



ATTACHMENTS

**Council Workshop
Annual Plan**

Separate Attachments 1

Thursday, 12 February 2026

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Budget Iterations for Capital Project Carry Forwards

Monitoring and adjusting budgets for capital project carry forwards leading up to year end to ensure accurate financial planning

		WE ARE HERE					
		Initial FY26 & FY27 Budgets	First Prioritisation Review	Mid Year Review	Quarter 3 Update	Final Pre-Year End Review	Final Year End Wash Up
		September to October 2025	Dec 2025 to Jan 2026	Mid-February 2026	April 2026	May to June 2026	July to August 2026
		<ul style="list-style-type: none">Reflected Adopted 2026 Annual Plan phasing including carry forwards from prior yearTriggered a rephasing exercise to look more closely at FY27 budget	<ul style="list-style-type: none">Prioritisation of committed, critical risk, uncommitted, etc projects presented based on Nov 2025 data\$58m of deferrals identified incl Tauriko West contingencies, wharf construction, arterial route review and Baypark masterplanning\$40m of projects proposed for deferral to meet \$400m target in FY27	<ul style="list-style-type: none">Revise budgets across FY26 and FY27 to pre-empt likely carry forwards from FY26 based on January forecast of \$414mAction \$58m deferrals already identified as realistic rephasing in corporate planning modelAgree which of the \$40m projects can be deferred and included on bring forward list for active management of spend in FY27 to maximise delivery	<ul style="list-style-type: none">Revise budgets across FY26 and FY27 to pre-empt likely carry forwards from FY26 based on April forecastsAction any other significant phasing changes based on most up to date information (e.g. consenting delays, scope reductions, etc)	<ul style="list-style-type: none">Revise budgets across FY26 and FY27 to reflect any final changes to the 27 Annual Plan prior to its adoption	<ul style="list-style-type: none">Final wash up of multiyear project budgets to ensure total project budget is maintainedDollar in, dollar out approach to any carry forwards required into FY27 to maintain total capex budget of \$450m
Corporate Planning Model	FY26 Budget	\$513m	\$482m	est \$400m-\$450m	est \$400m-\$430m	est \$400m-\$430m	TBC
	FY27 Budget	\$634m	\$498m	est \$430m-\$450m	est \$440m-\$450m	\$450m	\$450m

Benefits of iterative approach to managing carry forwards prior to year end:

- More accurate and timely assessment of debt, interest and depreciation impacts of capital programme on 2027 Annual Plan
- Budget clarity for project managers and optimisation of resource allocation across the programme
- A more accurate Annual Plan programme of works, with less deviation in delivery expectations of the community from the final budget for FY27 (i.e. no surprises of large carry forwards at year end prompting deferral of other projects)

Key reasons for under-delivery of capital expenditure in FY26:

- Internal capacity is generally not an issue
- Contracting capacity in the market is generally not a current issue
- Decision making (not restricted to Council, external funding gates on projects can impact the large NZTA funded projects)
- Optimistic planning with insufficient allowances for delays in advancing aspects of projects, such as procurement and commercial negotiations. Community engagement can also have a significant impact on timeframes.

Mitigations to prevent under-delivery of capital expenditure in FY27:

- Setting a more realistic envelope based on prior year spend (max \$450m) - recent prior years have achieved approx \$415m
- Active management through bring forwards - within CE delegation and/or City Delivery Committee reports to bring forward those projects with the highest prioritisation scores to compensate for any forecast project delays

		EXCLUDING 3 WATERS		
Rates & Operating Costs Pre-reset to current	FTE	Rates Impact %	Rates Impact \$m	Net OpEx \$m
Rates requirement 2026 AP pre-reset	1,210		296.6	371.3
Resets and other adjustments:				
Reset 1 - Employee cost savings	(95)			(11.4)
Reset 1 - Other cost savings				(18.0)
Additional FTE - mainly City Ops	56			4.5
Reset 2 - Employee Cost Savings	(8)			(1.1)
Reset 2 - Other Cost Savings				0.0
Other expenditure including debt, depreciation and funding movements	(5)			(38.9)
Total Savings and funding adjustments	(52)		(59.4)	(64.9)
Final 2026 Annual Plan	1,158	11.1%	237.2	306.4
2026/27 Depreciation and Interest				160.9
2026/27 Employee costs	1,146			123.2
2026/27 Other Expenses including Inflation				203.6
2026/27 Other Revenue				(147.4)
Additional FTE budgeted through LTP - Libraries	18			0.8
	1,164	14.3%	271.2	341.1
Decisions 10 Feb:				
Interest on lower debt position at June 2026 offset by carry forward			(2.2)	(2.2)
Other savings and fees & charges inflation agreed 10 Feb			(5.9)	(6.9)
Interest on reduced 2026/27 capital programme			(2.1)	(2.1)
Total impact of 10 Feb decisions	1,164	(4.3)%	(10.2)	(11.2)
LOS/Other savings target required	?	(2.0)%	(4.8)	
Growth		(0.5)%		
7.5% rates increase target after growth	?	7.5%	256.2	

2026/27 Annual Plan Workshop 11 February 2026**Waters Charges Increase**

\$'000s	2024/34 LTP			WSDP actualised for 2026			Glide Path Option		
	2025/26	2026/27	2027/28	2025/26	2026/27	2027/28	2025/26	2026/27	2027/28
3 waters operating	135,093	150,806	169,784	142,222	158,834	152,146	142,222	151,337	154,146
YoY % increase		12%	13%		12%	-4%		6%	2%

- The draft 2026/27 12% increase in waters revenue aligns with the % increase in the LTP
- During the LTP waters revenue was increased because at the time we were working on the assumption that a WSE would need to be under 450% D:R and there was a significant capital programme driving further debt
- The WSDP focused on 2028 onwards so the revenue % increase from the LTP was maintained for 2027 but from a higher 2026 base
- There is a glide path option to reduce waters revenue by \$7.5m in 2026/27 and bring back in line with LTP \$ rather than % increase. This would still achieve a 8% FFO in both 2027 and 2028.
- This would change the 2026/27 % increase from 12% to 6%
- Any deviation from the WSDP would need to be communicated to the DIA and LGFA.