

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Council will be held on:

Date: Thursday 23 March 2023
Time: 9.30am
Meeting Room: Council Chamber and Audio Visual Link
Venue: Municipal Building, Garden Place, Hamilton

Lance Vervoort
Chief Executive

Council Kaunihera OPEN AGENDA

Membership

Chairperson Mayor Paula Southgate
Heamana

Deputy Chairperson Deputy Mayor Angela O’Leary
Heamana Tuarua

Members	Cr Ryan Hamilton	Cr Geoff Taylor
	Cr Maxine van Oosten	Cr Sarah Thomson
	Cr Moko Tauariki	Cr Emma Pike
	Cr Ewan Wilson	Cr Melaina Huaki
	Cr Mark Donovan	Cr Anna Casey-Cox
	Cr Louise Hutt	Cr Kesh Naidoo-Rauf
	Cr Andrew Bydder	

Quorum: A majority of members (including vacancies)

Meeting Frequency: Monthly – or as required

Amy Viggers
Mana Whakahaere
Governance

17 March 2023

Telephone: 07 838 6727
Amy.Viggers@hcc.govt.nz
www.hamilton.govt.nz

Purpose

The Council is responsible for:

1. Providing leadership to, and advocacy on behalf of, the people of Hamilton.
2. Ensuring that all functions and powers required of a local authority under legislation, and all decisions required by legislation to be made by local authority resolution, are carried out effectively and efficiently, either by the Council or through delegation.

Terms of Reference

1. To exercise those powers and responsibilities which cannot legally be delegated by Council¹:
 - a) The power to make a rate.
 - b) The power to make a bylaw.
 - c) The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan.
 - d) The power to adopt a Long Term Plan or Annual Plan, or Annual Report.
 - e) The power to appoint a Chief Executive.
 - f) The power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the Long Term Plan or developed for the purpose of the Council's Governance Statement.
 - g) The power to adopt a remuneration and employment policy.
 - h) The power to approve or change the District Plan, or any part of that Plan, in accordance with the Resource Management Act 1991.
 - i) The power to approve or amend the Council's Standing Orders.
 - j) The power to approve or amend the Code of Conduct for Elected Members.
 - k) The power to appoint and discharge members of committees.
 - l) The power to establish a joint committee with another local authority or other public body.
 - m) The power to make the final decision on a recommendation from the Parliamentary Ombudsman, where it is proposed that Council does not accept the recommendation.
 - n) The power to amend or replace the delegations in Council's *Delegations to Positions Policy*.
2. To exercise the following powers and responsibilities of Council, which the Council chooses to retain:
 - a) Resolutions required to be made by a local authority under the Local Electoral Act 2001, including the appointment of an electoral officer and reviewing representation arrangements.
 - b) Approval of any changes to Council's vision, and oversight of that vision by providing direction on strategic priorities and receiving regular reports on its overall achievement.
 - c) Approval of any changes to city boundaries under the Resource Management Act 1991.
 - d) Adoption of governance level strategies plans and policies which advance Council's vision and strategic goals.

¹ [Clause 32, Schedule 7, Local Government Act 2002](#)

- e) Approval of the Triennial Agreement.
- f) Approval of the local governance statement required under the Local Government Act 2002.
- g) Approval of a proposal to the Remuneration Authority for the remuneration of Elected Members.
- h) Approval of any changes to the nature and delegations of the Committees.
- i) Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO, CCTO or CO.
- j) Approval of city boundary changes, including in respect of Strategic Boundary Land Use Agreements.
- k) Approval of Activity Management Plans.
- l) Sister City relationships.

Oversight of Strategies, Plans and Reports:

- Long Term Plan
- Annual Plan
- Annual Report
- Shaping Hamilton Kirikiriroa Together
- Our Climate Future
- He Pou Manawa Ora

Oversight of Policies and Bylaws:

- *Corporate Hospitality and Entertainment Policy*
- *Delegations to officers specific to the Resource Management Act 1991*
- *Delegations to Positions Policy*
- *Elected Members Support Policy*
- *Significance and Engagement Policy*
- *Climate Change Policy*
- *Any Community Engagement Policies*

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies – <i>Tono aroha</i>	5
2	Confirmation of Agenda – <i>Whakatau raarangi take</i>	5
3	Declarations of Interest – <i>Tauaakii whaipaaanga</i>	5
4	Public Forum – <i>Aatea koorero</i>	5
5	Confirmation of the Council (Annual Plan) Open Minutes - 2 March 2023	6
6	2023-24 Annual Plan Draft Budget	21
7	Resolution to Exclude the Public	32

1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Council to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipanga*

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum – *Aatea koorero*

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for five minutes or longer at the discretion of the Mayor.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6727.

Council Report

Committee: Council

Date: 23 March 2023

Author: Carmen Fookes

Authoriser: Michelle Hawthorne

Position: Senior Governance Advisor

Position: Governance and Assurance Manager

Report Name: Confirmation of the Council (Annual Plan) Open Minutes - 2 March 2023

Report Status	<i>Open</i>
----------------------	-------------

Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the Open Minutes of the Council Meeting held on 2 March 2023 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Council (Annual Plan) Unconfirmed Open Minutes - 2 March 2023

Council Kaunihera OPEN MINUTES

Minutes of a meeting of the Council held in Council Chamber and Audio Visual Link , Municipal Building, Garden Place, Hamilton on Thursday 2 March 2023 at 9.36am.

PRESENT

Chairperson

Mayor Paula Southgate

Heamana

Members

Cr Ryan Hamilton
Cr Maxine van Oosten
Cr Moko Tauariki
Cr Ewan Wilson
Cr Mark Donovan
Cr Louise Hutt (via Audio Visual Link)
Cr Andrew Bydder
Cr Geoff Taylor
Cr Sarah Thomson (via Audio Visual Link)
Cr Emma Pike
Cr Melaina Huaki
Cr Anna Casey-Cox
Cr Kesh Naidoo-Rauf

In Attendance:

Lance Vervoort – Chief Executive
David Bryant - General Manager People and Organisational Performance
Helen Paki – General Manager Community
Eeva-Liisa Wright – General Manager Infrastructure Operations
Murray Heke - General Manager Customer, Technology and Transformation
Sean Murray – General Manager Venues, Tourism and Major Events
Chris Allen – General Manager Development
Blair Bowcott – General Manager Growth
Andrew Parsons - Executive Director - Strategic Infrastructure
Julie Clausen – Acting General Manager Strategy and Communication
Tracey Musty - Finance Director

Governance Staff:

Amy Viggers – Governance Lead
Carmen Fookes - Senior Governance Advisor
Chantal Jansen – Governance Advisor

Tame Pokaia opened the meeting with a Karakia.

1. Apologies – Tono aroha

Resolved: (Cr Wilson/Cr van Oosten)

That the apologies for absence from Deputy Mayor O’Leary and for lateness from Cr Hamilton are accepted.

2. Confirmation of Agenda – *Whakatau raarangi take***Resolved:** (Mayor Southgate/Cr Wilson)

That the agenda is confirmed noting:

- a) that item C1 (Public Excluded Fees and Charges (including GST) Proposed for Year 3 (2023/24) of the 2021-31 Long Term Plan) is to be taken following item 6 (Fees and Charges (including GST) Proposed for Year 3 (2023/24) of the 2021-31 10-Year Plan) at the request of staff; and
- b) standing order 22.2 – Time Limit on Speakers, with respect the debate times being reduced to 2 minutes for all items, with the exception of the last debate on item 7 (2023-24 Annual Plan Proposed Draft Annual Plan Budget), which would be 5 minutes.

3. Declarations of Interest – *Tauaakii whaipaaanga*

No members of the Council declared a Conflict of Interest.

4. Public Forum – *AAtea korero*

No members of the public wished to speak.

5. Chair's report

Mayor Southgate took her report as read.

Resolved: (Mayor Southgate/Cr Naidoo-Rauf)

That the Council receives the report.

6. Fees and Charges (including GST) Proposed for Year 3 (2023/24) of the 2021-31 10-Year Plan

The Finance Director introduced the reports, noting the timing and process, considerations in preparing the fees and charges report. Staff responded to questions from Members concerning opportunity for cost-analysis and similar growth analysis, costs in completing analysis, community concession considerations, and current community service card use.

Resolved: (Cr Casey-Cox/Cr Naidoo-Rauf)

That the Council receives the report.

Resolved: (Cr Casey-Cox/Cr Naidoo-Rauf)

That the Council approves the proposed Fees and Charges for the third year of the 2021-31 10 Year Plan.

Cr Bydder Dissenting.**Resolved:** (Cr Casey-Cox/Cr Naidoo-Rauf)

That the Council delegates the Chief Executive authority to develop and trial for the 2023-2024 Annual Plan year, a Community Services Card Concession Fee for Hamilton City Council aquatic facilities and visitor destinations that enables a lower fee for these users, provided this can be done without a reduction in current approved revenue budgets.

Item 8 (Resolution to Exclude the Public) was taken after item 6 (Fees and Charges (including GST) Proposed for Year 3 (2023/24) of the 2021-31 10-Year Plan) as was resolved during confirmation of the agenda.

8. Resolution to Exclude the Public

Resolved: (Mayor Southgate/Cr van Oosten)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Public Excluded Fees and Charges (including GST) Proposed for Year 3 (2023/24) of the 2021-31 Long Term Plan) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to avoid the unreasonably, likely prejudice to the commercial position of a person who supplied or is the subject of the information to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (b) (ii) Section 7 (2) (h)
----------	--	---

The meeting moved to the public excluded session at 10.21am.

The meeting returned to the open session at 10.57am.

The meeting was adjourned 10.57am to 11.16am.

7. 2023-24 Annual Plan Proposed Draft Annual Plan Budget

The Acting General Manager Strategy and Communication and Finance Director introduced the report, noted the next steps in the Annual Plan process and thanked Members for their engagement in the process. The Acting General Manager Strategy and Communication further spoke to the staff recommendation.

For further information concerning content and discussion, please refer to the following recordings of the meeting: www.youtube.com/user/HamiltonCityCouncil/videos?view

Resolved: (Cr Hutt/Cr Casey-Cox)

That the Council:

- a) approves the inclusion of the following operating expenditure reductions in the draft 2023-24

- Annual Plan budget - Cat Desexing: operating expenditure reduction of \$50,000; and
- b) requests staff work with the affected organisations to find other sources of funding.

Cr Wilson Dissenting.

2023-24 Annual Plan Draft Annual Plan Budget

Motion: (Mayor Southgate/Cr van Oosten)

That the Council:

- a) notes the inclusion of changes to the underlying assumptions into the draft 2023-24 budget:
- (i) increase in interest expense of \$3,512,000; and
 - (ii) increase in depreciation expense of \$3,963,000.
- b) approves the inclusion of the following in the draft 2023-24 Annual Plan budget:
- (i) changes to the draft 2023-24 Annual Plan budget arising from revenue and associated adjustments:
 - A. resource consent revenue reduction: operating revenue reduction of \$482,145 in 2023-24 only;
 - B. LIM revenue: operating revenue reduction of \$205,672 in 2023-24 only;
 - C. Hamilton Gardens Visitor Centre delayed opening: operating revenue reduction of \$1,242,855, operating expenditure reduction of \$89,705 and consequential operating expenditure reduction of \$109,330 in 2023-24 only;
 - D. H3 event revenue and cost of service adjustment: operating revenue increase of \$426,000 in 2023-24 only; and
 - E. increased parking enforcement capability: operating revenue increase of \$200,000 per annum, operating expenditure increase of \$130,000 per annum; and consequential operating expenditure increase of \$10,000 per annum, ongoing;
 - (ii) changes to the draft 2023-24 Annual Plan budget arising from contract and cost adjustments:
 - A. rubbish and recycling increased costs: operating expenditure increase of \$693,000 in 2023-24 only;
 - B. Horotiu compliance and resilience: operating expenditure increase of \$470,000 in 2023-24 only; and
 - C. consequential operating expenditure: consequential operating expenditure increase of \$1,322,363 in 2023-24 only;
 - (iii) changes to the draft 2023-24 Annual Plan budget arising from corrections and accounting adjustments:
 - A. river infrastructure budget correction: operating expenditure increase of \$209,000 in 2023-24 only;
 - B. Software as a Service (SaaS) transfer from capital to operating expenditure: operating expenditure increase of \$4,249,000 in 2023-24 only;
 - C. one-off grant correction: operating expenditure decrease of \$2,500,000 in 2023-24 only; and
 - D. Waikato Regional Theatre expenditure reduction: operating expenditure reduction of \$550,000 for 2023-24 only;

- (iv) changes to the draft 2023-24 Annual Plan budget arising from increase in inflation forecast assumption of:
 - A. operating inflation assumption 6% with an impact of \$8,890,000 on operating expenditure for 2023-24; and
 - B. capital inflation assumption for projects at risk of cost escalation to 7% with an impact of \$9,710,000 on capital expenditure for 2023-24.
- c) approves changes to the draft 2023-24 Annual Plan budget:
 - (i) \$191.41 million of capital projects that have been rephased from the 2023-24 to later years; and
 - (ii) the 2023-24 capital programme of \$374.83 million.
- d) notes the changes to the draft 2023-24 Annual Plan budget arising from Council resolutions with an impact of \$830,000 additional operating expenditure:
 - A. increased resource for education campaigns: additional operating expenditure of \$130,000 per annum, ongoing;
 - B. increased level of service for cycle lanes: additional operating expenditure of \$200,000 per annum, ongoing; and
 - C. R2, WA, SL1 resourcing: additional operating expenditure of \$500,000 in 2023-24 only.
- e) notes the changes to the draft 2023-24 Annual Plan budget from the potential funding from the Department of Internal Affairs 'Better Off' fund of \$14.65 million incorporating:
 - (i) \$10,606,000 operating expenditure, of which:
 - A. \$8,511,000 is existing planned spend for the draft 2023-24 Annual Plan budget; and
 - B. \$2,095,000 is additional expenditure, for climate change action resourcing, He Pou Manawa Ora implementation and City Safe provision, offset by \$2,095,0900 of Better of Funding; and
 - (ii) \$2,044,000 is capital expenditure, all of which is existing planned spend for the draft 2023-24 Annual Plan budget.
- f) approves the inclusion of the following operating expenditure reductions in the draft 2023-24 Annual Plan budget :
 - (i) education campaigns: reduced operating expenditure of \$130,000;
 - (ii) cycle lanes: reduced operating expenditure of \$200,000;
 - (iii) R2, WA and SL1 resourcing: operating expenditure reduction of \$500,000;
 - (iv) Heritage Fund: operating expenditure reduction of \$80,000;
 - (v) Building Information Model: operating expenditure reduction of \$190,000;
 - (vi) Quality of Life Pulse survey: operating expenditure reduction of \$25,000;
 - (vii) climate change financial disclosure reporting: operating expenditure reduction of \$75,000;
 - (viii) He Pou Manawa Ora: operating expenditure reduction of \$100,000;
 - (ix) river infrastructure: operating expenditure reduction of \$209,000;
 - (x) enable technology core capability portfolio: operating expenditure reduction of \$250,000;
 - (xi) enable core business processes portfolio: operating expenditure reduction of \$250,000;

- (xii) Building Information Model (Three Waters): operating expenditure reduction of \$79,000; and
- (xiii) water demand management reductions: operating expenditure reduction of \$113,000;
- g) approves the inclusion of \$3,170,000 consequential operating expenditure reductions in the draft 2023-24 Annual Plan budget;
- h) approves the inclusion of the following operating revenue increases in the draft 2023-24 Annual Plan budget:
 - (i) water-by-meter charges: operating revenue increase of \$846,000; and
 - (ii) trade waste charges: operating revenue increase of \$340,000.
- i) approves **Scenario 1** inclusion of the expenditure reductions and revenue increases, and a 4.9% average rate increase, with an impact on the financial strategy targets for 2023-24:
 - 1. \$17 million balancing the books deficit;
 - 2. 198% debt to revenue ratio; and
 - 3. \$871 million debt;
- j) approves consultation with the community on the proposed changes to the 2023-24 Annual Plan, to take place for one month; and
- k) notes that a consultation document will be prepared for approval by Elected Members at the 23 March Council meeting.

Amendment: (Cr Wilson/Cr Pike)

That the Council:

- a) notes the inclusion of changes to the underlying assumptions in the draft 2023-24 budget:
 - (i) increase in interest expense of \$3,512,000; and
 - (ii) increase in depreciation expense of \$3,963,000.
- b) approves the inclusion of the following in the draft 2023-24 Annual Plan budget:
 - (i) changes to the draft 2023-24 Annual Plan budget arising from revenue and associated adjustments:
 - A. resource consent revenue reduction: operating revenue reduction of \$482,145 in 2023-24 only;
 - B. LIM revenue: operating revenue reduction of \$205,672 in 2023-24 only;
 - C. Hamilton Gardens Visitor Centre delayed opening: operating revenue reduction of \$1,242,855, operating expenditure reduction of \$89,705 and consequential operating expenditure reduction of \$109,330 in 2023-24 only;
 - D. H3 event revenue and cost of service adjustment: operating revenue increase of \$426,000 in 2023-24 only; and
 - E. increased parking enforcement capability: operating revenue increase of \$200,000 per annum, operating expenditure increase of \$130,000 per annum; and consequential operating expenditure increase of \$10,000 per annum, ongoing;
 - (ii) changes to the draft 2023-24 Annual Plan budget arising from contract and cost adjustments:
 - A. rubbish and recycling increased costs: operating expenditure increase of \$693,000 in 2023-24 only;

- B. Horotiu compliance and resilience: operating expenditure increase of \$470,000 in 2023-24 only; and
- C. consequential operating expenditure: consequential operating expenditure increase of \$1,322,363 in 2023-24 only;
- (iii) changes to the draft 2023-24 Annual Plan budget arising from corrections and accounting adjustments:
 - A. river infrastructure budget correction: operating expenditure increase of \$209,000 in 2023-24 only;
 - B. Software as a Service (SaaS) transfer from capital to operating expenditure: operating expenditure increase of \$4,249,000 in 2023-24 only;
 - C. one-off grant correction: operating expenditure decrease of \$2,500,000 in 2023-24 only; and
 - D. Waikato Regional Theatre expenditure reduction: operating expenditure reduction of \$550,000 for 2023-24 only;
- (iv) changes to the draft 2023-24 Annual Plan budget arising from increase in inflation forecast assumption of:
 - A. operating inflation assumption 6% with an impact of \$8,890,000 on operating expenditure for 2023-24; and
 - B. capital inflation assumption for projects at risk of cost escalation to 7% with an impact of \$9,710,000 on capital expenditure for 2023-24.
- c) approves changes to the draft 2023-24 Annual Plan budget:
 - (i) \$191.41 million of capital projects that have been rephased from the 2023-24 to later years; and
 - (ii) the 2023-24 capital programme of \$374.83 million.
- d) notes the changes to the draft 2023-24 Annual Plan budget arising from Council resolutions with an impact of \$830,000 additional operating expenditure:
 - A. increased resource for education campaigns: additional operating expenditure of \$130,000 per annum, ongoing;
 - B. increased level of service for cycle lanes: additional operating expenditure of \$200,000 per annum, ongoing; and
 - C. R2, WA, SL1 resourcing: additional operating expenditure of \$500,000 in 2023-24 only.
- e) notes the changes to the draft 2023-24 Annual Plan budget from the potential funding from the Department of Internal Affairs 'Better Off' fund of \$14.65 million incorporating:
 - (i) \$10,606,000 operating expenditure, of which:
 - A. \$8,511,000 is existing planned spend for the draft 2023-24 Annual Plan budget; and
 - B. \$2,095,000 is additional expenditure, for climate change action resourcing, He Pou Manawa Ora implementation and City Safe provision, offset by \$2,095,0900 of Better of Funding; and
 - (ii) \$2,044,000 is capital expenditure, all of which is existing planned spend for the draft 2023-24 Annual Plan budget.
- f) approves the inclusion of the following operating expenditure reductions in the draft 2023-24 Annual Plan budget :
 - (i) education campaigns: reduced operating expenditure of \$130,000;

- (ii) cycle lanes: reduced operating expenditure of \$200,000;
- (iii) R2, WA and SL1 resourcing: operating expenditure reduction of \$500,000;
- (iv) Heritage Fund: operating expenditure reduction of \$80,000;
- (v) Building Information Model: operating expenditure reduction of \$190,000;
- (vi) Quality of Life Pulse survey: operating expenditure reduction of \$25,000;
- (vii) climate change financial disclosure reporting: operating expenditure reduction of \$75,000;
- (viii) He Pou Manawa Ora: operating expenditure reduction of \$100,000;
- (ix) river infrastructure: operating expenditure reduction of \$209,000;
- (x) enable technology core capability portfolio: operating expenditure reduction of \$250,000;
- (xi) enable core business processes portfolio: operating expenditure reduction of \$250,000;
- (xii) Building Information Model (Three Waters): operating expenditure reduction of \$79,000;
and
- (xiii) water demand management reductions: operating expenditure reduction of \$113,000;
- g) approves the inclusion of \$3,170,000 consequential operating expenditure reductions in the draft 2023-24 Annual Plan budget;
- h) approves the inclusion of the following operating revenue increases in the draft 2023-24 Annual Plan budget:
 - (i) water-by-meter charges: operating revenue increase of \$846,000; and
 - (ii) trade waste charges: operating revenue increase of \$340,000.
- i) approves a further \$6 million reduction in operating expenditure for the 23/24 year, noting that the potential project/programmes be brought to Elected Members via a Briefing and then reported to the Council for final approval
- j) approves the following scenario inclusion of the expenditure reductions and revenue increases, and a 4.9% average rate increase, with an impact on the financial strategy targets for 2023-24:
 1. \$11 million balancing the books deficit;
 2. 196% debt to revenue ratio; and
 3. \$865 million debt;
- k) approves consultation with the community on the proposed changes to the 2023-24 Annual Plan, to take place for one month; and
- l) notes that a consultation document will be prepared for approval by Elected Members at the 23 March Council meeting.

The Amendment was put.

Those for the Amendment:

Councillors Bydder, Pike, Southgate,
Taylor, Hamilton, Naidoo-Rauf, Donovan,
Tauariki and Wilson.

Those against the Amendment:

Councillors Hutt, Casey-Cox, van Oosten,
Thomson and Huaki.

The Amendment was declared CARRIED.

Foreshadowed Amendment: (Cr Thomson/Cr Hutt)

That the Council:

- a) notes the inclusion of changes to the underlying assumptions into the draft 2023-24 budget:
 - (i) increase in interest expense of \$3,512,000; and
 - (ii) increase in depreciation expense of \$3,963,000.
- b) approves the inclusion of the following in the draft 2023-24 Annual Plan budget:
 - (i) changes to the draft 2023-24 Annual Plan budget arising from revenue and associated adjustments:
 - A. resource consent revenue reduction: operating revenue reduction of \$482,145 in 2023-24 only;
 - B. LIM revenue: operating revenue reduction of \$205,672 in 2023-24 only;
 - C. Hamilton Gardens Visitor Centre delayed opening: operating revenue reduction of \$1,242,855, operating expenditure reduction of \$89,705 and consequential operating expenditure reduction of \$109,330 in 2023-24 only;
 - D. H3 event revenue and cost of service adjustment: operating revenue increase of \$426,000 in 2023-24 only; and
 - E. increased parking enforcement capability: operating revenue increase of \$200,000 per annum, operating expenditure increase of \$130,000 per annum; and consequential operating expenditure increase of \$10,000 per annum, ongoing;
 - (ii) changes to the draft 2023-24 Annual Plan budget arising from contract and cost adjustments:
 - A. rubbish and recycling increased costs: operating expenditure increase of \$693,000 in 2023-24 only;
 - B. Horotiu compliance and resilience: operating expenditure increase of \$470,000 in 2023-24 only; and
 - C. consequential operating expenditure: consequential operating expenditure increase of \$1,322,363 in 2023-24 only;
 - (iii) changes to the draft 2023-24 Annual Plan budget arising from corrections and accounting adjustments:
 - A. river infrastructure budget correction: operating expenditure increase of \$209,000 in 2023-24 only;
 - B. Software as a Service (SaaS) transfer from capital to operating expenditure: operating expenditure increase of \$4,249,000 in 2023-24 only;
 - C. one-off grant correction: operating expenditure decrease of \$2,500,000 in 2023-24 only; and
 - D. Waikato Regional Theatre expenditure reduction: operating expenditure reduction of \$550,000 for 2023-24 only;
 - (iv) changes to the draft 2023-24 Annual Plan budget arising from increase in inflation forecast assumption of:
 - A. operating inflation assumption 6% with an impact of \$8,890,000 on operating expenditure for 2023-24; and
 - B. capital inflation assumption for projects at risk of cost escalation to 7% with an impact of \$9,710,000 on capital expenditure for 2023-24;

- c) approves changes to the draft 2023-24 Annual Plan budget:
 - (i) \$191.41 million of capital projects that have been rephased from the 2023-24 to later years; and
 - (ii) the 2023-24 capital programme of \$374.83 million.
- d) notes the changes to the draft 2023-24 Annual Plan budget arising from Council resolutions with an impact of \$830,000 additional operating expenditure:
 - A. increased resource for education campaigns: additional operating expenditure of \$130,000 per annum, ongoing;
 - B. increased level of service for cycle lanes: additional operating expenditure of \$200,000 per annum, ongoing; and
 - C. R2, WA, SL1 resourcing: additional operating expenditure of \$500,000 in 2023-24 only.
- e) notes the changes to the draft 2023-24 Annual Plan budget from the potential funding from the Department of Internal Affairs 'Better Off' fund of \$14.65 million incorporating:
 - (i) \$10,606,000 operating expenditure, of which:
 - A. \$8,511,000 is existing planned spend for the draft 2023-24 Annual Plan budget; and
 - B. \$2,095,000 is additional expenditure, for climate change action resourcing, He Pou Manawa Ora implementation and City Safe provision, offset by \$2,095,0900 of Better of Funding; and
 - (ii) \$2,044,000 is capital expenditure, all of which is existing planned spend for the draft 2023-24 Annual Plan budget.
- f) approves the inclusion of the following operating expenditure reductions in the draft 2023-24 Annual Plan budget :
 - (i) education campaigns: reduced operating expenditure of \$130,000;
 - (ii) cycle lanes: reduced operating expenditure of \$200,000;
 - (iii) R2, WA and SL1 resourcing: operating expenditure reduction of \$500,000;
 - (iv) Heritage Fund: operating expenditure reduction of \$80,000;
 - (v) Building Information Model: operating expenditure reduction of \$190,000;
 - (vi) Quality of Life Pulse survey: operating expenditure reduction of \$25,000;
 - (vii) climate change financial disclosure reporting: operating expenditure reduction of \$75,000;
 - (viii) He Pou Manawa Ora: operating expenditure reduction of \$100,000;
 - (ix) river infrastructure: operating expenditure reduction of \$209,000;
 - (x) enable technology core capability portfolio: operating expenditure reduction of \$250,000;
 - (xi) enable core business processes portfolio: operating expenditure reduction of \$250,000;
 - (xii) Building Information Model (Three Waters): operating expenditure reduction of \$79,000; and
 - (xiii) water demand management reductions: operating expenditure reduction of \$113,000;
- g) approves the inclusion of \$3,170,000 consequential operating expenditure reductions in the draft 2023-24 Annual Plan budget;

- h) approves the inclusion of the following operating revenue increases in the draft 2023-24 Annual Plan budget:
 - (i) water-by-meter charges: operating revenue increase of \$846,000; and
 - (ii) trade waste charges: operating revenue increase of \$340,000.
- i) approves **Scenario 2** inclusion of the expenditure reductions and revenue increases, and a 4.9% average rate increase, with an impact on the financial strategy targets for 2023-24:
 - 1. \$15 million balancing the books deficit;
 - 2. 196% debt to revenue ratio; and
 - 3. \$869 million debt;
- j) approves consultation with the community on the proposed changes to the 2023-24 Annual Plan, to take place for one month;
- k) notes that a consultation document will be prepared for approval by Elected Members at the 23 March Council meeting; and
- l) requests staff undertake further work on options for reducing the operating expenditure be brought to Elected Members via a Briefing and then reported to the Council for consideration for inclusion in the Annual Plan.

The Foreshadowed Amendment was the put.

Those for the Foreshadowed Amendment:	Councillors Hutt, Thomson and Huaki.
Those against the Foreshadowed Amendment:	Mayor Southgate, Councillors Bydder, Pike, Casey-Cox, Taylor, Hamilton, Naidoo-Rauf, van Oosten, Donovan, Tauariki and Wilson.

The Foreshadowed Amendment was declared LOST.

The Amendment as the Substantive Amendment was then put and declared CARRIED.

Resolved: (Cr Wilson/Cr Pike)

That the Council:

- a) notes the inclusion of changes to the underlying assumptions in the draft 2023-24 budget:
 - (i) increase in interest expense of \$3,512,000; and
 - (ii) increase in depreciation expense of \$3,963,000.
- b) approves the inclusion of the following in the draft 2023-24 Annual Plan budget:
 - (i) changes to the draft 2023-24 Annual Plan budget arising from revenue and associated adjustments:
 - A. resource consent revenue reduction: operating revenue reduction of \$482,145 in 2023-24 only;
 - B. LIM revenue: operating revenue reduction of \$205,672 in 2023-24 only;
 - C. Hamilton Gardens Visitor Centre delayed opening: operating revenue reduction of \$1,242,855, operating expenditure reduction of \$89,705 and consequential operating expenditure reduction of \$109,330 in 2023-24 only;
 - D. H3 event revenue and cost of service adjustment: operating revenue increase of \$426,000 in 2023-24 only; and

- E. increased parking enforcement capability: operating revenue increase of \$200,000 per annum, operating expenditure increase of \$130,000 per annum; and consequential operating expenditure increase of \$10,000 per annum, ongoing;
- (ii) changes to the draft 2023-24 Annual Plan budget arising from contract and cost adjustments:
 - A. rubbish and recycling increased costs: operating expenditure increase of \$693,000 in 2023-24 only;
 - B. Horotiu compliance and resilience: operating expenditure increase of \$470,000 in 2023-24 only; and
 - C. consequential operating expenditure: consequential operating expenditure increase of \$1,322,363 in 2023-24 only;
- (iii) changes to the draft 2023-24 Annual Plan budget arising from corrections and accounting adjustments:
 - A. river infrastructure budget correction: operating expenditure increase of \$209,000 in 2023-24 only;
 - B. Software as a Service (SaaS) transfer from capital to operating expenditure: operating expenditure increase of \$4,249,000 in 2023-24 only;
 - C. one-off grant correction: operating expenditure decrease of \$2,500,000 in 2023-24 only; and
 - D. Waikato Regional Theatre expenditure reduction: operating expenditure reduction of \$550,000 for 2023-24 only;
- (iv) changes to the draft 2023-24 Annual Plan budget arising from increase in inflation forecast assumption of:
 - A. operating inflation assumption 6% with an impact of \$8,890,000 on operating expenditure for 2023-24: and
 - B. capital inflation assumption for projects at risk of cost escalation to 7% with an impact of \$9,710,000 on capital expenditure for 2023-24.
- c) approves changes to the draft 2023-24 Annual Plan budget:
 - (i) \$191.41 million of capital projects that have been rephased from the 2023-24 to later years; and
 - (ii) the 2023-24 capital programme of \$374.83 million.
- d) notes the changes to the draft 2023-24 Annual Plan budget arising from Council resolutions with an impact of \$830,000 additional operating expenditure:
 - A. increased resource for education campaigns: additional operating expenditure of \$130,000 per annum, ongoing;
 - B. increased level of service for cycle lanes: additional operating expenditure of \$200,000 per annum, ongoing; and
 - C. R2, WA, SL1 resourcing: additional operating expenditure of \$500,000 in 2023-24 only.
- e) notes the changes to the draft 2023-24 Annual Plan budget from the potential funding from the Department of Internal Affairs 'Better Off' fund of \$14.65 million incorporating:
 - (i) \$10,606,000 operating expenditure, of which:
 - A. \$8,511,000 is existing planned spend for the draft 2023-24 Annual Plan budget; and

- B. \$2,095,000 is additional expenditure, for climate change action resourcing, He Pou Manawa Ora implementation and City Safe provision, offset by \$2,095,0900 of Better of Funding; and
- (ii) \$2,044,000 is capital expenditure, all of which is existing planned spend for the draft 2023-24 Annual Plan budget.
- f) approves the inclusion of the following operating expenditure reductions in the draft 2023-24 Annual Plan budget :
 - (i) education campaigns: reduced operating expenditure of \$130,000;
 - (ii) cycle lanes: reduced operating expenditure of \$200,000;
 - (iii) R2, WA and SL1 resourcing: operating expenditure reduction of \$500,000;
 - (iv) Heritage Fund: operating expenditure reduction of \$80,000;
 - (v) Building Information Model: operating expenditure reduction of \$190,000;
 - (vi) Quality of Life Pulse survey: operating expenditure reduction of \$25,000;
 - (vii) climate change financial disclosure reporting: operating expenditure reduction of \$75,000;
 - (viii) He Pou Manawa Ora: operating expenditure reduction of \$100,000;
 - (ix) river infrastructure: operating expenditure reduction of \$209,000;
 - (x) enable technology core capability portfolio: operating expenditure reduction of \$250,000;
 - (xi) enable core business processes portfolio: operating expenditure reduction of \$250,000;
 - (xii) Building Information Model (Three Waters): operating expenditure reduction of \$79,000; and
 - (xiii) water demand management reductions: operating expenditure reduction of \$113,000;
- g) approves the inclusion of \$3,170,000 consequential operating expenditure reductions in the draft 2023-24 Annual Plan budget;
- h) approves the inclusion of the following operating revenue increases in the draft 2023-24 Annual Plan budget:
 - (i) water-by-meter charges: operating revenue increase of \$846,000; and
 - (ii) trade waste charges: operating revenue increase of \$340,000.
- ii) approves a further \$6 million reduction in operating expenditure for the 23/24 year, noting that the potential project/programmes be brought to Elected Members via a Briefing and then reported to the Council for final approval
- j) approves the following scenario inclusion of the expenditure reductions and revenue increases, and a 4.9% average rate increase, with an impact on the financial strategy targets for 2023-24:
 - 1. \$11 million balancing the books deficit;
 - 2. 196% debt to revenue ratio; and
 - 3. \$865 million debt;
- k) approves consultation with the community on the proposed changes to the 2023-24 Annual Plan, to take place for one month; and
- l) notes that a consultation document will be prepared for approval by Elected Members at the 23 March Council meeting.

Cr Thomson and Cr Hutt Dissenting.

Council 2 MARCH 2023 - OPEN

Cr Hamilton joined the meeting (11.33am) during the discussion of the above item. He was present when the item was voted on.

The meeting was adjourned from 12.35pm to 1.38pm during the discussion of the above item.

The meeting was declared closed at 3.15pm.

Council Report

Item 6

Committee: Council

Date: 23 March 2023

Author: James Clarke

Authoriser: Julie Clausen

Position: Unit Manager Strategy and Planning

Position: Acting General Manager Strategy and Communication

Report Name: 2023-24 Annual Plan Draft Budget

Report Status	Open
----------------------	------

Purpose - *Take*

1. To inform the Council of the potential reduction in operating expenditure for the 2023-24 year.
2. To inform the Council of the proposed rephased capital programme for the 2023-24 year.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Council:
 - a) receives the report;
 - b) considers the inclusion of the following further operating revenue increases and expenditure reductions for the purposes of modelling the draft 2023-24 Annual Plan budget:
 - i) reduction in the external rates charge expenditure of \$120,000;
 - ii) inclusion of the Department of Internal Affairs transition net funding of \$300,000;
 - iii) reduction of the internal audit work programme of \$100,000;
 - iv) reduction of depreciation and interest expense of \$500,000;
 - v) reduction of the Facilities Unit consultancy budget of \$100,000;
 - vi) reduction of expenditure on the Metro Spatial Plan (strategic transport) of \$200,000;
 - vii) reduction of expenditure on Access Hamilton Strategy Implementation and Planning budget of \$200,000;
 - viii) reduction of expenditure on the Automation programme of \$500,000;
 - ix) removal of the budget for the staff engagement survey of \$60,000;
 - x) reduction of the wastewater modelling consultant budget of \$30,000;
 - xi) reduction of the Waters education budget of \$10,000;
 - xii) reduction of the connections policy review consultant budget of \$30,000;
 - xiii) reduction of the budget by delaying the Lido Feasibility Studies of \$220,000;

- c) approves the reduction of \$37 million in the capital programme, resulting in a total capital programme of \$337 million for the 2023-24 Annual Plan year;
- d) considers the inclusion of operating revenue increases and expenditure reductions contained in the Public Excluded report to the 23 March 2023 Council meeting; for the purposes of modelling the draft 2023-24 Annual Plan budget;
- e) notes the changes to the underlying assumptions of the incorporation of the NIDEA high demographic projections for the purposes of the planning and development of the draft 2023-24 Annual Plan.
- f) notes that on 1 July 2023, Council's adopted Development Contributions Policy will move to Year 3 of the phased residential charges for greenfield growth cells. This is the final phase on incremental increases, taking the charges to the full rate.

Executive Summary - *Whakaraapopototanga matua*

- 4. At the 2 March Council meeting, staff explained that the balancing the books deficit for 2023-24 had increased from \$2 million in Year Three of the 2021-31 Long-Term Plan, to \$12 million in the 2022-23 Annual Plan, and subsequently to \$35 million, due to inflation, rising interest costs, increased depreciation due to increases in asset costs, and other cost increases. Staff also set out how, assuming our application to the Better Off fund Tranche One were successful, this would reduce the balancing the books deficit to \$24 million. Since the meeting, our Better Off fund application for Tranche One has been approved in full.
- 5. At the 2 March Council meeting, the Council resolved to keep the rates increase at 4.9%, as forecast in the 2021-31 Long-Term Plan. Council agreed \$6.607 million of operating expenditure reductions and revenue increases, which reduced the balancing the books deficit to \$17 million, and also requested staff put forward an additional \$6 million operating expenditure reductions, which would bring the balancing the books deficit to \$11 million.
- 6. The \$6.607 million operating expenditure reductions and revenue increases already agreed by Council, and the \$6 million additional savings requested by Council are additional to the \$11 million of efficiency savings that the Chief Executive is required to deliver in 2023-24 as per the 2021-31 Long-Term Plan.
- 7. This report, and a further report that is being considered in Public Excluded, set out the potential additional operating savings. These options will have impacts on the delivery of programmes and services, and staff are not recommending these measures.
- 8. The report also details the proposed capital expenditure budget for 2023-24, which, in line with Elected Member feedback, has been further reduced by a further \$37 million from \$375 million (as at the 2 March Council meeting) to \$338 million.
- 9. Staff consider the decisions in this report have low significance, and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

- 10. Council is required to set an Annual Plan each year. The starting point for this year's Annual Plan (2023-24) is the plans set out and consulted on for Year Three (2023-24) of the 2021-31 Long-Term Plan. Council can make adjustments to the plans to account for changes in priority or circumstances as part of the Annual Plan process. A full explanation of the Annual Plan process was set out in the report for the 2 March Council meeting.

11. As set out above, given upward pressures on our budget, staff were initially projecting a \$35 million balancing the books deficit for the draft Annual Plan. The \$6.607 million savings agreed at the 2 March Council meeting together with Better Off funding would bring this deficit down to \$17 million.
12. At the 2 March Council meeting, Council resolved to ask staff to identify a further \$6 million operating expenditure reductions, and to retain the 4.9% average rate increase. The impact on the financial strategy targets for 2023-24 is:
 - i. \$11 million balancing the books deficit;
 - ii. 196% debt to revenue ratio; and
 - iii. \$865 million debt.
13. At this meeting, Council is required to decide which of the \$6 million additional savings it wishes to include in the draft Annual Plan for engagement with the community, ahead of the 2023-24 Annual Plan budget deliberation meeting on 1 June 2023. The final 2023-24 Annual Plan is scheduled to be adopted on 29 June 2023.

Discussion - *Matapaki*

14. As noted above, the \$6.607 million operating savings already agreed by Council, and the \$6 million additional operating savings requested by Council are additional to the \$11 million of efficiency savings that the Chief Executive is required to deliver in 2023-24 as per the 2021-31 Long-Term Plan.

Chief Executive Efficiency Savings

15. Council budgeted for savings over the ten years of the 2021-31 Long-Term Plan, with a total value of \$106 million.
16. When the 2021-31 Long-Term Plan was adopted, Council expected to make these savings through digital-enabled business transformation, property savings, strategic procurement, and capital programme optimisation. The intent was to achieve savings without changing the services the community receives.
17. To help digitally transform Council, \$60.5 million of capital investment in information services renewals and upgrades were included in the 2021-31 Long-Term Plan. This investment is expected to achieve long-term, sustainable savings, enabled by technology. Digital-enabled business transformation is expected to deliver the largest proportion of savings over the 2021-31 Long-Term Plan. Savings have been realised from year one of the 2021-31 Long-Term Plan, and it is expected that savings will consolidate from year three (2023-24) as more end-to-end processes are automated.
18. The capital programme provides opportunities to gain efficiencies through scale and new procurement opportunities. It was recognised that to realise these savings via procurement efficiencies would have challenges and a moderate degree of risk in achieving them was noted.
19. In the case that Council is unable to achieve all savings targets, it was noted that there could be consequences affecting rates, service levels, or capital expenditure. During the 2021-31 Long-Term Plan, Council decided that service levels would not be reduced during the 2021-31 Long-Term Plan, and that principle is prioritised over the achievement of savings.

\$6.607 million expenditure reductions/revenue increases resolved by Council on 2 March 2023

20. The below table (Table One) sets out the \$6.607 million operating expenditure reductions and revenue increases agreed at the 2 March Council meeting.
21. **Table One: Operating expenditure reductions and operating revenue increases resolved at the 2 March 2023 Council meeting**

Description of Item and impact	Financial Consideration	
	Balancing the books value (\$)	Impact
Education campaigns	130,000	Reduced expenditure
Level of service for cycle lanes	200,000	Reduced expenditure
R2, WA and SL1 resourcing	500,000	Reduced expenditure
River infrastructure	210,000	Reduced expenditure
Heritage Fund	80,000	Reduced expenditure
Building Information Model	190,000	Reduced expenditure
Quality of Life – Pulse Survey	25,000	Reduced expenditure
Climate change disclosure reporting	75,000	Reduced expenditure
He Pou Manawa Ora	100,000	Reduced expenditure
River infrastructure	209,000	Reduced expenditure
Enabling technology	250,000	Reduced expenditure
Core business processes	250,000	Reduced expenditure
Building Information Model (Three Waters)	79,000	Reduced expenditure
Water demand management reductions	113,000	Reduced expenditure
Cat de-sexing	50,000	Reduced expenditure
Reduction in consequential operating expenditure	3,170,000	Reduced expenditure
Increase water-by-meter charges	846,000	Increased revenue
Increase tradewaste charges	340,000	Increased revenue
Total	\$6,607,000	

Additional \$6 million expenditure reductions/revenue increases

22. As requested, staff have provided potential options to improve the balancing the books position in 2023-24. These total just under \$6 million (\$5,840,000). Some of the options identified are increases to operating revenue rather than reductions in operating expenditure.
23. Many of the options will have impacts on the delivery of programmes and services, and staff are not recommending these proposals.
24. Discussion by Elected Members at the 2 March Council meeting indicated to staff that Elected Members were particularly interested in budget rationalisation in relation to consultants, contractors, and personnel budgets. This is reflected in the list provided by staff for Council to consider.
25. This report details 13 options and additional options that are commercially sensitive have been provided in the Public Excluded report.
26. Introducing \$6 million additional expenditure reductions and revenue increases would take the balancing the books deficit to \$11 million – below the \$12 million projected in the last Annual Plan.

27. The below table (Table Two) sets out operating expenditure reductions and revenue increases with a combined positive balancing the books impact of \$2.37 million.

Table Two: Additional Operating expenditure reductions and operating revenue increases

Resolution Reference	Description of Item and impact	Financial Consideration	
		Balancing the books value \$	Impact
3 b) i)	<p>Reduction of budget to reflect external rates charge: The rates payable to Waikato Regional Council for our stormwater, wastewater and water reticulation systems are based on asset valuations. In the last valuation, the utilities values increased by a smaller amount than we had budgeted for, meaning we can reduce this budget with no material effect on the business. Impact: No reduction in level of service.</p>	120,000	Reduction in budget to match expenditure
3 b) ii)	<p>Department of Internal Affairs transition funding: Although the Department of Internal Affairs (DIA) is not making any commitment until the government has set out details of its Three Waters reset, Council expects the DIA to provide funding in 2023-24 to cover the ongoing transition cost to comply with the three waters legislation requirements, as it has in 2022-23. Impact: No impact, assuming the funding is received as expected. More information should be known by the Annual Plan deliberations meeting on 1 June, so the assumption could be revised at that meeting if necessary.</p>	300,000	Increased revenue in 2023-24
3 b) iii)	<p>Reduce internal audit work programme: This measure would halve the internal audit work programme. The internal audit work programme would be reprioritised to ensure they are focusing on key areas/risks. Impact: Reduction and refocus of the internal audit programme.</p>	100,000	Reduced expenditure in 2023-24
3 b) iv)	<p>Depreciation/interest: Continually reviewing our hedging strategy and application of depreciation rates to the infrastructure asset base. Impact: No impact on service levels.</p>	500,000	Reduced expenditure in 2023-24
3 b) v)	<p>Reduce the consultancy budget in Facilities Unit: There are occasions when unexpected issues are encountered – for example, detection of insect borer in buildings – meaning remedial work is required. This budget is used to undertake engineering reports or assessments for specialists to ensure the correct repairs are done. This measure represents a 15% reduction. Impact: If any major issues emerge for which</p>	100,000	Reduced expenditure on consultants in 2023-24

Resolution Reference	Description of Item and impact	Financial Consideration	
		Balancing the books value \$	Impact
	funding is required, staff would seek additional funding through the Finance and Monitoring Committee as per standard process.		
3 b) vi)	<p>Metro Spatial Plan (strategic transport): The Metro Spatial Plan has a total budget of \$1.4 million split evenly over 2022-23 and 2023-24. This proposal will reduce the 2023-24 allocation from \$700,000 to \$500,000. The funding for 2023-24 is targeted at implementing the recommendations of the endorsed Programme Business Case, with a core focus on further investigations into bus rapid transit design and operational considerations, a freight and logistics study, and an 'optimisation' workstream that looks at the staging and sequencing of the 30-year programme, future network planning, corridor mode priorities, level of service, and integration into the One Network framework. Funding also includes working with our Maaori partners on addressing rural access and equity issues. Elements of the programme could continue if funding were reduced. Impact: A reduction of the Council funding share would have implications to the programme implementation and benefits realisation of Councils outcomes, including but not limited to, reducing vehicle emissions, improving travel choice, and better integrated sustainable planning.</p>	200,000	Reduced expenditure in 2023-24
3 b) vii)	<p>Access Hamilton Strategy Implementation and Planning: This proposal is a 15% reduction in 2023-24 the consultants work programme used to deliver items from the Access Hamilton Strategy action plan, including implementation of parking area plans, climate emissions reductions, mode shift, network and asset management, transport revaluation, road safety promotions, environmental plans, and asset management plans. This also includes funding for engagement plans with the community, and the use of expert advice from consultants on matters that are of a technical or complex nature. Impact: Pausing this work will mean that the development of studies and plans required to inform the 2024-34 Long-Term Plan, National Land Transport Plan, Regional Land Transport Plan, and to implement the Access Hamilton Strategy, will be reduced for 2023-24 and delayed to 2024-25. Some plans may not be ready to inform the 2024-</p>	\$200,000	Reduced expenditure in 2023-24

Resolution Reference	Description of Item and impact	Financial Consideration	
		Balancing the books value \$	Impact
	34 Long-Term Plan.		
3 b) viii)	Automation programme: This measure would result in the slowing our investment in automation tooling and process investments. This represents just over a quarter of the budget for IT improvements for the business. Impact: This will significantly reduce the impact of automation to deliver business unit productivity improvements that will generate efficiency savings, and therefore potentially impacting on the achievement of the CE savings target of \$11 million.	\$500,000	Reduced expenditure in 2023-24
3 b) ix)	Do not do staff engagement survey for one year. Council usually undertakes an annual staff survey to understand the perceptions of staff in relation to Hamilton City Council as an employer. This survey is used to inform the CE's programme to create a highly engagement workforce. This proposal removes the funding for the staff survey. Impact: Council will use alternate ways of measuring engagement by way of a pulse check on the key engagement questions, leveraging our Culture Amp platform. This will not provide the depth of analysis and understanding as to what is driving the level of engagement but will give a high-level engagement score.	60,000	Reduced expenditure in 2023-24
3 b) x)	Reduced spend on consultants for wastewater modelling: This programme of work assesses impacts of changes and identifies improvements to the day-to-day operation of the wastewater network. Impact: Reducing funding by just over half has a risk of unanticipated wastewater overflows or increased customer impacts whilst work is being undertaken on the network.	30,000	Reduced expenditure on consultants in 2023-24
3 b) xi)	Reduced spend on education – Waters: This budget funds education material and campaigns for the community on appropriate stormwater and wastewater management. Impact: Almost entirely removing this budget has a risk of contributing to the increased risk of wastewater overflows and stormwater quality in the network.	10,000	Reduced expenditure in 2023-24
3 b) xii)	Reduced spend on consultants for the review of the connections policy This policy provides clarity about Council's approach to service connections and charges to the city's water, wastewater and stormwater	30,000	Reduced expenditure in 2023-24

Resolution Reference	Description of Item and impact	Financial Consideration	
		Balancing the books value \$	Impact
	networks for private properties. The review seeks to further support the impacts of government policy changes. Impact: Reducing funding by around three quarters will mean staff will need to carry out the bulk of the policy review work which will likely delay the policy review and implementation.		
3 b) xiii	Delay Lido Feasibility Studies: This proposal is to defer the studies to 2024-25, and the associated capital to 2025-26. Council approved the covering of the Lido pool through the 2021-31 Long-Term Plan as a project to improve leisure swimming space all year round. This project was planned to commence in 2023-24 and is currently in its early stages, with work on finalising the business case underway. Impact: The project would not be undertaken within the planned timeframe. An investigation into future aquatics provision and needs analysis is underway in partnership with Sport Waikato. A delay to the project is beneficial as it would enable incorporation of this analysis into the business case, asset management plans, and 2024-34 Long-Term Plan.	\$220,000 (operational expenditure component)	Reduced expenditure in 2023-24

Capital Expenditure

28. At the 2 March Council meeting, staff set out a revised capital programme for 2023-24 of \$375 million.
29. In response to Elected Member feedback at that meeting, staff have further reviewed the capital programme. The programme has now been further reduced by \$37 million to \$338 million.
30. The following assumptions have been made:
 - i. The definition of a 'committed' project is a project which would be challenging to reverse at this stage – for example, funding agreements signed and/or contractually committed.
 - ii. Budget remaining for non-committed projects is usually for planning and design to ensure projects are ready to proceed subject to funding.
 - iii. There are no consequential operating expenditure savings from the extra deferrals as consequential operating expenditure savings of \$3.17 million were already declared at the 2 March 2023 meeting.
 - iv. Consistent with current process, any budget that has been deferred out of 2023-24 into future years can be brought back to 2023-24 through the standard reports to the Finance and Monitoring Committee. Only if additional budget is needed outside this will a separate report be provided to Council.

31. The following risks are associated with the extra deferrals:

- i. The impacts on the market of the recent Cyclone Gabrielle have not yet been fully considered. These impacts will be:
 - a) Further pressure on resource availability (staff, consultants, contractors).
 - b) Increased material supply difficulties (emerging issue such as Peacocke Bridge components manufactured in Hawkes Bay).
 - c) Increased cost escalation.
- ii. The revised programme does not include funding for land acquisition to meet Council designation obligations (advised to potentially be \$20-30 million at the Strategic Growth and District Plan Committee of 23 February 2023).
- iii. Transport projects pushed into the 2024-27 National Land Transport Programme period have much reduced certainty of attracting the Waka Kotahi subsidy.

32. The following table (Table Three) outlines the revised Capital Programme, taking into consideration approved changes and forecast rephasing.

Table Three: Revised Capital Programme for Years One to Five of the 2021-31 Long-Term Plan

Year	2021-22	2022-23	2023-24	2024-25	2025-26
	\$ million	\$ million	\$ million	\$ million	\$ million
Capital Programme as per 2021-31 Long-Term Plan	328.67	316.31	277.97	194.79	168.56
Previously approved through the 22-23 Annual Plan or Finance Committees					
Deferrals from 2020/21	51.46	18.23			
Approved changes	17.99	52.75	54.37	11.09	64.89
Deferrals and rephasing from 2021/22 and 2022/23	-146.81	-60.96	203.17		
Proposed Change through the 23-24 Annual Plan					
Rephasing of 2023-24 Budgets ¹			-223.55	206.08	17.47
Additional inflation for 2023-24 for high risk projects ²			9.71		
Annual Plan Change Requests ³			-4.15	-4.44	-2.94
Forecast addition deferrals from 2022-23 into 2023-24 ⁴		-26.00	20.00	6	
Reforecasted Capital Programme	251.31	300.33	337.52	413.52	247.98

Notes:

1. See list of proposed budgets for rephasing in Attachment 1.
2. 7% inflation on projects where there is a moderate to high chance that cost escalation of materials and/or labour will impact this project. All other projects have 3% inflation as per the 2021-31 Long-Term Plan.
3. Software as a Service as and increased parking enforcement.
4. As indicated at the February 2023 Finance and Monitoring Committee, this brings the total forecast deferrals from 2022-23 to \$60 million. There is a significant emerging risk associated with the extraordinary inclement weather during summer and the national emergency declared following cyclone Gabrielle. This is likely to have an impact on the progress and cost of some projects and the national workload following the cyclone will likely have a serious impact on external resource availability. The deferral estimate of \$60 million also does not take account of this emerging risk.

Consideration of Public Excluded options:

33. The Council should move to the Public Excluded section of this meeting.

Update of the population/dwelling forecasts:

34. Post adoption of the 2021-31 Long-Term Plan, Council approved the use of NIDEA high demographic projections for the purposes of planning and development of the 2022-23 Annual Plan. Staff have considered the impact on changes in population in relation to service delivery. There is no change to development contribution revenue as Council committed in its Development Contributions Policy to a fixed set of charges that increase annually until the next Long-Term Plan (2024-34).

Options

35. This report contains a number of options for improving the balancing the books position. Each of these can be considered individually on its own merits.
36. A decision on measures for inclusion in the draft Annual Plan is required at this meeting to enable community engagement on the draft Annual plan to take place, and to ensure Council meets its legislative requirements to publish its final Annual Plan by 30 June.

Financial Considerations - *Whaiwhakaaro Puutea*

37. The preparation of the Annual Plan budget is a regular operating activity funded through the 2021-31 Long-Term Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

38. Staff confirm that the recommendations in this report comply with the Council's legal and policy requirements.
39. None of the options, individually or combined, covered in this report trigger a 2021-31 Long-Term Plan amendment.

Climate Change Impact Statement

40. There are no known climate risks or adaption opportunities associated with this option.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

41. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
42. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
43. The draft 2023-24 Annual Plan budget is a continuation of the 2021-31 Long-Term Plan's Community Wellbeing Budget, which gives effect to Council's five priorities.
44. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

45. The key risks of the various options are set out in the respective 'Impact' sessions in Table [Two and One].

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

46. Section 95 of the Local Government Act 2002 (LGA) requires Council to prepare and adopt an annual plan each year. Prior to adoption, Council must consult according to the principles of consultation in section 82 of the LGA, unless the annual plan does not include significant or material differences from the content of the 2021-34 Long-Term Plan for the 2023-24 financial year.
47. Differences include variations or departures from the financial statements and funding impact statements, new spending, or delays to and abandonment of projects. Differences must be assessed for materiality and significance. Materiality is circumstance specific, and the materiality of any difference is assessed individually and cumulatively across all differences. A variation or new spending proposal or project triggers the requirement to consult if it is assessed as significant. Council's Significance and Engagement Policy is the primary tool for determining significance.
48. To determine the impact and consequence of a proposal, the significance test in Council's Significance and Engagement Policy is applied by reference to the key considerations:
 - i. alteration of a service which comes under Council's significant activities;
 - ii. transfer of the ownership or control of strategic assets;
 - iii. level of financial consequences in relation to unbudgeted operating cost or capital cost in the 2021-34 Long-Term Plan;
 - iv. ability to reverse the decision;
 - v. consistency with a prior decision or decisions;
 - vi. levels of public interest known;
 - vii. impact on proportion of the community; and
 - viii. degree of impact on affected people in the community.
49. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

Engagement

50. Details on the engagement options for the 2023-24 Annual Plan will be presented to Elected Members prior to the meeting.

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Council (Annual Plan) Public Excluded Minutes - 2 March 2023) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)
C2. Confirmation of the Elected Member Briefing Closed Notes - 15 March 2023		
C3. 2023-24 Annual Plan Draft Budget		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to enable Council to carry out negotiations to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (i) Section 7 (2) (j)
Item C3.	to protect the privacy of natural persons to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (a) Section 7 (2) (h) Section 7 (2) (i) Section 7 (2) (j)