

# BRIEFING: ANNUAL PLAN 2023 - 2024

## 7 DECEMBER 2022 - 1.00PM

### ATTENDEES

**Elected Members:** Mayor Barry, Deputy Mayor Lewis, Cr Barratt (via audio-visual) (part meeting), Cr Briggs, Cr Brown (part meeting), Cr Dyer, Cr Mitchell (part meeting), Cr Morgan (part meeting), Cr Parkin, Cr Shaw, Cr Stallinger, Cr Tupou (part meeting), Kaz Yung (PCB), Mike Fisher (PCB).

**Staff:** J Miller, Chief Executive; L Allott, Chief Digital Officer (part meeting); P Benseman, Budgeting and Reporting Manager; A Andrews, Finance Transaction Services Manager; C Meads, Head of Mayor's Office; B Cato, Chief Legal Officer (part meeting); C Ellis, Head of Chief Executive's office (part meeting); J Randall, Democracy Advisor.

### PRESENTERS

J Livschitz, Group Chief Financial Officer; J Kingsbury, Head of Transport; A Blackshaw, Director Neighbourhoods and Communities; A Geddes, Director Environment and Sustainability (via audio-visual); J Griffiths Director Strategy and Engagement; L Allott, Chief Digital Officer (part meeting); B Hodgins, Strategic Advisor (part meeting); J Scherzer, Head of Climate and Solid Waste (part meeting); D Nunnian, Manager Financial Strategy and Planning.

### KEY OBJECTIVES OF THE BRIEFING

The purpose of the briefing is to provide an overview of the 2023-24 Annual Plan process to date, including budget findings and options for Councillors' consideration.

### COUNCILLOR APOLOGIES

Cr Edwards

### PRESENTATION BY THE GROUP CHIEF FINANCIAL OFFICER AND SENIOR COUNCIL OFFICERS

**Slide 1 (Header)**

**Slide 2 – Overview of content**

**Slide 3 – High level plan and timeline:** The Annual Plan 2023-24 will be adopted by 30 June 2023.

**Slide 4 – Further details on budget review process:** Process so far from October to December 2022 – significant work has been done on options for Council's consideration.

- Slide 5 – Context of this Annual Plan:** The economic context is one of inflationary pressures, a challenging economic environment and sharp inflation. Difficult decisions will be needed on priorities.
- Slide 6 – Communications and engagement approach:** Accurate, timely and accessible information will be critical. Councillors will be provided with material for their own engagement.
- Slide 7 – Early findings after initial budget review process:** Budgets that reflect all key cost escalations and projects would breach debt limits and a balanced budget would not be achieved until 2032-33.
- Slide 8 – Finding solutions:** Summary of options to review or cut budget.
- Slide 9 – Capital investment plans:** Total capital investment programme over nine years.
- Slide 10 – Capital investment:** High level overview of the changes proposed compared to the 2022-23 Annual Plan.
- Slide 11 – Net operating position vs AP23:** The impact of increased costs on Council's balanced budget position compared to the 2022-23 Annual Plan.
- Slide 12 – Savings and higher revenue charges:** Savings driven off a range of cost cuts from Council's business units and increases to fees and charges.
- Slide 13 – Financial strategy projections after adjusting for proposed solutions:** Scenario 1: Council's projected financial position assuming no change to rates revenue.
- Slide 14 – Adding other rates revenue scenarios:** Four scenarios to achieve a balanced budget within one or two years, using varying rates of revenue increases.
- Slide 15 – Scenario 3:** Scenario 3 in graph form.
- Slide 16 – Debt limits: Comparison to other Councils:** Debt limits are relatively conservative compared to other councils. There is potential to better align to other councils through the Long Term Plan (LTP).
- Slide 17 – Projected rating impact:** Rating impact on property categories for each of the four scenarios. Commercial central would have the highest increase in rates.
- Slide 18 – Parking fees: possible solution:** An increase in parking fees to assist with maintaining the transport infrastructure programme with a standard consistent rate for parking in the CBD. Paid parking to be introduced to Petone - more parking meters will be required.
- Slide 19 – Landfill fees: proposed changes to meet cost pressures:** No extra cost for green waste.
- Slide 20 – Rates – rubbish, recycling and green waste:** Proposed annual collection costs.
- Slide 21 – Financial risks and mitigations:** Risks and mitigations for projects and operational costs.
- Slide 22 – Appendix 1:** Indicative information on proposed Annual Plan 2023-24 decisions.
- Slide 23-24 - Proposed budget changes: Three Waters:** Projects and associated budgets.

- Slide 25 – Proposed budget changes: Solid waste:** Costs and revenue for capital and operational expenses.
- Slide 26-28 – Proposed budget changes: Transport:** Projects and associated budgets.
- Slide 29 – Proposed budget changes: Regulatory Services:** Review of processes and an additional charge.
- Slide 30-32 – Proposed budget changes: Parks and Reserves:** Current contract costs and service levels have increased, including for new assets and safety requirements. Deferral of projects and other savings proposed.
- Slide 33-34 – Proposed budget changes: Connectivity, creativity, learning and recreation:** Deferral of projects and other savings proposed.
- Slide 35 – Proposed budget changes: Community partnering/Governance:** Proposed removal of capital projects funding for community boards.
- Slide 36-37– Proposed budget changes: Corporate Services:** Deferral of projects and other savings proposed. The increased budget for the representation review includes the cost of Mana Whenua engagement.
- Slide 38 – Proposed budget changes: CCOs:** Request from Urban Plus Limited for increased loan facility will impact the level of budget headroom for two years.
- Slide 39 - Appendix 2 – Financial strategy projections (header)**
- Slide 40 – Scenario 1:** 5.9% and then 7.2% onwards.
- Slide 41 – Scenario 2:** 7.9% for three years and then 7.2% onwards.
- Slide 42 – Scenario 3:** 8.9% for two years and then 7.2% onwards.
- Slide 43 – Scenario 4:** 9.9% for one year and then 7.2% onwards.
- Slide 44 – Operating changes:** high level overview of proposed changes for Scenario 3.
- Slide 45 – Appendix 3: Projected rating impact (header)**
- Slide 46-47 – Scenario 1:** 5.9% and then 7.2% onwards.
- Slide 48-49 – Scenario 2:** 7.9% for three years and then 7.2% onwards.
- Slide 50-51 – Scenario 3:** 8.9% for two years and then 7.2% onwards.
- Slide 52-53 – Scenario 4:** 9.9% for one year and then 7.2% onwards.
- Slide 54 – Summary of different scenarios for average residential property:** Indicative impact.
- Slide 55 – Summary of different scenarios for commercial central:** Indicative impact.
- Slide 56 – Summary of different scenarios for commercial suburban:** Indicative impact.
- Slide 57 – Summary of different scenarios for Queensgate:** Indicative impact.

## QUESTIONS AND DISCUSSION POINTS

- Increased landfill fees will cover operating costs not anticipated in the LTP and provide funds for capital expenses to develop a future landfill. Profits will also reduce rates revenue needed from elsewhere.
- Project costs have increased and more investment will be needed for Wellington Water Limited to continue its capital investment programme. Current investment will take 50 years to deal with assets at or near their end of life. Operating expenses are increasing due to aging infrastructure.
- There has been a significant increase in transport related activities since the last LTP: Eastern Hutt Road needs to be protected as a lifeline corridor to Upper Hutt. Three homes on Coast Road are at risk from the river. There have been maintenance escalations and resource issues for contractors.
- Prioritising transport projects that have government funding could potentially delay micro mobility projects and connecting pathways that incentivise behaviour change.
- The Transport team is working on accessibility and cross valley connections that will provide the most benefit. Projects also depend on the market's ability to deliver.
- Higher parking fees will encourage other modes of transport.
- Council charges some of the lowest fees in the Wellington region for consents.
- If funding cuts are needed to Parks and Reserves projects and operations, then service level adjustments will be needed.
- Petone Wharf is deteriorating so the viability of restoration needs to be considered.
- If Point Howard Wharf is restored in connection with the Centreport Seaview Energy Resilience Project this will offer considerable savings.
- Work on Moera, Petone and the War Memorial Libraries would be scheduled incrementally to allow public access to library services. Delays could cost more in the long term in terms of social costs as well as cost escalations.
- The priority of capital projects needs to be considered against the longer term cost of delaying them.
- Council will assess the effectiveness of the current funding allocation of capital funding projects for Community Funding Panels. Further discussion will occur.
- A large capital programme requires more borrowing. This could downgrade Council's Standard & Poor's rating resulting in a higher cost of borrowing.
- Scenario 3 in the presentation is officers' favoured option for meeting debt limits and other financial strategy considerations.

## NEXT STEPS

- Councillors can contact the Group Chief Financial Officer for further clarification on any matter.
- The Head of Transport will provide updated budget figures for transport related activities once contracts are finalised.
- A full review of transport changes will accompany recommendations to Council.

- A report on the review of consenting fees will be brought to Council in February 2023.
- The Director Neighbourhoods and Communities will provide further information to the Council meeting on 20 December 2022 on the impact of proposed service level cuts.
- The Director Neighbourhoods and Communities will report to Council on the condition of Point Howard and Petone wharves and the costs to repair or demolish both on 20 December 2022.
- The Group Chief Financial Officer agreed to provide an assessment of cost pressures and rates in comparison with other councils, at the Council meeting on 20 December 2022, where this information was available.
- The Group Chief Financial Officer agreed to recalibrate officers' recommendations to the Council meeting on 20 December 2022 based on feedback from the briefing.

## **BRIEFING MATERIALS**

**Attachment 1** – Presentation: Draft Annual Plan 2023-24

The briefing closed at 3.45pm