

LTP 2024-34

Financial Strategy Building Blocks

Oct 31, 2023

Long Term Plan 2024-34

- This briefing is one of a series held as part of the development of the Long Term Plan 2024-34.
- **All discussions involve draft material and reflect a position on the day.**
- Decisions will be set out in the draft Long Term Plan, which will be adopted for consultation in February 2024.
- This recording is intended to provide residents with an overview and understanding of the big picture issues, and therefore may not include all detail and matters discussed at the briefing.

What is the Financial Strategy?

- How Council funds its Services, Programmes and Projects
- Supports Strategic Priorities
- Sits hand in glove with Infrastructure Strategy
 - Supports deliverable and affordable programme
 - Maintain Levels of Service
 - Delivering new assets to meet community needs
 - Funding options for Growth projects
- Determines reliance on, and use of, investment income
- Balances financial resilience with rates affordability
 - Ensure flexibility for future ratepayers
 - Sets Debt Cap
 - Sets Treasury and Financial benchmarks/covenants/ratios

Draft Principles supporting Strategic Direction

- **Current landscape:**

- Facing immediate and longer term challenges
- Central Government Reforms - uncertainty
 - Affordable Waters
 - Resource Management Act
 - Future for Local Government
- Implementation of Drinking Water Standards
- Inflation assumptions and trajectory
- Interest Rate movement and forecasts
- Responding to Climate Adaptation challenges
- Significant increase on key contracts, including; Insurance, Valuation, Audit
- Migration of Renewals expenditure funding from Debt to Rates
- OPP future operations
- Impact of Te Kaha
 - Borrowing capacity
 - Rates impact
 - Project management/governance

Financial Strategy – Key Strategic Building Blocks

- **Decision points:**
- Ensure a sustainable work programme and budget
 - Not limiting future generations decision options
- Maintain stewardship of community assets and resources (looking after what we've got)
 - Prioritise spending on Renewals
 - Is renewal expenditure matching Depreciation?
- Have a *Value for ratepayers'* lens – covering both deliverability and affordability
 - Review Opex categories to drive down rates Requirements by;
 - Efficiency & effectiveness of expenditure
 - What must be done c/f what could be discretionary
 - To have a minimal impact of LOS rather than significant impact,
 - Sustainability – are they a one-off or on-going
 - Identify revenue opportunities.

Financial Strategy – Key Strategic Building Blocks (cntd)

- **Decision points...**
- Set sustainable affordable Rates levels across the term of the LTP
 - Aligned with appropriate inflation metrics
 - Current target band 9% - 12%
- Review Debt Headroom - proposing to increase from \$400M to \$600M
 - Maintain alignment with assets valuations
 - Availability of insurance cover.
 - Provide space for unforeseen Disaster Events
 - Review for impact on future borrowing.
- Continue to use Debt as a tool for maintaining Intergenerational Equity
 - Review Debt repayment terms – currently 30 years.
 - Ensure future generations have decision making space
- Growth Projects funded by Development Contributions
- Maintain or pause the migration of Renewals expenditure funding from Debt to Rates
- Reliance of Investment income to off-set rates requirement