

Setting the scene for the Annual Plan 2023/2024 (Y3 of LTP)

PURPOSE

Heads up on how 2023/24 or Year 3 LTP is shaping up through:

- Highlighting impacts on the Annual Plan and the 2024-2034 LTP
- Recap of Annual Plan process
- What to expect next (October – December 2022 discussions)

WHAT WE SAID VS IMPACTS ON NEXT AP

Year 3 of current LTP	Impacts on 2023/24 Annual Plan
Growth of 3.0%	
Average increase in rates of 3.7%	
Inflation rates 2.4% to 3.2%	Inflation is higher with CPI at 7.3% year to June 22
Interest rate 1.12% for new debt in 23/24	Interest rates have increased recently with OCR currently at 3.0%
Capital expenditure at \$105.8m	Significant timing shifts for capital expenditure, including large carryovers into 22/23 and 23/24 years
Debt level at \$308.3m	

PROCUREMENT MARKET INFLUENCES

Impacting on delivery by contractors:

- Supply chain delays, sourcing materials & equipment
- Pricing increases on materials – need to cover risk in tender pricing
- Capacity issues due to staffing

Impacting on delivery by council:

- Higher contract prices to cover risk of cost escalations
- Capacity of contractors
- Internal capacity to manage delivery
- Budgets based on costs 2 + years ago

OUR KEY ASSUMPTIONS ARE BEING TESTED

Other factors include:

- Resource costs expected to increase due to inflationary impacts and labour market constraints
- Growth – uncertainty around this
- Development contributions – lower than projected for Y1 of LTP, mainly due to timing of development
- Capacity to deliver – staff availability and retention issues
- Budgets based on prices identified before current inflation and supply chain issues
- Increases in the costs of acquiring land

FLOW ON EFFECTS FOR THE NEXT LTP

- Interest rates may further increase
- Inflation may take some time to reduce, so costs in current LTP are most likely understated
- With timing of growth, capital expenditure likely to be higher than shown in Year 4 (2024/34) onwards
- Higher inflation impacts on revaluation prices of Infrastructural Assets, leading to higher depreciation
- Along with the impact of other things like local government and central government reforms

ANNUAL PLAN PROCESS

October/November 2022 – where we are at

- Test assumptions, take expert advice, revisit as part of the EM induction
- Update 2023/24 budgets
- Significant cost movements and value propositions
- Options for cost savings and risk management
- Realistic capital delivery programme
- Highlight LTP implications (Y4 +)
- Significance and Engagement Policy test for community engagement

ANNUAL PLAN PROCESS

December 2022 – where we want to head

- Issues, options and budgets
- Direction on the preferred option for the Annual Plan
- Agree on proposed budget amendments
- Indicative financial position provided (1st cut)
- Highlight LTP implications (Y4 +)
- Confirm community engagement approach

ANNUAL PLAN PROCESS

February to June 2023 – what we will do

- Further refine financial position and adopt draft AP
- Adopt consultation document
- Community engagement - submissions
- Hearings and deliberations
- Adopt final 2023/2024 Annual Plan
- Commencing LTP discussions at the same time

WHERE TO FROM HERE?

- Provide greater context and understanding of the current economic environment to assist with the decision-making process for the 2023/24 Annual Plan (and set the scene for the next LTP).
- Provide an update following decision-making on Tranche 1 of Govt's Better Off Support Fund.
- Work through key assumptions used for the 2021-31 LTP and impact on Y3.
- Provide the updated position for the 2023/24 financials.
- Elected members to identify their expectations for the next financial year.
- Communicate elected member expectations to the organisation.