

Annual Plan 2023-24

Meeting: Kaipara District Council
Date of meeting: 28 June 2023
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment
Ruby Mitchell, Senior Communications Advisor

Purpose | Ngā whāinga

Council needs to adopt the Annual Plan for 2023/24 so that plans and budgets can be confirmed, and rates can be set for the 2023/24 year.

Executive summary | Whakarāpopototanga

An Annual Plan is adopted in the years between Long Term Plans and details the revenue and expenses for the year and provides details of projects that will be delivered and what that does to the Councils Statement of Financial position (Balance Sheet).

The rates increase for 2023/24 both general and targeted (excluding water by meter) total 4.96%. Water by Meter charge has decreased 5.31%. Further the Council have tried to smooth the impact of the increase by adjusting the UAGC and reducing the fixed charge for the first cubic meter of water.

Recommendation | Ngā tūtohunga

That the Kaipara District Council:

- a) Adopt the Annual Plan 2023/24 (Attachment A) showing rates increase (general and targeted of 4.96% and a decrease of 5.31% in water rates.
- b) Delegates the authority to the Mayor and Chief Executive to make minor editorial changes to the Annual Plan 2023/24.

Context | Horopaki

Council is required to adopt an annual plan by the end of June each year. Elected Members stated upfront that they wanted a maximum of 5% rates increase, as they were aware that ratepayers were struggling in the current economic climate. The Long Term Plan 2021-2031 had provided for an increase of 3.92%, for general and targeted rates and an increase of 4.06% for water by meter.

Key elements in developing this annual plan as compared to that of the LTP for the same year are detailed.

- Taumata Arowai imposed new water quality testing regimes in 2022 which Council must comply with.
- At February 2023 briefing, Council was advised that the contract escalation rate was 12.4% for roading and would mean a reduction in buying power / level of service. This will occur over the longer term.
- Later in February 2023 major storms affected Kaipara roads, stopbanks and other infrastructure. Although some of the damage was to be funded by insurance and a greater Waka Kotahi NZ Transport Agency subsidy, some capital expenditure that had been added into the annual plan was now removed to ensure that the extra costs of the storm could be provided for without a further impost cost to the ratepayers.
- Subsidies have now increased over \$10 million in response to the storms and could be more once the full cost of remediation of roads is fully evaluated. The Waka Kotahi NZ Transport Agency subsidy rate is 82% which is 20% above Councils normal subsidy rate.

- Council has been fortunate to receive and budget grants of \$312,000 for the fully subsidised positions of Welcoming Communities Officer, Beach Rangers, Better Off / Affordable Waters Project Team.
- Other new staff budgeted are Economic Development Facilitator, Assistant Accountant, Monitoring Officer, Commercial Manager.
- Reduction in the District Plan costs of \$500,000, which have impacted on overall Activity costs.
- Interest was reduced \$200,000 as over the last two years projects completed had been externally funded and debt funded projects had been deferred. Wood St, Mangawhai stormwater and pavement revitalisation project has been deferred one year.

A number of briefings and presentations at Council were held to review both the operational and capital expenditure programme. The process undertaken to ensure Council has a full understanding of the content of the annual plan.

Meeting Date	Type	What was discussed	Details
31 May 2023	Council meeting	Fees and Income Approved UAGC and Water Fixed rate for 1 st cubic meter approved	UAGC increased from \$764 to \$800. Still well below 30% cap Fixed charge reduced from \$373 to \$211 to alleviate residential householders
26 April 2023	Council meeting	Approved rates less than 5%. Agreed no consultation required as rates increase not significant	Storm event costs and changes to capital (projects added because of storm and projects taken out) presented and impact to rates
1 March 2023	Council briefing	Guidance on costs to be added/ reduced from schedules	Rates presented and drivers of costs Full capital list and funding sources
14 Dec 2022	Council meeting	Approval of level of rates rise and consultation not required at this	Detail on items driving rates increases and potential additions/ reductions
7 Dec 2022	Council briefing	Clear guidance on level of rates	Understanding of what is in and out of plan. Initial list of capital projects

Rates increases:

Council in its LTP stated that rates affordability benchmark means that rates increases should be limited to 5%. Council will have met this with general and targeted rates predicted and with the reduction in water by meter costs.

General rates

This year, the Uniform Annual General Charge (UAGC) has been increased from \$764 to \$800. This means that every ratepayer will now pay \$800 UAGC. This has generally meant that lifestyle, pastoral and dairy properties pay less of the general rate than they would have if the UAGC remained at \$764.

Note that this is only 23.72% of a maximum allowable of 30% to levy.

Targeted Rates

Water by Meter charge

The Water by Meter Charge has decreased by 5.31 % due to a change in funding sources

- Previously, Council funded the initial evaluation of secondary water sources from operational costs. This year the design for Waiatua Dam in Dargaville is included in the capital cost of the project and will be funded from depreciation reserves, rather than debt or rates.
- As well as this, a number of Kaihu properties connected to a non-potable water supply were supplemented with bottled drinking water. These properties have transitioned to independently funded water tanks and supplying bottled water is no longer necessary.

Wastewater

The wastewater charge has increased across the district

- Due to full depreciation now being rated for on all Kaipara wastewater plants (last year, depreciation was funded at 90 percent). This is used to fund future renewals.
- In addition, investigations are also being funded for concept design of a new Paparoa wastewater system and to look at the infiltration of the Dargaville wastewater system.
- As part of the Long Term Plan 2021-2031 process, Council consulted with the community and agreed to equalise costs for wastewater services across the district, with a staggered entry for those on the Te Kopuru system over three years. This is the last year and so the increase this year is higher for these ratepayers.

Stormwater (rated on land value per scheme)

There is an increase to the Mangawhai stormwater charge

- This year provides for catchment management plans to be drafted. The effects of the February extreme weather events highlighted the lack of stormwater infrastructure in parts of Mangawhai, so this year there is focus on ensuring there is sufficient stormwater infrastructure for residents, both current and in the future.

Debt Ceiling on External Debt:

Councils limit on liquidity is being greater than 110%, as at May 2023 the actual is 129% and as at 30 June 2024 it is predicted to be 116%, but this is likely to be higher if we offset with any cash in hand.

Elected Members in 2021 stated that despite the levels provided for by external borrowers the Council felt comfortable with having debt less than \$60 million. This Annual Plan predicts debt could rise to a level of \$61m but will be offset with any term /cash deposits, up to \$6.8 million forecast at year end, so Council will be well within its limits.

To help with Councillors understanding as to why Council debt will increase if all capital expenditure is completed, to potentially 61.1m for this annual plan 2023/24, the following new projects were added into this year totalling \$5,583,000.

Why added	What for	Debt part only of cost
New project added by previous Council	Pensioner Housing Upgrade	1,500,000
Brought forward from 2025 by current Council	Northern Wairoa hall	500,000
Added by current Council (replaced Dargaville water and wastewater projects, and Wood St debt)	Storm Damage	.
	Dargaville	600,000
	Dargaville Stopbanks	500,000
	Whakahara floodgates	150,000

Funding changed by current Council to reduce rates	Pouto Rd second seal	533,000
New projects agreed to be added by current Council	Tinopai Campground	200,000
	Maungaturoto water	1,000,000
	Breve St stormwater	600,000

There are also key additions above the original budget /LTP for 2022/23 authorised by the previous Council in last year's annual plan. Additional debt funding was provided for Mangawhai Wastewater Disposal, Thelma Rd pump station, the additional costs of the Mangawhai Balance Tank, Pouto Wharf, and Dargaville Spring St Reticulation. Additional projects that became urgent were Baylys Beach toilets and Pahi toilets.

Summary Capital Projects 23/24:

\$m	Projects discussed with Council prior to Feb storms	Storm events projects net of those deducted	Total Projects budgeted for 23/24(excl carried over)	Projects per LTP (as comparative)	Additional projects likely to be carried over from 22/23
District Leadership	0.6	-0.27	0.4	0.33	0.7
Flood Protection/Land Drainage	0	0.15	0.2	0.06	4.76
Open Spaces & Facilities	5.7		5.7	5.8	3.7
Stormwater	1.8	0.5	2.3	0.09	1.5
Transportation	26.1	6.06	32.1	20.3	10.9
Waste Minimisation	0.1		0.1	0.1	0.22
Wastewater	4.2	- 0.2	3.0	0.3	2.6
Water Supply	4.0	-1.2	2.8	1.1	0.8
Total	42.5m	5.04m	46.7m (Attachment B)	27.9m	25.18m

Elected Members can see this is another major capital budget at nearly \$72 million (\$47 million for 2023/24 year plus likely carry overs of \$25 million). This is primarily driven by the need to complete both emergency and business as usual roading, which is the largest category in the table. Note that pensioner housing has been kept at \$1.5 million capital project funded by debt. At this stage Wood St stormwater and street improvement has been deferred until 2024/25 as planning for the work is still being finalised.

Normally depreciation reserves fund renewals, however for some wastewater and stormwater projects some were funded out of depreciation reserves rather than increasing debt. Projects such as Dargaville wastewater \$1,000,000, Kaiwaka WWTP upgrade \$200,000, Dargaville Security Improvements \$150,000, Waikatua Dam design \$150,000, Paparoa Wastewater Design \$150,000 and Eveline St stormwater \$900,000.

Discussion | Ngā kōrerorero

In comparing with the LTP the following information should be considered.

\$m	LTP (Year 3 2023/24)	Annual Plan 2023/24	Comments
Rates Take	47.4	46.8	
Rates Increase (general and targeted)	3.92%	4.96%	
Water by meter	4.06%	-5.31%	Water deliveries to Kaihu ceased
Total Revenue	79.3	91.7	Increased roading subsidies
Total Expenses	60.4	61.4	
Capital Expenditure	27.9	46.7	Storm event projects included
Closing Debt 30 June	43.9m	61m debt	Cash deposits will reduce this by 6.8m

Options

Option 1: Approve the Annual Plan 2023/24. Council is required to adopt an Annual Plan by 30 June each year. This option enables Council to meet its statutory requirements. Following adoption, Council can then set the rates for the year.

Option 2: Seek changes to the Annual Plan 2023/24. This would mean likely delaying the setting of the rates and there could be reputation issues if this occurred as Council has had time to ensure management are aware of any changes they want made to the Annual Plan.

The recommended option is **Option 1**.

Policy and planning implications

This is a key document for planning.

Financial implications

The Annual Plan sets out the budgets and work programme for the year.

Risks and mitigations

There is a risk Council won't meet its statutory obligations if the Annual Plan 2023/24 is not adopted. There is insufficient time to change the figures in the document without delaying the rating of properties.

Significance and engagement | Hirahira me ngā whakapāpā

Adopting the Annual Plan does not trigger the significance criteria outlined in the Council Significance and Engagement Policy, and the public will be informed on the Council website.

Council has determined there are no significant or material differences between this Annual Plan and year 3 of the LTP so consultation was not required.

Next steps | E whaiake nei

Once the Annual Plan is adopted it will be widely communicated to the Kaipara community.

This document forms the workplan for 2023/24.

Attachments | Ngā tapiritanga

	Title
A	Annual Plan 2023/24
B	List of Capital Projects