

ANNUAL PLAN 2025/26

Our plan to meet the challenges ahead

The coming year will be a challenging one for a number of reasons, but I'm confident that the plan we're proposing to adopt is the best option for us to find the balance between cost savings and investment in community infrastructure and facilities to create a growth enabling environment in the Timaru District.

While some of the dual headwinds of high inflation and high interest rates are beginning to subside, changes to central government priorities, major reforms of core council services and one of the most unstable global environments we have seen in years has meant we've had to take a serious look at everything we do.

The issue we're having to start to tackle in this Annual Plan is that we have an operational deficit, this is that our day to day expenses outstrip the income that we generate through rates, fees and charges.

While we could raise rates to a higher level to help close this gap, it is our view the community isn't in the position to support the rates rises this would require.

We've heard the community clearly that they feel we have to 'cut our cloth' so have been working hard to cut costs and increase efficiency to counter the increasing costs we've faced.

While people understandably look at the large projects with large price tags like the Stadium and Theatre, they have a far smaller effect on your rates bills as they are paid off over a long period of time. This means the ratepayers of today aren't stuck paying the full cost of something that generations will benefit from.

The real savings are made at a smaller day-to-day level. Council staff have been working hard to reduce these costs by cutting spending where they can and looking at more efficient ways of doing things. While you may not see a lot of these savings, I can assure you that no stone has been left unturned through the organisation.

For example, we have undertaken a project looking at all the surplus land we own and putting everything we can up for sale. We've also been looking at all the services we use from printers to electricity to IT equipment to see if we're getting the best deal. Another cost saving is looking to minimise the use of contractors and consultants

where we can, and bringing services in house where it makes sense from a financial or service perspective.

This work by council staff is having a positive effect on our bottom line, and due to this we are proposing to bring the 12% planned rates rise in our Long Term Plan down to 9%.

In this plan we also detail some other savings options we have at our disposal. However, these would be more noticeable through reductions in services such as mowing and weeding, shorter operational hours for some of our facilities, and dropping levels of community funding.

We're putting our ideas out there and really want to hear what you think about them. Unfortunately, the only other lever we have when it comes to reducing costs at the council is to reduce its salary costs, so at the moment we're consulting with staff on a significant restructuring of nearly every department. This is a really difficult process for all the staff of the organisation, but unfortunately it's required for the long term sustainability of the council.

As we plan the year ahead, it is with some significant uncertainties in mind, and in an environment of major reform being pursued by central government. We'll be talking about how water services as provided shortly, as well as the future of the resource management act and how we deliver building services.

Local Government is in a period of major change, so it's critical that everyone takes an active role in council processes. Over the next few pages we'll lay out the challenges we face and our suggested solutions to help Timaru District continue to be a great place to live, we really want to hear what you think about them and we welcome any ideas you may have.



Nigel Bowen
Mayor Koromatua

WHAT'S INSIDE:

- Council's plan for 2025/26 and how we are looking to balance progress with affordability
- An update on our major projects and key changes to Year 2 of the Long Term Plan
- Financial and Rates Information

TIMEFRAMES

- **CONSULTATION**
Opens 5pm Thursday
1 May 2025
- **SUBMISSIONS**
Close 5pm Friday
23 May 2025
- **COUNCIL CONSIDERS SUBMISSIONS AT ANNUAL PLAN HEARING**
Tuesday 27 May 2025 (if required)
- **ANNUAL PLAN ADOPTED**
Tuesday 24 June 2025

*Have
your say!*

at timaru.govt.nz/annualplan



Our 2025/26 Annual Plan challenges

THE CHALLENGES EXPLAINED

While the local economy appears to be turning a corner with a reduction in both inflation and now interest rates, there is still significant uncertainty on a global scale which has an effect on the equipment and raw materials that we use every day.

Council’s key challenge is delivering what was planned for 2025/26 while closing our operating deficit and keeping any required rates rise reasonable.

Under current forecasts, delivering our \$78.8M capital work programme, funding our operating costs and providing similar levels of service for the community, will still leave an operating deficit of **\$5.5 million**. Once you add in assets vested in the council, this will give us a small overall surplus of \$109,000.

Although this ‘bottom line’ looks better than the forecast \$4.8 million accounting deficit we were forecasting for 2025/26, helped by the operating cost saving initiatives we put in place throughout 2024/25, we still have a substantial forecast operating deficit for 2025/26.

WHAT IS AN OPERATING DEFICIT?

An operating deficit is a little different to how we normally report any accounting surplus or deficit at the end of a year.

When we refer to our accounting surplus or deficit, this also includes things like subsidies and grants (like the Government funding we will get for the Theatre and Museum Project) and vested assets that are given to council (like CPlay or water infrastructure from developers).

Our operating surplus/ deficit figures only shows how much operating revenue we get, minus the operating expenses we pay, without the addition of subsidies and grants and value of the vested assets.

Are we striking the right balance?

The combination of challenges outlined above has created a funding shortfall or deficit, which means we need for more money to invest in, maintain and operate our services and assets into the future or we need to reduce our spending and investment.

Given this funding shortfall, Council is seeking to strike a balance between:

- maintaining the agreed levels of service to our community
- keeping within financial debt limits agreed in the Long Term Plan
- providing a prudent contribution towards depreciation to cover the cost of replacing community assets.

This Annual Plan and budget is being prepared against an uncertain background with the government’s local water done well reforms, which will lead to significant structural change for water services, even if they remain in house. This will impact Council finances, but we are at this point uncertain of the total impact of this in the term of this Annual Plan.

Council is proposing a 9% overall increase in rates. This increase in rates revenue will be used to:

- Fund planned work programmes in Year 2 of the LTP
- Meet the increased costs of inflation, operational cost for delivering our services and contract escalations to enable provision of Council services at current levels
- Postage costs increase to facilitate the Local Government election and rates mailouts
- Fund increased renewal requirements (depreciation) with around 66% of the new requirements funded in 2025/26 and the remainder by loan
- Cost escalations across the three waters activity due to additional requirements associated with the Local Water Done Well reform.
- Assist in closing the funding gap for the roading activity.

So if this goes ahead, my rates increase will be 9%?

Not necessarily, rates are complex.

Remember the 9% is in the overall increase in the Council’s income on all rates, not from any individual. Your individual property increase may be larger, or smaller depending on

- Where you live
- The services you receive, such as bins or water
- The type and value of your property

FEES AND CHARGES CHANGES

To help close the gap, Council is also proposing increases to fees and charges within the limits of current Council policy.

Fees and charges are used where a group or individual benefits from a Council service more than all residents.

Without fee increases, more of the cost of providing services would fall on the general ratepayer, rather than the user of the service.

WHAT ABOUT COUNCIL DEBT?

We are forecasting our net debt to total \$233 million at the end of 2025/26, compared with \$314 million in the LTP. This reduction is due to some of our big projects, that are debt funded, being behind schedule.

In 2025/26 our debt will be used to:

- Fund part of the increased cost of replacing our assets in future years (in accounting terms this is called providing for depreciation), rather than using rates funding to do all of this in 2025/26
- Fund our capital expenditure

Using debt responsibly to pay for long life assets such as pipes and building new facilities means each generation pays a fair share towards them. However, using debt will not address the underlying operating cost challenges each year and merely postpones the need for a longer-term solution to the ongoing budget gap. Greater use of debt also increases future interest costs. It also reduces our debt headroom available to address any unexpected financial shocks or issues such as natural disasters.

Are there options to just save costs to keep the rates down?

We are already working to reduce our day-to-day expenses while not affecting public services greatly, but there are further options we can take.

These options include:

1.

REDUCING ROADING SPEND TO MORE CLOSELY MATCH GOVERNMENT FUNDING PRIORITIES

A major change announced after the Long Term Plan was adopted were the new funding priorities from Government delivered through their Transport Funding Policy.

The cost of most road works in the district are subsidised by around half through the National Land Transport Programme,

A new focus on pothole prevention and road maintenance meant that other areas of safety and maintenance work that were previously funded was no longer eligible for subsidy, and need more rates funding to continue at current levels

However, there is the option to save cost by aligning our maintenance plan more closely to the Government priorities by reducing funding for certain areas, primarily footpaths, bridges and garden beds and the things that make the streets look tidy.

In the community, this would mean things such as:

- Less maintenance of green spaces alongside roads, less mowing and spraying.
- Less graffiti removal.
- Less footpath maintenance, or footpaths going significantly longer before replacement.
- Less street light maintenance.
- Less snow clearance and ice gritting in rural areas.
- Less maintenance of bridges, mainly in rural areas.
- Fewer Christmas Decorations.

2.

REDUCING SERVICES

This could involve reduction of opening times for facilities, making seasons for summer pools or daily opening times shorter, reducing hours of customer services and increasing time to resolve enquiries.

3.

REDUCING THE AMOUNT OF FUNDING GIVEN OUT VIA VARIOUS FUNDING GRANTS

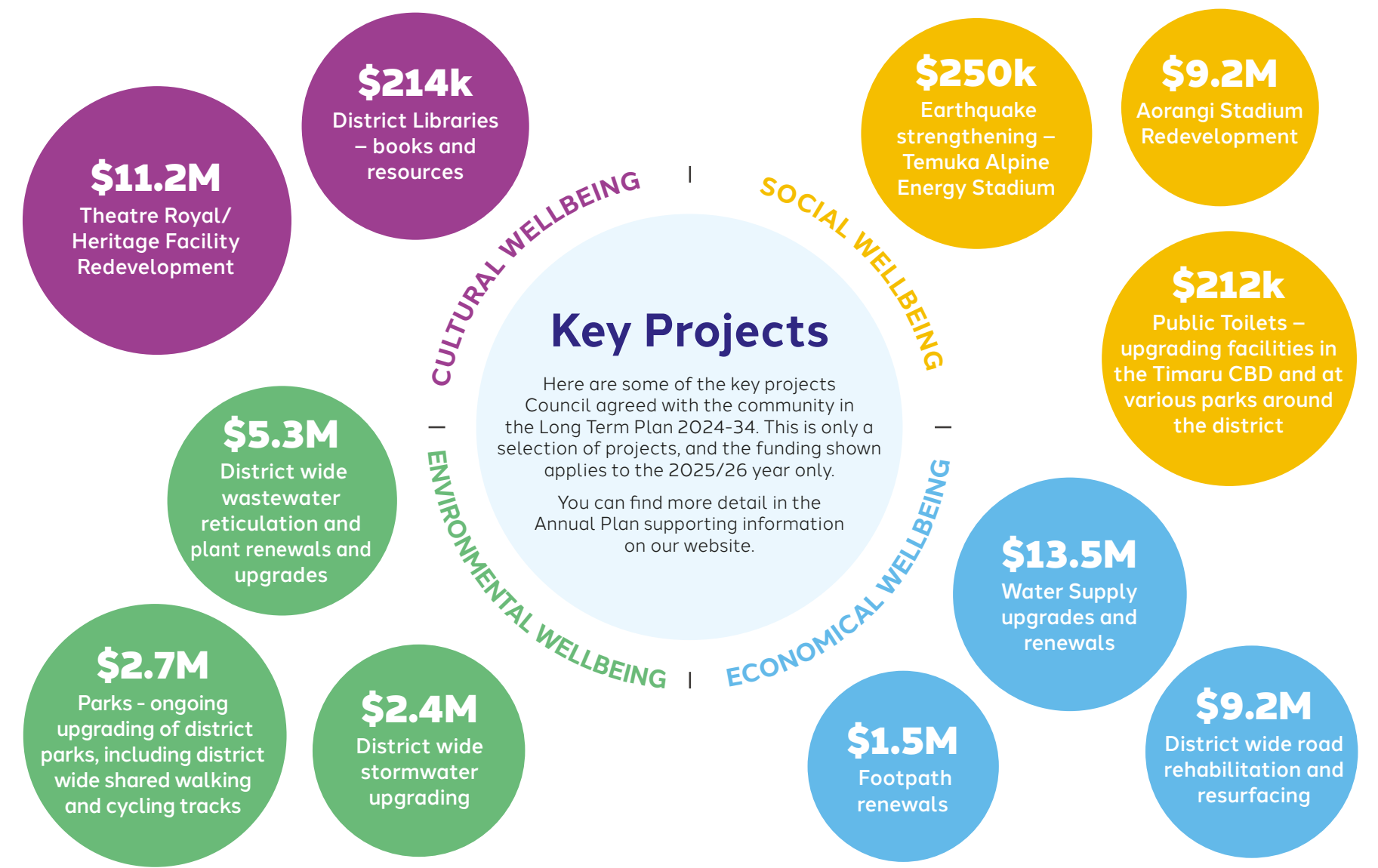
Each year we provide almost \$700,000 to community groups to support a range of activities from events to heritage and natural environmental protection, youth initiatives, support for traffic management and grants for cycleways.

A reduction in these would allow us to reduce our operating expenses each year but may affect the viability of a number of community events and organisations.

You can see a full list of these grants and their value at timaru.govt.nz/annualplan

Council welcomes your views on potential options it could use to reduce this impact for 2025/26 and in developing a longer term solution. Details of how to share your views are available on page 7 or online at timaru.govt.nz/annualplan

What’s planned for the 2025/26 year?



What's changed

Key changes from Year 2 of LTP 2024-34

	Proposed 2025/26	Year 2 LTP
Capital projects programme (@100% delivery assumption)	\$78.8M	\$93.0M
Operating Costs	\$145.8M	\$150.8M

Changes to our capital programme

We're changing some of our capital projects from what was published in the long term plan, this could be pushing some things back a little to the next financial year, reducing the cost or changing the scope. In most cases it doesn't mean the project will cost less overall, just that some of the cost won't arrive in this coming financial year.

These changes amount to a decrease of approximately \$14.1 million from \$93 million to \$78 million. While this this is a large amount, it doesn't come

directly off the day to days cost of councils as capital projects are funded over a long time.

While changes in our capital programme have less of a direct effect on rates bills, better forecasting means we can more accurately calculate the interest and depreciation that's funded through rates. This is why simply stopping any individual project doesn't save the council the equivalent amount of money today.

HERE ARE SOME OF THE MAJOR CHANGES IN THE 2025/26 ANNUAL PLAN:

TIMARU THEATRE ROYAL AND MUSEUM (\$11.2 million ▼ \$13.4 million)

We're moving some of the budget to the 2026/27 financial year to better reflect the staging of the project and when costs will be incurred. This reduces the amount of lending we're forecasting to draw down.

TIMARU WATER TREATMENT UPGRADE – (2025/26) (\$6.8 Million ▲ \$250,000)

The multi-year Claremont Plant Renewal and Upgrades is a major project for the Timaru Urban water network and is planned to cost \$36.7M over 5 years. In 2025/26 we expect to finalise the design, undertake Geotechnical assessments, upgrade the sewer to the site, purchase the membrane installation and start site works which we are anticipating will cost \$6.8M.

GERALDINE WATER RENEWAL (\$200,000 ▼ \$3.8 million)

This has been rephased to a later year due to the additional consents required, and the time it will take to obtain these before physical works will begin.

AORANGI PARK STADIUM UPGRADE (\$9.2 million ▼ \$1.8 million)

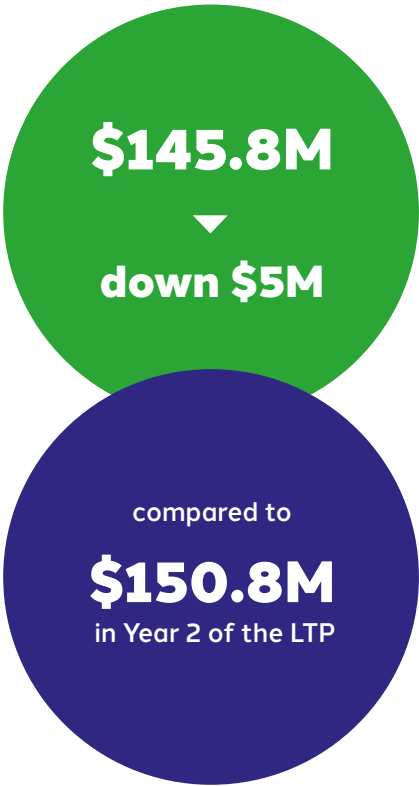
We're moving some of the budget to the 2026/27 year to better reflect the staging of the project and when costs will be incurred.

IT SOFTWARE PURCHASE AND RENEWALS (\$2 million ▲ \$2 million)

This is the installation of an upgraded financial management system and associated council management tools to improve financial planning and reporting.

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A full list of capital projects can be found at [Timaru.govt.nz/annualplan](https://timaru.govt.nz/annualplan)



Changes to Operating costs

Our operating budget provides for the day to day running of all the services council provides such as parks, swimming pools, libraries, waste management, finance functions, customer services, roading and footpaths and water services. It also includes financing costs such as interest rates and depreciation, and Council community funding grants.

These are the day-to-day costs that we meet directly from rates, this means that any increases or reductions that we make have a more significant impact on your rates bill.

- The most significant increases are:**
- \$684k Timaru Stormwater monitoring and swale maintenance cost increase
 - \$401k District Plan Hearings carried forward into 2025/26
 - \$2.6M increase in provision for depreciation.

- The most significant savings we've made are:**
- \$5M decrease in finance costs due to less borrowings for capital projects in 2024/25
 - \$1.4M savings in Theatre Royal operations due to the new facility not being open as planned
 - \$805k decrease in Parks contractor costs due to some maintenance now being done in-house
 - \$635k savings in the Roothing activity due to reduced maintenance spend on footpaths, bridges and vegetation control.

The Numbers – a summary

This is a summary of the key financial information for the proposed 2025/26 Annual Plan (based on Council’s preferred option of a 9% rates increase)

TOTAL OPERATING EXPENDITURE

(including depreciation) – What does Council spend

Activity	\$000’s	% of total
Democracy	\$4,575	3%
Community Services	\$ 12,024	8%
District Planning/ Environmental Services	\$10,413	7%
Recreation & Leisure	\$28,938	20%
Roading	\$36,468	25%
Waste Management	\$14,558	10%
Wastewater	\$12,209	8%
Stormwater	\$5,750	4%
Water	\$16,647	11%
Corporate	\$638	0%
Downlands	\$3,635	2%

**Percentages did not add up to 100% due to rounding.*

You can see more details about what these activities cover in our Long Term Plan at [Timaru.govt.nz/ltp](https://timaru.govt.nz/ltp)

TOTAL OPERATING INCOME

- where does Council’s money come from?

Income type	\$000’s	% of total
Rates (excluding metered water supply rates)	\$ 88,688	60%
Fees, charges and metered water supply	\$ 25,558	18%
Subsidies and Grants	\$ 14,859	10%
Finance Revenue	\$ 3,752	3%
Other revenue (including dividend)	\$ 13,107	9%
Total	\$145,964	100%

Fees and Charges

While a substantial portion of our funding comes from rates, some funding comes from fees and charges for various services. In line with the community feedback to our long term plan, we have been working towards making these more ‘user pays’ rather than subsidised by all ratepayers.

Fees and charges are used for services where users directly benefit more than ratepayers as a whole (e.g. swimming pool charges, building and resource consents, waste disposal fees, dog registration fees, hall hire fees, lease charges

for fishing hut sites, and our social housing rents).

Council is proposing to increase some fees and charges where the cost of operating that activity has increased. If Council does not increase the fees and charges then the extra cost falls to the ratepayer and we need to increase the rates.

Most of the increase are around 10%, including things such as building consents and swimming pool charges. Some of the more significant

increases include halls and facility hire, and water, stormwater and wastewater connection fees.

Some of the fees associated with Council activities are set by legislation, a Bylaw, or require a special consultative procedure to amend them. Because of this some fees cannot increase in Annual Plan years and are amended during Long Term Plan every three years.

You can see a detailed list of the proposed fees and charges at timaru.govt.nz/annualplan



HOW DOES THIS ALL AFFECT RATES BILLS?

Rates are complex and every rates bill is different due to property valuation, location, and type of property. Due to this we can't give you an 'average' rates bill, but we can show you what a rates bill looks like for a typical property in our main centres.

The table below shows the proposed 2025/26 rates for a sample of typical residential properties in urban communities and sample rural and commercial/industrial properties. This is based on Council's preferred option of 9%.

What's the difference between UAGC, General Rates and Targeted Rates?

The **Uniform Annual General Charge** is a flat amount everyone pays (proposed to be \$1,170.52) and covers the cost of providing community amenities, such as libraries, roads, refuse disposal and footpaths.

General rates vary by your land value and property type and cover the things such as Public Responsibility, Arts and Community Amenities, Civil Defence, Environmental Health, Road and Street Landscapes, Economic Development and Promotion and Airport costs not covered by the UAGC.

Targeted rates pay for the services that individuals use, such as drinking water sewer and kerbside rubbish collection. If you don't get these services, you don't pay for them.

Why don't my rates go up by the amount you say?

When we say that we are putting rates up by 9%, this only refers to the overall amount of rates the council collects from everyone. When you split that out over all the different types of property, different land values and different services provided to each property some individual bills may be higher than 9%, some may be lower than 9%. Every rates bill is different.

Residential Property Samples

These samples are based on an individual property with a land value average for the town and that receives 'urban' levels of service such as wheelie bins, water, sewerage and stormwater. This is why the General Rates are similar to the targeted rates.

Land Value (2023 valuation)

General Rates (including UAGC)

Targeted Rates

Total Rates

Increase % over 25/26

Increase \$ over 25/26

Weekly Cost

Daily Cost

Geraldine	Pleasant Point	Temuka	Timaru
Residential	Residential	Residential	Residential
\$ 220,000 (average)	\$ 205,000 (average)	\$ 165,000 (average)	\$ 260,000 (average)
\$1,878.97	\$1,830.67	\$1,701.86	\$2,007.78
\$1,728.17	\$1,443.02	\$1,704.76	\$1,735.43
\$3,607.14	\$3,273.69	\$3,406.62	\$3,743.21
9%	8%	8%	4%
\$291.02	\$255.57	\$260.50	\$146.09
\$69.37	\$62.96	\$65.51	\$71.98
\$9.88	\$8.97	\$9.33	\$10.26

Rural and Commercial Samples

Rural and commercial properties are a lot more complex to give examples of due to the wide range of different types of property. As rural properties get less 'urban' services they often pay a smaller amount of targeted rates. Commercial, Industrial and Accommodation pay a 'differential' (see box) to reflect the commercial gain they make from council services. They often also receive services that attract a targeted rate.

No ratepayer is the same!

Land Value (2023 valuation)

General Rates (including UAGC)

Targeted Rates

Total Rates

Increase % over 25/26

Increase \$ over 25/26

Weekly Cost

Daily Cost

Timaru	Pleasant Point	Rural	Timaru
Primary	Primary	Primary	Commercial/Industrial Accom'n
\$ 510,000 (sample)	\$ 550,000 (sample)	\$ 2,270,000 (sample)	\$ 630,000 (sample)
\$2,272.52	\$2,358.95	\$6,075.48	\$9,979.20
\$1,352.57	\$35.06	\$134.93	\$3,073.51
\$3,625.09	\$2,394.01	\$6,210.41	\$13,052.71
5%	15%	16%	12%
\$173.09	\$308.01	\$838.41	\$1,412.63
\$69.71	\$46.04	\$119.43	\$251.01
\$9.93	\$6.56	\$17.01	\$35.76

What you pay in rates is worked out using a complex system. The key items that influence what you pay in rates are where you live, the services you receive, the property category you belong to and the land value of your property.

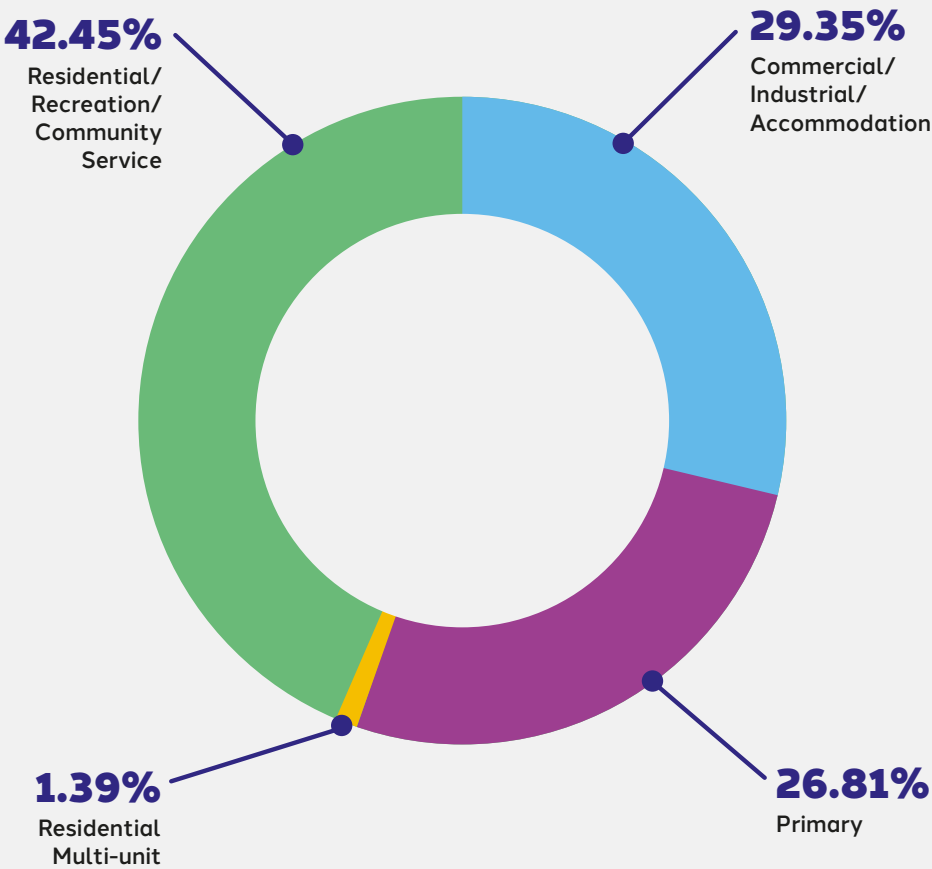
WHAT’S A DIFFERENTIAL?

Differentials are used to fairly allocate the General Rate to different property categories. Council’s policy is to ensure each property category pays about the same overall proportion of the General Rate every time a property revaluation occurs. Residential properties are the basis of these calculations, with different categories paying different multipliers of these.

The current differentials are:

- Residential 1
- Residential Multi Unit 1.93
- Commercial/Industrial/
Accommodation 4.35
- Primary 0.67

Using these multipliers splits the rates pie like this:



REGIONAL RATES

We collect rates on behalf of Environment Canterbury so that you only have to pay one bill. They set their rates independently from Timaru District Council, so are not included here. For more details about their annual plan, visit ecan.govt.nz/annualplan

POLICY AMENDMENTS

Council is also seeking feedback on two proposed minor amendments to its Revenue and Financing Policy, which outlines how Council funds its activities and who pays for them.

The proposed changes are to clauses 6.7, 6.8 and 7.2, relating to how the proceeds of asset sales are utilised.

The full, current policy is available at www.timaru.govt.nz/policies. The full, proposed policy (highlighting changes from the current policy) is available on the Annual Plan consultation webpage on the Council website.

First change

The proposed changes to clauses 6.7 and 6.8 will give Council greater flexibility to reprioritise capital, as well as requiring reasoned decisions for any reprioritisation.

Currently, by default, the proceeds return to the activity associated with the asset. An example: if a road reserve is currently sold, the roading budget would likely receive the income. However, Council may consider that it would be a better use of the proceeds to invest that money in, for example, a water project or paying down debt. This decision will need to consider the decision-making requirements of the Local Government Act 2002.

Second change

The proposed change to clause 7.2 means that the proceeds of asset sales may not fund operational expenditure unless Council specifically resolves in each instance that it is prudent to do so.

The sale of assets to fund operational expenditure is not financially prudent and therefore requires a specific decision of Council to justify this departure. It is proposed that an \$80,000 threshold is set to distinguish between the use of proceeds from high value asset sales, for example property, and lower value asset sales, for example laptops.

We want to know what you think

There are several ways you can have your say – it would be great if you could send your feedback online or by email as this means your views get to us quicker than via the post.

Go online

Go to www.timaru.govt.nz/annualplan and fill in the form.

Email

submission@timdc.govt.nz

Note: all email submissions must contain the submitters’ first name and surname.

Post or deliver

If you can't do it online, please fill in the form at the back of this document and post it back to us for free!

FreePost Authority Number 95136

Annual Plan Submission
Timaru District Council
PO Box 522
TIMARU 7940

or drop it into the Council offices at 2 King George Place, Timaru or one of our Service Centres in Temuka or Geraldine.

Timetable

- **Consultation Opens**
9am Thursday 1 May 2025
- **Submissions Close**
5pm Friday 23 May 2025
- **Council considers submissions at Annual Plan Hearing**
Tuesday 27 May 2025 (if required)
- **Annual Plan adopted**
Tuesday 24 June 2025

We’ll email or phone you to confirm arrangements if you want to speak to your submission.

Even if you do not wish to speak at the Hearing, this is a public meeting, so you are welcome to attend. Details will be in the Courier and on our website.

Submission form

First name*

Surname*

Organisation (if applicable)

Phone (landline or mobile)

Email address*

Postal address*

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Do you want to speak to Council about your submission at the Council Hearing on 27 May 2025?

☐ Yes

☐ No

If you do not indicate, we will assume you do not wish to speak
*we require your name and email or postal address.

Submissions are public information

All submissions are public information and will be included on Council’s website and/or in public documents located at Council offices and Libraries/Service Centres. This will include your name and, if applicable, the organisation you represent.

The contact information (phone number and/or email address and/or postal address) that you provide will be accessible to and used by Council staff only for feedback administration purposes; it will not be made publicly available. However, the content of any attachments that you provide with your feedback - including any private and contact information - may not be redacted.

Please contact us via submission@timdc.govt.nz if you have any questions about this, before providing your feedback.

All information is held by Council in accordance with the Privacy Act 2020. You have the right to access and correct personal information.

Nothing in this Privacy Statement overrides, or will prevent Council meeting its obligations under, the Local Government Official Information and Meetings Act 1987, or any other relevant legislation.

Q1. What do you think about changing our roading programme to better match Government policies, rather than directly fund a higher level of service (2025/26)?

☐ Proceed with the planned roading programme and directly fund a higher level of service.

☐ Reduce Council funding to match Government priorities reducing maintenance of green spaces alongside roads, mowing and spraying, graffiti removal, footpath maintenance, maintenance of bridges, mainly in rural areas, and Christmas decorations.

Tell us more about your choices above. If you think Council should reduce subsidised or unsubsidised activities, tell us what you think could be reduced.

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Q2. How much funding should Council allocate to the Community Events, SNA, Heritage Protection, Youth Initiatives, Temporary Traffic Management and Cycleways Grant Funds?

☐ Keep the funding at the levels budgeted (\$700k)

☐ Reduce the funding by \$130K across all of the grants

☐ Push pause on all of the Community Funding for 2025/26

Tell us more about your preferred choices

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Q3. Should we reduce services across council facilities such as pools, libraries and customer services?

☐ Keep things the way they are.

☐ Reduce service levels to save money.

☐ Increase service levels and cost to provide more services.

Q4. Are there any options you think Council should not consider at all?

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Q5. Do you have any thoughts on the proposed changes to the Revenue and Financing Policy?

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Any other comments or feedback?

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