

# Long Term Plan 2024-34



# Financial & Infrastructure Strategies Workshop



# WELCOME TO TODAY'S SESSION

LTP 101: Financial Strategy & Infrastructure Strategy  
requirements and challenges

- Jason Rivett & Vincie Billante



# THE PURPOSE OF THESE STRATEGIES

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- To facilitate Council's prudent financial management by providing a guide to financial decision making
- To take Council's vision and identify the key infrastructure issues and drivers over the long-term and present the choices the community has in the management of these, with the financial consequences explained.
- To provide a holistic and aligned financial and service reality to Council's vision!



# Key Legislative Drivers

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## LOCAL GOVERNMENT ACT 2002 SECTIONS 100-102

1. Each year's projection operating revenues must be set at a level sufficient to meet that year's projected operating expenses (s100 Balanced Budget)
2. Requirement to manage all the finances PRUDENTLY and in a way that promotes the existing and future interests of the community's wellbeing - hence LTP and Annual Plans must have adequate provision for identified spending needs from appropriate sources (s101 Prudent Financial Management)
3. The Financial Strategy's purpose is to provide a guide for Council to consider when making funding and expenditure decisions, and provide clear and transparent information of the effects of these on Council's rates and services when consulting the public on the strategy. There are quite a few conditions on the Strategy (s101A Financial Strategy)



# Key Legislative Drivers

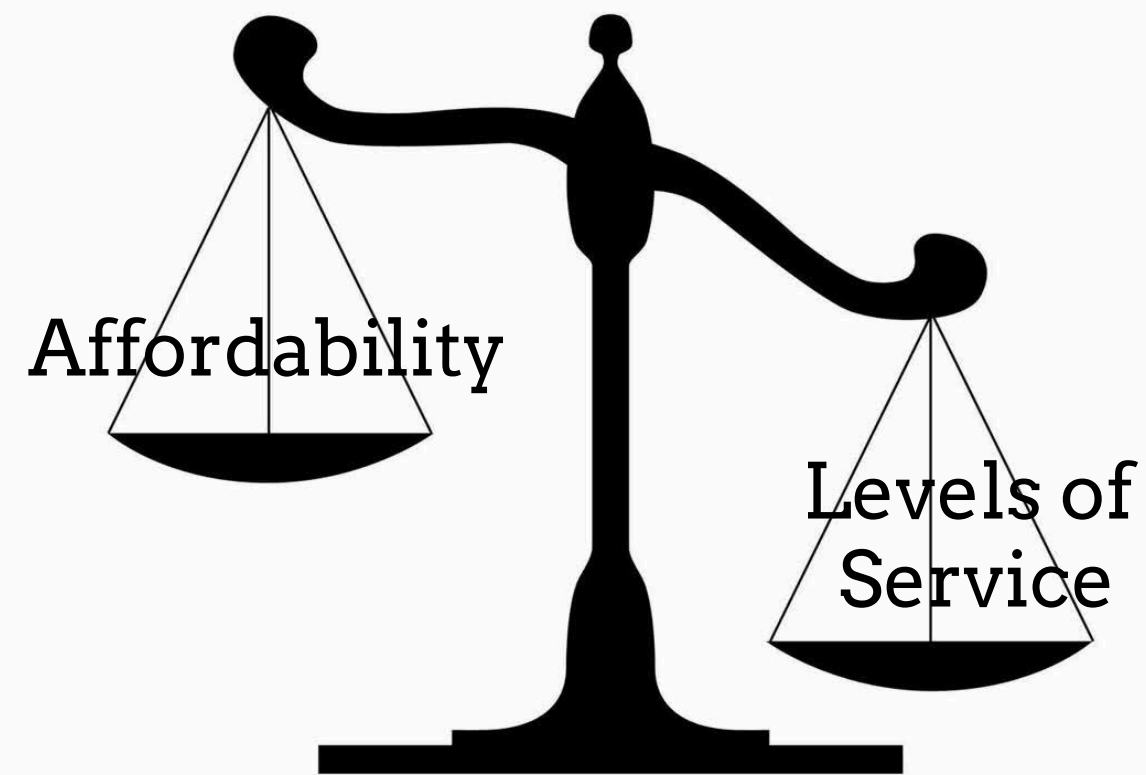
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## LOCAL GOVERNMENT ACT 2002 SECTIONS 100-102

4. Council must have a 30-year infrastructure strategy as part of the LTP that identifies significant infrastructure issues and the options to manage those issues - with the implications on those. (s101B Infrastructure Strategy)
  5. There are a number of policies and statements that must be adopted for and included with the LTP (s102 Funding & Financial Policies)
  6. There are other policies that can be adopted before the LTP (s102 Funding & Financial Policies)
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# Considerations



## Current Issues

- Determining how Council will fund its services, programmes & projects
- Financial/Infrastructure strategies must be hand in glove
- What is deliverable and affordable?
- Lower, maintain, or raise Levels of Service?
- New assets for the community?
- How do we balance financial resilience with rates affordability?
- How much do we rely upon and use investment income?

# Objectives/Tensions

## Fund & Maintain:

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Delivery of facilities/services



Optimised capital renewals programme



Appropriately to service growth



Prudent debt to income ratio and a "safe" level of debt headroom



Acknowledge acceptable rates increases

**Ensure:** A sustainable work programme & budget, not tax future generations

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# Council's Role

## WHAT DO YOU NEED TO DO?

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- Set the strategic direction and monitor the delivery
- Abide by these principles in setting the strategies:
  - Fair to current and future generations
  - Current ratepayers pay for services available to them, including infrastructure assets they use
  - All current and future ratepayers contribute to improved and new levels of service



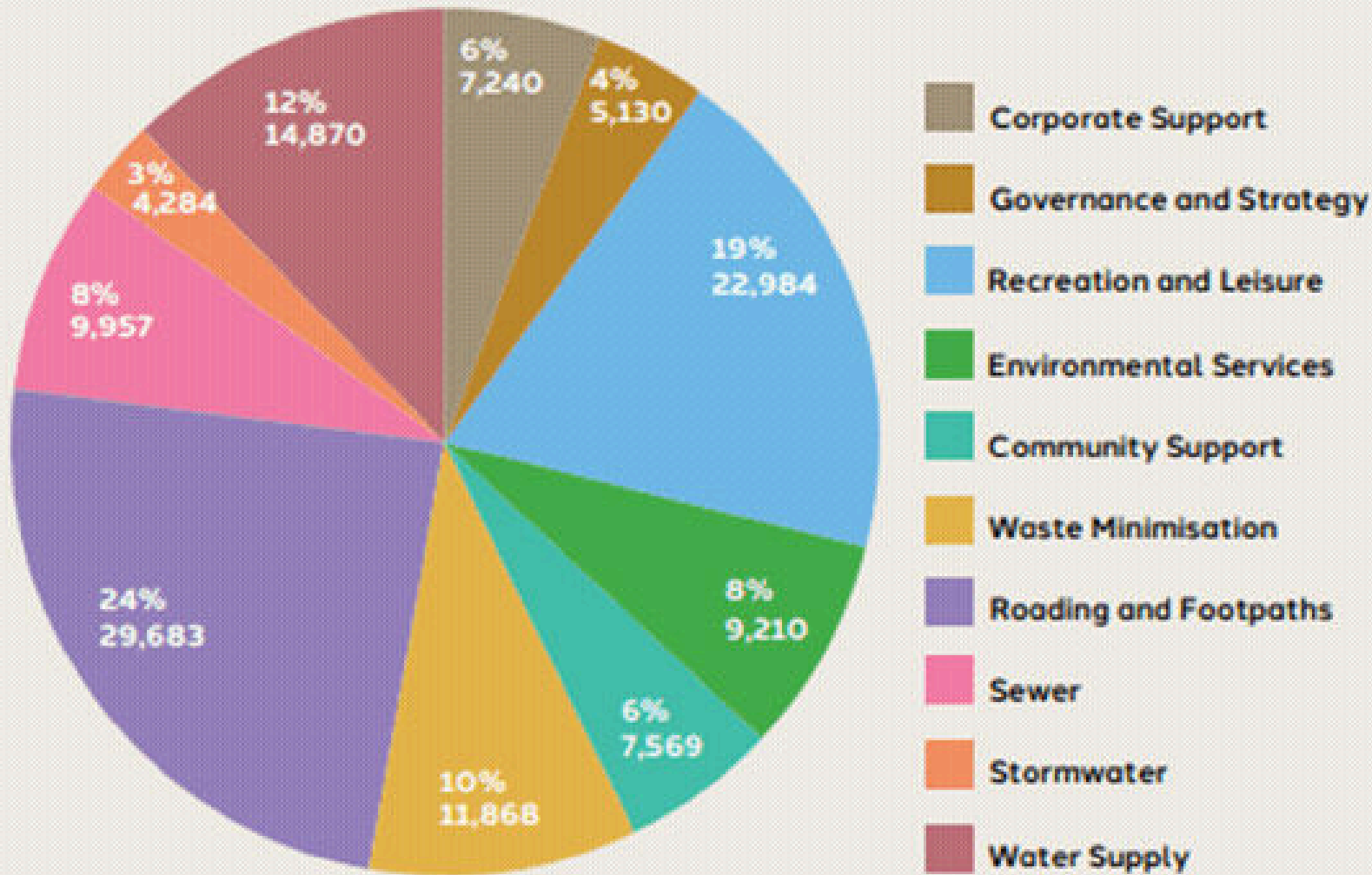
Mayor Nigel Bowen,  
LTP Lead

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# Funding Sources 2023-24

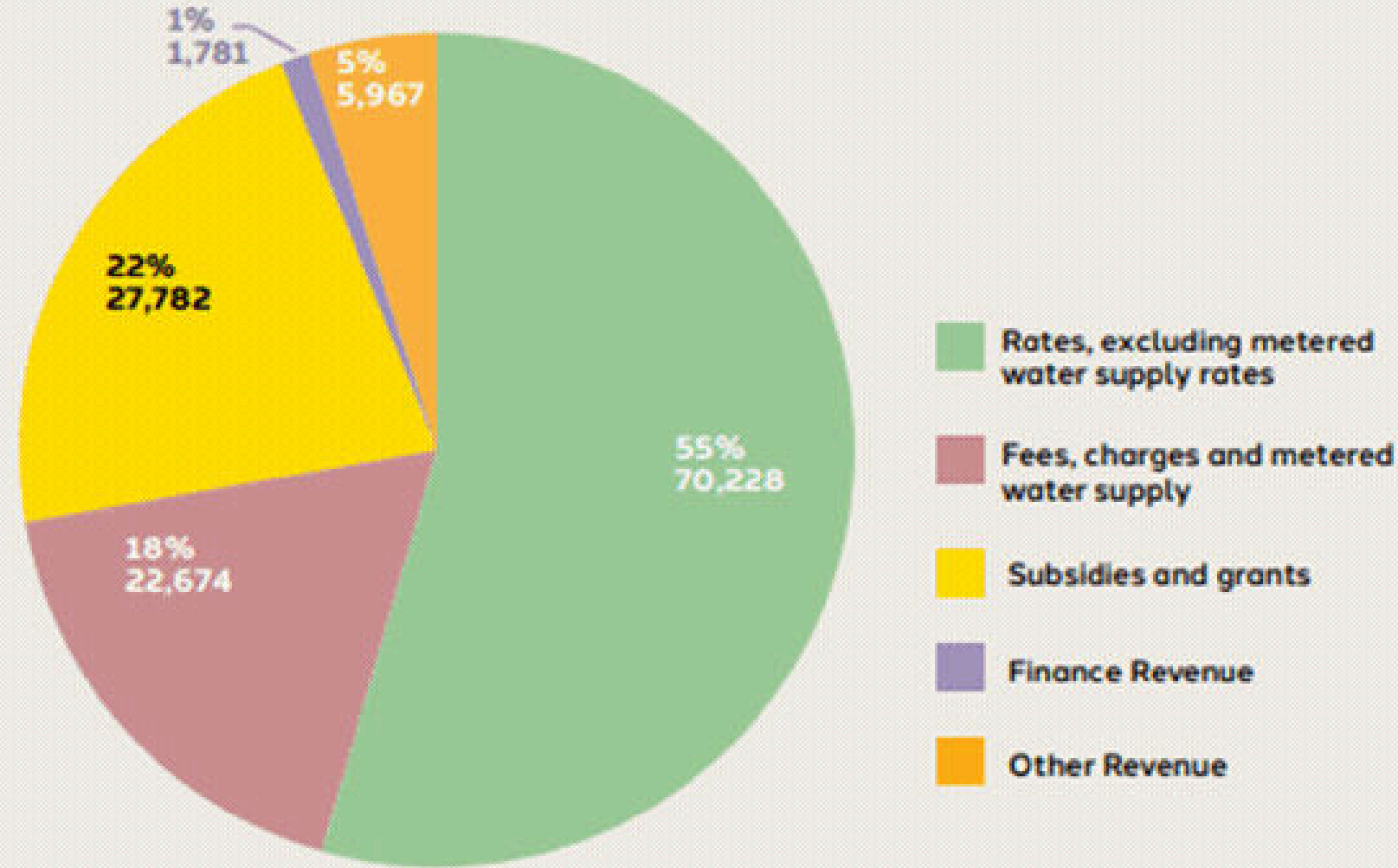
## Total Expenditure 2023/2024 (\$000s)

What does Council spend money on?



## Total Income 2023/2024 (\$000s)

Where does Council's money come from?



# Capital Works 2023-24

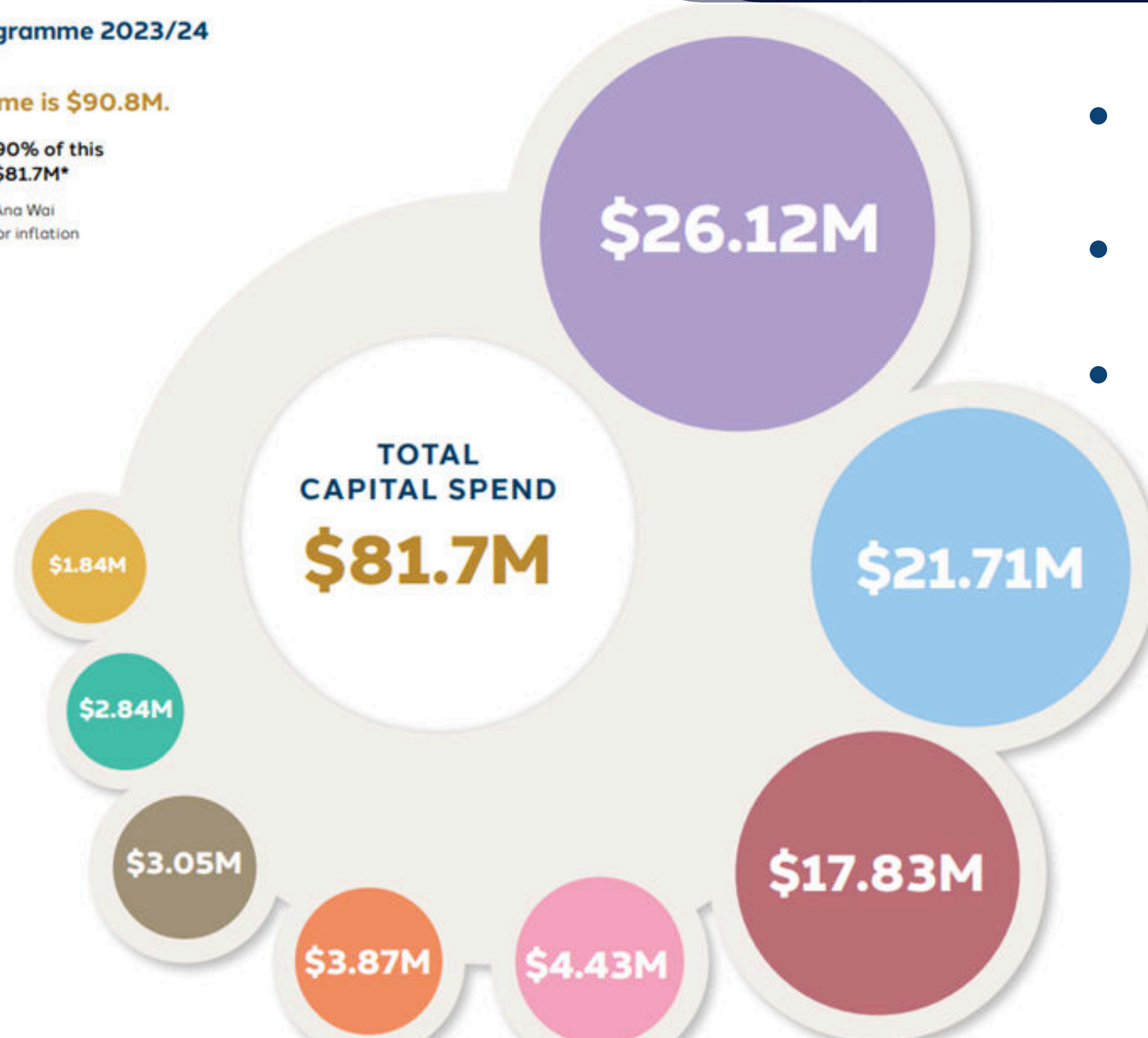
## Capital Projects Work Programme 2023/24

Our total capital programme is \$90.8M.

We have assumed we will achieve 90% of this programme, with a total spend of \$81.7M\*

\*this includes 82% TDC contribution to Te Ana Wai (Downlands) water scheme, and provision for inflation

- Stormwater
- Corporate Support
- Sewer
- Community Support
- Water Supplies
- Roding & Footpaths
- Recreation & Leisure
- Waste Minimisation



- 3 Waters biggest spend = \$26.13m
- Roding & Footpaths 2nd = \$26.12m
- Recreation & Leisure 3rd = \$21.71m



# ANY QUESTIONS

Please Feel Free To Ask Now



# Current Financial State

|  |                 |
|--|-----------------|
|  <b>Net Assets</b>            | <b>\$1,721m</b> |
|  <b>Operating Expenditure</b> | <b>\$122.8m</b> |
|  <b>Operating Revenue</b>     | <b>\$128.4m</b> |
|  <b>Capital Expenditure</b>  | <b>\$81.7m</b>  |
|  <b>New Borrowing</b>       | <b>\$43.1m</b>  |

# 2023/24 Annual Plan Financials

**FUNDING  
SOURCES**

**RESTRICTED  
&  
DESIGNATED  
RESERVES**

**LOANS**

**CURRENT  
DEBT LIMITS**

**CURRENT  
DEBT**

**DEBT  
HEADROOM**



- » Rates \$70.4m
  - » Rates revenue makes up around 55% of total revenue
  - » General Rates & UAGC 58%, Targeted Rates 42%
  
- » Non-rates income \$58.2m
  - » User fees and charges, subsidies and grants, investment revenue
  
- » Reserve Funds
  - » Restricted \$18.7m and Designated \$25.3m
  
- » Loans (new capital)



## Restricted Reserves

- » Subject to specific conditions which may not be revised by Council without reference to Courts or third parties. (Bequests, targeted rates reserves for works and services areas)

## Designated Reserves

- » Maintained for self funded activities which Council determines. (Depreciation funds, contingency and disaster reserves)
- » These do not represent cash funds
- » Can be used as an internal source of funds to reduce external debt



- » Loans are governed by the Financial Strategy and the Liability Management Policy.
- » Loans provide a mechanism to fund long term assets over a long term – intergenerational equity.
- » Loans are generally repaid over 30 years. The asset could be depreciated over 50 to 80 years.
- » TDC participates in the Local Government Funding Agency (LGFA) to minimise borrowing costs



## Current limits as set by LGFA (Liability Management Policy):

- » Net annual interest expense will not exceed 30% of total annual rates income
- » Net annual interest expense will not exceed 20% of total revenue
- » Net debt will not exceed 280% of total revenue (Note the 2021-31 Financial Strategy set a Council-imposed limit of 210%); and
- » Liquidity will be greater than 110%



- » Total borrowings as of 31 July 2023 were \$205M.
- » The net debt position at the same date is \$165M.
- » Net debt is total borrowings less cash reserves held by Council.
- » Debt to revenue ratio as of 31 July 2023 is 131%.
- » Council's debt to revenue ratio limit is 210% as set out in its Financial Strategy.
- » This is comfortably within Council's ceiling limit.



- » As noted, the net debt position is \$165M.
- » Once unguaranteed revenue has been deducted from 2023/24 revenue budget the following is the estimated debt headroom:
  - » 210% as per Council policy - \$59.6m
  - » 280% as per LGFA policy - \$134.7

# 3 Waters Impacts - Scenario 1

- » TDC is in Entity I and the proposed Go Live date is 1 July 2025 – status quo
- » Mayor made decision to include 3 Waters in LTP for 10 years (can amend if necessary, after elections)
- » As of 30 June 2024 – estimated 3 Waters debt is \$100.4m (49% Of Council debt)
- » **IF** 3 Waters was to be excluded (Transition happens as scheduled):
  - » New TDC Net Debt \$105m; new TDC Revenue \$100m
  - » LGFA Debt cap at 280% - \$279m (Debt Headroom \$174m)
  - » Self imposed Debt cap at 210% - \$209m (Debt Headroom \$104m)
  - » If Debt cap reduced to 180% - \$179m (Debt Headroom \$74m)
  - » If Debt cap reduced to 150% - \$150m (Debt Headroom \$45m)

# 3 Waters Impacts - Scenario 2

- » TDC retains full ownership and management of 3 Waters
- » TDC assumes responsibility to invest in 3 Waters Capex to meet regulatory standards
- » Proposed programme to DIA indicates significant investment needed over 10 years – which includes critical and desired works to meet standards
- » **IF** 3 Waters stays with TDC:
  - » TDC Net Debt remains at \$205m
  - » LGFA Debt cap at 280% - \$350m (Debt Headroom \$145m)
  - » Self imposed Debt cap at 210% - \$262m (Debt Headroom \$57m)
  - » TDC retains \$25m revenue and current levels of expenditure of \$26m

# Financial Challenges

**Affordable  
Waters  
effective  
timing**

**Ongoing  
inflation and  
labour  
market  
constraints**

**Projected  
Rates too  
high**

**Reforms  
uncertainty  
(Water and  
RMA)**

**Proposed  
Capex  
Programme  
needs to be  
deliverable &  
affordable**



# Infrastructure Challenges

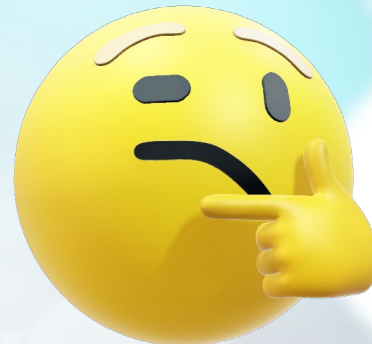
**Affordable  
Waters  
uncertainty &  
subsequent  
timing**

**Capex costs  
keep rising;  
Opex costs  
increase with  
deferring  
Capex**

**Roading &  
Footpaths  
funding  
shortfalls –  
cannot  
sustain  
current LOS**

**3 Waters  
with high  
needs for  
major capex  
investment**

**More closed  
landfills to  
address with  
no current  
source of  
external  
funding**



# Levers and Options

## 1. Prioritise Opex

- Look hard at BAU – what do we deliver, how do we deliver it, what can we do differently
- Decrease expenditure - cost control/ suppression
- Review fees and charges – are we recovering costs appropriately

## Prioritise Capex

- Too late to revisit Theatre Royal and Heritage Hub
- Continuing to further sweat assets to reduce capital renewals may be counterproductive
- Required to provide core infrastructure for growth
- What are the nice to haves?

## Defer increased rating for renewals

- Pushing more costs on future residents
- Is there a trade-off given current investment in long lived assets

# Levers and Options

## Prioritise Opex

• Review current Opex

• Look harder at BAU – what are we doing and how do we do it? – what can we do differently?

• Decrease expenditure – cost control/suppression

• Review fees and charges – are we recovering costs appropriately?

## 2. Prioritise Capex

- Revisiting Theatre Royal and Heritage Hub- will require more consultation
- Continuing to further sweat assets to reduce capital renewals may be counterproductive
- Required to provide core infrastructure for growth
- What are the nice to haves?

## Defer increased rating for renewals

• Pushing more costs on future residents

• Is there a trade-off given current investment in long lived assets?

# Levers and Options

## Prioritise Opex

Look hard at BAU – what can we do to reduce how do we do it? – what can we do to here  
Decrease expenditure  
cost control/  
suppression  
Review fees and charges  
– are we recovering costs appropriately?

## Prioritise Capex

Too late to revisit Theatre Royal and Heritage Hub  
Continuing to further invest in assets to reduce future renewals  
Required to provide infrastructure for growth  
What are the nice to haves?

## 3. Defer increased rating for renewals

- Pushing more costs on future residents
- Is there a trade-off given current investment in long lived assets

# Levers and Options

## 4. Recycle capital

- Increased surplus land sales disposals?

## 5. Review levels of service and understand trade offs

## Prioritise Capex

- Too late to revisit Theatre Royal and Heritage Hub
- Continuing to further sweat assets to reduce capital renewals may be cost-effective
- Required to provide core infrastructure for growth
- What are the nice to haves?

## Defer increased rating for renewals

- Pushing more costs on future residents
- Is there a trade-off given current investment in long lived assets

# Levers and Options

## Prioritise Opex

Look hard at BAU – what do we do every day, how do we do it, how can we do differently  
Decrease expenditure – cost control/suppression  
Review fees and charges – are we recovering costs appropriately

## 6. Introduce new revenue streams

- Unlikely to be soon enough
- Most need Government action
- Development contributions

## Defer increased rating for renewals

Pushing more costs on future residents

Is there a trade-off given current investment in long lived assets

# Levers and Options

## Prioritise Opex

Look hard at BAU – what do we deliver, how do we deliver it, what can we do differently.  
Decrease expenditure – cost control/suppression  
Review fees and charges – are we recovering costs appropriately

## Prioritise Capex

Too late to revisit Theatre Royal and Heritage Hub  
Continuing to further sweat assets to reduce capital renewals may be counterproductive  
Required to provide core infrastructure for growth  
What are the nice to haves?

## 7. Increase rate rise beyond “normal” levels

- Already at peak rates?
- Highly unpopular
- May be less visible if/when Affordable Waters kicks in

# Actions to address the Significant Issues

***We need to look after what we've got, and deliver what we say***

» Scale the size of our Capital Programme

» Prioritise funding to renewals and maintenance programmes

» Make systemic process changes to the planning and delivery of capital projects

» Budget for whole-of-life operating costs of assets in all projects

» Consider divestment of surplus and under-utilised land and facilities

# Actions to address the Significant Issues

***We need to ensure our infrastructure is resilient to impacts of climate change and natural hazards***

- Apply guiding principles to investment decisions
- Increase planning with climate-impacted communities, as well as engagement across the District
- Increase knowledge, data and capability in understanding climate risks and emission reduction, including pilot programmes
- Consider options for lowering emissions and enhances resilience at project initiation stage

# Actions to address the Significant Issues

***We need to plan and invest for growing and changing demand***

- Prioritise integrated infrastructure planning through urban development planning
- Partner and collaborate with central government, developers, mana whenua and communities to identify and take opportunities
- Prioritise investment in infrastructure that promotes active travel, public transport usage and road safety
- Explore alternative funding options and models

# Actions to address the Significant Issues

***We need to continue to improve understanding of our infrastructure so we make the best decisions***

- Improve processes for collecting, collating and using asset data for informing projects
- Partner to share and improve data processes and systems; identify/try new technologies; maximise external funding opportunities
- Improve capture and understanding of social and cultural data

# Key Considerations

LIMITED  
RESOURCES  
& FUNDING  
AVAILABLE

IMMEDIATE  
VS FUTURE  
NEEDS & RISKS

We must balance the  
competing priorities!!

What is affordable?

What is deliverable?

We can't do  
everything – what  
is the trade off?

Is it a want,  
or a need?

TAKING A DISTRICT-WIDE VIEW

ALL CAPEX AFFECTS OPEX!



# QUESTIONS?

