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Annual Plan 2020/21 Update

Council Workshop, 23 April 2020

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Background/Context

Proposed Savings

Proposed Funding

Other Issues

Consultation

Next Steps



Background / Context

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Average rates increase as per planned expenditure in year three of the 2018-28 LTP was 6.3%

Council decisions in 2018/19 pushed this rate up to 10.1%

Additional significant cost pressures added to the projected 2020/21 rates increase by a further approx. 8%

An Activity Review was undertaken during late 2019 to find cost savings and efficiency improvements.

A prospective rates increase of 9.8% was endorsed in Dec 2019.



Drivers of the prospective 9.8% (\$13m) rates increase

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Public transport costs	5.8%
Reduction in reserves usage	2.7%
Accommodation	2.0%
Debt servicing costs	0.8%
Wages movements	0.8%
Natural resources plan	0.4%
Riverlink	0.4%
LGWM	0.4%
BAU savings	(3.6%)



Proposed Savings/Funding - Summary

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	Option One		Option Two	
	%	Value (\$'000)	%	Value (\$'000)
Starting level	9.80	13,367	9.80	13,367
				-
EV/BNR/RS1	- 1.40	- 1,910	- 1.40	- 1,910
Wages & Salaries	- 0.80	- 1,091	- 0.80	- 1,091
Capital Programme	- 0.20	- 273	- 0.20	- 273
PT reductions in service	- 0.35	- 477	- 0.35	- 477
Reduce customer engagement	- 0.15	- 205	- 0.15	- 205
Other savings	- 0.25	- 341	- 0.25	- 341
Fund LGWM over 20 years	- 0.25	- 341	- 0.25	- 341
	6.40	8,730	6.40	8,730
Use of Reserves	- 1.70	- 2,319	- 1.70	- 2,319
Debt Increase	- 1.70	- 2,319	- 4.70	- 6,411
Proposed rates increase	3.00	4,092	0	0

Further savings of 3.4% matched with additional funding of 3.4% to achieve a rates increase of 3%

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EV/BNR/RS1

Delay the introduction of EV buses and changes from the bus network review until 1 July 2021

Delay changes to the Hutt train timetable until 1 July 2021

Given the current status of these projects this is likely to be a two to three month delay



Salaries & Wages

Hold all salaries and wages at current levels for the full year.

Capital Programme

Delay capital expenditure for 12 months in the following key areas:

- Bus real time systems upgrade
- Bus on-board announcements
- Some bus and station upgrades
- Some parks capital programmes
- Some flood protection works

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PT Service Reductions

These savings recognises that it will likely take some time for patronage on public transport to rebuild to the previous numbers and that it is probable a reduced level of service will apply for some time.

The exact level is difficult to calculate but needs to take into account:

- Maintaining the viability of operators
- That social distancing will need to be maintained on public transport for some time



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Customer Engagement

The current strategy is based on engaging with communities to raise GW's relevance and reputation

This savings would limit the level of work in this area and delay some activities for 12 months delay

Fund LGWM over 20 years

LGWM is currently being funded over 10 years (for the business cases), however, the life of the project is likely to be significantly longer

Proposed Funding Options - Detail

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Use Of Reserves

Option one proposes that 50% of the shortfall to reach a 3% rates increase is funded from reserves

Reserves are created from rates that were not spent in the year they were collected

Using \$2.3m of reserves is at the top end of available reserves that are not tagged or linked to a specific activity

As the reserves are not cash backed this would result in an overall increase in debt adding 0.25% to rates increase for the next 10 years.



Possible Funding Options - Details

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Debt Increase

Increase debt by \$2.3m (option one) or \$6.4m (option two)

Both options are well within our capacity to borrow but would increase debt servicing costs in future years

Option one would result in future rates increases of ~0.25% for the next ten years

Option two would result in future rates increases of ~0.5% for the next ten years

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A key assumption in the Annual Plan is that any shortfall in public transport will be covered by NZTA – while this is likely in the short term the length of this has yet to be confirmed

Other revenues are likely to fall but very difficult to estimate by how much

Costs are also likely to be lower as full programme delivery unlikely to be achieved

Working assumption at this time is that these will largely offset and be monitored and managed during the year



Bulk Water Levy

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The increase in the bulk water levy is current budgeted at 6.1% (\$2.1m)

Current reserves	\$15m
Bulk Water Supply contingency fund	\$38m

Use \$1.05m of reserve to reduce to 3.05%

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A rates increase of 3% would not require consultation, but rather an engagement programme of work

At a rates increase of 0%, consultation would be more of an issue but probably not required

Options to reduce rates increase—consultation requirements

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LGA:

- **Section 95(2A):** no consultation required where there is no significant or material difference from the relevant year of the LTP.
- **Sections 78(1), 78(3) and 79(1):** In their decision making process Council must consider the views and preferences of persons likely to be affected by, or have an interest in, the matter and should use their discretion to decide if the matter is significant enough to those affected and interested persons to warrant a consultation.

Consultation in the current environment would need to look different, but still ensure that all of our community have fair access to participate in the process – notification via website, Social Media channels, radio, posters, billboards, newspapers; no in-person events, or hearings; submissions received via phone, text, online, or post.

A number of Councils* are choosing not to consult on their 2020/21 Annual Plan and will focus their consultation on the 2021-31 LTP pre-engagement. This is being driven by a lack of anything significant to consult on and a desire to support their communities who will have different matters on their minds over the coming weeks and months.

*Bay of Plenty Regional Council and Porirua City Council are two recent examples.

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Guidance from Council on level of rates increase

Further understanding of the impacts of COVID-19 on work programme

Prepare draft annual plan based on the above and report back to Council on 11 June 2020

