

Council Joint Development Long Term Plan 2024-2034

Tuesday 17th October 2023

Councillors present: Cllr Melanie Coker, Cllr Tyla Harrison-Hunt, Cllr Tyrone Fields, Cllr Yani Johanson, Cllr Victoria Henstock, Cllr Kelly Barber, Mayor Phil Mauger, Cllr Tim Scandrett, Cllr Pauline Cotter, Cllr Mark Peters, Cllr Sara Templeton (11.28), Cllr Sam MacDonald (11.41)

Online: Cllr James Gough, Cllr Andrei Moore, Cllr Celeste Donovan, Cllr Jake McLellan

Chair: Mayor Phil Mauger

CE, GMs & Relevant Heads of Service.

Introduction:

Presentation:

CE gave a brief intro about intent of session today, which will include Councillor interaction.

The Project Manager gave an intro – following the PowerPoint slides on:

- Process overview – ‘We are here’ (x2 slides)
- Long Term Plan 2024-34: Seeking guidance
- Process overview: proposed next steps

Framing the Issues

Presentation (Framing the issues):

The Project Manager continued the discussion on the section “Framing the issues”, following the slides on:

- Council’s Letter of Expectation – key themes
- Council’s Letter of Expectation
- Modelling the challenge
- Modelling the challenge – all levers (mostly all)

Discussion Points (Framing the issues):

Levers:

- Rates, while a product of the four levers, is also a lever in its own right.
- Timing is embedded in all of the levers, rather than a stand-alone lever.

Intergenerational equity

- Questions around intergenerational equity, and if there were specific measures and percentages in place e.g. in rating, to balance needs of today’s generation and the next.
- Comments were provided as follows:
 - Intergenerational equity was related to assets now and in the future,

- There were no specific % allocated to intergenerational equity
- Intergenerational equity included many broad aspects including both climate change and specific proposals, and tradeoffs would likely have to be made.
- Debt was also a huge component of the equation where 20% of rates go to repay debt and there needed to be consideration of what Council rates for now versus borrow over time.
- Another question was raised about borrowing for capex - not all capex is borrowed for, therefore has a higher rate impact.
- Responses were further provided that:
 - The approach to rating for renewals is key.
 - Keeping maintenance of assets and renewal funded by debt means future generations pay.
 - After the earthquakes, Council cut down rating for renewals, but over time in the LTP there is a proposal to rate for renewals (rather than borrowing).
 - Currently about 60% is rated for renewals but the plan is to get back to 100% over time.
 - If 20% of rates are used for paying of debt interest, the more you put on debt for the long term, the more rates will increase, and at some point become unaffordable in the long term.
 - This is a lever that is part of the Financial Strategy.

Internal activities

- Will be looked at during a future briefing

Release of information

- It was noted that release of information would be assessed at the end, after everyone had seen what was covered in today's session. (Subsequently most of the material covered in the workshop was released and put on the Council's website).

Current financial position

Presentation (Current financial position)

The Head of Finance presented the following slides before coming to the next discussion point.

- Funding
- Current Financial pressures
- Capex & Borrowing are major drivers over an LTP period
- Principles applied to options and advice

Discussion Points (Principles applied to options and advice):

- CCHL would be discussed in a future briefing.

- Councillors indicated their level of acceptance with the proposed principles. External revenue was added to the list.
- Health and safety and maintaining compliance were non-negotiable.
- Applying the Levels of Service principle was challenging and could be very nuanced
- External revenue was a factor and would still not be a silver bullet.

Presentation: (Current financial position):

The presentation continued, following the slides on:

- Capex & Borrowing are major drivers over an LTP period
- Overall BERL average with adjustments
- Current potential starting position (x2 slides)
- Indicative Opex /Capex reductions required to achieve different rates scenarios: where should we be aiming?

Discussion Points (Indicative Opex /Capex reductions required to achieve different rates scenarios: where should we be aiming?):

- More detail was required about controllable changes and other levers.
- More information was requested on Te Kaha
- A query regarding additional levers over and above these controllable changes – yes, but the budget was still being built.
- A request was made for more detailed characterisation of what the scenarios, eg extreme difficulty, would look like.
- Discussion re the appetite around the table for these scenarios to get a direction to work towards. Councillors indicated varying levels of comfort in the different rates increase/opex/capex scenarios:
- Recognition that none of the options were good and that something would have to give.
- Councillors presented their thoughts behind the scenarios they thought were most acceptable and the reasons behind this. Comments included:
 - need to have a mind shift, it was not a business as usual situation. Council had to do something differently
 - be “big and bold”, aim for the sky/what we would like to see.
 - some hard choices to be made.
 - what if the capex saving was increased?
 - assets would have to be sold, everything reevaluated, and radical change made.
 - whatever Councillors chose, rates would rise - cutting services may need to be considered and also raising rates would be hard to understand.
 - Council was still obligated to deliver services that residents needed, - why Council needed to be the only organisation that couldn’t pass on cost increases like everyone else?
 - need to keep Three Waters in mind when comparing CCC to other Councils. Cost increases coming from Three Waters reform not occurring as originally planned
 - concern about costs being added that were out of Council’s control and the need to manage those expectations, process and narrative

- Council would have to give options in the CD, look at options, and then have the debate. She also noted that households are facing a similar situation so it may be easier to explain the scenarios.

Capital Programme Briefing 3

Overview

Presentation:

Head of PMO presented the Capital Programme Briefing #3, following the slides on:

- Options and advice: next steps
- Capital Programme (Capex) (x2 slides)
- Capital Programme Draft 3

Discussion points (Capital Programme Draft 3)

A few questions were asked, several of which were about specific Group of Activities

- \$495m was the nominal figure for rates modelling purposes but Council doesn't borrow for 100% delivery. \$495m was deliverable, in theory a higher value was deliverable too, but the affordability aspect was to be considered by Councillors.
- Clarification provided on Corporate Investments (Te Kaha, the Performing Arts Precinct, and a small Corporate investment component).
- Options requested for support for the stadium to offset rates. C
- Three Waters discussion:
 - What was the risk of delaying more works from Three Waters and sweating those assets more? Sweating assets/delaying core water works created the Three waters reform problem in the first place and now that it might stay, Council may just have to wear those costs.
- Discussion around the balance of capex and opex in relation to spending on early maintenance vs repair - Planned for in the Asset Management Plans and was a reason why renewals were being protected in the LTP
- Request for information on what was still related to the earthquake, as there had been an earthquake levy in past.
- Market capacity - the effect of the Te Kaha project on the overall market capacity - the market responded to the need and would gear up, but it would be important to have a clear pipeline, to be predictable and consistent for the market to be able to gear up for future capital.
- More information on new programmes and projects

Parks, Heritage & Coastal Environment

Presentation

The Head of Service presented on Parks, Heritage & Coastal Environment

Discussion Points (Parks, Heritage & Coastal Environment)

- Third party responsibility / funding
- Partnership options
- Working with mana whenua
- OARC
- Ngā Puna Wai, the major hub schedule and risks
- Playspace renewals

Transport

The Head of Transport presented on Transport

Discussion points (Transport):

- Impact of reducing renewals e.g. margins, actual savings, contracts in place, and on opex down the track. A quick response provided was that it was not intended to break contracts, spending money on renewals saved opex, and work was being done to understand/show the lead/lag time of when the savings would be realised. Currently it seemed to be around 5 years.
- More options/scenarios around renewals
- How reducing the emergency response fund would work
- PT Futures and the various time scenarios
- Alignment with partners who are delivering the PT futures, noting uncertainty about central government priorities
- How this would connect with MRT. This was noted to be separate but interlinked, but a long way in the future.
- More information on cycleways.
- More information on the cost of rephasing, what additional costs there might be if needing to rephase, versus what savings there would be in e.g. additional consultations.
- More information on the CRAF projects and impacts of delaying/cutting them on timings, budget, design, and alignment with other projects.
- How options would address our transport emissions reductions target.

Three Waters

Presentation

The Head of Service presented on Three Waters

- Three Waters
- Three Waters, A deliverable programme has been created by:

Discussion Point (Three Waters)

- Was intensification being built into budgets - yes.

- Risks of deferrals.
- Possibilities of ensuring better delivery and accountability for contractors.

Community and Other

PMO presented on Community and Other

Discussion Points (Community and other)

- Te Kaha
- South Library -the decision to rebuild the library had been made but funding was to be considered as part of the LTP.

Presentation

Andrew Robinson presented on his slide:

- Capex workshop with Councillors in November.

Questions

When Councillors were asked how they would like to receive information, the following was noted:

- The drop-in model used with Transport was useful to be able to dive in to the information
- The A3s were really useful to go line by line but did agree version control was important and the date and purpose of any workshop should be clear.
- One councillor liked the project detail available in the PDF but would even prefer an excel spreadsheet.
- Some would like detail by ward.
- Another would like the raw data, and raised concern about having one source of truth, that was accurate.

Property

The Head of Service presented on Property

- Council has a large portfolio and it was growing & a lot of it was in open areas
- Capital revenue from selling would reduce borrowing
- Some properties had been donated by the Crown
- Any Proposals would be related to genuine surplus land
- Some properties dealt with a “problem” and were bought for a specific purpose
- Consultation required

Discussion points (Property):

- Councillors need more understanding on the context, what the property was, what it was used for, and why it was considered surplus, as the community might have a different perspective than Council

- Council pays rates for some properties
- About \$100m in capital realised would save 1% in rates and would be focused on debt reduction.

Briefing concluded