

PRESENTATIONS FROM LONG TERM PLAN/ANNUAL PLAN SUBCOMMITTEE 1 NOVEMBER 2021

Item 5a) Draft Annual Plan 2022-23 presentation	Page 2
Item 5b) Eastern Bays Shared Path Delivery Model presentation	Page 17

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Annual Plan 2022-2023



Sustainable financial management

Community Outcomes

Investment priorities

- Growth pressure
- Historical underinvestment
- Demand for improved services
- Maintaining assets and service levels

Acceptable costs

- Rates increases
- Fee levels
- Intergenerational equity
- Sustainable borrowings
- Balanced budget
- Value for money



Legislative requirement: Prudent financial management

High level timeline

Activity	Date
Initial planning and preparation	September 2021
Council endorsement of high level plan and key assumptions. Provide initial direction for Draft Annual Plan	Today
Key decisions progressed by Council to inform the Annual Plan	16 December 2021
Final decisions on engagement matters. Draft engagement material presented to Council.	16 February 2022
Council adopt engagement material for public engagement	21 March 2022
Public engagement	April 2022
Hearing of submissions and related advice	May 2022
Council meets to make final decisions	7 June 2022
Council adopts the Annual Plan and sets the rates	30 June 2022

Long term Plan 2021-2031

“Back to basics” direction with a focus on core infrastructure

A significant increase in council’s capital programme to \$1.5B over 10 years

New financial strategy to enable funding of programme and set direction back to balanced budget in 2028/29

Rates affordability a key consideration – Average household rates increase in 2021/22 was \$2.51 per week*

Review of key policies – Revenue and Financing Policy, Development Contributions Policy

*excludes the impact of service changes for rubbish and recycling

Purpose of the Annual Plan



To present the proposed annual budget and set 2022/23 rates



Identify and explain any variations in the financial statements from the LTP



Support the LTP in providing integrated decision-making and co-ordination of resources



Contribute to the accountability of council to the community

Financial context

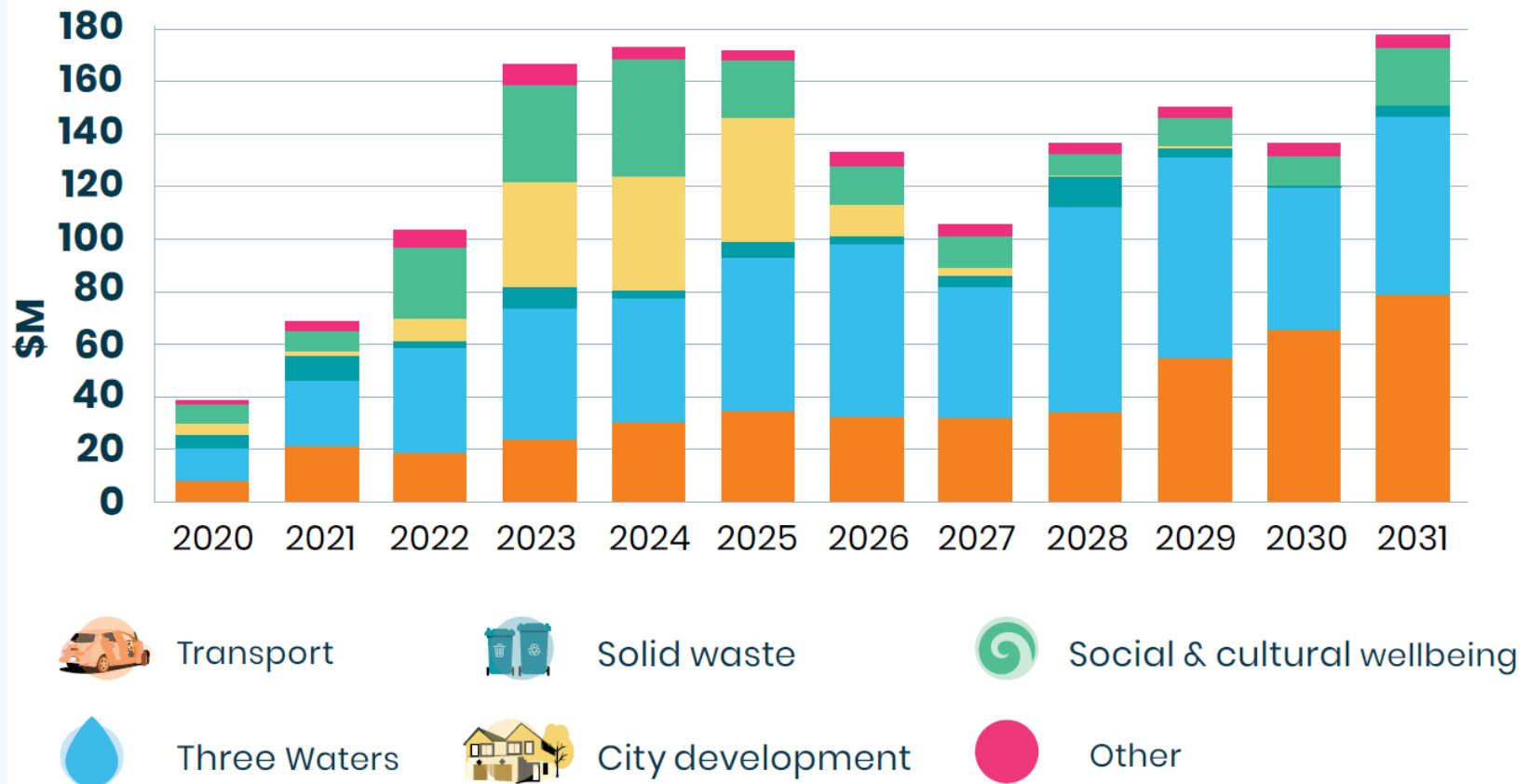
Financial principles

1. The financial strategy enables Council's contribution to the vision for Lower Hutt.
2. Fairness and equity
 - intergenerational equity
 - balanced budget
3. Prudent sustainable financial management
4. Ability to pay (affordability)
5. Value for money
6. Prioritisation of investment choices
7. Environmental sustainability
8. Distribution of benefits
9. Growth pays for growth
10. Good financial governance and stewardship

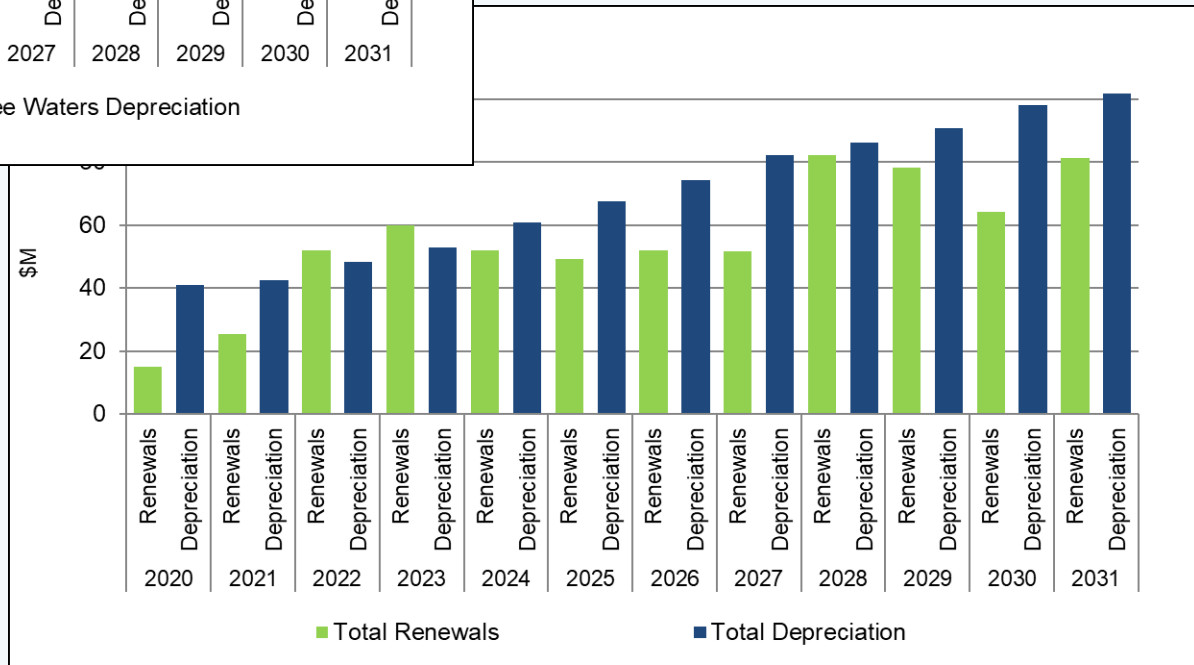
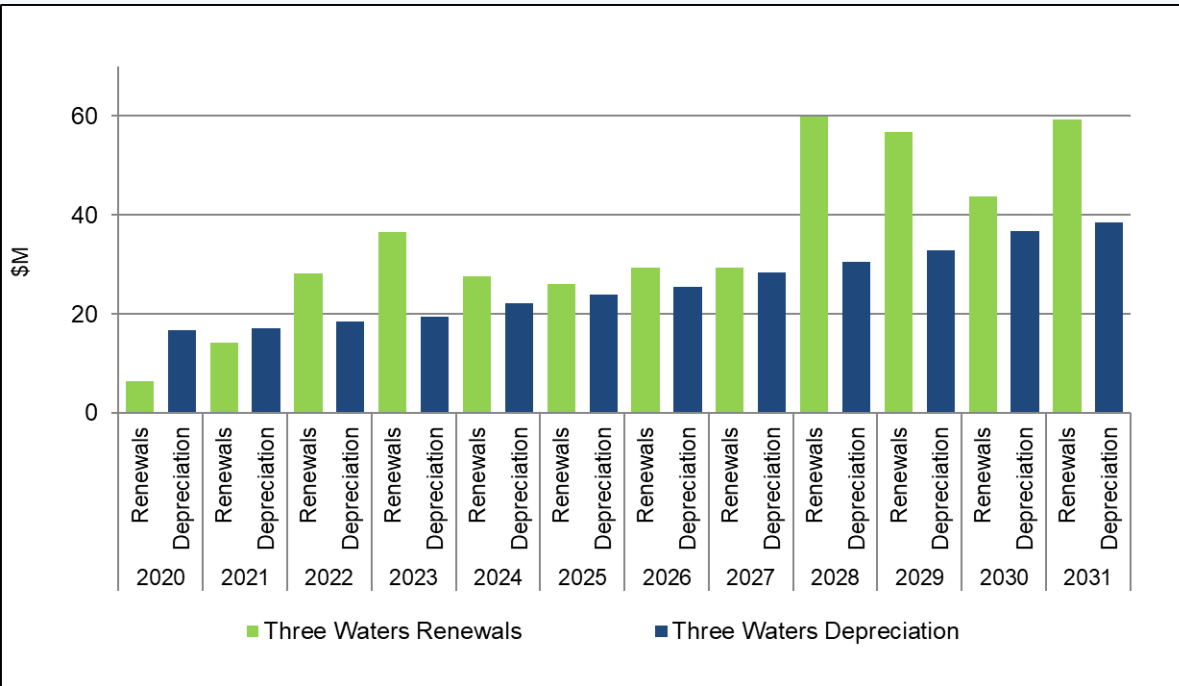
Capital investment plans

Significant increase in our capital programme in the LTP

Total capital expenditure by year and Council Activity



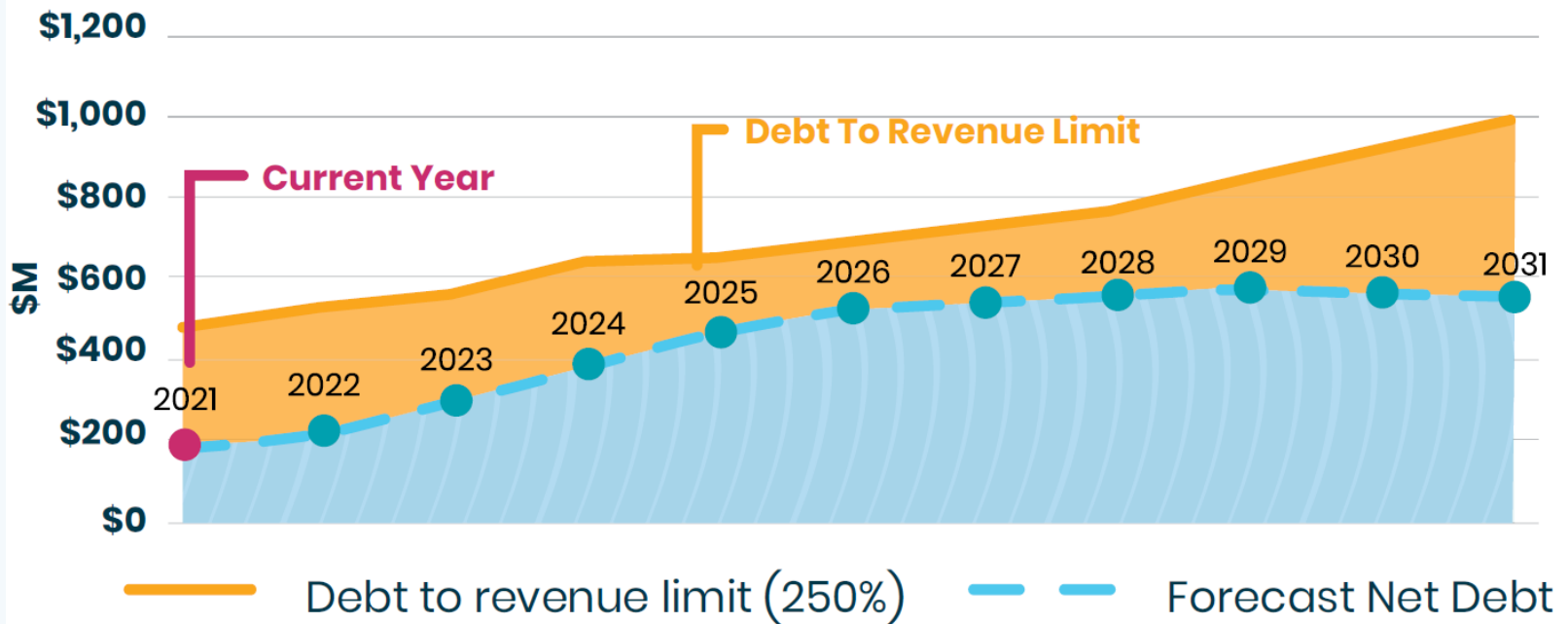
Renewals vs depreciation



Debt Projections

LTP has net debt peaking at \$600M and remaining within debt limits

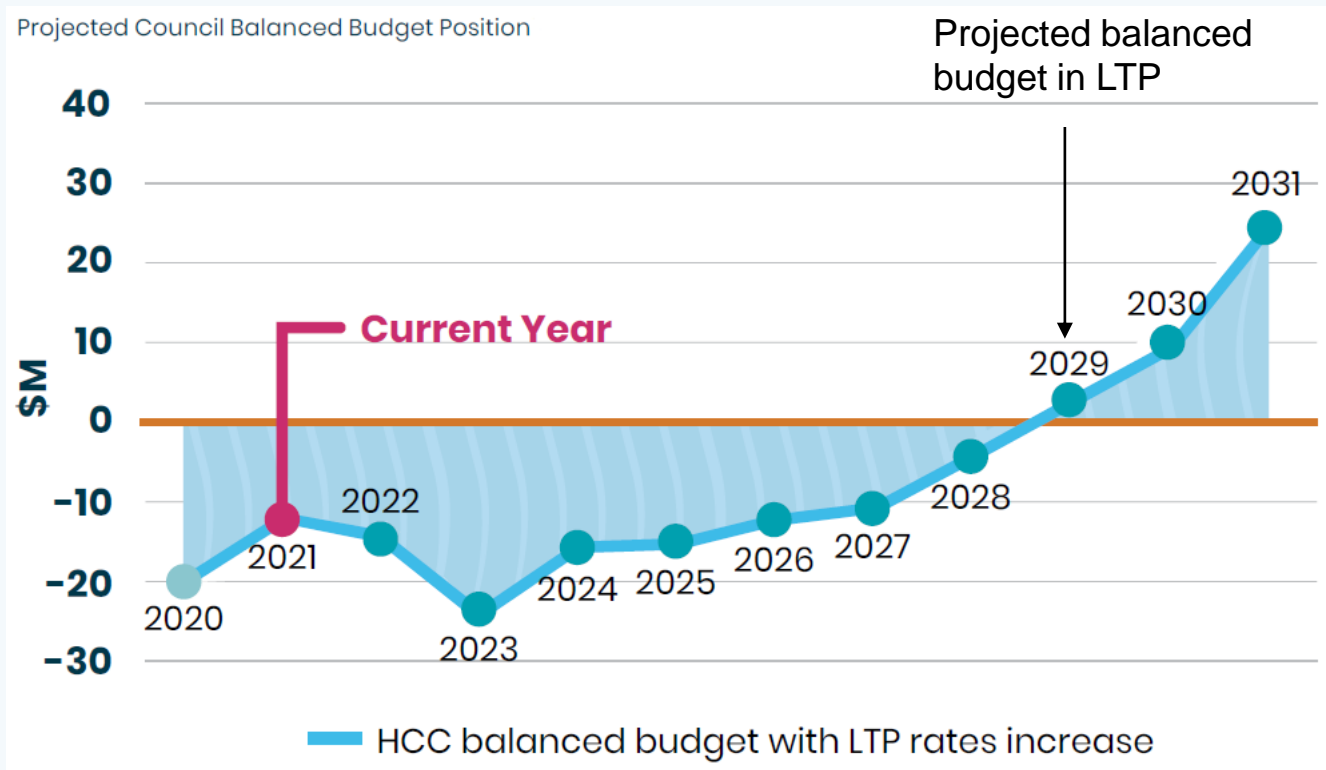
Projected net debt compared to debt to revenue limit of 250 per cent



Balanced Budget projection

Checking whether operating revenues are sufficient to meet operating expenditure.

Projected deficit until 2028/29



The Hutt City Council balanced budget target is defined as the Local Government (Financial Reporting and Prudence) Regulations 2014 definition, modified to exclude from the definition of revenue Waka Kotahi NZ Transport Agency's capital improvement subsidies and central government's COVID-19 Response and Recovery co-funding for Naenae Pool and the Eastern Bays Shared Path.

Rates increases projected in the LTP

	2022/23	2023/24	2024-2031
Total overall rates revenue increase*	5.9%	5.9%	7.2%

*Excludes the impacts of growth in the rating base

Proposed approach to Annual Plan budgeting



Expect to be largely in line with the LTP – starting point for budgets will be LTP year 2



Primarily updates to financial elements

Unavoidable known increases

Known decreases

Approved changes in service levels

Other justifiable changes approved

Risks and opportunities

Affordability of rates increases

Addressing cost pressures while maintaining or improving on our balanced budget trajectory

Reducing our reliance on rates revenue (identifying other revenue opportunities)

Capital programme achievability

Supply chain constraints

COVID-19 impacts

Growth

Next steps

- Direction to be provided by Council today
- Officers will report back to the subcommittee on 16 December for decisions to address:

- cost pressures,
- unavoidable changes
- agreed level of service changes

resulting out of the DAP budget update process

- Funding mechanisms including rates increases
- The Annual Plan will be prepared based on the decisions made by Council

Eastern Bays Shared Path Project Construction Delivery Models 1 November 2021

Key features of traditional contract strategy

Key project features:

- Scale is small to medium (i.e. size and value)
- Complexity, uncertainty, and risks are low
- Defined scope and opportunity for innovation is low
- Retain control and involvement in activity

Risks:

- Principal owns all risks
- Higher price – if inappropriate risk allocation or pricing
- Adversarial – conflicting goal & objectives

Key features of an Alliance

Key project features:

- Goals and objectives are well aligned
- Collaborative and transparent
- Greater likelihood for on-time or early completion
- Efficient management of risks and maximise opportunities

Risks:

- High initial start-up management costs
- High level of resources to set-up and manage alliance
- Value for money may be difficult to demonstrate with decreased competition on price

Opportunities for alliance integration

Located within Wellington Harbour – construction programme opportunities

Eastern Bays requires same skills, expertise, and experience in revetments & reclamation.

Dealing with same iwi – Taranaki Whanui and MWSG.

Dealing with same stakeholders – community, W&C, Great Harbourway.

Economies of scale – projects can share programme (P&G) costs.

HCC to gain Alliancing experience that can be used for RiverLink.

Deliver CIP requirements

Deliver greater W&C uptake

Risks and Assumptions

Risks:

- Project funding risk. Cost to deliver overall 6 bays is above the current \$30m approved funding.
- Project construction programme takes longer than Te Ara Tupua timeframes.
- Waka Kotahi does not agree TOC with Te Ara Tupua Alliance.
- Contractor distraction from Te Ara Tupua delivery and vice versa.

Assumptions:

- Eastern Bays Project costs and funding risks will be purely owned/managed by HCC.
- There will be two independent Target Outturn Costs (TOC) in the Alliance – N2P Project TOC and Eastern Bays Project TOC.
- Programme costs will be shared by the two projects.
- Project construction need to be timed with Te Ara Tupua which has a construction period of 3 years.

In-situ seawall construction

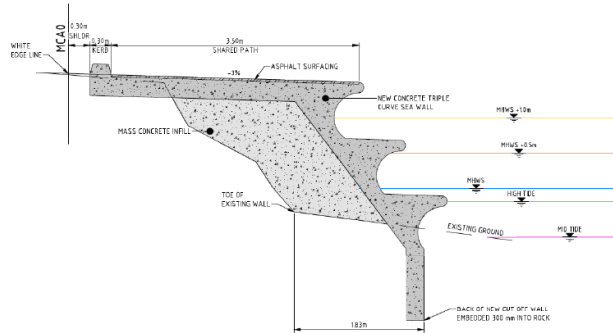


Figure 3-5: Triple curved concrete wall



Precast wall concept

CRANE

A hand-drawn diagram illustrating the precast wall concept. A crane is positioned on the left, lifting a precast wall panel into place. A truck is shown on the road surface, which is supported by a series of precast wall panels. The area behind the wall is filled with backfill, and barriers are placed along the edge of the road. The diagram is set against a background of a blue sky and a blue ground surface.

TRAFFIC

BACKFILL

BARRIERS

PRECAST

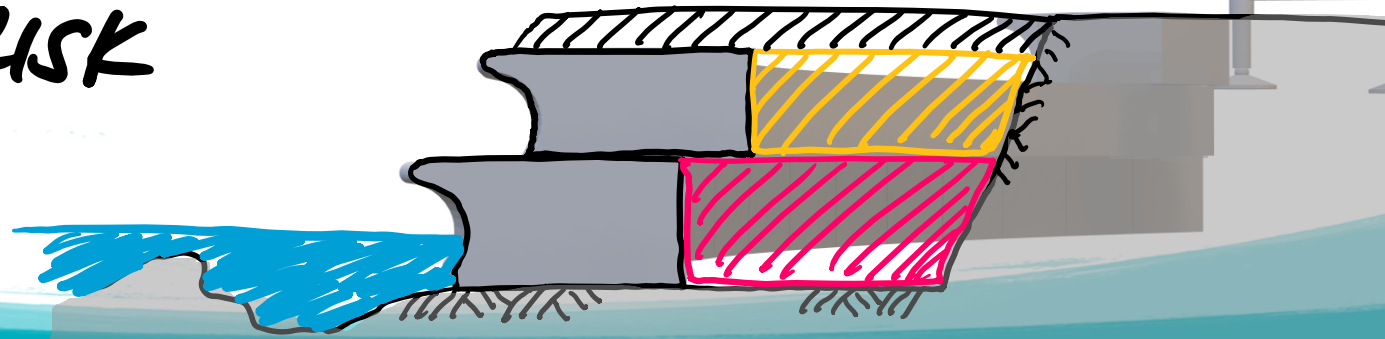
Precast Wall Concept

BLOCKS PLACED IN LAYERS

REINFORCED FILL

REDUCED RISK

FAST



Precast Wall Concept



Precast Wall Concept



Precast Wall Concept

