



# Briefing: Annual Plan 2025–2026 budget

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**27 November 2024 – 3.40pm**

## Attendees

**Elected Members:** Mayor Barry, Cr Barratt, Cr Brown, Cr Dyer, Cr Edwards, Deputy Mayor Lewis (via audio-visual link), Cr Mitchell, Cr Morgan, Cr Parkin, Cr Shaw, Cr Stallinger, Cr Tupou.

**Staff:** J Miller, Chief Executive (via audio-visual link); A Blackshaw, Director Neighbourhoods and Communities (via audio-visual link); J Griffiths, Director Strategy and Engagement; P Hewitt, Head of Transport; B Hodgins, Strategic Advisor; G Roberts, Waste and Resource Recovery Manager (part meeting); J Scherzer, Head of Climate, Waste and Resource Recovery; C Parish, Head of Mayor's Office; P Hewitt, Head of Transport (part meeting); T Johnstone, Head of Planning; C Ellis, Head of Chief Executive's office; J Bryan, Business Manager.

## Apologies

Cr Briggs

K Yung, Petone Community Board

## Presenters

R Hardie, Head of Strategy and Policy; J Livschitz, Group Chief Financial Officer (part meeting); B Hodgins, Strategic Advisor; D Nunnian, Manager Financial Planning and Performance; J Scherzer, Head of Climate, Waste and Resource Recovery; J Kingsbury, Director Economy and Development; P Wells, Wellington Water Limited; P Dougherty, Wellington Water Limited Chief Executive; N Leggett, Wellington Water Limited Board Chair.

## Key Objectives of the Briefing

The purpose of the briefing is to provide a timeline and overview of the Annual Plan process, key decisions required, rating impacts and Council's projected financial position.

## Presentation by J Livschitz, Group Chief Financial Officer

**Slide 1 – Annual Plan 2025–26 (Header)**

**Slide 2 – Content.**

**Slide 3 – High level timeline;** Timeline of the process needed to approve the Annual Plan.

**Slide 4 – High level approach:** Overview of officers' approach to the Annual Plan process.

**Slide 5 – High level engagement overview:** Richard Hardie spoke to this slide. A light touch approach is advised however further advice will be provided off the back of elected member decisions at the Long Term Plan/Annual Plan Subcommittee meeting on 16 December 2024. Officers propose a focused separate engagement on water reforms.

**Slide 6 – Budget review process:** Aspects of the review process and adjustments.

**Slide 7 – Summary of key Council decisions.** Advice on changes to budgets and projects that are proposed for rephrasing, noting Wellington Water Limited's (Wellington Water) advice is not reflected in the presentation as advice was not received in time ahead of the briefing.

**Slide 8 – Rates increases:** Maintain same increases as per the Long Term Plan (LTP), with small increases proposed in later years.

**Slide 9 – Key operating budget changes over 9 years draft Annual Plan versus LTP:** Proposed offsets to reduce rates increases.

**Slide 10 – 2025-26 indicative rating impact – 13.4% as per LTP :** Savings from trimmed budgets, offsets and capital programme deferrals with reduced interest costs.

**Slide 11 – Savings:** A savings target of \$600.000 for the current year is on track mainly due to procurement activity, including supplier reviews. If further savings are needed, officers require direction from elected members on where they could be delivered from.

**Slide 12 – Savings – NLTP funding reduction:** Officers have prepared various options with an aim to offset reduced revenue from Waka Kotahi/New Zealand Transport Agency (Waka Kotahi) compared to what was included in the LTP. Proposed option has a 0.7% rates increase impact, which would have been higher if options had not been not developed.

**Slide 13 – Capital expenditure – AP26 versus LTP:** Capital expenditure is heavily dominated by three waters investment.

**Slide 14 – Forecast net debt projections:** there is not much debt headroom available.

**Slide 15 – Balanced operating budget:** Depreciation increases are hindering the delivery of a balanced operating budget in line with the LTP.

**Slide 16 – Indicative rates impact by rating category:** The impact of rates increases on property categories.

**Slide 17 – Further details average residential property:** Three waters heavily dominates rates increases.

**Slide 18 – A reminder about post water reform – positive impact:** A regional water entity model will improve Council’s financial position and reduce debt projections.

## **Presentation by:**

**B Hodgins, Strategic Advisor (Council)**

**P Dougherty, Wellington Water Limited, Chief Executive**

**N Leggett, Wellington Water Limited, Board, Chair.**

**Slide 1 – Water Services Advice (Header)**

**Slide 2 – 3 Key issues underpinning WWL advice:** The wastewater treatment plant is a priority.

**Slide 3 – Capital investment programme (summary):** The capital programme will be refined as the team works through the details of each project. A recommended increase from \$331M to \$345M for the three year programme. Some projects will be deferred.

**Slide 4 – Capital investment programme (2024/25):** An overview of the main project changes for this financial year.

**Slide 5 – Capital investment programme changes (years 2 and 3):** Changes to project phasing and additional work that is needed for renewals and repairs.

**Slide 6 – Operating investment programme (2025/26):** An increase of \$1.5M to the budget is recommended by Wellington Water for the operating investment programme. The Seaview Wastewater Treatment Plant is a top priority. The Strategic Advisor will report back on these costs.

**Slide 7 – Uplifting capability:** Additional investment is requested to improve systems and lift Wellington Water’s capability.

**Slide 8 – Corporate budget:** Work programmes are being revised. Wellington Water is considering reducing the use of consultants and managing work within its budgets.

**Slide 9 – Western Hills wastewater main:** Officers will seek formal approval for this project on 16 December 2024 but needs an indication of approval as soon as possible. The Strategic Advisor asked for an indication from Councillors that \$5.1M will be approved.

## **Presentation by J Scherzer, Head of Climate, Waste and Resource Recovery.**

**Slide 27 – Budget changes, Silverstream Landfill annual review:** There have been cost escalations for the Silverstream Landfill development: 21.3M in additional funding will be needed to continue building and filling the landfill.

## **Presentation by J Kingsbury, Director Economy and Development**

There is a gap in National Land transport Programme funding and officers are considering options to keep the network maintained and operating to its current

standard. Four options that should be considered before a decision at the 16 December 2024 meeting are as follows:

1. Maintain existing budget as per the Long term Plan but with Waka Kotahi funding reduced. This would significantly impact rates.
2. Use Council's share of the projects that Council approved on the basis of a Waka Kotahi subsidy to provide maintenance and renewals funding. This will allow Council to maintain its level of service for renewals and maintenance. Officers recommend this option.
3. Balance Council funding with the funding approved by Waka Kotahi. This would have severe impacts on the network of sumps, drains, kerbing, potholes and sealing. It would result in a lower rates impact but would impact roads and the renewal programme for future years.
4. Use Waka Kotahi 'low-cost low-risk' funding, which only provides funding for one project. Officers would seek funding for any immediate traffic improvements needed / footpath renewals.

## Questions and discussion points

- Jenny will provide a commentary at Council's meeting on 16 December 2024 on Local Government Funding Authority financing settings changes for high growth councils.
- Work to repair the Western Hills wastewater main pipeline on State Highway 2 is planned over the Easter/school holiday 2025 period. The work is needed urgently due to significant corrosion. Approval will be needed for \$5.1M from the current year's budget. The cost will include traffic management. Members indicated they would be willing to approve \$5.1M to fund the work.
- The pipeline near Taitā Rock is not as corroded as the Western Hills section but will be considered under the Long Term Plan.

- Wellington Water want to invest in improved Information Technology to provide a linked financial management system and Asset Management System. Currently asset management systems are held by Veolia and Fulton Hogan which is a risk. An improved health and safety system, a Records and Finance Management system, a Project Management system, and a Budgeting system are also needed, to provide councils with good budgetary advice. These will provide a smooth handover to the new water entity so it can continue capital works without interruption. \$37.5M is requested for the IT projects.
- Wellington Water needs an IT system to avoid budgeting errors and remove the risk of losing asset management data when contracts finish. The system would be an investment for the region.
- Wellington Water is collaborating closely with those advising on the structure of the new water entity and is getting ready to dovetail into it. Investments to develop Wellington Water's capacity will help to advance plans for the new entity.
- Wellington Water has an improvement plan underway that includes looking at internal capability and cultural changes. A restructure will include its contractors and consultants to ensure it is getting value for money and that it is a competitive organisation. The new structure is expected to be in place by February 2025.
- Wellington Water is working reactively to fix pipes. The Dissolved Air Flotation Plant at Te Mārua is an additional buffer for summer but more bulk water supplies, metering and a significant investment in renewals will be needed to avoid water shortages in future years.
- There are a significant number of leaking pipes across the region due to pipes not being re-laid fast enough. It will take five years to increase

contractors to the number needed to fix the current leaks and it will take 14 years until the number of leaks has reduced to today's level, since pipes will continue to fail.

- 28 contractor roles can be filled internally by Wellington Water staff at no extra cost. 12 new operational roles will need \$1.5M in opex funding.
- Wellington Water is asking councils to service the loan for an IT system that will later be transferred to the new water entity. Wellington Water will ensure the IT system can be easily transferred.

## Next steps

- Officers will provide further advice in reports to the Council meeting on 16 December 2024.
- The Strategic Advisor will include all changes to advice from Wellington Water in his report to Council on 16 December 2024.
- Officers will report back early in 2025 with an engagement approach for the Annual Plan.

## Briefing materials

**Attachment 1** – Presentation: Annual Plan 2025–2026 budget

**The briefing closed at 5.01pm**