Finance briefing – Long term Plan 2024–34

Council briefing

21 June 2023

Strategic financial context

Financial component	Amount
Total assets (includes infrastructure assets, land and buildings)	$1.8 billion as at 30 June 2031
Total liabilities (includes borrowings and payables to suppliers)	$0.3 billion at 30 June 2031
Capital investment	$1.6 billion over the next eight years
Average revenue	$358 million per annum
Average expenditure	$326 million per annum

Annual plan 2023-24 has seen Council having to face significant challenges around cost escalations across both the operating and capital programmes. These risks are ongoing, and based on the current projections for the Annual Plan 2023-24, our **balanced budget target is expected to be met in 2030–31.** This assumes there are no further significant cost escalations in operating budgets or declines in revenue sources.
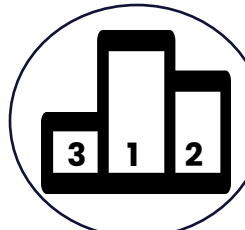
Financial Strategy Principles

- Fairness and Equity
- Prudent financial management
- Ability to pay
- Prioritisation of investment choices
- Value for money
- Growth pays for growth
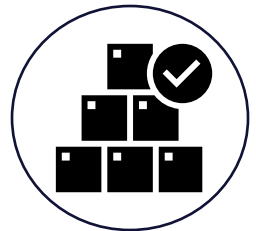- Distribution of benefits
- Environmental sustainability
- Good financial governance and stewardship

Development contributions policy review

There is a requirement to review the policy every three years and this is now due for review by 1 July 2024.

Suggested areas in scope
• NEW – Extend scope of activities funded by DCs to include Community Infrastructure (i.e. public amenities) in the policy.
• NEW - Inclusion of a "four or more bedrooms" based assessment rates for larger residential units in the policy.
• NEW - legislative requirement for the policy to support the preamble of Te Ture Whenua Māori Act 1993 – advice from Taituara Local Government Professionals is still to come following which officer advice will be presented.
• Key assumption: Inclusion of Three waters related projects (including Infrastructure Acceleration fund related projects) for 1 year of the LTP.
• Review of Transport related projects
• Re-confirmation of financial strategy principle that "Growth pays for growth".
• Early engagement is proposed on the key policy changes.

Expected to be out of scope
Policy update for projects that have historical spend before inclusion in policy as part of LTP.

Rates remission policy review

Rates remissions largely unchanged for a number of years. Suggested focus of review:

- Make current remission policies easier to understand and administer (delegations, etc)
- Propose to remove unused or irrelevant parts of the remission policy
- Affordability – can we support this through the remission policy?
- What changes can be made to better support Councils strategic priorities?
- Remission for Heritage property owners could be in the form of a fund

Rates postponement policy had an extensive review as part of the Covid19 response and not recommended for another review at this time.

Revenue and Financing policy review – rating aspects

Requirement to be reviewed every three years. Now is the time to review earlier decisions:

- General rates allocation – currently 60% to residential. Is this still appropriate?

- Rating categories – currently have 8 categories for the general rate. Could we consolidate the 3 commercial categories in to one?

- UAGC – we do not currently have one. It is regressive (higher value properties will have larger decreases if implemented). Do we continue without one?

- Capital value and land value – Capital value currently used. Changing this to one of the alternatives of either land value or annual value would require a comprehensive rates review.

Changes will prompt a review of the step two analysis

Revenue and Financing policy review - Other revenue aspects

Activity Area	Policy revenue category and recovery rate	Actual and current recovery projections to 2031 (lowest and highest)
City Development	Fees and charges - 20%- 39%	1% - 3%
Aquatics and recreation	Fees and charges - 40%- 59%	19% - 24%
Animal Control	Fees and charges - 60%- 79%	47% - 56%
Consents	Fees and charges - 80%- 100%	49% - 70%
Public Health	Fees and charges - 40%- 59%	25% - 31%

An early analysis of the existing levels of fees and charges recovery was undertaken, based on the draft Annual plan 2023-24 projections.

This analysis identified some activity areas recovering below the set policy parameters as summarised in the table above.

Questions