BUILDING A RESILIENT FUTURE FOR KĀPITI

Te whakatupu i te anamata manawaroa mō Kāpiti

Consultation document for Council's Long-term Plan 2024–34

He pepa matapaki i te Mahere Roa a te Kaunihera 2024-34

Kāpiti Coast
DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

WE'RE LOOKING FORWARD TO HEARING FROM YOU

E hīkaka ana mātou ki te rongo kōrero i a koe

This consultation document provides you with an overview of our vision, our outcomes and priorities, our financial and infrastructure strategies, and bold change proposals that we think are necessary to build a resilient future for Kāpiti. Most importantly, it asks you to tell us what you think about these plans and proposals.

You can give us your feedback any time before midnight Sunday 28 April 2024 by doing any of the following:

- complete a submission online at: haveyoursay.kapiticoast.govt.nz/LTP
- email us at submissions@kapiticoast.govt.nz
- fill in a submission form and drop it into one of our libraries or service centres or post to Long-term Plan submissions, Kāpiti Coast District Council, Private Bag 60601, Paraparaumu 5254
- talk to us at our drop-in sessions in various locations around the district (details are at: haveyoursay.kapiticoast.govt.nz/LTP) – we're here to answer your questions
- speak to your submission at hearings in the Council Chamber on 2 May.

For full details and more information, including digital copies of this document and supporting information, go to: haveyoursay.kapiticoast.govt.nz/LTP

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KEY DATES:

28 MAR	28 APR	2 MAY	23 MAY	27 JUN
PUBLIC CONSULTATION OPENS	PUBLIC CONSULTATION CLOSES	COUNCIL HEARINGS TAKE PLACE	DELIBERATIONS AND ADOPTION OF FEES AND CHARGES FOR 2024/25	COUNCIL ADOPTS LONG-TERM PLAN 2024-34

The Long-term Plan 2024-34 will be available on Council's website from 1 July 2024.
Printed copies will also be available at our libraries and service centres shortly thereafter.

NAU MAI
FROM YOUR COUNCIL

Every three years we review our Long-term Plan (LTP), which is our overarching 10-year plan for what Council will deliver for our district. Before we lock it in, we consult with our community to make sure we've got our priorities right and have work programmes that are deliverable and fit for purpose.

The biggest challenge we face is delivering for the long-term benefit and wellbeing of our district, and it's important that we strike a balance between affordability and building a resilient Kāpiti to best protect the place we're proud to call home.

Until late 2023, we were drafting this LTP on the assumption that by 2026 we would not operate water services assets, and significant costs would no longer be rated for by Council.

We were anticipating that central government would reimburse us at least $110 million of our debt related to our three waters assets and provide funding to assist with the delivery of water services until the transfer of our assets to a new regional entity.

We've invested heavily in good management of our water assets, but now the three waters legislation has been repealed, we must return to long-range investment planning and continue to provide for and fund these services.

Back row left to right: Councillor Jocelyn Prvanov, Councillor Sophie Handford, Councillor Nigel Wilson, Councillor Glen Cooper, Councillor Martin Halliday

Front row left to right: Councillor Liz Koh, Mayor Janet Holborow, Councillor Kathy Spiers, Deputy Mayor Lawrence Kirby, Councillor Rob Kofoed, Councillor Shelly Warwick.

GETTING THE COSTS DOWN

To develop this LTP, we held several Council briefings and workshops to determine our strategic direction, update policies, consider recent feedback from our community, and most importantly, consider the impact cost increases will have on ratepayers.

We worked hard to get operating costs down so that the impact on rates is as low as possible without compromising service levels. A significant proportion of our proposed rates increases in Year 1 can be attributed to every day costs such as inflation, interest, depreciation, and personnel costs. We therefore made some hard calls on discretionary budgets to initially reduce operating costs by $9.4 million through a range of measures:

- We cut operating cost increases of $5 million down to $2 million by prioritising funding only for essential infrastructure and community facilities.
- The Chief Executive capped permanent staffing numbers for the first three years which reduced our personnel budget by $1.7 million annually.
- We were anticipating that central government would reimburse us for our debt related to our three waters assets. Therefore, we initially opted to debt-fund an operating cost shortfall of $4.7 million for these services.

We also considered how we could still support and promote economic development in the district, and as a result we reprioritised existing budgets to put more emphasis on identifying revenue generating opportunities that may, in the future, provide a much needed supplementary funding source for Council.

By making these cost reductions we were able to reduce the average rate increase for Year 1 down to 12%.

However, now that central government will not be repaying our three waters debt, we feel we must reconsider funding the $4.7 million operating cost shortfall for three waters services by borrowing. We think the most sensible option is to rates-fund the shortfall instead, but this will increase the average rate increase to 17% for Year 1. This is a key change proposal that we are asking for your feedback on later in this document.

To further reduce operating costs, we would need to consider lower levels of service, but this would have to be done in a meaningful and informed way to avoid compromising the things that make Kāpiti a great place to live. We don't plan on doing this right now, but it may become necessary in coming years.

BUILDING A RESILIENT FUTURE FOR KĀPITI

One of the most important considerations right now is building a resilient future for our district in the face of several significant challenges.

We need to invest in our infrastructure so it can better cope with more frequent and extreme weather events, changing weather patterns, and rising sea levels. We also need to be ready, both operationally and financially, to respond to whatever comes our way while continuing to invest in the everyday things that keep Kāpiti running smoothly now and as the district grows.

We also need to reduce debt levels so we can maintain maximum borrowing capacity when and if a major natural disaster leaves us with debilitating damage to our district's infrastructure and community's wellbeing.

We currently have net debt of $221 million, and will borrow, on average, a further $19 million each year over the next decade.

If we continue to borrow at this rate and don't pay back any of the principal, by the end of 2033/34 our debt will almost double. We will only have around $170 million of borrowing capacity left – not enough to comfortably respond to unplanned events, and fund our infrastructure strategy from 2040 onwards when core assets will need upgrading or replacing.

If we don't take action to reduce our debt now, our children and grandchildren will inherit this liability and ever-increasing interest expenses. Eventually, someone will need to repay the debt, and the longer we leave it, the harder it will be.

In this consultation document we're proposing a debt-reduction programme to reduce our net borrowings by $144 million within the next 10 years. This will mean higher rates increases than anyone wants to see, but it will leave us with the ability to borrow as and when we need to.

We will still need to borrow during the 10 years of this LTP, but from 2030/31 onwards debt will begin to significantly reduce. The alternative is to continue to borrow as normal and when we get close to our maximum debt limits, we will need to make some hard decisions about what work we can and can't do, and activities and projects that aren't deemed critical might need to cease. That sounds dramatic, but that's the reality we're facing.

We also need to consider whether or not to divest our older persons' housing portfolio to a community housing provider.

SO, WHAT DOES THIS ALL MEAN FOR YOU?

In the first year of this plan, we're proposing an average rates increase of 17%. This enables us to fund the $4.7 million funding shortfall for three waters services. See page 25 for more on this one.

If we decide to transfer our older persons' housing portfolio to a community housing provider (CHP), capital and operational funding requirements will reduce but there will be a small positive impact on rates in the earlier years.

We will continue to invest in our infrastructure and maintain current levels of service. Despite the cuts we have made, we have a healthy capital works programme that includes major infrastructure projects such as upgrading the Waikanae water treatment plant, two new Ōtaki reservoirs, wastewater and stormwater network renewals, upgrades and growth projects across the district, coastal seawall upgrades, and districtwide roading resurfacing.

WE NEED YOUR FEEDBACK

We know many in our community are struggling, and a rates increase is never ideal. But if we want to ensure our district remains liveable for all, with a connected, resilient community, we need to take a long-term view and fully commit to reducing our debt now to prevent even more pain in the future.

Making ends meet is a balancing act, and in developing this LTP we've had to make some hard calls to make sure we're in a good financial position to build a future that works for everyone in our community.

The choices we make now will shape the dreams and realities of our children and grandchildren for decades to come, so we need your input and judgement to help us make the right decisions, even if they may present some level of pain in the short term.

We need your feedback on whether what we're proposing is the right call.

THE THREE BIG PROPOSALS INCLUDE:

- **options to tackle the funding shortfall to deliver three waters services**
- **proactively reducing Council's debt**
- **providing sustainable Council housing for our older people.**

Go to pages 25 to 39 to get the full picture on each of these proposals.

Not quite as significant, but still very important, are some other changes we are proposing. We have reviewed our development contributions, rates remission, revenue and finance, and significance and engagement policies, and updated fees and charges for the 2024/25 financial year. We're also proposing consolidating some of our climate action costs into a new Climate Action Rate.

While there's a lot to think about, we know where we're headed – but we need your views to help us make the decisions to get there. We encourage everyone in our community to make a submission, either online, on paper, or in person at a community or drop-in session, or come and talk to us at hearings (see page 2 for details).

Join us in building a stronger and more resilient Kāpiti.

WHERE WE'RE HEADED

E ahu ana tātou ki hea

OUR VISION

TOITŪ KĀPITI

Supporting sustainable development and communities by a strengthened focus on place, people, and partnership.

OUR COMMUNITY OUTCOMES

Our community outcomes help us respond to our challenges and keep our focus on what matters most – the cultural, economic, environmental, and social wellbeing of all the people in our district.

Working with our mana whenua partners

We are committed to our partnership with mana whenua, and ensuring we address and prioritise issues of importance for our iwi partners. Appointed mana whenua representatives have a seat at our governance table, and we work together in mana-enhancing ways for our community.

Place

Our place is resilient and liveable for current and future generations.

Our natural environment, water, land, and infrastructure remains accessible, well maintained and protected from degradation, including climate change impacts as we grow.

People

Tāngata/people are supported to live, work, and play in our district.

Our people have access to services, resources, and opportunities that enable them to lead healthy, fulfilling lives and feel connected within their communities.

Partnership

We partner with others to connect, facilitate, and advocate for the good of all in Kāpiti.

Our community is involved in decisions that affect Kāpiti, and business, government, and community groups work together to ensure resources and funds support our economic needs.

These outcomes are our priorities for this LTP, with our financial and infrastructure strategies underpinning how we'll achieve them.

YOUR NEEDS AND OUR TOP 10 PRIORITIES FOR DELIVERING

Place

YOUR NEEDS	OUR PRIORITIES
1 Resilient waters environment	
Looking after our rivers, streams, and oceans, and ensuring supporting infrastructure is resilient and in top condition.	Develop and implement a plan to address inland flooding and ponding – stormwater, infrastructure, and the impacts of the government's ongoing reform programme.
2 Sustainable land use	
Making the most of our land so that we meet the needs of current and future residents in a sustainable way.	Implement a "good" growth strategy that balances needs for housing and our environment, supported by appropriate district planning and regional spatial planning.
3 Climate change and resilience	
A healthy, enhanced natural environment for us to live as a part of, so that we are resilient to climate change, as our population grows.	Develop and implement a climate strategy to reach our bold emissions reduction goals, and an environment strategy to set out the state of the environment and how we enhance it.

People

YOUR NEEDS	OUR PRIORITIES
4 Networked and connected communities	
Supporting the rights of all people in Kāpiti to connect and participate in community life now and in the future.	Increase inclusive spaces and creative opportunities for all, and ensure intergenerational inequity is addressed.
5 Thriving economy	
Ensuring the Kāpiti economy thrives, so that people can "make a living" in our district.	Enable residents to earn a living in Kāpiti, through increased tourism and economic development.
6 Housing access	
Improving access to affordable, warm, dry and safe housing options that meets our local need.	Implement the housing strategy.
7 Health access	
Improving our overall health through access to affordable health services in our community.	Shape the design for a health strategy to create more coordination and more service.

Partnership

YOUR NEEDS	OUR PRIORITIES
8 Involved communities	
Ensuring the community is involved in decisions about the future of Kāpiti.	Create a shared vision for Kāpiti.
9 Deliver value locally	
Ensuring Council engages well and delivers value locally.	Lift mana and pride in Council's operational culture so that we deliver more value to you.
10 Trust and confidence	
Improving trust and confidence in our role and service for the community we serve.	Support Council to remain on track and improve accountability.

These priorities will all start within the next three years and we aim to complete them by 30 June 2034. To achieve this, we have included the necessary budgets in our LTP.

Want the full picture?
Check out the Top 10 priorities in more detail:
kapiticoast.govt.nz/10priorities

ME HURI WHAKAMURI, KA TITIRO WHAKAMUA

Using our past to inform our future

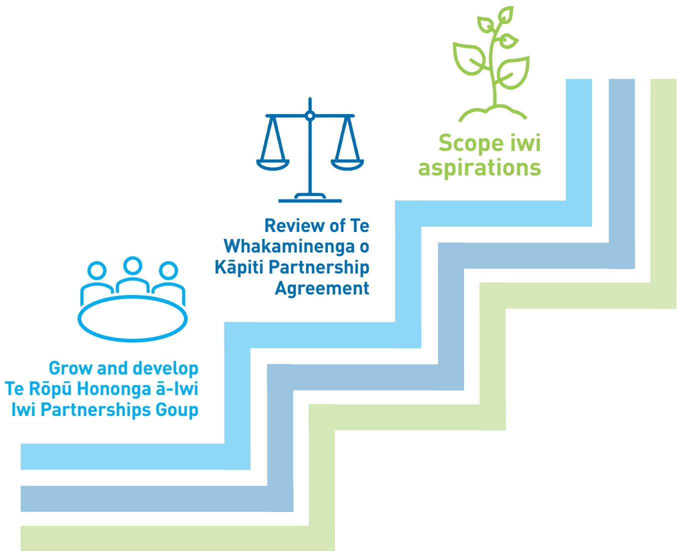
We're committed to enhancing our communities by honouring and giving mana to te Tīriti o Waitangi.

We're committed to our partnership with mana whenua and wish to commit to the following priorities to give effect to it:

- grow and develop Te Rōpū Hononga ā-Iwi – Iwi Partnerships Group
- review of Te Whakaminenga o Kāpiti Partnership Agreement
- scope iwi aspirations.

These priorities will serve as a foundation, a starting point to build upon and set the scene for where we intend to travel throughout the timespan of this LTP. We will use each respective Annual Plan to report progress and extend upon the three below priorities.

We recognise the important and unique roles both iwi and Council play in the social, cultural, environmental and economic wellbeing of the district. It's essential our partnership is robust and fit for purpose to give effect to each of our important and unique roles for the growth and prosperity of our rohe.



GROW AND DEVELOP TE RŌPŪ HONONGA Ā IWI – IWI PARTNERSHIPS GROUP

Our Iwi Partnership Group works to align the aspirations of our iwi and mana whenua with Council's roles, responsibilities, and requirements.

Using new and current resources to create processes that are responsive and effective will enable us to engage appropriately with our iwi partners on all governance and operation matters. This will also strengthen our partnership.

Growth of the group will increase our ability to:

- provide strategic advice and support across Council
- facilitate engagement and consultation between Council and mana whenua on issues that impact on the social, environmental, and cultural interests, and development of our Tīriti partners
- develop opportunities for mana whenua as Tīriti partners to share in decision-making for the district
- support Council and iwi to develop a joint programme of information sharing and mutual education to promote greater understanding of cultural practices and values
- enhance and develop cultural capability across the organisation
- promote and foster iwi aspirations across the organisation and our communities.

REVIEW TE WHAKAMINENGA O KĀPITI PARTNERSHIP AGREEMENT

This year we celebrate 30 years of Te Whakaminenga o Kāpiti Partnership Agreement. On 9 February 2024 we kicked off the review with the intention of producing a document that is sustainable and resilient. A living document that will be future focused and able to withstand changing environments and aspirations.

We look forward to sharing the journey and outcomes of the review in 2025.

SCOPE IWI ASPIRATIONS

Ki te kāhore he whakakitenga ka ngaro te iwi / Without foresight or vision the people will be lost

Aspirations are what drives our growth and success. Scoping and defining iwi aspirations will help us know what we're aiming for to give our iwi partners trust that we're heading in the right direction.

Committing to support iwi aspirations through partnership and collaboration will position us well for the future. It will enable us to:

- prepare for a "post settlement" environment, as two of our mana whenua iwi continue to progress their way through the Waitangi Tribunal process, and negotiations towards Tīriti settlement, and
- be strategic in the delivery of our business and decision-making alongside our iwi partners.

Iwi aspirations can be expressed through multiple perspectives, and within this scope, we plan to be informed by the review of Te Whakaminenga o Kāpiti Partnership Agreement throughout. The growth of our Hononga ā-Iwi – Iwi Partnership Group will enable us to prioritise this mahi as we embark on defining future-focused outcomes, to find the best way forward together for our communities.

OUR FINANCIAL STRATEGY

Tā mātou rautaki ahumoni

"Building a resilient future for Kāpiti" is the focus of Council's financial strategy for the next decade, from 2024 to 2034. This is because together we must be prepared for, respond to, and recover from more certain frequent and severe weather events, we must navigate our way through Aotearoa New Zealand's continued resource-constrained and tightening economy, and we must help protect, invigorate, grow, and enrich our community on the Kāpiti Coast.

We need to be bold and act fast now to strengthen our resilience for the known challenges we face today and be best positioned for certain and unknown challenges in the future.

WE'RE FACING SOME BIG CHALLENGES:

- **Sharp cost increases**
  Like most households and other businesses, Council is also struggling with sharp cost increases across its operations as high inflation and resource and supply shortages continue to affect all operational areas.

- **Highly competitive workforce market**
  Transmission Gully and the completed Expressway (Mackays Crossing to Ōtaki) have made commuting between Kāpiti and Wellington both faster and safer, and remote working flexibility offered by most employers means that Council is increasingly competing with the more lucrative Wellington job market to attract and retain highly experienced and qualified staff.

- **Carbon emission target reductions**
  Council recently adopted new carbon emission reduction targets towards net zero emissions by 2040. Several important projects designed to help achieve the mid-term target to reduce category 1 and 2 emissions by another 15.5% by 2032 are included in the LTP, and they will need to be completed and measured by 2031 to hit the target.

- **High insurance costs**
  Council is part of an insurance syndicate with other councils in the Wellington region. This arrangement allows us to get the best possible domestic and offshore insurance cover. However, with an increase in severe weather events in Aotearoa and global natural disasters, we continue to experience year-on-year premium increases of approximately 15 to 20%. Our current insurance premiums cost us approximately $2.5 million every year, and this is fully funded by rates.

- **No three waters reform debt repayment**
  This legislation has now been repealed and central government are indicating further change to the three waters will be through their initiative "Local Water Done Well". Council had received confirmation from the Crown that payment of $110 million debt relating to three waters assets at 30 June 2022 would be repaid to Council . We were expecting a similar arrangement for additional debt related to three waters assets incurred up to 2026. This was an unprecedented opportunity for Council to significantly reduce its debt, which is no longer going to happen.

WHERE WE ARE NOW

- Rates revenue for 2022/23 was $81.4 million – 70% of total revenue. The average rates increase for 2022/23 was 7.5%, and in 2023/24 it was 7.8%.
- Council's net worth was $1.9 billion at 30 June 2023, with total assets of $2.2 billion less total liabilities of $310.3 million.
- Council's net debt was $221 million at 31 December 2023. Council holds an AA (negative outlook) credit rating from S&P Global.
- Despite resource and supply shortages, Council achieved its biggest spend of $61.5 in 2022/23 million on its asset management programme. $22.2 million was carried over to 2023/24 (and beyond) to ensure we deliver what we have planned to do. The capital works programme budget in 2023/24 is $89.5 million.

WHERE WE WANT TO BE

As quickly as possible, we want Kāpiti to be a resilient, prosperous, and thriving district.

As an organisation, we want Council to always be well positioned to best serve the community by providing excellent and affordable services and facilities that meets the needs and expectations of our customers.

Our financial strategy is targeted. It is intended to achieve the following three goals:

- **Everyday costs are met from everyday revenue**
  We currently underfund our annual depreciation charge by $3.5 million. Depreciation is an operating cost that spreads the total cost of our assets over their useful service lives. We debt-fund this shortfall every year. We intend to fully fund our annual depreciation by rates from Year 2 onwards.
- **Actively reduce council debt**
  An average rates increase of 7% year-on-year from Years 2 to 10 of the LTP will enable us to reduce our debt to $271 million at 30 June 2034 to:

  a. provide significant new debt capacity to respond to unplanned shock events

  b. affordably respond to growth and/or enrichment opportunities across the district for our community

  c. Help to upgrade our credit rating to AA (stable to positive outlook). This strengthens our credit worthiness but doesn't lower our future borrowing costs.
- **Strong asset management**
  Ensure our core assets are fit for purpose, achieving their optimal performance service levels and fully meeting the needs and expectations of our community. Our rates and debt levels enable us to invest in and maintain our assets properly through a carefully considered capital works programme (capex).

HOW WE WILL GET THERE

RATES

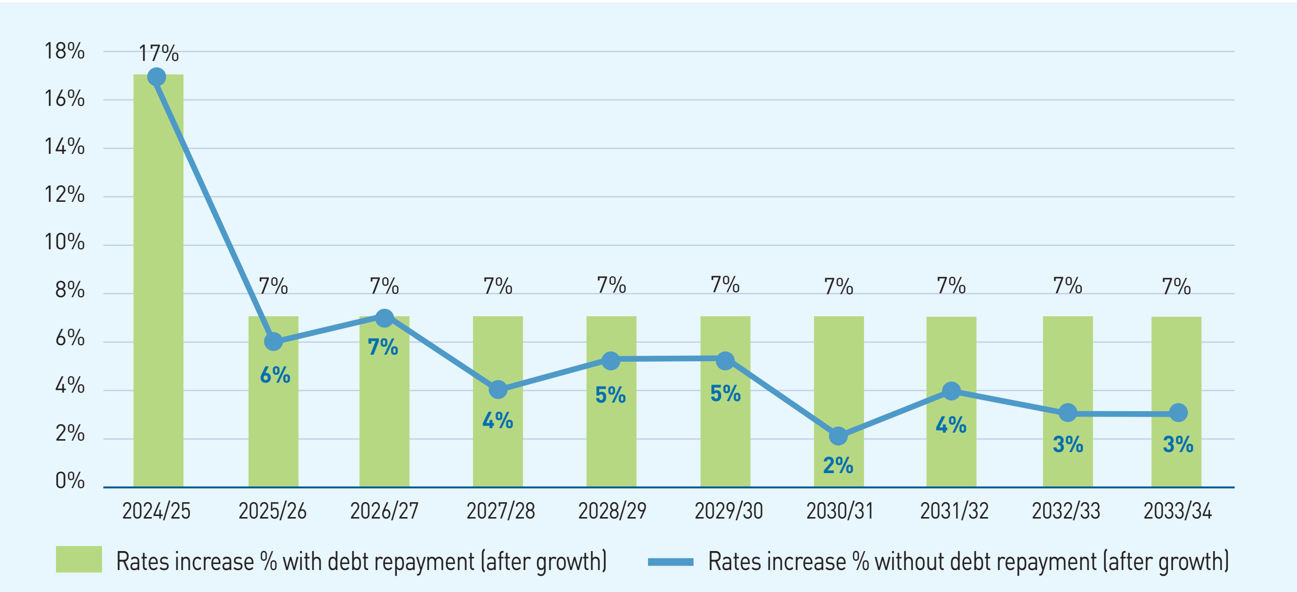
Quantified limits on average rates increases (after growth)

Period	Lower limit	Preferred limit	Upper limit
2024/25	12%	17%	17%
2025/26 to 2033/34	6%	7%	8%

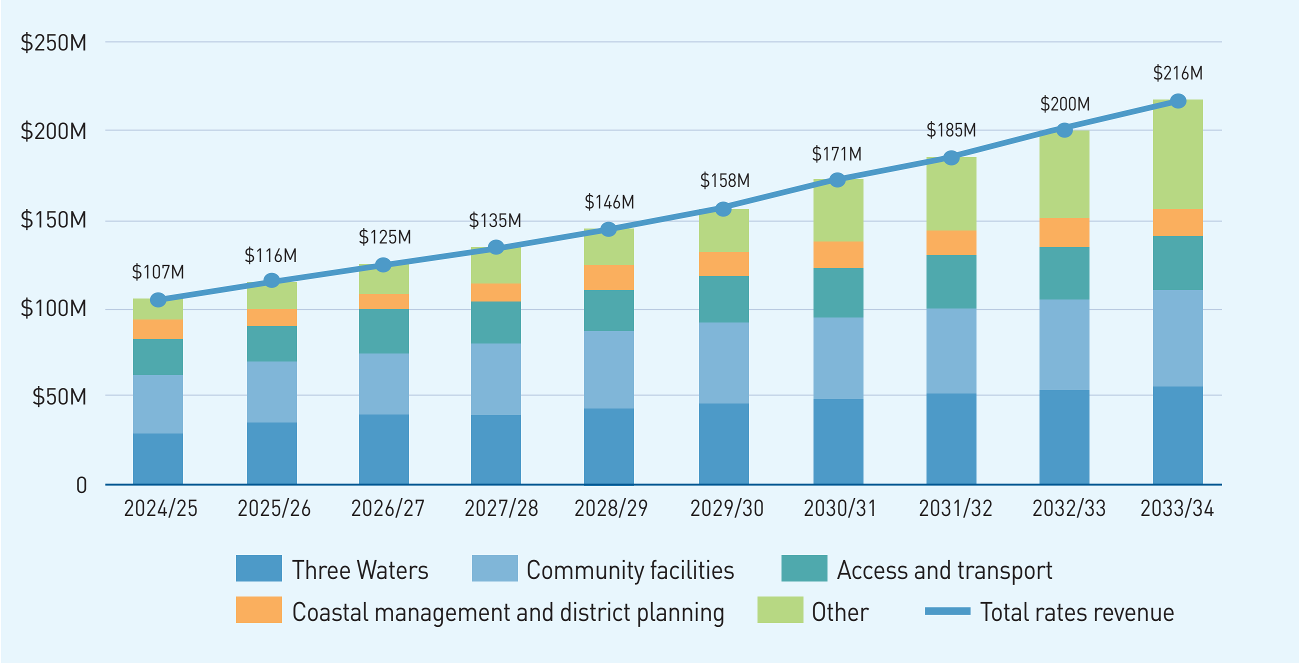
The financial strategy proposes a preferred annual rates increase of 17% in 2024/25, and 7% each year from 2025/26 to 2033/34.

This will help ensure we can meet our three waters operating costs, deliver on our top 10 priorities, absorb inevitable cost increases year-on-year, and actively reduce Council debt.

Average rates increase (after growth)



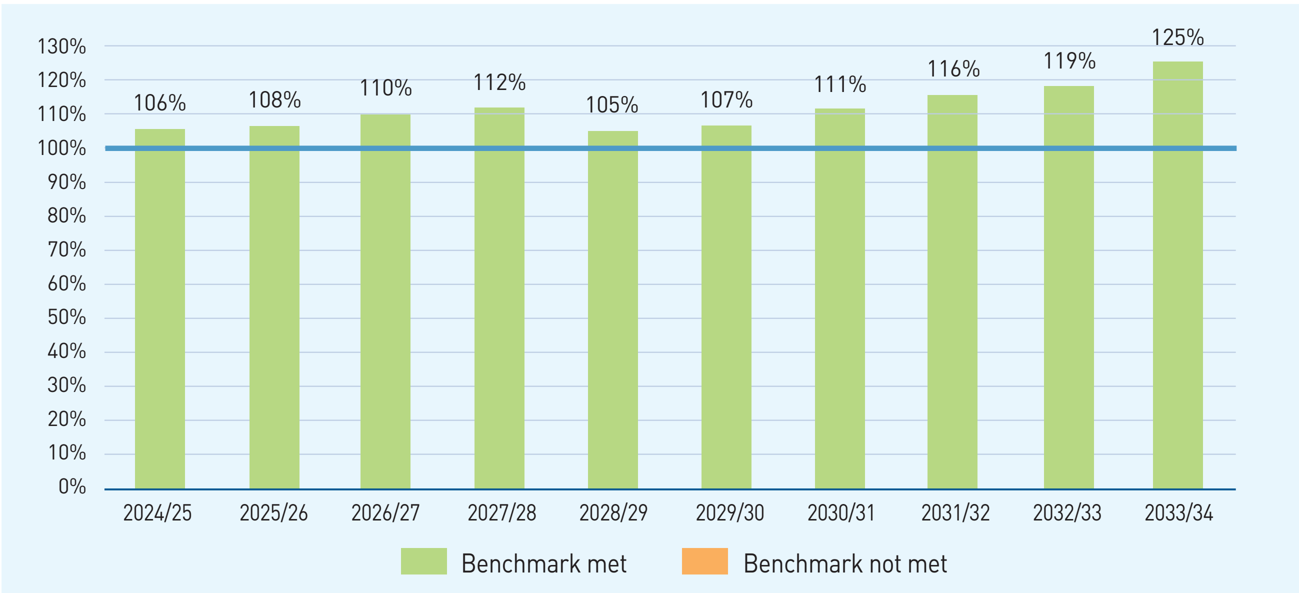
Total rates revenue by council activity



The graph above shows Council's annual rates revenue (excluding Greater Wellington Regional Council). The total rates revenue is broken down by our main activities. 'Other' includes debt reduction.

BALANCING THE BUDGET

Deliberately, we will not achieve a balanced budget for this LTP. Instead, we achieve a surplus every year. This mainly reflects subsidies from NZTA to fund half of our Access and Transport capex and additional rates to actively reduce debt.



We believe this approach is prudent as it reflects that we are funding everyday costs from everyday revenue, NZTA subsidies are applied to fund Access and Transport capex costs, and we are not shifting higher debt burden and interest costs on to future ratepayers.

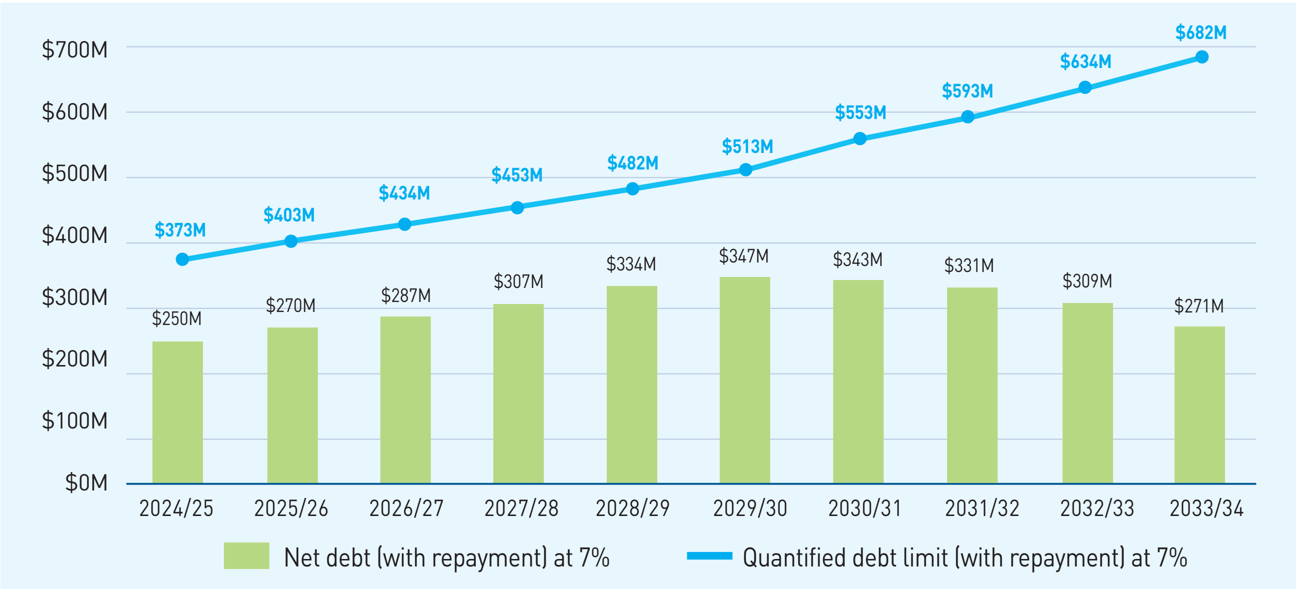
DEBT

Quantified limits on net debt/total operating revenue

Period	Lower limit	Upper limit
2024/25	Nil	285%
2025/26 to 2033/34	Nil	280%

The goal is to get Council's debt down, reducing net debt to approximately $271 million by 30 June 2034. This will provide significant new debt capacity to respond to unplanned shock events, enable our infrastructure strategy, and affordably respond to growth and/or enrichment opportunities across the district for our community.

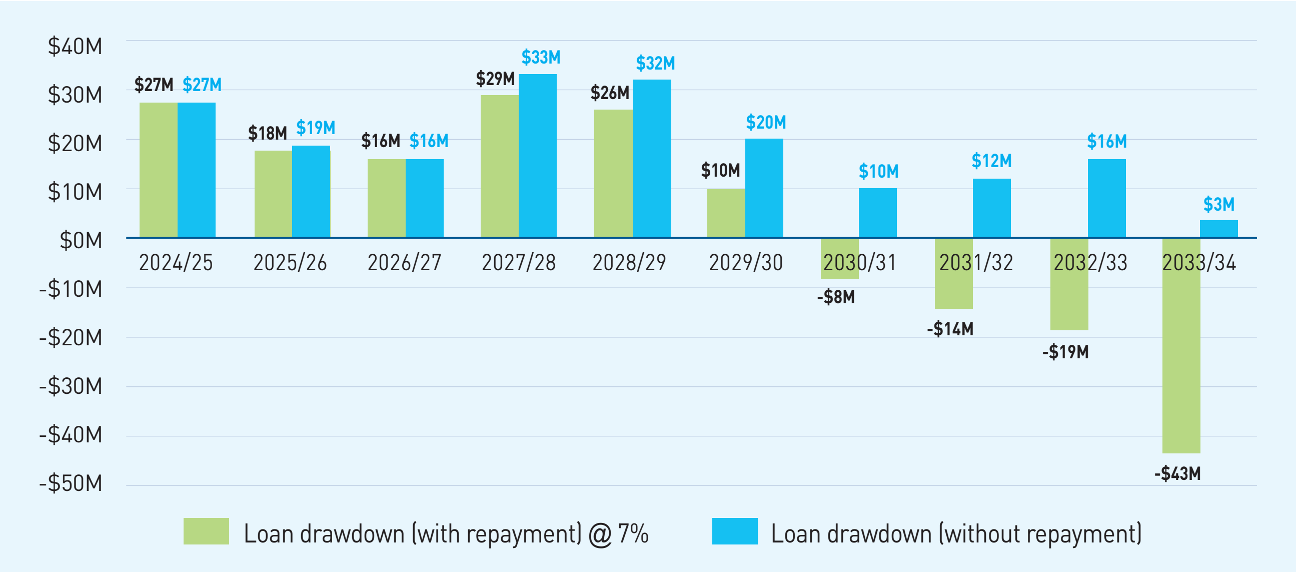
Net debt vs upper limit in dollars – with 17% increase for Year 1 and 7% for Years 2 to 10



LGFA = Local government funding agency.

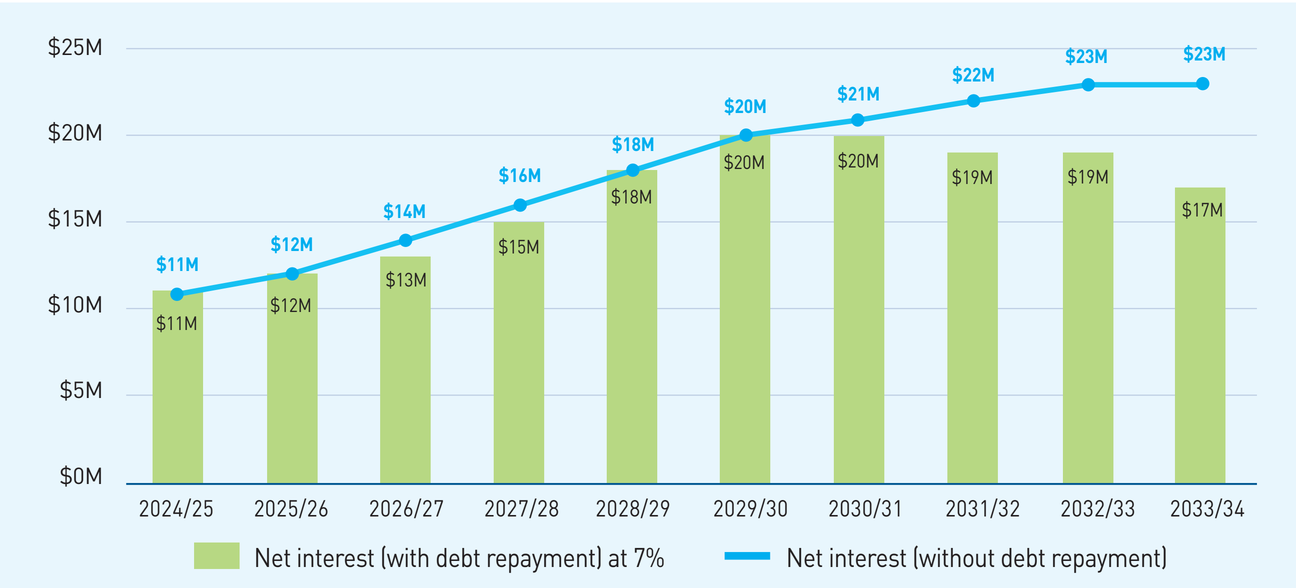
Council will increase debt each year to part fund its capital works programme. That is why it takes until 2030/31 to start significantly reducing debt. If we maintain this course, we will create borrowing capacity of $411 million in 2033/34.

Loan drawdown with and without repayment

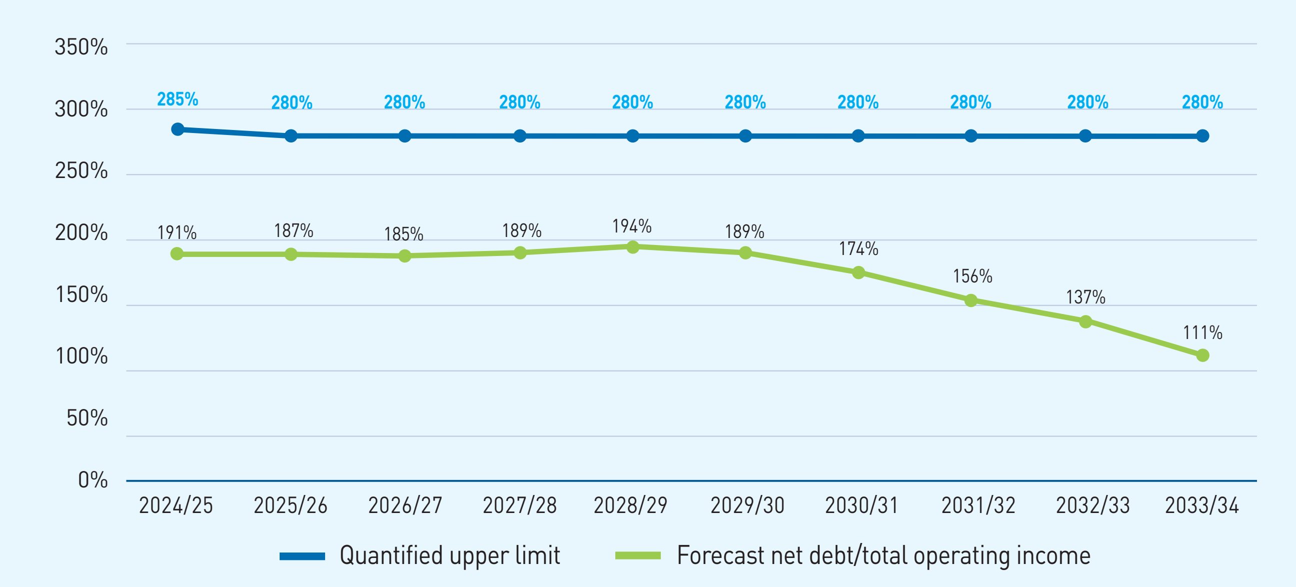


NET INTEREST

Actively reducing our debt means that we reduce our annual interest costs over time. By actively reducing our debt, our annual interest will be $17 million in 2033/34 compared to $23 million if we don't reduce debt at all. This represents a saving of $115,000 a week (or $6 million in Year 10).



Net debt vs upper limit percentage – with 17% increase for Year 1 and 7% for Years 2 to 10



INTERGENERATIONAL EQUITY

Intergenerational equity is simple in principle but difficult to achieve properly in practice. We achieve this when ratepayers pay their share, and only their fair share, of the cost of the assets they consume today. We don't believe we are getting this right. Right now, we don't fully rates fund depreciation, being the cost of our assets spread across their useful service lives. Fully rates funding depreciation from 2025/26 gets us closer to achieving intergenerational equity.

The next consideration is our debt. We refinance our existing debt when it matures, and year-on-year we increase our debt to help fund our capital works programme.

The key issue here is that we never reduce our debt. Therefore, we are pushing increasing debt and higher interest charges on future ratepayers.

We need to take a much closer look at how we fund our assets and properly achieve intergenerational equity in the coming years. For now, actively reducing our debt to lower the debt burden on future ratepayers and fully funding our asset depreciation is a positive and necessary step towards being confident we are fully achieving intergenerational equity for our ratepayers now and in the future.

AFFORDABILITY

In developing our financial strategy, we considered affordability for our community when setting our three goals. In 2007, the Shand Report established that rates should not exceed more than 5% of household income.

We have used 7% of household income as our affordability proxy on the basis that 5% as established 17 years ago.

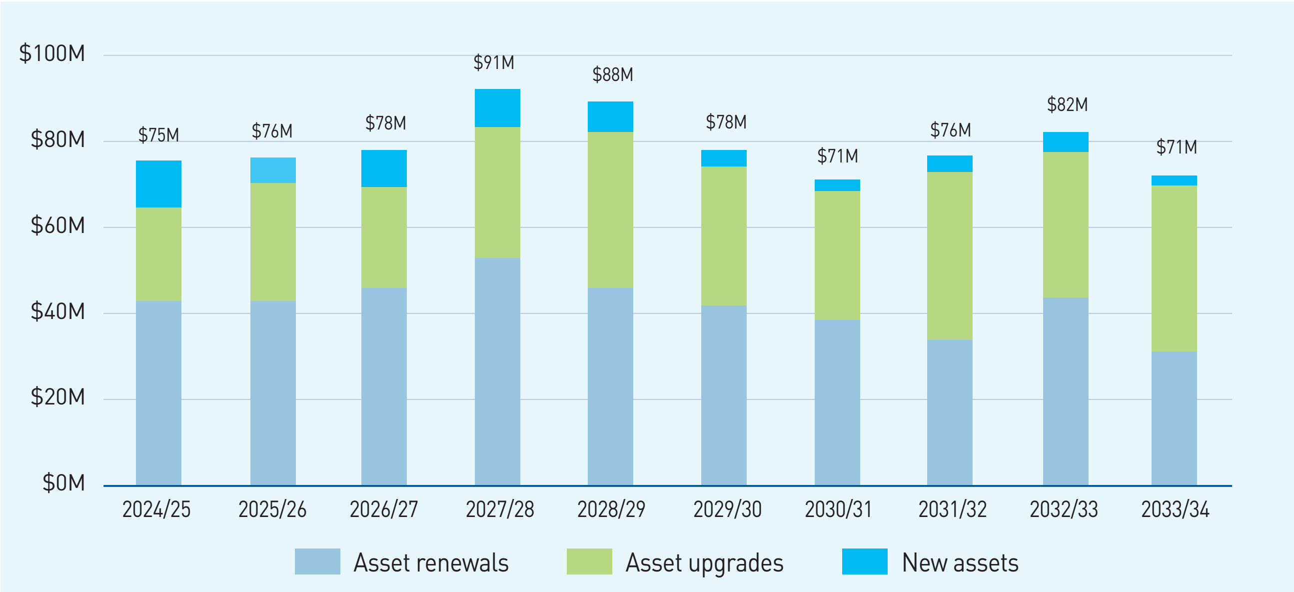
Currently, our median rates represent 4.7% of median household income in Kāpiti. Projecting this forward to 2033/34, average rates in 2033/34 will make up approximately 7.5% of household income. While this is slightly higher than our self-imposed rates affordability proxy, we need to strike a balance between affordability and creating a resilient future for Kāpiti.

STRONG ASSET MANAGEMENT

Quantified limits on our annual capital works programme (capex)

Period	Lower limit	Preferred limit	Upper limit
2024/25 to 2033/34	$70 million	$80 million	$100 million

Capital spend by category



The graph above shows Council's planned capital works programme for the next decade. This includes all of Council's assets, including the core assets set out in Council's 30-year Infrastructure Strategy.

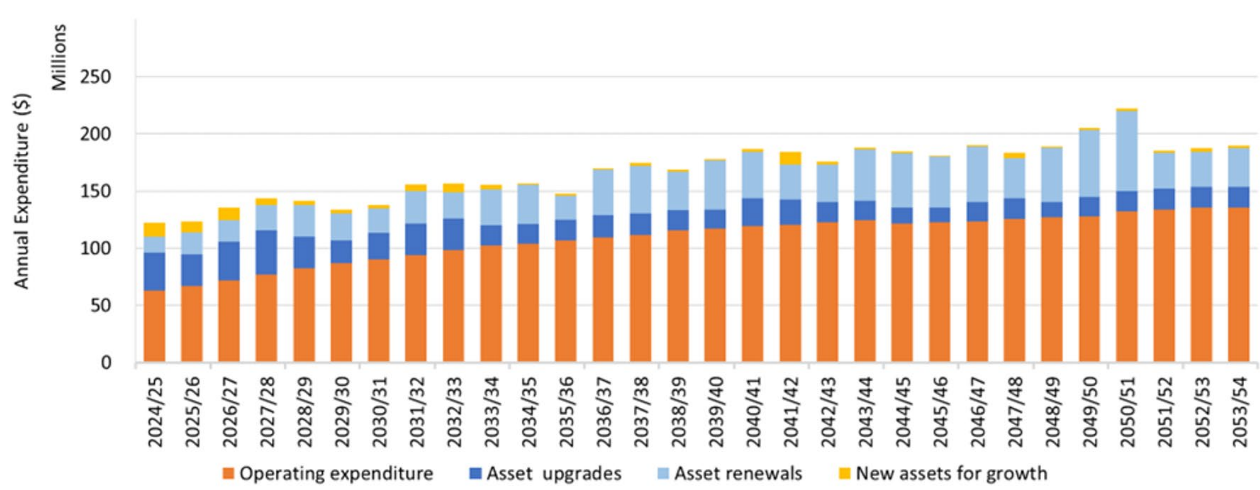
This chart breaks down asset spend by category (ie, replace existing assets, new assets to increase service levels and growth-related assets to meet additional demand) from expected household and population growth in the district.

LINK TO INFRASTRUCTURE STRATEGY

The quantified limits in the financial strategy for rates, debt, and capex enable the infrastructure strategy to be funded. Importantly, because the financial strategy ensures everyday costs are funded through everyday revenues, less debt will be required to fund the infrastructure strategy needs from 2040 onwards when many core assets will need upgrading or replacing. This is because we will be fully funding our depreciation which increases year-on-year.

The chart below shows the operating costs, asset upgrades and renewals required over the next 30 years.

Total expenditure (for assets covered by the Infrastructure Strategy)



Population growth forecasts and household size forecasts are done as part of informing our Infrastructure Strategy and Asset Management Plans. The Financial Strategy uses this information to forecast growth in our rateable units. The following table shows our assumed growth rates for rateable units for the next ten years.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Growth	0.8%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Rating units	25,969	26,255	26,544	26,836	27,131	27,429	27,731	28,036	28,344	28,656

OUR INFRASTRUCTURE STRATEGY

Tā mātou rautaki anga

ACHIEVING A SUSTAINABLE AND AFFORDABLE FUTURE

Keeping our district humming along needs more than just hard work and significant investment – it requires careful planning, particularly with the rising costs of maintaining and building infrastructure, responding to projected growth in our district, and legislation changes.

Our Infrastructure Strategy identifies the most significant challenges we face and the options for managing them. It links closely with the Financial Strategy so we can ensure we have sufficient funding to maintain, replace, and build critical infrastructure, taking into account growth in the district, natural hazards and climate change, and the potential for change within the regulatory environment. There are also certain services that all councils are required to provide to their communities.

Working within the parameters set by the Financial Strategy, we plan to deliver by:

- renewing assets based on their condition and importance
- continuing to build more capacity in key areas such as the Ōtaki and Waikanae water supply networks
- ensuring climate change is considered in our asset management plans and proposed future upgrades (particularly in stormwater and coastal)
- building resilience into our critical networks, such as water and wastewater
- staging expenditure increases over several years to decrease the impacts on borrowing without compromising levels of service
- conducting ongoing condition assessments and statistical modelling so we continue to have a good understanding of the condition of our assets.

COPING WITH NATURAL DISASTERS AND MORE WATER

The Kāpiti Coast District is located across a complex network of faults, so we're exposed to earthquake hazards such as strong ground shaking and liquefaction.

The effects of climate change also challenge us with sea-level rise and more frequent and intense storm events – adding to the risk of floods, landslides, severe wind, storm surges, and coastal erosion and inundation.

We need to be able to respond to these risks while also balancing affordability.

Our approach to these risks is to:

- tailor our stormwater management programme to prioritise improvements according to the types of property they benefit,
- review future repairs on roads that suffer the ongoing effects of climate change and weather events, such as slips,
- ensure that the insurance for our infrastructure assets will help with the costs of recovery after an earthquake or other significant natural event,
- manage our debt prudently and conservatively to create borrowing capacity or headroom to better respond to unforeseen natural disasters.

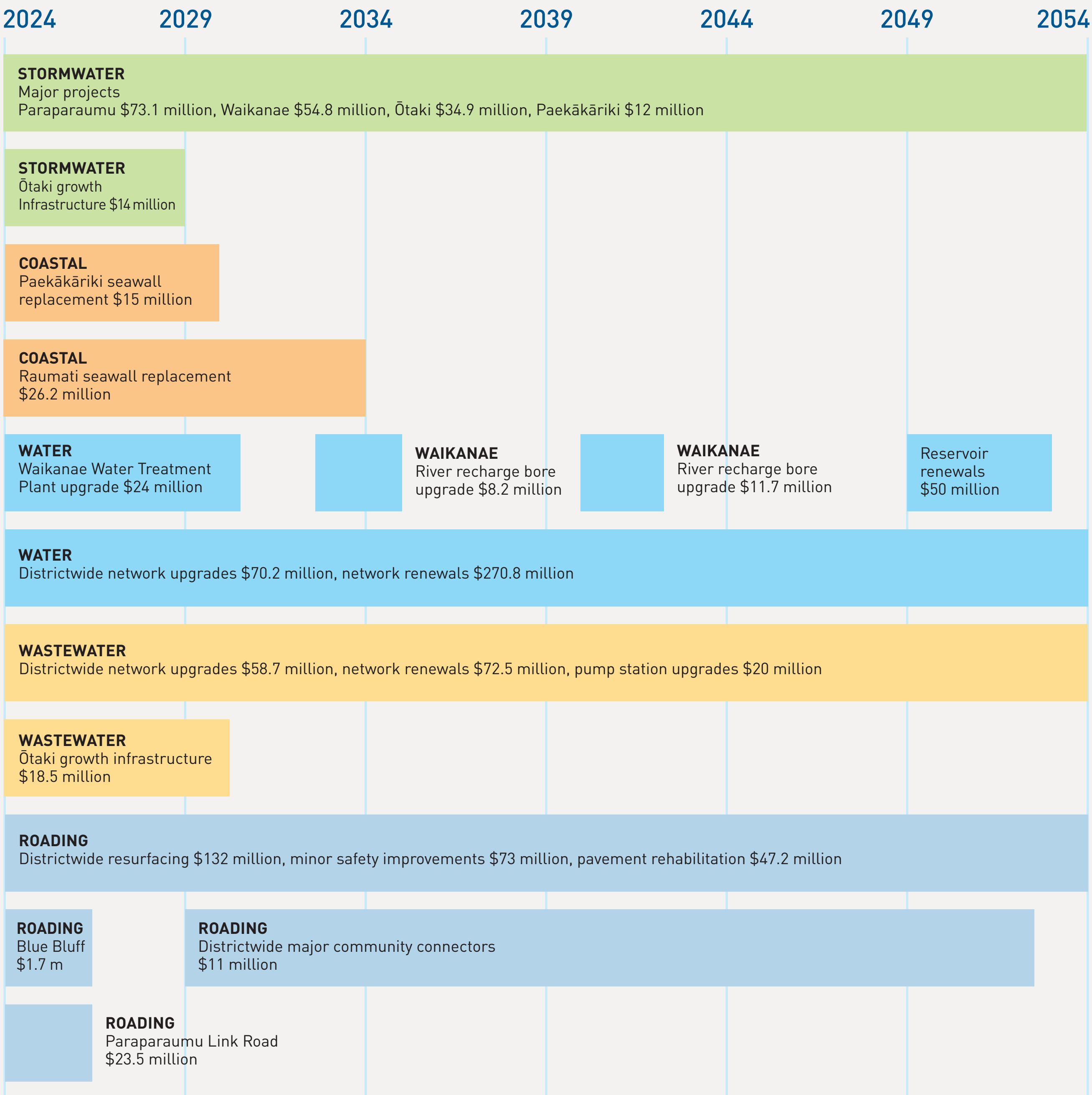
LEVELS OF SERVICE

We are not proposing to make any significant changes to levels of service compared to the previous LTP and Council will continue to pay for renewal of its assets through depreciation, with the aim to reduce its reliance on debt by fully funding depreciation through rates from Year 2.

KEY ASSUMPTIONS

- We will have the ability and capacity to deliver the proposed capital programme. However, there are external factors that can influence project timing and complexity. We will have the flexibility to reprioritise the capital programme over the next three years if certain projects experience delays and others can be accelerated.
- NZTA will continue to fund roading assets at a similar level. The new government is yet to release its policy statement on land transport, and if a lower level of subsidy is Council will need to consider the implications of this through the Annual Plan processes, potentially reducing the scope of its programme or increasing Council's level of funding.
- Asset lifecycle forecasts are reliable for most of our critical assets. For some underground assets such as water bores and the wastewater pipe network there is more uncertainty and some assets may need to be replaced earlier than estimated (using Council's unplanned renewals budget), or Council may gain additional life from an asset meaning we can defer renewing it.

MAJOR INFRASTRUCTURE PROJECTS



WE WANT TO KNOW WHAT YOU THINK ABOUT THESE KEY CHANGE PROPOSALS

HAVE YOUR SAY

Kei te hiahia mātou i ōu whakaaro mō ētahi taunakitanga whakahara

Building a resilient future for Kāpiti means we must promote and help achieve the social, economic, environmental, and cultural wellbeing of our community now and into the future. We are proposing three key changes to help us achieve this.

Proposal 1 Increasing rates to fully fund the increased costs of three waters following the repeal of three waters legislation. Go to page 25.

Proposal 2 Proactively reducing Council's debt so that we have enough borrowing capacity to respond to unplanned shock events and affordably respond to opportunities to grow and enrich our district. Go to page 28.

Proposal 3 Transfer ownership of Council's housing for older people to a new community housing provider. Go to page 34.

OTHER THINGS WE NEED YOUR VIEWS ON

We also encourage you to read and give us your thoughts on some other important things. Go to page 40 for more formation.

Climate action targeted rate

We propose introducing a climate action rate to enhance transparency on what we are spending on specific climate change actions that are not part of our business-as-usual operations.

Updated policies

We have reviewed and updated our rates remission, revenue and finance, development contributions, and significance and engagement policies.

Fees and charges for 2024/25

We review our fees and charges every year, adjusting for inflation, and in some cases beyond this level.

Proposed alcohol licensing fees bylaw

This enables us to set our own fees and charges for alcohol licensing rather than use those fees set by legislation.

Enhancing democracy

We would also like your thoughts on what we could do to better enable you to participate in Council processes and decisions.

PROPOSAL 1

HOW SHOULD COUNCIL FUND THE INCREASED COST TO DELIVER THREE WATERS SERVICES?

Taunakitanga 1: Te whai moni mō te piki o te utu i ngā ratonga three waters

HAVE YOUR SAY

TELL US WHAT YOU THINK...

ANY TIME BEFORE midnight Sunday 28 APRIL 2024 at haveyoursay.kapiticoast.govt.nz/LTP

You can also complete a written submission, or talk to us in person. See page 2.

BACKGROUND

The new Government has reversed legislation to transfer drinking water, wastewater, and stormwater assets and services to regionalised entities.

This means we will continue to own and operate these assets and debt belonging to these assets (over $110 million) will not be repaid as expected.

We have a $4.7 million funding shortfall to fully cover the costs of our three waters services in 2024/25. This is because we applied $3.2 million of "Better Off" government funding in 2023/24 to cover three waters operating costs.

At the time of making this decision we didn't "kick the can down the road", so to speak, because we were advised that we would no longer be responsible for the three waters from 1 July 2024. We felt it was prudent to use this "Better Off" funding to benefit ratepayers in 2023/24.

In addition, we expect an increase in depreciation of $1.5 million for these assets as a direct result of our planned asset revaluation as at 30 June 2024.

We propose two options for you to consider to fully fund three waters operating costs:

OPTION 1: RATES FUND THREE WATERS SHORTFALL OF $4.7 MILLION

While we were initially comfortable with borrowing to cover the $4.7 million shortfall in favour of a lower rates increase, this was only because we were expecting central government to repay our debt related to three waters assets.

Now this is no longer happening, we believe the most sensible option is to fund this shortfall through a 5% increase in rates for the first year of the Long-term Plan (LTP). This would bring the average rates increase for 2024/25 to 17% after growth.

This is a big jump, but it means we can fully meet the cost of delivering drinking water, wastewater, and stormwater services without having to borrow to do it.

OPTION 2: DEBT FUND THREE WATERS SHORTFALL OF $4.7 MILLION

The alternative is to debt fund the $4.7 million shortfall. If we did that, the averate rates increase for 2024/25 would drop to 12% after growth, but this would add to our debt every year and increase interest costs in subsequent years.

We do not currently recover our total asset depreciation* charge through rates. We currently have a depreciation funding gap of $3.5 million per annum.

For every $1 of depreciation we do not recover from rates we need to fund from borrowing. More than $50 million of our net debt relates to not fully funding depreciation.

*We spread the cost of our assets across their useful service lives. This is called depreciation.

SHOULD WE DO OPTION 1 OR 2? HAVE YOUR SAY

OPTION 1

OUR PREFERRED OPTION

Rates fund the $4.7 million operating cost shortfall for three waters services in 2024/25.

This option allows us to cover the costs of operating our drinking water, wastewater, and stormwater assets with no increase to debt.

IMPACT ON RATES AND DEBT

Rates will increase by a further 5% in Year 1. This means that our total average rates increase will be 17% for 2024/25. Note that if we increase total rates revenue by $4.7 million to $107 million in 2024/25, this shortfall funding is included in the total rates revenue for Years 2 to 10. There is no impact on debt for this option.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	4.35%	-	-	-	-	-	-	-	-	-
Rates impact (after growth) $	$4m	-	-	-	-	-	-	-	-	-
Debt reduction (annual)	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m
Debt reduction (cumulative)	$4.7m	$9.4m	$14m	$18.7m	$23.4m	$28.1m	$32.7m	$37.4m	$42.1m	$46.8m

IMPACT ON SERVICE LEVELS

This option will enable us to maintain the current level of service for drinking water, wastewater, and stormwater services.

OPTION 2

Debt fund $4.7 million in operating cost shortfall in 2024/25.

We could increase our debt and borrow an additional $4.7 million every year to cover these costs.

IMPACT ON RATES AND DEBT

Debt will increase by $5 million each year to fund this annual funding shortfall to deliver our three waters services. Across the 10 years, total debt will increase by $47 million. Rates will be impacted by the increase in our interest costs in subsequent years.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	0.23%	0.37%	0.55%	0.71%	0.86%	1.02%	1.10%	1.16%	1.20%	1.23%
Rates impact (after growth) $	$0.2m	$0.4m	$0.6m	$0.9m	$1.1m	$1.4m	$1.7m	$1.9m	$2.2m	$2.4m
Debt impact (annual)	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m	$4.7m
Debt impact (cumulative)	$4.7m	$9.4m	$14m	$18.7m	$23.4m	$28.1m	$32.7m	$37.4m	$42.1m	$46.8m

IMPACT ON SERVICE LEVELS

This option will enable us to maintain the current level of service for drinking water, wastewater, and stormwater services.

PROPOSAL 2

PROACTIVELY REDUCE COUNCIL DEBT

Taunakitanga 2: Te āta whai kia iti iho te noho nama a te Kaunihera

HAVE YOUR SAY

TELL US WHAT YOU THINK...

ANY TIME BEFORE midnight Sunday 28 APRIL 2024 at haveyoursay.kapiticoast.govt.nz/LTP

You can also complete a written submission, or talk to us in person. See page 2.

BACKGROUND

Like many councils across the country, Kāpiti is already seeing the effects of climate change, such as more frequent and more extreme severe weather events. The damage these cause to our public assets like roads, pipes, coastal accessways and parks is costly to repair.

Here in the Wellington region we are also susceptible to earthquakes and tsunami. We know from the experiences of other councils that the effects and costs of severe, unexpected events could be debilitating for the district. We know that a major event is likely at some stage, and we must make sure we can borrow enough money to support our district's recovery when it does, while continuing to invest in core assets as needed. To do that, we need to start actively reducing our debt now.

WE NEED TO CREATE SIGNIFICANTLY MORE HEADROOM FOR RESILIENCE

We currently have net debt* of $221 million at the end of December 2023 and we are adding, on average, $19 million of new debt every year. This pays for the planned capital works programme of new and upgraded assets like treatment plants, pipe networks, roads, footpaths, parks, and public facilities. We don't make any provision for the repair or replacement of assets damaged by uninsured losses, so if this happens, we either adjust our planned capital expenses or take on more debt to cover the cost.

We don't have an endless capacity to borrow. Our financial strategy limits us to a debt level no higher than 285% of our operating revenue for 2024/25 and 280% (the maximum Local Government Funding Agency (LGFA) covenant requirements) from 2025/26 to 2033/34. If we continue to borrow at a rate of $19 million a year, we will be very close to reaching that limit by the end of the 10 years of this LTP, which leaves us with limited borrowing capacity to fund recovery from a major event and borrow for the next 20 years post 2034 to align with our Infrastructure Strategy.

*Net debt is Council's gross debt less term deposits, any cash in the bank, and borrower notes.

We know from our infrastructure strategy that Council will need to invest significantly in its three waters assets from 2041 onwards to replace these assets, maintain current levels of service, and accommodate future growth in the district.

Reducing debt offers three mainstream benefits. Firstly, it creates headroom to borrow in emergencies and/or for planned investments. Secondly, it decreases interest charges, leading to lower rates in the future if borrowings are significantly reduced and lastly, it gets us closer to properly achieving intergenerational equity.

WE NEED TO FIND WAYS TO REDUCE OUR DEBT

When we first started developing this LTP, the previous government's Affordable Waters reforms promised that debt associated with water, wastewater, and stormwater assets would be repaid for us over several years, reducing our net debt by at least $110 million.

The legislation allowing for this has been repealed and this is no longer going to happen. We believe we need to now look at reducing our debt levels.

To achieve a resilient future for Kāpiti we need to act now. We need to be bold and we need to face the facts that achieving intergenerational equity does not reduce our net debt fast enough to achieve the borrowing capacity/headroom we need for resilience and infrastructure renewals in the future.

WHAT HAPPENS IF WE DON'T REDUCE DEBT?

Debt and interest costs will continue to rise year-by-year. To put that in hard numbers, our interest expense per year right now is roughly $9 million (or $173,000 per week).

If we do not start actively reducing our debt, our net debt will be $415 million in 2033/34 – almost double. We will be close to the LGFA lending limit and it may be difficult and more expensive for us to borrow more.

If we continue to borrow at the rate of an additional $19 million per year (on average), this interest expense is predicted to rise to $23 million in 2033/34 ($442,000 in interest per week).

If we don't take action to reduce our debt now, our children and grandchildren will inherit this liability and ever-increasing interest expenses. Eventually, someone will need to repay the debt, and the longer we leave it, the harder it will be.

We are proposing a proactive debt reduction programme starting in Year 2 of the LTP (the 2025/26 financial year) funded through annual rates increases. We have outlined three potential options:

OPTION 1: INCREASE RATES BY 8% FROM 2025/26

If we choose this option, we will reduce our net debt by $232 million. The forecast net debt at 30 June 2034 will be $184 million. However, we don't believe this option is affordable for the community right now as average rates would represent 8.1% of projected median household income in 2033/34. We are using 7% as a rates affordability proxy, being 2% higher than the 5% benchmark detailed by the Shand Report in 2007.

OPTION 2: INCREASE RATES BY 7% TO REDUCE DEBT

This option will reduce our net debt by $144 million. The forecast net debt at 30 June 2034 will be $271 million. This is our preferred approach as average rates would represent 7.5% of projected median household income in 2033/34. While this is slightly higher than the 7% target, it achieves meaningful debt reduction and we believe this strikes the balance between affordability and achieving a resilient future for Kāpiti.

OPTION 3: INCREASE RATES BY 6% TO REDUCE DEBT

If we choose this option, we will reduce our net debt by $64 million. The forecast net debt at 30 June 2034 will be $352 million. Average rates would represent 6.9% of projected median household income. While this sits slightly below our affordability proxy, it only reduces our debt by $21 million across ten years. While this is still a reduction, we feel pushing sightly harder will achieve a better result for our ratepayers and our district.

SHOULD WE DO OPTION 1, 2 OR 3?

HAVE YOUR SAY

OPTION 1

Apply average rates increases of 8% per year from 2025/26 to 2033/34 to build a resilient future and reduce debt.

Total rates increases of 8% per year from Years 2 to 10 are required for this option. The rates increase is solely due to reducing debt each year as shown below. Council borrows each year to fund its capital works programme. That's why it will take until 2030/31 to see significant reductions in our net debt. This option reduces Council's net debt by $232 million by 2033/34.

IMPACT ON RATES AND DEBT

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	-	0.60%	-	2.98%	2.13%	3.05%	5.55%	4.88%	5.46%	6.41%
Rates impact (after growth) $	-	$0.6m	-	$3.8m	$3m	$4.6m	$9.2m	$8.8m	$10.8m	$13.8m
Debt reduction (annual)	-	$1.8m	$2.1m	$7.3m	$11.8m	$18.1m	$29.1m	$39.9m	$52.8m	$69m
Debt reduction (cumulative)	-	$1.8m	$3.9m	$11.2m	$23m	$41.1m	$70.2m	$110m	$162.9m	$231.8m

IMPACT ON LEVEL OF SERVICE

Reducing our debt won't result in any negative effect on levels of service. If anything, it would mean we're better able to maintain them, as we're in a better financial position to fund unexpected damage or losses of assets.

OPTION 2

OUR PREFERRED OPTION

Apply average rates increases of 7% per year from 2025/26 to 2033/34 to build a resilient future and reduce debt.

This option requires total rates increases of 7% from Years 2 to 10. Like option 1, the rates increase is solely due to reduced debt each year as shown below. Similarly, it will take until 2030/31 to see significant reductions in our net debt. This option reduces Council's net debt by $144 million across the next 10 years to $271 million of net debt as at 30 June 2034.

IMPACT ON RATES AND DEBT

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	-	-	-	1.50%	0.77%	1.58%	4.12%	3.32%	3.84%	4.76%
Rates impact (after growth) $	-	-	-	$1.9m	$1m	$2.3m	$6.5m	$5.7m	$7.1m	$9.5m
Debt reduction (annual)	-	$0.7m	-	$3.3m	$5.8m	$9.7m	$18m	$25.5m	$34.6m	$46.3m
Debt reduction (cumulative)	-	$0.7m	$0.7m	$4m	$9.8m	$19.5m	$37.4m	$63m	$97.6m	$143.9m

IMPACT ON SERVICE LEVELS

Reducing our debt won't result in any negative effect on levels of service. If anything, it would mean we're better able to maintain them, as we're in a better financial position to fund unexpected damage or losses of assets.

SHOULD WE DO OPTION 1, 2 OR 3? HAVE YOUR SAY

OPTION 3

Apply average rates increases of 6% per year from 2025/26 to 2033/34 to build a resilient future and reduce debt.

This option requires total rates increases of 6% from Years 2 to 10. Like option 1, the rates increase is solely due to reduced debt each year as shown below. Similarly, it will take until 2030/31 to see significant reductions in our net debt. This option reduces Council's net debt by $64 million across the next 10 years to $352 million of net debt as at 30 June 2034.

IMPACT ON RATES AND DEBT

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	-	-	-	-	-	0.06%	2.66%	1.72%	2.17%	3.06%
Rates impact (after growth) $	-	-	-	-	-	$0.1m	$4m	$2.8m	$3.8m	$5.7m
Debt reduction (annual)	-	-	-	-	-	$1.6m	$7.3m	$11.9m	$17.5m	$25.2m
Debt reduction (cumulative)	-	-	-	-	-	$1.6m	$9m	$20.8m	$38.4m	$63.6m

IMPACT ON SERVICE LEVELS

Reducing our debt won't result in any negative effect on levels of service. If anything, it would mean we're better able to maintain them, as we're in a better financial position to fund unexpected damage or losses of assets.

PROPOSAL 3

PROVIDING MORE SUSTAINABLE COUNCIL HOUSING FOR OUR OLDER PEOPLE

Taunakitanga 3: Te whakarato whare Kaunihera he māmā te utu mō ngā kaumātua

HAVE YOUR SAY

TELL US WHAT YOU THINK...

ANY TIME BEFORE midnight Sunday 28 APRIL 2024 at haveyoursay.kapiticoast.govt.nz/LTP

You can also complete a written submission, or talk to us in person. See page 2.

BACKGROUND

Kāpiti has a growing housing need and making sure that our most vulnerable residents have access to quality, affordable housing is a core part of our long-term goal of building a resilient community that has support for basic needs.

However, the cost of providing the service is increasing, and councils are unable to access central government funding to help ratepayers and tenants cover the cost. Last year we undertook a comprehensive review to confirm the condition of the homes and upgrade needs, and to consider options that would provide a service that better meets the needs of our community.

Key takeaways from the review include:

- The Council owns and manages 118 homes for older people on the Kāpiti Coast. While the units are in fairly good condition, there is limited ability to improve accessibility, and diversity in size and configuration.
- We have a current waitlist of 60 older people, and we expect this to grow. Anecdotally, we know this waitlist is not an accurate reflection of actual demand, as many people don't apply, assuming they won't be successful. We know the need now and in the future is much greater.
- Our ability to grow the portfolio is restricted because of the level of subsidies required. To increase the number of units would be unaffordable if the cost was covered by ratepayers, either through rates or debt.

We've identified two options where Council would transfer and/or sell these assets to either a new community housing provider (CHP) or an existing one. Both options would take around 18 months to put in place and have similar benefits, with the exception that establishing a new CHP has the added benefit of allowing Council to have more influence on behalf of tenants and our communities.

WHAT IS A CHP AND WHY DOES THAT MATTER?

CHPs are community housing providers that are accredited by central government with a specific mandate to provide community housing.

- CHPs can negotiate with the Ministry of Housing and Urban Development (MHUD) for funding to grow the housing stock. The CHP is then responsible for maintaining the assets.
- They are regulated to ensure the homes are of good quality, have good tenancy management services, and are well managed. Housing is their sole focus – they have the connections, skills and expertise, and a mandate to deliver.
- They have access to a more complete and robust suite of services for tenants. This means transferring housing assets will improve levels of service for our older people, even if that means they'll be provided by someone other than Council.
- Unlike councils, CHPs also have access to the central government's Income Related Rent Subsidy, which means rent for approved residents can be reduced from 30% to 25% of a tenant's net income, with central government paying the difference between the tenant's rental payment and the market rent for the property. This eliminates the need for ratepayer subsidisation.

There is, of course, an option for us to continue owning and operating these units, but we don't think doing so is sustainable or compliant with good financial investment. Operating costs are already being subsidised by ratepayers, and with costs to maintain and upgrade the units on the rise, we expect the level of subsidy to increase substantially in coming years.

When considering this proposal we would like your feedback on these possible options:

OPTION 1: TRANSFERRING HOUSING ASSETS TO A NEW CHP

We could establish a new independent CHP that we have a level of influence in. This is because it will allow us to have an ongoing relationship with the CHP. We would transfer (gift) the housing assets to the new CHP because of this direct and ongoing relationship. We would expect the new CHP to be 100% self-funding so we would not anticipate any ongoing administrative costs for the Council, however we would expect Council to incur some initial setup costs at the beginning.

There are a few key reasons we prefer this option, but the main one is it will ensure that older persons' housing continues to be delivered for eligible older people, and will enable the growth of the portfolio without passing the costs on to ratepayers. There are significant costs involved with just providing the current level of housing for our older people. We can't charge enough rent to cover the costs to maintain and operate the assets, so currently ratepayers subsidise the cost through their rates. To build more houses, we'd have to borrow subject to sufficient debt headroom, as well as continue to subsidise rents for the tenants in these new houses, which further impacts rates. Retaining ownership of our housing assets isn't affordable, or sustainable, for us, or for our community.

OPTION 2: WHAT IF WE TRANSFERRED OR SOLD THE ASSETS TO AN EXISTING CHP?

Transferring, or selling, the assets to an existing CHP would give some of the benefits of a new CHP, but not all of them. For one, we'd have less say on how funding and assets are used, as the CHP may have a focus on other larger regions or other sectors of the community. In Kāpiti, our older people are the ones who have the greatest need for community housing, and we want to ensure the focus remains on them.

Ensuring a local voice and focus that protects current and future tenants is really important, and establishing a new CHP with a direct relationship with Council best achieves this. It would also provide more opportunity to grow the portfolio and more assurance that the needs of our older people will be met now and in the future.

Importantly, we want the new CHP to provide access to safe and affordable housing for our older persons in Kāpiti.

DO YOU THINK WE SHOULD DO OPTION 1, 2 OR 3?

HAVE YOUR SAY

OPTION 1

OUR PREFERRED OPTION

Transfer older persons' housing to a new community housing provider.

We prefer this option because it gives us the best chance of growing the portfolio, ensuring we better meet the demand for older persons' housing without taking on debt or further burdening ratepayers. With this option, Council will retain some influence through official appointments that will make sure the needs of the older people in our district are the priority and that plans are put in place to build more units. We expect this to improve services for tenants and open up access to increased support and services Council can't currently provide and enable more affordable rents for tenants now and as the portfolio grows, without Kāpiti ratepayers having to foot the bill.

IMPACT ON RATES AND DEBT

For the first 12 months there will be no impact on rates. By mid 2025/26, when the new CHP is operational, we will start seeing operating costs dropping, reducing future rates increases. Until the CHP is established, we will need to increase debt to maintain these assets and complete a limited refurbishment programme. From 2025/26, we expect to reduce our debt previously needed by $17.5 million by 2033/34.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	-	(0.27%)	(0.71%)	(0.12%)	(0.15%)	(0.21%)	(0.17%)	(0.19%)	(0.23%)	(0.19%)
Rates impact (after growth) $	-	($0.3m)	($0.8m)	($0.1m)	($0.2m)	($0.3m)	($0.3m)	($0.3m)	($0.4m)	($0.4m)
Debt impact (annual)	-	($0.5m)	($1.3m)	($1.2m)	($2.3m)	($2m)	($2.6m)	($3m)	($3.1m)	($1.7m)
Debt impact (cumulative)	-	($0.5m)	($1.8m)	($2.9m)	($5.2m)	($7.2m)	($9.8m)	($12.8m)	($15.8m)	($17.5m)

Note: Figures in brackets are reductions.

IMPACT ON SERVICE LEVELS

The level of service for tenants would improve with this option, both from a more dedicated service from the CHP and eventually a better range of higher-quality homes as the CHP grows the portfolio.

DO YOU THINK WE SHOULD DO OPTION 1, 2 OR 3?

HAVE YOUR SAY

OPTION 2

Housing delivered by existing community housing provider with less influence from Council.

While this option would help grow the portfolio and provide better day-to-day services to tenants, Council will not be in a position to influence the operations of the CHP. Kāpiti may be just one of many districts serviced by the CHP and therefore not a priority.

This means there is a risk that the focus moves away from housing for older people, who are one of the groups in our district who need it most, to a more general community housing focus, most likely with a regional rather than district lens.

IMPACT ON RATES AND DEBT

Similarly, for the first 12 months there will be no impact on rates. From early 2025/26 we will start seeing operating costs dropping, reducing future rates increases. Similarly, until the assets are transferred, we will need to increase debt to maintain these assets and complete a limited refurbishment programme. From 2025/26, we expect to reduce our debt previously needed by $17.5 million by 2033/34.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	-	(0.36%)	(0.63%)	(0.12%)	(0.15%)	(0.21%)	(0.17%)	(0.19%)	(0.23%)	(0.19%)
Rates impact (after growth) $	-	($0.4m)	($0.7m)	($0.1m)	($0.2m)	($0.3m)	($0.3m)	($0.3m)	($0.4m)	($0.4m)
Debt impact (annual)	-	($0.5m)	($1.3m)	($1.2m)	($2.3m)	($2m)	($2.6m)	($3m)	($3.1m)	($1.7m)
Debt impact (cumulative)	-	($0.5m)	($1.8m)	($2.9m)	($5.2m)	($7.2m)	($9.8m)	($12.8m)	($15.8m)	($17.5m)

Note: Figures in brackets are reductions.

IMPACT ON SERVICE LEVELS

For this option we would expect (some) tenants to see improved levels of service, but with the possibility of a more regional rather than district focus. Council would have limited influence over the level of service delivered by the CHP now or in the future.

DO YOU THINK WE SHOULD DO OPTION 1, 2 OR 3?

HAVE YOUR SAY

OPTION 3

Housing delivered by Council (status quo) with no option to grow the portfolio.

With this option, Council will continue to own and operate the portfolio. This means ratepayers will continue to subsidise the ever-increasing costs. Without increasing rates and debt, this option means we won't be in a position to build new homes for older people due to already high levels of debt and the amount the ratepayer would need to subsidise to cover the cost.

Tenants will miss out on the wrap-around support and services a CHP can provide, and there will be no access to income-related rent subsidies from central government. The ability to provide improved accessibility options would also not be possible without significant investment from rates or by increasing Council debt.

We don't think this is an affordable or sustainable option in the long run because current legislative settings for housing do not allow councils to access central government-funded subsidies. This means that the level of subsidisation by the ratepayer will increase annually as the portfolio ages and needs more maintenance and refurbishment. This will result in increased requirements for funding through rates and debt drawdown.

IMPACT ON RATES AND DEBT

If Council retains these assets, we will need to increase rates to cover the ongoing operating costs. For example, we would need to increase rates by a further 0.36% in 2025/26 to fully fund these assets. Likewise, from 2025/26 to 2033/34, we will need to increase debt by $17.5 million to maintain these assets and continue our refurbishment programme.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates impact (after growth) %	-	0.36%	0.63%	0.12%	0.15%	0.21%	0.17%	0.19%	0.23%	0.19%
Rates impact (after growth) $	-	$0.4m	$0.7m	$0.1m	$0.2m	$0.3m	$0.3m	$0.3m	$0.4m	$0.4m
Debt impact (annual)	-	$0.5m	$1.3m	$1.2m	$2.3m	$2m	$2.6m	$3m	$3.1m	$1.7m
Debt impact (cumulative)	-	$0.5m	$1.8m	$2.9m	$5.2m	$7.2m	$9.8m	$12.8m	$15.8m	$17.5m

IMPACT ON SERVICE LEVELS

For this option we would expect (some) tenants to see improved levels of service, but with the possibility tenants would see no difference to the level of service they have now, and it is probable that over time the level of service would decrease as the affordability of the portfolio becomes more difficult to manage.

OTHER THINGS WE NEED YOUR FEEDBACK ON

He mea anō hei whakahoki kōrero mai

Alongside the key change proposals discussed in this consultation document, we also encourage you to read the following few pages and give us your thoughts on some other important things.

This includes the introduction of a new climate action rate, our reviewed rates remission, revenue and finance, development contributions, and significance and engagement policies, our adjusted fees and charges for 2024/25, a proposed alcohol licensing fees bylaw, and other ways we can engage with you.

Further information, including the full policies and ways to provide feedback, can be found at: haveyoursay.kapiticoast.govt.nz/LTP.

PROPOSED CHANGES TO OUR RATES

Legislation requires us to review our rating system regularly, and we tend to do that as a part of developing a new Long-term Plan. We have completed our review and are proposing a new targeted rate that we would like your views on.

INTRODUCING A CLIMATE ACTION RATE

Having already declared a climate emergency, Council recognises the need for increased focus on adaptation in the years ahead.

We're very active in climate adaptation efforts in the district, with initiatives to reduce our own carbon footprint and emissions, collaborating with our communities to improve waste management practices, and protecting public assets and our coastline from climate-related damage through work around seawalls and sand dune planting. These initiatives are currently funded from the general rate, but we believe these costs should be consolidated and funded through a specific targeted rate.

We would like your feedback on two options.

OPTION 1:
INTRODUCE A NEW CLIMATE ACTION RATE

Our preference is to establish a targeted climate action rate to enhance transparency on what we are spending on specific climate change actions that are not part of our business-as-usual operations.

Implementing the rate would make it easier to see where funding for climate action efforts (approximately $500,000 annually) comes from and how it's used, so we can make sure we're delivering on our promises and reporting in a meaningful way.

To make things fair, all properties would be charged based on their capital value. This new rate won't increase the amount Council collects from rates. The amount currently being spent on climate action activities will simply be shifted away from the land-value based general rate into its own rate. There will, however, be an impact on individual ratepayers in that the amount charged will differ depending upon the capital value of the property.

OPTION 2:
CONTINUE TO FUND CLIMATE-RELATED ACTIVITIES FROM CURRENT RATES

The alternative is to not establish a new rate, making no change to how we fund our climate change activities. The disadvantage is that the community will continue to have less visibility of how funds are being allocated and whether climate objectives are being effectively pursued.

HAVE YOUR SAY

TELL US WHAT YOU THINK...

ANY TIME BEFORE midnight Sunday 28 APRIL 2024 at haveyoursay.kapiticoast.govt.nz/LTP

You can also complete a written submission, or talk to us in person. See page 2.

POLICIES

We have reviewed and updated several key policies. To read the full versions visit haveyoursay.kapiticoast.govt.nz/LTP.

RATES REMISSION POLICY

Our rates remission policy sets out when and how Council will offer a reduction on rates in certain circumstances. The policy includes several individual policies that allow for rates relief where it is considered fair and reasonable to do so. Full details are on our website.

REVENUE AND FINANCE POLICY

The revenue and financing policy sets out the principles for funding our operating and capital expenditure, including the level of public and private benefit for each activity and whether it should be funded through rates, fees and charges, and other contributions such as development contributions.

DEVELOPMENT CONTRIBUTIONS POLICIES

This policy covers how we assess the costs of, and collect contributions to, the roading, water, wastewater and stormwater networks needed to service new properties as a result of growth in the district. The key purpose of the policy is to ensure that a fair proportion of the cost of growth is funded by those who cause the need for that infrastructure (that is, the developments leading to growth). We review and update this policy alongside each LTP. Accompanying the policy is a development contributions limited remission Policy that provides a reduction in charges in specific circumstances.

SIGNIFICANCE AND ENGAGEMENT POLICY

Our significance and engagement policy sets out how and when our communities can expect to be engaged in decisions about different issues, assets, or other matters, depending on their level of significance. It also helps ensure Council is informed at the beginning of a decision-making process about the extent of any public engagement expected before a particular decision is made, and the form and type of engagement required.

OTHER

FEES AND CHARGES

Every year we review and adjust our fees and charges for the following year. In most cases we limit increases to the Local Government Cost Index, the inflation factor used by councils. Exceptions and proposed new fees are highlighted in the full Proposed Schedule of Fees and Charges on our website.

PROPOSED ALCOHOL LICENSING FEES BYLAW

Council is responsible for managing alcohol harm under Sale and Supply of Alcohol Act 2012 (the Act). The Act specifies the level at which licensing fees can be set unless we pass a bylaw to set our own fees. We now plan to do this, as the cost of administering and monitoring alcohol licensing has risen substantially in the last 12 years. We think a greater portion of the cost increases should be borne by licensees rather than by ratepayers.

ENHANCING DEMOCRACY

We make decisions every day on behalf of our communities, ranging from routine day-to-day matters to those with a high level of impact and public interest. Our meetings are open to the public, live-streamed, and available to watch later on our YouTube channel. We've been reflecting on what more we could do to enable community participation in Council processes and decisions. For instance, evening meetings would allow people who are not available during the day to attend Council meetings and put themselves forward as elected representatives. Changes like this will come at a cost, so we're keen to understand what you think would make a difference.

Go to haveyoursay.kapiticoast.govt.nz/LTP to give us your thoughts.

IMPACT ON RATES FOR NEXT YEAR

While the proposed rates increase for 2024/25 is 17%, the rates increase will vary for different properties in the district.

This is not only because of differences in property value, type, and location – your rates may also be affected by recent changes in your property's value after last year's revaluation, the proposed change to our rating system, and Greater Wellington Regional Council's rates (GWRC).

GWRC has also reviewed its rates and is asking for feedback on its proposed changes. You can find out more at haveyoursay.gw.govt.nz.

EXAMPLES OF RATES IMPACTS

This table shows how the proposed rates increase for 2024/25 would apply to median properties across the district. Please note that these rates include GST, and water rates based on 255 cubic metres per year for residential properties, and fixed water rates charge for commercial properties, but exclude GWRC rates.

Median property values	Paekākāriki	Raumati	Paraparaumu	Waikanae	Ōtaki	Rural	Commercial
Capital value	$860,000	$760,000	$720,000	$780,000	$560,000	$1,200,000	$770,000
Land value	$540,000	$450,000	$410,000	$425,000	$300,000	$660,000	$485,000
Current rates	$3,782	$3,963	$3,820	$3,931	$3,189	$2,418	$4,907
Proposed rates	$4,436	$4,665	$4,491	$4,613	$3,951	$3,058	$5,990
% change	17.3%	17.7%	17.5%	17.4%	23.9%	26.5%	22.1%
Annual rates increase	**$654**	**$702**	**$670**	**$682**	**$762**	**$640**	**$1,083**
Weekly rates increase	**$13**	**$14**	**$13**	**$13**	**$15**	**$12**	**$21**

Visit kapiticoast.govt.nz/ProposedRates to see the proposed rates for your property, along with the difference that your property revaluation has made and the proposed changes for the coming year.

WHAT HAPPENS NEXT?

He aha ināianei?

When the consultation period ends at midnight Sunday 28 April, we'll collate all your feedback, including submissions presented at hearings.

Council will then meet in May to consider your feedback and make their decisions. The final LTP will be adopted in June and will be in place for 1 July.

We'll have a report summarising the feedback we received available on our website.

KEY DATES:

28 MAR	28 APR	2 MAY	23 MAY	27 JUN
PUBLIC CONSULTATION OPENS	PUBLIC CONSULTATION CLOSES	COUNCIL HEARINGS TAKE PLACE	DELIBERATIONS AND ADOPTION OF FEES AND CHARGES FOR 2024/25	COUNCIL ADOPTS LONG-TERM PLAN 2024-34

The Long-term Plan 2024-34 will be available on Council's website from 1 July 2024. Printed copies will also be available at our libraries and service centres shortly thereafter.

ERNST & YOUNG AUDIT REPORT

Consultation document for Council's Long-term Plan 2024–34

He pepa matapaki i te Mahere Roa a te Kaunihera 2024-34

Kāpiti Coast
DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua