



**For now &  
our future**

# **LTP24.34 workshop 1 Nov**

## **High level budget discussion**

# Workshop Outline - 2024 LTP Budget issues

Inflation

Growth in costs for increased Levels of Service

Climate resilience, infrastructure budget increases needed

Debt repayment

Financial resilience, building reserves (no general reserves left for funding)

# Options for consideration

The model has been set up to illustrate three income, expenditure and reserving options for 2024.25 LTP Year 1

The expenditure and reserving decisions can be mixed between the various scenarios.

Expenditure and resilience changes across the 3 options, starting with no increase in LOS expenditure rising to higher expenditure, at the same time increased reserving for future resilience.

Option 1 is the “base” option, i.e., current budget plus inflation. It shows the expenditure and rates forecast with council in the April Annual Plan discussions.

## Option 1

No increase in expenditure at all.

Uses nearly all marine fee income, doesn't reserve any increases received

Uses \$450k of leasehold income to fund CR

Pays interest only, is not repaying debt

Does not put any funds aside to increase Gen reserve

***Not preferred option, no increase in CR, low resilience, higher risk***

## Option 2

Small 2.8% increase in LOS expenditure to meet new legislation

Repays interest and principal

Puts additional \$200k per year into MF reserve

Retains \$1m to start rebuilding Gen reserve

***Preferred option, modest increase in expenditure, using appropriate reserves, while starting to build resilience***

## Option 3

Investment in LOS growth of 5%

Repays interest and principle

Puts additional \$400k per year into MF reserve, increasing resilience faster

Adds \$200k of leasehold income to reserves

Uses \$1.5m to start rebuilding Gen reserve

***Not preferred option, LOS growth not affordable, but does increase in Gen reserve resilience***

## Forecast rates funding needed for 2024.25 \$m

Operating plus inflation

Increased service

Improving resilience

	Notes	2023.24	2024.25 \$m			
		Current	Option 1	Option 2	Option 3	
Inflation forecast	1		5.5%	5.5%	5.5%	
LOS increase			0.0%	2.8%	5.0%	
<u>Income and expenditure</u>						
Base income and expenditure	2	43.6	43.6	43.6	43.6	
Less Other incomes		(17.9)	(17.9)	(17.9)	(17.9)	
Plus inflation on expenses	3		2.5	2.5	2.5	
Less inflation on incomes			(0.5)	(0.5)	(0.5)	
Plus possible Marine fee inc	4			(0.4)	(0.4)	
Plus extra income investme	5			(0.4)	(0.4)	
LOS	7			1.3	2.2	
Climate Resilience	8		0.0	3.0	3.0	
	9		0.9	1.1	1.1	
<u>Reserve funding needed</u>						
Liquidity and financial resilience	10	0.30	0.20	0.40	0.60	
	11	0.65	0.20	0.20	0.20	
	12	0.32	0.32	0.32	0.32	
	13	(1.22)		1.00	1.50	
Total rates funding required \$m			25.7	29.3	34.1	35.8
Increase \$ in 2024.25				3.6	8.4	10.1
Increase %				14%	33%	39%

# Illustrative rates impact

## Options summary

Annual rates increase forecast per average \$450k property;-

Climate resilience - \$10 for debt repayment plus \$35 for increased infrastructure budget

\$29 - \$66 for inflation, growth in service, increasing reserves

## Options

One

Two

Three

Total rates funding required \$m

25.7

29.3

34.1

35.8

Increase \$ in 2024.25

3.6

8.4

10.1

Increase %

14%

33%

39%

### Illustrative impact

Per \$450k property

16

271

39

92

110

Per \$1m property

17

428

87

205

245

### Split between CR and other cost increases

CR opex and debt per average residential property

10

45

45

Inflation, increased service costs, increased reserves

29

47

66

## Next steps

Note direction given on inflation, growth, increased LOS, CR budget and reserves

Revise models having considered direction

Next workshop, consider revised models and further options