



FINANCIAL AND INFRASTRUCTURE STRATEGIES

10 Year Plan and Water Services Strategy 2027-37



AGENDA

Financial
Strategy

Infrastructure
Strategy
(Transport)

Infrastructure
Strategy
(3 Waters)



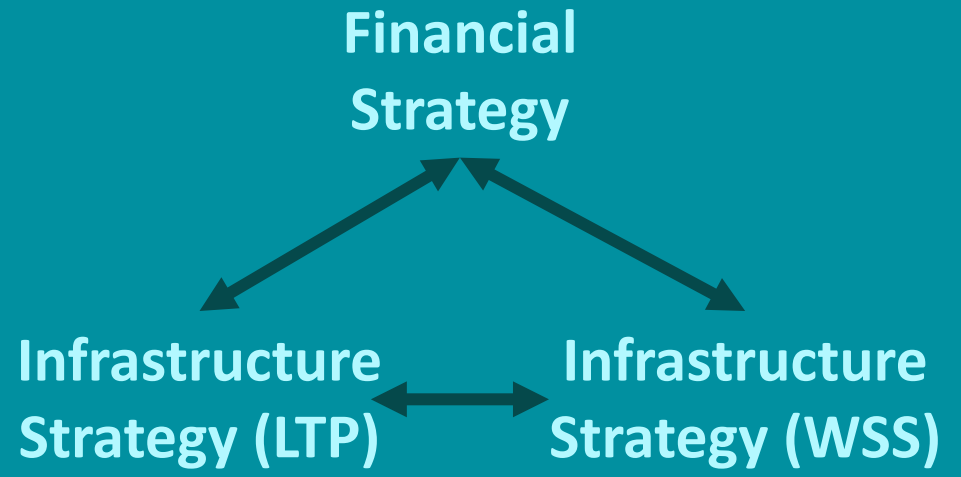
PURPOSE OF THIS WORKSHOP

- Overview of the strategies
- Discussion of key considerations for draft strategies
- Looking for early direction



INTEGRATION OF THE STRATEGIES

- The Financial Strategy and Infrastructure Strategy provide the foundation for prudent, long-term financial management
- The strategies will be developed to **support one integrated story** about levels of service, costs, risks, and trade-offs





About the Financial Strategy



DEVELOPING THE FINANCIAL STRATEGY

The 10YP must include a Financial Strategy (LGA requirement)

Early direction needed for development of the draft

IN THIS PART OF THE WORKSHOP:

Overview of Financial Strategy requirements

Quick recap of 9YP Financial Strategy

Discussion on areas where direction is needed

Example scenarios for the 10YP





WHAT IS A FINANCIAL STRATEGY?

Local Government Act 2002 - s101A(2)

“The purpose of the financial strategy is to—

- (a) **facilitate prudent financial management** by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- (b) **provide a context for consultation** on the local authority’s proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority’s services, rates, debt, and investments”.

Local Government (Water Services) Act 2025 - s18(2)

“(d) If the (water services) provider is a local authority, (it **must demonstrate compliance** with financial principles) in its financial strategy prepared and adopted under [section 101A](#) of the LGA 2002”.





WHAT'S LEGALLY REQUIRED?



Significant factors affecting Council (e.g. legislative reform, population, climate change)



Limits on rate increases and borrowing



Ability to maintain levels of service & meet additional demand within rate and debt limits



Objectives and targets for investments



Balanced budget requirements





FINANCIAL LIMITS

Rate Limits

- Must set a limit on rate increases
- Proposed rate capping for non-water activities

Debt Limit

- Must set a limit on debt
- Limits to be quantifiable





BALANCED BUDGET TESTS

LGA REQUIRES COUNCILS TO HAVE A BALANCED BUDGET

Operating revenues less operating expenses is equal to or greater than zero.

(Unless financially prudent to do otherwise)

DCC REQUIRES EVERYDAY COSTS FUNDED FROM EVERYDAY REVENUE

Everyday revenue excludes some capital funding and non-cash income:

- Treatment of some capital revenue
- Vested assets
- Increases in the value of the Waipori Fund or investment property



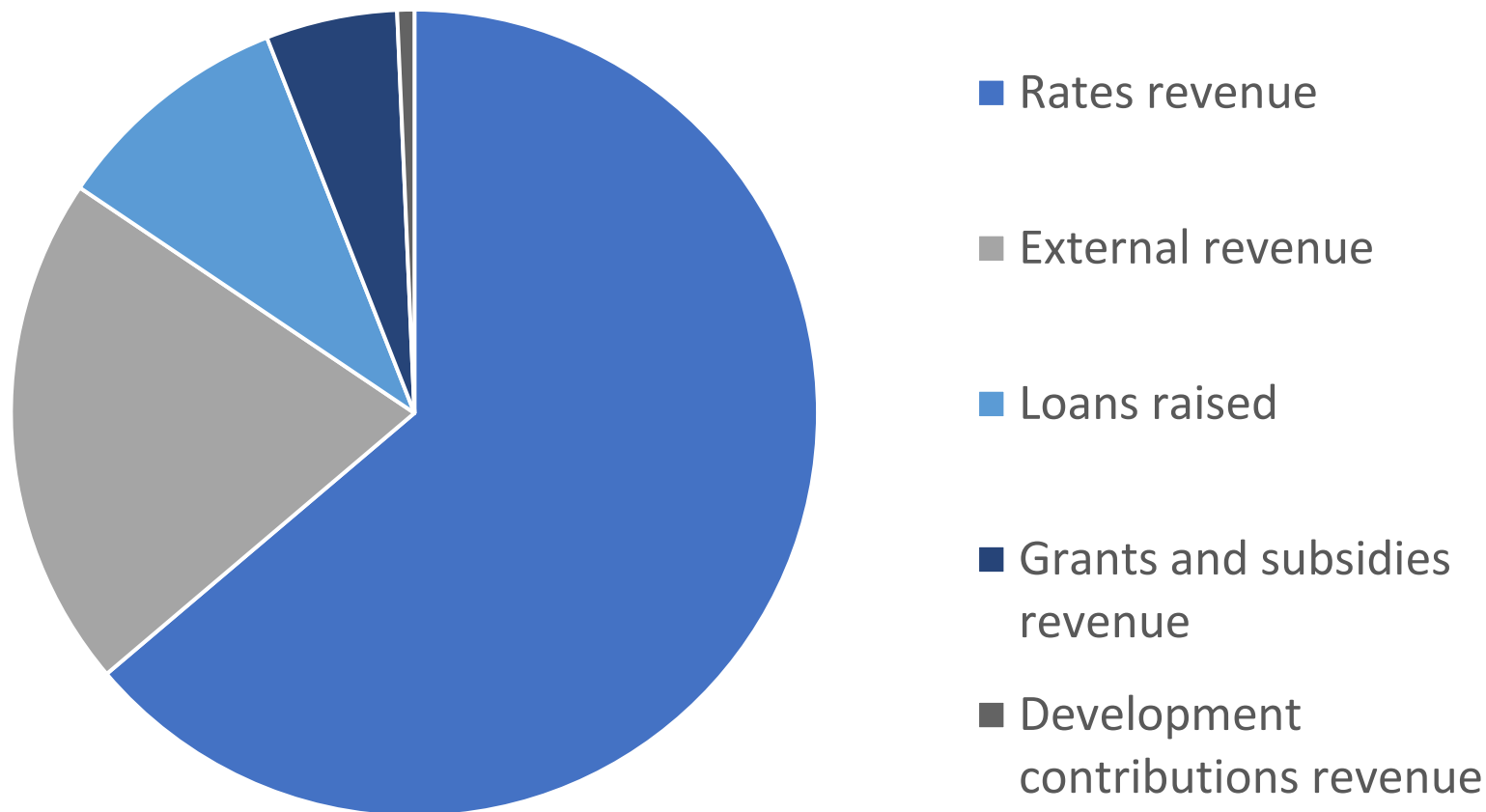


Current Financial Strategy



WHERE DOES COUNCIL'S MONEY COME FROM?

Forecast Sources of Funds Across the 9YP





ANNUAL RATE INCREASE LIMITS

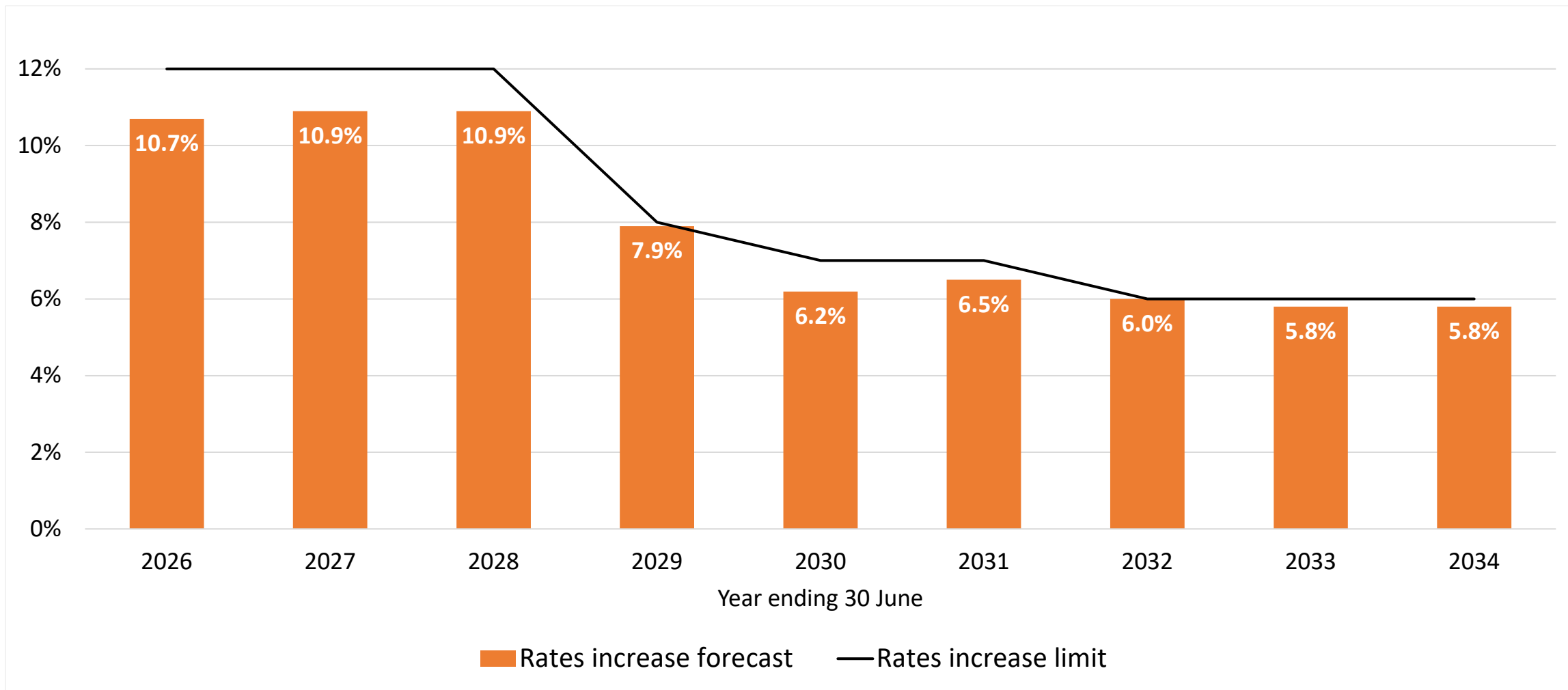
The Council's Financial Strategy includes limits on annual rate increases as follows:

- Years 1 – 3: no more than 12% per annum
- Year 4: no more than 8% per annum
- Years 5 – 6: no more than 7% per annum
- Years 7 – 9: no more than 6% per annum



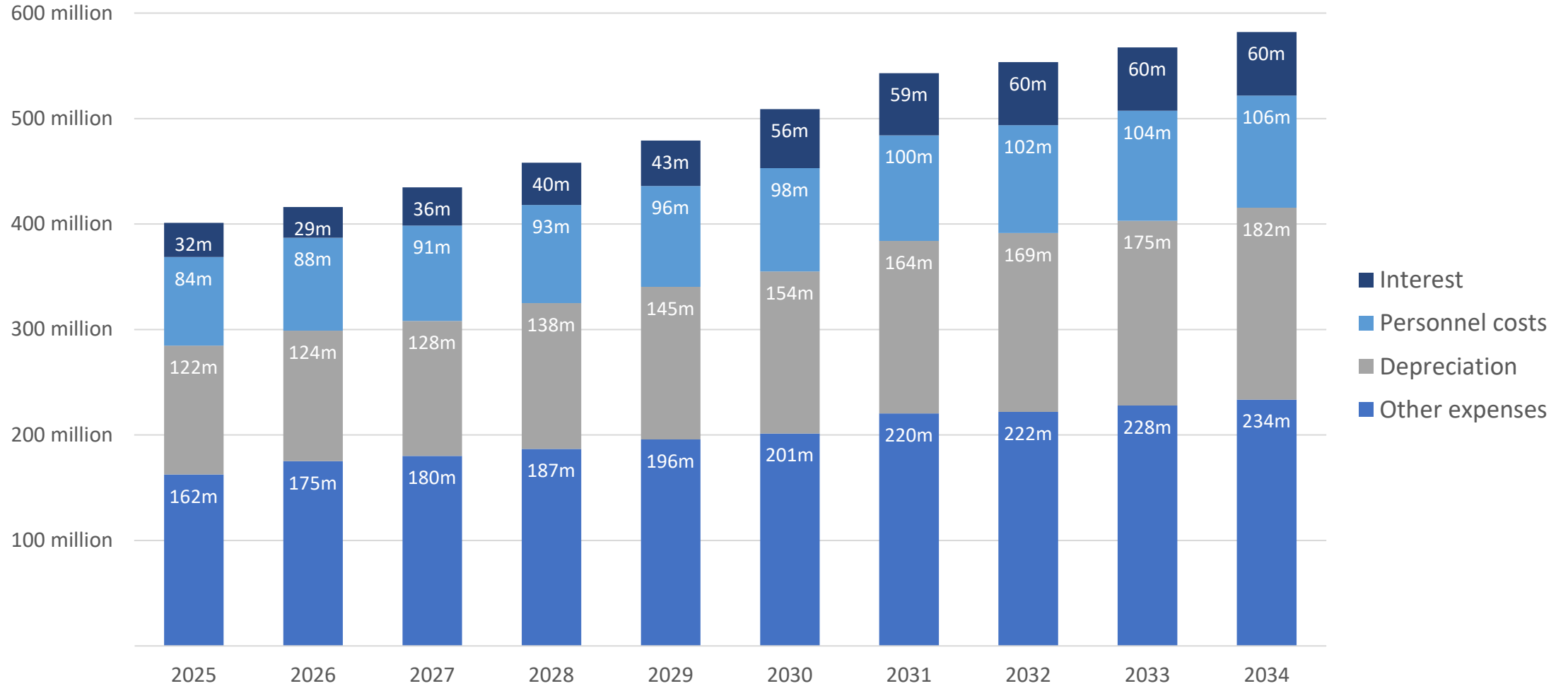


ANNUAL RATE INCREASES – 9 YEAR PLAN





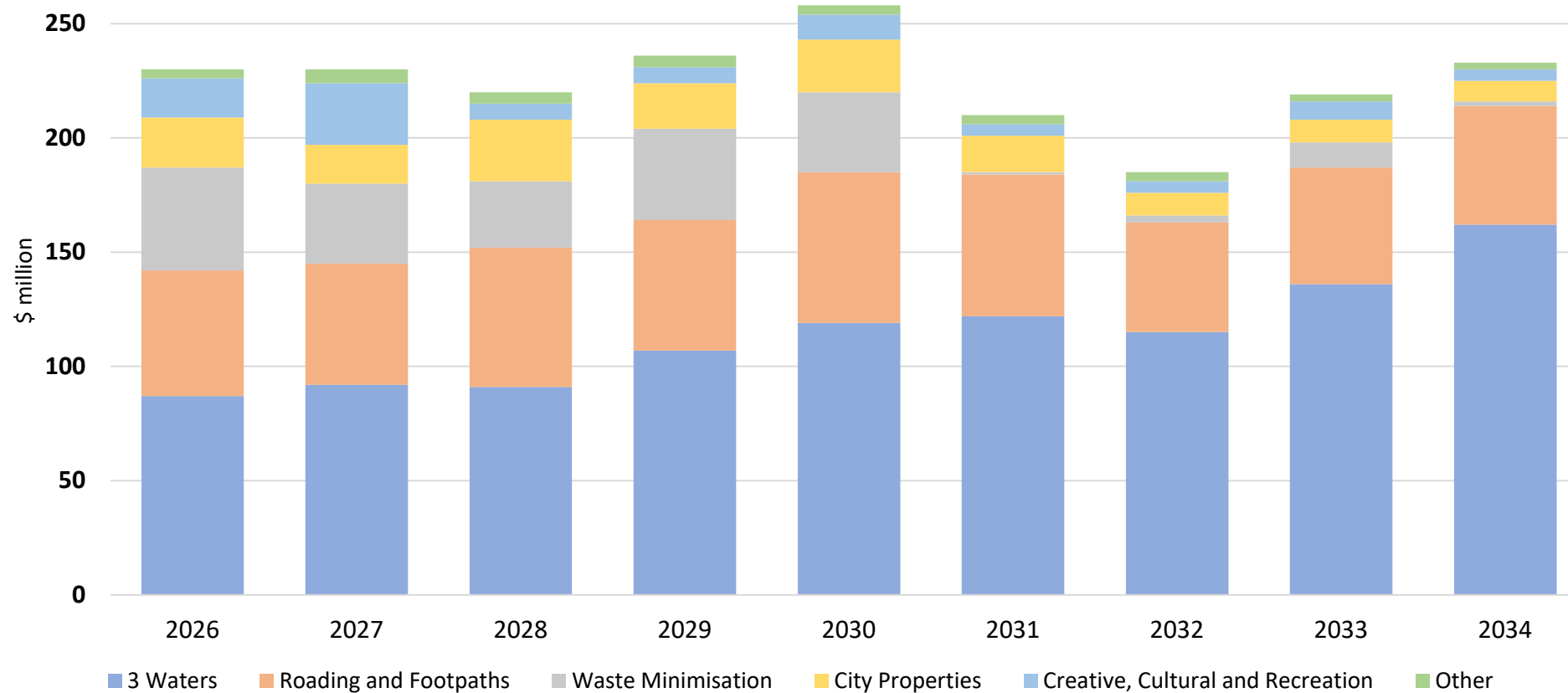
OPEX BUDGET - 9 YEAR PLAN 2025-34





CAPEX BUDGET - 9 YEAR PLAN 2025-34

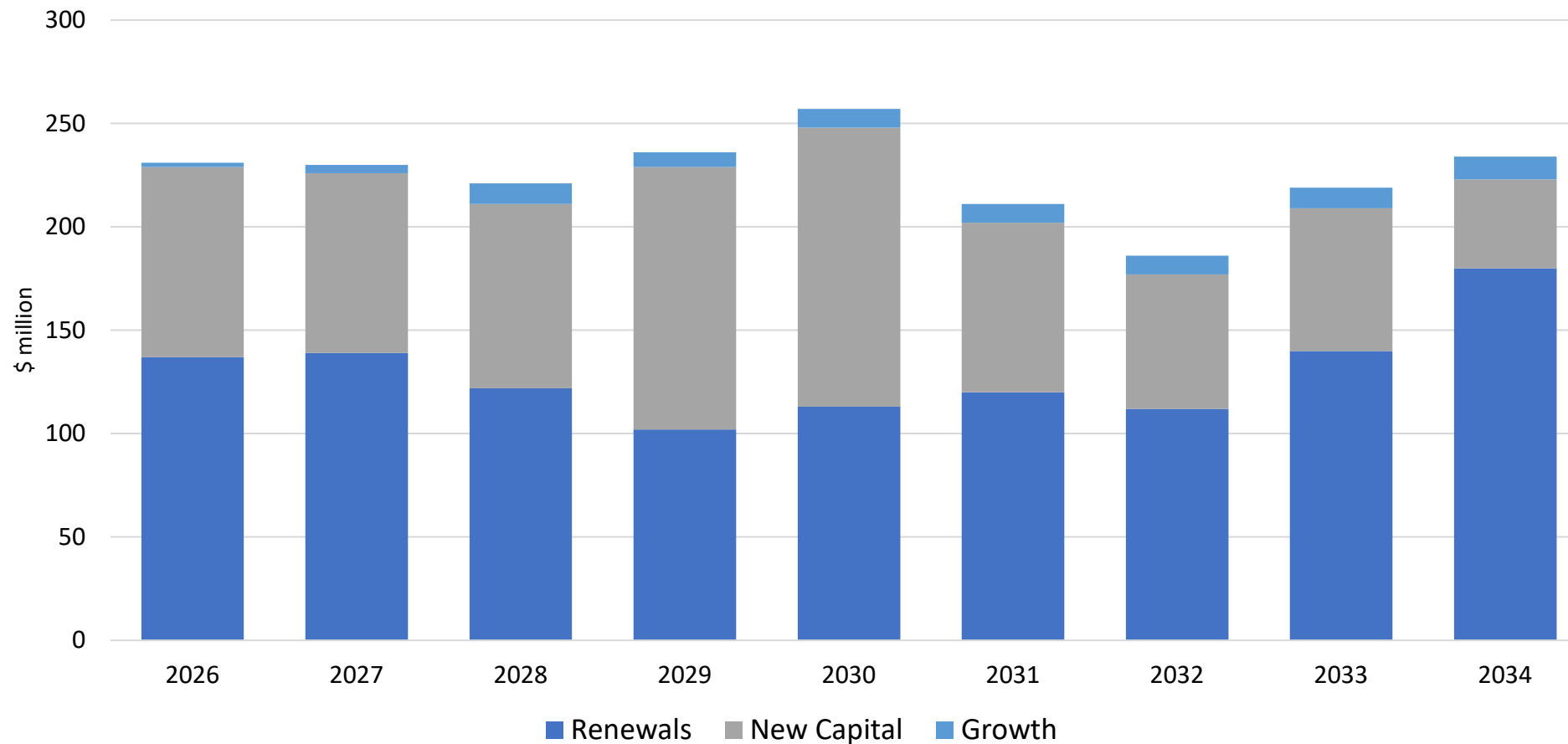
By Group of Activity





CAPEX BUDGET - 9 YEAR PLAN 2025-34

By Type

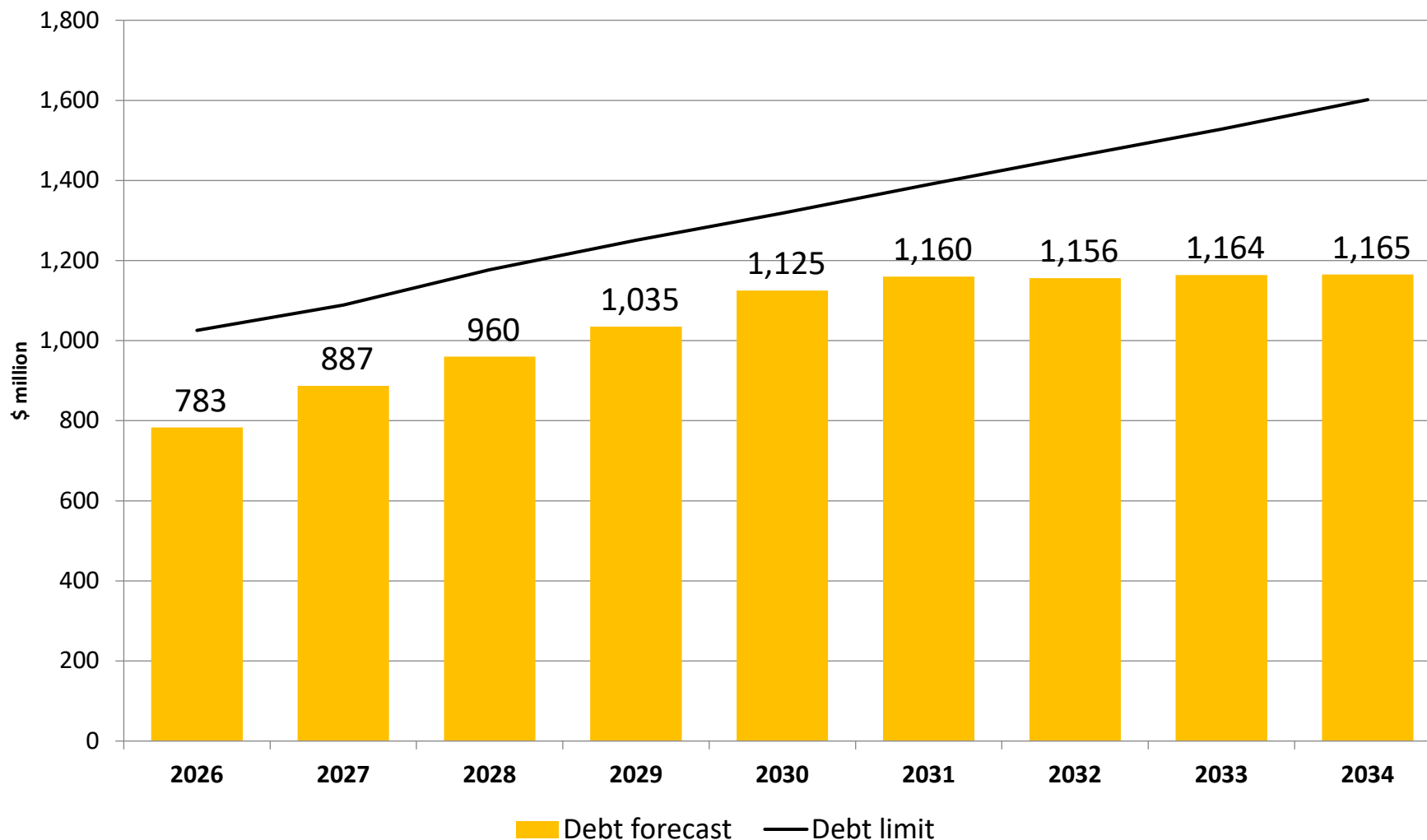


DEBT LIMIT

- Debt limit of 250% of revenue
 - Budgeted revenue 2025/26 \$410 million
 - 250% of revenue in 2025/26 is \$1,026 million
 - Budgeted debt 30 June 26 is \$783 million
 - Budgeted debt is 191% of revenue in 2025/26

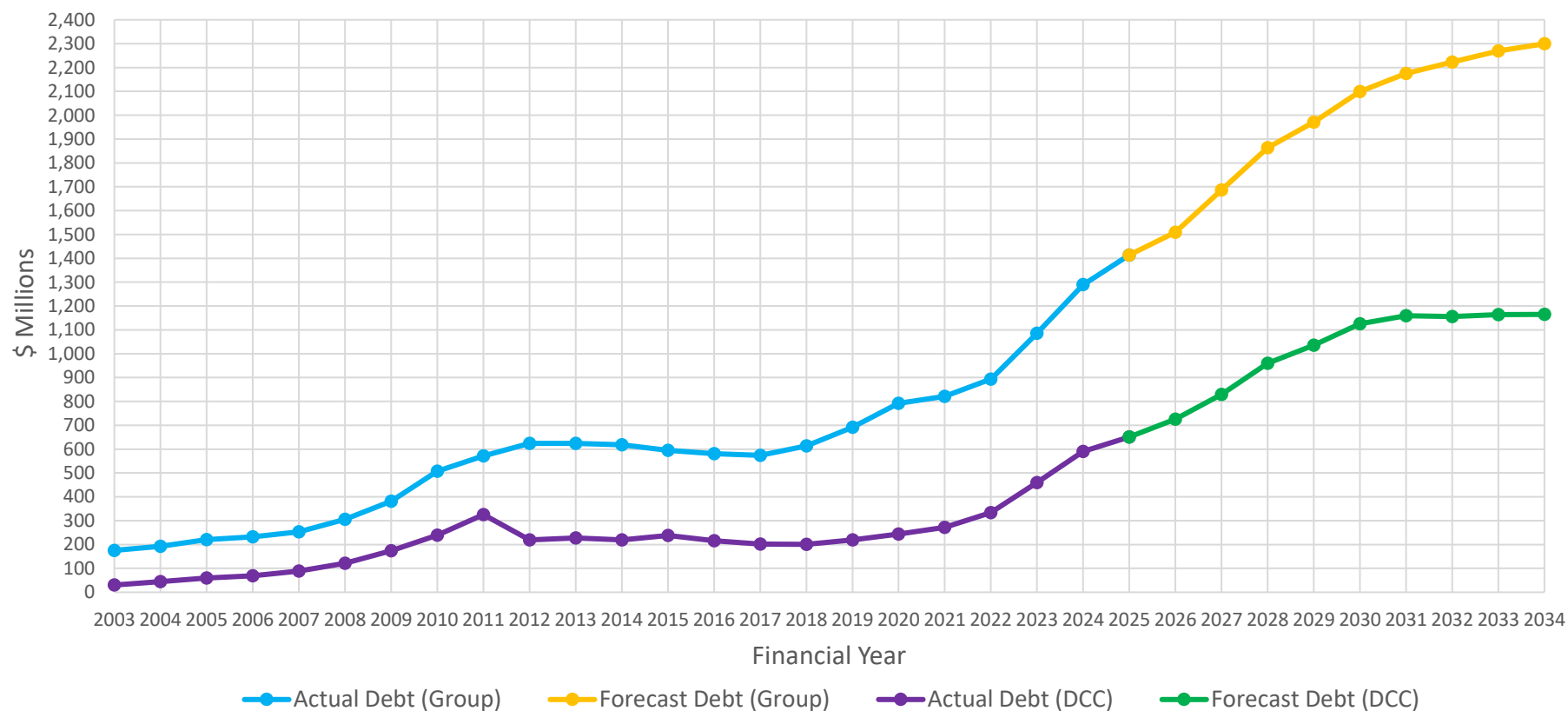


9 YEAR PLAN FORECAST DEBT





DCC AND GROUP DEBT ACTUAL (2003-2025) AND FORECAST (2026-2034)





GROUP BORROWING ARRANGEMENTS

- Total DCC group debt \$1.4 billion at 30 June 2025
- Total DCC group debt forecast \$2.3 billion at 30 June 2034
- LGFA Financial metrics for Council and DCC group:
 - Net debt/total revenue <280%
 - Net interest/total revenue <20%
 - Net interest/rates revenue <30%
- Uncalled capital \$1.9 billion. Will be increased in future years as required. Next review July 2027.
- Water Services debt limit 400% of Water Services revenue
- S&P credit rating AA-, outlook negative





Setting the Scene for the 10 Year Plan



WHAT'S CHANGED SINCE THE 9YP?

LEGISLATIVE

Significant programme of legislative reform

Proposed rate capping

Proposed amalgamation

RMA reform

Local Water Done Well

POLITICAL

Cost of global geopolitical tension and conflict

Upcoming general election

Local government election and new Council

OTHER

Development of Annual Plan 2026/27

Change to growth assumption (high to low)

Progression of DCC projects



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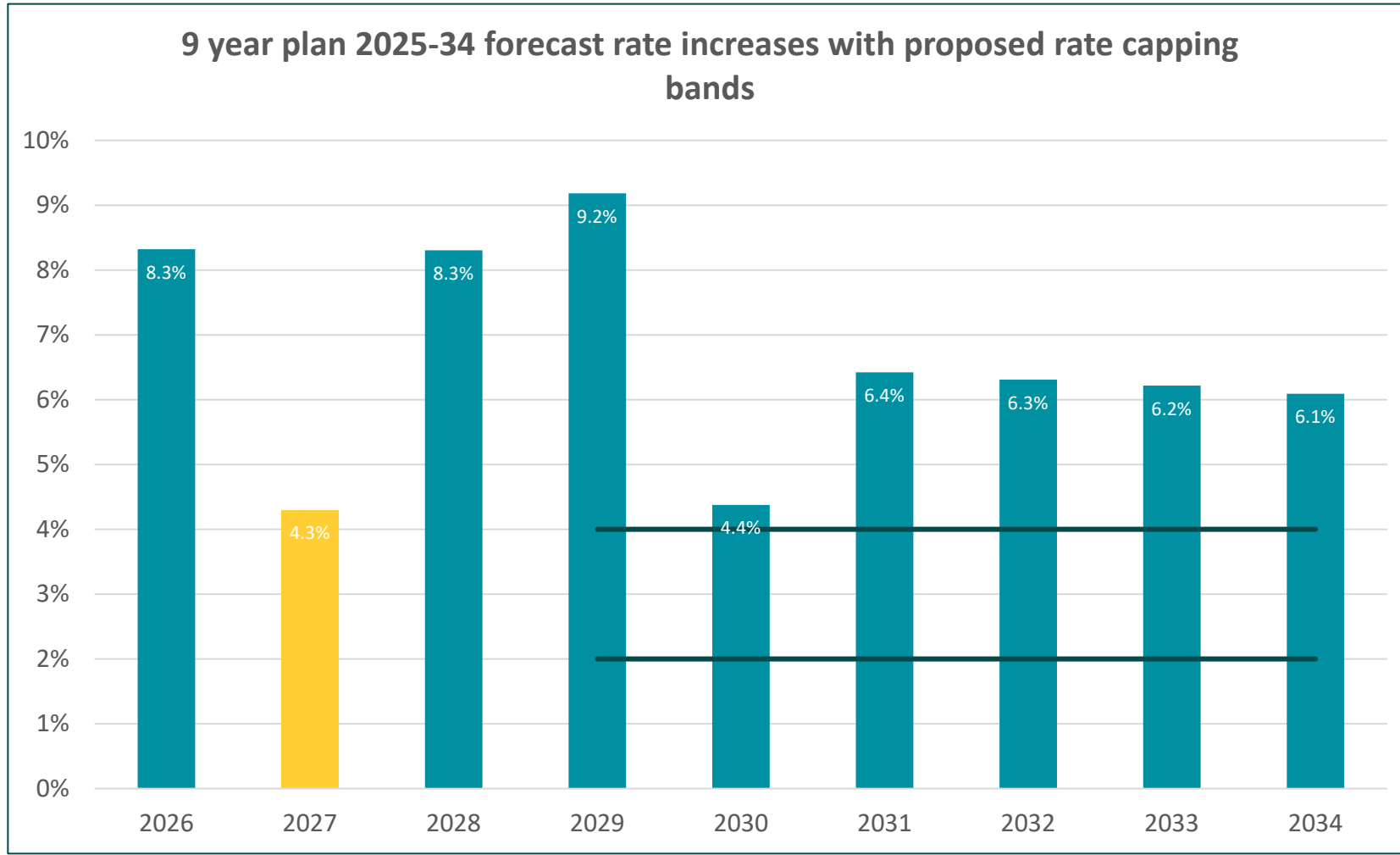
LOCAL WATER DONE WELL

- Council decided in May 2025 to keep water services in-house
- Requirement to have a Water Services Delivery Plan (WSDP)
- DCC's WSDP has been signed off by the Dept of Internal Affairs





CURRENT CONTEXT – NON-WATERS





Discussion: Direction Setting



FINDING THE BALANCE

1. Affordability (rates, fees and charges)
2. Financial resilience
3. Levels of Service
4. Investments
5. Maintaining a balanced budget
6. Sufficient investment in infrastructure
7. Capital programme deliverability and prioritisation
8. Debt (limits, repayment)
9. Legislative reforms



REVENUE OPPORTUNITIES

PLANNED WORK

- Investment framework
- Fees and charges review
- 3 Waters consistent with WSDP

DIRECTION REQUIRED

- Limit for rate increases to non-waters
- Confirmation of approach
- Anything else?



OPEX SPENDING

PLANNED WORK

- Operational savings
 - Currently aiming for \$10 million
- Identification of controllable and uncontrollable costs
- Levels of Service impacts

DIRECTION REQUIRED

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- Anything else?



OPEX SPENDING

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- Anything else?



CONTROLLABLE VS UNCONTROLLABLE

- Some of Council's revenue and expenses cannot easily be changed
- **'Uncontrollable'** expenses include:
 - Interest expense on historic borrowing
 - Elected Member remuneration
 - Insurance
 - Rates on Council owned property
 - Deprecation (revaluation effects)



CONTROLLABLE VS UNCONTROLLABLE

- **‘Controllable’** expenses include:
 - Operational spending
 - Consultants
 - Travel
 - Personnel
 - Etc.
 - Interest expense on new borrowing
 - Levels of Service (e.g. hours of operation)
 - Grants



DEBT

PLANNED WORK

- Debt lifecycle management
- Ways to reduce debt (new and historical)

DIRECTION REQUIRED

- Debt repayment
- Debt limit



CAPEX SPENDING – NON-WATERS

PLANNED WORK

- Non-discretionary capital projects:
 - Renewing existing assets
 - Projects to support growth
 - Statutory and regulatory compliance requirements
- All other projects (discretionary) will be presented in options reports
- Suggested prioritisation criteria for discretionary projects

DIRECTION REQUIRED

- Confirmation of approach
- Anything else?



10 Year Plan Scenarios



NEXT STEPS

- Additional workshops
- Review forecasting assumptions
- Options reports presented to Council between now and September
- Financial Strategy drafted
- Financial policies under review, incl. RFP, Remission, Treasury
- Continue to work on operational savings

