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**To:** Elected Members

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**From:** Manager Strategy

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**Date:** 14 October 2024

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**Subject:** 2025-34 Long Term Plan – Budget revisions

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## PURPOSE

The purpose of the memo is to provide Elected Members with information on the quantum of changes made through budget revision processes. Elected Members, in the development of the 2025-34 LTP, have asked for further information on the status of the non-project operating budgets and to ensure they have been scrutinised sufficiently.

There are three budget categories:

- Capex projects
- Opex projects
- Non-project operating expenses

The information contained in this memo provides a comparison of the initial budget positions developed through the 2024-34 Long Term Plan (LTP) (years 2025-34 only) and the current budget position for the 2025-34 LTP for:

- Non-project operating expenses -in detail at an organisational level
- Capex projects – headline number – more detail will be provided on 16 October.
- Opex projects – headline number – more detail will be provided on 16 October.

The purpose of this information is to provide assurance that considerable financial constraint and prudence has been carried out to reach the current position.

## WORKSHOP APPROACH

To enable staff to best support the workshop discussion, Elected Members are encouraged to email questions to Melissa Russo ahead of the workshop. Staff will aim to respond to these questions during the workshop.

The baseline of the capex and opex projects will be further workshopped with Elected Members on the 16 October through budget scenario discussions.

## CONTEXT

Through the development of the 2024-34 LTP, and to date, all Council budgets and proposed investment has undergone a high-level of scrutiny. This has been in response to ensuring Council expenditure is extremely prudent in the current environment and all investment is well-considered against Council's strategic priorities and prioritisation principles.

In relation to Council's non-project operating expenses several budget revisions have occurred where staff have worked to the following assumptions;

- Health, safety and well-being is well considered and not compromised.
- Elected Members advice to:
  - o Ensure that levels of service are not lowered.
  - o Not to take extreme action in reducing the operational budgets to unsustainable levels.
  - o To not proactively reduce staff headcount.

The following section outlines the changes in more detail.

## COMMENTARY

### Capex projects

Over the nine years, a total reduction of \$166.7m savings have been made across the capex project portfolio.

### Opex projects

Over the nine years, a total reduction of \$26.9m savings have been made across the opex project portfolio.

### Operating expenditure – non-projects

The table below compares years 2-10 of the 2024-34 LTP with the current budget for the 2025-34 LTP.

Category	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000	Movement \$'000
Advertising	964	931	-34
Audit fees	3,711	3,937	226
Bank charges	680	703	24
Conferences	1,236	1,339	103
Consultancy	21,889	15,379	-6,509
Consumables and office expenses	18,899	19,104	205
Contract Supervision Fees	1,991	1,789	-201
Remuneration Authority - Councillors	8,556	8,255	-302
Depreciation	478,251	423,376	-54,875
Electricity and Gas	30,031	34,423	4,393

Category	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000	Movement \$'000
Grants and donations	14,580	9,619	-4,961
Insurance	13,132	20,048	6,915
Interest expense	94,715	110,217	15,502
Legal fees	2,724	2,787	63
Marketing and events	3,970	2,451	-1,520
Minor equipment	2,226	2,111	-115
Monitoring costs	1,123	1,174	51
Operating expenses to deliver core services	156,843	165,248	8,405
Other	908	31	-877
Rent	3,650	3,113	-537
Shared services costs	8,185	8,519	334
Software maintenance	22,920	23,722	802
Travel costs	594	634	40
Valuation fees	3,862	4,647	786
Vehicle and Machinery costs	7,077	8,459	1,382
Salaries	334,397	362,877	28,480
Employee related costs	12,344	17,685	5,341
<b>Grand Total</b>	<b>1,249,458</b>	<b>1,252,579</b>	<b>3,121</b>

The tables below group the above costs into five categories. These include changes that:

- We have limited control over.
- Driven by market prices or values.
- Costs to deliver core services.
- Marketing and advertising.
- Other employee related costs.

Limited control over	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000
Audit fees	3,711	3,937
Bank charges	680	703
Interest expense	94,715	110,217
Software maintenance	22,920	23,722
Remuneration Authority – Councillors	8,556	8,255*
<b>Total</b>	<b>130,582</b>	<b>146,834</b>

\* Reduced based on actual spend in recent years noting this also includes disbursements.

Driven by market prices or values	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000
Depreciation	478,251	423,376*

Driven by market prices or values	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000
Electricity and Gas	30,031	34,423**
Legal fees	2,724	2,787
Shared services costs	8,185	8,519
Insurance	13,132	20,048***
Valuation fees	3,862	4,647
Travel costs	594	634
Vehicle and Machinery costs	7,077	8,459
<b>Total</b>	<b>543,855</b>	<b>502,894</b>

\* Reduction is due to overall reduced capex programme, therefore lower total asset valuation resulting in lower depreciation costs.

\*\* Service provider has indicated cost of gas (used to heat pools) is likely to increase by 100% on current costs.

\*\*\* Insurance costs have increased significantly in recent years. This trend is expected to continue. The 2025-34 LTP budget also includes provision for staff medical insurance.

Cost to deliver core services	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000
Other	908	31
Salaries	334,397	362,877
Consultancy	21,889	15,379
Monitoring costs	1,123	1,174
Rent	3,650	3,113
Contract Supervision Fees	1,991	1,789
Minor equipment	2,226	2,111
Operating expenses to deliver core services*	156,843	165,248
<b>Total</b>	<b>523,027</b>	<b>551,722</b>

\* The increase in salary costs over the nine years is as a result of market movement adjustments and an additional 21 new roles. The increase in salary costs is also to help balance the reduction in consultancy costs.

\* Operating expenses to deliver core services include a range of operation activities e.g. mowing and gardening, tree care, graffiti removal and pest control.

Marketing and advertising costs	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000
Advertising	964	931
Marketing and events	3,970	2,451
<b>Total</b>	<b>4,935</b>	<b>3,382</b>

Other employee related costs	Sum of 2024-34 LTP \$'000	Sum of 2025-34 LTP \$'000
Conferences	1,236	1,339
Grants and donations	14,580	9,619
Consumables and office expenses	18,899	19,104
<b>Other employee related costs</b>	<b>12,344</b>	<b>16,846</b>

### Salary increase commentary

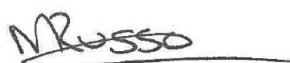
A conservative approach has been taken to any increases in staff head count. The increase in salary costs over the nine years is the result of market movement adjustments and new roles.

During the development of the 2024-34 LTP and the subsequent pivot to the 2024/25 Enhanced Annual Plan, a number of new roles were considered. These were prioritised with the following outcomes:

- 21 new roles were approved.
- 9 were declined.
- Of the approved roles, ten are filled, or are in a recruitment process.
- A further 11 roles are budgeted in the later years.

A further six role requests are currently being evaluated and are not included in the current budgets. A number are non-rates funded with some funding offset by reduced consultancy spend.

Staff have also taken a conservative approach to the fulfilment of vacancies ensuring that only essential recruitment is completed. There are currently 21 roles on hold.



Melissa Russo  
**MANAGER STRATEGY**



Jolanda Hechter  
**MANAGER FINANCE**