



Dear Ratepayer

Council is preparing its Annual Plan and budgets for the next financial year, the year beginning on 1 July 2014 and ending on 30 June 2015. District wide average rate increases proposed in this Annual Plan are 2.3 percent.

Rates are made up of a number of elements, and so some property owners will find their rate changes above the district wide average, and some below. In our older towns for instance, the need for wastewater and stormwater pipe renewals has pushed up the proposed rate increase.

We have held meetings across the District on the proposed Annual Plan, and have listened to feedback on many issues including the impact of capital works and renewal programmes on rates. We will be reviewing the initiatives proposed in response to meeting feedback and the written submissions received.

The good news is that Council is now in a financially sustainable position. Property owners can have confidence that the high degree of volatility of rate changes experienced over the past few years has ended.

- Council is running its operations at break even in an accounting sense or slightly better, as well run Councils should. This compares with operating deficits of over \$10 million in 2012 and over \$5 million in 2011.
- Council's debt is dropping. It is now under \$78 million, and is forecasted to drop to \$50 million by 2022. This compares favourably with other surrounding Councils, where debt is forecasted to increase.

It is pleasing to see the turn-around happen relatively quickly, but this should not come as a surprise. When organisations face financial challenges, acting quickly to address the issues is important. We adopted this approach and it has paid off.

While the Commissioners have guided the turn-around, the executive of the Council, led by Chief Executive Steve Ruru, have implemented the measures necessary. They deserve credit for doing so, both in sorting through financial information systems that were not in a good state, and reorganising Council's approach to major contract management.

The steps taken have included:

#### **Moving from large operating deficits to operating surpluses**

- On the income side, revenue collected from rates has increased from \$18 million in 2010 to a forecasted \$27 million next year. This movement of 50 percent over five years has set rates at levels that cover core Council services at the levels currently supplied. Prior to addressing rates, Council was funding its operations partly by rates, and partly by borrowing.
- On the expenditure side, costs are being tightly controlled. New contracts have been let that require much greater accountability. Expertise has been added inside Council to manage the large Council contracts like road maintenance and construction and parks and reserves effectively. We have held discretionary expenditure to a minimum.

#### **Asset and Debt management**

- Council has over half a billion dollars worth of infrastructure to maintain, including roads, bridges, parks and pipes. The Asset Management Plans for these that we inherited were not robust. New Asset Management Plans for each of them are being developed. This is work in progress, but by the time a new Council is elected in October 2015, we expect to have these plans well advanced.
- Some of Council assets are funded by debt. Just how much debt a Council should carry is a matter of debate. Lower debt obviously means lower interest costs. On 2012 figures, interest as a percentage of rates in Kaipara is 19.5%. This is a similar level to that of Councils like Taupo, Hamilton, and Western Bay of Plenty. Whangarei is at 12.15%, and Far North at 9.2%.

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Kaipara te Oranganui

**KAIPARA  
DISTRICT**

Two Oceans Two Harbours

While most risks that the Council faces are being managed and mitigated, some are not yet well enough understood or contained. We are still exploring treated wastewater disposal options to cope with future growth in Mangawhai, for instance. Another risk to Council exists around the Judicial Review proceedings taken against the Council by the Mangawhai Ratepayers and Residents Association. At the time of writing this letter, the High Court had not ruled.

### Looking ahead

Four Commissioners were appointed to govern the Kaipara District Council in September 2012. One Commissioner, Colin Dale, stepped down in February this year to take up a position in the Far North District Council as its Acting Chief Executive. The Minister of Local Government has decided not to appoint a replacement Commissioner.

Our term as Commissioners will come to an end in October next year, when elections are scheduled to elect a Mayor and Councillors. This is just eighteen months away. It is important now that both the community and the Commissioners prepare the ground to make this transition a smooth one, and one that delivers an engaged and skilled Council. We will support this process and ensure the Council that those newly elected take over has strong foundations and is performing well.

Sincerely

John Robertson

On behalf of the Commissioners

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