

2026/27 Annual Plan Council briefing

16 December 2025

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Objectives

To develop the rates revenue increase for 2026/27 and direct the level of engagement required to finalise the 2026/27 Annual Plan.

Council	2024/25 Actual	2025/26 Actual	2026/27 LTP forecast
Porirua	17.5%	6.4%	14.0%
Wellington	16.9%	12.0%	10.1%
Upper Hutt	19.9%	15.8%	13.6%
Hutt City	16.9%	12.6%	10.1%
Horowhenua	16.6%	9.1%	10.1%
GWRC	20.5%	9.7%	13.3%
Kapiti	17.1%	6.9%	7.0%

Process to Date

- A series of SLT workshops were conducted in October and November
- Major cost drivers have been updated:
 - Inflation factors have been updated to October 2025 BERL Local Government Cost Index (LGCI) factors. Personnel at 3%.
 - Capex, depreciation, debt and interest cost projections have been reviewed and updated.
- Planned initiatives have been factored in (e.g. LWDW, Te Ara Whetū)
- Other cost pressures have been factored in where appropriate (energy, insurance, cleaning etc)
- Rates reduction opportunities have been considered and factored in where appropriate

Relevant Local Government Reforms

- Local Government Systems Improvement Amendment Bill
- Rates Capping

Systems Improvement Amendment Bill

The primary policy objective is to reduce pressure on council rates by:

1. Refocussing the purpose of local government
2. Prioritising core services in council spending
3. Strengthening council transparency and accountability
4. Providing regulatory relief.

Section 10: Purpose of local government

The purpose of local government is—

(a) to enable democratic local decision-making and action by, and on behalf of, communities; and

(b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and business; and

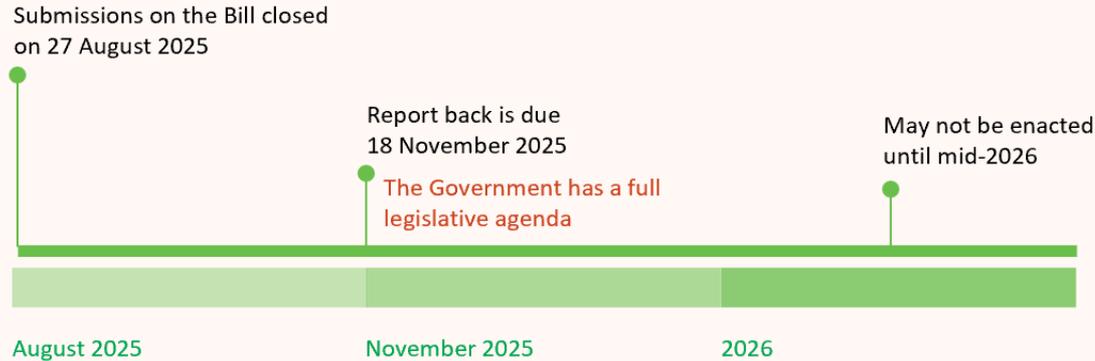
(c) to support local economic growth and development by fulfilling the purpose set out in paragraph (b).

SIMPS
GRIERS 

Section 11A: Core services

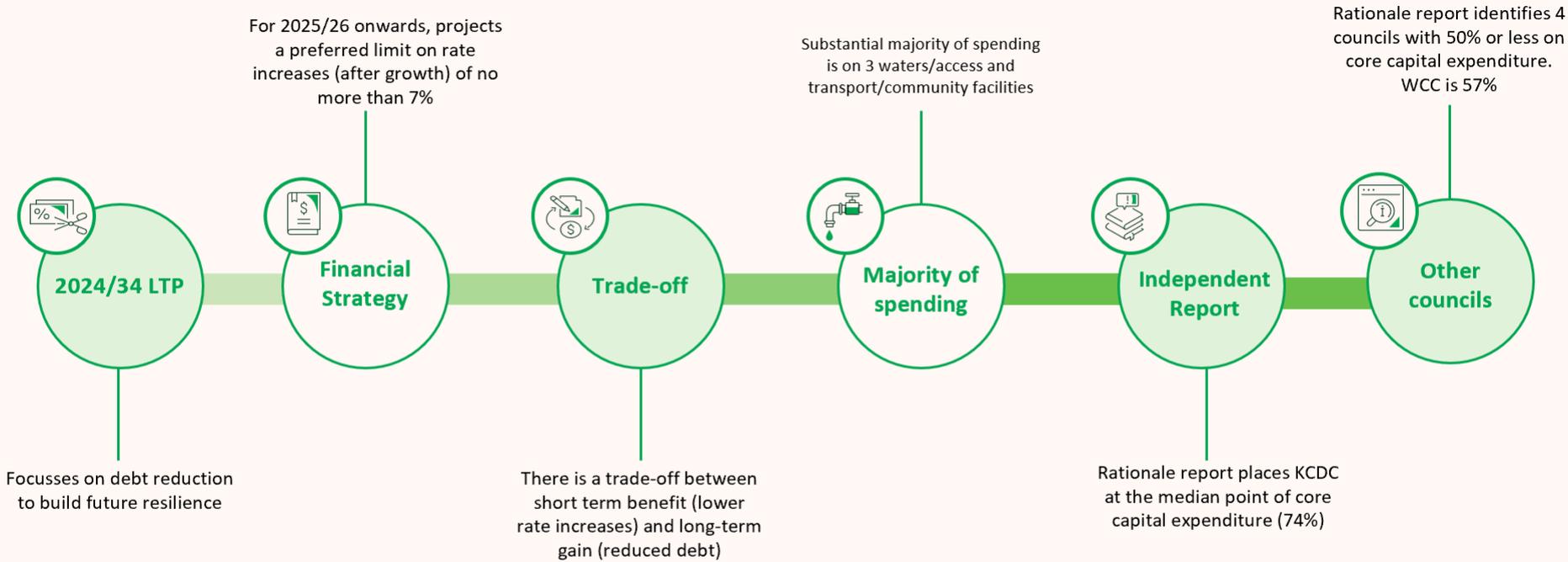
2014-2019	System Improvements Bill
In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:	The following services <u>are the core services</u> of a local authority:
(a) network infrastructure	(a) network infrastructure
(b) public transport services	(b) public transport services
(c) solid waste collection and disposal	(c) waste management
(d) The avoidance of mitigation of natural hazards	(d) <u>civil defence emergency management</u>
(e) libraries, museums, reserves, and other recreational facilities <i>and community amenities</i>	(e) libraries, museums, reserves, and other recreational facilities
	“(2) In performing its role, a local authority must have particular regard to the contribution that the core services make to its communities”

Timing



- Limited transitional provisions: currently none that deal with the annual plan
- Rates capping is complicated and a Bill is unlikely to be introduced this year

How is Kapiti Coast District Council placed?



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Rates capping

- Proposing 2-4%, excluding Three Waters services
- Based on the long run range of CPI and economic growth, at national level
- To be monitored from 2027 (next LTP), law from 2029

Observations:

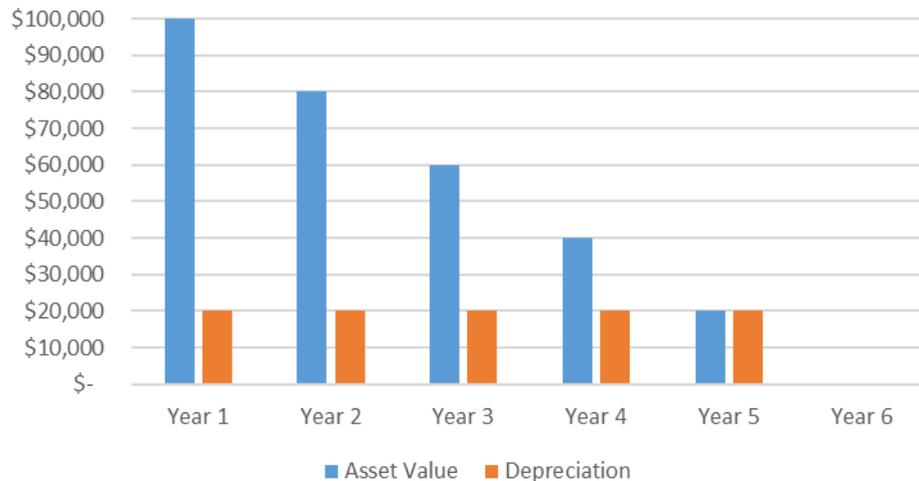
- No local nuance (e.g. growth) – one range applied nationally
- Council inflation has typically run well ahead of CPI
- Costs of growth and service improvement will be difficult to accommodate. New or improved assets require additional debt, which drives additional interest, depreciation and opex costs
- It will be important to enter this regime fully funded (e.g. depreciation)

An Overview of Depreciation

The Concept of Depreciation

- The concept of depreciation reflects the consumption of economic benefit received from an asset over the course of its useful life. For example you buy a piece of equipment for \$100k, it will last for 5 years, you reflect an expense each year for depreciation at 20% of the cost of the equipment (\$20k).
- Depreciation is a non-cash accounting entry. The cash impact is at the point where the capex is spent (buying the asset).
- In the Council context, we include depreciation in our rates calculation, which pays down the debt taken out to build the asset.

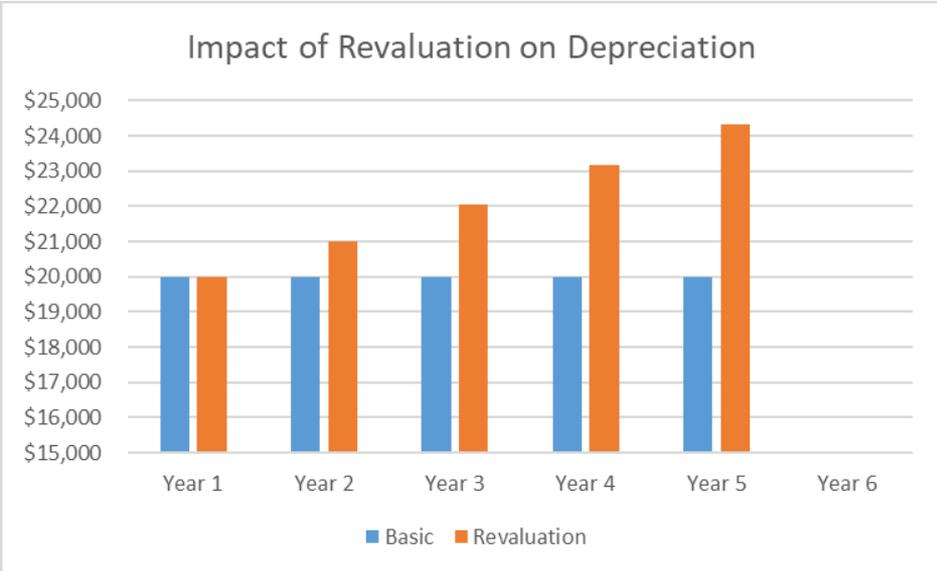
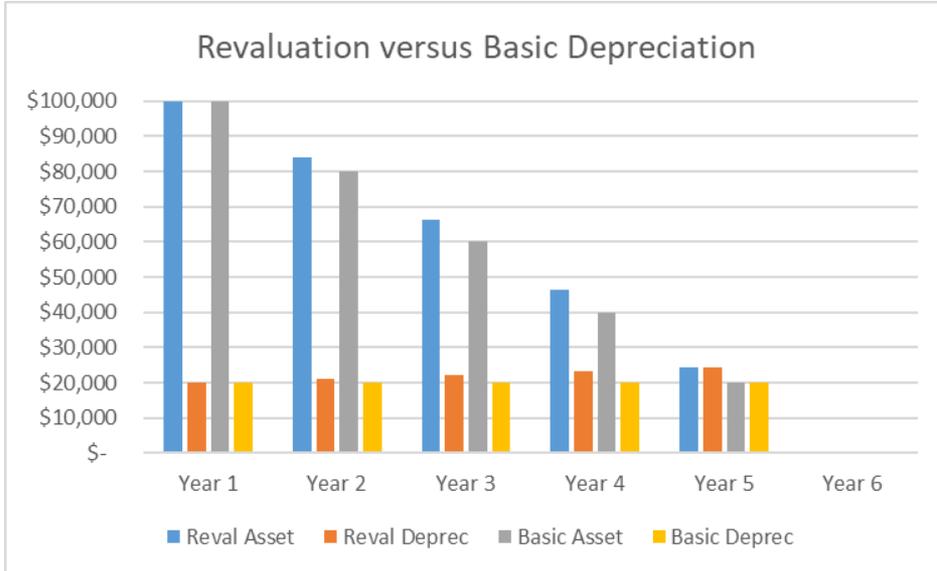
Depreciation Basic Example



- When an asset reaches the end of its useful life, it will be disposed of and potentially replaced (asset renewal) by another asset. Asset renewals might be similar to the original asset, however it is normal for a renewal to be 'better' than the original asset (eg through technology or capacity).
- The depreciation from the original asset is 'recycled' to the new asset.

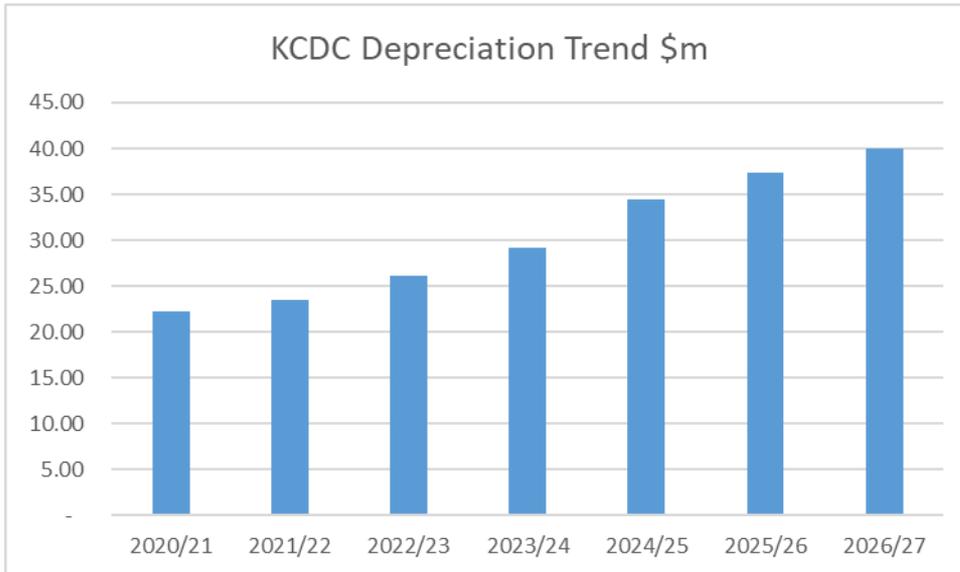
Revaluation Impacts on Depreciation

- KCDC periodically revalues its assets. Three Waters and roading assets are revalued every two years (alternate years), with land and building assets revalued every 3 years (slower market movements).
- Revaluation can be viewed as a form of inflation – increasing the value of an asset based on what it might cost to replace it at the present date. In general, increasing values leads to increasing depreciation for each asset.
- This in turn generates higher rates income, to build cash reserves ahead of the replacement of the asset – which will occur at the current (inflated) market cost



KCDC Depreciation Trends

- Revaluation is not the only factor increasing depreciation each year. The main contributor to increased depreciation is actual capex spend of prior years to complete and commission Council assets, making them available for use.
- The more Council spends on capex - debt levels, depreciation, and interest costs will increase. Rising depreciation and interest costs put upward pressure on the rates revenue requirement, hence the financial strategy seeks to reduce debt.

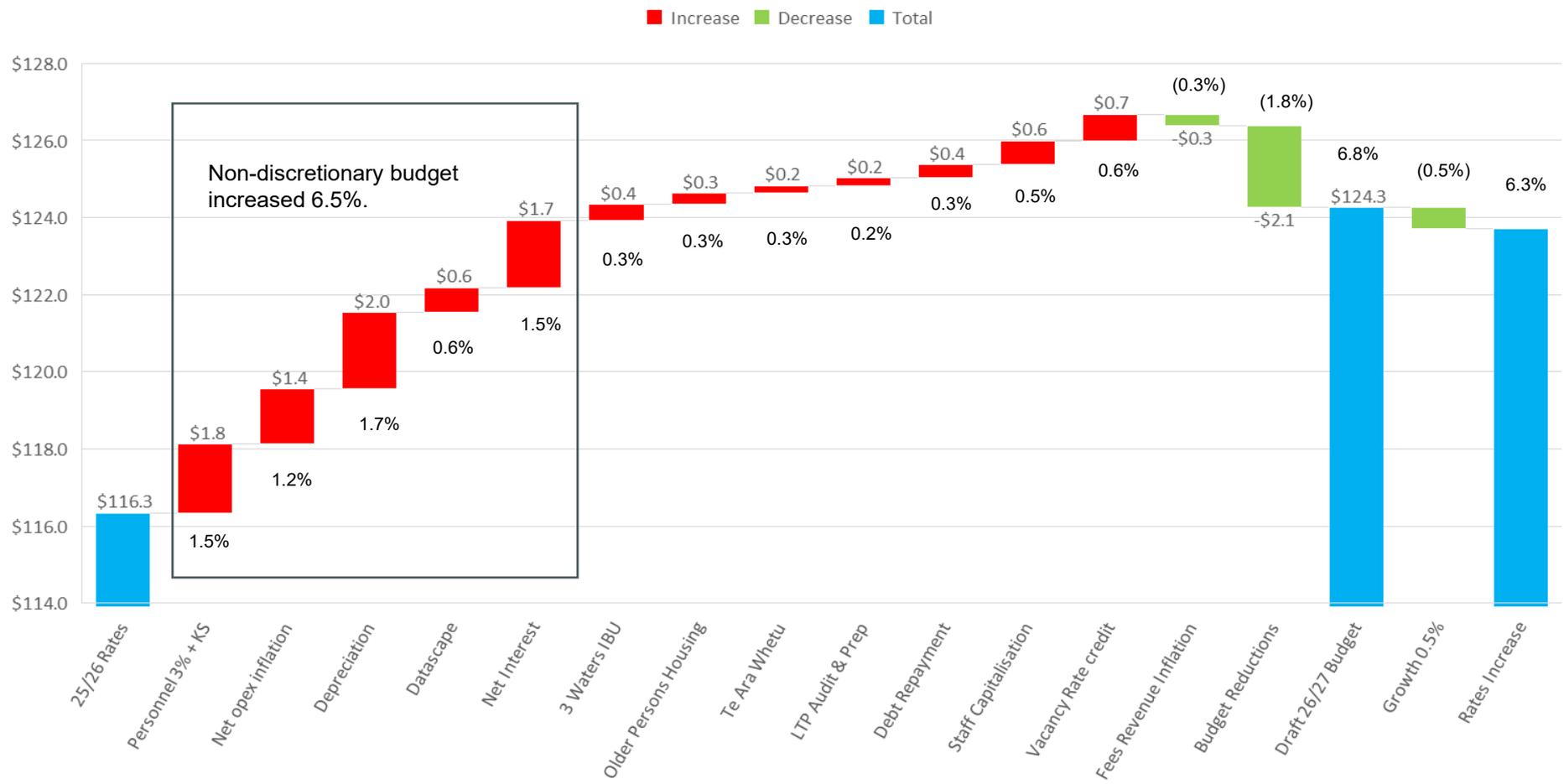


Depreciation Budget 25/26	\$37.3m
Older Persons Housing reinstated	\$0.7m
Datascape removed	(\$0.6m)
25/26 Capex spend & WIP goes live	\$2.0m
Revaluation June 2026 estimate	\$0.6m
Depreciation Budget 26/27	\$40.0m

Year 3 LTP vs. Now

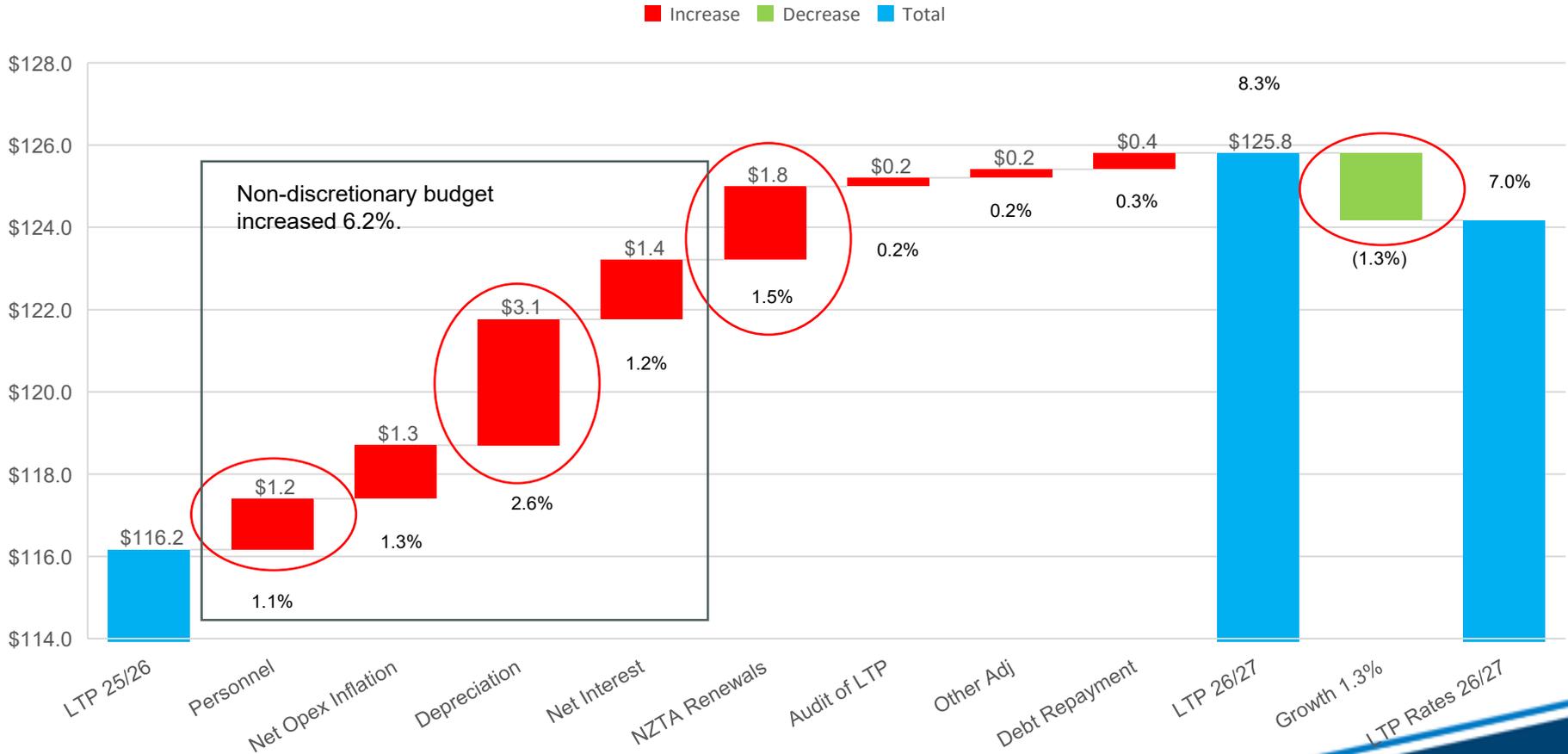
Annual Plan Budget FY26/27

Average Rates Increase Draft Annual Plan 26/27 \$m



LTP 2026/27 rates increase – 7%

Average Rates Increase FY25/26 to FY26/27 (LTP)



Key Cost Driver Trends



Inflation

BERL Yearly	2024/25	2025/26	2026/27
Roading	2.90%	3.00%	3.20%
Planning & Regulation	2.60%	2.70%	2.30%
Transport	2.60%	2.90%	2.90%
Energy	2.90%	3.20%	2.80%
Staff	6.00%	3.00%	3.00%
LGCI	2.90%	3.20%	2.80%
Water & Environmental Mgmt	3.60%	2.50%	3.00%
Rates	13.11%	7.00%	7.00%
Community Activities	2.70%	3.00%	2.20%
Insurance	20.00%	0.00%	5.00%
NZTA Capital Funding	2.90%	3.00%	3.20%

- Inflation has been calculated using these indices
- Three Waters revaluation due June 2026, two years since last revaluation. Indices for the two years total 6.1%, we have assumed a 4% uplift only
- Intention is to centralise the opex inflation allowance and allocate to need (e.g. electricity)

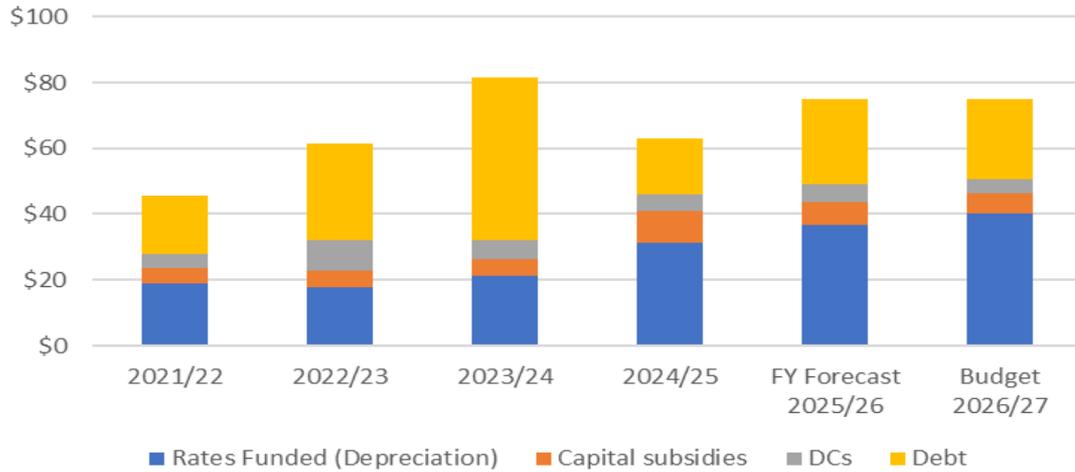
Estimated impact:

- Personnel and Kiwisaver \$1.8 million
- Other operating expenses \$1.4 million
- Depreciation revaluation uplift \$0.6 million

Total \$3.8 million (equivalent to 3.3% rates increase)

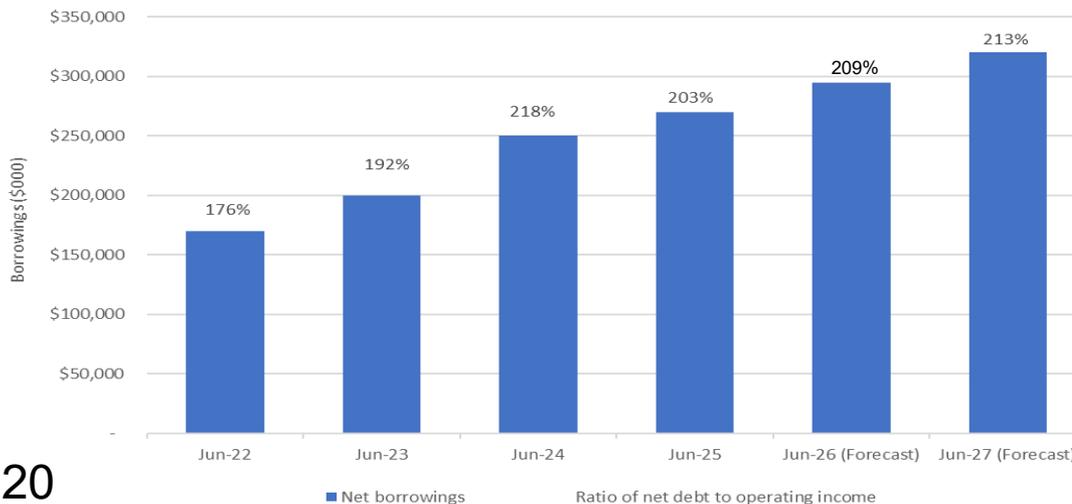
Capex, Debt and Interest

Capex by funding source

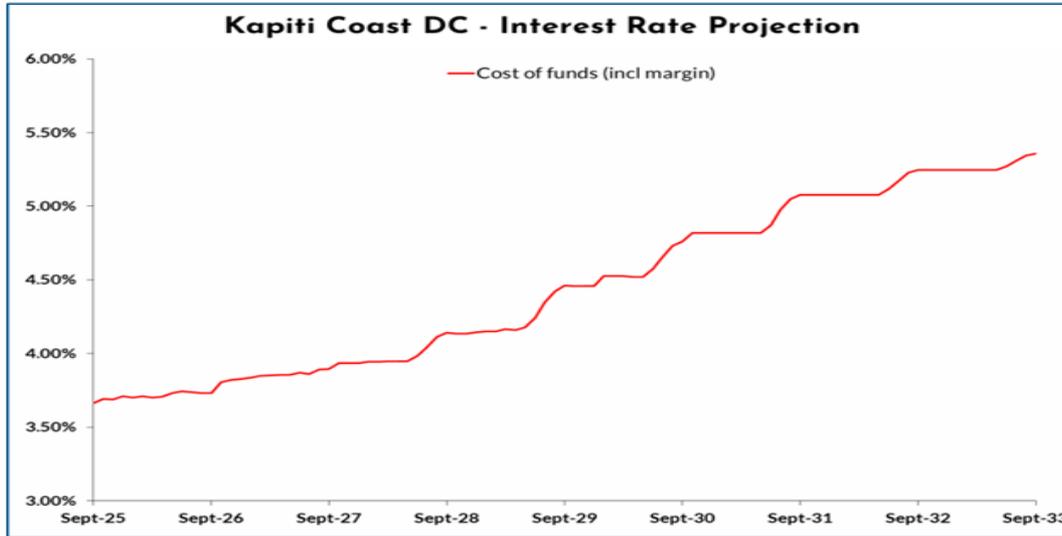


- Capex is expected to be \$65 - \$75 million per annum in 2025/26 and 2026/27
- At \$75 million, net debt will grow by about \$25 million per annum
- Our net debt / revenue ratio remains relatively constant, as revenue also grows

Net debt / Total operating income Ratio



Capex, Debt and Interest



- Our net interest rate paid (red line) will gradually increase in line with the market
- Our total interest cost will increase (higher debt, higher interest rate)



	Net Debt balance	Net Interest Rate (weighted average)	Interest cost \$m
2024/25 actual	\$271 m	3.91%	\$10.6
2025/26 budget	\$289 m	3.60%	\$10.9
2026/27 budget	\$312 m	4.04%	\$12.6

Specific Initiatives

- **LWDW IBU costs** – an additional \$0.4m/annum increase is required to fund additional costs associated with the new water entity - management, reporting and compliance costs. This aligns with our Water Services Delivery Plan.
- **Older Persons Housing** – this was budgeted in 2025/26 for half a year, assuming a transfer 1 January 2026. The draft 2026/27 budget reinstates this to an annualised budget which is an additional \$0.3m net cost to KCDC.

Older Persons Housing	2024/25 Actuals	2025/26 Budget	2026/27 Budget	Increase
Total Income	(1,136,709)	(675,568)	(1,151,610)	(476,042)
Total Expenditure	1,575,195	811,610	1,580,625	769,015
Net P&L	438,486	136,042	429,015	292,973

- **Te Ara Whetū** – budgeted go live is 1 January 2027 so 6 months worth of the new library costs (incl extra FTE) are budgeted in 2026/27. This equates to an extra \$200k in 2026/27, with another uplift of \$265k in 2027/28 as costs are annualised.
- **2027-37 LTP audit** - \$225k included in Year 3 of the 2024-34 LTP.
- **Debt reduction** – The LTP included a 2026/27 uplift on rates of \$400k to reduce debt.

Capitalised Staff Time

- This reflects staff time spent on capital projects, and credits personnel costs
- Currently a sliding scale % allocation is made to projects:

Project value From	Project value To	% staff recovery
0	\$1,999,999	14%
\$2,000,000	\$2,999,999	12%
\$3,000,000	>\$3,000,000	8%

- A more sophisticated method is required – probably timesheet based (LWDW)
- Staff recovery budget is currently \$8.1 million
- 2024/25 actuals \$5.6 million, on capex spend of \$63 million
- Proposal: to set the recovery budget at 10%, a more realistic level, pending implementation of a new capitalisation system

	\$ million
Capex spend	\$75
Assume 10% staff recovery	\$7.5
Current budget	\$8.1
Adjustment required	\$0.6

Vacancy Adjustment

- Reflects the fact an organisation is never fully staffed due to natural turnover, and is a credit to the overall personnel budget
- 2025/26 vacancy budget is \$2.188 million (credit)
- Attrition currently sits at 8.3%, a longer run average is probably 12%-15%
- New methodology:
 - No vacancy adjustment for roles that need to be recruited straight away (e.g. pools, libraries, building and resource consents)
 - Remaining payroll budgets total \$40 million.
 - Attrition rate (%) x the remaining payroll cost (\$40m) x 3/12 months

Attrition rate Options	Vacancy Adjustment	Adjustment required
2025/26 budget	\$2.188m	
15%*	\$1.502m	\$0.686
12%	\$1.202m	\$0.986
10%	\$1.002m	\$1.186
8.3% (current)	\$0.831m	\$1.357

*Recommended Option

Rates Reduction Options

What Happened in 2025/26?

- LTP year 2 forecast increase of 7% for 2025/26
- Cost pressures added a further 2.7% - higher energy, security, maintenance, and staffing costs
- \$3.1m removed from budget to offset these pressures to achieve a rates increase of 6.9%

Where we found \$3.1 million in rates reductions:

- Cut staff headcount by 15 positions - \$1.45m saving
- Cut roading work that is no longer subsidised - \$259k
- Cut and deferred grant funding - \$541k
- Cut costs in our office facilities - \$65k
- Revised work programmes and operational efficiencies - \$382k
- We increased some fees and charges to recover costs of \$387k

2026/27 Rate Reduction Options

Economic Development

Change	\$
Stop sponsorship of Gold Awards, business events & activities	40,000
Reduce funding for local business support incl Work Ready Kapiti, internships, work experience opportunities, Chamber of Commerce, business sustainability initiatives	160,000
Do not fund the new economic development trust and its subsidiary (the new economic development LLC)	295,000
Do not progress alternative revenue stream identification	100,000
Recover cost of EDKB via pre-app and startup fees charge	100,000
Discontinue Tourism Advisory Board and visitor industry support	60,000
Reduce Major Events Fund to \$180k p.a.	45,000
Apply to become DTO and part-fund through other avenue – event marketing and other support, and separate Kapiti Destination Story activity	180,000
	980,000

2026/27 Rate Reduction Options (cont.)

Initiative	Value	Commentary
Organisational changes	\$260k	Changes to FTE roles
Datascape	\$400k	Project close costs in 2025/26 based on original go-live date of 1 July 2025
Social Investment Fund	\$150k	Reduced from \$350k to \$200k
District Planning	\$200k	Reduced iwi consultation requirements & recovering cost of private plan changes
Civic Centre Security	\$100k	Removing security at Civic Centre
Subtotal	\$1.11m	
Add: Economic Development	\$980k	Previous slide
Total Budget Reductions	\$2.09m	This reflects a 1.8% rates reduction

Recap

Rates revenue component	% increase/(decrease)	
Non-discretionary spend	6.5%	
Three Waters IBU	0.3%	
Older Persons Housing	0.3%	
Te Ara Whetu	0.2%	
LTP audit & prep	0.2%	
Debt reduction	0.3%	
Staff capitalisation/vacancy adjustment	1.1%	
Subtotal		8.9%
Less: Increased fees and charges		(0.3%)
Less: Budget reductions		(1.8%)
Less: Growth		(0.5%)
Rates Revenue Increase for 2026/27		6.3%

For Further Consideration

Description	\$	Rates Reduction (%)	Cumulative rates increase (%)
Draft 2026/27 rates revenue increase			6.30%
Iwi capacity funding – reduce from \$200k to \$150k x 3	150,000	(0.13%)	6.17%
Reduce youth development grants from \$300k to \$150k (committed to Dec '26) (S&E Policy?)	150,000	(0.13%)	6.04%
Reduction across other grants budgets (review planned)	50,000	(0.04%)	6.00%
No debt reduction in 2026/27 (not recommended)	400,000	(0.34%)	5.66%
	750,000	(0.64%)	

SLT has identified \$3.14 million of rates reductions (or a reduction of 2.74%). These reductions do not trigger Council's significance and engagement policy and would not require consultation with the community.

Consultation Requirements

Significance & Engagement Policy

- Council's [Significance and Engagement Policy](#) sets out when and how our community can expect to be engaged in our decision-making processes.
- LGA requires councils to ensure that all engagement and consultation follows the principles set out in sections 77, 78, 80, 81, 82 and 83 to support good Council decision-making.
- 'Special Consultative Procedure' (section 83) is applied in the following situations:
 - adoption or amendment of a LTP
 - making, amending, or revoking a bylaw that is considered to be of significant public interest or there is likely to be significant impact on the public
 - when Council decides it's prudent to do so.

How We Define Significance

- Significance relates to the importance of an issue, proposal, decision, or matter, as assessed by the Council in terms of its likely impact on, and likely consequences for:
 - the Kāpiti Coast District as a whole;
 - the people and communities who are likely to be affected by or interested in the issue, proposal, decision or matter; and
 - the financial and non-financial implications, or the capacity of the Council to perform its roles and functions.

When We Would Consult

- Generally speaking, we consult with our communities when the:
 - proposal involves transfer or divestment of a strategic asset
 - proposal incurs unbudgeted net operational expenditure exceeding 5% of its annual budget for that year
 - proposal is not reflected in the Council's LTP or annual plans and will incur unbudgeted capital expenditure of more than 10% of rates revenue in the year of the decision
 - proposal is likely to result in a major and/or long-term change in the level of service published in the operative LTP
 - there is a legislative requirement to consult.
- Note strategic assets are assets that Council needs to deliver community wellbeing to its communities now and into the future, e.g. infrastructure or property.

Timeline – No Formal Consultation

Date	Milestone
16 and 18 Dec 2025	Closed Council briefings
27 Jan and 3 Feb 2026	Public/closed Council briefings (tbc)
Mid Jan to early Mar 2026	Develop communications campaign including information brochure (with Mayor's Annual Plan Focus Group)
Early May 2026	2026/27 Annual Plan information brochure included in fourth quarter rates instalments (post/email)
Mid May 2026	Public Council briefing to recap development of the 2026/27 Annual Plan.
End May 2026	Adoption of Annual Plan, Fees and Charges, and rates setting.

Timeline – Formal Consultation

Date	Milestone
16 and 18 Dec 2025	Closed Council briefings
27 Jan and 3 Feb 2026	Public/closed Council briefings (tbc)
Mid Jan to early Mar 2026	Develop consultation document (with Mayor's Annual Plan Focus Group)
Mid Mar to mid Apr 2026	Formal consultation and engagement
Early May 2026	Hearings
Late May 2026	Deliberations and final AP development, adoption of Fees and Charges
Mid Jun 2027	Adoption of Annual Plan and rates setting

Next Steps

- Agree any actions from briefing #1
- Briefing #2: 18 December