

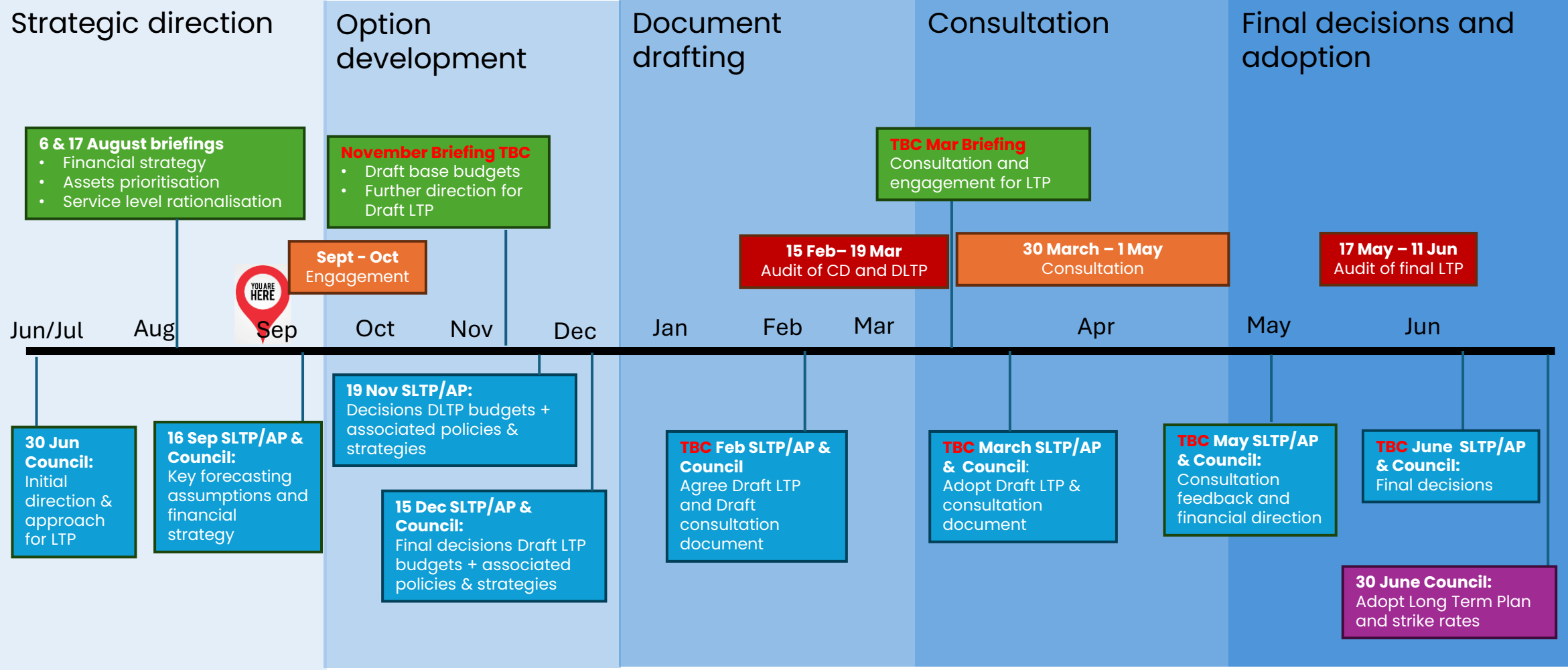
# Finance update – draft LTP

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**SLTP/AP Sub Committee**

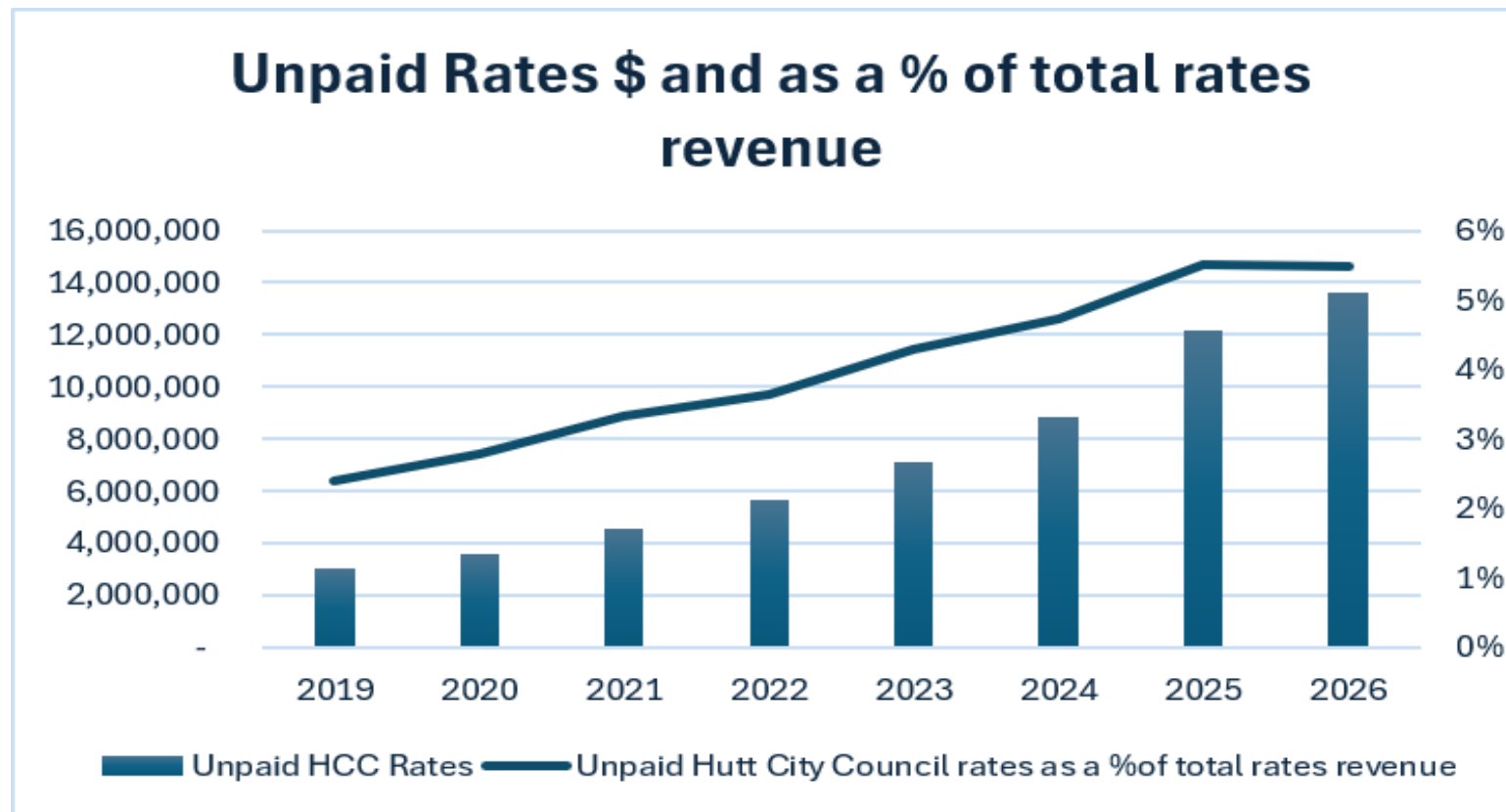
**16 September 2026**

# Draft Long Term Plan 2027–2037 Timeline



# Affordability

Unpaid rates continue to rise sharply



# The balance we need to strike

## Service and investment requirements

- Community outcomes
- Statutory requirements
- Growth pressure
- Underinvestment and backlog pressure
- Demand for improved services
- Maintaining assets and services levels

## Funding and affordability settings

- Rates increases and capping
- Fees and charges recovery
- Government funding
- Value for money
- Sustainable borrowing

*Legislative requirement: prudent financial management*

## Savings already included in DLTP27

# \$60.7M

Savings agreed through LTP 2024–34 and subsequent Annual Plans

### LTP 2024–34

## \$38.0M

over 10 years

Examples:

- service reductions – targeted activities
- reduced grants and funding
- 6% vacancy assumption

### Annual Plan 2025–26

## \$17.5M

over 9 years

Examples:

- operational budget reductions
- fees and charges increase
- \$0.5M pa CLT savings target
- reduction in staff roles
- 5.5% vacancy assumption pa – Avg \$3.6M

### Annual Plan 2026–27

## \$5.2M

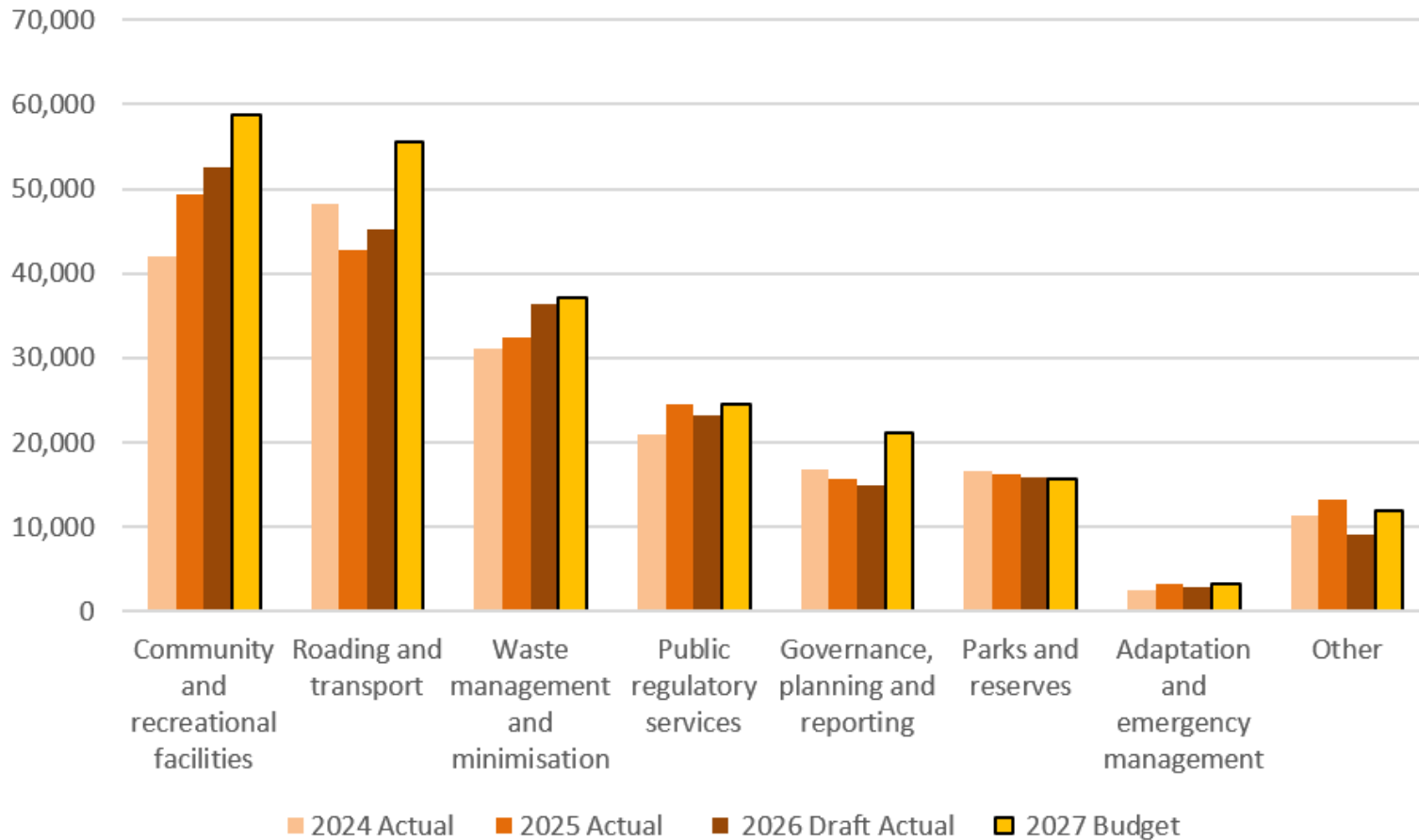
over 8 years

Examples:

- targeted community programme reductions
- targeted service reductions

# Operating expenditure

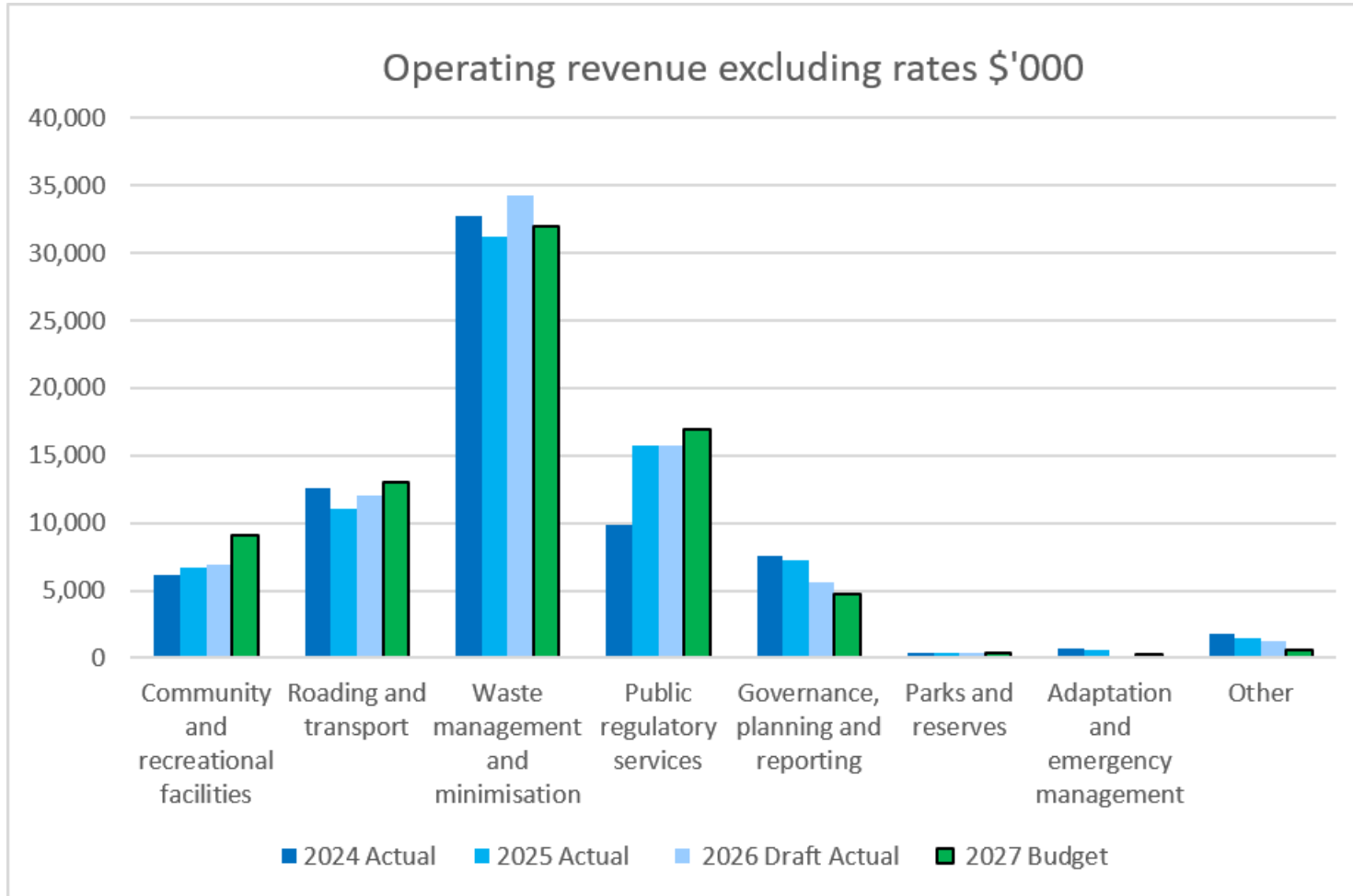
Operating expenditure \$'000



## Insights:

- **1% rates = Approximately \$1.35M opex**
- Community facilities and Transport remain the largest operating cost areas
- Costs are forecast to increase across all activities and does not factor in cost pressures and risks.

# Operating revenue

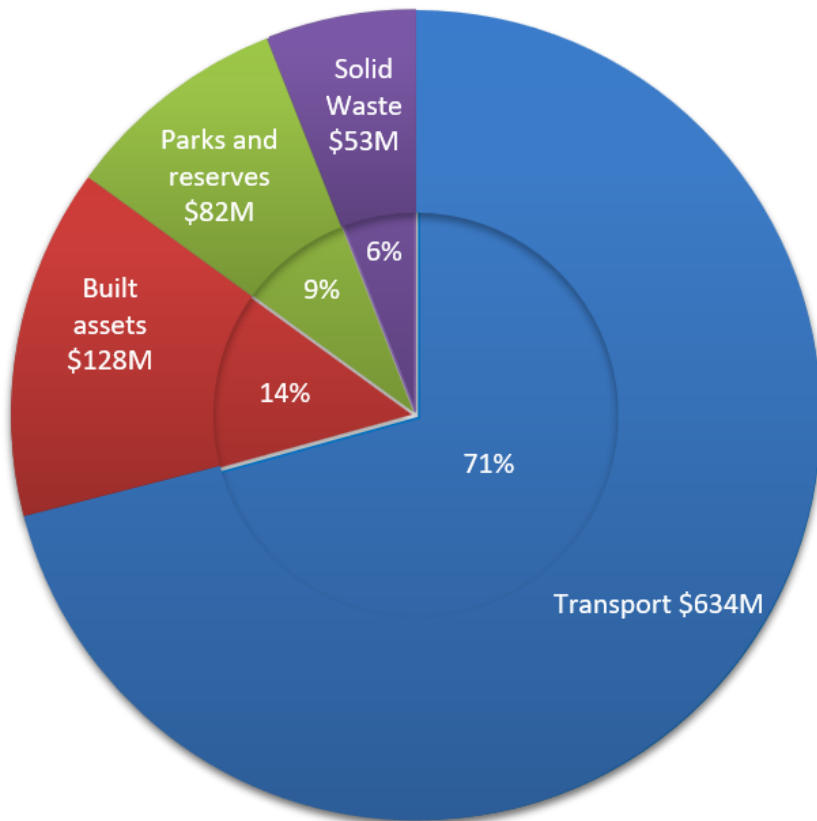


## Insights

- **1% rates = Approximately \$1.35M operating revenue**
- Non-rates revenue largely in waste management, regulatory services and transport.
- Revenue forecasts are subject to demand and NZTA Transport funding with some risks already signalled.

# Capital budgets

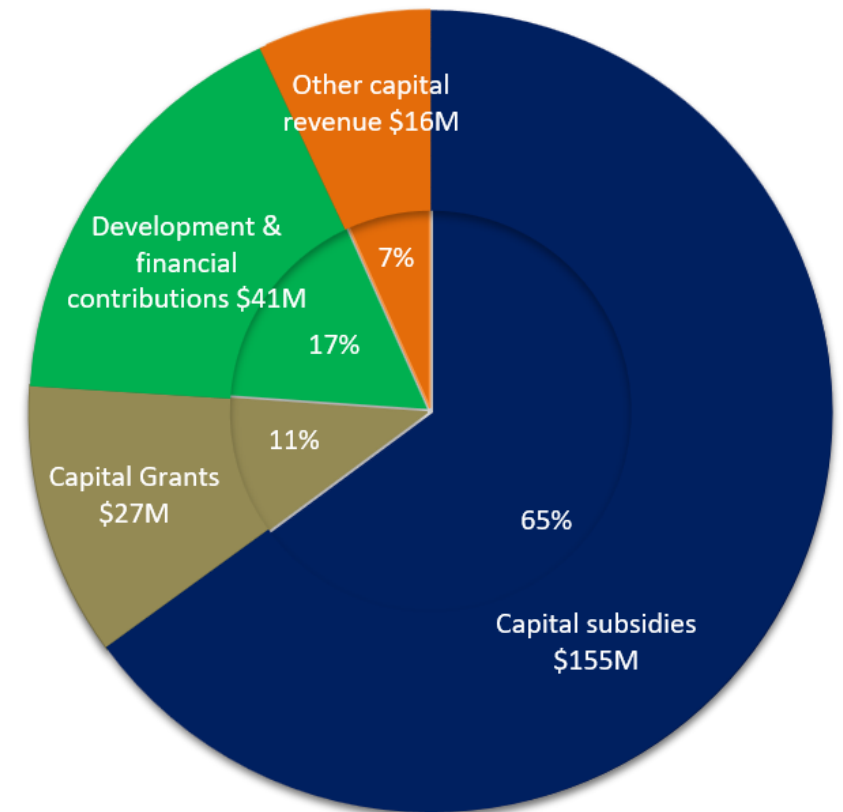
DLTP total capital spend  
\$897M over 10 years



## Insights:

- **1% rates = Approximately \$17M capex**
- Capex mainly funded by debt
- Does not factor in cost pressures and risks

DLTP total capital funding  
\$238M over 10 years



# Financial sustainability – reminder of levers available

Current LTP Strategy: High investment, high rates increases, high reliance on debt, increasingly constrained debt headroom with delayed balanced operating budget for many years.

New strategy = needs reset and to consider all the levers available, including improved rates affordability

| Revenue                 | Opex                                             | Assets          | Debt                     | Capex                     |
|-------------------------|--------------------------------------------------|-----------------|--------------------------|---------------------------|
| General rates           | Improve efficiency and effectiveness of services | Asset recycling | Opportunities exhausted? | Defer / delay investment  |
| Targeted rates          | Reduce level or quality of services              | Asset disposals |                          | Descope investment        |
| User charges            | Opex savings from asset recycling / disposals    | Working capital |                          | Deny / decline investment |
| Capital contributions   | Exit/transfer non-core / non strategic services  |                 |                          |                           |
| Operating contributions | Collaborate with other council to share services |                 |                          |                           |
| Other revenue           |                                                  |                 |                          |                           |

Key

Opportunities already being pursued

Potential new area to explore

## Key forecasting assumption – Rates capping

1

### Cap is on average rates price

The cap applies to rates price: rates revenue divided by projected rating units, not total rates revenue alone.

2

### Not each property bill

Individual bills can still move differently because of valuations, differentials, targeted rates and policy choices.

3

### LTP compliance required from 2029–30

2027/28 and 2028/29 are transition years; compliance applies from 2029/30 unless an exemption applies.

4

### Exemptions need to have evidence

Above-cap and below-cap exemptions test prudent financial management, funding choices, asset recycling and asset stewardship.

### DLTP

The 2027–37 LTP needs to show a credible path to 2029–30 compliance, with a clear view of what would trigger an exemption or service-level choices.

## How the cap works



- Included** General rates, UAGCs, targeted rates and penalties on unpaid rates.
- Excluded** Water services rates are outside this model and regulated separately.
- Same** Councils still decide rating allocation, differentials and property category impacts.

**Detailed rates modelling may be based on a compliant rates price increase but have very different individual property implications – Same as now.**

# Financial sustainability options for DLTP

## Rates pathway

7% in Y1      —————>      5.1% in Y2      —————>      target 4% from Y3

This results in forecast rates revenue **loss of ~\$128M over the 10 year period** of the DLTP

### Balanced budget

Review methodology for calculation and benchmark against others

### Depreciation funding

Advice will include options for funding methodologies, risks of different funding methodologies, funding for NZTA funded assets and intergenerational equity implications.

### Savings – TOM

#### **\$10M cash savings per annum by 2030**

Specialist advice being procured on this will cover council wide view of the timing, funding and financial impact of operational changes.

# Other key forecasting assumptions

Early planning and modelling settings for direction today

## Inflation

Interim BERL LGCI as default; final forecasts due October 2026

## Interest costs

5.25% average long-term interest cost

## Employee costs

2.5% salary growth;  
5.5% vacancy saving (~\$3.6M pa)

## Rating growth

0.4% pa, reduced from 0.9%

## Capital delivery

70% annual funding and delivery assumption

## Debt limits

225% net debt to revenue, retaining headroom for Tiaki Wai. Other limits remain the same

## Fees and charges

Maintain cost-recovery ranges (as previously approved) – considering affordability and demand

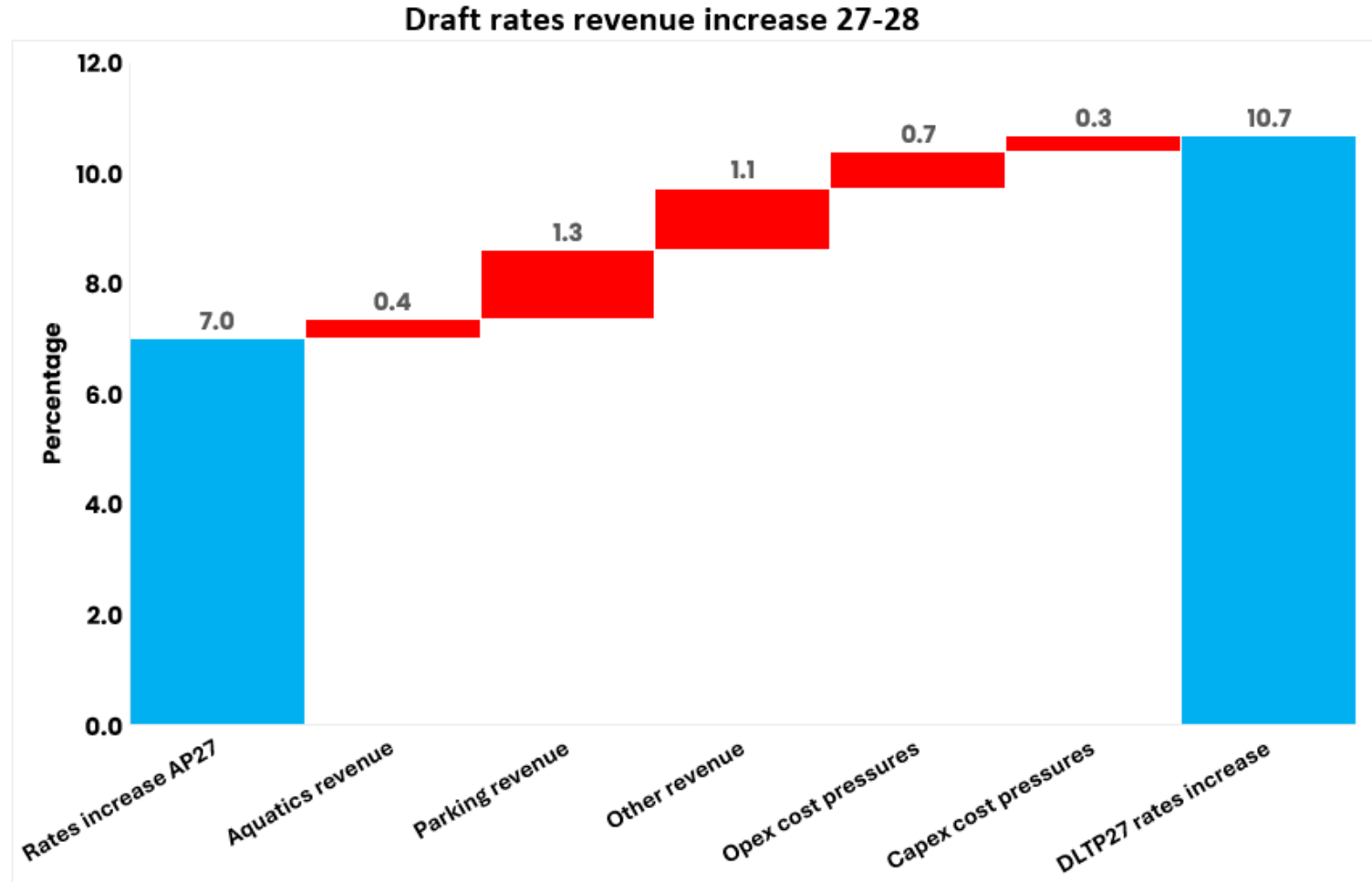
## Sector reform

Model current functions unless a specific reform assumption applies – work being done to quantify costs for some through base budget update.

## TOM

Include assumed savings once timing and value can be supported

## Do nothing rates increase requirement – DLTP27



**4% rates increase requires reduction of ~\$9M opex pa or ~\$122M capex**

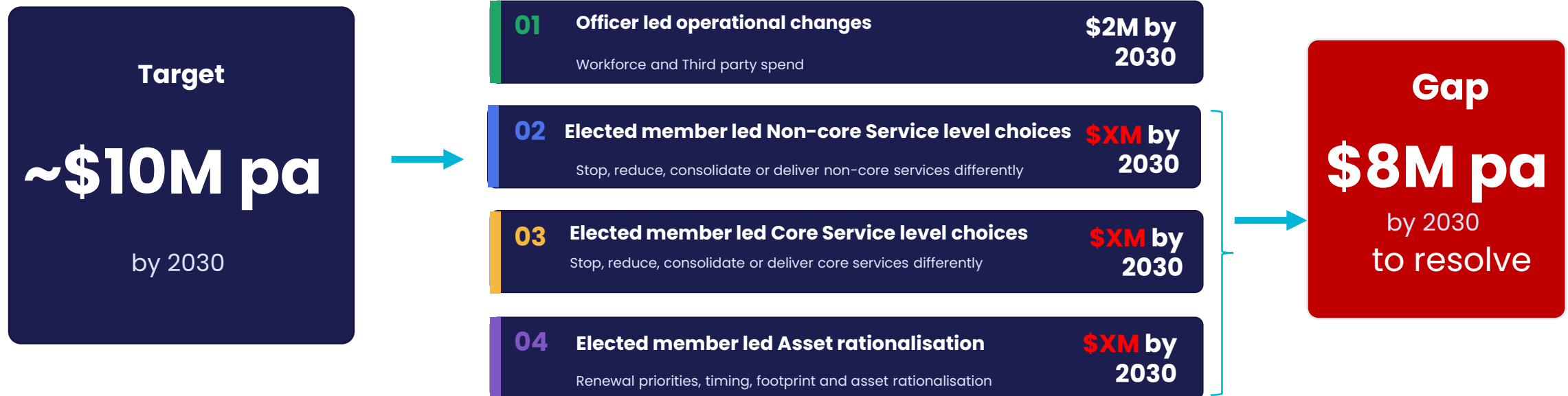
## Key Financial strategy metrics – DLTP27

| Detail                                    | HCC<br>Limit / target                                                                                  | AP 2026–27                                                                                                                            | DLTP 2027–2037<br>(includes cost pressures,<br>excludes savings)                                                                           |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Net debt to revenue<br>Headroom at peak   | 250% AP 2026–27<br>225% DLTP 2027–2037<br>(Ringfenced debt headroom for<br>Tiaki Wai callable capital) | 159%<br><br>Headroom \$240M<br>Highest debt \$454M | 190%<br><br>Headroom \$98M<br>Highest debt \$574M       |
| Net interest to revenue                   | 25%                                                                                                    |  15.8%                                             |  18.6%                                                  |
| Net interest to revenue                   | 15%                                                                                                    |  9.7%                                              |  11.8%                                                  |
| Balanced operating budget<br>metric – HCC | Met all years                                                                                          |  Met from 2028                                    |  Not met in any year                                   |
| Balanced budget metric –<br>Legislative   | Met all years                                                                                          |  Met from 2027                                   |  Not met in later years                               |
| Rates revenue increases<br>(after growth) | Per Financial Strategy                                                                                 |  7% in 2028;<br>5.1% from 2029 ongoing           |  7% in 2028;<br>5.1% in 2029;<br>4% from 2030 ongoing |

# Pathway to achieving savings target

**Savings target** for triennium = **~\$10M pa by 2030** (based on 4% rates cap and indicative cost pressures)

- ❖ **Officer led** – Savings from operational changes (within current assets and services)
- ❖ **Elected member led** – Non-core service level choices
- ❖ **Elected member led** – Core service level choices
- ❖ **Elected member led** – Asset rationalisation



# Financial Strategy update

**Rates cap compliance + long-term financial sustainability**



## **Sustainable cost base (TOM)**

Financing costs  
Depreciation  
Employee costs  
Supplier costs

## **Appropriate funding**

Rates  
Fees & Cost recovery  
External funding

## **Disciplined investment**

Prioritise  
Invest-to-save  
Optimise assets

## **Sustainable debt**

Prudent borrowing  
Debt headroom  
Financial resilience

# Financial policies review

Focused review and changes needed for the DLTP

## Development contributions

### IN SCOPE

Review transport and roading projects and update the policy where required.

### NOT CURRENTLY PROPOSED

Community infrastructure charges, changes to development levies, or broader expansion of the policy.

## Revenue and Financing Policy

### IN SCOPE

Review how activities are funded, including areas where fees and charges are materially under-recovering. Update for new groups of activities where required.

### NOT CURRENTLY PROPOSED

A full reset of fees and charges or significant changes to existing funding mechanisms.

## Rating policies

### IN SCOPE

Review rating differentials, rates allocation, and remission and postponement policies. Update policies where required

### NOT CURRENTLY PROPOSED

Material changes to rating differentials or allocation, a move from CV to LV, changes to rating categories or new targeted rates.

# Risks and potential cost pressures

| Risk                                         | Details                                                                                                                                                                                                                                    | Financial impact                                                                             |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Revenue lower than budget                    | Revenue from fees and charges and FCs/DCs lower than budget due to the economic environment.                                                                                                                                               | ~\$2M –\$4M per annum                                                                        |
| Renewal budget cost pressure                 | Preliminary reviews and asset management planning work indicate that renewal budgets for ‘core’ assets may be insufficient to maintain current service levels and asset conditions with some assets nearing its end of life.               | Full \$ impact TBC<br>~\$32M over 10 years.<br>reseals and rehabs, bridges and other assets. |
| Repairs and maintenance (R&M) cost pressures | Existing asset maintenance budgets are already absorbing a range of cost pressures and will not be able to absorb additional costs for new assets without changes to LoS.                                                                  | Full \$ impact TBC<br>~\$4.5M over 10 years                                                  |
| Savings targets not achieved                 | Budgets assume delivery of \$0.5M annual CLT savings target plus a 5.5% vacancy savings assumption (Average \$3.6M per annum in budgeted savings) risk that these will not be achieved.                                                    | \$0.5M per annum at risk                                                                     |
| Transport NZTA funding risk                  | Budget Managers will be working to deliver a programme within existing budgets with council decisions sought on reduction to service levels where funded budget is insufficient.                                                           | TBC – final funding will be approved in August 2027.                                         |
| TOM implementation costs                     | The total TOM investment was identified as \$6M over 3 years. Funding of \$4M is not currently included in budgets. This investment will be required to unlock future savings across the various shifts identified in the TOM report.      | \$4M over 2 years – proposed to be funded through debt for the short term.                   |
| Amalgamation and other reform costs          | The cost amalgamation and a range of other reforms is currently unknown. In the absence of government funding, councils would need to absorb these costs, placing financial pressure and reducing funding available for existing services. | TBC                                                                                          |