



**PAPAIOEA**  
PALMERSTON  
NORTH  
CITY

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# **PALMERSTON NORTH CITY COUNCIL**

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**AGENDA  
MINUTES ATTACHMENTS  
COUNCIL**

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**9:00 AM, WEDNESDAY 10 DECEMBER 2025**

COUNCIL CHAMBER, FIRST FLOOR  
CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH

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## **COUNCIL MEETING**

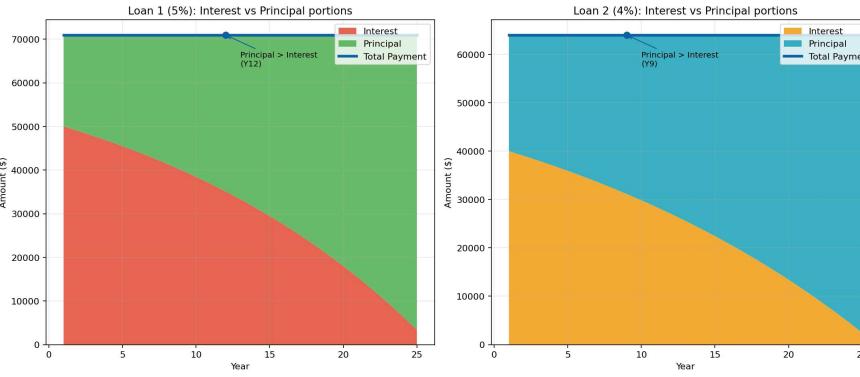
**10 December 2025**

### **11 Annual Budget 2026/27**

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| 1. | Elected Member questions - Annual Budget 2026-27 | 4 |
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Officer Comments for Annual Budget 2026/27 - responses to questions from Elected Members

Q #	Question:	Comment/Response:
1	<p><b>Cr. Wood:</b>            Repayment costs are higher than anticipated in the LTP, and \$3.2M higher than this year's budget. Given we've borrowed less than anticipated (this is confirmed in 5.3 on page 164 that the level of debt is lower than expected hence the lower interest cost). So my assumption is the higher debt repayment figure is due to early repayment of debt? If so can I please get a break down of how much debt repayment is critical and how much is additional? If I'm not correct could I get an understanding of how with lower debt than expected our debt repayments are higher than anticipated?</p> <p>Officer Reference: Debt repayment costs (pg. 159)</p>	<p>Council's algorithm for the calculation of interest &amp; debt repayment is based on a table mortgage. A table mortgage assumes a constant payment (interest plus principal) over the life of the mortgage. Council's policy is the term assigned to each capex programme funded from debt is either the life of the key components or 30 years, whichever is the longest.</p> <p>In the early years of a loan the interest component of the annual payment is large and the debt repayment component is small. Throughout the term the interest component progressively reduces and the debt repayment component increases.</p> <p>Our interest rate assumption for the LTP was 5% and it has been revised to 4% for the draft annual budget.</p> <p>Lowering the interest rate assumption has the effect of increasing the debt repayment component in the early years of the loans.</p> <p>This is demonstrated by way of example in the following graphs where it can be seen that the principal component of the annual payment exceeds the interest component by year 12 of a 25 year term (at 5%) but by year 9 (at 4%).</p>

	 <p>We will review our budgeted debt repayment provision calculation at each step in the process and in particular in May once we have a better understanding of the likely capex carry forwards from 2025/26 as this will likely lead to a revision, probably downward, of our opening debt assumption.</p>
2	<p><b>Cr. Wood:</b> Can I understand why on page 173 capital subsidies and grants are \$29M lower than expected, but expenditure is only \$7M lower than expected, is this primarily NZTA grants or is there a combination of factors at play here? I know we are filling the NZTA gap, but I didn't think it was as high as \$23M?</p> <p>Officer Reference: Capital subsidies and grants (pg. 173)</p> <p>The main reductions are:      Nature Calls - \$4.3M (LTP Assumed IFF Funding)      Stormwater Growth (Aokautere) - \$3.2M (assumed funded from developers)      Aokautere Reserves Purchase - \$2.7M (assumed funding from developers)      Te Motu o Poutoa - \$2.0M      NZTA Funding reduction for Roading Programmes - \$11.5M      NZTA Funding reduction for Active &amp; Public Programmes – \$5.7M</p> <p>Net Increase on Remaining Roading &amp; Active Transport Programmes - (\$0.1M)      Additional funding relating to Better off Funding for Water Upgrades - (\$0.3M)</p> <p>It is important to note that Council is not funding the entire gap left by the reduction of NZTA Funding. There were many programmes that were delayed because of the lack of funding, however there were some reallocations of the funding that was provided to enable Council to still progress priority</p>

	<p>programmes. These reallocations and delays were confirmed at the 6 November 2024 Council Meeting. At the same meeting, Elected Members also provided Council funding to ensure the Footpath Renewal Programme continues. This allowed the remaining NZTA funding in Active &amp; Public Transport to be allocated across the balance of the programme of works covering Shared Pathways, Public Transport and Cycleways.</p> <p>The Expenditure reduction of \$7M does not relate to the reduction in the capital subsidies. The capital subsidies are reducing as a result of the lower than planned capital programme for 26/27.</p>
3	<p><b>Cr. Wood:</b>            My usual question on investment properties, on page 186 Investment properties generate \$370K in income and cost \$501K in expenses, why do we continue to own "investments" that cost us money. I appreciate why we might own strategic properties at a loss but not investment properties.</p> <p>Officer Reference: Investment properties (pg. 186)</p>
4	<p><b>Cr. Wood:</b>            Appreciating the note in 7.1 regarding labour allocation methodology, Wildbase has an out of character increase when compared with most other budgets, with expenses going up 14.5% year on year (page 194), could I get confirmation that this is purely the reallocation, or a breakdown of how much the reallocation is and how much is real increases?</p> <p>Officer Reference: Labour allocations (pg. 170)</p>

5	<p><b>Cr. Wood:</b>            Page 196 Climate Change and Sustainability budget has increased by 19% (\$152K), I understand \$61K of that is professional services being increased to originally proposed levels (a 50% increase on last year, shown on page 233), can I get an understanding of why we need such a significant increase on last year, and can I get a better understanding of what's driving the other \$91K of increases?</p> <p>Officer Reference: Climate Change and Sustainability (pg. 198)</p>	<p>The professional services budget has been increased by \$61K, majority of this increase is reinstating operating expenditure associated with programme 1888 – Low Carbon Fund. This was a reduction that was made as part of the request to hold the professional services budget in 2025/26. As the Low Carbon Fund has continued to operate, many 'low hanging fruit' opportunities such as simple LED replacements, and like-for-like electrification upgrades have been completed. Current opportunities tend towards more complex capital investments which requiring significant investigation prior to an investment decision. For example, while the scale of the solar installation opportunity is only growing more significant, each installation typically requires a structural and electrical assessment, sometimes revealing that considerable additional investment is required relative to what a desktop exercise might suppose, making the project no longer able to meet the LCF criteria. A reduced investigations budget impacts officer's ability to properly identify and investigate opportunities to reduce Council's net costs and emissions.</p> <p>Other increases to operating expenditure are driven by:</p> <ul style="list-style-type: none"> <li>• There has been an \$11K increase in additional operational expenditure associated to capital programme 1924 - Improving remote monitoring capabilities, reflecting increased labour costs associated with ongoing biodiversity monitoring, partially as a result of the wider area of coverage following the second toutouwai release in April 2025.</li> <li>• Net interest expense has increased by \$26K</li> <li>• Depreciation has increased by \$22K</li> <li>• There has been a \$31K increase in remuneration (in line with organisational assumptions) and net internal expenses. See comment in section 7.1 of memorandum about labour allocation methodology.</li> </ul>
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6	<b>Cr. Wood:</b> Pg. 200 Direction setting has increased by \$400K, page 242 explains that the \$167K of this is a professional services increase to fund LTP audit, what's the rest? Particularly what's the \$134K "Remuneration and net internal expenses" and the \$77K for "other operating expenses"?	The increase in other operating expenses of \$77k and contractors \$16k, relates to advertising, materials and workshops for the Long-Term Plan. This only occurs every three years.  Remuneration and net internal expenses have increased by \$134K. Remuneration has increased by \$26K in line with the organisational assumptions regarding market movements. The remaining increase relates to net internal expenses, driven by a reallocation of existing staff time to this activity and higher overhead allocations. The increase in overheads is partly due to higher operational budgets included for the development of the Long-Term Plan. One of the main overhead drivers for the organisation is a % of total budget. As there are higher costs in Year 3, this attracts a larger portion of overheads from key support functions such as Finance, Legal, Communications & Contact Centre, which all use this driver to allocate costs to the organisation.
7	<b>Cr. Wood:</b> Pg. 201, apologies if I'm just being a bit slow here but how can an expense line be decreased and become a surplus? Does that mean we're being refunded half a million in financial services fees? I would appreciate a further explanation than what's given in the report.	The revenue balance showing against the Financial Services sub-activity is the recovery of the PNCC rates charged to the properties which reside in other activities, such as Social Housing, Resource Recovery, Wastewater and Water.
	Officer Reference: Financial services fees (pg. 203)	As these activities have targeted rates, we need to ensure that we have all the costs recorded against each activity, which includes rates. The revenue in Financial Services then reduces the general rate calculation at a Council level.

8	<b>Cr Naylor:</b> What is included in "other expenses" - to increase \$3m from LTP	In comparison to the LTP, the following changes have been made: Contractors – decreased by 1.2m Utilities – increased by 1.0m Grants paid – increased by 0.7m (prog #2537 & #2519) Software Licenses – increased by 1.1m  Professional Services – 0.4m increase (this includes an additional spend of 2.5m for Central Districts Water as outlined in section 6.3 of the report. Allowing for this new inclusion, the remaining professional services budget has decreased by 2.1m from the LTP) Rates Expense – 0.2m Reduction in Capitalised Overhead - (0.5m) [assumption is same as the current year] Inflationary Movements on multiple minor budget lines – 0.3m
9	<b>Cr Naylor:</b> Prog 1857 - Kikiwhenua Cultural Historic - reserve purchase and development - Why is this reserve required and what is the timing?	The purchase is part of a wider agreement for the subdivision. Rangitane Settlement Trust have been in discussions with RACE over the past few years regarding Treaty settlement land next to the Mangaone Stream and the cultural/historic site owned partly by RACE with a portion also in private ownership. To get the best outcome for all parties agreement was reached that RACE and the Trust would exchange land, and Council would purchase the private property. Collectively these sites would be used to make up public road reserve and walkways for the whole subdivision and secure the cultural site as part of a wider reserve. The timing is dependent on the pace at which Kikiwhenua develops. Officers have put forward our best estimate of the timing required
10	<b>Cr Naylor:</b> Prog 1681 - Kikiwhenua Transport - \$4.686M - when is this likely to be needed for this growth area?	There is an intersection and roading upgrades that are required next financial year, with further roading and streetscape upgrades that need to be completed prior to Stage 2 of the development. There are further consenting requirements to work through in conjunction the developer.  Clause 9.2 of the agenda refers \$2.62M as a result of the reallocation of funding to enable the Wyndham Street work to be undertaken in the current year and to keep the Kikiwhenua Transport programme at the level required.

11	<b>Cr Naylor:</b> Seismic Strengthening - What is the \$2m proposed for? What is the timeframe for officers to understand the implications of the legislation changes?	The \$2m is required to fund full investigations and comprehensive design for The Regent, Library and Te Manawa, e.g. all required work streams prior to a decision to undertake the work. Part of this budget requirement is to recalibrate our remediation responsibilities for our earthquake prone buildings under the new legislation. This legislation will not be in effect until mid 2027 at this stage, but officers are working with the available information that we have currently. Applying the information we have as of today, our buildings requiring treatment reduce from 21 to 7.
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