



# AGENDA

## Supplementary Reports Ordinary Council Meeting Monday, 15 February 2021

**Date** Monday, 15 February 2021

**Time** 9am - Long Term Plan

**Location** Council Chamber  
District Council Building  
King George Place  
Timaru

**File Reference** 1405195

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## 7 Reports

### 7.6 Infrastructure Strategy 2021-51

**Author:** Andrew Dixon, Group Manager Infrastructure  
Mark Low, Strategy and Corporate Planning Manager

**Authoriser:** Bede Carran, Chief Executive

#### Recommendation

That this report is received and noted.

#### Purpose of Report

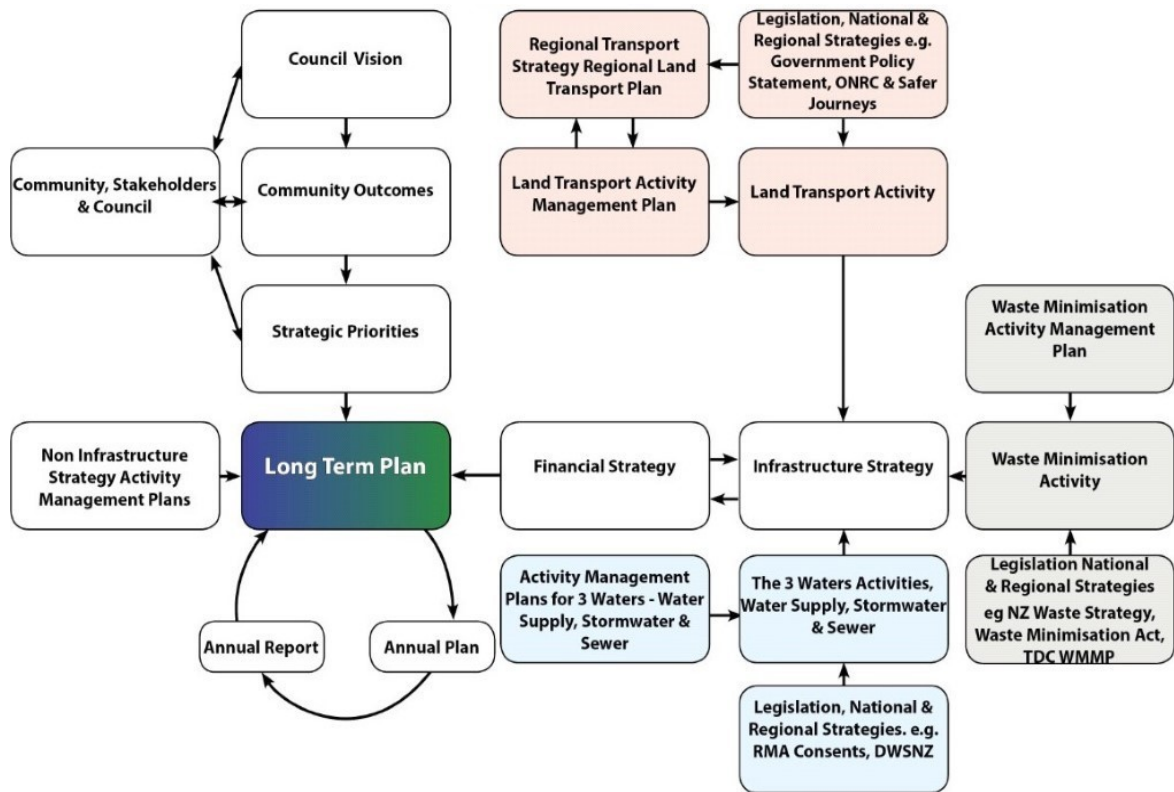
- 1 The purpose of this report is to outline key aspects of the Draft Infrastructure Strategy (IS) for Council's consideration as a part of the Long Term Plan 2021-31 (LTP).

#### Assessment of Significance

- 2 The Infrastructure Strategy (IS) is deemed as of medium – high significance under Council's Significance and Engagement Policy given the number of ratepayers affected, the potential financial and service impacts and the community interest in the LTP process.
- 3 The implications of the IS are reflected in the 2021-31 Draft LTP and eventually future LTPs. The strategy will be consulted on as part of the LTP engagement in April/May 2021.

#### Background

- 4 The purpose of the IS is to tell the story about the issues driving demand for infrastructure, where big decisions are required to be made and the financial and service consequences of these decisions.
- 5 The 'building blocks' for the IS are the Community Wellbeings, relevant long term strategies, previous Long Term Plans, policies, levels of service requirements, asset condition/performance information that inform renewal programmes and potential technology changes.
- 6 The Infrastructure Strategy is a key document providing the strategic (30-year) outlook capturing Council's strategic direction and informing shorter term planning documents. The Infrastructure Strategy links closely with TDC's strategy, activity management plans and Long Term Plan. The AMPs and LTP provide the strategic and programme case for each asset/activity over a ten year period. The AMPs and LTP identify the problems, benefits and consequences each asset/activity has identified in achieving Council's overall strategic direction and is an enabler of the Infrastructure Strategy. The strategy and planning process 'jig-saw' linkages can be seen in the figure below:



- 7 It focuses on significant infrastructure challenges for the Timaru District, and identifies the principal options for managing and the implications of those challenges.
- 8 This is largely based on good asset and activity management practices and strategic thinking in taking a longer term view of Timaru District’s infrastructure requirements. The IS represents indicative estimates based on the current information of Timaru District’s infrastructure requirements. It is not a budget and does not commit Council to any future project, costs or timing. It represents current thinking based on assumptions and the issues facing the District’s infrastructure.
- 9 Section 101B of the Local Government Act 2002 (the Act) requires Council to develop an IS (see attachment). The Act requires the IS to cover a minimum 30 year period, identify significant infrastructure issues and decisions, when decisions are required, principal options and cost implications, outline the future management of these assets and include financial estimates. For Timaru District Council, at a minimum, the IS must cover the Three Waters (Water Supply, Stormwater and Sewer) and Roothing and Footpaths.
- 10 The IS should:
  - Identify significant infrastructure issues;
  - Identify principal options for managing those issues;
  - Identify the implications of the options including financial affordability.
- 11 In addition, Council must outline how it intends to manage its infrastructure assets taking into account the need to:
  - Renew or replace existing assets;
  - Respond to growth or decline in demand;
  - Increase or decrease in levels of service;
  - Maintain or improve public health and environmental outcomes;
  - Provide for infrastructure resilience.

- 12 The IS aims to ensure the district's infrastructure is meeting the community's needs aligned with Council's Strategic Direction.

### Discussion

- 13 The IS covers the 30 year period 2021-51, and focuses on the Three Waters, Roading and Footpaths and Waste Minimisation.
- 14 The IS also includes the development and renewal of key Liveable Assets (Community facilities). The long term costs focus on the eventual replacement of upgrading of these assets (e.g. CBay) that may be required in the next 30 years. The inclusion of these liveable assets is to provide a better picture of resources required of Council long-term.
- 15 Preparation of the IS 2021-51 occurred against a backdrop of significant proposed change for the Three Waters components of Council's operations (i.e. the government's Three Waters Reforms). While this is acknowledged, it is not expected that this reform will impact Council's operational delivery of these services within the next three years. The IS has been prepared on the basis that the Three Waters will remain under Council's control over this period.
- 16 The IS summarises the key emerging challenges and trends facing the key infrastructural assets including population and demographic change, new technologies, changing government priorities and legislative environment, climate change and natural hazards, ageing infrastructure, maintaining and growing economic activity, land use change, the ongoing impact of COVID-19 and improving resilience.
- 17 The IS outlines the Council's key asset and service priorities such as:
- 17.1 Maintain and optimise asset life – through timely and effective maintenance using a variety of approaches
  - 17.2 Continue to replace ageing infrastructure – through maintaining a robust renewal programme based on good condition and capacity information
  - 17.3 Maintaining the current levels of service
  - 17.4 Manage the impacts of growth and land use change – through using the guidance provided via the Growth Management Strategy, District Plan and seeking contributions for development needs such as potential development contributions.
  - 17.5 Comply with legislative requirements
  - 17.6 Providing long term affordable services – through balancing affordability with community expectations within Council's financial framework
  - 17.7 Managing the impact of technology changes – through continuing to monitor technological developments and implement where they assist infrastructural delivery
  - 17.8 Addressing resilience
  - 17.9 Climate change considerations
- 18 The Strategy includes the following significant infrastructural issues and decisions for each of the activities:
- 18.1 Water Supply
    - Ageing infrastructure
    - Water supply resilience

- Drinking Water Standard compliance and meeting new standards
- Climate change

#### 18.2 Sewer

- Ageing infrastructure
- Resource consent compliance

#### 18.3 Stormwater

- Ageing infrastructure
- Resource consent compliance
- Climate change
- Timing and funding of stormwater strategy

#### 18.4 Roading and Footpaths

- Ageing assets and increased consumption
- Road safety – Road to zero road safety vision
- Capacity of network for heavy vehicle access
- Active Transport provision – accessibility and safety
- Amenity upgrades
- Climate change and transport emissions reduction

#### 18.5 Waste Minimisation

- Landfill life and provision for new landfill cells when required.
- Landfill capacity management including contamination of recycling and organic waste in kerbside collection
- Landfill at capacity (replacement)
- Climate change
- Resource Consent compliance
- Ageing infrastructure
- Landfill aftercare including management of closed landfills

#### 18.6 Community Facilities

- 19 A workshop with Councillors and relevant staff late last year considered the Council long term project priorities. The projects were placed on a 30 year timeline and given an indicative priority (red being high, orange medium and green low). This is shown in the figure below:



20 Decisions on some of these issues may not be required for the 2021-31 LTP, but should be planned for as part of the Strategy.

21 The total capital expenditure (renewals and new) planned in the first 10 years as detailed in the Draft Long Term Plan 2021-31 is \$533 million. The Draft IS details planned capital work for the next ten years (2031-41) of \$511 million and a further \$584 million in the following ten years (2041-51).

**Options and Preferred Option**

22 The final IS will be adopted as part of the Supporting Information for the LTP engagement. A summary will be in the LTP Consultation document and the full IS will be available on request. Feedback on the draft will be welcome.

**Consultation**

23 Material provided for the LTP engagement in April/May will include a summary of key matters relating to the IS in the Consultation Document, while the full draft IS will be available as part of the Supporting Information.

**Relevant Legislation, Council Policy and Plans**

24 Local Government Act 2002, Section 101B (attached)

25 Long Term Plan 2018-28

26 Infrastructure Strategy 2018-68

**Financial and Funding Implications**

- 27 The IS must align with Financial Strategy. Infrastructure costs included are a mix of capital and operating expenditure. Depreciation is provided for to reflect the consumption of the asset over time, providing funding for future replacement or renewal.
- 28 Funding sources for operating expenditure for infrastructure is generally funded from rates, user charges, and Waka Kotahi NZ Transport Agency Financial Assistance. Capital is generally funded from loan, depreciation, financial contributions and Waka Kotahi NZ Transport Agency Financial Assistance.
- 29 Revaluations of the water, sewer and roading assets since the last LTP have resulted in increases in depreciation funding required. To fund these increases a significant rates increase would be required and Council may choose to not fully fund this depreciation in the short term but with the view that full funding will be achieved over time.

**Other Considerations**

- 30 There are no other considerations.

**Attachments**

1. **Local Government Act Section 101B**  



**101B Infrastructure strategy**








- (1) A local authority must, as part of its long-term plan, prepare and adopt an infrastructure strategy for a period of at least 30 consecutive financial years.
- (2) The purpose of the infrastructure strategy is to—
  - (a) identify significant infrastructure issues for the local authority over the period covered by the strategy; and
  - (b) identify the principal options for managing those issues and the implications of those options.
- (3) The infrastructure strategy must outline how the local authority intends to manage its infrastructure assets, taking into account the need to—
  - (a) renew or replace existing assets; and
  - (b) respond to growth or decline in the demand for services reliant on those assets; and
  - (c) allow for planned increases or decreases in levels of service provided through those assets; and
  - (d) maintain or improve public health and environmental outcomes or mitigate adverse effects on them; and
  - (e) provide for the resilience of infrastructure assets by identifying and managing risks relating to natural hazards and by making appropriate financial provision for those risks.
- (4) The infrastructure strategy must outline the most likely scenario for the management of the local authority's infrastructure assets over the period of the strategy and, in that context, must—

- (a) show indicative estimates of the projected capital and operating expenditure associated with the management of those assets—
    - (i) in each of the first 10 years covered by the strategy; and
    - (ii) in each subsequent period of 5 years covered by the strategy; and
  - (b) identify—
    - (i) the significant decisions about capital expenditure the local authority expects it will be required to make; and
    - (ii) when the local authority expects those decisions will be required; and
    - (iii) for each decision, the principal options the local authority expects to have to consider; and
    - (iv) the approximate scale or extent of the costs associated with each decision; and
  - (c) include the following assumptions on which the scenario is based:
    - (i) the assumptions of the local authority about the life cycle of significant infrastructure assets;
    - (ii) the assumptions of the local authority about growth or decline in the demand for relevant services;
    - (iii) the assumptions of the local authority about increases or decreases in relevant levels of service; and
  - (d) if assumptions referred to in paragraph (c) involve a high level of uncertainty,—
    - (i) identify the nature of that uncertainty; and
    - (ii) include an outline of the potential effects of that uncertainty.
- (5) A local authority may meet the requirements of section 101A and this section by adopting a single financial and infrastructure strategy document as part of its long-term plan.
- (6) In this section, **infrastructure assets** includes—
- (a) existing or proposed assets to be used to provide services by or on behalf of the local authority in relation to the following groups of activities:
    - (i) water supply;
    - (ii) sewerage and the treatment and disposal of sewage;
    - (iii) stormwater drainage;
    - (iv) flood protection and control works;
    - (v) the provision of roads and footpaths; and
  - (b) any other assets that the local authority, in its discretion, wishes to include in the strategy.

**7.7 Proposed Draft Budget for Long Term Plan 2021-31****Author:** Bede Carran, Chief Executive**Authoriser:** Bede Carran, Chief Executive**Recommendation**

That the attached report be received and considered.

**Attachments**

1. **Council Report Proposed Draft Budget for Long Term Plan 2021-31 15 February 2021**  
2. **Appendix 1 - All of Council other Expenses (under separate cover)** 
3. **Appendix 2 - Corporate Overheads Other Expenses (under separate cover)** 
4. **Appendix 3 - Long Term Plan 2021-31 Activity Ten Year Budgets (under separate cover)** 
5. **Appendix 4 - Financial Statements (under separate cover)** 
6. **Appendix - 202122 Fees and Charges - Proposed Fees (under separate cover)** 

**Proposed Draft Budget for Long Term Plan 2021-31**

**Author:** Bede Carran, Chief Executive  
Lili Delwaide, Programme Delivery Manager  
Sandy Hogg, Management Accountant

**Authoriser:** Bede Carran, Chief Executive

**Recommendation**

1. That That Council approves the draft 2021-31 budget for the purposes of developing the Long Term Plan 2021-31 and to provide supporting information to Long Term Plan Consultation Document.
2. That Council approves the draft capital expenditure budget for the purposes of developing the Long Term Plan 2021-31; and
  - (a) That Council approves the draft capital expenditure budget for the Corporate Overhead Activities Group for the purposes of developing the Long Term Plan 2021-31.
  - (b) That Council approves the draft capital expenditure budget for the Other Activities Group for the purposes of developing the Long Term Plan 2021-31.
  - (c) That Council approves the draft capital expenditure budget for the Community Support Group for the purposes of developing the Long Term Plan 2021-31.
  - (d) That Council approves the draft capital expenditure budget for the Environmental Services Group for the purposes of developing the Long Term Plan 2021-31.
  - (e) That Council approves the draft capital expenditure budget for the Recreation and Leisure Group for the purposes of developing the Long Term Plan 2021-31.
  - (f) That Council approves the draft capital expenditure budget for the Roothing and Footpaths Group for the purposes of developing the Long Term Plan 2021-31.
  - (g) That Council approves the draft capital expenditure budget for the Waste Minimisation Group for the purposes of developing the Long Term Plan 2021-31.
  - (h) That Council approves the draft capital expenditure budget for the Sewer Group for the purposes of developing the Long Term Plan 2021-31.
  - (i) That Council approves the draft capital expenditure budget for the Stormwater Group for the purposes of developing the Long Term Plan 2021-31.
  - (j) That Council approves the draft capital expenditure budget for the Sewer Group for the purposes of developing the Long Term Plan 2021-31.
  - (k) That Council approves the draft capital expenditure budget for the Water Group for the purposes of developing the Long Term Plan 2021-31.
3. That Council approves the draft operational expenditure budget for the purposes of developing the Long Term Plan 2021-31; and

- (a) That Council approves the draft operational expenditure budget for the Corporate Overhead Activities Group for the purposes of developing the Long Term Plan 2021-31.
- (b) That Council approves the operational expenditure budget for the Other Activities Group for the purposes of developing the Long Term Plan 2021-31.
- (c) That Council approves the draft operational expenditure budget for the Community Support Group for the purposes of developing the Long Term Plan 2021-31.
- (d) That Council approves the draft operational expenditure budget for the Environmental Services Group for the purposes of developing the Long Term Plan 2021-31.
- (e) That Council approves the draft operational expenditure budget for the Recreation and Leisure Group for the purposes of developing the Long Term Plan 2021-31.
- (f) That Council approves the draft operational expenditure budget for the Roding and Footpaths Group for the purposes of developing the Long Term Plan 2021-31.
- (g) That Council approves the draft operational expenditure budget for the Waste Minimisation Group for the purposes of developing the Long Term Plan 2021-31.
- (h) That Council approves the draft operational expenditure budget for the Sewer Group for the purposes of developing the Long Term Plan 2021-31.
- (i) That Council approves the draft operational expenditure budget for the Stormwater Group for the purposes of developing the Long Term Plan 2021-31.
- (j) That Council approves the draft operational expenditure budget for the Sewer Group for the purposes of developing the Long Term Plan 2021-31.
- (k) That Council approves the draft operational expenditure budget for the Water Group for the purposes of developing the Long Term Plan 2021-31.

### **Purpose of Report**

- 1 The purpose of this report is to provide an overview of the draft budgets and a summary of the proposed capital and operating work programmes that will be included in the draft Long Term Plan (LTP) 2021-31 – entitled “Timaru District: Thriving Together”.
- 2 The draft LTP sets the direction for the Timaru District Council for the next ten years. It sets out the services and activities Council will provide, the projects we will carry out, and the levels of service that the community can expect. The LTP will also include how much Council expects these activities, services and projects to cost, how Council will pay for it, and what this will mean for rates and debt.
- 3 The Plan includes the 2021/22 Annual Plan in year 1 of the document.
- 4 The report highlights the context within which the LTP has been developed, including the challenges Council, and the community is facing, and outlines how Council is proposing to address these challenges.
- 5 Draft fees and charges for 2021/22 are also attached for review (with proposed charges for Sewer (Trade Waste charges and liquid waste charges) (page 41 of attachment); Water

(Backflow and water meter charges) (page 49) and Waste Minimisation (kerbside collection charges) (page 50) to be tabled.

### Assessment of Significance

- 6 This report is of high significance, as it presents the Draft budget information for the 2021-31 LTP for Council decision to be consulted on as part of the Long Term Plan 2021-31 engagement during April/May 2021.
- 7 The significance of the budget as a whole, and many items within the budget are considered high across many of the assessment criteria, including impact on the community, impact on rates and Council's finances as a whole, and impact on the wellbeing of the community now and in the future.

### Options and Preferred Option

- 8 The Council has the following options:
  1. Confirm the draft activity budgets, rating option, fees and other information for the Draft Long Term Plan 2021-31
  2. Review and adjust the draft activity budgets, rating options, fees, and other information for the Draft Long Term Plan 2021-31

### Report Structure

- 9 This report has been structured into four sections:
  - 9.1 **Section 1:** Capital works budget
  - 9.2 **Section 2:** Operating budget
  - 9.3 **Section 3:** Option analysis
- 10 **Section 1** outlines the draft LTP major capital works budget set out by group of activity and provides analysis of capital and renewal capital projects at an activity level.
- 11 **Section 3** details the draft operating budgets, including an analysis for each group of activities and analysis proposed changes from the current LTP.
- 12 **Section 4** provides an analysis of the levers available to Council.

### SECTION 2: CAPITAL WORKS BUDGET

- 13 This section presents the overall draft capital budget and an analysis of any significant changes to the current LTP. A summary of major capital items will then be provided for each group of activities, with significant projects identified at an activity level.
- 14 The draft capital budget, prepared in line with the draft infrastructure and financial strategies, represents an investment of \$533 million over the next 10 years.
- 15 Capital budgets have been prepared for all activities of Council as part of the Activity Management Planning framework, taking into consideration the following:
  - 15.1 Asset management plans, incorporating current condition assessments and maintenance plans;
  - 15.2 Priority of work;

- 15.3 Ability to deliver and timing of work – accounting for both internal capacity, project complexity and planning stage;
  - 15.4 Legislative, regulatory and consenting requirements;
  - 15.5 The Local Government Wellbeing Mandate, ensuring our services delivery contributes to the community wellbeing.
- 16 In accordance with the Local Government Act 2002 (LGA) requirements, Council’s capital budgets for each ‘group of activities’ provide for replacing existing assets and infrastructure (renewals), improving the level of service (new capital), and meeting additional demand (including growth).
  - 17 The total capital expenditure is made up of \$303 million for renewals, \$194 million for new capital, and \$36 million to meet additional demand.
  - 18 Capital expenditure is funded as follows:<sup>1</sup>
    - 18.1 Funded depreciation – for renewals (via rates revenue)
    - 18.2 Borrowing – for new capital, and any shortfall in funded depreciation for renewals. The total amount of net debt that Council can have at any point of time cannot exceed 280% of Council’s total revenue (in any given year)<sup>2</sup>, with a recommended internal policy range of up to 210%
    - 18.3 Waka Kotahi (NZTA) funding – for renewals and new capital transport projects;
    - 18.4 Financial contributions – Council collected nearly \$200,000 of financial contributions in 2019/20.<sup>3</sup>
    - 18.5 Lump sum contributions.<sup>4</sup>
    - 18.6 Other third party contributions – e.g. Government funding for Theatre Royal and Heritage Hub development, 3 Waters Stimulus Package.
    - 18.7 Community fundraising – the capital budget presented in this report includes the full cost of the project but for some specific projects (eg Aigantighe Art Gallery extension rebuild project), it is planned and expected that community fundraising will cover for part of the project cost.
  - 19 The table below shows the overall proposed capital budget for Groups of Activities

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<sup>1</sup> For full details of how Council funds both capital and operating expenditure, see the Revenue and Financing Policy. This is available on Council’s website - [Revenue and Financing Policy](#). Note – this policy has been reviewed and changes are recommended to Council’s debt cap. This will be presented to Council at a later date.

<sup>2</sup> This is set by Local Government Funding Agency (LGFA) requirements, and Council’s Financial Strategy. Council’s Financial Strategy is under review as part of the LTP process, and changes are proposed to Council’s current net debt to total revenue borrowing limit. See the report on Council’s Financial Strategy in this meeting agenda.

<sup>3</sup> Council has a Financial Contributions Policy, in accordance with the Resource Management Act 1991. Council’s existing Financial Contributions Policy allows Council to apply a charge for water, sewer, stormwater and open space and recreation. Minor amounts of capital expenditure budget for the Parks and Recreation activity have been identified as coming from financial contributions. Amounts to be funded from financial contributions for water supply, sewer and stormwater services will be determined from Council decisions at the time of development. Council is planning to repeal this policy during the course of this LTP and introduce a Development Contributions Policy under the LGA.

<sup>4</sup> Council may offer the option for ratepayers to pay their share of a capital project through a lump sum payment rather than through rates over a longer period of time. This can be beneficial for all parties as it reduces the interest paid by ratepayers over the life of the loan, and Council can retire a portion of debt earlier or reduce the need for borrowing.

Group of Activities	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	<b>Million \$</b>									
Community Support	4.26	4.20	1.70	2.97	2.60	2.75	0.66	0.56	0.26	0.26
Corporate Support	1.70	0.89	1.48	0.85	1.35	0.85	1.35	0.81	1.31	0.79
District Planning and Environmental Services	0.04	-	-	-	0.02	-	0.03	0.02	-	-
Other Activities	0.89	1.16	1.73	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Recreation & Leisure	12.99	19.06	9.26	6.71	16.71	12.91	5.32	2.56	2.25	3.09
Roading and Footpaths	16.55	19.02	21.23	21.14	19.15	22.54	20.89	19.93	20.66	24.68
Sewer	3.90	3.58	3.00	1.85	1.57	1.85	1.83	1.71	1.77	3.35
Stormwater	2.33	1.71	3.10	2.45	2.45	2.65	1.73	1.65	1.65	1.65
Waste Minimisation	5.56	3.53	1.86	1.62	1.67	4.27	1.69	1.67	4.47	1.92
Water Supplies	36.01	14.97	12.62	13.96	6.64	16.76	5.69	5.31	3.51	4.14
<b>Grand Total</b>	<b>84.22</b>	<b>68.12</b>	<b>55.98</b>	<b>52.59</b>	<b>53.20</b>	<b>65.63</b>	<b>40.22</b>	<b>35.27</b>	<b>36.91</b>	<b>40.93</b>

20 The work programme comprises four different categories of projects.

- (l) Firstly, the capital work programme includes the continuation of the ongoing renewal programme to maintain our delivery of services. Some large renewals are part of the renewal programme in the first three years of the LTP such as the road resurfacing and resealing program, the renewal of Pareora Pipeline and the completion of the runway resurfacing at the Timaru Airport.
- (m) Secondly, the proposed capital work programme also includes the continuation of the major projects that started during the course of the 2018-28 Long Term Plan. These include the strengthening of the house at the Aighantighe Art Gallery, the Theatre Royal and Heritage Facility Development and some projects in the 3 Waters activities that are funded through the 3 Waters Stimulus Package.
- (n) Thirdly, the proposed capital work programme also includes all major projects that were initially identified as part of the 2018-28 Long Term Plan process and subsequently adopted by Council. Those projects haven't started yet but are scheduled to commence in the 2021-31 Long Term Plan and include, amongst others, the water metering project and the site purchase and development for a new cemetery for Timaru.
- (o) Last but not least, the proposed capital work programme also includes various new projects that have been identified as required as part of the Long Term Plan 2021-31. These new projects include, amongst others, the City Hub Development; Aorangi Park Development Stage One, Highfield Park Development, the extension of the runway at the Timaru airport and a Council contribution to the destination playground CPlay.

**Impact on Debt Cap**

21 With the current proposed capital work programme, the total borrowings are forecast to increase from \$178m in 2022 to \$338m in 2031. The table below outlines the forecast total cumulative borrowings required by the organisation to include the entire capital work programme.

Total Borrowings (\$)									
2022	2023	2024	2025	2026	2027	2028	2029	2030	2031

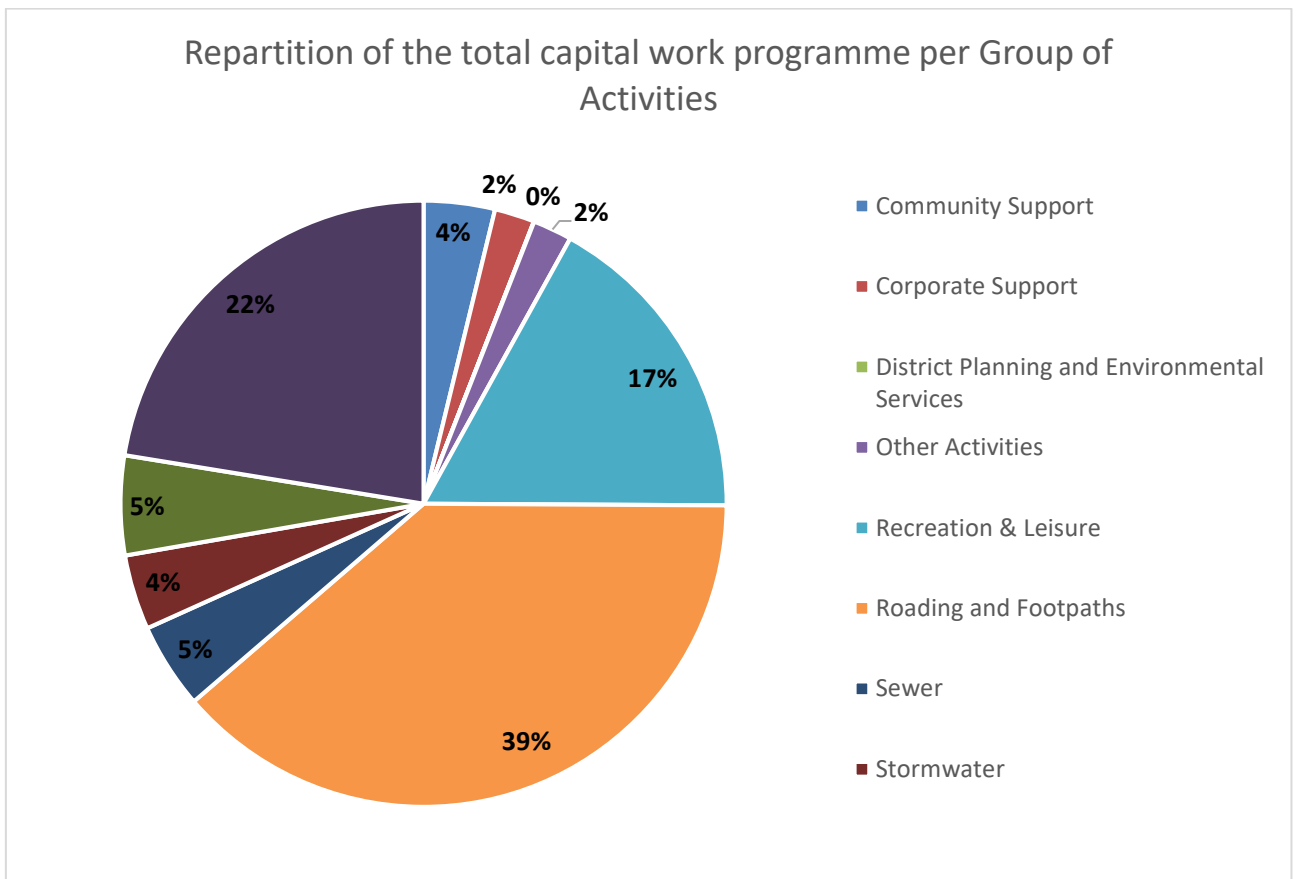


178,192,563	214,398,163	240,419,619	261,605,050	282,200,045	314,236,069	322,232,362	325,373,971	330,029,438	338,090,479
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- 22 The net debt to revenues ratio and thus the impact on debt cap will vary depending on the rates increase and financial options outlined in Section 4 of this report.

**Feasibility**

- 23 The proposed capital work programme represents a significant increase compared to the 2018-28 Long Term Plan. For the 10 year period, the 2018-28 Long Term Plan included a capital work programme of \$395 million. The proposed capital work programme for the 2021-31 Long Term Plan includes an additional \$133 million of capital work compared to the current LTP.
- 24 The annual scale of the proposed capital work programme ranges from \$34.7 million in 2029 to \$83.7 million in 2022. This also represents a significant increase compared to the total amount of capital expenditure realised in recent years (maximum \$31m in 2019/20 and \$66m forecast at the end of this financial year).
- 25 The feasibility of the capital work programme is dependent on both internal (resourcing and capacity and planning) and external factors (market availability, regulatory requirements, etc.).
- 26 Various measures have been implemented internally to gradually increase the internal capacity to manage and to deliver a capital work programme of this size such as the implementation of a Programme Delivery Function at TDC, longer planning for large projects, and a consistent approach to resourcing for capital work programme.
- 27 In addition, the proposed capital work programme is spread across the various group of activities as shown in the Graph below. This spreads the risk of non-delivery by better allocating the capital work programme throughout the organisation.



- 28 Despite the above, the proposed work programme remains significant in size and complexity for some projects and the risk of timing slippage cannot be excluded.
- 29 The Capital Budget is broken down by Council activity areas below.

**CORPORATE OVERHEAD ACTIVITIES**

30 The table below details the capital budget for Council's Corporate Overhead activities

<b>CORPORATE OVERHEAD ACTIVITIES GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Information Technology	IT Capital Expenditure	1,208,300	708,300	1,208,300	708,300	1,208,300	708,300	1,208,300	708,300	1,208,300	708,300
District Council Building	Plant Purchases	91,000	81,000	170,000	40,000	40,000	40,000	40,000	-	-	-
District Council Building	Furniture Fittings & Other Equip Capital	125,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000
People and Digital	Furniture Fittings & Other Equip Capital	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Programme Delivery Unit	Project Management Software	180,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Land Transport Unit	Furniture Fittings & Other Equip Capital	95,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	-
	<b>TOTAL</b>	<b>1,700,300</b>	<b>889,300</b>	<b>1,478,300</b>	<b>848,300</b>	<b>1,348,300</b>	<b>848,300</b>	<b>1,348,300</b>	<b>808,300</b>	<b>1,308,300</b>	<b>793,300</b>

- 31 The **Information Technology** budget includes \$9.6 million across the life of the LTP. This includes the usual cycle of hardware replacement and upgrades to servers, switches, desktop, phone systems, laptops and mobile devices. As council services and tools become more digital, this budget includes the purchase of new digital solutions and upgrades to our various operating systems.
- 32 The capital expenditure for the **Council Building** includes:
- 32.1 the planned upgrade of the Council Chambers (21/22: \$96k) – this includes desk replacement and relining the walls. This upgrade has been deferred for a number of years;
  - 32.2 building front recladding (21/22: \$76k) – the cladding is starting to fail and therefore this is essential work;
  - 32.3 South Block carport roof replacement (21/22: \$15k) – not essential for 21/22 however deferring this may result in higher costs in future years;
  - 32.4 heating units replacement (22/23-27/28: \$236k) – to improve the efficiency and limit future maintenance requirements;
  - 32.5 partial (east-end) replacement roof (22/23: \$45k) – not essential for 21/22 however deferring this may result in higher costs in future years;
  - 32.6 chambers-end street-side replacement cladding (23/24: \$130k) – current estimate of requirements with options and pricing of these to be confirmed;
  - 32.7 office furniture and fittings replacements as required (21/22-30/31: \$29k/year = total of \$290k).
- 33 Due to the current lack of a project management system and increasing size of the capital work programme, a project management software is required to enable effective management, reporting and monitoring of the work portfolio. The capital expenditure for the Programme Delivery unit is for \$180k in 21/22 (an may be phased over 21/22 and 22/23 for the introduction of a Project Management system across the organisation with \$55k/year ongoing software licensing cost from 22/23-30/31, although this will need to be treated as operating expenditure.

**OTHER ACTIVITY**

34 The table below details the capital expenditure for Other Activities of Council which includes the activities of Property, Vehicle Management and Financial Arrangements

<b>OTHER ACTIVITIES GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Property	EQ strengthening	500,000	775,000	1,340,000	665,000	665,000	665,000	665,000	665,000	665,000	665,000
Vehicle Management	Vehicle Management	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
	<b>Total</b>	<b>888,000</b>	<b>1,163,000</b>	<b>1,728,000</b>	<b>1,053,000</b>	<b>1,053,000</b>	<b>1,053,000</b>	<b>1,053,000</b>	<b>1,053,000</b>	<b>1,053,000</b>	<b>1,053,000</b>

35 Vehicle renewals are budgeted at \$388k/year over the plan.

36 Property capital expenditure includes a provisional sum for earthquake strengthening of Council owned buildings which it is appropriate to signal as a significant cost over the coming years. The programme of work and budget has not been finalised as a strengthening/demolition strategy needs to be first completed. \$1.3m has been included in 23/24 for earthquake strengthening of the Alpine Energy Stadium at Temuka due to it being a Civil Defence centre. Subject to completing the overall strategy and budget formation, the total over the plan for all other earthquake strategy, assessments and work is \$5,970k (provisional sum, excluding art gallery house gallery). The budget assumes that funding to complete the remediation of 2 North Street will be external.

**DEMOCRACY**

37 There is no capital budget planned for the Democracy activity

**COMMUNITY SUPPORT**

- 38 This group includes the following activities:
- 38.1 Airport
  - 38.2 Climate Change
  - 38.3 Community Facilities (Cemeteries and Public Toilets)
  - 38.4 Community Funding
  - 38.5 Economic Development and Tourism
  - 38.6 Emergency Management
  - 38.7 Safer Communities
  - 38.8 Social Housing
- 39 The table below shows the draft capital budget for the Community Support Group.

<b>COMMUNITY SUPPORT GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Airport	Terminal Upgrade	-	1,670,000	-	-	-	-	-	-	-	-
Airport	Runway resurfacing	3,100,000	-	-	-	-	-	-	-	-	-
Airport	Apron renewal	700,000	-	-	-	-	-	-	-	-	-
Airport	Runway Extension	-	-	-	400,000	1,800,000	1,800,000	-	-	-	-
Airport	Other renewals	66,000	-	200,000	540,000	120,000	650,000	360,000	250,000	-	-
Public Toilets	Renewals	114,900	60,000	90,000	40,000	90,000	90,000	90,000	140,000	90,000	90,000
Public Toilets	ANZAC Square Replacement Toilet	-	200,000	-	-	-	-	-	-	-	-
Public Toilets	Sir Basil Arthur Toilet	-	-	-	100,000	-	-	-	-	-	-
Cemeteries	Car Park Capital Works	-	-	-	-	300,000	-	-	-	-	-
Cemeteries	New site purchase and development	-	2,000,000	400,000	1,600,000	-	-	-	-	-	-
Cemeteries	Other Improvements to Land Capital Works	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500
Cemeteries	Reseals/Overlays Capital Works	38,000	-	-	-	-	-	-	-	-	-
Civil Defence	Equipment (sirens upgrade/decommission, handset and base replacement)	71,100	101,100	101,100	120,800	120,800	42,200	36,000	-	-	-
Social Housing	Refurbishment	146,200	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Social Housing	Clyde Street Re-roof and reclad	-	-	740,000	-	-	-	-	-	-	-
	<b>TOTAL</b>	<b>4,257,700</b>	<b>4,202,600</b>	<b>1,702,600</b>	<b>2,972,300</b>	<b>2,602,300</b>	<b>2,753,700</b>	<b>657,500</b>	<b>561,500</b>	<b>261,500</b>	<b>261,500</b>

40 A discussion of changes or new items is provided below.

- 41 **Airport** - The \$3.1 million budgeted for airport runway reseals in year 1 is required as the runway is reaching the end of its 15 year life. An extension to the airport apron has also been budgeted at \$700,000 in year 1 and \$66,000 for surveillance cameras.
- 42 In year 2 a terminal expansion and upgrade is planned (\$1.6 million) to meet fire safety regulations and CAA requirements. An extension to the runway has been budgeted for in years 4 to 6 (\$4.0 million) that will allow larger aircraft to service Timaru for both passengers and freight.
- 43 **Community Facilities** - The District's search for a suitable site for the new cemetery is ongoing with \$2,000,000 set aside for land purchases in year two and a further \$2,000,000 to develop the infrastructure across year 3 and 4 of the long term plan.
- 44 **Public Toilets** - \$200,000 has been included to provide a new public toilet on State Highway One at ANZAC Square in 22/23 to improve the level of service and \$100k for dry vault toilets at the Sir Basil Arthur sports grounds in 24/25. There is also ongoing investment of \$895,000 for CBD toilets and parks toilets.
- 45 **Emergency Management** - The budget from 22/23 and the following three years includes costs for progressive sirens upgrades/decommission. VHF handsets and base replacements are programmed for 21/22.
- 46 **Social Housing** - Ongoing refurbishment and renewal work (21/22-30/31: \$150k/year = total of \$1.5m), with \$740k included in 23/24 for the recladding and re-roofing of the Clyde Street (Timaru) flats to maintain the building's weather-tightness.

## ENVIRONMENTAL SERVICES

- 47 This group includes the following activities:
- 47.1 Building Control
  - 47.2 District Planning
  - 47.3 Environmental Compliance
- 48 The table below shows the draft capital budget for the Environmental Services Group.



<b>Environmental Services GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Environmental Compliance	Environmental Health Capital	-	-	-	-	20,000	-	-	-	-	-
Environmental Compliance	Animal Control - Security Cameras	20,000	-	-	-	-	-	-	-	-	-
Environmental Compliance	Animal Control - Fencing	15,000	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>35,000</b>	-	-	-	<b>20,000</b>	-	-	-	-	-

- 49 A discussion of changes or new items is provided below.
- 50 **Environmental Compliance - Animal Control** – The budget for 21/22 includes security camera upgrades and fencing for improved security.

#### **RECREATION AND LEISURE**

- 51 This group includes the following activities:
- 51.1 Aigantighe Art Gallery
  - 51.2 South Canterbury Museum
  - 51.3 Timaru District Libraries
  - 51.4 Halls and Theatres:
  - 51.5 Parks
  - 51.6 Forestry
  - 51.7 Fishing Huts and Motor Camps
  - 51.8 Swimming Pools (including Caroline Bay Trust Aoraki Centre)
  - 51.9 Southern Trust Event Centre
- 52 The table below shows the draft capital budget for the Recreation and Leisure Group.

<b>RECREATION AND LEISURE GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
District Libraries	Equipment / Furniture	-	-	50,000	20,000	200,000	20,000	100,000	20,000	20,000	20,000
District Libraries	New shelving and self-checkout upgrade	256,000	150,000	-	-	-	-	-	-	-	-
District Libraries	IT Capital Expenditure	20,900	100,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
District Libraries	Purchase books and resources	381,300	381,300	381,300	381,300	381,300	381,300	381,300	381,300	381,300	381,300
District Libraries	Renewals	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
District Libraries	Building Capital Works	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
District Libraries	Car parks renewals	128,800	20,000	20,000	20,000	20,000	290,000	20,000	20,000	20,000	20,000
Aigantighe Art Gallery	Art purchase	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700
Aigantighe Art Gallery	Furniture and Equipment	10,000	-	-	-	-	-	-	-	-	-
Aigantighe Art Gallery	House EQ Strengthening	800,000	1,900,000	300,000	-	-	-	-	-	-	-
Aigantighe Art Gallery	Extension rebuild	-	-	-	500,000	1,000,000	4,000,000	2,900,000	-	-	-
Museum	Upgrade of Perth St Museum	25,000	-	-	500,000	-	-	-	-	-	-
Museum	Renewals	1,500	47,000	-	-	-	-	-	-	-	-
Museum	Heritage Hub Fit-out	-	100,000	735,000	-	-	-	-	-	-	-
Museum	Van purchase	-	36,000	-	-	-	-	-	-	-	-
Theatre Royal	Theatre Royal and Heritage Facility Development	6,767,975	12,329,700	4,183,675	-	-	-	-	-	-	-

RECREATION AND LEISURE GROUP CAPITAL EXPENDITURE 2021-31											
Activity	Project	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Halls and Community Centres	Other Capital Works	100,200	20,000	-	-	-	-	-	-	-	-
Halls and Community Centres	Renewals	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Halls and Community Centres	Caroline Bay – Bleachers replacement	1,793,000	45,000	90,000	310,000	-	320,000	-	-	-	-
Swimming Pools	Geraldine Pool Capital Works	-	-	-	-	150,000	-	-	-	-	-
Swimming Pools	Fitness Equipment Capital Works	30,000	90,000	30,000	30,000	30,000	90,000	30,000	30,000	30,000	90,000
Swimming Pools	Building Capital Works	200,000	102,000	130,000	47,000	45,000	42,000	70,000	47,000	45,000	42,000
Swimming Pools	Hot Pools Feasibility and Options Assessment	-	-	-	800,000	-	-	-	-	-	-
Swimming Pools	Geraldine Pool Upgrades and Renewals	9,400	-	-	-	-	-	-	-	-	-
Swimming Pools	Pleasant Point Pool Upgrades and Renewals (heating and filtration plant renewal)	-	350,000	-	-	-	-	-	-	-	-
Aorangi Stadium	Equipment and Furniture	43,000	91,000	118,000	65,000	40,000	195,000	20,000	85,000	130,000	-
Aorangi Stadium	Stadium re-roof	-	-	-	-	-	-	-	-	-	800,000
Aorangi Stadium	Aorangi Park Master Plan Stage 1	-	-	300,000	2,000,000	13,000,000	5,700,000	-	-	-	-
Parks and Recreation	Land purchases	10,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000

RECREATION AND LEISURE GROUP CAPITAL EXPENDITURE 2021-31											
Activity	Project	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Parks and Recreation	Renewals (courts, structures, furniture, services)	389,600	748,100	867,300	494,000	476,700	264,600	211,800	241,900	276,500	689,000
Parks and Recreation	Highfield Park Development	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	-
Parks and Recreation	Cplay	-	500,000	-	-	-	-	-	-	-	-
Parks and Recreation	Temuka Domain Development	177,000	177,000	177,000	177,000	-	-	-	-	-	-
Parks and Recreation	Pareora Dam	250,000	500,000	-	-	-	-	-	-	-	-
Parks and Recreation	Shared Urban Tracks	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Parks and Recreation	Walkway Enhancement and Planting	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	52,000
Parks and Recreation	Neighbourhood Parks	-	-	-	-	-	250,000	250,000	-	-	-
Parks and Recreation	Playground Equipment Renewals	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Parks and Recreation	Building Capital Works	20,000	-	95,500	-	-	-	-	-	-	-
Parks and Recreation	Reseals/Overlays Capital Works	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Parks and Recreation	Geraldine Domain Reseal	50,000	-	-	-	-	-	-	-	-	-
Motor Camps	Renewals	59,000	35,000	-	-	30,000	-	-	-	-	-
Motor Camps	Winchester Ablution Block	-	-	400,000	-	-	-	-	-	-	-

<b>RECREATION AND LEISURE GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Motor Camps	Pleasant Point Ablution Block	-	-	-	-	-	-	-	400,000	-	-
Motor Camps	Reseals/Overlays	-	-	15,000	-	-	15,000	-	-	-	15,000
Fishing Huts	Fishing Hut Water Treatment System	200,000	-	-	-	-	-	-	-	-	-
Forestry	Forestry Capital Expenditure	10,000	25,000	30,000	30,000	-	5,000	-	-	12,000	15,000
	<b>Total</b>	<b>12,992,775</b>	<b>19,063,200</b>	<b>9,258,875</b>	<b>6,710,400</b>	<b>16,709,100</b>	<b>12,909,000</b>	<b>5,319,200</b>	<b>2,561,300</b>	<b>2,250,900</b>	<b>3,088,400</b>

53 A discussion of budget items is provided below.

- 54 **Timaru District Libraries** - The District Libraries have a renewal budget of \$5.6 million across the LTP for purchasing lending and reference collection material, minor capital equipment such as shelving units, public furniture and upgrading the self-checkout facilities. The budget also includes some ongoing minor building renewals.
- 55 **Aigantighe Art Gallery Upgrade** – A significant capital programme of \$11.7 million has been budgeted for across two key projects, incorporating the strengthening of the house gallery and rebuild of the 1978/1995 gallery extension. This incorporates Council’s preferred option of a rebuild of the 1978/1995 extension to go out for consultation. The two projects are planned to run sequentially with planning, design and consenting for the house gallery to occur in year one, followed by construction works in the subsequent years. Two thirds of the total project cost is proposed to be funded from external sources, including community fundraising. To meet funding requirements from the various funding agencies Council is required to demonstrate that it will underwrite the proposed community funded portion, which is reflected in the revenue contributions section of the budget.
- 56 **South Canterbury Museum** - The Museum has budgeted total of \$835,000 to develop exhibitions and displays for the Heritage Hub as part of the Heritage Hub development in years 2 and 3. There is a further budget of \$500,000 for development of Perth Street in year 4 of the long term plan.
- 57 **Halls and Theatres** - Approximately \$23.3m has been budgeted for the completion of the Theatre Royal and Heritage Facility Development (in line with the total project budget from the 2018-28 LTP of \$23.8m), with Council forecasting to receive grant funding from the Government for this project of \$11.6m in total.
- 58 \$1.8 million has been included for completion of the Caroline Bay Soundshell Bleachers Replacement project in Year 1.
- 59 **Swimming Pools** - The capital budget for the pools is \$2.6 million across the life of the LTP. This includes the usual renewals, plus construction of an additional office space (\$150,000) in year one, upgrades to the heating and filtration plant for the Pleasant Point pool (\$350,000) in year two and the feasibility and construction of an additional hot water programme pool, (\$800,000) in year 4.
- 60 **Southern Trust Event Centre** - This activity has a consistent level of capital expenditure compared to previous years to cover basic building and furniture renewals, until years 3 to 6 where budget has been provided to plan, design and undertake Stage 1 of the Aorangi Park Master Plan. \$21 million has been included for a court extension, renewals within the existing stadium and further developments. Budget has been included for a feasibility study and business case for the court extension project.
- 61 **Parks** - The budget for this activity is \$18 million for the 10 year period and covers a broad range of usual expenditure including various shared tracks, trails, cycleways, playground renewals, furniture and a wide range of planting. In addition we have repairs to the Cenotaph in year 2 (\$500,000), the undersurfacing preparation for CPlay, \$500,000 for the CPlay project, the Temuka Domain upgrades (\$700,000 across year 2, 3, and 4), the redevelopment of Highfield golf course (\$3.3million across the 10 years), and consenting and solutions for the Pareora Dam safety improvements (\$750,000).
- 62 **Fishing Huts and Motor Camps** - \$200,000 has been included for water treatment options at Rangitata Huts, subject to further advice regarding new statutory requirements. \$400,000 has

been budgeted in 23/24 to replace the ablution block at the Winchester Camping Ground, and a further \$400,000 in 28/29 for the Pleasant Point Camping Ground ablution block. All other work for Motor Camps over the plan totals \$169,000.

#### **ROADING AND FOOTPATHS CAPITAL EXPENDITURE**

63 The table below shows the draft capital budget for the Roading and Footpaths Group.



<b>ROADING AND FOOTPATHS GROUP CAPITAL BUDGET 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Road/Street Landscapes	City Hub Strategy	613,925	930,175	4,070,275	3,513,600	1,534,600	2,996,250	2,663,325	2,457,457	3,319,975	7,108,000
Road/Street Landscapes	CCTV Cameras	20,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Geraldine Non-Subsidised Roading	Geraldine Footpaths	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Rural Non-Subsidised Roading	Rural Footpaths	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Temuka Non-Subsidised Roading	Temuka Footpaths	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Timaru Non-Subsidised Roading	Timaru Footpaths	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Subsidisable Roading	Purchase of Land	15,000	-	-	-	-	-	-	-	-	-
Subsidisable Roading	Bus Shelter Capital Works	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Subsidisable Roading	Road Improvement Works	3,600,000	5,200,000	4,999,999	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Subsidisable Roading	Reseals/Renewals	8,000,000	8,000,000	8,000,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Subsidisable Roading	Bridge & Culvert Renewals	940,000	1,040,000	950,000	1,010,000	1,078,000	2,915,000	1,815,000	825,000	850,000	968,000
Subsidisable Roading	Kerb & Channel Renewals	710,000	707,000	714,070	721,211	728,423	735,707	743,064	750,495	758,000	765,580
Subsidisable Roading	Road Furniture/Signs Renewals	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000
Street Lighting	Street & Public Lighting Renewals	200,000	200,000	300,000	200,000	100,000	200,000	100,000	350,000	200,000	300,000
Parking	Parking Meter Upgrades	50,000	100,000	200,000	200,000	200,000	200,000	50,000	50,000	20,000	20,000
Parking	Reseals/Overlays	20,000	-	10,000	-	10,000	5,000	20,000	-	20,000	10,000
Parking	Car Park for Theatre Royal	400,000	850,000	-	-	-	-	-	-	-	-
Parking	Parking Enforcement Capital	20,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	20,000
Parking	Other	10,000	10,000	3,000	10,000	10,000	3,000	10,000	10,000	3,000	10,000
	<b>Total</b>	<b>16,548,925</b>	<b>19,022,175</b>	<b>21,232,344</b>	<b>21,139,811</b>	<b>19,146,023</b>	<b>22,539,957</b>	<b>20,886,389</b>	<b>19,927,952</b>	<b>20,655,975</b>	<b>24,681,580</b>

- 64 A discussion of significant changes or new items is provided below.
- 65 **Parking Facilities Capital Works** – the capital works budget for parking facilities has decreased by 291% (\$450,000 reduction). The 2020/21 budget included purchase of new assets, this budget has been decreased to previous levels to maintain affordability across the activity.
- 66 **Road/Street Landscapes Capital Expenditure** – This budget has been increased from previous years, and includes funding for the implementation of work identified by the City Hub Strategy.
- 67 **Street Lighting Capital Works** – This budget has been increased from previous years, and includes \$2.5 million over years 1 to 10 to support the implementation of work identified by the City Hub Strategy.
- 68 **Subsidised Roading Capital Expenditure** – While indicating a total budget decrease, this budget includes a 12.8% increase for reseals and overlays (\$8.0 million year 1-3, \$8.5 million Year 4-10). While the Timaru District is in an envious position of having a buoyant primary and manufacturing industry, the result is an increase in heavy vehicle use. This in turn creates more demand on pavements that were not previously designed or constructed for carrying such loads. Legislation changes have also enabled the use of larger vehicles across the national network to help drive efficiencies in transportation.
- 69 The overall reduction reflects a significant decrease in the improvement programme for year one (3.6 million) of the LTP (2021/22). This is partly due to a decrease in road seal widening and major intersection upgrades. However, there is an increase in future years with Year 2, \$5.2 million, Year 3 -10 \$5 million annually. This increase allows the quantity of improvement programmes to be similar to 2018-2020 levels. The renewal of bridges is based on condition and a long term work programme. This varies the annual funding requirement with \$12.4 million budgeted over the next 10 years.
- 70 **Footpaths Capital Expenditure** – Data is showing a declining condition of our footpath assets and this is paired with feedback from road user surveys that have identified that *“Overall satisfaction with the footpaths in and around Timaru district”* at 53% as at June 2020. The survey reveals there are high impact improvement opportunities in this area. There is also a growing disparity in the level of service for footpaths across our townships.
- 71 The capital expenditure for footpaths is higher than the previous 2018 LTP budgeted at \$1.64 million per annum over the 10 years reflecting this need to maintain levels of service for footpaths. As discussed earlier with Council, the funding approach is proposed for change, with a district-wide funding approach to footpath work supported.
- 72 **City Hub** - \$30 million has been included in the budget over the ten years to implement the first stage of the strategy. This will be an item included in the LTP Consultation Document. Funding is proposed based on the draft work programme provided to Council.

## WASTE MINIMISATION

- 73 The table below shows the draft capital budget for the Waste Minimisation Group.

<b>WASTE MINIMISATION GROUP CAPITAL BUDGET 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Waste Minimisation	Other Capital Works (new/improved asset)	370,000	50,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Waste Minimisation	Furniture Fittings & Other Equip Capital	10,000	-	-	-	-	-	-	-	-	-
Waste Minimisation	Plant Purchases	933,000	138,000	98,000	98,429	93,429	93,429	88,429	88,429	83,429	83,429
Waste Minimisation	Other Improvements to Land Capital Works	3,037,000	3,231,000	1,438,000	1,475,143	1,545,143	4,148,143	1,502,143	1,555,143	4,350,143	1,525,143
Waste Minimisation	Landfill sealed areas	60,000	39,000	67,000	-	-	-	-	-	-	-
Waste Minimisation	Landfill gas systems	715,000	10,000	207,000	-	-	-	-	-	5,000	79,000
Waste Minimisation	Building Capital Works	331,000	-	-	-	-	-	50,000	-	-	197,000
Waste Minimisation	Fixed Plant & Equipment Capital Works	103,000	61,000	44,000	36,000	20,000	20,000	35,000	20,000	20,000	25,000
		<b>5,559,000</b>	<b>3,529,000</b>	<b>1,864,000</b>	<b>1,619,572</b>	<b>1,668,572</b>	<b>4,271,572</b>	<b>1,685,572</b>	<b>1,673,572</b>	<b>4,468,572</b>	<b>1,919,572</b>

- 74 A discussion of significant changes or new items is provided below.
- 75 **Landfill New Cells** – The increased tonnage to landfill has resulted in the necessity to develop future landfill cells earlier than previously projected. New landfill cells (\$9.0 million) will be constructed in years 1, 6 and 9. These are shallow cells with short life. The identified increase in tonnage is currently projected to reduce the lifespan of the Redruth landfill by nine years; this will have a corresponding increase in cost to the community in developing a new landfill within 25 years for the current increasing tonnage projected. Helping to promote community and industry awareness, education, and fee drivers will be crucial to helping extend the life of the Redruth landfill.
- 76 **Landfill Gas flare** – \$900,000 has been included in the budget for the development of a landfill gas flare (LGF) will allow Council to offset carbon emissions and apply for Unique Emissions Factor (UEF) credits that are part of the Climate Change (Unique Emissions Factors) Regulations 2009. This will help offset the amount of carbon credits Council pays for.
- 77 **New kerbside collection bins** - Year one shows planned expenditure of \$790,000 for the rollout of new kerbside collection bins for glass collection, as well as the replacement supply of other bins near their end-of-life (15 years).
- 78 **Other Projects** – This capital expenditure relates to the further development of stormwater systems, roading costs for the landfill and upgrades to the transfer stations around the district that are included within years 1, 2, 7 and 10.

## SEWER

- 79 The table below shows the draft capital budget for the Sewer Group.

<b>SEWER GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Sewer	Fixed Plant & Equipment Capital Works	700,000	-	-	-	-	-	-	-	-	-
Sewer	Sewer Reticulation Capital Works	150,000	-	-	-	50,000	50,000	-	-	-	50,000
Sewer	Domestic Pump Stations and Electrical Renewals	-	-	1,200,000	5,000	50,000	120,000	120,000	200,000	200,000	50,000
Sewer	Minor Mechanical Domestic Plant Capital Renewals	-	260,000	100,000	200,000	-	30,000	-	30,000	100,000	20,000
Sewer	Wastewater Treatment Plant Building Renewals	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Sewer	Upgrade of industrial wastewater pumping station	500,000	1,000,000	-	-	-	75,000	-	-	-	1,750,000
Sewer	Trade Waste Monitoring Equipment Renewals	-	16,000	-	16,000	-	16,000	-	16,000	-	16,000
Sewer	Dawson Street Pump Station Replacement	600,000	-	-	-	-	-	-	-	-	-
Sewer	Maintenance Generated Renewals	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Sewer	Network renewals and upgrades	1,700,000	1,160,000	1,550,000	1,480,000	1,320,000	1,320,000	1,470,000	1,320,000	1,320,000	1,320,000
Sewer	Wastewater Reticulation Modelling	100,000	-	-	-	-	90,000	90,000	-	-	-
Sewer	Talbot St Geraldine Sewer Siphon Upgrade	-	1,000,000	-	-	-	-	-	-	-	-
		<b>3,895,000</b>	<b>3,581,000</b>	<b>2,995,000</b>	<b>1,846,000</b>	<b>1,565,000</b>	<b>1,846,000</b>	<b>1,825,000</b>	<b>1,711,000</b>	<b>1,765,000</b>	<b>3,351,000</b>

- 80 A discussion of significant changes or new items is provided below.
- 81 \$24.3 million of capital renewals has been budgeted across Council's sewer network. No new significant capital work is planned.
- 82 The majority of this work across the plan is for sewer reticulation renewals to ensure the network delivers the required level of service and reduced sewage overflows.
- 83 Other major capital works include \$1.5 million for the upgrade of the industrial wastewater pumping station at the treatment plant in years 1 and 2 to improve the level of service and reliability.
- 84 Pump station renewals include an upgrade for the Dawson Street pump station (\$600,000) that will improve the capacity of the pump station that is funded by the Government Water stimulus package funding, Temuka pumping station in year 3 (\$1.2 million) also to improve capacity and reliability.
- 85 The Talbot Street siphon upgrade, budgeted at \$1 million, will be undertaken in year 2, and will improve the capacity that reduces sewage overflows in wet weather improving the level of service.

#### **STORMWATER**

- 86 The table below shows the draft capital budget for the Stormwater Group.

<b>STORMWATER GROUP CAPITAL EXPENDITURE 2021-31</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Geraldine Stormwater	Stormwater Drainage Capital Works	150,000	-	-	-	-	-	-	-	-	-
Geraldine Stormwater	Serpentine Creek Geraldine Improvements	125,000	-	-	-	-	-	-	-	-	-
Geraldine Stormwater	Geraldine Urban Stormwater Renewals and Upgrades	400,000	300,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Geraldine Stormwater	Geraldine Stormwater Reticulation Renewals Utilities Maintenance Standing Order	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Temuka Stormwater	Maintenance Generated Renewals	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Temuka Stormwater	Reticulation Renewals and Upgrades	200,000	200,000	300,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Timaru Stormwater	Stormwater Drainage Capital Works	500,000	100,000	400,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Timaru Stormwater	Maintenance Generated Renewals	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Timaru Stormwater	Gleniti Area Stormwater System Bund Construction	150,000	85,000	-	-	-	-	85,000	-	-	-
Timaru Stormwater	Timaru Stormwater Pumps Renewal	-	200,000	1,200,000	-	-	-	-	-	-	-
Timaru Stormwater	Timaru Stormwater Reticulation Renewals and Upgrades	750,000	750,000	800,000	800,000	800,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Rural Stormwater	Rural Stormwater Renewals	15,000	30,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
		<b>2,330,000</b>	<b>1,705,000</b>	<b>3,095,000</b>	<b>2,445,000</b>	<b>2,445,000</b>	<b>2,645,000</b>	<b>1,730,000</b>	<b>1,645,000</b>	<b>1,645,000</b>	<b>1,645,000</b>

- 87 The Stormwater budget includes \$21.3 million of funding for renewals and upgrades over the ten year plan. Funding of \$14.3 million has been budgeted for renewals and \$7 million of capital expenditure for improvements.
- 88 The year one budget includes a project for improvements to Serpentine Creek in Geraldine to improve both capacity (flood protection) and water quality contributing to a sustainable environment. The \$125,000 project is entirely funded by the government stimulus fund.
- 89 The budget also includes the following new projects to improve stormwater quality and flood protection that contribute to the sustainable environment and resilient infrastructure community wellbeing outcomes:
- Taitarahiki creek upgrade in 2021/22 of \$450,000 to increase the size of the culvert under the railway line to improve flood protection. This is funded by the government stimulus fund.
  - Waitarakao improvements that includes consented stormwater ponds in Washdyke that will improve water quality contributing to a sustainable environment. The planning and design is programmed for 2021-2024 (\$600,000) with construction over the period 2024-2027 (\$3.0 million)
  - Washdyke pump renewal (\$1.4 million) is planned for year 2 and 3 that provides flood protection to some industrial/commercial properties providing a more resilient infrastructure
  - Ongoing treatment and capacity improvements including measures to improve the quality of stormwater discharges into Caroline Bay contributing to a sustainable environment
  - \$320,000 budgeted in years 1, 2 and 7 for ongoing improvements on the Gleniti stormwater bunds to enable residential development growth.

## **WATER**

- 90 The table below shows the draft capital budget for the Water Group.



<b>Water</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Beautiful Valley Water Supply	Water Reticulation Capital Works	2,000	12,000	302,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Rangitata/Orari Water Supply	Water Reticulation Capital Works	205,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Seadown Water Supply	Seadown Scheme Upgrade	110,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	85,000	85,000	85,000	85,000
Seadown Water Supply	Fixed Plant & Equipment Capital Works	65,000	-	-	10,000	40,000	10,000	-	50,000	60,000	-
Te Moana Downs Water Supply	Water Reticulation Capital Works	-	-	50,000	-	-	-	50,000	-	-	-
Te Moana Downs Water Supply	New Water Treatment Plant	3,000,000	-	-	-	-	-	-	-	-	-
Te Moana Downs Water Supply	Water Reticulation Capital Works	460,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000
Te Moana Downs Water Supply	Fixed Plant & Equipment Capital Works	200,000	-	-	5,000	-	-	5,000	-	-	5,000
Urban Water Supplies	Water Reticulation Capital Works	1,760,000	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000
Urban Water Supplies	Water Metering	-	2,010,000	6,010,000	8,010,000	-	-	-	-	-	-
Urban Water Supplies	Fixed Plant & Equipment Capital Works	150,000	-	-	-	-	-	-	-	-	-
Urban Water Supplies	Urban Watermain Reticulation Renewals and Upgrades	1,400,000	1,100,000	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Urban Water Supplies	Pleasant Point Water Reticulation Maintenance Generated Renewals Standing Order	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Urban Water Supplies	Pareora Pipeline Renewal	10,000,000	3,000,000	-	-	-	-	-	-	-	-
Urban Water Supplies	Maintenance Generated Renewals	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000
Urban Water Supplies	Reticulation extension to Downlands in the Cannington Area	700,000	-	-	-	-	-	-	-	-	-
Urban Water Supplies	Washdyke Watermain Network Improvements	2,678,000	3,000,000	-	-	-	-	-	-	-	-
Urban Water Supplies	New Reticulation - Urban Water	170,000	-	-	-	-	-	-	-	-	-
Urban Water Supplies	Peel Forest Water Reticulation Maintenance Generated Renewals Standing Order	10,000	10,000	10,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Urban Water Supplies	Coastal Trunk Watermain Renewal Port Loop Area	-	800,000	-	-	-	-	-	-	-	-

<b>Water</b>											
<b>Activity</b>	<b>Project</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Urban Water Supplies	Water Plant Renewals and Upgrades		-	1,360,000	1,630,000	-	-	-	-	-	-
Urban Water Supplies	Claremont Water Plant and Electrical Renewal and Upgrade, including microfiltration treatment process	700,000	1,000,000	-	-	1,800,000	12,220,000	2,100,000	1,750,000	-	450,000
Urban Water Supplies	Telemetry & Data Storage Renewals - Claremont	10,000	10,000	-	-	10,000.00	10,000.00	10,000.00	10,000.00	10,000	10,000
Urban Water Supplies	Geraldine Water Plant Renewal and Upgrade	-	-	-	-	-	-	20,000.00	30,000.00	-	-
Urban Water Supplies	Timaru Intake Renewals	100,000.00	300,000	-	-	-	-	-	-	-	-
Urban Water Supplies	Claremont Reservoir Cover Replacement	-	20,000	-	-	-	-	-	-	-	-
Urban Water Supplies	Temuka Source Upgrade	50,000	50,000	-	-	-	-	-	-	-	-
Urban Water Supplies	Gleniti Control Chamber Upgrade	50,000	-	-	-	-	-	-	-	-	-
Urban Water Supplies	Plant and Pump Renewal - Urban Water	250,000	1,065,000			83,000	100,000	110,000	80,000	50,000	-
Downlands Water	Water Reticulation Capital Works	7,940,000	940,000	1,240,000	640,000	1,040,000	720,000	640,000	640,000	640,000	920,000
Downlands Water	Treatment Plant and Intake Upgrade	5,670,000	20,000	1,020,000	20,000	20,000	50,000	30,000	20,000	20,000	25,000
	<b>Total</b>	<b>36,010,000</b>	<b>14,967,000</b>	<b>12,622,000</b>	<b>13,955,000</b>	<b>6,643,000</b>	<b>16,760,000</b>	<b>5,690,000</b>	<b>5,305,000</b>	<b>3,505,000</b>	<b>4,135,000</b>

- 91 A discussion of significant changes or new items is provided below.
- 92 The water budget includes \$119.6 million of works across the life of the plan. This includes \$35.5 million budgeted for new capital work to improve levels of service, infrastructure resilience and enable growth for a diverse economy.
- 93 **Rangitata-Orari** – Design is completed and the construction of valves to control diversion and flow down multiple water races is programmed for 201/22 (\$190,000).
- 94 **Seadown** – It is planned to review the scheme configuration in order to improve the level of service increasing flow and pressure. This project is a total cost of \$5.1 million. Initial investigation and design will be 2021/22 and construction works commencing in 2023 and progressing for the following five years.
- 95 **Te Moana** - The Pleasant Valley water treatment plant and reservoir (\$3.0 million) is planned to be constructed and completed in 2021/22. This construction work has been tendered and is funded by the Government water stimulus package.
- 96 **Urban Water** –
- **Hewling Street booster pump station** – This project (\$150,000) is to improve the level of service to a low water pressure area in Geraldine.
  - **Timaru Claremont water treatment plant upgrades** – This includes the upgrade of the chemical dosing facility, chlorine dosing and caustic soda handling plant (\$1.8 million) over the 2021/22 and 2022/23 years. It is also planned to upgrade the plant to increase water treatment capacity (\$15.2 million) starting in 2024/25 that will involve the upgrade of treatment processes to improve the Timaru water supply resilience.
  - **Compliance with changing DWSNZ regulations** – This includes the installation of controlled extraction points for water tankers (\$170,000) and preparation for the chlorination of the Geraldine water supply should this be required by Taumata Arowai.
  - **Timaru intake upgrades** – It is planned to improve the Pareora water take with the weir requiring structural improvements to ensure future resilience. This \$1.6 million project will be designed and constructed over the next four years.
  - **Water metering** – The strategic initiative is to understand and reduce water demand and is key to ensuring Timaru has a resilient water supply that will also assist with economic growth through a diverse economy. This significant project (\$16.0 million) will have investigation and planning commence in 2021/22 and installation of meters over the following three years. Water charging is planned to commence in 2025/26.
  - **Pareora pipeline upgrade** – This significant project to renew the 35km Timaru raw water pipeline for the Pareora source to the Claremont treatment plant is currently underway with Stage 1 being constructed. Two further stages are required (\$13.0 million) and these have been tendered and contracts soon to be awarded. This project is critical to ensuring resilient infrastructure.
  - **Washdyke network improvements** – This is the completion of the project improving security of supply to the industrial area with the installation of a new trunk watermain. This is an infrastructure resilience project that will also enable economic growth in Washdyke contributing to a diverse economy. Design is being completed with construction (\$6.0 million) planned for 2021/22 and 2022/23. This project is partially funded from the Government water stimulus funding package.

- **Temuka Pump Station Upgrade** – This project (\$800,000) is to improve the level of service and provide resilient infrastructure for the Temuka water supply. Construction is planned for 2021/22.
- **Urban water reticulation renewals** – The renewal of pipes nearing the end of useful life is ongoing. Funding of \$15.4 million has been budgeted for over the LTP 10 year period. Funding of this activity has been reduced in the first three years of the Long Term Plan and less than the previous expenditure (\$1.845 million per annum). This is to allow the delivery of other significant projects and the water stimulus projects within current resourcing. This expenditure is planned to increase in years 4 to 7 of the Long Term Plan (\$2 million per year) that will address any potential backlog of renewals.
- **Stimulus funded projects** – There are a number of water upgrade projects that are fully funded by the Government water stimulus funding package. These projects are committed as part of the stimulus package and must be completed by 2022. The projects include:
  - Gleniti Control Chamber and communication upgrades (\$125,000)
  - Water reticulation extension in Cannington area (\$700,000)
  - Upgrade of the Arowhenua water treatment (\$150,000)

**SECTION 3 – DRAFT OPERATING BUDGET**

- 97 **Section 3** details the draft operating budgets for each Group of Activities and analyses proposed changes from the current LTP for each activity where significant.
- 98 The draft operating budget for 2021-31 provides for the day-to-day running of all activities and services Council provides, such as parks, swimming pools, libraries, waste minimisation, finance functions, customer services, roading and footpaths and water services. The draft budget includes operating expenditure of \$1.1 billion over the ten years of the plan.

**Operating expenditure**

- 99 The operating expenditure is categorised into 4 broad categories as follows:
- (i) Personnel costs
  - (ii) Operating costs
  - (iii) Finance costs
  - (iv) Depreciation and amortisation.
- 100 All four categories are forecast to increase in the first year of the LTP (2021/22) from the current year (2020/2021) as follows:
- (i) Personnel costs increase by \$2.8 million from \$20.998 million to \$23.8 million
  - (ii) Operating costs increase by \$1.27 million from \$41.841 million to \$43.111 million plus \$2.02 million of operating expenses capitalised to projects, so a total increase of \$3.292 million, in the first year of the LTP
  - (iii) Finance costs increase by \$680,000 from \$3.133 million to \$3.811 million
  - (iv) Depreciation and amortisation increases by \$7.685 million from \$16.757 million to \$24.442 million.
- 101 This is a 10 year plan and costs are adjusted in subsequent years to take account of known and planned works. An assumption is that the levels of service will remain the same and the operating lines of the 10 year budget reflect this.
- 102 It is relevant to note that the model calculates the rates on a rates required basis to meet all expenses. Officers are recommending the rates be set on a basis that funds the Council's activities and capital work programme out over the 10 years of the LTP and as set out in the report. This recommendation results in a lower rates calculation for year 1 than that calculated by the model. Officers have reviewed the calculated model and tested the recommended option to evaluate its prudence. Officers are satisfied that the recommended option is a prudent option which meets the objectives of maintaining levels of service and debt limits while still delivering the capital programme.
- 103 Set out below is a table that summarises at a high level the revenue and expenses for the 10 years.

Whole of Council												
Comprehensive Revenue & Expenditure	2021	2022	Variance	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Revenue</b>												
Rates	-53,356,030	-61,615,312	8,259,282	-63,193,191	-66,327,333	-67,696,986	-68,122,590	-69,162,112	-70,620,099	-71,382,141	-71,946,398	-74,132,659
Subsidies and Grants	-14,007,600	-20,913,703	6,906,103	-16,723,266	-13,933,080	-14,400,318	-14,432,676	-15,424,261	-13,771,013	-13,392,402	-13,332,480	-13,502,526
Interest Revenue	-1,577,920	-656,747	-921,173	-656,747	-656,747	-656,747	-656,747	-656,747	-656,747	-656,747	-656,747	-656,747
Dividend revenue	-2,040,984	-1,040,000	-1,000,984	-1,040,000	-1,040,000	-1,040,000	-1,040,000	-1,040,000	-1,040,000	-1,040,000	-1,040,000	-1,040,000
Other Revenue	-19,941,940	-22,909,248	2,967,308	-22,810,799	-23,283,576	-23,550,459	-23,878,149	-23,816,547	-24,036,051	-24,247,662	-24,458,280	-24,718,806
Development and Financial Contributions	-181,500	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>-91,105,973</b>	<b>-107,135,010</b>	<b>16,029,037</b>	<b>-104,424,003</b>	<b>-105,240,736</b>	<b>-107,344,510</b>	<b>-108,130,162</b>	<b>-110,099,667</b>	<b>-110,123,910</b>	<b>-110,718,952</b>	<b>-111,433,905</b>	<b>-114,050,738</b>
Personnel Costs	20,881,751	23,824,981	-2,943,230	24,095,121	23,869,597	23,757,217	23,592,694	23,589,661	23,613,832	23,666,728	23,664,372	23,690,783
Depreciation and amortisation expense	16,756,711	24,442,807	-7,686,096	24,773,302	25,069,797	25,272,482	25,533,500	25,705,121	25,958,741	26,124,823	26,293,843	26,553,963
Finance costs	3,132,500	3,811,986	-679,486	5,128,296	6,182,364	6,945,359	7,569,715	8,178,640	9,115,605	9,368,903	9,485,464	9,646,869
Other Expenses	41,758,721	43,111,677	-1,352,956	43,458,734	45,642,936	45,358,807	44,505,279	44,881,488	45,237,133	45,679,135	46,097,119	48,017,906
<b>Expenses Total</b>	<b>82,529,683</b>	<b>95,191,451</b>	<b>-12,661,768</b>	<b>97,455,453</b>	<b>100,764,694</b>	<b>101,333,865</b>	<b>101,201,188</b>	<b>102,354,910</b>	<b>103,925,311</b>	<b>104,839,589</b>	<b>105,540,798</b>	<b>107,909,521</b>

104 A summary of the main changes in costs from the current year to the first year of the LTP is set out below. Officers believe this helpful as many of the cost increases are incremental and it provides context to the nature and reason for the changes and as a base for costs going forward out over the term of the LTP.

### Personnel costs

105 The total increase in the budget for remuneration in year 1 of the LTP is forecast to be \$2.8 million. Not all of this flows through to an increase in rates, as some remuneration is funded from other sources, such as fees and charges, NZTA funding assistance grants and water stimulus funds received from the government. In broad terms, taking account of the drivers discussed below, approximately \$1.5 million of the personnel costs will add to the rates increase. What makes up the remuneration costs and the rationale for it is set out below.

106 The primary drivers of the increase of \$2.8 million can be attributed to 4 areas. These are:

- (i) Pay equity adjustment - \$850,000
- (ii) Remuneration increases - \$930,000
- (iii) Requested funding for new positions - \$870,000
- (iv) Water stimulus funded positions - \$150,000

107 **Pay Equity Adjustment:** for the last 12 months Council has been conducting a benchmark review of its remuneration. This exercise required a review of all position descriptions to ensure the descriptions correlated to the roles team members are performing. These position descriptions are then independently assessed against market data to determine lower, median and upper quartiles and the team members' remuneration is assessed against that index.

108 The exercise identified that a significant cohort of team members were being paid significantly below the median pay for the respective position. The Chief Executive proposes that the remuneration budget be increased to bring team members who are below the median pay range for their position, role, performance and experience merits an increase to 97% of the median pay. The cost of this adjustment is estimated to be \$850,000.

109 **Remuneration increases:** Council budgets a certain level of remuneration increase on an annual basis. This historically has been in the order 3% per annum as a proxy for increases across the organisation. Broadly, the remuneration increases are reflective of market movement and performance of individuals in the role.

110 In the current year officers are requesting that the remuneration increases be adjusted up from 3% to approximately 4.5%. Council is facing very significant pressure to retain staff in specialised and difficult to recruit positions and needs to be able to meet the market.

111 For Council to continue to meet its levels of service in its activities it is important it retains team members by, along with other measures, remunerating at a market rate. The challenge is that the market rate in some sectors is moving up at greater than a straight line 3% and so a greater increase is requested based on analysis of recent market movements and offers to some staff.

- 112 **New Positions:** Officers have identified new positions with a total of \$1.74 million to maintain levels of service and ensure sufficient support for the capital works programme. While the remuneration to fund the new positions totals \$1.74 million officers are requesting \$870,000 (50% of the total amount) to fund the new positions.
- 113 Not all positions are filled all of the time and this vacancy factor can be applied to manage the additional positions. It introduces a tension to look at optimising positions when they become vacant while ensuring there is sufficient resource within the remuneration budget to manage the increasing costs imposed on Council and the additional capital work programme. Broadly the new positions are in the following areas:
- (i) Information technology and corporate support (\$520,000), for positions in information technology, finance for business partnering, property management and corporate planning and strategy.
  - (ii) Infrastructure (\$735,000), for positions in the Airport activity (to support capital work and safety enhancement); 3 Waters to meet compliance with new standards, land transport unit for increased programmes across road safety and positions to support building capacity in Council and the community's knowledge and understanding climate change impacts and effects.
  - (iii) Environmental Services (\$335,000), for greater capacity to deliver on the national policy statement on biodiversity, enhance Council's civil defence and emergency management capacity and engage full time planners for the remainder of the District Plan Review and reduce the reliance on consultants which results in a net saving (estimated amount).
  - (iv) Community Services (\$150,000), additional resource to support project delivery and administrative support for the additional work required for the change in accounting policies from historical cost to fair value.
- 114 Officers have added \$150,000 to the remuneration pool to reflect the additional positions being funded from the water stimulus funds which are to support the delivery of the associated capital programme, the information requests and strategic discussions with the Department of Internal Affairs regarding the 3 waters reform.
- 115 Looking out beyond year 1, the forecast increase in remuneration is adjusted for market rates and forecast position changes, e.g. that some positions are fixed term or the service delivery model will change and will in turn result in a change of positions. No allowance or adjustment has been made for the 3 Waters reform. The Budget is prepared on the basis that Council will continue to deliver the 3 Waters activities. Any assumption regarding the operating model, its timing and other effects it would have would be highly speculative and uncertain.

### **Other operating expenses**

- 116 'Other expenses' are forecast to rise from \$41.841 million in the Annual Plan 2020/21 to \$43.112 million plus \$2.02 million of operating expenses capitalised to projects, an increase of \$3.292 million, in the first year of the LTP. In following years the increases are incremental, in line with forecast cost increases. Where there are identified increases, such as with the costs associated with the City Hub Strategy, these are budgeted into the other expenses.
- 117 Other expenses covers a significant range of costs. These include:
- (a) Delivery and maintenance costs across a number of Council's services, such as road and streetscape maintenance, 3 Waters maintenance, Parks and Reserves maintenance contracts (at a total cost of \$18.79 million),



- (b) other costs as set out in the attached Appendix 1 for the 10 years of the LTP (\$26.34M).

### **Professional and solicitors' fees**

- 118 A significant cost line, in aggregate, across Council's operating costs, are those associated with professional fees and legal fees. A summary of these, and the forecast budget for them is set out below.
- 119 Professional and solicitors' comprise \$4.96 million in total. This is split between solicitors' fees of \$389,000 and other professional fees of \$4.57 million (compared with \$4.177 million in 2020/21, the major difference is an additional \$900,000 for the development of stormwater management plans below which are detailed below). The solicitors' fees is based on previous years' expenses of being in the range of \$350,000 - \$400,000.
- 120 Solicitors' fees include advice to ensure Council's compliance with its statutory obligations across a range of activities. Examples include advice around ensuring Council follows proper decision-making processes on contentious issues, advice on managing conflicts, balancing and meeting its obligations under the Local Government Official Information and Meeting Act 1987 and the Privacy Act 2020, receiving advice on contracts and procurement processes particularly where Council is undertaking complex negotiations where there are specialist services. Council also incurs legal costs responding to claims by parties that it may have breached a legal, policy or contractual obligation it owes to third parties.
- 121 Legal costs also cover Council's costs in its planning and regulatory teams where it is managing challenges to its consent process (both planning and building consents), managing abatement and enforcement orders, and prosecutions for breaches and/or failure to meet statutory standards). It also includes legal fees on property management and transactions.
- 122 Professional fees relate to where costs for a range of services that Council requires. Some of these are ongoing costs, such as QV to provide valuation and rating support services and Bancorp for treasury advice (\$340,000). Consultants' costs for District Planning, including for the District Plan Review, have reduced from approximately \$1.4 million to \$800,000.
- 123 There is a significant spend in the infrastructure area. The main items are:
- (a) Development of stormwater management plans to support consent applications under the Canterbury Land and Water Regional Plan (\$900,000, planned and budgeted for)
  - (b) Contracted services for environmental health services, (\$320,000 of which \$77,000 is recovered from Waimate and Mackenzie District Councils)
  - (c) Land transport and roading (\$550,000) for data collection, data and deterioration modelling and policy work in respect of the parking strategy for the national policy statement on urban development
  - (d) Infrastructure management (\$200,000) to support developing a development contributions' policy as part of the District Plan Review and development area plans to support further land development by developers into the future
  - (e) Council buildings and property, to cover asset management plans, engineering assessments, and property revaluations in line with the change in accounting policy to measure at fair value (\$225,000) for the first 3 years
  - (f) Parks and Reserves, to support strategy and policy development for activities such as the review of the Spaces and Places Strategy, Caroline Bay Master Plan, Sir Basil Arthur

- Park Development Plan, walking and cycling strategy, cemeteries development along with support for the move to a fair value model for parks and reserves (\$250,000)
- (g) Waste management consultant's fees (\$200,000) for design work regarding changes to the cell and Redruth site
  - (h) Drainage and water consulting to support design and modelling of Council's networks (\$300,000 including modelling, completion of the water management strategy and leak detection)
  - (i) Climate change research (\$100,000), impacts modelling and option assessments around adaptation and mitigation (based on comparatives with comparable work undertaken by other Councils)
  - (j) Consulting costs of \$450,000 to support delivery across Council services such as its risk and assurance programme, process improvement in Council's systems, such as its finance system, programme delivery, corporate planning for policy and strategy development on government mandated or central government policy changes, website development, building control for advice and certification requirements, airport development including safety management and maintaining Civil Aviation Certification and funding for known short term vacancies such as parental leave, along with \$50,000 for special projects that may arise during the year and where no other budget would be available.

### **Depreciation**

- 124 There has been a substantial increase in depreciation in the financial statements. This arises from the change in accounting policy, which was adopted by Council in February 2019, to move from deemed cost to a fair value measurement of Council's assets. The increase is particularly large in the 3 waters assets and Council's roading assets. However, the increase in depreciation does not in and of itself result in a rates' increase equal to the increase in depreciation. The reason for this is that historically Council has rated to cover depreciation (based on its historical cost values) plus capital renewals and replacement based on its activity management plans. The result has been rating for a surplus to provide the operational cash flows to undertake its renewal work, particularly in its roading and 3 waters assets.

### **Revenue side drivers of rates increases**

- 125 As set out in the Financial Strategy, operating revenues are set at a level to meet operating expenses. Conceptually, rates are set at operating costs less operating revenues. For this reason Council looks to optimise its other operating revenues, in particular subsidies, grants, fees and charges and other sources such as income from interest and dividends. Where Council has a reduction in revenue that reduction must be recouped from another source.
- 126 Council has reviewed its fees and charges and it forecasts receiving \$20.895 million (this is shown in a number of lines in the revenue lines) and is an increase of \$1.638 million on the year ended 30 June 2019. Officers believe this is a better comparative than with the 2019/20 financial year as fees and charges were affected by the COVID-19 lockdown which did impact a number of lines.
- 127 Council has forecast significantly less from finance revenue than in the previous LTP. Finance revenue is made up of dividends and interest.

- 128 In respect of dividend income Council has historically received a dividend from TDHL which is forecast to be down by approximately \$1 million. This is a direct consequence of the substantially reduced Alpine Energy Limited dividend. The dividend TDHL receives from AEL has reduced from approximately \$4.7 million per annum to approximately \$1.1 million per annum. The dividend received has historically been used to offset rates.
- 129 Secondly, the result of having historically low interest rates for borrowing, it is that they are also historically low for cash funds held by Council. Interest on cash reserves is forecast to drop by \$1.3 million as a direct consequence of lower rates. However, the net effect of lower interest rates on cash deposits and investments, once netted off against the lower interest rates on borrowings, is approximately \$500,000, or 1% of rates.
- 130 As noted above, Council officers have looked to increase fees and charges where possible, however, these largely only mitigate the effect of increasing costs of providing the service connected to the respective fees and charges. The proposed fees and charges are attached for Council's consideration, showing the current year as a comparison.
- 131 The net effect of these two drivers is that there is approximately 3% lower finance income which has to be recouped from other sources. As these sources of finance income have historically been applied to reduce rates, inevitably most of the burden of recouping this loss of income will fall to rates, resulting in an increase by approximately 3% to meet the reduce finance income.

#### **Shortfall funding in the 2020/21 Financial Year**

- 132 A further revenue-side adjustment is to recognise that in its last financial year Council reduced its rates to an artificially low rate (2%) to account for the uncertainty of the effects of COVID-19 on the Timaru District. This was against a projected rates rise of approximately 8% on the initial Annual Plan budget.
- 133 The effect of this is that Council had a rates funding shortfall of 6% or approximately \$3 million, but still maintained the levels of service. As noted at the time, rate increases in subsequent would need to be increased to recoup the reserve funding, or the levels of service adjusted downward.

#### **Summary of rate increase factors**

- 134 In summary the drivers of rates increases are an amalgam of increases in operating expenditure, replacing reduced revenue sources other than rates and funding the reserve funding of last year. These factors sum to rate increases of approximately:
- (a) Increased remuneration – 3%
  - (b) Increased operating – 4%
  - (c) Reduced finance income (lower TDHL dividend and interest received on deposits) – 3%
  - (d) Funding the 2020/21 shortfall funding – 6%

#### **Total 16%**

- 135 For the reasons set out below this does not equate to a rates increase of the same amount. The options and analysis around Officers' recommendations are set out below under the options assessment.

**Corporate overhead – what it is and what it covers**

- 136 Officers believe it is helpful to set out the corporate overhead costs of running Council. These costs are significant, and given that they are not directly tied to particular Council activities and so it is considered helpful to address these costs.
- 137 Corporate overheads are the costs of running Council that cannot be directly attributed to a particular activity or project. They cover all of Council's support services such as information technology, people and capability, communications, customer services, finance and rates, corporate planning and strategy, property management to the extent it is linked to property Council uses in its operations, eg its main office.
- 138 Corporate overhead also covers costs in delivering many of its services and activities such as infrastructure management, land transport, drainage and water management, parks and reserves, risk and assurance and programme delivery.
- 139 Corporate overhead does not cover activities to which direct costs can be attributed, for example community facilities such as CBay, the library, art gallery and the museum. Other activities excluded from corporate overhead are the delivery of water and wastewater, ie is the activities associated with Claremont and Aorangi Road's wastewater treatment plant are excluded from corporate overhead.
- 140 Council seeks to attribute the costs associated with corporate overhead on an equitable basis which reflects as accurately as possible the use of the corporate resource to its various activities. For example, the physical space that Council's activities consume in its buildings are used to apportion the property management and use of utilities such as electricity and other property associated costs like cleaning and security. The number of computers used by an activity of Council is used as a proxy for allocating information technology related costs such as hardware, software costs not directly attributable to a unit and architecture upgrades and maintenance.

**Corporate overhead – what makes up the costs?**

- 141 The table below summarises the corporate overhead costs:

CORPORATE OVERHEAD GROUP												
Expenditure	2021	2022	Variance	2023	2024	2025	2026	2027	2028	2029	2030	2031
Personnel Costs	10,615,180	12,029,292	1,414,112	12,106,292	11,956,292	11,956,292	11,956,292	11,956,292	11,956,292	11,956,292	11,956,292	11,956,292
Depreciation and amortisation expense	917,822	930,847	13,025	930,847	930,847	930,847	930,847	930,847	930,847	930,847	930,847	930,847
Finance Cost	126,899	98,542	28,357	125,271	124,664	157,782	114,744	65,539	19,632	-	-	-
Other Expenses	6,316,212	6,982,270	666,058	6,668,462	6,997,061	6,944,164	6,693,273	6,846,501	6,677,733	6,693,970	6,843,214	6,684,465
Total	17,976,113	20,040,951	2,064,838	19,830,872	20,008,864	19,989,085	19,695,156	19,799,179	19,584,504	19,563,378	19,656,913	19,452,349

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- 142 Total corporate overhead has increased from \$17.98 million to \$20.04 million, an increase of \$2.06 million.
- 143 Personnel costs make up \$12.029 million and have increased from \$10.615 million, an increase of \$1.475 million. Of that increase \$1.1 million is comprised of increases in drainage and water management (\$334,000), finance (\$184,340), information technology (\$267,000), land transport (\$383,500), Parks and Reserves Management (\$176,500) with reductions in Customer Services (\$88,000), Infrastructure Management (\$112,000).
- 144 The increases reflect a combination of increased remuneration as set out in the remuneration section and some additional team members to support the delivery of activities and business improvement processes across all of Council, for example in financial management, internal systems and programme delivery.
- 145 The composition of other expenses of \$6.98 million is made up from a range of costs (these are detailed in Appendix 2, these costs are subset of other operating costs presented above and not in addition to).

**Activity – income and expenditure summaries and analysis of changes**

146 Set out below are the summaries of the revenue and expenses for Council's activities. These are organised by groups of activities which are:

- Governance
- Community Support
- District Planning and Environmental Services
- Recreation and Leisure
- Roading and Footpaths
- Sewer
- Stormwater
- Waste Minimisation
- Water Supplies

147 For each Group of Activities there is a table presented which show the rates requirement along with other revenues that fund the activities. The operating expenses are classified in the following categories:

- Personnel costs
- Depreciation and amortisation
- Finance costs (interest)
- Other expenses
- Internal charges (corporate overhead).

148 Where there is a material variation this is summarised below the summary table. It should be noted that the allocation model for corporate overhead has been revised to better match the corporate costs of activities and so some have had a reduction in corporate overhead, and others an increase.

**Governance Group Operating Budget**

149 This group supports the democracy function of Council.

GOVERNANCE GROUP												
Comprehensive Revenue & Expenditure	2021	2022	Variance	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Revenue</b>												
Rates	-	-	-	-	-	-	-	-	-	-	-	-
	4,860,164	4,526,532	333,632	4,634,682	4,520,486	4,597,918	4,639,002	4,499,900	4,561,798	4,712,066	4,562,742	4,644,166
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-
	2,500		2,500									
	-	-	-	-	-	-	-	-	-	-	-	-
	<b>4,862,664</b>	<b>4,526,532</b>	<b>336,132</b>	<b>4,634,682</b>	<b>4,520,486</b>	<b>4,597,918</b>	<b>4,639,002</b>	<b>4,499,900</b>	<b>4,561,798</b>	<b>4,712,066</b>	<b>4,562,742</b>	<b>4,644,166</b>
<b>Expenses</b>												
Personnel Costs	695,000	695,000	-	740,850	737,326	759,446	808,728	805,695	829,866	882,762	880,406	906,817
Depreciation and amortisation expense	805	804	1	804	804	804	804	804	804	804	804	804
Other Expenses	798,461	596,824	201,637	683,724	554,128	599,536	694,948	555,364	605,785	701,209	556,638	612,071
Internal Charges	3,308,398	3,233,903	74,495	3,209,304	3,228,228	3,238,131	3,134,521	3,138,037	3,125,342	3,127,290	3,124,894	3,124,473
	-	-	-	-	-	-	-	-	-	-	-	-
	<b>4,802,664</b>	<b>4,526,531</b>	<b>276,133</b>	<b>4,634,682</b>	<b>4,520,486</b>	<b>4,597,917</b>	<b>4,639,001</b>	<b>4,499,900</b>	<b>4,561,797</b>	<b>4,712,065</b>	<b>4,562,742</b>	<b>4,644,165</b>

**Explanation of Operating Budget****Operating Expenses:**

150 **Other Expenses:** Audit fees for the Annual Report and the Long Term Plan of \$220,000 were previously charged to this Activity. It is now included in Corporate Overhead costs (reduced to \$180,000), so is a transfer of cost rather than a reduction. This is why the rates requirement has reduced by \$333,632.

151 **Internal Charges:** Corporate overheads allocated to Governance have reduced by \$74,000, primarily due to the lower utilisation of corporate functions.



**Community Support Group Operating Budget**

152 This group includes the following activities: Airport; Climate Change; Community Facilities (Cemeteries and Public Toilets); Community Funding; Economic Development and Tourism; Emergency Management; Safer Communities; Social Housing

153 The table below provides the operating budget for the Community Support Group.

<b>COMMUNITY SUPPORT GROUP</b>												
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Revenue</b>												
Rates	-	-	-	-	-	-	-	-	-	-	-	-
	3,174,099	3,894,589	720,490	3,955,977	4,157,748	4,190,186	4,323,594	4,401,024	4,464,674	4,469,871	4,500,705	4,496,007
Subsidies and Grants	-	-	-	-	-	-	-	-	-	-	-	-
	155,400	6,000	149,400	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Interest Revenue	-	-	-	-	-	-	-	-	-	-	-	-
	21,000		21,000									
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-
	2,015,058	2,106,279		2,154,680	2,203,180	2,251,680	2,300,080	2,348,580	2,396,980	2,445,480	2,493,980	2,542,380
	-	-	-	-	-	-	-	-	-	-	-	-
	<b>5,365,557</b>	<b>6,006,868</b>	<b>641,311</b>	<b>6,116,657</b>	<b>6,366,928</b>	<b>6,447,866</b>	<b>6,629,674</b>	<b>6,755,604</b>	<b>6,867,654</b>	<b>6,921,351</b>	<b>7,000,685</b>	<b>7,044,387</b>
<b>Expenses</b>												
Personnel Costs												
	117,049	667,689	667,689	667,689	667,689	667,689	667,689	667,689	667,689	667,689	667,689	667,689
Depreciation and amortisation expense												
	536,320	524,097	12,223	528,644	604,694	621,744	680,460	684,177	687,894	691,610	696,994	700,711
Finance costs												
	132,291	149,954	17,663	256,362	361,071	392,360	459,352	514,124	573,105	572,238	568,530	556,118
Other Expenses												
	4,129,827	4,195,552	65,725	3,868,332	3,880,901	3,892,269	3,900,940	3,912,927	3,925,237	3,927,878	3,950,860	3,964,192
Internal Charges												
	630,421	547,794	82,627	550,839	563,171	568,421	568,751	579,296	566,362	567,629	577,549	567,208
	<b>5,545,908</b>	<b>6,085,086</b>	<b>539,178</b>	<b>5,871,866</b>	<b>6,077,526</b>	<b>6,142,483</b>	<b>6,277,192</b>	<b>6,358,213</b>	<b>6,420,287</b>	<b>6,427,044</b>	<b>6,461,622</b>	<b>6,455,918</b>

**Community Support - Explanation of Operating Budget****Operating Revenue:**

- 154 **Rates Revenue:** An increase in the rates requirement of \$720,000 to fund the activities. This reflects the net changes to the Activities within this Group as noted below. This is driven by the creation of a Climate Change programme \$320,000, a reduction in Cemeteries revenue \$97,00, a proposed new role within Emergency Management and an increase of \$93,000 within Economic Development.
- 155 **Subsidies and Grants:**
- 155.1A reduction of Grants received for Safer Communities as this activity is no longer undertaken.
- 156 **Other Revenue (incl. Fees and Charges):** Fees and charges have increased by \$91,000 in the following areas:
- Timaru Airport has seen a \$162,000 increase in revenue as a result of higher income from Car Parking Fees and Airport Landing Fees
  - We have provisionally increased Social Housing rental revenue by \$25,000 (2%) however please see the further commentary below.
  - Offsetting these, Cemeteries revenue has reduced by \$97,000 to bring in back in line with current revenue forecasts

**Operating Expenses:**

- 157 **Personnel Expenditure:** The draft budget proposes to increase the employee costs by \$551,000 in the following areas:
- 158 Airport: \$238,000 – Personnel costs were previously absorbed within the infrastructure budget and now budgeted within Airport Activity, there has been a \$100,000 increase to account for shift of these costs to Airport budget plus a 0.5 FTE to assist with implementation of safety management plans.
- 159 Climate Change: \$200,000 – This is a new budget proposed to support undertaking of Data collection, research and analysis on the long-term effects of climate change on Council activities and the development of policies and processes to embed climate change/sustainability into decision making, project planning and design. Budget included in 21/22 for the appointment and training of staff to undertake the above.
- 160 Emergency Management: \$103,000 – Personnel costs have increased due to a proposed additional Emergency Management Officer to support the organisation and the community increase their resilience to the Districts hazard environment
- 161 **Other Expenses:** Other expenses have increased by \$66,000 as a result of \$120,000 in the Climate Change Programme for a Carbon Emissions project, \$82,000 in Social Housing relating to Insurance and grounds maintenance, offset by a \$141,000 reduction in Economic Development grants.
- 162 **Internal Charges:** Corporate overheads have decreased by \$83,000 following a decrease in the share of corporate overheads allocated to this Activity which reflects the lower utilisation of corporate functions.
- 163 The tables below provide a breakdown of operating expenditure by activity:

<b>Cemeteries</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 120,480	- 220,324	- 99,844
Subsidies and Grants	- 5,400	- 6,000	- 600
Other Revenue	- 372,100	- 275,600	96,500
	<b>- 497,980</b>	<b>- 501,924</b>	<b>- 3,944</b>
<b>Expenses</b>			-
Depreciation and amortisation expense	8,200	10,699	2,499
Finance costs	4,328	9,279	4,951
Other Expenses	367,110	373,745	6,635
Internal Charges	78,343	108,201	29,858
	<b>457,981</b>	<b>501,924</b>	<b>43,943</b>

164 **Cemeteries** - Operating expenditure has increased by \$44,000 following an increase in the share of corporate overheads allocated to Cemeteries \$30,000. In addition, revenue has reduced by \$97k to bring in back in line with current revenue forecasts.

<b>Emergency Management</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			-
Rates	- 409,592	- 502,334	- 92,742
<b>Expenses</b>			-
Personnel Costs	96,669	199,569	102,900
Depreciation and amortisation expense	29,500	16,596	- 12,904
Finance costs	4,830	3,812	- 1,018
Other Expenses	215,253	246,268	31,015
Internal Charges	63,341	36,089	- 27,252
	<b>409,593</b>	<b>502,334</b>	<b>92,741</b>

165 **Emergency Management (Civil Defence)** – Operating expenditure has increased by \$93,000 due to a proposed additional Emergency Management Officer to support the organisation and the community increase their resilience to the Districts hazard environment. This area is fully funded through rates.

<b>Climate Change and Sustainability</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates		- 320,000	- 320,000
<b>Expenses</b>			-
Personnel Costs		200,000	200,000
Other Expenses		120,000	120,000
	-	<b>320,000</b>	<b>320,000</b>

- 166 **Climate Change** – This is a new budget proposed to support undertaking of Data collection, research and analysis on the long-term effects of climate change on Council activities and the development of strategy, policies and processes to embed climate change/sustainability into decision making, project planning and design. Budget included in 21/22 for the appointment and training of staff to undertake the above and \$120,000 for a Carbon Emissions project. It is proposed this budget is funded via rates contribution.

<b>Community Funding</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 520,042	- 569,146	- 49,104
Interest Revenue	- 21,000		
Other Revenue	- 43,380	- 43,380	-
	<b>- 584,422</b>	<b>- 612,526</b>	<b>- 28,104</b>
<b>Expenses</b>			
Finance costs		510	510
Other Expenses	501,063	504,529	3,466
Internal Charges	92,359	107,487	15,128
	<b>593,422</b>	<b>612,526</b>	<b>19,104</b>

- 167 **Community Funding** – This is funded through rates with minimal change from the 2020/21 Annual Plan.

<b>Economic Development &amp; Tourism</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 1,013,495	- 1,106,500	- 93,005
<b>Expenses</b>			
Finance costs		6,419	6,419
Other Expenses	1,216,973	1,075,600	- 141,373
Internal Charges	26,522	24,481	- 2,041
	<b>1,243,495</b>	<b>1,106,500</b>	<b>- 136,995</b>

- 168 **Economic Development and Tourism** – The budget includes an economic development grant of \$640,000, and visitor grant of \$350,000 to Venture Timaru Limited Council's economic development and tourism agency, in line with Venture Timaru's statement of intent for 2020/21-23. This is subject to any change requested by Venture Timaru and agreed by Council during the 2021/22 Statement of intent, and Long Term Plan process.

<b>Timaru Airport</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 565,092	- 601,811	- 36,719
Other Revenue	- 315,000	- 477,000	- 162,000
	<b>- 880,092</b>	<b>- 1,078,811</b>	<b>- 198,719</b>
<b>Expenses</b>			-
Personnel Costs		238,120	238,120
Depreciation and amortisation expense	266,200	266,136	- 64
Finance costs	65,126	67,210	2,084
Other Expenses	412,119	418,550	6,431
Internal Charges	136,646	88,795	- 47,851
	<b>880,091</b>	<b>1,078,811</b>	<b>198,720</b>

169 **Timaru Airport** – Operating expenditure has increased by \$198,000 following an increase in personnel costs which were previously absorbed within the infrastructure budget and now budgeted within Airport Activity, there has been a \$100,000 increase to account for shift of these costs to Airport budget. + 0.5 FTE to assist with implementation of safety management plan. Offsetting this, Revenue has increased by \$162,000 as a result of higher income proposed from Car Parking Fees and Airport Landing Fees.

<b>Social Housing</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates			-
Other Revenue	- 1,284,578	- 1,310,299	- 25,721
	<b>- 1,284,578</b>	<b>- 1,310,299</b>	<b>- 25,721</b>
<b>Expenses</b>			-
Depreciation and amortisation expense	210,000	204,420	- 5,580
Finance costs	58,007	59,825	1,818
Other Expenses	896,031	978,239	82,208
Internal Charges	153,204	146,033	- 7,171
	<b>1,317,242</b>	<b>1,388,517</b>	<b>71,275</b>

**Social Housing** – Operating expenditure has increased by \$71,000 following an increase in other expenses relating to insurance and grounds maintenance. Offsetting this, a provisional increase in social housing rental of \$25,000 has been included. However this will not be sufficient to fully fund the activity per the draft Revenue and Financing Policy. An increase of up to 8% (\$102,000) would be required for the activity to be self-funding. While the housing represents very good value relative to market rates (lower quartile) the increasing costs of carrying out this activity is putting pressure on rentals for our fixed income tenants.

<b>Public Toilets</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			-
Rates	- 526,217	- 517,904	8,313
<b>Expenses</b>			-
Depreciation and amortisation expense	22,420	26,246	3,826
Finance costs		1,430	1,430
Other Expenses	439,236	453,520	14,284
Internal Charges	64,561	36,708	- 27,853
	<b>526,217</b>	<b>517,904</b>	- <b>8,313</b>

170 **Public Toilets** – This is funded through rates with minimal change from the 20/21 Annual Plan

**Environmental Services Group Operating Budget**

171 This group includes the following activities: Building Control; Environmental Compliance and District Planning.

172 The table below provides the operating budget for the Environmental Services Group

ENVIRONMENTAL SERVICES GROUP												
Comprehensive Revenue & Expenditure	2021	2022	Variance	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Revenue</b>												
Rates	- 2,397,294	- 2,455,822	- 58,528	-2,675,667	- 2,843,590	- 3,047,559	- 3,103,733	- 3,099,273	-3,111,102	- 3,051,124	- 3,043,656	- 3,025,166
Other Revenue	- 3,083,230	- 3,471,900	- 388,670	- 3,507,900	- 3,525,900	- 3,525,900	- 3,525,900	-3,525,900	- 3,525,900	- 3,525,900	- 3,525,900	- 3,525,900
	<b>- 5,480,524</b>	<b>- 5,927,722</b>	<b>- 447,198</b>	<b>- 6,183,567</b>	<b>- 6,369,490</b>	<b>- 6,573,459</b>	<b>- 6,629,633</b>	<b>- 6,625,173</b>	<b>- 6,637,002</b>	<b>- 6,577,024</b>	<b>-6,569,556</b>	<b>- 6,551,066</b>
<b>Expenses</b>												
Personnel Costs	3,101,015	3,624,388	523,373	3,674,143	3,674,143	3,474,143	3,257,338	3,257,338	3,257,338	3,257,338	3,257,338	3,257,338
Depreciation and amortisation expense	7,550	12,204	4,654	12,204	12,204	12,204	12,204	12,871	12,871	13,871	14,537	14,537
Finance costs	42,400	72,750	30,350	105,551	149,982	184,793	187,678	173,824	159,971	146,119	132,266	118,413
Other Expenses	2,587,347	1,963,784	- 623,563	2,482,784	2,228,784	1,453,784	1,136,784	1,136,784	1,186,784	1,136,784	1,136,784	1,136,784
Internal Charges	1,325,636	1,387,009	61,373	1,439,875	1,475,459	1,495,186	1,494,720	1,504,116	1,477,918	1,481,165	1,486,844	1,482,185
	<b>7,063,948</b>	<b>7,060,135</b>	<b>- 3,813</b>	<b>7,714,557</b>	<b>7,540,572</b>	<b>6,620,110</b>	<b>6,088,724</b>	<b>6,084,933</b>	<b>6,094,882</b>	<b>6,035,277</b>	<b>6,027,769</b>	<b>6,009,257</b>

**Environmental Services - Explanation of Operating Budget****Operating Revenue:**

173 **Other Revenue (incl. Fees and Charges):** Fees and charges have increased by \$389k in the following areas:

- Building Control has seen a \$262k increase in revenue as a result of both increasing volumes and a 5% fee uplift to offset cost pressures
- District Health has seen a \$134k increase in revenue reflecting increased volumes and a proposed uplift in Environmental Health fees and hourly rates to cover the higher Food and Health Safety contract costs. In addition, there are increased liquor licencing volumes and within Animal Control, an increase to the Dog Registration Fee.

**Operating Expenses:**

174 **Personnel Expenditure:** The draft budget proposes to increase the employee costs by \$523,000. This includes a proposed 0.5 FTE Biodiversity role to assist Council meet its obligations under the Resource Management Act, additional staff costs of \$130k in Building Control to reflect market relativity and an increase of two fixed term roles in the district plan review to reduce the reliance on external consultants for the remaining three years of the project (with resulting reduction in consultants budget). The remaining increase reflects the pay equity movements to bring staff up to the medium Local Government remuneration range for their role.

175 **Other Expenses:** Other expenses have reduced by \$624,000, largely as a result of a decision to reduce the reliance on external consultants for the remaining three years of the District Plan Review – this offsets the increase in personnel costs above.

176 **Internal Charges:** Corporate overheads have increased by \$61,000 following an increase in the share of corporate overheads allocated to this Activity.

177 The tables below provide a breakdown of operating expenditure by activity:

<b>Building Control</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 636,150	- 888,104	- 251,954
Other Revenue	- 1,857,330	- 2,119,000	- 261,670
	<b>- 2,493,480</b>	<b>- 3,007,104</b>	<b>- 513,624</b>
<b>Expenses</b>			-
Personnel Costs	1,846,935	2,071,732	224,797
Depreciation and amortisation expense	30	24	- 6
Finance costs		14,560	14,560
Other Expenses	239,756	295,737	55,981
Internal Charges	406,758	625,051	218,293
	<b>2,493,479</b>	<b>3,007,104</b>	<b>513,625</b>

178 **Building Control** – Operating expenditure has increased by \$514,000 following an increase in the share of corporate overheads allocated to Building Control of \$218,000 as a result of increased IT software and support. In addition, personnel costs have increased by \$224,000 to reflect market relativity, part of the increase reflects the pay equity movements to bring



staff up to the medium Local Government remuneration range for their role. Offsetting this, revenue has increased by \$262,000 as a result of increasing volumes and a proposed increase in most building fees and hourly rates of 5%.

<b>Environmental Compliance</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 536,858	- 429,074	107,784
Other Revenue	- 856,400	- 990,400	- 134,000
	<b>- 1,393,258</b>	<b>- 1,419,474</b>	<b>- 26,216</b>
<b>Expenses</b>			
Personnel Costs	442,717	487,797	45,080
Depreciation and amortisation expense	7,520	12,180	4,660
Other Expenses	489,436	551,929	62,493
Internal Charges	539,148	366,125	- 173,023
	<b>1,478,821</b>	<b>1,418,031</b>	<b>- 60,790</b>

179 **Environmental Compliance** – Operating revenue has increased by \$134,000 reflecting increased volumes and a proposed uplift in Environmental Heath fees and hourly rates to cover the higher Food and Health Safety contract costs. In addition, there are increased liquor licencing volumes and within Animal Control, an increase to the Dog Registration Fee.

180 Operating expenditure has decreased by \$61,000 following a decrease in the share of corporate overheads allocated to District Health of \$173,000 which reflects the lower utilisation of corporate functions. Offsetting this, there is an increase in professional services due to increases to the Food Health Safety contract and the inclusion of a budget for the future gambling policy review. In addition, personnel costs have increased reflecting the pay equity movements to bring staff up to the medium Local Government remuneration range for their role.

<b>District Planning</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 1,224,286	- 1,138,644	85,642
Other Revenue	- 369,500	- 362,500	7,000
	<b>- 1,593,786</b>	<b>- 1,501,144</b>	<b>92,642</b>
<b>Expenses</b>			
Personnel Costs	811,363	1,064,859	253,496
Finance costs	42,400	58,190	15,790
Other Expenses	1,858,155	1,116,118	- 742,037
Internal Charges	379,730	395,833	16,103
	<b>3,091,648</b>	<b>2,635,000</b>	<b>- 456,648</b>

181 **District Planning (including the District Plan review)** – Operating expenses have reduced by \$457,000, largely as a result of a decision to reduce the reliance on external consultants for the remaining three years of the District Plan Review – (the increase in personnel costs reflects 2 fixed term roles). In addition, personnel costs includes a proposed 0.5 FTE Biodiversity role

to assist Council meet its obligations under the Resource Management Act. Revenue from fees and charges has increased by \$53,000 following a proposed increase in Planning fees and hourly rates of 4%, however this is offset by a \$60,000 reduction in reimbursements received.

**Recreation and Leisure Group Operating Budget**

182 This Group includes the following activities: Aigantighe Art Gallery; South Canterbury Museum; Timaru District Libraries; Halls and Theatres; Parks Forestry; Fishing Huts and Motor Camps; Swimming Pools (including Caroline Bay Trust Aoraki Centre) and Southern Trust Event Centre

RECREATION & LEISURE												
Comprehensive Revenue & Expenditure	2021	2022	Variance	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Revenue</b>												
Rates	-12,902,188	-16,055,034	-3,152,846	-16,507,859	17,462,084	17,731,837	17,904,742	18,367,537	18,617,909	18,724,193	18,782,718	18,765,579
Subsidies and Grants	- 123,500	- 6,770,475	- 6,646,975	- 2,123,699	- 431,474	- 42,100	- 42,100	- 42,100	- 42,100	- 42,100	- 42,100	- 42,100
Other Revenue	- 3,699,090	- 3,465,200	233,890	- 3,413,870	- 3,635,147	- 3,693,530	- 3,812,820	- 3,542,718	- 3,553,822	- 3,556,933	- 3,559,051	- 3,611,177
	<b>-16,724,778</b>	<b>26,290,709</b>	<b>- 9,565,931</b>	<b>-22,045,428</b>	<b>21,528,705</b>	<b>21,467,467</b>	<b>21,759,662</b>	<b>21,952,355</b>	<b>22,213,831</b>	<b>22,323,226</b>	<b>22,383,869</b>	<b>22,418,856</b>
<b>Expenses</b>												
Personnel Costs	4,855,946	5,125,839	269,893	5,223,374	5,223,374	5,223,374	5,223,374	5,223,374	5,223,374	5,223,374	5,223,374	5,223,374
Depreciation and amortisation expense	2,245,100	2,159,192	- 85,908	2,179,654	2,192,879	2,220,885	2,269,607	2,279,931	2,287,155	2,293,311	2,298,701	2,304,025
Finance costs	460,332	556,675	96,343	697,967	1,119,823	1,310,107	1,438,056	1,849,583	2,152,511	2,240,389	2,248,025	2,246,663
Other Expenses	7,338,959	8,062,575	723,616	8,093,976	8,737,353	8,855,733	8,735,944	8,712,791	8,696,776	8,708,905	8,715,680	8,774,104
Internal Charges	1,505,492	3,660,993	2,155,501	3,790,759	3,887,951	3,897,697	3,900,417	3,938,645	3,865,483	3,874,500	3,907,384	3,879,797
	<b>16,405,829</b>	<b>19,565,274</b>	<b>3,159,445</b>	<b>19,985,730</b>	<b>21,161,380</b>	<b>21,507,796</b>	<b>21,567,398</b>	<b>22,004,324</b>	<b>22,225,299</b>	<b>22,340,479</b>	<b>22,393,164</b>	<b>22,427,963</b>

**Recreation and Leisure Explanation of Operating Budget****Operating Revenue:**

- 183 **Subsidies and Grants:** Subsidies and Grants revenue is \$6.6m (and includes shovel ready funding) received for the Theatre.
- 184 **Other Revenue (incl. Fees and Charges):** Fees and charges have decreased by \$234,000 in the following areas:
- Forestry has seen a \$77,000 decrease in revenue due to lower sales of Forestry stock in 2021/22.
  - Offsetting these, Swimming Pools has a \$217,000 increase in revenue in the Café and Fitness Centre at CBay, this reflects increasing volumes as these areas are fully operational.

**Operating Expenses:**

- 185 **Personnel Expenditure:** The draft budget proposes to increase the employee costs by \$270,000. The increase reflects the pay equity movements to bring staff up to the medium Local Government remuneration range for their role. The large number of staff in this group accounts for the largest portion of pay equity movements across TDC.
- 186 **Finance Costs:** The increase reflects the costs of borrowing for delivery of the capital programme within Theatre Royal and Swimming Pools
- 187 **Operating Expenses:** The operations and maintenance costs have increased by \$724k in year one, which is largely due to the CBay facilities and the Parks team. The Parks team need to introduce a new activity focused on tree safety assessment and safety arboriculture which accounts for \$330k. This is a critical public safety activity. In addition, given the pools wet operating environment, the high volume of users in the pools, gym, café and retail areas, we've seen a gradual increase in costs across all of these areas, including building related costs and utilities.
- 188 **Internal Charges:** The change in how corporate overheads are calculated and allocated have hit this group hard, with an increase of \$2.2m. The largest impact being felt by the CBay facility, due to their large headcount, increasing their overhead by \$1.3 million. Corporate overheads have been updated to better reflect the share of the corporate costs involved with the Council and previously Recreation and Leisure was not receiving a full share of corporate overheads. Note that overheads have reduced in other parts of TDC partly offsetting this increase.

189 The tables below provide a breakdown of operating expenditure by activity:

<b>Aigantighe Art Gallery</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 653,641	- 824,337	- 170,696
Subsidies and Grants	- 600	- 600	-
Other Revenue	- 20,500	- 20,000	500
	<b>- 674,741</b>	<b>- 844,937</b>	<b>- 170,196</b>
<b>Expenses</b>			-
Personnel Costs	296,702	410,804	114,102
Depreciation and amortisation expense	42,300	31,401	- 10,899
Finance costs		19,471	19,471
Other Expenses	262,437	238,801	- 23,636
Internal Charges	72,702	144,460	71,758
	<b>674,141</b>	<b>844,937</b>	<b>170,796</b>

190 **Art Gallery** – Operating expenditure has increased by \$171k following an increase in the share of corporate overheads allocated to Art Gallery \$72k to better reflect the share of the corporate costs incurred by the Art Gallery, and additional staff costs of \$114k to reflect market relativity. Offsetting this other expenses have reduced by \$23k following a reduction in Insurance costs.

<b>Aorangi Stadium</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	- 78,307	- 67,380	10,927
Other Revenue	- 216,300	- 215,300	1,000
	<b>- 294,607</b>	<b>- 282,680</b>	<b>11,927</b>
<b>Expenses</b>			-
Personnel Costs	131,808	117,008	- 14,800
Depreciation and amortisation expense	8,500	8,436	- 64
Finance costs		2,554	2,554
Other Expenses	137,599	101,904	- 35,695
Internal Charges	16,700	52,778	36,078
	<b>294,607</b>	<b>282,680</b>	<b>- 11,927</b>

191 **Aorangi Stadium** - Operating costs are met from lease revenue and user fees and charges with no increase for 21/22. The reduction of \$36k in other expenses is due to Insurance not being included (this will be adjusted and corrected).

District Libraries			
Comprehensive Revenue & Expenditure	2021	2022	Variance
<b>Revenue</b>			-
Rates	- 3,003,080	- 3,523,739	- 520,659
Subsidies and Grants	- 1,500	- 1,500	-
Other Revenue	- 71,500	- 46,000	25,500
	<b>- 3,076,080</b>	<b>- 3,571,239</b>	<b>- 495,159</b>
<b>Expenses</b>			-
Personnel Costs	1,571,895	1,555,322	- 16,573
Depreciation and amortisation expense	362,000	361,344	- 656
Finance costs	49,038	62,545	13,507
Other Expenses	722,167	782,601	60,434
Internal Charges	370,981	809,427	438,446
	<b>3,076,081</b>	<b>3,571,239</b>	<b>495,158</b>

192 **Libraries** - Operating expenditure has increased by \$495k following an increase in the share of corporate overheads allocated to Libraries \$438k to better reflect the share of the corporate costs incurred by the Libraries, and building related costs \$20k. In addition, Revenue has reduced by \$26k following a reduction in fines for children's books and overhead recoveries.

Fishing Huts			
Comprehensive Revenue & Expenditure	2021	2022	Variance
<b>Revenue</b>			-
Rates			-
Other Revenue	- 81,100	- 86,500	- 5,400
	<b>- 81,100</b>	<b>- 86,500</b>	<b>- 5,400</b>
<b>Expenses</b>			-
Depreciation and amortisation expense	2,500	3,455	955
Finance costs		1,374	1,374
Other Expenses	71,607	61,607	- 10,000
Internal Charges	15,913	16,092	179
	<b>90,020</b>	<b>82,528</b>	<b>- 7,492</b>

193 **Fishing Huts** - (Stratheona and Rangitata) - Operating costs are recovered through fees and charges with minimal change for 21/22.

Forestry			
Comprehensive Revenue & Expenditure	2021	2022	Variance
<b>Revenue</b>			-
Rates	120,000		- 120,000
Other Revenue	- 223,400	- 146,400	77,000
	<b>- 103,400</b>	<b>- 146,400</b>	<b>- 43,000</b>
<b>Expenses</b>			-
Depreciation and amortisation expense	5,400	3,900	- 1,500
Finance costs		527	527

Other Expenses	84,856	88,700	3,844
Internal Charges	9,182	14,785	5,603
	<b>99,438</b>	<b>107,912</b>	<b>8,474</b>

- 194 **Forestry** – Operating costs are met from lease revenue and sales of forestry. Forestry has seen a \$77k decrease in revenue due to lower sales of Forestry stock in 2021/22.

<b>Halls and Community Centres</b>				
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	
<b>Revenue</b>			-	
Rates	- 497,667	- 516,051	- 18,384	
Subsidies and Grants	- 5,400	- 5,400	-	
Other Revenue	- 61,557	- 67,300	- 5,743	
	<b>- 564,624</b>	<b>- 588,751</b>	<b>- 24,127</b>	
<b>Expenses</b>			-	
Depreciation and amortisation expense	134,900	120,312	- 14,588	
Finance costs	1,798	20,229	18,431	
Other Expenses	340,559	340,911	352	
Internal Charges	87,367	107,299	19,932	
	<b>564,624</b>	<b>588,751</b>	<b>24,127</b>	

- 195 **Halls and Community Centres** - This is mostly met from rates but is partially offset by user fees and charges (and is consistent with the draft Revenue and Financing Policy). There is little increase to Rates in 21/22. Operating expenditure has increased by \$24k following an increase in the share of corporate overheads allocated to Halls and Community Centres by \$20k to better reflect the share of the corporate costs incurred by this activity.

<b>Motor Camps</b>				
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	
<b>Revenue</b>				
Rates	- 27,940	- 38,528	- 10,588	
Other Revenue	- 64,000	- 55,200	8,800	
	<b>- 91,940</b>	<b>- 93,728</b>	<b>- 1,788</b>	
<b>Expenses</b>			-	
Depreciation and amortisation expense	31,300	27,300	- 4,000	
Finance costs		629	629	
Other Expenses	54,711	58,259	3,548	
Internal Charges	5,928	7,540	1,612	
	<b>91,939</b>	<b>93,728</b>	<b>1,789</b>	

- 196 **Motor Camps** – (Winchester, Pleasant Point, Temuka and Geraldine) - Operating costs are largely met from lease revenue and user fees and charges with little change for 21/22.

Parks and Recreation			
Comprehensive Revenue & Expenditure	2021	2022	Variance
<b>Revenue</b>			-
Rates	- 4,918,182	- 5,536,791	- 618,609
Subsidies and Grants		- 15,000	- 15,000
Other Revenue	- 78,000	- 62,000	16,000
	<b>- 4,996,182</b>	<b>- 5,613,791</b>	<b>- 617,609</b>
<b>Expenses</b>			-
Depreciation and amortisation expense	546,000	546,600	600
Finance costs	101,405	113,670	12,265
Other Expenses	3,695,429	4,117,540	422,111
Internal Charges	663,347	835,981	172,634
	<b>5,006,181</b>	<b>5,613,791</b>	<b>607,610</b>

- 197 **Parks** - Operating expenditure has increased by \$608k following an increase in the share of corporate overheads allocated to Parks (\$173k) to better reflect the share of the corporate costs incurred by this activity. The Parks team also needs to introduce a new activity focused on tree safety assessment and safety arboriculture which accounts for \$330k. This is a critical public safety activity. In addition there is a new project manager role for the Parks team to oversee the delivery of a multitude of projects.

South Canterbury Museum			
Comprehensive Revenue & Expenditure	2021	2022	Variance
<b>Revenue</b>			-
Rates	- 706,458	- 927,861	- 221,403
Subsidies and Grants	- 80,000	- 40,000	40,000
Other Revenue	- 9,500	- 9,500	-
	<b>- 795,958</b>	<b>- 977,361</b>	<b>- 181,403</b>
<b>Expenses</b>			-
Personnel Costs	414,560	482,192	67,632
Depreciation and amortisation expense	110,000	109,596	- 404
Finance costs	4,396	3,951	- 445
Other Expenses	190,556	197,982	7,426
Internal Charges	76,446	183,640	107,194
	<b>795,958</b>	<b>977,361</b>	<b>181,403</b>

- 198 **Museum** - Operating expenditure has increased by \$181k following an increase in the share of corporate overheads allocated to the Museum (\$107k) to better reflect the share of the corporate costs incurred by this activity, and additional staff costs of \$67k to reflect market relativity. Offsetting this, Revenue has reduced by \$40k reflecting the end of a MOE contract.



<b>Swimming Pools</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			-
Rates	- 2,831,278	- 4,210,860	- 1,379,582
Subsidies and Grants	- 36,000	- 25,000	11,000
Other Revenue	- 2,539,900	- 2,757,000	- 217,100
	<b>- 5,407,178</b>	<b>- 6,992,860</b>	<b>- 1,585,682</b>
<b>Expenses</b>			-
Personnel Costs	2,440,981	2,560,513	119,532
Depreciation and amortisation expense	881,400	849,648	- 31,752
Finance costs	303,695	295,730	- 7,965
Other Expenses	1,641,320	1,907,738	266,418
Internal Charges	139,810	1,379,231	1,239,421
	<b>5,407,206</b>	<b>6,992,860</b>	<b>1,585,654</b>

199 **Swimming Pools** - Operating expenditure has increased by \$1.6m following an increase in the share of corporate overheads allocated to Swimming Pools \$1.2m. The largest impact being felt by the CBay facility, due to their large headcount. Corporate overheads have been updated to better reflect the share of the corporate costs involved with the Council and previously Recreation and Leisure was not receiving a full share of corporate overheads.

200 In addition, additional staff costs of \$120k to reflect market relativity and given the pools wet operating environment, the high volume of users in the pools, gym, café and retail areas, we've seen a gradual increase in costs across all of these areas, including building related costs and utilities. Offsetting these, Revenue has increased by \$217k largely in the Café and Fitness Centre at CBay, this reflects increasing volumes and that these areas are fully operational.

<b>Theatre Royal</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			-
Rates	- 305,635	- 409,487	- 103,852
Subsidies and Grants		- 6,682,975	- 6,682,975
Other Revenue	- 333,333		333,333
	<b>- 638,968</b>	<b>- 7,092,462</b>	<b>- 6,453,494</b>
<b>Expenses</b>			-
Depreciation and amortisation expense	120,800	97,200	- 23,600
Finance costs		35,995	35,995
Other Expenses	137,718	166,532	28,814
Internal Charges	47,116	109,760	62,644
	<b>305,634</b>	<b>409,487</b>	<b>103,853</b>

201 **Theatre Royal** – Subsidies and Grants revenue is \$6.7m higher due to shovel ready funding from the government received for the Theatre Royal and Heritage Facility Development. Fees and charges are showing a decrease of \$333k but this is a classification issue only (fundraising forecast for the Theatre for 21/22, noting the rephrasing of the project compared to the 2018-28 LTP). Operating expenditure includes holding costs such as insurance and rates. The future

operating model is being developed together with the South Canterbury Museum and estimated future operating costs and revenue for when the facility becomes operational at the end of the 2023 calendar year are provisionally included.

**Roading and Footpaths Operating Budget**

202 The table below details the draft operational budget for Land Transport activities:

<b>ROADING &amp; FOOTPATHS</b>												
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Revenue</b>												
Rates	-10,305,727	-12,563,039	-2,257,312	-12,496,969	-14,136,802	-14,349,771	-14,026,500	-14,260,706	-14,469,997	-14,708,674	-14,963,538	-16,159,957
Subsidies and Grants	-13,409,700	-10,722,228	2,687,472	-12,228,567	-12,330,606	-12,582,218	-12,569,576	-13,561,161	-12,952,913	-12,579,302	-12,519,380	-12,634,426
Other Revenue	-892,600	- 1,123,600	- 231,000	- 1,007,600	- 1,007,600	- 1,007,600	-1,007,600	- 1,007,600	- 1,007,600	- 1,007,600	- 1,007,600	- 1,007,600
	-	-	-	-	-	-	-	-	-	-	-	-
	<b>24,608,027</b>	<b>24,408,867</b>	<b>199,160</b>	<b>25,733,136</b>	<b>27,475,008</b>	<b>27,939,589</b>	<b>27,603,676</b>	<b>28,829,467</b>	<b>28,430,510</b>	<b>28,295,576</b>	<b>28,490,518</b>	<b>29,801,983</b>
<b>Expenses</b>												
Personnel Costs	228,087	259,262	31,175	259,262	259,262	259,262	259,262	259,262	259,262	259,262	259,262	259,262
Depreciation and amortisation expense	5,484,479	9,760,989	4,276,510	9,779,751	9,845,583	9,888,754	9,967,254	10,045,754	10,124,254	10,202,754	10,281,254	10,359,754
Finance costs	533,194	582,737	49,543	681,854	830,367	1,038,109	1,236,822	1,379,430	1,588,219	1,767,495	1,925,489	2,106,914
Other Expenses	6,809,387	7,634,502	825,115	8,022,752	9,495,750	9,509,000	9,022,506	9,036,275	9,050,313	9,064,624	9,079,211	10,094,084
Internal Charges	2,124,156	3,431,343	1,307,187	3,439,969	3,508,102	3,482,909	3,405,409	3,449,475	3,393,859	3,399,154	3,442,404	3,399,095
	<b>15,179,303</b>	<b>21,668,833</b>	<b>6,489,530</b>	<b>22,183,588</b>	<b>23,939,064</b>	<b>24,178,034</b>	<b>23,891,253</b>	<b>24,170,196</b>	<b>24,415,907</b>	<b>24,693,289</b>	<b>24,987,620</b>	<b>26,219,109</b>

**Roading and Footpaths Explanation of Operating Budget****Operating Revenue:**

- 203 **Rates Revenue:** The rates revenue requirement reflects the increased expenditure in the Land Transport Activity.
- 204 **Other Revenue (incl Fees and Charges):** There is a reduction in Waka Kotahi (NZTA) revenue as there was a number of specially funded projects that were eligible for a higher financial assistance rate in the last financial year. These were the Geraldine Winchester/Coach/Tiplady Roads intersection improvements and LED Street lighting.

An increase of \$120,000 per annum in parking infringements revenue (from \$500,000 to \$620,000) has been budgeted for in year 1 and is maintained for the remaining 9 years of the LTP.

**Operating Expenses:**

- 205 **Personnel Expenditure** – An increase reflects the pay equity movements to bring parking enforcement staff up to the medium Local Government remuneration range for their role.
- 206 **Depreciation** – The last full valuation was done on the roading network in 2005 with the depreciation being based on this valuation. Over this time asset life has reduced due to the increasing demand at the same time the cost of renewal has increased in part due to national pavement construction guidelines, but overall construction costs are increasing over time.
- 207 A revised valuation has been completed to reflect the current construction rates and remaining life of the assets. This valuation also calculates the required depreciation and consequently there has been a significant increase in depreciation funding requirements of \$4.27 million per annum for year 1.
- 208 Future increases will be minimal being proportional to the capital works programme. A revised valuation has been completed to reflect the current construction rates and remaining life of the assets. This valuation also calculates the required depreciation and consequently there has been a significant increase in depreciation funding requirements of \$4.27 million per annum for year 1. Future increases will be minimal being proportional to the capital works programme.
- 209 **Operations and Maintenance Expenditure** – There is an increase in road pavement maintenance (\$150,000) that reflects the higher demands from increased heavy vehicles driving more maintenance repairs on our sealed roads to meet the customers' level of service and access requirements. This increases a further \$300,000 in year 2 to 10 of the LTP.
- 210 There is also an increase in roading environmental maintenance funding to increase mowing in areas where site visibility is an issue. Due to the previously mentioned increasing demand from heavy vehicles, there is also
- 211 An increase in funding has been provided for more frequent and targeted road safety programmes, in partnership with Mackenzie and Waimate District Councils. Which will help improve education, and eventually safety, of our road using public.
- 212 The budget presents an increase in professional services for Subsidised Roothing to enable more data collection and analysis, supporting a strengthened evidence base for business cases to Council and Waka Kotahi to ensure financial assistance is maximised.

- 213 An increase in funding to provide for a higher level of maintenance of the District's street trees. Root growth in particular is causing increasing damage to both Council and privately owned assets, and unsafe and nuisance trees require specialist arborist work. Further funding has been allocated for operating costs associated with the CBD Hub project. Additional funding of \$1.5 million is included in years 3 and 4 (\$1.65 million per annum) reducing to a total of \$1.15 million for each of years 5 to 9 and increasing to a total of \$2.15 million in year 10.
- 214 To meet the current level of service for footpaths an increase in footpath maintenance is required in the rural townships.
- 215 There is a \$50,000 decrease in parking facilities maintenance and operating expenditure due to the reduction in numbers of car parks with the sale of the Sophia Street site.

**Waste Minimisation Group Operating Budget**

<b>WASTE MINIMISATION GROUP</b>												
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Revenue</b>												
Rates	-6,775,983	-2,467,388	4,308,595	-3,279,151	-3,651,154	-3,959,052	-4,252,882	-4,577,250	-5,032,751	-5,339,769	-5,655,431	-6,121,588
Subsidies and Grants	-165,000	-165,000	-	-165,000	-165,000	-165,000	-165,000	-165,000	-165,000	-165,000	-165,000	-165,000
Other Revenue	-3,566,217	-5,904,000	-2,337,783	-6,064,000	-6,224,000	-6,384,000	-6,544,000	-6,704,000	-6,864,000	-7,024,000	-7,184,000	-7,344,000
	-	-	-	-	-	-	-	-	-	-	-	-
	<b>10,507,200</b>	<b>8,536,388</b>	<b>1,970,812</b>	<b>9,508,151</b>	<b>10,040,154</b>	<b>10,508,052</b>	<b>10,961,882</b>	<b>11,446,250</b>	<b>12,061,751</b>	<b>12,528,769</b>	<b>13,004,431</b>	<b>13,630,588</b>
<b>Expenses</b>			-									
Personnel Costs	281,872	309,090	27,218	309,090	237,090	237,090	237,090	237,090	237,090	237,090	237,090	237,090
Depreciation and amortisation expense	604,900	642,761	37,861	756,327	865,694	913,961	963,465	1,015,303	1,153,908	1,204,313	1,256,484	1,401,822
Finance costs	201,435	150,786	-50,649	290,899	369,920	398,372	418,481	438,577	531,381	546,533	559,907	651,451
Other Expenses	8,388,680	6,815,056	-1,573,624	7,528,556	7,928,556	8,326,056	8,728,556	9,128,556	9,529,056	9,928,556	10,328,556	10,729,056
Internal Charges	530,313	618,695	88,382	623,279	638,894	632,573	614,290	626,724	610,316	612,277	622,394	611,169
	-	-	-	-	-	-	-	-	-	-	-	-
	<b>10,007,200</b>	<b>8,536,388</b>	<b>1,470,812</b>	<b>9,508,151</b>	<b>10,040,154</b>	<b>10,508,052</b>	<b>10,961,882</b>	<b>11,446,250</b>	<b>12,061,751</b>	<b>12,528,769</b>	<b>13,004,431</b>	<b>13,630,588</b>

**Waste Minimisation Explanation of Operating Budget****Operating Revenue:**

- 216 **Other Revenue (incl Fees and Charges):** Waste tonnages have generally been consistent from 2015/16 to 2018/19. However, even with the COVID-19 lockdown that halted waste diversion, 2019/20 saw a larger increase in tonnage with indications that this trend will continue in 2020/21 and beyond. The landfill weighbridge revenue has increased by \$2.0 million per annum from current budgets due to the increased tonnage. The upward trend of increased tonnage has effectively reduced the landfill life of Redruth by about nine years (from 37 years remaining to a new projected life span of 28 years).
- 217 Work continues to identify the drivers behind the increase, but a few known factors that have driven some of the increase include changes in international markets accepting waste and recyclable materials from other countries, reduced national markets for certain recovered/recyclable materials and projected increased tonnage from Waimate and Mackenzie District Councils.

**Operating Expenses:**

- 218 **Personnel Expenditure:** Increase reflects the pay equity movements to bring staff up to the medium Local Government remuneration range for their roles.
- 219 **Operating Expenses:** This activity has been split separating kerbside collection costs with waste minimisation costs that includes the landfill operations.
- 220 A new contract has been awarded to EnviroWaste Services Ltd, who will be managing the kerbside collection, transfer stations, the Materials Recovery Facility (MRF), the Organics Processing Facility to be constructed within the first year, community education programmes, and landfill operations for the next 15 years (with a five-year renewal). The new contract has provided a kerbside collection operational savings of \$300,000 per annum.
- 221 The budget includes an allowance for the increased costs for both the waste levy and carbon credits over the LTP period, as well as the increased landfill tonnage expected in the future. The budget includes a cost increase for the waste levy from \$10 in 2020/21 to \$20 in 2021/22 (\$213,000). Further increases are likely but not budgeted for as the amounts are unknown. The budget also includes a cost increase of carbon credits from \$25 in 2020/21 (\$1.2 million) to \$40 in 2021/22 with \$10 incremental increases in each year of the LTP. The increase in the purchase of carbon credits has increased budgeted costs over the LTP period of \$19.3 million.
- 222 This cost has been offset with a corresponding increase in projected revenue as both the levy and increased carbon credit price is intended to be based on a user-pays model through targeted rates and direct user fees. It is also noted that around 50% of the waste levy is returned to Council to use in waste minimisation activities like education programmes and waste diversion initiatives. The drivers behind increasing the waste levy as well as the increased cost exposure to purchasing carbon credits is designed to drive behavioural changes to reduce waste to landfill.

<b>Waste Collection</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			
Rates	-	6,034,000	- 6,034,000
<b>Expenses</b>			-
Other Expenses	-	2,534,000	2,534,000
Internal Charges	-	3,500,000	3,500,000
		<b>6,034,000</b>	<b>6,034,000</b>

<b>Waste Minimisation Operations</b>			
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>
<b>Revenue</b>			-
Rates	- 6,775,983	3,566,612	10,342,595
Subsidies and Grants	- 165,000	- 165,000	-
Other Revenue	- 3,566,217	- 5,904,000	- 2,337,783
	<b>- 10,507,200</b>	<b>- 2,502,388</b>	<b>8,004,812</b>
<b>Expenses</b>			-
Personnel Costs	281,872	309,090	27,218
Depreciation and amortisation expense	604,900	642,761	37,861
Finance costs	201,435	150,786	- 50,649
Other Expenses	8,388,680	4,281,056	- 4,107,624
Internal Charges	530,313	- 2,881,305	- 3,411,618
	<b>10,007,200</b>	<b>2,502,388</b>	<b>- 7,504,812</b>



**Sewer Group Operating Budget**

<b>SEWER GROUP</b>												
<b>Comprehensive Revenue &amp; Expenditure</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Revenue</b>												
Rates	-6,730,620	-6,721,186	9,434	-6,059,711	-6,030,731	-5,969,221	-5,831,617	-5,800,607	-5,734,401	-5,693,357	-5,742,258	-6,012,428
Subsidies and Grants		-750,000	-750,000				-50,000	-50,000				-50,000
Other Revenue	-2,737,000	-2,687,000	50,000	-2,687,000	-2,687,000	-2,687,000	-2,687,000	-2,687,000	-2,687,000	-2,687,000	-2,687,000	-2,687,000
	<b>-9,467,620</b>	<b>10,158,186</b>	<b>-690,566</b>	<b>-8,746,711</b>	<b>-8,717,731</b>	<b>-8,656,221</b>	<b>-8,568,617</b>	<b>-8,537,607</b>	<b>-8,421,401</b>	<b>-8,380,357</b>	<b>-8,429,258</b>	<b>-8,749,428</b>
<b>Expenses</b>												
Personnel Costs	467,792	490,774	22,982	490,774	490,774	490,774	490,774	490,774	490,774	490,774	490,774	490,774
Depreciation and amortisation expense	3,191,200	3,900,327	709,127	3,900,327	3,900,327	3,900,327	3,900,327	3,900,327	3,900,327	3,900,327	3,900,327	3,900,327
Finance costs	1,609,768	1,268,257	-341,511	1,246,730	1,237,629	1,211,827	1,163,354	1,116,820	1,072,147	1,029,261	988,091	948,567
Other Expenses	2,223,954	2,619,203	395,249	1,882,203	1,882,203	1,853,203	1,778,203	1,778,203	1,778,203	1,778,203	1,853,203	2,178,203
Internal Charges	1,282,346	1,129,625	-152,721	1,226,677	1,206,798	1,200,090	1,185,959	1,201,483	1,179,950	1,181,792	1,196,863	1,181,557
	<b>8,775,060</b>	<b>9,408,186</b>	<b>633,126</b>	<b>8,746,711</b>	<b>8,717,731</b>	<b>8,656,221</b>	<b>8,518,617</b>	<b>8,487,607</b>	<b>8,421,401</b>	<b>8,380,357</b>	<b>8,429,258</b>	<b>8,699,428</b>

**Sewer - Explanation of Operating Budget**

- 223 **Operating Revenue:** To offset the increase in operating costs an increase in the Wastewater (Sewerage) targeted rate is required.
- 224 **Other Revenue (incl Fees and Charges):** An increase of 3% in the trade waste charges is proposed to allow funding for proactive monitoring and industry liaison and improve compliance with discharge consents.
- 225 There is a \$750,000 subsidy in year 1 that is funding received from Government as part of the Waters Stimulus package.

**Operating Expenses:**

- 226 **Personnel Expenditure:** There is a cost increase that reflects the pay equity movements to bring operations staff up to the medium Local Government remuneration range for their roles.
- 227 **Depreciation:** There is an increase of \$709,000 in sewer depreciation for year 1. Future years increases will be proportional to the capital works programme.
- 228 **Operating Expenses:** There is a \$400,000 increase in sewer operating costs that is due to a condition assessment project for sewer pipes and increases in reticulation, pumping station and treatment plant maintenance requirements. It is expected that these costs remain consistent in future years if proactive renewals programme is maintained.

**Stormwater Group Operating Budget**

STORMWATER GROUP												
Comprehensive Revenue & Expenditure	2021	2022	Variance	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Revenue</b>												
Rates	- 1,770,003	- 3,785,391	- 2,015,388	- 3,016,141	- 2,869,311	- 2,829,799	- 2,833,775	- 2,726,121	- 2,774,444	- 2,742,295	- 2,754,848	- 2,878,243
Subsidies and Grants		- 625,000	- 625,000									
Other Revenue	- 80,000		80,000									
	- <b>1,850,003</b>	- <b>4,410,391</b>	- <b>2,560,388</b>	- <b>3,016,141</b>	- <b>2,869,311</b>	- <b>2,829,799</b>	- <b>2,833,775</b>	- <b>2,726,121</b>	- <b>2,774,444</b>	- <b>2,742,295</b>	- <b>2,754,848</b>	- <b>2,878,243</b>
<b>Expenses</b>												
Depreciation and amortisation expense	890,400	1,959,453	1,069,053	1,961,328	1,962,390	1,962,390	1,962,390	1,962,390	1,962,390	1,963,453	1,963,453	1,963,453
Finance costs	37,495	74,184	36,689	85,930	92,472	95,683	102,441	109,276	116,849	128,330	137,358	146,456
Other Expenses	615,984	1,550,881	934,897	750,881	600,881	560,881	560,881	442,881	487,881	442,881	442,881	560,881
Internal Charges	156,123	200,873	44,750	218,002	213,568	210,845	208,063	211,574	207,324	207,631	211,156	207,453
	<b>1,700,002</b>	<b>3,785,391</b>	<b>2,085,389</b>	<b>3,016,141</b>	<b>2,869,311</b>	<b>2,829,799</b>	<b>2,833,775</b>	<b>2,726,121</b>	<b>2,774,444</b>	<b>2,742,295</b>	<b>2,754,848</b>	<b>2,878,243</b>

**Stormwater - Explanation of Operating Budget*****Operating Revenue:***

229 ***Other Revenue (incl Fees and Charges):*** There is additional revenue that is Government water stimulus funding for stormwater maintenance work.

***Operating Expenses:***

230 ***Operating Expenses:*** The 2021/22 budgets increase is due to required funding for Timaru, Temuka and Pleasant Point for the development of stormwater catchment management plans to obtain consents that are required under the Canterbury Regional Plan. This significantly contributes to the sustainable environment community wellbeing outcomes. This cost is a reallocation from Drainage and Water management account to the activity that it directly applies to.

**Water Supply Group Operating Budget**

<b>WATER SUPPLIES</b>	<b>2021</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Revenue</b>												
Rates	- 9,316,846	9,923,765	606,919	10,859,684	10,705,936	10,988,536	11,058,140	11,161,148	11,177,054	11,137,704	11,022,426	11,050,981
Subsidies and Grants		275,000	275,000			5,000			5,000			5,000
Interest Revenue	- 112,504											
Other revenue	- 1,764,320	1,952,820	188,500	1,952,000	1,952,000	1,952,000	1,952,000	1,952,000	1,952,000	1,952,000	1,952,000	1,952,000
	<b>- 11,193,670</b>	<b>12,151,585</b>	<b>957,915</b>	<b>12,811,684</b>	<b>12,657,936</b>	<b>12,945,536</b>	<b>13,010,140</b>	<b>13,113,148</b>	<b>13,134,054</b>	<b>13,089,704</b>	<b>12,974,426</b>	<b>13,007,981</b>
Personnel costs	369,810	473,647	103,837	473,647	473,647	539,147	542,147	542,147	542,147	542,147	542,147	542,147
Depn and Amortisation	2,686,735	4,303,974	1,617,239	4,458,591	4,463,716	4,485,241	4,488,650	4,493,058	4,496,466	4,499,541	4,504,283	4,509,358
Finance costs	346,079	802,066	455,987	1,493,121	1,621,442	1,796,083	2,016,104	2,019,657	2,014,025	1,980,737	1,947,127	1,915,093
Other expenses	3,759,049	4,121,798	362,749	4,007,694	3,777,394	3,815,194	3,690,194	3,756,194	3,812,394	3,800,194	3,685,194	3,770,194
Internal charges	2,131,943	2,175,100	43,157	2,378,631	2,321,737	2,304,871	2,273,045	2,302,092	2,264,022	2,267,085	2,295,675	2,266,189
<b>Total</b>	<b>9,293,616</b>	<b>11,876,585</b>	<b>2,582,969</b>	<b>12,811,684</b>	<b>12,657,936</b>	<b>12,940,536</b>	<b>13,010,140</b>	<b>13,113,148</b>	<b>13,129,054</b>	<b>13,089,704</b>	<b>12,974,426</b>	<b>13,002,981</b>

**Water Supply - Explanation of Operating Budget****Operating Revenue:**

- 231 **Rates Revenue:** The increase in rates revenue reflects the increase in cooperating costs for the water activity.
- 232 **Other Revenue (incl Fees and Charges):** This has increased with the proposed 9% increase in water charged by meter by extraordinary water users that are generally Industrial users. This water price increase is proposed from 66 cents to 72 cents including GST per cubic metre (1000 litres) that will provide an additional \$200,000 in revenue.

**Operating Expenses:**

- 233 **Personnel Expenditure:** An increase in employee costs is due to the additional operator staff resourcing for the new Te Moana and Te Ana Wai treatment plants. This also includes an increase that reflects the pay equity movements to bring staff up to the medium Local Government remuneration range for their roles
- 234 **Depreciation:** The increase in depreciation reflects the capital expenditure on upgrading assets in the 2020/21 financial year.
- 235 **Finance Costs:** Finance costs increase in year 1 due to the increased borrowing required to deliver the significant capital programmes in 2021 and throughout the term of the LTP.
- 236 **Operating Expenses:** There is a budget of \$150,000 for each of year 1 and 2 for the completion of the Timaru urban water supply strategy that includes demand management and resilience improvements.
- 237 **Operating Expenses:** There is a budget of \$100,000 for each of year 1 and 2 for the completion of the Timaru urban water supply strategy that includes demand management and resilience improvements.

## SECTION 4 – BUDGET OPTIONS

### Options for consideration of the level of the rates rise

- 238 As noted above the overview summary of movements in revenue and expenses leads to rates equivalent adjustment of approximately 16%. However, this is not the rates movement recommended by Officers. It is important to note it is a 10 year plan and the budgets are for that period, and importantly it is not a 1 year budget or plan.
- 239 The LGA requires that Council, over the course of the LTP, and through its Financial Strategy, set its rates to equal expenses less other operating revenue so that it can meet its levels of service, its capital works programme and be sustainable now and into the future.
- 240 As a consequence, when looking at an appropriate rates increase, Officers have considered the cost of maintaining levels of service at current levels, meeting the capital works programme and maintaining net debt (gross borrowings less cash reserves held) between 180% - 210% of total revenue.
- 241 To do this, Officers' recommend an increase of 10.5% in the first year and 4.9% for the remaining 9 years of the plan. It is also predicated on the assumption that 90% of all capital work is completed in any 12 month period. The reason for this assumption is that it recognises that there likely be will on any particular project delay for factors largely beyond Council's control. These can include planning issues, issues identified during design and consenting, ensuring proper stakeholder engagement is undertaken and delays with procurement. The difficulty is that it is not possible at this point to identify which specific projects may be affected by delays.
- 242 The rationale for a rise of 10.5% in the first year is that it incorporates the changes in operating expenditure, the requirement to recoup some of the shortfall funding of the previous year and as a base for subsequent years to enable borrowing to meet the capital works programme set out in the LTP. It also resources expenditure to improve systems and ensure there is a sufficient resource to meet the increased resourcing requirements of the new capital projects.
- 243 The rationale for a straight 4.9% rates rise in subsequent years is that it funds the operating requirements of Council now and into the future, provides sufficient total revenue to meet the borrowing requirements with the target band (180% - 210% of total revenue) to meet the forecast capital programme and takes a whole of LTP view rather than a year by year approach.
- 244 Officers' note that if the rates had risen last year by the \$3 million shortfall funding from last year the rates increase for the current year would be approximately 4.63%. This is noted to provide context to the effect of the current increase and that a significant component is to catch up on the prior year's COVID-19 adjustment. Arguably, this is consistent with the financial strategy to cover fairly between the interests of current and future communities, ie there is a close nexus between the ratepayers who benefited last year from the reduction and not impose a disproportionate burden on future ratepayers.
- 245 It is noted that the increase of 10.5% places Council's total rate take at a mid-point between the 2020/21 and 2021/22 rates collection under the 2018-2028 LTP. After adjusting for lower interest costs Officers' view is that the amount collected is broadly consistent with the proposed 10.5% rates increase.

### Other options

- 246 There are other options open to Council.
- 247 For completeness we note one option open to Council is to make a one off adjustment of approximately 16% increase in total rates revenue in the first year and significantly lower rate increases in subsequent years. This option is not recommended by Officers for a number of reasons. First, it is at variance where Council is looking to cover the current and future interests of the community. It unfairly, in Officers' opinion, prejudices the current ratepayers' interests in favour of future ratepayers.
- 248 Secondly, an abrupt increase of this level while, increasing immediately the revenue capacity to borrow, does not immediately remedy Council's ability to deliver its capital work programme. The capital work programme has been phased to enable Council to continue ramping up its processes, systems and people capacity to deliver capital programmes in a discipline manner reflecting good programme and project delivery practices. Essentially, the increase provides only a partial component of the programme delivery, it provides the borrowing capacity but not the internal resource to meet that programme. Officers' view is that there is a more effective and equitable path which is set out in the option above.
- 249 A third option is for Council to opt for a lower year 1 rates increase. Council could reduce its year 1 increase, to for example 7.5% and go with a straight line increase in Years 2 – 10 of 4.9%. The risk with lowering the rate increase is Council will not be sufficiently funding its capital works programme on the timeframe proposed, and would need to remove capital projects not yet started. The level of capital work needing to be forgone at this rate rise is approximately \$25-30 million more than in the Officers' recommended option.
- 250 A lower rates rise also jeopardises Council's capacity to deliver all of its revised programmed work. The reason is that it heightens the likelihood that officers will not have capacity to deliver the operational activities and the capital programme and so the likely outcome is that staff resources will be diverted away from capital work to operational activities.
- 251 The higher rates increase ensures there is sufficient resource for the capital delivery. As noted above, there is a need for Council to continue lifting its capacity and capability in its process and systems in order to lift capital delivery. To do this requires resourcing above its operating expenses after allowing for capital renewals.
- 252 In general, the decisions for Council are:
- is it satisfied that the proposed capital work programme fits with its community well-being outcomes
  - is it comfortable with its debt levels rising to 210% of total revenue
  - what rate rise does it believe is appropriate to cover the current and future needs of the community in regard to existing levels of service and future capital work.
- 253 Balancing all of these, Officers' are recommending to Council consider the draft capital expenditure and operating expenditure budgets as presented, noting this will result in an increase to total rates revenue collected of 10.5% in year 1 and 4.9% in years 2-9.

### Consultation

- 254 The overall impact of Council's draft budget will be summarised through the LTP Consultation Document, with key issues and significant and important issues and choices consulted on in more detail. Supporting information will be made available online, including draft financial statements, activity statements and project information.



**Relevant Legislation, Council Policy and Plans**

- 255 Long Term Plan 2018-28
- 256 Annual Plan 2020/21
- 257 Activity Management Plans
- 258 Local Government Act 2002

**Financial and Funding Implications**

- 259 The funding and financial implications are outlined throughout this report.

**Attachments**

1. **Appendix 1 - All of Council - Other Expenses**
2. **Appendix 2 - Corporate Overheads Other Expenses**
3. **Appendix 3 - Long Term Plan 2021-31 Activity Ten Year Budgets**
4. **Appendix 4 - Financial Statements**
5. **Appendix - 202122 Fees and Charges - Proposed Fees (under separate cover)**