



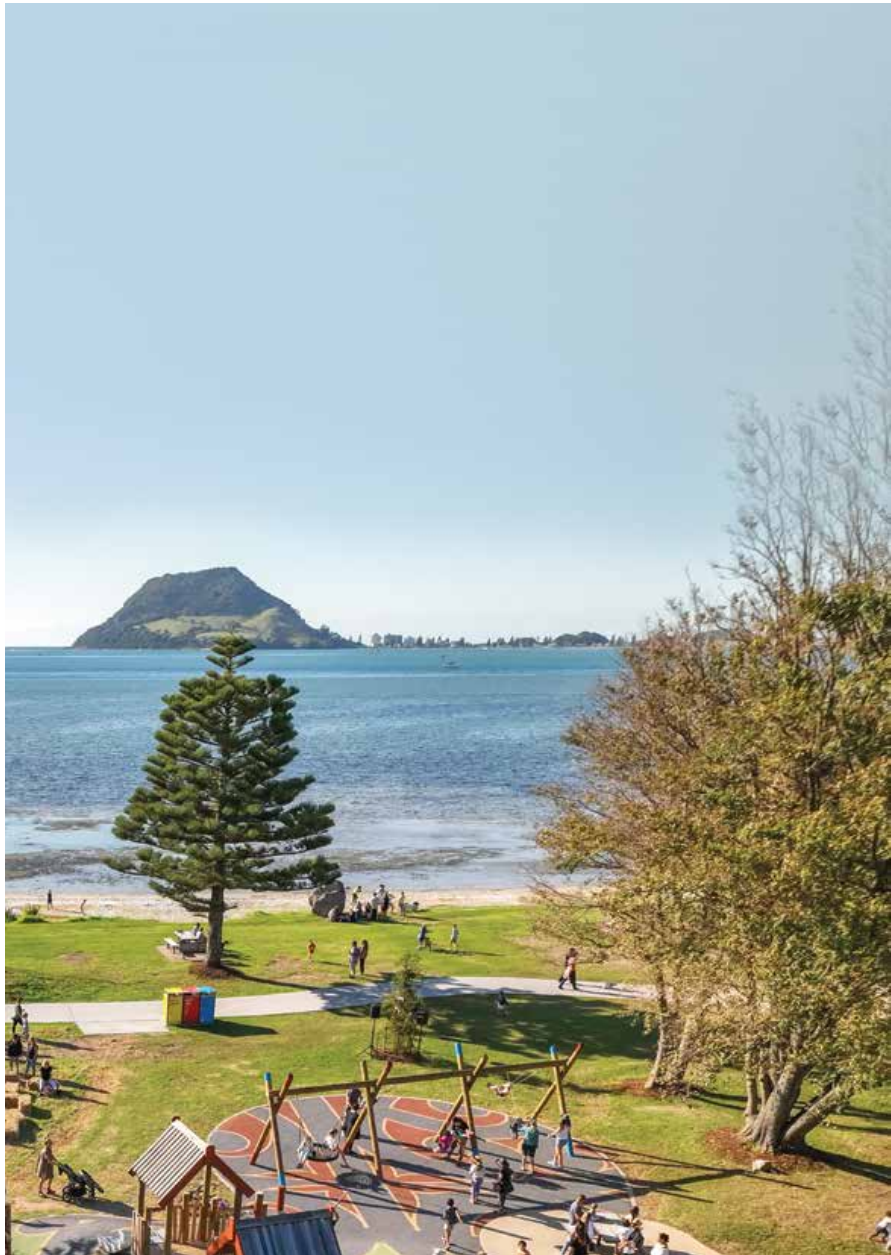
ATTACHMENTS

**Ordinary Council meeting
Separate Attachments 1**

Monday, 3 April 2023

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Annual Plan 2023/24



What is an Annual Plan?

Every three years we develop a **Long-term Plan** in consultation with our community. This sets our vision, direction, budgets and work plans for each of the next 10 years.

Our current Long-term Plan was finalised in July 2021. We also made an amendment to this Long-term Plan in June 2022 regarding the development of Te Manawataki O Te Papa, the Civic Precinct Masterplan and using the tools available to us under the Infrastructure Funding and Financing Act. The Long-term Plan Amendment (LTPA) is our 'lead' document and should be the first port of call if you require detailed information about our plans.

The LTPA that was adopted in June 2022 has for all practical and legislative purposes become the 2021-2031 Long-term Plan (LTP), against which this annual plan is measured. References to the LTP throughout this document, unless otherwise specified, refer to the LTPA as adopted in June 2022.

An **annual plan** is produced in the two years between each LTP being developed. It shows any changes to the LTP proposals for that year.

If there are no significant changes in the annual plan from what was proposed in the LTP, then we are not required to consult with our community. As there were no significant changes to the annual plan for 2023/24 Council chose not to consult.

The rest of this document will outline the changes that have been made to our budgets and work plans compared with the LTP for the year starting 1 July 2023.

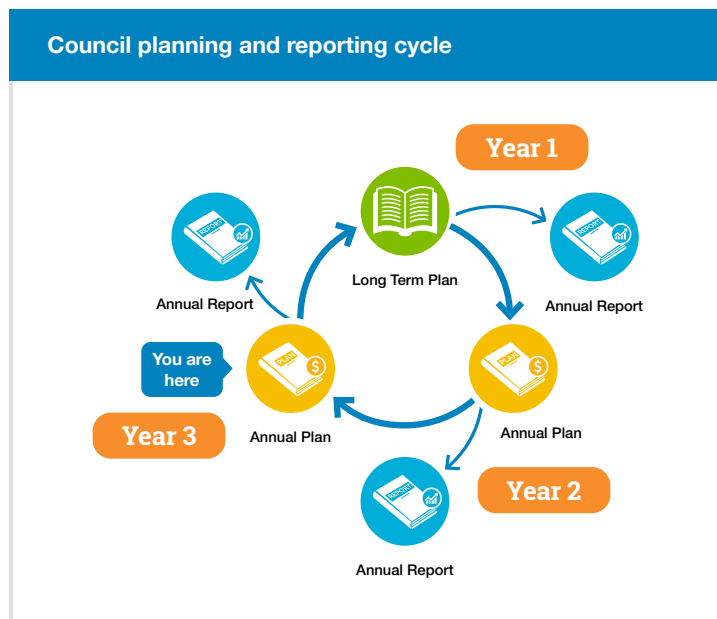
Annual report

Every year we also produce an annual report.

This is our main 'accountability' document. It shows our financial situation, how we performed against the LTP and annual plan, what key decisions we made, and whether we provided the services we said we would.

Quarterly report

We also produce a quarterly report to track our progress against targets and budgets.



All these documents are available on the 'Council' section of our website at www.tauranga.govt.nz

Kia ora

Welcome to our Annual Plan 2023/24.

This document outlines our budget and work plans for the year starting 1 July 2023 and identifies how these have changed from the proposals outlined for Year 3 of our 2021-31 Long-term Plan.

Essentially, it sets our direction for the year while providing transparency and accountability for our community.



Annual Plan 2023-24

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**Changes from Year 3
of the Long-term Plan
2021-31**



Tauranga City

Changes from Year 3 of our long-term plan

The rest of this document provides more detail on key changes from the year three proposals in our LTP. It applies to our budget and work plans for the year starting 1 July 2023.

Key Financials

As part of the annual plan process, Council has revised its financial forecasts, including updates to the capital programme (mainly timing adjustments) and updates to funding arrangements for some programmes of work.

Our Annual Plan for 2023/24 (AP) isn't significantly different to year three of the LTP (as amended through the Long Term Plan Amendment). Overall we remain within the rating parameters of the LTP with an overall average rates increase of 6.2% (including water charges). The planned further move in commercial differential to 2.1 is reflected in section 2 (What this means for rates). The organisational direction and major projects to be undertaken continue to include the planned investments across transportation, resilience, community amenity (including Te Manawataki o Te Papa) and three waters. The new Infrastructure Funding and Financing arrangements for new transportation projects have been confirmed.

The main differences in the annual plan from the budgets in year three of the LTP are around timing

of delivery and significant cost increases across the economy. Also, the package of transportation projects enabling Tauriko West development is now being delivered by Waka Kotahi. This has resulted in increases to expected revenue and expenditure and commensurate reduction in capital expenditure.

There has been significant inflation in operational expenditure with increases in borrowing costs and headline inflation being experienced across the economy. Operational and maintenance contracts in Transport and Spaces & Places did not support agreed levels of service and we have increased these budgets accordingly. In Transport which is seeing the largest increases, the new budgets bring us more in line with comparable councils. The transition costs for three waters reform have increased expenditure, however subsidies from central government to cover these increases have also been budgeted.

Rates funded debt retirement included in the LTP has been reduced in part to alleviate rates pressure resulting from operational cost increases. The debt retirement in the Water Supply activity has been removed for the

year, allowing the fixed charge to be reduced to \$0 for the year. The water volumetric charge (which has seen substantial increases over the last two years) has been held significantly below CPI, at a 2% increase.

Overall, the financial impact of these changes is an increase in operating revenue of \$33m and an increase in operating expenditure of \$79m against year 3 of the LTP. This results in an increase in operating deficit of \$46m. The effect on rates is an increase against LTP of \$3m.

The total capital programme is \$407m for 2023/24, compared with \$434m in the LTP. Of this TCC will deliver \$355m whilst other parties including Waka Kotahi and developers will deliver the remainder.

Our Long-term Plan 2021-31 can be viewed at www.tauranga.govt.nz/longtermplan

Key financials

Revised key financials are shown in the following table:

	AP 2023 (\$m)	AP 2024 (\$m)	2024 AP Variance to LTP Y3 (\$m)	2024 AP Variance to 2023 AP (\$m)
Debt summary				
Capital Programme	301	355	(79)	54
Other capital ¹	34	52	52	18
Net debt ²	853	1,050	12	197
Debt to revenue ratio (incl BVL revenue, incl IFF grants)	190%	207%	-7%	17%
Debt to revenue ratio (incl BVL revenue, excl IFF grants)	190%	223%	-3%	33%
Financial Limit on Borrowing (debt to revenue ratio)	295%	290%	0%	-5%
Operational Summary				
Total Rates ³	270	291	3	21
Other operating revenue ⁴	74	105	33	31
Subsidies and grants received for capital ⁵	105	86	(58)	(19)
Total operating revenue including grants	449	482	(22)	33
Operating Expenditure	386	447	79	61
Operating Surplus / (deficit)	62	34	(101)	(28)
Total Rates Increase average incl metered water and after growth⁶	14%	6.2%	0.2%	-8%

¹ Net of land sales, vested assets and capital delivered by others (including developers, other councils, Bay Venues Ltd and payments to Waka Kotahi to deliver Tauriko West).

² Approximately 62% of debt is funded through rates and user fees. The remainder is funded by development contributions.

³ Includes metered water income of \$36m.

⁴ Includes Infrastructure Funding and Financing for the Transport System Plan programme of works.

⁵ Best estimate based on expected delivery of NZTA approved business cases.

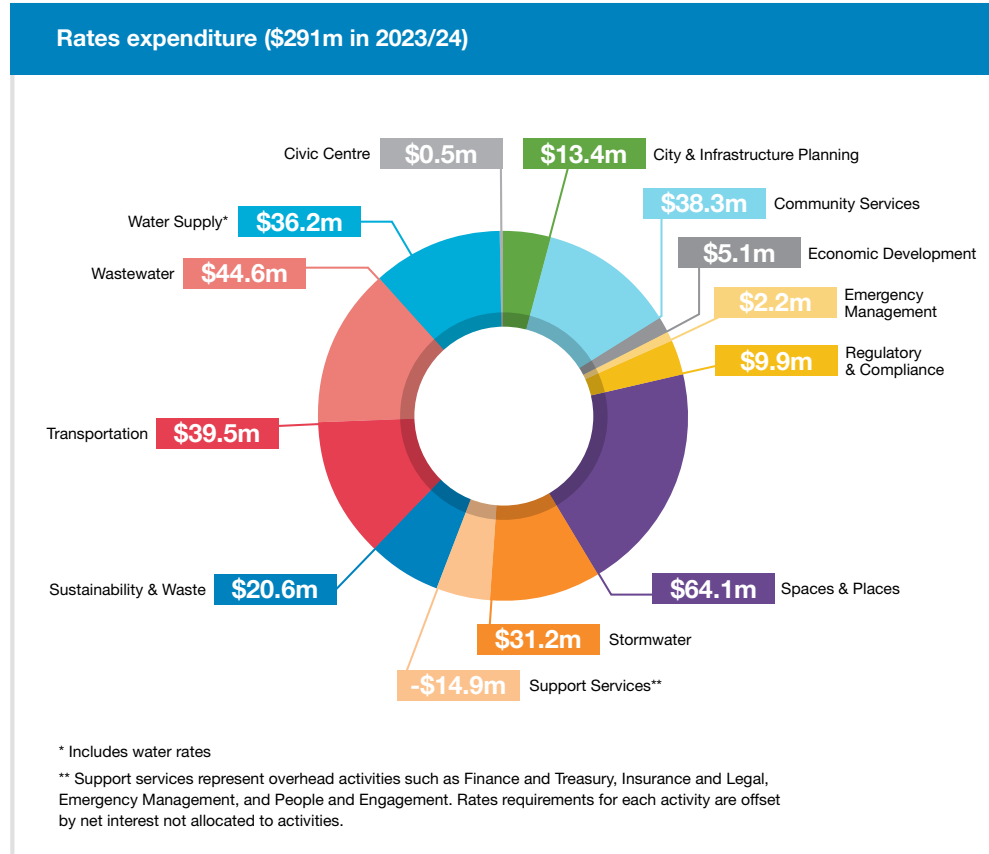
⁶ This is a gross average across all rating classes and properties.

What your rates pay for

Your rates help cover the operational (day-to-day) costs of running a city. This includes providing important services and ensuring infrastructure is maintained. Around 70% of our operational spending is covered by rates (including water meter revenue). The remainder is primarily covered by user fees and charges and subsidies from other organisations.

The rates graph (right) shows the services that your rates fund. Over half of your rates (52%) are spent on core network infrastructure (transportation, wastewater, water supply and stormwater), and a further 35% funds libraries, parks, recreation and other community facilities and services.

The activities not included in the graph that are mainly funded by user fees include Tauranga Airport, Building Services, Marine Precinct, Marine Facilities and the Historic Village. Support Services costs are met by both rates and activities that are not funded by rates.



Changes to operational budgets from year three of the LTP**

Item	Variance to LTP Y3 \$000*	Explanation
OPERATING REVENUE EXCLUDING RATES		
Operating grants and subsidies	27,780	\$24m increase resulting from the updated accounting treatment of the Waka Kotahi delivered Tauriko West projects. Increased central government subsidies received in Sustainability & Waste and Three Waters (as part of the reform transition).
Fees & Charges	2,599	Reductions in revenue from building levies and inspection fees and building and subdivision consents, offset by increases in parking charges and airport revenues.
Finance revenue	2,263	Increase in term deposit revenue driven by increased interest rates and forecast deposits.
	32,642	
EXPENDITURE		
Personnel Expenses	14,513	Includes the establishment of a City Operations unit to replace specific maintenance contracts along with additional resource to support the development of the Civic Precinct (Te Manawataki o Te Papa), and related to delivery of the capital programme (particularly in Transport and Spaces & Places).
Depreciation	(7,205)	Reviewed to align with recent revaluations and actual delivery of new capital.
Finance expenses	11,676	Opening debt balance reforecast down slightly, but interest rates increased aligning with current market indications.
Other operating expenses	59,583	Reduction in Spaces and Places maintenance contracts (replaced by delivery through TCC), \$29m increase recognising payments to Waka Kotahi for Tauriko West development (offset by subsidies), increased maintenance budgets in Transport and Spaces & Places to achieve agreed levels of service, support for Te Manawataki o Te Papa development and the new City Operations unit, and the costs of Three Waters transition work (offset by central government transition subsidies).
	78,567	
Increase/(decrease) in operating deficit	45,925	

Effect on rates

Although the net increase to the operating deficit is significant, the rates impact is much smaller in scale at \$3m.

This is because of:

- Increases to net expenditure in some activities (such as Building Services and the Airport) are not funded from rates, but rather from user fees, reserves or brought forward balances (\$11m).
- Net increase in other items funded from reserves (\$2m).
- Increase in loan funding where appropriate (and by resolution of council) of grants to external parties for capital purposes and specific infrastructure planning costs (because they have a long-term benefit), (\$14m).
- Reduction of planned rate-funded debt retirement as new avenues of funding and financing become more certain and to alleviate the rates impact of systemic inflation (\$14m).
- Increase in non-funded depreciation (\$2m).

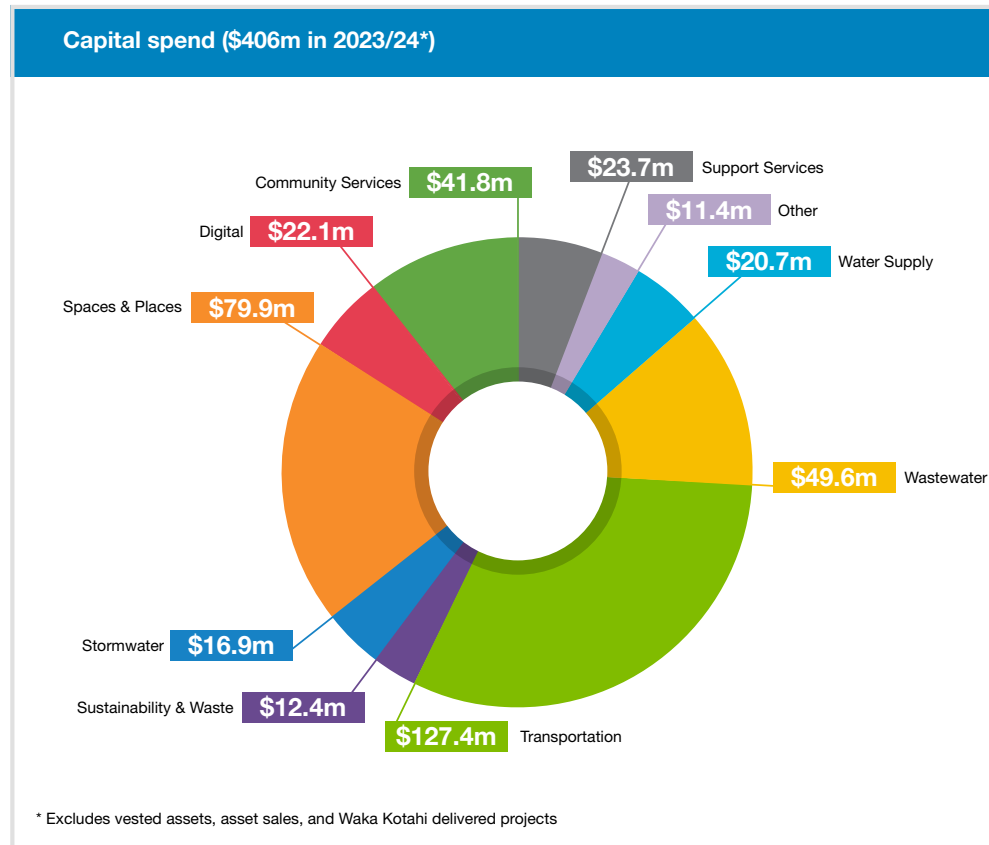
* reductions/increases are against year three of the 2021-31 Long-term Plan.

** noting that inflation has been 4% greater than that allowed for in the 2021-31 Long-term Plan.

What our debt will pay for

Capital expenditure pays for buying or building new assets, renewing existing assets and improving them to deliver a better service. Some 53% of our capital works spending goes on core network infrastructure – transportation, wastewater, water supply and stormwater.

As a growing city we need to make sure that our infrastructure is in place at the right time and at the right standard to cater for increased demand. Borrowing for capital expenditure is the main driver of our debt. It is repaid over time either by rates and user fees (funding for depreciation) or by fees paid by developers. Funding for capital is also received as subsidies from third parties (\$86m), most notably central government.



Changes to the capital programme from LTP

The most significant changes to our capital programme for this annual plan compared with year three of the LTP are in the table to the right.

SUMMARY OF CHANGES TO THE CAPITAL PROGRAMME				
Project	2023/24 Annual Plan (\$'000s)	Per year 3 of LTP 2021-2031 (\$'000s)	Difference (\$'000s)	Explanation
Accessible Streets	13,678	29,683	(16,006)	Otumoetai, Bellevue and Judea cycleways and Arataki area placemaking deferred to 2024/25.
Airport Upgrades and Renewals	8,962	387	8,575	\$12.1m Airport development to be completed over 2022/23 and 2023/24 was approved post-LTP.
Bus Infrastructure	4,948	18,135	(13,186)	Public transport services business case being undertaken by Bay of Plenty Regional Council not yet complete, which has deferred the construction of bus infrastructure.
City Operations Capital	3,377	-	3,377	New depot, vehicles and equipment required to support in-housing of Spaces & Places maintenance contracts.
Civic Rebuild Capital Programme	72,117	60,760	11,356	Timing adjustments across Te Manawataki o Te Papa and Waterfront/Public Realm projects. Increase for fit out costs associated with Civic Administration Building to reflect a larger floor area and internal staircase.
Eastern Corridor - Papamoa East	-	2,038	(2,038)	Project brought forward into 2022/23 due to risk of rising main failure at Opal Drive.
Eastern Corridor - Papamoa East Wairakei	23,021	35,304	(12,283)	Construction of Papamoa East Interchange progressing slower than expected.
Eastern Corridor - Trunk Wastewater	7,753	16,405	(8,652)	Opal Drive pump station rephased to 2024/25 and 2025/26.
Infrastructure Resilience Capital Works	1,350	7,851	(6,501)	Resilience projects assessed and rephased.
Local Roads Pedestrian Improvements	4,969	2,635	2,333	Additional funding secured from Waka Kotahi allowing more improvements to be completed.
Local Roads Renewals	18,898	14,580	4,318	Increase due to cost escalation of bitumen over last 24 months and acceleration of renewals work on local roads.
Marine Facilities Upgrades and Renewals	2,215	7,322	(5,107)	Deferral of Fisherman's Wharf renewal into future years.
Marine Precinct Upgrades and Renewals	2,297	4,644	(2,347)	Deferral of Marine Precinct upgrades into future years.
Park and Ride Activation	64	3,033	(2,968)	Business cases deferred to 2024/25.
Parks Major Capital (\$1m+) Development and Upgrades	30,497	9,966	20,530	Additional budget to develop a waterfront playground on The Strand, install artificial turf and carry out other upgrades across the sports field network. Budget brought forward to commence delivery of Gate Pa Community Centre. Partly offset by delayed timing of Gordon Spratt Reserve shared club facility.

SUMMARY OF CHANGES TO THE CAPITAL PROGRAMME				
Project	2023/24 Annual Plan (\$'000s)	Per year 3 of LTP 2021-2031 (\$'000s)	Difference (\$'000s)	Explanation
Parks Minor Capital (<\$1m) Development and Upgrades	8,775	4,166	4,609	Additional budget to construct Destination Skatepark and toilet facility in Mount Maunganui which was partly funded through external grants. Deferral of Fergusson Park sportsfield reconfiguration to 2023/24 to allow sufficient time for planning.
Redevelopment of Merivale Community Centre	3,300	-	3,300	Additional budget approved through Annual Plan 2022/23 deliberations for this project to be delivered by TCC.
Strategic Acquisition Fund	7,400	5,305	2,096	Additional budget to enable Council to purchase strategically important properties as they come onto the market.
Sustainability and Waste Upgrades and Renewals	11,531	135	11,396	Delayed timing of Te Maunga Redevelopment project. Now scheduled for completion in 2024/25.
Stormwater Bulk Fund and Reactive Reserve	325	13,853	(13,528)	Awaiti place upgrade deferred to 2024/25.
Tauriko West Networks Connections	28,545	63,798	(35,253)	Project construction rephased to 2024/25 to align with land purchase.
Te Maunga Wastewater Treatment Plant	30,656	28,012	2,645	Rephasing of budget requirements.
Te Papa Intensification	41,280	59,477	(18,197)	Cameron Rd Stage 1 (Elizabeth Street to 15th Ave) progressing slower than expected. Te Papa Active Mode Off-Road business case deferred to 2024/25.
Waiari Water Treatment Plant Capital	700	6,153	(5,453)	Rephasing of budget requirements.
Wairakei Stream Culvert Upgrade	3,773	1,538	2,234	Rephasing of budget requirements.
Western Corridor - Pyes Pa West Growth Area	2,735	5,762	(3,027)	Rephasing of budget requirements.
Western Corridor - Tauriko Business Estate	1,106	3,978	(2,872)	Change of scope resulted in reduced costs
Western Corridor - Reserves and Playgrounds	240	4,165	(3,925)	Ohauti Reserve Development budget deferred to 2024/25 while active reserve master planning is being refined.
Western Corridor - Social Infrastructure	-	5,305	(5,305)	Land purchase deferred to 2024/25.
Western Corridor - Tauriko West	8,396	12,989	(4,592)	Project construction rephased to 2023/24 to align with land purchase.

Benchmark Performance (Prudence)

All benchmarks against the 2021-31 LTP have been met except for rates income.

This benchmark was not met due to the level of systemic inflation in the economy.

Benchmark	Limit	Planned	Met
Rates affordability benchmark			
Income (\$ million)	288	291	No
Increases	12.0%	6.2%	Yes
Debt affordability benchmark			
i) Net Interest Expense / Operating Revenue	20%	9%	Yes
ii) Net Interest Expense / Rates Revenue	25%	13%	Yes
iii) Net External Debt / Operating Revenue	290%	222%	Yes
Balanced Budget	100%	100%	Yes
Essential Services Benchmark	100%	402%	Yes
Debt Servicing Benchmark	15%	10%	Yes

The annual plan process this year

This year there were no significant changes being proposed compared to what was outlined in the LTP.

We remain committed to what we said we would do in the LTP. For this reason, Council chose not to undertake formal consultation on this Annual Plan.

We can do this because in 2014 the government made changes to the Local Government Act 2002 – one of the key pieces of legislation that dictates what councils must do.

These changes mean that Council doesn't have to follow a prescriptive and expensive process called the Special Consultative Procedure for the Annual Plan if there are no big changes or new proposals that had not been signalled in the past.

The thinking behind this change was to encourage councils and communities to place a greater focus on planning for the longer-term and making decisions that gave clearer direction and certainty to residents.

We understand the community will wish to share their views on a range of questions about the City's future direction.

The upcoming 2024-2034 Long-term Plan provides this opportunity to submit on our plans for the next 10 years. Consultation for the 2024-2034 Long-term Plan is currently scheduled for November 2023.

