset by higher user fees and revenue.

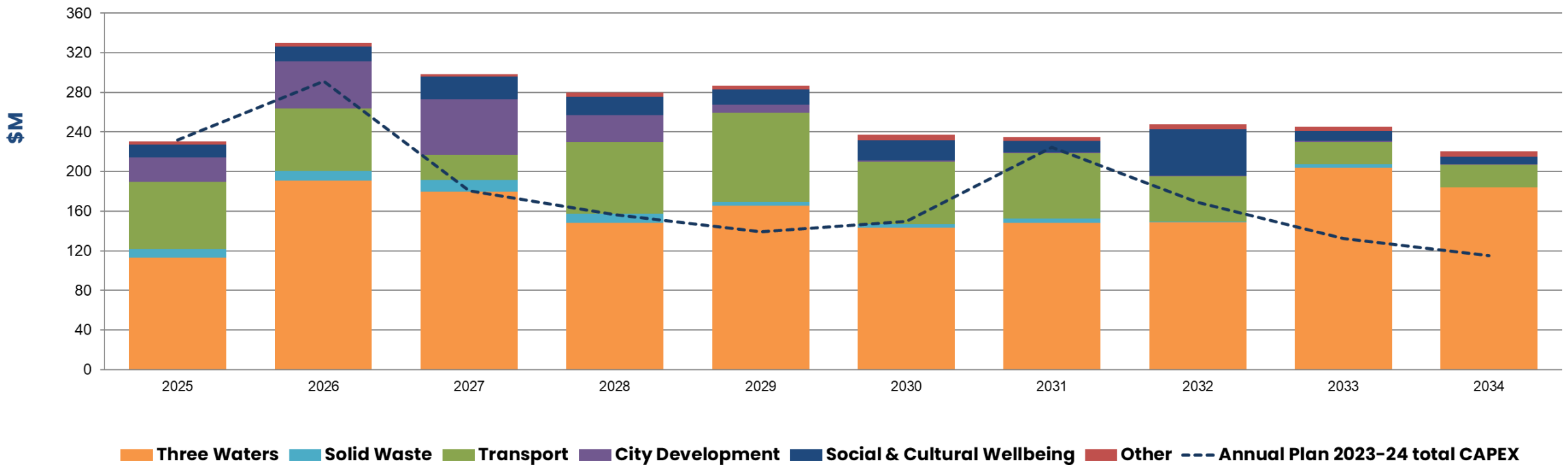
Detailed rating impact of budget bids/choices in 2024/25



Capital investment

Capex is \$2.6B (an increase of \$822M on AP24) over the 10-years, based on inclusion of all decisions to date. Includes \$1,183M renewals, \$984M new capital and \$445M growth related works. Of the total programme 63% relates to Three Waters and 21% to Transport with the remainder spread across other activities.

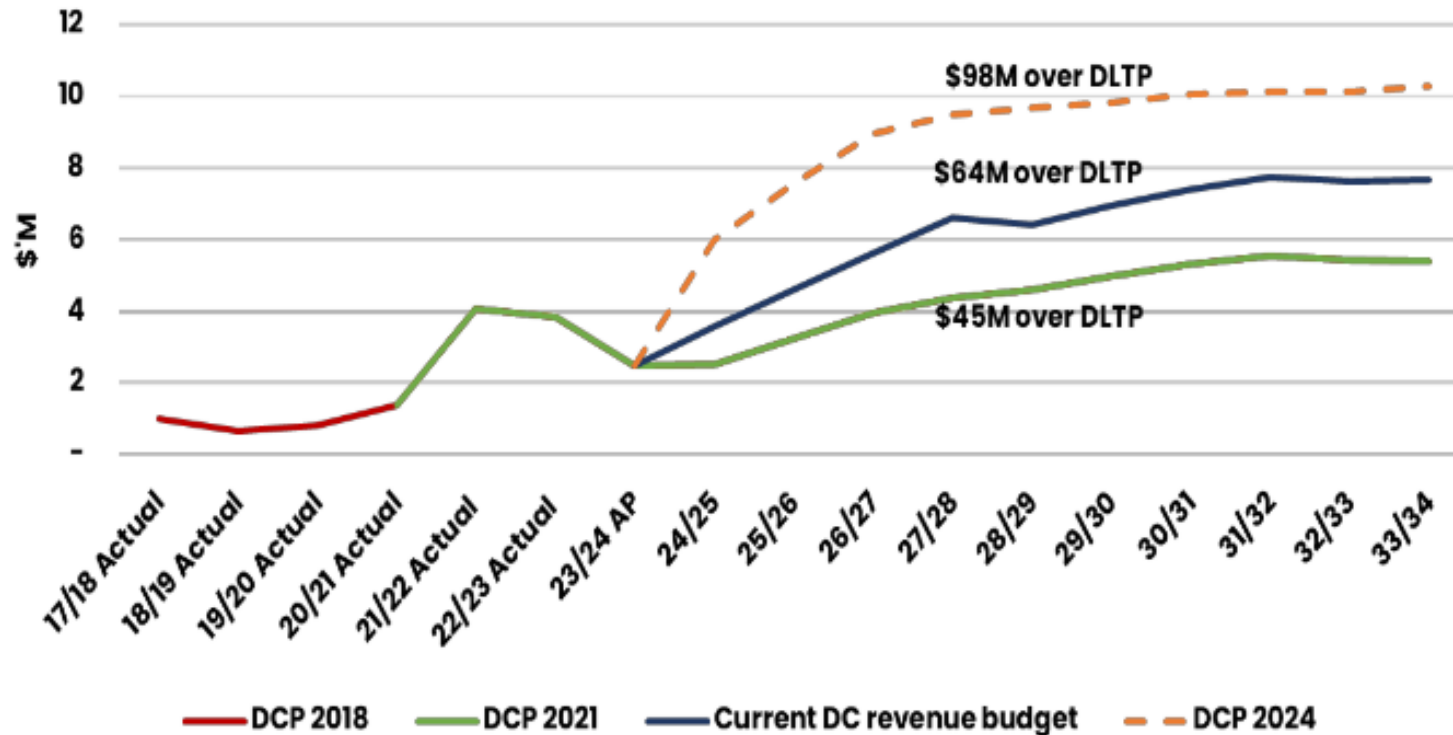
Capital Spend Draft LTP 2024-34



Development contributions revenue

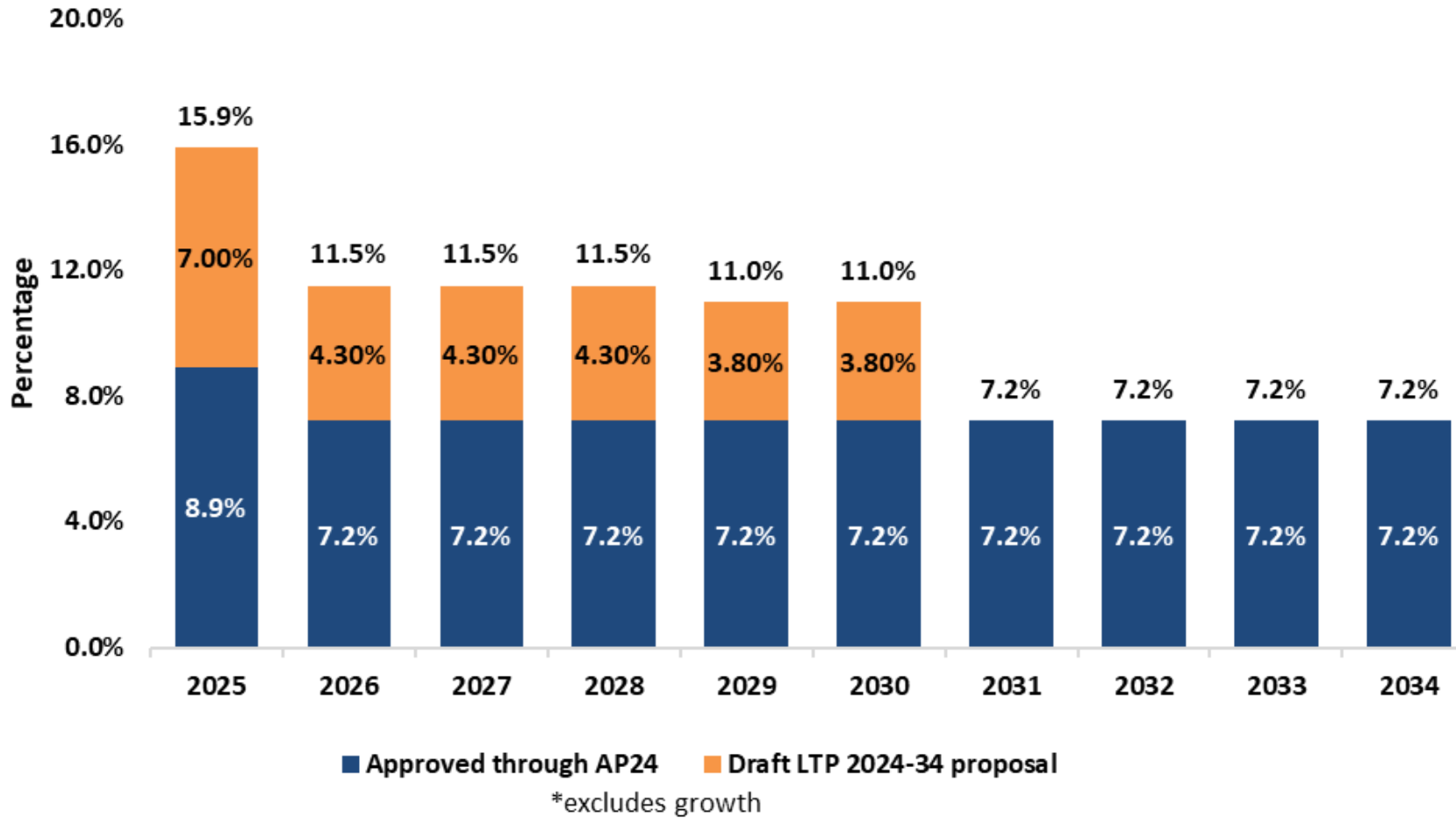
The capital cost of providing growth related infrastructure for water, wastewater, transport, stormwater and community infrastructure is funded by development contributions

Forecast development contributions revenue

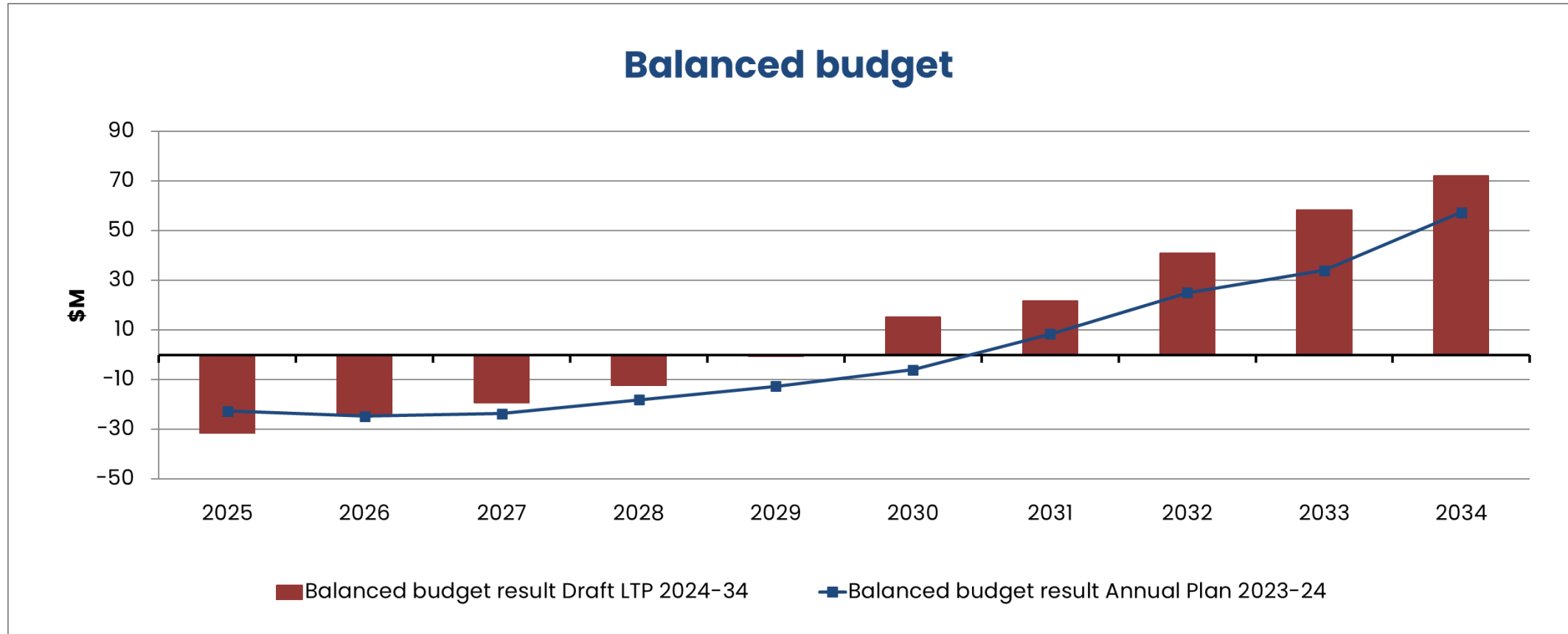


Through Annual Plan 2023-24, assumed step up in DC funding for the Infrastructure Acceleration Funding associated investment (wastewater and stormwater) although DC charges were not adjusted at that point but rather delayed to LTP2024.

Rates revenue increases DLTP 2024-34



Balanced operating budget projection



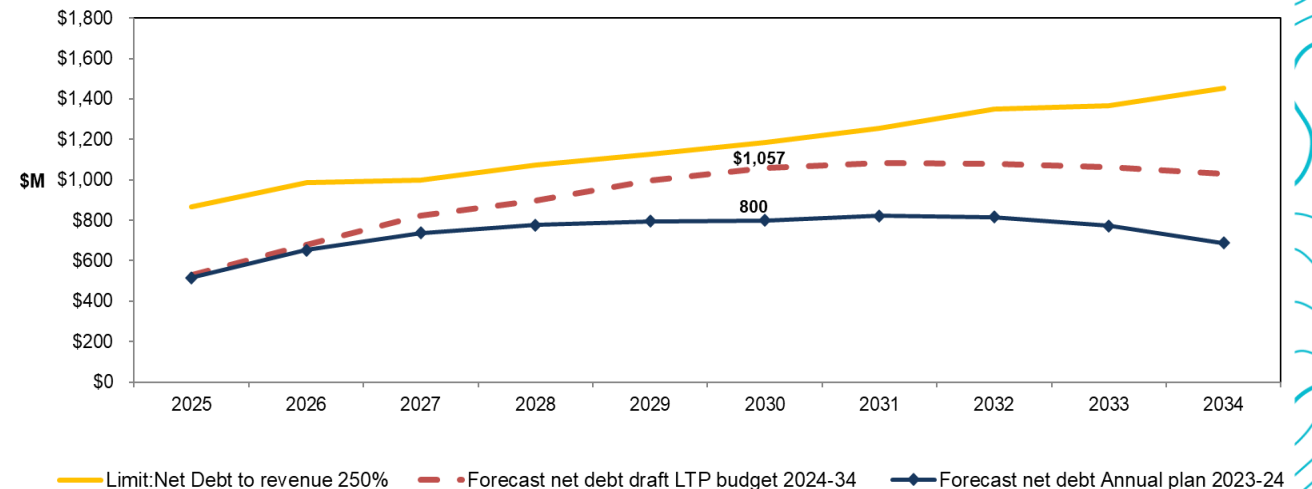
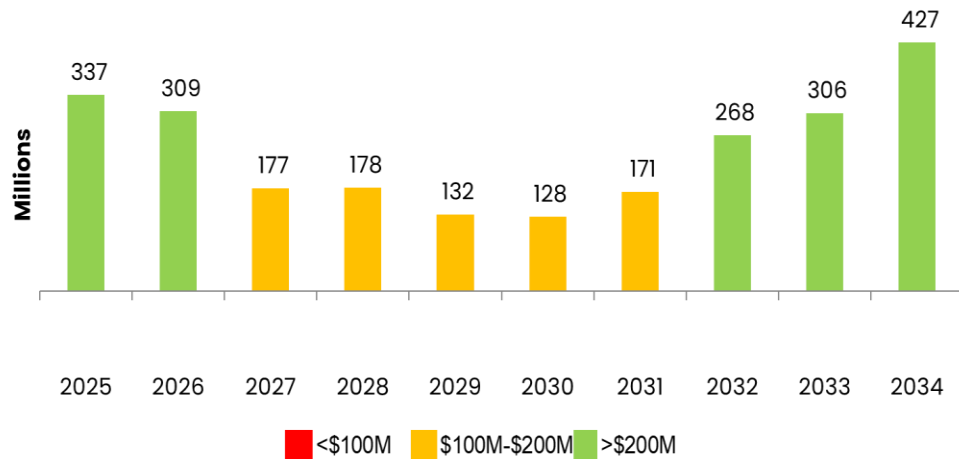
The HCC balanced budget target is defined as the Local Government (Financial Reporting and Prudence) Regulations 2014 definition, modified to exclude from the definition of revenue Waka Kotahi NZ Transport Agency's capital improvement subsidies, Infrastructure Acceleration Fund grants and central government COVID-19 Response and Recovery con-funding for Naenae pool and Eastern Bays Shared path.



Debt forecasts

Projections below are based on inclusion of all the budget decisions to date.

	LGFA limit	HCC limit	15.9% rates (+ growth)
Net debt to revenue	280%	250%	223% (Headroom \$128M 2030)
Net interest to rates revenue	30%	25%*	11.4% (peak 2030)
Net interest to revenue	20%	15%*	16.9% (peak 2029)



Early indicative rating impacts – 15.9% (after growth)

Property Category	1-Jul-23 Capital Value	2023-2024 Rates	2024-2025 Rates	\$ Change Amount annual	\$ Change Amount Weekly	Change Amount %
Average Residential	\$815,000	\$3,348	\$3,862	\$514	\$9.89	15.4%
Average Commercial Central	\$2,350,000	\$19,367	\$22,546	\$3,180	\$61.15	16.4%
Average Commercial Suburban	\$2,418,000	\$16,501	\$19,235	\$2,734	\$52.58	16.6%
Average Rural (no water or wastewater)	\$1,247,000	\$2,342	\$2,690	\$347	\$6.68	14.8%
Utilities	\$3,262,068	\$23,515	\$28,239	\$4,724	\$90.85	20.1%



Savings – built into budgets

- LTP2021-31 – Detailed base budget review process with budgets adjusted for \$5.2M savings
 - Only unavoidable costs were allowed to be added into budgets since LTP2021
 - All other increases have been by Council decision only.
- Annual Plan 2023-24 due to significant cost increases:
 - a savings exercise was performed and \$6.5M of operating costs were reduced over 8 years to 2031
 - initial planned staffing costs were reduced by \$12.9M over 8 years to 2031 – this included a vacancy savings assumption of 6%
 - A range of capital projects were also deferred to reduce the burden on debt

Savings approach DLTP 2024-34

- Through September to October 2023, officers conducted base budget reviews. This process yielded **\$6.1M of savings** over the period of the DLTP, which have been applied to budgets and had a **favourable rates impact of 0.4%** in 2024-25.
- During November 2023, officers conducted further budget reviews to identify savings. **\$17.4M of savings** over the period of the DLTP were identified and applied to budgets in order to reduce the earlier rating impact projections (**favourable rates impact of 0.9%** in 2024-25) for the upcoming DLTP period. This has been achieved mainly through reduction in non-essential maintenance and IT costs, some increases to fees and charges, capitalisation of some staff costs etc.
- Council also made a range of savings related decisions on 27 November 2023 which has led to further **savings of \$11.3M** over the period of the DLTP. These savings have an ongoing effect and also reduce the rating impact (**favourable rates impact of 0.6%** in 2024-25).

Capex savings

\$1M reduction in Capex will reduce rates requirement by an indicative 0.03% (excluding any costs of maintenance), approximately \$31M capex would need to be reduced to achieve 1% reduction to rates, so the most impactful rates reduction would relate to operating cost reductions/savings. The approach has therefore been a focus on Opex savings through rates funded areas.



Trade-offs and choices

In order to avoid significant debt and rates revenue increases, some initiatives and projects (existing and new) have been prioritised, and decisions made to stop/pause/defer and/or adjust service levels.

