

# ***Long Term Plan Update:***

## ***Draft Financial Strategy and Consultation Document***

8 December 2020

*‘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*

# *The plan . . .*

## **Agenda 8 December:**

- Recap
- What has changed to lead us here?
- Review of two key draft supporting documents for the LTP:
  - Financial Strategy
  - Consultation Document

## **Next steps.....**

- Council Briefing: 10<sup>th</sup> December – Review of Draft Infrastructure Strategy
- Council Meeting: 17th December - Adoption of Draft Consultation Document & Supporting Documents

# Recap

This is the final of a series of Council briefings on the development of the draft Consultation Document and supporting documents to the Long-Term Plan 2021-2031 prior to Audit and consultation. This session follows previous Briefings where we have worked through the :

- Development Contributions Policy
- Rates, Remission and Postponement Policy
- Rates FIS
- Revenue and Financing Policy
- Growth Model
- Activity Profiles (Including Levels of Service)
- Significance & Engagement Policy (Adopted by Council 26 November)
- Capital Expenditure Programme
- Key issues for Consultation
- Comms and Engagement Plan

# ***Elected Member direction:***

As a result of feedback in the Council Briefing on 19th November 2020 we:

## **Rating**

- Increased water rates by LGCI + growth.
- Maintained wastewater rates in the first three years in order to build a reserve, with growth only for years 4-10.

## **Capex**

- Are working through renewals funding (review ongoing).
- Maintained the \$50m (uninflated) total budget for road sealing but staged the timing in order to build capacity to deliver (note, these are timing changes only, budget can be brought forward if programme delivery exceeds expectations).
- Aligned budgets for shared paths/cycleways with subsidy.
- Have been explicit on the preferred theatre options funded in the plan with:
  - Oruku Landing is in years 1-3 of the 'one offs'
  - Forum Nth upgrade in years 6-7 of the 'one offs'
  - Hihiaua noted as a yr 2 opex grant at the bottom of the programme

The capex list will be rolled in to 'flexible programmes' for the audit version on 17 December.

# Activity Profiles

Following Council Briefings on 3rd September 2020 and 19th November 2020 the Activity Profiles now include:

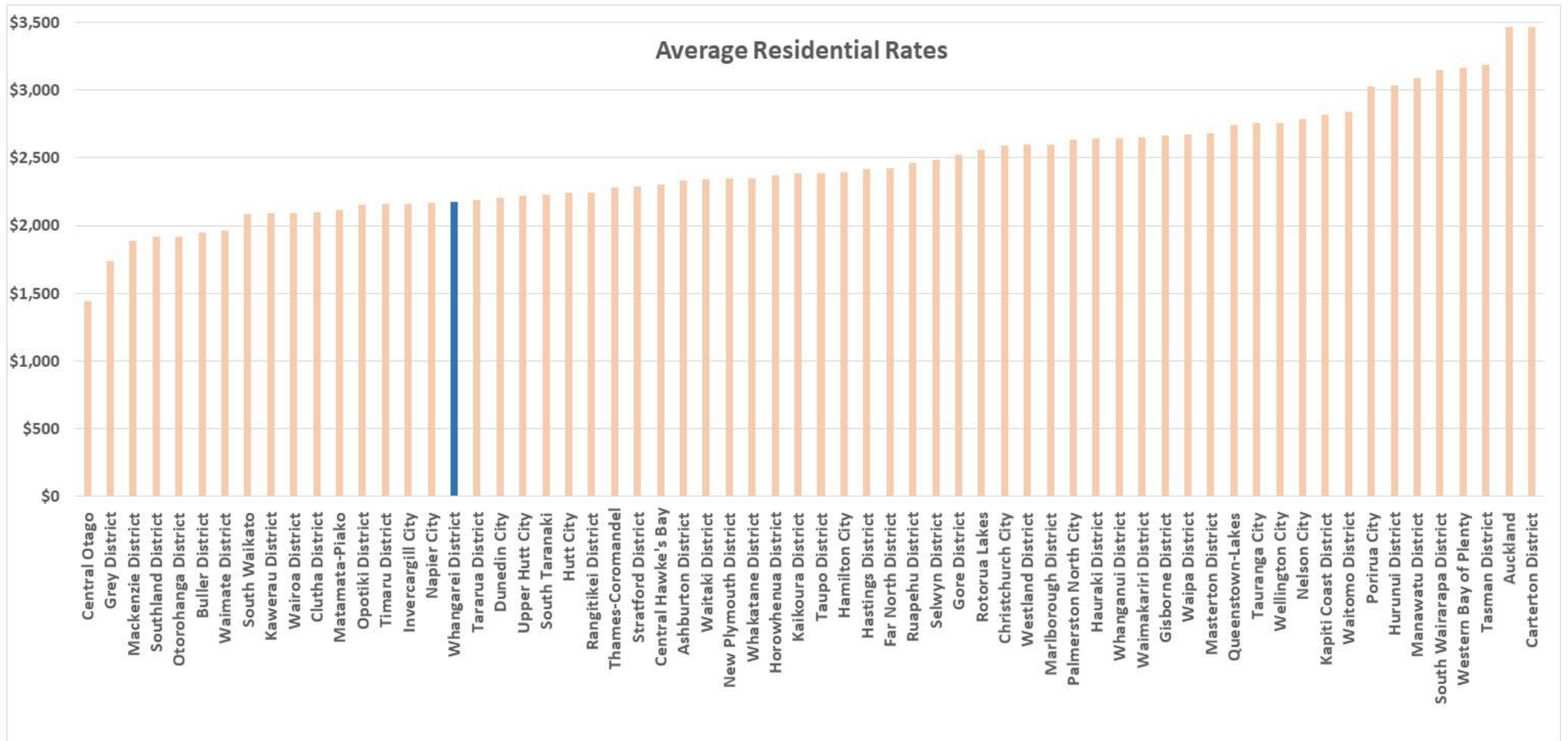
- Front end statements that link to the four wellbeing's of the LGA and inclusion of key strategic issues such as climate change and District growth
- Amended measures to use quantitative data where possible (instead of qualitative satisfaction data)
- Consistent targets for Resident Satisfaction where used across water infrastructure activities.
- Amendments of measures to better align with what Council can influence – e.g. Limited role in community safety as opposed to the Police.
- Additional measure to report on the review of statutory policies and bylaws within legislative timeframes

# ***Rates – How do we compare?***

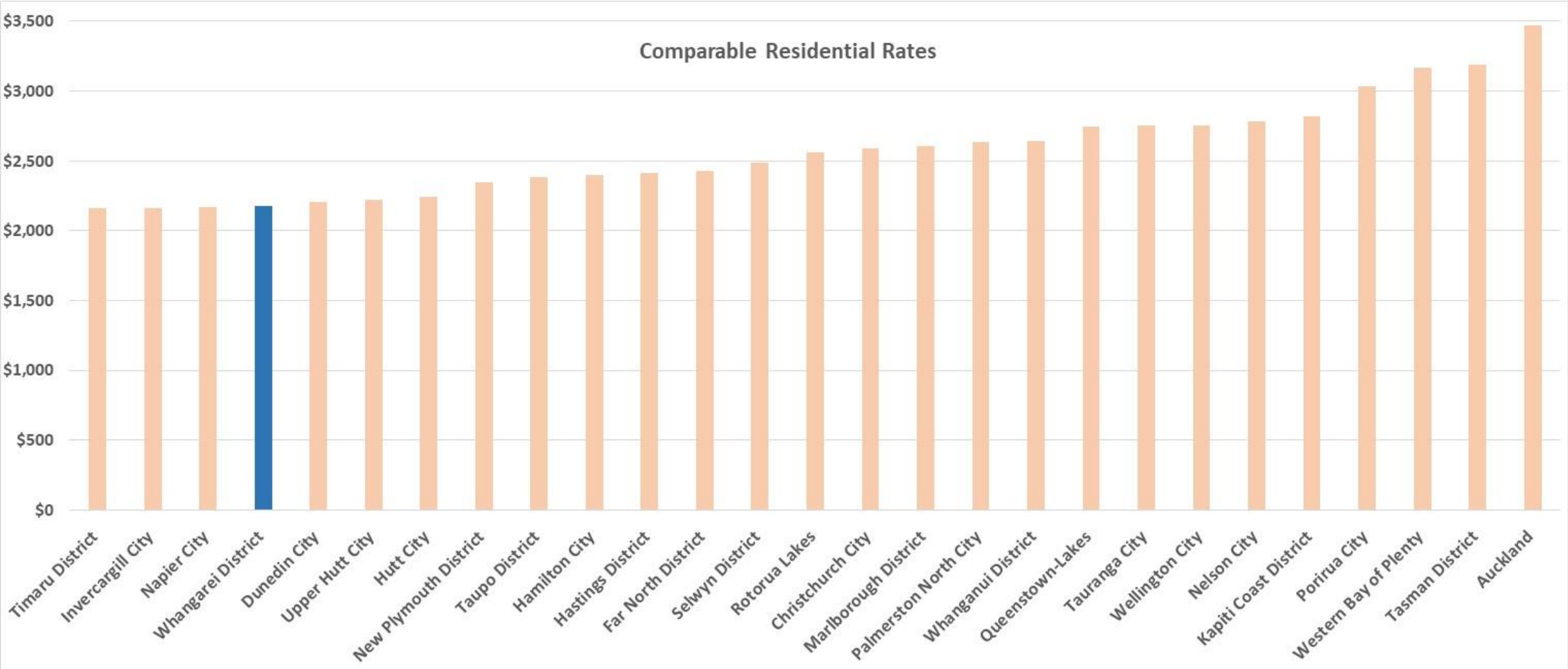
The Taxpayers' Union have just released their report for the 19/20 financial year.

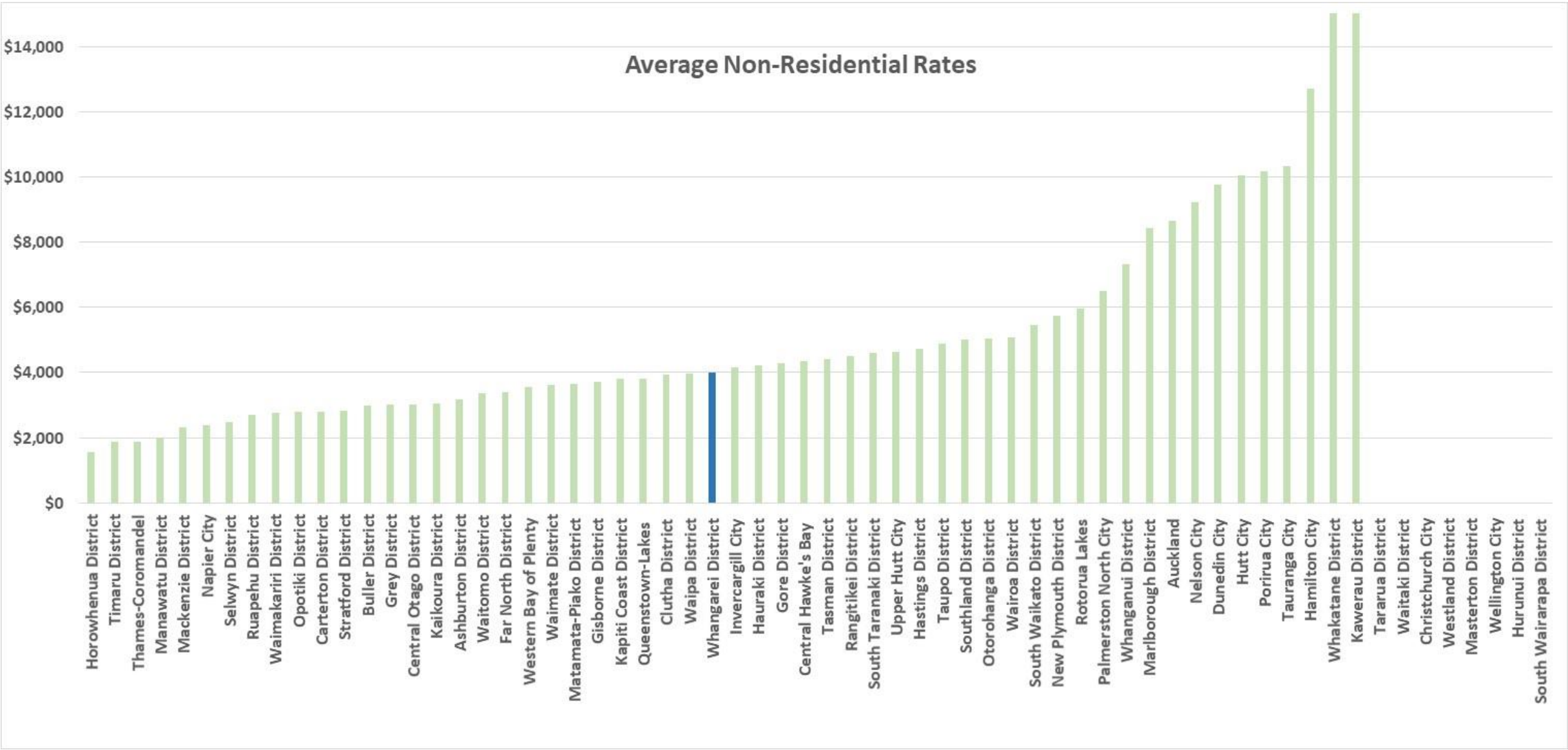
WDC is still at the 'lower end' of average rates set.

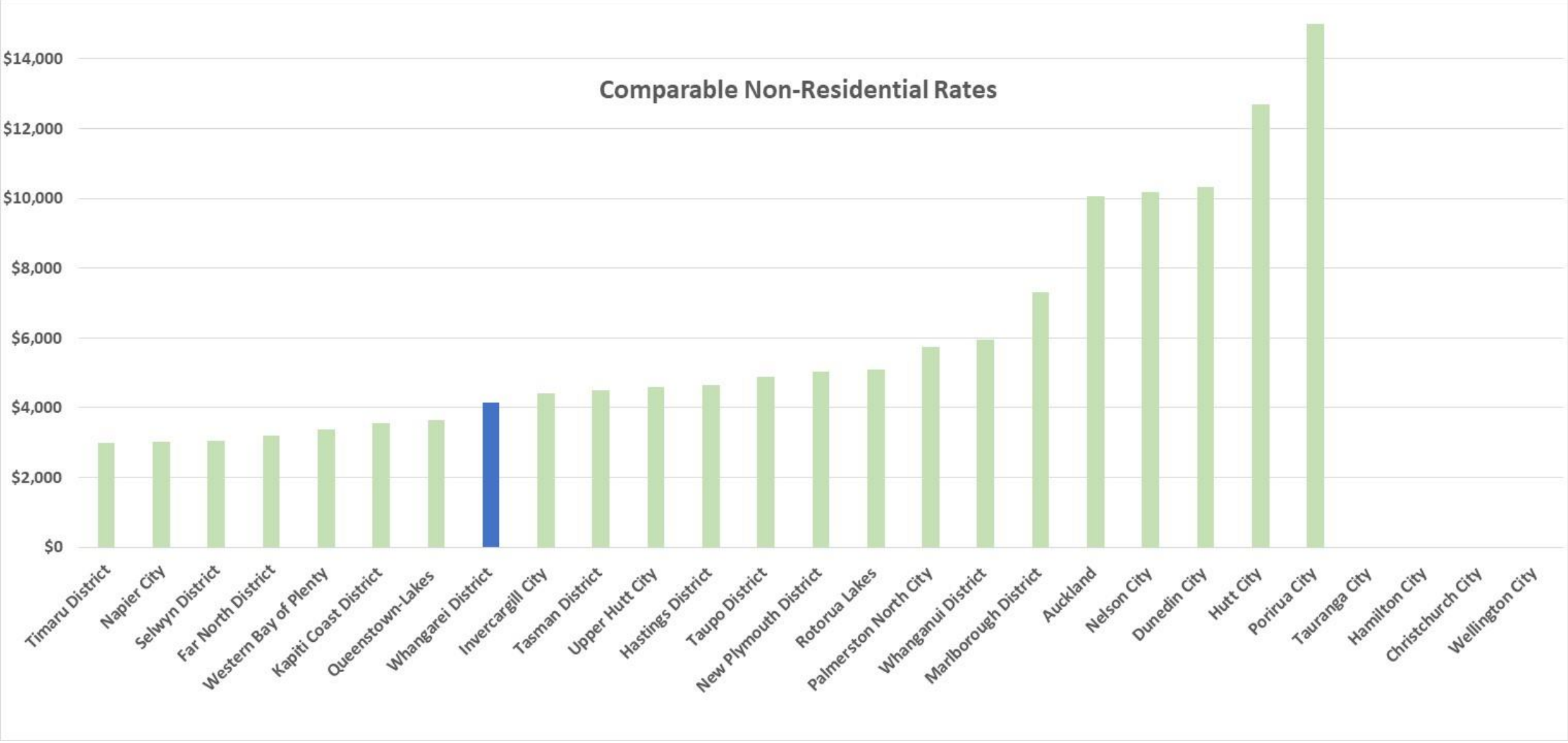
## Average Residential Rates











# *Draft Financial Strategy*

*The Financial Strategy sets the boundaries used by Council to determine its financial envelope. It reflects the difficult process of prioritising what can be achieved, and the trade-offs that must be made within the parameters set.*

*It sets an overall direction for the financial management of council and sets out a desired end state for council's finances.*

# ***Draft Financial Strategy***

Will address:

- Strategic overview including district growth, climate change, COVID-19 response
- Financial limits and parameters – quantified limits on rates and debt
- Maintaining levels of service
- Rates
- Debt, Interest, Internal funding and reserves
- Operational expenses
- Capital expenditure
- Minimising risk and adapting to change
  - Climate change and natural hazards
  - Growth and development
  - Economic conditions
  - COVID-19/Pandemic
  - External funding (NZTA)
- Alignment with Infrastructure Strategy
- Cosmetic changes to simply our strategy and avoid repetition of information included elsewhere within the LTP document

# *Financial Limits and Parameters*

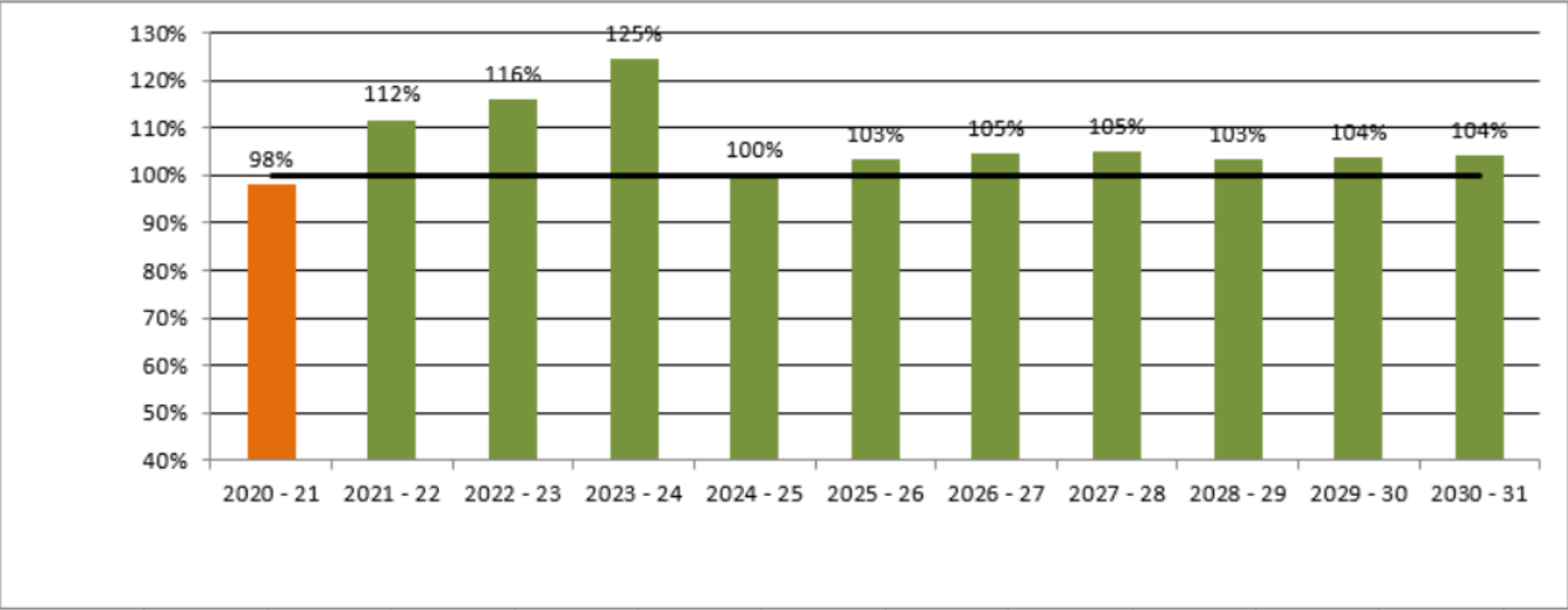
- General
  - Set a balanced budget every year (as defined in the Financial Prudence Regulations)
  - Provide sufficient funding through debt and operating surpluses, to completed the planned capital expenditure programme without reliance on selling assets
- Rates
  - Rates (excluding water\*) will be increased by a maximum of 2% (plus an additional 2% catch up for the first year) plus inflation and growth
  - Limit overall rates revenue(excluding water rates), to a maximum of 70% of total revenue gained from all income sources
- Debt
  - Net debt less than 175% of revenue
    - Removed net interest costs on total debt at less than 25% of rates revenue
    - Removed debt per capita benchmark

# Balanced benchmark

**Balanced budget benchmark**

The following graph displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

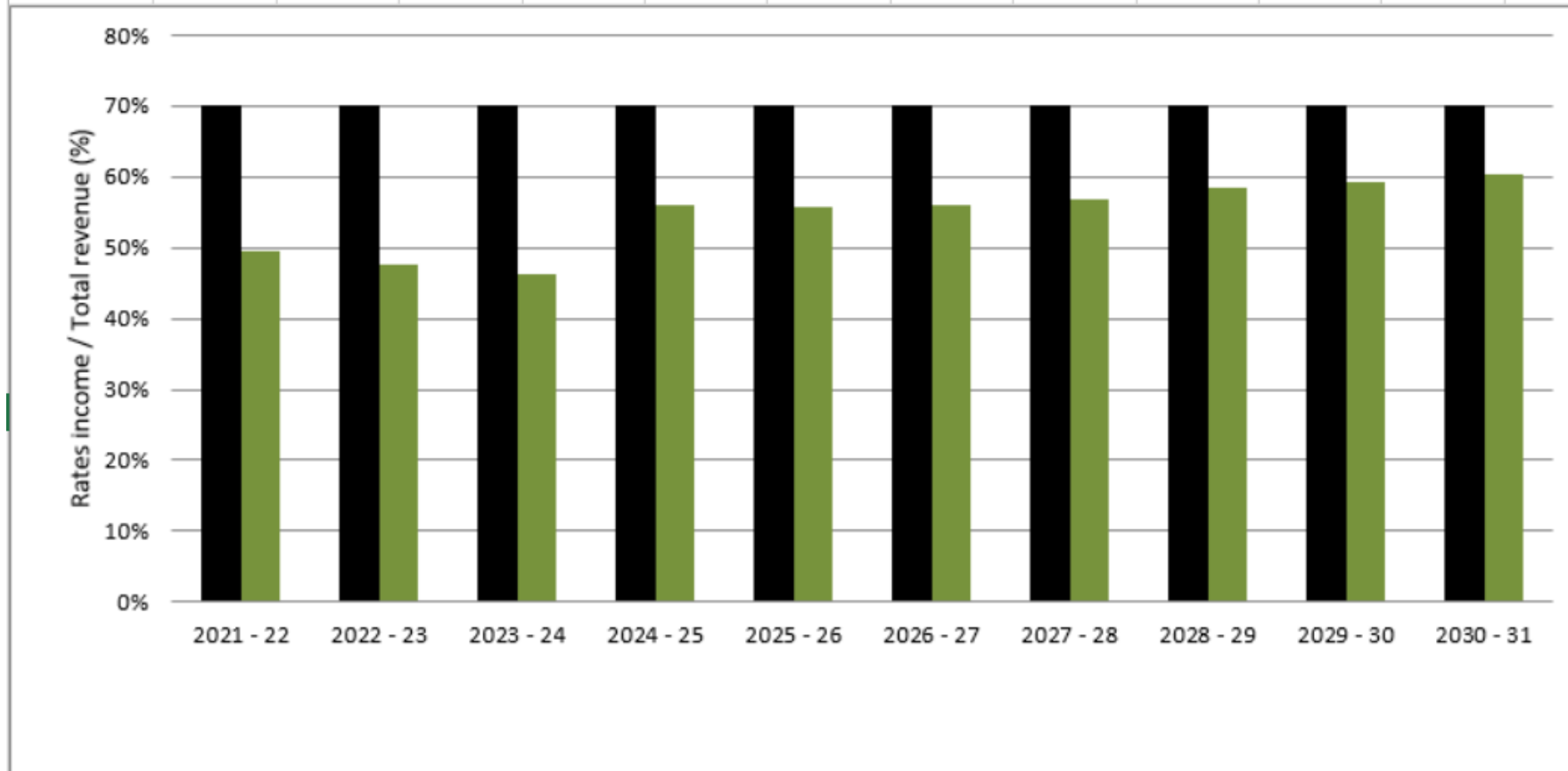
Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



# Rates (income) affordability

## Rates (income) affordability

The following graph compares Council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is that rates income will not exceed 70% of total revenue.

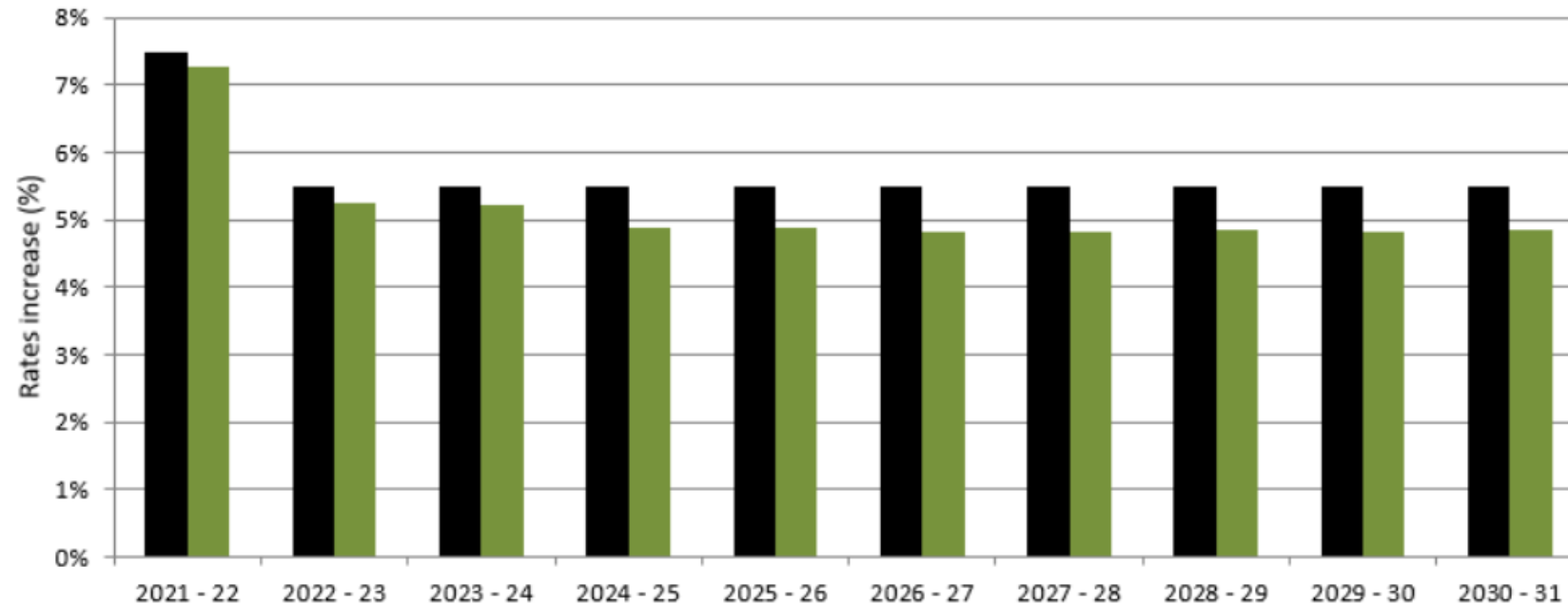




# Rates (increases) affordability

## Rates (increases) affordability

The following graph compares Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is that the rates increase should not exceed LGCI plus 2% plus 1% growth annually except in the 2021-22 year where the limit is LGCI plus 4% plus 1% growth due to a 2% COVID-19 catch-up from the 2020-21 year .

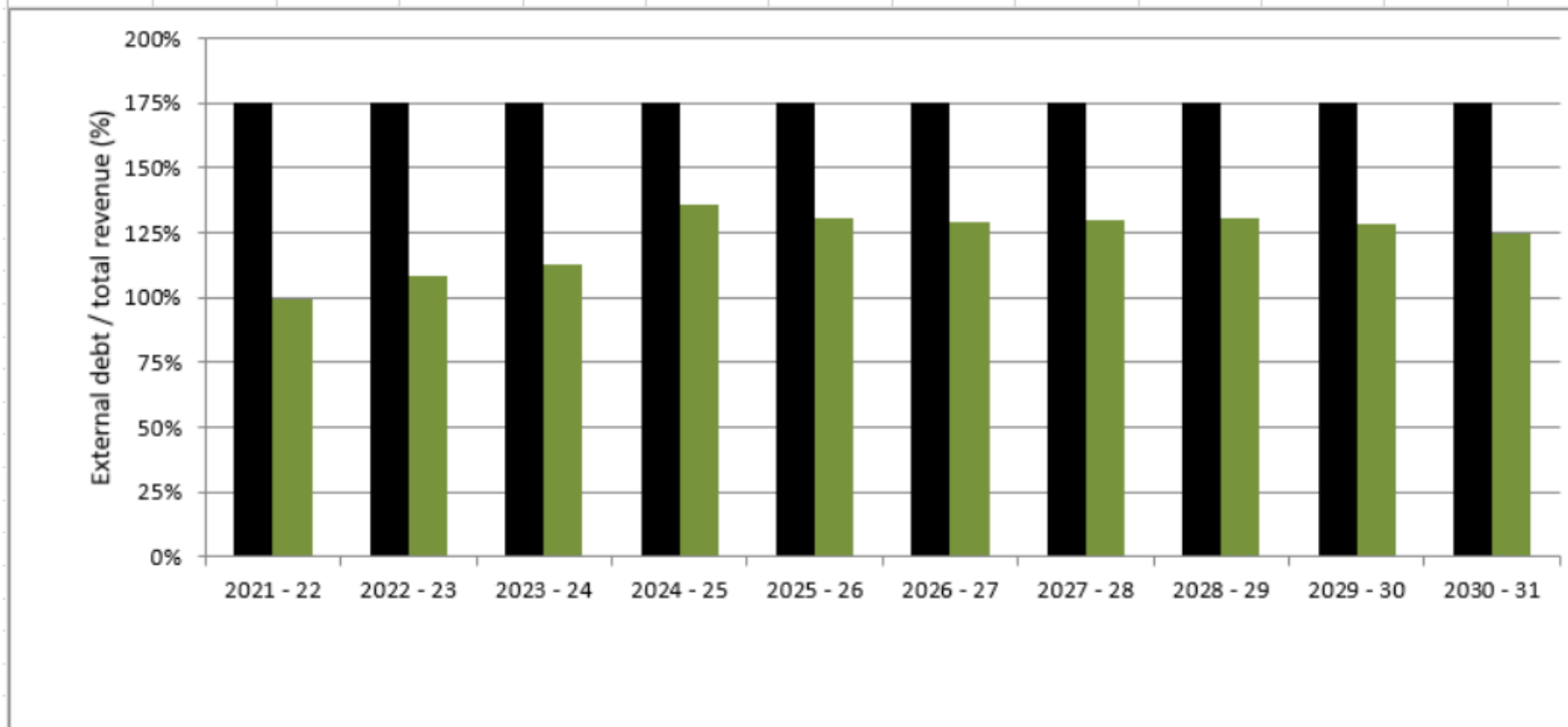


Rates income excludes water rates.

# External debt

## External debt

The following graph compares Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is that net debt be no higher than 175% of total revenue.



# *Items still in progress*

Preparation of LTP budget is an ever changing beast! The below changes will be worked through between now and adoption of the LTP for consultation:

- Tweaks to renewals funding
- Updating/confirming all CIP and TIF funding and projects are in the plan following the execution of funding agreements
- Move public toilets to show under Parks in the Community Facilities activity (rather than wastewater)
- Adjustments to interest rates (on debt) in the later years
- Potential changes to the timing of some projects
- Update Property Reinvestment Reserve and debt for recent property matters
- Reviewing the impacts of changes to the growth model
- Any changes to NZTA subsidies

# Sector Splits

The factors impacting the sector splits and determination of the rate in the dollar for value-based general rates are shown below:

Sector	2020-21	
	Annual plan	Add DWRR
Residential & other	63.2%	66.2%
Rural	9.3%	8.9%
Commercial & industrial	27.5%	24.9%
Total	100.0%	100.0%

The sector splits should enable the most equitable spread of the 6.5% rates increase (+ 1% growth) together with the incorporation of the Refuse Rate

# ***Draft Consultation Document***

## **What are we aiming to achieve?**

The Consultation Document is not just a summary of the LTP; it is a document that tells our story and seeks input on key issues from the community.

## **Direction received so far**

At the 25 November 2020 briefing, Elected Members provided feedback on the key issues and the significant items to be included in the Consultation Document.

Today we'll walk through a summary of the main sections and messages...

# *Where we are today*

The consultation document provides context around where we are right now:

- Growth is sustained
- Many of the impacts of the pandemic have been different to expected
- Strategic priorities set by elected members remain just as relevant

# *Navigating COVID-19 – one year on*

The consultation document:

- Continues the story of our COVID response – focus shifts to our economic recovery and the opportunity for a reset
- Discusses how government funding and an ambitious capital works programme will provide projects that the community will benefit from, as well as providing economic stimulus across the District
- Highlights some the challenges we face (i.e. three waters/local government reform, contractor availability, financial constraints)

# *Sharing the strategic priorities*

The consultation document talks through our 5 priorities: transportation, housing, city centre revitalisation, advocacy for Northport and Navy, and sustainability.

We discuss:

- Allocation of budget against these priorities and the hard trade-offs we made to come up with a affordable budget for our community
- The extra spend on transportation as part of our reset and 'raising the bar' (including councils priority for spend in rural communities through the increased road sealing programme)
- Our role in housing, the non-financial support that we can provide to key partners (particularly central government), and the fact that funding to increase our pensioner housing stock has not been included in the draft plan

We ask the community whether we have got this right?



# *Key issues that we are seeking feedback on*

The CD provides an overview of some key issues and opportunities, including:

- Prioritisation of theatre/event centre options, specifically covering the three preferred/funded options that Council has included in the plan (Oruku, Hihiaua and a refurbishment of Forum North)
- Improvements to James and John Street, noting the benefits of these projects as a catalyst/lead for other investment
- Our response to climate change as part of our Sustainability priority

# ***What we'll be delivering in this LTP***

We summarise what's coming, including:

- Poroti Water Supply
- Four-laning of Riverside Drive
- Progression of new airport options (this was written before last weeks release)
- What's planned for amenities like parks, playground, walkways and cycleways

# ***How we will pay for what Whangarei needs?***

The consultation document:

- Describes need for a COVID-19 rates 'catch up' in order to keep ahead of growth, and keep up with important investment in our core infrastructure
- Discusses an increase in our level of debt for this LTP cycle – highlighting that debt will still be well within our debt limits, about half the LGFA limit and remains smaller than other high growth districts

## ***Next steps:***

- Council Briefing – Review of Draft Infrastructure Strategy (10<sup>th</sup> December)
- Council Meeting – Draft LTP documents for Audit NZ (17th December) including:
  - Growth Model
  - Financial Strategy
  - Infrastructure Strategy
  - Activity Profiles
  - Significant Forecasting Assumptions
  - Financial Statements
  - Consultation Document





