Financial Update
Long-Term Plan 2027-2037

Council Briefing: 20 August 2026

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

What’s covered in this briefing

- LTP – A process EMs need confidence in
- Understanding Funding in Local Government
- Debt headroom
- Budget instructions and trade off considerations
- Projects and prioritisations
- Benchmark limits
- What’s next

DOLLARS, DEBT AND DECISIONS

Understanding how Council funding really works

Rates | Debt | Assets | Risk

Workshop outcome: clearer choices on rates, debt, service levels and risk

The funding story

From community need to rates requirement

1 Community expectations	2 Asset Management Plans	3 Affordability test	4 Funding mix	5 Council decision
Stormwater, roads, waste, parks, growth, resilience	Condition, lifecycle, risk and renewal need	Rates capacity, debt capacity and ability to pay	Rates, fees, grants, PIF, reserves and debt	Fund, delay, borrow, re-scope or accept risk

AMPs identify the need. Affordability determines the timing.

What trade-off are we most uncomfortable making: higher rates, more debt, lower service levels or higher asset risk?

NPDC's funding context

$450m
PIF value shown in 2026/27 financial information

$470m
Borrowings shown in 2026/27 financial information

$3.8b
Equity shown in 2026/27 financial information

$4,113
Average residential rates 2026/27

62%
Rates affordability income benchmark

What reduces pressure on rates?

- PIF release offsets general rates
- Fees and charges
- Subsidies and grants
- Development contributions
- Reserves and investment income

What increases pressure?

- Higher depreciation after revaluation (renewals)
- Personnel and operating costs
- Reduced grants or subsidies
- Project delivery timing changes
- Future debt servicing

What elected members control?

- Rates limits
- Debt appetite
- Level of service choices
- Project timing
- Risk appetite

NPDC has a strong balance sheet, but affordability still depends on choices around rates, debt, service levels and timing.

Why councils borrow

Debt is an affordability tool, not free money

Need now Asset required → **Borrow** Internal debt or LGFA → **Build asset** Community benefits → **Repay over time** Interest + principal → **Future rates** Cost spread fairly

Internal borrowing

- Uses available cash and reserves first
- Activity repays interest and principal
- Can smooth rates impacts
- **Does not remove future cost**

LGFA borrowing

- Used when external funding is required
- Supports long-life infrastructure
- **Debt servicing becomes a future rates requirement**
- Must stay within treasury limits

NPDC content

- External borrowings forecast around $503m at 30 June 2027
- Estimated $219m relates to water/wastewater and transfers to Wai Hononga

Borrowing smooths the rates journey. It does not make the cost disappear.

The cost ratepayers don’t see

Every new asset creates long-term operating commitments

Cost 1: Build it

- Design
- Land
- Construction
- Professional fees
- Consenting
- Project management

\+

Cost 2: Own it

- Maintenance
- Renewals
- Insurance
- Power and utilities
- Staff and contractors
- Compliance and reporting
- Debt servicing

The most important question is not what it costs to build.
It is what it costs to own.

Financial health dashboard

Benchmarks are warning lights, not the whole story

62% Rates increase affordability benchmark	4.9% Average rates increase	12.3% Debt servicing measure	96% **Balanced budget benchmark**	177% Essential services benchmark

How to use these indicators

- They highlight trends and points of pressure
- They support questions and governance oversight
- They do not replace judgement
- They need the story behind the numbers

Questions for elected members

- Are rates affordable?
- Is debt being used fairly?
- Are we maintaining essential services?
- What risk are we accepting if we defer investment?

The choices (trade offs) elected members make

Every LTP decision is a trade-off

Increase rates

- More funding **now**
- Affordability impact

Borrow more

- Spread cost **over time**
- Future ratepayer impact

Use reserves

- **Smooth** short-term pressure

Delay projects

- Lower rates now, **higher risk later**
- Asset and resilience risk
- Future cost and risk

Reduce scope

- Lower cost, lower outcome
- Service impact

Accept risk

- Service or asset failure risk

There is never enough money to do everything.
The job is to make the trade-offs visible, deliberate and defensible.

Four things to remember

AMPs identify the need
Affordability determines the timing

Borrowing smooths the journey
It does not remove the cost

Every project creates future OPEX
Build cost is only the start

Risk can be managed
But never eliminated

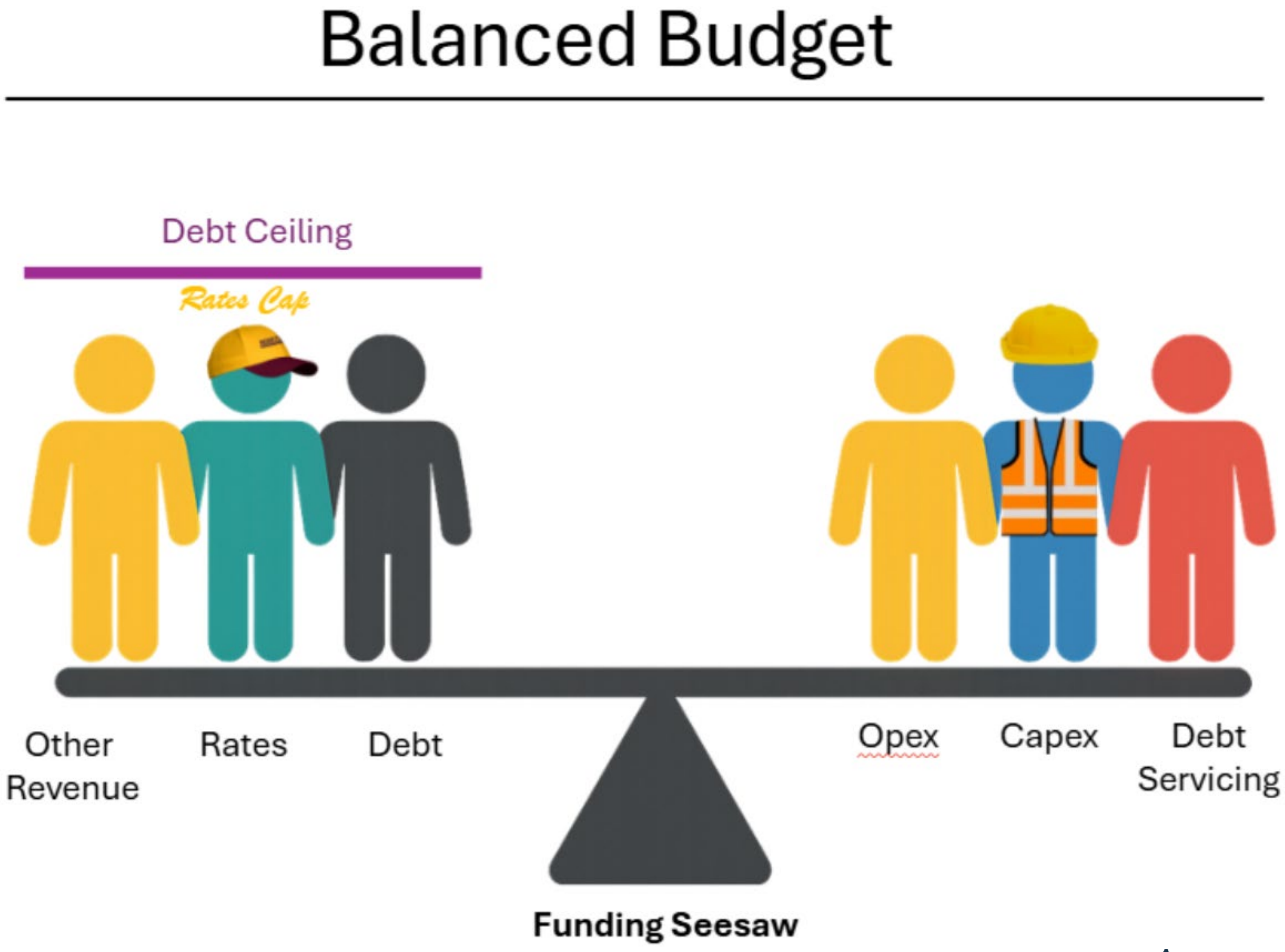
Closing question

What level of rates, debt and risk is our community prepared to accept?
What the LTP process determines.

Assets → Projects → Debt → Rates

Debt headroom

Funding Seesaw



Separating 3x Waters

	Other Revenue	Rates	Debt		OPEX	CAPEX	Debt servicing
Annual Plan 2026/27	80	173	91	✓	188	123	33
Remove 3xWaters	(8)	(63)	(32)	✓	(39)	(50)	(15)
FY27 (restated)	**72**	**110**	**59**	✓	**150**	**73**	**18**

Debt Servicing +$6M

- Increase in Prior year debt (~$60M)
    - Additional interest ($3M) = $60M x 5%
    - Additional repayments ($3M) = $60M /25 years

- No change in Existing Borrowing costs ($nil)
    - Interest rate assumption (5%)
    - Principal repayments (~25 years)

Rates +$6M

- Increase in rates available
    - Annual Plan 2026/27 Rates $173M
    - Exclude Council Services for 3xWaters $63M
    - Annual Plan 2026/27 Rates $110M (restated)
    - Additional Total Rates available ($6M) = $110M x 5%

Rates increase = Elected Member initial decisions 16th December

OPEX $Nil

- Inflation increase of existing activities ($6M)
  - Specific assumptions (Staffing, Utilities, Insurance)
  - General cost inflation (BERL)

- Less any adjustments -Target 5% decrease (-$6M)
  - Efficiencies & delivery (outcomes)
  - Priorities & services (core vs discretionary)
  - Groupings

Services adjustment = Elected Member initial decisions 16th December

Other Revenue +$3M

- Inflation increase to Fees & Charges ($2M)
    - Higher fees / lower activity
- PIF release formula ($0.5M)
- NZTA 51% FAR ($0.5M)
    - Operations & Maintenance
    - Capital works categories

Fees & Charges = Elected Member initial decisions 16th December

Capital expenditure

- Deliverability or debt headroom, rates impact, Council appetite or affordability constraint $50M - $70M
  - Partially offset by External Contributions (NZTA $tbc)
  - Replacement of existing Assets funded from Reserves (current rates)
  - Improve Level of Service funded from Debt (future rates)
  - Additional Demand funded from Growth (DCs timing) and possibly rates

Asset Condition Risk = Elected Member initial decisions 16th December

Service upgrades = Elected Member initial decisions 16th December

Debt borrowing

- Cash requirement ($tbc)
  - Projects funded from borrowing
  - Movement in Reserve balances (includes DC timing)

Project funding = Elected Member initial decisions 16th December

Reserve movements = Elected Member initial decisions 16th December

Funding Challenge

	Other Revenue	Rates	Debt		OPEX	CAPEX	Debt servicing
Annual Plan 2026/27	80	173	91		188	123	33
Remove 3xWaters	-8	-63	-32		-39	-50	-15
FY27 (restated)	**72**	**110**	**59**		**150**	**73**	**18**
Inflation increase	3	6			6	3	6
LOS trade offs					-6		
AMP prioritisation						-3	
Adjustments					3		
LTP Year 1 2027/28	**75**	**116**	**59**		**153**	**73**	**24**

Funding Resilience

- Annual increase to debt over LTP, multiply by 10

  $50M annually = $500M extra borrowing

- How much borrowing capacity do we keep available for unexpected Risks:
  - Emergency repairs
  - Severe events
  - Growth opportunities
  - Future shocks
- Covenant limits maximum borrowing
  - TMP ~$230M (Feb 2026)
  - LGFA ~$680M (June 2025)

Our approach

Fiscal Prudence

- Control Rates increase
- Control Debt increase
- To balance requires a “trade off” discussion:
  - Business as usual / Services reduction
  - Asset condition / Accepting more risk
  - Project deliverability / Deferral & Scope

Budget Meetings

Funding Request Form

Option Groupings

Managers
- **Service Review**

→

TRU review
- **Moderation**

→

Elected Member
- **Initial decision**

Projects Prioritisation Framework

- Strategic Framework (Community Outcomes)
- Initial Assessment P1 to P4
- Overall Prioritisation Calculation
- Due diligence process (Assurance)
- Alignment with Other Frameworks
  - Tiriti O Waitangi
  - Community Board Plans

Projects Prioritisation Workbook

- Projects will be ranked from highest to lowest priority, followed by a sense-check to confirm alignment across the business (led by **Business Unit owner**).
- Further cross-checking to ensure consistency and comparability across all units (led by **PMO, Finance** and **Strategic Activity Management** teams and endorsed by **TRU**).

Financial Benchmarks

<open model>

What’s Next

Indicative LTP Briefings & Topics

Additional Briefings will be added as needed

January to December 2026

19 Mar – **LTP 101**
Introduction and Overview

23 Apr – **Review of Significance & Engagement Policy**
Overview of Council Services

29 Apr – **Strategic Framework**
Community Outcomes

21 May – **Setting the Scene**
Forecasting assumptions, Financial & Infrastructure Strategies, Revenue and Financing Policy

17 Jun – **Levels of Service**
Council Services, key strategies/projects and/or work programmes, opex and capex budgets, potential or possible LOS reduction considerations

23 Jul – **Project Prioritisation**

20 Aug – **Financial Update**

17 Sept – **Budget building Updates**
Project/Programme Prioritsation
Infrastructure Strategy Update
Early Engagement Feedback
(half day)

22 Oct – **Budget Update**
Financial & Infrastructure Strategies
(half day)

19 Nov – **Draft Budgets and Proposed Projects**
Preparation for key decisions, establish key issues for CD
(half day)

9 Dec
18 Dec

9 Dec – Mthly Council Briefing
Overview of Council Meeting 16 Dec

18 Dec – Extra Council Briefing
Overview of Draft CD (pre Audit)

13 Jul to 12 Aug – LTP EARLY ENGAGEMENT

16 Dec - Council Meeting
Initial decisions re LTP 2027 (for review by Audit)