

PALMERSTON NORTH CITY COUNCIL

MINUTES ATTACHMENTS COUNCIL

9AM, WEDNESDAY 1 MARCH 2023

COUNCIL CHAMBER, FIRST FLOOR
CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH

COUNCIL MEETING

1 March 2023

Annual Budget (Plan) 2023/24 - Consideration of draft Consultation Document and Supporting Information

1. Annual Budget Presentation

4

Annual Budget 2023/24

Council meeting

1 March 2023

As at 28 February 2023

TODAY

- Brief outline of issues impacting budget
- Outline of what staff have done to date
- Seeking confirmation of assumptions and programmes so final version of CD & supporting material can be prepared for adoption at Council meeting on 15 March



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PALMERSTON
NORTH
CITY

PALMY

BUDGET FOR 2023/24

LTP year 3

- The LTP is our commitment with the community so our models begin with year 3

A draft budget & CD has been prepared for consideration



Council decisions

- Council has made a no. of subsequent decisions incl. those through the process of adopting the 2022/23 budget



Updated assumptions

- Market conditions mean a change to key assumptions such as inflation, interest rates etc



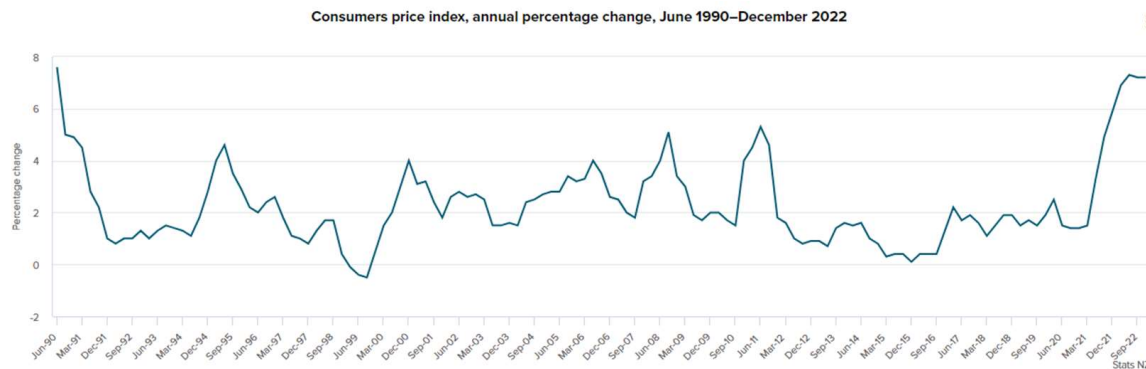
CONTEXT & ISSUES

- Assumptions for debt, interest, inflation etc
- Determining deliverable and affordable levels of capital investment
- Understanding impact on revenue (incl. rates) requirements
- Considering options
 - What has already been done (provisionally)
 - What else might be possible



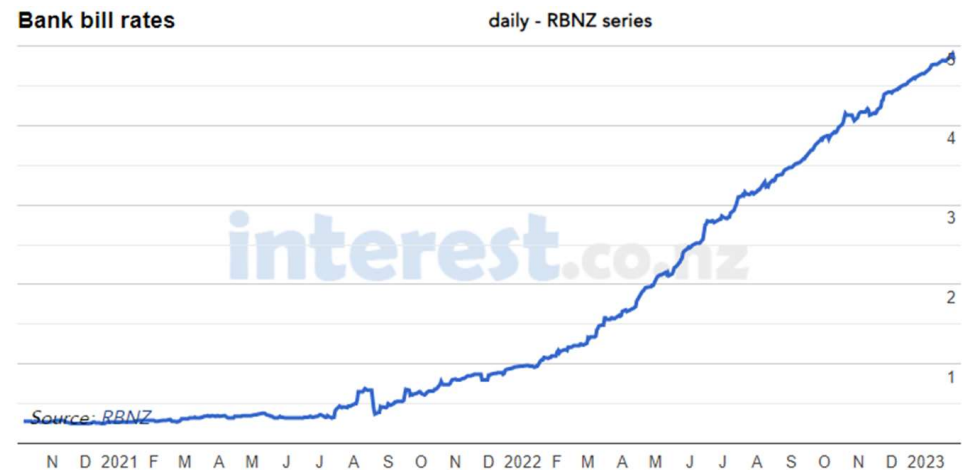
INFLATION

- Policy is to use BERL price level adjustors for budgets – Latest Oct 2022 indices for 2023/24 have been used. Ranges by activity from 3.5-5.1% compared with LTP assumption of 2.2-3%
- BERL %ages are less than recent increases in CPI & other indicies
- Risk is may not be able to deliver services within proposed budgets but recommend this risk be acknowledged & accepted



INTEREST RATE INCREASE

- LTP assumption was 2.8% pa
- Increased to 3.4% for 2022/23 budget
- Although latest assessment of interest rate for new 5 year debt is 5.5% current recommendation is that we assume an average of 4.2% for 2023/24 due to fixed portion of debt locked in at lower swap rates
- Interest & Debt Repayment is contributing 2.4% of the rates increase (assumes no debt repayment for 3 waters otherwise would be 3.4%)



APPROACH DURING REVIEW OF BUDGETS

- Intention is not to impact levels of service
- Recognising the realities of increasing costs for some things where Council has no choice (e.g. interest, electricity, insurance & some specific input costs that are subject to higher than average inflation)
- Making sure the capital renewal programme remains fully funded
- Trying to understand the critical path for each proposed capital programme & to be realistic about what could be delivered



WHAT HAVE WE DONE TO DATE

- Reviewed (& reviewed) capex programmes with key focus on understanding current status of each in the development cycle & making realistic assumptions about what could be delivered – there are still a few that the \$ sum included is provisional – these will be highlighted
- Reviewed operating costs (incl. operating programmes) to determine options for reductions so that rates increase is moderated
- At recent workshop we outlined a rates increase of 9.5% would be required to fund the activities & programmes
- Since then further focus on operating programmes & now further changes are proposed – rates requirement is currently an increase of 7.6%



RATES REQUIREMENT

Changes incorporated so far – **7.6% increase in total rates**
(8.3% assumed in 10YP)

Financial Strategy policy limit
for rates increase equates 8%

Calculated as follows.....

BERL 4.3% + 3% + growth 0.4% -
avg renewals decrease 0.1% =
7.6%

Note – although we have used BERL inflation factors of between 3.5% & 5.1% for 2023/24 we have not taken into account that BERL's index for the 2022/23 year is 5.9% compared with our budgetary assumption of 2.3% - some of our costs will be increasing at these higher levels. Risk management approach is to assume there will be other savings during the year that might offset increases that are not provided for



DRAFT RATE REQUIREMENT - AB 2023/24

Item	\$m	% increase in Total Rates
Annual Budget 2022/23 Rates Revenue	115.37	
Interest – increase due to interest rate rise & higher debt levels	3.21	2.8%
Debt repayment - decrease	(0.42)	(0.4%)
Other Operational Increases (predominantly inflation)	1.90	1.8%
Remuneration – increase (gross partially funded by revenue increases below)	2.64	2.3%
Net rating impact of operating programmes	1.42	1.2%
Net rating impact of capital new programmes	1.02	0.9%
Insurance & Electricity increases (\$0.52m & \$0.32m)	0.84	0.7%
Net impact of funding rolling average Renewal programmes	(0.09)	(0.1)%
Total Other Revenue Changes (incl. regulatory fees & charges that will be reviewed in March)	(1.80)	(1.6%)
Total Rates for 2023/24 Financial Year	124.09	7.6%



CAPEX PROGRAMME



\$million	Actual 2020/21	Actual 2021/22	Annual Budget 2022/23	Annual Budget 2022/23 + updated carry forwards & Council approvals	Long Term Plan 2023/24	Latest position 2023/24 (as per circulated docs)	Latest position 2023/24 (further update)
Capital New	39.0	26.6	64.1	77.9	95.4	67.7	67.7
Capital Renewals	24.3	21.4	32.7	34.6	30.1	31.0	29.0
Total	63.3	48.0	96.8	112.5	125.5	98.7	96.7

Assumptions for 2023/24:

- Includes indicative carry forwards from 2022/23 as at February 23
- Draft programme reflects the current assessment of what is deliverable – it includes recently approved transport choices programmes
- Programmes that have not been included in the draft budget to be revisited in year 1 of the LTP
- Further revision to capital renewals (prog 115 sealed pavement renewals – revert to 10YP level)



TOP 15 CAPEX PROGRAMMES BY \$ VALUE

Programme	\$m	Projects	\$m	Comment
Seismic strengthening	\$7.6	Crematorium CAB	\$3.3 \$4.3	Under construction. Multi-year tender due to be awarded- approx. \$10m
Wastewater discharge consent	\$5		\$5	Sum spent will depend on nature & timing of requests from Horizons – no land purchase assumed.
Transport Choices – public transport	\$5.5		\$5.5	Design underway.
Transport Choices - cycleways	\$4.9	Featherston St Summerhill Dr Main St West	\$4.9	In design panel. In design panel. Future design panel work.
Urban Growth Ashhurst - transport	\$3.7	Custom St Wyndham St	\$3.7	Water & stormwater work due to be delivered by own staff in next few weeks enabling transport programme to be ready for construction in 2023/24. In design panel.
Total	\$26.7			

See schedule D

Top 10 = \$39.4m = 58% of total
Top 15 = \$46.7m = 69% of total



TOP 15 CAPEX PROGRAMMES BY \$ VALUE

Programme	\$m	Projects	\$m	Comment
Road to zero – transport safety improvements	\$2.9	Cook St roundabouts	\$1.30	Design complete
		Ruahine St ped crossing	\$0.15	Design complete
		Vogel St raised platforms	\$0.33	Design complete
		Railway Rd/Roberts Line	\$0.25	
		Victoria Ave/Ferguson	\$0.67	In design panel
		Featherston St	\$0.20	In design panel
		Pitt/Cuba Sts signalisation	\$0.23	
		Rennie Ave school crossing	\$0.06	Design complete
		Turitea Rd/Valley Views	\$0.12	In design panel
		Speed management	\$0.20	Public consultation
New animal shelter	\$2.8		\$2.8	Under construction
Urban growth	\$2.5	Whakarongo stormwater	\$2.5	For construction 2023/24
Total	\$8.2			

TOP 15 CAPEX PROGRAMMES BY \$ VALUE

Programme	\$m	Projects	\$m	Comment
Better-off funding	2.5	Further report due to Council to confirm	2.5	Part of \$8.1m allocation from DIA
Roading - storm damage upgrades	2.0	Glenburn Rd Mountain View Rd Greens Rd Tennant Dr, Summerhill Dr & Kahuterawa Rd	2.0	In design panel In design panel In design panel In design panel
Stormwater network improvement	1.9		1.9	In-house workforce
Arena 3 upgrade	1.5		1.5	Under contract
Urban growth	1.4	Ashhurst water supply	1.4	For construction 2023/24
Water Main improvemt	1.3			In-house workforce
Street for people	1.3	Featherston St cycleway	1.3	Design & engagement underway
Total	\$11.9			

CAPITAL RENEWAL PROGRAMMES

- Draft shows total proposed of \$31m (now reduced to \$29m following further clarification of intentions for prog 115 – sealed pavement renewals)
- Recommendation is to retain commitment to structured renewal programme as outlined in financial strategy

See schedule B



OPERATING COSTS

	\$m
MSL – maintain service levels	104.8
Operating programmes	16.4
Impact from capital programmes	2.7
Total operating costs (excluding depreciation & interest)	\$123.9



OPERATING COSTS

MSL - breakdown of costs	\$m	Examples
Administration	12.2	Insurance, software licences & IT maintenance, operating leases, cleaning & security etc
Contracted services	13.9	Maintenance & operating contracts
Grants	8.2	CCOs & other organisations
Materials	6.6	Consumables, equipment, fuel etc
Personnel related	1.2	Training & professional development, health & safety (equipment etc)
Professional services	7.1	Audit, bank fees, legal, valuations, consultancy
Remuneration – staff & EMs	60.6	
Less capitalised labour	(8.8)	
Utilities	3.8	Electricity, gas, communications, Horizons rates
Total MSL costs	\$104.8	

PROPOSED CHANGES TO OPERATING PROGRAMME BUDGETS

- Some operating programmes have been increased for 2023/24 to reflect decisions made during adoption of 2022/23 AB e.g. prog #1506 for community events
- There are some instance where staff have incorporated possible reductions or deferrals as a means of moderating the rates increase or to reflect changed circumstances

See schedule C



DRAFT RATING ASSUMPTIONS FOR 2023/24

Draft

	2022/23	Proposed 2023/24
Water	348	372
Wastewater (and pan charges)	284	318
Kerbside recycling	129	148
Rubbish & public recycling	92	106
UAGC	200	200

Scenarios are based on an increase in total rates of 7.6%

No change is proposed to rating differentials

Land values remain unchanged

Most ratepayers will experience increases of similar %ages



RESIDENTIAL RATES EXAMPLES

Draft

	Land value	Actual rates	Proposed rates
		2022/23	2023/24
Quartile 1	360,000	2,530	2,725
Median	455,000	2,920	3,143
Average	468,000	2,973	3,200
Quartile 3	540,000	3,269	3,516

Scenarios are based on an increase in total rates of 7.6%



FOCUS & FORM OF CD

As attached



WHERE
ARE WE
NOW
AND
PROCESS
FROM
HERE



