

QLDC Council

23 March 2023

Report for Agenda Item | Rīpoata moto e Rāraki take [1]

Department: Corporate Services

Title | Taitara : 2023-2024 Annual Plan Consultation Document

Purpose of the Report | Te Take mō te Pūroko

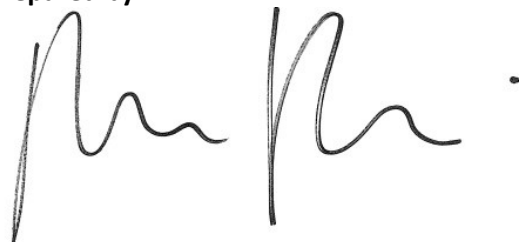
To adopt the Council's 2023-2024 Annual Plan Consultation Document and supporting documents.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Adopt** the 2023-2024 Annual Plan Supporting Documents; and
3. **Adopt** the 2023-2024 Annual Plan Consultation Document.

Prepared by:



Name: Meaghan Miller
Title: GM Corporate Services
1 March 2023

Reviewed and Authorised by:



Name: Mike Theelen
Title: Chief Executive
1 March 2023

Context | Horopaki

- 1 The Council is satisfied it can rely on the analysis for Year 3 of the 2021-2031 Ten Year Plan as the basis for the 2023-2024 Annual Plan budget. There are, however, changes several budget items including the timing of some capital projects.
- 2 Since 1 July 2021, there has been \$124.8M of year one and year two capex budgets which have been re-forecast into 2023-2024. This means that the revised total for the year increased to \$293.0M after adding in the original 2021-2031 Ten Year Plan programme of \$168.2M. The total of \$293.0M became the revised starting point for the 2023-2024 Annual Plan. After careful review, it has become apparent that the revised capex budget needed to be substantially reduced. Some of the key factors considered through the review of capex expenditure were:
 - Ongoing disruption arising from major geo-political events and risks
 - Cost escalation and quality of budget estimating to ensure projects are realistic, affordable, and aligned to current delivery timeframes
 - Internal and external resource availability
 - Alignment to the timetable for Three Waters Reform
 - Existing commitments (e.g. projects underway, agreements with third parties)
 - Arising business needs that aren't currently funded.
- 3 With the impacts of defective building settlements, a highly inflationary market environment and rising interest rates, there was a strong focus on funding, affordability and deliverability. These factors led to the proposed deferral of \$106.7M worth of projects to the 2024-2025 year and beyond. A full listing of projects deferred is shown on page 15.
- 4 As a result of the proposed deferrals, the proposed capex programme for the 2023-2024 annual plan amounts to \$202.8M, which is \$34.5M more than the \$168.2M original Year 3 programme included in the 2021-2031 Ten Year Plan.
- 5 In addition to the proposed changes to the capital programme, the draft Consultation Document is intended to update the community on: project delivery progress; proposed changes to funding assumptions; the ongoing impact of leaky buildings; some fee increases; to explain the 2023-2024 rates impact; and to enable the community to make submissions in relation to community grants and any other matter the community may wish to raise through the Annual Plan submission forum.

Analysis and Advice | Tatāritaka me kā Tohutohu

- 6 The cost pressures on Council's budget for 2023-2024 has resulted in a higher proposed average rates increase than originally forecast. With the average rates increase after growth sitting at 13.6%, this is considerably higher than the forecasted 5.5% increase in the 2021-2031 Ten Year Plan. The main contributing factors are:
 - High costs associated with the settlement of building defect / weather tightness claims over the past two years, impacting our debt levels and adding to higher interest costs. This contributes to a rates impact of 4.03% for the year, enabling Council to pay off the total settlement costs over several years.

- A dramatic overall increase in interest rates in the last 12 months, with the balance of higher interest costs contributing an additional 4.5% on top of the impact from building defect claims.
- A depreciation expense increase of \$1.05M due to increasing asset revaluations of Council water and roading assets. (rates impact of 1.0% increase)
- Record high annual inflation at 7.2% in the year ending December 2022, coupled with growth in our operational costs to maintain service levels. (rates impact of 4.1% increase)

Consultation Process | Hātepe Matapaki

- 7 Councils are not required to consult on Annual Plans when there is no significant or material differences from the content of the Ten Year Plan section 95(2A). This Council has taken the approach of continuing to produce a Consultation Document and engaging with the community in accordance with section 82 to keep our communities informed and to enable a submission and hearing process.
- 8 The Annual Plan Consultation Document and Supporting Documents will be provided proactively to our iwi partners.

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

- 8 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because, while Council is not required to consult on an Annual Plan, there are matters, non-the-least a rates increase, and why, that will be of high importance to the community.
- 9 The Council has therefore opted to consult the community on the 10 Year Plan via a consultation document which will be made widely available through multiple forums.

Māori Consultation | Iwi Rūnaka

- 10 The Council will consult Te Ao Marama Incorporated and Aukaha on behalf of hapu and iwi.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

- 11 This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK00040 within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.

Financial Implications | Kā Riteka ā-Pūtea

- 12 There are no financial implications in relation to adopting the Annual Plan supporting documents and Consultation Document other than minor print and circulation costs and public notification. There are financial implications for the community in relation to the increase in some fees and rates.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

- 12 This matter is included in the 2021-2031 Ten Year Plan.
- 13 This matter is consistent with the principles of the communities' Vision Beyond 2050.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

14 Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

15 The recommended option:

- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

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| A | Draft 2023-2024 Annual Plan Supporting Documents (Circulated separately) |
| B | Draft 2023-2024 Annual Plan Consultation Document |

Document revision: 2023-1