

A scenic landscape featuring a wide river with a sandy and rocky bed, surrounded by lush green vegetation. In the background, a range of mountains with patches of snow is visible under a clear blue sky.

**For now &  
our future**

# **2024-34 LTP Workshop 30 Nov 2023**

## **High level budget discussion**

# Workshop Outline - 2024 LTP Budget issues

1st of November Workshop Feedback

Review changes made since workshop

Consider updated forecasts for Year 1

Consider forecast Years 1 – 3

# Workshop Outline - 2024 LTP Budget issues

Review

Change since 1 Nov workshop

Provide for inflation

No increase in LOS

Fund CR infrastructure and capability

Provide for better financial resilience

# Workshop Outline - 2024 LTP Budget issues

## Review in detail

1. Add some reserves back to General Reserve
2. Fund the Waituna land purchase by debt.
3. Adopt 5.5% as rate of inflation.
4. No LOS growth in activities. There is an efficiency focus for at least the next eighteen months to two years.
5. Adopt the liquidity changes under option 2.
6. Adopt CV for targeted rating Rivers, Pest and Land Sus.
7. Emphasise \$ increase wherever possible.
8. Confirm option 2 for CR (\$3.9m)
9. The source of funding CR debt is across the whole region.
10. Debt will be managed with strong reference to the principle of intergenerational funding guided by asset life/depreciation.
11. Debt principal holiday first two years of the LTP.
12. Note the transformation budget put into a reserve at YE23 is available for transformation/contingency.

## V2 Forecast rates funding needed for 2024.25 \$m

Operating plus inflation

\$0 for incr service

Improving resilience, minimum

		2023.24	2024.25 \$m		
		Current	Option 1	Option 2	Option 3
Inflation forecast			5.5%	5.5%	5.5%
LOS increase			0.0%	0.0%	0.0%
<u>Income and expenditure</u>					
Base income and expenditure	Cash operating expenses	42.8	42.8	42.8	42.8
	Less Other incomes	(12.4)	(12.8)	(12.8)	(12.8)
	Less Investment income	(5.5)	(5.9)	(5.9)	(5.9)
	Plus inflation on expenses		2.4	2.4	2.4
	Less inflation on incomes		(0.5)	(0.5)	(0.5)
LOS	<u>LOS Activities increase</u>		0.0	0.0	0.0
Climate Resilience	Infrastructure opex spend			3.0	3.0
	Debt & interest payments		0.9	0.9	0.9
Liquidity and financial resilience	<u>Reserve funding needed</u>				
	Increase coastal & marine fee	0.30	0.40	0.40	0.40
	Increase in depreciation reserve	0.80	1.10	1.10	1.10
	Increase leasehold reserves	0.65	0.20	0.20	0.20
	Increase catchment (interest)	0.32	0.32	0.32	0.32
	Increase in gen funds (liquidity)	(1.27)			0.75
				<u>Contingency</u>	
Total rates funding required \$m		25.6607	28.9	31.9	32.6
Increase \$ from 2024.25			3.2	6.2	6.9
Increase %			13%	24%	27%

\$0 budgeted for incr LOS

Interest only

Contingency, added to reserve if not required

# V2 Illustrative rates impact

## Options summary

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

Climate resilience -\$10 for debt repayment plus \$33 for increased infrastructure budget

\$25 - \$33 for inflation, growth in service, increasing reserves

Rates incr to fund CR = 80c per week

Rates incr to fund other costs 50-60cents per week.

Adding \$750k contingency = 10 cents per week cost to ratepayer

## Options

One Two Three

		One	Two	Three
Total rates funding required \$m		25.6607	28.9	31.9
Increase \$ from 2024.25		3.2	6.2	6.9
Increase %		13%	24%	27%
<b>Split between CR and other cost increases</b>				
Per year illustrative rates cost per \$450k residential house (rated at cv)	Climate resilience (opex and debt costs)	\$ 10	\$ 43	\$ 43
	Inflation costs, cost of financial resilience	\$ 25	\$ 25	\$ 33
		\$ 36	\$ 68	\$ 76
Per week illustrative rates cost per \$450k residential house (rated at cv)	Climate resilience (opex and debt costs)	\$ 0.2	\$ 0.8	\$ 0.8
	Inflation costs, cost of financial resilience	\$ 0.5	\$ 0.5	\$ 0.6
		\$ 0.7	\$ 1.3	\$ 1.5
		plus GST		

\$1.50 + GST per week per residential house

Using Option 2

# V2 Forecast rates funding needed for Yrs 1 -3 \$m

Operating plus inflation

\$0 for incr service

Improving resilience, minimum

		2023.24	2024.25 - 2027		
		Current	Year 1	Year 2	Year 3
Inflation forecast			5.5%	5.5%	5.5%
LOS increase			0.0%	2.8%	2.8%
<u>Income and expenditure</u>					
Base income and expenditure	Cash operating expenses	42.8	42.8	45.2	49.1
	Less Other incomes	(12.4)	(12.8)	(13.3)	(13.8)
	Less Investment incomes	(5.5)	(5.9)	(5.9)	(5.9)
	Plus inflation on expenses		2.4	2.6	2.9
	Less inflation on incomes		(0.5)	(0.5)	(0.5)
LOS	<u>LOS Activities increase</u>		0.0	1.3	1.3
Climate Resilience	Infrastructure opex spend		3.0	3.0	5.0
	Interest payments		1.1	1.1	1.1
	Debt repayment				0.3
Liquidity and financial resilience	<u>Reserve funding needed</u>				
	Increase coastal & marine fee	0.30	0.40	0.40	0.40
	Increase in depreciation reserve	0.80	1.10	1.10	1.10
	Increase leasehold reserves	0.65	0.20	0.20	0.20
	Increase catchment (interest)	0.32	0.32	0.32	0.32
Increase in gen funds (liquidity)	(1.27)	0.00	0.00	0.00	
<b>Total rates funding required \$m</b>		<b>25.7</b>	<b>32.1</b>	<b>35.5</b>	<b>41.4</b>
Increase \$ from 2024.25			6.4	3.4	5.9
Increase %			25%	13%	23%

2.8% budgeted for incr LOS

Addn \$2m for CR opex as per IS budget

Commence debt repayment Yr 3

Gen Reserve rebuilding start Yr 4

# V2 Illustrative rates impact – Years 1 -3

## Options summary

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

Rates incr for Climate Resilience; \$43 Yr 1, no change Yr 2, incr \$25 Yr 3

Rates incr \$25 - \$40 for inflation, growth in service, increasing reserves

Rates incr to fund CR = 80c per week, \$0 and \$50c

Rates incr to fund other costs 50-80cents per week.

Years	One	Two	Three				
Total rates funding required \$m	25.7	32.1	35.5	41.4			
Increase \$ from previous year		6.4	3.4	5.9			
Increase %		25%	13%	23%			
<u>Illustrative impact per year rate increase (cv rating)</u>							
Per \$100k / CV		16	8	14			
Per \$450k property	\$	70	\$	37	\$	65	
Per \$1m property	\$	156	\$	83	\$	144	
<u>Split between CR and other cost increases</u>							
Per year illustrative rates cost per \$450k residential house (rated at cv)	Climate resilience (opex and debt costs)	\$	45	\$	-	\$	25
	Inflation costs, cost of financial resilience	\$	25	\$	37	\$	40
		\$	70	\$	37	\$	65
Per week illustrative rates cost per \$450k residential house (rated at cv)	Climate resilience (opex and debt costs)	\$	0.9	\$	-	\$	0.5
	Inflation costs, cost of financial resilience	\$	0.5	\$	0.7	\$	0.8
		\$	1.3	\$	0.7	\$	1.2
plus GST							



# V2 Illustrative P&L – Years 1 -3

Years	Current	One	Two	Three
<u>P&amp;L reconciliation</u>				
Rates	25.7	32.1	35.5	41.4
Other income	12.4	13.3	13.8	14.3
Investment income	5.5	5.9	5.9	5.9
	<u>43.6</u>	<u>51.3</u>	<u>55.2</u>	<u>61.6</u>
Expenses				
Cash operating expenses	42.8	48.2	52.1	58.2
Interest expense	0.0	1.1	1.1	1.1
Depreciation	0.8	1.1	1.1	1.1
	<u>43.6</u>	<u>50.4</u>	<u>54.3</u>	<u>60.4</u>
Operating surplus	0.0	0.9	0.9	1.2
Add back depreciation	0.8	1.1	1.1	1.1
Less Debt repayment	-	-	-	0.3
Less transfer to reserves (investment fund)	0.8	2.0	2.0	2.0
Cash surplus (deficit)	<u>0.0</u>	<u>0.0</u>	<u>(0.0)</u>	<u>0.0</u>

Forecast surplus required to fund debt repayment and reserves



## Next steps

Agree on funding required and communication strategy

Revise models with final considerations

Next workshop, review funding increase with rate changes