



KOMITI ITI MAHERE Ā- NGAHURUTANGA / MAHERE Ā-TAU LONG TERM PLAN/ANNUAL PLAN SUBCOMMITTEE

21 February 2022

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

Monday 28 February 2022 commencing at 9.30am

This meeting is held under the Red Traffic Light setting.
Members of the public wishing to speak to items on the agenda are asked to contact
democraticservicesteam@huttcity.govt.nz

Membership

	Mayor C Barry (Chair)
	Deputy Mayor T Lewis (Deputy Chair)
Cr G Barratt	Cr J Briggs
Cr K Brown	Cr B Dyer
Cr S Edwards	Cr D Hislop
Cr C Milne	Cr A Mitchell
Cr S Rasheed	Cr N Shaw
Cr L Sutton	

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

Have your say

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing DemocraticServicesTeam@huttcity.govt.nz or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

LONG TERM PLAN/ANNUAL PLAN SUBCOMMITTEE

Membership:	13
Ouorum:	Half of the members
Meeting Cycle:	Meets as required during the LTP and Annual Plan processes
Reports to:	Council

PURPOSE

To carry out all necessary considerations and hearings, precedent to the Council's final adoption of Long Term Plans (LTP) and Annual Plans (AP) which give effect to the strategic direction and outcomes set by the Policy, Finance and Strategy Committee through setting levels of service, funding priorities, the performance framework and budgets.

Determine:

- Development of a framework and timetable for the LTP and AP processes.
- The nature and scope of engagement and public consultation required.
- Statements to the media.
- Such other matters as the Subcommittee considers appropriate and which fall within its Terms of Reference.
- Informal engagement with the community, and the hearing of any formal public submissions.
- Consideration of submissions on Hutt City Council's Assessment of Water and Sanitary Services.

Consider and make recommendations to Council:

- Levels of service, funding priorities, performance framework, budgets, rating levels and policies required as part of the LTP or AP, excluding any policies recommended to Council by the Policy, Finance and Strategy Committee.
- Consultation Documents.
- Council's proposed and final LTP.
- Council's proposed and final AP.
- Final content and wording, and adoption of the final Hutt City Council Assessment of Water and Sanitary Services.

Note:

Extract from the Controller and Auditor General's October 2010 Good Practice Guide: Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968

Appointment as the local authority's representative on another organisation

- 5.47 You may have been appointed as the authority's representative on the governing body of a council-controlled organisation or another body (for example, a community-based trust).
- 5.48 That role will not usually prevent you from participating in authority matters concerning the other organisation – especially if the role gives you specialised knowledge that it would be valuable to contribute.
- 5.49 However, you could create legal risks to the decision if your participation in that decision raises a conflict between your duty as a member of the local authority and any duty to act in the interests of the other organisation. These situations are not clear cut and will often require careful consideration and specific legal advice.
- 5.50 Similarly, if your involvement with the other organisation raises a risk of predetermination, the legal risks to the decision of the authority as a result of your participation may be higher, for example, if the other organisation has made a formal submission to the authority as part of a public submissions process.

TE KAUNIHERA O TE AWA KAIRANGI | HUTT CITY COUNCIL

**KOMITI ITI MAHERE Ā-NGAHURUTANGA / MAHERE Ā-TAU | LONG TERM
PLAN/ANNUAL PLAN SUBCOMMITTEE |**

Meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt
on
Monday 28 February 2022 commencing at 9.30am.

ORDER PAPER

PUBLIC BUSINESS

1. OPENING FORMALITIES - KARAKIA TIMATANGA

Kia hora te marino	<i>May peace be wide spread</i>
Kia whakapapa pounamu te moana	<i>May the sea be like greenstone</i>
He huarahi mā tātou i te rangi nei	<i>A pathway for us all this day</i>
Aroha atu, aroha mai	<i>Let us show respect for each other</i>
Tātou i a tātou katoa	<i>For one another</i>
Hui e Tāiki e!	<i>Bind us together!</i>

2. APOLOGIES

3. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

4. CONFLICT OF INTEREST DECLARATIONS

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have

**5. RECOMMENDATION TO TE KAUNIHERA O TE AWA KAIRANGI |
COUNCIL - 28 February 2022**

Draft Annual Plan 2022-2023 (22/109)

Report No. LTPAP2022/1/33 by the Manager Financial Strategy &
Planning

6

CHAIR'S RECOMMENDATION:

“That the recommendations (1)-(9) contained in the report be endorsed and recommendation (10) be discussed.”

6. QUESTIONS

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

Kate Glanville
SENIOR DEMOCRACY ADVISOR



Long Term Plan/Annual Plan Subcommittee

03 February 2022

File: (22/109)

Report no: LTPAP2022/1/33

Draft Annual Plan 2022-2023

Purpose of Report

1. The purpose of this report is to further progress the development of the Draft Annual Plan 2022-2023 and engagement material ahead of the upcoming light community engagement.

Recommendations

That the Subcommittee recommends that Council:

- 1) notes that public engagement is planned for the period 12 April – 3 May 2022;
- 2) notes that Council has previously agreed to a light engagement for the Draft Annual Plan 2022-2023 as there have been no significant changes from the Long Term Plan 2021-2031;
- 3) notes that the final engagement material together with the supporting underlying information of the Draft Annual Plan 2022-2023 will be presented to the LTP Subcommittee on 4 April 2022 for adoption;
- 4) endorses the initial draft version of the engagement material subject to any feedback, refer Appendix 2;
- 5) endorses the proposed budget updates in table 2 for budget carryovers identified;
- 6) notes the revised financial projections, including projected debt and balanced budget results as detailed in Section E;
- 7) endorses the proposed rates revenue increase for inclusion in the draft Annual Plan 2022-2023 of 5.9% (before the impact of growth);
- 8) notes that the indicative impact on the average residential property valued at \$630,000 will be a rates increase of \$132 per annum or \$2.54 per

- week which includes rubbish and recycling;
- 9) endorses the initial draft Annual Plan 2022-2023 subject to any feedback, refer Appendix 1; and
 - 10) considers any further direction and guidance to be provided to officers ahead of finalising the draft Annual Plan 2022-2023 and draft engagement material.

Executive summary

2. The Long Term Plan 2021-2031(LTP) was adopted by Council on 30 June 2021. This lays out Council's strategic intent and direction for the 10 years from 2021-2031. The LTP set Council's strategic direction of getting the basics right to address the challenges that are being faced by the city and achieve the vision for Lower Hutt of a city where everyone thrives.
3. There was extensive consultation around the LTP, which included early consultation on the direction and focus of the LTP, followed by a consultation period where material was available through a range of media channels, community meetings and in person hearings with Council.
4. Extensive consultation is not required for the draft Annual Plan 2022-2023 (DAP) as it aligns with the direction set in the LTP. Council has previously agreed to a light-touch engagement. This will consist of an online survey with accompanying social media collateral, accompanied by a short, printed document to all households in Lower Hutt.
5. The light touch engagement period is planned to take place from 12 April to 3 May 2022.
6. At the subcommittee meeting on 16 December 2021 Council progressed a range of budget decisions to be updated in the DAP. This included the decision to keep rates increases at the level set in the LTP.
7. Affordability of rates is a key consideration of Council. The proposed rates revenue increase in 2022/23 equates to the following indicative impact of the average residential and commercial central ratepayer:

Property Category Capital value (CV)	2021/22 Rates	2022/23 Rates	\$ Change Annual	\$ Change Weekly
Average Residential, CV \$630k	\$2,951	\$3,083	\$132	\$2.54
Average Commercial Central, CV \$1.8M	\$15,119	\$16,353	\$1,234	\$23.73

8. The financial impact of these decisions are as follows:
 - the LTP projected to achieve a balanced budget in 2028/29; we remain within this projected timeframe in the DAP.

- The 2022/23 to 2025/26 capex has increased to \$729M in the DAP compared to the LTP capex of \$644M. This is largely due to increased costs of the Barber Grove sewer and Seaview storage tank, the bringing forward of the Petone collecting sewer and the addition of the valley floor growth projects.
 - Net debt is projected to peak in the DAP at \$618M in 2028/29 compared to a projected peak in the LTP of \$573M, largely due to the increased capital programme.
9. 2022 has seen a shift in how we approach COVID-19 as a country. We're now living and working with COVID-19 across New Zealand. We are considering how contractor and material supply impacts due to COVID-19 will affect the work we have planned for the year ahead. Officers considering contingency plans and are reviewing our capital programme in light of these considerations ahead of the annual plan being finalised in June 2022.
 10. This report seeks direction from Council to further progress the development of the Draft Annual Plan 2022-2023 and engagement material ahead of the upcoming light engagement.

Section A - High Level Timeline

11. Table 1 sets out the timeline for the Annual Plan 2022-2023 process as agreed to by Council.

Table 1: High level plan

Activity	Date	Status
Officers progress initial planning and preparation	August/September 2021	Complete
Council endorsement of high-level plan and key assumptions.	1 November 2021	Complete
Council meeting – Review of cost pressures, work programme changes and reprioritisation, funding options.	16 December 2021	Complete
Initial DAP and draft engagement material reviewed by Council	28 February 2022	Today
Council adopt DAP and engagement material for public engagement	4 April 2022	
Public engagement - “light” engagement	12 April 3 May 2022	
Community feedback received and considered	May 2022	
Council meets to make final decisions	7 June 2022	
Council adopts the AP and sets the rates	30 June 2022	

Section B - High level engagement approach

12. Extensive consultation is not required, as this DAP aligns with the direction set in the LTP. Council has previously agreed to a light-touch engagement. This will consist of an online survey with social media support, accompanied by a short, printed document to all households in Lower Hutt.
13. While formal engagement is not required, it is still important for Council to communicate with residents about the progress being made on the LTP and the work planned for the year ahead.
14. A short survey will be the main form of collecting feedback from residents on the DAP, hosted on our engagement website (Bang the Table). Officers are progressing a digital-first engagement approach, allowing us to engage

with a broad range of stakeholders in an effective and efficient way. A digital-first approach is also prudent given the potential impact of COVID-19 and will allow us to continue with engagement regardless of the COVID-19 situation at the time.

15. Officers recognise that a digital first approach must also be digitally inclusive. This means supplementing digital efforts with traditional engagement methods. For this reason, we propose to print and distribute a short engagement document to households which will direct readers to the online survey, or to their nearest Council facility where they can access the survey with the support of Council staff if needed.
16. Alongside the online survey and printed document, we will again be hosting an online rates calculator where residents can enter their address to find specific information about their how the proposed rates changes affect their property. Links to this calculator will be included in the survey, and the printed document will also direct readers to where they can find this tool online.

Section C - Draft engagement material

17. As above, the main components of light-touch engagement include an online survey, and a short, printed document distributed to letterboxes in Lower Hutt.
18. The online survey will be hosted on Bang the Table (our digital engagement platform) and will include links to relevant material including the DAP. Online content will largely be a digitally friendly version of information contained within the Draft Annual Plan and engagement documents.
19. The printed document will provide a high-level overview of the DAP, major projects being progressed in the year ahead, as well as information on how the plan is being funded i.e. the rating impact.
20. An initial draft of the Annual Plan along with the engagement material and survey questions are attached in Appendix 1 and 2 to this report.
21. In addition to the online survey and printed document, officers are progressing an online rates calculator like what was utilised during the LTP consultation in 2021. The online rates calculator allows residents to enter their address to find specific information about their how the proposed rates changes affect their property.

Section D - Budget decisions

22. The Council has previously progressed a range of budget decisions for the DAP which are summarised in Appendix 3 including proposed targeted rates and charges for kerbside rubbish and recycling (see Appendix 3). The work to date on the post implementation operational appraisal of kerbside rubbish and recycling has not identified any further changes or additions for decisions by the LTP/AP Subcommittee. The appraisal report, once finalised,

will be submitted to the Corporate Leadership Team and to members via the Climate Change and Sustainability Committee.

23. There are some further budget matters where decisions/ direction is sought in the preparation of the DAP in relation to carryovers from 2021/22 to 2022/23 which have been identified and the transport storm damage budget. Council is requested to consider each of these budget matters in table 2 and provide direction to officers.

Table 2: Budget matters requiring review and decisions

	Brief Description	Financial impact over the ten years of the LTP and officer recommendation	Further information in Appendix 4
1.	<p><u>Wainuiomata Hill Road Safety Seal</u></p> <p>Programmed physical work for 2021/22 are proposed to be deferred due to COVID related shipping delays of the high friction surfacing (HFS). Once the HFS arrives, it will be too late in the season (weather-wise) to undertake the work.</p>	<p>\$1M capital and \$0.5M Waka Kotahi subsidy revenue moved from 2021/22 to 2022/23.</p> <p>Officers recommend the approval of the proposed changes.</p>	Attachment A
2.	<p><u>Development Stimulus Package</u></p> <p>Redistribution of the remaining balance to reflect the years that the fees and rates will be remitted, based on current information on developments.</p>	<p>A carryover of \$2.9M is sought to redistribute the remaining balance to more accurately reflect the years that the fees and rates will be remitted, based on current information.</p> <p>A reduction of \$0.9M in the overall balance for remissions is achieved as a number of developments have not proceeded and as a consequence of Consentium being established by central Govt to undertake Kainga Ora's building consents.</p> <p>Officers recommend the approval of the proposed change.</p>	Attachment B

3.	<p><u>Extension of Wise Street Wainuiomata</u></p> <p>The next stage of work has been delayed due to a Greater Wellington consent that was not planned and is now required for an open drain. There has also been delays in works due to COVID lockdown in 2021.</p>	<p>A total budget of \$2.27M was available in 2021/22 for the work which is partly completed (\$0.92M). A carryover of \$1.35M into 2022/23 is sought.</p> <p>Officers recommend the approval of the proposed changes.</p>	Attachment C
4.	<p><u>Micro-mobility</u></p> <p>Council officers have been working to get a transport system-wide view across all projects and programmes and ensure the timing of works lines up with other complimentary infrastructure. As a result it is proposed that the majority of the 2021/22 costs of this micro-mobility programme will fall in the 2022/23 year, subject to resourcing.</p>	<p>A carryover of \$2.5M capital and \$1.3M Waka Kotahi subsidy revenue is sought.</p> <p>Officers recommend the approval of the proposed changes.</p>	Attachment D
5.	<p><u>Transport – Storm Damage</u></p> <p>With climate change at the forefront, we are experiencing more frequent storm surges in the Eastern Bays, Seaview and Petone beach areas, heavy rainfall and extreme wind events. Due to climate change these types of events are predicted to become more common. Our current combined storm damage and slip repair budget of \$240,000 per annum is insufficient to enable Council to respond to these events resulting in a budgeted over spend in the 2021/22 year.</p>	<p>The existing operational budget for storm damage is \$140k per annum and \$100k per annum for slip repairs. We are seeking an increase in council funding in the 2021/22 to \$760k per annum for storm damage and an increase of \$100,000 per annum for slip repairs making the total funding sought \$1.1M for 2021/22.</p> <p>For future years we are seeking an increase in the storm damage budget of \$270K being the total storm damage and slip repairs budget to \$510K for outer years.</p> <p>Officers are in negotiation with Waka Kotahi in relation to part funding these additional costs. Subsidy funding of 51% has been assumed in line with the usual subsidy received from Waka Kotahi.</p>	Attachment E

Section E - Summary financial information

24. Based on financial modelling completed of the impacts of the DAP budget review process, the following information provides a summary of the impacts of the changes.
25. Information has been presented below in line with key metrics in council's financial strategy covering the projected balanced budget position, projected debt and the projected capital programme compared to the LTP forecasts.
26. The modelling includes the changes recommended by officers in table 2.
27. Our financial strategy focuses on strong fiscal management while addressing growing demands for increased capital expenditure in core infrastructure assets. In our 10-Year Plan, we set the direction of returning to a balanced budget by 2028/29. This draft Annual Plan reinforces this direction with the timeframe of 2028/29 maintained despite a range of cost challenges.

Inflation

28. Inflation rates used in the plan are the Local Government Cost Index (LGCI) prepared by BERL for local government. These rates are prepared annually and most recently received in October 2021. The adjustors used are based on data to June 2021. Recent CPI information indicates that higher than planned for inflation continues to be a risk.
29. For Council this is in part managed through having contracts in place for services. This helps provide a level of certainty in the near to medium-term. As part of the Draft Annual Plan budgeting process officers worked to ensure that they could continue to work within budgets set in the LTP and found costs savings or re-prioritised within the base budget where possible to balance rising costs.
30. Specific risk factors identified through the budgeting process have been brought to council for decision, for example the reserves maintenance and road maintenance contracts.
31. The wider economic environment continues to carry a number of uncertainties due to impacts COVID-19 is having. Officers will continue to monitor and provide advice on specific risks as they arise.

COVID-19

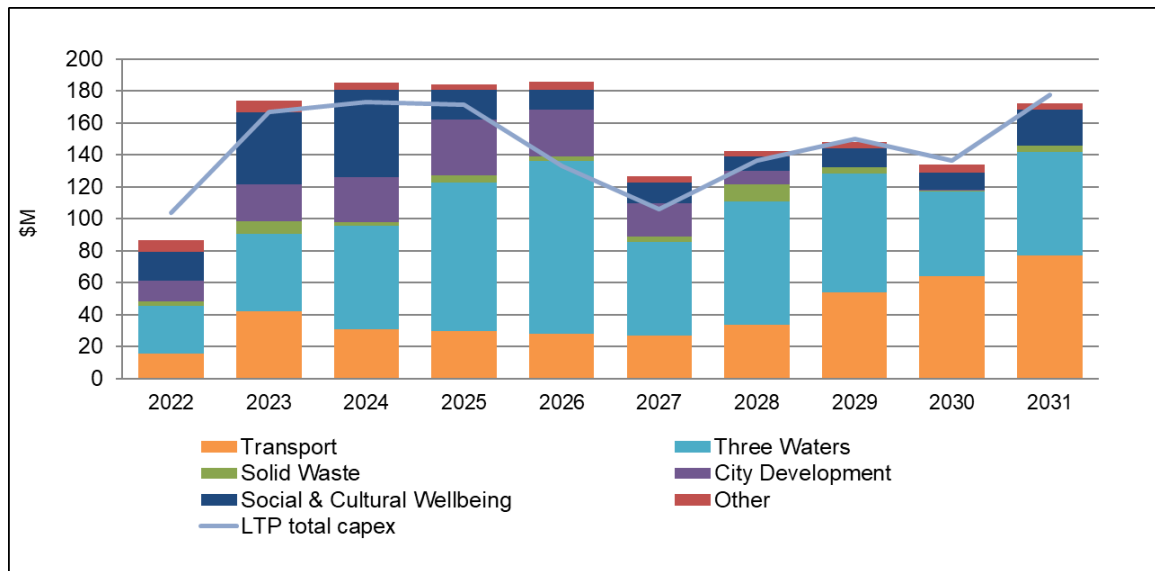
32. 2022 has seen a shift in how we approach COVID-19 as a country. We're now living and working with COVID-19 across New Zealand.
33. Council is currently working on different contingency plans to allow us to continue to make progress on our key projects and provide services despite the challenges posed by the ongoing pandemic.
34. We are considering how contractor and material supply impacts due to COVID-19 will affect the work we have planned for the year ahead. Officers

are reviewing our capital programme in light of these considerations ahead of the annual plan being finalised in June 2022.

Capital investment

- 35. Graph 1 shows the updated capital programme (after inclusion of the carryovers in table 2 and the previous budget decisions detailed in Appendix 3).
- 36. The 2022/23 to 2025/26 capex has increased to \$729M in the DAP compared to the LTP capex of \$644M. This is largely due to increased costs of the Barber Grove sewer and Seaview storage tank, the bringing forward of the Petone collecting sewer and the addition of the valley floor growth projects.
- 37. The achievability of this capex programme appears to be high risk, due to a range of factors including uncertainties due to COVID-19 impacts and organisational capacity to deliver. We continue to work closely with suppliers and contractors on projects that are underway or planned. In light of current challenges the Corporate Leadership Team is regularly reviewing our capex programme and any changes to timeframe, cost etc will be reported to members.
- 38. Detailed capital project lists are included in each activity section in the Draft Annual Plan attached in Appendix 1.

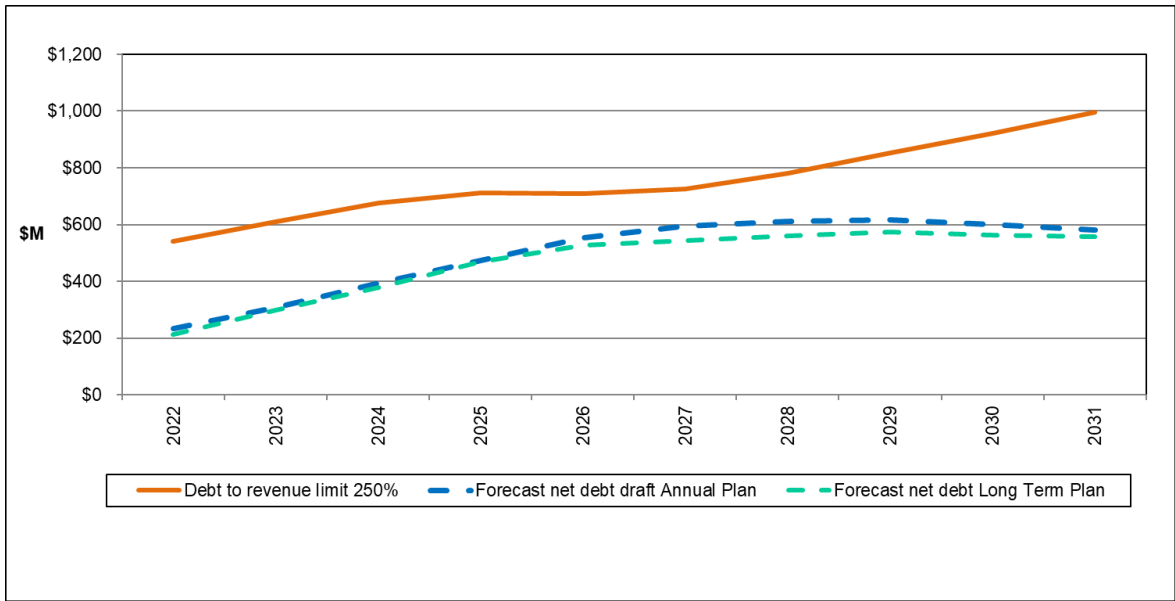
Graph 1: Capital investment plan, comparison of DAP with LTP



Borrowing

- 39. The change in the capital programme results in a corresponding adjustment in the level of borrowings we'll require. Borrowing levels are maintained within the limits set in our financial strategy. Net debt is projected to peak in the DAP at \$618M in 2028/29 compared to a projected peak in the LTP of \$573M.

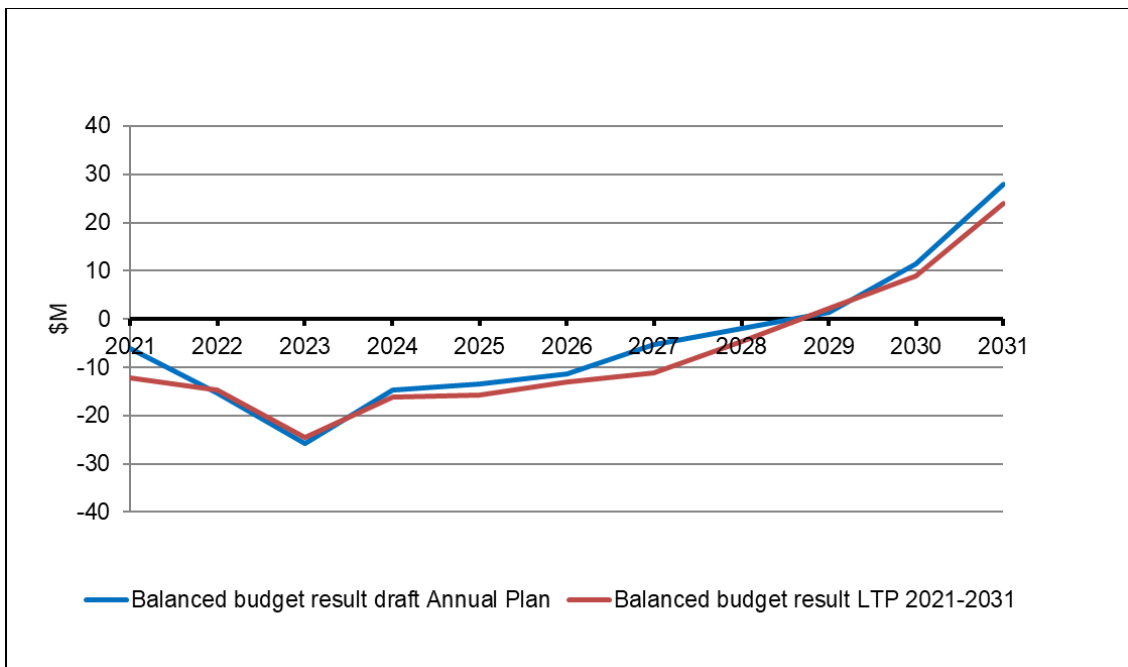
Graph 2: Projected net debt, comparison of DAP and LTP



Balanced budget

40. The balanced budget position in 2022/23 is projected to be a \$26.2M deficit compared to a deficit of \$24.6M in our 10-year plan. In the 10-Year Plan 2021-2031 we are projected to achieve a balanced budget in 2028/29; we remain within this projected timeframe in this draft Annual Plan.

Graph 3: Projected balanced budget target, comparison of DAP and LTP



The Hutt City Council balanced budget target is defined as the Local Government (Financial Reporting and Prudence) Regulations 2014 definition, modified to exclude from the definition of revenue Waka Kotahi NZ Transport Agency’s Capital improvement subsidies, Infrastructure Acceleration Fund grants and central government COVID-19 Response and Recovery co-funding for Naenae Pool and Eastern Bays Shared Path.

Projected rating impact

41. Council agreed to include a rates revenue increase in the draft Annual Plan 2022/23 which aligns with the Long-Term Plan 2021-2031, being an overall rates revenue increase of 5.9% together with a growth-related rates revenue component of 1.1%.
42. The rates projections in table 3 is indicative modelling based on a 5.9% overall rates revenue increase plus 1.1% for growth in the 2022/23 year.
43. Affordability of rates is a key consideration of Council. The proposed rates rise equates to an average increase of \$2.54 per week per household or an average increase of \$132 per annum. Investment in our Three Waters infrastructure makes up about half (\$65) of the average \$132 per annum rise. The remaining \$67 covers cost increases for all the other services provided (including transport, parks, community facilities, rubbish, recycling etc.).

Table 3: Indicative rates impact for DAP by property category

Property Category	Capital Value	2021/22 Rates	2022/23 Rates	\$ Change Annual	\$ Change Weekly	Change Amount %
Average Residential	\$630,000	\$2,951	\$3,083	\$132	\$2.54	4.5%
Average Commercial Central	\$1,782,000	\$15,119	\$16,353	\$1,234	\$23.73	8.2%
Average Commercial Suburban	\$1,644,000	\$13,135	\$14,230	\$1,095	\$21.05	8.3%
Commercial Queensgate (LTP+\$20M estimate)	\$315,000,000	\$2,300,864	\$2,660,276	\$359,412	\$6,911	15.6%
Average Rural (no water or wastewater)	\$886,000	\$1,954	\$2,024	\$70	\$1.34	3.6%
Utilities	\$3,000,000	\$19,260	\$20,856	\$1,595	\$30.68	8.3%

44. Rates modelling has been updated for the latest rating database information up to the end of January 2022 including projected growth until 30 June 2022.
45. Rating policy: the reduction in the residential portion of the total general rate from 62% to 61% in 2022/23 as agreed as part of the LTP and the corresponding increases in the commercial portions are included in the projected rates impacts.
46. The 2021/22 rates for Queensgate are calculated on the current CV of \$295M. An assumed estimated increase for Queensgate of \$20M for 2022/23 has been applied in the rating projections in table 3. However, at the time of writing this report there is still a lengthy process to complete with Quotable Value to confirm what the value increase (if any) will be for Queensgate.

Officers will report to the Annual Plan Working Group as information and advice becomes available from Quotable Value.

Section F - Next steps

47. Following the decisions made by the subcommittee at this meeting, officers will be finalising the DAP and the engagement material. The final versions of the DAP and the engagement material will be presented to the subcommittee on 4 April 2022.
48. The content of the DAP and engagement material will undergo final review and checking. There are likely to be other updates and minor adjustments to information and budgets as this review process is completed. Any significant matters identified will be reported to the Annual Plan working group and direction sought as required.

Climate Change Impact and Considerations

49. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
50. The DAP directly responds to the need to achieve emission reductions, by embedding emission reductions in a range of initiatives. For example, Council's investment in Naenae Pool includes that the new building would not use natural gas for heating and instead utilise alternative low-carbon energy sources. The DAP also includes a number of projects to reduce emissions, including the decarbonisation of Council facilities (including pools and the Dowse).

Consultation

51. Council has agreed to a light touch engagement process as detailed in Sections B and C of this report.

Legal Considerations

52. The most relevant legislation includes the Local Government Act 2002, Local Government (Rating) Act 2002 and the Rating Valuations Act 1998.

Financial Considerations

53. No other financial considerations other than those contained in this report.

Appendices

No.	Title	Page
1	Appendix 1 - Initial Draft Annual Plan	19
2	Appendix 2 - Draft Engagement Material	179
3	Appendix 3 - Previous Draft Annual Plan 2022-2023 Budget Decisions	184
4	Appendix 4 - Detailed project information to support budget decisions	188

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Ngā Ekenga Making progress

Mahere ā-Tau 2022-23
Our Draft Annual Plan 2022-23

[Hutt City Council logo]

