

OIR: 2324/897

7 May 2024

[REDACTED]
[REDACTED]

Tēnā koe [REDACTED]

Request for Information under the Local Government Official Information and Meetings Act 1987 (the Act) (the LGOIMA)

Thank you for your email of **21 April 2024** requesting the following information:

- 1. There are still some items in what you have indicated in these graphs that are not explained and I am wondering if you could please be so kind as to clarify in terms of the Water Assets Revaluations between 2022-2023 to 2024-2025 what was the total capital revaluation movement and depreciation resulting i.e. in terms of the schedule of Water assets applied to each of:-***

- (a) The originally budgeted depreciation movement as at 16/11/2023? for the 2023- 2024 Rating year about to be expensed***

Please see attached presentation at pages 6 and 7 on 'Depreciation'.

- (b) Updated since by the 4.7M recovery, what assets was that extra 6% depreciation on? in your graphs 19/4/24 pp 2-3 – many thanks***

Please see attached presentation at page 7 on 'Proposed 3-Waters Depreciation reduction'.

- (c) Total depreciation revaluations to be expensed 2023-2024 and projected 2024-2025 underpinning the 17% rates rise but expressed in the categories of Water Assets [incoming, waste, storm], Coastal and Rooding.***

Please see attached presentation at page 6 showing total depreciation from revaluations.

The Council revalued all assets classes (including three-waters: water, wastewater and stormwater) as at 30 June 2023 by an independent valuation company.

Please note that any information provided in response to your request may be published on the Council website, with your personal details removed.

Please refer to the [Annual Report 2022/23](#) Note 11 on page 125 for details of assets revaluation, revaluation methodology and date.

Also I asked you about whether there was a CAP / Managed Retreat budget in the 2024-2025 year to which you replied no. So therefore can you please clarify this in the context of this following media statement <https://www.thepost.co.nz/nz-news/350251451/costs-kapiti-coastal-adaptation-getting-clearer>

I can confirm that while the proposed Long-Term Plan 2024 – 2034 includes some budget for existing coastal adaptation projects (most significantly, the seawall replacements in Raumati and Paekākāriki), there is no budget for managed retreat.

I have sought clarity from my colleague with oversight for this work, and can clarify that:

- The Coastal Advisory Panel's (CAP) mandate is set by the scope for the Terms of Reference (as outlined in the [Takutai Kapiti Co-design Working Group report](#)) – there is no delegation for CAP to set Council's budget.
- The cost figures for managed retreat options in the article you have cited appear to reference an independent economic analysis of *potential* adaptation pathways. This analysis was commissioned by Council to support the independent Coastal Advisory Panel to develop their recommendations to Council on coastal adaptation. The cost figures are not included in Council's draft 2024-34 Long-term Plan.
- Whilst Council expects to receive the Panel's recommendations in June 2024, marking the end of the Takutai Kapiti process, specific decisions are not expected immediately.

You have the right to request the Ombudsman to review this decision. Complaints can be sent by email to info@ombudsman.parliament.nz, or by post to The Ombudsman, PO Box 10152, Wellington 6143.

Ngā mihi,



Mark de Haast

Group Manager Corporate Services
Te Kaihautū Ratonga Tōpū

Appendix 1 – Council Briefing Long-term Plan 2024-34 presentation

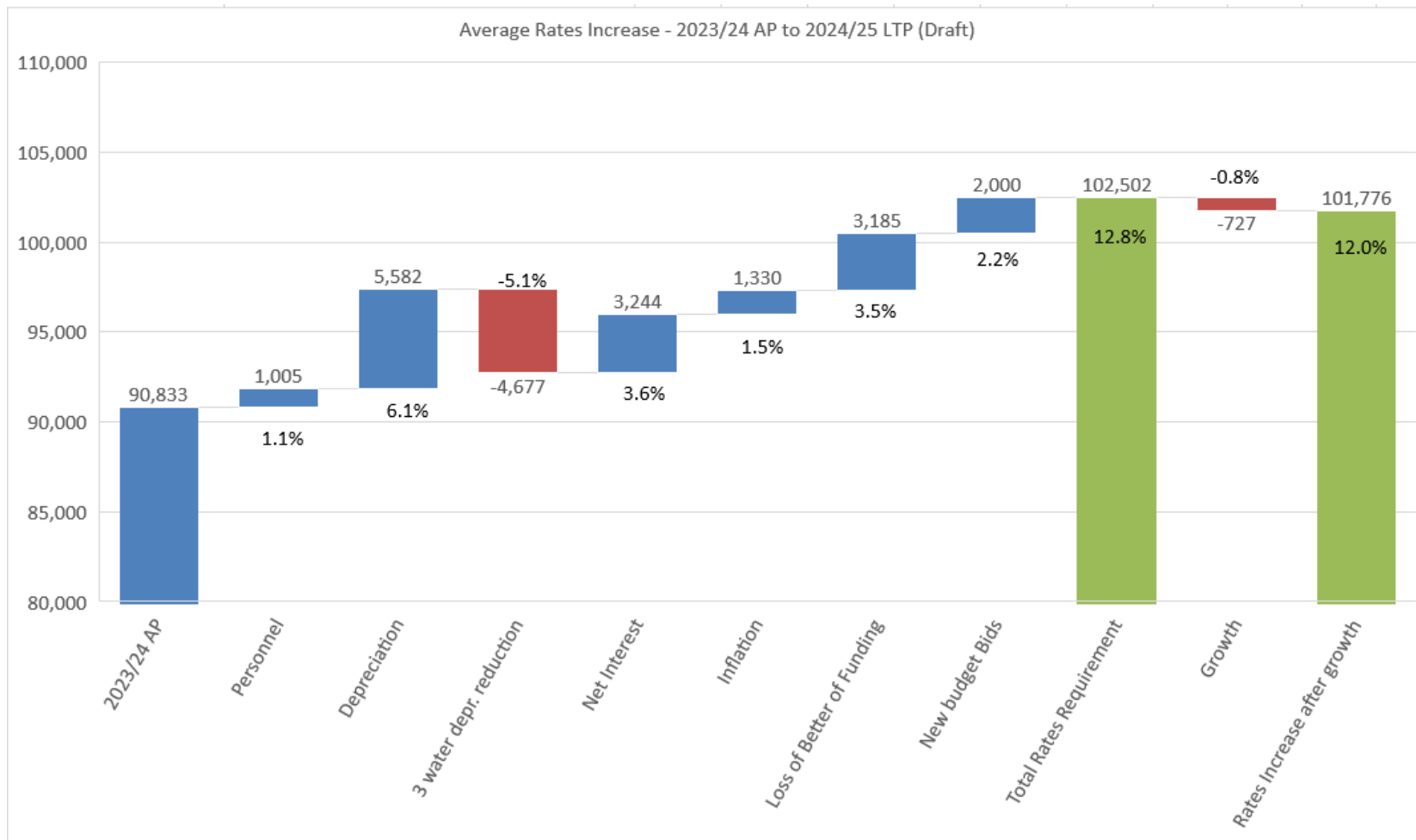
Long-Term Plan 2024-34 Council Briefing

7 November 2023

Discussion Outline

1. Year 1 Average Rates Increase...
2. Year 1 to 3 Capital Works Programme – High Level Snapshot...
3. New Council Initiatives – At a Glance...
4. Can We Reduce Rates Further?
5. Key Take-Outs...
6. What's on the 9 November?

Year one drivers of the rates increase



1% = \$908,000
 0.5% = \$454,000
 0.1% = \$91,000

Non-discretionary increases

Depreciation	1.0%
Net interest	3.6%
Inflation	1.5%
Subtotal	6.1%
Loss of BOF	3.5%
TOTAL	9.6%

Budgeted Staff Positions

	As at 31/10/2023	AP 2023/24	LTP 2024/25
Number of FTE	405	452	436
Add:			
Contractors back-filling FTE roles	10	-	-
Positions being recruited	11	-	-
Positions currently on hold	10	-	-
Subtotal	31	-	-
Less: vacancies loading (FTE)		(16)	(21)
TOTAL FTE Forecast	436	436	415

- We expect to have 436 full time equivalent staff as at 30 June 2024.
- To help reduce the average rates increase for 2024/25, the Chief Executive has reviewed staffing levels and will maintain staff levels at 436 for 2024/25. This is a permanent reduction of 16 FTE positions.
- A vacancy loading of 21 staff has been applied to 2024/25. This effectively reduces the staff salary budget by \$2.2 million.

Personnel Budget

	AP 23/24 (\$000's)	LTP Draft 24/25 (\$000's)	Increase / (Decrease) (\$000's)
Net salary (436 FTE)	41,072	41,072	-
2% salary increase (2023 remuneration round 5% vs. 3% budget)	-	843	843
Up to 6% salary increase (2024 remuneration round)	-	2,464	2,464
Other (superannuation, overtime/standby allowances, training, ACC etc.)	3,087	3,739	652
Subtotal	44,159	48,118	3,959
Less:			
Vacancy allowance	In net salary above	2,177 ^(*)	2,177
Staff recoveries from operating costs	817	817	-
Staff recoveries for capex	7,423	8,200	777
Subtotal	8,240	11,194	2,954
Total Personnel Budget	35,919	36,924	1,005

* Vacancy Allowance = 20% staff turnover and 3 months to fill each position.

Depreciation

	23/24 \$000's	\$000's	24/25 \$000's
<u>Existing assets:</u>	29,075		29,075
Uplift in depreciation from roading full revaluation as 30 June 2023 (not budgeted enough in 2023/24)			745
Estimated uplift in depreciation for 3 waters as at 30 June 24 (last revalued in 2021/22 - assuming 10% increase)			1,492
Estimated impact of 2023/24 capex forecast \$89m			3,778
3 waters assets		770	
Non 3 waters assets		2,977	
Adjusted downwards by 25% = \$67m capex x 60% complete			(1,116)
Add: Vested assets: Old SH1 and PP2O			683
Less: Unfunded depreciation	(3,535)		(3,535)
Total Depreciation (Rates funded)	25,540		31,122
Depreciation Increase			5,582

Proposed 3 Waters Depreciation Reduction

	LTP 2024/25 (draft) \$000's
Estimated uplift in depreciation for 3 waters as at 30 June 24	1,492
Loss of One-off BOF for stormwater and wastewater in 2024/25	3,185
Total non- rates funded depreciation for stormwater and wastewater for 2024/25	4,677

Unfunded Depreciation	LTP 2024/25 (draft) \$000's
Opening balance at 1 July 2023	3,094
Add:	
Unfunded increase of 3 water depreciation from revaluation in 2023/24	441
Unfunded 3 water depreciation uplift in 2024/25	1,492
Unfunded depreciation to compensate loss of BOF in 2024/25	3,185
Closing balance at 30 June 2025	8,212

Net interest

	AP 23/24 (\$000's)	Interest Rate	LTP Draft 24/25 (\$000's)	Interest Rate	Increase / (Decrease) (\$000's)
Net Interest	8,934	4.17%	12,178	4.96%	3,244

	2023/24 (\$m)	2024/25 (\$m)
Opening Gross Debt	275	315
Debt increase	40	40
Closing Gross Debt	315	355
Less: Debt Prefunding	(60)	(60)
Closing Net Debt	255	295

- Interest payable is calculated on existing net debt of \$255 million plus a net increase of \$40million of debt during the year.
- Interest rates are forecast to stay higher for longer. Our current WACC is 4.51% but 4.96% is considered prudent at this stage.

Inflation

Type of cost adjusters	AP 2023/24	LTP 2024/25 (draft)	LTP 2024/25 (draft) (\$000's)	Source
Community Activities	4.8%	3.0%	189	BERL
Energy	4.2%	3.1%	87	BERL
LGCI (for revenue)	4.2%	3.1%	(437)	BERL
NZTA funding for capex renewal (revenue)	5.1%	3.1%	(96)	BERL
Planning & Regulation	3.5%	3.0%	429	BERL
Roading	5.1%	3.1%	145	BERL
Water & Environmental Mgmt.	4.8%	3.2%	281	BERL
Other (transport/energy)	4.0%	3.1%	62	BERL
Insurance	10%	20.0%	669	In-house
Total			1,330	

1. Insurance premiums typically increase by 20% per annum.
2. Work is currently underway and explore alternate risk transfer options for the Council as the total insurance premium is approx. \$2.5m per annum.

Loss of Better-Off Funding

Item	Project/Initiative	Expenditure Type	Total \$000
B.1	New public toilets x3	Capex	300
B.2	Otaki pool low emissions	Capex	500
B.3	Macleans park stage 2 – lighting and shading improvements to skatepark	Capex	185
B.4	Macleans park stage 2 – complex needs	Capex	150
B.5	Paekakariki surf lifesaving	Capex	1,000
B.12	Storytelling and landscaping for Mclean Park	Capex	150
B.14	Waikanae Library	Capex	900
	TOTAL		3,185

- Better Off funding was used to offset the operating costs for stormwater and wastewater for 2023/24 to reduce the rates increase by 3.5%.
- This was a one-off funding opportunity for the Council. The government has since withdrawn Tranche 2 of the BOF allocation.
- We proposed to mitigate this impact on rates by not rates funding \$3.2m of depreciation for stormwater and wastewater.

New Budget Initiatives (Opex)

Group	2024/25 LTP (draft) \$000's
Infrastructure Services	1,000
Community Facilities and Services	1,000
Total	2,000

- Initial new budget initiatives were categorised (1) Increased cost, (2) Council Top 10 Priority and (3) Activity Service Level Change. These were further prioritised using "Must", "Should", "Could".
- SLT considered starting average rates increases of approx. 28% for Year 1.
- New budget initiatives were approximately \$5million. These have been capped at \$2 million by the Chief Executive for further Council consideration.

Projected Growth

	2023/24	2024/25	2025/26	2026/27
Forecast increase per year using dwelling growth projections		0.8%	1.1%	1.1%
Rating base	25,763	25,969	26,257	26,549
increase in rating units		206	288	291

- Growth reflect increase in rating units.
- This has been determined by looking at a combination of building consents / certificates of titles, population forecasts and household size forecast.
- Likely to be revised over coming months (Year 1)

Councillor Initiatives

Workshops were held with Council to determine what they wanted to see in the LTP. The following was workshopped but is not included in the LTP at this point:

Additional initiatives:

- 1. Progress a 'social needs' assessment (Vote: majority)
- 2. Raumati Pool upgrade (Vote: majority – this is on the operational list as well)
- 3. Otaki Lake management and improvement (Vote: majority)

Not majority, but endorsed:

- Youth development budget (vote: 3)
- Progress restoration of Wharemauku stream (vote: 3)

Additional revenue generating initiatives:

- 1. Ecotourism and resilience – build multipurpose tiny/glamping huts that are rented, but available for periods of emergency, to support tourism and job growth (Vote: majority)
- 2. All-of-government multipurpose facility – collaborative build between central and local government, central government contributes to fit out and pays rent (Vote: majority)
- 3. Indoor sports facility – build and rent facility out for sports and business events (Vote: 4 – this is on the operational list as well)

Councillor Initiatives

Not majority, but endorsed:

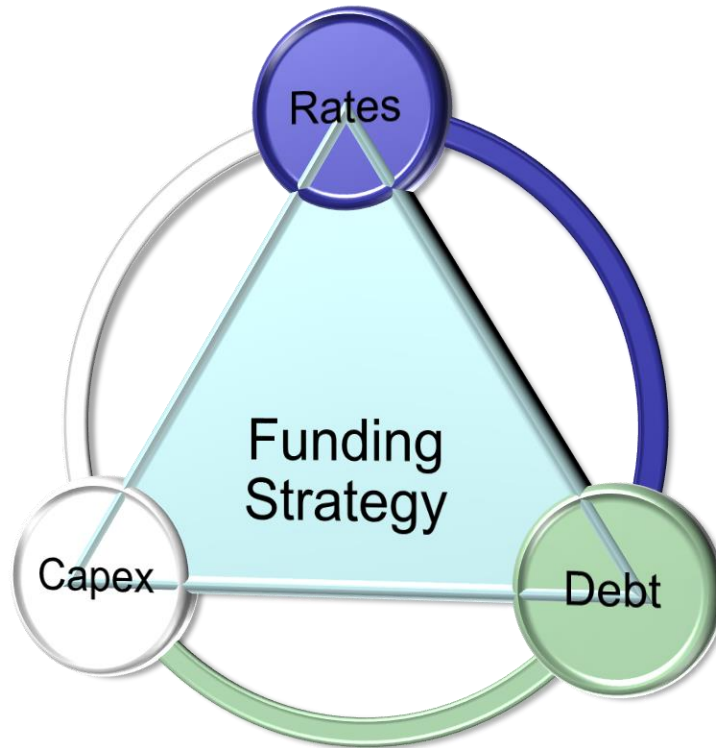
- Convert rubbish to resources - sell rubbish or make goods from rubbish and sell for profit (Vote: 3)
- Motorsport facility – create tourism venue in collaboration with private sector (Vote: 3)

The outcome of this session will be reported in December 2023. Ideas which are not ‘short-listed’ will be held in a new *ideas repository* which will be used to inform future pathway opportunities for Vision Kapiti.



Financial Strategy – WIP

LTP 2024/25 (draft) 12%



LTP 2024/25
(draft) \$71m

LTP 2024/25 (draft) \$295m

Options to Reduce Rates Increases

	\$000	Rates Impact %	Running Total Rates Impact %
Draft average rates increase (after growth) as at 7/11/23			12%
<u>Options to reduce rates further:</u>			
Reduce insurance cover to maintain 2023 premium	669	0.74%	11.26%
Changes to levels of service	1,271	1.4%	9.86%
Further changes to levels of service	908	1%	8.86%
Total changes to LOS	2,179	2.4%	



Key Take-Outs from Today

- Draft average rates increase for Year 1 is currently 12%.
- Chief Executive imposed reduction to future staff growth (capped at 436 – not 452). Staff vacancy loading based on 3-year average. Personnel increase currently increasing rates by 1.1%. Normally more than 3%!
- Non- rates funded depreciation increase of \$4.7 million (5.1% average rates reduction).
- New budget bids (opex) capped at \$2million by Chief Executive. Previously more than \$5million when presented to SLT. May be further reduced by Council?
- Further rates reductions will likely change service levels...



What we are covering on 9 November

- Recap of today (High Level)
- Details of \$2million of New Budget Initiatives for Y1 (Opex)
- Details of Capital Works Programme (Y1 – 3)
- Agree Next Steps and Actions

