

Council meeting 7 May 2020

Adoption of Draft Annual Plan 2020/21



Sustainable financial management

Community Outcomes

Investment priorities

Growth pressure

Historical underinvestment

Demand for improved services

Maintaining assets and services levels

Acceptable costs

Rates increases

Fee levels

Intergenerational equity

Sustainable borrowings

Balanced budget

Value for Money



Council decision
9 April
Emergency Budget
2020/21

Legislative requirement: Prudent financial management

Overview of the process

Dates	Activity
10 December 2019	Council adopted key budget assumptions and provided guidance on a number of budget matters
11 February 2020	Council final decisions on budget and consultation matters for LTP amendment, ahead of external audit
18 March 2020	External audit completed and audit opinion issued. Council adopted the LTP amendment Consultation Document and underlying info.
9 April 2020	Council agrees Covid-19 response plan and emergency budget 2020/21
7 May 2020	Council adopts “emergency budget” DAP 2020/21 to enable public engagement process to progress
8 May - 22 May 2020	Public engagement
29 May 2020	Council meet to consider feedback from public
18 June 2020	Council final decisions ahead setting the rates
30 June 2020	Council adopt Annual Plan and set rates

Three waters investment



Planning for renewal of ageing infrastructure and growing city

Wellington Water January 2020 report

~\$30M increase in opex over 10 years to improve maintenance of existing infrastructure & planning.

~\$240M increase in capex over 10 years for renewals and to meet new demands.

DAP 2020/21 includes range of Council decisions to increase budgets for Three Waters

- \$200k p.a. to fix water supply leaks
- \$250k p.a. infiltration issues with WW network
- \$200k for critical asset condition assessment
- \$410k for bulk water costs
- \$2M to enable fast tracking construction of key renewals for pipes in poor condition, as well as renewing a number of critical WW pumps
- \$1.2M for seismic upgrade of Seaview Wastewater plant.

DAP 2020/21

Increases to targeted rates

Water supply	\$42.00	8.7%
Wastewater	\$41.50	9.3%

Rates revenue

LTP 2018-2028

Rates increases inflation LGCI

LTP amendment

Rates increase of 7.9% in 2020/21,
about 3% p.a. for future years

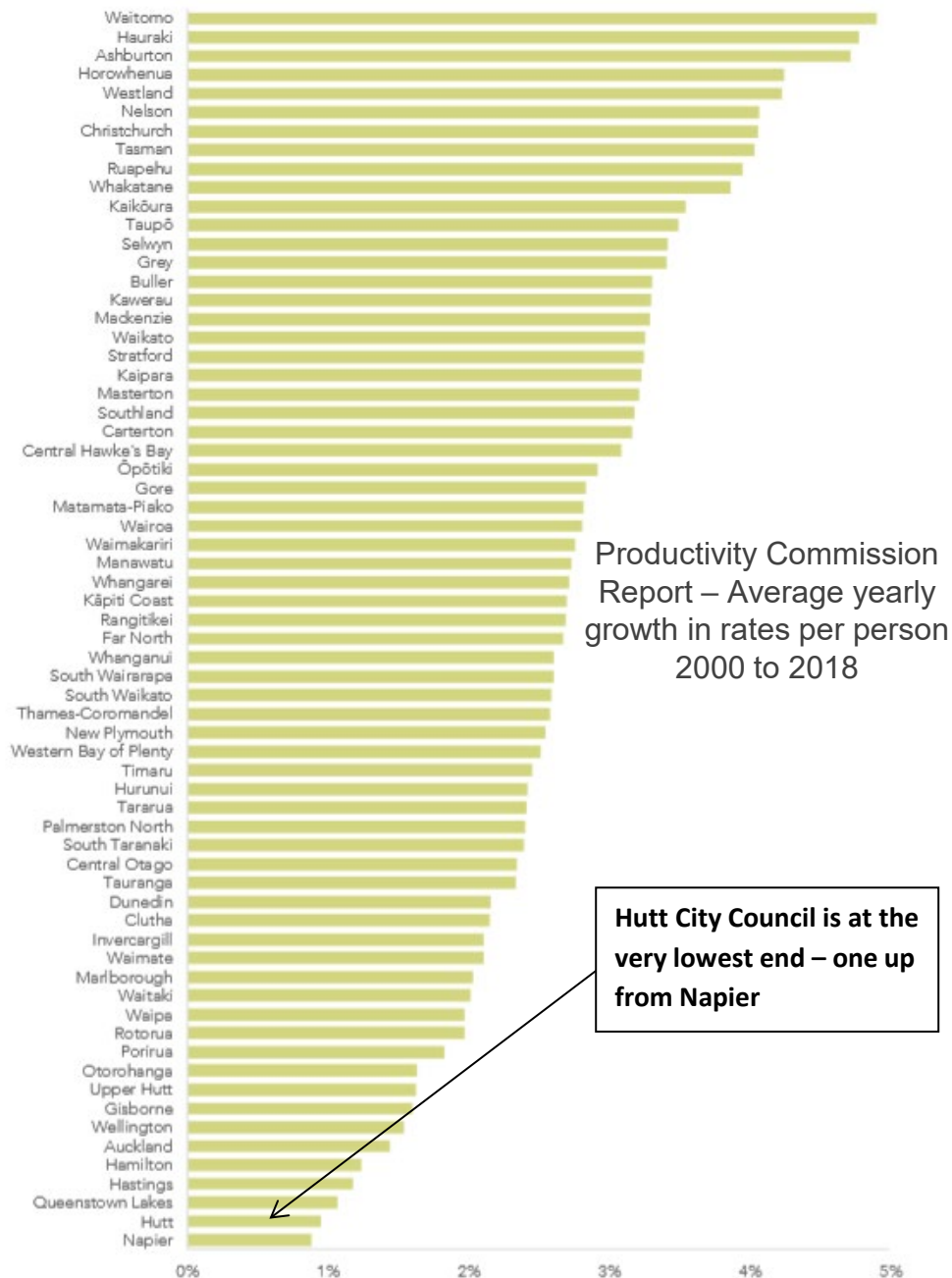
DAP 2020/21 “emergency budget”

Rates increase 3.8% in 2020/21
comprising 2.8% inflation plus 1% to
cover risks re. growth in rating base
not being achieved

Fees and charges

Proposed increased incl. in DAP

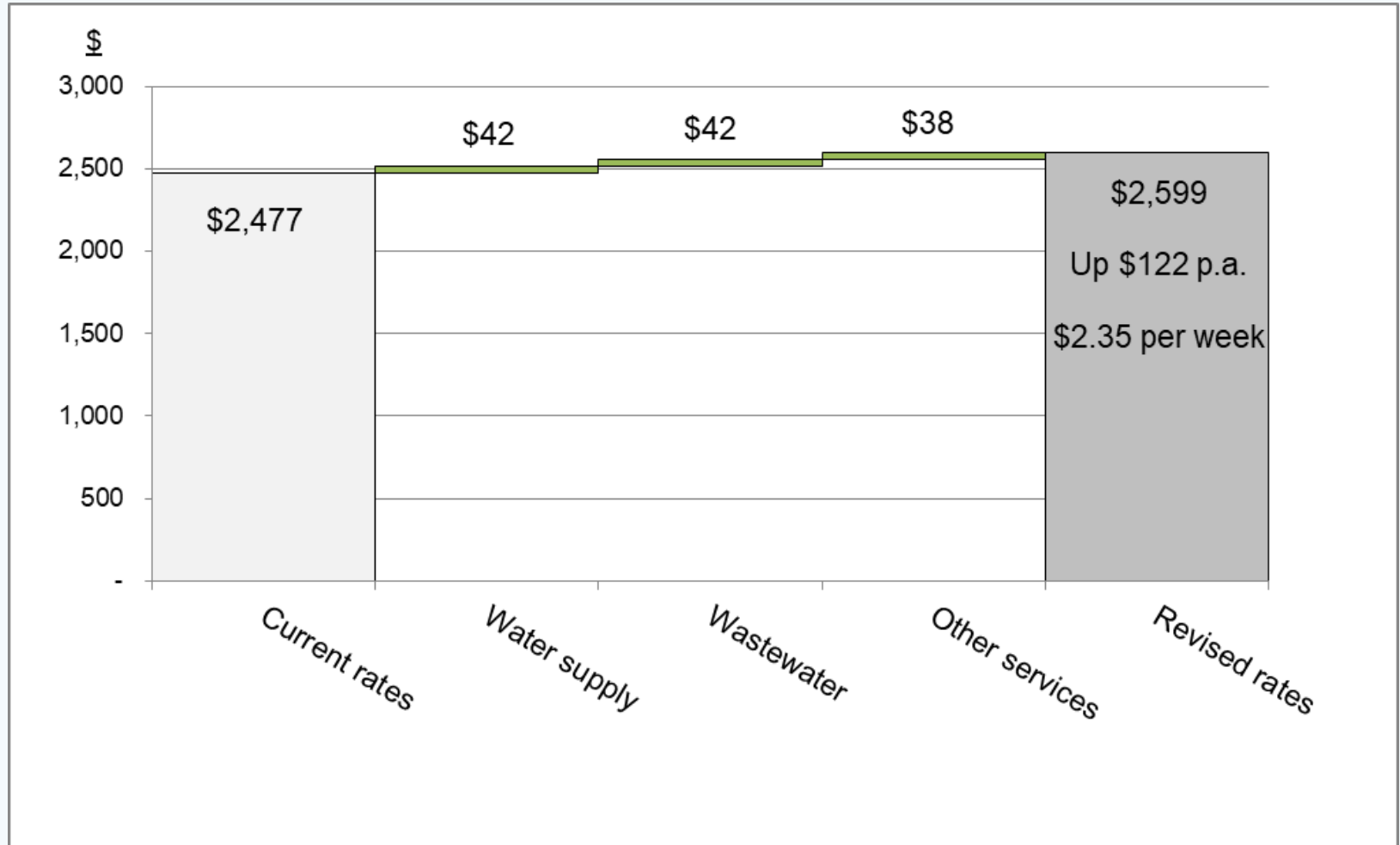
Figure 3-2 Average yearly growth in rates per person across territorial authorities, 2000-2018



Source: Stats NZ (2019a, 2019d).

Impact on average residential ratepayer

City wide average - \$2.35 per week



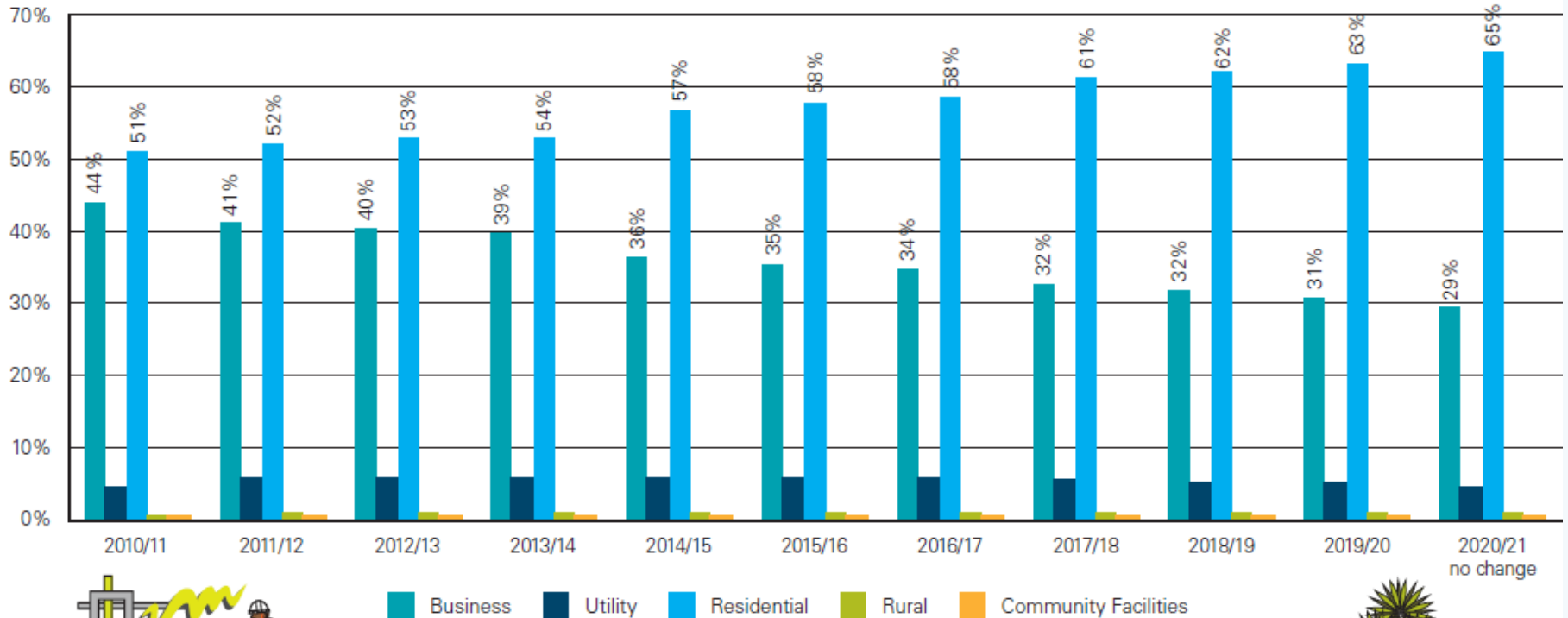
Average property value now \$627,000

Prior to revaluation in 2019 was \$476,000

Rating policy

Residential share of general rates pie 51% in 2010/11 and 65% in 2020/21. Original target was 60%

This graph shows the change over the last ten years in the allocation of rates charges between property rating categories



Progressing rating policy change in DAP - retain the percentage based on the 2019/20 splits - results in reduction in average residential rates of \$28 per annum.

NB – 2021-2031 LTP to include full review of Revenue and Financing Policy, and rating policy

Capital investment plans - DAP is a one-year budget for 2020/21 only

Assumed all Council decisions for future projects retained, funding shortfall to be resolved in LTP 2021-2031. All future projects effectively on hold.

Capital Investment in 2020/21 of \$67M (\$46M improvements and \$21M renewal)

- Three Waters \$27M, Roading/Accessways \$14.3M, Solid Waste \$4.4M, City Env.\$5.6M

DAP is one year budget only



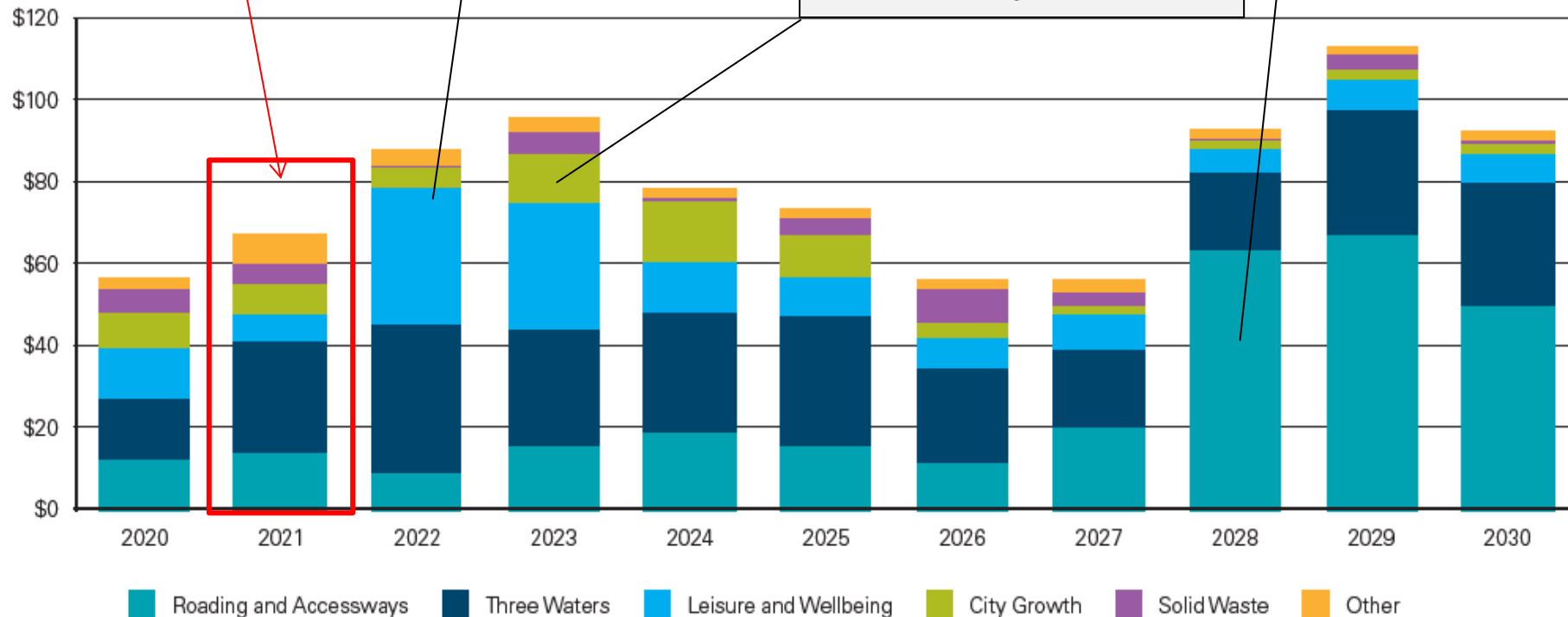
Naenae pool \$54M



Riverlink & Melling \$74M



Cross Valley transport connections \$120M



Financial strategy – debt management

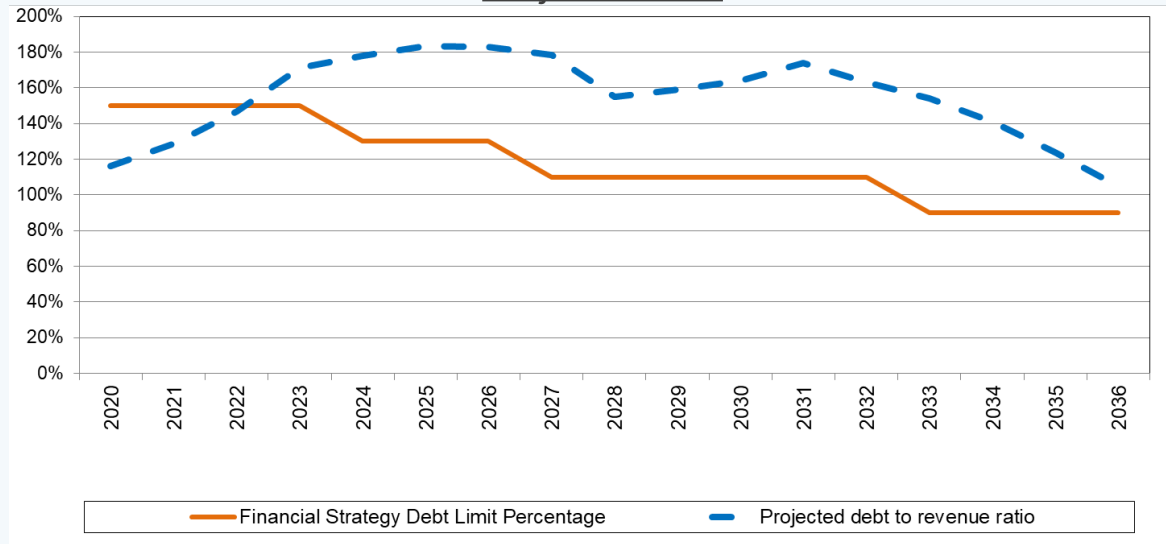
LTP had net debt peaking at \$233M and remaining within debt limits

DAP projected debt to increase to peak of \$407M in 2030/31, \$174M higher than LTP max.

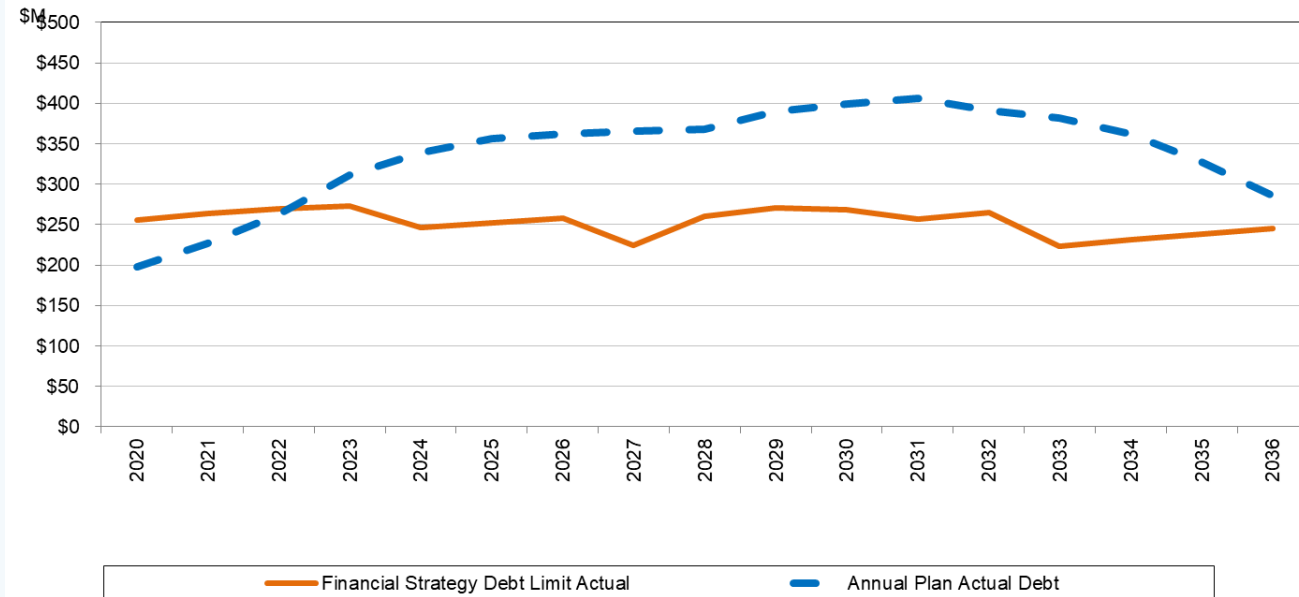
Debt to revenue limit exceeded from year 4 onwards with peak at 184% in 2024/25

NB – LTP 2021-2031 will include a review of Financial Strategy

Projected debt



Projected debt to revenue limit

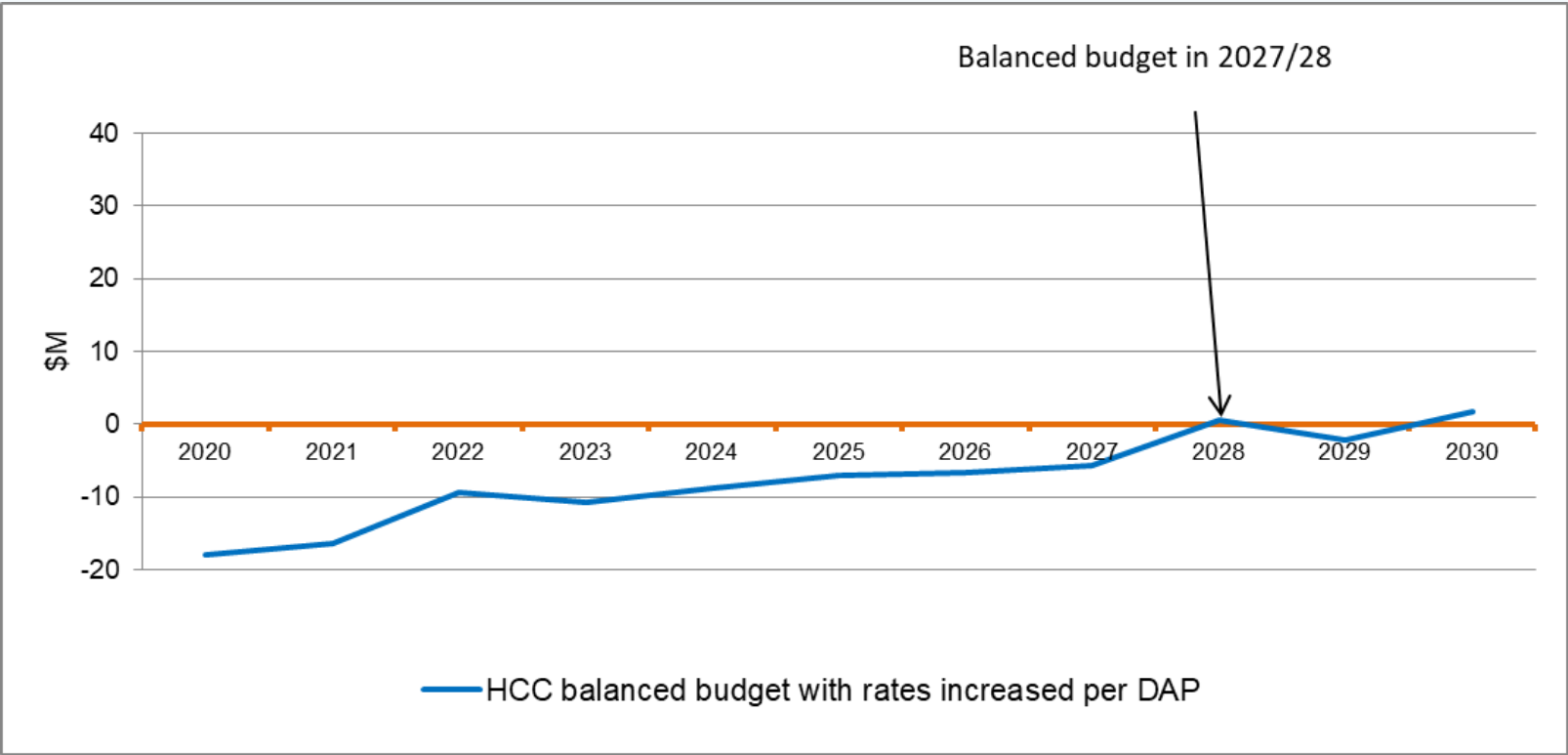


Financial strategy – balanced budget

Checking whether operating revenues are sufficient to meet operating expenditure.

Projected deficit until 2027/28

HCC projected balanced budget



HCC Balanced Budget definition which is the Local Government (Financial Reporting and Prudence) Regulations 2014 definition for the balanced budget benchmark (Clause 19) *[Council Revenue excluding development contributions, vested assets, gains on derivatives and revaluations of property, plant and equipment...and operating expenses excluding losses on derivatives and revaluations of property, plant and equipment]* modified to exclude the NZTA “ring fenced” capital subsidies for capital improvement works from revenue.

Details on our operating budgets 2020/21

After adjusting for budget savings post Council decision to reduce rates revenue to 3.8% increase

Revenue and expenditure summary	\$M
Rates income	113
Other revenue	64
Total revenue	177
Operating expenditure Service delivery: <ul style="list-style-type: none">- Employee costs \$37M- Operating costs \$96M	
Funding borrowings <ul style="list-style-type: none">- Interest costs \$9M	186
Consumption of assets today, and funding assets renewals/replacements <ul style="list-style-type: none">- Depreciation \$44M	
Net deficit	(9)



Principles to inform budget setting

Council's Financial Strategy promotes the sustainable funding of services and is a key component of the LTP. The key elements underpinning the strategy include:

- affordability of rates
- delivering services effectively and efficiently
- achieving intergenerational equity by spreading the costs between both present and future ratepayers
- maintaining prudent debt levels
- strengthening Council's financial position

The financial strategy has to enable the Council's high priority initiatives while remaining within the rates revenue limits set by Council.

To achieve this for 2020/21 we are applying the following key **principles**

a) Projects should contribute to the high priorities of the Council - expenditure should be applied to activities with specific outcomes which are aligned with Council priorities, e.g. a resilient and thriving city – safe drinking water, effective stormwater and wastewater systems

Principles continued



- b) We need to focus on getting the basics done, e.g. keeping transport networks open and maintained, collecting rubbish, managing stormwater and wastewater, and providing safe drinking water, consenting processes.
- c) We are searching for opportunities to defer expenditure, naturally without impacting essential Council services and functions.
- d) It's desirable to have some projects which will transform Council processes/services, i.e. to be more efficient for internal/external users, e.g. Microsoft Teams/online payments
- e) No doubling up on service provision - Assess whether the service/function to be provided is currently being undertaken by others.
- f) Consider whether the service/function could be provided by others or community-led – this may be more cost effective for Council and achieve better outcomes. Council will empower and enable others with expertise to provide services/functions, i.e. an assessment will be undertaken to verify whether other providers could deliver the service more efficiently and effectively.
- f) Adequate and proactive maintenance expenditure must be included in budgets. This is to avoid placing a financial burden on future generations.
- h) Fees and charges – those using a service should pay for it without subsidy by the ratepayer.

Previous Council decisions to reduce budgets

Opex

- Targeted savings programme \$1M
- Gymsports \$1.5M
- Hutt Valley Tennis \$850k
- Regional Amenities Fund \$200k
- Community funding \$100k
- International co-operating cities \$45k p.a.
- Biodiversity assistance \$65k p.a.
- Suburban Shopping Centre \$50k p.a.



Capex

- Wainuiomata Sportsville \$2.7M
- Wainuiomata Hub \$3.7M



Further budget savings included in “emergency budget” 2020/21

- Libraries \$0.1M – includes closing WML on Sundays and earlier on weeknights when there is reduced demand for onsite services, more online offerings.
- Pools \$0.1M – Season for three summer pools shortened by three weeks, aligned to lowest use.
- Parks \$0.1M – reduce service specs for upkeep of some parks and reserves with focus on areas that are least-used, or where lower quality is acceptable for planned activities.
- Community engagement \$0.25M – Delay implementation of planned approach. Focus on increasing capability in existing roles to fulfil function in the interim.
- Museums \$50k – includes slowing the exhibition programme and reducing non-essential works.
- Library stock replacement \$0.17M - 20% reduction in the number of new and replacement books and e-books.



Further budget savings included in “emergency budget” 2020/21

- Accommodation \$0.26M - plan to rationalise office space and transition more staff to hot-desking and remote working. Initial focus on Market Grove & Ricoh Sports Centre tenancies.
- Staffing costs net saving of \$1.2M – removed assumed annual salary increase, removed overtime budget, reduced training, added vacancy assumption. Updated to reflect latest staffing information, includes increased regulatory staff and reductions for vacant roles.
- Roading \$0.2M – Slightly reduced service provision across a number of areas without compromising safety incl. road reconstruction, minor safety improvements (speed calming, mid-carriageway pedestrian refuges, street and intersection realignments) etc.
- Fleet costs \$0.15M - reduced fleet size and FBT costs.
- Major event \$0.18M – budget removed for Highlight.
- Technology Valley \$45k – budget reduced from \$90k due to change in operating model.

NB –Council has opportunity to make further changes to budgets in early June ahead of agreeing final AP.



If Council was to further reduce rates increase down to 0%, then targeted service cuts of minimum \$5M required.

Some options below (does not reach \$5M target)

- Naenae pool planning and demolition works does not proceed \$1.5M
- \$5M capex Riverlink – no funding for phase one, with partnership agreement broken
- Closure of two community libraries \$0.3M
- Suspend some library programmes, incl. Clubhouses Naenae and Taita \$0.4M
- Cancel business support programme and support for business associations
- Closure of McKenzie pool \$0.2M
- Three Waters ~\$0.5M - reduce funding for water leaks, sewer overflows & public safety risks
- Suspension of safe ambassadors service \$0.2M
- Reduced community funding programme \$0.4M
- Naenae activation \$0.2M and activities \$0.1M
- Remove suburban shopping centre fund \$0.2M
- Range of other ideas

Mostly significant changes to services levels and likely to require consultation.

Staff redundancy cost of up to \$1M.

Not recommended by Corporate Leadership Team



What are my rates spent on now?

For every \$100 you pay in rates, we spend:



\$10.80

Libraries and
community hubs



\$3.60

Museums



\$2.30

Pools



\$2.30

Leisure and recreation
programmes



\$2.30

Halls and
venues



\$2.60

Community
funding



\$9.90

Parks and
reserves



\$2.90

District planning
and urban
development



\$5.10

Economic
development and
growth



\$1.30

Environmental
sustainability, resilience
and emergency
management



\$2.40

Events and
promotion



\$2.70

Consents and
regulatory services



\$12.00

Roads, bridges,
parking and footpaths



\$1.10

Traffic management
and parking



\$4.30

Roading maintenance
and street cleaning



\$13.10

Drinking water



\$15.10

Wastewater



\$7.50

Stormwater



\$1.50

Waste and recycling
collection



\$2.10

Running our city

We receive \$4.90 of credit from the landfill. This helps to offset the total cost and is reflected in the figures above.

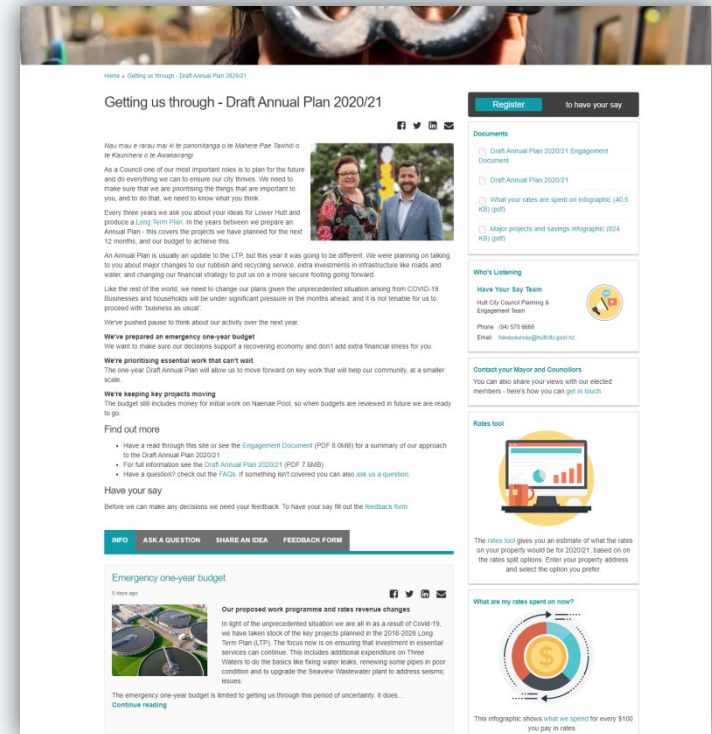
LTP 2021-2031

Review of key
strategies and
priorities

Full base
budget review

Engagement 8 May to 22 May

- Draft Annual Plan – Emergency Budget with “light engagement”
- Key message “getting us through”
- Opportunity to focus on digital engagement:
 - Reach residents in different ways - social media, livefeeds and digital promotion
 - Key engagement channel is Bang the Table with detailed DAP supporting information
 - Utilise staff, councillors and community to connect with people to be their ‘neighbour’s news’
 - Advertising focused on Face Book/Neighbourly and local publications with on line presence (Hutt News now publishing and will be used for advertising)
 - Video and audio conferencing for submission process
- Effectiveness of engagement measured against previous data and reported in context of “light engagement”



Getting us through - Draft Annual Plan 2020/21



Nau mau e rarau mai ki te panonitanga o te Mahere Pae Tawhiti o te Kaunihera o te Awakairangi

As a Council one of our most important roles is to plan for the future and do everything we can to ensure our city thrives. We need to make sure that we are prioritising the things that are important to you, and to do that, we need to know what you think.



Every three years we ask you about your ideas for Lower Hutt and produce a [Long Term Plan](#). In the years between we prepare an Annual Plan - this covers the projects we have planned for the next 12 months, and our budget to achieve this.

An Annual Plan is usually an update to the LTP, but this year it was going to be different. We were planning on talking to you about major changes to our rubbish and recycling service, extra investments in infrastructure like roads and water, and changing our financial strategy to put us on a more secure footing going forward.

Like the rest of the world, we need to change our plans given the unprecedented situation arising from COVID-19. Businesses and households will be under significant pressure in the months ahead, and it is not tenable for us to proceed with 'business as usual'.

We've pushed pause to think about our activity over the next year.

We've prepared an emergency one-year budget

We want to make sure our decisions support a recovering economy and don't add extra financial stress for you.

We're prioritising essential work that can't wait

The one-year Draft Annual Plan will allow us to move forward on key work that will help our community, at a smaller scale.

We're keeping key projects moving

The budget still includes money for initial work on Naenae Pool, so when budgets are reviewed in future we are ready to go.

Find out more

- Have a read through this site or see the [Engagement Document](#) (PDF 8.0MB) for a summary of our approach to the Draft Annual Plan 2020/21
- For full information see the [Draft Annual Plan 2020/21](#) (PDF 7.6MB)
- Have a question? check out the [FAQs](#). If something isn't covered you can also [ask us a question](#).

Have your say

Before we can make any decisions we need your feedback. To have your say fill out the [feedback form](#).

INFO **ASK A QUESTION** **SHARE AN IDEA** **GIVE FEEDBACK**

Emergency one-year budget

5 days ago



Our proposed work programme and rates revenue changes

In light of the unprecedented situation we are all in as a result of Covid-19, we have taken stock of the key projects planned in the 2018-2028 Long Term Plan (LTP). The focus now is on ensuring that investment in essential services can continue. This includes additional expenditure on Three Waters to do the basics like fixing water leaks, renewing some pipes in poor condition and to upgrade the Seaview Wastewater plant to address seismic issues.

The emergency one-year budget is limited to getting us through this period of uncertainty. It does...

[Continue reading](#)

Register to have your say

Documents

- [Draft Annual Plan 2020/21 Engagement Document](#)
- [Draft Annual Plan 2020/21](#)
- [What your rates are spent on infographic \(40.5 KB\) \(pdf\)](#)
- [Major projects and savings infographic \(824 KB\) \(pdf\)](#)

Who's Listening

Have Your Say Team

Hutt City Council Planning & Engagement Team



Phone (04) 570 6666

Email haveyoursay@huttcity.govt.nz

Contact your Mayor and Councillors

You can also share your views with our elected members - here's how you can [get in touch](#).

Rates tool



The [rates tool](#) gives you an estimate of what the rates on your property would be for 2020/21, based on on the rates split options. Enter your property address and select the option you prefer.

What are my rates spent on now?



This infographic shows [what we spend](#) for every \$100 you pay in rates.