1.0 THE THINKING BEHIND COUNCIL'S 10 YEAR PLAN FOR A **MORE SUSTAINABLE HAMILTON**

NGAA WHAKAARO O TE KAUNIHERA MOO TE TEKAU TAU KAUPAPA **KAUNEKE TAUWHIRO**

1.0 THE THINKING BEHIND COUNCIL'S 10 YEAR PLAN FOR A MORE SUSTAINABLE HAMILTON

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1.1 WHY A 10 YEAR PLAN?

Every three years all councils in New Zealand are legally required to produce a 10 year plan for the area they administer. The plan (known as a Long-Term Council Community Plan – LTCCP) must outline what each council plans to do over this period, including the activities it proposes to undertake, the cost of undertaking these activities, how they will be paid for and how they will promote community well-being. The LTCCP also outlines the services that will be provided and the projects that will be undertaken over the next 10 years.

Council's 2009-19 LTCCP (presented in two volumes) has been developed with a key focus on minimising rates increases. However, this has to be balanced with the need to invest in projects and programmes that will continue to provide quality services to the community and promote its well-being.

Volume 1 outlines the overall philosophy and thinking behind the development of the plan. A key component is the section around delivery of Council's services through 10 Activity Groups. This addresses service level provision, including key performance measures and targets.

Volume Two contains Council's core financial policies (e.g. the Rating Policy and the Development and Financial Contributions Policy) as well as a full list of the funded projects planned to be undertaken over the plan's 10 year period. It also includes the full list of unfunded projects.

The content and direction of Council's 2009-19 LTCCP is based on a series of inputs that have been developed over a considerable time period. Many of these inputs have already undergone extensive community engagement and feedback processes. For example, over the past five years Council's Quarterly Residents Survey has identified transportation as the main issue residents want Council to address. Council is responding primarily through the Access Hamilton Strategy (refer Section 3.6), which aims to provide the city with a more sustainable and integrated multi-modal transportation system. This LTCCP has made budget provision of $118 million over the 2009-19 period to maintain and enhance the city's transportation network.

1.2 AN OVERVIEW OF WHAT IT LOOKS LIKE WHEN WE ADD IT ALL UP...

1.2.1 KEY ISSUES COUNCIL HAS FACED IN DEVELOPING THIS PLAN

- Times are tough and uncertain. The current worldwide recession that commenced in the latter part of 2008 has had a big impact on Council's approach to developing an LTCCP that keeps pace with the city's growth needs, maintains and enhances assets, ensures existing service levels are maintained and, most importantly – is affordable.
- The resultant downturn in Hamilton's construction sector has significantly reduced Council's revenue from new rating growth and from building and development fees (with the revenue from development contributions currently down to just over 30% of that budgeted for 2008/09 – from $18.6 million to $6 million). The recession is likely to continue in the short-term.
- Despite this short-term slowdown in growth, Hamilton's population is still projected to increase by around 25,000 people between 2009-19. The resultant housing and business growth will place further pressure on Hamilton's infrastructure and on how, where and when the city should develop.
- There is increasing community expectations (including through the community's goals known as Hamilton's Community Outcomes) that Council will continue to provide new facilities as well as upgrade existing ones.
- Costs that impact directly on Council's operations have also increased significantly over recent years, particularly around labour, construction and materials, e.g. the cost of bitumen used in road construction increased by 55.6% between May 2004 and May 2009.
- While Council is taking advantage of the recent lower interest rates, it also has to pay increasing margins to secure funding in an uncertain market which offsets the advantage gained by lower interest rates. In addition, the funding costs of future borrowing and the ability to continue raising debt in the current manner is uncertain and difficult to forecast.
- A considerable amount of the business that Council is in needs to comply with legislation and national standards. Increasing standards from new legislation results in increasing compliance costs for Council e.g. recent changes to water supply standards.
- The value of Council's assets has increased significantly – from $1.7 billion in June 2005 to $3.2 billion in June 2008. In effect, this reduces Council's spending power as it makes it more expensive to renew assets.

1.2.2 HOW COUNCIL HAS DEVELOPED ITS RESPONSES CONTAINED IN THIS PLAN

- A Strategic Framework for Hamilton, underpinned by eight key Strategies, drives Council's operations and provides a reference point for decision-making. Collectively the Strategies provide a means of delivering on the community's goals – Hamilton's Community Outcomes. They will also provide a unified approach in making Hamilton a more sustainable city through aligning the strategic planning and service delivery of the city's key organisations and stakeholders with Council's *Vibrant Hamilton* vision.
- The Hamilton Urban Growth Strategy (HUGS) is one of these Strategies and outlines a comprehensive approach for how the city's growth will be planned for and managed over the next 35 years. HUGS promotes four growth propositions and provides the basis for key growth-related projects in this LTCCP. HUGS works within the context of FutureProof (the growth strategy for the sub-region).
- Council used a Prioritisation Tool to assist in delivering on a balanced and affordable 10 year work programme. To make the budget more affordable, many projects have been scaled back in scope or have had their timing delayed, and some have been cut completely (and are now listed as unfunded projects).
- The 10 year budget takes cost increases into account by basing inflation assumptions on a series of price level change adjustors specific to the local government sector.
- In order to help ensure there is adequate funding provision available to renew assets when they wear out, Council has established a special asset renewal reserve fund. A total of $56.7 million is proposed to be set aside over the 2009-19 period for this purpose.
- Examples of measures taken to make the budget more affordable include:
  - » Increased efficiency gains in operating budgets.

- » Reducing the Event Sponsorship Fund by $1 million over the next 10 years.
- » Retaining a cap on Council staff numbers.
- » Cutting or holding consultant and legal costs to 2008/09 levels.
- » Adjusting development contribution charges to ensure the development community pay their fair share of infrastructure provision.
- » Not increasing current levels of service over the initial period of this LTCCP, particularly in the first three years.

- Council will continue to monitor and analyse the economic climate and assess its proposed 10 year programme of works in light of whether the current recession continues to deteriorate or improve. Further deterioration may result in additional deferral of projects related to growth. Conversely, projects that have had their timing deferred may be brought forward, depending on factors such as increased income generated through rating growth, development contributions and fees and charges.

1.2.3 WHAT THIS PLAN WILL MEAN FOR COUNCIL AND THE COMMUNITY

- The 2009-19 LTCCP delivers on a balanced and affordable 10 year work programme. Over the 10 year period of this 2009-19 LTCCP, Council is planning to undertake 273 capital, renewal and special – based projects and programmes (known as Strategic Action Plans or SAPs) with an estimated cost of $1.197 billion.
- Undertaking the projects and programmes in the LTCCP will result in an average rates increase to ratepayers for 2009/10 of 4.38%. Overall, average rate increases are proposed to gradually reduce over the 2009-19 period, with a 2.70% increase forecast for 2018/19.
- Current levels of service will be maintained over the initial period of this LTCCP.
- While debt is forecast to double between 2009/10 ($357 million) and 2018/19 ($699 million), this needs to be considered in the context of:
  - » Wear and tear on existing infrastructure and the subsequent maintenance or renewal of new infrastructure to meet the needs of a growing city.
  - » The share of debt funded by contributions from developers will increase as a proportion of total debt (from 34% in 2009/10 to 52% in 2018/19).
  - » Funding capital projects using debt and borrowing this money over extended periods ensures that the debt load is shared across both current and future generations who will benefit from these facilities.
  - » The ability of Council to control expenditure on growth related projects if demand changes.

Given that Council has the flexibility to respond to changes in its operating environment through a range of mechanisms, it is strongly of the view that this LTCCP is both financially sustainable and provides a balanced programme of works that will enhance the community's well-being.

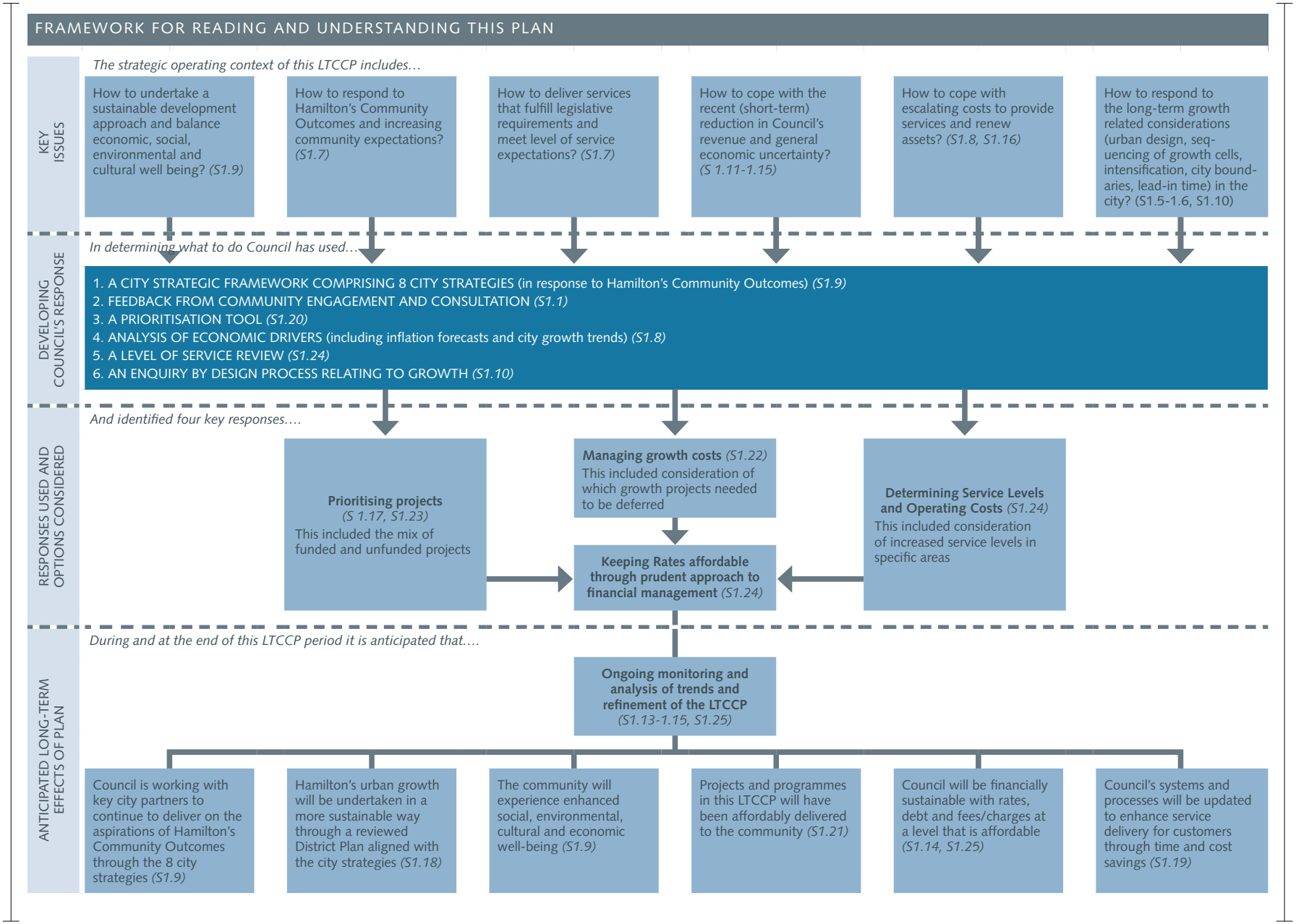
1.3 FRAMEWORK FOR READING AND UNDERSTANDING THIS PLAN

The following figure identifies the key issues that this LTCCP has considered and the processes and tools Council has used to develop its responses. The plan embodies four key responses that Council will be undertaking to ensure that it continues to deliver services to the community that maintain and where possible enhance community well-being. Costed options for the community to consider were provided for each of these four responses. These responses and options were the major focus points for engagement with the community on the proposed plan.

The plan has been developed during a period of economic uncertainty and may therefore need updating as situations change. Through ongoing monitoring and analysis of the economy Council will respond to either improving or deteriorating economic trends through a range of mechanisms. These include reporting progress against budgets and making decisions through the regular Council committee and meeting rounds, continuing to aggressively manage costs across Council's business and undertaking publicly consulted amendments if any significant changes are proposed during the period of the 2009-19 LTCCP.

The following figure also describes the main outcomes that Council wants this plan to deliver on over the next 10 years.

N.B. Italicised text in brackets references the relevant part of this section that provides more detail and discussion.


FRAMEWORK FOR READING AND UNDERSTANDING THIS PLAN
KEY ISSUES
The strategic operating context of this LTCCP includes…
How to undertake a sustainable development approach and balance economic, social, environmental and cultural well being? (S1.9)
How to respond to Hamilton's Community Outcomes and increasing community expectations? (S1.7)
How to deliver services that fulfill legislative requirements and meet level of service expectations? (S1.7)
How to cope with the recent (short-term) reduction in Council's revenue and general economic uncertainty? (S 1.11-1.15)
How to cope with escalating costs to provide services and renew assets? (S1.8, S1.16)
How to respond to the long-term growth related considerations (urban design, sequencing of growth cells, intensification, city boundaries, lead-in time) in the city? (S1.5-1.6, S1.10)
DEVELOPING COUNCIL'S RESPONSE
In determining what to do Council has used…
1. A CITY STRATEGIC FRAMEWORK COMPRISING 8 CITY STRATEGIES (in response to Hamilton's Community Outcomes) (S1.9)
2. FEEDBACK FROM COMMUNITY ENGAGEMENT AND CONSULTATION (S1.1)
3. A PRIORITISATION TOOL (S1.20)
4. ANALYSIS OF ECONOMIC DRIVERS (including inflation forecasts and city growth trends) (S1.8)
5. A LEVEL OF SERVICE REVIEW (S1.24)
6. AN ENQUIRY BY DESIGN PROCESS RELATING TO GROWTH (S1.10)
RESPONSES USED AND OPTIONS CONSIDERED
And identified four key responses….
Prioritising projects (S 1.17, S1.23)
This included the mix of funded and unfunded projects
Managing growth costs (S1.22)
This included consideration of which growth projects needed to be deferred
Determining Service Levels and Operating Costs (S1.24)
This included consideration of increased service levels in specific areas
Keeping Rates affordable through prudent approach to financial management (S1.24)
ANTICIPATED LONG-TERM EFFECTS OF PLAN
During and at the end of this LTCCP period it is anticipated that….
Ongoing monitoring and analysis of trends and refinement of the LTCCP (S1.13-1.15, S1.25)
Council is working with key city partners to continue to deliver on the aspirations of Hamilton's Community Outcomes through the 8 city strategies (S1.9)
Hamilton's urban growth will be undertaken in a more sustainable way through a reviewed District Plan aligned with the city strategies (S1.18)
The community will experience enhanced social, environmental, cultural and economic well-being (S1.9)
Projects and programmes in this LTCCP will have been affordably delivered to the community (S1.21)
Council will be financially sustainable with rates, debt and fees/charges at a level that is affordable (S1.14, S1.25)
Council's systems and processes will be updated to enhance service delivery for customers through time and cost savings (S1.19)

1.4 WHAT ARE COUNCIL'S RESPONSES IN THIS PLAN AND WHAT OTHER OPTIONS WERE CONSIDERED?

Council is aiming to deliver on a balanced and affordable 10 year work programme, while at the same time seeking to meet increasing community expectations. Through the consultation process on this LTCCP, Council engaged specifically with the community on the four key responses that have been used in the development of this plan.

RESPONSE 1. PRIORITISING PROJECTS

This LTCCP contains projects that Council has made funding provision for and a list of projects that are not funded at this stage. In determining what projects should be funded in this LTCCP Council selected those that it considered would most enhance the city's social, economic, environmental and cultural well-being.

A list of funded projects considered to be of high community interest is provided in Section 1.17 (more detailed information on these projects is provided in Section 7.6). A full list of all 273 funded and 90 unfunded projects, comprising capital, renewal and maintenance projects, is included in the appendices to Volume Two of Council's 2009-19 LTCCP.

The options Council considered in prioritising projects:

- Completely remove projects from the currently proposed funded programme.
- Defer timing of certain projects in the currently proposed funded programme.
- Scale back the scope of certain projects in the currently proposed funded programme.
- Add projects to the funded programme from the currently proposed unfunded programme.

RESPONSE 2. MANAGING GROWTH COSTS

The economic slowdown and international credit crisis that began in the latter part of 2008 has dramatically slowed recent development growth in Hamilton (particularly growth in the building of new houses). Given this slowing of development activity, Council has been required to aggressively manage growth costs as revenue obtained from development activity (used to fund Council growth programmes) contracted. This LTCCP contains a number of significant interventions to manage growth costs including:

- Deferring completion of the new library and swimming pool for the north-east sector to 2014/15.
- Deferring further investment in infrastructure to provide for residential growth in Stage 1 of the Rotokauri Structure Plan and Stage 1 of Peacocke Structure Plan, based on forecast demand and the current oversupply of land for sale.
- A change in philosophy for the funding of growth related infrastructure to shift some of the financial risk from Council to the development community. A less aggressive 'just in time' approach to the planning of infrastructure has been taken to ensure that growth related infrastructure is not provided before it is actually required.

Charges for development contributions were also revised to ensure that the costs of providing growth related infrastructure are more accurately identified and paid for by the development community.

It is also noted that the ability for councils facing significant growth in their districts to sustainably fund growth and other capital projects over the long-term is limited. This matter needs to be addressed by the local government sector and central government in the near future.

RESPONSE 3. MAINTAINING EXISTING SERVICE LEVELS AND OPERATING COSTS

Council provides an extensive range of services based on agreed levels with the community – these are known as service levels. Examples include the weekly refuse and kerbside recycling service and the regular mowing and other maintenance of Council sports grounds and parks.

During the development of this LTCCP, Council reviewed the range of service levels provided to the community and identified a number of priorities for enhancement to service levels. Service levels that were prioritised for enhancement were:

- Acceleration of playground programme.
- More diversity in traffic island and street amenity planting.
- Increased provision of bus stops and shelters.
- Acceleration of library collection improvements programme.

However, when the budget was developed these enhancements were generally considered unaffordable and therefore not been included in the final LTCCP. As such the range and current level of services delivered to the community is not

proposed to increase in the initial period of this LTCCP – particularly in the first three years. Overall, Council has produced a budget that maintains the current service levels.

In addition, Council scrutinised its operating budgets and various reductions to these budgets were achieved in the development of the 2009-19 LTCCP period. Examples include greater efficiency gains in staff and contractor resourcing and a reduction in funding provision for the production of the CityNews publication.

In order to identify further efficiency opportunities, Council is also intending to undertake a service delivery review of its operations in 2009/10 (refer Sections 1.24 and 7.5.1 for more detail).

RESPONSE 4. KEEPING RATES AFFORDABLE

The reasonableness and affordability of the average rates increases forecast over the 10 year period of the LTCCP has been a major matter of concern for Council as increases to rates can have a significant detrimental effect on the economic well-being of particular parts of the community. Keeping rates at an affordable level has been a primary driver in responding to the issues impacting on the development of this LTCCP.

Factoring in anticipated inflation of prices and costs to Council, rates are projected to increase by the following average amounts annually for ratepayers (allowing for growth in the rating base).

FINANCIAL YEAR (ENDING JUNE)		AVERAGE RATES INCREASE (%)
Year 1	2009/10	4.38
Year 2	2010/11	4.66
Year 3	2011/12	5.52
Year 4	2012/13	5.69
Year 5	2013/14	5.19
Year 6	2014/15	5.51
Year 7	2015/16	5.10
Year 8	2016/17	3.81
Year 9	2017/18	2.79
Year 10	2018/19	2.70

Council's revenue is largely a mixture of rates, fees and charges from service users, subsidies from central government and income from investments. This means that Council has to carefully analyse and determine how provision is best made to meet any proposed expenditure increases. A key part of this analysis includes assessing who benefits from the service and therefore where the associated funding for the service should come from.

In developing this LTCCP Council has closely examined the level of fees and charges for its various services and in many cases increased these to ensure that the primary sectors of the community that use or benefit from these services pay their fair share of the service cost. This approach has helped to ensure that rate increases forecast over the 10 years of the LTCCP are minimised (refer to Section 10.0 for a list of services that have changes to fees and charges). The additional revenue projected to be generated through the changes to fees and charges in 2009/10 is $1.9 million. If these changes to fees and charges were not introduced the 4.38% average rate increase for 2009/10 would have needed to escalate to 6.32%.

1.5 THE CITY IS GROWING...

Historic and projected population and business growth is placing increasing pressure on how, where and when Hamilton will develop, as well as on its physical and social infrastructure. Over the next 10 years the city's population is projected to increase from 141,500 to 166,500 (with the number of houses increasing from 50,000 to 59,000), a population increase equivalent to two towns the size of Cambridge.

On average, this growth represents 42 extra people living in Hamilton each week and 16 new houses being constructed each week.

Such growth has also resulted in a number of key issues facing the city such as transportation, city safety, the long-term security of Hamilton's water supply, and the ongoing viability of the city centre (particularly in regard to competition from other retail complexes throughout Hamilton).

1.6 OTHERS ARE COMING HERE TO EXPERIENCE WHAT WE ALREADY KNOW...

Hamilton's growth has a reasonably even split between a natural increase in population (an excess of births over deaths of residents) and an increase in net migration (the number of people coming from other places to live in Hamilton minus the number leaving the city). People obviously like living in Hamilton – it has a certain X factor that both retains and attracts new residents and it is now very much a destination city in its own right (refer Sections 2.6 and 2.7).

The city's popularity and reputation is evidenced by more than 8,000 Auckland residents who moved to Hamilton and its immediate surroundings between 2001 and 2006, and by results from Council's January – December 2008 Residents Survey, where 92% of residents rated Hamilton as a good place to live.

'It's a beautiful city. Lots of trees. It's not over populated and it's easier to get around'

'Because it's safe and a good place to live and beautiful, very green'

'Work satisfaction for me. I have lived here all my life, Council is very supportive in the community; the city is quite pretty'

'Because of the size, it is a good size. The transport system is good now. It has improved a lot'

'It just has all the facilities that you need in a city without it being too big, easy place to live'

The challenge then is for Council to deliver a programme through the 2009-19 LTCCP that ensures Hamilton's special features and characteristics are retained and enhanced.

1.7 IT WOULD BE GOOD TO DO MORE...

There is an expectation from residents that a city the size of Hamilton should have key facilities that are available in other centres. These facilities include the likes of museums, theatres, sports stadiums and venues capable of holding a range of local, national and international events. Due to the size and semi-commercial nature of such venues, in most cases it is unlikely that they would be provided by the private sector. Council recognises that the community's expectations for such facilities will continue to increase in line with the demands of a growing city, and has taken this issue into account in developing the 2009-19 LTCCP.

In addition to community expectation for the construction of new large facilities, there is also community desire to improve existing facilities and services. This too has the potential to increase costs.

There is evidence that in tough economic times additional pressure is placed on rate-subsidised Council facilities that are provided to the community at either no or little direct cost to users e.g. parks, swimming facilities and libraries. In these instances, Council incurs a financial impact due to the additional operating and maintenance cost requirements.

1.8 BUT COSTS HAVE BEEN INCREASING AT A RAPID PACE...

Over recent years New Zealand's inflation rate, as measured through the Consumers Price Index (CPI), has increased markedly. However, as a number of the CPI components that relate to Council's business have had above average increases (such as labour, construction materials and oil) the impact for Council has been magnified. For example, the cost of bitumen used for road construction increased by 55.6% between May 2004 and May 2009 (refer Section 5.1).

In developing this LTCCP, Council has looked at inflation levels based on research into price level change adjusters specific to the main component cost drivers for the local government sector. These were published in September 2008 by economic consultants BERL (Business and Economic Research Ltd). While the BERL research is useful in developing a longer term forecast of inflation impacts, due to the rapidly changing economic environment which has been experienced during the development of this LTCCP (and in particular since September 2008), it has been necessary to also consider research that has been more focused on shorter term inflation trends (refer Section 5.3).

Therefore when considering the impact of inflation on the forecast financial statements in the first two years of the LTCCP, Council has also drawn on research input from other New Zealand based financial institutions. Given the recent falls in inflation rates, Council has made an updated assumption that inflation will be 1.5% for year 2 (2010/11). As the impact of inflation has already been incorporated into the base budget for 2009/10, there is no need for inflation provision in this year.

Council has made separate assumptions regarding inflation rates impacting on operating and capital budgets. This is a change from the 2006-16 LTCCP where a single inflation assumption was used across all operational and capital expenditure budgets.

Council is also facing additional costs due to higher design standards that have resulted from community expectations for better urban design outcomes (refer to CityScope (Council's Urban Design Strategy) and Vista (Council's Urban Design Guide) in Section 3.6). In some instances there are also further costs of providing infrastructure and services due to additional or increased central government standards and regulations or to comply with resource consent requirements.

1.9 ...AND IT NEEDS TO BE MORE SUSTAINABLE

The Local Government Act 2002 requires councils to:

- Manage finances prudently.
- Promote the social, economic, environmental and cultural well-being of communities.
- Promote the current and future interests of the community.

Council is taking a strategic and sustainable development approach to planning for the future needs of Hamilton and its residents, which embodies these principles. A City Strategic Framework has been established (refer Section 3.5), which:

- Provides a focus for Council's planning and service delivery.
- Identifies eight collaborative city strategies, which drive Council's operations and provide a reference point for decision-making.
- Communicates Council's direction to other key stakeholders and, where appropriate, enables them to align their strategic planning and service delivery with Council's vision for a *Vibrant Hamilton*.

The *Vibrant Hamilton* vision embraces a number of key elements:

A. Investing in Our People

Hamilton is a diverse city of many cultures, ages, and backgrounds. Our vision is to build a city that celebrates our diversity; building strong communities which excite us to achieve great things.

B. Identity and Prosperity

Hamilton is a city that is making its mark on the political, social, cultural, and economic maps of New Zealand. Our vision is for a place of entertainment, celebration, and culture, enabled by a sharp and wealthy economy built on the city's strategic advantages, innovation, and entrepreneurial spirit.

C. Protecting Our Future

Hamilton is a city experiencing rapid and sustained growth. Our vision for the city is to see development achieved sustainably, efficiently and creatively. Good planning today will benefit the city of tomorrow.

The following eight City Strategies, which underpin the Strategic Framework, are the primary way in which the community's goals and aspirations (known as *Hamilton's Community Outcomes* – refer Section 3.1) are being progressed:

- CityScope – the city's Urban Design Strategy (including the design guidelines 'Vista').
- Social Well-Being Strategy.
- Creativity and Identity Strategy.
- Economic Development Strategy.
- Environmental Sustainability Strategy.
- Access Hamilton Strategy.
- Hamilton Urban Growth Strategy.
- Active Communities Strategy.

These Strategies were developed in partnership with a number of the city's key organisations. They take a collaborative approach to promoting and implementing themes, initiatives and flagship projects; involving Council, other key stakeholders and the wider community (refer Section 3.6). Maaori representation on steering groups is a key element of developing and implementing the City Strategies, giving effect to the principles of biculturalism embodied in the Treaty of Waitangi.

Hamilton's Community Outcomes and the City Strategies will be monitored and reported on regularly. Monitoring helps to guide future planning, by identifying areas where progress is being made, and alerting Council to areas that need action.

Council considers a true sustainable development approach is one that includes a balanced consideration of economic, social, environmental and cultural factors and the effect that these may have on both current and future generations.

The ongoing promotion and implementation of the principles, themes, initiatives and flagship projects of the eight City Strategies is Council's primary means of delivering on Hamilton's Community Outcomes and community well-being, as well as promoting a sustainable development approach for Hamilton over the next 10 years and beyond.

Examples of projects that are making a real difference to the sustainable development of the city include Council's participation in the:

- Campaign for action on family violence known as 'It's not OK'. This promotional campaign uses local and community leadership to create personal relevance around family violence.
- Creative Industries Incubator, which will develop an incubator for start-up businesses in the creative and cultural industries sector.

A key aspect of Council's sustainable development approach must be the preservation of the long-term ability for Council to borrow the necessary funds it will require in the future to renew assets and provide for the community.

1.10 THE PHYSICAL FORM OF THE CITY HAS A BIG INFLUENCE...

Council recognises that Hamilton's physical form is probably the single biggest determinant of the city's current and future sustainability. Where housing, industrial and commercial areas are located in relation to one another (and their relative density) has a large bearing on how effectively and efficiently a city functions – particularly in regard to transportation movements and the subsequent impact this has on the natural and built environment from the likes of energy use and CO_2 emissions.

Development of a comprehensive growth strategy for the city (known as the Hamilton Urban Growth Strategy – HUGS – refer Section 6.1) was undertaken with the input and collaboration of a number of key stakeholders to ensure that Hamilton is placed in the best possible position to become a more sustainable city. A four day Enquiry by Design (EBD) workshop held in March 2008 on growth issues facing the city was a key input into developing HUGS. The EBD was attended by Council representatives and various key stakeholders.

HUGS takes a long-term view of how Hamilton should develop over the period 2009-2051. It operates within the context of FutureProof – a growth strategy for the Sub-Region covering the areas of Hamilton City Council, Waipa and Waikato District Councils and the associated area of Environment Waikato (refer Section 6.3). Other key organisations and groups involved in FutureProof include the New Zealand Transport Agency, Matamata-Piako District Council and tangata whenua. The set of population and dwelling projections that were used to develop FutureProof also underpin HUGS as well as the individual growth strategies of Waikato and Waipa District Councils.

HUGS focuses on how, where and when Hamilton should develop through promotion of the following four growth propositions that were consulted on with the public during October and November 2008:

- **Proposition 1** – Facilitating a move towards more choices for compact living environments in the existing city – with a greater focus on quality. This is to occur over the next 10-20 years, with regeneration to focus in and around key nodes i.e. the central city, transport hubs, town centres and areas of high public amenity such as parks and the river.
- **Proposition 2** – In the short to medium-term (2009 – 2023), recommitting to the development of Rototuna as the preferred residential growth cell, plus 900 sections in Rotokauri and 500 sections in Peacocke. The development of these areas will include greater choice in living environments. For instance, more compact type developments in key areas such as town centres or around parks and open spaces.
- **Proposition 3** – In the longer-term (beyond 2023) prioritising the development of the remainder of the Peacocke residential area. Proposition 3 outlined two options for future greenfield residential development i.e. continuing development of Rotokauri in the north-west of the city or making Peacockes in the south the primary long-term growth cell. The proposed strategy outlined the potential benefits and opportunities as well as the indicative financial costs of both options for the community to consider and provide feedback on.
- **Proposition 4** – The transfer of Ruakura land from Waikato District Council to be used as an innovation/employment area rather than residential (from around 2016).

The majority of submissions received to the HUGS proposal supported the content and direction of the four growth propositions, with support favouring the option of continued development in Peacocke (post 2023) over Rotokauri as outlined in Proposition 3. Following the consideration of submissions, Council resolved to adopt HUGS on 10 December 2008.

The four propositions of HUGS set the broad framework and approach for land use planning in Hamilton for the foreseeable future. Successful implementation will require both regulatory and non-regulatory responses and a collaborative approach involving Council, developers and the wider community.

The propositions represent the community's aspirations on the desired future urban form for Hamilton. The upcoming review of Hamilton's District Plan (anticipated to commence in mid 2009) will be a key mechanism for assessing and delivering more detailed plans on many aspects of HUGS. Through this process the specific values of the different geographic communities throughout the city will be recognised and protected. New Structure Plans will also need to be developed to provide a framework for greenfield areas that will transfer into the city. The principles and direction set by Vista (Council's Urban Design Guide) will also need to be fully embraced by the development and building sectors in order to deliver an urban form that is aesthetically pleasing, universally functional and distinctively Hamilton.

The growth propositions have also had a direct impact on the development of the 2009-19 LTCCP through shaping long-term investments in infrastructure.

Elements from the other seven City Strategies (refer Section 3.6) also contributed significantly to the development of HUGS and will continue to shape its ongoing rollout. In particular, the promotion and implementation of the Environmental Sustainability Strategy will assist the drive towards enhancement and ongoing sustainability of the city's natural and built environment.

While HUGS outlines the broad approach and indicative timing for future urban growth developments within the city, the actual timing for these developments will be influenced by a number of factors. The current economic conditions and reduced growth rates will likely result in deferment of the development horizon dates that were indicatively outlined in HUGS. Council will use its future LTCCP and Annual Plan processes as necessary to update its growth projections and ensure that the related capital growth programme is appropriately matched to demand and remains affordable.

1.11 TIMES ARE TOUGH AND UNCERTAIN...

Council, like any business or organisation, is influenced by what is happening locally, nationally and internationally. The recent global financial credit crisis (that commenced in the latter part of 2008) has influenced international and domestic demand for goods and resources. The crisis has also resulted in a situation where Council needs to remain cautious about its borrowing programme and exposure to new growth infrastructure funded by development contributions.

Growth in Gross Domestic Product is likely to be considerably slower over the initial period of the 2009-19 LTCCP than recently experienced and will have significant impacts throughout New Zealand's economy, including the delivery of Council's services. On the upside, growth and confidence in the economy will be stimulated through an increase in disposable income from reductions in interest rates (particularly when fixed term mortgage periods finish) and from the 2008 and 2009 tax cuts.

The change in central government in November 2008 and the new government's proposed policy changes will have a substantial impact on the country's economy and the local government sector from 2009 onwards. For example, the new government is proposing to significantly increase spending on key infrastructure, including an ultra-fast broadband network ($1.5 billion over six years) and various new roading and transport initiatives (e.g. $750 million over the next 10 years on the Waikato Expressway). Changes as a result of the current Resource Management Act 1991 review will also significantly impact on Council's operations.

In developing the 2009-19 LTCCP, Council has taken into account information about key issues and drivers that currently impact, or have the potential to affect, Council's operations. This information has been gained from a wide range of local and national economic agencies and other organisations. Local context and information gained through the development and implementation of the eight City Strategies over the past two years has provided further input into this analysis.

1.12 AND COUNCIL IS NOT IMMUNE...

The uncertainty in the wider economy is having a marked impact on Council's revenue streams and therefore its ability to continue delivering its current high level of service to the community and to pay for enhancements to the city's infrastructure. Council is currently forecasting a reduction in revenue from new rating growth and from building and development fees for the financial year ending June 2009. For example, the revenue from development contributions is currently down to around 30% from that budgeted for 2008/09 (from $18.6 million to $6.0 million). This may mean that the revenue collected from these contributions for 2008/09 may not cover the cost of interest on debt raised for growth projects already undertaken and paid for by Council.

Although there are a number of uncertainties around the current economic conditions, Council has had to make some assumptions in the development of this 2009-19 LTCCP. The primary assumption underpinning the plan is the significant projected long-term population growth in the city. Other key assumptions include the costs associated with service of debt, the overall impact of inflation on Council's operations and revenue from its various activities (e.g. swimming pool and the Zoo). It has also been assumed that the New Zealand Transport Agency subsidy rates towards transportation (particularly road construction and maintenance) within the city's boundaries will remain unchanged over the 2009-19 period.

Council will respond to significant changes to the economic climate, government policies and key assumptions as information becomes available; through adjustments to its programme of works and service delivery as part of each Annual Plan.

1.13 IT IS GETTING HARDER TO BORROW...

When evaluating the borrowing programme, Council considers both interest rate risk and funding risk. Council manages interest rate risk by using various funding mechanisms to lower the cost of borrowing, and is taking advantage of the recent lower interest rates. However, Council has to pay increasing margins to secure funding in an uncertain market which offsets the advantage gained by fixing the interest rate risk. In addition, the funding costs of future borrowing and the ability to continue raising debt in the current manner is uncertain and difficult to forecast. Although Council already has a relatively high level of debt compared to other similar sized councils, it recognises that it is increasingly important to maintain a very disciplined approach to future borrowing and ensure that Council operates within its prudent debt performance limits.

1.14 AND TO BE ABLE TO PAY FOR DEBT...

Council's overall level of debt including internal borrowing at 1 July 2009 is projected to be $275 million ($357 million at 30 June 2010), and this figure is forecast to grow to $699 million by 30 June 2019. While acknowledging the significant increase in debt, Council is of the view that the projected debt levels remain sustainable and is committed to taking necessary action as required in order to ensure that Council's self imposed debt servicing performance limits are adhered to throughout the course of this LTCCP.

Council's preferred method of managing the increased debt levels and the additional financial risks which these rising debt levels create is to actively monitor and be prepared to further defer and/or scale back on debt funded infrastructure projects (refer Section 1.4).

Council also recognises that in order to improve its debt servicing capacity it could consider targeting higher rating increases to generate a larger operating revenue base. There may be some capacity for Council to consider this option in these later years without having a significant impact on rating affordability and community well-being.

The following table outlines the projected debt for each financial year of the 2009-19 LTCCP, including the split between debt funded by rates and debt funded by development contributions.

COUNCIL'S DEBT BALANCE 2009-19

IN $ MILLIONS	2009/10 YR 1	2010/11 YR 2	2011/12 YR 3	2012/13 YR 4	2013/14 YR 5	2014/15 YR 6	2015/16 YR 7	2016/17 YR 8	2017/18 YR 9	2018/19 YR 10
Debt funded by Rates	234	263	274	305	323	335	342	348	342	335
Debt Funded by Development Contributions	123	145	164	189	242	271	300	315	341	364
TOTAL DEBT	**357**	**408**	**438**	**494**	**565**	**606**	**642**	**663**	**683**	**699**

While debt is forecast to double over the 10 years of the LTCCP, this needs to be considered in the longer term context of Hamilton's growing population base and the need to service this growth with expanded transportation, water, wastewater and stormwater infrastructure. It is this planned growth in infrastructure that is contributing to the significant forecast growth in development contributions funded debt. The proportion of Council's total debt that is funded by development contributions is forecast to increase from 34.5% in 2009/10 to 52.1% in 2018/19. Council's approach of funding capital expenditure by using debt and borrowing over extended periods helps to ensure that both current and future generations who benefit from these facilities will contribute their share to the upfront construction costs.

While deferring or cancelling projects is one of the ways Council manages it debt levels, this approach is not always the most appropriate option as major infrastructure projects that enable growth or replace worn out assets cannot be put off indefinitely.

The programme of works contained in the 2009-19 LTCCP assumes that Council will have the ability to raise the necessary debt to fund its overall operation. In the future this may become a limiting factor for some councils – particularly those that are experiencing significant growth. This is not the case for Council in this LTCCP, as debt from growth and capital projects has been managed through a mix of deferring and not funding some projects over the 2009-19 period. This is a crucial issue that will need to be addressed by both the local government sector and central government in the near future.

In the 2006-16 LTCCP a number of capital projects were budgeted to be funded from development contributions. This increased the perceived level of Council debt available for non-growth borrowing. The forecasted income did not predict the current downturn and hence current contributions in 2008/09 are projected to be insufficient to meet all of the borrowing costs on current development contributions debt. Due to this, Council has been very conservative in assessing future development contributions and has significantly slowed down and limited the quantum of growth projects that will be funded by future development contributions.

With a slow down in the economy, it is particularly important that growth related assets funded through development contributions do not progress too far in front of the market, as any future deficit may have to be funded through the General Rate. Therefore the overall debt position, including development contributions debt, needs to be managed very carefully.

1.15 INVESTMENTS ONLY CONTRIBUTE A SMALL PART OF COUNCIL'S REVENUE...

Unlike some other large councils in New Zealand, Council does not have investments that contribute significant dividends to its income, such as port or utility company shares.

Council's strategic investment-based assets include:

- Various properties throughout the city (including the BNZ building in Victoria Street and the SCA Hygiene building in Foreman Road).
- A 50% shareholding in the Hamilton International Airport (1.43 million shares – Council's share of net assets is $30.16 million at 30 June 2008).
- A 41.38% shareholding in the Hamilton Riverview Hotel Ltd, which manages the Novotel and Hotel Ibis (6 million shares – Council's share of net assets is $11.02 million at 30 June 2008).

Council is also a 63% capital beneficiary of the WEL Energy Trust.

It should be noted that Council is proposing to sell its share of the Hamilton Riverview Hotel in 2013/14. Funds received from this sale would be used to repay debt.

Council is also involved in the following initiatives as a means of promoting economic development in Hamilton:

- 34.85% shareholding in Hamilton Urban Fibre Network Ltd – Council's share in net assets is $188,000 at 30 June 2008.
- $2.4 million share in Innovation Park.
  Note: The $2.4 million payment to Innovation Park was made in March 2009 and is subject to an interim funding agreement to secure Council's interest until the investment structure is determined. It is anticipated that the final structure will be confirmed in the latter half of 2009 with the finalised structure likely to be a Council Organisation.
- 40% shareholding in Soda Inc. – an incubator located at the Meteor Theatre for creative industry start-up businesses.

1.16 IT COSTS MORE TO LOOK AFTER WHAT WE ALREADY HAVE...

Council currently retains just on $3.2 billion of public infrastructure and property assets, which provides residents, businesses, other organisations and visitors to Hamilton with an extensive range of services and enables the city to function effectively, efficiently and sustainably.

Council recognises the importance of having a comprehensive renewals programme that ensures its existing infrastructure and assets are managed in a responsible and sustainable manner. Using available asset information data, Council has made funding provision of $300 million over the 2009-19 period to fund specific asset renewal projects.

In recent years the value of Council's assets has increased significantly due to the impact of revaluations. The value of Council's assets has increased from $1.7 billion in June 2005 to $3.2 billion in June 2008. These large valuation increases suggest that the cost of asset renewals will be rising over time and Council must take this into account when budgeting for future asset renewal expenditure.

Council's response to the likelihood of rising asset renewal costs has been to establish a special asset renewal reserve fund that will represent an additional source of funding for asset renewals in the future should such a need arise. Over the course of the 10 year budget Council is committing to contributing $1.5 million per annum to this reserve fund in the first 3 years of the LTCCP, rising to $9.4 million in 2018/19.

While Council has made additional funding provision to accommodate the potential for a more costly asset renewals program in this 10 year period, it is acknowledged that this additional provision may still not be enough. However, Council is comfortable that by establishing a dedicated reserve fund, it has made an appropriate response to this issue within the context of the current economic environment.

This special asset renewal reserve fund will help to ensure that Council will not find itself in the same situation as other councils have experienced where they have delayed replacement of critical infrastructure as a short-term means of saving money. In many of these cases this short term savings approach has resulted in significant additional costs for these councils in the long-term. Many have had to impose significant rate increases to fund critical infrastructure replacement works.

A more detailed explanation of this issue is provided in Section 2.2 of Volume Two of the 2009-19 LTCCP.

1.17 BUT...WE MUST STILL PLAN FOR A POSITIVE AND VIBRANT FUTURE...

In addition to maintaining and renewing its existing city infrastructure, Council is also planning new capital projects and programmes that will cater for increased community expectations and the demands of Hamilton's ongoing population and business growth.

In considering new capital projects, Council has reassessed projects that have had existing or previous commitments, as well as those that are relatively new.

Examples of high profile projects that will be funded during the 2009-19 period include:

- Redevelopment of Claudelands Events Centre
- Construction of an Indoor Recreation Centre
- Review of Hamilton's District Plan
- Transfer of land in Ruakura and Te Rapa North into the city from Waikato District
- Infrastructure to support development of the Ruakura growth cell

- Infrastructure to support development of Rotokauri growth Stage 1
- Infrastructure to support development of Peacocke growth cell Stage 1
- Infrastructure and facilities to support development of a town centre at Rototuna (including the north- east sector Pool and Library)
- Design and construction of Wairere Drive – Crosby to Ruakura Road
- Upgrade of Wairere Drive – Te Rapa to Tramway
- Upgrade of the Water Treatment Station
- Upgrade of the Wastewater Plant
- CityHeart projects (Garden Place/Civic Square; Pedestrian link to Claudelands)
- Further development of Minogue Park
- The Event Sponsorship Fund
- Hamilton Gardens Development Programme
- Contribution towards construction of a Hydrotherapy Pool at Waterworld
- Contribution towards construction of northern growth corridor roading projects
- Construction of cycleways throughout the city
- Development of a bus Super Stop within the CBD
- Upgrade programme of Council's housing units for older people
- Upgrade of Council information systems and processes
- Development of an appropriate community facility behind ArtsPost.

Further detail on the above projects is outlined in Section 7.6.

When considering new projects, Council recognises the significant benefits that they can have for the construction sector and the local economy in general. In tough economic times, the contribution of projects can help to both insulate local businesses and stimulate growth, primarily through employment generation, purchases of goods and services and the subsequent flow-on effect through the local economy (known as the economic multiplier-effect). Council has considered these broader economic impacts when deciding whether or not to undertake certain projects in this 2009-19 LTCCP. Careful decision-making regarding projects can help to sustain Hamilton's continued economic development and gives increased effect to Hamilton's Economic Development Strategy and Council's 'Buy Local Policy'.

Beyond construction projects, Council is also prepared to look at undertaking innovative initiatives that will result in positive benefits to the city's economy.

The full list of funded projects to be undertaken over the next 10 years is outlined in Volume Two of Council's 2009-19 LTCCP.

1.18 THE CITY DESERVES QUALITY...

Council wishes to take a stronger and more visionary role in guiding the future development of the city's built environment to ensure that it can better reflect the aspirations of Hamilton's community. It is Council's vision that Hamilton's evolving urban form and built environment will deliver positive social, cultural, economic and environmental outcomes that have sometimes been missing from ad-hoc development in the past.

It is anticipated that in mid 2009 work will commence on a review of Hamilton's District Plan. This review process aims to better align the District Plan with the principles of the eight City Strategies. A parallel review of the Hamilton City Development Manual (which sets out standards for physical works undertaken by private developers providing or connecting to Council infrastructure) will also be undertaken to achieve development standards that include a range of environmentally sustainable design and development mechanisms.

1.19 AND BETTER SERVICE WHEN ENGAGING WITH COUNCIL...

Delivery of an effective and efficient programme of works over the 10 years of the 2009-19 LTCCP also relies on having the necessary internal systems and resources in place that are appropriate for the size and complexity of the organisation and city.

Subsequently, Council is investing approximately $13 million over the 10 year period of the LTCCP in a comprehensive overhaul of its information processes and systems to ensure greater cross-Council integration and management of centralised information. This project will enhance service delivery to customers – making it easier and quicker to work with Council by producing more efficient processes and access to information that deliver time and cost savings (refer Section 7.8).

1.20 IN ORDER TO MAKE IT AFFORDABLE, WE'VE HAD TO PRIORITISE, THEN REPRIORITISE...

Council developed a prioritisation tool that assisted in ascertaining the optimum staging and timing of projects (refer Section 5.5). The broad application of this tool has enabled the production of a programme of works and associated budget that is both deliverable and affordable. The prioritisation tool assisted Council to focus the staging of works around three main phases:

'Mend' – Occurs in the early years of the 2009-19 LTCCP. The concept of mending is making the most of what we currently have. It involves a period of consolidation and realignment of key plans and policies (such as the city's District Plan) with the City Strategic Framework and its eight constituent strategies, investment in Council's key information assets and a focus on gaining a better understanding of the condition of some key assets.

'Extend' – Occurs in the middle years of the 2009-19 LTCCP. Services will be expanded to address pressures on existing infrastructure and to meet proposed service levels of various facilities e.g. libraries and swimming pools. Deliverability will still be balanced with affordability.

'**Blend'** – Occurs in the latter years of the 2009-19 LTCCP. Expansion of infrastructure will continue but this period will also involve maintenance and upgrading of existing assets and planning for future growth cells.

Consequently, a number of projects that had an existing commitment in the 2006-16 LTCCP have had their timing reprioritised to assist in the delivery of a more affordable programme of works across each year of the 2009-19 LTCCP. This approach reflects the latest economic trends and a slower growth environment. For example the community facilities for the north-east sector, including swimming pool (total cost $15.7 million) and community library (total cost $14.4 million) are now proposed to be completed in 2014/15.

The Prioritisation Tool recognises that there is existing baseline expenditure relating to projects and programmes that are already underway and these projects and programmes run throughout the three phases (for example, CityHeart, Claudelands, Access Hamilton, Strategy Flagship projects and Council's renewals programmes).

1.21 AND BE PRAGMATIC ABOUT HOW MUCH WORK CAN BE ACHIEVED...

Despite undertaking a significant number of projects over recent years to meet the needs of a growing city, Council has a number of existing commitments and associated funding (known as carryovers) that also need to be considered. The total carryover budget for the 10 year period is $74.9 million and this is planned to be spent in the first four years of the LTCCP. The 2009-19 LTCCP has taken a measured approach to rephase these works with the majority being reprogrammed to occur in years 1 to 4 i.e. 2009/10 to 2012/13.

In order to minimise future carryovers, Council has critically assessed its own ability to deliver on the projects and programmes over the 10 year period. Rather than allowing debt and financial constraints to primarily define the size of the planned capital programme, there has been greater emphasis placed on the scale of capital construction and the phasing of these projects. This will ensure that the programme is practical and achievable with the available resources, given other commitments planned in the same year. This approach will help to ensure that Council is able to deliver projects in line with community expectations around project timing.

Council is clear that any agreed programme should ideally be deliverable within the current staffing levels across its operation. A key mechanism to manage Council's operating expenditure has been the introduction of a management cap on the number of full-time equivalent staff employed by the organisation. This cap was set in January 2008 and will remain in place until July 2010.

1.22 AND WE'LL HAVE TO CHANGE THE WAY WE'VE PREVIOUSLY PLANNED AND PAID FOR GROWTH...

Significant risk exists for Council with the funding of growth-related infrastructure. While much of this infrastructure is funded through loans paid for by development contributions (paid for by developers), the majority of funds are only transferred to Council at a relatively late stage in the subdivision process. The potential exists for Council to have constructed growth-related infrastructure too early for the market and subsequently has to cover the servicing costs of loans for an extended period. The risk of this situation occurring is greater in periods of slow growth (as is currently the case).

Council has reviewed the pace at which it plans to provide growth-related infrastructure and has adopted a less aggressive 'just in time' approach. This means that the provision of growth infrastructure will have a shorter lead in time. This provides more flexibility to respond to growth 'as and when' it is needed,

while at the same time reducing the financial risk of planning too far out and having too much infrastructural investment 'in the ground' where the uptake of this investment may not occur for some considerable time.

By taking a more conservative approach to the programming of growth infrastructure, it is possible that the planned programme will not keep pace with developer demand for biblically funded services such as the provision of water and stormwater. In these circumstances, developers will need to work with Council to look at the option of advance funding projects themselves. This would have the effect of shifting the risk associated with early funding of infrastructure from Council to the development community.

As part of its annual Development and Financial Contributions Policy review, Council has made the following changes to the development and financial contribution charges.

GREENFIELD	2008/09 ($) EXCL GST	2009/10 ($) EXCL GST
Residential (per single household equivalent unit of demand)	25,142	31,629
Commercial (per 100m²)	6,582	12,331
Industrial (per 100m²)	5,005	6,462
INFILL	**2008/09 ($) EXCL GST**	**2009/10 ($) EXCL GST**
Residential (per single household equivalent unit of demand)	9,440	10,619
Commercial (per 100m²)	4,946	6,270
Industrial (per 100m²)	3,942	2,952

In addition, the revised policy also outlines Council's intent to consider modifying the methodology it uses for calculating development contribution charges for reserves. Consideration is to be given to a revised methodology based on local land prices, or a combined methodology based on a uniform charge for city wide projects and a catchment charge based on the value of land.

1.23 UNFORTUNATELY THERE ARE SOME GREAT IDEAS WE JUST CAN'T YET AFFORD...

The combined effect of the increased cost of maintaining assets, the reduction in revenue from a slowing down of development, and commitments to previously agreed major projects has resulted in 90 unfunded projects in the 2009-19 LTCCP. Although these projects are still considered worthwhile to undertake, they are not of a critical enough nature to warrant including in the funded part of the budget at this point in time (refer Section 7.7).

The total value of projects in the unfunded part of the 2009-19 LTCCP amounts to $168 million.

The full list of unfunded projects is contained in Volume Two of Council's 2009-19 LTCCP.

1.24 EFFICIENCY GAINS AND REDUCTIONS HAVE HAD TO BE MADE ACROSS THE BOARD...

In developing the 2009-19 LTCCP, Council has been very disciplined with all areas of its budget and made cuts to previous expenditure levels where at all possible. Specific examples of reductions to operational budgets include:

- Event Sponsorship Fund has been reduced by $1 million over the 10 years.
- CityNews publishing reduced by $90,000 each year, anticipating savings from a change to the document format or size.
- Staff numbers – a cap on the total number of full time equivalent (FTE) staff positions has been in place since January 2008 and will remain in place until at least July 2010. A Council resolution is required to alter the cap. Despite the FTE cap increasing by 14.5 staff positions due to Council resolutions since it was established, the budgeted increase of FTEs in this plan is only 4.3 until 30 June 2010. This saving is due to a number of existing positions being disestablished and removed from the budget (through the likes of staff leaving or retiring).
- Consultant and legal costs have been cut or held at existing levels despite pressures from actual costs in 2008/09.
- Further staff savings (approximately $7 million over 10 years) from positions yet to be identified. These savings will be achieved either through a reassessment of staff positions when existing staff leave, the service delivery review of Council's operations (programmed to commence in 2009/10) or targeted reductions in certain areas of the organisation.

- No growth in the fleet vehicle operating and capital budget, acknowledging that Council anticipates efficiencies to be identified from a fleet utilisation review.
- A variety of administrative expenses from travel to photocopying being reduced where practical.

A number of other operating budgets have also remained unchanged despite increased pressures from actual expenditure. Strict management controls have also been introduced to manage the budget and ensure that any discretionary expenditure is challenged before being committed to.

Also as part of developing the 2009-19 LTCCP, Council has also undertaken a review of the service levels for each of its activities (refer Section 7.5.1) and a thorough review of its operating and maintenance budgets.

As outlined in Section 1.4, feedback from the community guided Council in prioritising a desire for increased service levels in some areas including:

- The number of and quality of playgrounds in the city.
- More diversity in traffic island and street amenity planting.
- Increased provision of bus stops and shelters.
- Increased funding for the library collection.

However, when increases in service levels were assessed for these areas, they were considered largely unaffordable in the context of Council's overall budget priorities at this time.

The levels of service that Council has agreed on for each of its activities are outlined through the Performance Management Framework that is contained in Section 8.0. The purpose of the framework is to:

- Establish linkages between the activities Council provides and community well-being.
- Be clear about what the community will receive in return for the rates and charges they pay.
- Provide certainty for the community that the levels of service provided by Council's activities are sustainable.

The performance management framework includes the intended levels of service, as well as the performance measures and targets that Council will use to monitor the service delivery performance of its activities. These aspects of the framework outline what the community can expect to receive from Council's activities over the 10 year period of the LTCCP.

In addition, Council has adopted a more disciplined approach throughout the development of all of its operating budgets as one of the approaches to ensure a sustainable and affordable budget. This has resulted in a reduction to various components within operating budgets and the introduction of further controls such as the self-imposed current cap on the number of full-time equivalent Council employees and a reassessment of staff positions when existing staff leave. Care has been taken to ensure that any reductions in funding provision will not compromise the integrity of Council's existing assets or delivery of current services provided.

Looking forward, Council is undertaking a number of major change programmes that will assist to deliver further efficiencies. A service delivery review of Council's operations is programmed to commence in the first year of the 2009-19 LTCCP. While the LTCCP assumes no change as a result of this review, it is expected that there will be future amendments for more cost-effective service delivery mechanisms. In addition, a key objective of both the development of Council's Organisational Strategy and the programmed upgrade of Council's information systems and processes is to create greater efficiencies in Council's business and assist in minimising costs.

1.25 IF THE ECONOMY CHANGES – WHAT WILL COUNCIL DO?

Council will continue to monitor and analyse the economic environment in which it operates and if the current economic climate continues to deteriorate over a longer period Council will need to reassess its programme of works in the 2009-19 LTCCP. Options that Council would consider implementing include:

- Further deferral of projects that are related to growth.
- Deletion or deferral of any new capital project, providing that it is not:
  - a renewal of infrastructure.
  - partly completed.
  - contractually committed.
- A review of operational budgets that would examine reductions in levels of service provided and related staffing levels.
- A focus on maintaining existing infrastructural assets.

These measures would help to limit Council's exposure to debt and ensure that a prudent and conservative borrowing programme is adhered to and that rates remain at a level that is affordable and acceptable to the community. If any of these further measures were to be implemented, Council would ensure that the operation and service life of its existing infrastructure is not compromised.

Conversely, if the economy were to improve more rapidly than assumed, changes to the programme of works in the 2009-19 LTCCP would also need to be assessed. The advancement of any project would need to be assessed on a case-by-case basis in light of increased income generated through rating growth, development contributions and fees and charges.

1.26 AND WE'LL LOOK AT NEW WAYS OF MAKING 'WHO PAYS WHAT' FAIRER...

In August 2007 the Local Government Rating Inquiry made a number of recommendations to government and local councils for changes to the way:

- Local government is funded.
- The way councils manage their finances.
- The way councils plan and explain their plans to the public.

Since August 2007 the previous Labour-led government spent a significant amount of time considering the Rating Inquiry's recommendations. In some areas (such as the rating of Maaori freehold land and valuation), the previous government called for further information and discussion. In other areas, the previous government had not made any decisions before the November 2008 general elections. This includes decisions around the types of rates that councils are allowed to levy and whether some properties should be exempt from paying rates (mostly land owned by the government). All of the decisions made to date from the Rating Inquiry have resulted in little or no change for most ratepayers (refer Section 5.7.7).

However, in keeping with the intent of the Inquiry and in preparation for the 2009-19 LTCCP, Council has assessed and made changes to various parts of its rating system to make the system more effective and fairer to all ratepayers.

In addition to the Inquiry into local government rates, the new government is also looking at reviewing aspects of the Local Government Act 2002 (LGA 2002) that focus on the transparency, accountability and fiscal management of local government.

Changes are likely to be made to the LGA 2002 as a result of this review. Council will continue to monitor and input into this process through the likes of representation on various sector working groups as well as making submissions to subsequent discussion papers and Bills.

Retention of the Land-Based Rating System

Council investigated the impact of different rating scenarios on the city's ratepayers. It concluded that in the current economic environment any change to the existing land-based rating system would have some significant impact and affordability issues for a large number of ratepayers.

Although Council acknowledges that no rating system is fair and equitable to all ratepayers, it considers that continuation of the current land-based rating system at this stage will provide more certainty of rating levels for existing Hamilton residents and ratepayers. It will also ensure an adequate provision of rates to support and deliver on the projects and programmes in the 2009-19 LTCCP.

However, Council is also of the view that it would be desirable when introducing any new rates in the future, to have these based on a capital value rating system. This would have the effect of reducing the incidence of rating on land value and change the overall percentage split between land value and capital value over a period of time.

Council has also introduced changes to its revenue and financing mechanisms in this LTCCP including:

- A number of increases to fees and charges for Council services, including introduction of a tiered approach of charging for building consent fees based on the overall value of the building development.
- The introduction of a Business Improvement District Targeted Rate (and associated Policy) within the CityHeart to maintain its ongoing viability through economic and social revitalisation (refer Section 5.7.5).
- Income from Development and Financial Contributions updated to reflect the capital programme of works and growth assumptions contained in the 2009-19 LTCCP (refer Section 5.6).
- Incorporating 'Ruakura' and 'Te Rapa North A' into the City's Boundaries from 1 July 2011 (refer Section 5.7.6).