

2022/23 Annual Plan

– Update to Councillors, 9 December 2021

2022/23 Annual Plan Recap – where we got to

At the 28 October Council Workshop:

- The impacts to our budget and work programme from COVID-19, constrained operating environment, CAPEX underspend, OPEX cost pressures, lower Public Transport Farebox Revenue were noted.
- There was discussion around the low appetite for further rates increase in the community.
- Agreement between Councillors and Officers to try and keep the average rates increase for 2022/23 close to the 12.27% signalled in our 2021-31 LTP.
- Officers would be assessing the “do-ability” of our 2021-31 LTP Year 2 work programme.
- Officers would come back to a Council Workshop on 9 December 2021 to discuss the draft 2022/23 Budget and the significance and materiality assessment on proposed changes.

Purpose of today's Workshop

Agenda:

- Outcomes of our “Do-ability” assessment of our 2021-31 LTP Year 2 work programme
- The 2022/23 Draft Budget
- Water Levy Update
- Our approach to the 2022/23 Annual Plan Public Engagement

2021-31 LTP Year 2 work programme – “do-ability” overview

- Business Groups reviewed the “do-ability” their 2021-31 LTP Year 2 (2022/23) work programmes, identifying savings and re-phasing opportunities
- Savings were identified in some areas; however, these were offset with cost increases in other areas. Instances of CAPEX re-phasing were lower than expected
- **The outcome of the exercise resulted in an overall cost-neutral budget**
- There is still a question around the “do-ability” of our 2022/23 CAPEX programme given the significant increase over the previous year

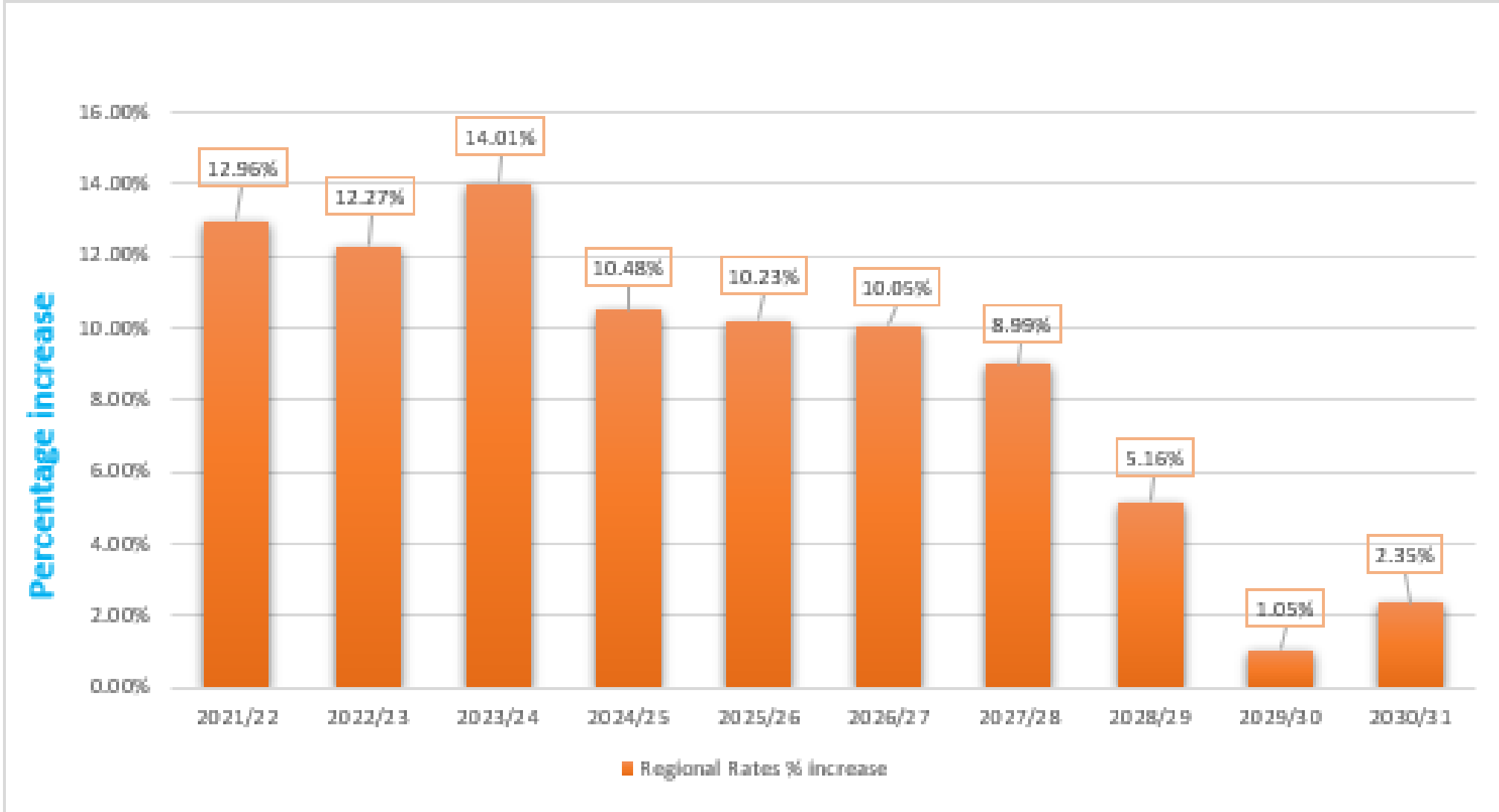
2021-31 LTP Year 2 work programme – budget changes

Some examples of proposed budget changes that have contributed to budget neutrality:

| Year 2 Budget Increases: | Year 2 Budget Decreases: |
|---|---|
| Environment and Flood Protection | |
| + Pinehaven FMP (brought forward 12 months) | - Otaki FMP (deferred 12 months) |
| + Bolstering science advice – freshwater and wetlands (new in Year 2) | - Ruamahanga Aerial Electromagnetic Survey (deferred 12 months) |
| Metlink Public Transport | |
| + Rollout of National Ticketing Solution | - Expected cost reduction – RTI |
| + Airport Bus Service + Public Transport On Demand Service | - Bus Service enhancements, timetable changes |

2022/23 Draft Budget

Rates % increase 2021-31 LTP



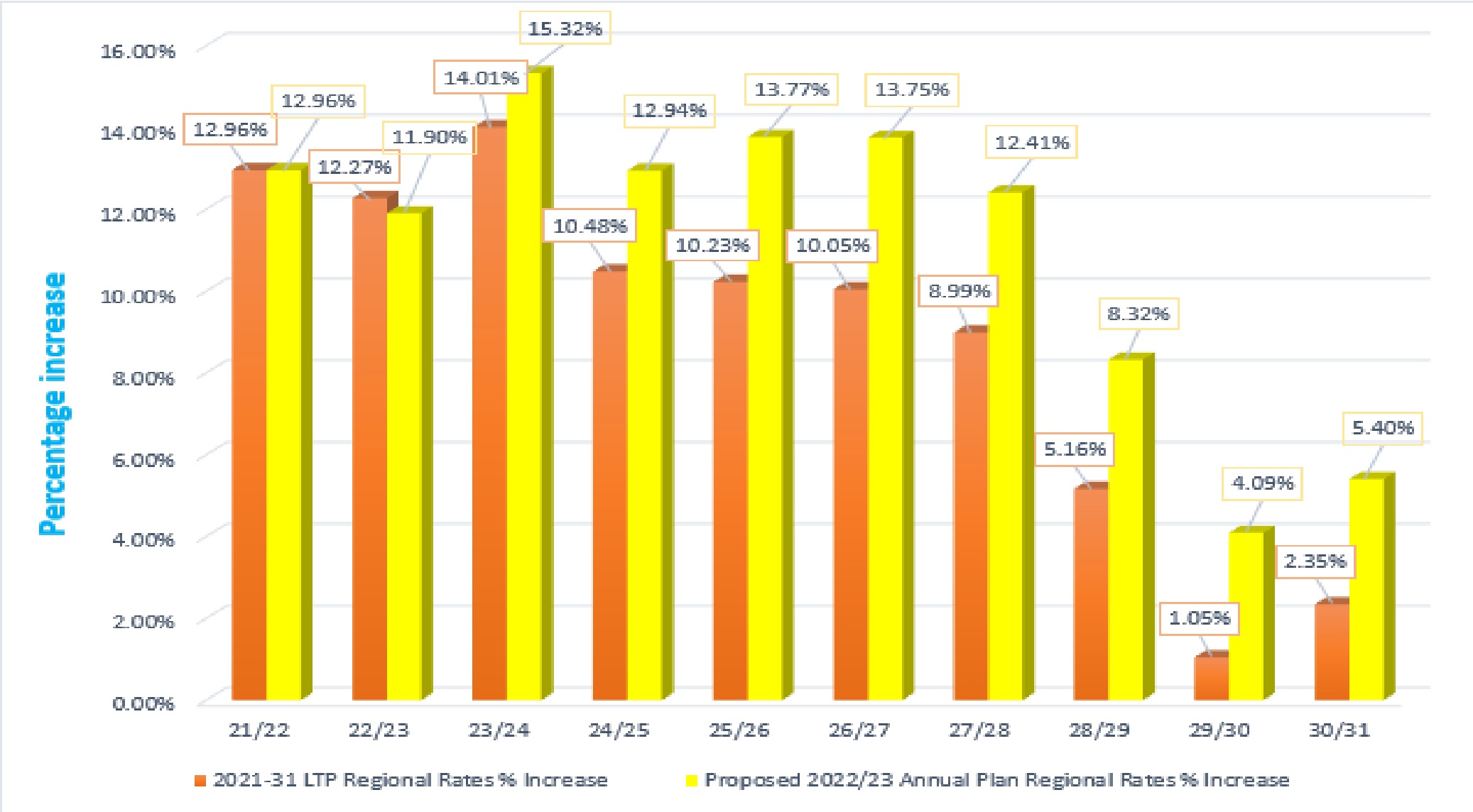
Notable changes to the 2021-31 LTP Year Two

| Description | Funding | Debt \$'000s | Rates Impact \$'000s | Rates Impact % | Rates Change |
|--|---------|--------------|----------------------|----------------|---------------|
| 2021-31 LTP | | | | | 12.27% |
| Reduced Starting Debt | Debt | -60,000 | -5,324 | -3.35% | |
| Increased Debt Servicing Charges | Rates | | 2,451 | 1.54% | |
| Water Overhead Reduction | Rates | | 500 | 0.31% | |
| Personnel Cost Increase 2% to 2.5% | Rates | | 320 | 0.20% | |
| Farebox Revenue Reduction (COVID-19) | Debt | 7,350 | 132 | 0.07% | |
| RiverLink | Debt | 0 | 0 | n/a | |
| Operating Expenditure increases | Rates | | <u>3,019</u> | <u>1.90%</u> | |
| Proposed 2022/23 Annual Plan Rates Changes Impact | | | 1,098 | 0.67% | 12.94% |

Potential use of Internal Reserves

| Description | Funding | Debt \$'000s | Rates Impact \$'000s | Rates Impact % | Rates Change |
|--|---------|-----------------|-------------------------|-------------------|---------------|
| Annual Plan Rates Changes Impact (from previous slide) | | | 1,098 | 0.67% | 12.94% |
| Proposed use of Internal Reserves | Equity | | <u>-1,650</u> | <u>-1.04%</u> | |
| 2022/23 Annual Plan | | | -552 | -0.37% | 11.90% |

2021-31 LTP and Proposed 2022/23 Annual Plan



Estimated Rates Profile

| | Rates Percentage Increase | | | | | | | | | |
|---|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 |
| 2021-31 LTP Regional Rates % Increase | 12.96% | 12.27% | 14.01% | 10.48% | 10.23% | 10.05% | 8.99% | 5.16% | 1.05% | 2.35% |
| Proposed 2022/23 Annual Plan Regional Rates % Increase | 12.96% | 11.90% | 15.32% | 12.94% | 13.77% | 13.75% | 12.41% | 8.32% | 4.09% | 5.40% |

Summary

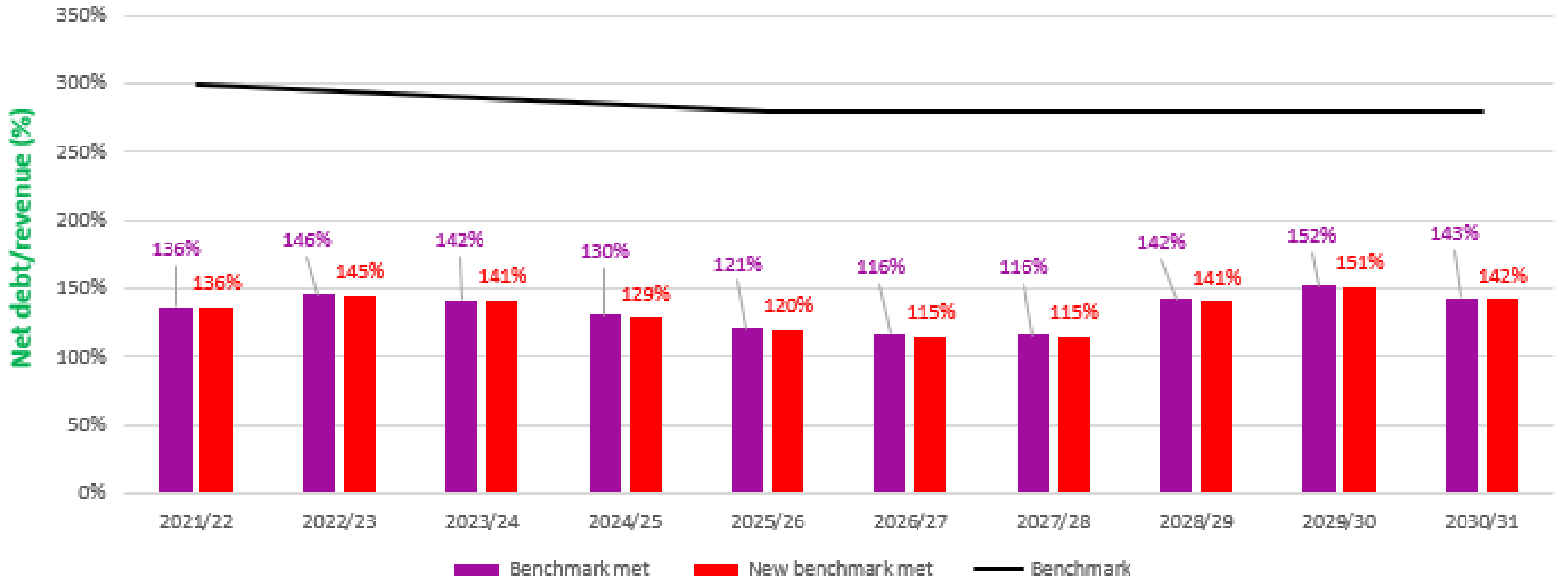
- Highest » 15.32% Year 3
- Average » 13.40% over first triennium
- Trend » downward sloping profile

LTP Financial Tools Utilised

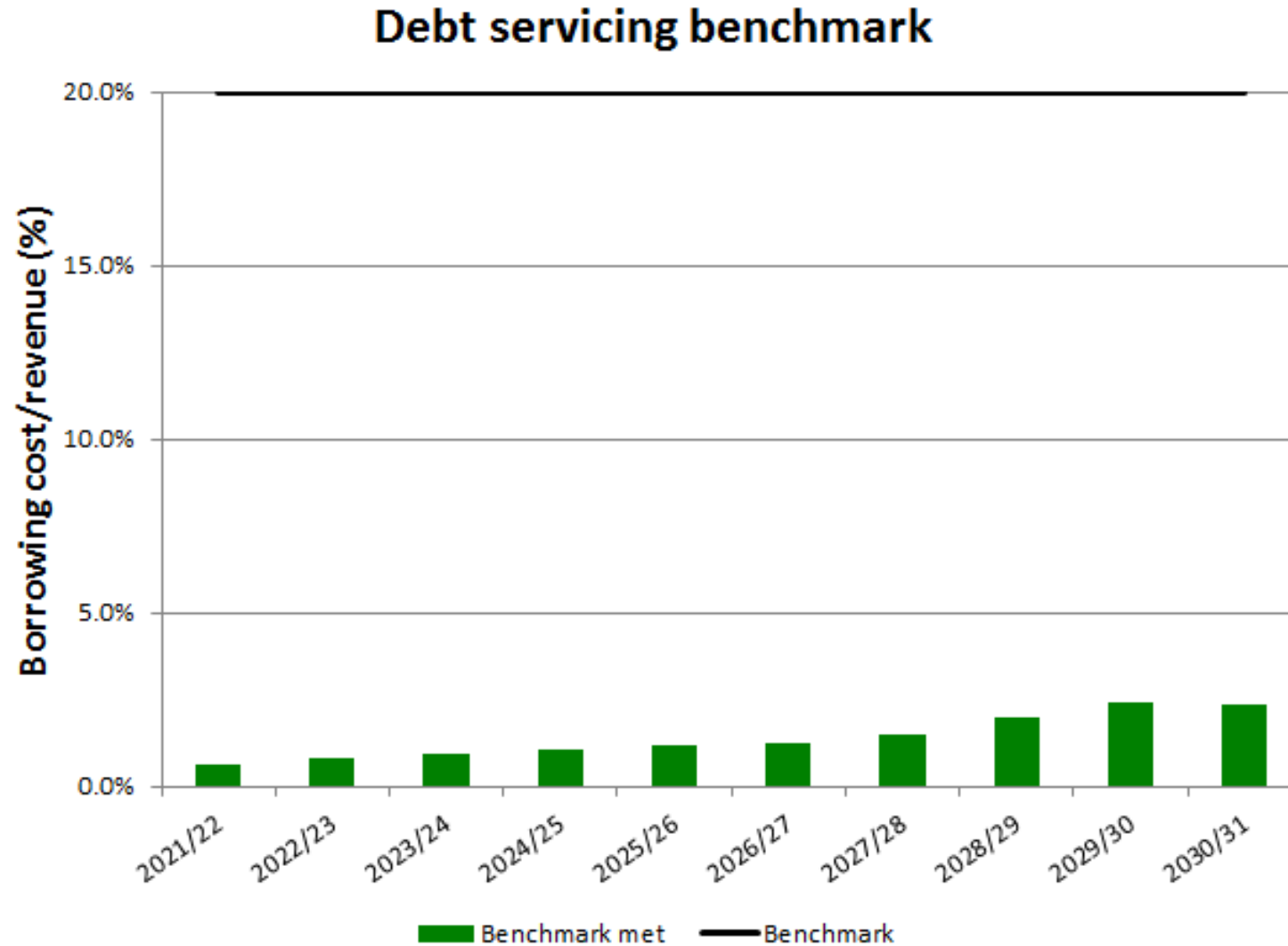
| Tools | Description | 21/22 Year 1 \$'000s | 22/23 Year 2 \$'000s | 23/24 Year 3 \$'000s | 24/25 Year 4 \$'000s | 25/26 Year 5 \$'000s |
|----------------------------|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Debt Funding - OPEX | Public Transport Farebox revenue gap | - | 7,350 | - | | |
| | Additional RiverLink funding | | | 50,000 | 50,000 | 50,000 |
| Reserves | Dividend reserves | | (1,650) | - | | |

Debt Affordability Benchmarks LTP/AP

Debt Affordability Benchmark



Debt affordability benchmarks LTP cont...



Questions for Councillors

- Do you agree with the proposed Rates increase of 11.90% (using Internal Reserves)?
 - or would you rather the rates increase of 12.94% (without Internal Reserves)?

Water Levy Update

Water Levy – Outline

Wellington Water recommends Greater Wellington invests in the following key investment priorities:

Fund an average increase \$2.1M for OPEX for each of the three-year supporting a step change increase in operational costs to look after existing infrastructure (and noting stimulus funding provides uplift in years 1 & 2)

Plus an Annual Plan change to include;

additional **OPEX average increase of \$0.28m** across years 2,3 & 4 to increase maintenance budget,
additional OPEX average increase of \$1.5m across years 2 & 3 for Smart Metering investigations.

Fund \$167m CAPEX over 10 years for renewals to look after existing infrastructure.

Plus an Annual Plan change to include;

additional **CAPEX of \$37.0m** across years 2, 3 & 4 for the Kaitoke Flume Bridge,
additional **CAPEX of \$59.8m** across years 2, 3 & 4 for the Silverstream Pipe Bridge.

Include CAPEX funding of \$13m over 10 years to extend the bulk water network. Phasing is linked with city council growth planning.

Fund \$61m CAPEX over 10 years in activities that Reduce Water Consumption including;
\$37M to increase Capacity at Te Marua WTP.

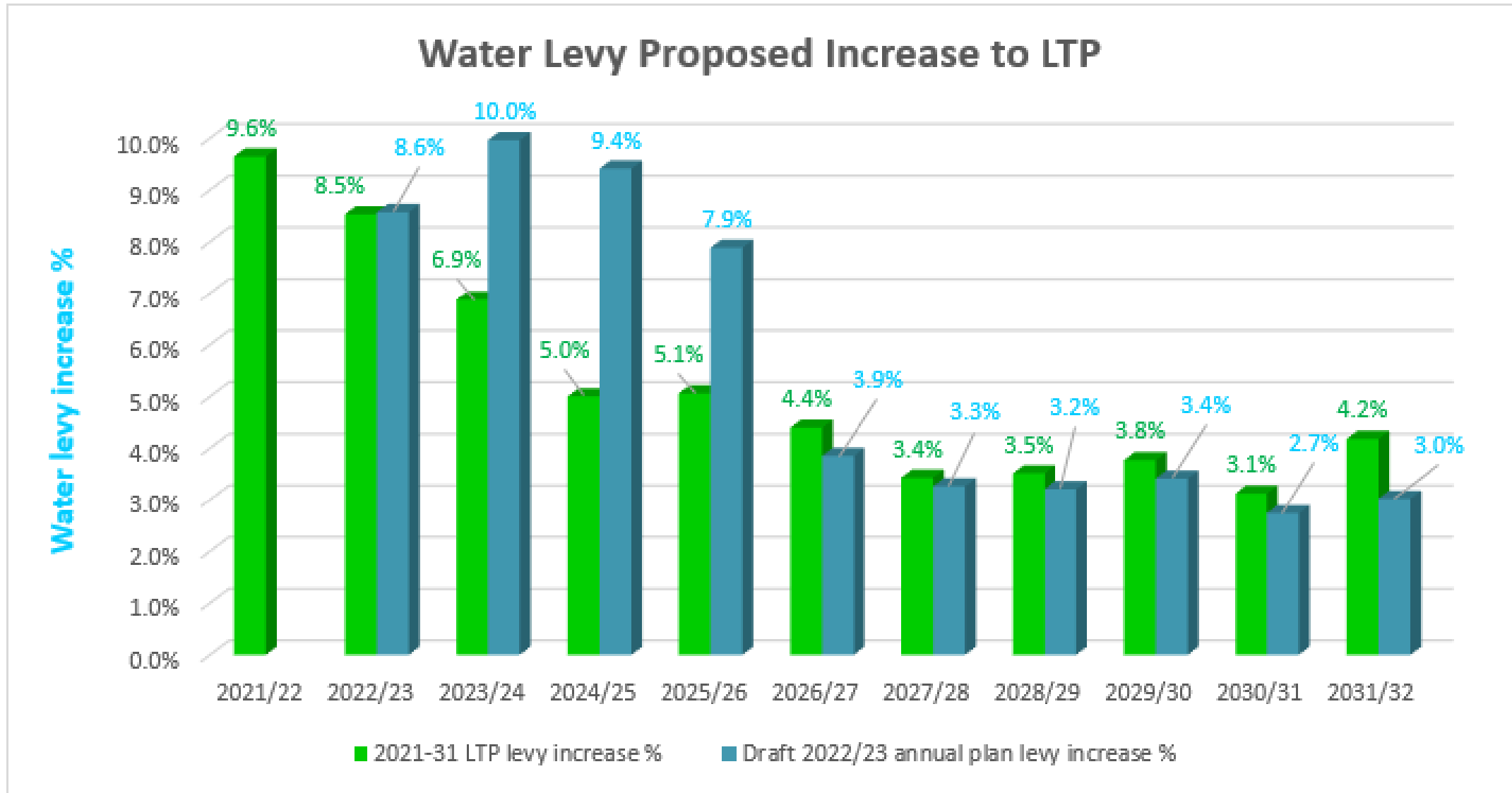
Plus an Annual Plan change to include;

additional **CAPEX of \$17.3m** across years 2, 3 & 4 for the Te Marua WTP Capacity Upgrade.

Fund \$150-\$250K OPEX for carbon assessments

Fund the following in the first 5 years;
\$4.4M for Waterloo WTP Ground Improvements,
\$2.3M for Te Marua WTP Clarifier Seismic strengthening.

Proposed 2022/23 Annual Plan Water Levy Increase



Annual Plan Engagement – LGA requirements

- As per Section 95(2A) of the Local Government Act 2002, you need to consult on an Annual Plan if there are any *Significant* or *Material* differences from the content of the related year to the Long Term Plan
- Officers completed a Significance and Materiality Assessment of all the proposed changes to Year 2 of our 2021-31 Long Term Plan in line with our Significance and Engagement Policy:
 - Our assessment concluded that **no items** trigger a requirement to ‘consult’
 - Three items (RiverLink, Kaitoke Flume Bridge and Silverstream Pipe Bridge) were deemed significant and material enough to trigger an ‘inform’ level of engagement to our communities

Annual Plan Engagement – Inform or consult?

- Legal advice was sought on whether we would have to amend our 2021-31 Long Term Plan, and therefore consult, with regards to the significant cost increase to the RiverLink project. The advice concluded that while the overall cost increase is material:
 - it is related to general project cost increases rather than any change to how we are delivering the project;
 - it does not go against our Financial Strategy or agreed debt limits;
 - and there are no options to consult on.
- The Kaitoke Flume Bridge and Silverstream Pipe Bridge projects, being delivered by Wellington Water Limited, also face significant cost increases under similar circumstances to RiverLink.
 - The recommendation is for us to **Inform** rather than Consult the community on the RiverLink, Kaitoke Flume Bridge and Silverstream Pipe Bridge projects.

Annual Plan Engagement – what does it look like?

- What might “inform and engage” on the 2022/23 Annual Plan look like?
 - An overview of our **Year 2 work programme**
 - The proposed **Rates increase**
 - Inform on **RiverLink, Kaitoke Flume Bridge and Silverstream Pipe Bridge** cost increases
 - Inform on other cost increases including **Harbour Bylaw Fees, Wellington Water Levies.**
 - Acknowledge any community feedback
- There are numerous opportunities to engage communities both before and after the Annual plan is published.

There are key differences between Inform and Consult levels of engagement

| Inform | Consult |
|---|---|
| <p>Might look like...</p> <ul style="list-style-type: none"> • Social media campaigns • Media releases and councillors speaking to their communities about what is in the plan • Collate any feedback into general themes and issues • Reactive Q&A | <p>Might look like...</p> <ul style="list-style-type: none"> • Formal consultation process on the ‘significant and material differences’ (incl. submissions and hearings) • Online, print and social media awareness campaigns about the proposed change(s) and how people can have their say |
| <p>Supported by:</p> <ul style="list-style-type: none"> • 2022/23 Annual Plan document • Fact Sheets for each Catchment area • Digital content for websites | <p>Supported by:</p> <ul style="list-style-type: none"> • A consultation document • Supporting Information document |

Question for Councillors on Engagement

- Do you support our recommendation to **engage and inform** on the 2022/23 Annual Plan?

Next Steps – 2022/23 Annual Plan Key Deliverables

