

# Annual Plan 2023-24

## Briefing to Council

8 February 2023



# Overview

- Consultation
- Finance updates
- KPI review

# Consultation

Today we're presenting an overview of our communications and engagement approach to support consultation on the draft Annual Plan 2023-24. We'll cover:

- Outcomes – our overarching aims
- Objectives – our specific, measurable goals
- Principles – how we'll approach the consultation
- Consultation document and survey – the main engagement piece
- Concepts – what the consultation material will look and feel like
- Tactics – workshop with you to hear your ideas about new things we should consider
- Questions

# Outcomes

Outcomes are the overall goals of our engagement – this is what we’re aiming to make happen as a result of our communications and engagement.

- Residents are informed about what an Annual Plan is, what we’re proposing for the year ahead, what’s changed from the LTP, and why we’re proposing those changes
- We reach a diverse range of groups in our community who are encouraged to share their feedback on our draft Annual Plan
- Those diverse groups have a genuine opportunity to influence decision making, and understand how their feedback has been incorporated into our planning
- Council officers have an improved understanding of effective communications and engagement strategies for our communities, to inform planning for the LTP later in 2023, as a result of trialling different approaches during this engagement

# Objectives

Objectives are specific and measurable goals that we can track progress on, and which allow us to analyse the effectiveness of our communications and engagement approach.

- We want to hear from a more diverse group of respondents than we usually do
- We'll set goals around the number of survey submissions we receive, and the number of views of our digital consultation doc
- Elected members are equipped to engage with the public
- We'll close the loop by reporting back to the public on the results of their feedback
- Public-facing staff are available during the engagement period and equipped to help
- We'll try new things and take the lessons learned to inform planning for our next LTP

# Principles

Our principles underpin our strategic approach and inform how we work.

- Transparent and accountable
- Honest
- Empathetic
- Accessible
- Responsive

# Consultation document and survey

- We're required to consult on any changes from the LTP, so this consultation focuses on summarising, explaining, and asking for feedback on those changes
- The consultation document and survey are still being finalised as Council decisions are still being made
- You'll receive a copy of the draft content at the 23 February LTP/AP meeting
- The consultation document will be available online as a digital, interactive document, as well as in hard copies at our facilities and partner organisations
- The survey will be hosted on our usual online engagement platform, with hard copies also available with the physical consultation document

# Consultation document

- We start with providing background to this Annual Plan, including the need for changes to what we originally planned for 2023-24 due to rising costs, inflation, supply chain pressures
- We outline our financial strategy and actions we've taken to manage rising costs
- We then outline the changes being proposed, including the impact of the change on budgets and service levels
- We have grouped together the changes in this Annual Plan by type of change:
  - Proposed reprioritisation (deferral or budget reduction)
  - Proposed budget increase
  - Changes in fees and charges



# Concepts

## Striking the right balance

Annual Plan | Mahere ā-Tau 2023-24



We want to hear from you



## What is an Annual Plan?



Our vision is to make Lower Hutt a city where everyone thrives. To do this, we need a plan to get there.

We have three Council-wide plans we have to make regularly: the Long Term Plan (also known as the 10-Year Plan), an Annual Plan, and a District Plan.

Our 10 Year Plan and Annual Plan work together in a series. The 10 Year Plan sets out the vision for our city over the following decade, and outlines key projects and budgets for that period.

We work closely with our communities when we develop the 10 Year Plan, because it's important to get it right. It needs to reflect your aspirations and priorities, and make sure we're spending public money transparently and effectively.

In the two years following a 10 Year Plan, we have an Annual Plan each year; you can think of them like chapters two and three of the Long Term Plan.

The Annual Plan follows what was laid out in the 10 Year Plan, and consultation with the community isn't required if we stick to what we developed together in the 10 Year Plan. If we do need to make changes, we have to give you an opportunity to have your say on those proposals.

## What is the purpose of this consultation

We're currently preparing the Annual Plan for 2023–24, to come into effect on 1 July this year.

Our last 10 Year Plan was published on 1 July 2021, so this Annual Plan is the third year of that plan. We need to make some changes to what we planned back in 2021 for a few reasons, which are highlighted below.

This document outlines all of the changes we're proposing for the year ahead. It doesn't cover everything we'll do this year, because in this document we're just focusing on what's different from what we planned in the 10 Year Plan. You can find our full draft Annual Plan at [\[URL\]](#), which covers off our whole plan for the year ahead.

[Read the draft Annual Plan 2023/24](#)

It's important to note that all the costs presented in this document are net costs (unless otherwise stated). That means we're presenting what it costs to Council, once we factor in any relevant income or subsidies, so it's simple for you to clearly see the impact on Council's bottom line.

The purpose of this document is for you to see what's changed in our planning, and to help guide your feedback on our plan.



## Where we've come from

COVID-19: it's been challenging for a few years now, and it's made planning ahead difficult.

In the first year of the pandemic, our 2020-21 Annual Plan was an emergency budget where we pushed out a lot of plans and reduced rates as much as possible. We wanted to help our residents manage financially during a period of great uncertainty while doing the minimum required in terms of service delivery.

In 2021 we developed our 10 Year Plan in consultation with the community where it was clear there was a need – and a strong desire from you – to invest heavily in the basics. Things like water infrastructure, our transport network, and housing the essentials.

We wrote up a plan that focused on six key priorities:



**Whakangao I ngā paopao hapori**  
Investing in infrastructure that supports our people to move around, receive basic services (like water) and enjoy our community facilities.



**Hei Ahuru Mōwai mō te Kotiao**  
Effectively planning for growth in our city ensuring an increase in housing supply and working with organisations to ensure our people have warm, safe, dry homes to live in.



**Tiki Tūiao**  
Caring for and protecting our environment. Working with our communities to meet the challenges of climate change and our goal to become carbon zero by 2050.



**Taunaki Change Awaha, Tāone Whakapaopao**  
Supporting an innovative, agile economy and attractive city. Investing to drive economic growth, and harnessing the talents of business, education, research and science communities in Te Awa Kaitiaki ki Te Lower Hutt to make our city an attractive place to work and invest.



**Tūhono Hapori**  
Connecting communities. Investing to connect and empower neighbourhoods and communities so they can thrive and remain safe, connected, healthy, inclusive and resilient.



**Whakawaka A huarangi**  
Financial sustainability. Investing in a financially sustainable and prudent way that ensures we are carefully managing our finances to deliver on our community's expectations.

Last year, in our 2022–23 Annual Plan we worked hard to rearrange budgets and offset rising costs in some areas with savings in other areas. This meant we could stick to our planned rates increase without changing the path laid out in the 10 Year Plan.

## What we're expecting in the year ahead

In 2023, we've transitioned to living and working with COVID-19 in the community. However, it's clear the pandemic is far from over. We've been feeling the impacts of COVID-19 on inflation, supply chains, and the workforce for a while, and now we're looking ahead to a possible recession in the coming months.

Our costs are escalating across the board, and it's just not possible for us to do everything we planned to do within the budget we set in 2021. We did a good job of making ends meet last year but it's not an option this year.

We have a few options, when faced with rising costs:

- Take on more debt
- Cut services and/or projects, to reduce expenses
- Delay some projects
- Increase revenue, including rates, fees and charges

When looking at our budget for the year ahead, our first step was to defer projects and cut costs further where possible. Those are many of the changes outlined in this document – we want to know what you think about the choices we've made and how they might impact you.

We've also planned to take on some more debt for some projects, but it's important to note the consequences of taking on a lot of unplanned debt. Every year our credit rating is assessed by Standard and Poor's and they take into account things like how well we're sticking to our financial strategy. Our financial strategy includes our balanced budget target, which is the year we plan to start paying for everyday expenses from everyday income (as we're not paying for day-to-day costs with debt). If we take on a lot of unplanned debt this year, it will push out our balanced budget target, which will then negatively affect our credit rating. If our credit rating drops, it will cost more for us to borrow money – so we with more finance in this budget, we have to also take a balanced approach to debt.



# We want to hear from you

As you read through this document, think about the following questions as a guide:

- What do you think of the changes we're proposing?
- Have we taken the right approach?
- Do you agree that these are the right outcomes to be aiming for over the year ahead?
- What is most important to you?



Then head to [\[URL\]](#), where you'll find a survey that covers similar questions. You can provide as much or as little feedback as you like, on any aspect of the plan.

Your feedback and ideas are really important to us, and we want to hear from a wide range of people in our community. Even if you think you don't have much to say, your thoughts are important!

The survey closes at 5pm, Friday 28 April 2023

[Submit your feedback](#)

# Consultation survey

- The survey will align with the structure of the consultation document, and will allow residents to provide feedback on key budget pieces and the overall rates increase
- For each of the key changes, we'll specifically ask for degree of support:

## EXAMPLE

**We're proposing to increase parking fees in Lower Hutt (*will include link to relevant part of consultation document for more information*). Do you support the proposed change?**

Strongly agree

Agree

Neutral

Disagree

Strongly Disagree

Don't know

- There will also be a free-text opportunity for respondents to let us know what they think about anything else relating to our draft Annual Plan
- We'll collect demographic data to support our analysis

# Consultation Tactics

- Consultation will be open 31 March – 30 April
- The scope of this engagement sits between last year’s light-touch consultation and next year’s LTP
- We’ve prepared a tactics plan for this period, which includes our bread-and-butter communications and engagement tactics
- This Annual Plan is also a chance for us to try something new, in preparation for next year’s LTP engagement
- **We want to hear from you, as community representatives who know our city and its people well: What would you like us to focus on in delivering our consultation objectives?**

# Three waters: further funding request

**Three Waters – Bulk-water cost escalation** from estimated 11.7% to 24%. Cost increase of \$1.6M in 2023-24 (totalling \$19.8M). Proposed fee increase for commercial water charge is \$0.67c per cubic meter (inclusive of GST). Costs proposed to be offset by additional commercial water charges income of \$0.9M in 2023-24 (totalling \$8M).

**Three waters - Capex** forecast for 2022-23 indicates \$19.5M overspend. The funding being sought per the advice for 2023-24 is \$65-\$68M. \$23M shortfall proposed to be funded through additional debt.

**Three waters - Opex** investment in updated WWL advice indicates additional \$4.4M is required. Options provided in the advice is to fund unavoidable costs only, full requested amount or somewhere between these two, noting the risks. The implications of the additional Opex funding is **3% further rates increase to the 8.9% (plus 1.1% growth)** currently proposed.

The opex funding options proposed for consideration are:

**Option 1** - fund through rates increase. 3% for opex (net of subsidy) and 0.5% for bulk water (net of fee increase income) with total rates increase of 3.5%.

**Option 2**- fully debt fund, with a range of risks should the reform not happen and non compliance with the Revenue and Financing policy\*.

**Option 3** - part rates and part debt fund. Extra 1% rates increase in 2023-24, with the balance being debt funded.

*\*Funding operational costs through debt **does not comply** with our Revenue and Financing policy, **but Council is able to pass a resolution to not comply** with the policy.*

# Other financial changes since 20 Dec 2022

**Cost of borrowings** – \$102M (20 Dec: 83M), at 8.9% plus 1.1% growth scenario. Offset by projected interest income for the period of the DAP of \$19.5M. Assumes UPL maintains use of the full \$43M facility.

**Micro-mobility** higher subsidy and Esplanade rephasing - Bringing forward 10.9M capex into 2023-24 for planned projects with \$5.6M associated subsidy due to time limited nature of this funding. Two projects with assumed 90% CERF subsidy reduces impact on Council funding required for this period. Only Esplanade Shared path/cycleway is now deferred.

**Network Resilience - Eastern Hutt Road** Assumed WK subsidy of \$10M removed.

**Consents** – A full review of the Consents area has been undertaken. Revenue estimate has been reduced and a fee adjustment is proposed. Overall net rates funding requirement for the activity is expected to increase by \$2.9M by 2031.

Resource consents fees(including GST) New fee proposed - single rate of \$220 p/h (from \$180 p/h and \$200 p/h)

Building consent fees (including GST)

New fees proposed - \$195 p/h (from \$180) for residential and \$220 p/h (from \$205) commercial respectively.

# Financial limits

## Debt limits

	HCC limit	8.9% for 2 years + growth	Scenario 2 9.9% (23/24) 8.9% (24/25) + growth
Net debt to revenue	250%	223% \$95M	219% \$109M
Net interest to rates revenue	20%	16.8%	16.5%
Net interest to revenue	10%	10.8%	10.6%

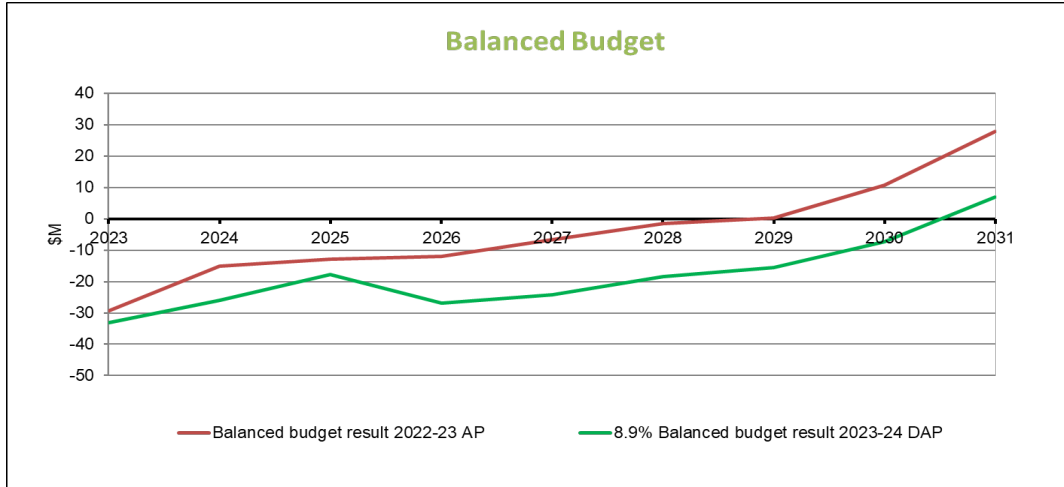
## Other financial strategy considerations

	HCC limit	8.9% for 2 years + growth	Scenario 2
Rates affordability (average residential increase per week)	n/a	\$4.44 per week 7.5%	\$5.02 per week 8.5%
Balanced budget target 2028-29	n/a	2 years later 2030-31	2 years later 2030-31

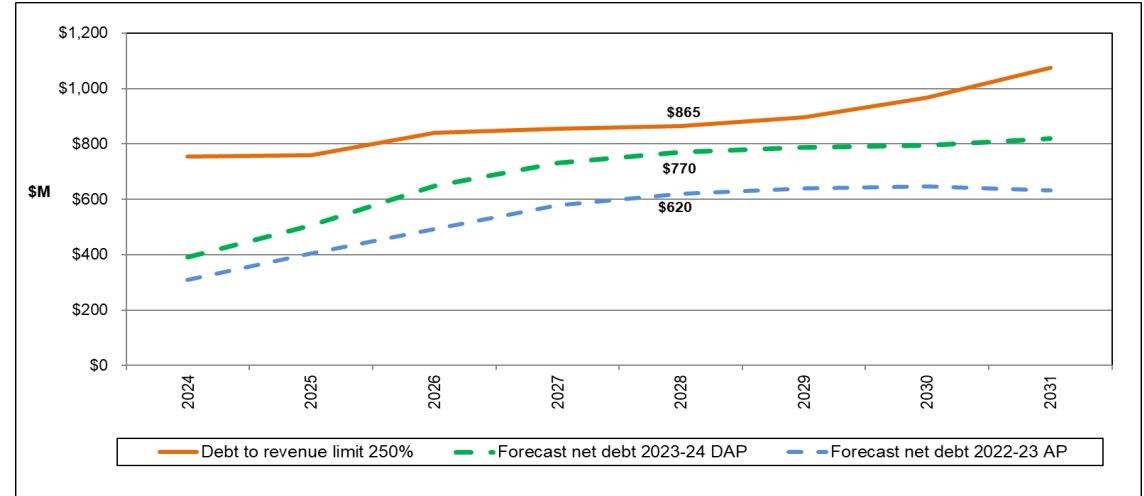


# Financial limits - 8.9%\* for two years and then 7.2%\* onwards

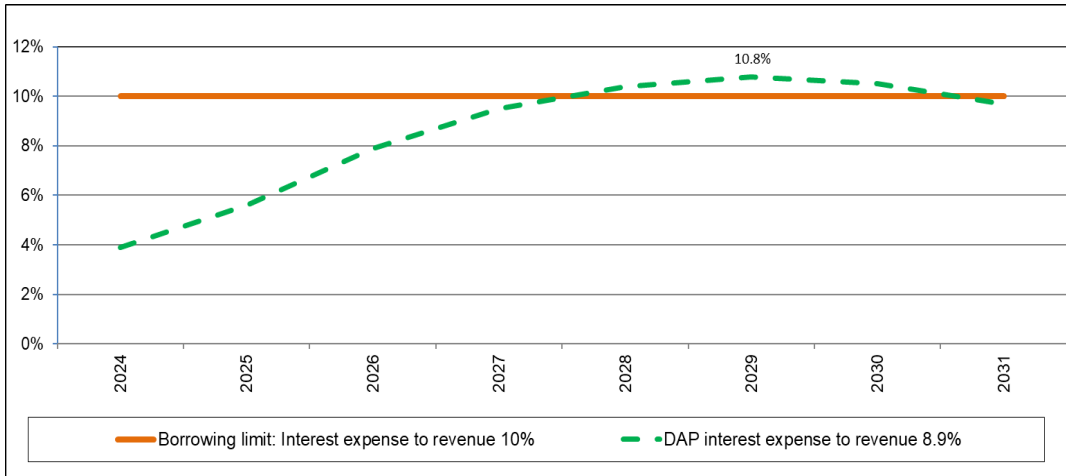
Balanced budget pushed out to 2030/31 (2 years)



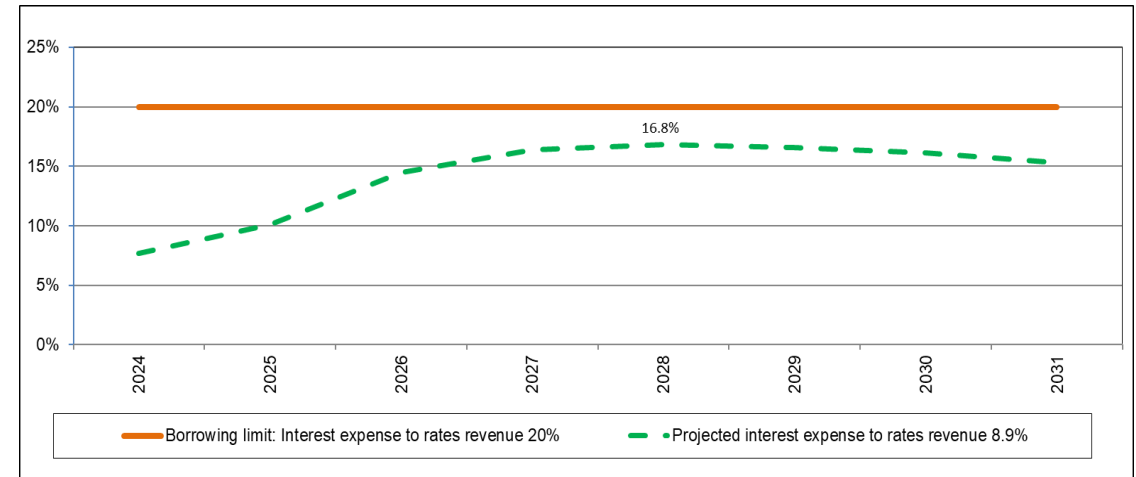
Net debt to revenue 223% (\$95M head room)



Net interest expense to revenue 10.8%



Net interest expense to rates revenue 16.8%

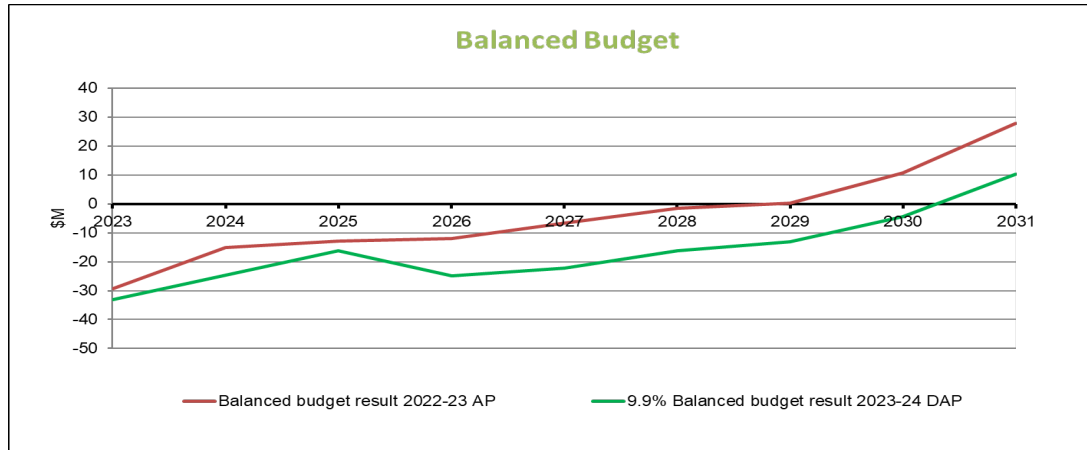


\*Plus growth of 1.1%

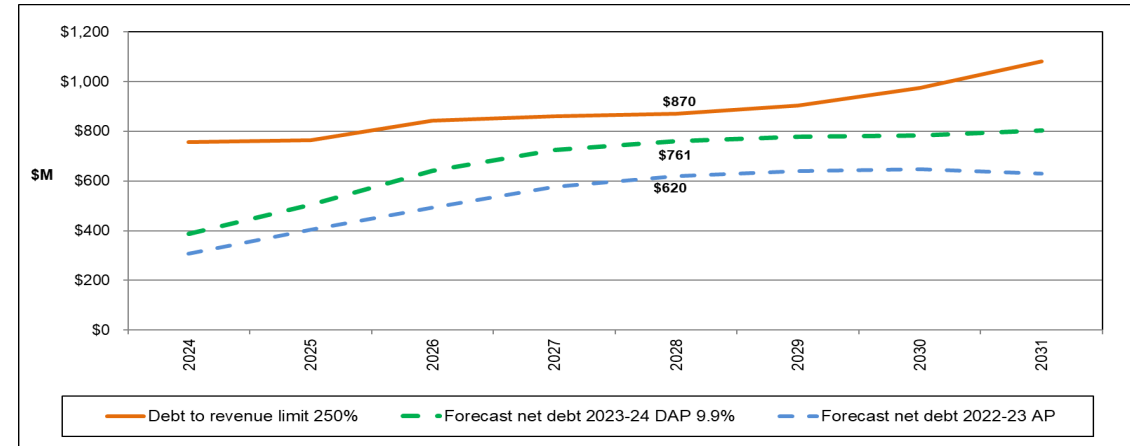
# Financial limits - 9.9%\* for one year, 8.9%\* for next year and then 7.2%\* onwards



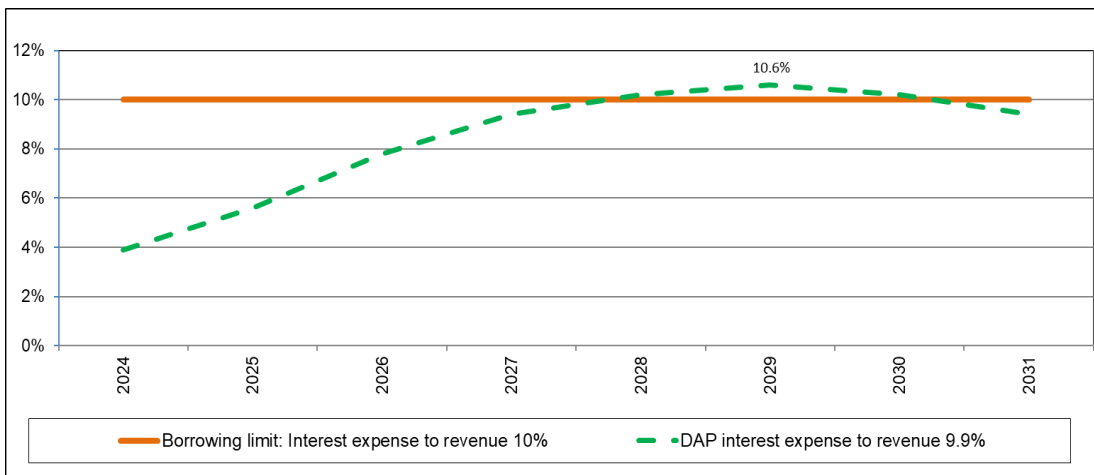
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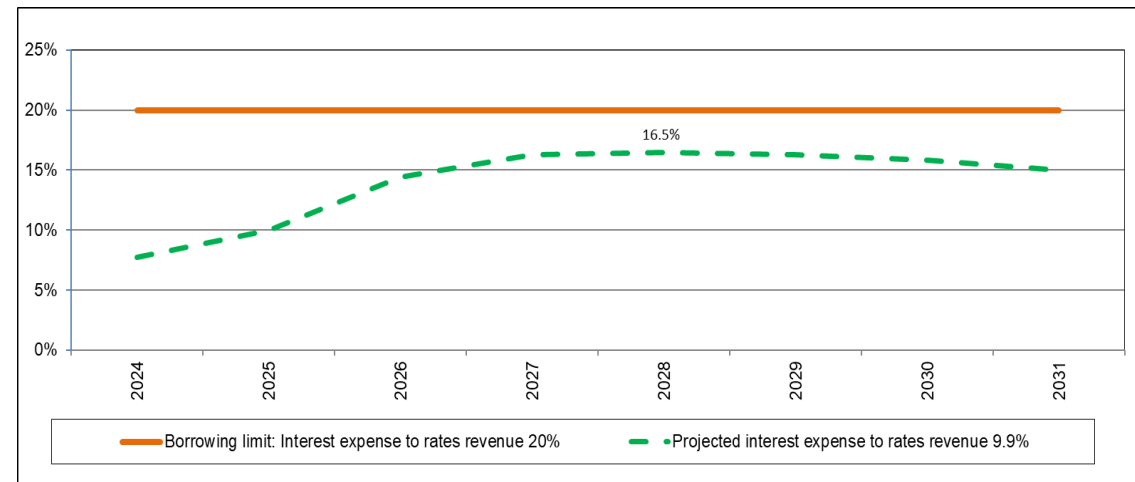
Net debt to revenue 219% (\$109M head room)



Net interest expense to revenue 10.6%



Net interest expense to rates revenue 16.5%



\*Plus growth of 1.1%

## Selected KPI review

- Several problematic measures were identified through KPI reporting for the 21/22 Annual Report and in current quarterly performance reporting.
- We are taking this opportunity to make amendments to a limited set of KPI's, focussing on our ability to report accurately against realistic targets.
- Proposed amendments to KPIs do not change the work proposed in the draft Annual Plan, so are not materially significant for inclusion in the formal consultation process.
- A full review of all our non-financial KPIs will be undertaken as part of the next LTP processes.

# Selected KPI review

## Problematic KPIs identified

KPIs	Issues
Road risk rating	KPI combines two separate measures, unclear how to combine
Audit of contracts (% audited & % meeting obligations)	Current methodology may not bear external audit scrutiny
Length of cycleways & length of shared paths	Cost of reporting and unclear methodology development
Travel time reliability (Buffer time index) and Travel time on key routes	Cost of reports and key routes changed since LTP
% of parking safety issues responded to within 30 minutes	Difficult to capture data
% of customer service requests relating to roads and footpaths that are responded to within the timeframe (48 hours)	Difficult to capture data
Resident satisfaction with the availability of car parking to access services and facilities (does not include access to residences)	Difficult to capture data
Number of litter incidents resulting in a complaint	KPI ownership and sufficiency of current methodology

## KPIs and contributory measures requiring a review of targets

KPIs	Contributory measures
Percentage of council owned vehicle fleet that is electric	-
Number of households assisted by the homelessness prevention programme	-
Number of hubs who met visitor number targets	Monthly visitor numbers to each Hub
Number of libraries who met visitor number targets	Monthly visitor numbers to each library
Loans (physical/home delivery/electronic), Wi-Fi use & computer usage at libraries/hubs	-
Number of pools who met visitor number targets	Monthly visitors to each pool
Number of fitness suit members	-

## KPIs requiring a review of reporting frequency (to align with quarterly reporting)

KPIs	Current frequency of reporting
Resident satisfaction measures	Biannual
Homelessness measures	Annual (year-end)
Various transport measures	Annual (year-end)
Some solid waste measures	Annual (year-end)