

# Annual Plan 2025-2026

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LTP/AP subcommittee 29 August 2024

# High level timeline

Activity	Date	Status
Council agrees high level plan and approach, incl. key assumptions	29-Aug-24	Today
Council Briefing	6-Nov-24	Not Started
Council initial decisions on budgets for DAP26 and direction on engagement approach	25-Nov-24	Not Started
Council final decisions for DAP26 and approves engagement approach and content	24-Feb-25	Not Started
Council adopts DAP26 and engagement content	25-Mar-25	Not Started
Light community engagement	April 2025	Not Started
Council receives feedback from engagement process; and then progresses decisions to finalise plan	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

# Key decisions sought

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- Agreement on high level plan and approach outlined in the report
- Agreement on the approach for key assumptions, such as inflation, interest costs, staffing costs etc.
- Provide direction and guidance to officers ahead of us kicking off our detailed processes for the AP
- Direction on two specific rating matters
  - Voluntary targeted rate for WW and SW repairs on private properties
  - Jackson Street Programme targeted rate
- Further related decisions in separate reports
  - Jackson Street Three Water Renewals
  - Micromobility programme
  - Three waters capital carry overs from 2023-24
  - Proposed budget changes for 2024-25 and later years



# High level approach and risks

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High level plan outlined in the report assumes:

- that as this is year 2 of the LTP, that there should be limited changes
- that overall strategic priorities remain in place per LTP, similarly the Levels of Service remain unchanged
- that there will be a light community engagement on the draft AP

Financial challenges we'll need to work through, such as:

- the Standards and Poor's credit rating downgrade with higher debt costs.
- Funding for the unexpected wastewater issues at Days Bay
- Funding to resolve budget gaps related to final government decisions on Transport funding.

Officers to undertake work on potential offsetting mechanisms for Council consideration.

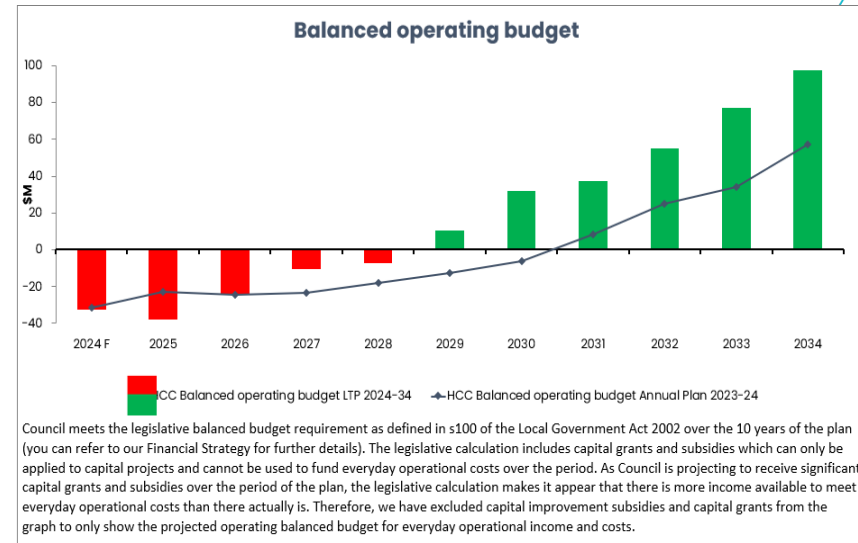
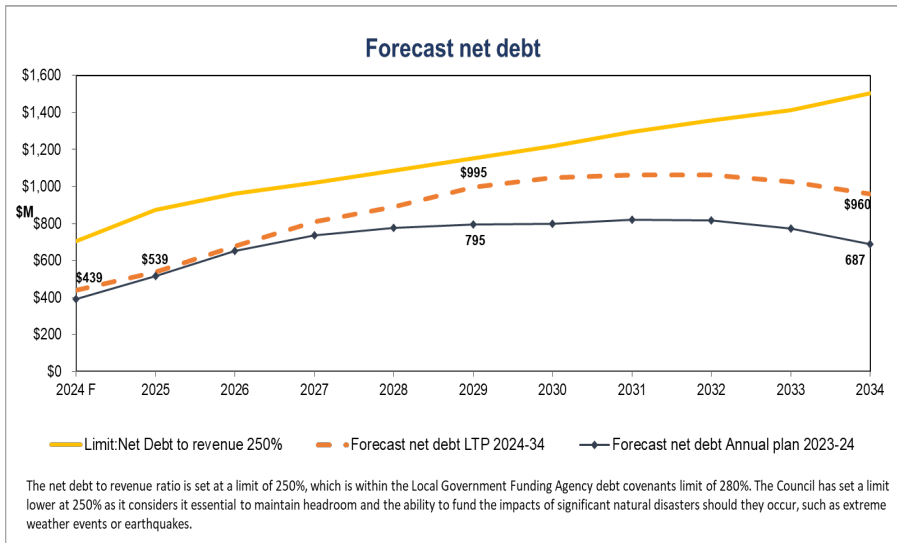
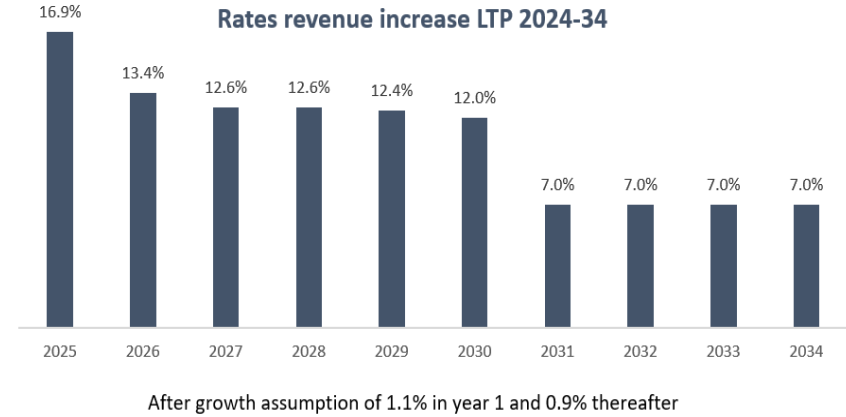
Early direction sought from Council on areas of focus for potential offsets – for example, potential service level reductions?



# Financial context from the LTP

## Projections for 2025-26

- 13.4% rates revenue increase (after growth)
- Net debt expected to rise to \$677M and includes a capex forecast of \$298M
- Balanced operating budget deficit of \$24.3M



# Proposed key financial assumptions

## Inflation

	2026	2027	2028	2029	2030	2031	2032	2033	2034
Inflation rates in LTP (Source: BERL LGCi 2023)	2.20%	2.30%	2.30%	2.20%	2.10%	2.00%	2.00%	1.90%	1.90%
Interim inflation rates for DAP26 (Source: BERL LGCi 2024)	2.20%	3.20%	2.90%	2.70%	2.60%	2.50%	2.40%	2.30%	2.10%

## Interest cost on borrowings

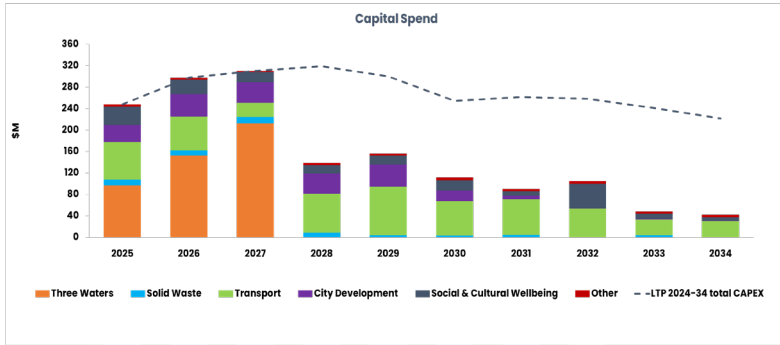
	2026	2027	2028	2029	2030	2031	2032	2033	2034
LTP cost of borrowings (average 4.96%)	4.68%	4.75%	4.83%	4.93%	5.06%	5.12%	5.19%	5.31%	5.43%
Interim updated cost of borrowings (average 4.79%)	4.45%	4.40%	4.59%	4.71%	4.88%	4.93%	4.98%	5.08%	5.18%

Employee salary increase assumption – no change per LTP 3.5% for 2026

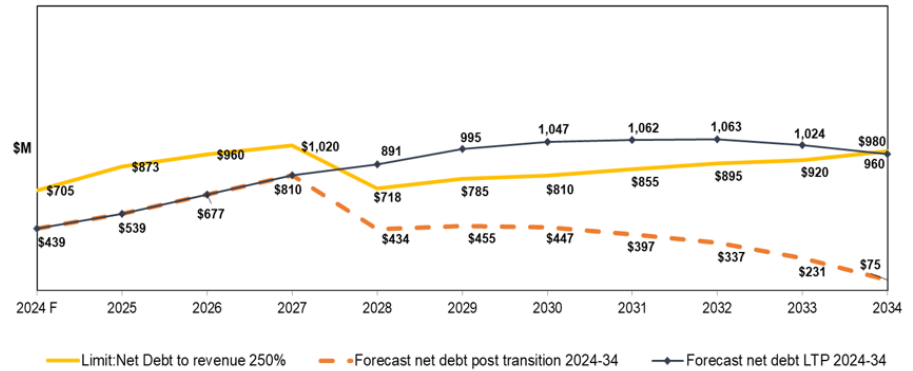
# Water reform

Early indicative modelling has been performed 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.

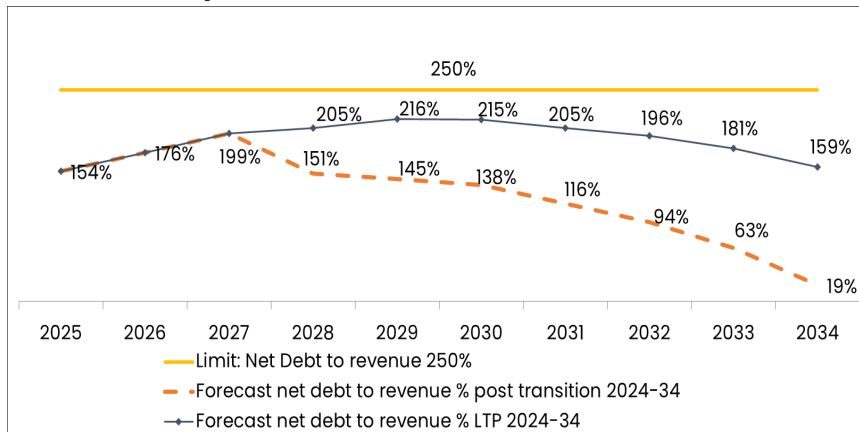
Capex investment - **significant drop of \$1.2B** over the 10-year period of LTP post transition to new entity



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**

