

kōrero mai
now we're
talking...



Draft Annual Plan - 2023-24

He mahere hukihuki ā - tau 2023-24

Statement of Proposal
Submissions close Friday 9 June 2023

SECURING **TODAY**. SHAPING **TOMORROW**. STRONG **FUTURE**.

Stepping towards sustainability – Whāia te pae whakauka kia tata

Introduction - Whakatakinga

The draft Annual Plan sets out what projects and work Council proposes to deliver in the 2023-24 financial year (starting 1 July 2023) and the budget to achieve the mahi (work). The 2023-24 financial year is Year 3 of the 2021-31 Long-term Plan (LTP).

The proposal sees an average rate revenue increase is high at 18.5%.

The drivers and reasons behind this proposal are outlined in this document and we encourage you to read on.

Council is consulting on this proposal now. Consultation closes Friday 9 June 2023.



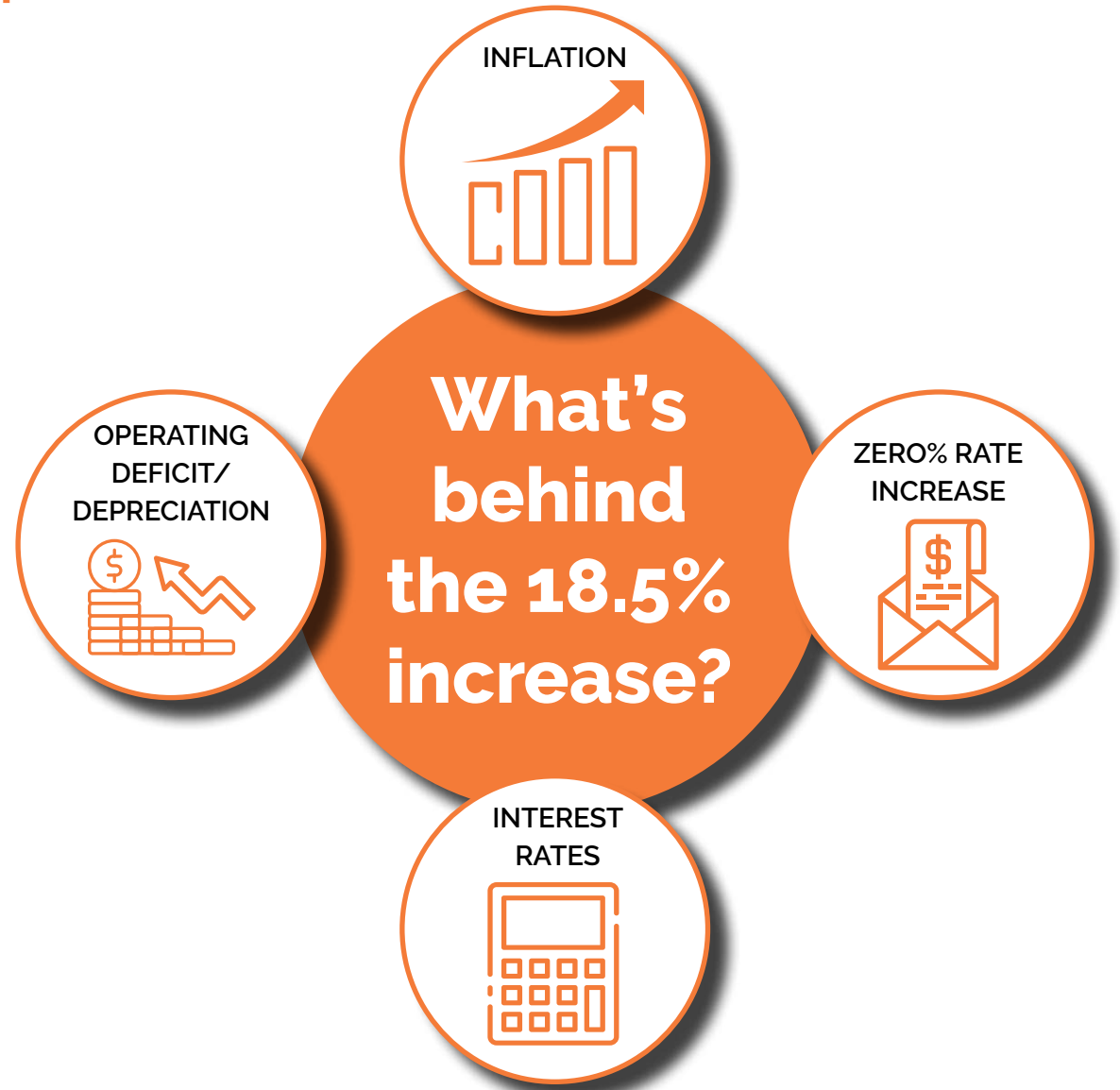
PANUI
READ
the
Consultation
Document



WHAKAARO
THINK
about the
proposal and
drivers



TUHITUHI
WRITE
your feedback
(see back
page)



We want to hear from you.

Ā tēnā, kōrero mai ki a mātou.

Proposal - Whakakaupapa

For the upcoming Annual Plan 2023-24, we are proposing a holding position to give Council time to repair the underlying financial issues. By doing this, in the future, Council can refocus its spending to ensure it can deliver projects and services that are necessary, in an affordable way. The present projections are not sustainable in providing even basic services. This work is currently underway through the Long Term Plan (LTP) process. This is where Council's resources must be focussed.

Our focus for this Annual Plan is to work towards sustainable financial management in the face of significant challenges. Detailed analysis, investigation, planning and community consultation for our full suite of activities and services is underway – but not complete. This work will feed into the next LTP.

This draft Annual Plan is in keeping with Council's key focus of embracing and rising to the challenge of growth (te tupunga ohanga), building both Council and community resilience (kia eke panuku) and fostering relationships (ngā hononga) for the betterment of our people.

What is an Annual Plan? He aha tēnei mea, te mahere ā - tau?

Every three years we develop a Long Term Plan in consultation with the community. The LTP sets our direction and work plans for the following ten years. The LTP 2021-32 was completed in June 2021 and amended in 2022, to include capital works projects in the three waters space.

For the two years following the adoption of the LTP, we develop an Annual Plan (Years 2 and 3 of the LTP). Essentially, it's an update of what we agreed through the LTP. It highlights our budgets and work plans for the respective years.

We then report back to the community each year through the Annual Report.

We consult with our community on changes, as legislation requires.

The current draft Annual Plan 2023-24 is changed from the LTP. We would like your feedback on the change and the proposal.



The key change - Ko te panonitanga matua


Council is proposing an average rate revenue increase of 18.5%. Rates on some properties will be higher and/or lower than this average. Please see the rates examples alongside.


You can also go to our website and use the rates calculator for a more accurate result specific to your property.


This is changed from what was adopted in the LTP 2021-31 in June 2021 of 6.3% and increased to 7.2% through the LTP Amendment last year.

Average rate increases - Ko te pikinga toharite o ngā tāke kaunihera

Average rate increases vary across properties for several reasons, including your property type (rural, lifestyle, urban, other) and valuation where you live (Tokoroa, Putāruru, Tīrau etc).

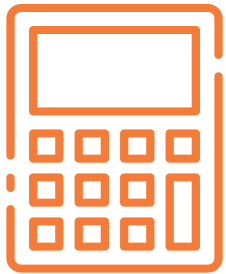
Urban 		Current Year - 2022-23 (year 2 of the LTP)		Next year - 2023-24 (year 3 of the LTP)	
	Arapuni	Avg Property Value \$485,000	Current rates \$3,108	Proposed rates \$3,726	Avg increase/week \$11.88
	Tīrau	Avg Property Value \$555,000	Current rates \$3,218	Proposed rates \$3,853	Avg increase/week \$12.23
	Putāruru	Avg Property Value \$475,000	Current rates \$2,979	Proposed rates \$3,576	Avg increase/week \$11.49
	Tokoroa	Avg Property Value \$380,000	Current rates \$2,682	Proposed rates \$3,229	Avg increase/week \$10.54

Lifestyle 		Current Year - 2022-23 (year 2 of the LTP)		Next year - 2023-24 (year 3 of the LTP)	
	Tīrau	Avg Property Value \$810,000	Current rates \$2,569	Proposed rates \$2,968	Avg increase/week \$7.69
	Putāruru	Avg Property Value \$750,000	Current rates \$2,401	Proposed rates \$2,778	Avg increase/week \$7.25
	Tokoroa	Avg Property Value \$730,000	Current rates \$2,323	Proposed rates \$2,688	Avg increase/week \$7.02

Rural 		Current Year - 2022-23 (year 2 of the LTP)		Next year - 2023-24 (year 3 of the LTP)	
	Tīrau	Avg Property Value \$3,889,000	Current rates \$11,093	Proposed rates \$12,736	Avg increase/week \$31.58
	Putāruru	Avg Property Value \$3,620,000	Current rates \$10,373	Proposed rates \$11,915	Avg increase/week \$29.64
	Tokoroa	Avg Property Value \$4,917,000	Current rates \$13,776	Proposed rates \$15,796	Avg increase/week \$38.85

The DRIVERS behind the 18.5% proposal – Ko ngā take e piki ai ki te 18.5%

INTEREST RATES Itareti



Interest rates have doubled which increases the cost of repaying our debt.

INFLATION Tāmi ahumoni

Inflation is hitting everyone hard, and our business is no different. The inflation rate of 7.2% affects a range of expenses.



ZERO% RATE INCREASE

Ko te pikinga koretanga o ngā take kaunihera

During COVID, Council made the decision to adopt a zero percent rate increase (for the 2020-21 financial year). We did this at the time due to the hardships amid the COVID crisis. We were always going to have to make that up. Catching up from the zero increase from several years ago accounts for 7% of the 18.5% proposed total.



COST ESCALATION – Te pikinga ake o te utu

Escalating infrastructure costs, including costs for freight, materials, fuel and labour have made capital works far more expensive to deliver. Supply chain delays have particularly affected the procurement of civil engineering materials, as well as necessary equipment. These factors are facing all councils. While some councils have made the decision to reduce operational spend by cutting or postponing capital projects and reducing services, our Council is not able to do that because our district is already behind in its response to growth. If we take our foot off the accelerator now, we're never going to catch up.

ENERGY costs have increased by 83% with a further 29% since 2021.



CONTRACT costs have increased by 30% since 2021.

SALARY increases as talent shortages continue to create a competitive job market and difficulty in recruitment.



Two years of **COVID** recovery from lockdowns and skills shortages have seriously impacted our economy.

SUPPLY CHAIN DEMAND has resulted in escalating infrastructure costs, including costs for freight, materials, fuel and labour are impacting progress and budgets.



OPERATING DEFICIT/DEPRECIATION

Takarepa Whakahaere/Pūtea hekenoa wāriu

Our district has been growing for the past five to six years. Prior to that we were declining. We have cut our cloth to suit this decline, but that has changed. As we moved out of a decline phase into a growth phase, we were also mindful of keeping rates as low as possible. But we've done this for too long and it's catching up with us.



In the past Council has borrowed money (by loans and from reserves) to subsidise operations and under-funded depreciation. This is not a sustainable solution. It's like borrowing from the bank to pay your grocery bill. Borrowing is good, *IF* it's for a house or even a car, but not for your day-to-day expenses. Using loan funding and/or reserve funding to prop up operational spend is not sustainable. It basically means that our income has not kept pace with the cost of running Council. As a result of this method of funding operations we have a forecasted deficit of \$7 million.

How did we get to 18.5% - He aha te take i whakatauria ai te 18.5%

Council looked at three scenarios to arrive at the proposed 18.5% average increase.

Partly address the deficit - 18.5% - Ki te anganui hukihukitia te takarepa -18.5%

This scenario is the only feasible way forward in Council's view. The longer we delay addressing the fundamental financial sustainability problem coupled with the financial challenges that are not going away and will likely only get worse, the more severe the correction will be when it comes.

We can't keep funding operational expenses through debt. Our annual deficit just grows.

To bring our deficit to a manageable level at \$4 million (reduced from \$7 million) we are proposing an 18.5% average rate increase. This gives us the necessary breathing space to focus our efforts on the upcoming LTP. Over time, the deficit starts to reduce and Council won't reach its debt cap. As part of this process, we will address structural budget reform, external challenges, a complete activity review, a review of levels of service, funding models and other; alongside community engagement.

Our Council has kept rates increases as low as possible for years. Most of our neighbouring councils have been increasing rates to cover cost challenges over the past years. We've tried to remain low, but it's not sustainable.

The proposed average rate increase of 18.5% strikes a balance between financial sustainability and rates affordability.

The proposed 18.5% rate increase in dollar terms is \$13.77 per week. Please see the rates examples earlier in this document (on page 4) for more detail.

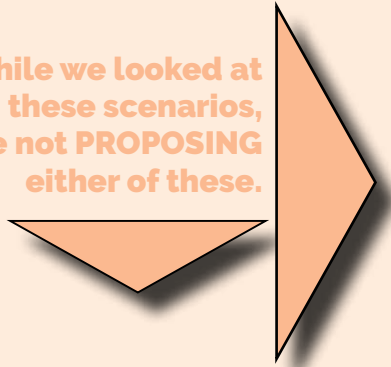


We can't keep funding operational expenses through debt. Our annual deficit just grows.



**This is our
PROPOSAL**

While we looked at these scenarios, we're not PROPOSING either of these.



Address the deficit issues - 27% - Ki te anganuitia te āinga ā ōhanga - 27%

To fix the deficit, cope with the bow wave caused by the zero per cent rate increase we adopted during COVID and meet the current financial challenges, we need approximately 27% more income than we're currently receiving.

Obviously a 27% average rate increase is too high.

Don't address the deficit – 10% - Ki te kore te takarepa e anganuitia -10%

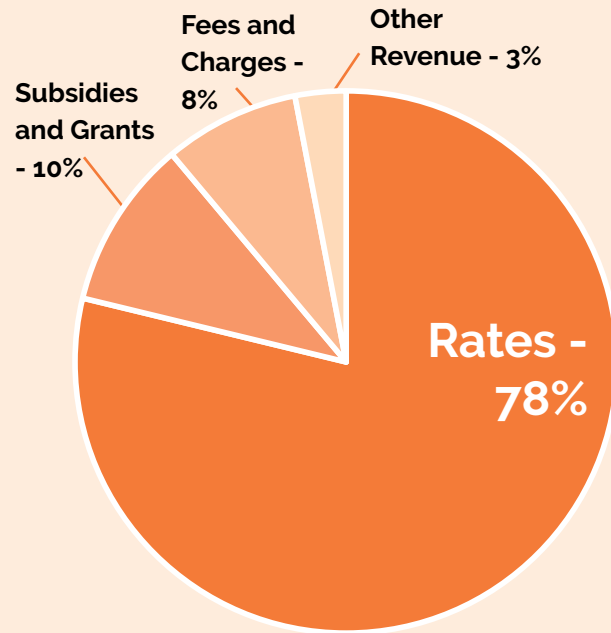
We looked carefully at not addressing the deficit of \$7 million at all. Under this scenario, we would still need a 10% rate increase to tread water. We don't believe this is sustainable. At a high level, we looked at a range of services and activities to achieve some savings. Some savings have been made, however most of the items (or activities) require significant levels of analysis, robust community engagement and an LTP Amendment. This volume of work is better done as part of the next LTP, not mid-LTP cycle. The analysis below is incomplete. It is a massive amount of work that we need more time to do properly before having robust discussions with our community.

But it's worth including for our community to start thinking about the services and activities our people get from Council and what sorts of things people would be willing to change, reduce or receive differently.

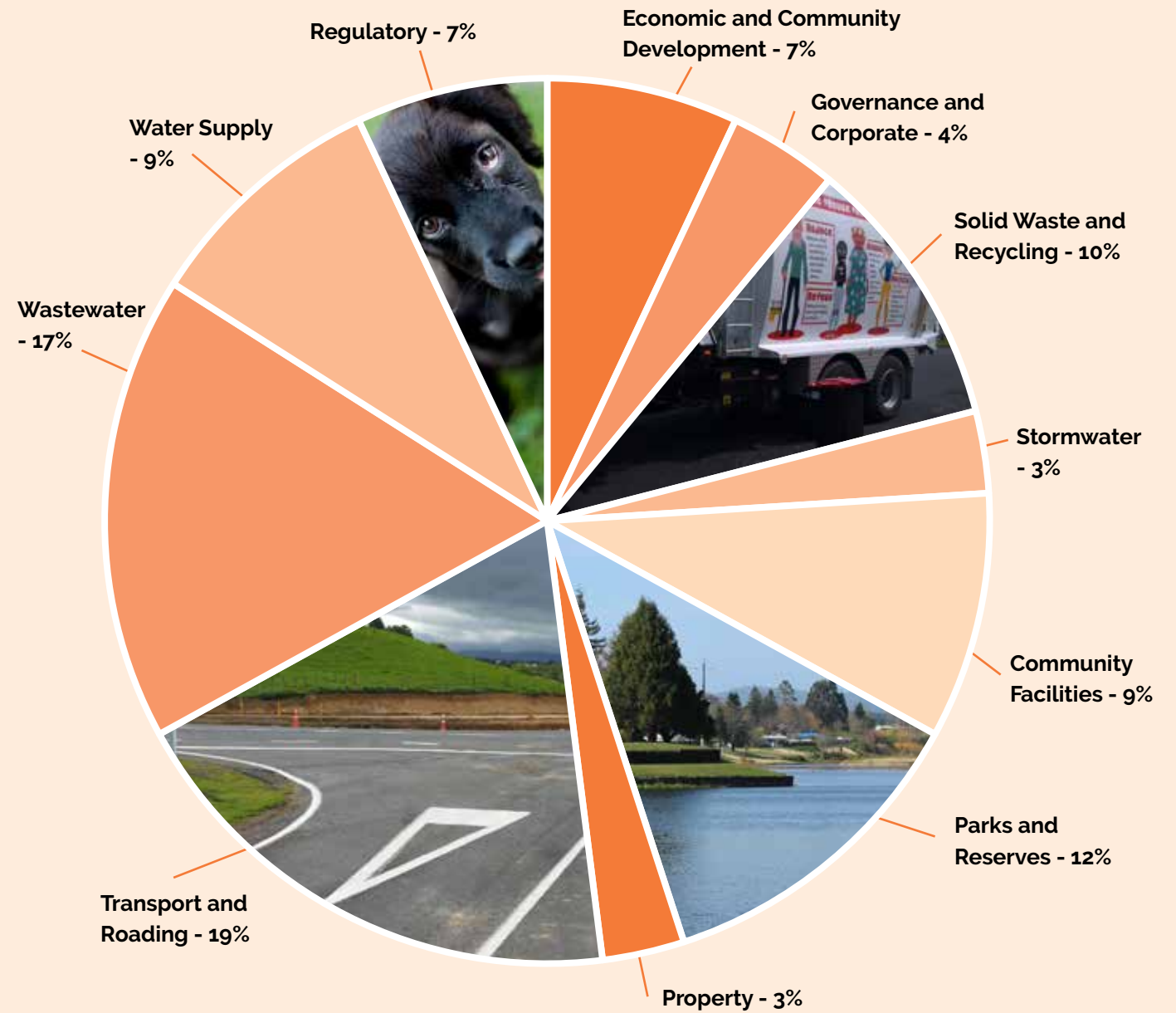
Activity	What we could potentially look to change	Possible impacts
Roading	Reduce roadside mowing, second road marking, maintenance/issue response times, cleaning cycles, information collected.	Safety, land instability, network availability, unkempt, knowledge
Parks and Reserves	Increasing grass height, removal of flower beds, reduced maintenance of play equipment and other park structures	Scruffy looking, litter accumulation, visual appeal, safety, reduced reserve use, negative perception
Solid Waste	Close or reduced hours of transfer stations	Increased travel for residents, reduced access, increase in illegal dumping, negative perception of district
Community contracts	Council has several community contracts in place amounting to almost \$1M.	Need for groups to source funding elsewhere, loss of community service
Community grants	Council's grant scheme supports a range of community groups to deliver programmes to our community	Lower levels of community support for a range of programmes
Facilities	Closure or reduced operating hours of facilities such as Tīrau i-site, Putāruru service centre	Community accessibility, staffing, leasing arrangements, service delivery
Pools	Closure and/or reduced operating hours of Indoor pools and/or seasonal pools	Availability for community, service delivery
Consultants	Consultants are used by Council for specialist work that staff cannot do	Ability to obtain specialist advice compromised
Council owned buildings	Reduce maintenance schedules	Unkempt Council buildings, facility deterioration

The money - Te pūtea

Where our money comes from
- I ahu mai te pūtea i whea?



What your money pays for - He aha tāu pūtea i utua ai?





A word on three waters – He kōrero mō Ngā Wai e Toru


You may have read that Council is only partly supportive of the water reforms proposed by Central Government. Even with the more recent announcements that increases the number of water entities from four to ten, we still have concerns about asset ownership and loss of local voice.

Council has committed over \$50 million to several capital projects in the three waters space. This is being loan funded to minimise the impact on rates. This is an example of good borrowing.

When/if the Government takes three waters off local government, they take our assets, reserves, costs and debt. This means that our debt commitment becomes the entity's debt. This was set to happen in 2024 (next year) but it has been pushed out to 2026. Which means we could keep our debt for two years longer than anticipated.

Planning around our Three Waters' needs is challenging for next year's LTP. There is even talk of councils doing budget modelling for two LTP scenarios – one with three waters and one without. Lack of clarity in this space continues to be an issue. Uncertainty from Government around the resource management reforms is also complicating our budgeting planning for the long term. Economic circumstances in New Zealand are not getting any better. There is also a very real struggle in both the public and private sectors for talent, capability, contractors, suppliers and materials.

We've already started work on this. The community will have opportunity to be involved.



The 2024-34 Long Term Plan - Ko te mahere pae tawhiti

We have already started doing work on the 2024-34 Long Term Plan. This is where we must put our limited resources and effort. The landscape has changed dramatically since the 2021-31 LTP was adopted. This is why Year 3 (the coming 2023-24 year) has such a large average rate revenue increase.

During 2023 and the early part of 2024, staff will be engaging with communities regarding the full breadth of our services - what we deliver and how, at what level we deliver each service, and how to best fund the activity between rates and fees and charges.

We're signaling change. We cannot continue to deliver the current suite of services at the current level, sustainably into the future. So together we're going to have to make some tough decisions. We'll need to decide what services we can cut, what services we can deliver using a different more efficient model (shares service for instance with other councils), and what services we can no longer afford to deliver at the current level.



How to have your say | E whakatakoto whakaaro ai koe

The consultation period is open from Friday 12 May and closes on Friday 9 June 2023. When you make a submission you can choose if you want to speak to Council at a public hearing which will be held on 16 June. You will be given five (5) minutes to share your views and additional time for questions if necessary.

If you don't wish to speak, your feedback will be presented to Councillors as part of the Hearings Agenda. Council will consider all submissions. All submissions will be publicly available on Council's website (names and submission only, not contact details). All submitters will receive a response following decisions.

- Online submission - link at our website.
- Email - info@southwaikato.govt.nz - please write Annual Plan 2023-24 in the SUBJECT bar.
- Write - SWDC, Private Bag 7, Tokoroa, 3444
- Phone - 07 885 0340 (8am - 5pm Monday to Friday).
- Attend one of our Annual Plan drop-in sessions or public meetings (watch Council's social media channels, Antenna and/or our local newspaper, South Waikato News).



Scan me!

Prefer to do an online submission?

Go to www.southwaikato.govt.nz. Click on: *Community Engagement*

Office use only

Submission form | He puka tāpae kōrero

Name: _____ Surname: _____ Street address: _____ Town: _____

Email: _____ Phone: _____

If your submission is on behalf of an organisation, please identify: _____

Do you wish to speak to your submission at the hearings, please circle: Y N

Council's consultation process is public and your comments will be available for public inspection. Your submission won't be returned to you. If you require a copy, please make one before submitting. You may include additional sheets of paper.

Q1 - What are your thoughts about the proposed Annual Plan rate increase?

Q2 - Do you have anything else you would like to add?

Use additional paper if needed.