
To: Elected Members **Cc:**

From: Manager Finance and Manager Strategy

Date: 12 December 2023 **File Ref:** 11148838

Subject: 2024-34 Long Term Plan - December budget workshop

PURPOSE

This memo is designed to provide background material to elected members in advance of an open workshop on the Long Term Plan on Tuesday 12 December 2023. A comprehensive presentation and associated power point slides will be provided on the day based on this same information.

BACKGROUND

The initial increase in rates requirement following the operational and capital budgeting process was 34% in year 1. The major factors influencing this increase includes inflation, the cost of borrowing through increased interest rates and depreciation. These three factors totalled an 'uncontrollable' rate impact of 16%. This budget position was not acceptable therefore further savings were made using reserves and multiple rounds of project prioritisation.

Extensive work has been undertaken to ensure that the budget provides an appropriate balance of the need for affordability with the need to invest in building champion communities. Thus, four iterations of the budget have been prepared.

BUDGET POSITION

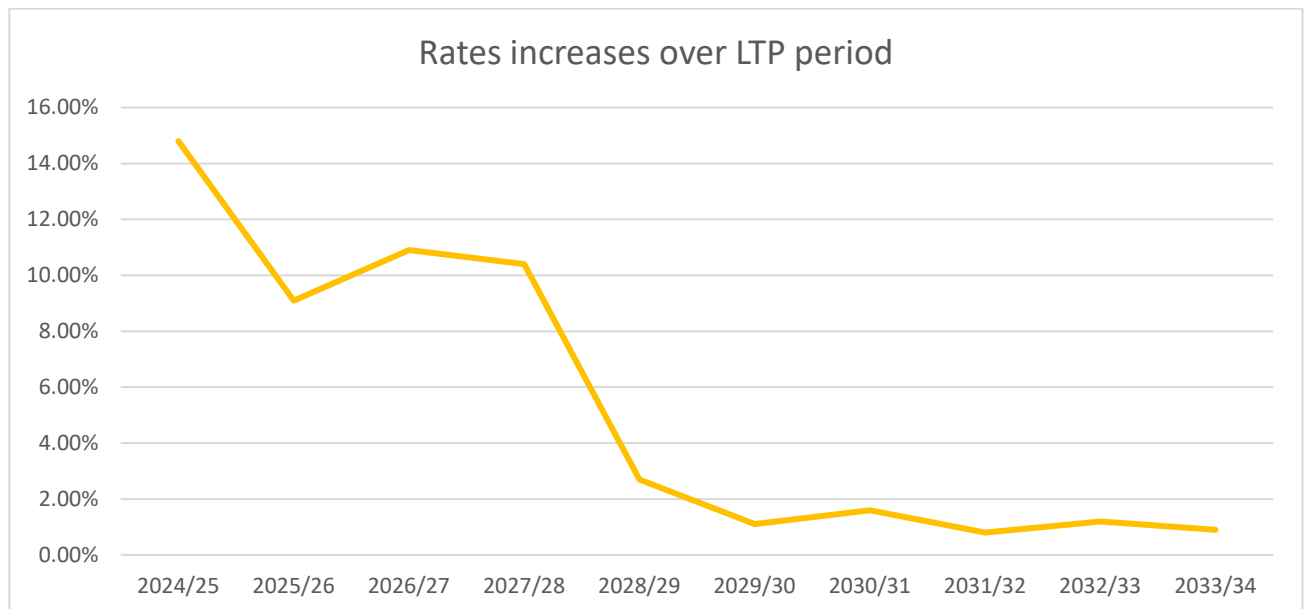
The four iterations of the budget are detailed in the table below:

	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
First iteration	34.4%	5.25%	Not calculated
Second iteration	15.66%	19.49%	3.4%
Third iteration	14.8%	15.3%	10.4%
Fourth iteration	14.8%	9.1%	10.9%

The current budget iteration is as follows:

	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29	Year 6 2029/30	Year 7 2030/31	Year 8 2031/32	Year 9 2032/33	Year 10 2033/34
Gross Rates increase	16.12%	11.05%	12.63%	12.35%	6.02%	4.98%	5.50%	4.41%	4.58%	4.11%
Growth	1.34%	1.98%	1.81%	2.03%	3.41%	3.91%	3.91%	3.69%	3.43%	3.22%
Net of Growth (rounded)	14.8%	9.1%	10.9%	10.4%	2.7%	1.1%	1.6%	0.8%	1.2%	0.9%
Gross Rates Increase split between Three Waters and Rest of Council										
Three waters*	17.58%	13.09%	-	-	-	-	-	-	-	-
Rest of council	15.22%	9.76%	12.63%	12.35%	6.02%	4.98%	5.50%	4.41%	4.58%	4.11%

* Three waters are included in years 1 and 2 as per current legislation.

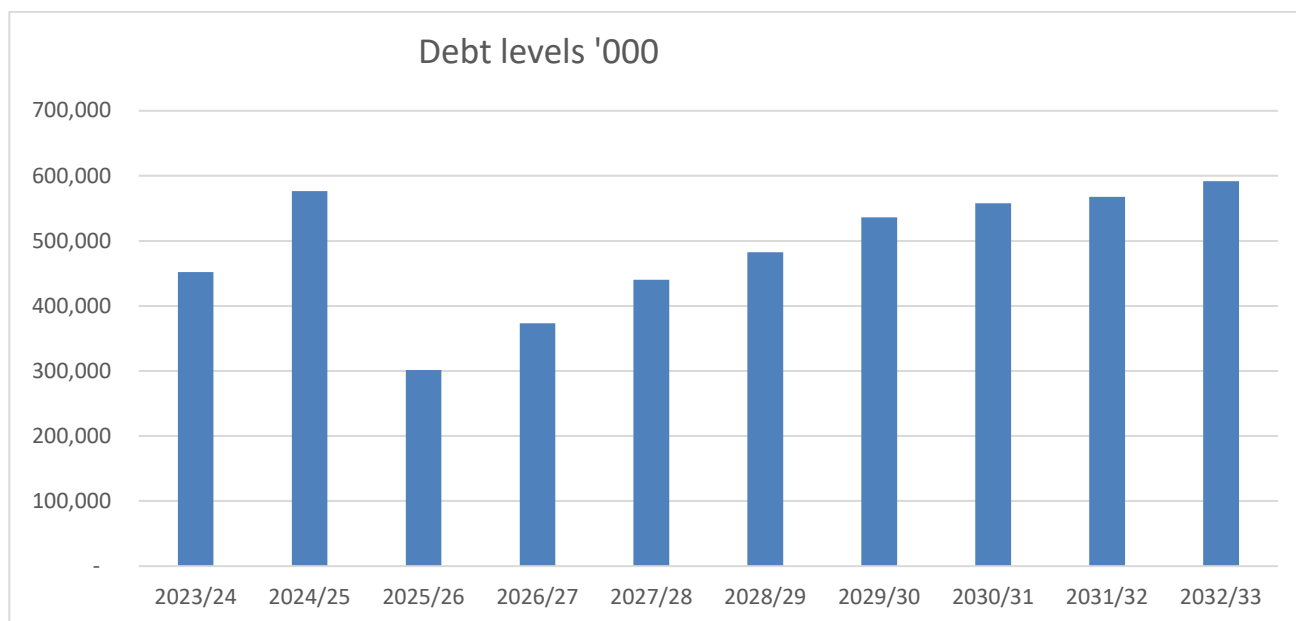


Capital programme details

	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29	Year 6 2029/30	Year 7 2030/31	Year 8 2031/32	Year 9 2032/33	Year 10 2033/34
Capital programme (\$'m)	\$179.9	\$179.2	\$128.8	\$100.5	\$92.2	\$70.1	\$76.8	\$47.1	\$53.6	\$47.8

Debt levels – years 1 to 10

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Debt (\$'m)	\$452.0	\$576.3	\$301.5	\$373.4	\$440.0	\$482.5	\$536.0	\$557.6	\$567.6	\$591.6



Position of major projects

The position of major projects is as detailed in the table below:

Project	Position of projects in current iteration
Cambridge town hall	Funding moved from year 8 to year 3. Rating impact starts from year 4.
Cambridge library	The project is planned to commence in Year 2. It is a multi-year build scheduled to be completed by Year 5. As the build progresses, there will be rating impacts starting from Year 3 onwards.
Te Ara Wai	This project is a multi-year project with building planned to commence in Year 1. This portion of the project, together with part of Year 2 costs, will be externally funded with no rates impact. The museum is planned to open end of Year 3 and this is also the year that we will see a rates impact.
Cambridge water tower	Funding for consent and demolition in Years 1 and 2 included and has a rating impact in those years.

The timing and cost details of all other capital and operational projects can be viewed in attachments 2 and 3 respectively.

Grants and funding

Changes to the grants and funding programme have been incorporated into the current draft budget. The key changes made are detailed in the tables below:

Regional and Local Organisations

Organisation	Funding provided in 2023/24 (ex GST)	Funding provided for in draft budget
Sport Waikato	\$61,850	\$61,850
Te Waka	\$50,000	\$0.00
Hamilton Waikato Tourism	\$183,379	\$146,703
i-Sites (Cambridge and Te Awamutu)	\$315,000	\$65,000*

Council Discretionary Funding

	Funding provided in 2023/24 (ex GST)	Funding provided for in draft budget
Cambridge Community Board	\$49,600	\$20,000
Pirongia Ward Committee	\$27,600	\$10,000
Te Awamutu Community Board	\$49,600	\$20,000
District Promotion Fund	\$150,000	\$75,000
Community Event Fund	\$30,000	-
Heritage Fund	\$70,000	\$35,000

*Funding for i-Sites has been removed from the draft budget (\$315,000 per annum) in response to the decision of the Service Delivery Committee at its meeting on 5 December 2023, however \$65,000 has been included in the draft budget for Council online visitor promotional activity.

There is a significant increase in the cost of recycling of \$1.273m in 2023/24. The increase in contract cost is a direct result of inflated costs due to high levels of contamination found in recycled bins. To fund this increase in contract costs, we have included \$600k of the costs in the 2023/24 reforecasting. The remainder of the funding required for the 2023/24 year has been included in the draft budget for 2024/25. The draft LTP numbers already provide for the increased cost in the activity from 1 July 2024.

RATES INCIDENCE

The incidence of the rates increases between geographical areas and land use are illustrated through Council's indicator properties, included as Attachment 1 to this memo. The increases across urban residential properties are generally higher and this is driven by the recycling cost increases, costs associated with delivering metered water which increased by approximately 18% and higher urban stormwater charges.

Some properties, for instance in Pirongia and Ohaupō villages, have a comparatively low base to start off with. While the percentage increase appears high, the increase in dollar value per week is relatively comparable.

OTHER MATTERS FOR CONSIDERATION

Rates and debt limits

Direction from the Elected Members is also sought on rates and debt limits for inclusion in the draft Financial Strategy. Further information will be provided as part of the workshop presentation.

NEXT STEPS

Any changes from the 12 December workshop will be made, and the draft budget brought back to the 18 January Strategic Planning and Policy Committee meeting for approval. The Consultation Document will then be developed based on that budget in preparation for auditing. The draft budget and draft Consultation Document will be presented to the Committee seeking approval to release to Audit, at its meeting on 7 February 2024.



Melissa Russo
MANAGER STRATEGY



Jolanda Hechter
MANAGER FINANCE

The following attachments have been circulated via email:

ATTACHMENT 1 – Indicator properties

ATTACHMENT 2 – Capital projects

ATTACHMENT 3 – Operating projects