VOLUME 2

He Pārongo Ahumoni

FINANCIAL INFORMATION

TARARUA
DISTRICT COUNCIL

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This document is Volume 2 to the Draft Long Term Plan of the Tararua District Council, for the period 1 August 2024 to 30 June 2034.

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Whakapaetanga Tūraru Hiranga Pae Tawhiti

Long Term Plan significant forecasting assumptions and risks

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Introduction

The assumptions made by Council in preparing this Long Term Plan are an important part of setting strategic direction, policy, and financial forecasts. The assumptions include the number of people and properties requiring Council services, the cost of borrowing to fund infrastructure, cost increases for a range of materials and services and other major factors outside of Council control such as climate change and government legislation.

The Council is required to identify the significant forecasting assumptions and risks underlying the forecast financial estimates. Where there is a high level of uncertainty, Council is required to state the reason for that level of uncertainty and provide an estimate of the potential impacts on the financial assumptions.

The Council has made a number of assumptions in preparing this 10 year Long Term Plan. The issues or risks chosen for the assumptions are those that will impact on cost and the levels of service delivered by Council. These have been identified from:

- 2023 Census results and Statistics New Zealand estimated population,
- Growth trends and development activity to date,
- Remaining Covid19 impacts, and the Cyclone Gabrielle Recovery Plan,
- Technology and societal trends,
- Previous Long Term Plan processes, and
- Assessing the context, trends, and legislative programme of the new coalition government for the current parliament term.

Risks and uncertainty are based on the past trends and volatility of each issue, whether the issue can be seen to be impacting already, the weight of expert opinion on the future likelihood of occurrence and the estimated scale of impacts. Council takes a conservative approach so as not to overreact to short term trends. The pace of change is increasing, resulting in many possible futures and choices for the community.

Using the focus areas of the District Strategy as a basis, the Long Term Plan aims for resilience in infrastructure and finances in order to meet the challenges of rapid change in the future. This approach is important as the District faces impacts from climate change, government policy changes and reforms, and a significant upturn in the demand for housing and in housing development. These events are outside of Council direct control, but our response to them are the choices set out in this Long Term Plan.

The key risk mitigation themes identified in the assumptions for delivery in this Long Term Plan are:

- The Growth Strategy and District Plan review for sustainable growth, climate change, and natural hazard mitigation.
- Managing Council's finances in a prudent and sustainable way, as set out in the Financial Strategy, will allow Council to manage unexpected costs. Maintaining borrowing headroom and adequate depreciation reserves are key factors.
- Having an insurance strategy that ensures Council is adequately insured.
- Many risks require Council to coordinate with others and so maintaining strong relationships with iwi partners, Waka Kotahi, Horizons Regional Council, central government, and other agencies is a key mitigation.
- The actual delivery on key aspects of this Long Term Plan to build resilience including increasing understanding of assets and key capital projects. Critical to this are the Asset and Activity Management Plans which need to be "living" documents and the improvements plans within these documents progressively worked on.
- Ensuring robust annual plan and long-term plan processes that will address unexpected internal and external changes.

The assumptions ensure that all estimates and forecasts are made on the same basis across all Council activities. The assumptions underlying the prospective financial information are as at February 2024 and will be revisited in May 2024. These assumptions apply for the ten-year period of the Plan, while also forming the basis for the assumptions made in the 30 year Infrastructure Strategy.

Note: The uncertainty and financial impact ratings are based on Council's Risk Management Framework

Population Growth

Forecasting Assumption

Tararua population is projected to grow to 20,357 (+ 1,096) by 2034.

Description

Population growth for the 10 years to 2034:

Total population 20,357 (+5.7% or 1,096 residents)

Total households 8,520 (+7.5% or 594 households) Additional households will be split 70% urban and 30% rural.

The forecasts are based on Informetrics data and factor in historic growth forecasts and the anticipated positive impact of the Te Ahu a Tūranga Highway. The assumptions are similar to growth forecast in the 2021 Long Term Plan.

Risk

The risk is that population or household growth are significantly different than forecast, and decisions made in the Long Term Plan anticipating forecast growth are not correct. The location of population or commercial growth could also be significantly different to that forecast.

Migration driven by international factors, government policy, economic conditions, climate change, or natural disasters may impact on growth predictions. Changes to household occupancy or birth and death rates may also impact predicted growth.

Significantly higher population growth or density may occur in an unsustainable way. It may make it difficult for Council to maintain the quality of community facilities and infrastructure, and to ensure they meet the needs of future generations. The impact of growth on water infrastructure capacity is covered in the Infrastructure Capacity assumption.

A significant decrease in population may mean a smaller ratepayer base will be expected to meet increasing costs or face reduced the levels of service to keep rates at an affordable level.

Likelihood of Risk Occurrence

Possible

Financial Impact

High – Very High

Providing quality facilities and infrastructure in the face of unexpected growth comes at a higher cost. Council and the community would need to decide to either meet the increased cost or lower the level of some services (many Council services must meet minimum mandatory requirements such as drinking water standards).

Lower than expected growth may mean Council has spent on infrastructure and services that are not required.

Risk Mitigation Factors

The District Strategy, and the Growth Strategy and District Plan review are tools Council will use to ensure growth is sustainable and will consider Council's capacity to provide resilient and reliable water, wastewater, and stormwater. The Infrastructure Capacity assumption has more detail about managing infrastructure for growth.

The Financial Strategy outlines how Council manages its finances in a sustainable way that provide sufficient capacity to meet unanticipated changes to population.

Council continues to improve the understanding of its infrastructure. It has increased depreciation funding for three waters and transport to enable higher levels of renewals that will support growth.

In the medium to long term, some costs from unexpected growth would be offset by an increase in ratable properties and rates income.

Council is a member of the rural sector group of Local Government New Zealand (LGNZ) and proactively lobbies government on issues that impact population growth.

Ageing Population

Forecasting Assumption

The number of older residents in the district will increase from an estimated 21% at June 2023 to a forecast 26% by 2034.

Description

The number of older residents in the district will increase significantly over the long term leading to changes in the way Council delivers services. The number of residents aged over sixty-five increased by 17.3% (583 people) from June 2018 to June 2023. Older people at June 2023 made up 20.6% of the estimated resident population (up from 19% in the March 2018 census). Council forecasts this to increase to 26.2% of the population in 2034.

This is an increase of 1,231 people aged over sixty-five to 5,333 residents for the 10 years, against a total population forecast increase of 1,096 residents to 20,357.

Risk

The risk is that the population will age significantly faster or slower than forecast.

Migration driven by international factors, government policy, economic conditions, climate change, or natural disasters may impact on ageing population predictions. Changes to household occupancy or birth and death rates may also impact predictions.

A faster ageing population may leave Council services not sufficiently meeting older people's needs. Rates affordability has a greater impact on ratepayers with fixed incomes and presents a challenge for Council to fund forecast levels of service.

Likelihood of Risk Occurrence

Probable

Financial Impact

Low

Risk Mitigation Factors

Council manages changes in demand for services through its regular long term and annual planning processes and will account for demographic change.

This Long Term Plan considers changes in demand for services for example by placing a greater emphasis on recreational activities and upgrading of reserve amenities through the 2023 Play, Active Recreation and Sport Strategy, and the development of Reserve Management Plans.

The District Strategy, and the Growth Strategy and District Plan review are tools Council consider demographic change and may also include findings about older residents from the 2023 Housing Strategy.

Natural Disasters

Forecasting Assumption

There will be no extreme natural disasters during the period of this plan.

Description

There will not be any natural disasters that significantly impact the District. Any events will have less impact than those experienced in the 2004 Manawatū-Whanganui flood, Cyclone Gabrielle, or the Kaikoura earthquake.

Council will be prepared to respond to any flood, storm, earthquake, and volcanic activity that occurs.

Council will secure insurance cover as required and government will provide response and recovery support at a similar level to past events.

Risk

New Zealand is seeing an increasing frequency of natural disasters, and the risk is that the District is impacted by a significant event that severely damages infrastructure and disrupts services.

Council may not be adequately prepared or resourced to respond to a significant disaster or series of disasters and may not be able to secure affordable insurance.

Government may reduce its financial support including for the replacement of damaged infrastructure and roading, and for the managed retreat of private properties.

Likelihood of Risk Occurrence

Possible

Financial Impact

High – Very High

A significant natural disaster requires immediate funding for the response and recovery including the repair of infrastructure and the potential buy out of private properties for managed retreat.

For example, a severe earthquake on the Hikurangi Subduction Zone that caused the destruction of ten percent of Council assets could cost more than $100 million to repair. Council staff and resources would likely be overwhelmed in the initial response and recovery. The event would disrupt the Tararua economy and interrupt critical Council services such as water and roads for a considerable period.

Council would need to borrow to support the response and recovery, potentially severely impacting its financial capacity to respond to future unforeseen events and requiring rates increases.

Risk Mitigation Factors

Council plans for civil defence emergencies and coordinates with iwi and other local and regional organisations. Council will continue to improve its business continuity arrangements, including the development of a corporate business continuity plan, during this Long Term Plan.

Council assets are insured, and government continues to provide support to Councils to reinstate underground assets and roads in a civil defence emergency.

Council maintains the Tararua Emergency Roading special funded reserve to provide funds for the reestablishment of infrastructure following a disaster and maintains depreciation reserves that could be utilised to assist with shortfalls from insurance and government support.

The Growth Strategy and District Plan review will consider hazard avoidance and additional conditions for areas with high natural hazard risk.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet the costs of sudden unexpected events such as natural disasters.

Climate Change

Forecasting Assumption

Climate change will occur in line with government forecasts.

Description

The 2020 National Climate Change Risk Assessment and the 2021 Manawatū-Whanganui Regional Climate Risk Assessment form the basis of Council's climate change forecasts. The forecasts are through to 2040 and 2090 and project an increase in events that bring heavy rain, strong winds, and longer dry periods, as well as sea level rise.

"Climate change is one of humanity's greatest challenges. The impacts of climate change are already being felt within the communities, businesses, native ecosystems, and infrastructure within the region. Climate change, and its associated impacts will have significant social, economic, environmental, and cultural implications for the region's communities." 2021 Manawatū-Whanganui Regional Climate Risk Assessment

There remains a high level of uncertainty in forecasting climate change especially at a local level and the science continues to rapidly develop. Council overlays the long-term changes with an expectation there will be short-term climatic variations where change will occur with more intensity and variability, potentially in a non-linear way i.e. in step changes.

Risk

The risk is that climate change will not occur as predicted and change may be more rapid and have a higher impact with more frequent storm and flood damage, greater fire risk, storm surge, and erosion.

Increasing climate related events may require emergency work that cannot be funded from normal budget provisions.

Climate change will impact the global economy and drive social change (see the Population Growth assumption for migration risks) and will likely result in supply chain constraints and reduced access to affordable insurance.

Council may be faced with unexpected pressure on infrastructure that requires additional investment to build resilience for roads and drainage, stormwater control and drinking water supply and storage. There is a risk that Council infrastructure decision making will not adequately account for climate impacts and that will contribute to worsening environmental and community resilience.

Likelihood of Risk Occurrence

Probable

Financial Impact

High

Over time the District economy will be challenged by increasing severe weather events such as storm and drought, and by changes to normal seasonal cycles, pests, and diseases.

Significant impacts are expected to increase in the next few years to decades. The cost of damage associated with extreme weather is likely to rise as the frequency and intensity of events increase.

The global effect of climate change may make New Zealand an attractive place to immigrate, and the resulting overflow from cities into Tararua, increasing demand for Council services and housing (also refer the Population Growth assumption).

Council faces funding pressure to build infrastructure that is climate resilient over the life of the asset, is safe, and meets community needs. Climate change risk is expected to impact to the way Council allocate resources and the type of proactive projects undertaken. For example:

Transport – More intense and frequent rainfall causes landslides and soil erosion resulting in damage to roads. Improved drainage is required to reduce long-term maintenance costs.

Drinking water - Longer dry periods increase demand at a time when the amount of water available from rivers is reduced. Intense rainfall creates high turbidity and makes treatment more difficult. Infrastructure that is more resilient to long dry periods and high intensity rainfall will be required to ensure reliable water supplies.

Wastewater - More intense and frequent rainfall means more wastewater to treat due to infiltration from stormwater. Managing methane emissions from wastewater treatment may require new investment.

Stormwater - More intense and frequent rainfall may overwhelm stormwater systems. Investment in increasing capacity and coverage is required to ensure stormwater systems are safe and resilient.

The expectation to reduce carbon footprint and move to a more sustainable use of resources are increasing, as are the costs to do so.

Risk Mitigation Factors

The Long Term Plan incorporates climate resilience into budgets and projects. For example, preventing infiltration of stormwater into wastewater, stormwater model development, higher capacity road culverts, new water storage, investigation of new water sources, water demand management and leak detection, and generally improved maintenance programmes.

Council is a member of the Manawatū-Whanganui Climate Action Joint Committee which has completed a Regional Climate Change Risk Assessment and Joint Climate Action Plan.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet the costs of sudden unexpected events such as natural disasters.

Council is developing its insurance strategy with further consideration given to climate risk.

Council is considering climate change impacts in its Growth Strategy and District Plan review.

Council processes requests for electric vehicle related electricity infrastructure and increasing renewable energy related consents, both wind and solar.

Legislating and One Plan Changes

Forecasting Assumption

Legislative changes will have a modest but ongoing impact on Council finances and levels of service.

Description

Legislative changes will have a modest but continuing impact on Council's finances and levels of service.

Existing governance arrangements will continue and there will be no changes to District boundaries. Existing shared services and collaboration with other Councils will continue, and some additional collaboration is likely.

Specifically, the following legislative assumptions are made:

- Council will continue to deliver infrastructure within the existing legislative framework.
- There will be additional cost to meet more stringent monitoring and resource consent requirements for water and wastewater in year one and two.
- Urban stormwater discharges will not require resource consents.
- Legislated minimum levels of service or minimum standards (such as roads and community buildings) will not be changed.
- Earthquake prone building assessments will not require expenditure outside already budgeted costs.

The Horizons Regional Council One Plan will have some impact on farm profitability, particularly dairy farms, although freshwater regulations are being reviewed by the new government with a stated intent to reduce compliance costs. Overall, there is likely to be reduced profitability on some farm types and locations as consent requirements result in restrictions on stocking rates. Farmers may see higher costs to comply with freshwater regulations.

Risk

The risk is that legislative change could increase the levels of service or number of activities Council is required to deliver.

The new government has signalled reviews that may impact Council including transport, resource management, water, wastewater, and stormwater. The reviews could change how these services are delivered including through a regional service delivery model.

Although the government has stated that forced Council amalgamations will not occur, there is a risk that this may change if reforms leave Council with reduced activities.

The review of the Horizons Regional Council One Plan and compliance with government freshwater regulations could result in some forms of intensive farming becoming unprofitable in Tararua, and a lead to a general reduction in farming income. This would have a major impact on the local economy, and landowners' ability to pay rates over time. This is now considered less likely as the new government has signalled a review of freshwater regulations with the intent to reduce compliance costs.

Likelihood of Risk Occurrence

Probable

Financial Impact

Medium

The financial impact of 3waters reform is covered in the 3Waters Reform and Subsidies for Water and Wastewater Upgrades assumption.

A Council amalgamation process would result in resources being diverted to the restructure and could significantly interfere with the planned work programme.

Commercial buildings classified as earthquake prone may impact on the ongoing viability of their associated businesses. Council buildings classified as earthquake prone, or yet to have seismic assessments, may require substantial remedial work.

There is uncertainty about potential changes to resource management legislation and this could have a positive or negative financial impact for Council. There will potentially be a positive financial impact on resource consent requirements if freshwater standards are relaxed while allowing to continue to work towards environmental protection objectives.

Reduced farming profitability will impact on rates affordability and become a significant governance issue. Council would be under pressure to limit rates increases for rural properties and levels of service might be reduced.

Risk Mitigation Factors

Council makes submissions on relevant national and regional legislative and policy change, promoting the Tararua District and its aspirations. It considers how it will respond to change as part of regular planning processes.

Council has effective partnerships with iwi, and works closely with neighbouring councils, and Horizons Regional Council at the governance and officer level. The relationship with iwi and Horizons is particularly important for working closely together to meet the requirements of the One Plan.

Infrastructure Capability

Forecasting Assumption

Forecast growth can be partly met by the current and planned capacity of infrastructure assets.

Description

Forecast population, household, and commercial growth is partly catered for by the current and planned capacity of infrastructure assets.

In the longer term the Council controlled business unit established under the government Local Water Done Well process will need to make the required upgrades to ensure the forecast growth is done in a sustainable way. This includes additional investment in extensions and improvements to existing drinking water, wastewater, and stormwater networks to enable development in existing undeveloped residential zoned land, and significant upgrades to support intensification of existing urban areas.

To ensure sustainable growth the Growth Strategy and District Plan review will consider rezoning some urban land unsuitable for development due to infrastructure constraints.

There is considerable capacity in roads, footpaths, libraries, and most community buildings however significant renewals are required to bring community facilities to modern acceptable standards that meet the strategic objective that our towns have outstanding facilities for all to enjoy.

Risk

With existing and planned infrastructure partly meeting planned growth, the risk is that household or commercial growth significantly above forecast, coupled with climate change impacts, will put pressure on 3waters infrastructure (also refer to the Climate Change and Population Growth assumptions).

While there is generally considerable existing land capacity in urban zones, some areas are constrained by infrastructure capacity.

Council continues to improve its knowledge of 3waters networks however gaps in the data could result in unexpected infrastructure challenges.

Maintaining quality fit for future infrastructure and ensuring capacity for forecast growth will require significant 3waters investment by a new business unit owned by Council (or partly owned in collaboration with other Councils). The business unit may mean less local control or focus and may have funding constraints that fall short of the required level of investment.

Likelihood of Risk Occurrence

Probable

Financial Impact

High

Maintaining quality fit for future infrastructure and ensuring capacity and network reach for forecast growth will require Council to fund significant 3waters investment.

Higher growth puts greater demand on community facilities and would require Council to invest in upgrades (particularly library and recreation activities) to ensure our towns have outstanding facilities.

Risk Mitigation Factors

In this Long Term Plan Council will continue to improve its knowledge of 3waters networks and the specific locations that require renewals and upgrades.

The Growth Strategy and District Plan review will seek to align with infrastructure capacity to ensure sustainable growth.

Renewals are funded from depreciation reserves and in this Long Term Plan Council will increase reserves to provide improved renewal and maintenance programmes with a focus on infiltration and leak detection.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet unexpected infrastructure capacity requirements.

Other factors that will have a positive influence include that higher property density generates higher rates revenue, introduction of development contributions during this long term plan, and Council is improving its demand management practices.

Waka Kotahi Funding

Forecasting Assumption

Waka Kotahi requirements for the performance of subsidised work will not alter to the extent they adversely impact operating costs.

Description

Waka Kotahi requirements and specifications for the performance of subsidised work will not alter to the extent they adversely impact operating costs. The current subsidy level of 73% (2024-27 for maintenance and renewal costs within the approved NZTA Roading Programme) will continue for the period of the period of the Long Term Plan.

The One Network Road Framework will continue to support Councils current level of service for transport. The 73% FAR will apply to the current eligible road and footpath maintenance budget.

Note – the FAR will be reviewed within the existing New Zealand wide formula during 2026/27 and will apply for the 2027 – 2030 National Land Transport Programme (NLTP) that will allocate funding to Council.

Risk

The risk is that the level of subsidy could change as part of annual updates and medium-term revisions.

There is pressure on the Land Transport Fund across New Zealand Across New Zealand because transport projects are facing higher costs, government decisions to limit fuel tax increases, and vehicles are more fuel efficient. The risk is currently weighted toward reductions in inflation adjusted overall funding available through Waka Kotahi at the FAR.

Waka Kotahi completed a major review of the FAR in 2014 so it is unlikely there will be a major review again in next 10 years. However, the overall level of funding may be reduced due to Waka Kotahi funding shortfalls.

There is a risk the criteria for inclusion in the subsidised works programme could change. This may reduce or increase the roading programme eligible for subsidy (the FAR may be applied to a reduced approved roading programme budget). New emergency works criteria may reduce the level of subsidy to repair flood damages depending on the size of the event.

Likelihood of Risk Occurrence

Probable

Financial Impact

High

Variations in the Waka Kotahi subsidy rate will increase or decrease Council's revenue by $92,000 for every 1% change in subsidy. Council could increase rates to continue the planned maintenance programme or reduce the level of service provided that may impact on the strategic objective to have resilient and reliable infrastructure that connects our communities.

Risk Mitigation Factors

Council manages changes in transport levels of service through its regular long term and annual planning processes and this will account for Waka Kotahi funding changes. Council has the option to undertake projects outside the Waka Kotahi approved 2024-27 work programme with costs met by rates or depreciation.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet unexpected transport infrastructure costs.

The Tararua Alliance aims to fully meet process requirements to comply with the ONRC system, and working with Waka Kotahi as funding partner, will ensure early identification of any major issues with funding for the roading programme. Council engages with regional transport partners through the Regional Land Transport Committee.

Inflation

Forecasting Assumption

The Long Term Plan is adjusted for inflation using the Local Government Cost Index (Appendix One).

Description

The Long Term Plan financial projections reflect the estimated impact of inflation. Council used the Local Government Cost Index (LGCI) forecasts of price level changes to calculate a weighted average inflation rate for each year of the Plan. The forecasts are prepared by BERL, and Appendix one contains the BERL inflation adjusters (commissioned by Taituarā). The forecasts were issued in October 2023.

Economic forecasts are now projecting that cost increases will ease (but not reduce) and become more stable at around 2 – 2.5% a year in the medium to longer term.

Risk

The risk is that actual inflation will be significantly different to that forecast.

Council is exposed to cost increases related to international oil prices (for example, pipes, bitumen, and fuel), and staff and other operating costs driven by domestic economic trends. Council has no control on these prices, and these are often volatile due to shifts in government policy, exchange rates, and international oil prices.

In the last 10 years the LGCI forecasts were usually above the Consumer Price Index and this builds in some buffer for any price increases. However, the reverse can occur as New Zealand is subject to imported inflation with limited options to avoid sudden price increases caused by overseas trends or a major devaluation of the New Zealand Dollar.

Likelihood of Risk Occurrence

Possible

Financial Impact

Medium

Significantly higher or lower inflation will lead to misstatement in some costs in the budgeted financial statements. Council is particularly susceptible to changes in the price of imported plastics, capital equipment, petrol, and diesel as about fifty percent of Council business is roading related.

Risk Mitigation Factors

While individual indices will at times vary from the Long Term Plan, over the longer term this will tend to average out.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet unexpected cost increases.

Council manages unexpected high inflation through its regular long term and annual planning processes by adjusting spending and reviewing the capital works programme.

Asset Lives

Forecasting Assumption

The actual useful lives of Council assets are in line with predictions.

Description

The actual useful lives of assets reflect those recorded in asset registers and these are based on evidence from condition assessments or professional advice.

Refer to the Accounting Policies section for Depreciation Rates, and to the Infrastructure Strategy for the cost of renewal and operating costs for 3waters and transport.

Risk

The risk is that assets wear out earlier or later than predicted.

Likelihood of Risk Occurrence

Possible

Financial Impact

Medium

The financial effect of the uncertainty is likely to be immaterial unless asset lives for significant assets such as bridges or pipe networks change significantly. Depreciation and interest costs would increase or decrease if capital expenditure were required earlier or later than anticipated.

Risk Mitigation Factors

In this Long Term Plan Council will continue to improve its knowledge of assets and includes budgets for additional infrastructure and community facilities condition assessments.

The impact of increased depreciation or interest costs through early asset expiry can be mitigated through regular long term and annual planning processes by reprioritising capital projects or by utilising internal borrowing.

Revaluation of Property, Plant and Equipment

Forecasting Assumption

Assets will be regularly revalued to reflect their fair value price.

Description

Assets are valued as stated in the Accounting Policies section.

The following assumptions apply to asset revaluations:

- building and 3waters revaluations will reflect price changes predicted by BERL.
- transport revaluations will be based on actual unit rates from Council's the Tararua Alliance contract.
- the depreciation impact of inflation will be in the year following revaluation.
- the value of non-depreciable assets (for example land) is forecast to remain constant.
- technology improvements will deliver improvements but will not materially change the unit price.

Risk

The risk is that BERL forecasts will be materially incorrect, leading to misstatements in Council's financial accounts. This will have an impact where forecast asset values result in changes to depreciation and hence rates levied.

There is a risk that the Tararua Alliance based unit prices do not reflect fair asset values.

Likelihood of Occurrence

Unlikely

Financial Impact

High

An incorrect increase fair value prices will increase depreciation and affect funding levels.

Valuation changes that result in a 1% change in total depreciation would increase rates requirement by estimated $192,000 a year.

Risk Mitigation Factors

The fair value price of assets is reviewed every year through the annual and long term planning process.

Contracts

Forecasting Assumption

Contracts prices will increase in line with inflation forecasts.

Description

The renewal price of operational, maintenance, and service contracts will increase in line with inflation forecasts and there will be no other significant variation in price.

Risk

The risk is that there is a significant unbudgeted variation in cost or change in terms when retendering contracts and service agreements.

Causes for this include inflation significantly higher than forecast, lack of competition, national and international supply chain shortages.

Likelihood of Risk Occurrence

Possible

Financial Impact

Low

As Council has many contracts across different activities and markets, in most cases, overall changes to contract costs and terms even out.

Risk Mitigation Factors

Council monitors the economic environment, regularly reviews contract and level of service requirements through the long term and annual plan processes and is usually able to build inflation indexing into contract pricing.

Sources of Funds for the Replacement of Significant Assets

Forecasting Assumption

Council will have adequate resources to replace significant assets when due.

Description

The Revenue and Finance Policy, Financial Strategy, and Infrastructure Strategy set out how Council will fund the replacement of significant assets from depreciation and borrowing through to 2054.

Risk

The risk is that there will be a shortfall in depreciation funds to replace assets if they require replacing earlier than forecast, or if Council has not funded sufficient depreciation over the longer term.

Likelihood of Risk Occurrence

Highly Probable

Financial Impact

Medium

The impact of the uncertainty on rating levels is likely to be immaterial in the short term as the depreciation funds have an overall positive balance (2023/24 opening balance $31 million). Balance forecasted to be $17 million at the end of the 10 year period (June 2034). This reflects that significant renewals are forecast in the 10 year period.

The assumptions on Inflation, Asset Lives, and Revaluation of Property, Plant and Equipment will have an impact on depreciation funding levels over the medium to long term.

Risk Mitigation Factors

Council has built its depreciation reserves over time to fund the long-term renewals of assets.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet unexpected costs such as the early replacement of significant assets.

3 Waters Reform and Subsidies for Water and Wastewater Upgrades

Forecasting Assumption

Water, wastewater, and stormwater activities will remain with Council and there will not be further government subsidies for upgrades.

Description

Water, wastewater, and stormwater activities will remain in Council ownership.

Government will not fund any further health or environment improvements for water and wastewater networks. However, a promised government review of freshwater regulations could reduce mandated service levels and standards for Council.

The government expects new legislation for 3waters to be in place by October 2025, and this will give Council some options around setting up a business unit, either standalone or as a collaborative entity with other councils. Council will still be required to meet increased mandatory standards for water and wastewater, renew significant assets, and renew wastewater discharge consents.

Risk

The risk is that Council is not able to sustainably fund resilient and reliable infrastructure when faced with changes in legislative standards, growth, and climate change. Asset renewals and resource consents currently require substantial investment to meet consents conditions.

New government legislation mandate requirements for higher service levels.

There is an opportunity if grant funding is available as any variation to this assumption will be financially positive to Council.

There are transition risks associated with moving to a new 3waters delivery business unit that will be clearer once government legislation is announced.

Likelihood of Risk Occurrence

Highly Probable

Financial Impact

High – Very High

The 3waters reform will leave Council with higher debt and ratepayers with targeted rates.

Any further government subsidies will reduce the rate requirements and debt levels.

Risk Mitigation Factors

Council is able to review levels of service and community expectations through its regular long term and annual planning, and community consultation processes, although many 3waters service levels are mandatory.

Council will continue to lobby government on the need for government investment in 3waters.

Council will actively explore regional collaboration for 3waters management and service delivery.

Council has the option to delay some major investments until the new legislation framework and standards have been set.

The Growth Strategy and District Plan review will seek to align with infrastructure capacity to ensure sustainable growth.

Wind and Solar Farm Developments

Forecasting Assumption

Wind and solar farm developments will not significantly impact roading renewals expenditure.

Risk

The risk is that wind and solar farm development activity significantly impact on roads and require increased roading renewals, upgrades, or timing changes.

Likelihood of Occurrence

Highly Probable

Financial Impact

Low

The resource consents for solar and wind farm developments are expected to fully cover the full cost of the development.

Risk Mitigation Factors

Council participation in the resource consent application process will ensure development conditions mitigate adverse impacts on existing infrastructure and the environment.

Council will also consider bringing forward some renewals to take advantage of any upgrades required for wind or solar farm developments.

The District Plan review will consider resource management rules for wind and solar farms.

Forest Harvesting

Forecasting Assumption

The forest harvesting impacts on roads are correctly forecast in transport budgets.

Description

Forest harvesting the Northeast of the District are creating issues with maintaining roading levels of service and impacting on maintenance requirements, and these impacts have been correctly forecast in transport budgets.

Many new plantings of exotic forest are for carbon forestry and will not be harvested.

Risk

Significant increases in forestry harvesting volumes are certain in the medium term, and more exotic forestry is currently being planted and the risk is this will cause major damage to some arterial roads.

Likelihood of Risk Occurrence

Highly Probable

Financial Impact

Medium

Forest harvesting activities will cause damage to some arterial roads resulting in higher renewals and increasing operational costs.

The impact is reduced when new plantings are for carbon forestry that will not be harvested.

Risk Mitigation Factors

The Tararua Alliance works with the main forest owners to identify likely volumes and routes and plans for targeted road capability upgrades to maintain levels of service, while basic renewals are programmed after harvest traffic when possible.

The Route 52 upgrade will lower ongoing maintenance costs as it is designed to cater for forestry truck volumes.

Council plans to introduce a heavy vehicle component to its roading rates to ensure everyone who uses the road, especially those benefiting from heavy vehicle use, pays their fair share.

Council has increased depreciation funding for transport to enable higher levels of renewals.

The government has reviewed the policy settings for production and carbon exotic forestry (NES-CF) and the land use regulatory framework for forestry. Council can now require resource consents for land use change to forestry in certain locations.

Resource Consent Renewals

Forecasting Assumption

All existing and renewing resource consent requirements will be met from forecast budgets.

Description

The cost of complying with the conditions of current resource consents will not alter significantly from that budgeted.

The cost of resource consents due for renewal during the 10-year period will be renewed as budgeted.

Resource consents issued for new or upgraded infrastructure will not contain significantly different conditions or standards to those anticipated in the project.

Risk

Conditions for new or existing resource consents are altered significantly requiring major unbudgeted investment to meet conditions.

The term of renewed resource consents could be reduced to 10 years or less requiring additional budget for renewal.

Council may be unable to renew expiring wastewater resource consents requiring consideration of alternative systems such as piping wastewater to another treatment plant, or more expensive land-based disposal systems. The major project risk is the Dannevirke wastewater discharge consent that expires in 2027.

The new government has signalled that it will review current resource management legislation and replacement legislation could change the resource consent processes and increase costs.

Likelihood of Risk Occurrence

Unlikely

Financial Impact

Medium – High

The financial effect of changes to resource consent requirements depends on the extent of the change. A significant change in requirements could result in the Council needing to spend additional funds to enable compliance. If there were changes to conditions or consents were not renewed or issued, Council would face additional costs to meet consents or to continue a process to apply for new consents. Council can fund additional consent requirements however there would be an opportunity cost of not undertaking other infrastructure works or services. Affordability of services in small communities could become increasingly difficult.

Based on recent resource consent renewal outcomes for wastewater treatment and discharge in Tararua and neighbouring districts the risks are increasing, and potential costs are high. Council is likely to be required to increase levels of service for all wastewater treatment plants as consents expire.

Risk Mitigation Factors

Council has effective partnerships with iwi, and works closely with Horizons Regional Council, on resource consents and monitoring. Working with Horizons ensures Council has sufficient notice of and is well placed to manage any change required. Council works closely with iwi and Horizons to ensure that infrastructure and services are developed with environmental protection as a key consideration.

The government has in the past recognised the financial impacts on smaller communities and contestable funding has been available for water and wastewater upgrades. Council will continue to lobby for more funding and will actively apply for funding where available.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet unexpected costs that could arise from resource consent requirements.

Interest Rates

Forecasting Assumption and Description

Council has budgeted for this long-term plan that interest on loans raised will be x% in year one and reducing to y% by 2034. The average is 5.08% over 10 years. It is assumed that return on investments made by Council will be a% in year 1 rising to b% by 2034. The average is c% over 10 years.

Risk

The risk is that actual interest rates will be significantly different to forecast.

Likelihood of Risk Occurrence

Probable

Financial Impacts

High

Based on Council projected borrowing levels, interest costs will vary between $845,000 and $1,493,000 per annum for every 1% movement in interest rates.

Risk Mitigation Factors

Interest rates are largely driven by factors external to the New Zealand economy. Council is predicting an increase in borrowings over the 10-year period. Council has in place an interest rate strategy to deliver greater certainty over the interest rate cost for the duration of the Long Term Plan.

Council is currently within the borrowing covenant levels specified by the Local Government Funding Agency.

Council receives external professional advice on the direction of future interest rates.

Access to External Funding

Forecasting Assumption

Council will be able to borrow to the required level.

Description

Council will be able to borrow at the required level.

Council has received significant funding from government sources, especially post Cyclone Gabrielle, to repair damaged assets and to improve levels of service. This level of grant funding is expected to reduce.

Risk

If unable to borrow, Council will not be able to fund services or capital investment. While it is likely Council will be able to secure loans, it cannot be guaranteed.

Likelihood of Risk Occurrence

Unlikely

Financial Impacts

High

If rates are used as an alternative source of funding for capital projects, rates requirements would rise and forecast levels of service would come under review.

Risk Mitigation Factors

Council has access to the New Zealand Local Government Funding Agency markets in New Zealand and overseas. It has a strong relationship with its bankers with a history of meeting loan covenants.

The Financial Strategy outlines how Council manages its finances in a sustainable way that has capacity to meet unexpected costs from borrowing or alternative sources if required.

Capital Projects Do-ability

Forecasting Assumption

Council will deliver on its capital projects programme.

Description

Council will deliver on its capital projects programme as outlined in the Long Term Plan.

Risk

The risk is that Council is unable to deliver the work programme as outlined, especially for 3Waters and Cyclone Gabrielle Recovery projects for Roading. This creates a backload of work and increased costs, resulting in continued delays to the delivery of the planned capital programme. This could impact on the achievement of proposed levels of service, potential increased costs from delays, Council not meeting agreed consent conditions, and increases the risk of assets failing before they can be replaced leading to a disruption.

The level of capital projects forecast will be challenging to deliver.

Likelihood of Risk Occurrence

Probable

Financial Impacts

Medium

Cost increases due to delay or deferring capital projects, interest rate increases and borrowing forecasts, along with debt servicing costs being different than planned. If additional resources are required to plan, project manage and deliver capital projects, rates requirements would rise.

Risk Mitigation Factors

Council has been purposely raising the level of project management sophistication and rigor in the organisation over the last four years to deliver the major increases in capital expenditure this Long Term Plan includes. These are mainly:

Established a project management office (PMO) and introduced standardised project processes and framework. Using a standardised framework has provided much needed guidance for those projects that are not directly led by the PMO, but by other departments within the organisation,

Robust scoping and cost estimation are being completed for capital projects in Years 1–3 of the Long Term Plan, resulting in full and complete project concepts and briefs,

Procurement strategy is in place in the Alliance, while a Procurement Policy applies across the organisation,

Council works collaboratively with supply partners, has longer term contracts, building capacity and capability with local contractors and providing certainly of contracts so supply partners can commit to investments in training, development, and equipment.

If the projects do fall behind the schedule contained in the Long Term Plan, Council has the ability to revise the speed of delivery in future annual plans and alter rating, development contributions, and borrowing assumptions at that time. Any money already collected can be carried forward to a later year to be used at the point of construction.

Appendix 1

Taituarā / BERL Price Adjustors October 2023

The following tables are extracted from the 'Cost Adjustors Final Update' - BERL – October 2023 report prepared for Taituarā. Council has chosen to adopt this scenario – considered by BERL to be a likely outcome relevant to most regions of New Zealand.

Table 7 Local Government Cost Adjuster, pa % changes

	Pa % changes				
Year	Planning & regulation	Roading	Transport	Community	Waste
2015	0.8	1.1	1.0	1.0	1.8
2016	0.7	1.6	1.1	2.1	2.2
2017	2.2	2.8	2.4	2.3	2.7
2018	2.0	1.3	1.7	1.7	1.1
2019	3.0	3.5	3.1	2.4	2.9
2020	1.2	1.1	1.2	1.5	1.6
2021	2.3	1.9	2.1	1.6	1.2
2022	6.9	7.6	7.0	6.5	5.9
2023	4.9	4.8	4.9	4.3	5.0
2024	3.2	3.8	3.4	3.5	3.7
2025	2.4	2.9	2.6	2.7	3.0
2026	2.1	2.0	2.1	2.0	2.1
2027	2.2	2.3	2.2	2.2	2.3
2028	2.1	2.3	2.2	2.2	2.4
2029	2.0	2.2	2.1	2.1	2.3
2030	1.9	2.1	2.0	2.0	2.2
2031	1.9	2.0	2.0	1.9	2.2
2032	1.8	2.0	1.9	1.9	2.1
2033	1.8	2.0	1.9	1.9	2.1
2034	1.8	1.9	1.9	1.8	2.0
20 year average % pa	*2.3*	*2.6*	*2.4*	*2.4*	*2.5*

Rautaki Ahumoni

Financial Strategy 2024/34

CONTENTS

Introduction

This financial strategy sets out our planned approach to financial management over the life of the 10 year plan. It outlines how Council intends to manage its financial resources, details the funding required to support capital investments and service delivery, and assesses the impacts on rates, debt, service levels, and investments resulting from decisions made.

Our financial strategy is designed to establish a sustainable foundation for the long term, ensure funding to enhance the resilience of our assets and services, enable growth, and plan strategically for future generations in a financially sustainable way.

This strategy will guide the Council's future funding decisions and, in conjunction with the Infrastructure Strategy, will determine the capital and operational expenditure requirements for the life of the 10 year plan.

As a critical component of our strategic framework, this Financial Strategy plays a pivotal role in how the Council intends to address current and future challenges, and capitalise on opportunities identified during the life of this plan and that of future generations that will benefit our communities.

Affordability – what does it mean to us as a Council? Council views the meaning of "affordable" as something that is inexpensive or reasonably priced. Council strives to deliver its services in an affordable way, but the reality is that it faces challenges in spreading the cost of these services over a small number of ratepayers. We continue to experience significant cost increases, as has every house and business in New Zealand, due to the much higher than anticipated inflation.

Significant cost increases have occurred in the three waters and roading activities due to legislative requirements, and Council's ongoing recovery from the devasting effects of Cyclone Gabrielle. As signalled previously, in order to meet these cost increases, rates increases need to be higher.

When assessing the affordability of providing Council's services, we revisit our regular environmental scans that look at local and political factors that may impact our district, and we consider every dollar of our spend before it is approved.

In trying to maintain affordability and provide essential services to our community we are constantly trying to find the happy medium between all of these considerations. We revisit our budgets annually, weighing up necessities and nice to haves, and this plan as with the previous annual plan, we have pared back to the absolute minimum and to what is necessary across the board.

What guides us

Affordability – Council will deliver on public value while balancing rates affordability, sustainability, and reflecting the services this plan details we will deliver

Financial Stability – Ensuring council manages its finances in a way that maintains financial prudence and ensures long-term financial sustainability and resilience

Investment in Infrastructure – Continue to invest in our infrastructure to ensure our assets are able to provide services now and into the future while considering inter-generational impacts of decisions we make

Revenue Sources – To maximise the amount of external funding received to reduce the financial burden on ratepayers

Our Vision

We thrive together. Vibrant, connected communities where our land and our people are nurtured, and our people flourish.

Mā te whenua, mā te waiora tātou e ora ai hei hapori ngangahau hei hapori honohono hoki.

What our future looks like

The life of this plan presents a multitude of challenges and opportunities as identified in this strategy and throughout this plan.

The nuts and bolts of it is that Council is planning on investing heavily to maintain and upgrade our assets to prepare for growth, improve, maintain and where needed improve levels of service while trying to keep rates as affordable and sustainable as it can for our ratepayers.

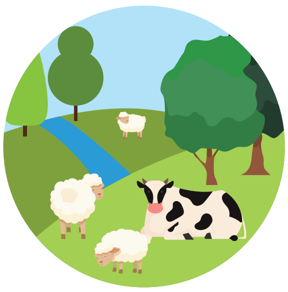
By achieving Council's vision and financial objectives for this plan, 2034 will look like this:

Thriving District

- Development and Financial contributions will be in place
- Opportunities for non-rate revenue realised
- Council has become a credit rated Council

Connected Communities

- Improved climate resilience
- Improved delivery of capital projects with the embedment of our project management framework within the organisation
- Our assets are taken care of with sufficient funding for renewal budgets being available throughout the plan



Improving our Environment

- Improved safety and resilience of the roading network.
- Emergency roading reserve maintained at a sustainable level.
- A significant amount of required renewals completed on our ageing reticulation network, while significantly reducing the risk of network failures or risks to the environment.

Interactive Council

- Service levels achieved as set out in this plan
- Rates increases within limits set in this plan
- Fees and charges reviewed annually ensuring they are set at the appropriate levels
- Surplus property sold to reduce debt and operating cost
- Depreciation is funded to allow for the replacements of our assets (unless deemed appropriate and prudent not to fund)Three waters depreciation reserves well on their way to being replenished to an appropriate level
- Balanced budget each year of the plan
- Debt maintained within borrowing limits
- Accelerated debt repayment program followed
- Sufficient ability to borrow funds for an unforeseen event should it be required
- A clear risk appetite and effective insurance strategy is in place.

This is how we will get there

There are increased uncertainties moving forward with a number of questions still to be answered. This Financial Strategy provides key directions that allow Council to progress its objectives, but with an increased focus on creating financial resilience to manage the financial implications of the unknown.

Growth is a major opportunity for our district, and it is likely that further investment will be required as we develop strategies to enable growth.

It is certain that there will be financial impacts from climate events, the timing and quantity, however, is a major financial risk that Council faces.

Ongoing legislative and regulatory changes in particular in the three waters activities and resource management space could result in further funding challenges as they become known.

Council has made significant forecasting assumptions in the assumptions section of this Long Term Plan, where the financial consequences are outlined.

The Strategies

To achieve Council's strategy of being financially sustainable and prudent, the strategy focuses on the following inter-linked key strategic directions that enable Council to achieve its strategic objectives, whilst ensuring financial sustainability and prudence by leaving headroom for the unknown as mentioned above:

Rates Limit: Increase Council's rates limit to service the increased debt levels, fund the operational cost increase resulting from investment in infrastructure and growth projects, and increase cost to meet service levels.

Dedicated Debt Repayment: Continue with the dedicated debt repayment program which ensures Council has continued financial resilience whilst continuing to invest in infrastructure that meets existing community needs and enables growth.

Borrowing Limits: Increase Council's debt limits to enable further capital investment to improve infrastructure, including community and recreation facilities that enable growth.

Revenue Sources: Alternative funding streams in line with Council's pricing strategy and ensure opportunities for external funding is maximised.

Balanced budget: Council will meet s100 LGA balanced budget requirement, and to enable this funding, an appropriate level of depreciation for future asset renewals and build reserves.

Rates Limit Increase

In the previous financial strategy Council set it's rates limit for year one at less than 10% and years 2-10 at BERL + 3% plus 2% debt repayment. This Long Term Plan we see the need for the rates to increase over the life of the plan as we invest in our district and maintain our existing Levels of Service.

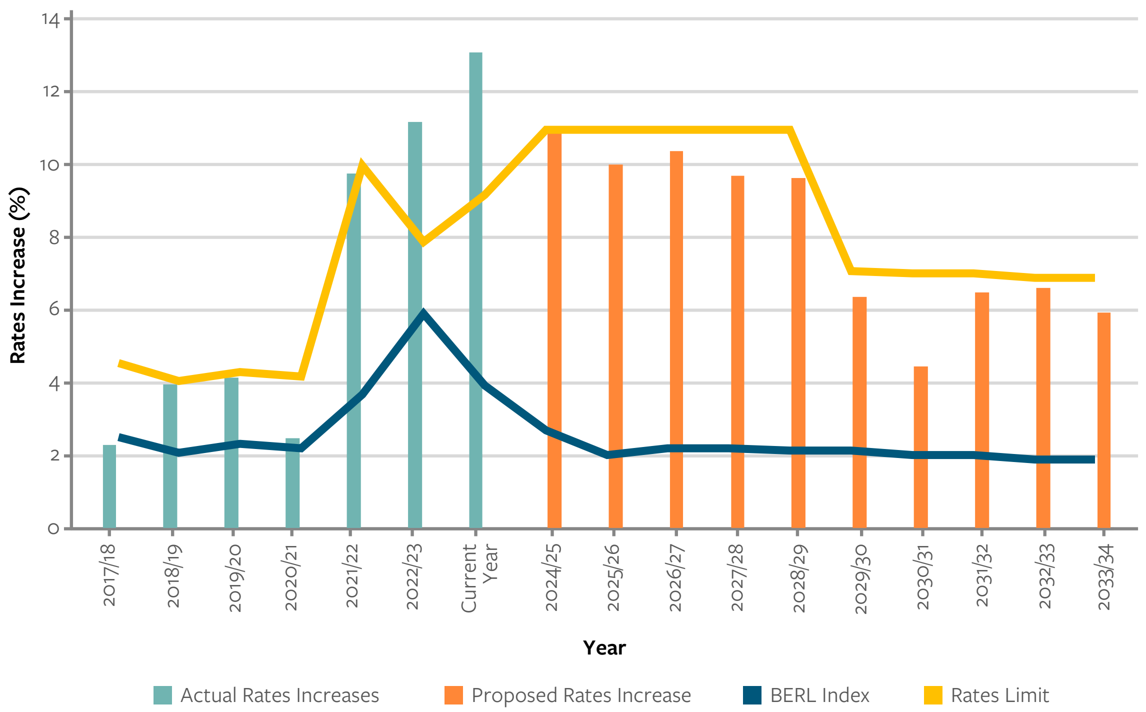
	Year 1	Year 2	Year 3
Previous Long Term Plan – years 1 to 3 actual performance			
Limit	< 10%	BERL + 3% +2%	BERL + 3% +2%
Quantified Limit	< 10%	7.90%	7.50%
Actual Increases	9.82%	11.22%	13.17%

Council appreciates the pressure rates place on our community. It is important to us to ensure we are spending prudently, and we engage regularly through various forums to understand the needs of our community.

This Long Term Plan is a balancing act between the communities wants and needs, the regulatory environment, Council's aspirations, and the ability to fund them. Affordability has been at the forefront of every decision that has been made. In addition to inflation, interest costs, depreciation costs and loan repayments, the proposed increases are attributable to the following factors;

- Increased compliance for wastewater treatment and management
- Resilience and compliance for water treatment and management
- Resilience and increased maintenance for our roading network
- Reticulation investment – historic low investment
- Growth – impacting three waters reticulation. Funding option available e.g. Development Contributions
- Solid Waste – expect increases in later years
- Urban and above ground Infrastructure – maintenance and growth

Rates forecast – Proposed Rates Limits



We believe we have achieved a balance in the decision that has been made but recognise that rates do contribute to a sizeable portion of household costs. We have set the rates limits for this plan as follows:

- Years 1 to 5 (2024-2028): rates increase less than 11%
- Years 6 to 10 (2028-2034): rates increases in any one year will be maintained within the weighted average local government cost index, which is calculated as BERL and specifically reflects the types of costs faced by councils, plus three percent, plus two percent dedicated for additional principal debt repayment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Limit	< 11%	< 11%	< 11%	< 11%	< 11%	BERL + 3% +2%	BERL + 3% +2%	BERL + 3% +2%	BERL + 3% +2%	BERL + 3% +2%
Quantified Limit	< 11%	< 11%	< 11%	< 11%	< 11%	7.10%	7.00%	7.00%	6.90%	6.90%
Actual Increases	10.30%	10.13%	10.71%	9.95%	9.45%	6.36%	4.31%	6.44%	6.66%	6.13%

Dedicated debt repayment

- In the previous financial strategy, Council introduced a dedicated loan repayment program. This strategy was required to allow Council to:
- fund its proposed capital program while also creating the necessary headroom and financial resilience for unforeseen events that could arise from climate change
- enable future councils to have the ability to introduce new projects to meet the future needs of our communities.

Council's debt was set to peak at $78 million in 2026-2027 year.

Over the past three years, although the dedicated debt repayment rate was intended to be 2%, with Council facing affordability constraints and increases in rates, this was a lever that Council used to help reduce rates increases, and as a result Council's rated debt repayment for each of the past three years was only 1%.

The key challenges we see now are:

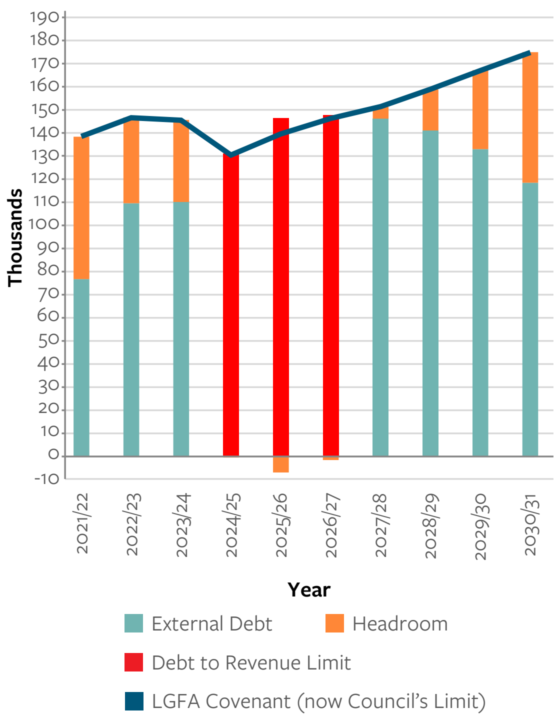
- price increases higher than anticipated for capital projects
- regulatory compliance and change in standards Council is required to adhere to
- three waters assets remaining in Council ownership and operation
- Growth and climate change compounding the level investments required in our infrastructure

In this Long Term Plan we see Councils debt levels peaking at $149 million in 2028-2029 year (-$949,000).

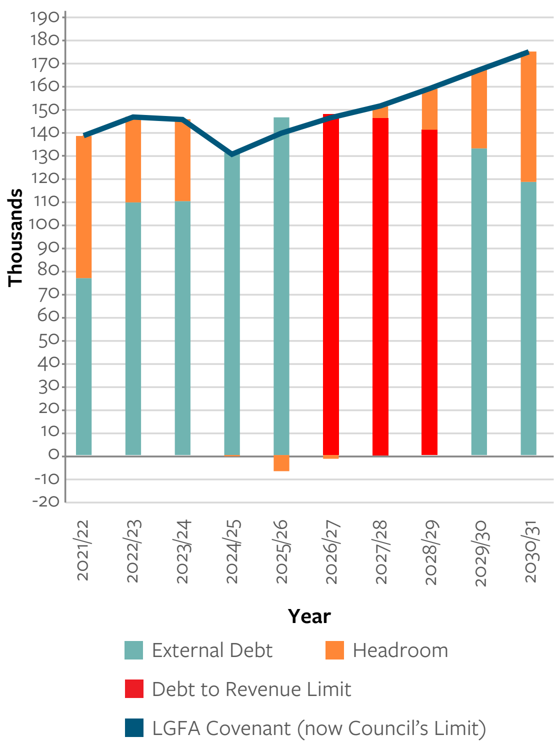
The graphs below show the financial headroom that is created for future borrowing from this strategy. Without this strategy, Council will not have sufficient headroom in years 4-6 (2026-2029) to allow it to fund the capital works program or borrow to respond to an unforeseen event.

Even with this strategy in place Council is set to breach it's borrowing limits in year 5 (2028/29) where debt hits the peak.

With debt repayment



Without debt repayment



Borrowing Limits

In its previous Long Term Plans, Council embarked on an ambitious capital investment program and it is continuing to invest heavily for the length of this Long Term Plan. As a result, Council's debt is projected to increase significantly from $60 million to a peak of $149 million during the course of the Plan.

To enable this investment, with rising interest rates and increase to Council's debt levels, Council has increased three of its debt limits as can be seen in the table below.

	2021-2031 Long Term Plan	2024-2034 Long Term Plan
Net Interest on External Borrowings as a Percentage of Total Revenue	< 150%	< 175%
Net Interest on External Borrowings as a Percentage of Annual Rates Income	< 7%	< 10%
Net Interest on External Borrowings as a Percentage of Annual Rates Income	<10%	<15%

The previous graphs highlight the available headroom against the changed debt limit.

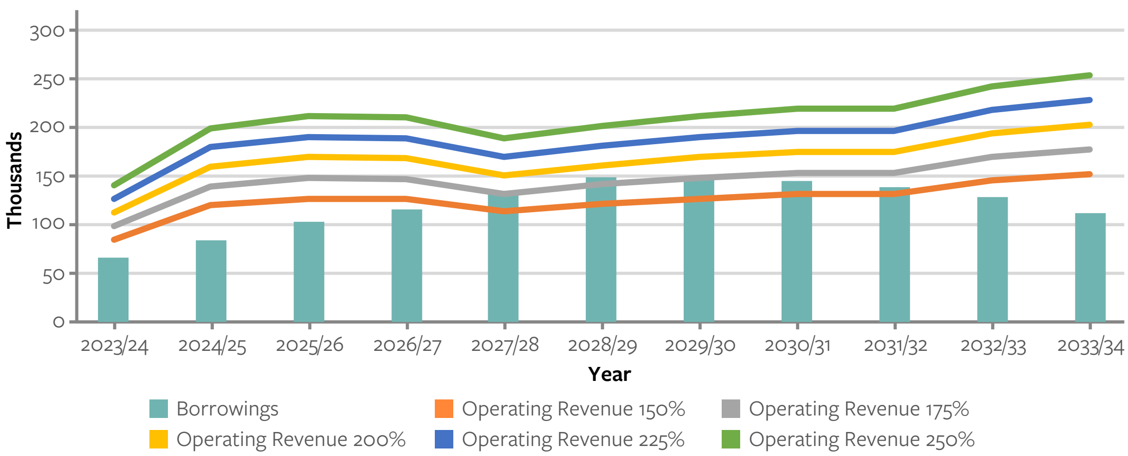
Although Council complies with all of the debt limits except for one in year 5 for the 10 years of the Long Term Plan as per its Treasury and Risk Management Policy, the previous graphs and the table below show that Council has very little headroom/ no headroom available during years 4 – 6 (2027- 2030) of this plan.

In these years Council will have very little ability to respond to an unforeseen event should it be required to do so, Council will also need to be prudent in approving any unbudgeted expenditure in the years leading up to and including 2027-2030.

Because of this, in years 2 and 3 of the plan Council will look to become a credit rated Council, to allow Council to increase it's borrowing limits outside of the maximum limits imposed under its LGFA covenant of 175%.

		LTP Year 1 2024/25 $000's	LTP Year 2 2025/26 $000's	LTP Year 3 2026/27 $000's	LTP Year 4 2027/28 $000's	LTP Year 5 2028/29 $000's	LTP Year 6 2029/30 $000's	LTP Year 7 2030/31 $000's	LTP Year 8 2031/32 $000's	LTP Year 9 2022/33 $000's	LTP Year 10 2033/34 $000's
Council's Proposed Borrowing Limits 2024/2034 Long Term Plan											
Net Debt as a Percentage of Revenue	< 175%	52,121	52,992	39,508	4,373	(949)	5,624	13,609	27,640	45,449	69,349
Net Interest on External Borrowings as a Percentage of Total Revenue	< 10%	77,278	76,960	58,914	22,567	11,092	6,620	8,447	15,857	29,468	46,536
Net Interest on External Borrowings as a Percentage of Annual Rates Income	<15%	38,527	39,917	34,193	89,062	82,249	14,418	10,886	17,171	15,779	31,423
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	> 110%	6,330	1,444	2,647	2,324	1,616	1,244	1,114	1,289	1,718	2,697

Council Debt vs Debt Limits



Revenue Sources

Alternative sources of revenue, other than rates and loans, are critical to help fund Council's activities.

Since 2012, funding from rates had increased from 60% to 63%. Council has put a greater focus on alternative funding sources in this Long Term Plan to reduce the financial burden on ratepayers. After a period that resulted in funding from fees and charges drop from 13% in 2012 to 8% of total revenue, Council adopted a pricing strategy in 2015. This provided a framework for decision making when setting fees and charges. Fees and charges for activities that provide a benefit to a direct user have been increased in year one of this Long Term Plan to reflect the cost of providing the service. This is illustrated in the table below.

Over the previous decade, external funding provided by Waka Kotahi NZ Transport Agency (NZTA) towards the roading network has increased significantly. Funding is provided at a Funding Assistance Rate (FAR) on approved funding categories and has increased from 59% in 2015, to 73%. In 2018, footpaths were also included in the scheme having previously been fully provided from rates funding. These changes have enabled increased expenditure in roading and footpaths without creating a significant impact on ratepayers.

Capital projects are funded by loans for new assets, and depreciation reserves for replacements. Where external grants and subsidies are available, Council will actively seek funding.

The major contributor to capital subsidies is NZTA . However, Council has funding still to be received from the Three Waters Reform Better Off Funding package to fund both capital and operational projects as well as funding still to be received for the upgrade of a section of Route 52 that Council was successful in securing during the previous long term plan.

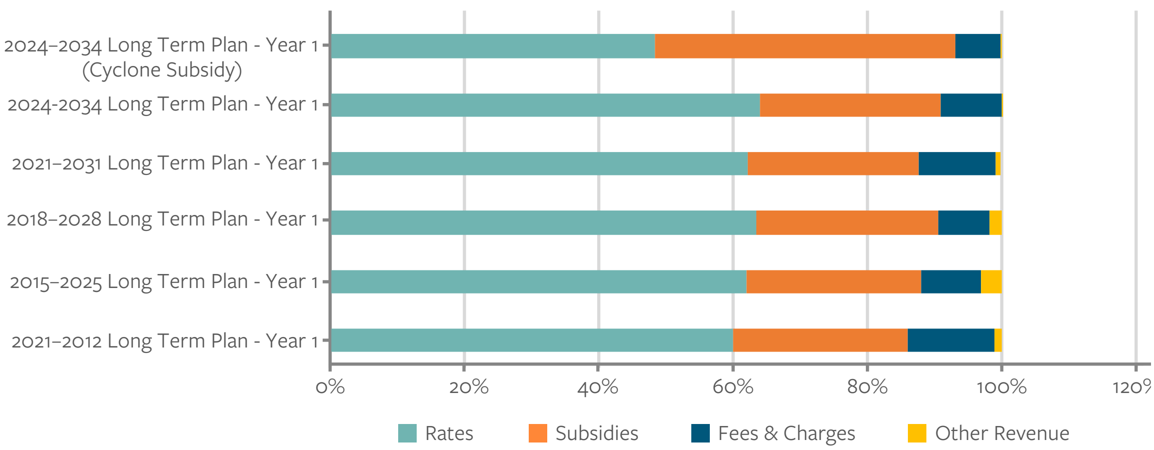
No new funding sources have been indicated in the Government's "Waters Done Right" program. This means debt, user chargers and rates will still be the main sources of funding for whoever deliver the services in the future.

Council is introducing Financial Contributions in year one and will look to introduce Development Contributions in year two. These charges provide an alternative tool to rates to fund capital investment necessary as a direct consequence of new property subdivisions. Council has not in the past imposed development contributions in order to encourage development in the district.

Council has also budgeted in year one to complete rationalisation of the land and buildings it owns. The outcome from this piece of work is to reduce operating expenses and debt, arising rom the sale of assets.

Council has gone to the market as it looks to divest its forestry portfolio. Like the land and buildings rationalisation this will also allow Council to reduce both operating and debt services expenses from the sale proceeds.

Sources of Funding



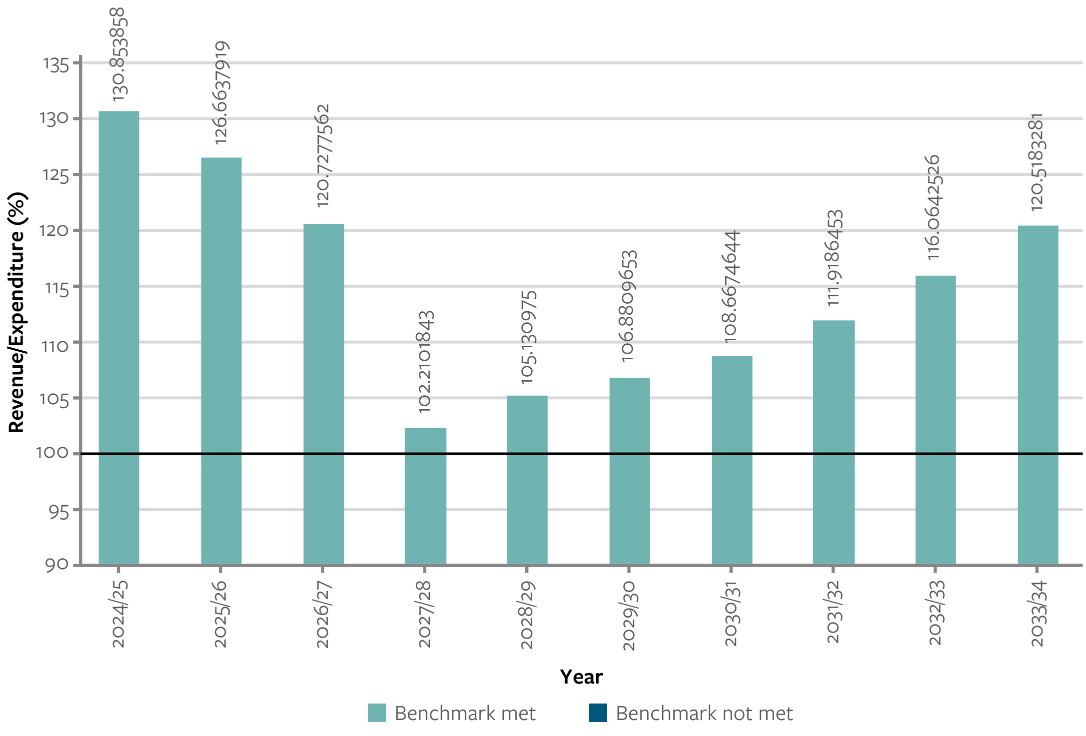
We plan to balance the Budget

We are required to balance our budget unless we resolve it is financially prudent not to. This means in each year of the plan the revenue we receive from operations, e.g. Rates, operational subsidies and grants, fees and charges etc., meets the day-to-day cost of providing our services and maintaining our assets, and other operating requirements.

To help us with balancing our budget we are looking to bring in additional depreciation funding as explained below.

The graphic below illustrates our operational revenue over the 10 years of our plan. We forecast to achieve a balanced budget in each year of the plan.

Balanced Budget



Depreciation funding

Most assets lose their value over time as they wear out (in other words, they depreciate), and must be replaced once the end of their useful life is reached. Depreciation is a method of allocating the cost of an asset over its useful life.

The objective of depreciation funding is to ensure that those who receive the benefit of Council's assets, pay a fair share towards the eventual replacement cost of the asset.

Council will review the amount of funded depreciation each Long Term Plan to ensure that we are funding for our future renewals in a sustainable and prudent manner. The assumptions that are made when undertaking the depreciation modelling are conservative and are reviewed every three years.

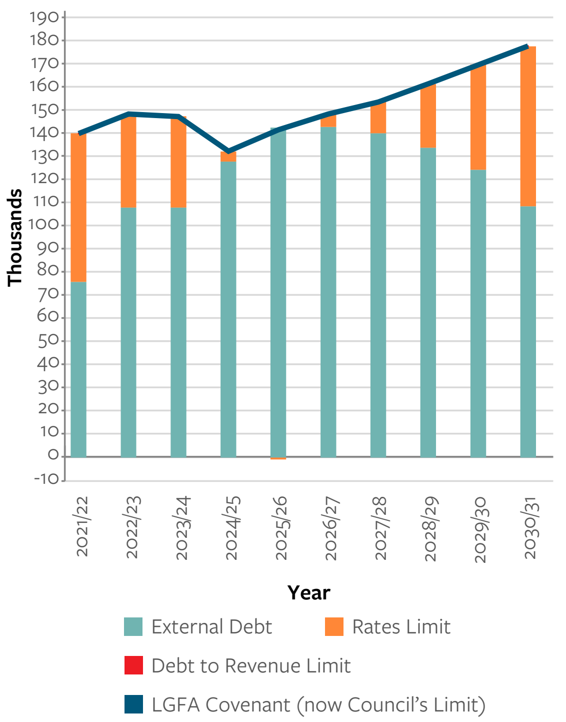
A notable rise In Council's asset value's following revaluations has significantly increased depreciation expenses, especially for infrastructure assets.

Consequently, the Council has opted not to allocate funds to cover 100% of depreciation expenses. In making this decision, considerations include:

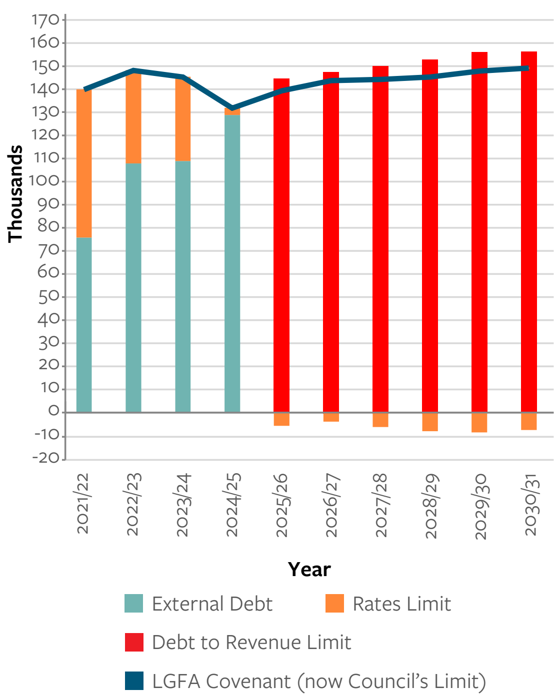
- Optimization: The replacement of certain assets may not be like-for-like. For instance, a bridge might be replaced by a culvert, or a multi-story building by a single-story one.
- Compounded interest: Funds set aside for depreciation can be internally borrowed and accrue interest. It's important to consider the long-term compounded interest on these funds to avoid over-accumulating for asset renewals.
- Rationalisation: Council may decide not to replace the asset or sell the asset. For these assets, Council may choose not to even fund the depreciation.

For the 2021/2022 and 2022/2023 financial years, to reduce the level of rate increases, Council deferred providing for some depreciation and the caveat that it will be provided for during the Long Term Plan.

Debt profile with additional Depreciation Funding



Debt profile without additional Depreciation Funding



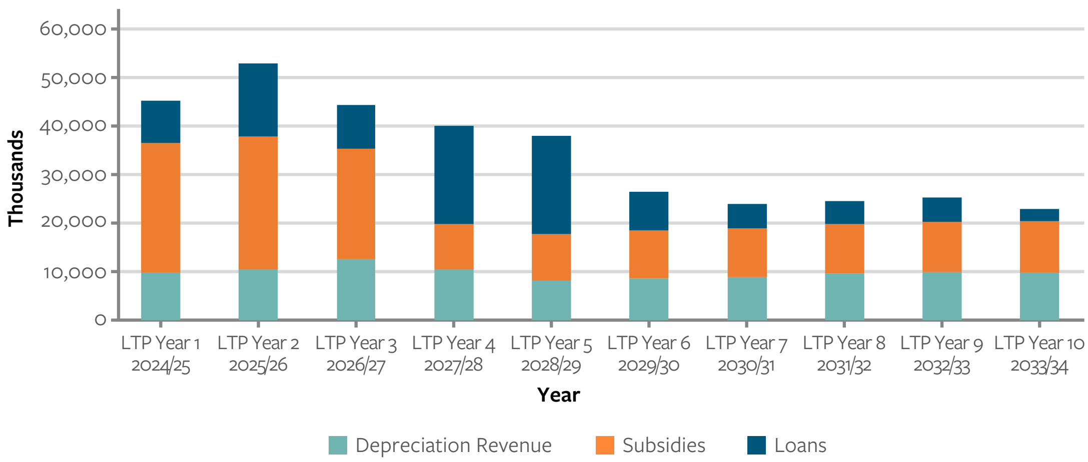
To provide relief to our ratepayers this plan proposes to fund less depreciation than it would ordinarily do so as a lever to spread the impact of the year one rates increase over the first six years of the plan.

Council plans to fund additional depreciation in years 3-10 (2026-2034) to build depreciation reserves to meet the costs of the capital renewal program.

With Council retaining its three waters assets under the government's Local Waters Done Well reform until the depreciation reserves are replenished. The depreciation Council has been funding is not enough to deliver the three waters renewal program.

This means Council will need to increase it's external borrowings to fund the projected capital renewal program.

Infrastucture Capital Program Funding



Where are we now?

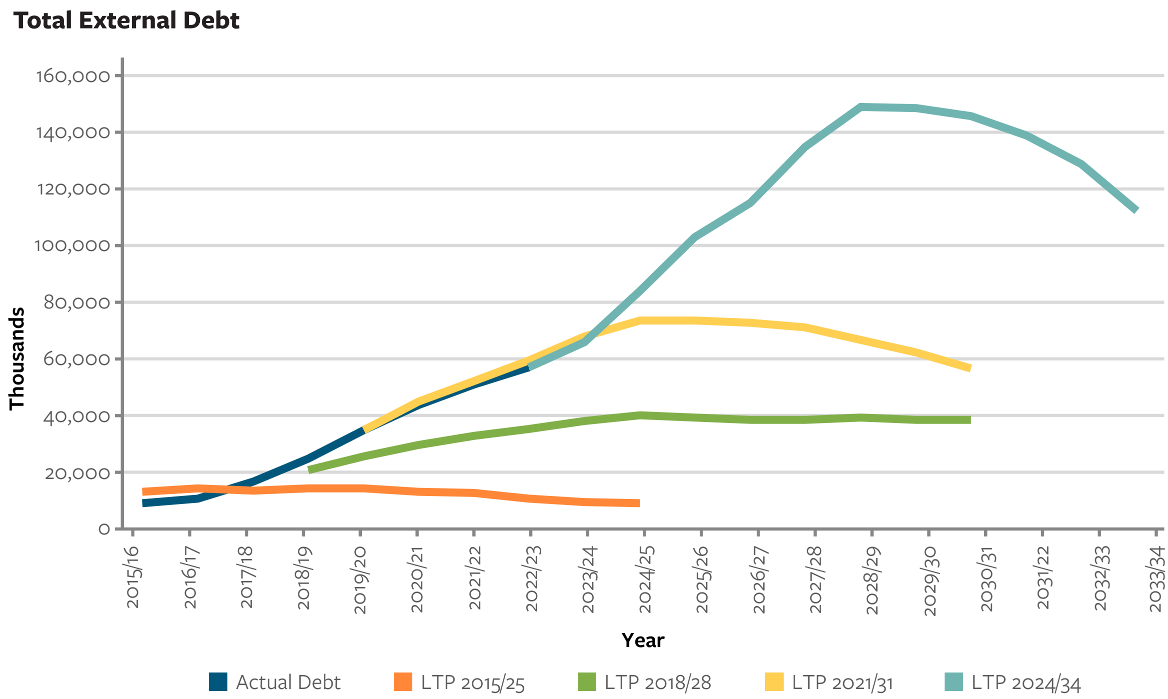
Our current and forecast financial position

Council is starting in a stable financial position with forecasted assets at 30 June 2024 of $1.15 billion in fixed assets (including forestry), $7.9 million in cash and $2.3 million in term deposits, total external borrowings of $60 million and equity of $1.1 billion.

Debt levels

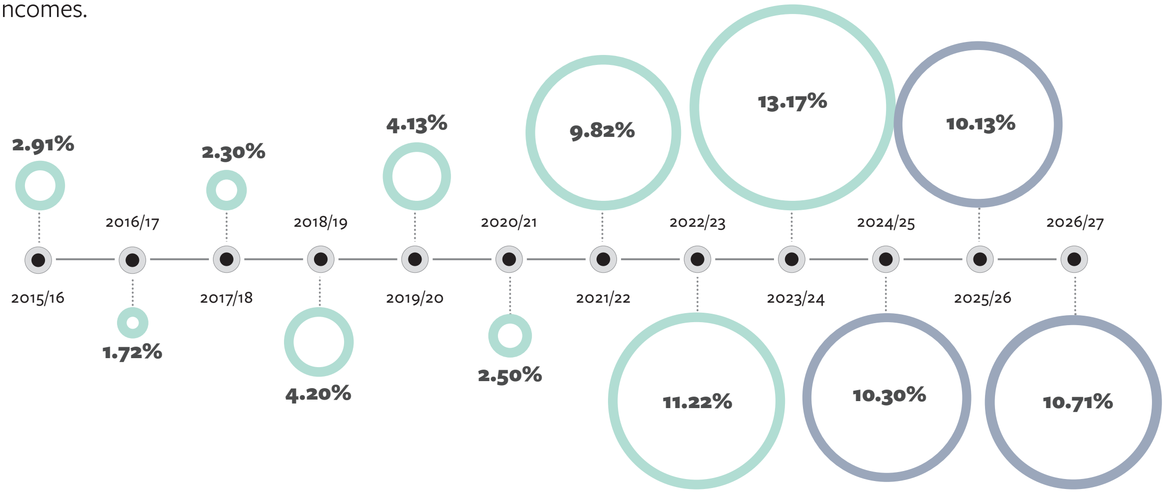
Over the last decade Council has invested heavily in its core infrastructure. Council began this period of capital investment well placed with very low levels of debt. Due to the heavy capital investment, along with increasing replacement of ageing infrastructure and higher than planned emergency repairs from climate events, Council's debt has significantly increased over the previous six years.

As a result, in the previous financial strategy a debt repayment program and an increase in Council's debt borrowing limits were introduced as key directions. In 2024 we see this as now more important than ever, and a requirement to increase debt borrowing limits further, as well as implementing additional depreciation funding into later years of this plan are key strategies to enable this 10 year plan.



Rates level

Rates affordability continues to be a key issue for ratepayers, especially for those who are on low incomes.



Council has historically been able to achieve low rates increases from 2015-2020, however, like all households and businesses in this current economic climate Council has also been experiencing ongoing increases in costs for its business as usual (insurance, power, and maintenance costs etc.) as well as increase in interest costs with interest rate rises (2.1% first year previous long term plan to 4.7% first year of this plan) and increase in debt levels.

Council has also been facing cost increases with changes required to existing levels of services as a result of changes in legislation and the introduction of new standards. Council has 7 water and wastewater treatment plants, and changes to legislation, standards and consent conditions has resulted in increased operating costs and increase in resource demands as Council continues to maintain service levels.

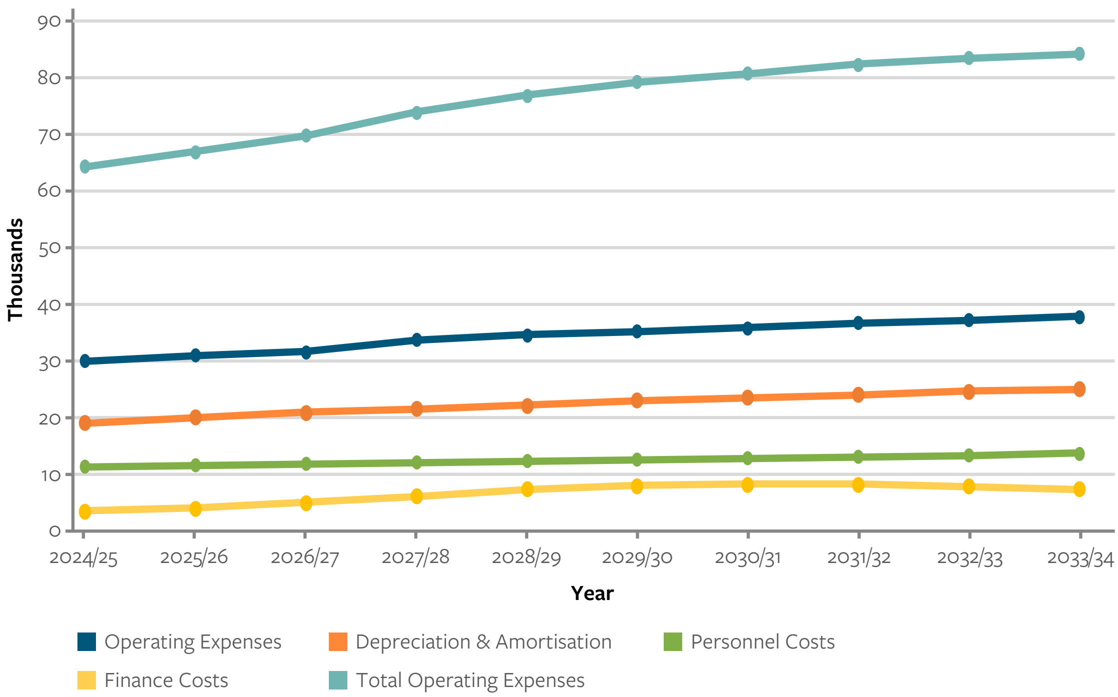
Operating Expenditure

Like all businesses, Council incurs day-to-day running costs to provide the services and maintenance of our assets, and aseveryone is currently experiencing personally and professionally it's fair to that that across the board there is a price exploitation that Council is not immune to.

Unfortunately, what this means is that Council's budgeted costs of operations have increased from $58 million in 2024 to $84 million in 2034. How that is funded is that Council aims to raise enough revenue each year to cover the budgeted operating expenditure, including depreciation, unless prudent not to so do (as discussed further in the strategy).

Rates are used to fund any balance of operating expenditure after all other revenue streams have been exhausted.

Forecast Operating Expenditure 2024-2034



Our challenges and opportunities

Growth – Population

More people are choosing Tararua as a place to live, work and play.

Over the past decade, Tararua has seen a surge in growth, especially in urban areas like Pahiatua and Woodville, with increases of 11%, and Dannevirke growing by 8% from the 2018 census.

Council has projected that over the life of this plan, the district population will increase by 5.7% with the total population in June 2034 at 20,357, compared to 19,261 forecast for June 2024 in the previous Long Term Plan.

The total number of households is predicted to increase by 7.5% to 8,520 (increase of 594 households). These additional households are anticipated to be split 70% urban & 30% rural.

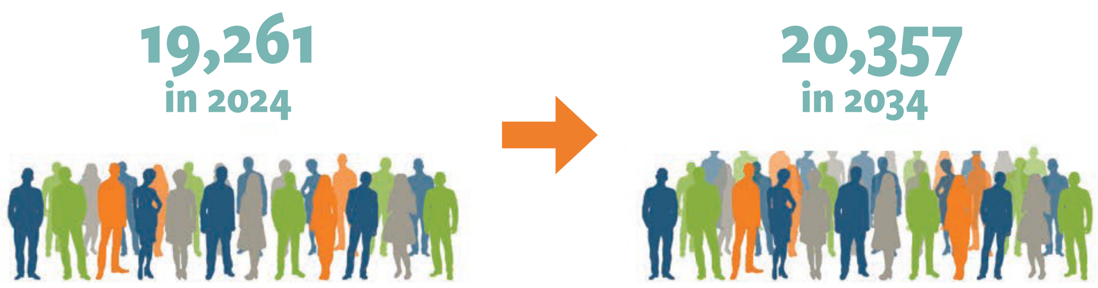
Council has been working on it's district plan review over the previous three years and as a result of this has produced a Growth Strategy for the district which it has recently consulted on. Council predicts that urban development will drive this growth, despite a recent dip in housebuilding due to economic pressures.

The forecasts are based on informetrics data and factor in historic growth forecasts and the anticipated positive impact of the Te Ahu a Tūranga Highway.

Although the population is an aging demographic shifting towards an older population, with the number of older residents in the district increasing significantly over the long term, this will lead to changes in the way Council delivers services. The number of residents aged over sixty-five increased by 17.3% (583 people) from June 2018 to June 2023. Older people at June 2023 made up 20.6% of the estimated resident population (up from 19% in the March 2018 census). Council forecasts this to increase to 26.2% of the population in 2034.

This is an increase of 1,231 people aged over sixty-five to 5,333 residents for the 10 years, against a total population forecast increase of 1,096 residents to 20,357.

To accommodate this growth and anticipated changes to our population, Council is exploring funding options like development contributions to manage the infrastructure demands without overburdening current ratepayers. This is part of a broader strategy to prepare for growth, ensuring community facilities meet future needs and keeping rates affordable. The rising population is also putting pressure on the rental market, complicating housing and employment attraction. Employment in Tararua is expected to grow by 1,367 FTEs over 30 years, with rural areas and Dannevirke seeing the most significant increases.



Growth - Economic

Council recognises the proposed increase in population is likely to boost further economic development.

The rising number of residents and businesses requires Council to invest in improving amenities and the functionality of our towns, maintaining the Tararua district as an attractive place to live, work, and enjoy leisure activities.

Tararua is home to four primary towns: Dannevirke, Woodville, Pahiatua, and Eketāhuna, along with several smaller communities throughout the district.

It boasts strong connectivity to both the south and north, positioning Wellington and Hawkes Bay within a manageable driving distance. Additionally, Palmerston North, a significant provincial city, is close enough

for daily commuting, allowing Tararua residents to enjoy the district's lifestyle without compromising on career opportunities. The introduction of the Te Ahu a Tūranga (Manawatū Tararua Highway) is set to further enhance accessibility, promising shorter travel times and more attractive living options in Tararua, especially in Woodville.

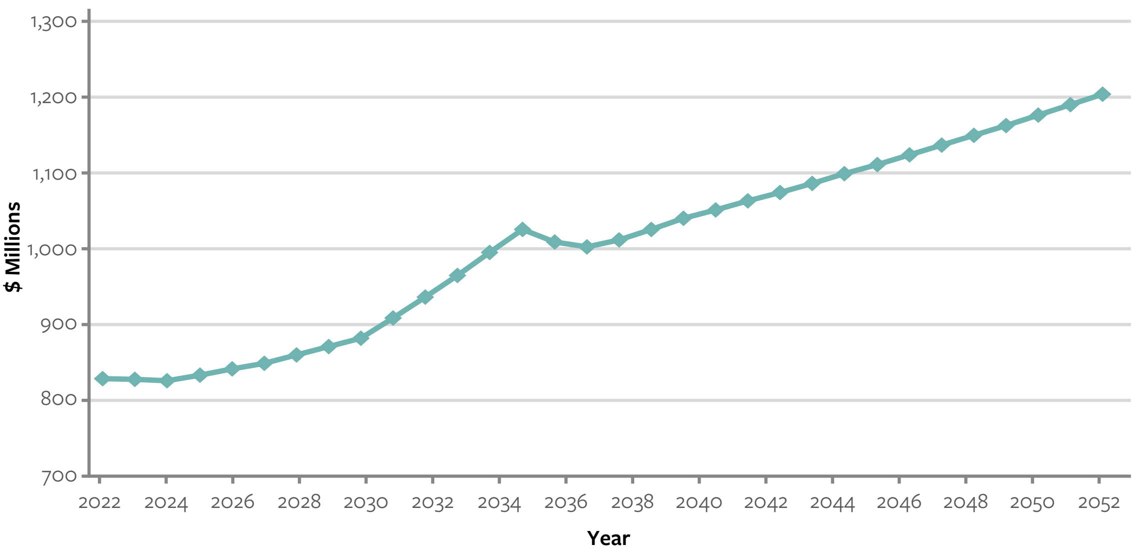
Council's growth strategy highlights the district's strategic location as an ideal spot for creating industrial and potential satellite distribution hubs, facilitating the transport of goods in and out of the area.

By 2053, Tararua's GDP is expected to reach $1.208 billion, marking a $378 million increase from 2022 and averaging an annual growth rate of 1.2% over the next three decades. Of this growth, rural Tararua is projected to contribute $188 million, with the urban centres adding another $190 million.

Currently, the primary sector is the region's dominant force, contributing 36% to the GDP, with manufacturing also playing a significant role at about 20%. This dynamic is expected to remain stable for the next 30 years. Nevertheless, forecasts indicate an increasing need for industrial and commercial real estate, as highlighted in the land use overview.

The district's heavy reliance on its primary sector is seen as a vulnerability, especially since shifts in global markets could directly influence export revenues resulting in negative outcomes for the districts economy.

Tararua GDP Forecast



Source BERL – Long-term economic forecasts - Tararua District Council

Land Use

Land use change is a key consideration of this Strategy. It signals where Council may need to consider investments and changes to service levels to meet the changing needs of ratepayers.

Council forecasts a slight change of land use from rural to commercial and industrial use in the Tararua District over the next 30 years. At present, commercial and industrial activities cover 131 hectares. By 2053, this figure is anticipated to increase to 187 hectares, with commercial use accounting for 49 hectares and the remainder allocated to industrial purposes. This expansion by 56 hectares will lessen the amount of land available for other purposes.

The growth of commercial and industrial land use will be greatest in rural Tararua with an estimated 31 hectares of land required by 2053 followed by Dannevirke which will require an additional 5 hectares of land. Dannevirke sees the highest growth in commercial land use by 2053 requiring 7 hectares of land.

Our districts population is continuing to grow at a significant pace, with very few rentals and a shortage of housing available to purchase. This is likely to see new and infill urban subdivisions increase the district's number of rateable properties. Initially, these are likely to be provided from within the current urban boundaries, but if there is a need to extend beyond the urban boundary, we will see a small number of urban and rural properties converted into urban housing. If this occurs, the cost of providing infrastructure to these new areas would be significant. Councils' intention is to explore the use of development contributions to help fund the infrastructure required for urban development.

Urban Development

Tararua has begun to experience increased population growth, with an increased demand for land for private development as evidenced through the subdivision of rural and urban land throughout our district. Therefore, Council has developed an Urban Growth Strategy to establish clear, effective direction for the management of projected residential, commercial and industrial growth within our District over the next 30 years. We have used population growth predictions based on Statistics NZ and Informetrics. Informetrics is a research company and they have provided detailed analysis of the Stats NZ numbers for our district. We have also used BERL (Business and Economic Research Ltd) to help us predict commercial and industrial growth for our district in the main town centres. There was a business-as-usual scenario run on the Statistics NZ high population growth scenario and an aspirational scenario run on these figures. The aspirational scenario assumes that the Tararua Industries grow by 1% per annum. This scenario assumes that Council is successful in attracting manufacturing, transport and warehouse businesses to locate in Woodville, a potential outcome with the opening of Te ahu a Tūranga.

The Urban Growth Strategy signals a direction for recommended residential, commercial and industrial re-zonings to accommodate population growth throughout the four main town centres of the District. These re-zoning recommendations will need to be incorporated into the Proposed District Plan review to be given effect to and these will create changes to our urban and rural boundaries. The Proposed District Plan Review is to be notified under Schedule 1 (RMA) in early 2025.

Resilience

Over the previous three years Council has experienced the effects of a severe drought that led to a critical water supply shortage, a global pandemic, Cyclone Gabrielle and other weather events, showing us why planning for unforeseen events is critical.

Council maintains an extensive roading network vulnerable to climate change. The majority of these roads are in challenging terrain that is highly vulnerable to slips and dropouts, leading to unplanned repair costs. Over the last ten years the district has seen an increase in frequency and intensity of rainfall events across the district.

Council sets aside funding for emergency repairs each year with the intention of maintaining a reserve fund that fluctuates year to year. A high proportion of the costs (historically 89% from 1 July 2024 will be 93% – subject to NZTA approval for each event) is funded by NZTA from the Land Transport Fund.

The emergency roading reserve is currently healthy, Council was successful in securing emergency funding at a 100% FAR from NZTA to aid the initial response and recovery planning in response to the damage caused to our network by Cyclone Gabrielle in February 2023.

With the economic pressures and affordability issues this reserve is likely to become a growing issue in the future for Council. Recent events suggest it is prudent for Council to continue to fund this reserve.

After Cyclone Gabrielle Council has been investing in building further resilience into its network to enable it to sustain climate events. The incorporation of renewal projects with that of capital projects such as Route 52 is expected to produce efficiencies in the renewal and capital programs. The focus on drainage assets is incorporated into the roading program and essential in providing whole of route resilience.

In urban areas, the increasing severity and frequency of rainfall events is also likely to put increasing pressure on stormwater systems. This trend is likely to continue, and to maintain current levels of service will require Council to respond with significant improvements to the stormwater network in the future. Council has already begun providing for these risks within existing budgets. However, the stormwater network along with infiltration into the wastewater network is likely to require further investment than is currently provided for.

The Council needs to ensure it has capacity in its borrowing limits to fund these currently unplanned improvements as the impacts of climate change intensifies.

We are also likely to have more frequent and severe droughts. Council has invested significantly in water storage and is planning to continue in that space.

However, Council will need to continue to manage water demand, and is still investigating alternative water sources and looking to introduce universal metering during this Long Term Plan to ensure the needs of current and future residents are met.

Capital Investment

As previously mentioned Council has been investing heavily in improving core infrastructure, whilst gradually increasing planned asset replacements.

Council is responsible for over $1 billion of plant, property, and equipment and is required to maintain these assets to provide the required levels of service our communities expect.

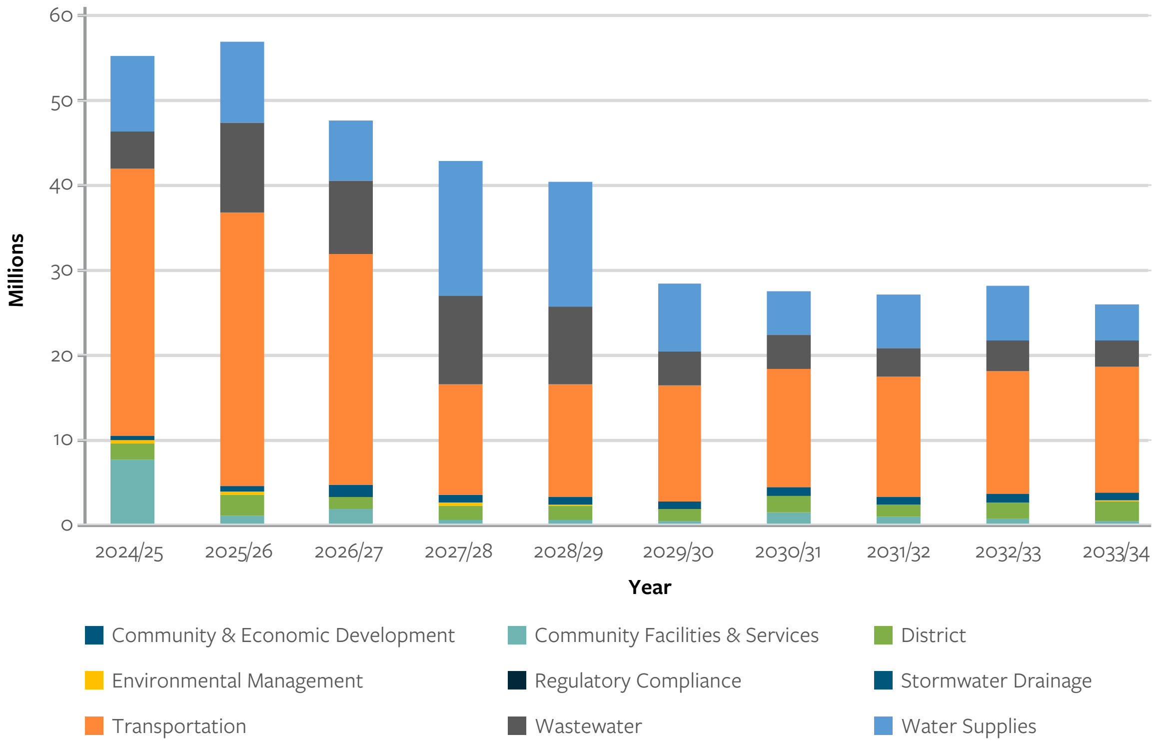
During the life of this plan Council plans to spend

$373 million investing into our infrastructure, community and recreational facilities.

The key spending priorities are summarised below:

- Improving resilience in existing infrastructure networks
- Ageing infrastructure requiring replacement
- Upgrades to infrastructure to meet change in legislation and maintain existing levels of service
- Community and recreation facilities
- Increased demands from growth

2024-2034 Capital Program



Council has had a great deal of focus over the previous few years on obtaining data around the age, location and condition assessments of its three waters network. As a result of this work Councils three waters renewal works program for this plan has been able to be programmed and prioritised.

Council needs to have financial resilience to allow for future borrowing to enable projects to be added to this plan, needing to give effect to changing regulations and provide funds if required in order to respond to an emergency event.

This need to maintain financial flexibility is driven from the pace of growth within the district being different than assumed in this plan, and the uncertainty around legislative changes, climate and growth impacts. Although this plan has been prepared on the assumption of Council continuing to own and operate the three waters infrastructure, this has put an enormous financial strain on our district.

Key projects included in this plan include:

- Cyclone Gabrielle Recovery – Route 52 – $53.306m
- Dannevirke water main line renewal – $15.5m
- Dannevirke wastewater treatment plant upgrade – $10.8m
- Pahiatua swimming pool – $2m (Council's contribution)
- Dannevirke impounded supply – $5.6m
- Woodville reservoir earthquake assessment and renewal – $3.6m
- Pahiatua wastewater treatment plant upgrade – $3.1m
- Woodville wastewater treatment plant upgrade – $2m
- Wastewater sludge disposal facilities – $2.2m
- Eketāhuna wastewater treatment plan upgrade – $2.1m
- Pahiatua town hall/library earthquake strengthening – $1.5m
- Wastewater reticulation network renewals – $24.6m
- Water reticulation network renewals – $31.6m
- Stormwater reticulation network renewals – $8.5m
- Roading pavement rehab, reseals & heavy metaling – $70.0m
- Roading emergency reinstatement – $12.7m
- Roading drainage – $16.4m

Increased service levels

Council plans to increase specific service levels during the first three years of this Long Term Plan in addition to the increasing capital spend.

Service levels in the Solid Waste and Roading space are increasing as Council responds to changes in Government legislation and community expectations, while building resilience into key infrastructure to withstand climate change.

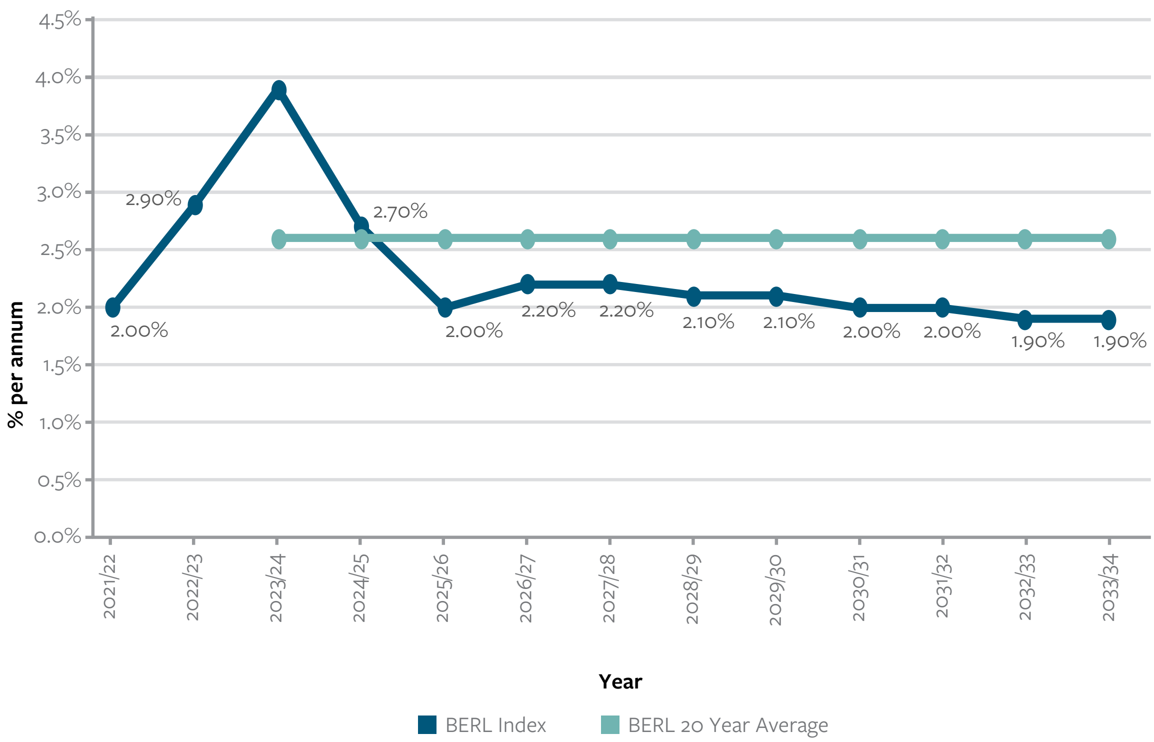
Council is having to pay more for less and as a result some activities we are proposing a decrease in existing levels of service (Economic and Community Development).

These will be funded by a mix of rates, fees and charges, subsidies and debt. Council has considered the additional funding pressures when weighing up whether to increase existing levels of service.

Inflation

We have used an BERL inflation factor to reflect the impact of inflation on each year of our plan.

BERL Forecast Inflation vs 20 year Average



Discussions about inflation in the news often focus on the Consumer Price Index (CPI), which measures the price changes of goods typically used by households. However, for councils, the CPI is less relevant due to their unique cost pressures, like those from infrastructure materials such as pipes and bitumen. Councils instead look to specialized measures like the Local Government Cost Index (LGCI) provided by Business and Economic Research Limited (BERL), which more accurately captures the costs associated with the goods and services they commonly purchase.

In the period leading up to the Long Term Plan, inflation saw significant rises, hitting 7% in 2022 and 5% in 2023. These increases have notably pushed up the prices, leading to elevated expenses.

Looking ahead, we forecast inflation to fall below to the 20-year average in the coming decade. Nonetheless, the high inflation rates seen before the plan's introduction, particularly alongside rising infrastructure costs, have contributed to the need for larger rate increases.

Accounting for inflation is crucial for accurate financial planning and budgeting, especially in terms of infrastructure projects and the maintenance work that is continuously required. Council also needs to balance its budgets.

Appendix 1

Policies governing borrowing and investments

i. Council appetite for risk: Council activities are largely funded from collecting rates in return for the provision of services for the benefit of the district. Therefore, the Council is risk adverse and has strict limitations on what investments it can make. These limitations are contained in the Treasury and Risk Management Policy.

ii. Borrowing: Council uses both external and internal borrowing to fund the acquisition of assets. Council's Treasury and Risk Management Policy governs the borrowing mechanisms and current limits. The term of borrowings is to be the lesser of the estimated useful life of the asset or twenty years. Loans principal is repaid over the life of the loan by regular principal repayments throughout the life of the loan. Strategies included as part of the Financial Strategy cover key strategic decisions that have been made in relation to treasury activities.

iii. Internal borrowing: Internal borrowing is a mechanism available to manage both the level of funds available and external debt. This facility enables an activity to borrow from the Council Treasury Function as opposed to borrowing externally, with an appropriate interest rate charged. Utilising internal borrowing enables Council to manage its cash/investment portfolio to take advantage of the moving margins between interest rate receivable and interest rates payable. Internal borrowing is used when external borrowing costs are higher than investment returns.

iv. Security for borrowing: Many of Council's assets are not readily saleable so are less attractive as security items. Council will secure borrowings by a charge over our rating revenue either directly or through a debenture trust deed. Council will not secure other assets unless circumstances show it to be appropriate (e.g. leased assets).

v. Council currently provides its lenders Local Government Funding Agency (LGFA) with security on its borrowings through a debenture trust deed. In the extremely unlikely event this gives lenders a charge over our rates income.
v In the unlikely event of Council defaulting on a loan, the lender can ensure a rate is set to recover the outstanding amount owed. This security is attractive to lenders, which helps ensure we have ongoing support for our debt program, while reducing the interest rates lenders charge.

vi. Financial investments: Council holds financial investments as part of its day to day working capital management, cash backed trust funds, and as required by the LGFA (Borrower Notes). Council may invest in approved financial instruments as set out in the Treasury Risk Management Policy. Council only invests in approved creditworthy counterparties. These investments are held for maturity terms up to 12 months and are actively managed to ensure sufficient liquidity and to maximise interest returns for ratepayers. For further information on the Council's Investment Policy, refer to the full Investment Policy (part of the Treasury Risk Management Policy).

vii. Equity investments: Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Council equity investments are in NZ Local Government Insurance Corporation Limited (Civic Assurance).

viii. Asset investments: The purpose of asset investments is to provide a return to the Council to offset the rates requirement. The main asset in this category is the Birch North Forest. Council has created a reserve to ensure ongoing maintenance of the forest continues to be self-funding with no input from rates. Council has been utilizing this reserve to remove costly roadside trees to improve road safety and resilience of Council's roads. Council is exploring options on the future of this investment given the long periods of no returns, and ongoing maintenance costs between harvests.

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Financial and Development Contributions Policy

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Introduction

Section 102(2) of the Local Government Act 2002 requires the Council to adopt a policy on development contributions (money or land required from developers under the provisions of the Local Government Act 2002) or financial contributions (money or land required from developers under the provisions of the Resource Management Act 1991 and the Tararua District Plan).

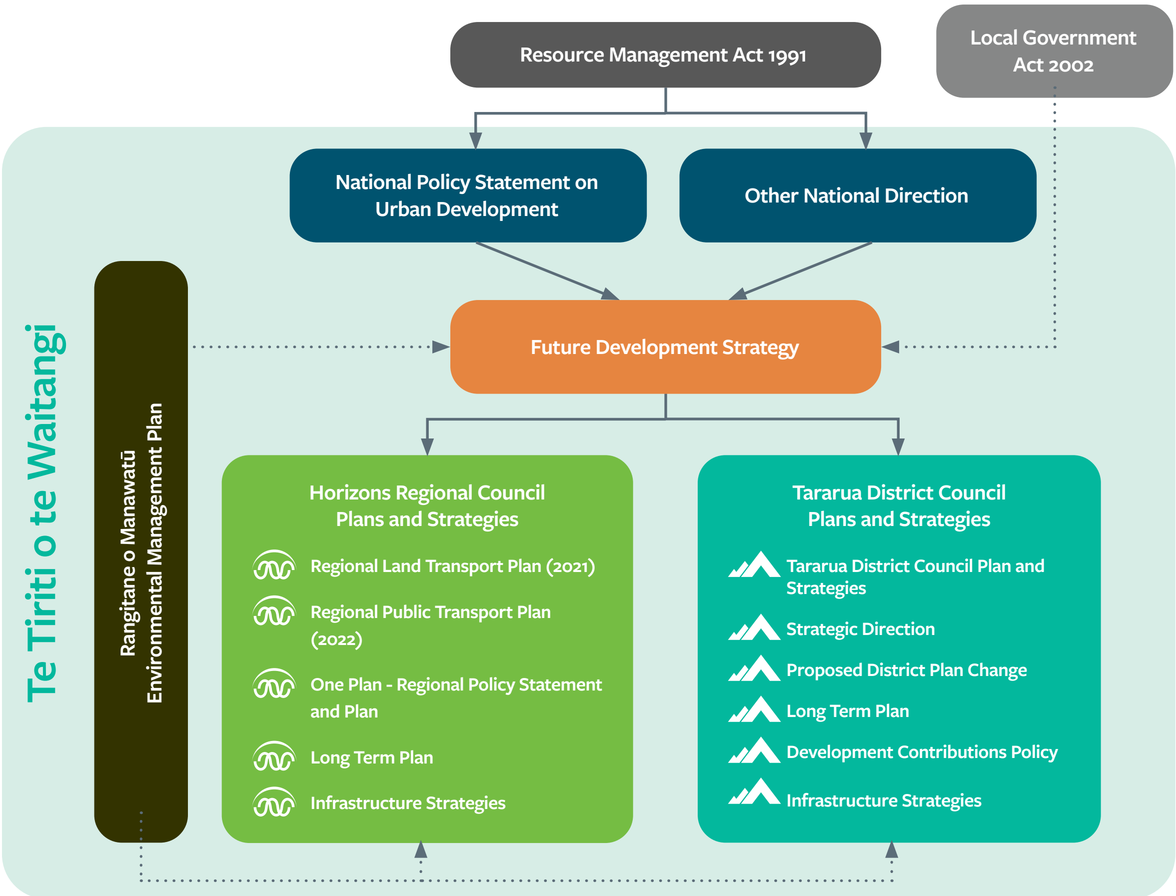
Development Contributions can only be charged to fund the growth-related costs of identified projects. Council cannot charge development for the costs associated with increases in service levels or renewal of existing assets. Council must be able to show that the existing infrastructure does not have the capacity to service additional households and businesses. A Development Contributions Policy (DCP) must also set out the rationale for the charges, the specific locations they apply to, and the growth forecasts that underpin the assumptions of the number of households that infrastructure will be required to service.

The Resource Management Act 1991 requires the Council to manage the effects of subdivision and development in a manner that promotes the sustainable management of the districts natural and physical resources. Contributions from subdividers and developers provide a means of offsetting, avoiding, remedying, or mitigating the adverse effects of such activities.

Financial contributions (whether cash, land, works or services) may be required from developers where the cost of providing or upgrading the public infrastructure or utility service can be attributed to a development.

Council policy settings

Tararua has begun to experience increased population growth, with an increased demand for land for private development as evidenced through the subdivision of rural and urban land throughout our District. Therefore, Council have developed an Urban Growth Strategy to establish clear, effective direction for the management of projected residential, commercial and industrial growth within our District over the next 30 years.



We have used population growth predictions based on Statistics NZ and Informetrics. Informetrics is a research company and they have provided detailed analysis of the Stats NZ numbers for our District. We have also used BERL (Business and Economic Research Ltd) to help us predict commercial and industrial growth for our District in the main town centres.

There was a business-as-usual scenario run on the StatsNZ high population growth scenario and an aspirational scenario run on these figures. The aspirational scenario assumes that the Tararua Industries grow by 1% per annum. This scenario assumes that Council is successful in attracting manufacturing, transport and warehouse businesses to locate in Woodville, a potential outcome with the opening of Te ahu a Turanga – Manawatu – Tararua Highway.

The Urban Growth Strategy signals a direction for recommended residential, commercial and industrial re-zonings to accommodate population growth throughout the four main town centres of the District, which will need to be adopted through the Proposed District Plan Review.

Developing a Development Contribution Policy

Tararua District Council have also engaged Rationale Limited to assess the infrastructure response to the projected growth strategy in the context of the existing infrastructure network alongside the WSP Master Plan work. Unfortunately the timing of this work has not aligned with and is unable to inform the 2024-2034 LTP process. However, once this is completed these two pieces of work will help to inform the long term plan & infrastructure strategies along with the development of a development contributions policy for our Council. In addition, given the legislative uncertainty with RMA and three waters, Council now prefers to wait for clarification and certainty from Central Government before completing this work. TDC will look to amend their LTP in year one to develop a development contributions policy.

Council expects to identify significant investment in network infrastructure and community facilities that will be required to service growth. Requiring developers to pay the actual costs of extending services is considered to be an appropriate method of encouraging an efficient, consolidated, compact pattern of land use. It is recognised that the true costs of service provision for an extended network would include not only the actual cost of the extension, but also a share of the costs that have been invested by the community in the establishment of the existing service network. As a general rule, the Council will use financial mechanisms to ensure that ratepayers do not subsidise land developers who are seeking to extend service networks to serve their subdivisions and developments while there is still spare capacity on the existing network.

Financial contributions as conditions of resource consents

Under section 5.1.6.3 of the District Plan, contributions (whether cash, land, works or services) may be required as conditions of land use and subdivision consent in relation to the matters below.

The proposed district plan is currently being reviewed to include a financial contribution framework and this will be notified in early 2025.

It should be noted that the amount or value of contributions (if any) will depend upon the circumstances of each resource consent application. The purpose, circumstances, and maximum amount of financial contributions that may be imposed by the Council as a condition of consent is specified below:

(a) Provision of new roads and streets

Required where access cannot be provided from existing streets or where capacity of existing roads would be exceeded.

Maximum amount is the actual cost of building the road, including the value of the land.

(b) Upgrading and widening of existing roads

Required where development will result in need to upgrade the road.

Maximum amount is the actual cost of the work.

(c) Private rights of way, accessways, and vehicle crossings

Construction and sealing may be required to ensure that there is no adverse effect on the roading network.

Maximum amount is the actual cost of the work.

(d) Off-street vehicle parking/loading spaces

Where on-site parking cannot be provided, Council may require a financial contribution to provide and maintain nearby public car parks.

Maximum amount is $2,000 per car parking/loading space.

(e) Street lighting

Council may require the upgrading of street lighting where, as a result of a proposed development, it is deemed necessary.

Maximum amount is the actual cost of the work.

(f) Earthworks

Where earthworks are required to provide building areas, roads or services, Council may require the work to be carried out to a specified standard.

Maximum amount is the actual cost of the work.

(g) Water supply

To ensure that a satisfactory supply of water is provided to a development, Council may require a potable water supply to be established or connection to reticulated services to be made.

Maximum amount is the actual cost of the work.

(h) Sewage/wastewater disposal

Council may require either connection to an existing reticulated system, the upgrading of the system, or the establishment of on-site treatment and disposal.

Maximum amount is the actual cost of the work.

(i) Stormwater

Council may require drainage facilities to reduce the adverse effects of uncontrolled run-off of stormwater from new developments.

Maximum amount is the actual cost of the work.

(j) Landscape treatment/fences

Where it is desirable to reduce the adverse visual effects of a proposed development, or any existing facilities, the Council may require landscape treatment or fences.

Maximum amount is the actual cost of the work.

(k) Open spaces, reserves, and public recreational facilities

Where major new developments will generate a significant increase in demand for and usage of facilities, or where there is an opportunity to protect and enhance important natural features or areas, Council may require financial contributions.

Maximum amount is:

(i) In relation to building development, 0.5% of value of development.

(ii) In relation to subdivision, 5% of value of additional allotments.

(Note: contributions will only be levied in areas that will be identified as being in need of such facilities in the Council's Recreation and Reserves Strategy).

(l) Esplanade reserves/strips/accessways

Where a development is proposed along the margins of watercourses/waterbodies that are identified in the District Plan as priority areas, the Council may require the provision of an esplanade reserve, strip, or access strip.

Maximum amount is actual cost of vesting 20 metre wide area adjacent to watercourse/ waterbody.

(Note: priority areas are still being identified. Until they are, Section 231 of the Resource Management Act applies, which requires a 20 metre wide esplanade reserve where new allotments are created along the bank of any river or lake, or adjacent to the sea.)

Kaupapa Here Hiranga me te Whai Wāhitanga

Significance and Engagement Policy

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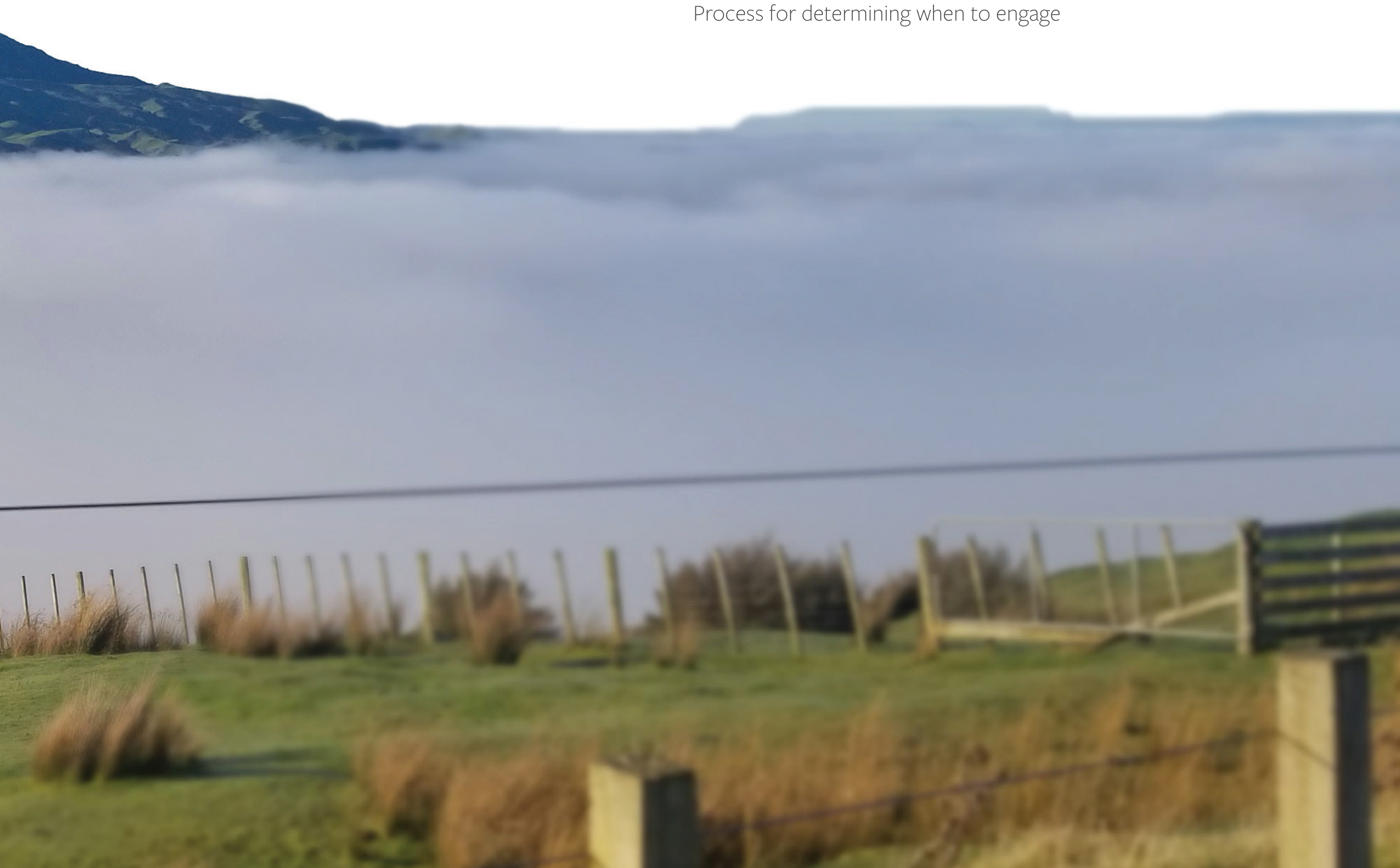


Significance and Engagement Policy

Council is empowered to consider and make decisions on a wide range of matters on behalf of our communities. Whether these decisions are considered significant, depends in part on how they will impact our communities.

This policy sets out those decisions and activities which Council and its communities consider to be significant and how our communities can expect to be engaged with and to participate in Council's decision making.

Part A

Purpose

1. To provide guidance for Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities.
2. To provide clarity about how and when communities can expect to be engaged in decisions made by Council.
3. To inform Council from the beginning of a decision making process about the extent of any public engagement that is expected before a particular decision is made, and the form and type of engagement required.
4. To enable Council to operate in a way that meets the needs of local communities, sector good practice and the intent of the Local Government Act 2002.

Context

5. Under section 76AA of the Local Government Act 2002, councils are required to develop a Significance and Engagement Policy to consider and plan for how they will engage with their communities on significant matters.

6. A Significance and Engagement Policy is the tool that Council uses to let its communities know:
   - what decisions or matters the Council and the community consider particularly important,
   - how the Council will go about assessing the significance of matters, and
   - how and when the community can expect to be consulted on both significant and other matters.

Determining Significance

7. The range of issues requiring decisions by Council is very wide, and Council's ability to consider individual views on every decision, is frequently very limited. Council will use the table below to consider how many of the specific thresholds are met, as to whether the potential decision requires a higher level of specific community engagement.

8. In determining the degree of significance of any issues, proposals, assets, decisions, or activities, Council will assess and consider the following criteria and measures:

Criteria	Measure
The degree to which the issue/decision affects the district	Has a substantial tangible impact on the whole District based on changes to services levels or the manner in which revenue is to be obtained.
The degree to which the issue / decision affects the level of service of a significant activity	A significant multi-year change in the levels of service at an activity level.
The degree to which the issue/decision results in a failure to adhere to legislation.	All overarching legislative requirements are considered when evaluating the issue/decision
The impact on the ability of future Councils to reverse the decision, where financial or legislative agreements permit	Future Councils will be committed to long-term (>5 year) contract costs (>5% of Council operational costs), without the ability to periodically consider viable alternatives.
The degree to which the issue / decision has a new financial impact on Council or the rating levels of its communities	Impact on rates is not within the Financial Strategy limit (BERL plus or minus 2% in one year).
The degree to which a decision or action would require a change in an underlying strategic policy	The decision represents a new strategic direction for Council.
The level of district interest in the decision	A decision or proposal on a matter where the majority of a community expresses considerable interest or the community is deeply divided.

9. The degree of importance attached to each criterion and measure will be considered on the merits of each decision. If an issue meets two or more of the above criteria, the matter is more likely to be considered significant, requiring a higher level of community engagement.

Strategic Assets

10. For the purpose of this Policy, the Council considers its network and other large assets as completely single assets because it is the asset class as a whole that delivers the service.

11. Listed below are the assets that Council considers to be strategic. Council needs to retain these assets to maintain its capacity to achieve or promote outcomes that it determines to be important to the well-being of the community.

    - The roading network.
    - Wastewater reticulation and treatment network.
    - Water supply reticulation and treatment network.
    - Pensioner housing.
    - Storm water collection and disposal network.
    - The total of the land designated as reserves under the Reserves Act 1977.

12. Decisions on transferring the ownership or control of strategic assets require the use of the Special Consultative Procedure under the Local Government Act 2002 and are not covered by this Policy.

13. The Council would not necessarily undertake specific engagement for decisions that relate to changes to a part of a strategic asset, unless that part would have a tangible and significant effect on the level of service being sought and provided to the community.

14. In emergency situations physical alterations to strategic assets may be required without formal consultation to:

    - prevent an immediate hazardous situation arising; or
    - repair an asset to ensure public health and safety.

When Council May Not Consult or Engage

15. The size and scale of any decision includes the longer-term consequences, not just the immediate impacts. Some decisions made by Council are bound by other legislation or processes that can restrict the ability of Council to select a flexible process with the community.

16. There are times when Council will not normally consult with the community because the issue is routine, operational or because there is an emergency. The Council will not engage on:

- Emergency management activities, during a state of emergency.
- Decisions that have to be made urgently where it is not reasonably practicable to consult.
- Decisions to act where it is necessary to comply with the law.
- Decisions that are confidential or commercially sensitive as prescribed under the Local Government Official Information and Meetings Act 1987.
- Organisational decisions (such as staff changes and operational matters) that have been delegated to the Chief Executive or staff to deliver in accordance with Council policies. This includes decisions with regard to delivery of regulatory and enforcement activities as required by legislation or existing Council policy.
- Procurement and tendering processes in accordance with agreed Council Policies.
- Compliance with standards set by National Policy Statements.
- Any decisions that are made by delegation/ sub-delegation to officer, except where
- the Council specifically requires separate consultation.
- Any matter where the costs of consultation outweigh the expected benefits of any consultation process or procedure.
- An issue where Council already has a good understanding of the views of the persons, community or communities likely to be affected by or interested in the matter.
- A matter that Council has specifically consulted on in the last 24 months where there has been no material change to the issue over this period.

Policy Review

17. This policy will be reviewed at a minimum of every three years during the first six months of the new triennium, or as required by any legislative changes or other reason.

18. Changes to this policy do not have to be made through the Special Consultative Procedure and can be made by Council resolution.

Part B

Procedures and Guidelines

When Considering Significance

1. In considering the degree of significance of every issue requiring a decision, Council will be guided by the following:

- The potential effect on delivering Council's vision and strategic goals.
- The potential impact on the current and future well-being of the Tararua district.
- Whether the proposal or decision will affect a large portion of the community.
- How the decision aligns with historical Council decisions.
- The impact on Te Ao Māori me ona Tikanga (Māori world views, values and customary practises).
- The level of community interest in the decision and whether community views on the issue are already known.
- The impact on the scale and cost of services delivered by the Council.

2. On every issue requiring a decision, Council will consider the degree of significance and the corresponding level of engagement (unless a special consultative procedure is required by legislation) including how and when communities can expect to engage.

3. In general, the more significant an issue, the greater the need for community engagement.

4. Council will make available background information on the options available relative to the issue, including previous reports and background documents that are not confidential. The level of information and the assessment of options will reflect the significance of the decision, the interest and involvement of the community and Sections 76-79 of the Local Government Act 2002.

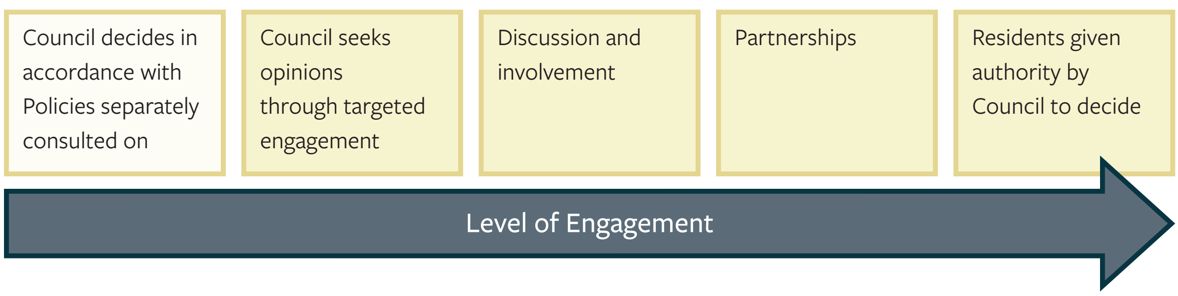
5. Significance and engagement will be considered in the early stages of a proposal before decision making occurs and, if necessary, reconsidered as the proposal develops.

6. Differing levels of engagement may be required during the varying phases of decision-making on an issue, and for different stakeholders.

7. Memoranda of Partnership, Memoranda of Understanding or any other similar high-level agreements will be considered as a starting point when engaging with Māori and the community in general.

Engagement with Iwi and Māori

8. Māori have a unique relationship with councils through the Treaty of Waitangi (Te Tiriti ō Waitangi) and supporting legislation. This relationship is



reflected in the principles and requirements of the Local Government Act 2002 to ensure participation by Māori in local authority decision-making processes.

9. Council has duties, obligations and commitments to Māori and our iwi partners. In the Tararua District, our relationships with our iwi partners are informed by Treaty settlement legislation and our Memoranda of Partnership.

10. These commitments guide our decision-making, including on matters of significance, and our engagement approach.

11. To meet our duties, obligations and commitments, Council will:

- Protect Māori rights and interests within the Tararua District;
- Give effect to Te Tiriti principles;
- Enable Māori and iwi participation in Council's significant decision-making processes;
- Recognise Māori values and perspectives;
- Contribute to building capacity for Māori to participate in decision-making;
- Work in partnership with iwi to give effect to Treaty settlement legislation and any provisions that result from this.

12. In addition to meeting our statutory requirements, we aspire to give effect to the principles of meaningful partnership in working with Māori and iwi, as they are best placed to express and advocate for their aspirations, interests and values. Council has developed the Iwi and Māori Participation in Council Decision Making Policy, which ensures uniformity across the Council in actioning specific principles and requirements that facilitate participation by iwi and Māori in Council decision making.

When and How to Engage

13. When any issue is determined as having a high degree of significance:

- The issue will be considered by Council.
- The report to Council will include an assessment of the degree of significance of the issue, how Council has given effect to the Policy on Iwi and Māori Participation in Council Decision-Making and a recommendation on the engagement proposed.

14. Council will apply the principles of consultation (section 82 of the Local Government Act 2002) and consider the options stated in the Community Engagement Toolbox (Appendix 1) as a guide for engagement planning. This will provide a consistent but flexible process to guide Council on how and when communities can be engaged in decision making.

15. Council will choose the form of consultation that best suits the community affected and the decision being made. While this will vary between specific issues, assets, or other matters, Council has a preference for:

- Direct communication with the most affected parties;
- The use of digital media including websites, social media and e-mail based surveys;
- Background information through local newspapers;
- Written and oral submissions;
- Inclusive planning sessions open to the public;
- Formal public meetings only if requested by affected communities or required by legislation.

16. Council will select the exact method that it considers appropriate after considering criteria or circumstances such as:

- who is affected by, interested in, or likely to have a view on the issue, , who else might be affected by the issue or is likely to submit;
- the significance of the matter, both to Council and to those who are or may be interested in or affected by the issue;
- the community's preferences for engagement;
- what information already exists on community views on the proposal or decision and the circumstances in which that information was gathered (for example when was the information gathered, what changes in circumstances have there been since that time.

17. Council will cater for sign language and Te Reo Māori interaction but will require reasonable advance notice (at least one week) in order to organise a translator and forum convenient to all parties.

18. Council will normally respond to written/oral submissions in formal hearing processes. In other processes involving large numbers of resident input, the Council response will be more general themes-based feedback through local newspapers, local newsletters, Council's social media or the Council website.

The following table provides an example of the different levels of engagement that might be considered appropriate, the types of tools associated with each level and the timing generally associated with these types of decisions/levels of engagement. The following table is not a definitive list of available engagement techniques. Other techniques may also be used in addition to those listed below.

Level	Council decides	Council seeks opinions
What does it involve	One-way communication providing balanced and objective information to assist understanding about something that is going to happen or has happened.	Two-way communications designed to obtain public feedback about ideas on rationale, alternatives and proposals to inform decision making.
Types of issues that we might use this for	Water restrictions Procurement of goods and services Maintenance and renewals of existing Council assets Restricted fire season	Dog Control Policy Playground equipment design Combined service centre / libraries Local Alcohol Policy Gambling Policy Speed Limits Bylaw Footpath priority list Dannevirke wastewater treatment Dannevirke impounded water supply
Tools Council might use	Websites Information flyer Public notices Council Reports Council Social Media	Formal submissions and hearings, focus groups, surveys
When the community can expect to be involved	Council would generally advise the community once a decision is made	Council would advise the community once a draft decision is made and would generally provide the community with up to 4 weeks to participate and respond

	Discussion and Involvement	Partnership	Residents Decide
	Participatory process designed to help identify issues and views to ensure that concerns and aspirations are understood and considered prior to decision-making.	Working together to develop understanding of all issues and interests to work out alternatives and identify preferred solutions.	The final decision making is in the hands of the public.
	Rates Review Reserve Management Plan Mainstreet upgrades Swimming pool upgrades Coastal erosion Earthquake prone public buildings Long Term Plans and Annual Plans	Manawatū River Leaders Accord Community Response plans under Civil Defence and Emergency Management Issues of importance to Iwi or Māori	Election voting systems (MMP, STV or first past the post)
	Workshops Focus groups Citizens Panel Community Boards and Committees	External working groups (involving community experts) Community Boards and Committees	Binding referendum Local body elections
	Council would generally provide the community with a greater lead in time to allow them time to be involved in the process.	Council would generally involve the community and iwi at the start to scope the issue, again after information has been collected and again when options are being considered.	Council would generally provide the community with a greater lead in time to allow them time to be involved in the process, e.g., typically a month or more.

Appendix 1

Community Engagement Toolbox and Principles

Decision Making

Community engagement is part of a good decision-making process. The extent of engagement required is relative to the significance of the decision being made.

It is important to identify how results will be used and who the decision makers are before beginning an engagement process. This will help to set community expectations at the beginning of the process.

In developing engagement plans for each issue requiring a decision, the following things should be considered:

- Engagement objectives - the feedback that is sought from communities;
- Timeframe and completion date;
- Communities to be engaged with;
- Engagement tools and techniques to be used;
- Resources needed to complete the engagement;
- Communication planning needed;
- Basis of assessment and feedback to the communities involved.

For most routine decisions, the Council already has a good understanding of the views of the community. This is supported by the local knowledge of the elected members, regular customer surveys and service requests. In these cases, it may not be cost effective or timely for Council to carry out consultation or engagement. In other cases, Council has already consulted and prepared plans and strategies that guide the future provision of assets and changes to levels of service. These plans include Asset Management Plans and Reserve Management Plans.

Cost Benefit Analysis

Community engagement occurs across a spectrum at differing levels. As you move from providing information to full community engagement, Council must balance the benefits of community input against the time and cost of achieving this.

Council does not always have control over decision making timeframes, and the costs must be in proportion to the issue being addressed.

However, Council recognises that the costs of poor decisions can be very high over time.

Engagement Tools and Techniques

Over the time of decision making, Council may use a variety of engagement tools and techniques on any issue or proposal based on a range of other factors, including history and public awareness of the issue, stakeholder involvement, and timing related to other events and budgets. Council will also take into consideration that the community can feel "over consulted". Each situation will be assessed on a case-by-case basis.

Council will have regard to -

- the extent to which the current views and preferences of persons who will or may be affected by, or have an interest in, the decision or matter are known; and
- the nature and significance of the decision or matter, including its likely impact from the perspective of the persons who will or may be

affected by, or have an interest in, the decision or matter; and

- the provisions of Part 1 of the Local Government Official Information and Meetings Act 1987 (which, among other things, sets out the circumstances in which there is good reason for withholding local authority information); and
- the costs and benefits of any consultation process or procedure.

Which Tool(s) to Use and When?

There are a range of situations where engagement is necessary or desirable and a wide selection of approaches to choose from for any given situation. Each situation, therefore, needs to be assessed according to both the issue and the phase of decision making and the individual circumstances it presents.

It will not always be appropriate or practicable to conduct processes at the participatory end of the consultation continuum. Many minor issues will not warrant a participatory approach and constraints of time and money will limit what is possible on some occasions.

It should also be remembered that even in situations where there is plenty of opportunity to gain community input, it may not be possible to have significant control over what is done with the results. There are a number of government legislative and regional council policies that can influence, or in some cases limit, the options for Council decisions.

Information Requirements when Consulting with the Community

There are some legal minimum requirements for Council that are set out in the Local Government Act 2002 (Section 82a(2)). This includes the following specific issues requiring decisions:

- Adopting or amendment to the annual plan if required under Section 95 of the Local Government Act 2002;
- Transferring responsibilities to another local authority under Section 17 of the Local Government Act 2002;
- Establishing or becoming a shareholder in a council-controlled organisation;
- Adopting or amending a revenue and financing policy, development contributions policy, financial contributions policy, rates remission policy, rates postponement policy, or a policy on the remission or postponement of rates on Māori freehold land.

For such consultation, Council will develop information fulfilling the requirements of Section 82a of the Local Government Act 2002, and will make this available to the public, allow written submissions for a period of up to four weeks, and will consider all submissions prior to making decisions.

The local authority must, for the purposes of Section 82 (1)(a) and (c), make the following publicly available:

(a) the proposal and the reasons for the proposal; and

(b) an analysis of the reasonably practicable options, including the proposal, identified under section 77(1); and

(c) if a plan or policy or similar document is proposed to be adopted, a draft of the proposed plan, policy, or other document; and

(d) if a plan or policy or similar document is proposed to be amended, details of the proposed changes to the plan, policy, or other document.

Appendix 2

Definitions

Legal purpose of this Policy (Local Government Act 2002, Section 76AA) The purpose of a significance and engagement policy is:

a) to enable the local authority and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and

b) activities; and

c) to provide clarity about how and when communities can expect to be engaged in decisions about different issues, assets, or other matters; and

d) to inform the local authority from the beginning of a decision-making process about –

(i) the extent of any public engagement that is expected before a particular decision is made; and

(ii) the form or type of engagement required.

Community A group of people living in the same place or having a particular characteristic in common. Includes interested parties, affected people and key stakeholders. Specifically this would be:

- An urban area (Dannevirke, Woodville, Pahiatua and Eketāhuna)
- Rural townships combined (such as Norsewood, Pongaroa, Mangatainoka)
- Rural residents
- Businesses

Decisions Refers to all the decisions made by or on behalf of Council including those made by officers under delegation. Decisions include deliberations on any issue, proposal or other matter. Management decisions made by officers under approved delegations will generally not be deemed significant.

Engagement Process of seeking information from the community to inform and assist decision making. There is a continuum of community involvement.

Special Consultative Procedure (SCP) A defined and mandated form of consultation that must be used for:

- adoption/amendment to the Long Term Plan (including significant alterations to levels of service, financial strategy or the rating system);
- adoption or amendment to a significant bylaw;
- transfer of ownership of a significant strategic asset (such as pensioner housing);
- changes to some policies that are specified under other legislation, such as a Local Alcohol Policy, the Waste Management and Minimisation Plan or a class 4 venue policy under the Gambling Act 2003;
- adoption of an Annual Plan (where a material change from the Long Term Plan is proposed).

The SCP includes a formal proposal, at least one month for submissions, and a formal hearing.

Significance Significance, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for –

- the district or region
- any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter

- the capacity of the local authority to perform its role, and the financial and other costs of doing so

Significant Significant, in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance.

The relationship between Significance and Significant is shown in the diagram below.

Strategic asset (Section 5 Local Government Act 2002) Strategic asset, in relation to the assets held by a local authority, means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community.

Section 5 of the Local Government Act requires the following to be listed in this Policy:

a) any asset or group of assets listed in accordance with section 76AA(3) by the local authority; and

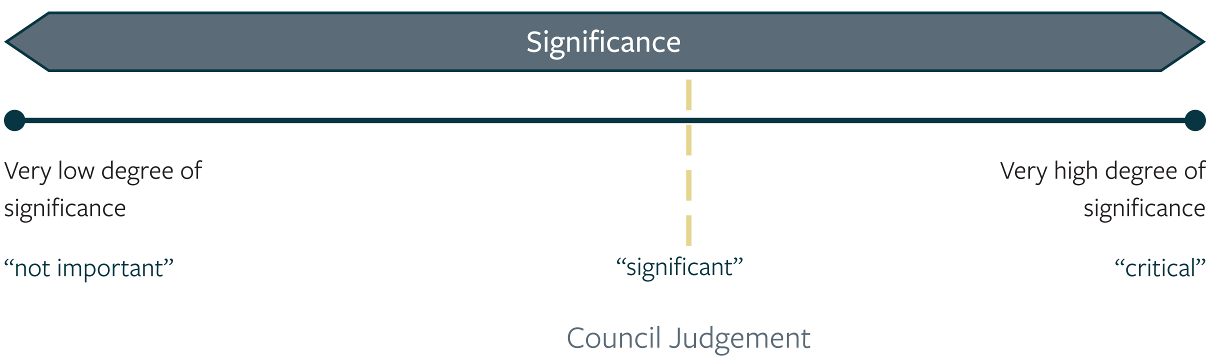
b) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and

c) any equity securities held by the local authority in—

(i) a port company within the meaning of the Port Companies Act 1988

(ii) an airport company within the meaning of the Airport Authorities Act 1966

Strategic aspirations Any high level, direction setting goal or document that councils aim to deliver.



Appendix 3

Process for determining whether to engage

Is there a legislative requirement to consult using the Special Consultative Procedure?

YES

Council will undertake the Special Consultative Procedure, but may also choose to engage further / in a different manner depending on the circumstances.

NO

Is the decision or proposal considered significant under Council's Significance and Engagement Policy? (Refer pages 7 and 9 and Part B)

YES

Council will follow the decision making steps / requirements identified in sections 76-82 of the Local Government Act 2002.

As part of that assessment Council will consider whether it is appropriate to engage with the community and how best to do it in the circumstances.

NO

Is there still value in Council engaging with those who are affected or interested?

YES

Council will engage in a manner appropriate to the decision / proposal (see Appendix 1 and Part B of Council's Significance and Engagement Policy).

NO

Council will not specifically engage on the matter, but it will still give consideration to the views and preferences of those likely to be affected or have an interest.

TARARUA
DISTRICT COUNCIL