

Annual Plan - Year 2 of LTP

Budget Assumptions and Budget Options

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Purpose of today: V1 Budget Components and Options



Budget Assumptions



V1 Budget Options



Consultation Requirements

We are seeking
your feedback



Background



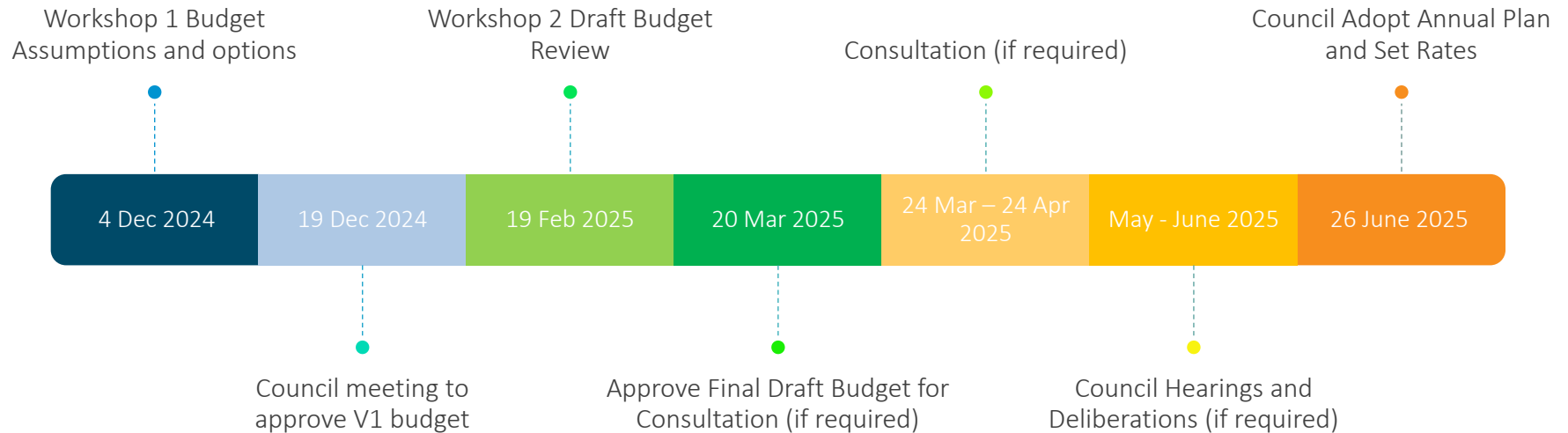
Council must prepare and adopt an annual plan before the commencement of each financial year – s95(1) and (3).



Annual budget and financial impact statements (FIS) for the year and identify variations from financial statements and FIS in the LTP for that year.



Annual Plan Key Dates



Process to date

1. Review of budget assumptions
2. Executive members identified cost savings initiatives, costs risks, and reviewed resourcing needs
3. Budget managers reviewed their budgets
4. Executive team reviewed collectively step 2 and 3 to inform budget options



Budget Assumptions



They set the context for planning activities and budgets



They provide a rationale for decisions without knowing the future



It provides context to the general public to understand decisions made



However, they are just assumptions, and actual outcome could be different.



Budget Assumptions

Assumption	Change from LTP
Inflation remains high but decreasing	More information on next slide.
Interest rates	More information on next slide.
Local Water Done Well	Keeping an eye on what this means for Annual Plan. Councillors have been briefed on this separately.
Transport funding	Received less Waka Kotahi funding than anticipated. Councillors have had been informed at Infrastructure Committee.



Inflation rates (%)

	LTP 2026	AP 2026	AP vs LTP
Other	7.79	5.16	-2.63
Property	7.37	6.29	-1.08
Road	8.95	6.09	-2.86
Staff	7.58	7.64	0.06
Water	11.5	5.37	-6.13
		Average	-2.528

Interest rates*

2026 LTP interest rate 4.8%
vs
2026 Annual Plan 4.18%

* This is subject to change following latest OCR changes



Work programme and resourcing

GMs continue to review their work programme and resourcing needs.

Proposed adjustments to the budget are a result of:

- Natural staff attrition
- Rephasing of work programmes
- Reviewing resourcing requirements
- Less Waka Kotahi external funding than anticipated



Maintaining current levels of service agreed in LTP.



V1 Budget Options:

Option 1: No change to rates increase in year 2 of LTP (12.7%)

Any savings identified would be applied to the annual operating deficit (mind the gap). Bringing us back to a balanced budget sooner than forecast. We would also have a contingency for unexpected new costs in 25/26.

Option 2: Reduce year 2 rates increase by approximately 1% (~11.7%)

Any savings identified would be applied to the annual operating deficit (mind the gap) or some contingency planning.

Option 3: Reduce year 2 rates increase by >1%

Any savings identified would be applied to reducing the year 2 rates increase. The funding shortfall (gap) stays at 6 years as per LTP and there is no contingency planning.



Consultation



If no significant or material differences from content of LTP – **consultation not required** i.e. Council resolution (but subject to SEP on engagement and s 76- 79).



Otherwise, **consultation** in a manner giving effect to **s 82**, with consultation document under s 95A.



If combined with an LTP amendment, must combine requirements into one consultation document and **use the Special Consultative Procedure.**



Significance and engagement assessment

Low change – no consultation on Annual Plan required.

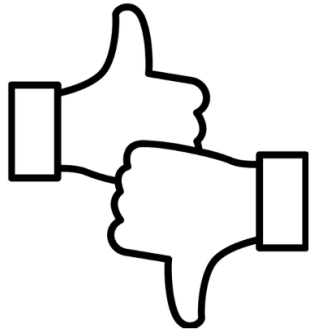
Medium change – consultation on Annual Plan is required.

Triggered when changes considered as of ‘moderate’ or ‘high’ significance according to Council’s Significance and Engagement Policy.

High change – amendments to the Long-Term Plan.

Triggered if an intended level of service for an activity is significantly altered or transferred to another business or organisation. This will also trigger a requirement to be audited.





Feedback?

