

Financial Overview

Financial Overview

The sections below outline significant changes contained in the Draft 2022/23 Annual Plan compared to what was forecast in the 2021-31 Long Term Plan (LTP). The tables below show the total funding requirements for the Council for 2022/23 and the variance from that detailed in the LTP. Overall, operating expenditure and interest costs are \$624.3 million; \$24.4 million higher than the LTP, while the capital programme at \$615.5 million is \$72.3 million lower. Key changes to the financial statements are reflected and explained below.

Operating expenditure

Operational expenditure is \$24.4 million higher than the LTP, significant changes include:

- Higher interest costs (\$11.7 million), due to increased interest rates (offset by higher interest revenues where on-lending is involved).
- Higher costs in Regulatory and Compliance (\$3.8 million) to service higher volumes of Building and Resource Consents (offset by higher revenues).
- Edgware Pool – grant to St Albans Pavilion and Pool Incorporated brought forward from 2024/25, and increased from \$1.25 million to \$3 million, subject to certain conditions being met. Funded from borrowing.
- Provision for an electricity pricing increase (\$1.95 million).

- Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill - \$1.8 million included for implementation of the Act.

These increases are partially offset by:

- Adjusting the opening date for Parakiore Recreation and Sport Centre (\$2.1 million) – offset by lower revenues.

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets. However, we do not rate for depreciation, instead the Draft Annual Plan includes rating of \$164.6 million for the renewal and replacement of existing assets. This is consistent with the Financial Strategy.

Revenue

Property based rates are the primary source of revenue. A brief explanation of each source of revenue is included in the Funding Impact Statement.

Total revenue excluding rates is \$6.7 million lower than the LTP, significant changes include:

- Delayed Crown funding for Te Kaha Arena (\$26 million), due to re-timing of the projected spend.
 - Adjusting the opening date for Parakiore Recreation and Sport Centre reducing revenues by \$2.2 million.
- These decreases are partially offset by:
- Higher interest revenues, due to increased interest rates (\$8.6 million).
 - Earlier Shovel Ready revenues (\$6.4 million), with budgets brought forward

from 2023/24 and 2024/25 to align with updated planned capital delivery.

- Higher Building and Resource consent revenues (\$3.6 million) reflecting higher volumes.
- Additional revenue from Surplus property sales (\$1.9 million).
- Higher Transwaste dividend planned of \$1.6 million.

Rates

The average rates increase to existing ratepayers for 2022/23 is 4.96%. Full details of rates, including the total rating requirement for general and targeted rates, and indicative rates for individual properties, are provided in the Funding Impact Statement.

Surplus, operating deficits, and sustainability

The Draft Annual Plan for 2022/23 shows an accounting surplus of \$374.1 million before revaluations of \$347.2 million. Under accounting standards Council is required to show all revenue, including those that are capital related such as development contributions, NZ Transport Agency capital subsidies and some Crown recoveries, as income for the year. After adjusting for these

capital revenues and taking into account rating for renewals rather than depreciation, the Plan is based on a balanced funding budget, effectively ensuring operating costs are met from operating revenue.

Capital programme expenditure

The capital programme has been reviewed with heavy focus on deliverability and affordability, to ensure ratepayers are not levied in advance of funds being required. Key factors taken into account when considering deliverability were:

- Covid-19
- Supply chain issues
- Cost escalation
- Human resource availability (internal and external), and
- The Government's current reform programme (3 Waters, Future of Local Government, RMA)

We plan to invest \$615.5 million in the capital programme in 2022/23, a decrease of \$72.3 million from that shown in the LTP.

The significant decreased spend in the capital programme in 2022/23 compared to the LTP mainly relates to the current delivery timeframe of Te Kaha Arena with \$75 million of spend

moved to future years, partly offset by \$6 million for decontamination costs carried forward from 2020/21.

Other key changes from the LTP affecting 2022/23 are increases which include:

- Bringing back from future years (effectively delivering earlier) \$6 million for the Performing Arts Precinct.
- Bringing back \$5.1m million for roading improvements based on development timeframes.
- Bringing back \$4 million for Central City roading projects to align with the delivery timeframes of Te Kaha Arena and Performing Arts Precinct.
- Provision for an estimated \$10 million of 2021/22 works expected to be carried forward to 2022/23, with a further \$40 million moving to later years.

These are offset by:

- Re-timing of \$6.9 million for the Robert McDougall Gallery strengthening works
- Re-timing of \$6.5 million for the Organics processing plant development.
- Re-timing of \$4.9 million for Jellie Park renewal and replacement works.

- Other re-phasing of budgets from 2022/23 into future years of the LTP to reflect current delivery timeframes.

Other key changes from the LTP that do not materially impact 2022/23 include:

- Funding increase of \$20.5 million to the Ōtākaro Avon River Corridor (OARC) Programme.
- Funding increase of \$14.5 million to the Water Supply Pumping & Storage Civils and Structures Renewals programme.
- Funding increase of \$11.2 million to the Wastewater Lateral renewals programme.
- Funding increase of \$10 million to the Water Supply - New Small Supplies programme to prioritise the Koukourārata Drinking Water Scheme.

Capital programme funding

The capital programme is funded by Crown recoveries, subsidies and grants for capital expenditure, development contributions, the proceeds of asset sales and debt. Included in the Draft Annual Plan are Crown revenues of \$154.1 million, comprised of Te Kaha Arena contributions of \$115.8 million and Shovel Ready revenues of \$38.3 million.

Borrowing

The annual plan includes new borrowing of \$238.4 million. This is \$54 million lower than planned in the LTP due to the lower capital programme spend.

Gross debt in 2022/23 increases by \$176.3 million to \$2.4 billion. This is \$162.5 million lower than planned in the LTP, due to the 2021/22 capital programme forecast to be \$50 million under delivered and carried forward to future years, a reduction of \$50 million in working capital, and a lower capital programme planned in 2022/23.

Financial risk management strategy

The Council has five financial ratios which form a key part of its financial risk management strategy, four of which are also limits for Council's borrowing from the Local Government Funding Agency. These define the limits within which the Council must maintain its balance sheet and borrowing ratios. The Council anticipates staying well within these five financial ratio limits in 2022/23. In addition there are a further seven ratios required under the Local Government (Financial Reporting and Prudence) Regulations 2014 (two are Annual Report only ratios) which determine the financial prudence of Council's budgets. All of these are planned to be met in 2022/23.

Notes to Financial Overview

Long Term Plan 2021/22	Note 1 Operating Expenditure	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
\$000				
148,346	Communities & Citizens	167,413	159,599	(7,814)
15,812	Economic Development	17,038	17,082	44
4,216	Flood Protection & Control Works	4,676	4,518	(158)
16,667	Governance	18,413	19,993	1,580
15,488	Housing	16,108	15,303	(805)
74,019	Parks, Heritage and Coastal Environment	75,688	83,822	8,134
42,996	Regulatory & Compliance	45,482	49,251	3,769
57,608	Solid Waste & Resource Recovery	60,015	59,237	(778)
43,458	Stormwater Drainage	45,307	46,144	837
28,557	Strategic Planning & Policy	25,561	27,347	1,786
148,910	Transport	155,699	159,603	3,904
119,267	Wastewater	121,622	121,180	(442)
78,295	Water Supply	81,813	81,344	(469)
76,760	Corporate	67,030	75,205	8,175
870,399	Total group of activity expenditure	901,865	919,628	17,763
284,519	Less depreciation (non cash)	302,038	295,378	(6,660)
85,429	Less interest expense shown separately	85,011	96,760	11,749
500,451	Operating expenditure	514,816	527,490	12,674

Communities & Citizens expenditure decrease is due to lower depreciation (\$9 million) following a revaluation of buildings in June 2021. Adjusting the opening date for Parakiore Recreation and Sport Centre results in lower planned expenditure of \$2.1 million. Partially offset by the grant for Edgeware Pool brought forward from 2024/25 and increased from \$1.25 million to \$3 million.

Parks increase is driven by higher depreciation (\$6.3 million) following the revaluation in June 2021.

Regulatory & Compliance increase is a result of higher planned volumes of Building and Resource Consents requiring additional resourcing.

Transport increase is mainly due to higher depreciation (\$1.8 million) and debt servicing costs (\$1.7 million) due to higher interest rates.

Corporate expenditure is higher due to increased Debt Servicing costs (\$7 million) as a result of higher interest rates, and the electricity price increase provision (\$1.95 million).

Long Term Plan 2021/22	Note 2 Capital Programme	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP	Expenditure Category		
					Renewals & Replacements	Improved LOS	Increase Demand
\$000							
72,258	Communities & Citizens	44,593	40,743	(3,850)	20,070	4,729	15,944
-	- Economic Development	-	-	-	-	-	-
43,887	Flood Protection & Control Works	38,987	31,210	(7,777)	9,930	8,059	13,221
-	- Governance	-	-	-	-	-	-
5,890	Housing	5,960	6,228	268	6,228	-	-
31,326	Parks, Heritage and Coastal Environment	50,910	40,115	(10,795)	22,154	14,133	3,828
207	Regulatory & Compliance	134	52	(82)	47	5	-
20,027	Solid Waste & Resource Recovery	10,997	5,022	(5,975)	1,437	3,585	-
20,972	Stormwater Drainage	23,503	23,627	124	15,878	4,958	2,791
900	Strategic Planning & Policy	921	1,133	212	-	826	307
135,995	Transport	144,137	154,020	9,883	57,625	65,086	31,309
56,753	Wastewater	69,111	68,506	(605)	50,995	13,666	3,845
64,843	Water Supply	68,919	66,715	(2,204)	55,972	7,675	3,068
180,916	Corporate	229,630	178,117	(51,513)	11,814	166,303	-
633,974	Total capital programme	687,802	615,488	(72,314)	252,150	289,025	74,313

Further detail on the capital projects included under each group of activities above can be found in the Capital Programme schedule of the Draft Annual Plan.

The net changes above differ from the detailed changes in the Capital Programme schedule which are based on changes from the LTP budgets as amended for prior year carry forwards and subsequent Council decisions.

Long Term Plan 2021/22	Note 3 Interest Expense	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
54,639	General Borrowing	56,804	59,198	2,394
14,926	Equity investments	14,381	15,450	1,069
15,151	Advances to Council organisations	12,522	20,734	8,212
713	Advances to housing trust	1,304	1,378	74
85,429		85,011	96,760	11,749

Long Term Plan 2021/22	Note 4 Fees, Charges and Operational Subsidies	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
		\$000		
21,622	Communities & Citizens	25,849	23,452	(2,397)
137	Economic Development	140	141	1
35	Flood Protection & Control Works	35	35	-
45	Governance	302	302	-
15,798	Housing	16,429	16,429	-
4,264	Parks, Heritage and Coastal Environment	4,358	4,427	69
34,881	Regulatory & Compliance	37,668	41,104	3,436
10,885	Solid Waste & Resource Recovery	12,276	12,276	-
115	Stormwater Drainage	220	219	(1)
707	Strategic Planning & Policy	722	722	-
38,151	Transport	38,175	37,870	(305)
7,680	Wastewater	6,718	6,710	(8)
1,825	Water Supply	684	646	(38)
9,324	Corporate	7,431	7,430	(1)
145,469	Total group of activity operating revenue	151,007	151,763	756
736	Less non cash revenue	736	736	-
144,733	Fees, charges and operational subsidies	150,271	151,027	756

Citizens & Communities revenue decrease is due to adjusting the opening date for Parakiore Recreation and Sport Centre. Regulatory & Compliance revenue increase is driven by higher planned volumes of Building and Resource Consents.

Long Term Plan 2021/22	Note 5 Asset Sales	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
		\$000		
6,500	Surplus property sales	5,626	7,500	1,874
496	Surplus roading land sales	508	508	-
6,996		6,134	8,008	1,874

Council has identified surplus property that is planned to be sold in 2022/23. The sale proceeds will be used to reduce short term borrowing for COVID-19 related debt.

Long Term Plan 2021/22	Note 8 Rates	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
588,027	Rates levied 1 July	622,189	624,994	2,805
4,162	Excess water charges	6,292	6,292	-
2,553	Penalties	2,606	2,806	200
594,742		631,087	634,092	3,005