



**Far North
District Council**



TŪHONOTANGA MINITI ATTACHMENTS MINUTES

Ordinary Council Meeting

1 April 2026

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7.2 ANNUAL PLAN 2026/27**File Number: A5619998****Author: Ken Macdonald, Chief Financial Officer****Authoriser: Charlie Billington, Group Manager - Corporate Services****TAKE PŪRONGO / PURPOSE OF THE REPORT**

To seek Council direction on the proposed general rates increase for the 2026/27 Annual Plan and to approve the proposed approach to consultation on the Annual Plan, ahead of formal adoption of the Annual Plan 2026/27 at the ordinary Council meeting in June 2026.

WHAKARĀPOPOTO MATUA / EXECUTIVE SUMMARY

- The Long Term Plan (LTP) 2024–27 set a Year 3 general rates increase of 6.7%.
- The zero-based budgeting (ZBB) process applied in development of the proposed Annual Plan 2026/27 involved more than 80 budget meetings and reduced the projected rates increase from approximately 16.5% to 6.7% — absorbing approximately \$3.6 million in cost increases that were externally imposed, related to contractual or compliance increases, or from Council resolutions, and a Far North Holdings Limited (FNHL) dividend shortfall of \$1.3 million against LTP assumptions.
- If endorsed at 6.7%, FNDC's three-year cumulative rates increase would be approximately 22.15% — lower than current published or consulted Year 3 figures for the other Northland district councils.
- For a property with a land value of \$100,000, the difference between Option A&B (6.7%) and Option C (3%) is estimated at \$27.68 per year, or \$0.53 per week.
- At the 18 March 2026 workshop, the majority of elected members preferred a rate consistent with the LTP Year 3 figure. At the 24 March 2026 workshop, a number of members signalled a preference for approximately 3%.
- A reduction to approximately 3% would require approximately \$4.5 million in additional savings, primarily through service-level reductions. This would be a material departure from the LTP, require formal public consultation on the Annual Plan, and may impact Council from meeting its legislative obligation to strike rates by the required date.

TŪTOHUNGA / RECOMMENDATION**That the Far North District Council:**

- a) **Endorses in principle a general rates increase of approximately 6.7% for the 2026/27 financial year, consistent with Year 3 of the Long Term Plan 2024–27;**
- b) **Approves an inform-only community engagement approach for the Annual Plan 2026/27, including a community feedback workshop in May 2026;**
- c) **Notes that the Annual Plan 2026/27 will be presented for adoption at the ordinary Council meeting on 25 June 2026;**
- d) **Notes that any Annual Plan incorporating a rates increase materially different from the Long Term Plan 2024–27 will constitute a significant or material difference from the LTP, which would require formal public consultation and a create timing risk for meeting statutory requirements for adopting the Annual Plan and striking rates by the required date.**

1) TĀHUHU KŌRERO / BACKGROUND

The Annual Plan and Long Term Plan

The Long Term Plan (LTP) is Council's primary strategic and financial planning document. It sets out the services Council will deliver, the projects it will undertake, how costs will be funded, and how performance will be measured across a ten-year period. The LTP is developed through a process of community consultation, including formal consultation on the draft LTP through a Special Consultative Procedure, and is independently audited by Deloitte.

The Annual Plan is the year-by-year budget and work programme within the LTP framework. Under section 95 of the Local Government Act 2002 (LGA 2002), Council must prepare and adopt an Annual Plan for each financial year before 1 July — the start of the year to which it relates.

FNDC's LTP 2024–27 context

Far North District Council (FNDC) was among several councils granted a shortened three-year LTP option following severe weather events in 2022–23. Te Pae Tata — the Three-Year Long Term Plan 2024–27 — was adopted in June 2024 following community consultation. It set general rates increases of 4.5% for 2024/25, 11.3% for 2025/26, and 6.7% for 2026/27. It included a Far North Holdings Limited (FNHL) expected dividend contribution of \$2 million in 2026/27.

The LTP was a recovery-focused plan. Its primary purpose was to fund repair of the transport network following approximately \$41 million in weather event damage, while managing cumulative cost pressures from inflation, insurance, and contractor costs. Cyclone Tam struck the district in April 2025, causing further infrastructure damage.

Movements since the LTP was adopted

Several cost and revenue movements have occurred since the LTP 2024–27 was adopted that were not anticipated when the LTP was prepared. To ensure that the approved rate increase of 6.7% is maintained, staff have offset these increases against other costs in the Annual Plan preparation process.

Externally imposed cost increases are costs imposed through central government regulation or contract markets. They are not within Council's control. Council-initiated increases reflect decisions elected members made during this LTP period. Revenue reductions reflect changes to anticipated income.

Change	Amount
Decreased revenues	
FNHL dividend — LTP input \$2m; draft Statement of Intent 2026/27: \$700k	\$1,300,000 — Revenue reduction
Increased costs	
Commerce Commission and Taumata Arowai regulatory fees	\$390,000 — Externally imposed
Local Water Done Well establishment costs	\$600,000 — Anticipated contribution
Increased landfill compliance costs	\$300,000 — Compliance obligation
Waste management increase	\$830,000 — Contractual obligation
Increased KiwiSaver employer contributions (0.5%)	\$200,000 — Externally imposed
Additional Council-initiated resolutions and initiatives	\$1,320,000 — Council resolutions

Other Changes	
Reforecast interest and depreciation	\$7,190,000 — timing of capital projects
Total net movement	-\$12,130,000

The cost and revenue movements above reflect a mix of externally imposed obligations, contractual increases, and changes to forecast revenue since the LTP was adopted. To reach the projected rate increases outlined for FY2026/27 in the LTP, all of these costs have been offset by adjustments to other operational budgets and capital expenses.

Annual Plan preparation process

The 2026/27 Annual Plan was prepared using a zero-based budgeting (ZBB) approach. Rather than rolling forward prior-year budgets, every cost, revenue, capital programme, and initiative was re-tested from the ground up. This required more than 80 individual budget meetings with owners across every department and LTP group — the most intensive cost-review process FNDC has undertaken in recent years.

The opening projected general rates increase in November 2025 was approximately 16.5%. Through the ZBB process, staff reduced this to the current proposed increase of 6.7%. The three-year rates history is set out below.

Annual Plan workshops

Two elected member workshops were held to consider the Annual Plan.

At the first workshop on 18 March 2026, staff presented the ZBB approach and the consultation and timeline implications of adopting an Annual Plan either consistent with the LTP Year 3 figure of approximately 6.7%, or materially different from the LTP. The majority of elected members indicated a preference to target 6.7%. Members also indicated a preference to direct staff resources toward structural cost planning for the LTP 2027–37.

At the second workshop on 24 March 2026, a number of elected members indicated that 6.7% was too high and signalled a preference for a rates increase of approximately 3%.

Staff assessment

Staff have assessed the proposed Annual Plan changes against the LTP, including rate impacts, amendments to capital works, and operational expenditure. Where the Annual Plan is adopted at a rate materially consistent with the LTP Year 3 figure, no significant or material differences from the LTP have been identified that would trigger a consultation requirement under section 95(2A) of the LGA 2002.

2) MATAPAKI ME NGĀ KŌWHIRINGA / DISCUSSION AND OPTIONS

Relevant legislation

Section 95 of the LGA 2002 requires Council to adopt an Annual Plan before 1 July each year.

Section 95(2A) provides that Council must consult before adopting an Annual Plan that includes significant or material differences from the LTP. Where no such differences exist, consultation is not required. Council may nonetheless elect to inform the community and invite feedback, or to notify only.

Section 50 of the Local Government (Rating) Act 2002 (LGRA 2002) limits Council's initial rating authority to 25% of the prior year's rates requirement where rates invoices cannot be provided 14 days before they are due (practical target adoption would be on or before 30 June).

Significance and engagement

Staff have assessed the options against the Council's Significance and Engagement Policy 2021 (S&E Policy). The following factors in the S&E Policy are relevant to this decision:

Material change to the rates requirement. A rates increase materially different from the LTP Year 3 figure engages this factor directly and will require public consultation.

Major and long-term change to levels of service. Savings of the scale required to achieve a materially lower rate cannot be found through efficiency within the timeframe available. A reduced rates take would require reductions in the services Council delivers, engaging this threshold under the S&E Policy.

Considerable public interest, or matters likely to divide the community. A rates reduction achieved through service reductions would be likely to generate significant public interest.

Effect on social, economic, environmental or cultural wellbeing. Service reductions that affect communities with limited access to alternatives engage this threshold.

Criteria	Threshold
Transfer of a strategic asset	The proposal involves the transfer of the ownership or control of a strategic asset (Appendix A) to or from Council.
Unbudgeted financial impacts	The proposal will incur unbudgeted net operational expenditure exceeding 2.5% of total rates in the year commenced OR unbudgeted net capital expenditure exceeding 10% of total rates in the year commenced.
Of specific interest to Māori	The proposal has a major and long-term impact on the well-being of iwi/hapū/whānau and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga.
Level of public interest	The proposal is likely to generate considerable interest or community views render the community deeply divided.
Effect on the community and its demographics	The proposal is likely to have an impact on the social, economic, environmental or cultural well-being of the District or an aspect of the District (e.g. a particular ward, a community of interest, a geographic area, or demographic).
Levels of Service	The proposal is likely to result in a change in the Levels of Service and that the change will be major and long-term.

Where Council adopts Options A or B, the decision is of LOW SIGNIFICANCE under the S&E Policy. No consultation is required.

Where Council adopts Option C, staff assess the decision as HIGH SIGNIFICANCE. Public consultation would be required.

Policy and strategic context

What the zero-based budgeting process achieved

The ZBB process reduced the projected general rates increase from approximately 16.5% to 6.7% — a reduction of approximately \$12.1 million against the opening position. This was achieved by examining every budget line from first principles across more than 80 meetings with budget owners. Each meeting required staff to challenge base cost assumptions, test whether activity levels were appropriate, and identify reductions wherever they could be made without changing what Council delivers.

The process also absorbed the cost and revenue movements set out in the Background section. Without that absorption, those movements would have flowed directly to ratepayers. Under Option A, FNDC's proposed three-year cumulative rates increase would be approximately 22.15%, a lower three-year cumulative increase than current published or consulted figures for the other Northland district councils. The table below sets out the comparison.

Year / Entity	Far North District Council	Whangārei District Council	Kaipara District Council
2024/25	4.5%	17.2%	11%

2025/26	10.95%	9.7%	8.3%
2026/27 (proposed)	6.7%	5–10.1%*	8.3%
Three-year cumulative	22.15%	31.9–37.0%	27.6%
Three-year average	7.38% pa	10.63–12.33% pa	9.2% pa

*Whangārei District Council is currently consulting with the community on reducing the LTP-planned increase of 10.1% to approximately 5% for 2026/27. A reduction of this scale is expected to require approximately \$6 million in service-level reductions to offset the shortfall.

In 2024/25, FNDC achieved a rates increase of 4.5% — the lowest of any council in New Zealand that year. That result was achieved in part through \$5 million special dividends from Far North Holdings Limited (FNHL) which offset the rates requirements in year 1 of the LTP.

The FNHL dividend position

That special dividend is not being repeated for 2026/27, and the ordinary dividend has since reduced materially — from a Long Term Plan input of \$2 million (as advised by the FNHL board at the time), to \$700,000 in the draft annual plan.

Year	FNHL dividend
2026/27 — LTP 2026/27	\$2,000,000
2026/27 — proposed AP 2026/27	\$700,000
Shortfall against LTP input	\$1,300,000

The impact of this on the proposed 2026/27 annual plan is that additional cost reduction is required to offset the shortfall against the LTP year 3 figure of approximately 1%.

Council's Te Koekoeā committee will consider feedback on FNHL's draft Statement of Intent in April 2026. That process may result in a revised dividend position. However, this outcome cannot be assumed within the current Annual Plan process. Staff have taken a conservative approach and planned on the basis advised by the FNHL board.

The LTP 2027–37 and the rates cap

The Government announced on 1 December 2025 that general rates increases will be capped at 2–4% per year from 1 July 2029, with monitoring commencing from 1 January 2027. FNDC's low-growth demographic and rating base profile is expected to result in requiring rates increases at or near the lower boundary of that range — approximately 2%. Meeting that constraint requires a structural review of what Council delivers and how it is funded.

This review will be conducted in preparing the LTP 2027–37, which must be adopted by 30 June 2027. The consultation document must be substantially complete by approximately late 2026. Financial modelling must begin no later than July 2026.

The team responsible for the ZBB process in this Annual Plan is also responsible for the LTP 2027–37. Their work includes developing financial models, costing 181 projects in the capital pipeline, modelling the rates cap scenarios, and supporting the service level review.

There is no dedicated LTP staff separate from the Annual Plan team. Staff cannot advance both workstreams at the same time without affecting quality or timeliness.

Under Option C, preparation of an Annual Plan consultation document would require a trade-off. That work would need to take priority over the start of LTP 2027–37 modelling during the period from April to at least July 2026.

Rates impact for ratepayers.

The table below illustrates the indicative annual rates cost at each rates level, expressed per \$100,000 of residential land value. These figures are illustrative.

Option	Annual rates — per \$100k land value
Option A & B — proposed 6.7%	\$380.38 per year / \$7.31 per week
Option C — indicated 3.00%	\$352.70 per year / \$6.78 per week
Difference	\$27.68 per year / \$0.53 per week

Council has a range of tools available to help ratepayers manage rates costs. These include payment by quarterly instalment, weekly or fortnightly direct debit, rates postponement for eligible ratepayers facing financial hardship, rates remission for qualifying properties and organisations, and the central government rates rebate scheme for eligible low-income owner-occupiers.

Rates relief considerations

Far North ratepayers have experienced sustained cost-of-living pressure. Many households have not fully recovered from the inflationary period of 2021–23, which produced the highest price increases New Zealand had seen in more than 30 years.

A significantly reduced rate in 2026/27 would immediately ease financial pressure for ratepayers, with communities with higher land value assessments benefiting the most.

Comparative process timeline

The table below sets out the key milestones for each path, including elected member involvement and resourcing requirements.

Milestone	Option A/B	Options C
Council meeting	1 April 2026	1 April 2026
Consultation document preparation	Not required	2 April – 7 April 2026
Extraordinary meeting — approve consultation document	Not required	9 April 2026
Inform-only engagement / Public submissions period (minimum 4 weeks)	April to May 2026 – four weeks	Mid-April to Mid-May 2026 formal consultation
Hearings/ Have your say Events	Not required	Mid to late May 2026 [Elected members hear submitters]
Feedback workshop	May 2026	Late May / Early June 2026
Deliberations	Not required	June 2026 [Elected member decisions]
Annual Plan adoption	25 June 2026	25 June 2026
Rates strike	July 2026	July 2026
Staff available for LTP 2027–37 modelling	April 2026	July 2026 [Significantly delayed]

Risks

Risk 1 — Statutory adoption deadline and OAG reporting

Section 95(3) of the LGA 2002 requires the Annual Plan to be adopted before 1 July. Under Option C, and as illustrated by the indicative timelines above, adoption by 25 June 2026 requires considerable activity within a compressed timeline and presents delivery risks.

There is no application Council can make to extend or defer the Annual Plan adoption deadline. Missing the deadline is a breach of section 95. The appointed auditor is required to report material statutory breaches to the Office of the Auditor-General (OAG). The OAG publishes these findings publicly in its annual local government results, naming the council and the nature of the breach.

- The following operational consequences in terms of the rating process under the Local Government (Rating) Act 2002 (LGRA 2002) flow directly from late adoption: Council's initial rating authority is limited to 25% of the prior year's requirement, meaning first-quarter revenue would be below operational requirements.
- Ratepayers who have already paid the interim amount would face a concentrated catch-up payment, falling hardest on those who pay by instalment.
- FNDC collects rates on behalf of Northland Regional Council (NRC), who would have struck its new rates on the same properties, creating confusion regarding catch-up payments.
- FNDC's systems would require two separate rate generation processes, adding material staff time and cost.
- Processing of rates remissions and rebates would be delayed due to re-processing requirements, impacting lower-income ratepayers.

Risk 2 — Economic environment and cost pressures

Global energy markets are currently experiencing significant disruption. This follows military conflict in the Middle East and the partial closure of the Strait of Hormuz, through which a significant proportion of the world's daily oil supply flows. At the time of preparing this report, Brent crude prices have risen materially from their level at the start of 2026. New Zealand imports refined fuel primarily from South Korea and Singapore, both of which depend heavily on Middle Eastern crude. Domestic petrol and diesel prices have increased, and fertiliser costs — a core input for the Far North's farming sector — have risen sharply. The conflict is at an early stage. The full impact on contractor costs, materials, and freight is expected to flow through in the coming months.

The Far North's economy is sensitive to diesel, freight, materials, and contractor pricing, and those cost movements can flow through to the cost for Council's delivery of services, including roading, water, and waste infrastructure programmes. Cost increases in these inputs are expected to flow through to Council's capital and maintenance programmes.

This is not the first time FNDC has faced inflationary pressure of this kind. During the period from 2021 to 2023, economists Informetrics reported cumulative civil construction cost inflation exceeded 27%. Local government operating costs rose a cumulative 19% over three years. That episode occurred after a period of significant fiscal and monetary support. The current environment may offer less capacity for those settings to offset a supply-side shock.

Council is proactively monitoring cost escalation and supply chain risk and is seeking to manage exposure where possible. However, reducing the rates base in a volatile cost environment would reduce Council's capacity to absorb emerging cost pressures if they persist. Where those pressures cannot be managed within existing budgets, service reductions or reprioritisation or debt funding may become the primary adjustment mechanisms, which could increase the service impacts associated with Option C.

Risk 3 — Temporary relief may create future pressure

Council has recent experience of this dynamic. During the COVID-19 period, Council reduced depreciation recovery on strategic assets to help keep rates down. The return to full depreciation recovery is currently working through Council's rates base and is one of the factors contributing to the increased financial pressure ratepayers face now. Ratepayers are currently absorbing the accumulated impact of that earlier decision.

A rate reduction in 2026/27 that is not underpinned by genuine, permanent cost reduction (like service reductions) carries the same consequence in subsequent years. Costs not collected in 2026/27 would not disappear. They would return in a future year, at a higher percentage rate, from a rating base that has not grown to meet them.

Risk 4 — Savings availability and the nature of further reductions

The approximately \$4.5 million in additional savings required under Option C is not currently identifiable through operational efficiency alone. The ZBB process has substantially exhausted that avenue for this Annual Plan cycle. Efficiency savings — process redesign, technology investment, shared services, and organisational restructure — require longer term change. That work can take years to plan and implement, and may require community consultation in some cases and capital investment before savings materialise. These options can be considered through the LTP process.

Within the two-month Annual Plan window available under Option C, the practical lever available to Council is delivery: what it stops doing, does less of, or does to a lower standard. A menu of proposed service-level changes sufficient to achieve the target rates increase is set out below.

Proposed rates AP FY26/27		6.70%	132,010,954
Proposed cost reductions to achieve average 3% rates rise			
Salaries - Vacancy	Reduction in vacant positions		(944,685)
Grants & Donations	Swimming pools: (\$853k) — (Sport Northland, Te Hiku Trust)		(2,631,594)
	Community Board operations: (\$763k)		
	Māori engagement (incl. Waitangi, iwi/hapū): (\$253k)		
	Pioneer Village (Kaikohe): (\$175k)		
	Stakeholder relationships (CAB, People's Centre, Disability Action, Creative Northland): (\$115k)		
	Public toilets: (\$107k)		
	Community special projects: (\$104k)		
	Town maintenance: (\$103k)		
	Lindvart Park Recreation Hub: (\$85k)		
	Parks and reserves grants: (\$53k)		
	Mayoral/CEO discretionary: (\$21k)		
Professional Fees	Climate change adaptation: (\$426k)		(877,080)
	District Plan technical support: (\$234k)		
	Delivery & Operations support: (\$103k)		
	ICT software-related fees: (\$70k)		
	Procurement external reviews: (\$25k)		
	Rates modelling: (\$19k)		
Software & Licences	Remove Staff Training System (\$50k)		(75,924)
	Remove Software Licences (\$25k)		
Total Decrease		3.66%	127,481,671
Net target average rates increase FY26/27		3.04%	(4,529,283)

If Council elects to proceed with proposed service reductions above, they are required to be presented to the community through formal public consultation. Where the community opposes specific proposed reductions, Council must decide whether or not to proceed with implementing those reductions.

Risk 5 — Consultation process

Public consultation requires Council to prepare a statement of proposal setting out the proposed Annual Plan changes. Council must publicly notify the proposal, invite written submissions, and provide submitters with an opportunity to be heard before making final decisions.

The statement of proposal would need to set out, fairly and accurately:

- the proposed rates level and its dollar impact for ratepayers;
- the specific services proposed to be reduced or deferred, named, with the impact of each described;
- why Council is proposing these changes, what alternatives were considered, and why they were not preferred; and
- the trade-offs and risks involved.

The consultation document must be prepared to a standard that fairly represents the proposals and their consequences. Council is legally responsible for that standard. Submitters would address Council and Elected Members directly at hearings or other appropriate have your say events. Council would then deliberate in public and make final decisions on each proposed change.

If, following consultation, Council determines not to proceed with specific proposed reductions, those savings cannot be included in the final plan.

Risk 6 — Impact on LTP 2027–37 preparation

The staff required to support Option C are the same staff responsible for developing the LTP 2027–37 financial models. Under Option C, those staff would be directed to preparing a consultation document, managing submissions, and updating financial models following deliberations. Based on the indicative timeline above, that work would run at a minimum April to June 2026 (assuming statutory deadlines were not missed).

July 2026 is the point at which LTP 2027–37 financial modelling must begin to support an October 2026 consultation document deadline. As there is no separate LTP resource, displacement of that modelling work by four to five months would reduce the time available for the financial analysis underpinning the LTP 2027–37 — the plan that must address the rates cap, the Local Water Done Well Waters transition, and FNDC’s structural cost position for the following decade.

Summary of risks

Risk	Options A/B	Options C
Consultation required	No	Yes — section 95(2A)
Statutory breach — adoption past 30 June	Low	Elevated
OAG reporting of breach	No	Yes — report
Rates strike complications	Nil	Interim rates, catch-up billing, remission delay
LTP 2027–37 preparation displaced	Nil	Minimum April–July 2026
Savings target achievable	Not applicable	Subject to consultation outcome

Discussion and Options

Option A — Endorse in principle approximately 6.7%; inform only with community feedback (recommended)

Council endorses in principle a general rates increase of approximately 6.7%, consistent with the Year 3 LTP 2024–27 figure. Council approves an inform-only approach with a community feedback mechanism, including a feedback workshop in May 2026. The Annual Plan 2026/27 is presented for adoption at the ordinary Council meeting in June 2026.

Indicative rates impact: \$380.38 per year / \$7.31 per week per \$100k land value. These figures are illustrative; individual assessments will vary.

Advantages:

- Consistent with the LTP and AP adopted following community consultation on rates of 4.5%, 10.95%, and 6.7%

- Annual Plan adopted before 30 June — low risk of statutory breach and OAG reporting obligation
- Rates struck on time — no interim rates, no catch-up billing, no delay to remissions and rebates
- Produces the lowest cumulative three-year rates increase of any Northland district council
- Resourcing available for LTP 2027–37 preparation from April 2026
- Community retains a feedback mechanism, including workshop in May 2026

Disadvantages:

- The Long Term Plan (LTP) 2024–27 set a Year 3 general rates increase of 6.7%, which may place additional financial pressure on ratepayers.

Option B — Endorse in principle approximately 6.7%; notify only

Council endorses in principle a general rates increase of approximately 6.7% and notifies the community of changes. No formal feedback mechanism is provided.

Advantages:

- Same statutory and financial advantages as Option A
- Lowest resourcing requirement of any option
- Maximum staff capacity available for LTP 2027–37 from April 2026

Disadvantages:

- No community feedback channel on the proposed Annual Plan
- The Long Term Plan (LTP) 2024–27 set a Year 3 general rates increase of 6.7%, which may place additional financial pressure on ratepayers.

Option C — Endorse in principle approximately 3%; direct the Chief Executive to prepare a consultation document

Council endorses in principle a general rates increase of approximately 3% and the preparation of a consultation document, incorporating the menu of proposed service-level changes set out in this report. An extraordinary Council meeting is required to approve the consultation document before it is released. Formal consultation would then proceed as set out in the timeline above.

Indicative rates impact: \$352.70 per year / \$6.78 per week per \$100k land value if savings are achieved. Difference against Option A estimated: \$27.68 per year / \$0.53 per week per \$100k land value.

Advantages:

- A lower rates increase in 2026/27 — direct financial benefit for ratepayers
- Community provides feedback through formal submissions and hearings.
- Elected members present the proposals: Council takes specific choices to specific communities, hears their views, and makes public decisions

Disadvantages:

- Savings of approximately \$4.5 million are drawn as identified in this report.
- The \$27.68 per year / \$0.53 per week per \$100k land value saving is material for some households, but relatively limited in aggregate.
- Costs must be permanent, temporary deferral of costs require additional increases in further years and must be funded from debt.
- Compressed timeframe risks adoption past the 30 June statutory deadline and statutory breach, OAG reporting, and interim rating consequences, impacting lower-income ratepayers
- Staff directed to Annual Plan consultation from April to at least July 2026, displacing LTP 2027–37 preparation during its critical opening window

Note — At the 24 March 2026 workshop, elected members also discussed a fourth option: proceeding to formal public consultation on the Annual Plan while maintaining the Year 3 Long Term Plan rates increase of approximately 6.7%. This option is not presented in this report. Where an Annual Plan is materially consistent with the LTP, public consultation, as no significance threshold is met that would require consultation. Council may nonetheless choose to consult on any matter at its discretion, outside the Annual Plan process.

Take Tūtohunga / Reason for the Recommendation

Staff recommend Option A, while noting that Option C remains a pathway for elected members if Council wishes to test the appetite for lower-rates through formal consultation.

The proposed 6.7% rate is the product of more than 80 ZBB meetings, absorption of significant externally imposed cost pressures, and a FNHL dividend shortfall of \$1.3 million against LTP inputs. It is consistent with the rates path the community was consulted on and produces a lower cumulative three-year increase than current published or consulted figures for other Northland district councils.

The inform-only approach under Option A allows the community to understand the Annual Plan and provide views, including at a May 2026 feedback workshop, without commencing a formal consultation process.

Staff acknowledge the genuine case for rates relief. Ratepayers have experienced sustained cost-of-living pressure and elected members have heard this directly. The difference between Options A/B and Option C is approximately \$27.68 per year per \$100k land value. Staff assess that this level of relief needs to be weighed against the consultation, timing, and service trade-offs associated with Option C, and note the tools are available to assist ratepayers facing hardship.

Option C would require finding approximately \$4.5 million in service savings that cannot be achieved through efficiency within the Annual Plan timeframe. Genuine efficiency gains require change that can take time to implement. The lever available in a two-month window is delivery — what Council stops doing, does less of, or does to a lower standard. Those changes must be consulted on and decided by Elected Members.

The current economic environment is also relevant. Further increases in contractor costs, materials, and freight may flow through to Council's cost base in the coming months. Council is monitoring these risks, however a materially lower rates base reduces the ability to manage risk and to absorb those pressures when they arrive.

The LTP 2027–37 is the right vehicle for the structural conversation about what services can be sustained in a capped environment. Staff are ready to begin that work in April 2026.

On balance, staff consider Option A the most deliverable path within the current Annual Plan timeframe, while preserving capacity to begin the LTP 2027–37 process.

3) PĀNGA PŪTEA ME NGĀ WĀHANGA TAHUA / FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

The Annual Plan 2026/27 sets the rates requirement for the 2026/27 financial year. The proposed general rates increase of approximately 6.7% is consistent with the Year 3 figure in the adopted LTP 2024–27. This report does not propose unbudgeted expenditure.

If Council endorses Option C, additional resourcing costs would arise from the consultation process — staff and Elected Member time, Communications, and Legal, and costs associated with preparing, notifying, and processing the consultation document.

Those costs have not been separately quantified pending Council's direction.

Ordinary Council Meeting Agenda

1 April 2026

ĀPITIHANGA / ATTACHMENTS

Nil

Hōtaka Take Ōkawa / Compliance Schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

He Take Ōkawa / Compliance Requirement	Aromatawai Kaimahi / Staff Assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Options A and B: Low significance — materially consistent with the adopted LTP rates path and not proposing a change to levels of service. Options C: High significance — material departure from LTP rates path; would require changes to service levels engaging multiple SEP 2021 thresholds Requires public consultation.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Local Government Act 2002, FNDC Significance and Engagement Policy 2021 Local Government (Rating) Act 2002
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	This is a district-wide rates and Annual Plan matter for full Council; Community Boards do not hold decision-making delegation for this decision. This is a district-wide rates and Annual Plan decision within the delegation of full Council, outside the delegations of Community Boards. Community Board Chairs will be informed.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water. State the possible implications and how this report aligns with Te Tiriti o Waitangi / The Treaty of Waitangi.	The Far North has greater than half of its population identifying as Maori. Under Option C, service reductions would be consulted on through public consultative procedure, which would require engagement with iwi and hapu as affected communities. The inform-only approach of Options A and B maintains existing service levels and is consistent with the LTP commitment.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example – youth, the aged and those with disabilities).	All district ratepayers are affected by rates decisions. Lower-income ratepayers, elderly residents, and rural communities are most sensitive to both rate increases and potential service reductions. Council's existing rates support mechanisms — instalment payments, direct debit, postponement,

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	remission, and the central government rates rebate scheme — remain available under all options.
State the financial implications and where budgetary provisions have been made to support this decision.	Financial implications are set out in Section 3 and discussed in Section 2.
Chief Financial Officer review.	The CFO has reviewed this report.