

Draft 2024-34 Long-Term Plan

A guide for Hamiltonians



Key points

- Council has approved its **draft** budget for the 2024-34 Long-Term Plan, setting out its proposed plans for the next 10 years.
- In 2024/25, Council's draft Long-Term Plan is focused on delivering **existing levels of service** (with some potential **reductions** to our services in following years). We have not created lots of new projects or spending proposals.
- Because of inflation and interest costs being felt worldwide, **everything we do is costing more to deliver**. In addition, there is a growing cost of complying with government legislation. **Our rates rises in recent years have not kept pace with these increases**.
- Therefore, to ensure we 'balance the books' (everyday revenue meets everyday costs) within three years, and that we live within our debt cap, we need an average rates rise of **19.9% (\$11 per week)** for the median-value residential property in 2024/25, and **15.5%** in the following four years.
- We're proposing reducing Council's personnel costs by around **\$9 million per year** (above existing reductions of around \$8 million per year that are currently being implemented), and reducing our consultant budget by about **\$1 million**. These changes would affect the **services** that Council provides, as well as our support functions for those services. **We have not yet identified which services would be affected. We will ensure critical services are not impacted.**
- **Council wants to hear what you think about these proposals.** We are running a full community consultation between **19 March and 21 April 2024** in which you will be able to have your say.
- Homeowners on a low income can apply for a **rates rebate** from central government as well an additional rebate from Hamilton City Council. Find out about rates rebates for the current year (1 July 2023 to 30 June 2024) on our website: hamilton.govt.nz/do-it-online/apply-for-it/rebates.
- You can pay your rates in **instalments** by direct debit weekly, fortnightly, monthly, or quarterly at no extra cost. Complete our online direct debit form: hamilton.govt.nz/do-it-online/pay-it/pay-your-rates-via-direct-debit.



**Hamilton
City Council**
Te kaunihera o Kirikiriroa



What has been decided so far?

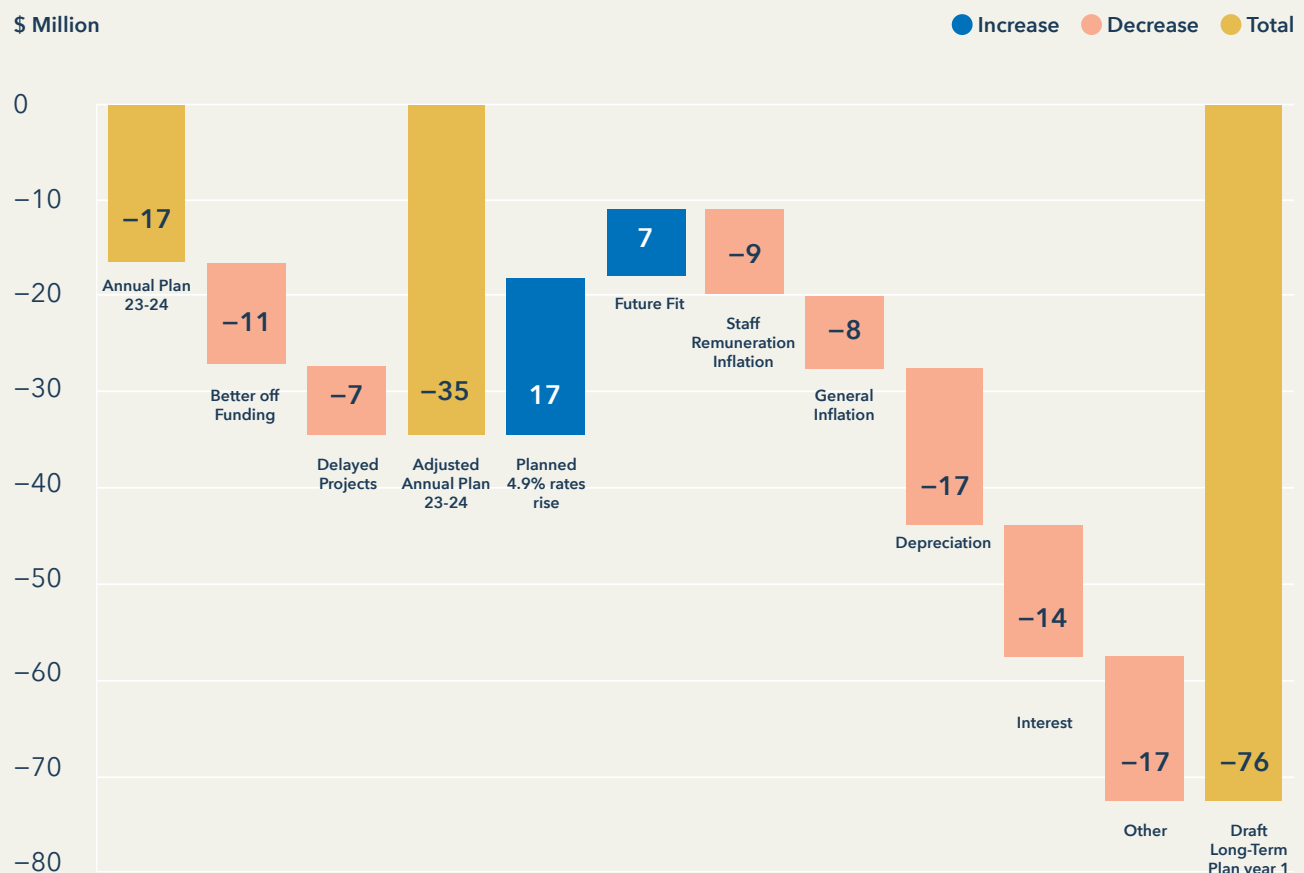
- Council has approved its **draft budget** for the 2024-34 Long-Term Plan, setting out its proposed plans for the next 10 years.
- The draft budget is based on the **five priorities** Council developed in consultation with the community in 2020.
 1. Shaping a city that's easy to live in
 2. Shaping a city where our people thrive
 3. Shaping a central city where people love to be
 4. Shaping a fun city with lots to do
 5. Shaping a green city.
- To ensure we 'balance the books' (everyday revenue meets everyday costs) within three years, and that we live within our debt cap, we need an average rates rise of **19.9% (\$11 per week)** for the median-value residential property in 2024/25, and **15.5%** in the following four years.
- The draft budget will be the subject of a full **community consultation** between 19 March and 21 April 2024. No final decisions have been made yet.
- The draft budget now includes **water services** in every year of the Long-Term Plan, after the government decided not to go ahead with the creation of new water service entities.
- The draft budget on which Council is consulting the community replaces the draft budget that it adopted in November 2023, in which Council was only expected to deliver water services in the first two years.

Why are we in this situation?

Our costs are rising

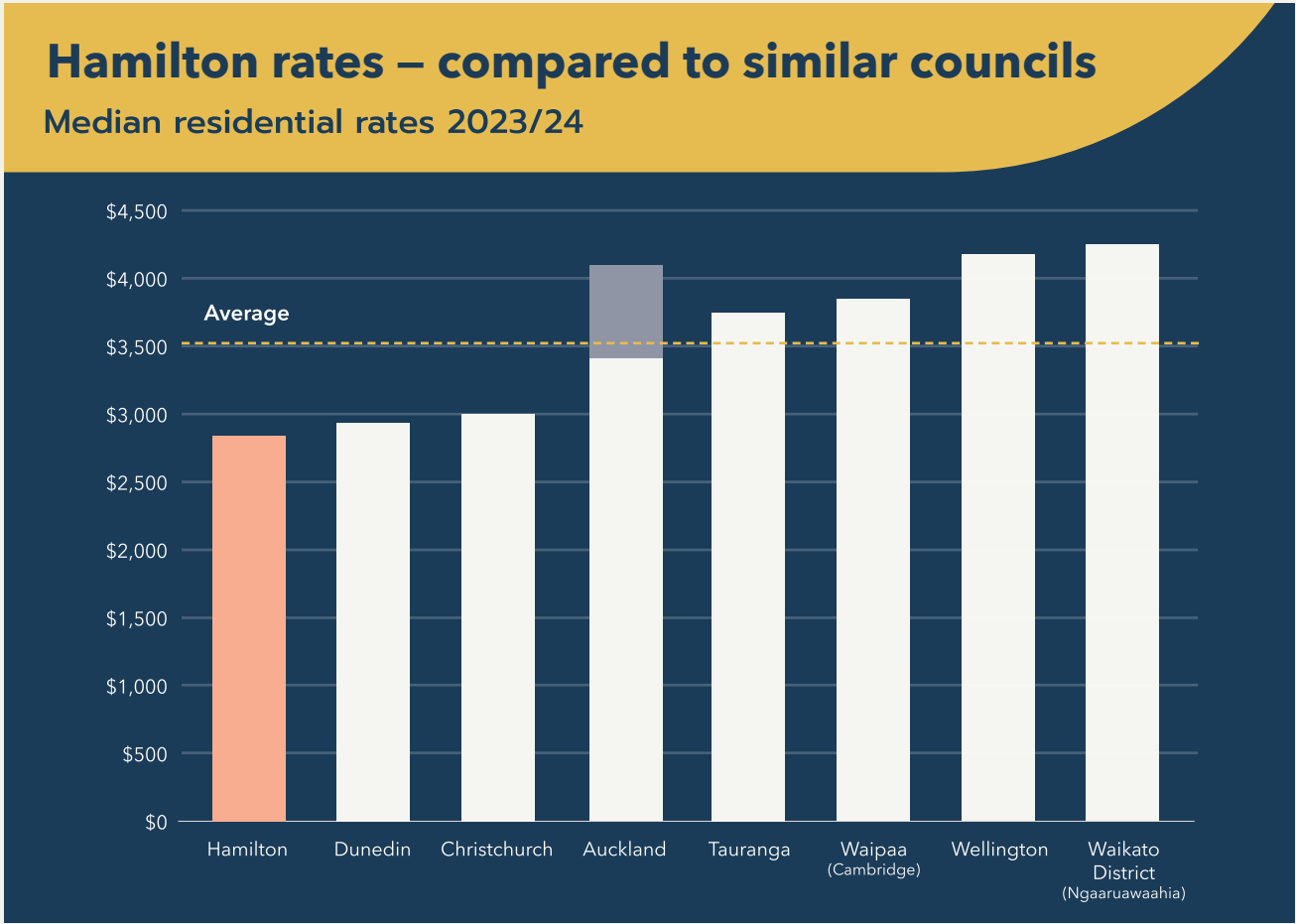
- There are three key drivers of our increasing costs. Two are international factors: **inflation** and **interest**. The third is a national issue: **compliance** demands by central government.
- Next year alone, we're forecasting massive cost increases for **depreciation** (the cost of looking after our existing assets; \$19 million), interest (\$18 million) and inflation (\$14 million).
- Councils and organisations across the country are facing the same challenges. This is not unique to our Council or the way we operate.
- **Basically, everything we do is costing more to deliver, and there's more to deliver as a growing city.**
- Due to the growing costs of water infrastructure and complying with government requirements, the government's decision to return **water services** to Councils has placed further pressure on our budgets.
- The graph below demonstrates the deterioration in Council's financial position from the current year (2023/24) to next year (year 1 of the 2024-34 Long-Term Plan) once one-off savings and funding are removed, and inflation, depreciation and interest costs are applied, based on the 4.9% annual rates rise that was planned in the last Long-Term Plan. The **\$76 million deficit** we are projecting in 2024/25 is why we need a 19.9% rates increase.

Key movements in operating revenues & expenses



Our rates have not kept up

- Our rates rises in recent years have not kept pace with the cost increases we are facing.
- We have lower rates than any of New Zealand’s other big cities and our neighbours. The graph below shows how we compare:



Water consumption has been estimated for those councils with residential water meters. Auckland Council is a unitary council. The dark grey area is an estimate of regional council rates.



How has Council reduced spending?

- All of the individual budgets included in the draft Long-Term Plan have been scrutinised and refined. This has been a rigorous process over the last year, including several interactive workshops with Elected Members.
- Future Fit is the programme that will help drive the change Council needs to become the leading community-focused council. Future Fit will deliver \$7 million savings in personnel costs in 2024/25, with an additional \$1 million per annum ongoing in cost savings from 2025/26.
- In addition, Council has proposed a number of reductions to the budget. For example, we have cut back spending on some transport projects and reduced the grants that we give to some community and business organisations.

What's new in the draft Long-Term Plan?

- The draft budget is focused on **delivering existing services**.
- Councillors agreed to consult with the community on two additional targeted rates, for **community infrastructure** and **community resilience and extreme weather**. These would allow Council to provide additional services not currently in the budget, but we'll only introduce these if there's support in the community for them.

What alternatives are there to these proposals?

- The challenge Council is facing is primarily a **revenue** issue. Rates rises in recent years have not kept pace with the increasing costs we face. Therefore, only **large rates rises** will get our finances back on track.
- Because of Council's debt cap, our options are very limited. The draft budget balances the books in 2026/27, whilst being very close to our debt cap. The alternative would be to balance the books more quickly, which would reduce our debt and therefore the interest Council pays. However, that would require higher rates rises in the first two years.

Impact to Council services

- We're proposing reducing Council's personnel costs by around **\$9 million per year** (above existing reductions of around **\$8 million per year** that are currently being implemented), and reducing our consultant budget by about **\$1 million**, both from 2025/26. **These changes would likely mean reductions to some back-office functions and some community facing services that Council provides.** We have not yet identified which services would be affected. **We will ensure critical services which are legislatively required are not impacted.**
- The impact of not proceeding with the proposed reductions would be that our 'balancing the books' position is \$104 million worse over the ten years, and we would need to increase rates by an additional 0.4% in each of years 2-5. This would mean the median-value residential property would be paying **\$1.64 per week more by year 5.**



What happens next?

- We want to hear what the community think.
- Council will make final decisions and adopt its 2024-34 Long-Term Plan in **July 2024**.
- Alongside this, the Mayor and senior Councillors will be engaging with the new government to explain the situation we are in and how the government can help with the unsustainable cost pressures that high-growth metros like Hamilton face.

Give us your feedback



Read more information and share your voice.

hamilton.govt.nz/futurehamilton

Feedback opens 19 March and closes 21 April 2024

- You can also pick up a hard copy submission form from any of our libraries or from our Municipal Building, Garden Place and either drop it back to us or pop it in the post to:

Freepost 172189
Hamilton City Council
Long-Term Plan
Private Bag 3010
Hamilton 3240

 HamiltonCityCouncil

 @hamilton_city_nz

 07 838 6699

 ltp@hcc.govt.nz

hamilton.govt.nz