



# Regional Council Informal Workshop Pack

## **Annual Plan 2025/2026 Workshop No.1**

DATE: WEDNESDAY 16 OCTOBER 2024

COMMENCING AT TIME: 2:00PM

VENUE: Council Chambers, Regional House, 1 Elizabeth  
Street, Tauranga

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## Informal Workshop Paper



**To:** Regional Council

16 October 2024

**From:** Kumaren Perumal, Chief Financial Officer; AJ Prinsloo, Finance Manager; Mark Le Comte, Principal Advisor, Finance and Olive McVicker, Corporate Performance Team Lead

Mat Taylor, General Manager, Corporate

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### Annual Plan 2025/26

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#### 1. Purpose

The purpose of this workshop is to provide information about, and seek initial guidance on, Council's Annual Plan 2025/26 (AP).

This paper provides Councillors with a summary of the context within which the AP will be developed.

#### 2. Guidance Sought from Councillors

The intent of this workshop is to seek initial guidance from Councillors on a range of topics in order to progress the development of the AP.

#### 3. Discussion

##### 3.1 Context

##### 3.1.1 Environmental Context

The focus of the Long Term Plan 2024 – 2034 (LTP) was to deliver core services efficiently, maintain infrastructure and carefully manage our finances. This focus has not changed with a continued focus on efficiencies and cost savings and the need to manage rates increases across the Region.

Central Government continues to communicate their priorities and implement this through legislation (e.g. Resource Management Act), and allocation of central government funding as evidenced through the recent allocation of public transport funding. This is likely to continue throughout the AP process so a watching brief will be maintained.

3.1.2 **Financial Context**

The LTP year two budget serves as the baseline for the draft AP. The following tables and charts show the baseline position i.e. before any decisions are made for the AP. Below is an extract of the statement of revenue and expenses for LTP year one and two:

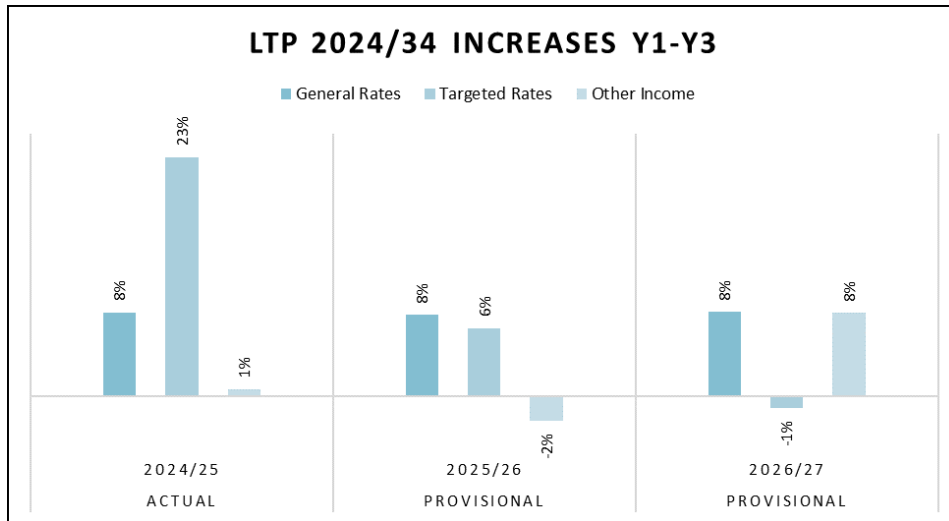
	2024-2034 Long Term Plan	
	2024/25	2025/26
	Year 1	Year 2
	\$000	\$000
<b>OPERATING</b>		
<b>Operating Revenue by Class</b>		
Targeted rates	48,026	51,089
Dividends	50,600	51,600
External interest income	10,974	10,279
Operating grants and subsidies	26,281	26,358
Other revenue	2,911	2,987
Fees and charges	14,540	14,742
General rates	45,155	48,728
<b>Total Operating Revenue</b>	<b>198,487</b>	<b>205,783</b>
<b>Expenditure by Class</b>		
Administration expenses	8,820	9,275
Grants and subsidies	4,445	4,390
Other expenses	17,895	17,323
Employee expenses	61,433	63,303
Consultancy fees	8,882	9,130
Contract work	74,675	76,023
Finance costs	14,842	15,209
Depreciation and Amortisation	9,334	9,232
<b>Total Operating Expenditure</b>	<b>200,325</b>	<b>203,885</b>
<b>Total Operating Surplus</b>	<b>(1,838)</b>	<b>1,898</b>

**Regional Fund Reserve Forecast** (updated with 2023/24 closing balance)

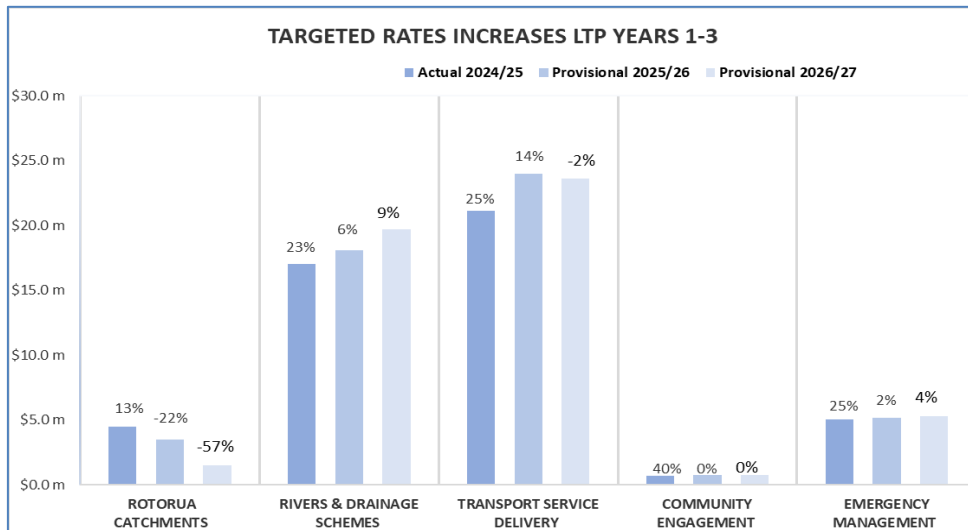
	2024/25	2025/26	2026/27
	Year 1	Year 2	Year 3
	\$000	\$000	\$000
	<b>Regional Fund Reserve – closing balance</b>	<b>5,400</b>	<b>6,300</b>

The LTP included the following actual and provisional rate increases for years 1 to 3:

- Year 2: 8% increase in general rates, 6% increase in targeted rates.
- Total general rates for year 2 is \$48.7 million. General rates for year 1 were \$45.2 million. As a rule of thumb \$450K increase in cost equates to 1% increase in general rates.
- The general rates increase is higher than the operational cost increase, which is averaging 2%. This is partly as a result of the decision to undertake rates smoothing and transition funding for Rotorua Catchments from targeted rates to general rates. The change to funding for Rotorua Catchments accounts for approximately a 4% increase in general rates.
- The decrease in other income is largely attributed to lower expected external interest income as interest rates decrease. The fare review for Public Transport may have an impact on this revenue stream.



- The targeted rate increase in 2025/26 is primarily driven by public transportation rates, which are budgeted to increase by 14%, and partially offset by reductions in the Rotorua Catchments targeted rates.



### 3.1.3 Key Considerations for the Annual Plan 2025/26

As we work on budget version 1 for the November 2024 workshop, the following items are being considered and will continue to be evaluated as we go through stages of the process:

#### **LTP Assumptions**

We are reviewing whether major assumptions, such as inflation and borrowing rates, need to be updated. These will be evaluated with each Reserve Bank Monetary Policy Statement. As Council has both investments and borrowings, interest changes will affect other revenue and expenses which offset each other to an extent.

#### **Public Transport**

The adoption of the National Land Transport Programme (NLTP) resulted in 82% of the Council's original bid being approved.

The total approved NLTP bid for the Council is \$122 million for years 1-3, compared to the Council adopted LTP amount of \$125 million for the same period. Staff are currently working on impact assessments and considerations for the Annual Plan to present to the Council workshop in November.

A review of public transport fares is underway, with a completion date of December 2024. Increases in fare revenue could offset the reduction in NZTA revenue.

#### **Kānoa Funding**

\$20 million in Kānoa funding (covering 60% of submitted project costs) has been confirmed. This capital funding phased over years 1-3, will reduce borrowing for capital works, resulting in savings on interest costs and loan repayments.

Once the funding is fully received, there will be ongoing targeted rate savings (compared to LTP Year 2) of approximately 10% for the Kaituna Rivers Scheme, 14% for the Whakatāne-Tauranga Rivers Scheme, and 4% for the Waioeka-Otara Rivers Scheme. These savings gradually increase to these amounts as the grants are received.

This funding impact is modelled based on the current 80% targeted rates and 20% general funds split for Rivers Schemes. Councillors could consider using this funding to reduce targeted rates funded debt only given the Kānoa Funding intent to address targeted rates affordability. This option will be explored for consideration at the November workshop.

#### **Ōhau Wall**

A Community Technical Panel and Council staff and consultants are working to assess the viable options, costs, benefits and business case for addressing sheet pile corrosion of the Ōhau Wall. This work will enable Council to make informed decisions on the action to be taken, alongside decision making for the 2025/26 Annual Plan. The 2024-2034 Long Term Plan currently includes a budget of \$1.7 million in Year 2 (2025/26), allocated for temporary repair works and this remains a potential viable action.

Once the work outlined above is completed, Council will have the opportunity to consider a range of possible solutions with varying cost and timeframes for delivery.

## Other Amendments

We will incorporate budget amendments approved by Council since the LTP's adoption, also including upcoming capital carry-forwards. Additional work is being completed on projects like the Ōhau Channel Wall repairs, the Regional Park Business Case, and Quayside's request for additional financing for the Rangiora Business Park.

Alongside this there have been external funding requests for the operation of Ōpōtiki Harbour and the University of Waikato's Marine Research and Education Facility.

### Regional Aquaculture, Targeted rate options

#### **(i) Ōpōtiki Harbour**

Ōpōtiki District Council (ODC) has requested funding support for the operation of the recently completed marine facility including harbourmaster, navigation, dredging, environmental monitoring, safety, flood management, etc.

ODC have requested a partnership approach with BOPRC managing these various components. In addition, Kānoa have requested that Council provides a contribution towards immediate dredging costs.

#### **(ii) Marine Research and Education Facility, University of Waikato**

The University of Waikato is investigating funding contributions towards the development of a new marine research and education facility at Sulphur Point, at a current estimated cost of \$40-\$50 million. They have already secured \$10 million and applied for \$20 million through the proposed City Deal with Government. An agreement has been reached to lease the land from Tauranga City Council, and the University has three years to commence construction and a further two years to complete construction.

Consideration is required by Council as to whether there is a BOPRC contribution and the funding source(s). Waikato University has requested to present to Council, and this has been scheduled to align with AP workshop on 13 November 2024.

There is currently no budget in the Long Term Plan for either of these items. If councillors consider funding support is to be progressed, this may require Annual Plan consultation, including on an additional targeted rate for Bay of Plenty Regional Council Ratepayers.

## 3.2 Intent for this Annual Plan

Due to the current environment, it is recommended this Annual Plan is closely aligned with year two in the LTP and a continued focus on delivering for our communities in an effective and efficient way.

Given the rates increases signalled in year 2 of the LTP and current economic climate, Councillor guidance is sought on whether there is a desire to revisit savings opportunities that were identified and declined in the LTP process, further options for rates smoothing, or if there are other options for staff to investigate.

Councillors will have the opportunity for an activity-by-activity savings discussion at the November workshop.

**Guidance sought:**

- Direction on further information required at the November workshop, in addition to that set out in this report as being prepared for that meeting;
- Views and direction on the provisional general rates (8%) and targeted rates increases for year 2 of the LTP.
- Direction on exploring options for the \$20m notified Kānoa funding - application to all sources of funding for river schemes, or targeted rates specifically.
- Direction on possible Annual Plan consultation, including on an additional targeted rate for Bay of Plenty Regional Council Ratepayers for Aquaculture.

**4. Next Steps**

We will take Council guidance and use this to inform the budget setting process and the development of version 1 of the draft budget for 2025/26. This will be available for your consideration at the next AP workshop scheduled on 13 November 2024.

The guidance received at the November workshop will inform the formal papers for consideration at the December 2024 Council meeting.