

DRAFT



Have your say on our draft Annual Budget for 2025/26

pncc.govt.nz/annualbudget



**PAPAIOEA
PALMERSTON
NORTH
CITY**

Matawhānui Papaioea
Palmerston North vision



**He iti rā,
he iti pounamu**

**Small city benefits,
big city ambition**

Whāinga 1:
He tāone auaha,
he tāone tiputipu

**Goal 1:
An innovative
and growing city**

Whāinga 2:
He tāone
whakaihiihi,
tapatapahi ana

**Goal 2:
A creative and
exciting city**

Whāinga 3:
He hapori
tūhonohono, he
hapori haumaruru

**Goal 3:
A connected and
safe community**

Whāinga 4:
He tāone toitū, he
tāone manawaroa

**Goal 4:
A sustainable
and resilient city**

Kia ora koutou,

We know times are still tough for many, with rising costs affecting households and businesses alike.

While inflation is easing and the Council's interest rates have dropped, we're still managing significant cost increases in areas like electricity, infrastructure, roading, gas, insurance, new government levies, and reduced transport funding from NZTA. That's why we're focusing on the things you've asked us to keep doing – and sticking closely to what was planned in Year 2 of the Long-Term Plan.

We've worked hard to find savings and keep this year's total rate increase as low as possible. By carefully reviewing services and projects, we've been able to bring the rate increase down further than what we originally proposed in the Long-Term Plan.

Some costs are unavoidable and are being passed down to local councils by the Government. The biggest of these is the new \$400,000 levy for Taumata Arowai, the national water regulator, and a further \$100,000 levy for (water) economic regulation.

This year, we're proposing a total rate increase of 7.7%. However, this doesn't mean every rates bill will increase by this percentage. The changes will vary depending on factors like recent property revaluations by QV and the second year of shifting more of the rates calculation to be based on a property's capital value instead of land value.

We understand some people might expect lower rates if their property value has dropped. However, this isn't always the case. The updated property values, as of 1 September 2024, are only used to fairly distribute rates based on property worth. Lower property values don't change the total amount of money the Council needs to provide city services, which has increased by 7.7%.

Despite these challenges, we're committed to delivering projects that support Palmerston North's future.

From maintaining community facilities to improving essential infrastructure, these investments ensure our city continues to grow in ways that benefit everyone.

This document outlines the key points of the Annual Budget for the year ahead, and we want to hear from you. What matters most to you? Your feedback will help shape our final decisions.

To make a submission, visit pncc.govt.nz/annualbudget

You can also pick up a hard copy of the submission form at any of our libraries or the Customer Service Centre at 32 The Square.

Grant Smith ^{JP}
Mayor



We've achieved a lot over the last year



Upgrading roads and pipes

We've made big strides in upgrading our roads and water systems. Railway Road, a key freight route, has been rebuilt to handle heavy vehicles for the next 30 years. We're nearing completion of the Amberley Avenue Bridge replacement, improving truck access and keeping traffic flowing. Around 80 bus shelters were upgraded for comfort, and new pedestrian-controlled traffic lights were installed on Pioneer Highway for safer shopping access.

Major water pipe upgrades were completed in a number of locations, including along Ruahine Street, Church Street, Victoria Avenue, and North Street, improving drinking water, wastewater, and stormwater systems.



New animal shelter

Te Whare Kouru, our new and purpose-built animal shelter, is officially open. It now meets all legal requirements and provides a safer, healthier space for animals in our care.



Play and fitness spaces

The Chippendale Reserve playground got a fun makeover with new equipment, while other parks received cosmetic upgrades. We also added an outdoor gym near He Ara Kotahi Bridge, encouraging fitness along our awa.



Housing progress

We've consulted on re-zoning land at Roxburgh Crescent and housing density options to meet growing demand. Stage 2 of Tamakuku Terrace is on track, with 35 new sections coming soon to Whakarongo/Kelvin Grove.



Upgraded facilities

Key facilities have been refreshed or newly built: Kelvin Grove Cemetery toilets, Guilford Street toilets in Ashhurst, He Ara Kotahi pathway toilets, and upgraded changing rooms at the Lido Aquatic Centre.



Making recycling easier

We've added polystyrene to the list of materials accepted at the Ferguson Street Recycling Centre. In just one month, 760kg of polystyrene was dropped off to be recycled into products like picture frames.



Supporting community groups

We've increased funding to community groups to help make Palmy an even better place to live, work, and play. From boosting the Creative Communities Scheme to enhancing Strategic Priority Grants, we've been empowering local groups to deliver projects and initiatives that make our city more creative, vibrant, and full of life.

We've got some big projects coming up



Recycling equipment upgrade

To keep up with our city's recycling efforts, we're upgrading some of our machinery. This will help us sort and process recyclables more efficiently, reducing waste and ensuring our recycling system is future-proof.



Safety upgrades to roads and bridges

We're making key safety improvements across the city, including along Stoney Creek Road, Mihaere Drive bridge, and putting a retaining wall along Kahuterawa Road to prevent washouts.



Cemetery work

We'll continue extending the Kelvin Grove Cemetery burial area and are planning for future expansion.

Stormwater improvements and flood protection

We're investing over \$2.5 million in city-wide stormwater upgrades and flood mitigation to protect our homes and businesses during heavy rainfall.



A new multi-use facility at the Central Energy Trust Arena

The Central Energy Trust Arena is set to get a new multi-use facility on the corner of Cuba and Pascal Streets. This will provide much-needed room for indoor sports and events, giving our community even more opportunities to stay active and connected.

Infrastructure for future growth

In the Kikiwhenua area, we're committing \$4.3 million to roads, drainage, and a bridge to pave the way for new housing and future development in this growing part of the city. We're also installing a new water supply bore on Milson Line, and one in Longburn to support future growth and development.



A civic marae and cultural centre at Te Motu o Poutoa - Anzac Park

As part of our Long-Term Plan for Palmy, we're going to be restoring the mana and identity of Te Motu o Poutoa – Anzac Park, one of our city's most significant sites, while creating a space for everyone in the community to enjoy.

The planned facility will feature a public café, a civic marae, and spaces for private events. It will also have an educational focus, making it an ideal destination for school trips and a great place for locals to bring friends and whānau.

Upgrades to some community facilities

Our Pasifika community is growing, and so are their needs. The expansion of the Pasifika Community Centre will take place this year and provide more space and resources to support cultural events, gatherings, and initiatives, strengthening this important part of our city's identity.

We're currently seeking feedback on the future management structure of this facility.

Our preferred option is to establish a stand-alone Council-Controlled Organisation (CCO) charitable entity with equal governance by us and Rangitāne o Manawatū.

Find out more at pncc.govt.nz/civicmarae

Key considerations for the year's budget

Interest rates

In the Long-Term Plan we assumed the average interest rate for Council's debt would be 5% for the coming year. Like most homeowners the Council has some of its debt at fixed interest rates and the rest at floating rates. This means the Council is now able to take advantage of lower market rates and reduce our assumed interest rate to an average of 4.4%. These lower interest rates mean paying less interest.

Energy costs

Electricity and gas prices continue to rise at rates that significantly exceed the consumer price index (CPI) and the assumptions we made in the Long-Term Plan. We do have some renewable energy at our water and wastewater plants though, which helps to operate them and save costs.

Insurance

Insurance costs are continuing to rise significantly across the country. Having comprehensive insurance on the Council's valuable infrastructure is critical, as recent cyclone damage in other regions and cities has made clear.

Less funding for transport projects

Central government has changed its priorities for transport spending and this has meant the Council will receive less from NZTA than we had been assuming. As a result, we have had to re-prioritise transport programmes and in particular, cut those relating to shared pathways and cycling network improvements. See more detail on next page.

Focus on reform of water activities

Council is working hard to complete all of the new legislative requirements of the Government's 'Local Water Done Well' programme for reform of the water industry. From a budget perspective this focus on the future is not diverting the Council perspective from continuing to provide appropriate water, wastewater and stormwater services for 2025/26, including the capital investment programmes outlined in the Long-Term Plan.

Balancing maintaining services and the costs to ratepayers

We know times are tough for many people right now, so we're focused on sticking closely to what was proposed in the Long-term Plan while finding more cost-effective ways to deliver services. On page 14, you'll find examples of the proposed rates. Rates for an average residential property are \$3,587 or \$68.98 per week. To put that in perspective, the average household income for 2024 is estimated to be \$126,583, and the current after-tax superannuation for a couple is \$41,768 per year.

What's changed since the Long-Term Plan was adopted

Operating revenue and expenses

The overall operating revenue and expenses proposed for 2025/26 are very similar to the LTP. However, some key elements of the operating expenses have changed, including:

- Lower interest rates have meant a \$2.1m reduction in budgeted interest costs.
- These have been offset by rises in a range of operating costs and making provision for additional government levies to pay the government's costs of undertaking water quality and economic regulation for the new management arrangements for water operators.
- Deferring the planned programme to prepare a feasibility study for a 50 metre swimming pool and deferring the programme to set up a CBD security monitoring centre until a feasibility study is completed.

Capital expenditure

The proposed capital expenditure programme for new investment works at \$115.7m is \$9.8m less than proposed in the LTP for 2025/26. The largest part of this reduction is for the transport activity.

The government's change of focus for transport means that NZTA will not provide the subsidy Council had assumed would be provided to enable it to continue its programme of shared pathways and cycling network provision. In particular, the following programmes have been removed from the 2025/26 budget:

- Tennant Drive safety improvements (\$1.02m)
- Cycling network improvements (\$2.55m)
- Public transport network improvements (\$0.51m)
- New shared pathways & link improvements (\$2.04m)
- New footpaths (\$0.51m)
- Village roading upgrades to urban standard (\$1.224m)
- Bridge improvements (\$0.82m)
- Low cost/low risk and Road to Zero transport improvements (\$4.1m)

Despite the lack of subsidy, the Council has decided to prioritise the following:

- Footpath renewals (\$1.1m)
- Slip prevention of shared pathways (\$0.31m)
- Safety improvements on Kelvin Grove Road (\$3m)

In addition, it is proposed that \$3.7m be brought forward from 2027/28 to upgrade Cliff Road, in conjunction with the development of Te Motu o Poutoa.



Key points of the Annual Budget for 2025/26

Lower interest rates have allowed for a total rates increase of 7.7% (less than the planned 8.9%), even though some costs have risen more than expected and transport subsidies from NZTA are much lower than planned.

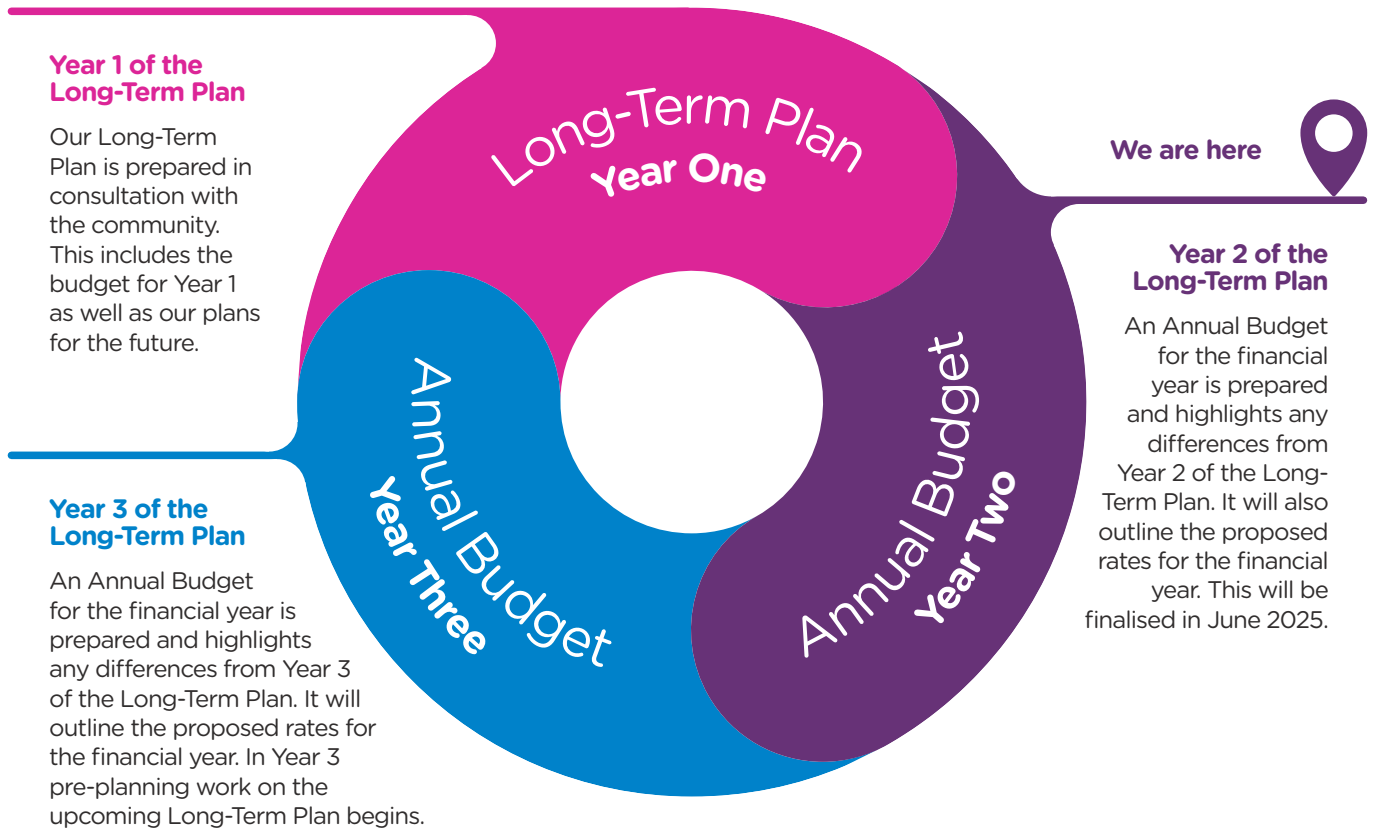
Overall revenue and expenses are budgeted to be at similar levels to what was planned for Year 2 of the Long-Term Plan adopted last year.

The Council's net debt by 30 June 2026 is now forecasted to be \$366 million, which is unchanged from what was previously estimated.

Residents will continue to receive a similar service from Council, but due to reduced funding from NZTA, the Council has had to cut a number of previously proposed transport improvements (see page 9 for details).

The Council has reviewed its planned capital projects, with most remaining on track, except for some transport projects that were cut due to reduced external funding (see page 9 for details).

Our budgeting process



What is a Long-Term Plan?

The Long-Term Plan is designed to bring our vision and goals to life, and covers the services we provide, upkeep of the city's infrastructure, and new projects that'll make our city an even better place to live in.

We prepare a new Long-Term Plan in consultation with our community every three years.

What is an Annual Budget?

Every year we prepare an Annual Budget (Annual Plan) that sets out what we plan to do in the current financial year and how this will impact your rates and Council's debt. Our Annual Budgets are based on our Long-Term Plan which sets out what Council will do for residents over a ten-year period.

Last year we adopted our 2024-2034 Long-Term Plan, which is the basis for this year's Annual Budget (Year 2).

This year, we're proposing a total rates increase of 7.7 per cent.

However, this doesn't mean every rates bill would increase by exactly that amount. The changes will vary for each property.

We can't give a general estimate for individual rate changes because rates for 2025/26 will be affected by:

- New property valuations that were recently updated
- The second step of introducing a new targeted rate based on capital value
- The levels of fixed charges for water, wastewater and resource recovery

More detail about each of these elements is provided below.

Find out how much your rates could be at pncc.govt.nz/propertysearch

How your updated property valuations affect 2025/26 rates

Property owners received their updated property rating valuations in December 2024. These were carried out by independent valuers Quotable Value (QV) and for many properties, especially residential ones, they have reduced. This reflects the drop in the property market since the last revaluation in 2021.

These lower property values don't automatically mean lower rates. The Council still needs to collect enough income to continue to provide essential services for the city.

Because property values haven't changed evenly across the city, the Council has decided some adjustments need to be made to the rating system. These changes ensure rates are distributed fairly between different groups of ratepayers. Without these adjustments, businesses and commercial property owners would have ended up paying a much larger share of the total rates.

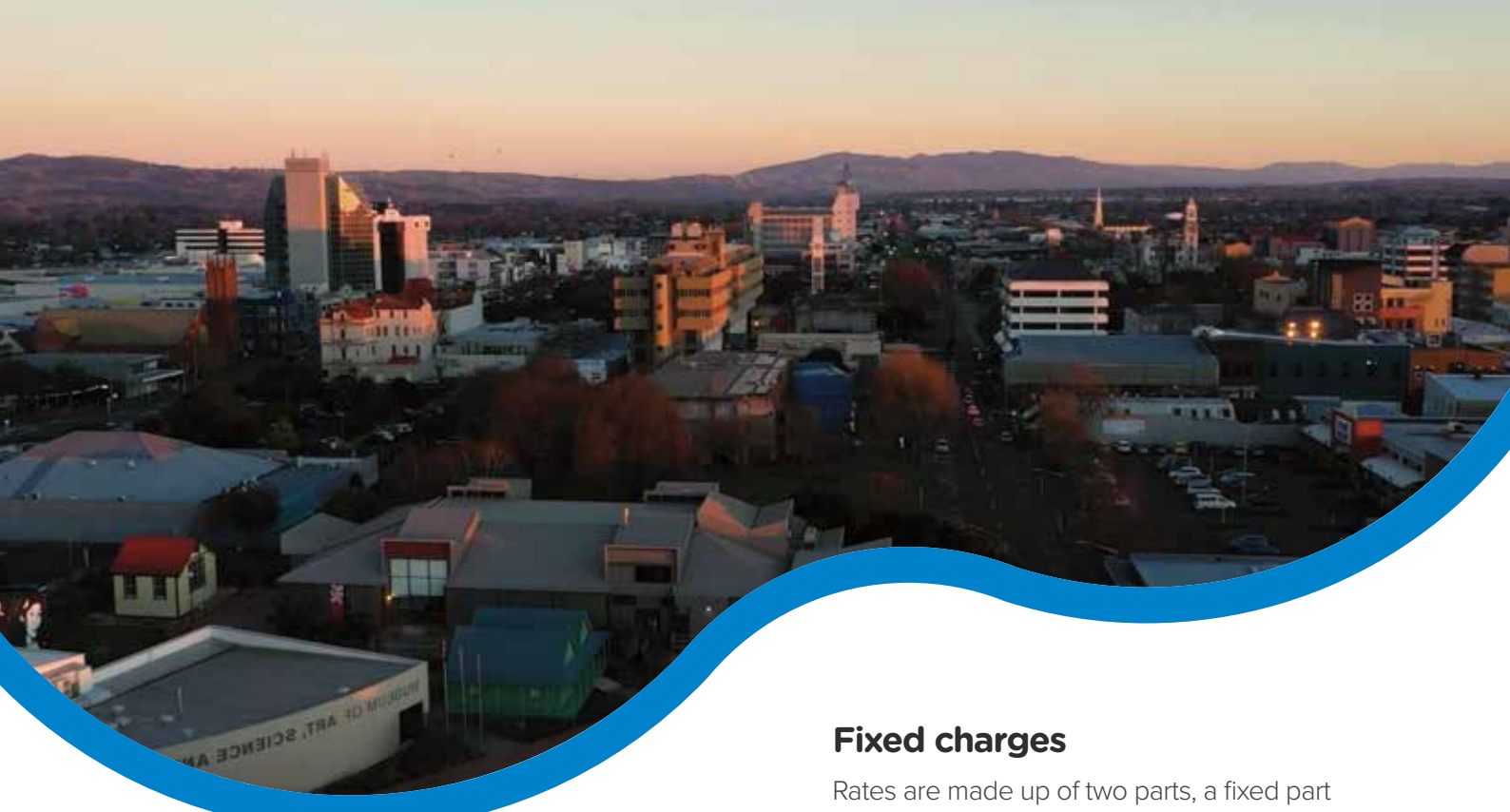
A greater share of your rates is based on your property's capital value

The Council is gradually changing how some rates are calculated, following public feedback last year. A new targeted rate for Transport and Economic Development is now based on a property's **capital value** (the value of land plus buildings), while the general rate remains based on **land value**.

We're in the second year of this three-year transition, which will be fully in place for the 2026/27 year.




For properties with high capital values compared to their land values, this change means rates will increase more than average again this year.

It also means that some properties (where the capital value is not much higher than the land value) will have a lower than average increase, and a small number will see a reduction in rates.



Fixed charges

Rates are made up of two parts, a fixed part (which is the same for each property) and variable parts, based on the land and capital values.

	Charge 2024/25	Proposed Charge 2025/26	
 Uniform Annual General Charge (UAGC)	\$200	\$300	Pays for all other Council services and acts as a way of ensuring that all properties contribute a more equal share of cost rather than it all being based on the land or capital value
Water	\$415	\$500	The cost of providing water 
 Wastewater	\$375	\$403	The cost of treating and discharging of wastewater
Kerbside Recycling	\$144	\$189	The cost of your kerbside mixed and glass recycling 
 Rubbish and Public Recycling	\$51	\$76	General rubbish and recycling costs including recycling drop-off stations, cleaning up illegal dumping and community education

Here are some examples of rates you may pay for your home or business

	Single Unit Residential				Two Unit residential			
Land Value	\$260,000	\$330,000	\$352,000	\$410,000	\$315,000	\$380,000	\$436,000	\$475,000
Capital Value	\$495,000	\$580,000	\$630,000	\$720,000	\$560,000	\$640,000	\$818,000	\$781,000
	Quartile 1	Median	Average	Quartile 3	Quartile 1	Median	Average	Quartile 3
General Rates \$ <small>Incl. UAGC of \$300</small>	1,390	1,683	1,775	2,018	2,118	2,493	2,816	3,041
Targeted Rates based on CV \$	506	593	644	736	904	1,033	1,320	1,261
Targeted Rates for services \$	1,168	1,168	1,168	1,168	2,336	2,336	2,336	2,336
Total Proposed Rates \$	3,064	3,444	3,587	3,922	5,358	5,862	6,472	6,638
Increase \$ above 2024/25	122	64	131	123	121	126	487	221
% increase	4.1	1.9	3.8	3.2	2.3	2.2	8.1	3.4

	Non-Residential (Commercial/Industrial)				Miscellaneous			
Land Value	\$385,000	\$640,000	\$1,087,000	\$1,200,000	\$243,000	\$530,000	\$942,000	\$1,000,000
Capital Value	\$640,000	\$1,100,000	\$2,510,000	\$2,430,000	\$410,000	\$750,000	\$2,144,000	\$1,535,000
	Quartile 1	Median	Average	Quartile 3	Quartile 1	Median	Average	Quartile 3
General Rates \$ <small>Incl. UAGC of \$300</small>	5,349	8,694	14,556	16,038	1,575	3,080	5,242	5,546
Targeted Rates based on CV \$	1,722	2,959	6,752	6,537	551	1,009	2,884	2,065
Targeted Rates for services \$	479	479	479	479	76	76	76	76
Total Proposed Rates \$	7,550	12,132	21,787	23,054	2,202	4,165	8,202	7,687
Increase \$ above 2024/25	94	445	2,004	2,034	172	614	2,128	1,537
% increase	1.3	3.8	10.1	9.7	8.5	17.3	35	25

	Rural/Semi-serviced (between 0.2 + 5Ha)				Rural/Semi-serviced (5Ha or more)			
Land Value	\$415,000	\$485,000	\$513,000	\$560,000	\$475,000	\$680,000	\$1,284,000	\$1,170,000
Capital Value	\$850,000	\$1,100,000	\$1,128,000	\$1,320,000	\$561,000	\$1,073,000	\$1,640,000	\$1,718,000
	Quartile 1	Median	Average	Quartile 3	Quartile 1	Median	Average	Quartile 3
General Rates \$ <small>Incl. UAGC of \$300</small>	1,606	1,827	1,915	2,063	923	1,192	1,985	1,835
Targeted Rates based on CV \$	686	888	910	1,065	264	505	772	809
Targeted Rates for services \$	76	76	76	76	76	76	76	76
Total Proposed Rates \$	2,368	2,791	2,901	3,204	1,263	1,773	2,833	2,720
Increase \$ above 2024/25	556	660	679	803	218	339	459	531
% increase	30.7	31	30.6	33.4	20.9	23.6	19.3	24.3

Non-residential examples do not include any rates for wastewater based on the number of toilet pans or water charged by meter. The proposed charge per pan is \$403. Metered water is charged on the basis of a fixed amount (depending on the size of the connection) and the balance by volume used. Increases are proposed for metered water. The examples do not include the rate for central city commercial properties to fund the Palmy BID.



What your rates cover each week

This is based on a residential property with a land value of \$352,000 and a capital value of \$630,000.

\$10.04

14.55%

Recreation and play



\$9.62

13.95%

Water



\$5.09

7.38%

Resource recovery



\$4.95

7.18%

Arts and heritage



\$4.86

7.05%

City library



\$3.00

4.35%

Economic development



\$2.56

3.71%

Stormwater



\$1.26

1.83%

Community safety and health



\$1.24

1.8%

Active and public transport



\$7.75

11.24%

Wastewater



\$6.94

10.06%

Roading



\$ 3.66

5.31%

Community support



\$3.44

4.99%

Governance and active citizenship



\$3.04

4.41%

Housing



\$1.16

1.68%

Biodiversity and the Manawatū river



\$0.60

0.87%

Climate change and sustainability



\$0.49

0.71%

Urban design



(\$0.72)

-1.07%

Organisational performance and strategic investments

*surplus

= \$68.98

per week for the average ratepayer



Understanding the Annual Budget

Think of the Annual Budget as our city's to-do list for the year ahead. It outlines how your rates money will be used to keep Palmerston North running smoothly, ensuring we meet both current needs and plan for the future.

What does the Annual Budget do?

The Annual Budget is all about smart financial planning. It helps us determine how much money we need and where it should go. This means funding essential services like maintaining roads, parks, and community facilities, while also preparing for future growth. It shows how we'll pay for these priorities, whether through rates, fees, or other funding sources.

Connecting with our Long-Term goals

While the Long-Term Plan sets the big picture, the Annual Budget zooms in on the year ahead. It adjusts to address any new challenges or opportunities that have come up.

What the Annual Budget means for me

The Annual Budget makes sure we're investing in the things that matter most to our community – from improving transport and providing safe water to supporting local events and keeping Palmy vibrant and welcoming. It's how we stay on top of the essentials, make progress on big projects, and create a city we're proud to live in. Your input helps us get it right, so make sure you have your say.

Fees and charges review

As part of setting the city's budget, we review fees for services where users, rather than all ratepayers, cover the cost - such as dog registrations, sports field hire, and building consents.

To keep these services running smoothly and cover rising costs, some fees will need to increase from 1 July 2025. We've aimed to keep changes reasonable while ensuring the costs are shared fairly.

For example, parking fees will increase to \$2.50. With a lot of our parking revenue coming from visitors rather than residents, this helps reduce pressure on rates.

We're also seeking feedback on proposed changes to trade waste fees and planning and miscellaneous charges.

For more information, head to pncc.govt.nz/fees



There are different types of rates

Targeted rates

Targeted rates are paid by ratepayers who receive a specific service – for example:

- Drinking water for properties connected to the city supply
- Wastewater treatment and discharge for those connected to the city's network
- Kerbside and public rubbish and recycling
- Business improvement initiatives for commercial ratepayers within the central city district (known as BID).

In addition, the Council charges a targeted rate on all properties to fund economic development, transport, housing, urban design and part of the cost of recreation and play.

General rates

General rates are paid by all ratepayers to fund services provided by the Council that are not covered by a specific fee (e.g. for building or resource consents, dog registration or parking) or targeted rate. These services include things like:

- Parks
- Libraries
- Pools
- Emergency management (Civil Defence)
- Community services
- Cultural facilities
- Street cleaning
- Stormwater

The Council also charges each property a Uniform Annual General Charge (UAGC) of \$300.

Have your say

We've been working through this process, now we need to hear from you.

Our submission form includes specific questions, but we're open to hearing any ideas or feedback you'd like to share.

If you prefer, you can also speak directly to elected members at a hearing. Once we've reviewed all submissions, we'll consider any final adjustments before approving the Annual Budget in June.

Contact us



Online

pncc.govt.nz/annualbudget
@ **f** @PNCityCouncil



Phone us

06 356 8199



Talk with a Councillor



Visit us

Come to a drop-in session or attend a hearing

Key dates

17 March

Submissions open

17 April

Submissions close

30 April - 1st May

Hearings

14 May

Council considers submissions and draft budget amendments

4 June

Council adopts Annual Budget

Come to a drop-in session

Friday 21 March, 11am - 12pm

Customer Service Centre

Sunday 30 March, 10:30am - 11:30am

Central Library

Monday 7 April, 11am - 12pm

Customer Service Centre

Hearings

Wednesday

30 April

Thursday

1 May

Chat to one of the decision makers, aka **our Elected Members**

Grant Smith ^{JP}

Kahika Mayor

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mayor@pncc.govt.nz



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Kahika Mātārua Deputy Mayor

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Annual Budget Submission Form



All submissions may be made publicly available on our website, customer service centre and some of our libraries. This means you may want to be more careful about what private information you share in your submissions about your circumstances. Your contact details (but not your name) are confidential and will not be published. Elected Members receive all submissions without contact details so they can consider the views and comments expressed.

We collect your contact information so we can keep you up to date.
For more information, see our privacy statement on our website.

**Have your say by 4pm,
Thursday 17 April**

Your details

Name

Organisation you represent (if relevant)

Address

Phone

Email

Signature

If you would like to make a personal presentation in support of your submission at one of our hearings to the Mayor and Councillors, please select your preferred date and time:

Wednesday 30 April

Morning

Afternoon

Early evening

Thursday 1 May

Morning

Afternoon

Early evening

You can get your submission to us in any of these ways

Online

pncc.govt.nz/annualbudget

Email

submission@pncc.govt.nz

Phone

06 356 8199

Freepost

Annual budget submissions
Palmerston North City Council
Freepost PX33317
Palmerston North DX Sort

Deliver to

Customer Service Centre
Civic Administration Building
Te Marae o Hine -
32 The Square
Palmerston North

or to any Council library

What are your thoughts on our proposed Annual Budget 2025/26?

What, if anything, would you like to see changed?

Are there specific activities or services we should be considering more or less of, and why?

Do you support our preferred option for managing Te Motu o Poutoa Civic Marae and Cultural Centre?

We're proposing a stand-alone Council-Controlled Organisation (CCO) charitable entity, jointly governed by the Council and Rangitāne o Manawatū.

Find out more at pncc.govt.nz/civicmarae

PALMY™

PAPAIOEA
PALMERSTON
NORTH
CITY



**Submissions close at
4pm on Thursday 17 April**

Te Kaunihera o Papaioea
Palmerston North City Council

pncc.govt.nz / info@pncc.govt.nz / 06 356 8199