Finance – Affordable Rates

Recommendation | Ngā tūtohunga

That Kaipara District Council:

a) Notes that all costs in the 24-27 LTP year 1 have been re-examined and Council expects to finalise an increase of around 11% on average including growth.

b) Notes that projects carried over to 2024/25 will be a minimum of $23.7m and this will reduce interest and repayment costs which have been included in rates calculations.

c) Approves the reduction of consultants fees of $355,000 off set by a reduction in resource consent fees of $54,000 in the final preparation of the LTP.

d) Approves a further reduction of employee costs of $300,000 totalling $1.5 reduction in total from what was initially proposed in the 24/25 financial year.

e) Notes the increase of costs for Cyclone Gabrielle to $20.8m from $9.2m provided in the source documents for the Consultation Document.

f) Approves the use of retained earnings to fund the increased costs of Cyclone Gabrielle up to a maximum of $4,944,000 over the two years 2024-2026.

These recommendations do change what was proposed in the Long Term Plan 2024-2027 Consultation Document.

Introduction:

Council has been through an iterative process with the LTP, bringing together an initial LTP then going through the detail at many briefings. Council agreed on the 15.1% but believed this needed to be reduced further and although Council approved the Consultation Document and LTP source documents for consultation, further instructions were issued to staff to review further:

- Review carry over projects where these won't be completed by Council by June 2024 and therefore debt and interest won't be incurred as initially projected.
- Employee and consultant costs (reduces operations if further savings can be found).
- Review LTP capital projects 2024-2027 and capacity to actually achieve the construction completion dates and the relevant costs where capital rescheduled.
- Council staff have also looked at the finance costs, interest earned and employee costs. There is a surplus of rates taken and not utilised that can be used to fund one off expenditure such as the additional Cyclone Gabrielle costs.

TOPIC
Submission summarised: **Mangawhai Matters** ▪ Want a general rates increase of 5% or less for each of the 3 years in addition to a targeted rate for 4% for storm resilience work and only charge this until work remediated. ▪ Consider a set dollar for each rateable property for storm damage. ▪ Believes the rates need to be affordable and shouldn't focus on growth and believe low growth figures should have been used rather than the medium series.

- Funding for roading has shown an extraordinary increase over the three years and want only cpi movements on roading.
- No funds to be spent on growth related roads.
- Mangawhai Matters don't believe you can add $23.7m of carryover capital works to 24/25 costs and complete all the projects.

Dargaville Ratepayers Group

- Wants a smaller increase in Year 1 and gradually increase for Year 2 and 3 and want to look at postponing what we don't need in capital projects.

Other submissions

Some strongly emphasised that rates increases are unaffordable, unfair and require further justification. They pointed out the apparent disparate treatment of Mangawhai versus Dargaville facilities as inequitable.

Respondents have mixed sentiments regarding the topic of targeted rates in Kaipara. Some express support for targeted rates for specific purposes, such as storm resilience work, while others reject proposed rate increases and call for more affordable options.

Finances — general rates:

There is widespread opposition to the proposed rate increases in Kaipara, with many residents expressing concerns about affordability. They argue that the proposed increases are excessive, especially given the current economic climate and the financial hardships faced by many ratepayers.

Options and Assessments

Options

a) Rates rises are unaffordable

Rates are being reviewed separately for cost reductions and it is expected that the final percentage will reduce. The report to Council of 1 May 2024 provided for reductions in consultants and employee costs and further reductions in interest as the GM Infrastructure reported there would be carryovers of $23.7m. Because of projects not being completed, this will reduce interest costs and debt projections in the first year.

Another suggestion was to smooth the rates over the three year period. It is not good practice to smooth rates rises into the future. This would mean an unbalanced budget each year until the third year when all rates are received and is not good financial practice and would be negatively reported on by our auditors.

Conclusion – Staff may be able to reduce rates to around 11% on average incl growth. The UAGC will be brought back to Council at the final meeting when rates have been calculated.

b) Storm damage rate

Council has provided for $22.3m over the three years for Cyclone Gabrielle (increased from $9.2m in the Consultation Document produced) which needs funding from Council of $4.9m.

As more detailed investigation and design has been undertaken on the remaining Emergency Works slip repair sites, the associated costs have become clearer. This has included the addition of several sites that were initially assessed as simple maintenance repairs that site investigations have determined to be more complex, and therefore a higher cost repair. The actual value of the remaining programme remains as an estimate, with final costings only able to be determined following completion of final designs and associated construction tendering.

This could be a charge of about $160 for each residential property for 2 years however there are funds (primarily employee costs and interest received) that Council has rated for in 2023 and 2024 that remain unspent. So, staff are confident that most of the one-off Cyclone Gabrielle costs should be able to be funded by retained earnings. The one-off storm rate suggested won't be relevant.
In any case, Council is proposing the parks and library uniform charge along with the UAGC which will be the maximum allowed with the 30% rule.

Conclusion - Independent rate not warranted as most will be funded from current years (2024) expenditure and 2023 year rates collected but unspent.

c) Reduce growth figures
Council is using medium series projections produced by Infometrics. For the next 3 years it is forecasting an extra 170 rateable properties per annum. For context, lots created in past years have been as follows:

- 2021 182 lots
- 2022 173 lots
- 2023 188 lots
- 2024 (9 mths) 117 lots

Council has to keep in mind that we have one completed plan change for Mangawhai Central and others in the pipeline. MetLifecare are keen to build, and Council is completing a development agreement with them. Once this is finalised, we expect development to start immediately.
Conclusion - Council should not change their growth projections downwards.

d) Funding on roading be reduced
Much discussion has been undertaken by the GM Infrastructure on roading and reductions have been made.
Conclusion - Any further reductions have to be proposed by Council.

e) No funds to be spent on growth related roads
There is no funding to be expensed on growth roads in the next three years apart from $3m on Devich, Cames and Settlement roads. Some funding does come from reserves and subsidy.
Conclusion - No change

f) Carry over capital works won't be completed and the LTP programme should be phased more
Completing unfinished work from the previous year has been an issue. In the past, $16m of project work was carried over to 21/22 and $28.8m of project work was carried over to 22/23. For this next year it is proposed to carryover $23.7m of capital projects.
The GM Infrastructure has reviewed carryovers and the 3 year plan now includes carryovers. The capital plan 2024-2027 has been assessed by four criteria, namely that the project is defined; it is designed or ready for design; market capability/capacity to deliver has been tested; and the planned activity and will be completed by each 30 June.

Conclusion - GM Infrastructure believes no change to capital figures for the LTP 2024-27 is warranted.
Impact of recommendation on the LTP (financial and non-financial) Any further reduction in rates will impact the final LTP 2024-2027 figures in a favourable way for residents.
Policy Implications There are no policy implications.
Conclusion drawn: Kaipara residents are finding the rates unaffordable and want these reduced. Council is working towards this outcome as best we can in the current environment.