

Long Term Plan 2021-2031

Budget Prioritisation Workshop - 5 November

Objectives of the workshop

Develop a draft LTP budget, considering:

- rates impact over 10 years
- what this LTP will deliver for our communities

Agenda

- 1. Community context** (pre-engagement and economic outlook)
- 2. Our baseline** (work to date, what's included and rates impact)
- 3. Current package** (where we have got to so far in prioritising and phasing new initiatives + options)

THE GREAT WELLINGTON REGIONAL STORY

LONG TERM PLAN 2021-2031



We are here

LTP Strategic Framework

Our Vision

An extraordinary region – thriving environment, connected communities, resilient future

Our Purpose

Working together for the greater environmental good

Our Community Outcomes

Thriving Environment – healthy fresh and coastal water, clean and safe drinking water, unique landscapes and indigenous biodiversity, sustainable land use, a prosperous low carbon economy

Connected Communities – vibrant and liveable region in which people can move around, active and public transport, sustainable rural and urban centres that are connected to each other, including mana whenua and Māori communities

Resilient Future – safe and healthy communities, inclusive and equitable participation, adapting to the effects of climate change and natural hazards, community preparedness, resilient economic base, modern and robust infrastructure, warm and dry housing

Overarching Strategic Priorities

Improving outcomes for mana whenua and Māori – proactively engage mana whenua in decision making, and incorporate Te Ao Māori and mātauranga Maori perspectives, so we can achieve the best outcomes for Māori across all aspects of our region

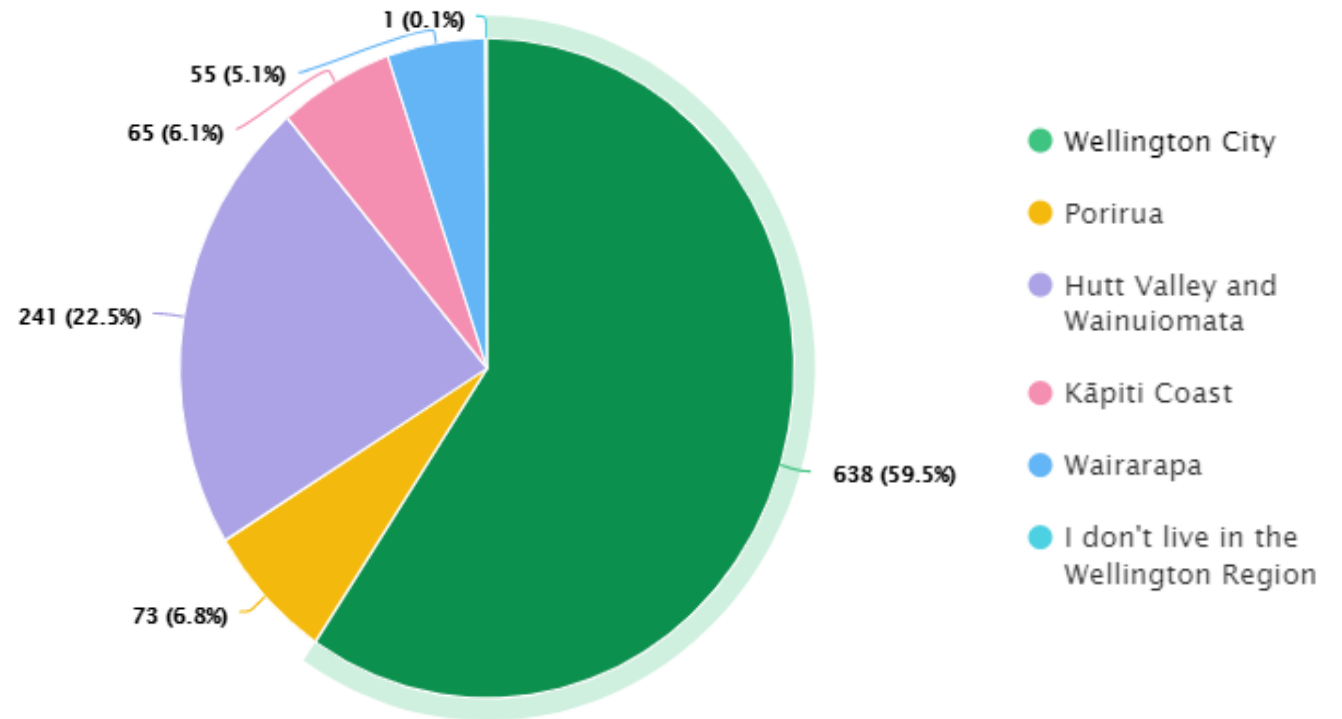
Responding to the climate emergency – meeting the challenge of climate change by demonstrating leadership in regional climate action and advocacy, and ensuring our operations are carbon neutral by 2030

Reshaping the future post-COVID – take a leadership role in responding to the economic consequences of COVID-19 and support the region's transition to a sustainable and low carbon economy

LTP Early Engagement - 'Korero Mai, Have your say'

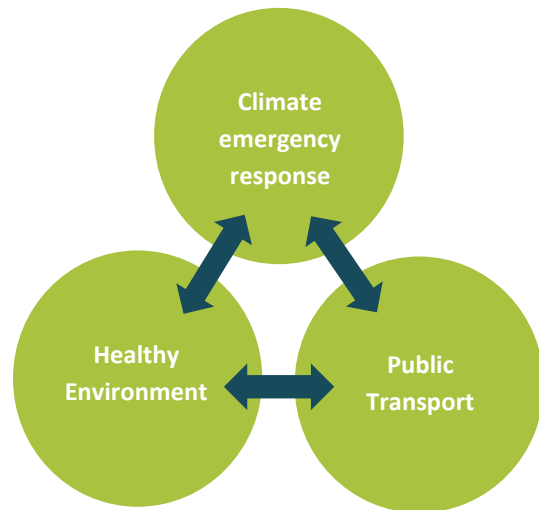
- 1,082 responses
- 4,000 people directed to the GW website
- 182,496 people reached
- 29% of Mana whenua comments stated our 'Te Tiriti o Waitangi' obligations
- Climate change and GW's declaration of a climate emergency is front of mind for many

Respondents location

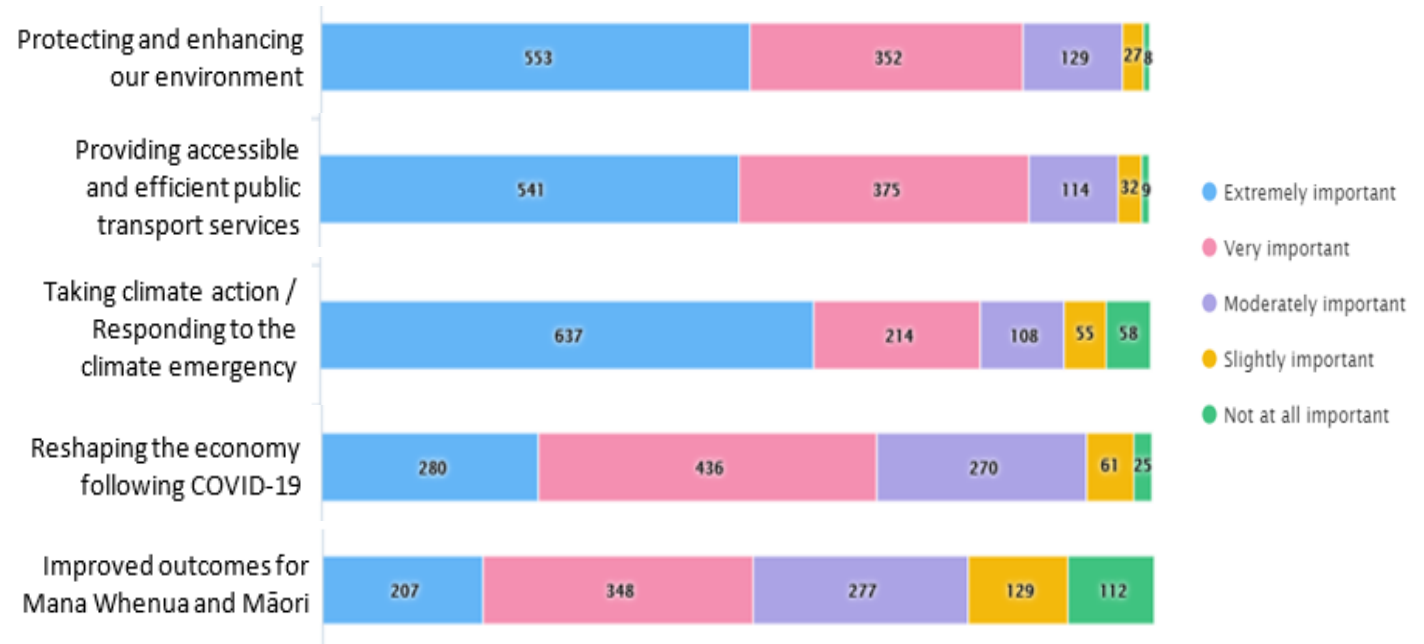


LTP Early Engagement - Priorities Supported

- All five key priorities had significant support
- Tackling climate change is interconnected with our other priorities



Support for the priorities



- Priorities were strongly interconnected in a holistic web, while the majority of the rest indicated strong relationships between two or three of the priorities

Mana Whenua engagement

What mana whenua have told us

- They need surety of funding so they can build capacity to work with GWRC
- They expect all managers to demonstrate how their activities meet the LTP obligation in terms of partnership
- Mana whenua should be visible throughout the LTP
- They expect greater transparency around budgets for mana whenua activity
- The LTP should be based on kawanatanga principles

Mana Whenua engagement

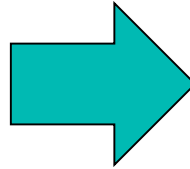
Our response

- Exploring a consolidated funding method of funding mana whenua that will give them greater autonomy, and which is outcomes focused
- Managers to report on how they are meeting partnership principles in quarterly reporting
- Greater transparency around budgets for projects that involve mana whenua

Mana Whenua engagement – Funding option

How we support mana whenua now

- Capacity and Resource Consent funding for each mana whenua entity
- Funding for Ara Tahī, Te Upoko Taiao and Committee representatives
- Individual contracts for work on resource consents
- Individual contracts for service
- Funding via Te Hunga Whiriwhiri that mana whenua can apply for



Funding mana whenua into the future

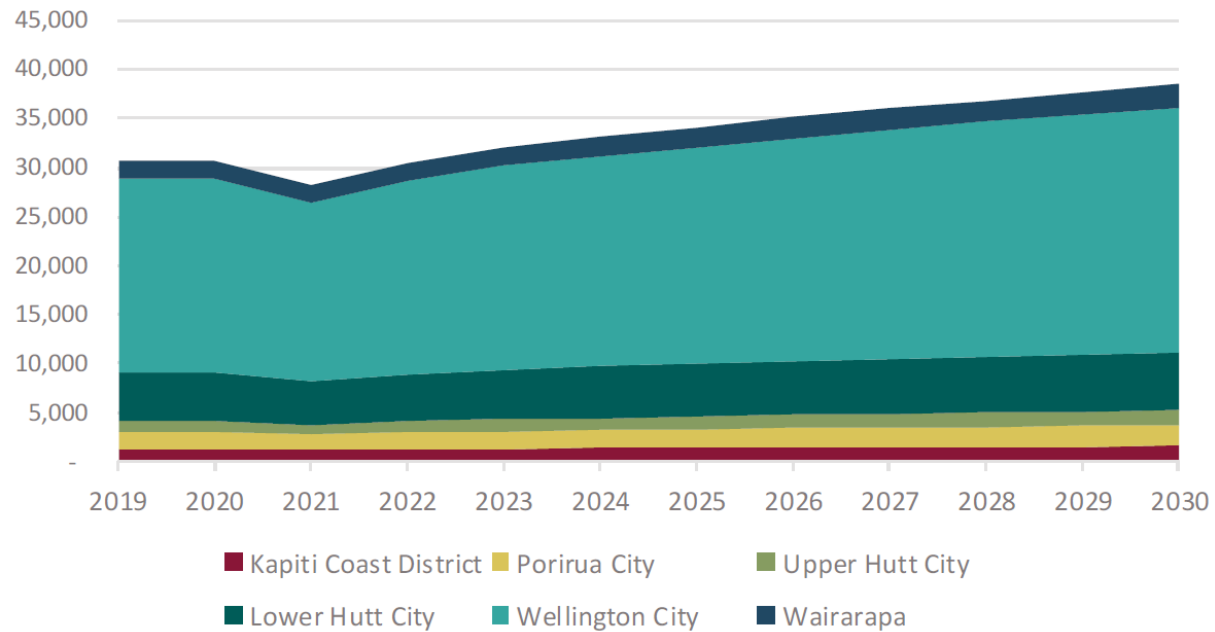
Two complimentary streams of funding for each entity:

- **Stream A:** Annual consolidated funding of all the resources they currently get under resource consent and capacity funding – to be identified in the Long Term Plan
- **Stream B:** Specific project funding for each mana whenua entity – e.g. whaitua implementation – to be identified in the Long Term Plan

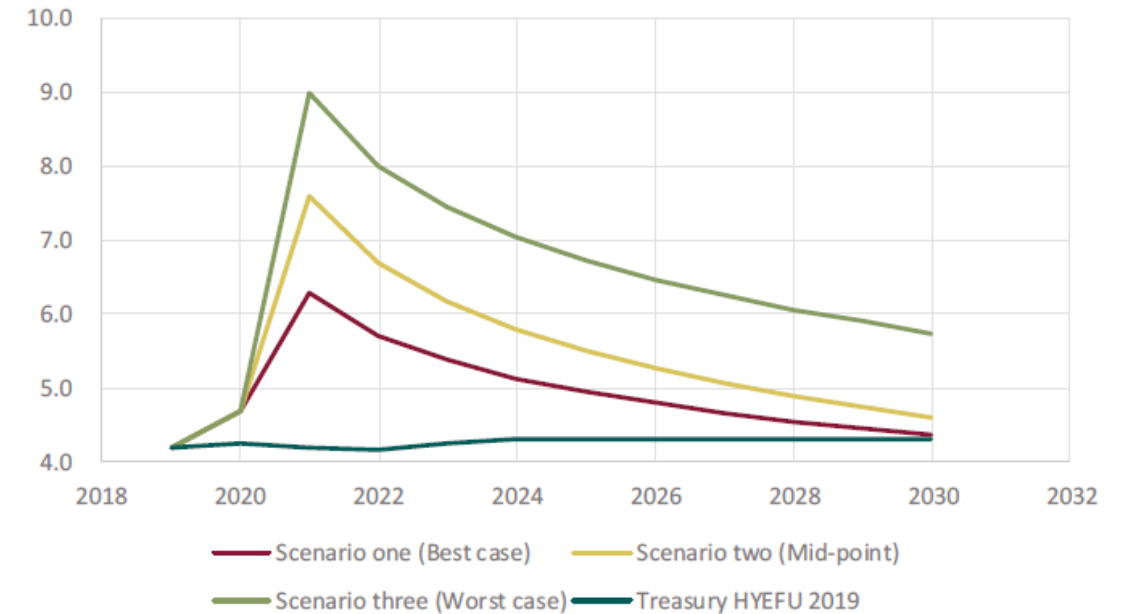
Outcome: Mana whenua build internal capacity and capability, adding value for them and GW

Economic outlook

GDP forecast (\$million) – Wellington region

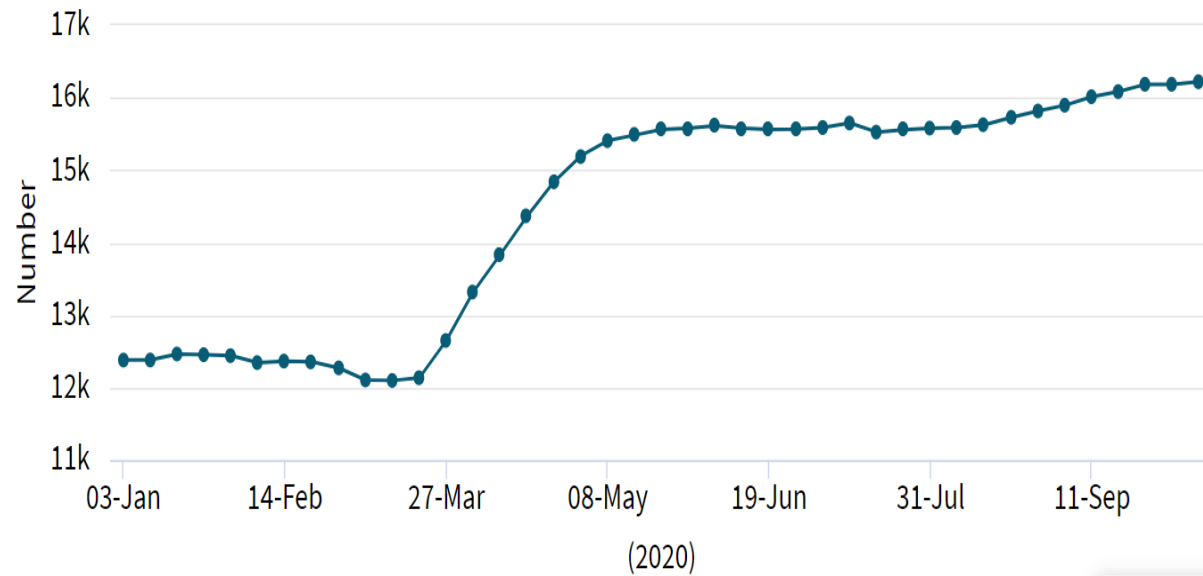


Unemployment Scenarios (%) - Wellington region

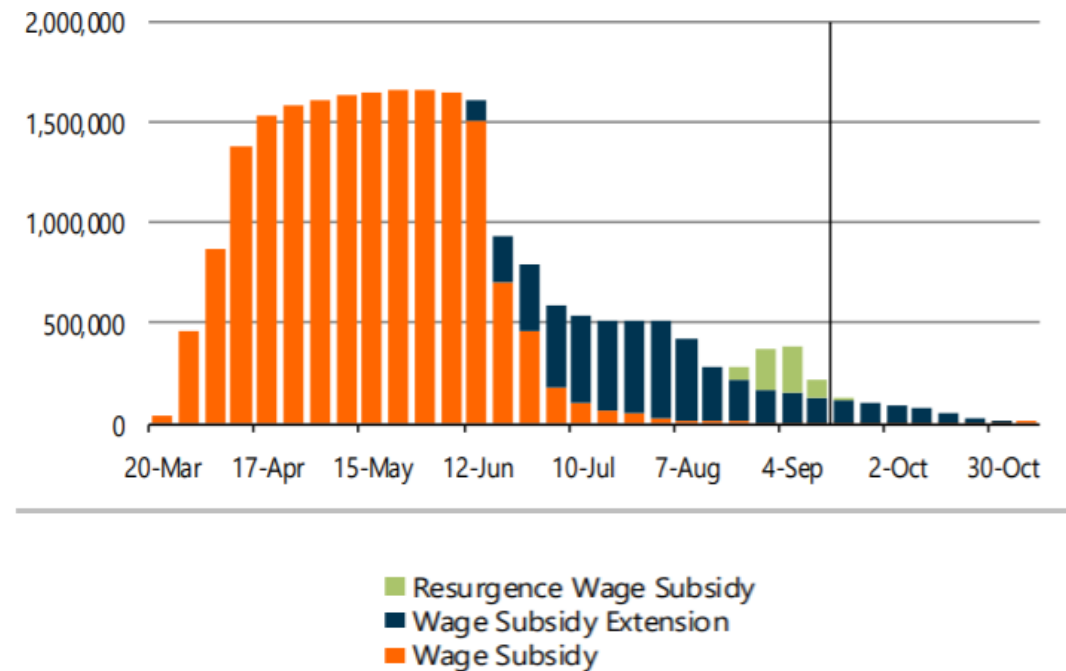


Economic outlook

Number on jobseeker support benefit – Wellington region



Number of jobs supported by wage subsidy – New Zealand



Focus areas for the budget process

- Delivering progress upfront on our overarching strategic priorities
 - ✓ Responding to the climate emergency
 - ✓ Improving outcomes for mana whenua and Māori
 - ✓ Supporting the region through the COVID-era
- Phased approach to Council's key result areas
- Community affordability
- Responding to national direction
- Maintaining levels of service, assets and infrastructure
- Deliverable CAPEX programme

Questions?

Budget prioritisation – process to date

How did we develop our current budget package?

1. Developed our baseline for the next 10 years
2. Sought savings and phasing within the baseline
3. Identified new initiatives
4. Prioritised and phased new initiatives
5. Identified further savings options for consideration

Process to date – developing the baseline

We developed our baseline for the next 10 years

We took our current Annual Plan as a starting point, and adjusted for

- **Unavoidable increases** (e.g. known rent reviews, contractual cost escalations and reviews, salary increases, insurance costs increases, critical asset maintenance)
- **Known decreases** (e.g. one-off items, items no longer required, known savings such as contract rate reductions)
- **Other justifiable changes approved** (e.g. approved business cases and contractual commitments/agreements – including Jobs for Nature, 98 EV buses, ERRRA)

Process to date – finding savings in the baseline

... and sought savings and phasing opportunities within the baseline

To relieve baseline rates pressure, we assessed our work programmes to identify

- discretionary spend that could be cut or re-phased
- alternative funding sources
- deliverability challenges that may benefit from re-phasing
- reallocation of funding to high priority areas

Savings applied to the baseline

Public Transport – \$16m per annum

- Maintain Rail Renewals at current budget levels and reassess Renewal priorities (\$5m p.a)
- Keep Insurance contributions to Partners at current levels and discuss future options at national level (\$3m p.a)
- Stop further Snapper development on the current network (\$2.5m p.a)
- Defer Phase 2 of Bus Network review for the rest of region (\$2.5m p.a)
- Suspend ongoing service level enhancements and timetable changes. (\$1m p.a)
- Review of all Capital expenditure, phasing and deferring non critical projects including the new RTI system; National ticketing and infrastructure projects (\$4m)
- Analysed historic actual costs to budget and reduced associated costs in operations (\$2m p.a)
- Debt funded LGWM project over 10 years, removed from the baseline and included as a new initiative for the first three years

Savings applied to the baseline

Environment & Flood Protection

- Reserves \$0.4m and Predator free Wellington \$0.2m
- Review of capital expenditure, including \$2.2m reduction of LWVD capex for 21/22 to 24/25
- Review of opex phasing and deferring \$0.2m of Whaitua planning & implementation to 22/23 and 23/24
- Review of external revenue and cost recovery allocation

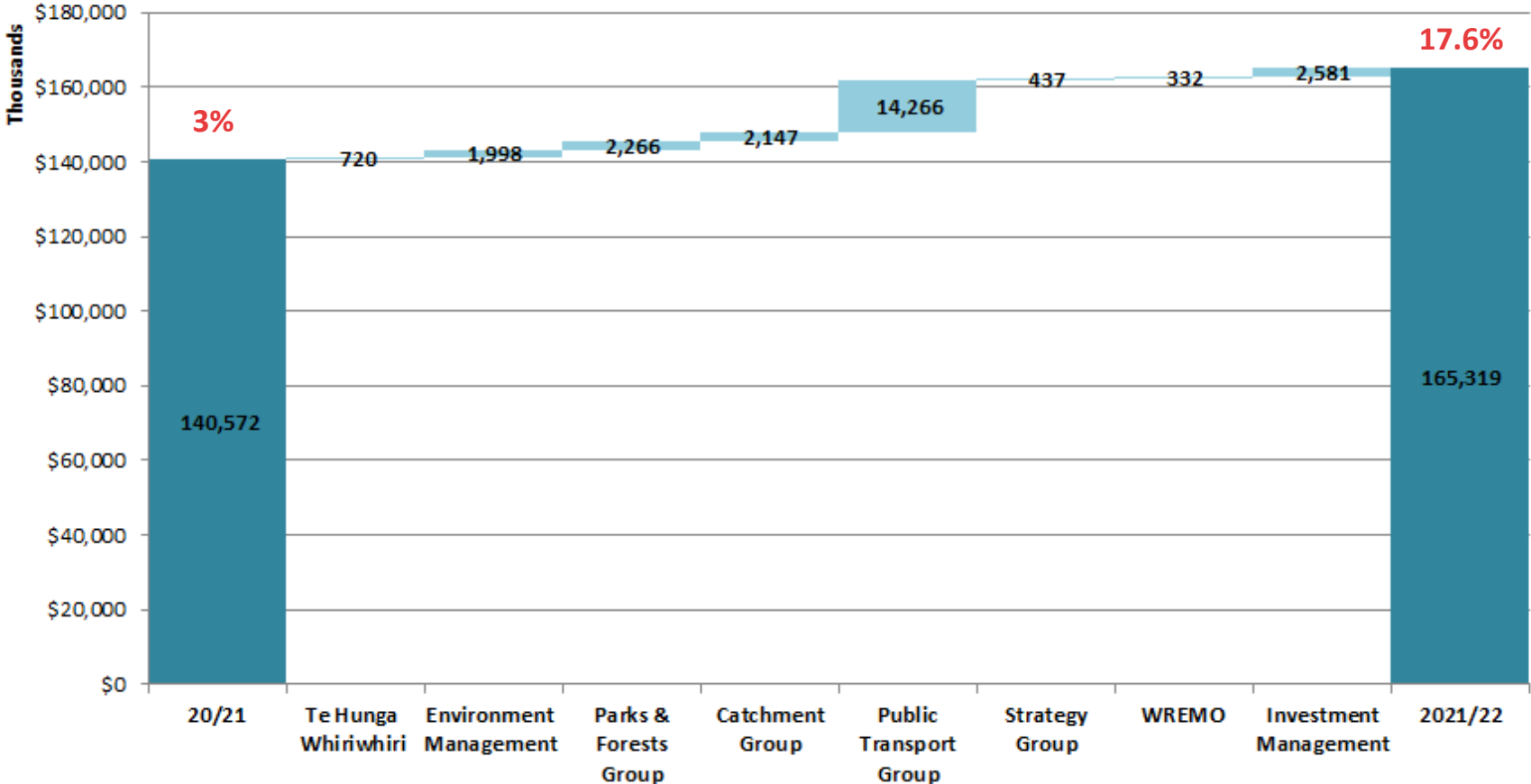
Regional Strategy and Partnerships

- WREDA funding reduction \$0.3m
- Reallocation to maintain Climate Change levels of service
- Reduction in Ara Tahī expenditure of \$0.05m

Major baseline drivers (year 1)

Environment & Flood Protection	Regional Strategy & Partnerships	Public Transport / <u>Metlink</u>	Investment Management
\$6.4m	\$1.5m	\$14.3m	\$2.6m
<ul style="list-style-type: none"> • Movement in reserves • Asset Management Plan updates • Planned reduced revenue in Parks & E-regulation and Science • Movement in debt servicing, net asset acquisition, overheads, restitution fund, inflation • Other BAU changes: Ground water monitoring, navigation aids, coastal and lake water quality and ecology cost pressures • Revenue reduction – shingle extraction 	<p>Strategy:</p> <ul style="list-style-type: none"> • Transport Model funding change • Contractor spend reduction in 20/21 as a one off • Sustainable Transport Project <p>THW:</p> <ul style="list-style-type: none"> • Personnel costs increase • Contractors and consultants BAU budget increase • Movement in reserves 	<ul style="list-style-type: none"> • Revenue shortfall as a result of COVID-19 (\$8m) • Roll-out of 98 electric buses (\$2.5m) • ERAA – Rest and meal breaks (\$1.8m) • Rail maintenance and renewal of assets and network (\$1.7m) • Implementation of the strengthened network and renegotiation of Snapper contract (\$0.3m) 	<ul style="list-style-type: none"> • Interest rates decline – increase cost of swaps

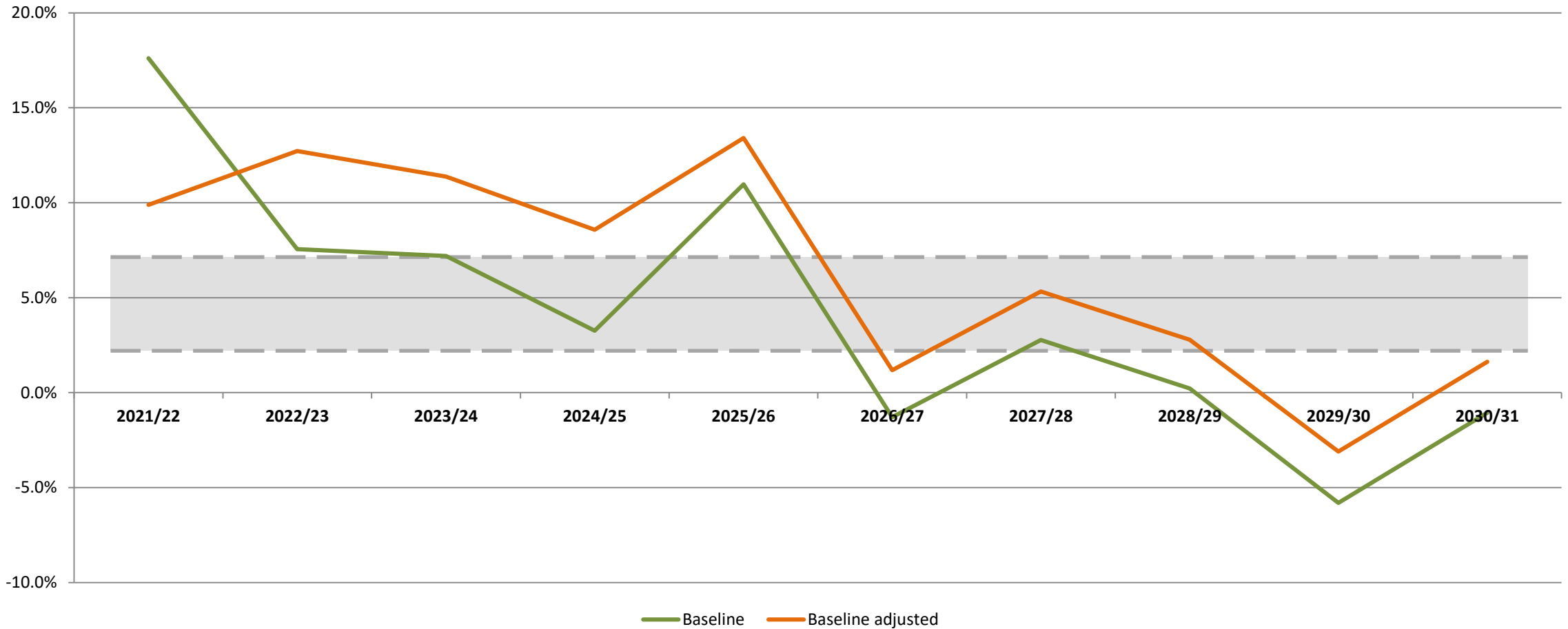
Baseline movements 2020/21 to 2021/22



Financial tools

Estimated rates reduction from financial tools		Yr 1		Yr 2		Yr 3		Y4-Y10
		\$'m	%	\$'m	%	\$'m	%	%
Debt Funding								
	Public Transport fare revenue gap	8.0	-4.5%	6.0	2.6%	4.1	1.1%	7.4%
	Public Transport business case project	1.5	-0.9%	1.5	-0.7%	1.5	-0.5%	-1.1%
Reserves								
	More cost effective option to use than debt by approximately 2% over 3 years (1.5% average over 10 years)							
	Public Transport reserves	1.5	-0.9%	0.75	-0.4%	0.75	-0.4%	\$7.7m at end 23/24 for utilisation
Loan Life								
	Riverlink loan extended by 5 years	0.5	-0.3%	0.62	-0.4%	0.709	-0.4%	-2.65%

Rates % increase baseline comparison



Questions?

Process to date – new initiatives

We identified new initiatives in areas requiring additional funding (on top of the baseline) to meet priorities, challenges and expectations - led by our new strategic framework and LTP assumptions

... and prioritised and phased them, considering our strategic priorities, significant risks, financial constraints and deliverability of the package

Public Transport

Summary of new initiatives

- Ambitious decarbonisation programme for bus (B2)
- Strengthened customer experience through improvements in smarter connections, on-board information and stations
- Decarbonisation programme for rail (R1), primarily based upon new rolling stock for the Lower North Island

(Appendix 1)

Regional Strategy & Partnerships

Summary of new initiatives

- Building capacity so that mana whenua can engage and partner with us
- Meeting our LGWM commitments
- Joint Committee to oversee implementation of regional growth framework

Note: Climate Change Regional Strategy is not included in package (200k yrs 1 & 2). It is likely this will be developed through the Wellington Regional Growth Framework

(Appendix 1)

Let's Get Wellington Moving

- Programme outcomes (preferred options and sequencing) and local funding share with WCC to be determined in first half of 2021 – after consultation document issued
- Placeholder approach for GWRC and WCC Long Term Plan
 - Years 1 to 3: Continuation of Relationship and Funding Agreement interim funding shares

	2021/22	2022/23	2023/24
GWRC 20% share of business case costs (\$m)	10.0	10.8	8.7
Rating impact (\$m)	0.5	1.0	1.5
Rating impact (%)	0.4%	0.8%	1.1%

- Years 4 to 10: 'Envelope' approach based on Programme Business Case funding methodology

Environment & Flood Protection

Summary of new initiatives

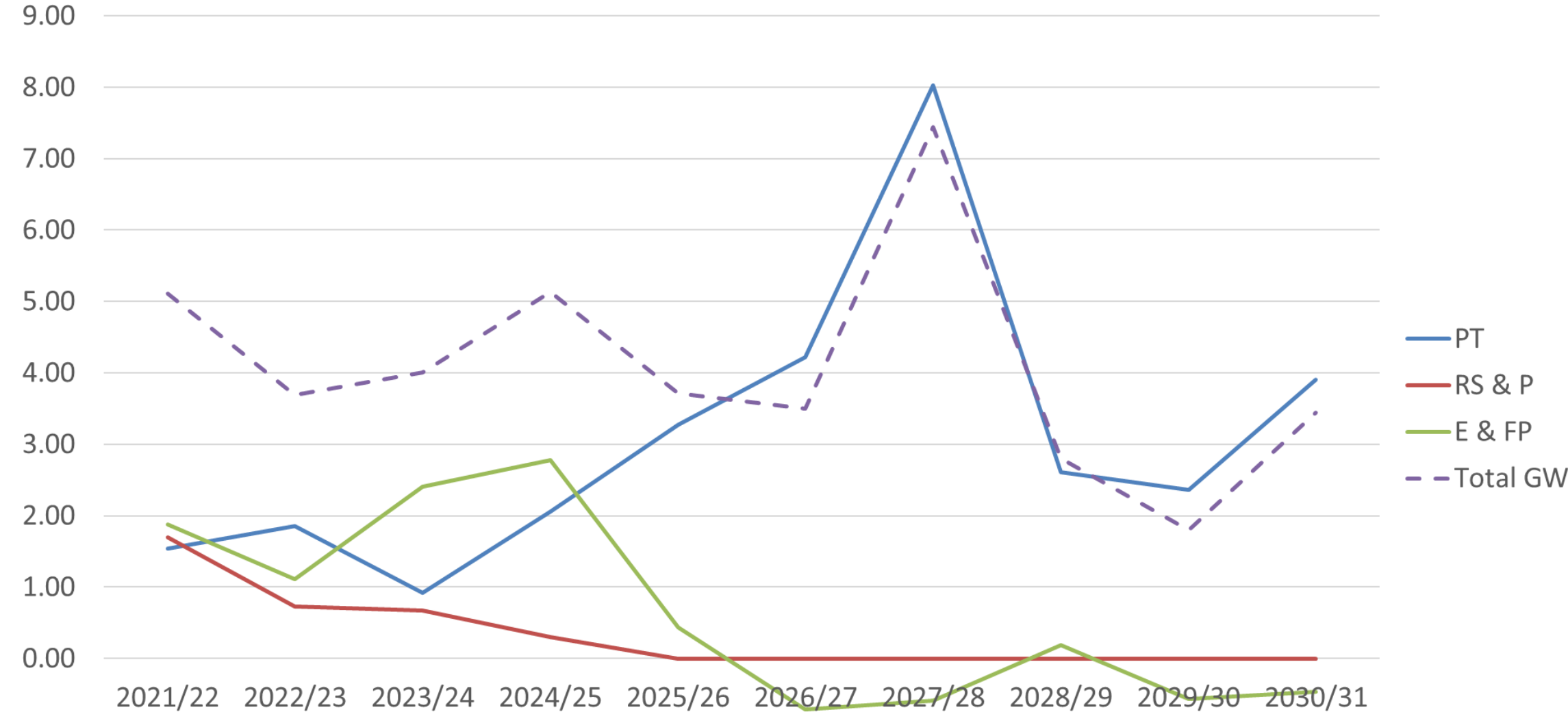
- Response to national direction (focus years 1-3)
 - meeting statutory obligations and phased approach to compliance
 - aligned with Council priorities to protect and restore freshwater, biodiversity & ecosystem health
- Progressing Council's carbon positive and restoration goals (P1.5)
- Maintaining levels of service to deliver core environmental responsibilities

(Appendix 1)

Further initiatives – Not yet included in package

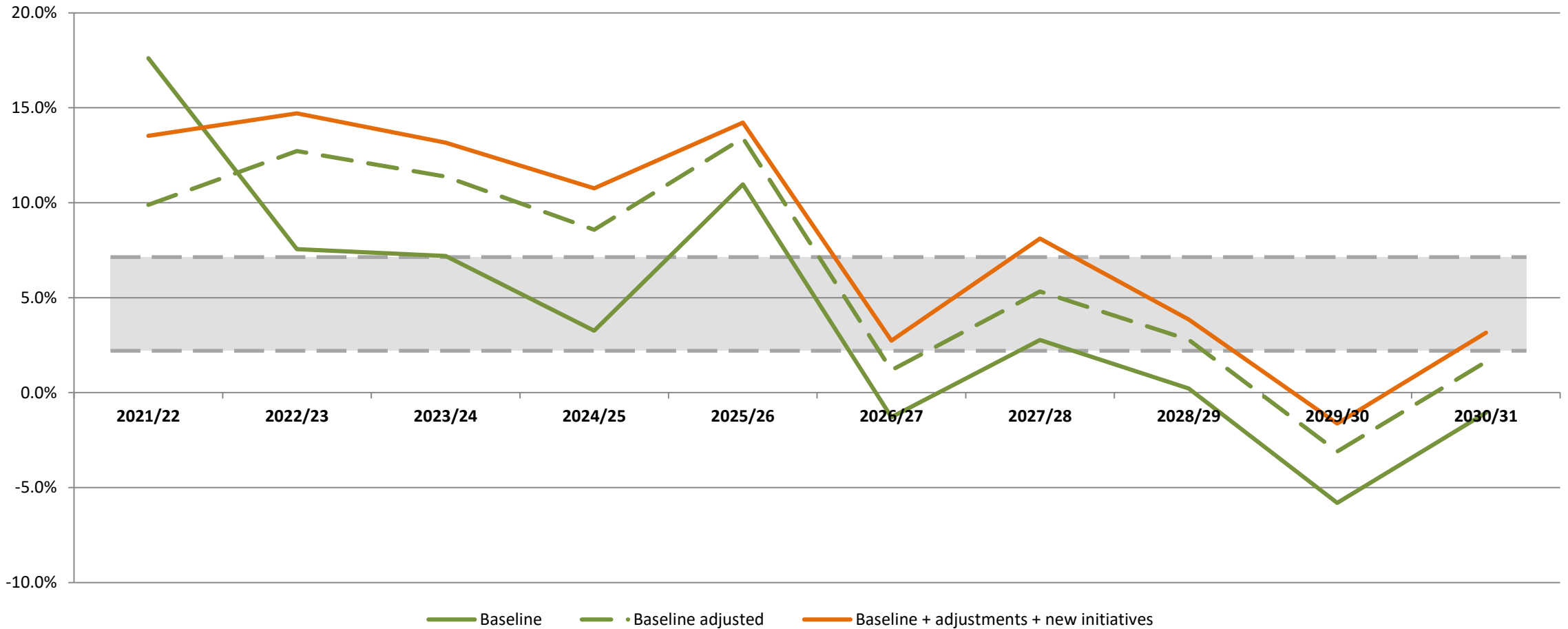
Options	Scale	Reason for exclusion
Fit for future	Analysis needed	Not yet fully scoped
Further accelerated restoration (P2)	In addition to P1.5 figures: \$2.1m yr 3 onwards	Possible deliverability issues
Parks network plan implementation	Analysis needed	Not yet fully scoped
Enviroschools funding structure amendments	\$90k yrs 1 to 3 \$250k yr 4 onwards	Levels of service maintained through current structure

New initiatives – increase per year (\$million)



(1.00)

Rates % increase comparison



Questions?

Further savings options for consideration

A lot of work has already been completed to find savings and re-phase work where possible

To significantly reduce the rates impact at this stage, we would need to find savings by:

- Significant levels of service reductions
- Stopping major programmes
- Re-phasing Council commitments
- External funding requirements

An alternative approach (if significant savings cannot be found) is to front load the first year of the LTP (2021/22), explain clearly why a major re-adjustment is required and thereby reduce the rates impact on the following years of the LTP

Savings options – new initiatives

Options	Scale	Considerations
Slow down carbon positive goals	(P1) \$1.6 million yr 4, \$800 k per year from yr 5 (reduction from P1.5)	Restoration of up to 1120 hectares of Parks land over the next 15 years (235ha less than P1.5 option, over a longer time period). Note LCAF funding in yrs 1-3 for both options.
	(B1) \$70 million over the term of the LTP (reduction from B2)	B1 only replaces diesel buses with electric at end of life and represents only a 5% reduction in the GW group's carbon footprint in 2029-30 compared to 2018-19, whereas B2 represents a 30% reduction These could be reduced further (i.e. B0, P0, R0) and / or balanced with greater carbon offset purchases

Savings options – new initiatives

Options	Scale	Considerations
Assume % government funding to assist GW response to national direction	Total new resourcing in Environment + Flood protection: \$1.8 million yr 1 \$2.8 million yr 2 \$5 million yr 3	Sector-wide resourcing/funding issue. Significant level of uncertainty regarding attainment of government funding.
Joint Committee reduction of project funding	\$200 k (Reduce scale of new initiative from \$400 k)	Project funding would need to be identified from individual local governments as and when required
Māori economic development	\$100 k (remove new initiative)	This would require strategy implementation funding to be sourced from iwi and central government

Savings options – Levels of service

Options	Scale	Considerations
Environment & Flood Protection group reductions – Total \$1.34 million		
Parks	\$400 k	Lower service against a key strategic priority. Fail to meet full public expectations regarding recreational offering, and asset decline
Stop submissions	\$100 k	Significantly reduce opportunity to input to national processes. No GW submission input for local council consenting
Reduce consent processing	\$100 k	Lengthen processing time frames, and increase failure to meet statutory limits
Reduce science and investigations	\$200 k	Fewer evidence based decisions. Potential for unchecked environmental effects through reduced monitoring
Reduce Whaitua science	\$100 k	Lower service against a key strategic priority. Less evidence-based science to inform Whaitua freshwater limits and objectives
Reduce Whaitua process	\$100 k	Lower service against a key strategic priority. Move away from current full community committee process framework; limit level of input, and potential reduce scale of WIPs
Biodiversity/biosecurity	\$340k	Negative environmental impact, community expectations, conflicts with strategic priorities

Savings options – other

Options	Scale	Considerations
Wellington NZ funding reduction	\$1 million reduction (Currently granted \$4.3m per year)	Could shift allocation model to a contestable fund for specified projects (avoiding overhead costs)
Sell port shares (to 51%)	Analysis needed	\$4m per annum dividend over yrs 1-3 of LTP. Analysis and consultation required. Sale impact yr 3 earliest.
Initiate a review of the existing PT operating model contracts	Analysis required	Review and re-negotiation of contracts so GWRC can start to receive the financial benefits of the lower maintenance costs associated with our decarbonisation activities
Ngauranga to Petone cycle/walkway	\$ 1 million in years 1 & 2	NZTA are the primary funders, GW contribution represents a contribution (debt funded in baseline)
Additional revenue (Environment)	\$560k yr 1 \$330k yrs 2 and 3	Possible negative reactions to charge increases (RMA charging). Riverlink revenue uncertain as acquisitions may not proceed.

Savings options – other

Options	Scale	Considerations
Flood Protection contingency reserves	Up to \$1 million per year for three years (Reserve is \$3.1m, 200k per year already allocated)	Once this reserve is exhausted, Council would need to fund the general rate share (e.g. 50%) of minor flood damage repairs from surplus or other means (borrowing)
Public Transport reserves	\$1 million per year	Currently using \$1.5 million yr 1, \$0.75 million yrs 2 and 3, with \$7.7 million remaining by yr 4
Interest rate swaps	\$1-2 million in years 1 and 2	Renegotiate fixed interest rates with lenders. Likely to reduce cost in the short-term and increase longer-term costs

Given the context and detail discussed today, what is Council's direction regarding

- the preferred rates pattern?
- adjustments to the new initiatives package?
- preferred savings options?

Next steps