



**I, Matthew Lawson, Tumu Whakarae | Chief Executive, hereby give notice that
an Ordinary Meeting of Council will be held on:**

Date: **Tuesday, 3 February 2026**

Time: **1:00 pm**

Location: **Council Chamber, Wairoa District Council,
Coronation Square, Wairoa**

AGENDA

Ordinary Council Meeting

3 February 2026

MEMBERSHIP: His Worship the Mayor Craig Little, Cr Trevor Waikawa, Cr Jeremy Harker, Cr Benita Cairns, Cr Roslyn Thomas, Cr Michelle Tahuri, Cr Sara Bird

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

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1 KARAKIA**2 APOLOGIES FOR ABSENCE****3 DECLARATIONS OF CONFLICT OF INTEREST**

Members need to stand aside from decision-making when a conflict arises between their role as a member of the Council and any private or other external interest they might have.

This note is provided as a reminder to members to review the matters of the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting, or at the relevant item of business, and refrain from participating in the discussion or voting on that item.

If a member thinks they may have a conflict of interest, they can seek advice from the Chief Executive or the Chief Operations Officer (preferably before the meeting). It is noted that while members can seek advice, the final decision as to whether a conflict exists rests with the member.

4 CHAIRPERSON'S ANNOUNCEMENTS**5 LATE ITEMS OF URGENT BUSINESS****6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 15.1 requests to speak must be made to the Chief Executive Officer at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

7 MINUTES OF THE PREVIOUS MEETING

Ordinary Meeting - 16 December 2025

MINUTES OF WAIROA DISTRICT COUNCIL
ORDINARY COUNCIL MEETINGHELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA
ON TUESDAY, 16 DECEMBER 2025 AT 1:00PM

PRESENT: His Worship the Mayor Craig Little (online), Cr Trevor Waikawa, Cr Jeremy Harker, Cr Benita Cairns, Cr Roslyn Thomas, Cr Michelle Tahuri, Cr Sara Bird

IN ATTENDANCE: **Matthew Lawson** (Tumu Whakarae | Chief Executive), **Gary Borg** (Tumu Whakarae Tuarua | Deputy Chief Executive & Pouwhakarae – Pūtea/Tautāwhi Rangapū | Group Manager - Finance and Corporate Support), **Te Aroha Cook** (Kaiarataki Whakaoranga | Recovery Manager & Group Manager - Community Services and Development), **Juanita Savage** (Te Toihau Mahi | Chiefs of Operations), **Henare Mita** (Māori Standing Committee Chairperson), **Hinetaakoha Viriaere** (Pouwhakarae Whakamahere me te Waeture | Group Manager Planning and Regulatory), **Kamal Narang** (Pouwhakarae – Hua Pūmau | Group Manager - Assets and Infrastructure), **Hinemoa Hubbard** (Kaiurungi Mana Ārahi | Governance Officer), **Kate Standring** (Executive Principal), **Claire Little** (Intermediate Planner), **Martin Bacon** (Assistant Accountant)

1 KARAKIA

The meeting was chaired by Cr Cairns.

The opening karakia was given by Mr Mita.

2 APOLOGIES FOR ABSENCE

Nil.

3 DECLARATIONS OF CONFLICT OF INTEREST

Cr Harker declared a conflict of interest with the following items:

- 8.10 – *QRS Letter of expectation, Director remuneration and Director Rotation.*
- 10.1 – *PX - Procurement of Capital Projects – Proposal.*

Cr Tahuri declared a conflict of interest with Item 8.3 – *Planning and Regulatory Report - December Update 2025.*

4 CHAIRPERSON'S ANNOUNCEMENTS

The Chair acknowledged the Community Services team for organising the Christmas parade and market, noting positive community feedback regarding the visibility of Council staff, the variety of stalls and out-of-town floats, and the positive atmosphere within the community.

5 LATE ITEMS OF URGENT BUSINESS

Nil.

6 PUBLIC PARTICIPATION

Nil.

7 MINUTES OF THE PREVIOUS MEETING**RESOLUTION 2025/68**

Moved: Cr Jeremy Harker
Seconded: Cr Trevor Waikawa

That the minutes and confidential minutes of the Ordinary Meeting held on 25 November 2025 be confirmed.

CARRIED

8 GENERAL ITEMS**8.1 ROADING STOPPING- TINIROTO ROAD****RESOLUTION 2025/69**

Moved: Cr Jeremy Harker
Seconded: Cr Sara Bird

That Council accepts the report and approves the road stopping of a section of the unformed Tiniroto Road Reserve.

CARRIED

8.2 MEETING SCHEDULE FOR 2026**RESOLUTION 2025/70**

Moved: Cr Roslyn Thomas
Seconded: Cr Michelle Tahuri

That Council adopts the meeting schedule for 2026 with amendments.

CARRIED

The Chief of Operations introduced the report and highlighted that Assurance, Regulatory & Infrastructure meetings would occur in the third week of each month, and that Māori Standing Committee (MSC) and Environment & Economic Development Committee meetings would be held bi-monthly, with meeting dates changing for 8 December when applicable.

Council discussed:

- Workshops should be publicly open where possible.

- The November 3rd Council meeting should be shifted to 10th of November to avoid the preceding report workshop clashing with Labour Weekend.
- Agendas to close at 12pm on the Wednesday prior to the meetings.
- A query was raised regarding the location for the MSC meetings; staff advised this would be confirmed, and it was noted the location would be discussed at the first MSC meeting.
- Work was underway on establishing a Youth Council in partnership with Taiwhenua, with a joint venture approach, and that it was anticipated to begin around April. Council noted a workshop on this matter would be appropriate.

8.3 PLANNING AND REGULATORY REPORT - DECEMBER UPDATE 2025

RESOLUTION 2025/71

Moved: Cr Trevor Waikawa

Seconded: Cr Jeremy Harker

That Council receives the report titled 'Planning and Regulatory Report – December 2025 Update'.

CARRIED

The Group Manager of Planning and Regulatory highlighted that comments relating to RMA reforms had been prepared prior to the most recent changes to the Resource Management Act.

Council discussed:

- Earthquake strengthening requirements, including confirmation that over 40 buildings had been identified as potential hazards.
- Temporary accommodation (page 24), with a suggestion that a group meeting be held with affected parties to provide more detailed information.
- The process for issuing a Project Information Memorandum (PIM), with staff advising there was no lapsing date.
- Whether information briefings could be provided outlining the services Council delivers to the community.
- Whether dog-related issues were predominantly urban or rural; staff advised these were mostly urban, and Council queried whether rural ratepayers had to contribute to urban dog-related costs.
- An increase in issues and infringements, with staff advising this reflected increased officer activity and awareness following recent dangerous dog incidents.
- Stock control matters, including the cost of call-outs.

The Chief Executive advised that one property on River Road is unable to be accessed, and that RRA had indicated funding is available for 50% compensation. It was noted that Council would need to progress a formal category 3 and buy-out policy process.

8.4 UPDATE ON PLAYGROUNDS (MCLEAN ST, NORTH CLYDE AND TUAI) & PUBLIC TOILETS (NORTH CLYDE AND MARINE PARADE)**RESOLUTION 2025/72**

Moved: Cr Jeremy Harker

Seconded: Cr Roslyn Thomas

That Council approves the purchase of the three playgrounds, requests that any cost-saving benefits be reported back to Council, continues with the refurbishment of the River Parade toilets, includes the North Clyde toilet in the Spatial Plan, and directs the Chief Executive to return to Council by 31 March 2026 to finalise a location for the North Clyde Playground, and ensures the budget remains as set out in section 5.1.

CARRIED

The Group Manager of Assets and Infrastructure introduced the report, highlighting:

- The North Clyde proposals are new and included in the Long Term Plan. Construction is proposed for the next financial year, while also proposing procurement to occur in the current financial year due to delivery times.
- There is a delivery timeframe of approximately six months for toilets and playground.

Council:

- Sought involvement in determining the location of the North Clyde toilets and reiterated previous concerns about locating toilets at Memorial Park.
- Requested identification of available and unavailable location options within the North Clyde Area.
- Discussed the importance of engaging with the North Clyde residents on the preferred location.
- Noted the proximity of Memorial Park to the Wairoa Destination Playground.
- Queried the status of tourism funding for North Clyde; It was noted that approximately \$500,000 remains unconfirmed. The Chief Executive noted that a variation to an earlier TIF application has been sought to enable delivery of a playground and toilet facility at an alternative location.
- Queried the appropriateness of procurement prior to finalising a location; staff advised the projects are subject to TIF funding which is still being confirmed.

At 2:13pm, Cr Cairns adjourned the meeting.

At 2:21pm, Cr Cairns opened the meeting.

8.5 MONTHLY FINANCIAL REPORT TO 30 NOVEMBER 2025**RESOLUTION 2025/73**

Moved: Cr Roslyn Thomas

Seconded: His Worship the Mayor Craig Little

That Council receives the report.

CARRIED

The Group Manager of Finance and Corporate Support introduced the report and noted that while the statement in section 1.1 was accurate, it was not complete. It was highlighted that estimates were included in the financial information, and that the budget figures incorporated carry-forward amounts approved at the previous Council meeting. It was further noted that there were significant improvements in the Group Income and Expense statements.

Council discussed:

- Variances between revenue and expenditure figures on pages 38 and 42, with staff advising that page 38 included internal recoveries recorded as income, while the final figures were reflected in the Statement of Comprehensive Revenue and Expense.
- Requirements for narrative explanations for high values and percentages, including what was included within the “other” category contributing to approximately \$2million in expenditure. Staff advised this related to emergency roadworks (noting these should be reclassified under roading), grants, and software, and it was noted that itemising grants would be beneficial.
- The grants category, including indicative amounts and recipients.
- The removal of internal interest charges.
- The Statement of Comprehensive Revenue and Expense showing a deficit of approximately \$9 million, with staff noting that further work was required on the income and expense statement.

Staff confirmed that the ‘Go to Green’ reporting would provide additional context.

8.6 ELECTED MEMBERS CODE OF CONDUCT

RESOLUTION 2025/74

Moved: Cr Benita Cairns

Seconded: Cr Jeremy Harker

That Council receives the report and adopts the existing Wairoa District Council Code of Conduct (**Appendix 2**)

CARRIED

8.7 ESTABLISHMENT OF COMMITTEES AND ADOPTION OF TERMS OF REFERENCE

RESOLUTION 2025/75

Moved: Cr Jeremy Harker

Seconded: Cr Sara Bird

That Council receives the report, confirms the appointment of the Chairs and members to each

Council Committee, and adopts the Terms of Reference with amendments for; the Environmental and Economic Development Committee, Assurance, Risk and Infrastructure Committee, Chief Executives Performance Review Committee, and the Māori Standing Committee

AND to update the delegations manual as required.

CARRIED

The Group Manager of Community Services and Development introduced the report, and highlighted the proposed change for the Environmental and Economic Development Committee and the Māori Standing Committee to move to a bi-monthly schedule.

Council discussed and requested amendments as follows:

- Assurance, Risk and Infrastructure Committee:
 - Delegations to be amended to clarify that the committee is a decision-making committee rather than one that reports to Council.
 - Council discussed the appropriateness of appointing an independent member. The Chief Executive noted feedback from DIA recommending financial expertise on the committee to mitigate risk. Council noted a preference for a local appointment, while the Chief Executive outlined the challenges due to potential conflicts of interest.
- Māori Standing Committee:
 - Council requested that Cr Bird be included.

At 2:54pm, Cr Tahuri left the meeting.

At 2:55pm, Cr Tahuri returned to the meeting.

The Group Manager of Finance noted that the delegations require updating.

8.8 STANDING ORDERS / NGĀ TIKANGA WHAKAHAERE HUI**RESOLUTION 2025/76**

Moved: Cr Benita Cairns

Seconded: Cr Trevor Waikawa

That Council receives the report, and that Council adopts the reviewed LGNZ Standing Orders / Ngā Tikanga Whakahaere Hui for territorial authorities as attached as **Appendix 1 – LGNZ Standing Orders / Ngā Tikanga Whakahaere Hui**.

CARRIED**8.9 DECLARATIONS (CONFLICTS) OF INTEREST****RESOLUTION 2025/77**

Moved: Cr Jeremy Harker

Seconded: Cr Michelle Tahuri

That Council receives the Declarations (Conflicts) of Interest report, and endorses the inclusion of a 'Declarations of Interest Statement' on order papers for council and committee meetings.

CARRIED

DEFERRED – ITEM 8.10

RESOLUTION 2025/78

Moved: Cr Benita Cairns

Seconded: Cr Roslyn Thomas

That Council defers Item 8.10 – QRS Letter of expectation, Director Remuneration and Director rotation to a future meeting.

CARRIED

At 3:02pm, Clr Harker declared a conflict of interest and left the meeting.

9 RECEIPT OF MINUTES FROM COMMITTEES/ACTION SHEETS

Nil

10 PUBLIC EXCLUDED ITEMS

RESOLUTION TO EXCLUDE THE PUBLIC

RESOLUTION 2025/79

Moved: Cr Michelle Tahuri

Seconded: Cr Trevor Waikawa

That the public be excluded from the following parts of the proceedings of this meeting at 3:15pm.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - PX - Procurement of Capital Projects - Proposal	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of

	<p>unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>information for which good reason for withholding would exist under section 6 or section 7</p>
10.2 - Solid Waste Programme Update	<p>s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

CARRIED**RESOLUTION 2025/80**

Moved: Cr Benita Cairns

Seconded: Cr Roslyn Thomas

That Council moves out of Closed Council into Open Council at 4:15pm.

CARRIED

Council (Ordinary and Extraordinary) - Actions Sheet 2025 Triennium

<u>ACTION</u>	<u>MEETING THE ACTION WAS RAISED IN</u>	<u>DU^E DATE</u>	<u>OFFICER RESPONSIBLE</u>	<u>COMMENTS</u>	<u>STATUS</u>	<u>PUBLIC EXCLUDED</u>
Arrange a workshop on March 10 to discuss the Youth Council. (Item 8.2)	16/12/2026		Governance Team	Calendar invite sent out.	Completed	No
Report any cost-savings benefits and present the final location for the North Clyde Playground to Council by 31 March 2026 (Item 8.4)	16/12/2026	31/03/2026	Group Manager of Assets & Infrastructure	<p><u>Playgrounds</u>: We are still securing pricing and finalising our requirements.</p> <p><u>North Clyde</u>: Information is still being collated, and previous documents are being reviewed.</p> <p>Work in progress.</p>	In Progress	No

The Meeting closed with a closing karakia given by Mr Henare Mita at 4:16pm.

The minutes of this meeting were confirmed at the Ordinary Council Meeting held on 3 February 2026.

.....
CHAIRPERSON

8 GENERAL ITEMS

8.1 DELEGATION OF DECISION-MAKING AUTHORITY – FLOOD PROTECTION WORKS RESOURCE CONSENT

Author: Hinetaakoha Viriaere, Pouwhakarae - Whakamahere me te Waeture | Group Manager Planning and Regulatory

Authoriser: Matthew Lawson, Tumu Whakarae | Chief Executive

Appendices: Nil

1. PURPOSE

- 1.1 To seek Council approval to delegate decision-making authority for a district resource consent application relating to flood protection works to an Independent Commissioner under section 34A of the *Resource Management Act 1991*.

RECOMMENDATION

The Pouwhakarae - Whakamahere me te Waeture | Group Manager Planning and Regulatory RECOMMENDS that Council That Council:

Pursuant to section 34A of the *Resource Management Act 1991*, delegates its functions, powers, and duties to hear and determine the district resource consent application RM260001 for the flood protection works project to an Independent Commissioner.

1.2 BACKGROUND

- A joint regional and district resource consent application for flood protection works was received on 12 January 2026 on behalf of Hawke's Bay Regional Council and Wairoa District Council. The application is being processed under the *Severe Weather Emergency Recovery (HB Flood Protection Works) Amendment Order 2025*, which establishes a streamlined consenting framework for eligible flood protection works.
- Section 34A of the RMA enables Council to delegate its resource consent decision-making functions to an Independent Commissioner. Given the scale and complexity of the consent application delegation is considered appropriate.
- Phil Mackay, Partner at Mitchell Daysh Limited who is an experienced RMA Independent Commissioner with expertise in complex infrastructure and flood mitigation projects, is available to undertake this role. Hawke's Bay Regional Council will appoint the same Independent Commissioner to determine the regional consent component of the application.
- The land use component of the consent application RM260001 relates to flood mitigation works including earthworks, soil disturbance, vegetation clearance, construction, reinstatement of utilities, and associated activities.

2. OPTIONS

- 2.1 The options identified are:

- **Option 1** – Council retains decision-making authority for hearing and determining the district resource consent application. This option presents increased risk in regard to perceived conflict of interest.
- **Option 2** – Council delegates its decision-making authority under section 34A of the RMA to an Independent Commissioner (Preferred Option). This approach ensures independence, efficiency and legal robustness for the determination of this significant flood protection works consent application.

The preferred option (2) above contributes to the following community outcomes:

Cultural wellbeing	Economic wellbeing	Social Wellbeing	Environmental Wellbeing
Valued and cherished community through transparent and independent decision-making.	Strong and prosperous economy by enabling timely delivery of critical flood protection infrastructure.	Safe, supported, and well-led community through robust governance.	Protected and healthy environment through expert assessment of environmental effects.

3. CORPORATE CONSIDERATIONS

What is the change?

3.1 Decision-making authority for this application is delegated to an Independent Commissioner rather than being exercised by Council or staff.

What are the key benefits?

3.2 Independent, transparent, timely, and legally robust decision-making.

What is the cost?

3.3 Commissioner costs will be met by the applicant in accordance with standard cost recovery provisions. No unbudgeted Council expenditure.

4. SIGNIFICANCE

4.1 Administrative impact only, no direct public impact.

4.2 No material impact on Council's budget or capacity.

4.3 Low significance under Council's Significance and Engagement Policy.

5. RISK MANAGEMENT

5.1 In accordance with the Council's Risk Management Policy the inherent risks are outlined below:

Human	Financial	Regulatory
Low - Independent Decision-maker appointed.	Low - Costs recovered from applicant.	Low - Clear statutory authority under s34A.
Operations	Employees	Image & Reputation
Low – Streamlined decision-making.	Low – Reduced conflict of interest.	Low – Transparent independent process.

5.2 Who has been consulted? Hawkes Bay Regional Council and Tātau Tātau o te Wairoa Trust.

Further Information

[Severe Weather Emergency Recovery \(Hawke's Bay Flood Protection Works\) Amendment Order 2025 \(SL 2025/172\) – New Zealand Legislation](#)

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

8.2 SUBMISSION TO CONSULTATION ON A RATES TARGET MODEL

Author: Gary Borg, Tumu Whakarae Tuarua | Deputy Chief Executive & Group Manager - Finance and Corporate Support

Authoriser: Matthew Lawson, Tumu Whakarae | Chief Executive

Appendices:

1. Rates Capping letter from DIA [↓](#)
2. LGNZ Rates Capping Submission [↓](#)
3. Infometrics Rates Capping Economic Implications [↓](#)
4. Wairoa Draft Rates Capping Submission [↓](#)

1. PURPOSE

1.1 The purpose of the report is to present a submission to Council for the Government's consultation on its proposed rates capping model.

RECOMMENDATION

The Tumu Whakarae Tuarua | Deputy Chief Executive & Group Manager - Finance and Corporate Support RECOMMENDS that Council:

- 1) Notes its support for the LGNZ submission and,
- 2) Approves the Wairoa submission, subject to editorial updates, for release to DIA and LGNZ approves the submission to the Government's consultation on its proposed rates capping model.

EXECUTIVE SUMMARY**2. BACKGROUND**

- 2.1 Rates capping is one of several significant reforms affecting Local Government and communities that the Government heralded after the election in 2023.
- 2.2 With the first major milestone for Local Water Done Well achieved, other reforms have become more prominent.
- 2.3 The Department of Internal Affairs wrote to Local Government New Zealand (LGNZ) initiating 'targeted consultation'. A copy of the letter is attached as **Appendix 1**.
- 2.4 LGNZ has drafted a submission for its members, and this is attached as **Appendix 2**.
- 2.5 The LGNZ submission represents the sector generally and is specifically informed by an economic impact report prepared by Infometrics, attached as **Appendix 3**.
- 2.6 It is appropriate that Council presents its own submission, to give local context to these documents. A proposed submission for Wairoa is attached as **Appendix 4**.



3 December 2025

45 Pipitea Street, Wellington

Scott Necklen
Local Government New Zealand
scott.necklen@lgnz.co.nz

Dear Scott Necklen

Subject: Consultation on a rates target model for New Zealand

On Monday 1 December, the Prime Minister and Minister of Local Government announced the introduction of a rates target model for New Zealand.

The Government has agreed that from 1 July 2029, councils will operate within a target range of rates increases to help keep rates affordable for households while ensuring councils can maintain essential services and invest in infrastructure.

The Government has also agreed to targeted consultation from December 2025 to February 2026 on how to set the target range of rates increases. We are writing to you today as you have been identified as a stakeholder to engage as part of this targeted consultation. Further information on the feedback we are seeking is below.

The Government's key decisions are:

- The range will apply to all sources of rates (general rates, targeted rates, uniform annual charges), but excludes water charges and water-related targeted rates, and other non-rates revenue.
- The range will apply to the price component of rates, not volume growth.
- Under the rates cap councils will have discretion to spend rates funding as they currently do. This system does not limit spending to certain services or activities. But councils will need to comply with changes made through the Local Government System Improvements Bill.
- The range will be anchored in long-run economic indicators, such as inflation at the lower end and nominal GDP at the higher end. An additional growth component will be added for some councils.
- There will be a transition period from 2026 to 2029. During this time, councils will be required to consider the rates target when setting rates, but it will not be mandatory to operate within the range. The Department of Internal Affairs will issue guidance and undertake monitoring of councils during this time.
- From 1 July 2029, the model will allow for variations in extreme circumstances and a clear process for councils to apply for other temporary adjustments.
 - Examples of extreme circumstances are responses to natural hazards, global economic crisis, or other significant events. In these cases, councils will need to show how they will return to the band over time.

- Where councils need to raise revenue to pay for things outside of extreme circumstances, they will be able to do so through a variation process, and they would need to apply to a regulator for approval. Councils would need to provide justification and explain how they intend to return to the band over time.
- Further work is required on detailed design, including regulatory oversight. Cabinet will make additional decisions in early 2026, and legislation will be introduced before the general election.

Targeted consultation

We seek your feedback on the proposed formula and economic indicators for setting the range, including whether the preliminary range of 2-4% per capita per year is appropriate. Details of the formula and consultation questions are attached.

Consultation closes on 4 February 2026.

Feedback can be provided directly, through meeting with the Department, or by emailing ratescapping@dia.govt.nz before 4 February 2026. Given the timeframes, our preference is to meet with you as soon as possible. If you are able to do so, please send through available times.

Should you have any questions, please get in touch.

Yours sincerely,



Rowan Burns
Policy Manager

Appendix A

Proposed formula

The proposed formula is expressed in Figure 1, based on a per capita, price basis for a fixed basket of council services:

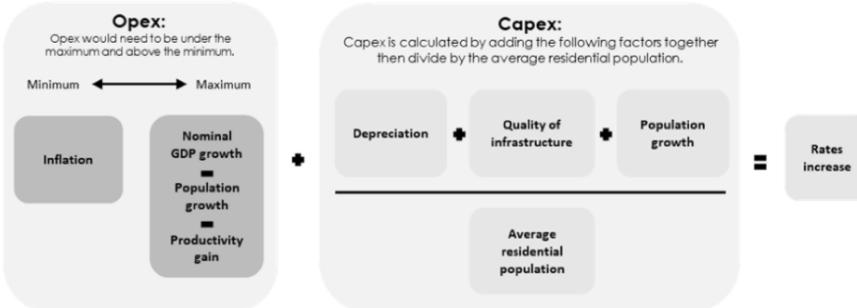


Figure 1: Proposed rates target formula

In a future 'steady state',¹ where investment is constant as a share of GDP, the infrastructure deficit has been addressed, and the share of operational spending to capital spending is constant, these factors should apply for both capital and operational spending.

To allow comparison with a price index, council capital expenditure is based on a per person or per rating unit basis and should –

- be sufficient to replace worn out assets (depreciation);
- respond to demand for more and improved infrastructure as income rises;
- be in line with GDP (quality of infrastructure); and
- increase as growth occurs, to cover the need to serve more people.

Capital spending to replace worn out assets should be depreciation funded. Rates should cover the increase in standards as GDP increases, and the portion of growth costs that are not recovered from other tools (i.e. from development contributions or the forthcoming development levies regime). This should be in line with the target.

Preliminary analysis using this formula suggests that a 2-4% target range for local authority rates is justifiable as a long-run guide and anchor to where rates increases should be.

¹ A 'steady state' is a hypothetical about the optimal level of rates as a share of GDP. Historically, rates have been approximately 2% of GDP, with infrastructure issues emerging when councils varied below this trend. As some more councils shift to water charges, total rates as a percentage of GDP are likely to need to be lower, though rates + water charges will need to exceed the historic trend for councils and water services to be financially viable and catch up on historic deficits

- *Choice of minimum:* 2% represents the midpoint target band of the RBNZ policy target. The average rate of inflation has been 2.1% since 2002, excluding the Covid-19 inflationary pressure. The average has been 2.6% including Covid. Conceptually, this reflects that councils should be maintaining service standards.
- *Choice of maximum:* As a long run anchor we believe council activity should align with national activity/growth, or GDP. Demand for council services should be reasonably in line with rises in GDP. Nominal GDP has increased at an average rate of 5.4% per annum. We analysed growth in population, household formation, and new dwellings (proxies for the rateable base for councils) which were around 1-1.5% per year on average. We also note that productivity growth has averaged to around 0.3% per year for the last decade.² Deducting prospective growth in the rateable base, and an allowance for productivity yields around 4% as a per capita/per rating unit increase.

This range represents the price component of council rates revenue increases. Councils grow in size over time as they support growth and serve more households and businesses with rates funded services. We will allow for growth in the total rates revenue that a council can collect as a result of this growth.

Consultation questions

1. Do you agree with the proposed economic indicators to be included in a formula for setting a rates target?
2. If not, what economic indicators do you suggest be included and why?
 - a. Does setting the minimum of the target in line with inflation ensure that councils can maintain service standards? If not, why not?
3. Does the maximum of the target account for council spending on core services?³
4. What council spending will not be able to take place under this target range? Why?
5. Are changes to the target needed to account for variations between regions and councils? What changes do you propose and why?

² For a full description of NZs Productivity history, see: [Treasury paper: The productivity slowdown: implications for the Treasury's forecasts and projections - May 2024](#)

³ Core services as outlined in the *Local Government (System Improvements) Amendment Bill 2025* being network infrastructure; public transport services; waste management; civil defence and emergency management; libraries, museums, reserves, and other recreational facilities.

// **SUBMISSION**



Consultation on a rates target model for New Zealand

// Local Government New Zealand's submission

// Draft for members: 27 January 2026



// SUBMISSION



About LGNZ

LGNZ champions, connects and supports local government. We represent the national interests of councils.

Key points

LGNZ does not support rates capping

- Rates capping runs counter to localism. Locally elected representatives – who are directly accountable to communities – are better placed than central government to make local taxation and investment decisions.
- Rates capping directly constrains the ability of local government to fund and finance essential services and infrastructure. The proposed model will negatively affect councils' ability to deliver the infrastructure and services that communities expect. Our analysis of available reviews of rate capping policies in New South Wales and Victoria found that while these policies constrained rate increases, they generated significant challenges including degraded infrastructure and service delivery along with reduced economic growth.
- S&P has signalled that rates capping will degrade councils' credit ratings and therefore increase councils' borrowing costs, constraining councils' ability to use debt to fund long-term infrastructure.
- We all want to keep rates as low as possible. Councils want to work with the Government to address the real cost drivers behind rates increases. The proposal doesn't do this.

We recommend two key changes to the proposed rates cap formula

While we don't support rates capping, if it was to proceed, we propose two changes to make it more workable.

1. The upper bound of the rates range should be based on general government expenditure nominal GDP growth and local-area-specific population growth
 - The formula for the upper bound of the rates range should be transparent, cost-reflective and localised. We recommend two changes to achieve this:
 - **Aggregate nominal GDP growth** should be replaced with **general government expenditure nominal GDP growth** as this more accurately reflects councils' costs.
 - The **national population adjustment** should be replaced with **local-area-specific 10-year population growth changes**. Alternatively, there could be an additional "top-up" to the formula of around 3.6% for high-growth areas.
2. Cost shifting from central government should be funded, have a funding mechanism, or be added to the upper bound of the rates range.

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- Excluding the significant unfunded costs shifted onto local government from central government means that the proposed formula is not transparent or cost-reflective.

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Consultation on a rates target model for New Zealand // 3

// SUBMISSION



LGNZ's views on the introduction of a rates cap

The concept of a rates range, as opposed to a cap, has the potential to meet the needs of different councils. However, the proposed rates target model for New Zealand is effectively a rates cap because it applies a hard limit on the maximum increase of rates.

LGNZ does not support the introduction of a rates cap

Rates capping runs counter to localism

Our opposition to rates capping is about who decides what rates increases should be. Locally elected representatives – who are directly accountable to communities – are better placed than central government to make local taxation and investment decisions. Community expectations of council services and assets change over time, and this proposal risks making councils less able to respond to ratepayers.

Rates capping directly constrains councils' ability to fund and finance essential services and infrastructure

We agree with the Regulatory Impact Statement that “there is a mismatch between the problem identified by Ministers (lack of fiscal discipline by local authorities), the evidence available (highlighting a range of unavoidable cost pressures), and the limitations on options imposed by prior decisions (rates limitation mechanisms).”

This proposed model will have significant impacts on ability of councils to deliver the infrastructure and services that communities expect. Our analysis of available reviews of rate capping policies in New South Wales and Victoria found that while these policies constrained rate increases, they also resulted in significant challenges, including:

- Degraded infrastructure and service delivery
- Financial instability among councils
- Severe infrastructure backlogs
- Bureaucratic and expensive processes to seek approval to set rates above the cap
- Reduced local economic growth.

Analysis by Infometrics in 2024¹ noted that the key drivers of rates increases in 2024-2034 was significant cost inflation, particularly capital costs, along with operating costs including labour and interest costs. LGNZ's analysis also notes that rates increases have been driven by significant

¹ Infometrics (2024) *Analysing increases in local government costs*
<https://www.lgnz.co.nz/news/publications/analysing-increases-in-local-government-cost/>

// SUBMISSION



increases to the cost of insurance, recovery from significant weather events, and addressing infrastructure deficits (particularly addressing inadequate past investment in asset maintenance and renewal, including in water infrastructure). While the proposed variations process could address instances of significant cost increases, experience from New South Wales suggests these processes are slow and do not adequately relieve pressures.

Infometrics' analysis of the proposed model (appendix A) estimates rates collected across New Zealand of \$957m for 2023 and 2024 would have been \$957m less under the proposal. Our members say this would have meant:

- Reductions in roading investment over and above any agreement with NZTA. For one council this included: stormwater requirements on back roads to stop them being washed away, and maintaining unsealed roads servicing high country stations and small, isolated communities.
- Removal of community grants and supports for community
- Increased fees and charges for parking, recreation centres and sport field use
- Charges for waste and recycling

Examples please: does your council have any specific examples of what you would have had to cut in order to meet a 4% rates cap? We want to include them in this submission. Please email examples to simon.randall@lgnz.co.nz

Rates capping is likely to lead to higher borrowing costs and constrain use of debt to fund long-term infrastructure

As noted in the RIS, "rating agencies may downgrade local authority credit ratings because of fixed limits on local authority ability to collect rates revenue. This will flow through to higher interest rates for local authorities and larger interest costs. A small change in interest rates can lead to significant increase in the cost of debt given the large amount of debt that local authorities have."

Rising debt-servicing costs have been a significant driver of recent rates increases, and changes to credit ratings will make existing borrowing more expensive. The proposal to cap rates effectively undermines recent calls from the Government for councils to take on more debt to pay for infrastructure.

Councils want to work with the Government to address the real drivers behind rates increases and diversify funding tools for councils

A move to cap rates without any work to address the real drivers of rates increases will only reduce investment in key services and infrastructure. Councils want to work with the Government to address the actual drivers of cost increases. This would reduce rates increases and ensure appropriate investment in key services and infrastructure.

Councils are also highly reliant on rates as a funding source. Councils want to work with the Government to expand funding tools so that they can reduce reliance on rates while providing adequate funding for the infrastructure and services their communities need.

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LGNZ's response to the proposed rates target model

LGNZ commissioned analysis from Infometrics to support local government's responses to this proposal. This analysis is included with this submission (as appendix A) to inform DIA's further work on the rates target model.

The proposed rates target does not fulfil its agreed design principles

In agreeing to progress work on a rates capping system, Cabinet's Expenditure and Regulatory Review Committee agreed the following design principles:

- Independent – determined by an independent authority
- Transparent – simple for councils and their communities to understand
- Cost-reflective – accurately reflects cost changes for councils
- Localised – considers differences between councils across the country

The proposed rates target model does not reflect these design principles.

The lower bound of the target range is not cost-reflective

We are not seeking change to the proposed lower bound of the target range. However, some councils legitimately secure a democratic mandate to reduce services or increase user charges, in order to reduce rates. Any concerns about councils not adequately investing in core services and assets is better addressed through other policies, such as greater benchmarking, rather than requiring a minimum level of annual rates increase.

We note that the proposed economic anchor (the midpoint target band of the RBNZ policy target) is arbitrary and not an appropriate measure of cost increases for councils. As noted in the proposal, average inflation since 2002 has been consistently above the midpoint. Inflation is currently outside the target band, at 3.1 per cent.

Headline inflation (generally measured by the Consumers Price Index) is a poor indicator for local government costs for two reasons. First, cost pressures for local government vary considerably depending on the type of work being undertaken at any given time. Second, the type of work being undertaken by local government is different from household activities, and unlike many businesses.

The proposed capex elements of the formula are not workable or transparent

It has been challenging to engage with the proposed rates target model given the capex elements of the proposed formula are not defined, measurable or quantified for each council in a consistent way.

Two of the three elements (depreciation and quality of infrastructure) do not have a clear proposal about how they would be set. This lack of clarity includes what data will be used as the basis of the calculation, and whether the capex calculation is at a local level based on local data or at a national average level.

Consultation on a rates target model for New Zealand // 6

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This means the proposal's real impacts could not be modelled against the proposed outcome. Given the lack of clarity on these key elements, we are concerned this formula would not deliver sufficient funding to maintain assets and support growth with infrastructure. It seems likely councils will need to address capex constraints through a potentially expensive and politically challenging variation process.

The formula should take into account requirements to maintain current assets, to close current infrastructure gaps, and to meet the costs of future growth-related infrastructure. It should also reflect increasing expectations from communities of assets and services delivered. We would welcome future engagement on these elements to ensure they are measurable and reflect actual costs.

Specific attention needs to be paid to fully funding depreciation. The formula must promote this by factoring in the revaluation of assets, which has a significant impact on the cost of depreciation.

The proposed operational elements of the upper bound need to be reworked to be cost-reflective, transparent and localised

The current set of economic anchors do not adequately reflect real cost changes for councils

Analysis by Infometrics (appendix A) concludes there is limited justification for aligning the upper bound of the rates target with nominal total GDP growth (with adjustments for population and productivity). This is because total economy changes don't necessarily reflect local or central government trends and work undertaken. Total nominal GDP growth has averaged 5.9%pa over the last decade. General government GDP growth has averaged 7.1%pa over the last decade.

More regard should be given to local differences, including in economic activity and population

There are 12 local areas (18% of all areas) that experienced long-term GDP growth above the national average, and 19 areas (28% of all areas) that experienced long-term population growth above the national average. Any rates cap calculation based on national annual average population growth will materially impact high-growth councils, where growth locally will not be adequately recognised in the calculation of their rates cap.

To address this, we suggest replacing the operating component of the formula

To ensure the formula is cost reflective and appropriately localised, we propose that it be adjusted to:

- Replace **aggregate nominal GDP growth with general government expenditure nominal GDP growth**
- Replace the **national population adjustment** for the capex component with **local-area-specific 10-year population growth changes**. Alternatively, there should be an additional "top-up" to the formula of around 3.6% for high-growth areas.

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**Cost shifting from central government needs to be factored in for the formula to be cost-reflective and transparent**

Central government reform is a significant driver of costs to local government. For example, two currently proposed bills estimate additional costs to councils:

- \$82.8 million across four years to implement the Emergency Management Bill²
- An estimated \$870 million for the establishment and ongoing administration of the proposed Resource Management system. This will add an estimated \$199.5 million in additional compliance costs to the current cost of administering the current system.³

Examples please: does your council have any specific examples of where government changes have put significant costs onto your ratepayers? We want to include them in this submission. Please email examples to simon.randall@lgnz.co.nz

These are just two examples. Government cost shifting, increases in standards, or reductions in councils' ability to recover costs have significant impacts on local government finances. Research by NZIER⁴ found that many central government reforms result in increased costs for ratepayers, and central government often underestimates what its reforms cost councils. It also found that the true costs are often hidden because councils absorb them by reducing other service delivery, although rates capping will reduce councils' ability to do this.

Ratepayers end up paying for cost shifting from central government, and the proposed rates cap formula does not factor in these costs. This means that under the proposed formula, continued cost shifting from central government would reduce councils' ability to invest in key assets and services.

There are two potential ways the Government could address this issue when reforms create costs for local government:

- Provide direct funding or provide new funding mechanisms to offset the cost shifting. For example, the Waste Disposal Levy partially offsets the costs councils face to meet the requirements of the Waste Minimisation Act 2008.
- Add these costs on top of the upper bound of the target range.

To enable greater transparency of councils' costs, we would support the regulator being required to monitor and report on cost shifting from central government as part of its work.

² <https://www.regulation.govt.nz/assets/RIS-Documents/Regulatory-Impact-Statement-Strengthening-New-Zealands-emergency-management-legislation.pdf>

³ https://www.regulation.govt.nz/assets/RIS-Documents/Supplementary-Analysis-Report-Replacing-the-Resource-Management-Act-1991-Further-Policy-Decisions_Redacted.pdf

⁴ NZIER (2024) *Cost impact of central government reforms*

https://d1pepq1a2249p5.cloudfront.net/media/documents/Cost_impacts_of_central_government_reforms.pdf

Economic analysis of the government's rates capping proposal

for Local Government New Zealand



Authorship

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Economic analysis of the government's rates capping proposal – January 2026

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Economic analysis of the government's rates capping proposal – January 2026

Overview

Infometrics has been commissioned by Local Government New Zealand (LGNZ) to examine the economics of the Government's proposed Rates Capping policy.

We have examined the likely cost to local government under the proposed policy if the policy was in operation in 2023 and 2024, as well as an economic examination of the construction and approach to the Rates Cap methodology outlined by the Department of Internal Affairs.

Key Findings

- A rates cap with an upper band of 4%pa would have cost \$957m in collected rates in 2023 and 2024, if it had been imposed.
- 72 councils would have experienced a \$0-\$20m reduction in rates collected, with a smaller number seeing reductions over \$20m to an upper of \$185m over the two years.
- There is limited justification for setting the upper band of a rates cap to align with nominal total GDP growth (with adjustments for population and productivity), as total economy changes don't necessarily reflect local or central government trends and work undertaken.
- Instead, using the annual average growth in local, central, or general government GDP would be a more reasonable and justified approach.
- Total nominal GDP growth has averaged 5.9%pa over the last decade. General government GDP growth has averaged 7.1%pa over the last decade.
- More regard should be given to local differences, including in economic activity and population.
- There are 12 local areas (18% of all areas) that experienced long-term GFDP growth above the national average, and 19 areas (28% of all areas) that experienced long-term population growth above the national average.
- There is limited information available to determine how the capex aspect of the rates cap calculation will be calculated, including what data will be used to base the calculation on, or if the capex calculation is to be calculated at a local level based on local data, or at a national average level.

Economic analysis of the government's rates capping proposal – January 2026

The current rates cap proposal

The Department of Internal Affairs has supplied some, limited, information about the proposed approach to rates capping in New Zealand.

The information supplied by DIA is outlined below, for completeness and ease of referencing the current proposal when considering the rest of this report.

The reproduction of the proposal does not imply any agreement with the proposed approach.

Proposed formula

The proposed formula is expressed in Figure 1, based on a per capita, price basis for a fixed basket of council services:

Figure 1

Proposed formula

The proposed formula is expressed in Figure 1, based on a per capita, price basis for a fixed basket of council services:

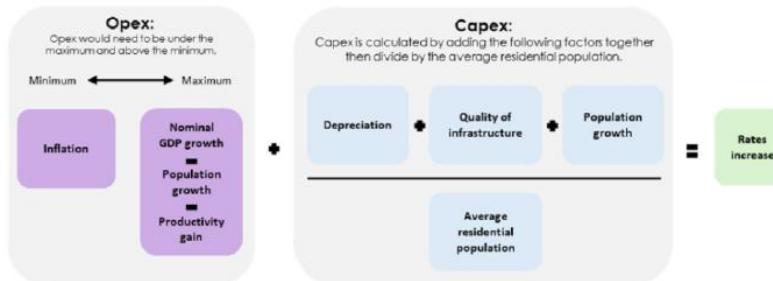


Figure 1: Proposed rates target formula

Source: Department of Internal Affairs

In a future 'steady state',¹ where investment is constant as a share of GDP, the infrastructure deficit has been addressed, and the share of operational spending to capital spending is constant, these factors should apply for both capital and operational spending.

¹ A 'steady state' is a hypothetical about the optimal level of rates as a share of GDP. Historically, rates have been approximately 2% of GDP, with infrastructure issues emerging when councils varied below this trend. As some more councils shift to water charges, total rates as a percentage of GDP are likely to need to be lower, though rates + water charges will need to exceed the historic trend for councils and water services to be financially viable and catch up on historic deficits.

Economic analysis of the government's rates capping proposal – January 2026

To allow comparison with a price index, council capital expenditure is based on a per person or per rating unit basis and should –

- be sufficient to replace worn out assets (depreciation);
- respond to demand for more and improved infrastructure as income rises;
- be in line with GDP (quality of infrastructure); and
- increase as growth occurs, to cover the need to serve more people.

Capital spending to replace worn out assets should be depreciation funded. Rates should cover the increase in standards as GDP increases, and the portion of growth costs that are not recovered from other tools (i.e. from development contributions or the forthcoming development levies regime). This should be in line with the target.

Preliminary analysis using this formula suggests that a 2-4% target range for local authority rates is justifiable as a long-run guide and anchor to where rates increases should be.

- *Choice of minimum:* 2% represents the midpoint target band of the RBNZ policy target. The average rate of inflation has been 2.1% since 2002, excluding the Covid-19 inflationary pressure. The average has been 2.6% including Covid. Conceptually, this reflects that councils should be maintaining service standards.
- *Choice of maximum:* As a long run anchor we believe council activity should align with national activity/growth, or GDP. Demand for council services should be reasonably in line with rises in GDP. Nominal GDP has increased at an average rate of 5.4% per annum. We analysed growth in population, household formation, and new dwellings (proxies for the rateable base for councils) which were around 1-1.5% per year on average. We also note that productivity growth has averaged to around 0.3% per year for the last decade.² Deducting prospective growth in the rateable base, and an allowance for productivity yields around 4% as a per capita/per rating unit increase.

This range represents the price component of council rates revenue increases. Councils grow in size over time as they support growth and serve more households and businesses with rates funded services. We will allow for growth in the total rates revenue that a council can collect as a result of this growth.

Calculation elements need to be more explicit

Although we outline various points with regard to the calculation variables throughout this report, the actual calculation of the figures need to be far more refined in the future. Although we understand the government's need to have a simplified design to the equation, the lack of detail or construct of the end rates cap upper and lower limit makes it hard to reasonably verify or justify the eventual rates cap bands.

² For a full description of NZs Productivity history, see: [Treasury paper: The productivity slowdown: implications for the Treasury's forecasts and projections - May 2024](#)

Economic analysis of the government's rates capping proposal – January 2026

DIA have provided the proposed formula (above), and concluded that 2-4% is the current rates cap lower and upper band. The lower band, set at some long-term inflation rate (at 2%, as this is the Reserve Bank's mid-point inflation target), is easily calculated.

However, it is hard to reconcile and arrive at those same figures, if using the same formula, at the upper end:

Opex

- Lower band: 2.0%, (RBNZ mid-point inflation target)
- Upper band: 5.9%, 10-year annual average nominal GDP growth
 - minus** 1.5%, 10-year average population growth
 - minus** 0.3%, annual average productivity growth
 - equals** 4.1%, upper rates cap band.

plus

Capex

- Depreciation: $x (???)$, **plus**
- Quality of Infrastructure $y (???)$, **plus**
- Population growth 1.5%, 10-year average population growth
 - all divided by population growth* 1.5%, 10-year average population growth

equals

$$\begin{aligned}
 \text{Total rates cap (upper band)} &= \text{Opex} + \text{Capex} \\
 &= 4.1\% + ((x+y+1.5\%)/1.5\%) = 4.0\% + \text{capex}
 \end{aligned}$$

There is no real information provided about the capex side of the proposed rates cap equation. Both depreciation and quality of infrastructure are undefined measures. Population growth is a known figure, but given the approach outlined for opex, it is assumed that the population growth rate is a national population figure.

However, we would expect that depreciation will differ considerably between councils, and so a "national" figure for depreciation, to be used in the capex calculation, would be next to impossible to provide.

To the best of our knowledge, there is no comprehensive "quality of infrastructure" measure that could be utilised, either at a national level, or at a local council level, in the capex calculation.

The lack of fundamental details across key parts of the proposed calculation means setting the formula and ensuring transparency and understanding around the calculation will be difficult, both to calculate and justify.

Economic analysis of the government's rates capping proposal – January 2026

Estimates of revenue loss if a rates cap was previously in place

There is not yet any quantified cost impact of the proposed rates capping policy published by government, limiting the ability to understand the expected cost to local councils of the rates capping policy coming into force. To estimate the expected cost to local councils of a rates cap, Infometrics has analysed various datasets of average national and individual council rates changes over recent years, as well as the total value of rates collected at a national and local council level.

Approach to rates cap cost estimates

Infometrics has analysed average rates increases, at both a national and individual council level, and the total value of rates collected, again at a national and total level. We have then estimated the likely change in total rates revenue if average rates increases were replaced with the 4% proposed upper limit of the rates cap policy, to simulate the likely cost to local councils of if a rates cap policy had been in place recently. A full breakdown of our methodology to calculate the cost of rates caps can be found in Appendix A.

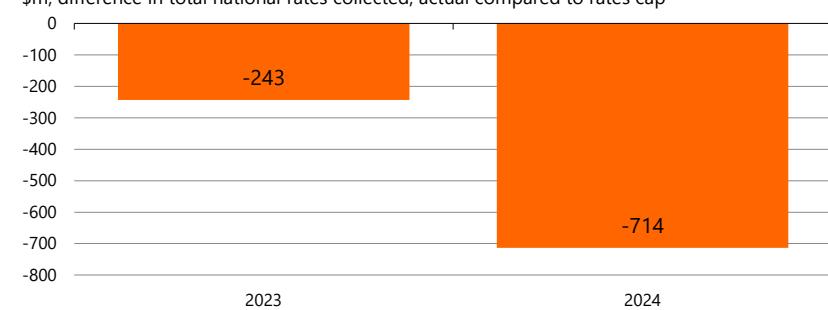
Rates caps in 2023 and 2024 would have cost \$957m

Stats NZ records a 7.3% annual increase in average rates in the 2022/23 year, and then a further 9.8% increase in the 2023/24 year. Over the same period, the total value of rates collected rose 7.9% in 2022/23 to \$7.955b, and then 10.6% in 2023/34 to \$8.800b.

If average rates increases were capped at the upper level of 4% over both years, total rates collected would have been \$243m lower in 2022/23 and then a further \$714m lower in 2023/24, for a total of \$957m over the two years.

Chart 1

Cumulative difference of \$957m
\$m, difference in total national rates collected, actual compared to rates cap



Source: Infometrics, based on Stats NZ, Taxpayers Union, and individual council data

Economic analysis of the government's rates capping proposal – January 2026

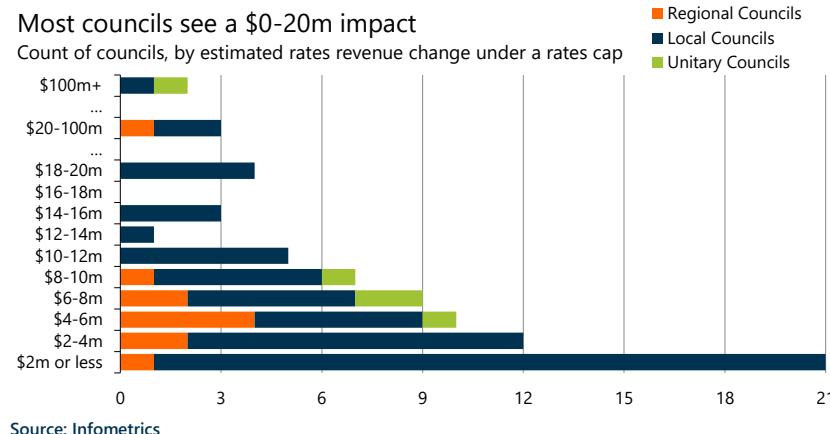
Wide range of individual council differences

Calculations of the estimated cost of a rates cap policy on recent rates levels are more difficult given the various reporting of rates changes across different areas. Reliable average rates increases were only available for the 2023 fiscal year on – we suggest that government require reporting of these figures, under a standard methodology and with a back history, to provide more consistent reporting on rates changes over time.

However, our estimates of changes by individual councils shows that a rates cap policy would have cost every council if implemented over the 2023 and 2024 financial years, ranging between \$185m (Wellington City) and \$207,000 (Buller District).

Of the 77 regional, local, and unitary councils (excluding the Chatham Islands), 72 would have experienced a cost of \$0-20m over the 2023 and 2024 years.

Chart 2



Five would have experienced a cost of over \$20m, including Wellington City Council, Auckland Council (\$153m), Christchurch City Council (\$50m), Greater Wellington Regional Council (\$42m), and Tauranga City Council (\$33m).

Appendix B contains a full breakdown of the expected differences in rates revenue under a rates cap policy for 2023 and 2024.

Future rates increases already set to be lower

High level analysis of rates income planned to be collected, as outlined in local and regional council's 2024-34 Long Term Plans suggests that a smaller proportion of councils over time, from 2029 onwards, will have rates rises above 4%pa.

However, given the lack of comprehensive and detailed forecast data on rates income, by type, along with ratings units, it is difficult to quantify future settings.

We would note that challenges around this level of data and information availability does raise concerns about the ability to monitor and implement such a policy.

Economic analysis of the government's rates capping proposal – January 2026

Setting the bands for rates capping

At present, the rates cap policy proposal includes a lower and upper band that annual rates changes could be permitted within, except for when exceptions may be made after a natural disaster (for example). The Lower Band is set at 2%, to align with the Reserve Bank's target of 2% headline household inflation, measured by the Consumer Price Index. The Upper Band is set at 4%, for reasons set out below.

Limited justification for GDP growth as upper band limit

There appears to be limited justification or evidence provided for establishing the upper band of the rates cap policy based on nominal GDP growth, with adjustment. How the nominal growth in the value added across construction, manufacturing, professional services, and other industries relates to the cost of operating a local council, including the cost of transport, water systems, planning activities, and similar, is hard to follow immediately and is not outlined.

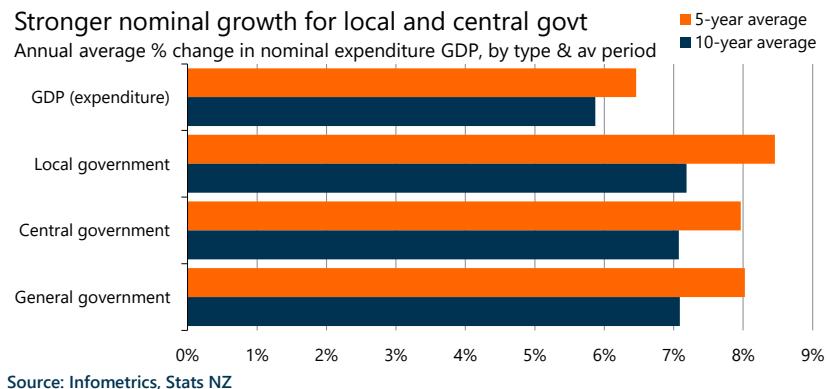
A stakeholder letter from DIA, and the Regulatory Impact Statement, outlining the approach, notes that [emphasis added] "**As a long run anchor we believe council activity should align with national activity/growth, or GDP. Demand for council services should be reasonably in line with rises in GDP.** Nominal GDP has increased at an average rate of 5.4% per annum. We analysed growth in population, household formation, and new dwellings (proxies for the rateable base for councils) which were around 1-1.5% per year on average. We also note that productivity growth has averaged to around 0.3% per year for the last decade. Deducting prospective growth in the rateable base, and an allowance for productivity yields around 4% as a per capita/per rating unit increase.

It is not clear at all why DIA believe council activity should align with national activity/growth, or GDP – for two reasons.

1. Differences in local growth rates in the economy, by definition, will mean that local council activity changes do not align with national growth rate trends. As the following section of this report details, 18% of local council areas have seen long-run GDP growth faster than the national average.
2. Over time, local and central government nominal GDP has grown at a faster rate than headline nominal GDP. Infometrics analysis of National Accounts data shows that local and central government nominal GDP has grown 1.2 percentage points or more, on average **every year**, above national economy nominal GDP growth for the last 10 years, at 7.1%pa compared to total nominal GDP growth of 5.9%pa over the same period.
3. Even over the last 20 years, nominal GDP growth for local, central, and general government expenditure has averaged 6.3%pa, 1.1 percentage points ahead of total nominal GDP growth of 5.2%pa.

Economic analysis of the government's rates capping proposal – January 2026

Chart 3



If a nominal GDP-based measure was to be taken, it would seem considerably more justified to adjust council operating costs based on **specific** local government, central government, or general government nominal GDP, to account more specifically for the work done in the government sector, rather than taking a **general**, all-economy, GDP measure.

Using nominal GDP at an all-economy level takes into consideration the price and volume movements of all industries, including agriculture, construction, manufacturing, accommodation, and more. How the cost of delivering local government services correlates with the cost of delivering those other services in aggregate is difficult to square, and a more refined approach is likely needed.

Utilising nominal GDP growth for local government would encompass both the price and volume changes in local government work – this would capture usual, BAU, work, alongside additional work the central government requires local government to do over time, plus any additional, non-core work that local government may be undertaking. This approach may be more or less enticing for various political reasons.

Nominal central government GDP growth may be a reasonable proxy, as central and local government activities are similar at an operating level, in terms of the types of tasks undertaken, and would also link growth in local government to growth in central government activity.

Additionally, depending on the expected approach to rates capping (and if measures should be purely price-based, or also include volume measures – effectively changes to quality and quantity of services provided) a GDP deflator may be more appropriate to use.

National trends fail to capture local growth differences

Utilising a national, nominal GDP, long-term growth figure ignores differences in economic growth across different economies. If the upper rates cap limit is expected to be set based on a reasonable upper band for cost pressures – and the justification for

Economic analysis of the government's rates capping proposal – January 2026

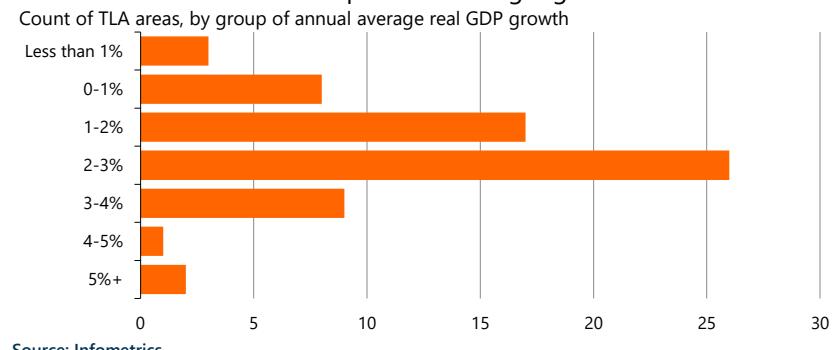
GDP is not well established for this purpose anyway – limiting the rates change for a high growth area based on the average GDP growth for the country is an extremely blunt instrument.

Infometrics reports GDP for local areas on a real, inflation-adjusted basis, rather than in nominal terms. However, the relativities between real and nominal GDP growth rates across local areas and the national average will be negligible. That is, although nominal growth may be 4% and real growth may be 2% nationally, if Area A grew slower than the national average on a real-basis, it will have also grown slower than the national average on a nominal basis too, all else being equal.

Over the last 25 years, annual average (real) GDP growth has been 2.7%pa, with 18% of territorial authorities showing GDP growth in excess of 3%pa on average (12 areas).

Chart 4

Around 18% of local areas experience stronger growth



Source: Infometrics

For these councils, a rates cap set at 4% will be a considerably larger constraint on raising revenue to pay for daily operations, as well as resourcing infrastructure investment which often needs to occur ahead of funding directly from beneficiaries becoming available.

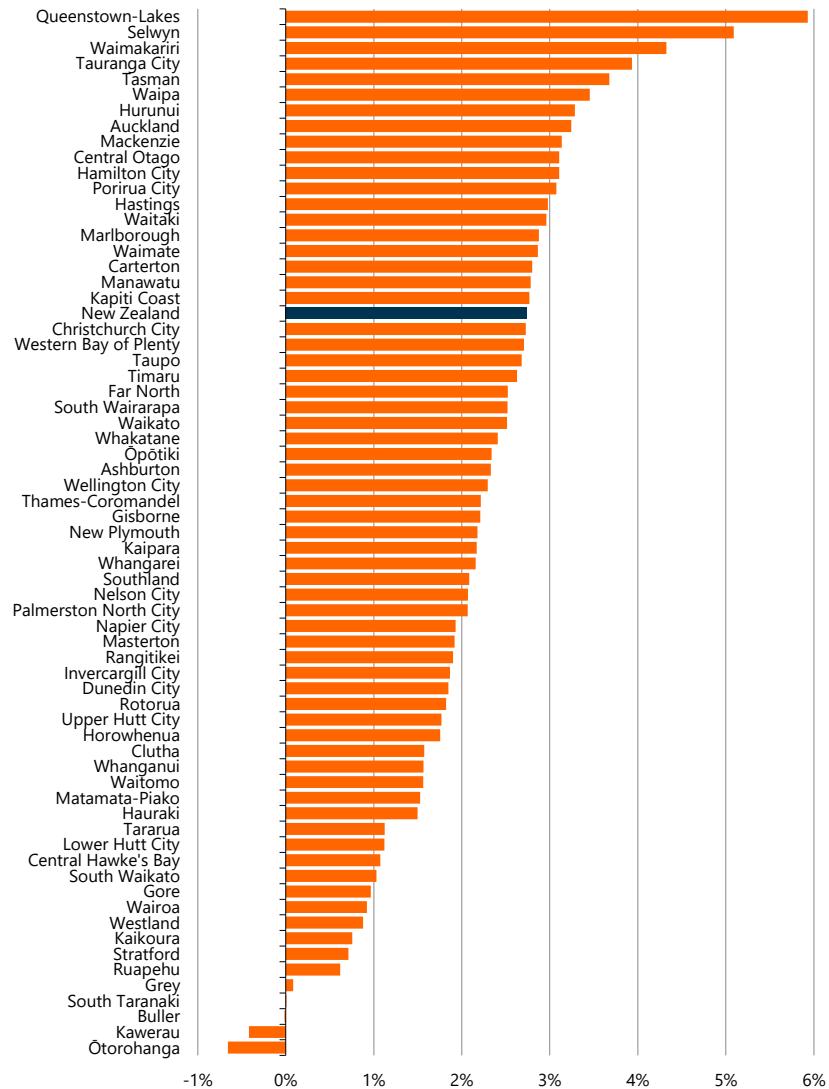
The below chart sets out the distribution of real annual average growth rates by territorial authority area. Calculations are made at a territorial authority level (including unitary authorities), with regional growth being an aggregation of local growth.

Economic analysis of the government's rates capping proposal – January 2026

Chart 5

Considerable variety in local growth

Annual average real GDP growth, by area, 2000-2024. Source: Infometrics



Source: Infometrics

These calculations have also been made over a 25 year period – changes in growth more recently for some areas will mean other council areas will see variations in growth patterns. Although it would be impractical to attempt to vary the top rates cap band each year for each council, a rolling review of growth, and likely an exemption or higher rates cap upper for some councils, to account for higher growth, is likely justified.

Economic analysis of the government's rates capping proposal – January 2026

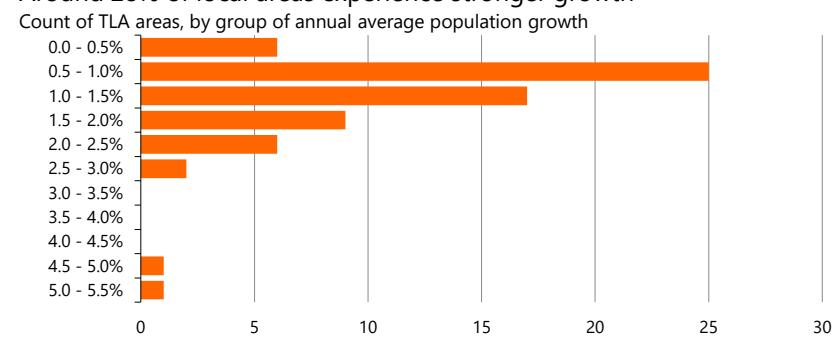
Per capita, but not locally adjusted?

Given the rates cap bands are expected to apply to average changes in per-household or per-ratings unit rates collected, nominal GDP has been adjusted for productivity and population growth. However, the population growth adjustment has been made at a national-level, rather than with specific regard for local differences in population growth, which can be considerable.

Infometrics analysis of subnational population estimates, up to 2025, shows that New Zealand's population has grown 1.5%pa over the last decade. However, local council areas have seen annual average population growth ranging between 0% and 5.1% over the same period. Over the last decade, 19 local council areas (28% of all areas) experienced annual average population growth in excess of the 1.5%pa national growth rate.

Chart 6

Around 28% of local areas experience stronger growth



Source: Infometrics, Stats NZ

In particular, areas like Selwyn, Queenstown, Central Otago, Tauranga and Western Bay of Plenty, Waikato, Hamilton, Waipa, Waimakariri and Kaipara all saw growth over 2%pa.

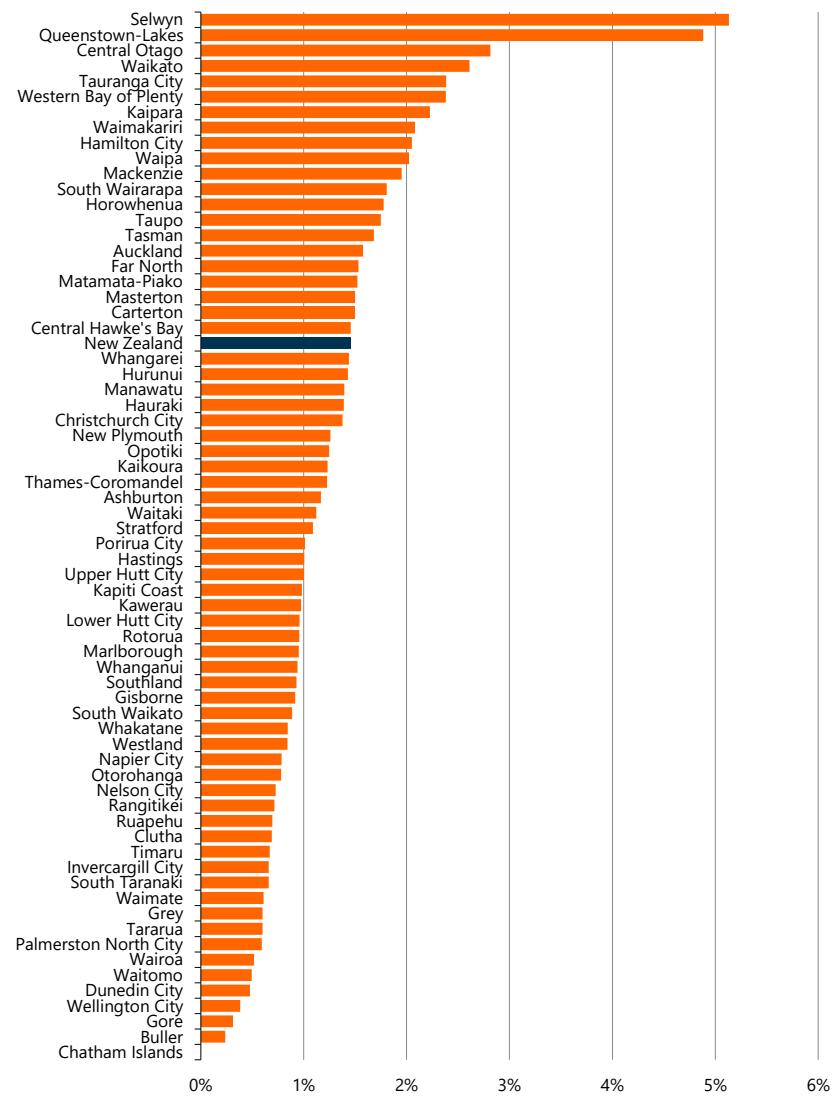
We would note that our population analysis, and the rates cap calculations proposal, are based on total population changes, for individuals. Of course, rates are not set on a per-person basis, but on a per-rating unit basis. As a result, differences in household formation rates and differences between ratings unit changes and population changes could create gaps, in some areas, between actual growth and implied growth. Due to time constraints and limited comprehensive data on ratings units, we have not further investigated this point.

Given this range, any rates cap calculation based on national annual average population growth will materially impact a number of high-growth councils, where growth locally will not be adequately recognised in the calculation.

The below chart sets out the distribution of population growth rates over the last decade, by territorial authority area. Calculations are made at a territorial authority level (including unitary authorities), with regional growth being an aggregation of local growth.

Economic analysis of the government's rates capping proposal – January 2026

Chart 7

Considerable variety in local growth
Annual average population growth, by area, 2015-2025

Source: Infometrics, Stats NZ

Economic analysis of the government's rates capping proposal – January 2026

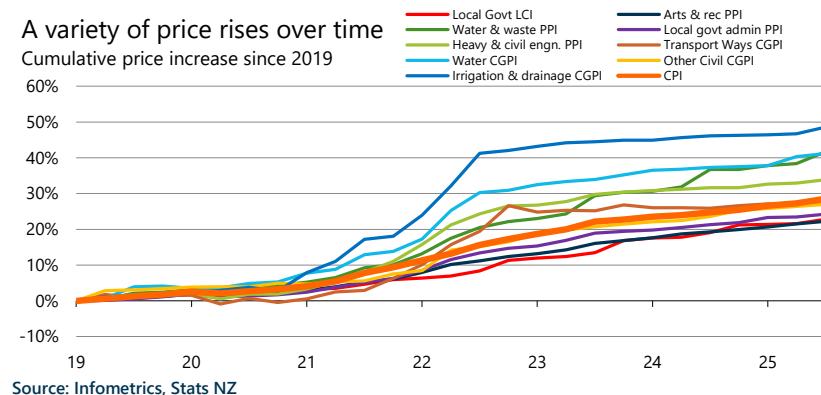
Variations in local government cost pressures

We would point out that cost pressures for local government vary considerably depending on the type of work being undertaken at any given time by local government. Additionally, the type of work being undertaken by local government in general is different from household activities, and unlikely many businesses. As a result, headline inflation (generally measured by the Consumers Price Index, CPI) is a poor indicator for local government costs, as household spending baskets and local government spending baskets are different.

Infometrics has previously outlined some of the key differences, and drivers, of local government cost pressures, in our February 2024 report for LGNZ, *Analysing increases in local government costs*.³

As the below chart shows, a number of local government costs, including water-related operating and capital costs, alongside heavy engineering operating costs, and for a period, transport capital costs, all increased considerably more than headline household inflation.

Chart 8



Cumulatively since 2019, headline inflation (based on the CPI) has increased 29% (to September 2025), with the local government labour cost index rising 23% over the same period, similar to the CPI increase. Local government administration operating costs have risen 24%.

Water and waste operating costs have increased 42%, and water capital costs 41%, over the same period. Heavy engineering operating costs have increased 34%, and irrigation and drainage costs are up 49%.

³ Olsen, B. (2024). Analysing increases in local government costs. Infometrics, LGNZ. Accessed from <https://www.lgnz.co.nz/news/media-releases/drivers-behind-rates-rises-across-the-country-laid-bare/> (15 January 2026).

Economic analysis of the government's rates capping proposal – January 2026

Recommendation for refined upper band

Infometrics would recommend, based on the government's proposed approach to the upper rates cap limit, that the operating component of the formula be adjusted to:

- Replace aggregate nominal GDP growth with general government expenditure nominal GDP growth (averaging 7.1%pa over the last decade, replacing the 5.8%pa nominal total GDP growth rate)
- Replace the national population adjustment with local area specific 10-year population growth changes, or alternatively, providing an additional "top-up" to the formula of around 3.6%, to account for high-growth areas.

Economic analysis of the government's rates capping proposal – January 2026

Appendix A

Approach to rates cap cost estimates

Infometrics has analysed the total value of local government rates collected, by fiscal year, across all local, regional, and unitary councils. We have utilised comprehensive and consistent data from Stats NZ for this purpose, with data available from 1993 until the 2024 fiscal year (year ending June 2024).

For national average rates increases, we have taken Stats NZ's local authority rates and payments series from the Consumers Price Index to calculate the national average change in rates each year.

From a statistical standpoint, rates for a financial year are observed to change in the September quarter (with rates for the financial year starting 1 July falling in the September quarter. We have therefore examined the average rates increase for the September quarter against the total rates collected, and the change in total rates collected, for the same financial year period. For example, the annual average rates increase recorded in the September 2023 quarter is examined against the 2023/24 financial year (1 July 2023 – 30 June 2024).

For local council-level analysis, Infometrics utilised various datasets publicly published by the Taxpayers Union in various Ratepayers Reports and Rates Dashboards to compile estimates of annual average rates increases. Where figures were unavailable, Infometrics has sought to fill gaps with stated rates increases reported by individual councils in Annual Reports or Annual Plans. Reliable average rates increases were only available for the 2023 fiscal year on – we suggest that government require reporting of these figures, under a standard methodology and with a back history, to provide more consistent reporting on rates changes over time.

Infometrics has then examined the annual change in the total value of rates collected – both at a national level and also by individual council, and compared the percentage change in total rates with the average change in rates. The difference between these figures has been taken as a constant (representing other changes, such as growth in the number of ratings units, and other changes).

We have then replaced any average rates increases that were above 4% (being the current proposed upper limit for the rates cap proposal) with 4%, or otherwise retained the average rates increase where the increases was 4% or less.

We have then added the new, capped, rates increase (of 4% or less) together with the residual increase, taken as a constant, and then recalculated the change in total rates that would have occurred under the rates cap scenario.

Worked example:

Council A raised \$1.00m in rates in Year 1. It then raised \$1.09m in Year 2, a 9% increase in total rates. Average rates rose 7%, leaving a 2% residual constant due to an increase in ratings units and other factors. If a 4% rates cap was in place, the total increase in rates would have been 6% (4% rates cap + 2% residual), for a total of \$1.06m – a \$300k difference.

Economic analysis of the government's rates capping proposal – January 2026

Appendix B

Individual council cost estimates

Estimating the cost of a rates cap on local government

\$m, value of rates collected and potential difference under a max 4% rates cap policy

Council Type	Council	Rates, actual		Rates, if capped		Difference		
		2023	2024	2023	2024	2023	2024	Total
TLA	Far North District	97.7	102.9	93.2	96.7	-4.5	-6.2	-10.7
TLA	Whangarei District	106.2	117.1	103.6	111.9	-2.6	-5.2	-7.8
TLA	Kaipara District	40.2	41.6	40.1	40.2	-0.1	-1.4	-1.5
TLA	Thames-Coromandel District	83.1	94.1	79.8	84.7	-3.4	-9.4	-12.8
TLA	Hauraki District	37.4	40.8	37.4	40.0	0.0	-0.8	-0.8
TLA	Waikato District	115.2	121.7	109.6	109.1	-5.5	-12.5	-18.1
TLA	Matamata-Piako District	42.7	49.1	35.1	37.9	-7.6	-11.2	-18.8
TLA	Hamilton City	238.7	255.8	238.7	253.0	0.0	-2.9	-2.9
TLA	Waipa District	66.8	72.8	66.5	71.2	-0.2	-1.6	-1.8
TLA	Otorohanga District	12.9	13.7	12.7	13.2	-0.2	-0.5	-0.7
TLA	South Waikato District	34.6	40.1	31.3	34.0	-3.3	-6.0	-9.3
TLA	Waitomo District	20.4	21.2	20.4	20.9	0.0	-0.3	-0.3
TLA	Taupo District	82.9	93.7	80.2	86.8	-2.6	-6.8	-9.5
TLA	Western Bay of Plenty District	79.7	86.8	79.7	85.2	0.0	-1.7	-1.7
TLA	Tauranga City	234.7	267.9	223.1	246.6	-11.6	-21.3	-32.8
TLA	Rotorua District	117.1	127.2	117.1	125.7	0.0	-1.5	-1.5
TLA	Whakatane District	50.8	54.7	49.3	51.6	-1.4	-3.1	-4.5
TLA	Kawerau District	11.8	12.8	11.5	12.3	-0.3	-0.4	-0.7
TLA	Opotiki District	13.1	14.4	8.9	9.4	-4.1	-5.0	-9.1
TLA	Wairoa District	17.0	20.2	16.1	18.1	-0.9	-2.1	-3.0
TLA	Hastings District	100.9	110.9	98.5	103.3	-2.4	-7.7	-10.1
TLA	Napier City	76.5	86.3	72.4	79.9	-4.0	-6.4	-10.4
TLA	Central Hawke's Bay District	24.5	27.0	17.8	18.6	-6.7	-8.4	-15.1
TLA	New Plymouth District	113.4	128.1	111.6	122.8	-1.8	-5.3	-7.2
TLA	Stratford District	15.0	15.8	15.0	14.9	0.0	-0.8	-0.8
TLA	South Taranaki District	36.0	39.0	36.0	37.0	0.0	-2.0	-2.0
TLA	Ruapehu District	27.0	28.8	27.0	28.1	-0.1	-0.7	-0.7
TLA	Whanganui District	67.5	73.3	67.4	71.8	-0.1	-1.5	-1.6
TLA	Rangitikei District	28.1	30.3	26.9	27.7	-1.2	-2.6	-3.8
TLA	Manawatu District	43.7	46.8	43.4	46.6	-0.2	-0.2	-0.5
TLA	Palmerston North City	113.9	120.7	112.0	115.9	-1.9	-4.7	-6.7
TLA	Tararua District	29.2	33.0	27.7	30.1	-1.5	-2.9	-4.4
TLA	Horowhenua District	46.3	51.4	37.8	41.5	-8.5	-10.0	-18.5
TLA	Kapiti Coast District	73.2	82.4	71.4	78.4	-1.9	-4.0	-5.8
TLA	Porirua City	86.8	96.6	84.1	92.6	-2.7	-4.0	-6.7

Economic analysis of the government's rates capping proposal – January 2026

TLA	Upper Hutt City	50.2	54.3	42.0	43.7	-8.2	-10.6	-18.8
TLA	Lower Hutt City	140.7	156.0	140.1	151.2	-0.6	-4.8	-5.4
TLA	Wellington City	405.7	459.0	325.3	354.3	-80.4	-104.7	-185.1
TLA	Masterton District	37.7	40.8	36.6	38.8	-1.1	-2.0	-3.1
TLA	Carterton District	16.3	17.7	15.6	16.7	-0.8	-1.0	-1.8
TLA	South Wairarapa District	21.3	25.8	20.8	22.4	-0.5	-3.4	-3.9
TLA	Kaikoura District	8.9	9.5	8.9	9.3	0.0	-0.2	-0.2
TLA	Buller District	17.9	19.1	17.9	18.9	0.0	-0.2	-0.2
TLA	Grey District	19.7	21.1	17.3	18.1	-2.4	-2.9	-5.4
TLA	Westland District	17.1	18.9	16.9	18.6	-0.3	-0.3	-0.6
TLA	Hurunui District	25.4	28.1	24.2	26.2	-1.2	-1.8	-3.0
TLA	Waimakariri District	80.7	88.7	80.1	86.2	-0.7	-2.4	-3.1
TLA	Christchurch City	628.5	681.1	608.9	650.2	-19.5	-30.9	-50.4
TLA	Selwyn District	81.8	92.1	77.3	86.2	-4.5	-5.9	-10.3
TLA	Ashburton District	44.3	47.9	40.4	42.9	-3.9	-5.0	-8.9
TLA	Timaru District	62.6	69.9	62.6	66.0	0.0	-3.9	-3.9
TLA	Mackenzie District	14.9	16.0	13.3	14.1	-1.6	-1.8	-3.4
TLA	Waimate District	13.1	14.2	12.4	13.3	-0.7	-0.9	-1.6
TLA	Waitaki District	37.4	40.8	34.1	36.6	-3.3	-4.2	-7.5
TLA	Central Otago District	38.3	42.0	38.0	40.1	-0.3	-1.9	-2.2
TLA	Queenstown-Lakes District	105.6	123.7	100.9	113.8	-4.7	-9.8	-14.5
TLA	Dunedin City	191.2	203.9	187.9	195.3	-3.2	-8.7	-11.9
TLA	Clutha District	29.7	30.5	29.7	30.1	0.0	-0.3	-0.3
TLA	Southland District	58.7	62.9	52.1	55.3	-6.5	-7.6	-14.1
TLA	Gore District	20.2	22.4	20.0	20.7	-0.2	-1.7	-1.8
TLA	Invercargill City	65.9	70.7	61.8	65.7	-4.1	-5.0	-9.1
REG	Northland Region	43.5	47.7	43.5	44.9	0.0	-2.8	-2.8
REG	Waikato Region	120.0	130.8	118.1	127.1	-1.9	-3.7	-5.6
REG	Bay of Plenty Region	74.0	82.1	74.0	81.4	0.0	-0.7	-0.7
REG	Hawke's Bay Region	34.3	41.2	32.5	38.5	-1.8	-2.8	-4.5
REG	Taranaki Region	16.6	18.9	15.2	15.7	-1.4	-3.2	-4.6
REG	Manawatu-Wanganui Region	54.8	58.2	52.3	54.3	-2.4	-3.9	-6.4
REG	Wellington Region	180.0	211.9	170.8	178.9	-9.2	-32.9	-42.1
REG	West Coast Region	9.2	11.1	8.6	9.3	-0.6	-1.8	-2.5
REG	Canterbury Region	152.2	168.8	149.8	164.6	-2.4	-4.2	-6.6
REG	Otago Region	47.3	55.8	46.7	48.2	-0.6	-7.6	-8.2
REG	Southland Region	24.0	25.8	22.9	22.8	-1.1	-3.0	-4.1
UNI	Auckland	2,273.4	2,536.0	2,233.0	2,423.9	-40.5	-112.1	-152.6
UNI	Gisborne District	72.6	77.2	71.1	72.1	-1.6	-5.1	-6.7
UNI	Tasman District	78.1	88.1	75.5	81.6	-2.7	-6.5	-9.2
UNI	Nelson City	78.6	85.5	77.1	81.1	-1.5	-4.4	-5.9
UNI	Marlborough District	77.0	84.3	74.4	79.3	-2.6	-4.9	-7.6

Source: Infometrics



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A Coronation Square, Queen Street, Wairoa

Rowan Burns
Policy Manager
Te Tari Taiwhenua
45 Pipitea Street
Wellington

Via email: ratescapping@dia.govt.nz
cc: scott.necklen@lgnz.co.nz

Dear Rowan,

Consultation on a rates target model for New Zealand

Thank you for the opportunity to comment on the Government's proposal.
Our district has one of the highest deprivation indices in the country and we are ever conscious of the need to deliver our activities as economically as possible.

As such, we welcome the intent of the proposal. Indeed, despite significant cost pressures and the impacts of Severe Weather Events we were able to restrict our rates increase to 5% for the financial year commencing 1 July 2025 at a time when numerous councils were still experiencing increases of double and more.

Nevertheless, we are anxious that the drivers behind rates increases are often beyond Council's control and would like to propose that these are considered when the parameters are set.

1. Depreciation

- 1.1. A prudent council rates for depreciation to the extent that no other sources of funding are available for its infrastructure renewals.
- 1.2. Most councils have at various times opted not to rate for the full amount of depreciation and, as shown by the Local Water Done Well programme, those who have done so for an extended number of years have ended up with a compounding financial problem and had to borrow to make up for the shortfalls. This in itself has led to Councils utilising all of their debt capacity and unable to sustain their investment in infrastructure.
- 1.3. For Wairoa District Council, depreciation constitutes approximately 18% of operating expenses, and almost all of this pertains to core infrastructure. Depreciation charges are driven by asset valuations which are conducted independently by a registered valuer and movements in valuations have a significant impact on the annual depreciation charge and Council has little or no control over this as it is required to comply with the Public Sector Public Benefit Entity Accounting Standards and Financial Prudence as described in S101 of the Local Government Act 2002. Since the COVID-19 pandemic civil infrastructure costs have risen at rates well in excess of CPI, and this has had a significant impact on local government finances.
- 1.4. **Appendix 1** draws on financial information published in Council's Annual Reports for the last 6 years. This shows that in every year since 2022 the increase in depreciation charges

has exceeded the upper limit proposed in the *rates target model*. As such, if depreciation charges were included in the overall calculation Wairoa District Council would not be able to maintain levels of service.

1.4.1. **Recommendation** – that depreciation charges are excluded from the calculation of the rates % increase for the purposes of this metric, in favour of a more comprehensive model that incorporates the application of the Local Government (Financial Reporting and Prudence) Regulations 2014

2. Regulatory Fees

- 2.1. The price for numerous fees that Council can levy is restricted by statute, particularly for enforcement activities under the Dog Control Act 1996, the Building Act 2004 and the Food Act 2014.
- 2.2. Our experience is that the cost of these undertakings often exceeds the amount recoverable particularly as there is also limited recourse, compared to rates, where levies are unpaid. In our view this is inequitable and contrary to S101(a) of the Local Government Act 2002.
 - 2.2.1. **Recommendation** – that the provisions of these acts are reviewed to enable councils to achieve full cost recovery in these areas and alleviate the impact on rates.

3. Local Government Funding and National Policy

- 3.1. The figures in **Appendix 1** show the full amounts of depreciation charges as well as the amount that is required to be rated in the absence of other sources of funding, as mentioned in 1.1 above.
- 3.2. Wairoa District Council receives a comparatively high Funding Assistance Rate (FAR) from the New Zealand Transport Association to support the continued maintenance and renewal of its roading network. This recognises the contribution our district makes to GDP and the importance of our network to the regional economy.
- 3.3. Council updates its Long-term Plans and Infrastructure Strategies every 3 years with the embedded assumption that this will continue. At current levels a 5% reduction in FAR would impute a 1.5% increase in rates.
- 3.4. In addition, requirements are periodically introduced at a national level, to meet other objectives such as environmental protection, that have significant financial implications for ratepayers. A recent example of this was the removal of the fixed price levy for carbon credits in the Emissions Trading Scheme. In 2021, the unit prices Council paid increased from \$35 to \$72, increasing the overall expense by the equivalent of 1% of rates.
 - 3.4.1. **Recommendation** – that national factors that have a significant impact on rates are moderated in the calculation as arising.

Appendix 1 – Depreciation and Rates

Scenario	Area	2025	2024	2023	2022	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rates							
	Total	22,472	19,141	16,530	15,649	13,972	13,216
	Water	2,514	1,852	1,544	1,571	1,293	1,289
	Wastewater	3,517	2,561	2,300	1,966	1,442	1,163
	Stormwater	685	407	293	410	379	415
		6,716	4,820	4,137	3,947	3,114	2,867
Depreciation							
25%	Roading	7,004	6,874	4,503	3,756	3,586	3,056
	Rated	1,751	1,719	1,126	939	897	764
		2%	53%	20%	5%	17%	
	Water	1,109	1,066	826	610	620	574
	Wastewater	865	776	625	435	445	294
	Stormwater	412	395	297	255	165	208
		2,386	2,237	1,748	1,300	1,230	1,076
		7%	28%	34%	6%	14%	
	All assets	11,149	10,275	7,540	6,269	5,658	5,364
	Revaluation \$m	39,789		179,603			6
With waters							
	Total depreciation % of total rates		50%	54%	46%	40%	40%
	Rated depreciation % of total rates		26%	27%	25%	22%	21%
	Depreciation increase % of total rates		5%	17%	8%	4%	2%
Without waters							
	Rates	15,756	14,321	12,393	11,702	10,858	10,349
	Depreciation	8,763	8,038	5,792	4,969	4,428	4,288
	Rated depreciation % of total rates		56%	56%	47%	42%	41%
	Depreciation increase % of total rates		5%	18%	7%	5%	1%

8.3 MONTHLY FINANCIAL REPORT TO 31 DECEMBER 2025

Author: **Martin Bacon, Assistant Accountant**

Authoriser: **Gary Borg, Tumu Whakarae Tuarua | Deputy Chief Executive & Group Manager - Finance and Corporate Support**

Appendices: **1. Monthly Financial Report December 2025 [¶](#)**

1. PURPOSE

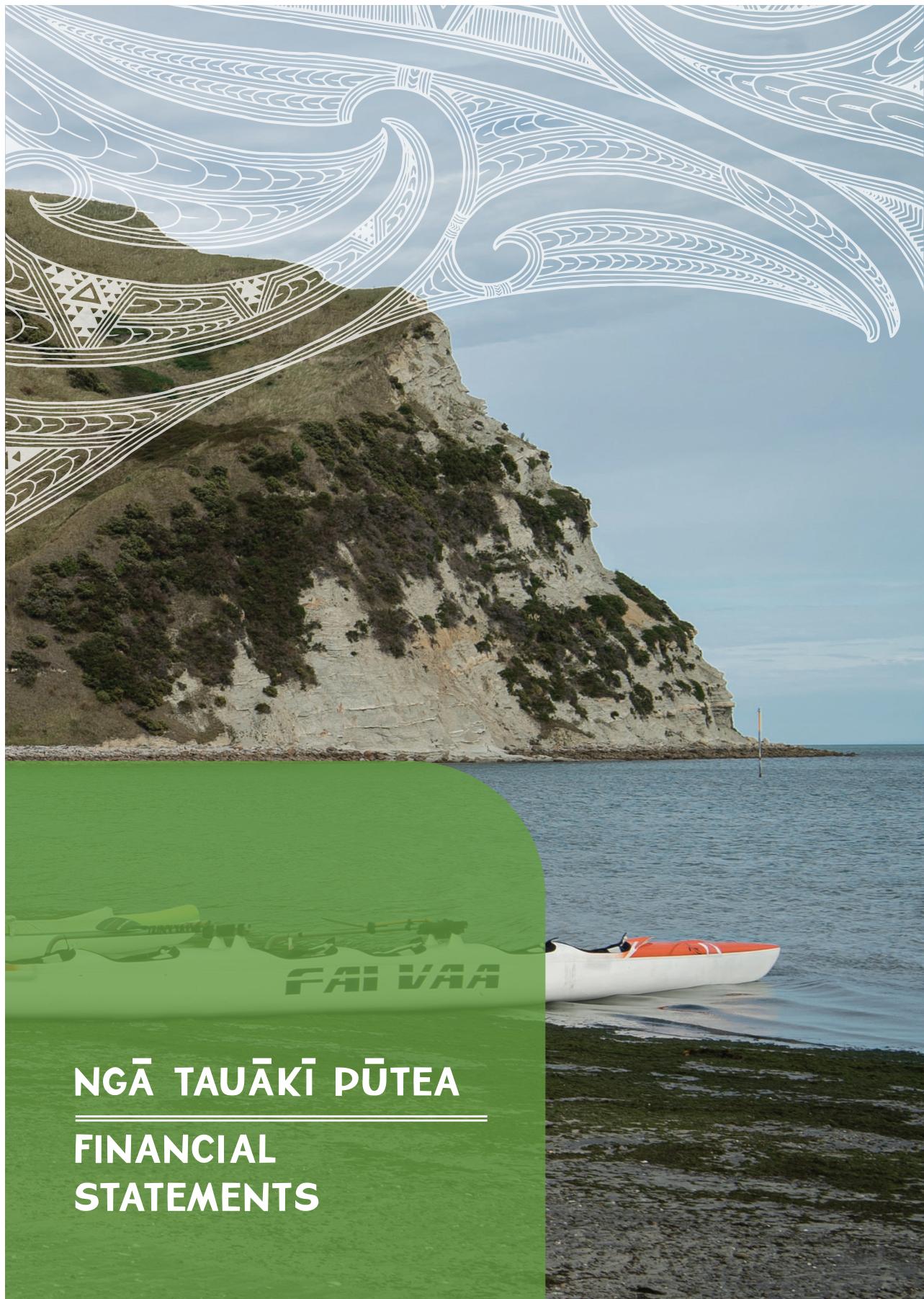
- 1.1 This report provides information on Council's operating financial performance for the 6 months to 31 December 2025.
- 1.2 This is an information report-only because it provides an update on Council's progress against objectives established and decisions previously made in the Long-term Plan 2024-27 and the Annual Plan for the year ending 30 June 2026.

RECOMMENDATION

The Assistant Accountant RECOMMENDS that Council receive the report.

2. BACKGROUND

- 2.1 Council's minimum statutory obligations regarding reporting, public accountability and financial management are contained in Part 6 of the Local Government Act 2002. Monitoring financial performance is integral to this.
- 2.2 Beyond this, regular performance reporting is good practice, keeping Council and the community informed of its financial performance and position.
- 2.3 In addition, reporting during the year provides an indication of full year outcomes and informs the decision-making process for each subsequent Annual Plan and Long-term Plan.
- 2.4 The Monthly Report to 31 December 2025, attached as **Appendix 1**, sets out the financial results.
- 2.5 We have included a draft format of the project update report. This is still a work in progress waiting on feedback from activity managers on what projects should be included.



GROUP INCOME AND EXPENSE STATEMENT

	Whole of Council \$'000	Water Supply \$'000	Stormwater \$'000	Wastewater \$'000	Solid Waste \$'000	Transport \$'000	Community Facilities \$'000	Planning & Regulatory \$'000	Governance & Community \$'000	Corporate Services \$'000
Revenue										
Rates	12,373	1,373	453	1,716	604	2,401	1,981	1,739	1,414	691
Operational Subsidies and Grants	10,459	-	-	-	67	9,385	60	837	110	-
Capital Subsidies and Grants	12,635	-	-	19	-	12,681	(19)	-	-	(46)
Other Income	2,269	219	-	26	602	30	23	801	11	557
Internal Recoveries	4,913	-	-	-	-	-	-	252	-	4,661
Total Revenue	42,649	1,592	453	1,761	1,273	24,497	2,045	3,629	1,535	5,863
Expense										
Consultancy	1,278	106	3	166	83	411	-	81	108	321
Depreciation and Amortisation	5,448	544	251	452	87	3,527	193	25	-	367
Electricity	213	137	4	39	2	2	12	-	1	17
Staff Costs	3,457	10	-	1	3	(662)	332	807	657	2,308
Finance Costs	206	-	-	-	-	-	-	-	-	206
Grants	533	-	-	-	-	-	533	-	-	-
Insurance	717	101	20	88	9	5	88	2	14	390
Legal	27	-	-	-	-	-	18	4	-	4
Operating Expenses	1,932	122	11	374	938	94	180	22	25	167
Other Expenses	1,693	108	7	65	172	102	224	84	181	750
Recovery Office	927	-	-	-	-	-	-	927	-	-
Repairs and Maintenance	11,793	302	77	256	-	10,552	452	28	3	121
Internal Charges	4,947	509	167	312	233	865	668	1,069	408	716
Total expense	33,171	1,939	540	1,753	1,527	14,896	2,700	3,049	1,397	5,367
Net surplus / (deficit)	9,478	(347)	(87)	8	(254)	9,601	(655)	580	138	496
Work in Progress	16,329	155	639	319	114	14,933	12	118	101	(62)
Net Surplus / (deficit) Less WIP	(6,851)	(502)	(726)	(311)	(368)	(5,332)	(667)	462	37	558

	Whole of Council				Water Supply			
	Actual \$000	Budget \$000	Variance \$	Variance %	Actual \$000	Budget \$000	Variance \$	Variance %
Revenue								
Rates	12,373	11,718	655	6%	1,373	1,378	(5)	0%
Operational Subsidies and grants	10,459	17,658	(7,199)	-41%	-	-	-	0%
Capital Subsidies and grants	12,635	13,963	(1,328)	-10%	-	-	-	0%
Other Income	2,269	2,253	16	1%	219	172	47	27%
Internal Recoveries	4,913	4,427	486	11%	-	-	-	0%
Total revenue	42,649	50,019	(7,370)	-15%	1,592	1,550	42	3%
Expense								
Consultancy	1,278	1,095	(183)	-17%	106	112	6	5%
Depreciation and Amortisation	5,448	5,115	(333)	-7%	544	605	61	10%
Electricity	213	203	(10)	-5%	137	119	(18)	-15%
Staff Costs	3,457	4,179	722	17%	10	5	(5)	-100%
Finance Costs	206	478	272	57%	-	-	-	0%
Grants	533	300	(233)	-78%	-	-	-	0%
Insurance	717	720	3	0%	101	81	(20)	-25%
Legal	27	47	20	43%	-	-	-	0%
Operating Expenses	1,932	1,983	51	3%	122	115	(7)	-6%
Other Expenses	1,693	1,945	252	13%	108	95	(13)	-14%
Recovery Office	927	139	(788)	-567%	-	-	-	0%
Repairs and Maintenance	11,793	19,565	7,772	40%	302	202	(100)*	-50%
Internal Charges	4,947	3,778	(1,169)	-31%	509	315	(194)	-62%
Total expense	33,171	39,547	6,376	16%	1,939	1,649	(290)	-18%
Net surplus / (deficit)	9,478	10,472	994	9%	(347)	(99)	248	-251%
Work in Progress	16,329	24,078	7,749	32%	155	2,891	2,736	95%
Net surplus / (deficit) Less WIP	(6,851)	(13,606)	(6,755)	50%	(502)	(2,990)	(2,488)	83%

Water Supply*

Repairs and maintenance are over budget due to a loss of mains pressure in Frasertown which is now resolved.

	Stormwater				Wastewater			
	Actual \$000	Budget \$000	Variance \$	Variance %	Actual \$000	Budget \$000	Variance \$	Variance %
Revenue								
Rates	453	455	(2)	0%	1,716	1,723	(7)	0%
Operational Subsidies and grants	-	-	-	0%	-	-	-	0%
Capital Subsidies and grants	-	-	-	0%	19	-	19	0%
Other Income	-	-	-	0%	26	13	13	100%
Internal Recoveries	-	-	-	0%	-	-	-	0%
Total revenue	453	455	(2)	0%	1,761	1,736	25	1%
Expense								
Consultancy	3	5	2	40%	166	179	13	7%
Depreciation and Amortisation	251	202	(49)	-24%	452	392	(60)	-15%
Electricity	4	2	(2)	-100%	39	48	9	19%
Staff Costs	-	-	-	0%	1	-	(1)	0%
Finance Costs	-	-	-	0%	-	-	-	0%
Grants	-	-	-	0%	-	-	-	0%
Insurance	20	29	9	31%	88	80	(8)	-10%
Legal	-	-	-	0%	-	-	-	0%
Operating Expenses	11	28	17	61%	374	398	24	6%
Other Expenses	7	10	3	30%	65	162	97*	60%
Recovery Office	-	-	-	0%	-	-	-	0%
Repairs and Maintenance	77	69	(8)	-12%	256	255	(1)	0%
Internal Charges	167	108	(59)	-55%	312	229	(83)	-36%
Total expense	540	453	(87)	-19%	1,753	1,743	(10)	-1%
Net surplus / (deficit)	(87)	2	89	4450%	8	(7)	(15)	214%
Work in Progress	639	1,269	630	50%	319	2,499	2,180	87%
Net surplus / (deficit) Less WIP	(726)	(1,267)	(541)	43%	(311)	(2,506)	(2,195)	88%

Wastewater*

Other expenses below budget because of less RMA monitoring due to no river bank breaches or the bar being closed.

Waste Management				Transport				
	Actual \$000	Budget \$000	Variance \$	Variance %	Actual \$000	Budget \$000	Variance \$	Variance %
Revenue								
Rates	604	607	(3)	0%	2,401	2,411	(10)	0%
Operational Subsidies and grants	67	210	(143)*	-68%	9,385	17,292	(7,907)	-46%
Capital Subsidies and grants	-	59	(59)	-100%	12,681	13,173	(492)	-4%
Other Income	602	646	(44)	-7%	30	31	(1)	-3%
Internal Recoveries	-	-	-	0%	-	-	-	0%
Total revenue	1,273	1,522	(249)	-16%	24,497	32,907	(8,410)	-26%
Expense								
Consultancy	83	22	(61)*	-277%	411	363	(48)	-13%
Depreciation and Amortisation	87	122	35	29%	3,527	3,396	(131)	-4%
Electricity	2	4	2	50%	2	2	-	0%
Staff Costs	3	2	(1)	-50%	(662)	(663)	(1)	0%
Finance Costs	-	-	-	0%	-	-	-	0%
Grants	-	-	-	0%	-	-	-	0%
Insurance	9	7	(2)	-29%	5	6	1	17%
Legal	-	-	-	0%	-	-	-	0%
Operating Expenses	938	962	24	2%	94	78	(16)	-21%
Other Expenses	172	264	92*	35%	102	132	30	23%
Recovery Office	-	-	-	0%	-	-	-	0%
Repairs and Maintenance	-	-	-	0%	10,552	18,461	7,909*	43%
Internal Charges	233	160	(73)	-46%	865	792	(73)	-9%
Total expense	1,527	1,543	16	1%	14,896	22,567	7,671	34%
Net surplus / (deficit)	(254)	(21)	233	-1110%	9,601	10,340	739	7%
Work in Progress	114	1,745	1,631	93%	14,933	13,691	(1,242)	-9%
Net surplus / (deficit) Less WIP	(368)	(1,766)	(1,398)	79%	(5,332)	(3,351)	1,981	-59%

Waste Management*

Operational subsidies are below budget due to Kerbside expansion work not progressing as expected. This work has been charged to consultancy which has put that line over budget.

Transport*

Repairs and Maintenance is below budget due to emergency operational work starting in November and will get closer to the YTD budget in the coming months if the weather holds.

	Community Facilities				Planning and Regulatory			
	Actual \$000	Budget \$000	Variance \$	Variance %	Actual \$000	Budget \$000	Variance \$	Variance %
Revenue								
Rates	1,981	1,989	(8)	0%	1,739	1,746	(7)	0%
Operational Subsidies and grants	60	17	43	253%	837	139	698	502%
Capital Subsidies and grants	(19)	406	(425)*	-105%	-	-	-	0%
Other Income	23	103	(80)	-78%	801	616	185	30%
Internal Recoveries	-	-	-	0%	252	252	-	0%
Total revenue	2,045	2,515	(470)	-19%	3,629	2,753	876	32%
Expense								
Consultancy	-	7	7	100%	81	80	(1)	-1%
Depreciation and Amortisation	193	108	(85)	-79%	25	13	(12)	-92%
Electricity	12	12	-	0%	-	-	-	0%
Staff Costs	332	352	20	6%	807	998	191	19%
Finance Costs	-	-	-	0%	-	-	-	0%
Grants	533	300	(233)*	-78%	-	-	-	0%
Insurance	88	128	40	31%	2	-	(2)	0%
Legal	18	-	(18)	0%	4	17	13	76%
Operating Expenses	180	189	9	5%	22	29	7	24%
Other Expenses	224	171	(53)*	-31%	84	170	86*	51%
Recovery Office	-	-	-	0%	927	139	(788)	-567%
Repairs and Maintenance	452	444	(8)	-2%	28	2	(26)	-1300%
Internal Charges	668	528	(140)	-27%	1,069	1,069	-	0%
Total expense	2,700	2,239	(461)	-21%	3,049	2,517	(532)	-21%
Net surplus / (deficit)	(655)	276	931	337%	580	236	(344)	-146%
Work in Progress	12	661	649	98%	118	677	559	83%
Net surplus / (deficit) Less WIP	(667)	(385)	282	-73%	462	(441)	(903)	205%

Community Facilities*

Capital Subsidies variance is due to climate change resilience work being delayed and a correction from the 2025 financial year in over stated income. Grants are over budget due to the changes to the Community Centre management contract. Other expenses relates to higher costs for reserve upkeep.

Planning and Regulatory*

Planning and regulatory is under budget in other expenses due to pausing work on plan development due to the central Government Regulatory changes.

Governance and Community				Corporate Services				
	Actual \$000	Budget \$000	Variance \$	Variance %	Actual \$000	Budget \$000	Variance \$	Variance %
Revenue								
Rates	1,414	1,420	(6)	0%	691	(11)	702	-6382%
Operational Subsidies and grants	110	-	110	0%	-	-	-	0%
Capital Subsidies and grants	-	-	-	0%	(46)	325	(371)	-114%
Other Income	11	17	(6)	-35%	557	655	(98)	-15%
Internal Recoveries	-	-	-	0%	4,661	4,175	486	12%
Total revenue	1,535	1,437	98	7%	5,863	5,144	719	14%
Expense								
Consultancy	108	44	(64)*	-145%	321	282	(39)	-14%
Depreciation and Amortisation	-	8	8	100%	367	270	(97)	-36%
Electricity	1	-	(1)	0%	17	16	(1)	-6%
Staff Costs	657	655	(2)	0%	2,308	2,830	522	18%
Finance Costs	-	-	-	0%	206	478	272	57%
Grants	-	-	-	0%	-	-	-	0%
Insurance	14	-	(14)	0%	390	389	(1)	0%
Legal	-	-	-	0%	4	31	27	87%
Operating Expenses	25	41	16	39%	167	144	(23)	-16%
Other Expenses	181	234	53*	23%	750	706	(44)	-6%
Recovery Office	-	-	-	0%	-	-	-	0%
Repairs and Maintenance	3	3	-	0%	121	128	7	5%
Internal Charges	408	408	-	0%	716	169	(547)	-324%
Total expense	1,397	1,393	(4)	0%	5,367	5,443	76	1%
Net surplus / (deficit)	138	44	(94)	-214%	496	(299)	(795)	266%
Work in Progress	101	105	4	4%	(62)	541	603	111%
Net surplus / (deficit) Less WIP	37	(61)	(98)	161%	558	(840)	(1,398)	166%

Governance and Community*

Community and Governance consultancy is above the YTD budget due to additional audits. Other expenses are lower than budget due to the LGA subscription not falling due yet.

HE TAUĀKĪ PŪTEA WHIWHI ME TE PŪTEA WHAKAHARE

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the period ended 31 December 2023

	YTD Actual \$000	YTD Annual Plan \$000	Variance			2026 Forecast \$000	2025 Actual \$000
			\$000	%			
Revenue							
Rates	12,373	11,718	655	6%		24,776	22,472
Subsidies and grants	23,094	31,620	(8,526)	-27%	A	50,961	50,832
Petrol tax	20	41	(21)	-51%		20	78
Fees and charges	1,866	1,702	164	10%		2,889	4,843
Investment revenue	367	510	(143)	-28%		483	1,541
Miscellaneous Revenue	16	-	16	0%		16	220
Total revenue	37,736	45,591	(7,855)	-17%		79,145	79,986
Expense							
Water supply	1,939	1,648	(291)	-18%		3,176	3,522
Stormwater	539	453	(86)	-19%		956	870
Wastewater	1,753	1,744	(9)	-1%		4,088	4,107
Solid waste	1,527	1,543	16	1%		2,642	3,800
Transport	14,896	22,567	7,671	34%	A	24,982	33,938
Community facilities	2,702	2,239	(463)	-21%	B	4,745	3,720
Planning and regulatory	2,799	2,265	(534)	-24%		5,645	9,850
Governance & Community	1,398	1,393	(5)	0%		2,677	2,770
Corporate Services	706	1,268	562	44%	C	2,712	1,547
Total expense	28,259	35,120	6,861	20%		51,623	64,124
Net surplus / (deficit) for the year	9,477	10,471	994	9%		27,522	15,862

A. Subsidies and Grants and Transport:

Operational subsidies are lower from NZTA (\$9M) but higher for emergency capex (\$1m). This has been continually improving since November.

C. Corporate Services:

Corporate services is under budget due to lower interest expenses and vacancies

B. Community Facilities:

Community facilities is over budget due to the changes to the community center management and higher costs for reserve upkeep.

HE TAUĀKĪ TU PŪTEA

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	YTD Actual \$000	YTD Annual Plan \$000	Variance			2026 Forecast \$000	2025 Actual \$000
			\$000	%			
Current assets							
Cash and cash equivalents	4,462	12,989	(8,527)	-66%	D	3,947	1,981
Inventories	67	51	16	31%		71	71
Trade and other receivables	4,439	5,794	(1,355)	-23%		11,458	13,545
Total current assets	8,968	18,834	(9,866)	-52%		15,476	15,597
Current liabilities							
Trade and other payables	9,408	9,800	392	4%		23,932	16,298
Staff Costs	530	610	80	13%		530	967
Borrowings	10,568	-	(10,568)	0%	E	5,568	8,500
Total current liabilities	20,506	10,410	(10,096)	-97%		30,030	25,765
Working capital	(11,538)	8,424	19,962	237%			(10,168)
Non-current assets							
Property, plant and equipment	484,927	492,096	(7,169)	-1%		484,927	490,048
Work in progress	27,476	24,078	3,398	14%		51,137	11,149
Investment in subsidiary	1,250	1,250	-	0%		1,250	1,250
Loan to Subsidiary	985	1,026	(41)	-4%		985	1,037
Investment property	8,064	8,242	(178)	-2%		8,064	8,147
Biological asset - forestry	808	996	(188)	-19%		115	1,140
Total non-current assets	523,510	527,688	(4,178)	-1%		546,478	512,771
Non-current liabilities							
Trade and other payables	56	56	-	0%		56	56
Landfill aftercare	3,432	2,032	(1,400)	-69%		3,432	3,432
Borrowings	1,026	16,693	15,667	94%		3,026	1,124
Total non-current liabilities	4,514	18,781	14,267	76%		4,611	4,612
Net assets	507,458	517,331	9,873	2%		541,867	497,991

D. Cash and cash equivalents:

We have borrowed \$2m in December to get over the holiday period comfortably and to ensure we have enough cash before we renew our borrowings in April

E. Borrowings:

We have 10.5m of loans maturing in April. As part of the treasury management process we will be ensuring the maturity dates in the future are spread more in line with policy.

HE TAUĀKĪ KAPEWHITI
STATEMENT OF CASHFLOWS

For the period ended 31 December 2025

	YTD Actual \$000	YTD Annual Plan \$000	Variance			2026 Forecast \$000	2025 Actual \$000
			\$000	%			
Cash flows from operating activities							
Receipts from rates revenue	13,530	13,718	(188)	-1%		25,930	21,765
Other revenue received	1,800	1,743	57	3%		2,825	4,914
Subsidies and grants received	29,105	31,620	(2,515)	-8%		49,968	54,260
Investment Income	367	510	(143)	-28%		483	1,541
Payments to suppliers and employees	(27,532)	(19,561)	(7,971)	41%		(30,091)	(53,300)
Interest Paid	(206)	(478)	272	-57%		(441)	(506)
Net cash flows from operating activities	17,064	27,552	(10,488)	-38%		48,674	28,674
Cash flows from investing activities							
Insurance Proceeds	16	-	16	0%		-	238
Purchase of property, plant and equipment	(16,570)	(21,973)	5,403	-25%		(45,678)	(27,836)
Net cash flows used in investing activities	(16,554)	(21,973)	5,419	-25%		(45,678)	(27,598)
Cash flows from financing activities							
Loans raised/(repaid)	1,969	3,559	(1,590)	-45%		(1,031)	(1,402)
Net cash flows (used in)from financing activities	1,969	3,559	(1,590)	-45%		(1,031)	(1,402)
Net increase/(decrease) in cash and cash equivalents	2,479	9,138	(6,659)	-73%		1,965	(326)
Cash and cash equivalents at beginning of year	1,981	3,853	(1,872)	-49%		1,981	2,307
Cash and cash equivalents at end of year	4,460	12,991	(8,531)	-66%		3,946	1,981
Made up of:							
Cash	4,462	12,989	(8,527)	-66%		3,946	1,981
Cash and cash equivalents at end of year	4,462	12,989	(8,527)	-66%		3,946	1,981

**Understanding Funding Impact Statements**

These statements set out Council's sources of operating and capital funding and how this funding is applied.

Council's sources of capital funding include items such as subsidies and grants for capital expenditure, and its applications of capital funding include capital expenditure to improve levels of service or replace existing assets. The difference between the value of total capital funding and application of this funding is the amount that Council needs to generate from rating for depreciation, both in the current year and from reserves which have built up over several years. These statements do not include depreciation. This is because it is a non-cash item.

The Whole of Council Funding Impact Statement provides combined totals of all Council's sources of operating and capital funding and application, and activity-level funding impact statements which separates this information into Council's defined activity groups such as water supply and waste management.

FUNDING IMPACT STATEMENT

WHOLE OF COUNCIL

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	14,823	15,248	7,971	8,641
Targeted rates	7,475	7,223	3,747	3,739
Subsidies and grants for operating purposes	12,423	32,666	17,658	10,480
Fees and charges	3,447	4,666	1,702	1,846
Interest and dividends from Investments	1,353	1,413	453	328
Local authorities fuel tax, fines, infringement fees, and other receipts	210	427	98	75
Total operating funding (A)	39,731	61,643	31,629	25,109
Applications of operating funding				
Payments to staff and suppliers	34,946	52,281	29,527	22,606
Finance costs	865	506	478	206
Other operating funding applications	-	-	-	-
Total Applications of operating funding (B)	35,811	52,787	30,005	22,812
Surplus (deficit) of operating funding (A - B)	3,920	8,856	1,624	2,297
Sources of capital funding				
Subsidies and grants for capital expenditure	38,071	18,343	13,963	12,635
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	9,698	(1,402)	6,802	1,599
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	47,769	16,941	20,765	14,234
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	15,360	12,903	14,896	10,809
• to replace existing assets	41,142	13,632	9,182	5,722
Increase (decrease) in reserves	(4,813)	(738)	(1,689)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	51,689	25,797	22,389	16,531
Surplus (deficit) of capital funding (C-D)	(3,920)	(8,856)	(1,624)	(2,297)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

WATER SUPPLY

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	260	251	138	137
Targeted rates	2,342	2,263	1,240	1,235
Subsidies and grants for operating purposes	-	33	-	-
Fees and charges	331	521	172	219
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	2,933	3,068	1,550	1,591
Applications of operating funding				
Payments to staff and suppliers	1,572	1,920	728	885
Internal Finance costs	147	122	-	140
Internal charges applied	368	332	315	509
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	2,087	2,374	1,043	1,534
Surplus (deficit) of operating funding (A - B)	846	694	507	57
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	2,337	741	1,852	98
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	2,337	741	1,852	98
Application of capital funding				
Capital expenditure	-	-	-	-
• to meet additional demand	-	-	-	-
• to improve the level of service	245	36	155	(4)
• to replace existing assets	5,353	1,134	2,736	159
Increase (decrease) in reserves	(2,415)	265	(532)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	3,183	1,435	2,359	155
Surplus (deficit) of capital funding (C-D)	(846)	(694)	(507)	(57)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

STORMWATER

	2023/24 Actual \$000	2024/25 LTP \$000	2024/25 AP \$000	2025/26 AP YTD \$000
Sources of operating funding				
General rates	71	69	46	46
Targeted rates	637	616	410	408
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	-	-	-	-
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	708	685	456	454
Applications of operating funding				
Payments to staff and suppliers	264	311	143	122
Internal Finance costs	114	77	-	-
Internal charges applied	68	70	108	253
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	446	458	251	375
Surplus (deficit) of operating funding (A - B)	262	227	205	79
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	1,125	417	1,022	560
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	1,125	417	1,022	560
Application of capital funding				
Capital expenditure	-	-	-	-
• to meet additional demand	-	-	-	-
• to improve the level of service	511	233	1,009	428
• to replace existing assets	965	472	260	211
Increase (decrease) in reserves	(89)	(61)	(42)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	1,387	644	1,227	639
Surplus (deficit) of capital funding (C-D)	(262)	(227)	(205)	(79)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

WASTEWATER

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	364	351	172	171
Targeted rates	3,277	3,166	1,551	1,544
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	25	21	13	26
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	3,666	3,538	1,736	1,741
Applications of operating funding				
Payments to staff and suppliers	2,226	2,356	1,124	989
Internal Finance costs	351	302	-	275
Internal charges applied	562	577	229	312
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	3,139	3,235	1,353	1,576
Surplus (deficit) of operating funding (A - B)	527	303	383	165
Sources of capital funding				
Subsidies and grants for capital expenditure	-	4	-	19
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	1,708	210	1,936	135
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	1,708	214	1,936	154
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	-	107	2,163	195
• to replace existing assets	2,910	408	336	124
Increase (decrease) in reserves	(675)	2	(180)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	2,235	517	2,319	319
Surplus (deficit) of capital funding (C-D)	(527)	(303)	(383)	(165)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

WASTE MANAGEMENT

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	135	131	61	60
Targeted rates	1,219	1,178	546	544
Subsidies and grants for operating purposes	-	181	210	67
Fees and charges	1,288	1,969	646	602
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	2,642	3,459	1,463	1,273
Applications of operating funding				
Payments to staff and suppliers	2,276	2,634	1,261	1,206
Internal Finance costs	122	96	-	64
Internal charges applied	198	170	160	233
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	2,596	2,900	1,421	1,503
Surplus (deficit) of operating funding (A - B)	46	559	42	(230)
Sources of capital funding				
Subsidies and grants for capital expenditure	1,657	19	104	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	1,701	(578)	1,427	344
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	3,358	(559)	1,531	344
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	3,403	24	1,745	114
• to replace existing assets	20	-	-	-
Increase (decrease) in reserves	(19)	(24)	(172)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	3,404	-	1,573	114
Surplus (deficit) of capital funding (C-D)	(46)	(559)	(42)	230
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

TRANSPORT

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	5,352	5,025	2,411	2,401
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	12,224	24,258	17,292	9,400
Fees and charges	59	101	31	14
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	17,635	29,384	19,734	11,815
Applications of operating funding				
Payments to staff and suppliers	14,073	24,631	18,379	10,504
Internal Finance costs	148	314	-	217
Internal charges applied	1,939	1,970	792	865
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	16,160	26,915	19,171	11,586
Surplus (deficit) of operating funding (A - B)	1,475	2,469	563	229
Sources of capital funding				
Subsidies and grants for capital expenditure	27,309	15,287	13,263	12,681
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	1,578	765	(553)	2,023
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	28,887	16,052	12,710	14,704
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	5,414	7,112	8,457	9,936
• to replace existing assets	25,403	10,967	5,234	4,997
Increase (decrease) in reserves	(455)	442	(418)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	30,362	18,521	13,273	14,933
Surplus (deficit) of capital funding (C-D)	(1,475)	(2,469)	(563)	(229)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

COMMUNITY FACILITIES

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	3,561	3,437	1,989	1,980
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	25	180	17	60
Fees and charges	191	287	103	23
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	3,777	3,904	2,109	2,063
Applications of operating funding				
Payments to staff and suppliers	2,881	2,925	1,603	1,840
Internal Finance costs	46	(65)	-	(122)
Internal charges applied	634	582	528	668
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	3,561	3,442	2,131	2,386
Surplus (deficit) of operating funding (A - B)	216	462	(22)	(323)
Sources of capital funding				
Subsidies and grants for capital expenditure	5,880	1,144	415	(19)
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	887	45	138	353
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	6,767	1,189	553	334
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	2,163	1,177	485	(14)
• to replace existing assets	5,257	382	175	25
Increase (decrease) in reserves	(437)	92	(129)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	6,983	1,651	531	11
Surplus (deficit) of capital funding (C-D)	(216)	(462)	22	323
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

PLANNING & REGULATORY

	2024/25 LTP \$000	2024/25 Actual \$000	2024/25 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	3,073	2,940	1,746	1,739
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	175	7,262	139	837
Fees and charges	1,329	1,336	616	801
Internal charges and overheads recovered	244	207	252	252
Other operating funding	-	-	-	-
Total operating funding (A)	4,821	11,745	2,753	3,629
Applications of operating funding				
Payments to staff and suppliers	2,617	8,025	1,435	1,957
Internal Finance costs	(4)	107	-	144
Internal charges applied	2,204	1,892	1,069	1,069
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	4,817	10,024	2,504	3,170
Surplus (deficit) of operating funding (A - B)	4	1,721	249	459
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	150	(342)	335	(341)
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	150	(342)	335	(341)
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	-	1,346	512	32
• to replace existing assets	180	38	165	86
Increase (decrease) in reserves	(26)	(5)	(93)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	154	1,379	584	118
Surplus (deficit) of capital funding (C-D)	(4)	(1,721)	(249)	(459)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

LEADERSHIP & GOVERNANCE

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	2,456	2,371	1,420	1,414
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	352	-	115
Fees and charges	34	4	17	6
Internal charges and overheads recovered	-	-	-	-
Other operating funding	-	-	-	-
Total operating funding (A)	2,490	2,727	1,437	1,535
Applications of operating funding				
Payments to staff and suppliers	1,623	1,957	954	990
Internal Finance costs	5	71	-	93
Internal charges applied	840	738	408	408
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	2,468	2,766	1,362	1,491
Surplus (deficit) of operating funding (A - B)	22	(39)	75	44
Sources of capital funding				
Subsidies and grants for capital expenditure	1,450	1,671	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	(22)	405	(21)	57
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	1,428	2,076	(21)	57
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	1,450	2,037	37	81
• to replace existing assets	205	31	68	20
Increase (decrease) in reserves	(205)	(31)	(51)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	1,450	2,037	54	101
Surplus (deficit) of capital funding (C-D)	(22)	39	(75)	(44)
Funding balance ((A-B) + (C-D))	-	-	-	-

FUNDING IMPACT STATEMENT

CORPORATE FUNCTIONS

	2024/25 LTP \$000	2024/25 Actual \$000	2025/26 YTD AP \$000	2025/26 YTD Actual \$000
Sources of operating funding				
General rates	(450)	671	(11)	691
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	400	-	-
Fees and charges	190	426	104	154
Internal charges and overheads recovered	8,464	7,877	4,170	4,661
Other operating funding	1,563	1,839	551	403
Total operating funding (A)	9,767	11,213	4,814	5,909
Applications of operating funding				
Payments to staff and suppliers	7,414	7,731	4,260	4,078
Internal Finance costs	1,031	603	478	(692)
Internal charges applied	799	423	164	716
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	9,244	8,757	4,902	4,102
Surplus (deficit) of operating funding (A - B)	523	2,456	(88)	1,807
Sources of capital funding				
Subsidies and grants for capital expenditure	1,775	220	325	(46)
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	235	(3,064)	233	(1,621)
Gross proceeds from sale of assets	-	-	-	-
Total sources of capital funding (C)	2,010	(2,844)	558	(1,667)
Application of capital funding				
Capital expenditure				
• to meet additional demand	-	-	-	-
• to improve the level of service	2,175	831	334	40
• to replace existing assets	849	200	207	100
Increase (decrease) in reserves	(491)	(1,419)	(71)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	2,533	(388)	470	140
Surplus (deficit) of capital funding (C-D)	(523)	(2,456)	88	(1,807)
Funding balance ((A-B) + (C-D))	-	-	-	-

8.4 LOCAL GOVERNMENT REORGANISATION PROPOSAL.

Author: Matthew Lawson, Tumu Whakarae | Chief Executive
Authoriser: Matthew Lawson, Tumu Whakarae | Chief Executive
Appendices: Nil

PURPOSE

- 1.1 This report provides information for Council on the current state of play with regard to the Central Government proposal for Local Government reform. No decisions are required by Council at this stage.

RECOMMENDATION

The Tumu Whakarae | Chief Executive RECOMMENDS that Council receive the report.

2. BACKGROUND

- 2.1 On 25 November 2025 Central Government announced a proposal for the simplification and reform of Local Government. In short the proposal involves the disestablishment of regional councils with the interim governance being provided at a regional level by a collaborative board comprising of the regions Mayors of the respective districts.
- 2.2 How that plays out in terms of the functions meant undertaken by regional councils and the distribution of those functions to the remaining territorial authorities or some form of regional collaboration is yet to be determined.
- 2.3 Submissions on the proposed reform close on 20 February.
- 2.4 At the meeting of Mayors and Chairs and chief executives held on Monday, 26 January 2026 it was decided that a joint submission by all councils should be made, effectively stating that the districts within Hawke's Bay are committed to working together to achieve the best outcome for all of the respective communities of interest.
- 2.5 As part of that discussion, all councils reserved the ability to put in an individual submission on behalf of their respective district setting out how that district believes good Local Government would be best achieved within the district and on behalf of its community.
- 2.6 I believe that we should put in a submission on behalf of the Wairoa District Council outlining how we see Local Government being best provided within Wairoa District.

3. WHAT DOES GOOD LOCAL GOVERNMENT LOOK LIKE IN WAIROA?

- 3.1 The Department of Internal Affairs is yet to set out a policy paper on where the various functions currently undertaken by regional councils will ultimately land or indeed whether those functions will continue.
- 3.2 We need to ascertain what should be done at a local level, what should be part of a regional collaboration or what functions currently undertaken by regional councils could in fact be nationalised under some form of national policy statement or national

environmental standard. I think the starting point for that has to be ask the question, “what does HBRC currently do in Wairoa that we need to continue?”

- 3.3 There are the obvious ones such as land and catchment management, river control and management of the Wairoa bar. I believe that all of these decisions would benefit from being made locally using local knowledge and expertise which also has the benefit of having “boots on the ground” to inform those decisions.
- 3.4 Other functions such as gravel and sand extraction, water takes, discharges to the environment and associated monitoring and control could also benefit being made locally within the Wairoa community. Local decisions could be informed by some uniform Standards set at a national level to provide guidance.
- 3.5 Other functions such as hydraulic modelling and weather monitoring and forecasting could be done at a regional or even inter-regional shared service arrangement. The rain event on 22 January 2026 highlighted the fact that we need greater cooperation and interface between weather information coming to us from national organisations, Tairawhiti civil defence and Hawke’s Bay civil defence operations.
- 3.6 This is our chance to put forward a case to achieve the best Local Government for Wairoa. That may not be the same form of Local Government that best suits Napier, Hastings or Central Hawke’s Bay but our approach should be to maximise the things that we are best doing for ourselves, achieving clear agreements on the collaboration on matters that are best provided for on a regional basis and what should be undertaken at a national basis by way of national environmental standards or policy statements.
- 3.7 We will have a better understanding once the DIA releases its draft policy on the appropriate division of regulatory functions between district councils, regional collaboration entities and national entities.
- 3.8 From our discussions with DIA representatives, the suggested approach of identifying what best suits each territorial authority and then working out how common areas of interest can be the subject of collaboration, is considered appropriate.

4. WHERE TO FROM HERE?

- 4.1 We should participate in the formulation of a submission to be made on behalf of all of the Hawkes Bay councils.
- 4.2 We should prepare a submission setting out our ideal form of Local Government for Wairoa and how that might work.
- 4.3 A draft form of submission should be available for consideration at the council Assurance, Risk and Infrastructure meeting on 17 February 2026.

9 RECEIPT OF MINUTES FROM COMMITTEES/ACTION SHEETS

Nil

10 PUBLIC EXCLUDED ITEMS**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - Organisational Review	s7(2)(b)(i) - the withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
10.2 - Use of Land adjacent to the Wairoa Airport.	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7