

Annual Plan 2025–26

LTP Subcommittee
24 February 2025

1. High level timeline and approach
2. Overview of budget process and Council decisions sought
3. Projected financial position
4. Savings
5. Rating impacts
6. VTR and rates instalments



High level timeline

Activity	Date	Status
Council agreed high level direction and key financial assumptions for Draft AP26, budget carryovers from 2024-25 etc.	26-Aug-24	Complete
Council Briefing	27-Nov-24	Complete
Council meeting to progress decisions and provide direction, includes budget matters, fees etc.	16 -Dec-24	Complete
Council briefing	12-Feb-24	Complete
Council agrees decisions for final DAP26 and approves engagement approach.	24-Feb-25	Today
Council adopts DAP26 and engagement content.	25-Mar-25	Not Started
Community engagement on draft plan	April 2025	Not Started
Council provides direction and progresses decisions to support plan being finalised post receiving the feedback analysis for engagement.	14 to 16 May-25	Not Started
Council meets to make final decisions	4-Jun-25	Not Started
Council adopts Annual Plan 2025-26 and sets the rates	27-Jun-25	Not Started

High level approach

- Year 2 of the Long-term Plan 2024-2034 so there should be limited changes
- Overall strategic priorities remain in place, similarly the levels of service remain unchanged
- That there will be light community engagement
- Range of financial challenges to be solutioned with aim to find offsetting mechanisms (impact of NLTP lower funding than LTP, WWL request for additional funding and water reform funding, GWRC bulk water levy increase, Standard and Poors Credit Rating downgrade etc).



High level engagement overview

- The **assumed approach remains a light engagement.**
- Based on the legal advice received with regards to the Voluntary targeted rates for water infrastructure repairs on Private property (VTR), this is considered a material change for the Draft Annual Plan. This means an Annual plan consultation would need to be carried out.
- Light engagement is appropriate if there are no material changes from the LTP. This would no longer be the case if VTR were to proceed – it is proposed in light of the water reform, which is now happening earlier, that implementation of VTR is not progressed.

Water Reform running in parallel

- Consultation on Water Services Delivery Plan planned for March/April
- Next Council decision report is planned for 11 March 2024

Key Council decisions on Annual Plan to-date

Activity	Decision	Budget
Transport	National Land Transport Programme reduction in NZTA funding of \$22M over three years	Revenue reduced \$22.2M, Capex reduced \$19M, opex reduced \$5.1M
Landfill	Silverstream Landfill capex	Capex increase \$23M
Transport	Tupua Horo Nuku cost escalation \$2M (offset from Cross Valley budget)	Net nil
Depreciation	Asset revaluation (30 June 2024 Annual Report) impacts on depreciation, with flow on impacts for balanced budget projections	\$437M increase over 9 years
Range	Range of capex budget rephasing to slightly later (Reserves Development, Petone wharf, Eastern Hutt Road resilience, Cross Valley Connections, RiverLink, IAF) with associated changes to revenue	2024/25 Capex decrease of \$41M, revenue decrease of \$26.2M with phasing to 2025-26 and later years.
Range	Fees and charges – proposed changes as per standard annual review and aligned to LTP	Various

Key decisions continued – water services

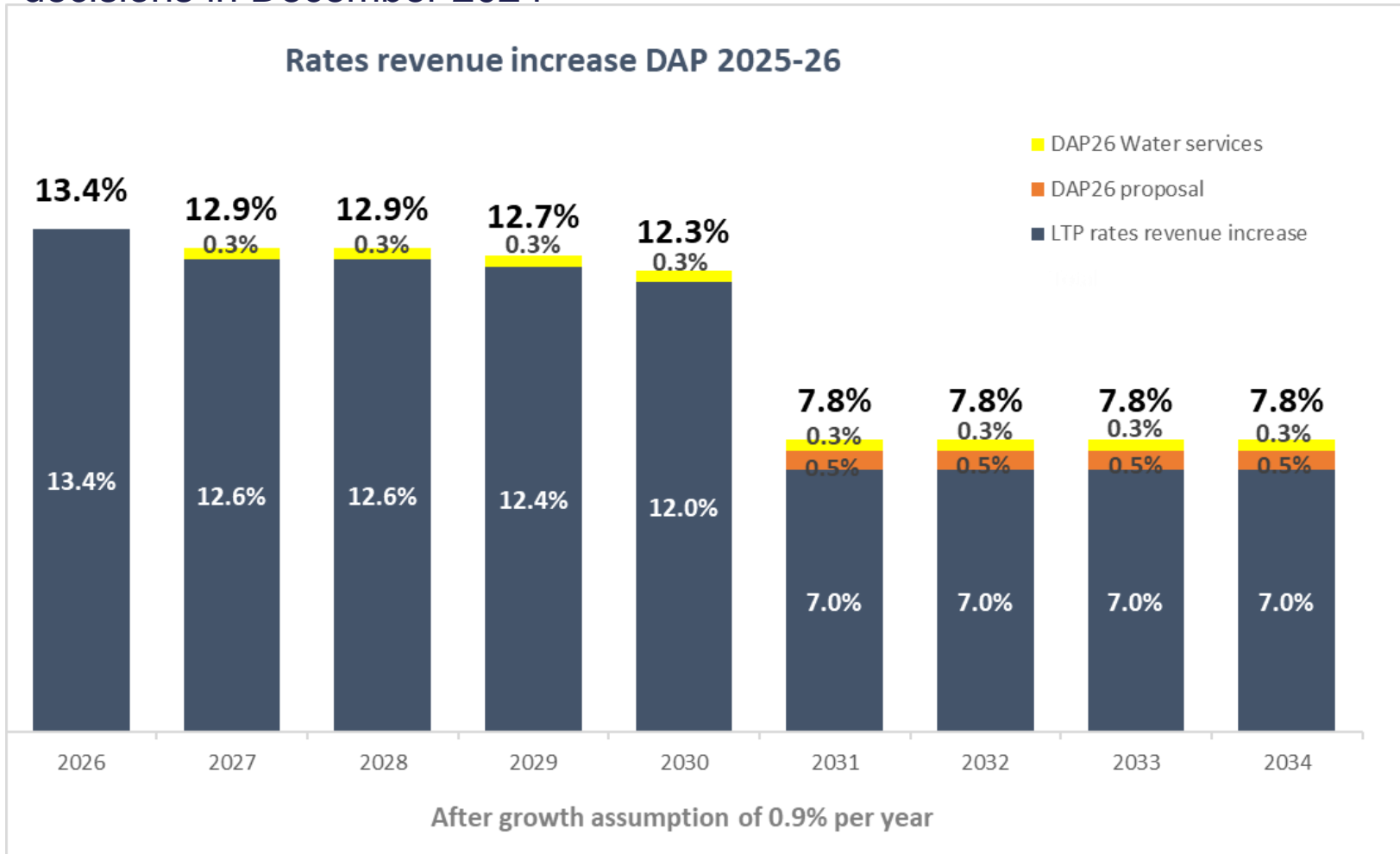
Decision	Budget
Capex programme update and advice from WWL	Capex increase \$23M Subsidy increase \$10M Depreciation increase due to change in detailed projects \$35M.
WWL opex funding request of \$0.7M declined with Council direction that WWL manage within budget (i.e. find efficiencies/savings) and WWL to advise risks in next advice	No HCC budget change
WWL funding request for IT investment	No HCC budget change Proposal being worked through GWRC to debt fund on behalf of region and on-charge interest costs to Councils via bulk water levy. Intent is for costs to transfer to new water CCO.
Water Services reform planning	HCC share of \$3M in 2025/26 debt funded.
GWRC bulk water costs increase in 2025-26 \$0.9M higher than LTP – unavoidable cost increase	Opex increase \$0.9M

Key Council decisions 24 February 2024

Activity	Decision	Budget
Water services	Capex – some minor updates to phasing and budgets. Opex – proposed \$0.7M shortfall in budget maintained. Opex – \$0.26M to fund Capability uplift plan	Extra \$0.26M opex increase in 2025/26
Transport, Parks	Delays across a range of projects in 2024/25 with budgets rephased to 2025/26 – e.g. RiverLink \$4.7M, Micromobility \$2.2M etc.	\$8.3M capex rephasing from 2024-25 to 2025-26
Voluntary targeted rate	For water infrastructure repairs on Private property. Officer advice not to proceed due to water reform brought forward	Nil
Swimming pools – Learn to swim	Elected member query to report back on retaining fees at the 2024-25 levels and not to increase the learn to swim fees in 2025-26 by inflation as proposed.	\$0.04M revenue reduction p.a. 0.02% rates increase impact if agreed <small>*the impact is \$0.36M (0.2% rates) if all Aquatics fees were to be adjusted</small>
Community hubs fees	Elected member query to report back on impact of increasing fees at the minimum 2.2% cost inflation escalation assumption instead of the current 5% applied in the DAP.	\$0.25M revenue reduction p.a. 0.14% rates increase
Parks – new fee	Proposed new fee to charge for Parks officers' time spent on processing subdivision applications.	\$0.06M revenue increase p.a.
Parks – new fee	Proposed new fee to charge for officer time on leases and licenses for public use of private land (application fee, first 5 hours free, hourly charge thereafter).	\$0.02M revenue increase p.a.

Rates increases

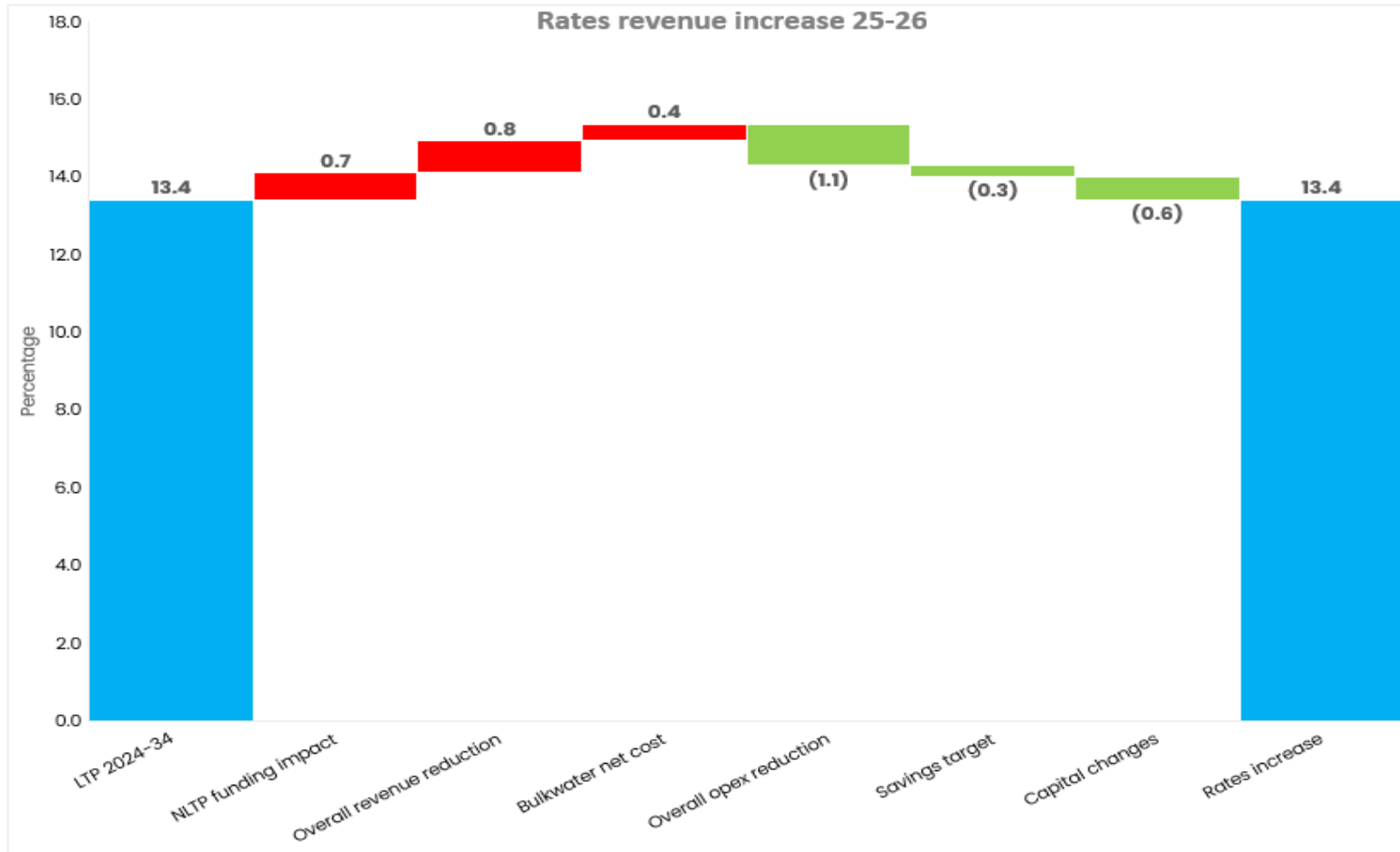
No change proposed to 2025-26 rates increase **13.4%** as per LTP
 Some small changes to rates increases for 2027 to 2034 off back of Council decisions in December 2024



2025-26 indicative rating impact 13.4%

Rates increase moves **up by 1.9% to 15.3%** before **offsets back to 13.4%**

Key drivers of increases include Transport (NLTP), revenue reductions (market driven), bulk water (GWRC) with offsets from savings and reduced interest costs of debt (delay in capex)



Savings initiatives through LTP

Overall \$38M savings over 10 years included in LTP

Some examples of items included

- Te Wao (after-school programme) - discontinued
- Safe City Ambassador programme - disestablished
- Continuing the shift toward community-led activity at our facilities
- Hutt Science funding – discontinued
- Matariki funding - reduced
- Naenae Community Centre operating grant reduced to three years
- E Tu Trust funding – reduced
- Other operational savings, for e.g. reduction in specialist costs



Savings DAP26

- Savings target of \$0.6M in 2024/25 on track mainly through procurement activity.
- The base assumption through the 2025/26 budget review process was net nil impact to LTP budgets. This is evidenced through the revenue decrease with a corresponding decrease in operating costs in the previous slides.
- To further contain the rates increase requirement for 2025-26, a further CLT savings target of \$0.5M has been built into budgets for 2025-26 and future years.
- Capital rephasing has also been considered in terms of deliverability and other project variables. This has a favourable impact through reduced interest costs in 2024-25 and 2025-26.

To achieve further savings, elected member direction is required on service level reductions, or projects/initiatives to be paused or stopped. Public consultation may be required.

Key strategic risks

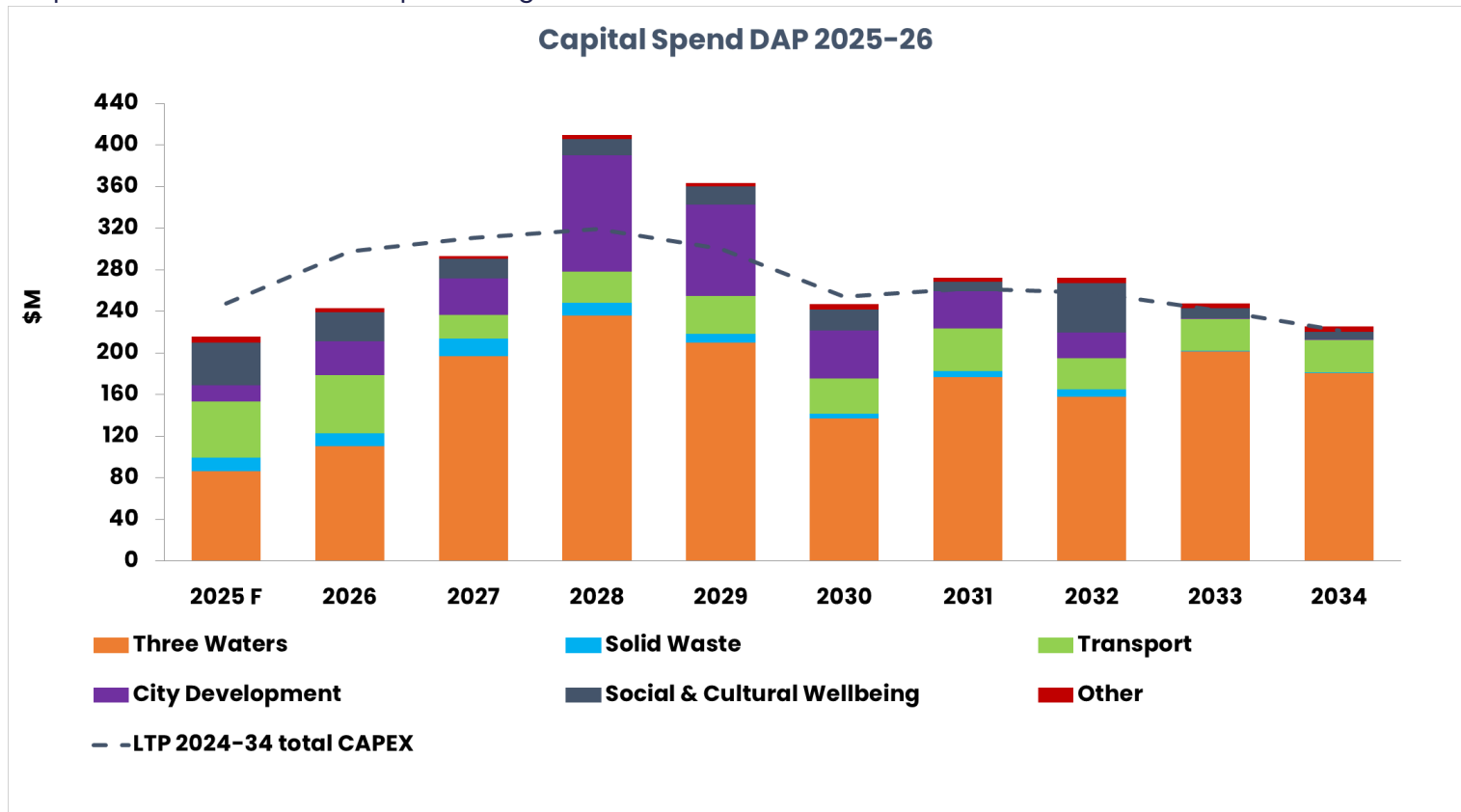
Detail	Mitigation
<p>There is potential for an estimated \$6.6M Joint venture infrastructure works to be completed due to the work on the RiverLink project. Discussions are ongoing with GWRC on whether this should be HCC funded or GWRC funded as the work is required due to stopbank work.</p>	<p>We could potentially seek to fund our 70% share through reprioritisation from other capital works.</p>
<p>Standards and Poor's credit rating downgrade with higher debt costs and large operating deficits.</p>	<p>The water services reform is expected to improve HCC financial outlook post establishment of new water services CCO. Projected go-live" date is 1 July 2026.</p>
<p>Water Reform planning costs could be higher than estimated</p>	<p>Any costs are expected to be debt funded and recovered through the new entity so longer term impact would be nil.</p>
<p>Cost escalations higher than assumed for capital and operating budgets</p>	<p>Contingencies are built into projects, further reprioritisation may need to be done if that is insufficient.</p>
<p>Actual revenue achieved could be lower than assumed due to economic conditions.</p>	<p>There would be efforts made to reduce costs and offset this where possible with Council decisions sought on any material changes.</p>



Capital Expenditure – AP26 versus LTP

Capex is \$2,790M (an **increase of \$77M** on LTP) over the 10-years of the LTP. Changes reflect the proposed budget decisions, changes to timing and inflationary impacts.

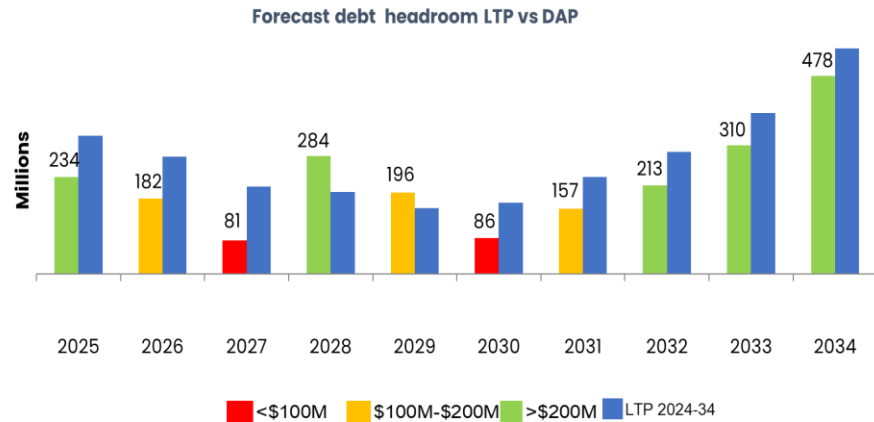
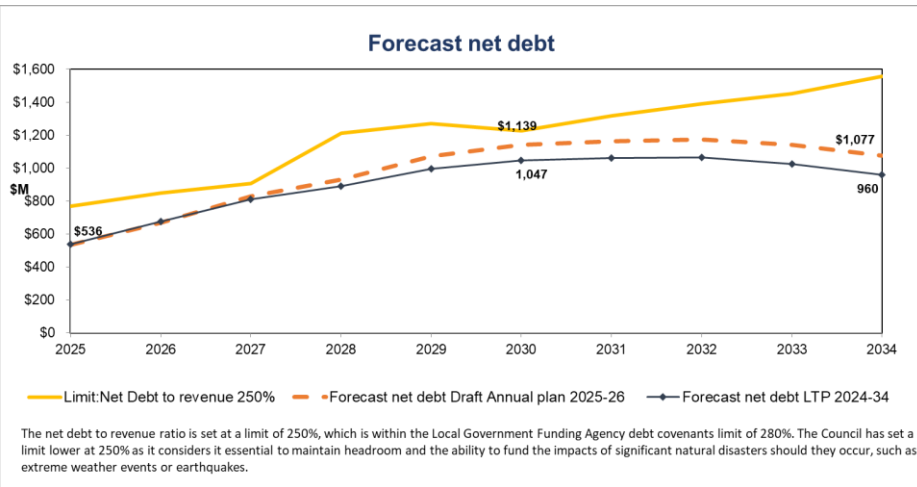
2028 and 2029 includes impacts of Te wai Takakamori o Te Awa Kairangi (RiverLink) rephasing and delivery change decisions as well as IAF projects being rephased out from the first two years. The graph below includes funding for footpaths and safety works in Transport and Water services capex changes.



Forecast net debt projections

Projected net debt and debt headroom is worse than LTP*

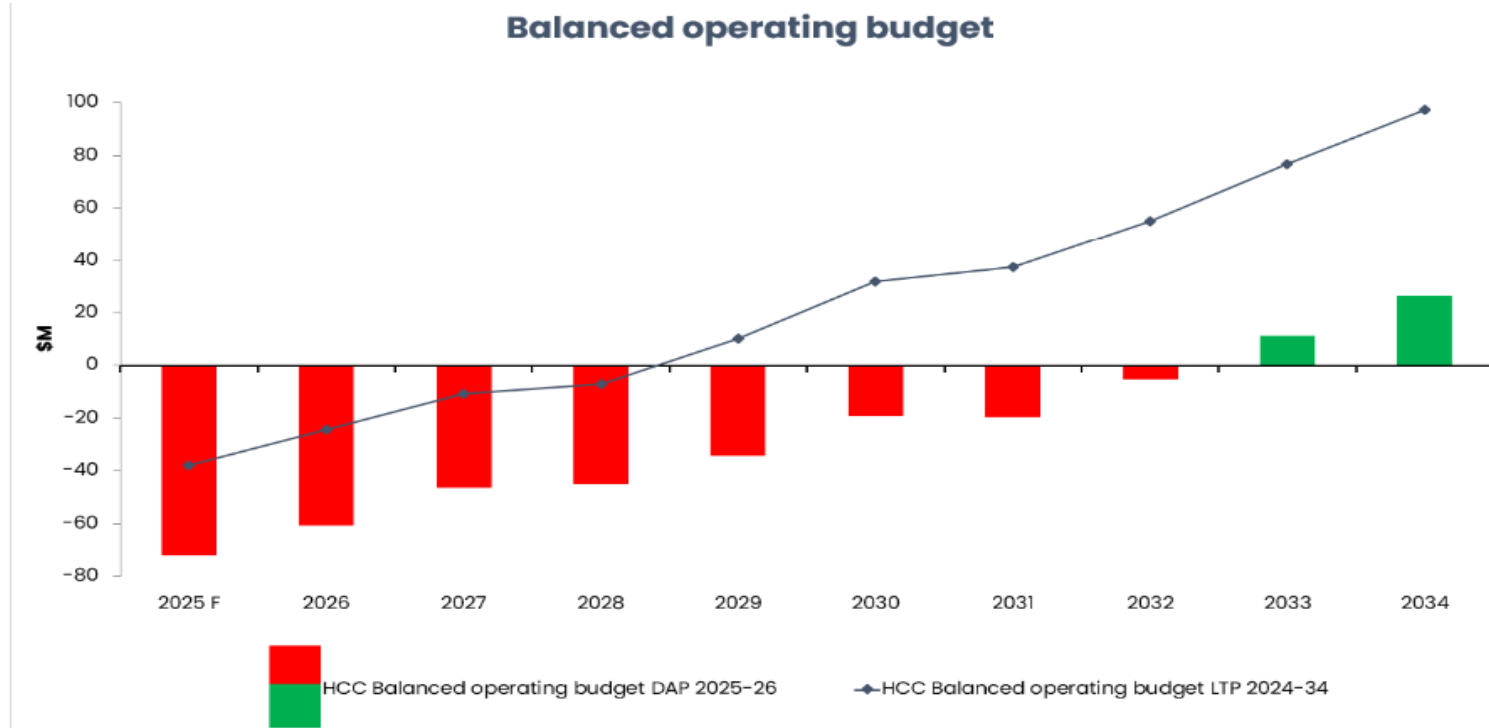
	HCC limit	LTP	DAP 13.4% rates revenue increase+ growth
Net debt to revenue Headroom at peak	250%	216% (Headroom \$158M)	232% (Headroom \$86M)
Net interest to rates revenue	25%	15.5%	16.5%
Net interest to revenue	15%	10.9%	11.9%



*Projections based on inclusion of all the base budget changes and officer recommendations per papers while rates revenue increase remains at 13.4% (after growth) in 2025-26.

Balanced operating budget

Projecting to reach a balanced budget in 2032–33 **five years** later than LTP mainly due to the higher depreciation impacts. **Deficit of \$62M for 2025–26**



Council does not meet the legislative balanced budget requirement as defined in s100 of the Local Government Act 2002 until 2028 of the plan (you can refer to our Financial Strategy for further details). The legislative calculation includes capital grants and subsidies which can only be applied to capital projects and cannot be used to fund everyday operational costs over the period. As Council is projecting to receive significant capital grants and subsidies over the period of the plan, the legislative calculation makes it appear that there is more income available to meet everyday operational costs than there actually is. Therefore, we have excluded capital improvement subsidies and capital grants from the graph to only show the projected operating balanced budget for everyday operational income and costs.

*Projections are based on inclusion of all the base budget changes, rates revenue increase remains at 13.4% (after growth).

Indicative rates impact by rating category

Assuming all decisions are approved as per officer advice the rates revenue rise equates to an average increase of \$9.44 per week per household or an average increase of \$491 per annum. Investment in Three Waters infrastructure makes up around 51% (\$251) of the average \$491 per annum rise. The remaining \$240 covers cost increases for all the other services provided (including transport, parks, community facilities, rubbish, recycling etc.).

Property Category	1 July 2025 Capital Value	2024-2025 Rates Actual	2025-2026 Rates Proposed	\$ Change Amount annual	\$ Change Amount Weekly	Change Amount %
Average Residential	\$815,000	\$3,910	\$4,401	\$491	\$9.44	12.6%
Average Commercial Central	\$2,350,000	\$22,994	\$25,911	\$2,917	\$56.10	12.7%
Average Commercial Suburban	\$2,418,000	\$19,425	\$21,611	\$2,185	\$42.02	11.2%
Average Rural (no water or wastewater)	\$1,247,000	\$2,694	\$2,964	\$270	\$5.19	10.0%
Utilities	\$3,262,068	\$28,467	\$31,481	\$3,014	\$57.96	10.6%

Further details average residential property

Property Category	1 July 2025 Capital Value	2024-2025	2025-2026	\$ Change Annual	\$ Change Weekly	% Change Amount
Average Residential	\$815,000	\$3,910	\$4,401	\$491	\$9.44	12.6%
General rate		\$2,076	\$2,286	\$210	\$4.04	10.1%
Water targeted rate		\$746	\$886	\$140	\$2.69	18.8%
Wastewater targeted rate		\$766	\$877	\$111	\$2.13	14.5%
Recycling targeted rate		\$130	\$130	\$0	\$0.00	0.0%
Refuse targeted rate (120L)		\$192	\$222	\$30	\$0.58	15.6%



Voluntary targeted rate (VTR) for private Three Waters Infrastructure Repairs

Background

- Proposed in Draft LTP 2021 but not pursued (CCCFA concerns).
- Regulatory change (April 2024) now allows VTRs.
- Council approved VTR for consultation (Dec 2024) and policy updates.

Key considerations

- Water Reform: Water Services CCO starts **1 July 2026**.
- Low Demand: PCC scheme (since 2021) = 2 agreements; few funding barriers identified following HCC property investigations.

Recommendation

- Withdraw VTR implementation – due to regulatory changes (Water Reform) and low demand.

If Proceeding

- Policy changes drafted and approved (Dec 2024)
- Public consultation – DAP26.
- Plan for CCO handover at 1 July 2026.

Proposal to reduce Rates Instalments

Background

- HCC has six instalments—more than any other NZ council.
- Most councils use four; some use two.
- Rising costs and operational efficiencies drive the need for change.

Key considerations

- **Savings:** Four instalments save \$50K; two could save an extra \$50K.
- **Email invoicing:** LGRA requires opt-in; 44% already do.
- **Debt management:** Fewer instalments improve overdue rates support
- **Ratepayer impact:** Clear communication and flexible payment options needed.

Recommendation

- Reduce to four instalments in 2025/26.
- Promote email invoicing to cut costs.
- Support ratepayers through transition.