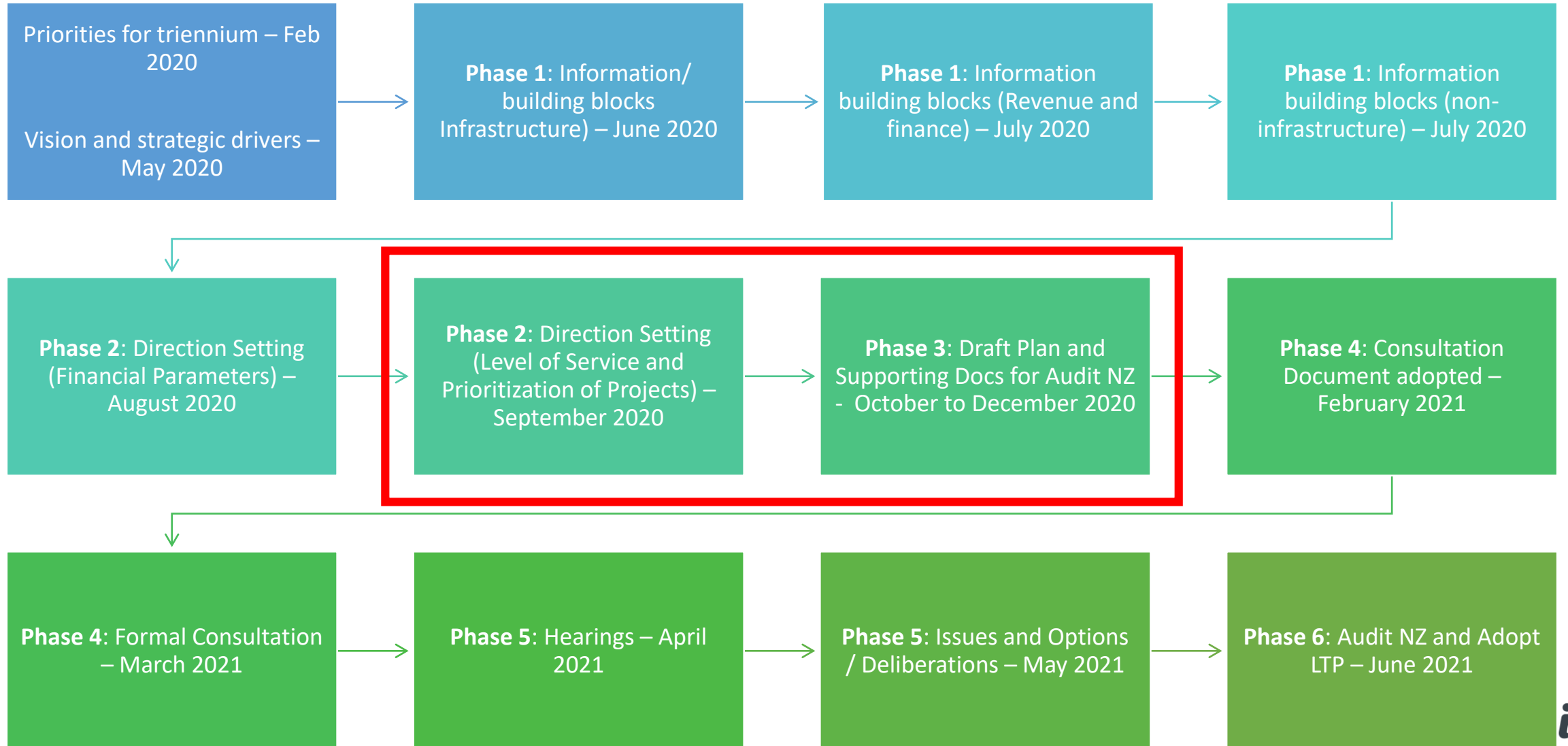


LTP Prioritisation

~~22 and 23~~ September 2020 –*continued . . .*

Timeline for the LTP



The plan . . .

Feedback from some councillors identified two components / steps they were seeking through the LTP process

22/23 September:

- ~~• 'What new projects Council wants to deliver' – well done!!~~
- What new projects can Council deliver?

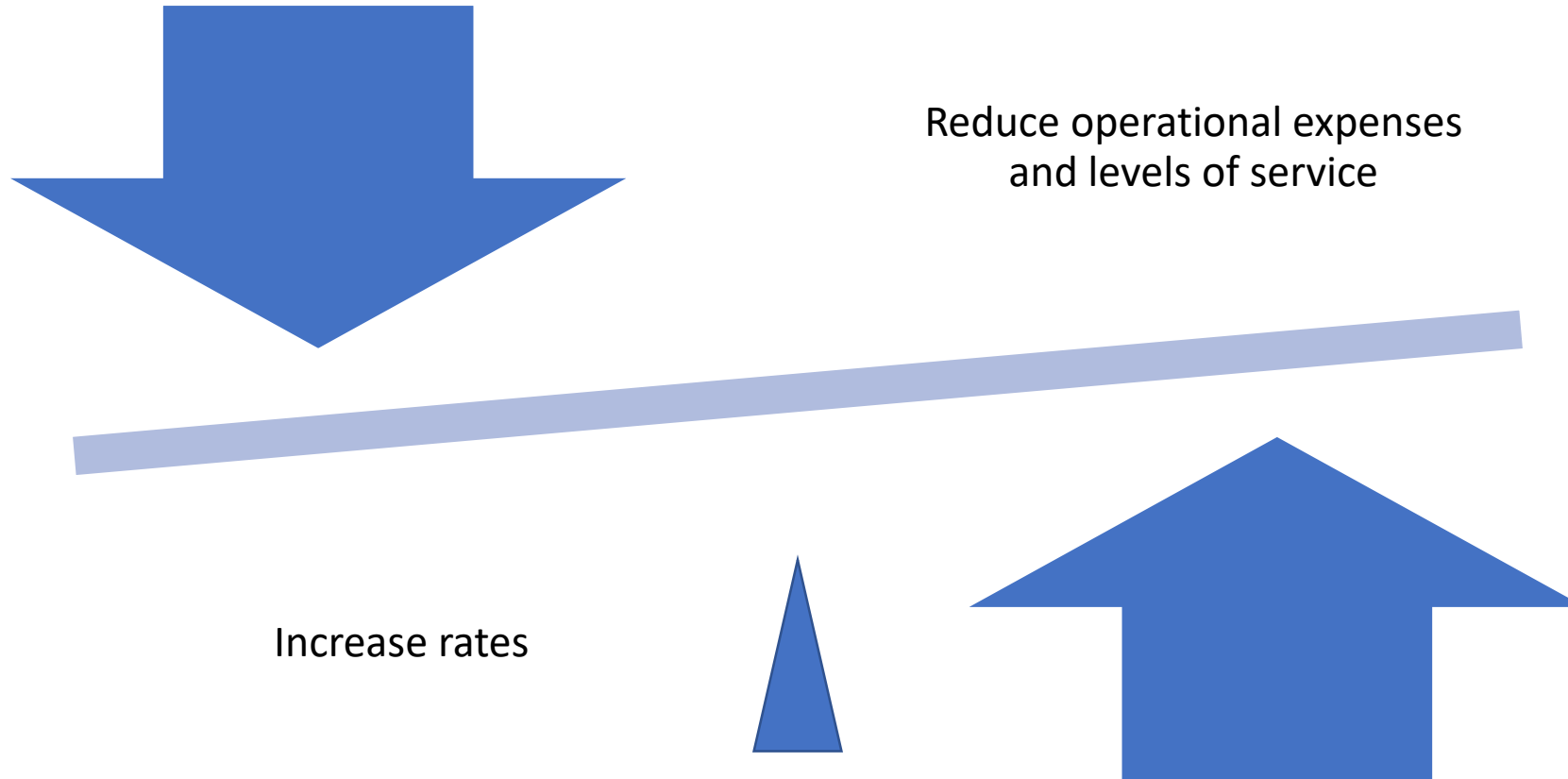
29 September:

- 'How Council delivers projects', including the potential for different mechanisms for delivery
- Activities / projects we could stop doing (included on the agenda for the 17 September Briefing)

Flashback . . .

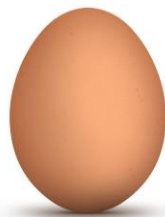


Biggest pressure point...balanced budget





or the



?

‘the decision to adopt (and all of the policy and service decisions that lead up to adoption) are political decisions for the elected members to make. The advice that officials provide is an information source to the process, as is the feedback gathered through community engagement [but] the LTP is . . . the elected member’s document’

New Zealand Society of Local Government Managers - Living through the Long-Term Plan 2021

A painful but necessary part of the process . . .

In order to deliver a draft LTP by the end of the year, direction from Council was needed on the programme of the projects (capex and opex).

This direction will enable financial modelling of BAU and councilor priorities to get a good handle on our position. Once we have that we can work through:

- Levels of rating increases??
- Balanced budget benchmark result for each year??
- Opex cuts to get to a balanced position??
- A 'cap' to land on a sustainable/deliverable programme – noting that **capacity (not debt) is the key constraint for capex??**
- Appetite for carry forwards??
- How many of the 'priorities' can we factor into the programme??

The next step will be to model the direction from yesterday today, bringing back both the BAU projects and requests for consideration of Council.

The FIRST XV . . .

	Capex	Opex
Transport	Seal Extensions, Port Kioreroa Intersection and Bridge 4 Lanning, Footpaths, Traffic Calming/Slow Streets, Bridge and Structure Renewals, Cycleways/Shared Paths (6)	Roadside cleanup (1)
City centre revitalization	John St (early), James (later, with constraints), City Centre Cycleway Connections (3)	
Sustainability	Stormwater Treatment (1)	Weed/pest control and community support, climate change risk assessments, funding to support sustainability strategy, replanting of native trees/ETS credits (4)
Northport/Navy (treat separate)		Northport Advocacy/Corridor Plan (1)
Housing		Supporting conversion to innercity housing (1) Partnership with stakeholders (non cost)
Project/Grant funding	OTP Seawall, Public Toilets, Waipu Cycleway, FN H & S upgrade, Pohe Island lighting/CCTV (5)	Community Fund, Community Facilities Fund, Hihiaua, NECT Full Trust operating cost, Gomez Rd, match Govt Grants, Economic Development Initiatives, enhanced community development capacity (8) React to government reforms (non cost)

The rough numbers

As discussed we cant do financial modelling until we have clear direction and a programme to model. As such we are dealing with moving targets and have had to make a number of assumptions:

- Rates increases: two scenarios have been provided as a starting point (year 1 only)
- Capex: two scenarios to identify headroom over BAU (a ballpark figure over 10 years)
- Subsidies and grants: based on the current draft roading BAU programme
- Depreciation: this is a high level estimated based on historical trends. Impacted by capex programme
- Finance costs: these will be recalculated once a programme is set and debt levels can be determined
- Opex on projects: capex requests may alter opex on projects as well as consequential opex
- Revenue assumptions: further work to be undertaken on revenue items to ensure a consistent approach to expected revenue levels (difficult with current uncertainty)

These are very rough figures and should be viewed with extreme caution at this point, **they will change.**

Opex

	Pre-Covid Annual Plan 2020-21 \$000	Annual Plan 2020 - 21 \$000	Scenario A 2% inc + 1% growth LTP year 1 2021 - 22 \$000	Scenario B 2% inc +, 2% covid catch up+ 1% growth LTP year 1 2021-22 \$000
Balanced budget benchmark %	101%	98.0%	98.4%	99.5%
Balanced budget benchmark \$000 Over/(Under)	1,571	(3,008)	(2,562)	(777)

Capex

We are still doing the QA of BAU, there will be overs and unders. However, as **debt is not the constraining factor** the available headroom will be driven by where we start, and what we consider a sustainable/deliverable programme.

Two scenarios have been looked at, based on removing large 1 offs (i.e. Poroti, Riverside, Civic) and land purchases from the programme:

Scenario 1 - \$55m yr 1, \$60m yr 2 & \$65m yrs 3 – 10 = approximately \$15m headroom over BAU (10yrs)

Scenario 2 - \$60m yr 1, \$65m yr 2 & \$70m yrs 3 – 10 = approximately \$64m headroom over BAU (10yrs)

However, we are over in the first three years and there will consequential opex, subsidy and deprn associated with requests.

Suggested approach

- Draw a line under the 'first 15' as your collective top priorities
- Add in/bank the non cost items that align to your term priorities, and can be delivered within BAU budget
- Bring back any items where there is a potential risk/impacts to work through implications (EOC, Pound, Digitalisation)
- Have further review/discussion around the scale of programme lines (i.e. cycleways/shared paths, bridge renewals, footpaths/slow streets), and mechanisms for delivery (starting on the 29th)
- Start the hard discussions (particularly in opex) around:
 - Savings, levels of service and tradoffs to provide for priorities
 - Rating levels and revenue streams
 - Balanced budget benchmark result for each year
 - The timing and scale of capex to ensure a sustainable programme