

Draft Long-Term Plan 2024-34

27 November 2023 LTP/AP subcommittee meeting

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High level timeline

Activity	Date	Status
Council hui to set initial priorities and objectives for the DLTP	31 May 2023	Complete
Council agrees on draft strategic framework, approach to early engagement and high level approach to DLTP	30 June 2023	Complete
Council decisions following feedback from early engagement and progressing decisions on key DLTP assumptions	30 August 2023	Complete
Council decisions on draft budgets and key initiatives, trade-off considerations.	30 October 2023	Complete
Council briefing	13 November 2023	Complete
Council agreement on final budgets, policies and strategies, trade-off considerations. Includes Infrastructure Strategy & KPIs.	27 November 2023	Today
Council agrees on DLTP and the approach to consultation	12 December 2023	Not started
Council approves Consultation Document (CD) and DLTP	31 January 2024	
Council adopts DLTP and consultation material for the formal public consultation process	27 March 2024	
Public consultation process	April 2024	

A challenging context

Challenging economic climate, particularly driven by high inflation and borrowing costs

Infrastructure deficit

Council owns many ageing assets that require significant investment.

While this is critical, there is a need to balance investment against financial sustainability and rates affordability.

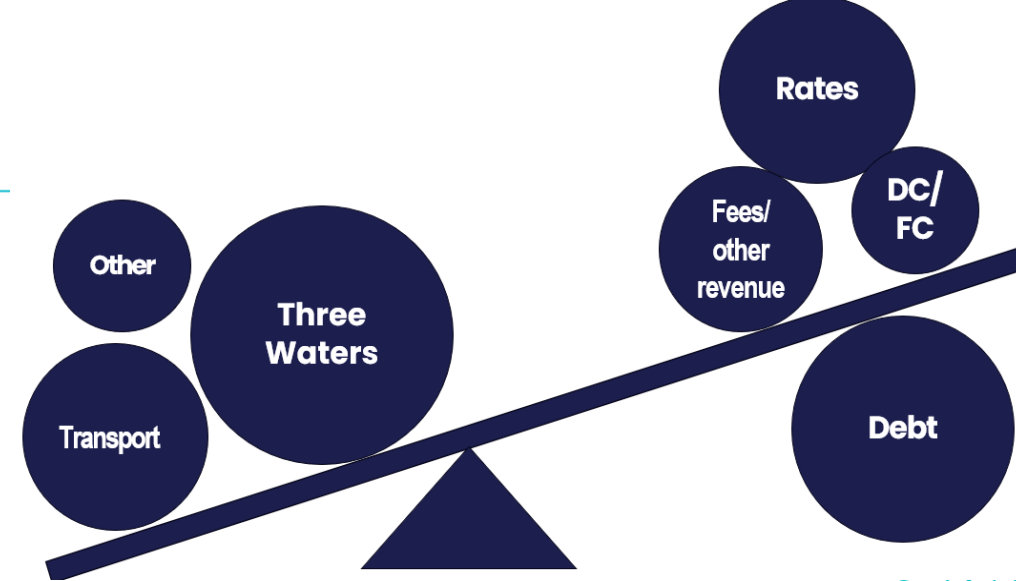
Borrowing capacity constraints

Due to the rising costs across the board which limits our debt capacity, there is a need for prioritisation of the investment options.

Standard & Poors Credit Rating Aug. 2023 – AA Stable outlook revised to AA negative outlook

Affordability constraints

We don't want to put off intergenerational and strategic investments, but we do want to ensure we recognise the need to prioritise and consider what we ask the community to pay for, given the economic climate.



Updates to budgets

Updating budgets for Council decisions 30 October and final base budget review processes.

Further detailed budgets reviews with an aim to achieve savings and offsets.

Not updated – RiverLink, WWL Capex, Development contributions revenue

Bulkwater costs

Costs have been adjusted for the first two years based on latest advice from GWRC.

- Year 1 from 13% to 27%, Year 2 from 7% to 13%

Inflation assumption

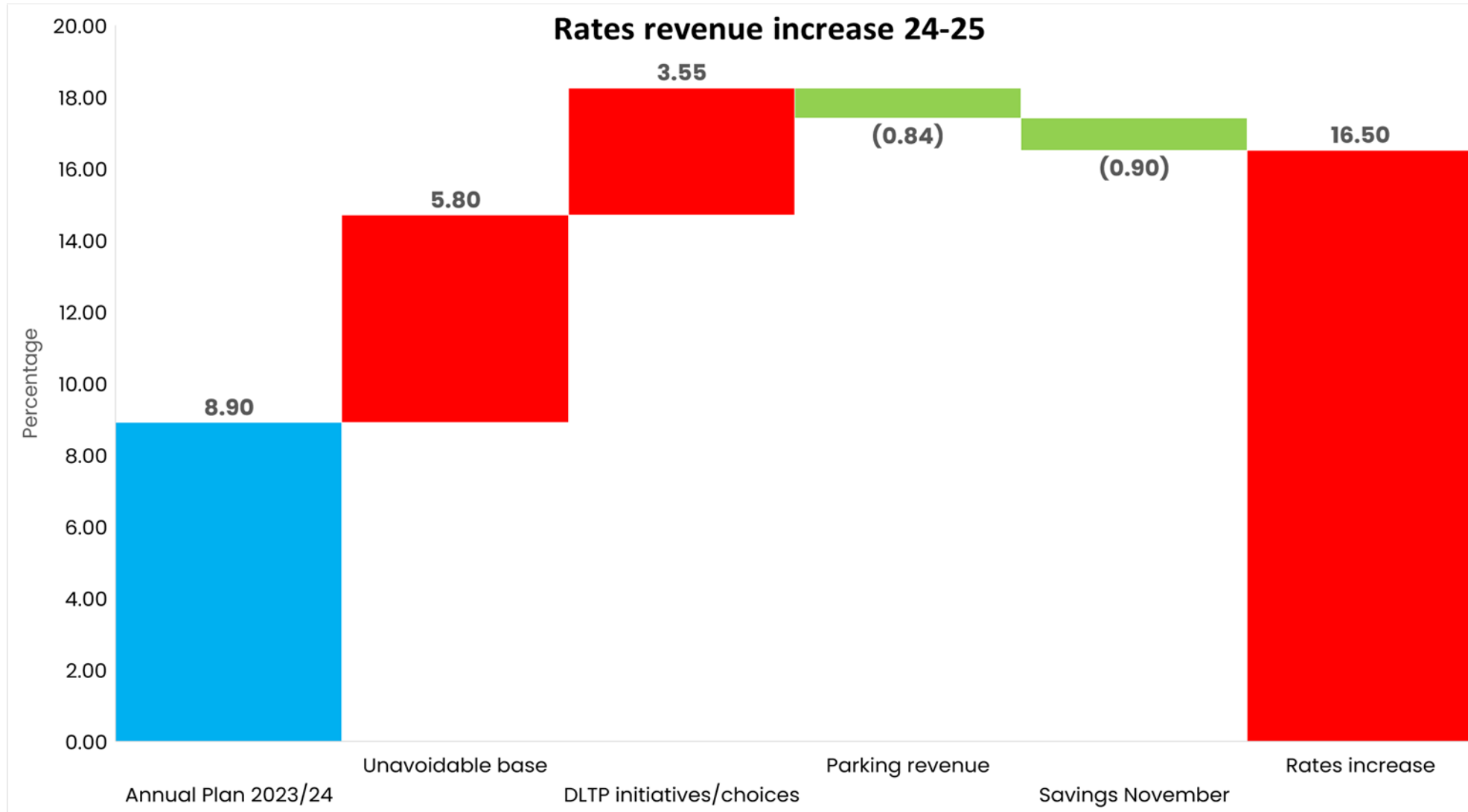
Inflation rates have been updated based on the latest BERL cost adjustors received in November.

All initiatives and funding requests will have a slightly higher overall budget impact based on the current cost adjustors. The interim and final cost adjustors are included in the table below.

Cost adjustors	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2033-33	2033-34
AP23-24 inflation rates	3.40%	2.90%	2.70%	2.40%	2.20%	2.00%	1.80%	1.70%	1.60%	1.60%
Final - DLTP2024 inflation (incl Three waters)	3.40%	2.20%	2.30%	2.30%	2.20%	2.10%	2.00%	2.00%	1.90%	1.90%
Interim - DLTP2024 inflation (incl Three waters)	3.40%	1.90%	1.90%	1.90%	1.90%	1.80%	1.80%	1.80%	1.80%	1.70%

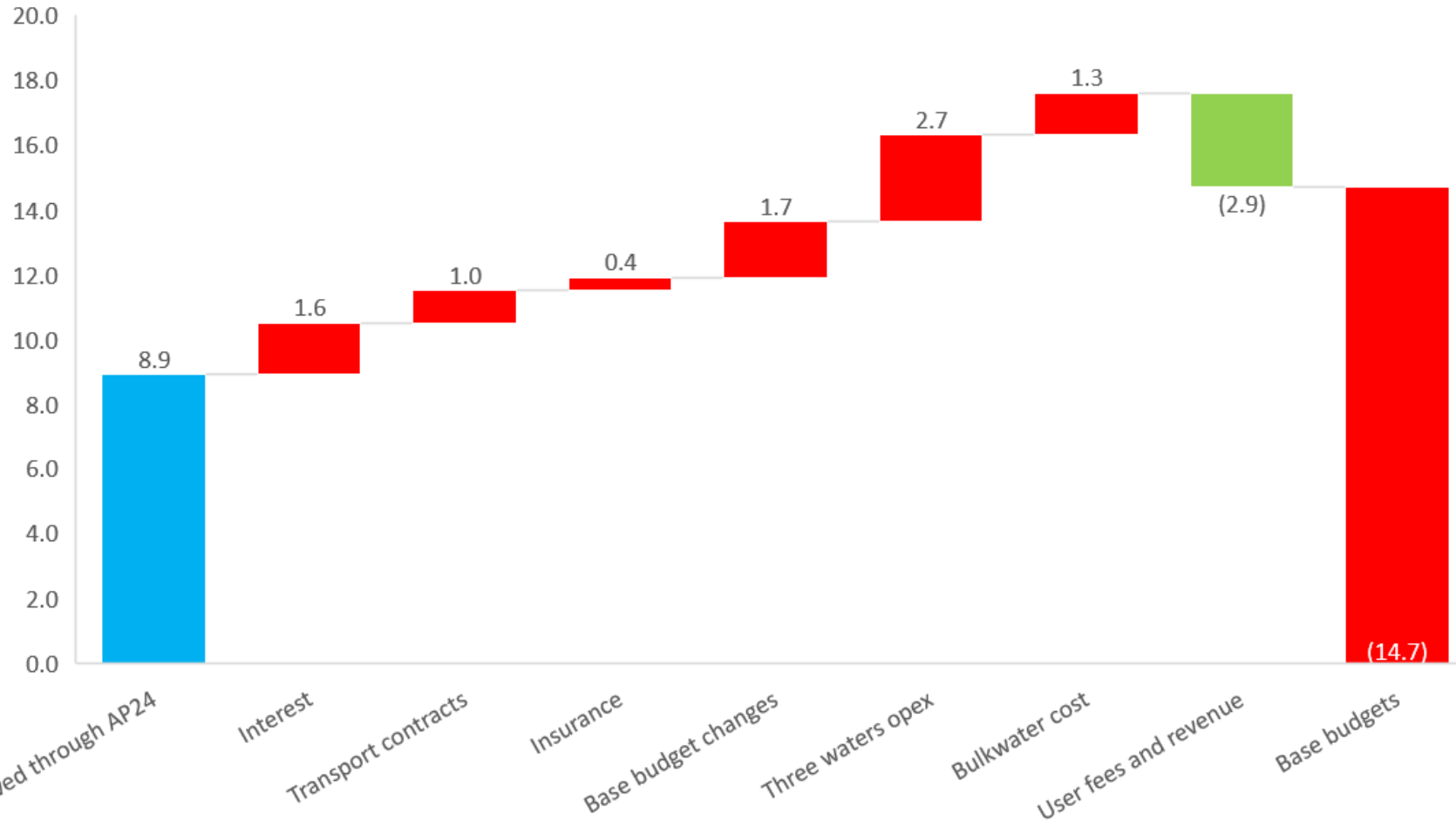
Fees and charges

Some updates have been made to Regulatory services fees as well as the associated budgets.



Key drivers of rates increase to - 14.7%

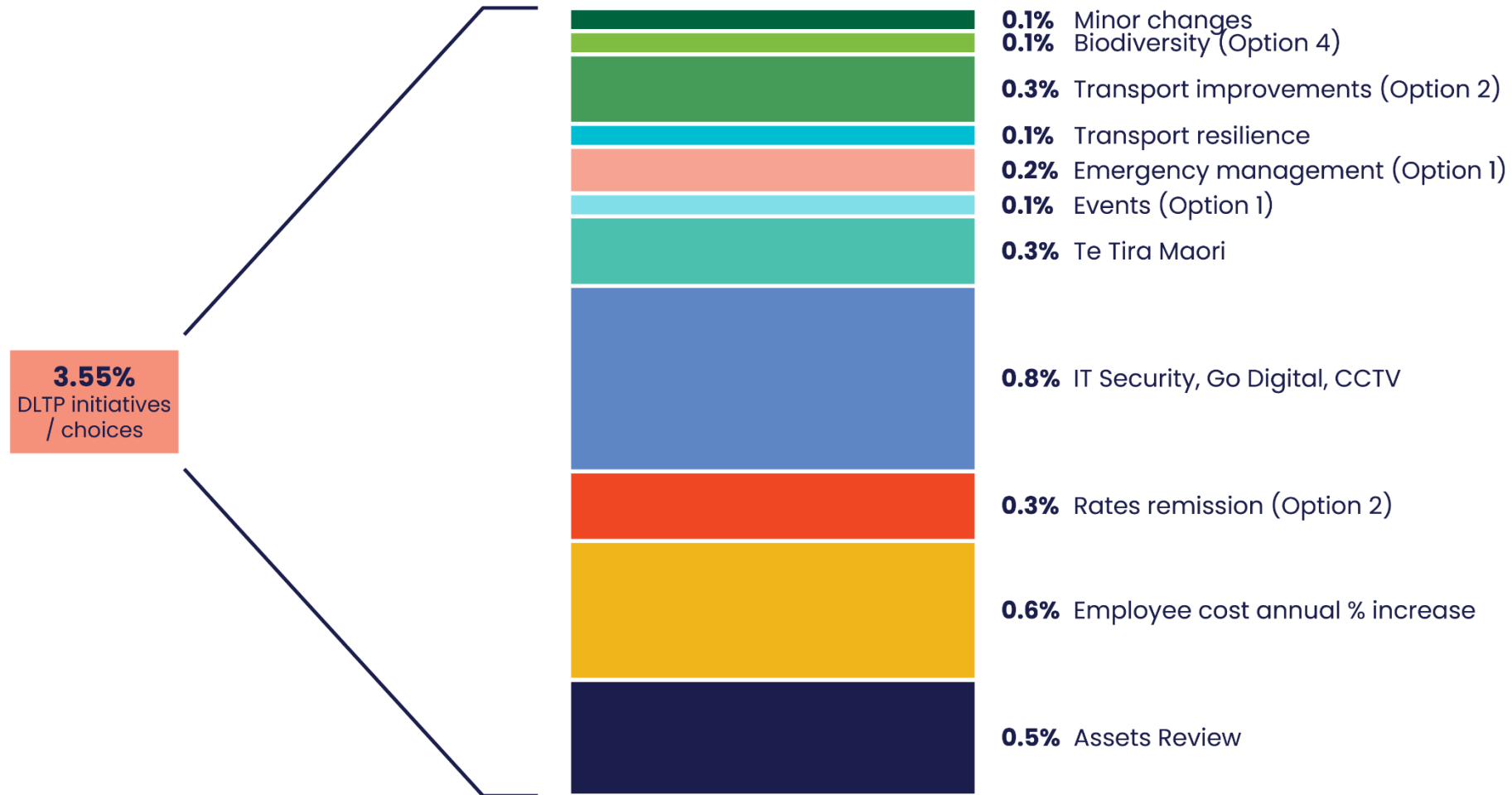
Rates revenue increase 2024-25 - for unavoidable costs



Key unavoidable cost pressures impacting rates revenue requirements include:

- Three waters opex cost escalations
- Transport contract increases
- Higher interest costs on borrowing
- Insurance
- Bulkwater costs
- Other base budget cost escalation e.g. IT
- employee cost changes for revised organisational structure, higher market related costs and impacts of living wage.

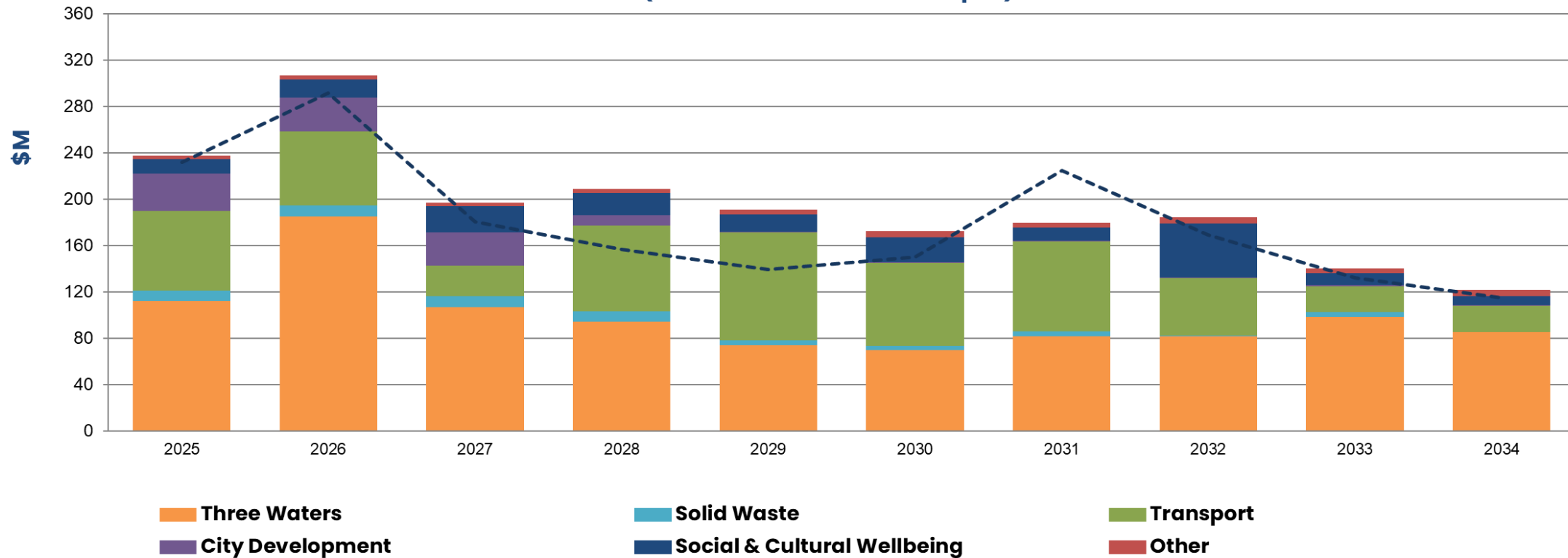
Cost increases are partially offset by higher user fees and revenue.



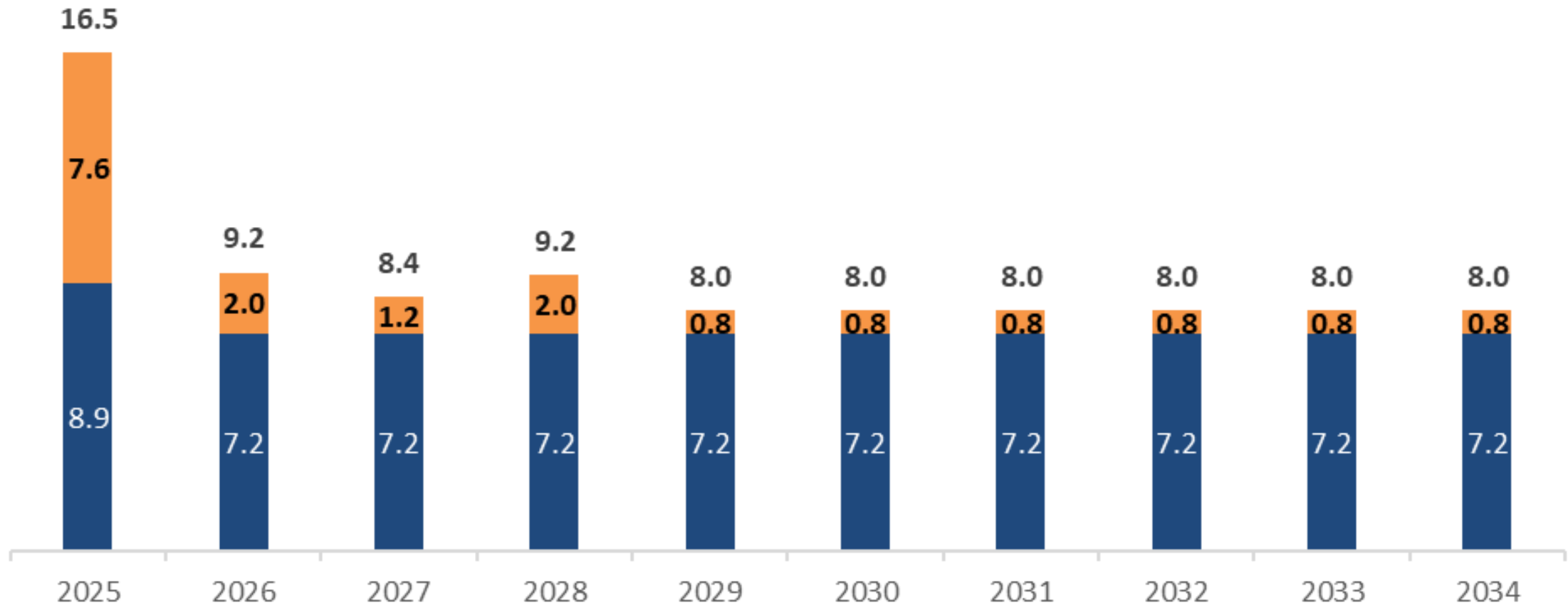
Capital investment **excluding Three Waters Capex**

Capex is \$1,938M (an increase of \$148M on AP24) over the 10-year plan, based on inclusion of all decisions to date. This is broken down into \$761M renewals, \$807M new capital and \$370M growth related works.

Capital Spend Draft LTP2024-34 (incl initiatives excl 3W capex)



Rates revenue increases DLTP 2024-34



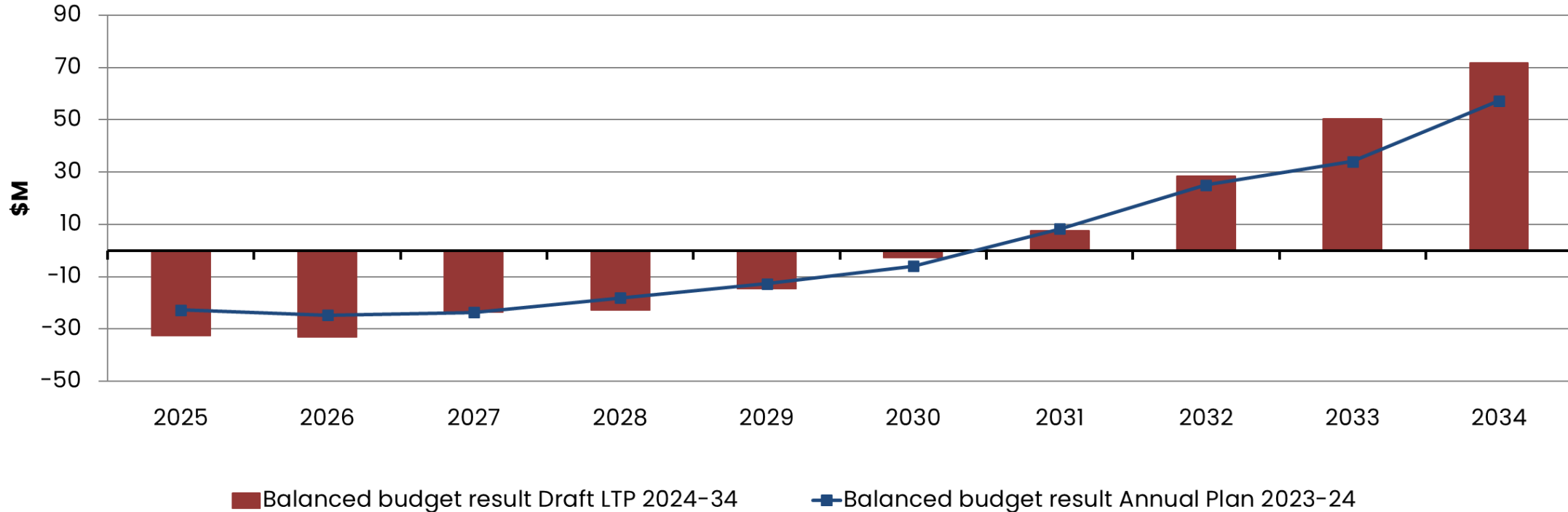
■ Approved through AP24

■ Additional LTP 2024-34

■ Indicative LTP 2024-34

*excludes growth of 1.1%

Balanced budget - 16.5% **excluding Three Waters Capex**



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, Infrastructure Acceleration Fund grants and central government COVID-19 Response and Recovery co-funding for Naenae Pool and Eastern Bays Shared Path.

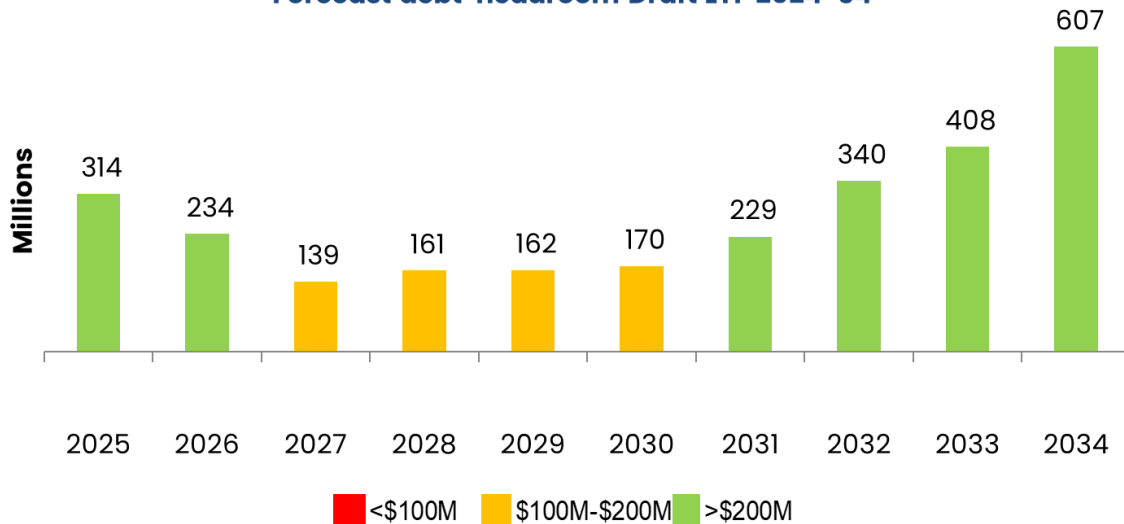


Debt forecasts 16.5% - **excluding Three Waters Capex**

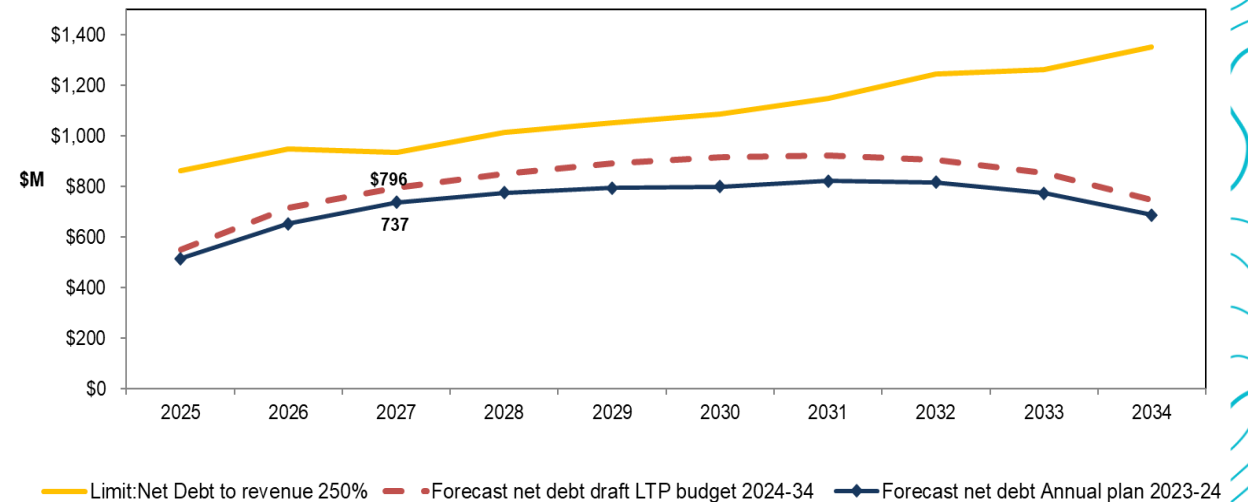
Projections below are based on inclusion of all the budget decisions excluding Three waters Capex.

	LGFA limit	HCC limit	16.5% rates (+ growth)
Net debt to revenue	280%	250%	213% (Headroom \$139M 2027)
Net interest to rates revenue	30%	25%*	10.9% (peak 2030)
Net interest to revenue	20%	15%*	17.1% (peak 2028)

Forecast debt headroom Draft LTP 2024-34



Projected Net debt



Early indicative rating impacts – 16.5% (after growth)

Property Category	1-Jul-23 Capital Value	2023-2024 Rates	2024-2025 Rates	\$ Change Amount annual	\$ Change Amount Weekly	Change Amount %
Average Residential	\$815,000	\$3,348	\$3,881	\$533	\$10.25	15.90%
Average Commercial Central	\$2,350,000	\$19,367	\$22,897	\$3,530	\$67.89	18.20%
Average Commercial Suburban	\$2,418,000	\$16,501	\$19,305	\$2,804	\$53.91	17.00%
Average Rural (no water or wastewater)	\$1,247,000	\$2,342	\$2,711	\$368	\$7.08	15.70%
Utilities	\$3,262,068	\$23,515	\$27,708	\$4,193	\$80.64	17.80%



Savings – built into budgets

- LTP2021-31 – Detailed base budget review process with budgets adjusted for \$5.2M savings
 - Only unavoidable costs were allowed to be added into budgets since LTP2021
 - All other increases have been by Council decision only.
- Annual Plan 2023-24 due to significant cost increases:
 - a savings exercise was performed and \$6.5M of operating costs were reduced over 8 years to 2031
 - initial planned staffing costs were reduced by \$12.9M over 8 years to 2031 – this included a vacancy savings assumption of 6%
 - A range of capital projects were also deferred to reduce the burden on debt

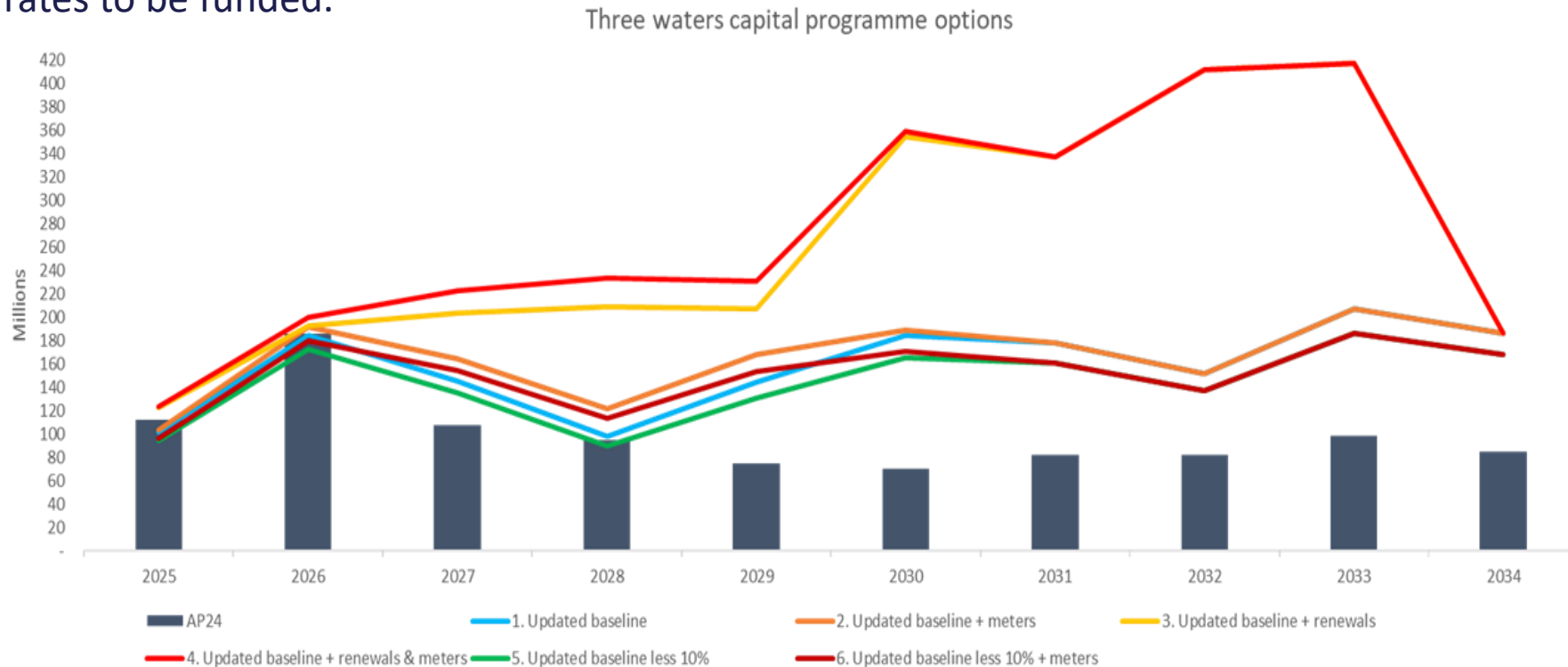
Savings approach DLTP 2024-34

- Detailed budget review process undertaken.
- Initial savings of \$6.1M over 10 years (with an indicative **rating impact of 0.4%** in 2024-25) were made through the base budget review process and reported to Council 30 October 2023.
- During November further savings of \$17.4M over 10 years have been made, with a favourable indicative **rating impact of 0.9%** in 2024-25. This has been achieved mainly through reduction in non-essential maintenance costs, some increases to fees and charges, withdrawal from Smart Libraries programme etc.
- Further proposed savings options are presented in this slide pack and Council direction is sought. These together with items included in the public excluded agenda total \$17M over 10 years, **with an indicative rating impact of 0.98% in 2024-25.**
- Capex savings
\$1M reduction in Capex will reduce rates requirement by an indicative 0.03% (excluding any costs of maintenance),
- Approximately \$31M capex would need to be reduced to achieve 1% reduction to rates, so the most impactful rates reduction would relate to operating cost reductions/savings.
- The approach has therefore been a focus on Opex savings through rates funded areas.

To achieve a 3% reduction in rates revenue, there would be a need to achieve rates funded operational cost reductions of \$4.7M per annum.

Three Waters Capital programme

Six funding options are provided for the Three waters capital investment. These are presented in the graph below and compared to the AP24 budgets. Due to limited debt headroom most of these options would need to be funded via rates. The updated baseline option is essentially the budgets per AP24 with cost escalations across several projects such as Naenae reservoir, Petone Collecting sewer etc. Options 3 and 4 would require a significant uplift in rates to be funded.

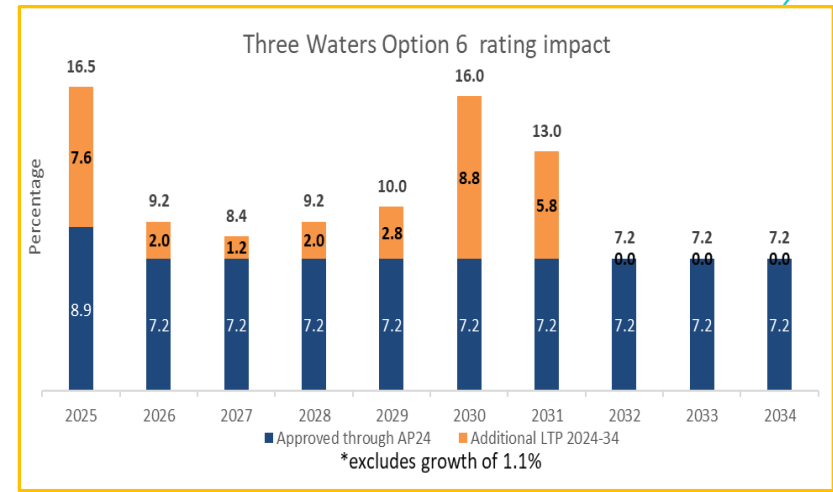
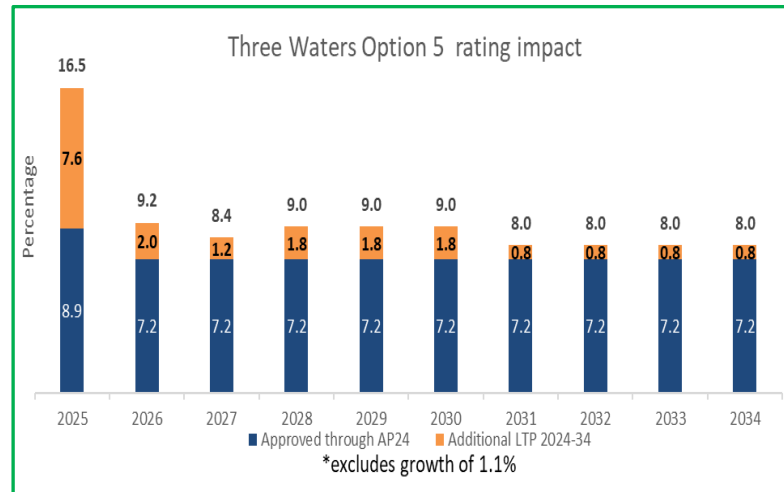
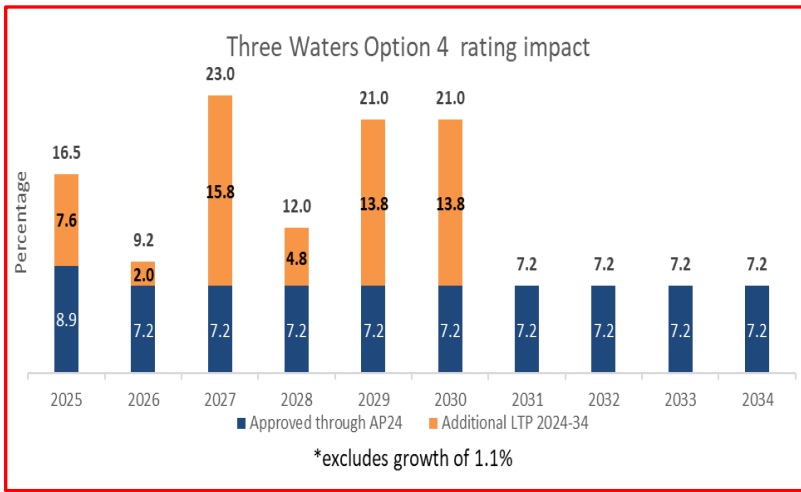
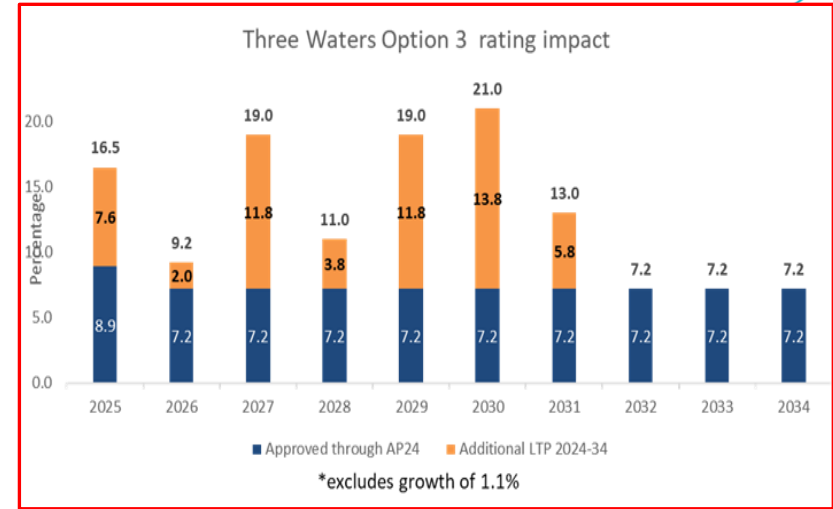
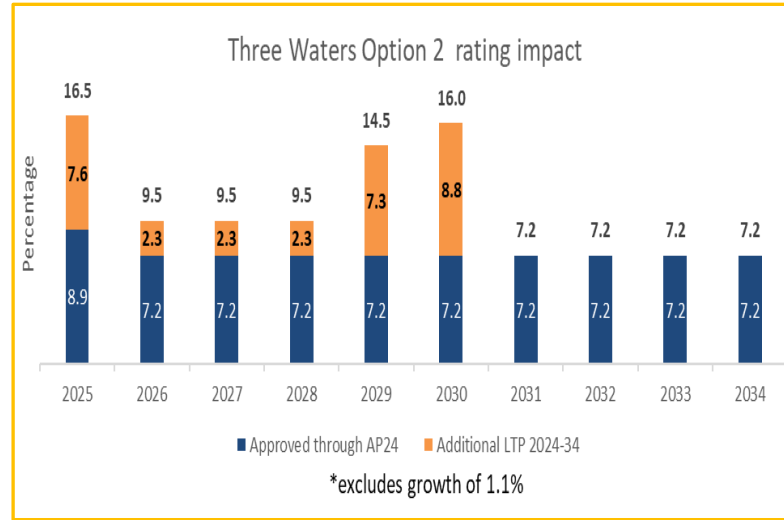
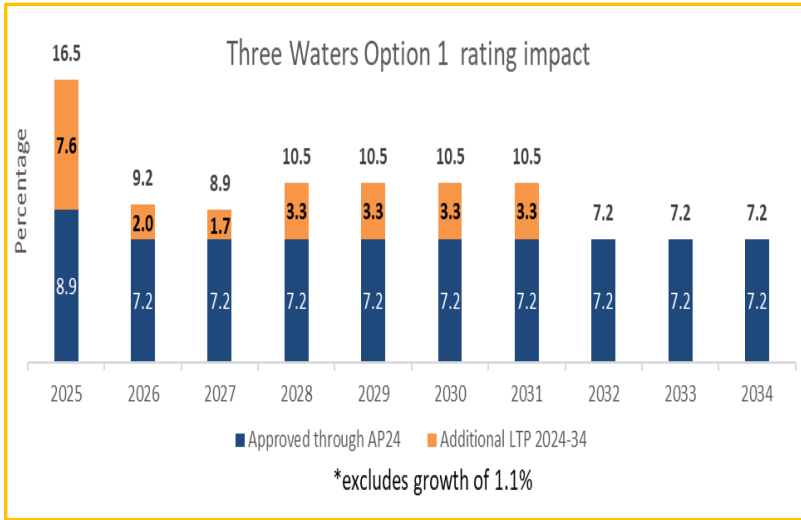


Three Waters Capital programme Options

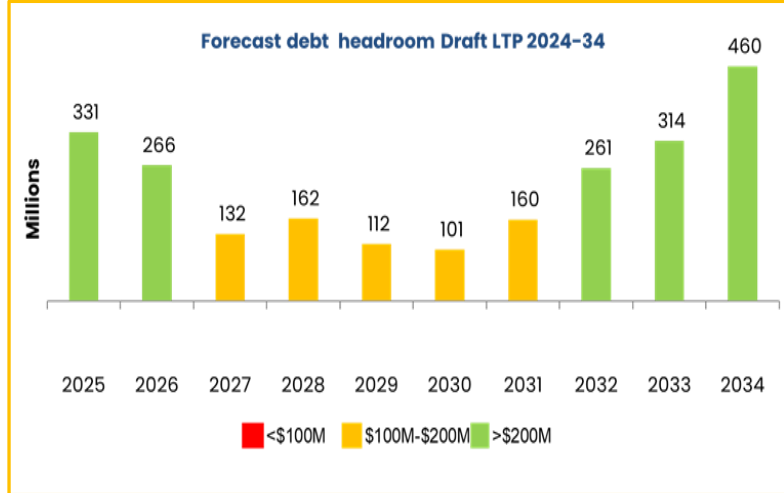
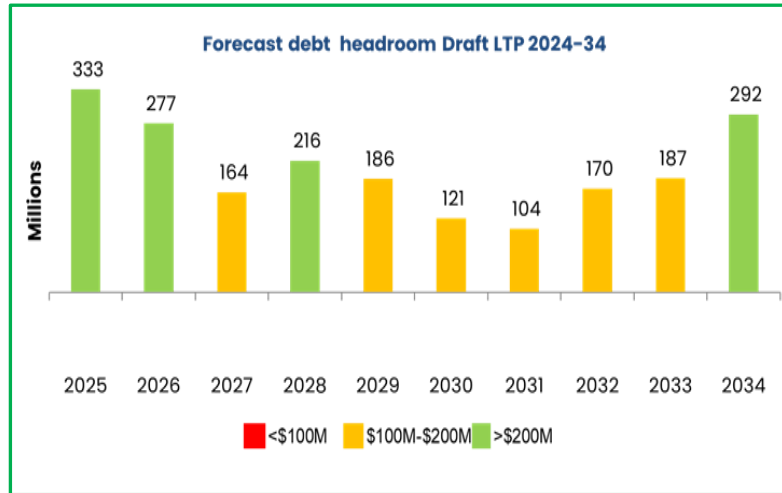
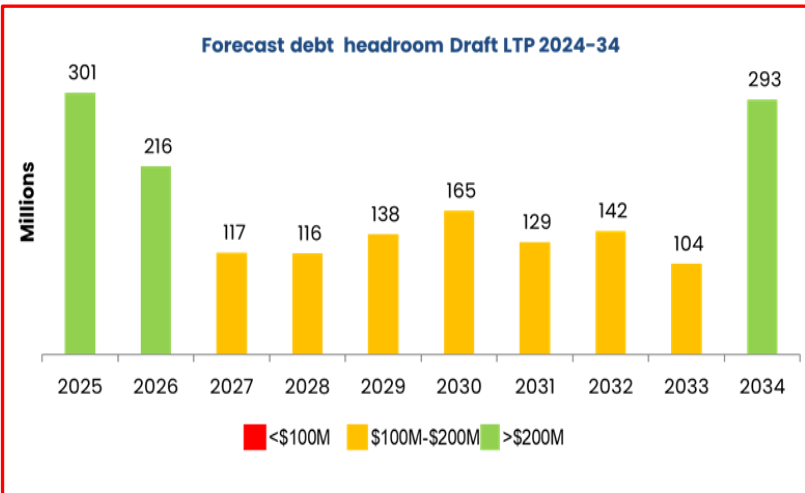
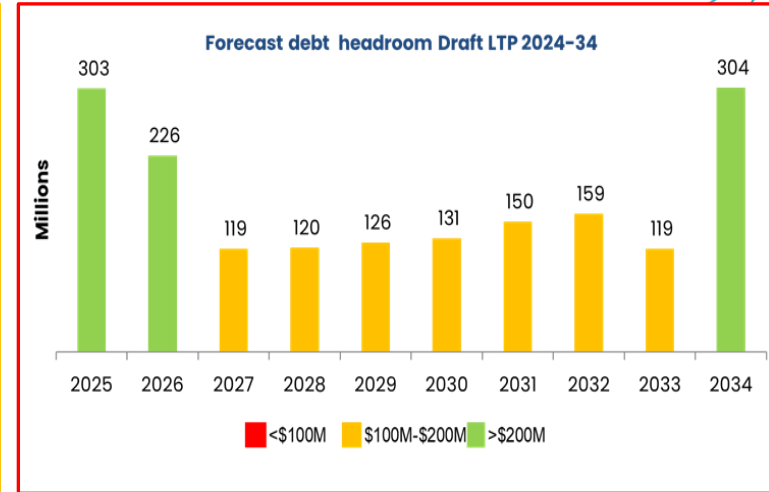
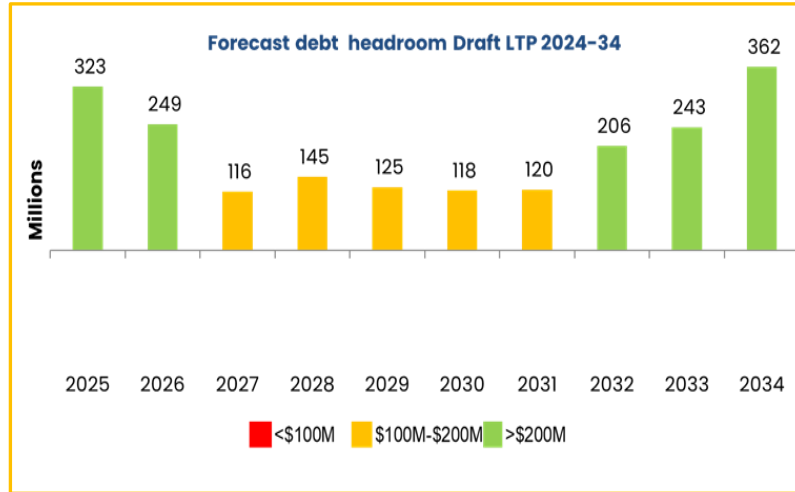
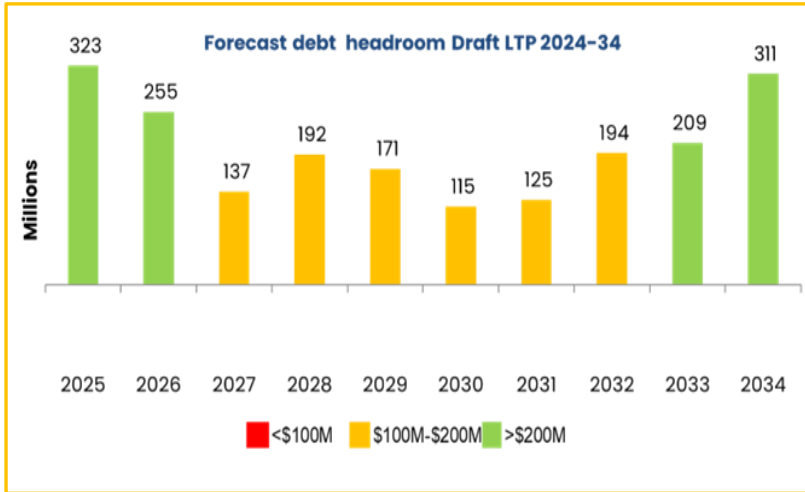
		Inflated Capex \$M		\$M	%
	Option Description	Total DLTP proposed budget	Total AP24 Budget	Additional funding DLTP compared to AP24*	Indicative rates impact over 10 years
1	Updated baseline budget	1,417.2	823	508.70	6.88%
2	Updated baseline budget plus water meters	1,497.0	823	588.50	12.98%
3	Updated baseline budget plus renewals uplift	2,477.2	823	1,385.79	38.98%
4	Updated baseline budget plus water meters plus renewals uplift	2,557.0	823	1,465.59	40.18%
5	Updated baseline budget less 10%	1,275.5	823	383.07	1.78%
6	Updated baseline budget less 10% plus water meters	1,355.3	823	462.86	12.58%

*** Net of subsidy**

Three Waters Capital programme - Rates

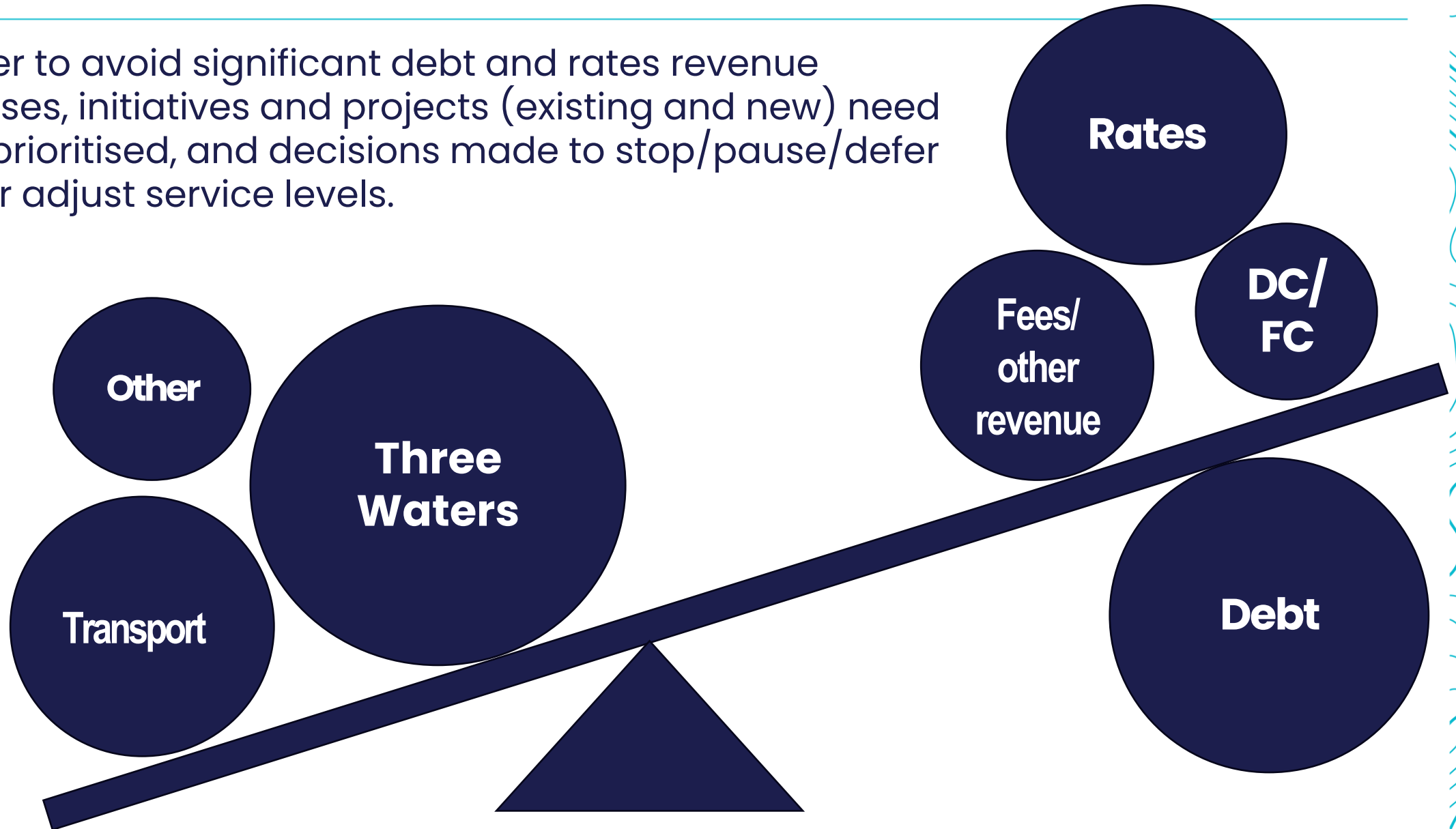


Three Waters Capital programme - debt



Trade-offs and choices

In order to avoid significant debt and rates revenue increases, initiatives and projects (existing and new) need to be prioritised, and decisions made to stop/pause/defer and/or adjust service levels.



Appendices: Financial impacts of key budget bids/choices

Each initiative has been assessed in terms of impact on rates revenue increase required to fund the initiative and the debt funding requirements. Each initiative has been colour coded as below to indicate the impact.

- The total rating impact of previous decisions on all bids/choices are 3.55% with a 0.84% offset through parking revenue.
- The rating and debt impact for 27 Nov decisions is dependent on the Three waters and savings options progressed.

Rates impact	Debt impact
0% to 0.3%	\$0 to \$5M
>0.3% to 0.5%	>\$5M to \$10M
>0.5%	>\$10M

Budget decisions 27 November 2023

Initiative	Budget changes	Rates impact 24/25 (cumulative over 10 years)	Debt impact (Over 10 years)
Three Waters Capex options	Depending on the option approved, the costs associated with this initiative varies. As the debt funding limits are constrained, the increased programme would need to be funded through further rates increases.	TBC	TBC
Bulkwater costs Cost increase of 27% Yr 1; 13% Yr 2 (from 13% and 7%)	Opex of \$1.9M in 2024-25 (\$13.1M over the DLTP) is proposed to be added.	1.27% (1.87%)	-
Reserves Investment strategy	Financial contributions of \$0.5M p.a. (\$5M over 10 Years) is proposed to be added to offset the debt requirement.	-	Reduced \$5M
Savings: Communication & Engagement: Reduce funding for Matariki Events	Operating cost reduction of \$0.1M in 2024/25, \$1.09M over 10 years is proposed.	Reduce by 0.06%	-
Savings: Strategy & Policy: Reduce Specialist Services Costs	Operating cost reduction of \$0.05M in 2024/25, \$0.54M over 10 years is proposed.	Reduce by 0.03%	-
Savings: Neighbourhoods and Communities: 10% reduction in Mauri Ora funding	Operating cost reduction of \$0.08M in 2024/25, \$0.84M over 10 years is proposed.	Reduce by 0.05%	-
Savings: Arts & Culture: Do not provide grant to E Tu Trust (Public art)	Operating cost reduction of \$0.05M in 2024/25, \$0.58M over 10 years is proposed.	Reduce by 0.03%	-



Previous decisions on bids/choices to-date

Initiative	Budget changes	Rates impact 24/25 (cumulative over 10 years)	Debt impact (Over 10 years)
Reserves Investment strategy	\$25.2M planned projects to be included in DLTP – increase in Capex.	-	\$6.2M
Information technology Security	Opex increase of \$0.31M p.a. (\$3.37M over 10 Years)	0.2%	-
Information technology - GO Digital	Opex increase of \$0.8M p.a. ongoing (\$8.71M over 10 years). \$3.2M transfer from Capex to Opex	0.52%	Reduced \$3.15M
Information technology CCTV and monitoring requirements	Capex increase of \$0.2M p.a (\$2.18M over 10 Years) Opex increase of \$0.15M p.a. (\$1.63M over 10 Years)	0.10%	\$2.18M
Co-ordinated Urban renewal programme	None - to be met from existing budgets	-	-
Indigenous Biodiversity strategy rollout and planting	Opex increase of \$0.18M (\$1.6M over 10 years)	0.12%	-
Petone Grandstand	Capex reduction \$4.8M (\$2.4M total project cost)	-	Reduced \$5M
Petone Library	Capex reduction \$3.6M (\$5M total project cost)	-	Reduced \$3.6M
Petone Wharf	Capex reduction \$24M \$6M increase in opex (demolition)	-	Reduced \$18M



Previous decisions on bids/choices to-date

Initiative	Budget changes	Rates impact 24/25 (cumulative over 10 years)	Debt impact (Over 10 years)
Transport Eastern Hutt Road resilience (NLTP)	Capex increase of \$20.02M over 10 Years. Subsidy increase of \$19.72M over 10 Years. (Total project cost of \$47M)	-	\$0.3M
Transport Cross Valley Connections (NLTP)	Rephasing only with no change to overall project budget.	-	-
Transport LED replacement programme (NLTP)	Capex increase of \$2.42M over 10 Years. Subsidy \$1.23M over 10 Years	0.01%	\$2.07M
Transport Speed review implementation (NLTP)	Capex \$2.42M over 10 Yrs Subsidy \$1.23M over 10 Yrs	0.01%	\$1.19M
Transport – Improvements related to subdivisions	Opex increase of \$5.63M over 10 Years. Capex increase of \$39.38M over 10 Years. Subsidy increase of \$22.95 over 10 Years.	0.3%	\$19.3M
Transport Resilience fund	Opex increase of \$1.29M over 10 Years. Capex increase of \$3.88M over 10 Years.	0.1%	\$3.88M



Previous decisions on bids/choices to-date

Initiative	Budget changes	Rates impact 24/25 (cumulative over 10 years)	Debt impact (Over 10 years)
Food and green organics waste system	\$4.19M roll out costs (MfE co-funding of \$2.52M, and remainder with HCC waste levy funds of \$1.67M). Opex increase of \$48.34M total over DLTP. Targeted rates revenue increase of \$43.19M total over DLTP. Capex increase of \$10.86M (HCC share)	None – (initiative starts 2026-27 with likely 2.19% impact on targeted rates with a new rate set up)	\$10.86M
Funding for events partnership	Opex increase of \$0.16M Yr 1 (\$3.23M over 10 Years)	0.1% (0.21%)	-
Rangatahi Engagement Strategy	Opex increase of \$0.1M p.a. (\$1.09M over 10 Years)	0.06%	-
Emergency management (WREMO contribution only)	Opex increase of \$0.33M p.a. (\$3.17M over 10 Years)	0.21%	-
Rates remission for financial hardship	Opex increase of \$0.5M p.a. for three years	0.3%	-
Employee cost increase (from 2.5% to Yr 1: 4.5%, Yr 2: 3.5% and Yr 3: 3.5% then back down to 2.5%)	Opex increase of \$0.94M Yr 1. (\$19.6M over 10 years)	0.61% (1.27%)	-



Previous decisions on bids/choices to-date

Initiative	Budget changes	Rates impact 24/25 (cumulative over 10 years)	Debt impact (Over 10 years)
Parking revenue	Opex increase of \$3.2M over 10 years. Revenue increase of \$18.4M over 10 years. Rephasing of Capex with \$0.14M in 24-25, net nil cost increase overall.	Reduced 0.84%	-
Landfill – Annual review Gate fee from \$233 to \$248; Gate fee {Special waste} from \$318 to \$335)	Opex increase of \$7.6M over 10 years Revenue reduction of \$24.8M over 10 years	0.18% (6.41%)	-
Rubbish and Recycling – Annual review	Opex increase of \$5.5M over 10 years. Targeted rates revenue increase of \$4.36M over 10 years	0.17% (0.73%)	-
Te Tira Māori	Opex increase of \$0.5M p.a. (\$5.45M over 10 Years)	0.32%	-
Built and green assets review (decision per 30 August meeting)	Capex increase of \$30.9M over 10 years.	0.5%	\$31M
Other minor items		0.14%	-

