

Annual Plan 2025/2026 - 2nd financial briefing

Meeting: Council Briefing
Date of meeting: 3 February 2025
Reporting officer: Sue Davidson, GM Corporate Services

Purpose | Ngā whāinga

To bring together and discuss the Annual Plan 25/26 information that is to be adopted by Council for consultation.

Context | Horopaki

Council is starting with an 8.9% rates increase in accordance with the LTP for this 2025/26 Annual Plan. Council will recall that rates were positioned at the LTP 24/25 15.1%, 25/26 8.4% and 26/27 3.4% and Council resolved to smooth the rate over the 3 years to 8.9% pa after growth.

On top of the 8.9%, several changes are proposed, as detailed below.

1. Drivers of costs (Attachment B)

The LTP 2024-27 adopted earlier this year had increases each year, which were smoothed at Councils recommendation to be 8.9% pa, after allowing for 1% growth, for the three years.

As a reminder, the key drivers of costs were:

- Roothing costs - the costs of building bridges and roads had increased up to 38% in some areas. Furthermore, Council still has significant repairs from Cyclone Gabrielle to complete. Increased investment in vegetation management and clearing damage caused by Cyclone Gabrielle. (Increased rates funding for roading increases from \$12.243m in 2024 to \$15.666m in 2025, to \$19.157m in this year.)
- Many public spaces not being maintained to an appropriate level. (Increase \$1m)
- Increased costs of waste contract and reviewing options for future transfer station. (Increase \$335k)
- Large increases advised in gaining insurance. (Increase \$150k: Note reduced 25/26 year by \$60k)
- Increased interest costs as interest rate increased to 6%. (Increase \$1m)
- Increase in assets which means additional funded depreciation. (Increase \$640k)

For elected members benefit, 1% movement in rates is approximately \$500,000.

2. Issues that Council asked to be looked closer into

Water Pricing

Council has 3700 water meters over 5 water supplies Dargaville (including Baylys Beach), Glinks Gully, Ruawai, Maungaturoto, and in Mangawhai (Wood St Commercial and the Mangawhai campground)

In 2024 Council agreed to reduce the fixed cost for the first cubic metre of water and increase the variable cost, as this made it more affordable for ratepayers.

The revenue estimated for the 25/26 year is still in line with last year (24/25) and capital investment at this time is still very low at just over \$2m pa, and costs including depreciation have only changed minimally. Consumption seems to be on target for the 800,000 cubic metres to be utilised, so staff would propose keeping the charges the same as last year.

	Fixed cost 1st cubic metre (incl GST)	Variable cost
2023	\$373	4.51
2024	\$205	5.15
Proposed 2025	\$205	5.15

Key assumption: There has been no provision made for a reduction in water income if some of our water customers transfer to Te Tai Tokerau Water Trust water supplier and increases of costs are minimal in 2025/26 so the assumption is it won't impact on 25/26.

Museum Targeted Rate

This is being investigated as per Council resolution.

“Topic 5 – Targeted Rate – Mangawhai Museum

Moved: Mayor Jepson, Seconded: Councillor Howard

That Kaipara District Council (KDC):

- a) Does not approve a targeted rate for the Mangawhai Museum; and
- b) instructs the Chief Executive to investigate potential future funding support for the Mangawhai Museum, Kauri Museum and Dargaville Museum as part of the Annual Plan 25/26.”

A separate detailed paper was presented to the Council December briefing on 4 December 2024.

Council staff analysed the accounts.

The Kauri Museum is more of a regional museum while the other museums are smaller district museums.

- Both Mangawhai Museum and the Kauri Museum need support, or they may be at risk of becoming financially unsustainable due to their operating costs.
- Both Mangawhai Museum and Dargaville Museum are very frugal.
- Both Mangawhai Museum and the Kauri Museum have major capital plans that council would want to see be successful.
- Mangawhai Museum and the Kauri Museum need Council support.

The Kauri Museum have followed up on Council's request regarding clause 11 of their annual accounts regarding further reductions in costs and other proactive measures they are currently looking at for the Kauri Museum. Their response is provided in **Attachment A**. They are aiming to save approximately \$90,000 but they will continue in a loss situation which is unsustainable.

It is proposed to put this targeted rate out for consultation along with the minor changes that will need to be made to the Revenue and Financing policy.

Options	Cost \$0000s	Cost by ratepayer	Ratepayers paying
Amount collected shared equally by all museums, Mangawhai museum loan written off (funded by general rates) Councils Preferred Option	185	\$14 per ratepayer	Kaiwaka/Mangawhai \$78k Otamatea \$42k Wairoa \$65k
Amount collected being shared equally by all museums	267	\$20 per ratepayer	Kaiwaka/Mangawhai \$113k Otamatea \$61k Wairoa \$93k
Specified amounts to museums \$100k MM, \$27k DM, KM 57k	185	\$14 per ratepayer	Kaiwaka/Mangawhai \$78k Otamatea \$42k Wairoa \$65k
Specified amounts to museums \$100k MM, \$27k DM, KM 57k	185	\$20 per Kaiwaka/Mangawhai ratepayer \$12 per Wairoa/Otamatea ratepayer	Kaiwaka/Mangawhai \$102k Otamatea \$33k Wairoa \$50k
No funding for museums	0	0 per ratepayer	No cost to ratepayers

Depreciation

Council assets are revalued regularly and this impacts on the depreciation Council collects as part of our rates. Council must depreciate its assets but can elect not to rate for depreciation where there are rationale reasons and /or it has consulted with its community.

The funded depreciation rates disclosed in our LTP are as follows:

% Depreciated	Council Assets	Rationale
100%	Flood Protection, Stormwater, Wastewater and Water supply	Important assets and need to provide for replacement
50%	Buildings, Furniture, Computers, Cars, Open Spaces, Toilets, Transfer Stations, Dog Shelters	Council may decide to not replace or get a grant to aid with this
0%	Stopbanks, Roading, Footpaths and Bridges	Grants provided for construction, and tend to rate for works rather than raise debt

The end of year reserve balances are positive, so this suggests amounts taken out for renewals in these activities can be considered sufficient to prevent further ratepayer cost at this time.

As a note to Council, Parks will exhaust its depreciation reserves and be negative after the 3 years LTP provision which suggests funded depreciation for parks must increase from the 50% or renewals be paid from rates as reserves are reduced.

The issue is that our 3 Waters assets were revalued in 2024 by WSP Ltd. This increases generally because values to replace assets increase and because Council has built new assets that now need to be depreciated. The depreciation has increased as follows:

		Additional	Balance	Renewals	Funded
Depreciation 000s		Depn	2024	2026	2026
Reduction	Flood Protection	(7)	1144	275	96
Increase	Stormwater	55	2376	650	84
Increase	Wastewater	473	3628	1350	2075
Increase	Water Supply	18	2042	1395	1559
Total		\$539	\$9190	\$3670	\$3814

This increase of \$539,000 has been provided for in the figures below but will mean 1% rates increase on its own. One option is to defer \$539,000. The rationale to not make the increase could be that a CCO will take over the assets within 2 years and be reassessing projects going forward. As well there is still a positive balance in depreciation reserves for these water categories.

Guidance is needed here from Council. Any reduction would require consultation as part of this annual plan, but this is a tool to reduce rates further.

3. Known financial changes that will impact Annual Plan

A) Items that can use other funding sources

The current profit and loss for this year shows that from general rates the following are costs or revenue that are surplus.

Estimated surplus funding 24/25	Amount 24/25 Dec \$000s	Additional estimated to end 24/25 \$000s
Increased Interest received	450	800
Employee cost	150	300
Total	\$600	\$1,100

At the current time there looks like there will be \$1.1m in costs that have been rated for /increased revenue in this year (24/25) that won't be utilised that can be used for funding one off costs.

It is proposed because Council has already agreed to the following/ likely to occur one off costs, that the \$1.1m estimated for retained earnings is utilised and the balance of \$420,000 put in the annual plan 25/26

▪ Ops-Raupo funding Council committed to	\$430,000
▪ Capital contribution NRC civil defence	\$100,000
▪ MCWWS Odour	\$200,000
▪ Likely cost removal of drums Tangiteroria	\$200,000
▪ Write off Mangawhai museum loan	\$100,000
▪ Masterplan Alamar/Mangawhai	\$100,000
▪ Dargaville reception move upstairs	\$50,000
▪ Ops- Demolish pensioner housing	\$340,000
Total Costs proposed to come out of 24/25 surplus	\$1,520,000

Generally spending funds before they are realised is not the normal practice, but staff are trying to be innovative (but conservative) so that the rates do not have to be increased further in 25/26.

Council needs to provide guidance on this presumption of using current years surpluses for the known one-off costs, or whether this should be added into the rise in the general rates for next year. At this stage \$420,000 will be added to the list of increases below.

Elected Members asked at the last meeting about Hokianga Road staff offices. This could cost an extra \$600k to demolish. Staff propose no change to 25/26 budget for this item. Currently Council is receiving net rental of \$12k pa. Propose Council do basic maintenance 25/26 and prepare to demolish in 2026/27 or later. At that time demolition could be funded by debt over 3 years.

B) Further costs to add to Annual Plan 25/26 funded from rates

On top of the 8.9% which is our starting point the following has been added. Direction is needed from Council as to whether items are in or out

	Saving (\$000)	Cost (\$000)	Years to apply	
Ops-IT consultants	163		25/27	
Ops-Parks Mangawhai and Dargaville Parks Consultants	45		25/27	
Ops-MOU Iwi potential reduction Mangawhai, Dargaville	45		25/27	
Income-Property Data sales	40		25/27	
Ops-Insurance reduction	60		25/27	
Ops -3 Museum targeted rate		185	25/27	
Ops- Roothing Council approved Nov 2024		0	25/27	No change in cost just different funding reported to Council.
Ops Additional animal control staff		85	25/27	
Ops- Land Drainage		25	25/27	
Ops-Regional Trails		30	25/27	
New levy Taumata Arowai		107	25/27	
New levy Commerce Commission regulating water		34	25/27	
Seacleaners		25	25/27	Funded by waste levy
Productivity Report		30	25/27	
Depreciation Policy increases as noted above		539	25/27	
Ops- LWDW		50		Funded by grant
Elected Representatives remuneration increase		34		4.86% advised by Remuneration Authority

Balance of one-off costs as above		420		
Total Savings/Costs	353	1564		Estimated approx.11.1% increase on rates for 25/26 year (after growth)

Capital Projects

Amounts to be carried forward (Indicative only at this stage)

There are projects that will not be completed this year and will be carried over to 25/26. Most are funded by depreciation reserves or FCs, not debt, so there is not a big saving on interest costs.

As at 31 December 24 projects total \$74.7m in the capital projects list including last years carryovers.

Project	Amount	Funding	
Community housing	155k	Debt	Commenced but not completed
Dargaville town hall clearance	504k	Depreciation reserves	Commenced but not completed
Mangawhai Heads concept plan	50k	FC	Commenced but not completed
Mangawhai new civic building	50k	Debt	Commenced but not completed
Pahi wastewater disposal field	150k	Depreciation reserves	Will do at same time as playground
Taharoa domain visitors' ablution block and disposal field	700k	Funded debt and TIF grant	Only just commenced 1.4m project
Mangawhai Alamar Crescent, Olsen Avenue area wide upgrade	600k	FC	Need masterplan before start this
Mangawhai pensioner housing	500k	Debt	Commenced but not completed
Sailrock Drive stormwater	75k	Debt	MLC have 2 years to complete but likely to be earlier
District Leadership IT	165k	Depreciation reserves	Commenced but not completed
Water district wide backflow prevention	100k	Debt	Scope only being done in 24/25
Mangawhai wastewater disposal	1m	DC	Testing being completed 2024/5
Dargaville Transfer station upgrade	60k	Debt	Currently investigation whether need new site or what upgrades
Closed landfills upgrades	250k	Depreciation reserves	Business case to be developed
Total project funds likely to be carried over to 25/26 from this year	\$4.359m		

Capital projects which are new, deleted or where extra funding is needed

These are projects that after review will need to be added in or are deleted as projects either completed in maintenance category or now not needed. Most are projects that have been carried forward from 23/24 that are not needed.

Project	Taking out	Adding in	
Te Kopuru stopbank	3.4m		Grant not needed if being built by 3 rd party rather than KDC running construction process
Pahi playground brought forward from 26/27 so disposal field can be completed		175k	Funded by Depreciation Reserves
Mangawhai walkways		150k	To improve walkways connection. Funded by FC
Dog shelter to fix		70k	Funded by Depreciation reserves
Digital card at Kai iwi showers		50k	Funded by Debt
Tinopai breakwater extension – expensed in 2024 so not needed 2025	50k		Funded ex financial contributions in 25/26 but completed in 24/25
Mangawhai Surf Beach car park		800k	Funded by FC
Mayors' car replacement	65k		Transfer to 26/27
Mangawhai wastewater		3.5m	\$6m needs to be funded by DCs rather than the 2.5m budgeted in the LTP. Note 26/27 will be \$14m rather than 4.5m budgeted
District wide parks hard surface renewals	27k		Not needed. Funded by depreciation reserves
District wide IT	249k		Not needed until have security report. Funded by Depreciation Reserves
Maungaturoto Paparoa stormwater renewals	86k		Previous carry over now not needed
Mangawhai Taranui stormwater capacity improvements	54k		Previous carry over now not needed
Baylys Beach stormwater renewals	54k		Previous carry over now not needed
Pahi stormwater improvements	27k		Previous carry over now not needed
District wide land drainage improvements	35k		Previous carry over now not needed
Tatarariki Mill Rd Floodgate 5	42k		Previous carry over now not needed
Whakahara floodgate and stopbank remediation	15k		Previous carry over now not needed
Dargaville Awakino Plant watermain upgrade	20k		Previous carry over now not needed
Glinks Gully water supply renewals	140k		Previous carry over now not needed
Maungaturoto Piroa Stream intake structure repair	54k		Previous carry over now not needed
Mangawhai water supply renewals	68k		Previous carry over now not needed
Dargaville wastewater improvements growth	30k		Previous carry over now not needed
Maungaturoto wastewater renewal and growth improvements	40k		Previous carry over now not needed
Kaiwaka wastewater capacity improvements	95k		Previous carry over now not needed
Dargaville wastewater pumpstation investigation	61k		Previous carry over now not needed

Maungaturoto uninterrupted power supply installation	13k		Previous carry over now not needed
Mangawhai uninterrupted power supply installation	17k		Previous carry over now not needed
Dargaville uninterrupted power supply installation	17k		Previous carry over now not needed
Mangawhai wastewater repairs and improvements	50k		Previous carry over now not needed
Maungaturoto wastewater repairs and improvements	30k		Previous carry over now not needed
Mangawhai wastewater repairs and improvements	42k		Previous carry over now not needed
Dargaville wastewater treatment plant electrical repairs	150k		Previous carry over now not needed
Dargaville wastewater security improvements	98k		Previous carry over now not needed
Dargaville wastewater treatment plant upgrade	300k		Previous carry over now not needed
District wide closed landfills upgrades	110k		Previous carry over now not needed
Totals	\$5.439m	\$4.745m	

A new list of the total projects for next year is attached (draft as at this briefing) **Attachment C**

After the adjustments, rates are approximately 11.2% for 2025/2026 after 1% growth

Summary						
Current LTP Picture	FY2025	FY2026	Increase \$	Increase %	Revised Increase \$	Revised Increase %
General Rates	29,455	33,703	4,248	14.4%	4,539	15.4%
Targeted Rates	16,686	17,113	427	2.6%	1,176	7.0%
Water Rates	4,204	4,503	299	7.1%	367	8.7%
Total Rates	50345	55319	4974	9.9%	6,082	12.1%
Rates after Growth				8.9%		11.1%

Discussion | Ngā kōrerorero

There are a number of changes to make which elected members need to discuss and provide guidance on. Tools that Council have, to reduce the rates below for 25/26 are, reducing depreciation or reducing roading or parks expenditure. This will then need to be reassessed for reductions in level of service.

From the above information consultation would be needed on the following:

Item	Why	Council's Preferred Option
Museum Targeted rate and change to Revenue and Financing Policy	Requested by Elected Members and museums need funding	Amount collected shared equally by all museums, and by ratepayer's pa and the Mangawhai museum loan written off \$185,000 ongoing costs
Change in Depreciation Policy to continue rating what has been budgeted in 2025-2027. (if take out of list to fund)	Rationale to not make the increase for any 3 waters as likely that a CCO will take over the assets within 2	Not adding depreciation costs of \$539,000 to help with affordability and as sufficient is being collected in the depreciation reserve at this

	years. This means further costs aren't added	time and will need to be paid over to the new proposed water CCO.
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An LTP amendment is required

- For the additional targeted rate if approved, but this will not be a large amount of work for just this adjustment
- And any rates remission policy if required in the current revenue and financing policy process

The added and deleted individual capital items are not over the 10% level of rates to be significant and consulted on.

Next steps | E whaiake nei

- Write up report with proposed changes to rates % for 25/26 after guidance from Council as to whether any options should be included in the Annual Plan 25/26.
- Consult on the matters detailed above and produce new documentation for Prospective Financial Statements.
- Consider the direction given by elected members in a previous report to this Council Briefing regarding the Kauri Coast Community Swimming Pool (Dargaville pool), and prepare for consultation along with the consultation topics noted above.

Attachments | Ngā tapiritanga

	Title
A	Kauri Museum Letter on proactive measures they have taken
B	Drivers of 2024-25 costs
C	List of Capital Projects for 25-26 amended - excluding carryovers