PART 03: Wāhanga 03

Te āhua o te haupūtanga

HOW WE FUND IT

Wāhanga 03: Te āhua o te haupūtanga
PART 03: HOW WE FUND IT

5 FINANCIAL STATEMENTS *He Pārongo Ahumoni*

- **6** LTP prudence financial benchmarks disclosure statement *He tauākī whāki LTP ahumoni mātau*
- **12** Prospective financial statements *Ngā tauākī ahumoni anamata*
  - **12** Forecast statement of comprehensive revenue and expense *He tauākī whakapae pūrangiaho rēweniu, utu anō hoki*
  - **14** Forecast statement of changes in net assets/equity *He tauākī whakapae panonitanga o ngā toenga hua*
  - **16** Forecast statement of financial position *He tauākī whakapae tūnga ahumoni*
  - **20** Forecast statement of cash flows *He tauākī whakapae o ngā moni mai*
  - **24** Tararua District Council: Funding Impact Statement (Whole of Council) *Te Kaunihera Ā-Rohe o Tararua: He Tauākī Pānga Haupū (Te Kaunihera Whānui)*
  - **28** Reconciliation funding impact statement to comprehensive revenue and expense *He tauākī pānga whakaturi haupū kia whakamārama i te rēweniu me ngā utu*
  - **31** Statement of Accounting Policies *He tauākī o ngā kaupapa here kaute*

63 FINANCIAL STRATEGY *Rautaki Ahumoni*

93 LONG TERM PLAN SIGNIFICANT FORECASTING ASSUMPTIONS AND RISKS *Whakapaetanga Tūraru Hiranga Pae Tawhiti*

127 FUNDING POLICIES *Ngā Kaupapa Here Haupū Moni*

- **128** Revenue and Financing Policy *Kaupapa Here Reweniu me te Ahumoni*
- **161** Rating System *Pūnaha Whakaine*
- **180** Rates Remissions Policy *Te Kaupapa Here Whakamimiti Reti*

193 TREASURY RISK MANAGEMENT POLICY *Kaupapa Here Kaitohutohu Kaupapa Moni Whakahaere Tūraru*

217 FINANCIAL AND DEVELOPMENT CONTRIBUTIONS POLICY *Kaupapa Here Ahumoni me te Whakawhanaketanga*

He Pārongo Ahumoni

Financial Statements

He Pārongo Ahumoni
FINANCIAL STATEMENTS

He tauākī whāki LTP ahumoni mātau
LTP prudence financial benchmarks disclosure statement

He aha rā te pūtake o tēnei tauākī?
What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Overall, Council's rates increases over the 10 years of the Long Term Plan show that we are within our quantified limits.

	2023/24	2024/25	2025/26	2026/27
Quantified limit on rates increase	9.20%	12.00%	12.00%	12.00%
Actual proposed rates increase (at or within limit)	13.17%	11.67%	11.48%	11.57%
Headroom	-3.97%	0.33%	0.52%	0.43%

He paerewa tareka ā-utu reti

Rates affordability benchmark

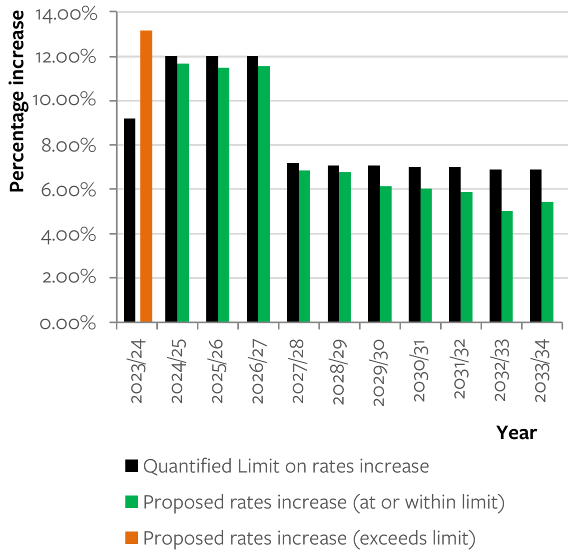
The council meets the rates affordability benchmark if:

- its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (increases) affordability

The following graph compares the Council's planned rates increases with a quantified limit on rates increases contained in the Financial Strategy included in this Long Term Plan. The quantified limit Years 1 - 3 being less than 12%, and Years 4–10 being BERL Local Government Cost Index, plus 3%, plus 2% dedicated for additional principal debt repayment.

RATES (INCREASES) AFFORDABILITY



2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
7.20%	7.10%	7.10%	7.00%	7.00%	6.90%	6.90%
6.86%	6.79%	6.13%	6.02%	5.88%	5.02%	5.44%
0.34%	0.31%	0.97%	0.98%	1.12%	1.88%	1.46%

He paerewa tareka ā-utu nama
Debt affordability benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

We have four limits on borrowing in the Financial Strategy included in this Long Term Plan. Council plans to meet all of its debt in each of the years of this plan.

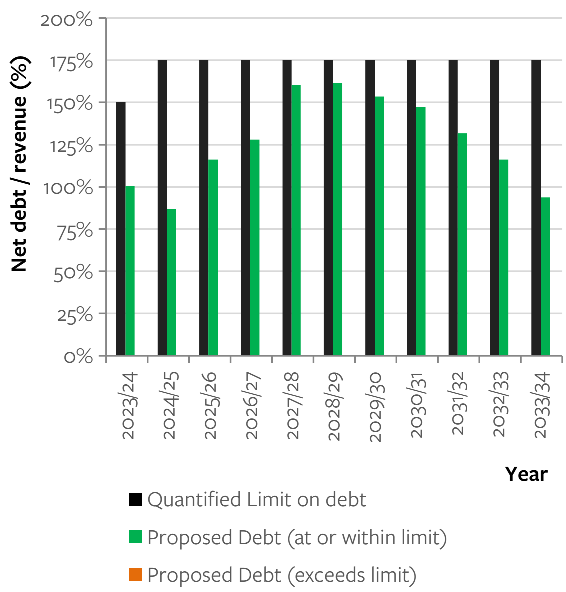
We will reach a peak debt level of $130 million in 2030/31. The impact of Council's debt repayment strategy and additional depreciation funding shows a significant reduction to $95.1 million by the end of this Long Term Plan.

The following graphs compare the Council's planned debt with its quantified limits on borrowing contained in the Financial Strategy included in this Long Term Plan.

The quantified limits are as follows:

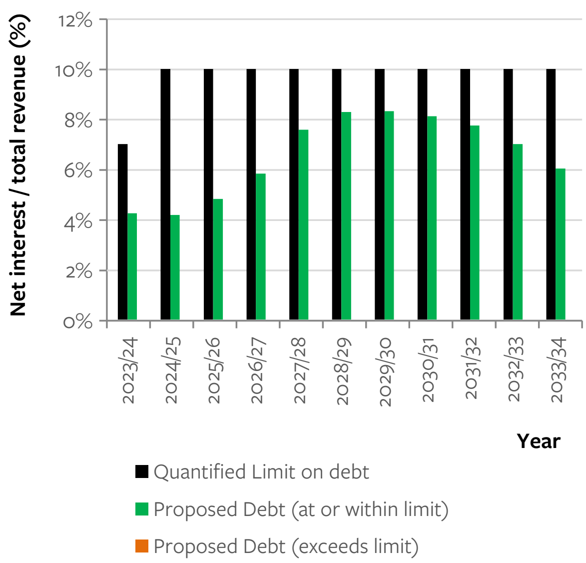
1. Net debt as a percentage of total revenue will not exceed 175%.

DEBT AFFORDABILITY
(net debt against total revenue)



2. Net interest on external debt as a percentage of total revenue will not exceed 10%.

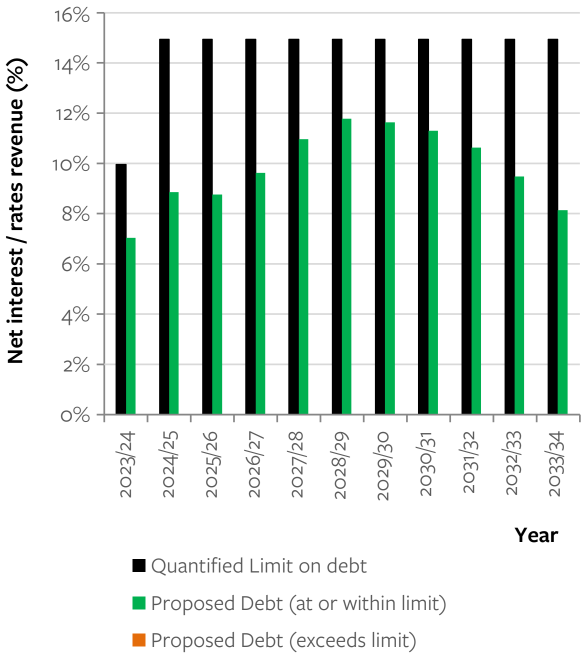
DEBT AFFORDABILITY
(net interest against total revenue)



3. Net interest on external debt as a percentage of annual rates income will not exceed 15%.

DEBT AFFORDABILITY

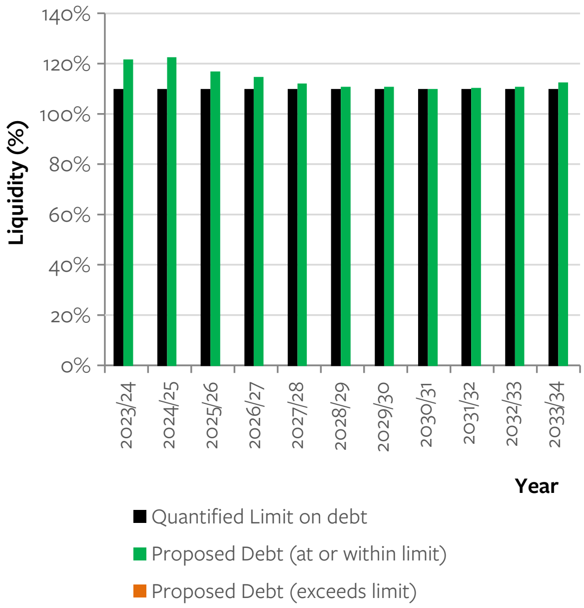
(net interest against rates revenue)



4. Liquidity (external term debt plus committed loan facilities plus cash and cash investments to existing external debt) is greater than 110%.

DEBT AFFORDABILITY

(liquidity)

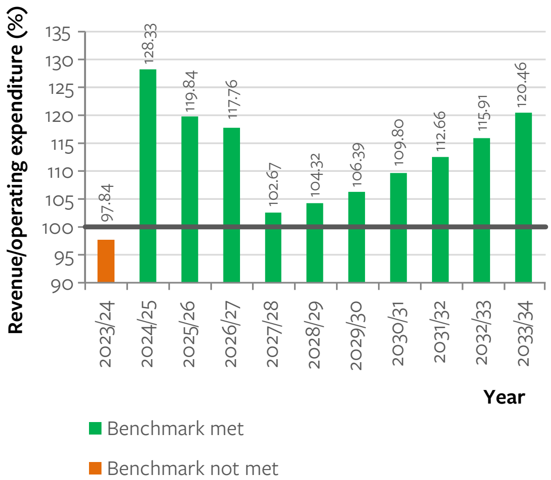


He paerewa tahua ripanga
Balanced budget benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

BALANCED BUDGET



The Council is required under the Local Government Act 2002 to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.

The Council may set projected operating revenues at a different level from that required, if the Council resolves that it is financially prudent to do so.

In addition to ensuring Council meets the balanced budget requirement, it has to consider the resulting financial position for future years. In particular, that it has maintained the level of borrowings and investments at a sustainable level to leave capacity for future generations.

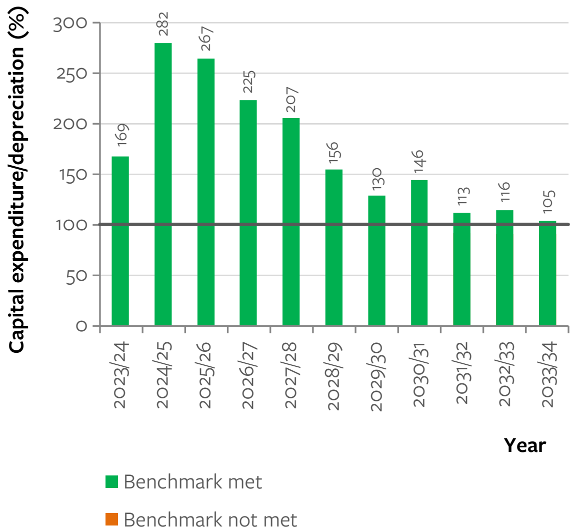
Council meets the balanced benchmark for each of the 10 years of this Long Term Plan. This is driven from funding a debt repayment programme, and increased subsidies relating to the Cyclong Gaberille Recovery project. Offsetting this is Council's decision to not fully fund depreciation where it is prudent not to do so, but recovering this unfunding and additional funding in the later years of this plan.

He paerewa tino ratonga
Essential services benchmark

The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

ESSENTIAL SERVICES



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.

Hence, depreciation represents the charge to the current ratepayers for the use of the asset. This means that today's generation does not pay for future generation's use of Council's assets.

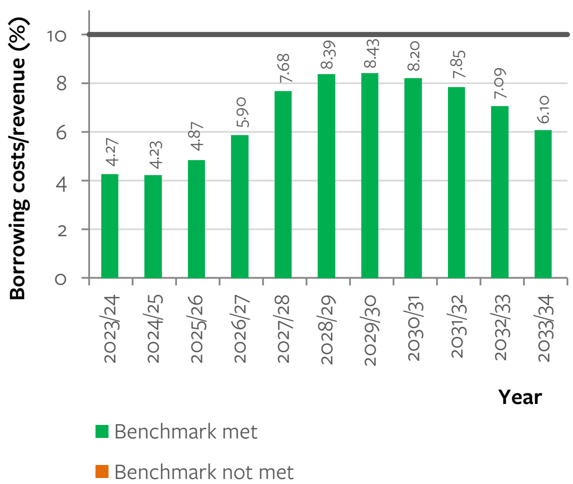
Council's infrastructure renewal expenditure exceeds depreciation expense in the each of the 10 years of the Long Term Plan.

He paerewa whakahaere nama
Debt servicing benchmark

The following graph displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics NZ projects the district's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

DEBT SERVICING



He tauākī whakapae pūrangiaho rēweniu, utu anō hoki

Forecast statement of comprehensive revenue and expense

For the 10 Years from 1 July 2024 to 30 June 2034

After allowance for inflation

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Revenue				
Rates	33,878	38,199	42,605	47,554
Grants and Subsidies	16,519	36,098	29,660	25,758
Fees and charges	6,016	5,129	5,388	5,558
Finance Revenue	11	41	45	54
Dividend & Subvention	-	-	-	-
Other Revenue	41	90	90	68
Forestry Revenue	-	-	-	-
Development and Financial Contributions	-	-	-	-
Vested Assets	-	3,701	-	-
Total operating revenue	**56,465**	**83,257**	**77,789**	**78,992**
Expenditure				
Operating Expenses	28,806	28,916	29,019	29,142
Depreciation and Amortisation	16,491	19,534	20,480	21,418
Personnel Costs	10,005	11,291	11,540	11,783
Finance Costs	2,410	3,430	3,786	4,659
Total operating expenditure	**57,712**	**63,170**	**64,826**	**67,001**
Other asset gains/(losses)				
Other asset gains/(losses)	-	1,650	45	51
Share of associate surplus/(deficit)	-	-	-	-
Total other asset gains/(losses)	**-**	**1,650**	**45**	**51**
Operating Surplus/(Deficit)	**(1,246)**	**21,736**	**13,009**	**12,042**
Other Comprehensive Revenue and Expenses				
Financial assets at fair value through other comprehensive revenue & expense	-	-	-	-
Tax on equity items	-	-	-	-
Gains on assets revaluations	28,789	32,002	27,797	27,468
Other Comprehensive Revenue and Expenses Subtotal	**28,789**	**32,002**	**27,797**	**27,468**
Less taxation expense/plus refund				
Less taxation expense/plus refund	-	-	-	-
Surplus/(deficit) after tax	**-**	**-**	**-**	**-**
Total comprehensive revenue and expenses	**27,542**	**53,739**	**40,806**	**39,509**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
50,829	54,292	57,635	61,118	64,723	67,980	71,689
17,159	17,159	17,159	18,275	18,231	18,231	19,296
5,659	5,747	5,832	5,919	6,002	6,087	6,174
58	73	76	76	76	72	67
-	-	-	-	-	-	-
60	66	40	40	55	40	40
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
73,766	**77,337**	**80,742**	**85,428**	**89,088**	**92,410**	**97,266**
32,038	32,609	32,941	33,982	34,554	34,847	35,864
22,105	22,748	23,608	24,026	24,486	25,037	25,408
12,030	12,271	12,504	12,743	12,985	13,219	13,457
5,663	6,485	6,808	7,006	6,996	6,553	5,931
71,836	**74,113**	**75,860**	**77,757**	**79,020**	**79,656**	**80,660**
52	51	49	48	49	50	48
-	-	-	-	-	-	-
52	**51**	**49**	**48**	**49**	**50**	**48**
1,981	**3,275**	**4,931**	**7,719**	**10,116**	**12,804**	**16,654**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28,363	31,824	27,487	27,074	30,909	27,871	27,340
28,363	**31,824**	**27,487**	**27,074**	**30,909**	**27,871**	**27,340**
-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**
30,344	**35,098**	**32,419**	**34,793**	**41,025**	**40,675**	**43,994**

He tauākī whakapae panonitanga o ngā toenga hua

Forecast statement of changes in net assets/equity

For the 10 Years from 1 July 2024 to 30 June 2034

After allowance for inflation

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Equity balance at 30 June				
Equity balance at 1 July	1,022,485	1,122,967	1,176,706	1,217,512
Total comprehensive revenue & expense for the year	27,542	53,739	40,806	39,509
Dividends paid	-	-	-	-
Equity balance at 30 June	**1,050,027**	**1,176,706**	**1,217,512**	**1,257,021**
Components of Equity				
Accumulated Funds				
Retained Earnings at 1 July	362,862	342,698	370,544	389,647
Net Surplus/(Deficit)	(1,246)	21,736	13,009	12,042
Net transfers between equity and reserves	3,671	6,110	6,095	4,730
Fair value through equity	-	-	-	-
Dividends paid	-	-	-	-
Accumulated Funds	**365,286**	**370,544**	**389,647**	**406,419**
Asset Revaluation Reserves				
Revaluation Reserves at 1 July	626,042	739,740	771,742	799,539
Increase/(Decrease) in revaluation reserves	28,789	32,002	27,797	27,468
Asset Revaluation Reserves	**654,830**	**771,742**	**799,539**	**827,007**
Special Funded Reserves				
Special Reserves at 1 July	33,500	40,466	34,356	28,261
Transfers to / (from) reserves	(3,671)	(6,110)	(6,095)	(4,730)
Special Funded Reserves	**29,829**	**34,356**	**28,261**	**23,531**
Trust Funds				
Trust Funds at 1 July	81	64	64	64
Increase/(Decrease) in Trust Funds	-	-	-	-
Trust Funds	**81**	**64**	**64**	**64**
Components of Equity	**1,050,027**	**1,176,706**	**1,217,512**	**1,257,021**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
1,257,021	1,287,365	1,322,464	1,354,882	1,389,676	1,430,701	1,471,376
30,344	35,098	32,419	34,793	41,025	40,675	43,994
-	-	-	-	-	-	-
1,287,365	**1,322,464**	**1,354,882**	**1,389,676**	**1,430,701**	**1,471,376**	**1,515,371**
406,419	417,992	422,083	426,763	437,201	439,496	444,051
1,981	3,275	4,931	7,719	10,116	12,804	16,654
9,591	816	(251)	2,719	(7,821)	(8,249)	(14,113)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
417,992	**422,083**	**426,763**	**437,201**	**439,496**	**444,051**	**446,592**
827,007	855,370	887,194	914,681	941,755	972,664	1,000,536
28,363	31,824	27,487	27,074	30,909	27,871	27,340
855,370	**887,194**	**914,681**	**941,755**	**972,664**	**1,000,536**	**1,027,876**
23,531	13,940	13,124	13,375	10,656	18,477	26,726
(9,591)	(816)	251	(2,719)	7,821	8,249	14,113
13,940	**13,124**	**13,375**	**10,656**	**18,477**	**26,726**	**40,839**
64	64	64	64	64	64	64
-	-	-	-	-	-	-
64	**64**	**64**	**64**	**64**	**64**	**64**
1,287,365	**1,322,464**	**1,354,882**	**1,389,676**	**1,430,701**	**1,471,376**	**1,515,371**

He tauākī whakapae tūnga ahumoni

Forecast statement of financial position

For the 10 Years from 1 July 2024 to 30 June 2034

After allowance for inflation

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Assets				
Current assets				
Cash & Cash Equivalents	6,209	7,041	6,216	5,610
Debtors & Other Receivables	5,372	8,136	8,836	9,539
Derivative Financial Instrument	-	1,366	1,366	1,366
Other Financial Assets	3,264	904	904	904
Non-current assets held for sale	-	-	-	-
Inventories	105	137	137	137
Total Current Assets	**14,950**	**17,584**	**17,459**	**17,556**
Non-current assets				
Investment in CCOs and similar entities	-	2,712	3,186	3,238
Derivative Financial Instrument	-	2,909	2,909	2,909
Other Financial Assets	-	4,000	4,000	4,000
Investment held in New Zealand Local Government Insurance Corporation Ltd	-	-	-	-
Investment accounted for using the equity method	-	52	52	52
Investment Property	3,890	2,265	2,310	2,361
Debtors and other receivables	-	-	-	-
Forestry Assets	-	115	115	115
Intangible Assets	2,314	1,573	2,010	1,836
Property, plant & equipment – operational	57,411	61,970	68,481	68,213
Property, plant & equipment – infrastructure	1,040,168	1,171,816	1,224,037	1,274,248
Property, plant & equipment – restricted	5,349	6,118	6,645	6,645
Total Non-current assets	**1,109,131**	**1,253,529**	**1,313,744**	**1,363,617**
Total Assets	**1,124,082**	**1,271,113**	**1,331,203**	**1,381,173**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
4,929	4,492	4,206	3,838	3,687	3,561	3,547
10,184	10,858	11,561	12,304	13,077	13,878	14,720
1,366	1,366	1,366	1,366	1,366	1,366	1,366
904	904	904	904	904	904	904
-	-	-	-	-	-	-
137	137	137	137	137	137	137
17,520	**17,757**	**18,174**	**18,549**	**19,172**	**19,846**	**20,674**
3,456	3,406	3,181	3,009	2,797	2,538	2,135
2,909	2,909	2,909	2,909	2,909	2,909	2,909
4,000	4,000	4,000	4,000	4,000	4,000	4,000
-	-	-	-	-	-	-
52	52	52	52	52	52	52
2,413	2,464	2,513	2,561	2,609	2,659	2,707
-	-	-	-	-	-	-
115	115	115	115	115	115	115
1,764	1,663	1,498	1,475	1,350	1,192	1,148
66,926	68,506	66,013	64,997	65,934	64,171	62,557
1,322,780	1,362,112	1,396,356	1,433,468	1,464,718	1,496,881	1,526,374
6,645	7,086	7,086	7,086	7,526	7,526	7,526
1,411,059	**1,452,311**	**1,483,722**	**1,519,670**	**1,552,010**	**1,582,042**	**1,609,521**
1,428,579	**1,470,069**	**1,501,896**	**1,538,220**	**1,571,182**	**1,601,887**	**1,630,196**

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Liabilities				
Current liabilities				
Payables and deferred revenue	6,277	12,355	12,645	12,936
Borrowings - current	4,000	3,186	3,322	4,003
Employee Benefit Liabilities	882	623	681	740
Provision for landfill aftercare	-	164	164	164
Derivative Financial Instrument	-	477	477	477
Total Current Liabilities	**11,160**	**16,805**	**17,289**	**18,320**
Non-current liabilities				
Borrowings - non-current	61,962	74,996	93,796	103,225
Derivative Financial Instrument	19	1,960	1,960	1,960
Employee Benefit Liabilities	-	-	-	-
Tenant Contributions	354	354	354	354
Provision for landfill aftercare	560	292	292	292
Total Non-Current Liabilities	**62,895**	**77,602**	**96,402**	**105,832**
Total Liabilities	**74,054**	**94,407**	**113,691**	**124,152**
Equity				
Accumulated Funds	365,286	370,544	389,647	406,419
Asset Revaluation Reserves	654,830	771,742	799,539	827,007
Special Funded Reserves	29,829	34,356	28,261	23,531
Trust Funds	81	64	64	64
Total Equity	**1,050,027**	**1,176,706**	**1,217,512**	**1,257,021**
Total Assets less Liabilities	**1,050,027**	**1,176,706**	**1,217,512**	**1,257,021**

	Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
	13,257	13,583	13,912	14,252	14,597	14,946	15,305
	4,261	4,519	5,068	4,659	12,216	12,563	18,367
	800	861	924	987	1,052	1,118	1,186
	164	164	164	164	164	164	164
	477	477	477	477	477	477	477
	18,958	**19,604**	**20,545**	**20,539**	**28,507**	**29,268**	**35,498**
	119,649	125,394	123,862	125,398	109,367	98,636	76,720
	1,960	1,960	1,960	1,960	1,960	1,960	1,960
	-	-	-	-	-	-	-
	354	354	354	354	354	354	354
	292	292	292	292	292	292	292
	122,255	**128,001**	**126,468**	**128,005**	**111,974**	**101,243**	**79,327**
	141,214	**147,605**	**147,014**	**148,544**	**140,480**	**130,511**	**114,825**
	417,992	422,083	426,763	437,201	439,496	444,051	446,592
	855,370	887,194	914,681	941,755	972,664	1,000,536	1,027,876
	13,940	13,124	13,375	10,656	18,477	26,726	40,839
	64	64	64	64	64	64	64
	1,287,365	**1,322,464**	**1,354,882**	**1,389,676**	**1,430,701**	**1,471,376**	**1,515,371**
	1,287,365	**1,322,464**	**1,354,882**	**1,389,676**	**1,430,701**	**1,471,376**	**1,515,371**

He tauākī whakapae o ngā moni mai

Forecast statement of cash flows

For the 10 Years from 1 July 2024 to 30 June 2034

After allowance for inflation

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Net Cashflow Operating Activities				
Cash was provided from:				
Rates Revenue	33,878	37,473	41,906	46,851
Grants and Subsidies	16,519	36,098	29,660	25,758
Fees, charges, and other receipts (including donations)	6,016	5,129	5,388	5,558
Interest Received	11	41	45	54
Dividend & Subvention Revenue	-	-	-	-
Other Revenue	41	90	90	68
Income tax refunds	-	-	-	-
GST refunds	-	-	-	-
Cash was provided from:	**56,465**	**78,831**	**77,089**	**78,289**
Cash was applied to:				
Payment Staff & Suppliers	(38,811)	(39,861)	(40,211)	(40,574)
Interest Paid	(2,410)	(3,430)	(3,786)	(4,659)
Income tax payments	-	-	-	-
GST payments	-	-	-	-
Cash was applied to:	**(41,221)**	**(43,291)**	**(43,998)**	**(45,233)**
Net Cashflow Operating Activities	**15,244**	**35,540**	**33,092**	**33,056**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
50,184	53,617	56,932	60,375	63,950	67,179	70,847
17,159	17,159	17,159	18,275	18,231	18,231	19,296
5,659	5,747	5,832	5,919	6,002	6,087	6,174
58	73	76	76	76	72	67
-	-	-	-	-	-	-
60	66	40	40	55	40	40
-	-	-	-	-	-	-
-	-	-	-	-	-	-
73,121	**76,663**	**80,040**	**84,685**	**88,315**	**91,610**	**96,424**
(43,688)	(44,492)	(45,053)	(46,321)	(47,129)	(47,652)	(48,896)
(5,663)	(6,485)	(6,808)	(7,006)	(6,996)	(6,553)	(5,931)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(49,351)	**(50,977)**	**(51,860)**	**(53,327)**	**(54,124)**	**(54,204)**	**(54,826)**
23,770	**25,685**	**28,179**	**31,358**	**34,191**	**37,405**	**41,597**

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Net Cashflow Investment Activities				
Cash was provided from:				
Proceeds from Investments realised	(5,000)	-	-	200
Proceeds from sale of property, plant and equipment	-	3,800	-	-
Proceeds from investment property	-	-	-	-
Cash was provided from:	**(5,000)**	**3,800**	**-**	**200**
Cash was applied to:				
Purchase of property, plant and equipment	(26,963)	(50,454)	(52,379)	(43,719)
Purchase of intangibles	-	-	-	-
Purchase of Investments	4,334	(268)	(473)	(253)
Cash was applied to:	**(22,629)**	**(50,722)**	**(52,853)**	**(43,972)**
Net Cashflow Investment Activities	**(27,629)**	**(46,922)**	**(52,853)**	**(43,772)**
Net Cashflow Finance Activities				
Cash was provided from:				
Proceeds from borrowings	18,385	13,563	22,928	14,525
Tenant contributions received	-	-	-	-
Cash was provided from:	**18,385**	**13,563**	**22,928**	**14,525**
Cash was applied to:				
Tenant contributions received	-	-	-	-
Repayment of borrowings	(6,000)	(2,828)	(3,992)	(4,414)
Dividends paid	-	-	-	-
Cash was applied to:	**(6,000)**	**(2,828)**	**(3,992)**	**(4,414)**
Net Cashflow Finance Activities	**12,385**	**10,734**	**18,936**	**10,111**
Cash Balance				
Net increase/(decrease) in cash held	-	(648)	(825)	(606)
Total cash resources at start of the year	6,209	7,689	7,041	6,216
Cash Balance	**6,209**	**7,041**	**6,216**	**5,610**

	Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
	200	200	200	200	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	200	**200**	**200**	**200**	**-**	**-**	**-**
	(40,916)	(32,176)	(27,707)	(33,025)	(26,079)	(27,407)	(25,902)
	-	-	-	-	-	-	-
	(417)	(150)	25	(28)	212	260	403
	(41,333)	**(32,326)**	**(27,682)**	**(33,053)**	**(25,867)**	**(27,147)**	**(25,500)**
	(41,133)	**(32,126)**	**(27,482)**	**(32,853)**	**(25,867)**	**(27,147)**	**(25,500)**
	21,829	11,468	4,801	7,524	-	3,100	-
	-	-	-	-	-	-	-
	21,829	**11,468**	**4,801**	**7,524**	**-**	**3,100**	**-**
	-	-	-	-	-	-	-
	(5,148)	(5,464)	(5,784)	(6,397)	(8,474)	(13,484)	(16,112)
	-	-	-	-	-	-	-
	(5,148)	**(5,464)**	**(5,784)**	**(6,397)**	**(8,474)**	**(13,484)**	**(16,112)**
	16,681	**6,004**	**(983)**	**1,127**	**(8,474)**	**(10,384)**	**(16,112)**
	(681)	(437)	(286)	(368)	(151)	(126)	(14)
	5,610	4,929	4,492	4,206	3,838	3,687	3,561
	4,929	**4,492**	**4,206**	**3,838**	**3,687**	**3,561**	**3,547**

Te Kaunihera Ā-Rohe o Tararua: Tauākītanga Pānga (Te Kaunihera Whānui)

Tararua District Council: Funding Impact Statement (Whole of Council)

For the 10 Years from 1 July 2024 to 30 June 2034

After allowance for inflation

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	12,939	14,726	16,307	17,638
Targeted Rates	20,939	23,473	26,298	29,916
Subsidies and grants for operating purposes	7,407	8,689	8,062	7,458
Fees and charges	5,876	4,979	5,238	5,408
Interest and dividends from investments	11	41	45	54
Local authorities fuel tax, fines, infringement fees, and other receipts	181	240	240	218
Total Operating Funding (A)	**47,352**	**52,148**	**56,191**	**60,692**
Applications of Operating Funding				
Payments to staff and suppliers	38,811	40,207	40,559	40,925
Finance Costs	2,410	3,430	3,786	4,659
Other operating funding applications	-	-	-	-
Total Applications of Operating Funding (B)	**41,221**	**43,637**	**44,345**	**45,584**
Surplus/(Deficit) of Operating Funding (A - B)	**6,132**	**8,511**	**11,845**	**15,108**
Sources of Capital Funding				
Subsidies and grants for capital expenditure	9,113	27,408	21,598	18,300
Development and financial contributions	-	-	-	-
Increase / (Decrease) in Debt	12,385	10,734	18,936	10,111
Gross proceeds sale of assets	-	3,800	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total Sources of Capital Funding (C)	**21,497**	**41,943**	**40,534**	**28,411**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
18,356	19,243	19,912	20,556	21,297	21,367	21,069
32,473	35,049	37,722	40,562	43,427	46,613	50,620
8,147	8,147	8,147	8,648	8,648	8,648	9,146
5,509	5,597	5,682	5,769	5,852	5,937	6,024
58	73	76	76	76	72	67
210	216	190	190	205	190	190
64,753	**68,324**	**71,730**	**75,801**	**79,505**	**82,827**	**87,116**
44,068	44,879	45,445	46,725	47,539	48,066	49,322
5,663	6,485	6,808	7,006	6,996	6,553	5,931
-	-	-	-	-	-	-
49,731	**51,365**	**52,252**	**53,730**	**54,535**	**54,619**	**55,252**
15,022	**16,960**	**19,477**	**22,071**	**24,970**	**28,208**	**31,864**
9,013	9,013	9,013	9,627	9,583	9,583	10,150
-	-	-	-	-	-	-
16,681	6,004	(983)	1,127	(8,474)	(10,384)	(16,112)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,694	**15,016**	**8,029**	**10,754**	**1,109**	**(801)**	**(5,962)**

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Applications of Capital Funding				
Capital Expenditure:				
- meet additional demand (Growth)	2,636	1,457	2,509	1,313
- improve level of service (New)	10,898	4,863	11,602	8,461
- replace existing assets (Renewal)	13,429	44,134	38,268	33,945
Increase / (decrease) in reserves	(4,334)	-	-	-
Increase / (decrease) in investments	5,000	-	-	(200)
Total Applications of Capital Funding (D)	**27,629**	**50,454**	**52,379**	**43,519**
Surplus/(Deficit) of Capital Funding (C - D)	**(6,132)**	**(8,511)**	**(11,845)**	**(15,108)**
Funding Balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
2,494	1,134	2,205	1,205	1,917	253	258
9,158	9,032	2,256	2,433	2,210	2,310	2,376
29,264	22,011	23,246	29,386	21,952	24,845	23,269
-	-	-	-	-	-	-
(200)	(200)	(200)	(200)	-	-	-
40,716	**31,976**	**27,507**	**32,825**	**26,079**	**27,407**	**25,902**
(15,022)	**(16,960)**	**(19,477)**	**(22,071)**	**(24,970)**	**(28,208)**	**(31,864)**
-	**-**	**-**	**-**	**-**	**-**	**-**

Tauākītanga pānga hapū moni kia whakamārama rawatia te rēweniu me ngā utu

Reconciliation funding impact statement to comprehensive revenue and expense

	Plan 2024 (000's)	Year 1 2025 (000's)	Year 2 2026 (000's)	Year 3 2027 (000's)
Revenue				
Total operating funding (A)	47,352	52,148	56,191	60,692
Add sources of capital funding				
- Subsidies and grants for capital expenditure	9,113	27,408	21,598	18,300
-Development and financial contributions	-	-	-	-
- Gain disposal of assets	-	-	-	-
- Gain on changes in fair value of investment property	-	-	-	-
- Vested assets	-	-	-	-
Add statement of comprehensive revenue and expense				
- Vested assets	-	3,701	-	-
Total Operating Revenue as per Statement of Comprehensive Revenue and Expense	**56,465**	**83,257**	**77,789**	**78,992**
Expenditure				
Total application of operating funding (B)	41,221	43,637	44,345	45,584
Add application of capital funding				
Loss on disposal of asset	-	-	-	-
Loss on changes in fair value of investment property	-	-	-	-
Add statement of comprehensive revenue and expense				
Increase/(decrease) in provisions	-	-	-	-
Depreciation and amortisation expense	16,491	19,534	20,480	21,418
Total Operating Expenditure as per Statement of Comprehensive Revenue and Expense	**57,712**	**63,170**	**64,826**	**67,001**

Year 4 2028 (000's)	Year 5 2029 (000's)	Year 6 2030 (000's)	Year 7 2031 (000's)	Year 8 2032 (000's)	Year 9 2033 (000's)	Year 10 2034 (000's)
64,753	68,324	71,730	75,801	79,505	82,827	87,116
9,013	9,013	9,013	9,627	9,583	9,583	10,150
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
73,766	**77,337**	**80,742**	**85,428**	**89,088**	**92,410**	**97,266**
49,731	51,365	52,252	53,730	54,535	54,619	55,252
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,105	22,748	23,608	24,026	24,486	25,037	25,408
71,836	**74,113**	**75,860**	**77,757**	**79,020**	**79,656**	**80,660**

He tauākī o ngā kaupapa here kaute

STATEMENT OF ACCOUNTING POLICIES

Prospective notes to the financial statements for 10 years to 30 June 2034

Hinonga Rīpoata
Reporting entity

Tararua District Council (Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Council provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return. The Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

Tararua District Council has an associate, Manawatū-Wanganui LASS Limited, a 14% owned associate – Public Benefit Entity. They are domiciled and incorporated in New Zealand.

Tūāpapa o te whakarite
Basis of preparation

The financial information contained within these policies and financial statements is prospective information in terms of FRS-42 Prospective Financial Statements. The purpose for which the information has been prepared is to enable the public to participate in the decision-making processes as to the services to be provided by Council and to provide a broad accountability mechanism of the Council to the community. The prospective information may not be appropriate for purposes other than those described.

In preparing these prospective financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The information in the prospective financial statements is uncertain and its preparation requires the exercise of judgement. Actual financial results achieved are likely to vary from the information presented and the variations may be material. Events and circumstances may not occur as expected and may or may not have been predicted or the Council may subsequently take actions that differ from the proposed course of action on which the prospective financial statements are based.

Tauākī tautuku
Statement of compliance

The financial statements of Council have been prepared in accordance with the requirements of the Local Government Act 2002 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and the Long Term Plan requirements of section 93 of the LGA. It is audited under section 94 of LGA. The primary purpose of Tararua District Council us to provide goods or services to the community or social benefit rather than making a financial return. Accordingly, for reporting purposes, the Council is a public benefit entity.

These prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity.

The preparation of prospective financial statements in conformity with PBE IPSAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Ngā Taumata Pūronogo Ōhanga Whai Hua Whapaetanga mā te Hapori

Public Benefit Entity Prospective Financial Reporting Standards

The Council has complied with PBE FRS 42 in the preparation of these prospective financial statements.

Inenga tūāpapatanga

Measurement base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, forestry assets, financial instruments (including derivative instruments) and carbon credits.

Pūnaha moni

Functional and presentation currency

The financial statements are presented in the functional currency of New Zealand, which is New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000s).

Mana hei tuku

Authorisation for issue

The Council authorised the prospective financial statements on 31 July 2024. Council and management accept responsibility for the preparation of the prospective financial statements, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. No actual results have been incorporated within the prospective financial statements.

Ngā panonitanga kaute kaupapa here

Changes in accounting policies

There have been no changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Ngā kaupapa here hira
Significant accounting policies

Ngā Pāhekohekotanga
Associates

An associate is an entity over which the institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for in the group financial statements using the equity method of accounting. Investments in associates are measured at cost in the institute's parent financial statements.

Tikanga mana taurite o te mahi kaute kei ngā tauākī tōpū ōhanga
Equity method of accounting in group financial statements

Investments in associates and joint ventures are accounted for in the parent financial statements using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased is increased or decreased to recognise the group's share of the change in net assets of he entity after the date of acquisition. The group's share of the surplus or deficit is recognised in the group surplus or deficit. Distributions received from the investee reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of the entity equals or exceeds the interest in the entity, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the entity. If the entity subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Reweniu
Revenue

Revenue is measured at fair value.

Revenue may be derived from either exchange or non-exchange transactions.

Exchange and non-exchange transactions

An exchange transaction is one in which the Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transactions are where the Council receives value from another entity without giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Reweniu reti
Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced quarterly within the financial year to which the rates have been set.

The following polices of rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

- Rates arising from late payment penalties are recognised on as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Reweniu tākohatanga

Contribution revenue

Development contributions and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise development contributions and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

Ngā moni āwhina Kāwanatanga

Government subsidies

Government grants, for example from NZ Transport Agency, Ministry of Health and Ministry of Environment, are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Waka Kotahi (NZ Transport Agency) pūtea tāpiringa huarahi

Waka Kotahi (NZ Transport Agency) roading subsidies

The Council receives funding assistance from Waka Kotahi, which subsidies part of the costs of maintenance and capital expenditure on the local reading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Ngā ratonga wātea

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Hokotanga o ngā ō

Sale of goods

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash.

Utu

Commission

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Ngā Rironga

Vested assets or donated assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (for example, land must be used as a recreation reserve). the Council immediately recognises the fair value of the asset as revenue.

A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Moni Whiwhi

Dividends

Dividends are recognised when the right to receive payment has been established.

Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment.

Reweniu Itareti

Interest revenue

Interest revenue is recognised using the effective interest method.

Ētahi atu karāti kua whakawhiwhi

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are met.

Te Waihanga me te rēweniu whakaaetanga rawa taiao

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Ngā utu para

Landfill fees

Fees for disposing of waste at the Council's landfill are recognised upon waste being disposed by users.

Utu nama

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Whakapaunga Karāti

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Tākihi mahi

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Council expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable surplus.

Current tax or deferred tax is recognised against the surplus or deficit for the period except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Pūnaha moni tāwāhi
Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus or deficit.

Ngā Rīhitanga
Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, Council will recognise finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Ngā ōritetanga pūtea me te pūtea
Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 90 days or less, and bank overdrafts.

Bank overdrafts where applicable are shown within borrowings in current liabilities in the statement of financial position.

Ngā tāngata noho nama me ētahi atu whakawhiwhinga

Debtors and other receivables

Short-term receivables are recorded at the amount due, less an allowance for Expected Credit Losses (ECL).

The Council applies the simplified ECL model of recognising lifetime ECL or short-term receivables.

In measuring ECLs, receivables have been grouped into rates and metred water rates receivables, and other general receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are "written off":

- When remitted in accordance with Council's rates remissions policy; and
- In accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other general receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Ngā tāngata noho nama me ētahi atu whakawhiwhinga

Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost adjusted for any loss on service potential.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first in, first out (FIFO) method.

The write down from loss of service potential or net realisable value is recognised in the Surplus or Deficit in the year of the write down.

Ngā huarawa ōhanga

Financial assets

Derivative Financial Instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its Treasury Management Policy, the council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. The associated gains or losses on derivatives that are not hedge accounted are recognised in surplus or deficit.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is dues for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Council is party to financial instrument arrangements as part of its everyday operations. Revenue and expense relating to financial instruments are recognised in the statement of comprehensive revenue and expense.

Financial instruments are comprised of:

- Financial assets – cash and cash equivalents, debtors and other receivables, term deposits, other loans, LGFA borrower notes, unlisted shares, and derivative financial instruments
- Financial liabilities – trade and other payables, borrowings, derivative financial instruments

Other financial assets

Financial assets are initially measured at fair value plus transaction costs unless they are measured at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit. They are then classified as, and subsequently measured under, the following categories:

- Amortised cost
- Fair value through other comprehensive revenue and expense (FVTOCRE); and
- Fair value through surplus and deficit (FVTSD).

Purchases and sales of financial assets are recognised on trade-date, the date on which Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

The classification of a financial asset depends on its cash flow characteristics and the Council's management model for managing them. A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding, and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Concessionary loans

Loans to community organisations made by Council at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Where applicable, interest accrued is added to the investment balance.

Term deposits

Term deposits are fixed or determinable payments that are not quoted in an active market. Term deposits are included in non-current assets, except where the maturity is less than 12 months in which case they are included in current assets.

Term deposits are initially recognised at fair value. Term deposits are held for the purpose of collecting contractual cash flows and solely for the purpose of collecting principal and interest. They are subsequently recognised at amortised cost and measured using the effective interest rate method, less an allowance for impairment.

For term deposits, Council applies the low credit risk simplification. At every reporting date, the Council evaluates whether it is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, Council regularly reassesses the credit ratings of the bank counterparties. Term deposits are graded in the top investment category, therefore considered to be low credit risk investments. It is Council's policy to measure ECLs on term deposits based on the loss expected in the next 12 months.

Where applicable, interest accrued is added to the investment balance.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense (FVTOCRE) are those that are designated as fair value through equity or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. Council's financial assets at FVTOCRE comprise of local authority stock and investments in quoted and unquoted shares.

Council includes in the category:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholding that it holds for strategic purposes.

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold the cumulative gain or loss previously recognised in other comprehensive revenue and xpense is reclassified to surplus and deficit. Debt instruments in this category are the Council listed bonds.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Unlisted shares

Unquoted equity shares are initially measured at fair value excluding transaction costs. The fair values are determined by reference to the Council's share of net assets in these companies as there is no market information on the value of the organisations' shares.

The Council has made the irrevocable election to designate unquoted equity shares at FVOCRE. Gains or losses on unquoted equity shares are recorded in other comprehensive revenue and expense and not recycled to surplus or deficit. Equity instruments designated at FVOCRE are not subject to impairment assessment.

When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The

Council designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Financial assets at fair value through surplus or deficit

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Other than for derivatives, the Council has no instruments in this category.

LGFA borrower notes

Borrower notes are subordinated convertible debt instruments that Council is required to subscribe for when borrowing from the LGFA, currently set at 2.5% of the amount borrowed. The LGFA will redeem borrower notes when the Council's related borrowing are repaid or are no longer owed to the LGFA or may convert them to equity under specific circumstances. The borrower notes are initially recognised at fair value. They are subsequently measured at FVTSD.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Expected credit loss allowance (ECL)

ECL's are recognised in two stages:

1. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).
2. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council's historical experience and informed credit assessment and including forward-looking information.

The Council considers a financial asset to be in default when the financial asset is more than 90 days past due. The Council may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Concessionary Loan ECL

For concessionary loans, ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancement that are integral to the contractual terms.

Provision for impairment for debtors and other receivables

The provision for impairment of receivables is determined based on an expected credit loss (ECL) model.

In assessing credit losses for receivables, the Council applies the simplified approach and records lifetime ECL on receivables. Lifetime ECL results from all possible default events over the expected life of a receivable.

In assessing ECL on receivables the Council considers both quantitative and qualitative inputs. Quantitative inputs include past collection history and ageing of receivables. Council has established a provision matrix that is based on its historical credit loss experience, adjusted for forward[1]looking factors specific to the receivables and the economic environment.

To measure the ECL, all receivables have been grouped based on shared credit risk characteristics and the days overdue. Expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle their debt.

Rates are "written off":

- When remitted in accordance with Council's rates remissions policy; and
- In accordance with the write-off criteria of sections 90A (where rates cannot be reasonable recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Kāore he rironga hei hoko i te wā nei

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than continuing use. Non- current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Surplus or Deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Ngā Huarawa Ōkiko

Property plant and equipment

Property, plant and equipment consists of:

Operational assets

These include land, buildings, library books, plant and equipment, motor vehicles, fibre cabling and conduits, furniture and fittings, and swimming pools.

Infrastructure assets

Infrastructure assets includes the roading corridor network, footpaths and fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Restricted assets

Restricted assets are parks and reserves and war memorials owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Land, land under roads, restricted assets, assets under construction, investment properties, and biological assets are not depreciated.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset category	Useful life	Depreciation rate
Operational and Restricted Assets		
Buildings	9–80	(1.3%–11.1%)
Computer equipment	2–20	(5%–50%)
Fibre cabling and conduits	20–30	(3%–5%)
Furniture and fittings	2–45	(2.2%–50%)
Library collections	1–10	(10%–100%)
Motor vehicles	5–20	(5%–20%)
Plant and equipment	2–33	(3%–50%)
Swimming pools	15–50	(2%–6.7%)
Infrastructural Assets		
Roading		
Top surface (seal)	8–16	(6.3%–8.3%)
Top surface (unsealed)	1–5	(20%–100%)
Pavement (seal base course)	90	(1.1%)
Pavement (unsealed base course)	Not depreciated	
Sub-base (rural)	Not depreciated	
Sub-base (urban)	40	(2.5%)
Formation	Not depreciated	
Drainage	20–90	(1.1%–5%)
Bridges and culverts	70–120	(0.8%–1.4%)
Railings	30–50	(2%–3.3%)
Retaining walls	90	(1.1%)
Kerbing	25–100	(1%–4%)
Footpaths	10–90	(1.1%–10%)
Signs and road markings	5–12	(8.3%–20%)
Streetlights	25–60	(1.7%–4%)
Stormwater		
Pipes	50–140	(0.7%–2%)
Manholes	90–140	(0.7%–1.1%)

Asset category	Useful life	Depreciation rate
Wastewater Network		
Pipes and manholes	50–135	(0.7%–2%)
Treatment ponds	55–65	(1.5%–1.8%)
Pumps	20–40	(2.5%–5%)
Flow monitoring equipment	20	(5%)
Water Network		
Monitoring equipment (hardware)	5–30	(3.3%–20%)
Pipes, hydrants, valves	40–150	(0.7%–2.5%)
Treatment plants	10–100	(1%–10%)
Pumps	15–30	(3.3%–6.7%)
Tanks	40–200	(0.5%–2.5%)
Waste management	2–17	(5.9%–50%)
Items under construction	Non-depreciable	

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Ngā Wāriutanga Auautanga
Revaluations

Council accounts for revaluations of property, plant and equipment on a class of asset basis.

Annually	Every 3 years
Infrastructural Assets	Land
Roads (except land under roads)	Restricted Assets
Bridges	Buildings
Sewerage	
Stormwater	
Water	

Land, buildings (operational and restricted), and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. All other asset classes are carried at depreciated historical cost.

Council assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The results of revaluing are credited or debited to other comprehensive revenue and expense and held in an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Surplus or Deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Surplus or Deficit will be recognised first in the Surplus or Deficit up to the amount previously expensed, and then credited to other comprehensive revenue and expense and held in the revaluation reserve for that class of asset.

Infrastructural asset classes: roads, water reticulation, sewerage reticulation and stormwater systems

Infrastructure assets are revalued at fair value determined on a depreciated replacement cost basis and reviewed by an independent valuer. These assets are revalued annually as at 30 June.

Operational and restricted land and buildings

These are revalued at fair value as determined from market- based evidence by an independent valuer on a three yearly cycle.

Land under roads

Land under roads was valued based on fair value of adjacent land as determined by reference to the Council rating data. Subsequently, this has not been revalued.

Ngā Ara Kēhua, Ngā Ara Pepa rānei
Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed and that ownership of the land associated with the paper road resides with Council.

Council does not recognise land under unformed paper roads in the statement of financial position because there is no service potential from the majority of paper roads. The public good of having access routes is very difficult to value. In addition there is a very limited market for sale to the surrounding or adjacent property owner, and cannot be measured reliably because of the small individual area of many paper roads to those adjacent or surrounding properties, and the high cost of sale.

Ngā Huarawa Pā-Kore
Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Carbon credits

Carbon credits are initially recognised at cost, or fair value on free carbon credits. After initial recognition, all carbon credits are revalued annually at fair value.

The net revaluation result is credited or debited to other comprehensive revenue and expense and is accumulated through revaluation reserve. Where this results in a debit balance in the reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase in revaluation that reverses a previous decrease in value recognised in the Surplus or Deficit will be recognised first in the Surplus or Deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Carbon credits are not amortised.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in Surplus or Deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

	Useful life	Depreciation rate
Computer software	3-8 years	12.5-33%

Ngā Huarawa Ngāhere
Forestry assets

Forestry assets are revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the Surplus or Deficit.

The costs to maintain the forestry assets are included in the Surplus or Deficit.

Papanoho Whakangao
Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Council measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the Surplus or Deficit. Investment properties are not depreciated.

Ngā waemaerotanga o ngā huarawa tahua kore
Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

Ngā Kararehe
Livestock

A small number of deer are kept for recreational purposes, hence are not revalued but recognised at cost. These are held as inventory.

Utu tārewa me ngā reweniu
Payables and deferred revenue

Payables and deferred revenue are initially measured at face value.

Ngā huanga kaimahi
Employee benefits

Short-term benefits

Employee benefits that Council expects to be settled within 12 months of balance date are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Council anticipates it will be used by staff to cover those future absences. Council recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term entitlements

LONG SERVICE LEAVE AND RETIREMENT LEAVE

These are long-term employee benefits that are assessed on an accrued entitlement basis at current rates of pay.

SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Surplus or Deficit as incurred.

Defined benefit schemes

Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Ngā Hoatutanga
Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

The increase in the provision resulting from the passage of time is recognised as a finance cost.

Ngā kirimana ōhanga toka
Financial guarantee contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value even if payment under guarantee is not considered probable. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred and is disclosed as a contingent liability.

Taurewa
Borrowing

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Tūtanga
Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Accumulated funds
- Revaluation reserves
- Special funded reserves
- Trust funds

Asset revaluation reserve

This reserve relates to the revaluation of infrastructure assets, carbon credits, land, and buildings to fair value.

Special funded and council created reserves

Special funded reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Council's Treasury Policies and Long Term Plan allow internal borrowing against these reserves on the basis they will be reimbursed over time or at time of need.

Trust funds

Trust funds are those subject to specific conditions accepted as binding by Council. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Taake Hua me ngā Ratonga
Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Ngā utu tuari
Cost allocation

Council has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using specific cost drivers, like expenditure, floor area, employees and assets.

Tauākī moni kuhu
Statement of cash flows

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. They include cash received from all revenue sources (such as rates, taxes and government grants) and record the cash payments made for the supply of goods and services (including payments to other public benefit entities to finance their operations, but not loans). Agency transactions are not recognised as receipts and payments in the Statement of Cash Flows as they do not represent transactions that Council can control.

Investing activities are those activities relating to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities comprise activities that change the equity and debt capital structure of the Council.

Whakatau tata
Rounding

There will be rounding of numbers in the Long Term Plan as the financial reporting model used calculates to the dollar but the Annual Report is rounded to the nearest thousand.

Ngā whakatau tata kaute hira me ngā whakapae
Critical accounting estimates and assumptions

In preparing these financial statements Council has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets that are not visible – for example stormwater, wastewater, and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;

- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the Surplus or Deficit.

To minimise this risk, Council's infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers are used in performing or reviewing the Council's infrastructural asset revaluations.

Property, plant and equipment useful lives and residual values

At each balance date the Council reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Council to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by Council, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of revenue and expense, and carrying amount of the asset in the statement of financial position. Council minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

Council has made changes to past assumptions concerning useful lives and residual values. Council has increased the life range on bridges from 100 years to 140 years, and has also increased the life range on water monitoring equipment from five years to 20 years.

Ngā take kaute paerewa otiia, kāore anō kia whakatinana
Accounting standards issued but not yet effective

Standards and interpretations that have been issued but are not yet effective, up to the date of issuance of the prospective financial statements, and that are relevant to the Council are:

PBE IFRS 17 Insurance Contracts

In June 2023, the XRB issued PBE IFRS 17 Insurance Contracts for public sectors. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. Council has not assessed in detail the effect of the new standard.

Council does not anticipate this amendment to have a material effect on Council's financial statements.

Ngā whakataunga hira i te whakatinanatanga o tā te Kaunihera kaupapa here kaute

Critical judgements in applying Council's accounting policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the periods ending 30 June 2024-2034.

Classification of property

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's housing policy. These properties are accounted for as property, plant and equipment.

He kupu tīpoka whakatonu

Cautionary note

The forecast financial statements are prepared based on best estimates available at the time of preparing the accounts. Actual results are likely to vary from information presented and the variations may be material.

The purpose of this plan is to consult with the community on the spending priorities outlined within the plan, and may not be appropriate for any other purpose.

Kupu Tīpoka 2: Tauākī o ngā pūtea tāpui, pūtea notuhake hoki

Note 2: Statement of reserves and special funds

Ngā Tāpui

Reserves

The Council has an obligation to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community; and to act in the best interest of its ratepayers.

The management of reserves forms an integral component of meeting these obligations.

Reserves are held to ensure that funds received for a particular purpose are used for that purpose and any surplus created is managed in accordance with the reason for which the reserve was established. Surpluses held in reserves are credited with interest.

Council has 24 reserves of which 23 are Council created discretionary reserves which the council has established for the fair and transparent use of monies. Reserves are not separately held in cash and the funds are managed as part of the council's treasury management.

These discretionary reserves are disaggregated into the following categories:

- Depreciation reserves.
- Special reserves (which is broken down into other special reserves).
- Trust Funds.

Ngā Tāpui Hekenga Wāriu

Depreciation Reserves

The Council's assets are depreciated as they are consumed. As such, the cost of this depreciation is passed on to the consumer through either rates or fees and charges. There will normally be a timing difference between the collection of this depreciation charge and the utilisation of it to fund renewal capital works. This will create movements in these reserves.

Description	Purpose of Fund	Opening Balance ($000) 2024	Transfers In ($000)	Transfers Out ($000)	Closing Balance ($000) 2034
Council	To receive depreciation funded each financial year, less any outgoings to pay for capital renewal of assets or debt repayment for amount borrowed to fund capital development. This reserve can be used to fund internal borrowing.	30,444	178,638	(178,431)	30,651
Makuri Water Scheme	To establish a depreciation reserve to fund the renewal of assets for this scheme.	13	-	-	13
Pongaroa Water Supply	To establish a depreciation reserve to fund the renewal of assets for this scheme.	254	-	-	254
Tararua Aquatic Community Trust (Wai Splash)	To establish a depreciation reserve to fund the renewal of major assets.	394	491	-	884
Bush Multisport	To establish a depreciation reserve to fund the renewal of major assets.	88	200	-	288
Total		**31,193**	**179,329**	**(178,431)**	**32,091**

Ngā Pūtea Tāpui Motuhake

Special Funded Reserves

The value of these reserves funds is that they allow projects to precede without distortion in the revenue patterns particularly rates. The reserves also provide a useful source of funds for an unforeseen requirement.

Council authorises the establishment of special funds and process for accumulating and utilising special funds. Approvals of specific uses are set out in the Long Term Plan, or in Council decisions.

Description	Purpose of Fund	Opening Balance ($000) 2024	Transfers In ($000)	Transfers Out ($000)	Closing Balance ($000) 2034
Tararua General Purpose	Created for financing specific projects which shall be determined at Council's discretion. This reserve is also to receive: Proceeds from sale or disposal of assets where a particular function is discontinued, and for property sales. Insurance monies received when buildings or property are damaged and not reinstated. Proceeds from forestry not otherwise required for the funding of continued operations and maintenance of the forest. Residual of all existing reserves which have outlived their original purpose and could therefore be usefully merged as a general purpose fund and so classified.	2,107	-	-	2,107
Tararua Emergency Roading	To provide funds to re-establish the district's infrastructural assets following a disaster, together with funds received from Central Government. There is no plan to use this reserve other than if a disaster occurs.	4,768	-	-	4,768
Tararua Gratuity	This reserve is for staff who have qualified or qualify for gratuities.	70	-	-	70
Infrastructure Protection Reserve	This reserve is created to accumulate funds to pay for Council's share of the mutual insurance liability under LAPP in the event of a major event experienced by LAPP member councils.	52	-	-	52
Tararua Housing	To account for any surplus from the housing activity and proceeds from sales/disposal of housing assets. These reserves will be used solely for the Housing activity. This reserve can be used to fund internal borrowings.	(244)	517	(766)	(493)

Description	Purpose of Fund	Opening Balance ($000) 2024	Transfers In ($000)	Transfers Out ($000)	Closing Balance ($000) 2034
Dannevirke Airport Authority	To account for any surplus from the Dannevirke Aerodrome and proceeds from sales/disposal of Dannevirke Aerodrome assets. This reserve will be solely for operation and capital expenditure for Dannevirke Aerodrome.	4	-	-	4
Recreation Grant	To accumulate funds to support recreational projects in the district.	139	-	-	139
Tenant Contribution (Debt Repayment)	To account for and refund tenant contributions for leasing of Council's housing properties.	355	-	-	355
Heritage Reserve	To accumulate funds to be used to further the district land use outcomes. The reserve is to be applied to the management and protection of those items listed in the District Plan Part 9 Appendix 2: Schedule of Heritage Resources.	24	-	-	24
Biodiversity Protection	To support: sustainable management of the district's natural and physical environment; protection and enhancement of the community's environment values. The reserve is to be applied to the management and protection of those items listed in the District Plan Part 9 Appendix 3: Schedule of Natural Features (significant trees, vegetation and habitats landscapes).	43	-	-	43
Election	To account for elections funds, rate funded each year to spread out election cost in the year of election.	11	153	(100)	63
Waste Management Fund	To account for the waste management levies received. This reserve will be solely used to fund specific projects for this activity.	519	-	-	519
Forestry	Proceeds from forestry not otherwise required for the funding of continued operations and maintenance of the forest. This reserve can be used to fund internal borrowings.	793	-	(328)	465
Domain Boards Bank Balances	To account for the bank balances of the Domain Boards in trust.	634	-	-	634
Total		**9,273**	**670**	**(1,194)**	**8,749**

Ngā Pūtea Tarahiti

Trust Funds

These special reserves are set up to receive bequests received from communities in the district for specific purpose. These funds are held in trust for these specific purposes.

Description	Purpose of Fund	Opening Balance ($000) 2024	Transfers In ($000)	Transfers Out ($000)	Closing Balance ($000) 2034
Arts Council of New Zealand	To account for the annual grant that we receive from Creative New Zealand for allocation to support arts and cultural projects.	18	-	-	18
Mayoral Storm Relief Fund	To account for government assistance that Council receives to provide support (mainly for the welfare of farmers and businesses) following any major storm disruption in the Manawatū-Wanganui region.	10	-	-	10
Ormondville Playground	Funds held on behalf of the Ormondville community to purchase playground equipment in the town.	1	-	-	1
Pahiatua Heritage Trust	Funds left over from the old Pahiatua Arts Council that has since been wound up. Will be used towards Heritage assets in the district.	25	-	-	25
Dannevirke Fairbrother Trust	Funds bequest by the Trust for projects that benefit the Dannevirke community.	9	-	-	9
Dannevirke Urban Campsite	Funds held on behalf of the Dannevirke community to purchase equipment for the campsite.	1	-	-	1
Total		**64**	**-**	**-**	**64**

Kupu Tīpoka 3: Ngā Hekenga Wāriu whakapaunga

Note 3: Depreciation expense by group of activity

	Plan 2024 ($000s)	Year 1 2025 ($000s)	Year 2 2026 ($000s)	Year 3 2027 ($000s)
Community & Economic Development	88	92	92	93
Community Facilities & Services	1,536	1,738	1,891	2,030
District	1,244	1,239	1,364	1,524
Environmental Management	149	139	156	183
Governance & Community Engagement	-	-	-	-
Regulatory Compliance	-	5	5	5
Stormwater Drainage	341	480	500	515
Transportation	10,064	11,491	11,829	12,070
Wastewater	1,299	2,099	2,216	2,405
Water Supplies	1,770	2,251	2,429	2,594
Total Council Depreciation	**16,491**	**19,534**	**20,480**	**21,418**

	Year 4 2028 ($000s)	Year 5 2029 ($000s)	Year 6 2030 ($000s)	Year 7 2031 ($000s)	Year 8 2032 ($000s)	Year 9 2033 ($000s)	Year 10 2034 ($000s)
	93	93	91	92	92	92	92
	2,040	2,040	2,154	2,155	2,155	2,265	2,265
	1,571	1,596	1,633	1,586	1,600	1,640	1,640
	247	313	332	332	332	286	221
	-	-	-	-	-	-	-
	5	5					
	531	545	559	572	585	598	610
	12,351	12,640	12,922	13,198	13,467	13,741	14,021
	2,559	2,700	2,986	3,071	3,148	3,221	3,292
	2,708	2,817	2,930	3,021	3,106	3,194	3,268
	22,105	**22,748**	**23,608**	**24,026**	**24,486**	**25,037**	**25,408**

Kupu Tīpoka 4: Whakapaunga Pūrawa Kē Atu

Note 4: Other Capital Expenditure

Whakapaunga Pūrawa Katoa – Tautoko Mahi

Total Capital Expenditure – Support Activity

	Year 1 2024/2025 $000's	Year 2 2025/2026 $000's	Year 3 2026/2027 $000's
Growth			
Total Capital Expenditure for Growth	**-**	**-**	**-**
Level of Service			
Capitalisation Project Managment Office	755	770	787
Computer Network Developments	22	23	24
Digitisation of Council records and Introduction of E-Services	205	314	-
District Admin Buildings Solar Power	-	23	-
District eServices and Web Platform	33	-	11
District Intergration of Council Services Admin Buildings	103	-	-
Electric Vehicles - Electricity Ducting	23	23	25
Fibre Ducting	11	12	12
Hardware Development	98	89	102
Software Development/New	383	234	100
Working Alone Solutions	-	-	24
Total Capital Expenditure for Level of Service	**1,632**	**1,487**	**1,082**
Renewal			
Authority (ERP) Replacement/Upgrade	-	445	-
Community Support Town CCTV Renewals	78	69	73
Council CCTV Renewals	16	17	18
District BI Project	26	26	27
District IoT devices - Renewals	11	-	12
District Plant - UAV Renewal	33	23	24
District Software Renewals	15	47	16
Hardware Renewal	531	727	523
Vehicle Renewals	257	262	268
Total Capital Expenditure for Renewal	**968**	**1,616**	**960**
Total Capital Expenditure for Support Activity	**2,600**	**3,104**	**2,042**

Year 4 2027/2028 $000's	Year 5 2028/2029 $000's	Year 6 2029/2030 $000's	Year 7 2030/2031 $000's	Year 8 2031/2032 $000's	Year 9 2032/2033 $000's	Year 10 2033/2034 $000's
-	**-**	**-**	**-**	**-**	**-**	**-**
804	821	838	854	870	887	904
25	26	27	28	30	30	32
-	-	-	-	-	-	-
13	-	-	-	-	-	-
-	11	-	12	-	12	-
-	-	-	-	-	-	-
25	27	28	29	30	31	32
13	13	14	15	15	16	16
93	106	97	110	101	115	105
200	137	106	213	146	112	225
-	-	-	-	-	-	-
1,174	**1,142**	**1,110**	**1,261**	**1,191**	**1,203**	**1,313**
-	-	-	-	-	-	-
90	94	98	95	97	101	106
19	19	21	21	21	22	22
27	28	28	29	30	30	31
-	13	-	14	-	-	-
25	39	27	28	31	46	32
16	50	17	52	18	18	18
770	698	460	837	423	1,002	1,374
274	279	285	291	296	302	307
1,221	**1,220**	**936**	**1,367**	**916**	**1,521**	**1,891**
2,395	**2,362**	**2,046**	**2,628**	**2,107**	**2,724**	**3,204**

Whakarāpototanga o ngā Hinonga Pūrawa

Summary of Capital Projects

	Plan 2024 ($000s)	Year 1 2025 ($000s)	Year 2 2026 ($000s)	Year 3 2027 ($000s)	Year 4 2028 ($000s)
Growth	2,124	1,457	2,509	1,313	2,494
Level of Service	11,597	4,863*	11,602	8,461	9,158
Renewal	13,242	44,134	38,268	33,945	29,264
Grand Total	**26,963**	**50,454***	**52,379**	**43,719**	**40,916**

**Note that in year one the total capital expenditure for level of service and total capital expenditure excludes the Bush Aquatic Community Trust portion of the Pahiatua Pool project as disclosed in the Community Facilities & Services activity section pages 131 -132.*

Year 5 2029 ($000s)	Year 6 2030 ($000s)	Year 7 2031 ($000s)	Year 8 2032 ($000s)	Year 9 2033 ($000s)	Year 10 2034 ($000s)	TOTAL ($000s)
1,134	2,205	1,205	1,917	253	258	14,744
9,032	2,256	2,433	2,210	2,310	2,376	54,701
22,011	23,246	29,386	21,952	24,845	23,269	290,319
32,176	**27,706**	**33,025**	**26,079**	**27,407**	**25,902**	**359,764**

Rautaki Ahumoni

Financial Strategy 2024/34

Rautaki Ahumoni
FINANCIAL STRATEGY

65 Introduction *He Whakatakinga*

67 What our future looks like *Te āhua o tā mātou anamata*

69 This is how we will get there *Te ara e tae ai mātou ki reira*

79 Where are we now? *Kei hea tātou ināianei*

82 Our challenges and opportunities *Ā mātou wero, angitūtanga hoki*

90 Appendix 1: Policies governing borrowing and investments
Āpitihanga 1: Ngā Kaupapa Here e whakahaere mino ana me ngā whakangao

He Whakatakinga
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.

He aha rā e aratakina ana mātou

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

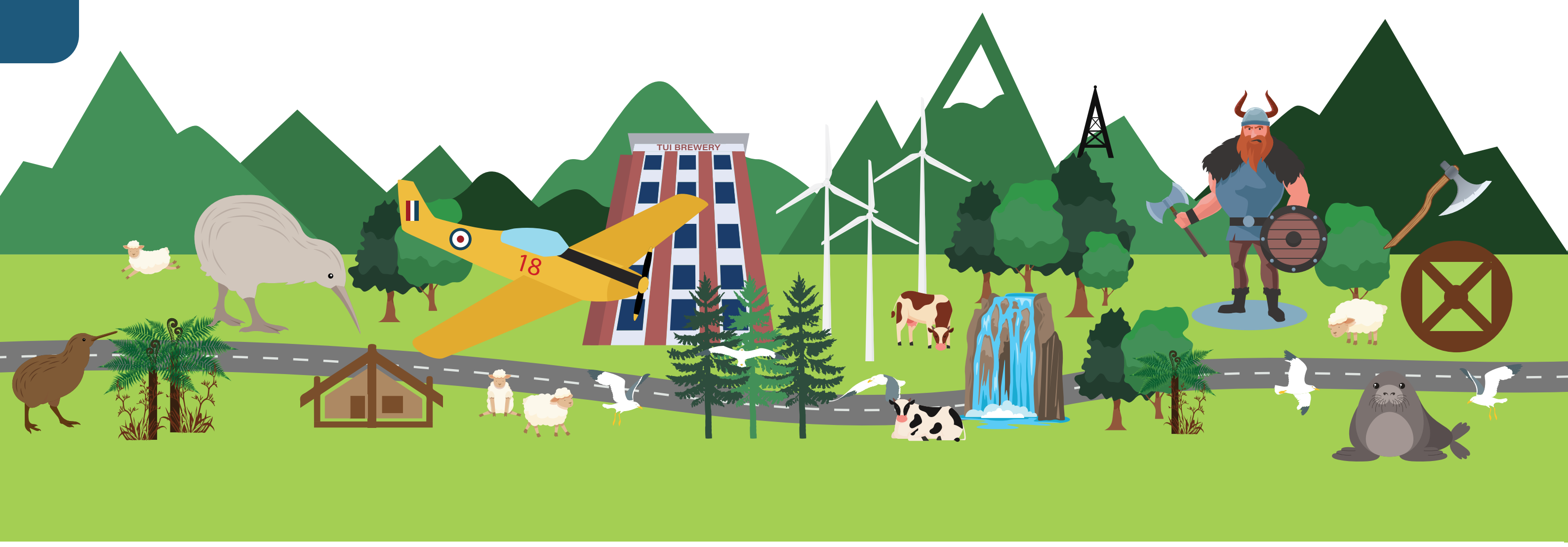
Revenue Sources – To maximise the amount of external funding received to reduce the financial burden on ratepayers

Tā Mātou Kitenga

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.



Te āhua o tā mātou anamata
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.

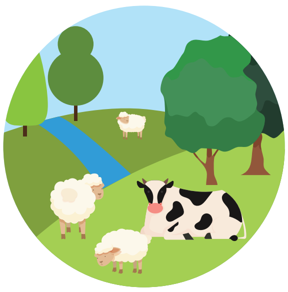
By achieving Council's vision and financial objectives for this plan, 2034 will look like this:

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.

Te ara e tae ai mātou ki reira
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.

Ngā Rautaki
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.

Te Herenga Pikinga Reti

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.

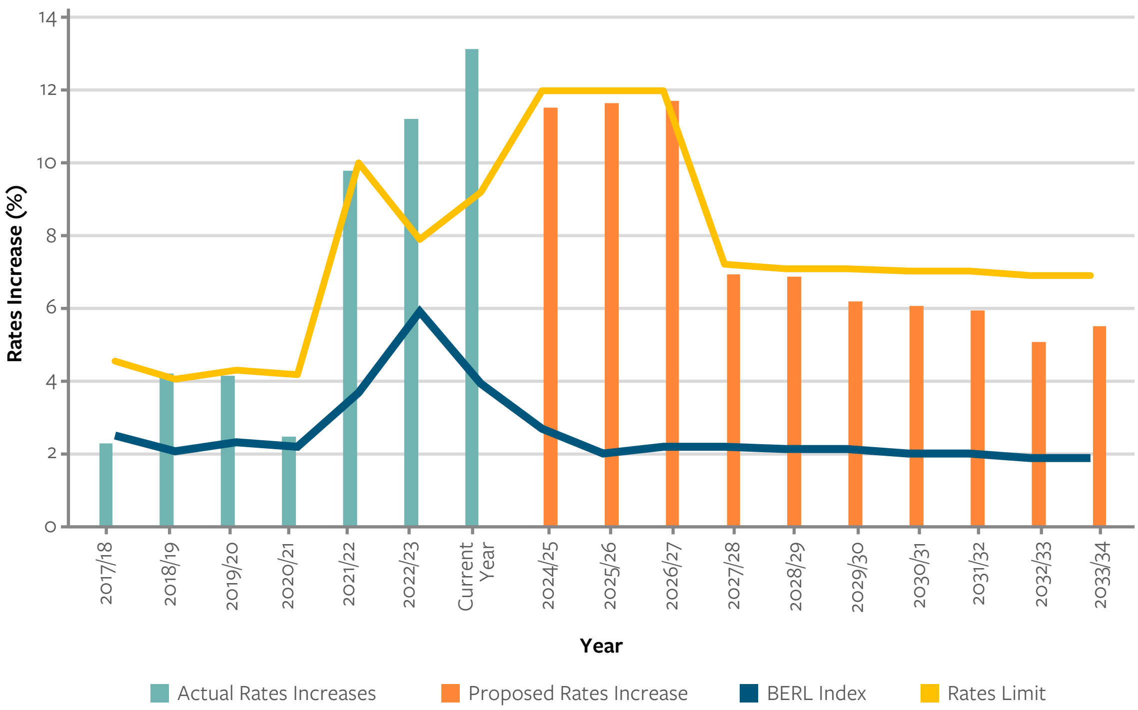
	Year 1	Year 2	Year 3
Previous Long Term Plan – years 1 to 3 actual performance			
Limit	< 10%	BERL + 3% +2%	BERL + 3% +2%
Quantified Limit	< 10%	7.90%	7.50%
Actual Increases	9.82%	11.22%	13.17%

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 3 (2024-2027): rates increase less than 12%
- Years 4 to 10 (2029-2034): 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	< 12%	< 12%	< 12%	BERL* + 3% +2%	BERL* + 3% +2%	BERL* + 3% +2%	BERL* + 3% +2%	BERL* + 3% +2%	BERL* + 3% +2%	BERL* + 3% +2%
Quantified Limit	< 12%	< 12%	< 12%	7.20%	7.10%	7.10%	7.00%	7.00%	6.90%	6.90%
Actual Increases	11.67%	11.48%	11.57%	6.86%	6.79%	6.13%	6.02%	5.88%	5.02%	5.44%
BERL Index				2.20%	2.10%	2.10%	2.00%	2.00%	1.90%	1.90%

Te titikahatanga utu nama

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:

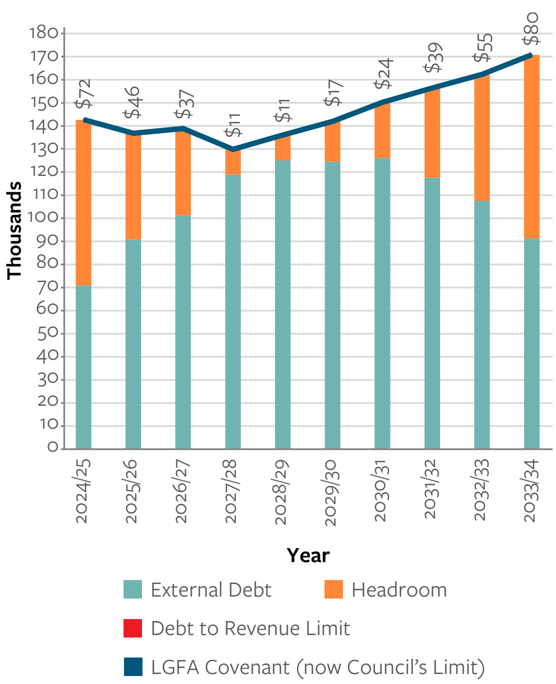
- price increases higher than anticipated for capital projects
- regulatory compliance and change in standards Council is required to adhere to
- three waters assets remaining in Council ownership and operation
- Growth and climate change compounding the level investments required in our infrastructure

In this Long Term Plan we see Councils debt levels peaking at $130 million in 2030-2031 year.

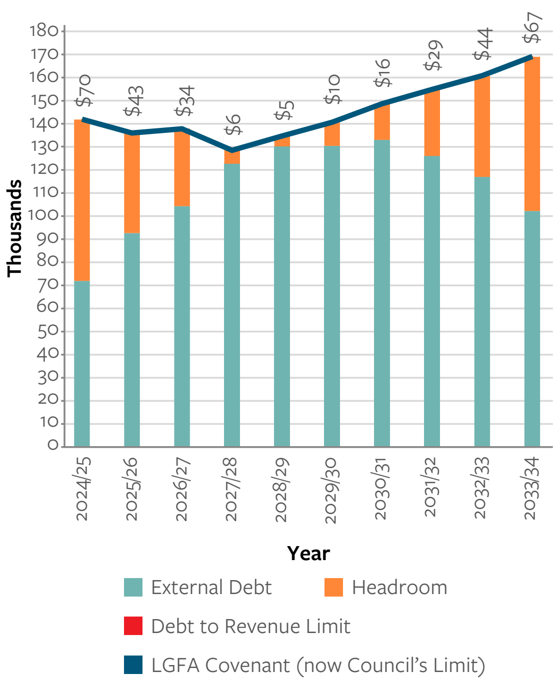
Having this strategy in place allows Council to pay debt back above the current portion of its borrowings, effectively accelerating its debt repayments.

The graphs below show the financial headroom that is created for future borrowing from this strategy. Without this strategy, Council will have very little headroom in years 4-6 (2027-2030) to allow it to fund the capital works program or borrow to respond to an unforeseen event.

With debt repayment



Without debt repayment



Ngā Herenga Mino
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 $68.5 million to a peak of $130 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.

These limits are requirements Council has with LGFA (its funding provider). These limits mirror those that our within our financial prudence benchmark section of this plan.

The table below highlights the available borrowing ability against the changed debt limit.

Although Council complies with all of the debt limits 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 available during years 4 – 5 (2027- 2029) 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 2027-2029.

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%.

There is a risk that Council may not achieve a credit rating or may achieve an unfavorable credit rating. This risk will be fully assessed and clarified prior to proceeding.

The next graph shows Council's debt against each of the available debt limits the LGFA provides for within its debt covenants.

Council Borrowing Limits	2021-2031 LTP	2024-2034 LTP
Net debt as a percentage of total revenue will not exceed 175%*	< 150%	< 175%
Net Interest on External Borrowings as a Percentage of Total Revenue^	< 7%	< 10%
Net Interest on External Borrowings as a Percentage of Annual Rates Income^	<10%	<15%
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	> 110%	> 110%

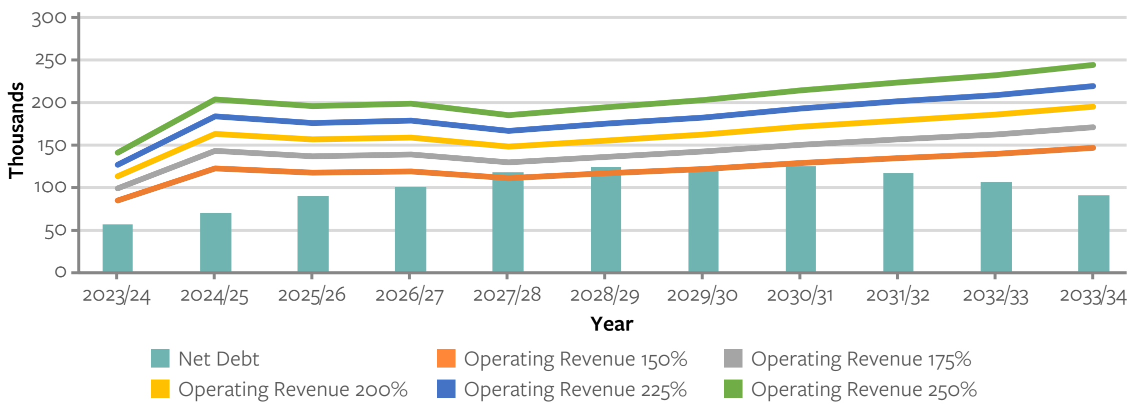
**Net debt is defined as total debt less liquid financial assets and investments.*
^ Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period

Performance against these borrowing limits in each of the years in this Long Term Plan can be seen in the Financial Prudence Benchmark section on pages 8 & 9.

		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 borrowing availability based off the proposed borrowing limits 2024/2034 Long Term Plan											
Net Debt as a Percentage of Revenue	<175%	71,769	46,133	37,522	11,014	10,822	17,479	24,184	38,912	54,984	79,580
Net Interest on External Borrowings as a Percentage of Total Revenue	<10%	99,704	93,357	72,051	36,075	25,577	25,475	29,826	35,774	49,105	67,271
Net Interest on External Borrowings as a Percentage of Annual Rates Income	<15%	52,868	65,451	59,342	45,018	37,404	40,093	45,107	53,852	69,798	88,829
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	>110%	27,557	28,543	28,888	29,807	29,926	29,513	29,222	28,208	27,031	25,405

Note that figures are expressed in dollars rather than percentages to provide greater understanding of Council's borrowing availability.

Council Net Debt vs LGFA Debt Limits Available



Ngā Puna Reweniu
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 62% in year 1 of the 2021-2031 Long Term Plan. 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 9% 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.

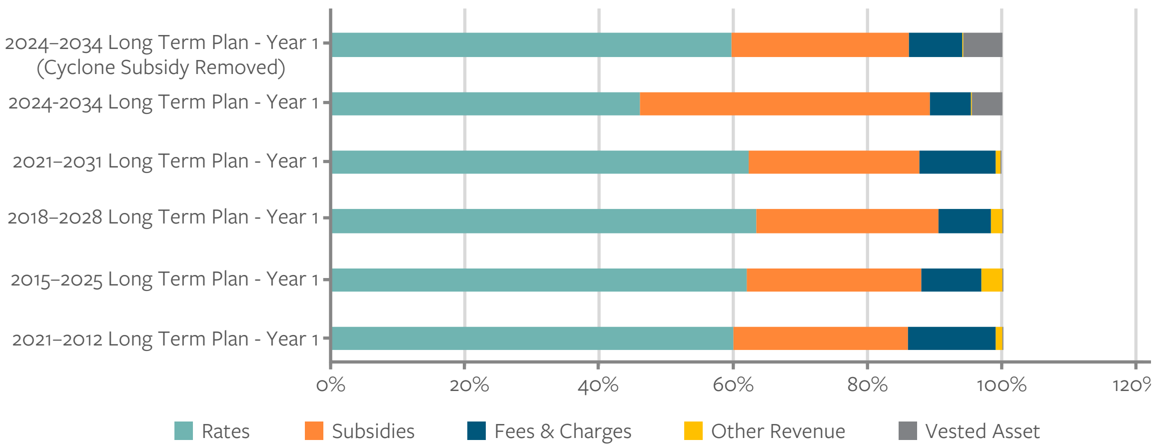
No new funding sources have been indicated in the Government's "Water Done Well" program. This means debt, user chargers and rates will still be the main sources of funding for whoever deliver the services in the future.

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 had indicated in its previous Long-Term Plans that it will be divesting its forestry assets. Council has gone to the market again 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



E maheretia ana e mātou kia noho taurite te taha Tahua

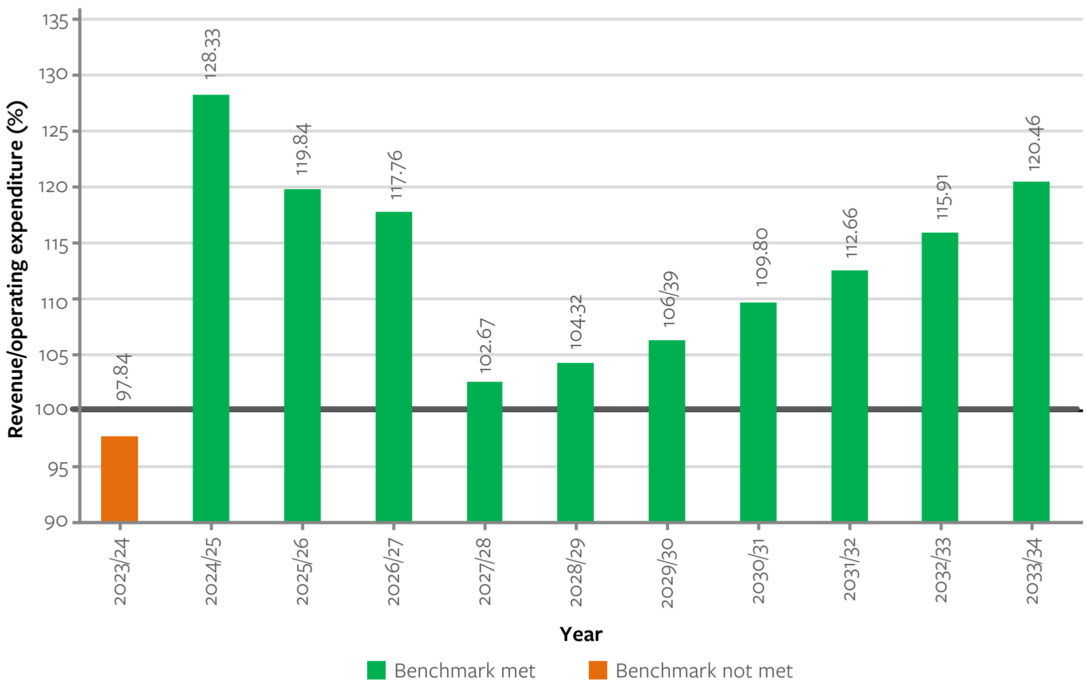
We plan to balance the Budget

Section 100 of the Local Government Act (2002) states that 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.

The graphic below illustrates our operational revenue over the 10 years of our plan.

As can be seen we are forecasting to achieve a surplus in years 1 – 3 which is a result of external funding we are budgeting to receive for our Cyclone Gabrielle Recovery works on Route 52 ($19m), as well as one off funding to be received by way of a vested asset ($3.7m) into Council and gain on sale from the sale of some of Council's forest assets ($1.7m). This funding is utilised to fund capital renewal work which is not factored into this calculation. In years 4 – 5 we are achieving a balanced budget, then for years 6 – 10 of this plan we are budgeting for additional depreciation funding as explained further below which is resulting in Council budgeting a surplus in these years of the plan as well.

Balanced Budget



Haupū Moni Hekenga
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.

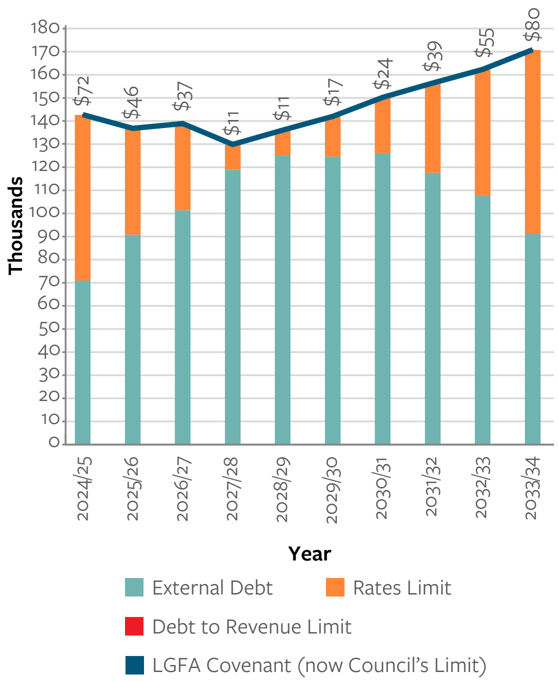
A notable rise In Council's asset value's following revaluations has significantly increased depreciation expenses, especially for infrastructure assets.

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

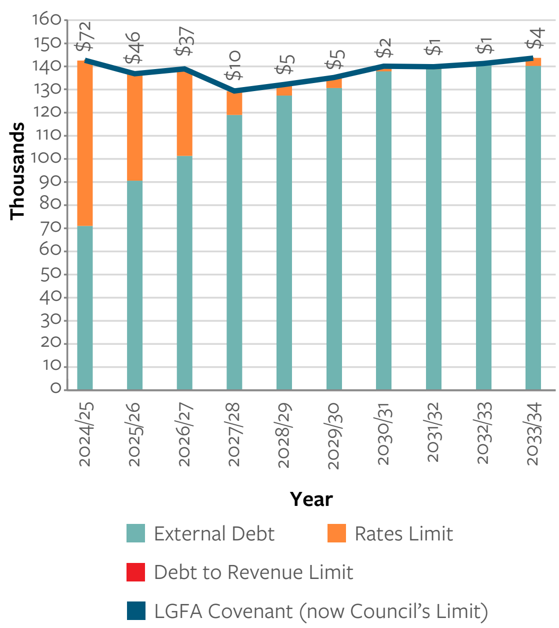
- Optimization: The replacement of certain assets may not be like-for-like. For instance, a bridge might be replaced by a culvert, or a multi-story building by a single-story one.
- Compounded interest: Funds set aside for depreciation can be internally borrowed and accrue interest. It's important to 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 four years of the plan.

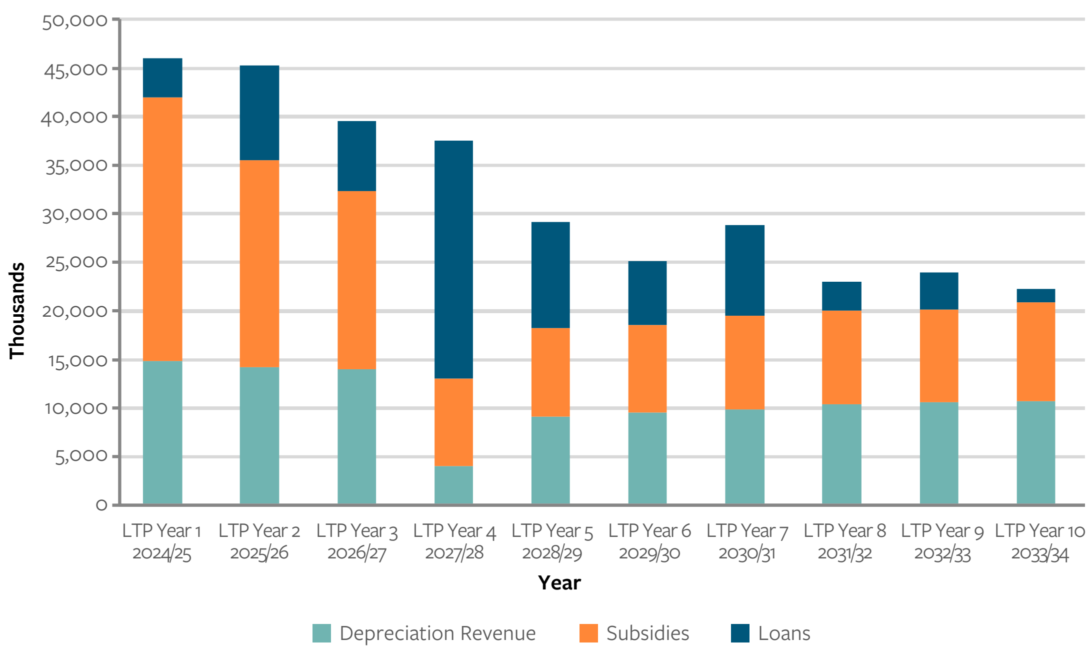
Council plans to fund additional depreciation in years 4-10 (2027-2034) to build depreciation reserves to meet the costs of the capital renewal program.

Without this strategy in place and can be seen in the graph above Council in years 4-10 (2027-2034) has very little debt borrowing ability getting as low as $542,000 in year 9 (2032-3033).

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



Kei hea tātou ināianei
WHERE ARE WE NOW?

Tā mātou whakapaetanga tūnga ōhanga
Our current and forecast financial position

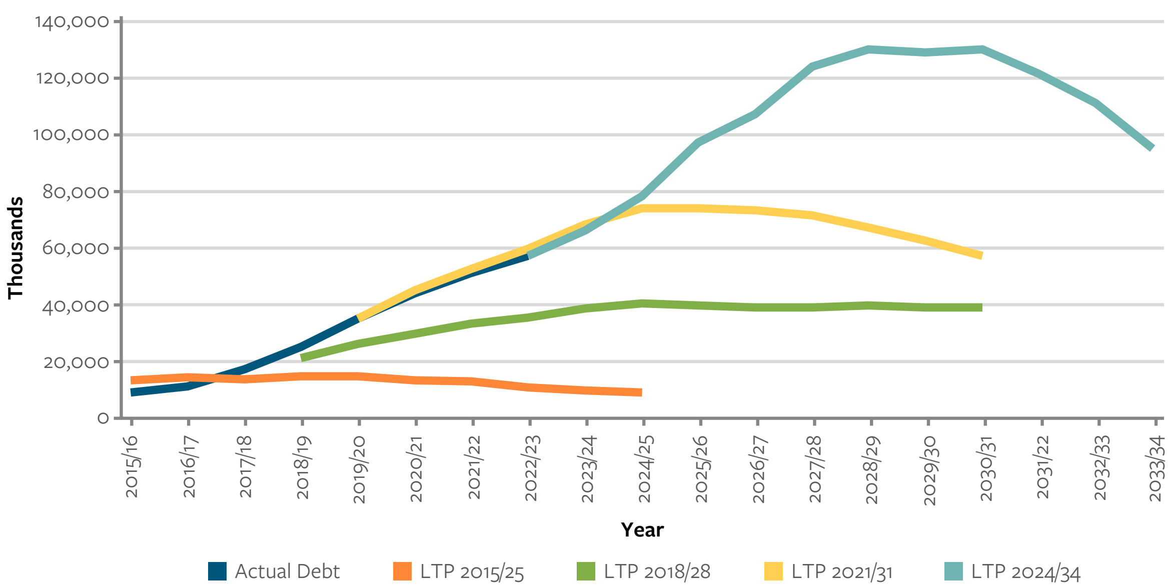
Council is starting in a stable financial position with forecasted assets at 30 June 2024 of $1.178 billion in fixed assets (including forestry), $8.5 million in cash and $4 million in term deposits, total external borrowings of $68.5 million and equity of $1.127 billion.

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.

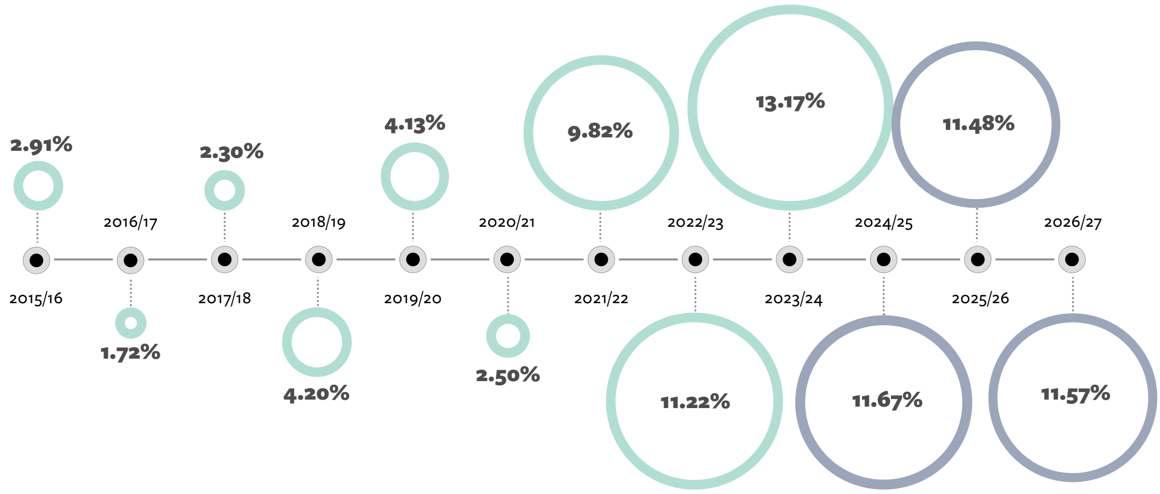
As a result, in the previous financial strategy a debt repayment program and an increase in Council's debt borrowing limits were introduced as key directions. In 2024 we see this as now more important than ever, and a requirement to increase debt borrowing limits further, as well as implementing additional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

Total External Debt



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.

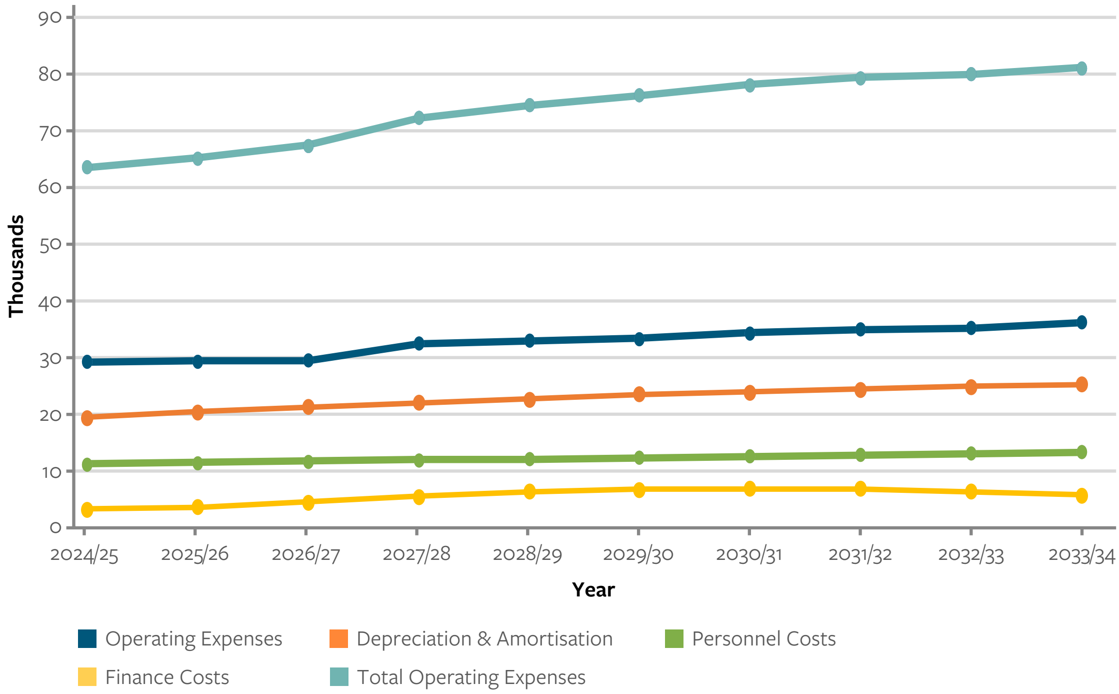
Operating Expenditure

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 $81 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



Ā mātou wero, angitūtanga hoki
OUR CHALLENGES AND OPPORTUNITIES

He Whakatakinga
Introduction

The purpose of this section in the strategy is to outline other significant factors/challenges/ opportunities that could affect Council's ability to meet additional demands for services. The Assumptions section of this Long Term Plan discusses the likelihood, financial impact and risk mitigation factors Council has considered.

Whakatipuranga - Taupori
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.

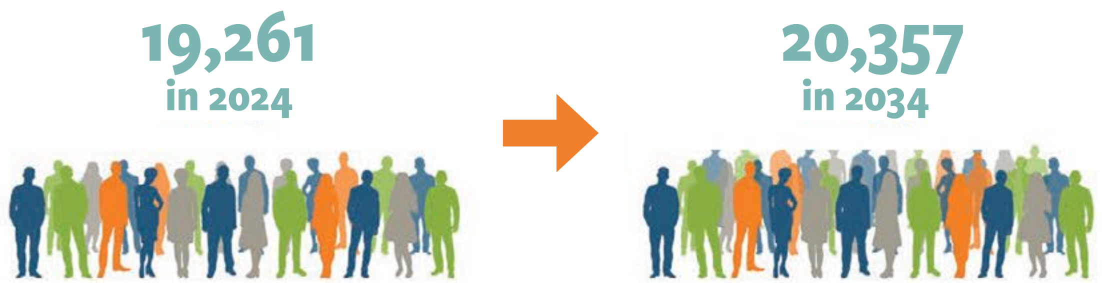
The total number of households is predicted to increase by 7.5% to 8,520 (increase of 594 households). These additional households are anticipated to be split 70% urban & 30% rural.

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.

Whakatipuranga - Ōhanga
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.

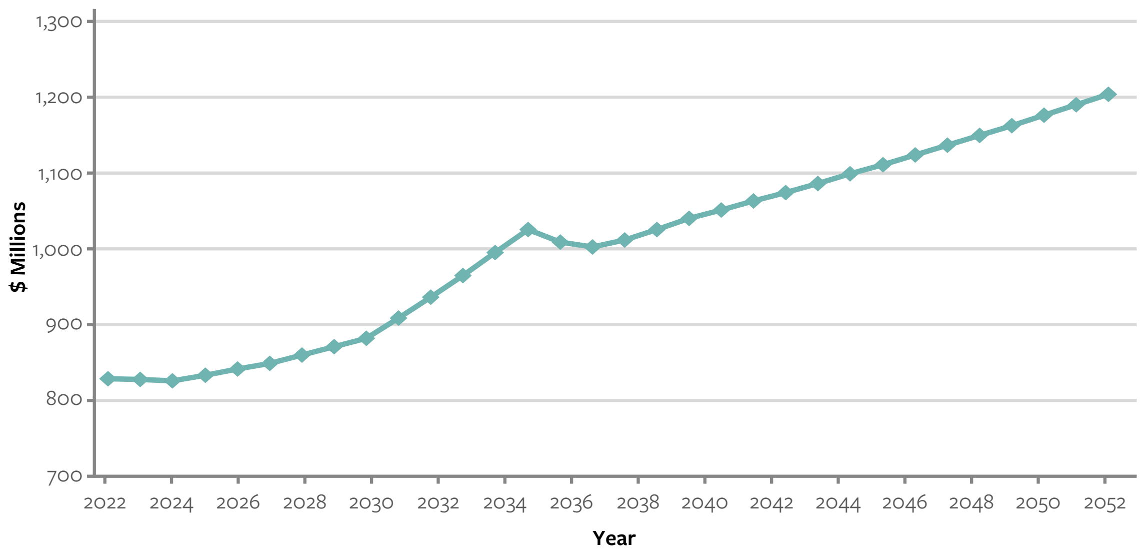
It boasts strong connectivity to both the south and north, positioning Wellington and Hawkes Bay within a manageable driving distance. Additionally, Palmerston North, a significant provincial city, is close enough for daily commuting, allowing Tararua residents to enjoy the district's lifestyle without 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

Tararua GDP Forecast



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

Mahinga Whenua
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.

Manawanuitanga
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.

Whakangao Moni Tōpū
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.

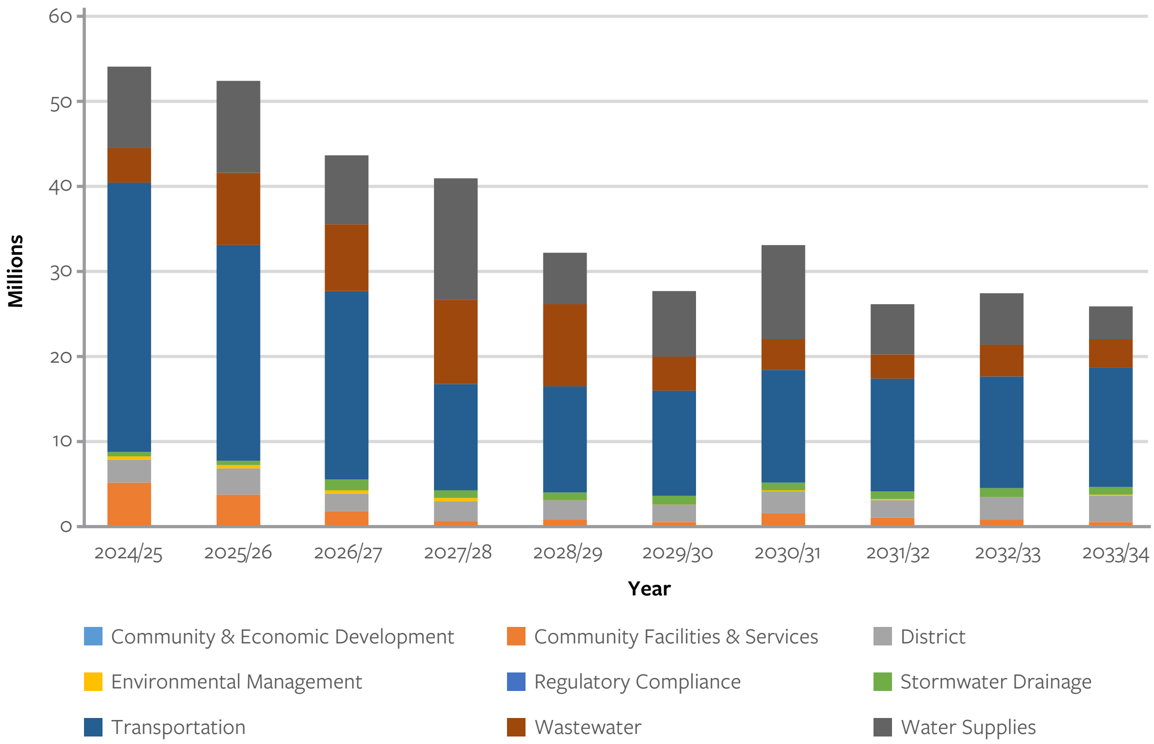
During the life of this plan Council plans to spend $360 million investing into our infrastructure, community and recreational facilities. Of this $270 million is expected to be spent on network infrastructure that is required to maintain existing levels of service.

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

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.

2024-2034 Capital Programme



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 – $45.2m
- Dannevirke water main line renewal – $15.7m
- Dannevirke wastewater treatment plant upgrade – $5.6m
- Pahiatua swimming pool – $2.5m (Council's contribution)
- Dannevirke impounded supply – $7.1m
- Woodville reservoir earthquake assessment and renewal – $3.5m
- Pahiatua wastewater treatment plant upgrade – $3.1m
- Woodville wastewater treatment plant upgrade – $2.1m
- Wastewater sludge disposal facilities – $2.2m
- Eketāhuna wastewater treatment plan upgrade – $2.1m
- Pahiatua town hall/library earthquake strengthening – $0.8m
- Wastewater reticulation network renewals – $22.8m
- Water reticulation network renewals – $30.2m
- Stormwater reticulation network renewals – $8.5m
- Roading pavement rehab, reseals & heavy metaling – $81.9m
- Roading emergency reinstatement – $12.3m
- Roading drainage – $13.1m
- Dannevirke Wastewater Land Irrigation Purchase - $3.7m
- Universal Metering Strategy and Implementation - $5m

Pikinga taumata ratonga
Increased service levels

Council is planning to increase service levels in years 2 and 4 of this Long Term Plan.

In year 2 of this plan with the completion of the Pahiatua Swimming Pool anticipated this will result in an increase in existing service levels with the new pool expected to be available for use all year round as opposed to just the summer months currently provided for.

In year 4 of this plan Council is looking to increase the service levels in our Waste Management activity as Council responds to changes in Government legislation and community expectations.

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

He whakamimititanga taumata ratonga
Decreased service levels

Council is having to pay more for less and as a result some activities through the consultation process with be decreasing from the existing levels of service (Economic and Community Development).

In year one of this LTP Council will be conducting section 17a reviews (a review of how Council provides the service) of its Camping Grounds, Swimming Pools, and Waste Management activities. The results of these reviews could mean a change in existing service levels which Council will consult with the community on.

In year one of this LTP Council will also be completing a land rationalisation project and looking at integration of services, both of these items could also mean a change in existing service levels which Council will also be consulting with the community on.

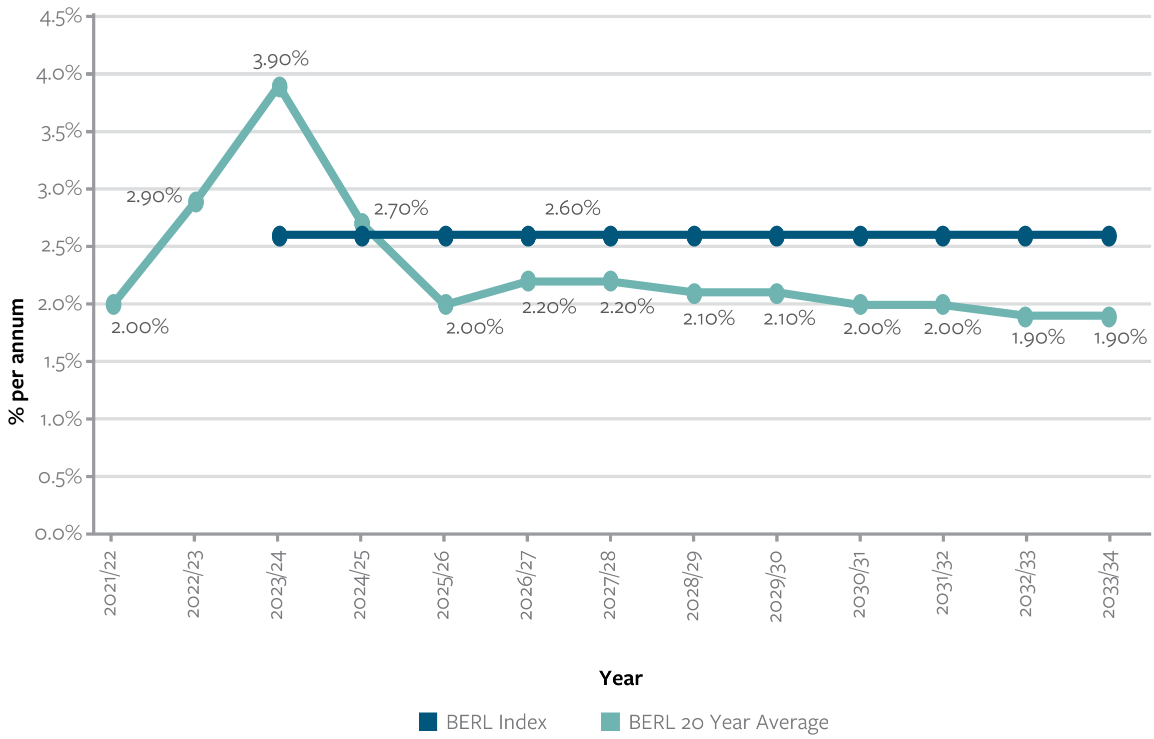
Outside of the changes in levels of services specified above all other existing levels of service Council provides will continue. Council has the ability to provide and maintain these existing levels of service and meet additional demands for services within it's financial limits within this plan.

Pikiutu tukipū

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.

Āpitihanga 1
APPENDIX 1

Ngā Kaupapa Here e whakahaere mino ana me ngā whakangao
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. 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.

Whakapaetanga Tūraru Hiranga Pae Tawhiti

Long Term Plan significant forecasting assumptions and risks

Whakapaetanga Tūraru Hiranga Pae Tawhiti
LONG TERM PLAN SIGNIFICANT FORECASTING ASSUMPTIONS AND RISKS

95 Introduction *He Whakatakinga*

97 Population Growth *Whanaketanga Taupori*

99 Aging Population *Taupori Pakeke Haeretanga*

100 Natural Disasters *Ngā Aituā māori*

102 Climate Change *Āhuarangi Hurihuri*

104 Legislating and One Plan Changes *Te Whakature me ngā Panonitanga Mahere Tahi*

106 Infrastructure Capability *Ngā Āheinga Tūāhanga*

108 Waka Kotahi Funding *Haupū Moni nā Waka Kotahi*

110 Inflation *Pikiutu Tukipū*

111 Asset Lives *Ngā Rironga Tangata*

112 Revaluation of Property, Plant and Equipment *Ngā Wāriutanga Auautanga o ngā Huarawa Ōkiko*

113 Contracts *Ngā Kirimana*

114 Sources of Funds for the Replacement of Significant Assets *Ngā Puna Haupū Moni hei Whakakapi Huarawa Hiranga*

115 3 Waters Reform and Subsidies for Water and Wastewater Upgrades *Te Whakahoutanga a Taumata Arowai mō Ngā Whakapaitanga Wai me te Waipara*

117 Wind and Solar Farm Developments *Ngā Whakawhanake Pāmu Hau, Kōmaru*

118 Forest Harvesting *Whakatipu Rākau*

119 Resource Consent Renewals *Ngā Whakahoutanga Whakaaetanga Rawa Taiao*

121 Interest Rates *Ngā Tāke Itareti*

122 Access to External Funding *Tomonga ki ngā Haupū Moni Ā-Waho*

123 Capital Projects Do-ability *Āheinga Hinonga Haupū Rawa*

125 Appendix 1 *Āpitihanga 1*

He Whakatakinga
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 July 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.

He Whakatakoto o ngā Whakapaetanga Pūmāramarama me ngā Tūraru

Format of Significant Forecasting Assumptions and Risks

Forecasting Assumption

These are the foundational statements on which the Council's long-term plan budgets are based.

Description

This section provides detailed information about each assumption, including any supporting data or information used by the Council in its preparation.

Risk

This section explores the potential risks if the assumptions made by the Council prove to be inaccurate.

Likelihood of Risk Occurrence

This is the Council's assessment of the likelihood that the risks will materialise. The risk likelihood scores are as follows:

- Highly Probable – The risk is almost certain to occur in most circumstances.
- Probable – The risk is likely to occur in most circumstances.
- Possible – The risk may occur at some time.
- Unlikely – The risk could occur in some circumstances.
- Rare – The risk may occur in exceptional circumstances.

Financial Impact

The long-term plan budget is based on these forecasting assumptions. This section summarizes the potential financial impact on the Council if the risks materialise. The financial impact is assessed and scored as follows:

- Very Low – Negligible impact on outcomes; financial variance under $10,000.
- Low – Temporary impact on outcomes; financial variation up to $250,000.
- Medium – Noticeable impact on outcomes; financial variation up to $1 million.
- High – Service significantly below expectations; financial variation up to $5 million.
- Very High – Service impacted over several years; financial variation over $5 million.

Risk Mitigation Factors

These are the actions or strategies the Council uses to minimize the potential risks associated with the assumptions.

Whanaketanga Taupori
POPULATION GROWTH

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Possible

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru

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.

Taupori Pakeke Haeretanga
AGING POPULATION

Whakapaetanga Pūramarama
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.

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
Financial Impact

Low

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Ngā Aituā māori
NATURAL DISASTERS

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Possible

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Āhuarangi Hurihuri
CLIMATE CHANGE

Whakapaetanga Pūramarama
Forecasting Assumption

Climate change will occur in line with government forecasts.

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Te Whakature me ngā Panonitanga Mahere Tahi
LEGISLATING AND ONE PLAN CHANGES

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Ngā Āheinga Tūāhanga
INFRASTRUCTURE CAPABILITY

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Haupū Moni nā Waka Kotahi
WAKA KOTAHI FUNDING

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

This Long Term Plan Council has opted to apply an inflationary increase (using the Local Government Cost Index – Appendix 1) to it's roading program for each of the subsequent 3 year funding blocks that are contained within this plan. These budgets will be reviewed and updated within the relevant Annual Plan/Long Term Plan to align with the each if the funding block applications Council will make.

However as historic funding requests have shown Council will likely need to request an increase to the existing approved program to account for inflationary cost changes. By applying this within this Long Term Plan this enables Council to ensure an appropriate level of funding has been budgeted for its roading program for the duration of this Long Term Plan.

Also contained within this Long Term Plan is budgets aligned to a funding application Council has made with Waka Kotahi for Cyclone Gabrielle Recovery support as Council continues to repair the roading network after the Cyclone. This project is scheduled over years 1 – 3 of this plan and Council has applied a FAR for this of 93%.

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.

Tūraru
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. 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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
Financial Impact

High

Variations in the Waka Kotahi subsidy rate will increase or decrease Council's revenue by $142,000 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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Pikiutu Tukipū
INFLATION

Whakapaetanga Pūramarama
Forecasting Assumption

The Long Term Plan is adjusted for inflation using the Local Government Cost Index (Appendix One). This inflation index is applied from year 1.

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Possible

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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, allowing for inflation to be applied to year 1 budgets and reviewing the capital works programme.

Ngā Rironga Tangata
ASSET LIVES

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
Risk

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

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Possible

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Ngā Wāriutanga Auautanga o ngā Huarawa Ōkiko
REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
Description

Assets are valued as stated in the Accounting Policies section.

The following assumptions apply to asset revaluations:

- land, building and 3 waters revaluations will reflect price changes predicted by BERL.
- transport revaluations will reflect price changes predicted by BERL.
- the depreciation impact of inflation will be in the year following revaluation.
- technology improvements will deliver improvements but will not materially change the unit price.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Unlikely

Whai Pānga Ōhanga
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 $229,000 a year.

Whakamāurutanga Ngā Āhuatanga Tūraru
Risk Mitigation Factors

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

Ngā Kirimana
CONTRACTS

Whakapaetanga Pūramarama
Forecasting Assumption

Contracts prices will increase in line with inflation forecasts.

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Possible

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Ngā Puna Haupū Moni hei Whakakapi Huarawa Hiranga
SOURCES OF FUNDS FOR THE REPLACEMENT OF SIGNIFICANT ASSETS

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Highly Probable

Whai Pānga Ōhanga
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 $32 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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Te Whakahoutanga a Taumata Arowai mō Ngā Whakapaitanga Wai me te Waipara
3 WATERS REFORM AND SUBSIDIES FOR WATER AND WASTEWATER UPGRADES

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Highly Probable

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Ngā Whakawhanake Pāmu Hau, Kōmaru
WIND AND SOLAR FARM DEVELOPMENTS

Whakapaetanga Pūramarama
Forecasting Assumption

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

Tūraru
Risk

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

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Highly Probable

Whai Pānga Ōhanga
Financial Impact

Low

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

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Whakatipu Rākau
FOREST HARVESTING

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Highly Probable

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Ngā Whakahoutanga Whakaaetanga Rawa Taiao
RESOURCE CONSENT RENEWALS

Whakapaetanga Pūramarama
Forecasting Assumption

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

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Unlikely

Whai Pānga Ōhanga
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.

Whakamāurutanga Ngā Āhuatanga Tūraru

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.

Ngā Tāke Itareti
INTEREST RATES

He Whakapaetanga me te Whakamārama
Forecasting Assumption and Description

Council has budgeted for this long-term plan that interest on loans raised will be 4.71% in year one and reducing to 5.75% by 2034. The average is 5.12% over 10 years. It is assumed that return on investments made by Council will be 1.8% in year 1 rising to 2% by 2034. The average is 1.92% over 10 years.

Tūraru
Risk

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

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
Financial Impact

High

Based on Council projected borrowing levels, interest costs will vary between $696,000 and $1,031,000 per annum for every 1% movement in interest rates.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Tomonga ki ngā Haupū Moni Ā-Waho
ACCESS TO EXTERNAL FUNDING

Whakapaetanga Pūramarama
Forecasting Assumption

Council will be able to borrow to the required level.

Whakamāramatanga
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.

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Unlikely

Whai Pānga Ōhanga
Financial Impact

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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Āheinga Hinonga Haupū Rawa
CAPITAL PROJECTS DO-ABILITY

Whakapaetanga Pūramarama
Forecasting Assumption

Council will deliver on its capital projects programme.

Whakamāramatanga
Description

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

Tūraru
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.

Tūponotanga Ekenga Tūraru
Likelihood of Risk Occurrence

Probable

Whai Pānga Ōhanga
Financial Impact

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.

Whakamāurutanga Ngā Āhuatanga Tūraru
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.

Āpitihanga 1
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*

Ngā Kaupapa Here Haupū Moni

Funding Policies

Kaupapa Here Reweniu me te Ahumoni

REVENUE AND FINANCING POLICY

The Revenue and Financing Policy explains how the Council funds each activity it is involved in, and why.

Council provides a number of distinct activities and services to its communities. It must undertake these services in a financially prudent and sustainable way for the Council as a whole. This policy explains how Council activities are funded. Revenue sources include rates, fees, charges, subsidies and investments.

Affordability and the public's ability to pay rates is a major concern as the Council has to strike a balance between the need to provide a level of service that meets customer and legislative requirements, and the need for funds to provide these levels of service in an affordable manner. Council seeks to maintain an affordable and predictable level of rates in the future.

The Financial Strategy sets out how Council is planning to do this. It sets limits on rates increases and debt levels. This Revenue and Financing Policy keeps within those limits and sets out the broad guidelines for establishing the funding of activities.

The Revenue and Financing Policy is more than rating, it also drives the policy direction for other revenue policies including Funding Impact Statements, Financial Contribution, Treasury (liability and investment) and Remission policies. The Revenue and Financing Policy will be reviewed every three years as part of the ten year planning process.

The Local Government Act 2002 requires Council to meet its funding needs from a defined list of sources. The Council determines which of these are appropriate for each activity, considering equity between generations, fairness and affordability.

The list of funding sources available to Council are:

(a) general rates, including—
- (i) choice of valuation system; and
- (ii) differential rating; and
- (iii) uniform annual general charges:

(b) targeted rates,

(ba) lump sum contributions,

(c) fees and charges,

(d) grants and subsidies,

(e) interest and dividends from investments,

(f) borrowing,

(g) proceeds from asset sales,

(h) development contributions,

(i) financial contributions under the Resource Management Act 1991,

(j) any other source.

Council is also required to outline the policies in respect of the funding of operating and capital expenses.

He tautoko ki ngā mātāpono e hāngai ana ki te Māori

Support for principles relating to Māori

Section 102(3A) of the Local Government Act 2002 provides that this policy must support the principles set out in the Preamble to Te Ture Whenua Maori Act 1993 (that requirement is effective from 1 July 2024). These principles include recognition that land is a taonga tuku iho of special significance to Māori people, and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū.

Council considers that this policy supports those principles, particularly when viewed in conjunction with Council's Policy on Remission and Postponement of Rates for Māori Freehold Land.

This Council has duties, obligations and commitments to protect Māori rights and interests within the Tararua District giving effect to the principles of Te Tiriti o Waitangi, and these are reflected in each of the activities that Council has in the Long Term Plan.

He Whakamārama o te Whakapau Pūtea Kaunihera

Description of Council expenditure

The Council has two types of expenses: operating expenditure and capital expenditure.

Operating expenditure is used to fund the ongoing day-to-day activities and services of the Council.

Capital expenditure is money spent in acquiring or upgrading an asset such as reticulation network, bridges or software. Council has three categories of capital expenditure spread across its activities:

- Renewals – defined as capital expenditure that increases the life of an existing asset with no increase in service level.
- Increased level of service – defined as capital expenditure that increases the service level delivered by the asset.
- Growth – defined as capital expenditure that is required to provide additional capacity to cater for future growth in demand.

Operating expenditure

Council will use a mix of revenue sources to meet operating expenses, with major sources being rates, dividends, subsidies and fees and charges. Reserve funds including savings from previous years are also used as a revenue source occasionally. Operating costs do not normally utilise loans nor proceeds from asset sales.

Deviating from this policy is a Council decision. Occasionally Council is required under accounting rules to write down or treat a cost as an operating expense that had been expected to be funded from loans.

Capital expenditure

Capital developments (growth and levels of service capital projects) are funded from Development Contributions, Financial Contributions, subsidies, user contributions, reserves or trust funds (where appropriate), and loans.

Capital renewals are funded (in decreasing priority) from subsidies, depreciation or other reserves. Loans may also be used where subsidies and reserves are insufficient and to do so supports the principle of intergenerational equity. Rates may also be used where subsidies and reserves are insufficient.

Ngā Puna Tahua

Funding Sources

Different funding sources are used for different types of expenditure. Council funds its expenditure using the following funding mechanisms.

The following table summarises how sources of revenue are applied to Council's activities. For example, a subsidy is the number one source of funds and this may be used first equally for any operating or capital cost.

Key

1st – primary source of funding, if available.
2nd – secondary source on a case by case basis.
Possible – funding will be considered, if necessary, on a case by case basis.

Priority of source (number)	Revenue source	Operating	**Capital:** Renew existing assets	**Capital:** Develop assets - to improve services	**Capital:** Develop assets - to cater for growth
1	Subsidies and grants	1st	1st	1st	1st
2	Fees and charges	1st	2nd	2nd	2nd
3	Loans (borrow internally from savings or externally)	Not permitted*	Possible	1st	1st
3	Reserves	1st	1st	1st	1st
4	Prior year surpluses	Possible 2nd	2nd	Possible 2nd	Possible 2nd
4	Interest and other revenue	1st	1st	Possible 2nd	Possible 2nd
5	Financial Contribution	1st	2nd	1st	2nd
5	Development Contributions	Possible	Not permitted	Not permitted	1st
6	General rates	1st	1st	Possible 2nd	Possible 2nd
6	Targeted rates	1st	1st	2nd	2nd
6	UAGC	1st	1st	Possible	Possible

** Rare exceptions for accounting write down of "assets"*

General rates

This is generally used for activities and includes Uniform Annual General Charge that is charged per rating unit, to provide benefit primarily to identifiable individuals or groups. Council uses land value for the application of its general rate. The Council does not set the general rate on a differential basis. The general rate is also used to recover small rounding amounts resulting from full fixed rate charges being rounded down to the nearest whole dollar (excluding GST).

Targeted rates

These rates include Uniform Annual Charges, rates set on value (land or capital value), rates set over an area of benefit and rates for a service or for an activity. Targeted rates can be set on a uniform or differential basis, with a range of different factors of liability. This can be used where an Activity is perceived to provide benefit primarily to identifiable individuals or groups (i.e.userpays), or where the need for the activity is driven by the actions or inactions of identifiable individuals or groups (i.e. exacerbator-pays).

Fees and charges

We typically collect fees and charges where an Activity is perceived to provide benefit primarily to identifiable individuals or groups (i.e. userpays), or where the need for the activity is driven by the actions or inactions of identifiable individuals or groups (i.e. exacerbator-pays).

However, consideration is also given to whether each fee or charge is practical and economically viable (including the extent to which fees may result in an unacceptable decrease in the use of council services).

Interest, Dividends, & Other Revenues

Cash investments (e.g. term deposits with banks) are generally held only for liquidity purposes, as we are a net borrower.

Income from dividends, interest, and other sources (e.g. petrol taxes) are treated as corporate revenues and are assumed to accrue to general ratepayers – i.e. they are not allocated against specific activities, but reduce the amount of general rates that we need to collect to fund those activities.

Financial contributions under the Resource Management Act 1991

The Council is able to require new developments to pay financial contributions which are used by the Council to fund works to mitigate or offset specified negative impacts of development.

Financial contributions requirements are in accordance with the Resource Management Act 1991, the Local Government Act 2002, the Tararua District Plan and our Development Contributions Policy.

The details of any requirement would be included in the District Plan and Development Contributions Policy and any new or altered requirements would be consulted on through changes to those documents.

Grants, sponsorship, subsidies and other income

Grants, sponsorship and subsidies are used where they are available.

Many of these types of income are regular and predictable and can be budgeted for (for example Waka Kotahi NZTA roading subsidy).

Some other types are unexpected or unpredictable and may not be able to be prudently budgeted (such as civil defence response reimbursements, legal settlements and insurance claims). These are applied as they arise to the corresponding activity or project.

Lump sum contributions

When undertaking a major project, there is an option to seek lump sum contributions to the capital cost of the project.. Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have restrictions placed on how they are used. Where a lump sum payment option is proposed ratepayers may choose to pay the lump sum or not. If not, the rating unit will be liable to pay any targeted rate set to recover the loan costs.

Development contributions under Section 106 Local Government Act

We make significant capital investment in infrastructure specifically to service growth development in the District. We use development contributions to recover a fair and equitable portion of the cost of this investment from persons undertaking development.

Development contributions requirements are in accordance with the Local Government Act 2002 and our Development Contributions Policy.

Borrowing

Borrowings can be both short term and long term. Borrowing is an appropriate funding mechanism to enable the effect of peaks in capital expenditure to be smoothed and also to enable the costs of major developments to be borne by those who benefit from the expenditure. This is known as the ‘intergenerational equity principle’ and means that the costs of any expenditure should be recovered from the community over the period the benefits of that expenditure accrue.

The overriding limits on borrowing are set out in the Financial Strategy.

Borrowing is undertaken corporately (i.e. as a single debt portfolio) for efficient debt management.

Proceeds from asset sales

Proceeds from asset sales will be used to reduce debt or any current borrowing requirement or placed in the General Reserves, unless limited by a specific trust deed, bequest or legislation.

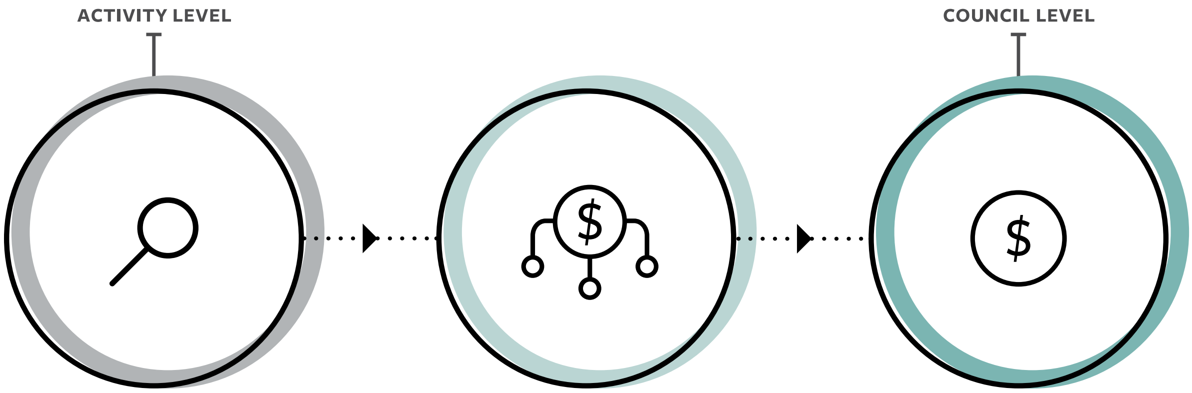
Council created reserves

Savings, operational surpluses, carry forward budgets specific to each activity, or rates charged for specific projects are placed in reserves. These reserves may be used to fund activities where appropriate to the purpose of the reserves.

The use of reserves will require a specific resolution of Council before expenditure is committed. The exception to this is depreciation reserves used to renew existing assets and for internal loans. The use of the depreciation reserves are approved by Council as part of the Long Term Plan and Annual Plan budgets.

Trust funds

Trust funds are normally bequeathed to Council "in trust". Reserves and trust funds (savings) may be used to fund activities where appropriate to the purpose of the reserves or trusts (operating or capital).



Identifying activities

What services and levels of service should be provided?

Funding sources for each activity

Consideration of:

- Community outcomes
- Beneficiary pays
- Exacerbator pays
- Intergenerational equity
- Costs/benefits of separate funding of the activity

Funding required

- Rates
- Fees and charges
- Debt
- Reserves
- Grants
- Etc

Ngā Whāinga Mahi Tahua
Activity funding targets

Council's funding sources set the level of revenue that is appropriately funded by each funding source for each Council activity identified. Council has reviewed these sources as required by the Local Government Act 2002 Section 101 as part of this Revenue and Financing Policy. The sources are shown in the summary tables and more detail is included in each activity section.

Process for determining funding sources

In determining the appropriate funding sources, the council has adopted a two-stage process in accordance with section 101 (3) of the Local Government Act 2002.

Step 1

The first step is to determine the most appropriate source of funding for each activity by considering the following:

- Community outcomes to which the activity primarily contributes.
- Distribution of benefits between the community as a whole, any identifiable part of the community and individuals.
- The period in, or over which, the benefits are expected to occur. Generally, benefits derived from operating costs are received in the year the expenditure is incurred. In contrast, capital expenditures relate to investments in assets that generate benefits over their useful lives that extend beyond the current year.
- The extent of the actions or inaction of individuals or a group contributing to the activity undertaken.
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

Step 2

Once the most appropriate funding method for each activity is identified based on the considerations stated above, the council needs to consider the overall impact of its funding mix on the community.

For example, the principle of paying for benefits received may call for a high degree of user pays for an activity, but this must be balanced against the principle of affordability.

Selecting the appropriate funding source – Council's application of the funding principles

The general principles used in the process are:

- The user/beneficiary pays principle:
    - An activity should be funded on a user pays basis if an individual or group of individuals directly receive benefits of the activity exclusively and that costs of the activity can easily be attributed to that individual or group of individuals;
    - The service "consumed" is excludable and creates rivalry (using this service reduces the availability for someone else);
- The intergenerational equity principle:
    - Most operational expenditure provides a benefit only during the year that it is spent, so is best funded from current revenues. However, expenditure providing benefits over many years is more appropriately funded through borrowing (which is repaid over multiple years).
- The exacerbator/polluter pays principle:
    - the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and

- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities:
    - considers the efficiency or ability to separate and identify costs and then collect revenue, and the impact on demand for services
    - particularly where the cost is significant or where it is considered desirable to demonstrate that funding is being spent on a specific project.
    - the potential benefit of such improved transparency and accountability are weighed against the cost of having to administer the specifically identified funding.

Funding sources for Council activities

Our choice of funding for each activity is also guided by the overall impact that any allocation of charges and costs may have on the community. In particular, although some Activities should arguably be funded by user fees and charges due to the level of private benefit they provide, we may consider such user-charging inappropriate – for example, full user-funding of swimming pools may result in these services no longer being provided.

The following policy positions have been set by Council and are used with the principles above:

- Where the benefit accrues to the whole district, general rates will be used (these include UAGC).
- Where benefits accrue to certain groups within the district, user charges, differentials or targeted rates will be used if efficient to do so.
- User pays is also recognised as a tool to achieve Council's goals e.g. charging for refuse collection to encourage waste minimisation. Where a fee or charge is not practical, targeted rates may be set in accordance with Council's rating policies.
- Where it is practical to recover the designated portion of the net operating cost of an activity from a private user or exacerbator, fees and charges are set at levels designed to achieve this provided there are no legislative constraints on doing this.
- In some cases, targeted rates (e.g. water and wastewater) are used as a surrogate for user charges as Council considers this to be a more efficient and effective method of funding than individual user charges.
- Rates are at least partly a tax. While effort is made to link payment of rates to benefits received or costs generated it is not possible to do this on an individual ratepayer basis.
- Subsidy from central government recognises that some services, e.g. roading, form part of a national infrastructure and only central government can levy user charges.
- Uniform Annual General Charge (UAGC) recognises that most services are available to all properties regardless of value and that all properties should contribute a reasonable amount to the running of the district.

Very few activities deliver entirely public benefits or private benefits. Most activities contain aspects of both and fall somewhere between the two ends of the continuum. The characteristics of an activity determine what type of funding mechanism is used to fund a particular service. In the end, it comes down to "reasonable" judgement by elected members having considered the legal factors, funding principles, and Council policies.

In this document we use the words "public" or "private" to reflect who benefits from the services Council provides. When the word "public" is used it means the community at large will receive benefits and generally it is more efficient to charge for those through a rate.

When the word “private” is used it means that either an individual or an identifiable group of individuals will receive benefits and generally this group can be charged either directly through user charges because it is efficient to do so or by using a targeted rate.

The following pages set out our funding decision for each activity. The analysis of each Activity is supported by:

Benefit - shows our broad benefits assessment for the activity (i.e. how much benefit is received by individuals / groups, and how much by the community as a whole)

Community Outcome - identifies the community outcomes to which the activity primarily contributes

Analysis - shows how we have considered the other funding considerations set out in section 101(3)(a)(ii) to (v) of the Local Government Act 2002 in relation to funding of the activity.

This evaluation uses a simple high / medium / low scale for each of the following considerations:

- User/Beneficiary pays – the degree to which the Activity can be attributed to individuals or identifiable groups (High) rather than the community as a whole (Low) – refer to section 101(3)(a)(ii);
- Inter-generational equity – the degree to which benefits can be attributed to future periods (High) and benefits attributed to a shorter term (low); – refer to section 101(3)(a)(iii)
- Exacerbator pays – the degree to which the activity is required as a result of the action (or inaction) of individuals or identifiable groups (High) and not attributable (low) – refer to section 101(3)(a)(iv);
- Cost and benefits - degree to which the costs and benefits justify funding for the activity including consequences for transparency and accountability, of funding the activity distinctly from other activities (high) and where no particular advantage to funding the activity distinctly (low). For example, pricing is a tool that can impact on people’s behaviour to achieve an activities outcome– refer to section 101(3)(a)(v)

Rationale – the analysis to determine the most appropriate source of funding for this activity.

Funding sources – the most appropriate funding sources for each activity identified based on the considerations stated above and after any Step 2 adjustments.

Thriving District He rohe tōnui

Economic Development Te Whakawhanaketanga Ohaoha

Benefit

Community Outcome

The people are thriving, happy, safe and well.

Analysis

Rationale

Private beneficiaries are the individuals who gain employment, retailers, tourist operators, motels, and other businesses.

As a result of applying the Step 2 consideration , the modification applied considered that the whole district benefits from an increased population, wealth and larger rating base.

Funding Sources

Operational:	General Rate, Targeted Rate, Fees & Charges
Capital:	General Rate, Targeted Rate, Reserves

Community Development Whanaketanga Hapori

Benefit

Community Outcome

The people are thriving, happy, safe and well.

Analysis

Rationale

The provision of funding and support for community organisations, individuals and community development initiatives is of significant public benefit to the whole district and a greater number of people in the wider community will benefit from the expenditure.

User pays is inconsistent with the idea of strengthening community initiatives.

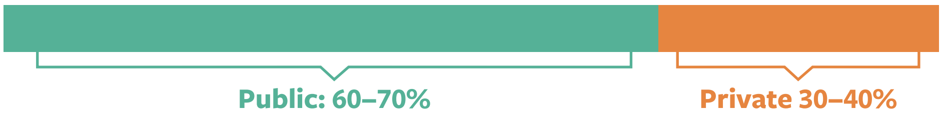
Funding Sources

Operational:	General Rate, Reserves

Improving our Environment Te wahakapaipai i te taiao

District Planning Te Whakamahere Ā-Rohe

Benefit

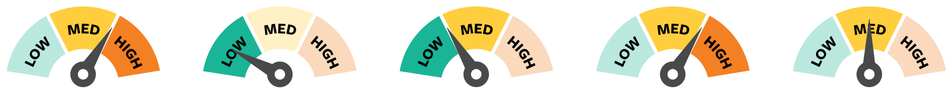


Community Outcome

We are nimble; ensuring we have the capacity, innovation, and adaptability to improve community well-being, while promoting balanced and sustainable growth.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

There are two distinct beneficiaries of this activity, the first being the applicant and the second being the whole community by providing sufficient land with suitable zoning, infrastructure and services supports the expansion of economic activity. As a result of applying the Step 2 consideration, the modification applied considered that the wider benefits to the whole community, specific groups and their well being.

Funding Sources

Operational:	Fees & Charges, General Rate
Capital:	Loans, General Rate, Reserves

Emergency Management Te Whakahaeretanga Ohotata

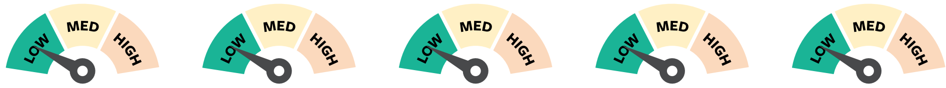
Benefit

Community Outcome

We work collaboratively, gaining strength from each other as challenges and opportunities arise, to make great things happen.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

The primary purpose of civil defence is emergency preparedness with an initial response capability, providing a system for recovery following a natural disaster and Helping minimise the effects of a natural disaster on people and property.

This activity cannot be attributed to any individuals and therefore it is the community as a whole that benefits from this activity giving peace of mind for residents.

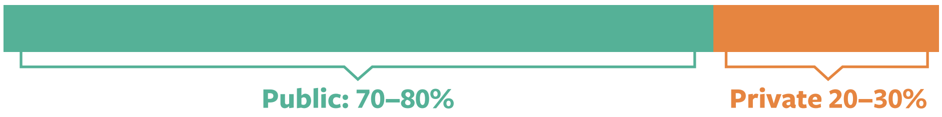
Funding Sources

Operational:	General Rate, Subsidies
Capital:	Loans, General Rate, Reserves

Waste Management - Transfer Station

Ngā Mahi Para – Te Teihana Para

Benefit



Community Outcome

The natural environment is improved while still producing a diverse range of primary industry and food products.

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

The private benefits of refuse and recycling include removal of solid waste and reducing potential health risks from stock-piling of solid waste.

As a result of applying the Step 2 consideration , the modification applied considered that the public benefits of waste collection include preventing and avoiding health hazards, keeping the district tidy and attractive, creating a cleaner environment for current and future generations, helping to reduce congestion at the landfill, and Council delivering on the objectives outlined in the Waste Minimisation Plan.

Funding Sources

Operational:	General Rate, Fees & Charges, Grants
Capital:	Loans, General Rate, Reserves

Waste Management - Refuse Ngā Mahi Para - Para

Benefit

Public: 0% **Private: 100%**

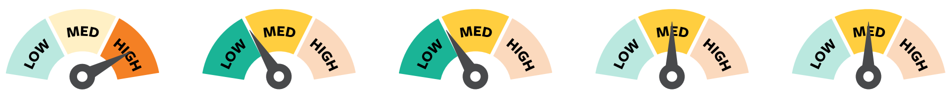
Community Outcome

The natural environment is improved while still producing a diverse range of primary industry and food products.

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

The private benefits of refuse collection include removal of household solid waste and reducing potential health risks from stock-piling of solid waste.

As a result of applying the Step 2 consideration , the modification applied considered that pricing is used as a tool to influence people's behaviour to achieve the reduction, reuse and recycling of waste.

Funding Sources

Operational: Fees & Charges, Grants
Capital: Loans, Fees & Charges, Reserves

Waste Management - Recycling Ngā Mahi Para - Hangarua

Benefit

Community Outcome

The natural environment is improved while still producing a diverse range of primary industry and food products.

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

Urban households and many commercial properties receive a kerbside recycling collection service and all properties have access to recycling bulk bins for glass and other materials at the transfer stations.

Rural residents that drop off recycling at bulk bins and recycling centres also use the services.

As a result of applying the Step 2 consideration , the modification applied considered that the public benefits from transfer station recycling include preserving the environment, saving landfill space, meeting community expectations for waste minimisation, and Council delivering on the objectives outlined in the Waste Minimisation Plan.

Funding Sources

Operational:	Targeted Rate, Grants
Capital:	Loans, Targeted Rate, Reserves

Stormwater Te Wai Ua

Benefit

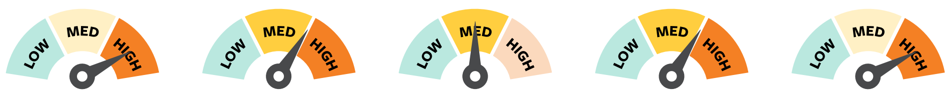
Community Outcome

The natural environment is improved while still producing a diverse range of primary industry and food products.

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

Properties within the stormwater network areas benefit from collecting and disposing stormwater to limit flood damage. Property owners downstream from these areas also benefit.

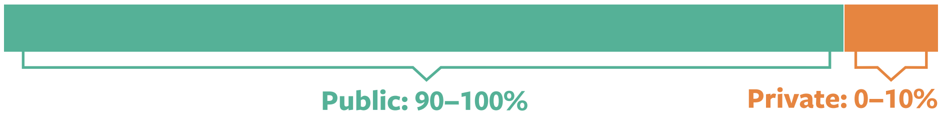
As a result of applying the Step 2 consideration, the modification applied considered that there is also a public benefit of health and safety to the urban populations generally, and a lesser benefit to people outside the urban areas who may visit the urban areas.

Funding Sources

Operational: Targeted Rate
Capital: Loans, Targeted Rate, Reserves

Wastewater Te Wai Kino

Benefit



Community Outcome

The natural environment is improved while still producing a diverse range of primary industry and food products.

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

Wastewater services provide public benefits, including a clean and healthy environment for present and future generations, prevention of disease, maintenance of public health standards, enabling economic growth.

A good quality and effective wastewater disposal system is a key service to attract people and businesses to the district and to help sustain economic growth.

Scheme users receive significant private benefits from provision of a collective wastewater disposal scheme, including the removal of human waste and protection against disease.

Many rural and lifestyle properties have onsite wastewater disposal so do not directly benefit from Council's reticulated wastewater network.

There is a public health benefit particularly to people who live in urban areas, and also with the downstream effects of clean rivers benefiting the whole district.

Trade waste should pay fees and charges for inclusion in wastewater scheme.

As a result of applying the Step 2 consideration, the modification applied considered that the benefits from the wider community from a clean and healthy natural environment.

Funding Sources

Operational:	Targeted Rate, General Rate, Fees & Charges, Reserves
Capital:	Targeted Rate, Loans, Reserves, Grants and Subsidies

Water Supply Te Wai

Benefit

Community Outcome

The natural environment is improved while still producing a diverse range of primary industry and food products.

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

The public benefits from being connected to the available potable water supply for public health and services, recreational facilities, and enhancing well-being and economic development.

Private users benefit in the same way as the public, but also benefit in terms of personal health and wellbeing.

Farmers tapping into some schemes also benefit and contribute greatly to costs.

As a result of applying the Step 2 consideration, the modification applied considered that Water Supply also provides public benefits, including availability of water for public health and services (e.g. fire-fighting) and recreational facilities (e.g. gardens, swimming pools), enhancing community well-being and economic development.

Funding Sources

Operational: Targeted rates, Fee & Charges, Reserves
Capital: Targeted Rate, Loans, Reserves, Grants and Subsidies

Connected Communities He Hapori Tūhono

Animal Control Ngā Here Kararehe

Benefit

Community Outcome

The people are thriving, happy, safe and well.

Analysis

Rationale

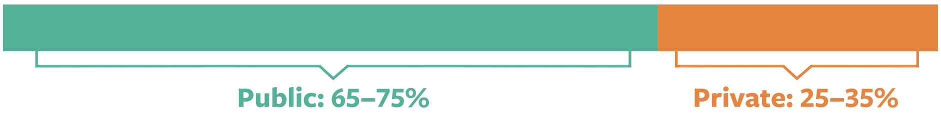
The majority of the costs for this activity should be borne by dog owners, as it is the existence of dogs in the community that gives rise to the need to carry out this activity. There is a small public benefit from animal education programmes.

Funding Sources

Operational: General Rate, Fees & Charges
Capital: Loans, Reserves, General Rate

Cemeteries Ngā Urupā

Benefit



Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

While the Burial and Cremation Act 1964 requires local authorities to provide cemeteries it is appropriate that the individual or family meet the costs of burial.

The private benefit is received by the families of the deceased, and to those researching family history.

The garden maintenance has a component of private and public benefit.

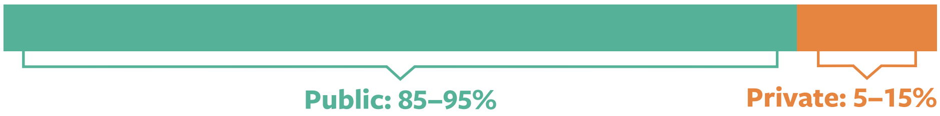
As a result of applying the Step 2 consideration , the modification applied considered that there is also a public benefit with communities benefiting from being able to have family members buried in their community.

Funding Sources

Operational: General Rate, Fees & Charges
Capital: Loans, General Rate, Reserves

Community Buildings Ngā Whare Hapori

Benefit



Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

Council-owned buildings and land provide significant public benefit and support a range of services and facilities for social and recreational use, to the entire district.

Rural and community halls and recreation complexes provide significant public benefit through provision of multiuse venues for local communities and a hub for the community in the event of a natural disaster. Halls contribute to enhancing the community's sense of social connectedness, cultural wellbeing and civic pride.

As a result of applying the Step 2 consideration, the modification applied considered that while individuals and local communities benefit from the use of the facilities the entire community benefits from the use of halls and recreational complexes for events such as training programmes, leisure, sporting activities and performing arts.

Funding Sources

Operational:	Fees & Charges, General Rate
Capital:	Fees & Charges, General Rate, Reserves

Libraries Ngā Whare Pukapuka

Benefit

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

Libraries provide services and spaces for the community which promote lifelong learning and connectedness, as well as being repositories for important historical and community information.

Libraries also provide private benefit through individual access to written and online educational resources, research materials and leisure time reading.

It is fair for individuals to pay for some of the services users use in the library such as learning and personal development, printing services, etc

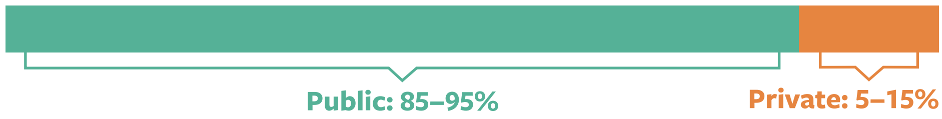
As a result of applying the Step 2 consideration, the modification applied considered that the acquisition of knowledge does have a high public benefit through contributing value to the community by people having access to knowledge, being well informed and by encouraging literacy.

Funding Sources

Operational:	Targeted Rate, Fees & Charges
Capital:	Loans, Targeted Rate, Reserves

Parks and Reserves Ngā Papa Tākaro me ngā Papa Rāhui
(excluding domain boards Kaua ngā papa takiwā**)**

Benefit



Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

Parks and Reserves beneficiaries are the users, both local and visitors to the district, and in particular user groups such as sports clubs. It is not feasible to charge for many Council facilities as you cannot restrict access to reserves and playgrounds. All residents have access to reserves. Camping grounds benefit the users with low-cost holiday accommodation, and businesses by attracting visitors. The Domain Board is a self-funding function of Council, other than for depreciation and support costs, and is not included in the requirement for rates.

Funding Sources

Operational: General Rate, Fees & Charges
Capital: Loans, General Rate, Reserves

Pensioner Housing Ngā Whare Kaumātua

Benefit

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

The main beneficiaries are the pensioner flat tenants, who receive housing at rentals well below market rates.

Funding Sources

Operational: Fees & Charges
Capital: Asset Sales, Reserves

Public Conveniences Ngā Ratonga Tūmatanui

Benefit

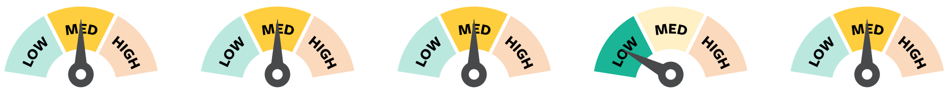
Public: 100% **Private: 0%**

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

Public conveniences are an essential service for the community and provide significant public benefit such as maintaining appropriate standards in public health and meeting the expectations of residents and visitors.

The wider community benefits from the provision of clean and safe toilets for travellers, shoppers, parents and children in commercial areas in particular, and for users of recreational facilities.

Businesses located near to public toilets also benefit indirectly, and the public generally benefit from reduced environmental degradation.

As a result of applying the Step 2 consideration, the modification applied considered that the benefits from the wider community.

Funding Sources

Operational: General Rate
Capital: Loans, General Rate, Reserves

Swimming Pools Ngā Puna Kaukau

Benefit

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

Users of the pools are private beneficiaries and user fees reflect this. Council charges rates and some fees. The main fees are not collected by Council. They are set and collected by a trust or by management committees.

The Council funds a grant that represents only the public good proportion of costs. The fees collected by the Trust / local management reflect a high private benefit to individual users.

As a result of applying the Step 2 consideration, the modification applied considered that swimming pools are recreational facilities, and provide social benefits such as swimming coaching, and leisure opportunities for elderly people with health issues, and children and parents.

Funding Sources

Operational:	Targeted Rate, Fees & Charges
Capital:	Loans, Targeted Rate, Reserves

Building Control Ngā Here Waihanga

Benefit

Community Outcome

We are nimble; ensuring we have the capacity, innovation, and adaptability to improve community well-being, while promoting balanced and sustainable growth.

Analysis

Rationale

The building control activity is mainly funded by the beneficiaries of the service, as they can be easily identified.

Some public benefit exists from auditing Building Warrants of Fitness, inspection of swimming pool fencing, earthquake prone building administration and responding to complaints,.

Applicants for consents receive significant private benefit through meeting legislative requirements and community expectations.

Private benefit may include an increase in property values over time.

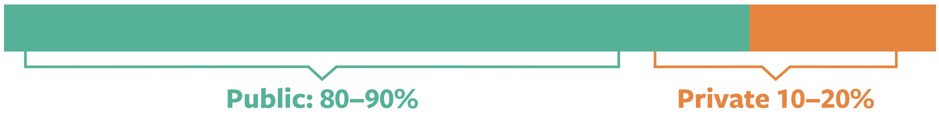
As a result of applying the Step 2 consideration, the modification applied considered that public benefit of Building Control include planned development of the district, protection of the public and consistency in building standards.

Funding Sources

Operational: Fees & Charges, General Rate
Capital: Loans, General Rate, Reserves

Compliance and Monitoring Te Tautuku me te Aroturuki

Benefit



Community Outcome

We work collaboratively, gaining strength from each other as challenges and opportunities arise, to make great things happen.

Analysis

Rationale

Consent applicants receive significant private benefits through meeting legislative requirements and community expectations.

The consent also provides a signal that food and licensed premises are of an acceptable standard of food and beverage hygiene to the consumer.

However most fees are set by government legislation and therefore full cost recovery is not always possible.

In the general inspection area it is often impossible to identify offenders or impractical to recover enforcement costs. The whole community benefits from these activities.

As a result of applying the Step 2 consideration, the modification applied considered that the public benefits from environmental health compliance and monitoring include enhancing public health and meeting the community's expectation for safe food and alcohol premises.

Funding Sources

Operational:	Fees & Charges, General Rate
Capital:	Loans, General Rate, Reserves

Roading Ngā Mahi Huarahi

Benefit

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

Rationale

The beneficiaries are the users of the roads, the owners of properties served by roads, the local community within the district and the wider community.

The roading network provides significant public benefit to the community, e.g. connections to other transportation networks, access and mobility for people, goods and service, locality and property identification and contributions to the social and economic well-being of the district

Substantial private benefit also exists through use of roads, and footpaths, access to locations, mobility and maintenance of property values.

The private benefit is collected via fuel taxes and road user charges by the government and allocated by a grant through NZ Transport Agency.

Funding Sources

Operational:	Targeted Rate, Subsidies, Fees & Charges, Reserves
Capital:	Targeted Rate, Subsidies, Reserves

Footpaths Ngā Ara Hīkoi

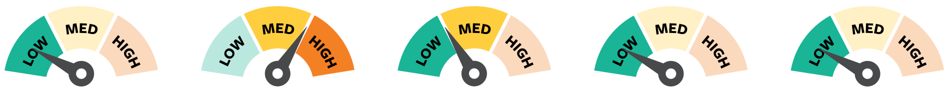
Benefit

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

Occupiers of urban residential and commercial properties which are served with footpaths benefit from easier access and the added value to the properties. While the primary benefit is for the people who use the footpaths, these users generally cannot be identified or be restricted from using footpaths from a public safety factor.

Funding Sources

Operational: General Rate, Targeted Rate, Subsidies
Capital: General Rate, Targeted Rate, Subsides, Loans, Reserves

Footpath – Town Centre Refurbishments

Ara Hīkoi – Ngā Whakapaitanga o Te Pokapū

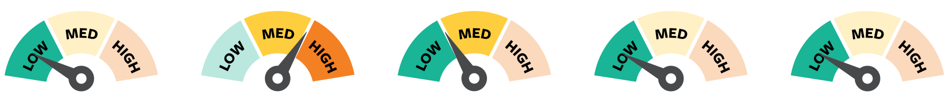
Benefit

Community Outcome

Quality community facilities and infrastructure is provided to meet the needs of future generations and support our long-term prosperity.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

Occupiers of urban residential and commercial properties which are served with footpaths benefit from easier access and the added value to the properties.

The revitalisation the main town centres, ensuring safety and efficient pedestrian movement benefits the retail, dining and shopping establishments in each town.

Funding Sources

Operational: General Rate, Targeted Rate, Grants
Capital: General Rate, Targeted Rate, Loans, Reserves, Grants

Interactive Council He Kaunihera Pāhekoheko

Customer Services Ngā Ratonga Kiritaki

Benefit

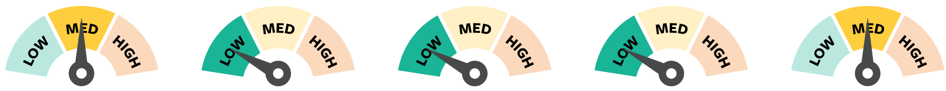
Public: 100% Private: 0%

Community Outcome

We work collaboratively, gaining strength from each other as challenges and opportunities arise, to make great things happen.

Analysis

User / Beneficiary pays principle | Intergenerational equity principle | Exacerbator pays | Costs and benefits | Section 101(3) (b) impact modification



Rationale

Service Centres primary function is about providing customer support and public information, however much of the time spent on private benefit work is of a very small duration and is therefore not directly recoverable.

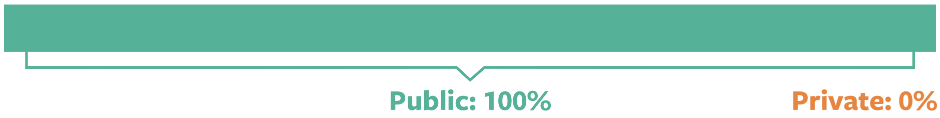
As a result of applying the Step 2 consideration, the modification applied considered that the benefits from the wider community fro providing public information.

Funding Sources

Operational: General Rate
Capital: Loans, General Rate, Reserves

Communications Ngā Whakawhitiwhiti

Benefit



Community Outcome

We work collaboratively, gaining strength from each other as challenges and opportunities arise, to make great things happen.

Analysis

Rationale

Communications primary function is to increase community engagement and active participation in our district's development with communications that are clear, meaningful, transparent and timely.

This is achieved by providing public information to strengthen the relationship between Council and the communities we serve and seek to establish Council as a trusted and reputable organisation within the community.

The benefit of communications expands to all residents and ratepayers of the district.

Funding Sources

Operational:	General Rate
Capital:	Loans, General Rate, Reserves

Democracy Services Ngā Ratonga Manapori

Benefit

Community Outcome

We work collaboratively, gaining strength from each other as challenges and opportunities arise, to make great things happen.

Analysis

Rationale

Elected members represent the residents of the district. The benefit of representation is available to all residents and ratepayers of the district.

Funding Sources

Operational:	General Rate, Reserves
Capital:	Loans, General Rate, Reserves

He Whakarāpototanga Haupū Wāwahitanga

Summary of Funding Splits

	Rates	Fees & Charges	Grants, Subsidies and other revenue
THRIVING DISTRICT			
Economic and Community Development			
• Economic Development	95-100%	0-5%	0-5%
• Community Development	95-100%	-	0-5%
IMPROVING OUR ENVIRONMENT			
Environmental Management			
• District Planning	60-70%	30-40%	0-5%
• Emergency Management	90-100%	-	0-10%
• Waste Management			
- Transfer station	70-80%	0-10%	10-20%
- Refuse	0-55%*	45-100%	-
- Recycling	90-100%	-	0-10%
Stormwater	95-100%	0-5%	0-10%
Wastewater	90-100%	0-10%	0-10%
Water Supply	90-100%	0-5%	0-5%
CONNECTED COMMUNITIES			
Community Facilities & Services			
• Animal Control	5-15%	85-95%	0-5%
• Cemeteries	65-75%	25-35%	0-5%
• Community Buildings	85-95%	5-15%	-
• Libraries	95-100%	0-5%	-
• Parks and Reserves	85-95%	5-10%	0-5%
• Pensioner Housing	-	100%	-

	Rates	Fees & Charges	Grants, Subsidies and other revenue
• Public Conveniences	100%	-	-
• Swimming Pools	85-100%	0-15%	0-10%
Regulatory Compliance			
• Building Control	45-55%	45-55%	0-5%
• Compliance & Monitoring	80-90%	10-20%	0-5%
Transportation			
• Footpath			
- Footpath	15-25%	0-5%	75-85%
- Town centre Refurbishments	90-100%	-	0-10%
• Roading	25-35%	0-5%	65-75%
INTERACTIVE COUNCIL			
Governance & Community Engagement			
• Customer Services	100%	-	-
• Communications	100%	-	-
• Democracy Services	90-100%	-	0-10%

**Council in Year 4 of the LTP will explore the introduction of a kerbside refuse collection service that is proposed to be funded via rates*

Pūnaha Whakaine
RATING SYSTEM

Tirohanga Whānui
Overview

Council provides local public services and infrastructure that the community needs. Providing these services comes at a cost and a large portion is collected from the rates that Council charge property owners.

The law that enables Councils to collect rates is the Local Government (Rating) Act 2002.

The Rating system forms a part of the Funding Impact Statement and should be read in conjunction with the Council's Revenue and Financing Policy and applies for the 10 years of this plan

It provides the link between the funding decisions taken at the activity level, with the eventual rates assessment that each ratepayer will receive.

The overview of the resulting mix of general and targeted rates, user charges and other funding sources is set out in the Funding Impact Statement for activities or groups of activities. More details for each activity are set out under the activity pages.

Te tātai a te kaunihera i o reti
How Council calculates your rates

Rates are a property tax that is charged each year by the Council. Council decides what services it will provide in the future and how much it will cost. The cost is then allocated over the properties in the district.

Rates can change because of improvements to buildings or land values, Council costs, and changes in the services Council provides.

Te whakarite reti
Setting of rates

Rates are set by Council by way of resolution for each financial year, referred to as the Rating Year. These rates will remain in effect for the rating year and will not be affected by a change in the rateable value or factors of a rating unit during the financial year in which the rates are set.

Te Mātātaki o te Pātaka Pārongo Reti
Inspection of Rating Information Database

In accordance with the Local Government (Rating) Act 2002, the District Valuation Roll and Rates Records are available for public inspection at the Council Offices, 26 Gordon Street Dannevirke 4942, between the hours of 8am and 5pm on all business days of the week.

Ngā utu whaipainga mō ngā hanga reti-kore
Utility charges for non-rateable properties

Non-rateable properties are liable for targeted rates and charges for the provision of utility services, such as water, wastewater, and refuse collection.

He tāpaetanga moni kohu kotahi
Lump Sum Contribution

Lump sum contributions are not invited in respect of any targeted rate.

Ngā Wāhanga o ngā whenua reti ki te whakarite reti, koia ēnei:

The Categories of rateable land for setting rates are:

Main Categories as defined in Tararua District Plan for setting all rates except for Roading Land Value Differential Rate

Category	Description
Urban	All Rating units in the district situated in the residential and settlement areas as defined in the District Plan other than: (i) Properties included in the Industrial/Commercial category; (ii) Properties used for Industrial/Commercial purposes; or (iii) Farmland (these are rated as rural)
Rural	All rating units in the district situated in the rural areas as defined in the District Plan other than those in the Industrial/Commercial or Urban categories.
Industrial/Commercial	All rating units in the district used exclusively or principally for Industrial or Commercial purposes. This category may be identified as Urban or Rural, as defined in the District Plan and some specified services use this urban or rural identification for further subcategorisation of land liable for the rates. It does not include residential flats or farms. For the avoidance of doubt, it does include postal services and utility operators (being companies, public entities and/or commercial operators) that provide services for such areas as electricity generation or transmission, gas or oil, telecommunications, rail, water, wastewater and stormwater.

Definitions of rating categories for setting Roading Land Value Differential Rate

Subcategories	Description
Residential	Residential land of a domestic type, including investment flats.
Other	Land that is used for assembly halls, educational type uses, health and other medical uses including hospitals, Māori sites including marae and other meeting houses and including Māori burial sites, passive reserves, religious uses including places of worship, sports grounds including racecourses, golf courses and squash courts, vacant land without an obvious use, other uses or where there are multiple uses.
Dairy	All land suitable for all types of supply and stud.
Farming (non-dairy)	All land that is used exclusively, or almost exclusively for horticulture, forest nurseries, pastoral and specialist purposes other than dairy farming. It includes land suitable for uses such as cropping, orchards, market gardening or glasshouses, grazing, or fattening of livestock, land used for aquaculture, deer farming, horse studs, poultry and pigs.
Lifestyle	Land that is used for lifestyle purposes will generally be located in a rural area but the predominant use is for a residence, and if vacant there is the right to build a dwelling. The principal use of the land may be non-economic in the traditional farming sense.
Forestry	All land that is used for forestry, including land either in production or currently available for planting and protected forest areas. It does include Carbon forests however it does not include forest nurseries.
Industrial	All land that is used exclusively, or almost exclusively, for industrial uses including associated retailing, food processing or storage, light and large-scale manufacturing, tank farms and other noxious or dangerous industrial uses, excluding utility assets.
Commercial	All land that is principally used for commercial purposes, it includes accommodation services, entertainment, rest homes, retail and office-type use, parking buildings, service stations and tourist-type attractions.
Mining	All land used for mining and other mineral extraction sites.
Utilities	All Utility infrastructure assets that provide services for such areas as electricity generation or transmission, gas or oil, telecommunications, rail, water, wastewater and stormwater.

Ngā Wāhanga o te Pūnaha Whakaine

Components of the rating system

The Council's rating system is utilised to fund the net cost of operations and programmes outlined in this Long Term Plan.

The following table details the various funding mechanisms Council has in place to fund its expenditure.

Legislation: Local Government (Rating) Act 2002	Rate subject to 30% cap (s21)	Types of rates
S15(1)(a)	Yes	Uniform Annual General Charge
S13(2)(a)	No	General Rate Land Value
		Specified Services Targeted Rate
S16(3)(b) and S16(4)(a)	No	Land Value Rate - Urban
S16(3)(b) and S16(4)(a)	No	Capital Value Rate - Industrial Commercial Urban
S16(3)(b) and S16(4)(a)	No	Capital Value Rate - Industrial Commercial Rural
		Libraries Rate
S16(3)(a) and S16(4)(a)	Yes	Targeted Rate - Libraries
		Swimming Pools Rate
S16(3)(a) and S16(4)(a)	Yes	Targeted Rate - Swimming Pools
		Refuse Targeted Differential Rate
S16(3)(b) and S16(4)(a)	No	Refuse - Rural
S16(3)(b) and S16(4)(a)	No	Refuse - Urban
S16(3)(b) and S16(4)(a)	No	Refuse - Industrial Commercial
		Recycling Targeted Differential Rate
S16(3)(a) and S16(4)(b)	No	Recycling - Rural
S16(3)(a) and S16(4)(b)	No	Recycling - Urban
S16(3)(a) and S16(4)(b)	No	Recycling - Industrial Commercial
		Kerbside Recycling Targeted Rate
S16(3)(b) and S16(4)(a)	Yes	Kerbside Recycling - Urban
S16(3)(b) and S16(4)(a)	Yes	Kerbside Recycling - Industrial Commercial
		Roading
S16(3)(a) and S16(4)(a)	No	Roading Rate - District-wide

Properties to be charged (known as "rating units")	Schedule 2 category (category rated)	Schedule 3 – how it is rated
Rateable properties	n/a	Per rating unit
Rateable properties	n/a	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Capital value
Rateable properties	Situation and use of land	Land value
Rateable properties	n/a	Per rating unit
Rateable properties	n/a	Per rating unit
Rateable and non-rateable properties	Situation, use of land, and provision of service	Per rating unit
Rateable and non-rateable properties	Situation, use of land, and provision of service	Per rating unit
Rateable and non-rateable properties	Situation, use of land, and provision of service	Per rating unit
Rateable properties	Situation and use of land	Per rating unit
Rateable properties	Situation and use of land	Per rating unit
Rateable properties	Situation and use of land	Per rating unit
Rateable and non-rateable properties	Situation, use of land, and provision of service	Separately used or inhabitable parts of a rating unit
Rateable and non-rateable properties	Situation, use of land, and provision of service	Separately used or inhabitable parts of a rating unit
Rateable properties	n/a	Land value

Legislation: Local Government (Rating) Act 2002	Rate subject to 30% cap (s21)	Types of rates
		Roading Rate – Fixed Rate Differential
S16(3)(a) and S16(4)(b)	No	Rural
S16(3)(a) and S16(4)(b)	No	Urban
S16(3)(a) and S16(4)(b)	No	Industrial Commercial
		Roading Land Value Differential Rate
S16(3)(a) and S16(4)(b)	No	Dairy
S16(3)(a) and S16(4)(b)	No	Forestry
S16(3)(a) and S16(4)(b)	No	Farming (non dairy)
S16(3)(a) and S16(4)(b)	No	Industrial
S16(3)(a) and S16(4)(b)	No	Commercial
S16(3)(a) and S16(4)(b)	No	Residential
S16(3)(a) and S16(4)(b)	No	Lifestyle
S16(3)(a) and S16(4)(b)	No	Other
S16(3)(a) and S16(4)(b)	No	Mining
S16(3)(a) and S16(4)(b)	No	Utilities with no Land Value
		Town Centre Refurbishment
S16(3)(b) and S16(4)(a)	Yes	Dannevirke Town Centre Refurbishment Rate
S16(3)(a) and S16(4)(a)	Yes	District Town Centre Refurbishment Rate
		Wastewater
S16(3)(b) and S16(4)(b)	No	Wastewater Targeted Rate - Connected
S16(3)(b) and S16(4)(b)	No	Wastewater Targeted Rate - Available but not connected
S16(3)(b) and S16(4)(a)	No	Wastewater Targeted Rate - Multiple Use
		Educational establishments and multi-unit residential properties
S16(3)(b) and S16(4)(a)	No	Wastewater Targeted Rate
		Stormwater
S16(3)(b) and S16(4)(a)	Yes	Stormwater Targeted Rate
		Water Supply
S16(3)(b) and S16(4)(b)	No	Urban Water Targeted Rate - Connected
S16(3)(b) and S16(4)(b)	No	Urban Water Targeted Rate - Available but not connected
S19(2)(a)	No	Pongaroa Water Targeted Rate
S16(3)(b), S16(4)(a) and S19(2)(b)	No	Volumetric Water Charges - Metered Rates

Properties to be charged (known as "rating units")	Schedule 2 category (category rated)	Schedule 3 – how it is rated
Rateable properties	Situation and use of land	Per rating unit
Rateable properties	Situation and use of land	Per rating unit
Rateable properties	Situation and use of land	Per rating unit
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	Situation and use of land	Land value
Rateable properties	n/a	Per rating unit
Rateable properties	n/a	Per rating unit
Rateable and non-rateable properties	Provision of service	Separately used or inhabitable parts of a rating unit
Rateable and non-rateable properties	Availability of service	Per rating unit
Rateable and non-rateable properties	Provision of service and use of land	The number of water closets or urinals within the rating unit
Rateable and non-rateable properties	Provision of service and use of land	The number of water closets or urinals within the rating unit
Rateable properties	Situation of land	Per rating unit
Rateable and non-rateable properties	Provision of service	Separately used or inhabitable parts of a rating unit
Rateable and non-rateable properties	Availability of service	Per rating unit
Rateable and non-rateable properties	n/a	Per x unit of water
Rateable and non-rateable properties	Situation and provision of service	Per rating unit and per x unit of water

Ko Te Tikanga o Tētahi Wāhanga Whakamahi Takitahi, Tētahi Wāhanga Kua Nohoia o tētahi Wāhanga Inenga

Definition of Separately Used or Inhabitable Part of a Rating Unit

A separately used or inhabitable part of a rating unit includes any part of a rating unit that can be used separately or inhabited by either the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

As a minimum, the land or premises intended to form the separately used or inhabitable part of the rating unit must be capable of actual habitation, or separate use.

Not rated as separately used parts of a rating unit:

- A residential sleep-out or granny flat without independent kitchen facilities
- A hotel/motel/hostel room with or without kitchen facilities
- Individual storage garages/sheds/partitioned areas of a warehouse
- Individual offices/premises of partners in a partnership

Ngā Wāhanga Reti o tētahi Hanga Reti

Rating Parts of a Rating Unit

A rating unit can be split due to the uses such as part commercial and residential, rural land and covenanted land becoming rateable part and non-rateable part.

Ngā Whakawāriutanga Kāinga

Property valuations

Wāriutanga Papa Noho me ngā tohanga Reti

Property Valuation and Rates allocation

The Council sets the total amount of rates required to fund its expenditure based on the budgeted costs included in this 10-year plan. For the majority of its rates, Council uses land value as the basis to distribute the total rates requirement proportionally across all properties in the district.

For industrial and commercial properties Council has moved partly towards capital value based rating.

Property revaluations are performed every three years and Council uses these rating valuations for the purposes of calculating the rates each rating unit is to pay. Council contracts Quotable Value (QV) as its valuation service provider (VSP). The latest revaluation of the district was carried out as at 1 September 2023 and these values have been used for rating purposes for the Long Term Plan.

The rating valuations are intended to provide relative values only and are based on the market value of a property at a particular point in time. It cannot be taken as a market valuation.

Ngā whaipānga o ngā whakawāriutanga reti hou

Effect of new valuations on rates

It is important to note that an increase/decrease in values does not automatically mean that there will be an increase/decrease in rates. It depends on whether the valuation of a rating unit changes more than the average of the group of rating unit values.

Council does not collect extra rates as a result of valuation changes. Council calculates the total rates requirement for the year and then uses land values as the basis to distribute this total. Therefore, a change in the land value of a property will only impact the rates bill of the property to the extent that the change is higher or lower than the average change.

Council rate assessments contain different rates that make up the total amount:

- General Rates (calculated on land value with no differentials);
- Uniform Annual General Charge (set charge); and
- Targeted Rates (uniform charge or value based rate and may have differentials).

Taake Hua me ngā Ratonga

Goods and Services Tax (GST)

All amounts stated in this rating system document are GST inclusive.

Ngā Utu

Fees and charges

Council sets its fees and charges in accordance with the Schedule of Fees and Charges. Any request for additional services not covered in the schedule will be considered based on a recovery of associated cost.

Tūāpapatanga Whakawāriu

Rating Base

Rates are assessed on all rating units as at 30 June of the preceding year. For example the 2024/2025 rates are assessed on rating units at 30 June 2024.

	Rating units in the district	Capital value of the district	Land value of the district
30 June 2024 projection	10,457	9,176,069,940	5,904,687,750

Rating unit projections

30 June 2025 projection	10,537
30 June 2026 projection	10,617
30 June 2027 projection	10,697
30 June 2028 projection	10,777
30 June 2029 projection	10,857
30 June 2030 projection	10,937
30 June 2031 projection	11,017
30 June 2032 projection	11,097
30 June 2033 projection	11,177
30 June 2034 projection	11,257

Te Whakareti a Te Kaunihera

How Council Rates

Ngā momo reti

Types of rates

- General Rates - generally used by the Council to fund activities that are of public benefit and cannot be charged to specific users
- Targeted Rates - a rate set for one or more Council activities. Some targeted rates may have differentials applied.

Reti whānui

General rate

The Council sets a general rate with no differentials, based on the land value of each rating unit. All rateable land within the Tararua District is liable for the general rates. Utilities are not liable for this rate as they do not have a land value.

All activities that are not funded by fees and charges, targeted rates, borrowings or any other income are funded out of the general rates. Please refer to the Revenue and Financing Policy for further details on the activities funded out of the general rates including the UAGC.

Activities	Total Revenue
Animal Management	$34,105
Building Compliance	$629,184
Cemeteries	$318,710
Communication	$356,942
Community Buildings	$708,903
Community Development	$429,191
Compliance & Monitoring	$432,358
Customer Services	$820,234
Democracy	$1,519,092
District & Treasury	$1,986,175
District Planning	$538,211
Economic Development	$315,903
Emergency Management	$247,339
Footpaths	$5,787
Parks and Reserves	$1,611,285
Public Conveniences	$289,238
Waste Management	$622,078
Wastewater	$197,013

Rate in the $ of Land value is 0.00188794

Total revenue collected General Rates for 2024/2025 is $11,061,748

Utu Whānui Rite Ā-Tau

Uniform Annual General Charge

Uniform annual general charge (UAGC) is a specific levy of an equal amount on each rating unit. The UAGC is applied as a fixed amount to every rating unit within the district and does not vary with the value of the rating unit.

It is used as a mechanism to ensure each rating unit contributes a minimum amount of the general rate. Individuals benefit as each has an equal opportunity to access and use the assets and services, and to an extent, many within the community make similar use of the assets and services.

UAGC Rate per rating unit is $633.65

Total revenue collected from Uniform General Charge for 2024/2025 is $5,956,326

The UAGC is set at 26.02% which is within the 30% limit as per the Local Government (Rating) Act, clause 21.

Reti Aronga - Whare Pukapuka

Libraries Targeted Rate

A targeted rate of the Library services provided in the district will be charged on every rating unit in the district as a fixed amount per rating unit.

Rate rating unit is $220.62

Total revenue collected from Libraries Targeted Rate for 2024/2025 is $2,073,801

Reti Aronga – Puna Kaukau

Swimming Pools Targeted Rate

A targeted rate of the Swimming Pools services provided in the district will be charged on every rating unit in the district as a fixed amount per rating unit.

Rate per rating unit is $127.69

Total revenue collected from Swimming Pools Targeted Rate for 2024/2025 is $1,200,275

Reti Aronga Ratonga Whāiti - Tāone

Specified Services Targeted Rate - Urban

A targeted rate for 71% of the Footpath services provided in the district. This rate is assessed on all rating units in the urban category.

Rate in the $ of Land Value is 0.00005450

Total revenue collected from Specified services targeted urban rate for 2024/2025 is $42,145

Reti Aronga Ratonga Whāiti – Ahumahi Arumoni Tuawhenua

Specified Services Targeted Rate - Industrial Commercial - Rural

A targeted rate for 20% of Economic Development services provided in the district.

This rate is assessed on all rating units in the industrial/commercial rural categories.

Rate in the $ of Capital Value is 0.00086744

Total revenue collected from Specified services targeted Industrial Commercial - Rural rate for 2024/2025 is $243,002

Reti Aronga Ratonga Whāiti – Ahumahi Arumoni Tāone

Specified Services Targeted Rate - Industrial Commercial - Urban

A targeted rate for 40% of Economic Development and 14% of Footpath net cost. This rate is assessed on all rating units in the industrial/commercial urban categories.

Rate in the $ of Capital Value is 0.00114390

Total revenue collected from Specified services targeted Industrial Commercial - Urban rate for 2024/2025 is $494,314

Reti Hangarua

Recycling Rates

Funding for recycling and the public benefit costs are best funded on a basis differentiated between rural, urban, and industrial/ commercial.

The majority of costs will be allocated to the urban sector to reflect the higher use and service levels in urban areas.

The balance of costs will be allocated between rural and industrial/commercial to reflect the waste generated by businesses, and the access to recycling services provided to the rural sector.

The fixed component of recycling will be charged differentially as a fixed amount targeted rate on a basis of approximately 20% rural, 70% urban, and 10% industrial/commercial for the net recycling cost.

Reti panonitanga aronga hangarua

Recycling targeted differential rate

The revenue required to fund the recycling services, less the amount collected from the kerbside recycling targeted differential rate, are collected from this rate on a differential basis to all rating units.

Differential Category	Basis	Differential	Rates per rating unit	Total Revenue
Rural	Rating Unit	20%	68.12	$302,711
Urban	Rating Unit	70%	230.69	$1,044,354
Industrial/Commercial	Rating Unit	10%	330.34	$166,491

Total revenue collected from Recycling targeted Differential Rate for 2024/2025 is $1,513,556

Reti panonitanga aronga hangarua taparori

Kerbside recycling targeted differential rate

This rate funds the cost of the kerbside recycling collection service. This rate is assessed on all rating units that have the kerbside recycling service available (excluding vacant land).

The targeted rate for kerbside recycling will be set on the basis of:

- a fixed amount per separately used or inhabitable part of a rating unit for urban properties where the Council's kerbside collection service is available.
- a fixed amount per separately used or inhabitable part of a rating unit for industrial commercial properties where the Council's kerbside collection service is available.

For this rate, available means the Council will collect recycling from the kerbside if put out for collection. In addition, where ratepayers elect, and the Council agrees, additional levels of service may be provided. For example, these additional services could be providing more recycling bins or more frequent service.

Category	Rates per SUIP	Total Revenue
Rural	107.86	$464,867
Urban	-	-
Industrial/Commercial	107.86	$45,516

Total revenue collected from Kerbside Recycling targeted Differential Uniform Rate for 2024/2025 is $510,383

Ngā Reti Ara
Roading rates

Mahi Ara – Rohe whānui
Roading – District-wide

A targeted rate in the dollar on the rateable land value of every rating unit in the district to fund the costs of the roading activity, less the amount collected from the fixed rate differential and Land value differential rates. Utilities are not liable for this rate as they do not have a land value.

This is a district-wide rate in the dollar because Roading needs to be managed as a roading network and, on a district-wide basis, progressively throughout the funding year. This is consistent with the policy approach to funding taken by NZ Transport Agency (Council's primary Roading funding source) to fund Roading as a network.

Rate in the $ Land Value is 0.00082928

Total revenue collected from Roading – District Wide Rates for 2024/2025 is $4,858,851

Reti Ara – reti panonitanga toka
Roading rate – fixed rate differential

This rate broadly represents the fixed cost of providing Roading, a cost that is shared by all ratepayers. This essentially treats the differentiated fixed amount targeted rate funding for Roading as a network access charge.

The fixed component of cost ranging from 20% to 25% will be charged differentially as fixed amount targeted rates on a basis of approximately 83% Rural, 13% Urban and 4% Industrial/Commercial.

These proportions closely match the assessed benefits received by each sector from the Roading activity expenditure and reflect the relative land values by sector.

Total revenue collected from Roading – Fixed Rate Differential for 2024/2025 is $1,214,713

Category	Basis	Fixed Differential	Total Revenue
Rural	Rating Unit	227.33	$1,008,212
Urban	Rating Unit	35.68	$157,913
Industrial/commercial	Rating Unit	90.31	$48,589

Reti Ara – Reti Panonitanga Wāriu Whenua

Roading rate – Land Value Differential rate

Heavy vehicles create more wear and tear than light vehicles per trip, with the wear and tear increasing sharply as the average load on an axle increases. The relative effect is measured by the Equivalent Standard Axle (ESA) of a vehicle configuration. This rate applies district-wide.

This rate links the extra costs incurred by Council with the tonnage shifted across local roads, and in turn attribute this tonnage to local properties.

Category	Differential	$ per $1000 land value	Total Revenue
Dairy	1.6	0.41303934	$469,390
Forestry	2.7	1.42672891	$201,167
Farming (non-dairy)	1.3	0.14750443	$455,473
Industrial	2.7	0.71768804	$61,995
Commercial	1.4	0.32574475	$18,978
Residential	1.0	0.02052671	$18,978
Lifestyle	1.2	0.04813584	$18,978
Other	1.5	0.64165332	$18,978
Mining	2.8	1.52434145	$1,265
Utilities with LV=0	0.1	-	-

Total revenue collected from Roading - Land value differential rate for 2024/2025 is $1,265,203

Ngā reti whakapaipaitanga tāone pokapū

Town centre refurbishment rates

Council is funding the town centre refurbishments through two targeted fixed rates.

A lump sum payment option was made available in 2008 for Dannevirke town centre refurbishment. Rating units on which the lump sum was paid in full in 2008/09 do not pay this rate. This option is no longer available for current and new ratepayers.

Because a number of ratepayers had taken up the lump sum paying option the town centre refurbishment rates will be set as follows:

Ngā whakapaipaitanga tāone pokapū o Tāmaki-nui-a-Rua

Dannevirke town centre refurbishments

This rate is for the cost of Dannevirke town centre refurbishment and is assessed on all rating units in the District except those where the ratepayer at the time took up the lump sum paying option in 2008 and paid the rate in full.

Rate per rating unit is $4.90

Total revenue collected from Dannevirke Town Centre Refurbishments rate for 2024/2025 is $32,923

Ngā whakapaipaitanga rohe tāone

District town centre refurbishments

This rate is for the cost of other town centre refurbishment and is assessed on all rating units in the District.

Rate per rating unit is $65.82

Total revenue collected from District Town Centre Refurbishments rate for 2024/2025 is $618,729

Ngā reti wai

Water rates

Ratonga Wai Reti Aronga

Water Supply Targeted Rate

Water Targeted Rate fund the costs of the water supply in the district and is assessed on all rating units either connected, or capable of connection, to the Council's water system.

Tūhono

Connected

A charge for each separately used or inhabitable part of a rating unit that is connected to a Council operated water supply, excluding those that are metered and charged on a volumetric basis.

Whaipainga

Serviceable

50% of the connected rate per rating unit that an ordinary supply of water is available but is not connected to Council operated water supply, excluding those that are metered and charged on a volumetric basis.

By "water is available", it means a rating unit is within 100 metres of Council's water system and could be effectively connected to the water system.

Water Supply – connected	$800.38
Water Supply – serviceable	$400.19

Total revenue collected from Water Supply Targeted rate for 2024/2025 is $4,160,373

Utu Wai Ā-Rōrahi (wai ā-mita)

Volumetric Water Charges (water by metre)

This is collected under Section 16 and 19 of the Local Government (Rating) Act 2002.

Rating units supplied from town water supplies are charged a rate as a fixed amount under Section 16, plus a charge for all water consumed above a certain quantity under Section 19 of the Local Government (Rating) Act 2002.

The standardised charges for water supplied through a meter are:

- A targeted rate per rating unit.
- Plus a charge in excess of 80 cubic metres supplied during each consecutive three-month period per separately used or inhabitable part of a rating unit.

The unit rate per cubic metre in excess of 80 cubic metres per quarter will be set by the Council annually based on the percentage change in the urban water targeted rate compared to the previous year.

Large volume users depicted as consumers using more than 2,000 cubic metres per quarter may be charged at a different rate for water supplied in excess of 80 cubic metres per quarter to other users and such rate will be set by the Council annually.

Rate per rating unit is $800.38

Total revenue collected Rate for 2024/2025 is $508,241

Water Supply –Volumetric

- Extraordinary Users $3.95
- Large Volume users $2.05

Total revenue collected from Volumetric Water Charges (water by meter) for 2024/2025 is $1,370,800

Reti wai - Pongaroa

Pongaroa water rate

The rate funds the Pongaroa Rural Water Supply Scheme. Rating units liable for this rate are those that are connected to Pongaroa Rural Water Supply Scheme. A separate targeted rate applies to each unit of water that is connected to the Pongaroa Rural Supply supplied from this Scheme. One unit is for a maximum of one cubic metre of water (by volume) per day through a 20mm pipe at a gravity fed pressure.

Rate per each unit of water on every 20mm pipe connection is $135.07

Total revenue collected from Pongaroa Water Rate for 2024/2025 is $90,497

Ngā reti Waipara

Wastewater rates

Ngā Reti Aronga Waipara

Wastewater Targeted Rate

The Wastewater Targeted rates fund the wastewater supply thorugh the district except for educational establishments and multi-use residential properties and is assessed on all rating units either connected, or capable of connection, to the Council's wastewater system.

Tūhono

Connected

A charge for each separately used or inhabitable part of a rating unit that is connected to a Council operated wastewater supply.

Whaipainga

Serviceable

50% of the connected rate per rating unit where wastewater is available but is not connected. By "wastewater is available", it means a rating unit is within 100 metres of

Council's wastewater system and could be effectively connected to the wastewater system.

Mahinga Torutoru (utu whareiti)

Multiple Use (Pan charge)

(*Except for educational establishments and multi-use residential properties*)

33% of the full charge, on each water closet/urinal between 4 and 12.

There is no charge for the 13th and subsequent water closets/urinals.

Note: a rating unit used primarily as a residence for one household will be treated as having only one water closet/urinal.

Educational establishments and multi-use residential properties

Educational establishments will be charged a targeted rate on each water closet/urinal connected to the urban wastewater system.

Educational establishments are defined under Schedule 1, Clause 6 of the Local Government (Rating) Act 2002.

A remission policy applies to educational establishments.

Wastewater Supply – connected	$1,024.40
Wastewater Supply – serviceable	$512.20
Wastewater Supply – Multiple Use	$341.43
Wastewater Supply – educational establishments and multi-use residential properties	$1,024.40

Total revenue collected from Wastewater Targeted Rate for 2024/2025 is $5,758,852

Reti Aronga Wai Ua Tāone

Stormwater Targeted Rate

A targeted rate will be charged on every rating unit in the district's stormwater drainage area where the stormwater is collected and disposed of to limit flood damage as a fixed amount per rating unit.

Rate per rating unit is $210.67

Total revenue collected from Stormwater Rate for 2024/2025 is $1,065,696

Wāhanga Utu

Instalments

Rates and charges for the year ending on 30 June 2025 will be assessed in four instalments, which will become due and payable on the following dates:

	Due date	Instalment period
Instalment 1	13 September 2024	1 July 2024 to 30 September 2024
Instalment 2	30 November 2024	1 October 2024 to 31 December 2024
Instalment 3	28 February 2025	1 January 2025 to 31 March 2025
Instalment 4	31 May 2025	1 April 2025 to 30 June 2025

Charges for Water Metered Rates for the year ending on 30 June 2025 will be assessed in four instalments, which will become due and payable on the following dates:

	Meters read	Due date
Instalment 1	1 September 2024	20 October 2024
Instalment 2	1 December 2024	20 January 2025
Instalment 3	1 March 2025	20 April 2025
Instalment 4	1 June 2025	20 July 2025

Ngā Whaina

Penalties

In accordance with Section 57 and 58 of the Local Government (Rating) Act 2002:

A penalty of 10% will be added to each instalment or part thereof “current rates” that are unpaid after the due date for payment on the following dates:

Due date	Current rates penalty date
13 September 2024	17 September 2024
30 November 2024	3 December 2024
28 February 2025	3 March 2025
31 May 2025	3 June 2025

For Water Metered Rates, a penalty of 10% is added to all amounts of rates remaining unpaid a day after the due date, as listed below:

Due date	Water metered rates penalty date
20 October 2024	24 October 2024
20 January 2025	24 January 2025
20 April 2025	24 April 2025
20 July 2025	24 July 2025

Rā whaina reti takamuri

Rates in arrears penalty date

A penalty of 10% will be applied to previous years’ rates assessed before 1 July 2024 that remain unpaid on 14 August 2024, and again on 17 February 2025.

Tauira papanoho pikinga reti tūtohu

Sample properties for proposed rates increase

Proposed rates increases for rural, urban and commercial & industrial properties of different Land Values (LVs).

Urban		Rural		Commercial & Industrial	
Old LV: $32,000 **LV: $77,000**	**$3,354** Difference from this year $382 p/a (12.85%)	Old LV: $95,000 **LV: $149,000**	**$1,890** Difference from this year $104 p/a (5.82%)	Old LV: $20,000 **LV: $30,000**	**$3,829** Difference from this year $337 p/a (9.65%)
Old LV: $67,000 **LV: $117,000**	**$3,471** Difference from this year $362 p/a (11.64%)	Old LV: $405,000 **LV: $510,000**	**$2,758** Difference from this year $108 p/a (4.09%)	Old LV: $28,000 **LV: $45,000**	**$3,845** Difference from this year $383 p/a (11.05%)
Old LV: $52,000 **LV: $110,000**	**$3,770** Difference from this year $491 p/a (14.99%)	Old LV: $ 225,000 **LV: $300,000**	**$2,978** Difference from this year $120 p/a (4.22%)	Old LV: $ 72,000 **LV: $123,000**	**$1,685** Difference from this year $81 p/a (5.05%)
Old LV: $40,000 **LV: $90,000**	**$3,714** Difference from this year $480 p/a (14.83%)	Old LV: $2,150,000 **LV: $2,920,000**	**$9,708** Difference from this year $1,502 p/a (18.30%)	Old LV: $175,000 **LV: $230,000**	**$5,534** Difference from this year $-10 p/a (-0.18%)
Old LV: $102,000 **LV: $165,000**	**$3,918** Difference from this year $464 p/a (13.42%)	Old LV: $1,890,000 **LV: $2,360,000**	**$8,104** Difference from this year $725 p/a (9.82%)	Old LV: $820,000 **LV: $1,070,000**	**$16,393** Difference from this year $-4,021 p/a (-19.70%)
Old LV: $ 165,000 **LV: $300,000**	**$4,300** Difference from this year $593 p/a (15.99%)	Old LV: $6,060,000 **LV: $6,190,000**	**$20,724** Difference from this year $77 p/a (0.37%)	Old LV: $850,000 **LV: $1,060,000**	**$12,589** Difference from this year $-2,320 p/a (-15.56%)
Old LV: $250,000 **LV: $ 390,000**	**$4,551** Difference from this year $544 p/a (13.57%)	Old LV: $10,600,000 **LV: $10,600,000**	**$31,714** Difference from this year $(-3,372) p/a (-9.61%)	Old LV: $830,000 **LV: $910,000**	**$14,878** Difference from this year $-3,394 p/a (-18.58%)

Refer to Council's website to search and view the detailed rates for individual rating assessments.

Te Kaupapa Here Whakamimiti Reti
RATES REMISSION POLICY

Mana tuku

1. Delegated authority

Authority to consider and approve remissions under this Rating Remission Policy is delegated to the Group Manager Corporate and Regulatory Services, Revenue Manager, and Finance Manager.

Kaupapa Here o ngā reti nama

2. Policy on rates remissions

Remission of penalty charges

2.1 Objectives of the Policy:

2.1.1 To enable Council to remit penalties in certain circumstances that it considers to be fair and reasonable to do so.

2.2 Conditions and criteria:

2.2.1 The Council grants to the Group Manager Corporate and Regulatory Services, Revenue Manager, and Finance Manager delegated authority in the following circumstances to approve on receipt of an application the remission of such penalty charges which have been incurred by any ratepayer as a consequence of their payment being received after the due date:

2.2.2 Where the ratepayer has entered into a direct debit arrangement with the Council.

2.2.3 Where there exists a history of regular punctual payment and payment is made within reasonable time of the ratepayer being expected to be aware of the non-payment.

2.2.4 Where a property changes hands (sale or lease) and the new owner/lessee is responsible for an instalment when the original account was issued in the name of the previous owner/lessee.

2.2.5 On compassionate grounds, i.e. where a ratepayer has been ill or in hospital or suffered a family bereavement or tragedy of some type, and has been unable to attend to payment (elderly persons living on their own etc).

2.2.6 Rate account not received where it can be proved a genuine cause exists.

2.2.7 In situations where there are arrears from previous years, negotiation may be entered into over the amount of penalty that is ultimately to be paid on such accounts subject to the proviso that dispensations subsequently granted shall be conditional upon settlement being made of the total account due.

2.2.8 Where the first instalment has been penalised and the ratepayer agrees to pay the total balance of the year's rates at the second instalment.

2.2.9 In such instances where an error has been made on the part of Council staff or arising through error in the general processing which has subsequently resulted in a penalty charge being imposed.

2.2.10 Where ratepayer has entered into arrears repayment agreement, penalties will be remitted from start of agreement to expiry date of agreement not exceeding three years and providing agreement conditions are adhered to.

2.3 And that in implementing this policy the circumstances of each case be taken into consideration on their individual merits and it be conditional upon the full amount of such rates due having been paid.

Ngā Nama Whakakore – QEII Ngā kawenata

3. Remissions – QEII covenants

Objectives of the policy

3.1 To recognise and support the environmental value of such protected areas.

3.2 To acknowledge the non-commercial use of such protected land.

Conditions and criteria

3.3 The extent of the rates remission if approved is to be 100%.

3.4 Applications are to be received in writing requesting rates relief be given to areas protected by the registration of a QEII Open Space Covenant.

3.5 No buildings, dwellings, or batches of any type are to exist or allowed to be erected.

3.6 Pest eradication shall be primarily the responsibility of the owner.

3.7 No portion of the covenanted area is to be developed or utilised in any way for commercial purposes. This includes generating income for maintenance of the covenanted area.

Ngā Nama Whakakore – ngā utu waipara

4. Remissions – school wastewater charges

This remission will be removed effective from 1 July 2025

Objectives

4.1 In recognition that schools may be disproportionately disadvantaged by Council's present "pan charge system" and to ensure schools are more fairly charged for wastewater services based on their staff and student numbers rather than number of connections.

Conditions and criteria

4.2 Schools must meet the definition of an "Educational Establishment" as defined under Schedule 1 para 6(5) of the Local Government (Rating) Act 2002.

4.3 Council will remit wastewater rates, upon submission of application, the amount of which will be arrived at by subtracting the sum of calculation (b) from the sum of calculation (a).

4.4 Calculation (a): Council's standard wastewater charge (based on the number of water closets/urinals).

4.5 Calculation (b): the number of full time equivalent on-site students and staff divided by 20 and multiplied by the Uniform Annual Charge for Wastewater.

4.6 If the sum of calculation (b) is greater than (a) then no remission will accrue.

4.7 The Council calculation, for practical reasons will be assessed as at 1 March each year.

4.8 Annual reapplication is required.

Ngā Nama Whakakore – reti o ngā hākinakina hapori me ētahi atu rōpū whakahaere monihua-kore

5. Remissions – rating of community, sporting, and other non-profit organisations

This remission applies to owners where they meet the following objectives and operate as non-commercial/non-profit/non-business operations. The criteria are assessed as at 1 July for the new rating year.

Objectives of the policy

5.1 To facilitate the ongoing provision of community services that meets the needs of Tararua District residents.

5.2 To facilitate the ongoing provision of recreational opportunities for Tararua District residents.

5.3 Assist the organisation's survival; and

5.4 Make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, and economically disadvantaged people.

Conditions and criteria

5.5 The extent of any remission to any qualifying organisation shall be 100% of the amount of the uniform charges (UAGC, swimming pools and libraries rates, town centre refurbishment rates, stormwater rate, solid waste refuse and recycling targeted differential rates, and targeted differential roading rates) component of its rates.

5.6 The policy will apply to land owned by the Council or owned or leased and occupied by a charitable organisation, which is used exclusively or principally for sporting, recreation, or community purposes, where the charitable organisation is liable for rates.

5.7 The policy will not apply to organisations operated for private pecuniary profit, or which charge commercial tuition fees.

5.8 The policy will not apply to groups or organisations whose primary purpose is to address the needs of adult members (over 18 years) for entertainment or social interaction, or who engage in recreational, sporting, or community services as a secondary purpose only.

5.9 The application for rate remission must be made to the Council prior to the commencement of the rating year; applications received during a rating year will be applicable from the commencement of the following rating year. No applications will be backdated.

5.10 Annual re-application is required.

5.11 Organisations making application should include the following documents in support of their application:

- Statement of objectives;
- Full financial accounts at the most recent balance date;
- Other information as may be requested.

Ngā nama whakakore mō ngā reti taumata hono-kore nō te kaipupuri kotahi

6. Remission for non-contiguous rating units owned by the same owner

Objectives

6.1 To provide relief from uniform charges (UAGC, swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate) for rural land which is non-contiguous, farmed as a single entity and owned by the same owner.

Conditions and criteria

6.2 Rate remission to the extent of the uniform charges (UAGC, swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate) will be given on non-contiguous rating units. The ratepayer will remain liable for at least one uniform charges (UAGC, swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate).

63. The same owner must own the rating units on which remission is to be given.

6.4. The land must be classified as “rural” for differential purposes.

6.5 Only one dwelling may exist among all the rating units.

6.6 Application must be submitted on the required form.

6.7 Land must be used as a single operation.

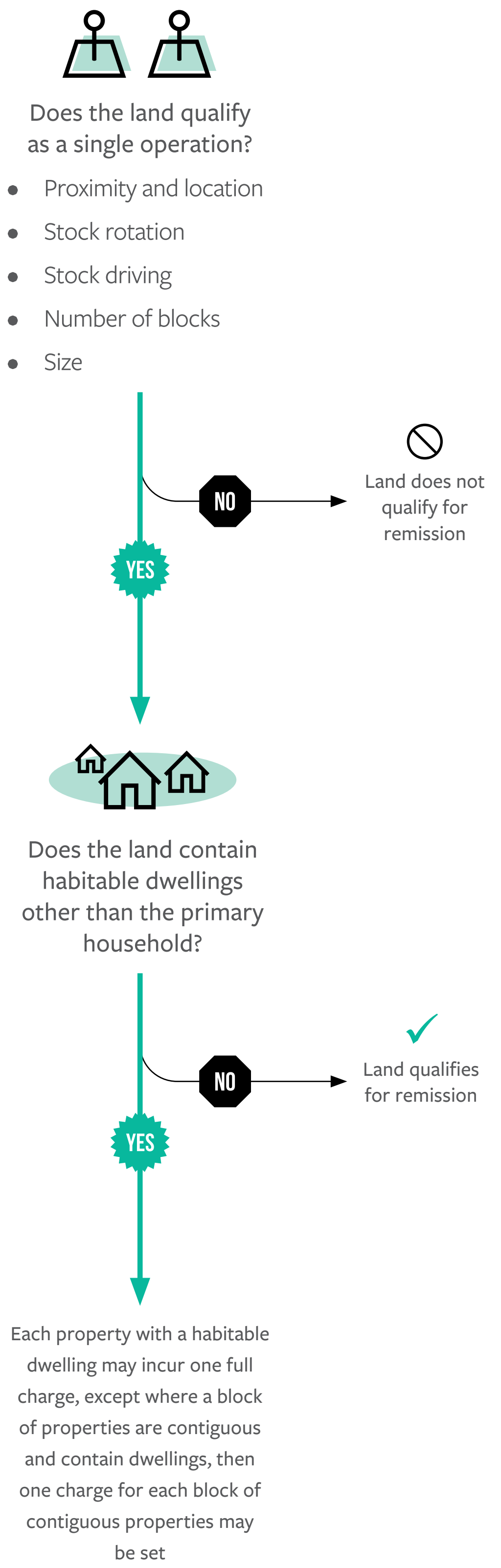
6.8 The remission of the uniform charges (UAGC, swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate) hall begin to apply from the following financial quarter, in which the application is received.

6.9 Refer to the ‘Non-Contiguous Rating Units Owned by the Same Owner Remissions Flowchart’ in this policy for an overview of general guidelines.

6.10 Each application will be considered in line with the general guidelines, however, individual circumstances may vary and could reflect on the final decision.

Remissions flowchart

Non-contiguous rating units owned by the same owner



Ngā nama whakakore mō ngā rīhi

7. Rates remission for leases

Objectives

7.1 To apply a remission of the uniform charges (UAGC, swimming pools and libraries rates, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate) for rural land on a fair and equitable basis to ratepayers where they are paying these charges on another property.

7.2 Section 20 of the Local Government (Rating) Act 2002 provides for two or more rating units to be treated as one unit for setting a rate if the units are:

1. In the same ownership; and
2. Used jointly as a single operation; and
3. Contiguous or separated by a road, railway, drain, water race, river or stream.

7.3 This Policy provides for the possibility of a rates remission where 1 & 3 of the above three conditions are not all met on land classified as rural, but where it is nevertheless considered the rating units would not be treated as separate.

7.4 In particular, this policy would provide a remission for the following ratepayers:

- Where land is leased land from other ratepayers where Section 11 of the Local Government (Rating) Act 2002 is met and is used jointly as a single unit.
- Where land is leased from Māori Trustees where the term of the lease is more than three years but less than 10years thus not meeting Section 11 and is used jointly as a single unit.
- Where a ratepayer is maintaining and paying rates on land where the owner is untraceable, i.e. abandoned land, and is used jointly as a single unit.

Conditions and criteria

7.5 Rate remission to the extent of the uniform charges (UAGC, swimming pools and libraries rates, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate) and will be given on contiguous and non-contiguous rating units. The ratepayer will remain liable for at least one uniform charges (UAGC, swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, and targeted differential roading rate) on rating units they own.

7.6 The land must be classified as "rural" for differential purposes.

7.7 Only one dwelling may exist among all the rating units.

7.8 Application must be submitted on the required form and the lease agreement provided to Council.

7.9 The remission of the UAGC shall begin to apply in the following financial quarter, in which the application is received.

7.10 Where the land is considered abandoned the lessee must keep their own rates current – the remission will cease at 30 June if rates are still owing by the lessee at this date.

7.11 The remission will cease at 30 June if the following occurs:

- The rating unit the remission is made in conjunction with is sold or the leased rating unit is sold.
- The lease on the rating unit is cancelled.

7.12 Each application will be considered in line with the general guidelines, however, individual circumstances may vary and could reflect on the final decision.

7.13 The lessee(s) of the rating units will be entered into the Council's rating database and the rates issued to the lessee to enable justification of remissions to the other rating units applied in conjunction with the leased rating units.

Ngā nama whakakore reti mō ngā wāwāhitanga-whenua

8. Rates remission for subdivisions

Objectives

8.1 To support the development and holding of subdivision land for residential and rural lots by remitting uniform charges (UAGC, swimming pools and libraries rates, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, targeted differential roading rate) on unsold development land where each separate lot or title is treated as a separate Rating Unit.

Conditions and criteria

8.2 This remission applies to unsold subdivided land, where as a result of the High Court decision of 20 November 2000 "Neil Construction and others verses North Shore City Council and others", each separate lot or title is treated as a separate Rating Unit, and such land is implied to be not used as a single unit.

8.3 The rating units must have been created in accordance with Council's subdivision development requirements.

8.4 The rating units on which remission is applied must be owned by the same ratepayer.

8.5 The rating units must be vacant land.

8.6 Rate remission to the extent of uniform charges (UAGC, swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, targeted differential roading rate) for unsold subdivided land.

8.7 Remission shall cease for any allotment if any interest in the land is passed by the developer to another party. Remission ceases from the end of the quarter in which the change in title occurs.

8.8 Application must be submitted on the required form and submitted to Council before 30 June.

8.9 The ratepayer will remain liable for at least one UAGC, swimming pools and libraries rates, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, targeted differential roading rate.

8.10 Remissions will not apply to water and wastewater targeted rates.

8.11 Each application will be considered in line with the general guidelines, however, individual circumstances may vary and could reflect on the final decision.

Ngā whakakorenga reti i ngā whenua kua pāngia e te aituā māori

9. Remission of rates on land affected by natural calamity

Objectives of the policy

9.1 To assist ratepayers experiencing financial hardship due to a natural calamity.

Conditions and criteria

Remissions approved under this policy do not set a precedent and will be applied only for each specific event and only to properties affected by the event.

The Council may remit all or part of any rate on any rating unit where the application meets the following criteria:

9.2 Where erosion, subsidence, submersion or other natural calamity has affected the use or occupation of any rating unit; and

9.3 It is applicable for each single event and does not apply to erosion, subsidence etc that may have occurred without a recognised major event; and

9.4 Where the Government has established a reimbursement scheme for rates relief in respect of such properties; or

9.5 The Council can set additional criteria for each event. This is because the criteria may change depending on the nature and severity of the event and available funding at the time. The Council may require financial or other records to be provided as part of the remission approval process.

Ngā whakakorenga reti i ngā whenua kua mahue

10. Remission of rates for abandoned land

Objectives of the policy

10.1 To enable the Council to avoid administration costs where it is unlikely that rates assessed on an abandoned rating unit will ever be collected.

Conditions and criteria

10.2 Where any rating unit meets the definition of abandoned land as prescribed in section 77(1) of the Local Government (Rating) Act 2002 and that land has not been sold using the authority provided in sections 77–83. That all rates owing and future annual rates applied will be remitted on an annual basis until sold or leased.

Ngā whakakorenga nama i hau wai

11. Remission of excess water charges

Property owners are liable for water supplied through the water meter and are responsible for the maintenance of the supply system on their property. However, they may experience a leak or damage to the supply of which they are unaware. Council considers it is reasonable to allow a reduction in charges in these circumstances.

Objectives of the policy

11.1 To standardise procedures to assist ratepayers who have excessive water rates due to a fault (leak) in the internal reticulation serving their rating unit, having acted promptly in remedying the fault.

Conditions and criteria

Council may remit the excess water rates where the application meets the following criteria:

11.2 A remission application must be submitted on the required form; and

11.3 Council is satisfied a leak on the property has caused excessive consumption and is recorded on the water meter; and

11.4 The property owner has taken proactive measures to identify leaks on the property.

11.5 The leak has been repaired within two weeks of being identified (unless evidence is provided that the services of an appropriate repairer could not be obtained within this period); and

11.6 Proof of the leak being repaired has been provided to Council promptly after repair of the leak.

11.7 Remission of up to 100% of the difference between the estimated consumption of the property prior to the leak, as deemed reasonable by Council, and the consumption over and above that estimate.

11.8 Remission is limited to the period where the leak was identified and fixed.

11.9 Each request for remission will be looked at on a case-by-case basis along with any previous request.

Ngā whakakorenga o ngā reti i hanumitia nō te tau reti e whakaea ait e Wāhanga 20 o te Ture Kaunihera (Reti) 2002

12. Remission for rating units merged during the rating year that meets Section 20 of the Local Government (Rating) Act 2002

Objectives

12.1 To provide rates relief to ratepayers of rating units that meet the conditions in (a), (b) and (c) of section 20 of the Local Government (Rating) Act 2002 partway through the financial year.

Conditions and criteria

12.2 The Council will remit all except one of each of the Uniform Annual General Charge (UAGC) and other rates set on a "per rating unit" basis (being the swimming pools and libraries rate, town centre refurbishment rate, stormwater rate, solid waste refuse and recycling targeted differential rate, targeted differential roading rate) in respect of the relevant contiguous rating units so that the relevant contiguous rating units are effectively treated as one rating unit for the purposes of those rates.

12.3 The rating units must meet the conditions specified under section 20 of the Local Government (Rating) Act 2002.

12.4 Application must be submitted on the required form.

12.5 The remission amount will be only of that portion of the relevant remitted rates that has yet to have been invoiced. The remission shall begin to apply from the Instalment period following that in which the application is received (and will not be back-dated to the beginning of the financial year).

12.6 If the application is received in the Instalment 4 period (between 1 April to 30 June in any year), the remission will not be available (but the Council will take the information contained in it into account in respect of the following year).

Kaupapa Here o ngā whakatārewatanga reti

13. Policy on rates postponements

Council does not provide rates postponements.

Kaupapa Here o ngā whakakorenga reti whenua Māori here-kore

14. Policy on remission of rates on Māori freehold land

Māori freehold land is defined in the Local Government (Rating) Act 2002 Sec 5 as land whose beneficial ownership has been determined by Māori Land Court by freehold order. Only land that is subject to such an order may qualify for remission under this policy.

This policy aims to ensure the fair and equitable collection of rates from all sectors of the community recognising that certain Māori owned lands have particular conditions, features, ownership structures, or other circumstances which make it appropriate to provide relief from rates.

Objectives of the policy – refer section 108 (1) (3) (4) (4A) (5) Local Government Act 2002 (LGA 2002)

Schedule 11 LGA 2002 102(4)

14.1 The objectives of this policy is to provide rates relief to Māori Freehold land to recognise, support and take account of:

- The use of the land by the owners for traditional purposes;
- The relationship of Māori and their culture and traditions with their ancestral lands;
- Avoiding further alienation of Māori freehold land;
- Facilitating any wish of the owners to develop the land for economic use;
- The presence of Wāhi Tapu (sacred place, sacred site – a place subject to long-term ritual restrictions on access or use, e.g. a burial ground, a battle site or a place where tapu objects were placed) that may affect the use of the land for other purposes;
- The importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere)
- The importance of the land for community goals relating to:
    - The preservation of the natural character of the coastal environment;
    - The protection of outstanding natural features; and
    - The protection of significant indigenous vegetation and significant habitants of indigenous fauna.
- Matters related to the legal, physical and practical accessibility of the land;
- Land that is in and will continue to be in a natural and undeveloped state.

Conditions and Criteria

14.2 Māori freehold land which is unoccupied qualifies for a 100% rates remission if at least one of the following criteria is met:

14.2.1 Wāhi Tapu is present that may affect the use of the land for other purposes. (A rates remission will be considered on a property, or part of a property, where the use of that property is affected by the presence of Wāhi Tapu).

14.2.2 The site is used for preservation/ protection of character or coastline, has outstanding natural features, significant indigenous vegetation, and habitats of indigenous fauna. Applications under this criterion need to be supported by an existing Department of Conservation or Regional Council Management Plan, or other supporting evidence (e.g. in the Department of Conservation Coastal Management Plan for the area).

14.2.3 The site has accessibility issues – if it is difficult to legally, physically, or practically access a property. Examples of accessibility issues are:

- The property is landlocked by properties owned by other people/ entities.

- Access is legally available by paper road or easement but the road does not exist.
- A road ends or passes a property but a river, ravine, cliff or other impediment prevents practical access.

14.2.4 The site is in a natural and undeveloped state and will continue to remain in such state.

14.2.5 The land is placed under Ngā Whenua Rāhui (conservation covenant).

14.2.6 Where land is in multiple ownership (defined as two or more owners) and the owners cannot be located after reasonable effort, the land has no dwelling and is unoccupied, the rates and penalties may be remitted, if it is considered reasonable in the circumstances to do so.

14.2.7 In some circumstances, i.e. where a deal can be brokered with a third party to bring into production land which was previously unused, the delegated authority may approve a full or partial remission for a specified period (this may be a remission of past rates and penalties to secure the payment of future rates).

14.2.8 Application must be submitted on the required form and submitted to Council before 30 June.

14.2.9 Each application will be considered in line with the general guidelines, however, individual circumstances may vary and could reflect on the final decision.

14.2.10 Where a rating unit for which Council has granted a rates remission is sold, leased, occupied or otherwise disposed of, the rates remission shall be terminated at the 30 June following disposal. If the new ratepayer qualifies for a rates remission under this policy, it will be up to that ratepayer to apply for a rates remission.

14.2.11 Application of this policy can be delegated to Council officers to complete in instances where the owner cannot be found.

14.3 Exclusions

14.3.1 As a general principle, rates will be payable on Māori freehold land where:

a) the land contains a habitable dwelling and is occupied as a permanent residence;

b) the land is leased to an external party;

c) the land is used for the personal use of one of the owners;

d) the land does not have a formal lease, however, the land is occupied.

Kaupapa Here o ngā whakatārewatanga whenua Māori here-kore

15. Policy on postponement of rates on Māori freehold land

Council does not provide postponement of rates on Māori freehold land.

Ngā Tikanga
Definitions

District valuation roll means in relation to a territorial authority, a roll prepared for a district under Section 7 of the Rating Valuations Act 1998 and approved under Section 11 of that Act;

Farmland means a rating unit that is used exclusively or principally for agricultural, horticultural, or pastoral purposes, or for the keeping of bees or poultry or other livestock; and “farming purposes” has a corresponding meaning.

General Rate As per Local Government (Rating) Act 2002 Section 13

A local authority may set a general rate for all rateable land within its district.

(2) A general rate may be set—

(a) at a uniform rate in the dollar of rateable value for all rateable land; or

(b) at different rates in the dollar of rateable value for different categories of rateable land under Section 14.

Industrial or commercial purposes includes any industrial or commercial purposes other than farming purposes.

Māori freehold land means land whose beneficial ownership has been determined by the Māori Land Court by freehold order.

Māori freehold land in multiple ownership means Māori freehold land owned by more than two persons.

Owner means the person who, whether jointly or separately, is seized or possessed of, or entitled to, any estate or interest in land constituting a rating unit.

Rates assessment means the document that gives notice of the ratepayer’s liability to pay rates on a rating unit.

Rates invoice means the document that notifies a ratepayer of the amount of rates that are payable for a rating unit.

Rating information database means the database that is required to be kept by a local authority to:

- record all information required for setting and assessing rates; and
- enable a local authority to communicate with ratepayers; and
- enable members of the public to have reasonable access to the information in the database relating to the calculation of liability for rates.

Rates record means the record maintained by a local authority for each rating unit in its district that clearly shows the amount of the ratepayer’s liability.

Remissions or remitted rates means rates for which the requirement to pay is cancelled.

Rating unit means either:

- one rating unit; or
- part of a rating unit where Council has created divisions for the purpose of remission, application of non-rateable status, or creating separate rating categories; or
- two or more rating units where they must be treated as one unit for setting a rate if those units are:

  (a) owned by the same person or persons; and

  (b) used jointly as a single unit; and

  (c) contiguous or separated only by a road, railway, drain, water race, river, or stream.

Targeted Rates As per Local Government (Rating) Act 2002 Section 16:

(1) A local authority may set a targeted rate for a function if the function is identified in its annual plan as a function for which a targeted rate may be set.

(2) Subsection (1) does not prevent a local authority from setting a targeted rate for several functions, or setting several targeted rates for one function.

(3) A targeted rate may be set in relation to—

(a) all rateable land within the local authority's district; or

(b) one or more categories of rateable land under Section 17.

(4) A targeted rate may be set—

(a) on a uniform basis for all rateable land in respect of which the rate is set; or

(b) differentially for different categories of rateable land under Section 17.

Uniform Annual General Charge Local Government (Rating) Act 2002 Section 15 Uniform annual general charge—

(1) A local authority may set a uniform annual general charge for all rateable land within its district, being—

(a) a fixed amount per rating unit; or

(b) a fixed amount per separately used or inhabitable part of a rating unit.

(2) A uniform annual general charge is a rate for the purposes of this Act.

Kaupapa Here Kaitohutohu Kaupapa Moni Whakahaere Tūraru

Treasury Risk Management Policy

Including Liability Management and Investment Policies

Kaupapa Here Kaitohutohu Kaupapa Moni Whakahaere Tūraru
TREASURY RISK MANAGEMENT POLICY

197 1.0. INTRODUCTION *WHAKATAKI*

197 1.1. Policy purpose Te *Pūtake o te Kaupapa Here*

198 2.0 SCOPE AND OBJECTIVES *TIRO WHĀNUI ME NGĀ WHĀINGA*

198 2.1. Scope *Tiro Whānui*

198 2.2. Treasury management objectives *Ngā whāinga whakahaere Kaitohutohu Kaupapa Rawa*

198 2.3. General Policy Objectives *Ngā Whāinga Kaupapa Here Whānui*

199 3.0 GOVERNANCE AND MANAGEMENT RESPONSIBILITIES *WHAKAHAERE ME TE KĀHUI WHAKAHAERE*

199 3.1. Overview of management structure *He tirohanga whānui o te anga whakahaere*

200 4.0 LIABILITY MANAGEMENT POLICY *KAUPAPA HERE WHAKAHAERE TAUNAHA*

200 4.1. Introduction *Whakataki*

200 4.2. Borrowing Limits *Ngā Here Mino*

201 4.3. Borrowing mechanisms *Ngā tukanga mino*

201 4.4. Security *Whakahaumarutanga*

202 4.5. Debt repayment *Utu nama*

202 4.6. Guarantees/contingent liabilities and other financial arrangements *Ngā Oati/Ngā whakapae taunaha me ētahi atu kaupapa ōhanga*

202 4.7. Internal borrowing of special and general reserve funds *Mino motuhake ā-roto o ngā haupū moni me ngā haupū moni kua whakatahaniga*

202 4.8. On-lending to Council Controlled Organisations *Mino-tārua ki Ngā Kaunihera Rōpū Whakahaere*

203 4.9. Capital works funding and debt period *Haupū moni mahinga moni hua me te wā nama*

203 4.10. New Zealand Local Government Funding Agency Limited *Te Umanga Haupū Moni Kaunihera o Aotearoa*

203 4.11. Departures from Policy *Te Whakataha Kaupapa Here Ā-Roto*

204 5.0 INVESTMENT POLICY AND LIMITS *NGĀ KAUPAPA HERE ME NGĀ TAPENGA*

204 5.1. Introduction *Whakataki*

204 5.2. Objectives *Ngā Whāinga*

204 5.3. Acquisition of new investments *Te mauhanga o ngā whakangao hou*

205 5.4. Investment mix *Ngā tūmomo whakangao*

206 5.5. Loan Advances *Ngā Pūtea Taurewa Tōmua*

206 5.6. Investment management and reporting procedures *Ngā hātepe rīpoata me te whakahaere whakangao*

206 5.7. Departures from Policy *Te Whakataha Kaupapa Here Ā-Roto*

207 6.0 RISK RECOGNITION/IDENTIFICATION/MANAGEMENT *TE ĀHUKAHUKA TŪRARU/TŪHURA/WHAKAHAERE*

- **207** 6.1. Interest rate risk *Tūrarutanga pāpātanga itareti*
- **210** 6.2. Liquidity risk/funding risk *Tūrarutanga māngohe / Tūrarutanga haupū moni*
- **211** 6.3. Counterparty credit risk *Tūrarutanga pātitohe nama*
- **211** 6.4. Foreign currency *Moni tauwhenua*
- **212** 6.5. Operational risk *Tūrarutanga whakahaeretanga*
- **212** 6.6. Legal risk *Tūrarutanga ture*

213 7.0 MEASURING TREASURY PERFORMANCE *TE WHAKAINE MAHI A TE KAITOHUTOHU KAUPAPA RAWA*

214 8.0 CASH MANAGEMENT *TE WHAKAHAERE UKAUKA*

214 9.0 REPORTING TE *MAHI RĪPOATA*

215 10.0 POLICY REVIEW *TĀTARINGA KAUPAPA HERE*

HE WHAKATAKINGA
1.0 INTRODUCTION

Te Pūtake o te Kaupapa Here
1.1 Policy purpose

The purpose of the Treasury Risk Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Tararua District Council ("Council"). The formalisation of such policies and procedures will enable Council's treasury risks to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within Council continue to be well managed. In addition, regular reviews will be conducted to test the existing Policy against the following criteria:

- Industry "best practices" for a similar sized Council.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on Council's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operations of a pro-active treasury function in an environment of control and compliance.
- The robustness of the Policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Enable Council to achieve its strategic objectives in the LTP.

It is intended that the Policy be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

TIRO WHĀNUI ME NGĀ WHĀINGA
2.0 SCOPE AND OBJECTIVES

Tiro Whānui
2.1 Scope

- This document identifies the policy and objectives of Council in respect of treasury management activities.
- The Policy has not been prepared to cover other aspects of Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Council cover these matters.

Ngā whāinga whakahaere Kaitohutohu Kaupapa Rawa
2.2 Treasury management objectives

The objective of this Policy is to control and manage costs and investment returns that can influence operational budgets, public equity and set debt levels.

All external borrowing, investments, incidental financial arrangements (e.g. use of interest rate hedging financial instruments) and treasury management will meet requirements of:

- Local Government Act 2002, in particular Part 6 including sections 101,102,104, 105, 112 and 116.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
- Trusts Act 2019 (effective 30 January 2021). Details of relevant sections can be found in the Trusts Act 2019 Part 4 Investments. When acting as a trustee or investing money on behalf of others, trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others.
- The Liability Management Policy and the Investment Policy as outlined within this document.

Ngā Whāinga Kaupapa Here Whānui
2.3 General Policy Objectives

Objective	Applicable Policy Statements
To prudently manage Council's liability management and/investment policies (Treasury Risk Management Policy), and all identified treasury risks within policy limits and parameters	4.0/5.0/6.0
Manage costs and risks in the management of Council's borrowing through flexibility and spread of debt maturities	6.2
Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements	6.2/8.0
Develop and maintain relationships with financial institutions, the LGFA, and Trustee	4.0/5.0
Ensure adequate internal controls exist to protect Councils financial assets, mitigate against financial loss, opportunity cost and other inefficiencies	3.0/6.5
Ensure compliance with all risk control limits, financial ratios, and external lender requirements	4.2/6.0/6.6
Monitor and report on treasury performance, financial covenants, and security arrangements within the Policy	7.0/9.0

NGĀ KAWATAU WHAKAHAERE ME TE KĀHUI WHAKAHAERE
3.0 GOVERNANCE AND MANAGEMENT RESPONSIBILITIES

He tirohanga whānui o te anga whakahaere
3.1 Overview of management structure

Policy statements

Council will ensure effective controls over treasury management and segregation of duties controls are in place.

Council may, by way of a resolution, depart from the Treasury policy where it considers that the departure would advance the broader well-being of the district or other policy objectives.

Detailed management positional responsibilities are outlined within the treasury procedures manual.

All management delegated limits are authorised by the CEO.

KAUPAPA HERE WHAKAHAERE TAUNAHA
4.0 LIABILITY MANAGEMENT POLICY

Whakataki
4.1 Introduction

Council's liabilities comprise of borrowings and various other liabilities. Council maintains borrowings in order to:

- Raise specific debt associated with projects and capital expenditures.
- Raise finance leases for fixed asset purchases.
- Fund assets whose useful lives extend over several generations of ratepayers.

Ngā Here Mino
4.2 Borrowing Limits

Policy statement

Council will manage its debt in accordance to Council's borrowing limits and external lender financial covenants.

Debt will be managed within the following limits:

Item	Council Borrowing Limit	LGFA Covenants
Net debt as a percentage of total revenue	<175%	< 175%
Net Interest on external debt as a percentage of total revenue	<10%	<20%
Net Interest on external debt as a percentage of annual rates income (debt secured under debenture)	<15%	<30%
Liquidity (External debt + unutilised committed debt facilities + cash and cash equivalents to existing external debt)	>110%	>110%

- Total Revenue is defined as cash earnings from rates, government capital grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net external debt is defined as total external debt less cash investments.
- Liquidity is defined as external debt plus unutilised committed debt facilities plus cash and cash equivalent divided by existing external debt. The liquidity ratio excludes encumbered cash investments, such as cash held within trust funds. It also excludes cash held for the prefunding for upcoming debt maturities. For liquidity purposes, cash/cash equivalents are defined as being:
  - Overnight bank cash deposits
  - Wholesale/retail bank term deposits no greater than 30 days
  - Bank issued RCDs less than 181 days.
- Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

- Financial covenants are measured on Council only not consolidated group. Council borrows from creditworthy banks that have a long-term credit rating by S&P (or equivalent) of A or better.
- Disaster recovery requirements are to be met through the liquidity ratio.
- In approving new external debt, Council considers the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP and Financial Strategy.

Ngā tukanga mino
4.3 Borrowing mechanisms

Policy statement

New external borrowings and refinancing existing external debt should be evaluated for cost effectiveness and compliance with policies.

Council is able to externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, the LGFA, accessing the short and long-term wholesale/retail debt capital markets directly or internal borrowing of reserve and special funds.

Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with the LGFA, and financial institutions.

Whakahaumarutanga
4.4 Security

Policy statement

Council offers a Debenture Trust Deed on the security arrangement for its external borrowing and risk management activities.

Council assets may be pledged as security where it is advantageous and cost effective to do so.

Council's external borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act. The security offered by Council ranks equally or pari passu with other lenders.

From time to time, and with Council approval, security may be offered by providing a charge over one or more of Councils assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance).
- Council considers a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the Deed of Charge.

Utu nama
4.5 Debt repayment

Policy statement

Debt will be repaid as it falls due in accordance with the applicable loan agreement.

Subject to the debt limits in section 4.2, a loan may be rolled over or re-negotiated as and when appropriate.

Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

Ngā Oati/Ngā whakapae taunaha me ētahi atu kaupapa ōhanga
4.6 Guarantees/contingent liabilities and other financial arrangements

Policy statement

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council Controlled Trading Organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed NZ$1 million in aggregate.

Guarantees provided will have to be approved by Council and reported on quarterly.

Mino motuhake ā-roto o ngā haupū moni me ngā haupū moni kua whakatahaniga
4.7 Internal borrowing of special and general reserve funds

Policy statement

Council may authorise use of special funds to reduce the requirement for external debt where there is financial benefit to borrow internally.

Council may authorise the funding of capital expenditure with existing special and general reserve funds. Accordingly Council will maintain its funds in short term maturities emphasising counterparty credit worthiness and liquidity. Any internal borrowing of special funds used must be reimbursed for interest revenue lost. Interest on internally-funded loans is charged annually in arrears, on year-end loan balances.

Mino-tārua ki Ngā Kaunihera Rōpū Whakahaere
4.8 On-lending to Council Controlled Organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any on-lending arrangement to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the GM, Corporate & Regulatory considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All on-lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by Council's independent legal counsel.

Haupū moni mahinga moni hua me te wā nama

4.9 Capital works funding and debt period

Policy statement

Capital works will be funded through raising new debt or by utilising depreciation reserves when such reserves exist for the classes of assets.

The use of long-term loan funds will be restricted to capital items only.

Capital works will be funded through raising new debt or by utilising depreciation reserves where such exist for the classes of assets.

Term debt greater than one year will not be used to fund annual operational expenditure.

Te Umanga Haupū Moni Kaunihera o Aotearoa

4.10 New Zealand Local Government Funding Agency Limited

Despite anything earlier in the Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

a. Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA in the form of Borrower Notes;

b. Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

c. (Commit to contribution additional equity (or subordinated debt) to the LGFA if required;

d. (Subscribe for shares and uncalled capital in the LGFA; and

e. Secure its borrowing from the LGFA, and the performance of the other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

Te Whakataha Kaupapa Here Ā-Roto

4.11 Departures from Policy

The Council may, in its discretion, depart from the Liability Management Policy where is considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an external debt instrument under this provision shall note that it departs from the Council's ordinary policy and the reasons justifying that departure.

NGĀ KAUPAPA HERE ME NGĀ TAPENGA
5.0 INVESTMENT POLICY AND LIMITS

Policy statements

The Council may hold financial, property, forestry, and equity investments if there are strategic, economic or other valid reasons.

The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.

Whakataki
5.1 Introduction

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.

Specific purposes for maintaining investments include:

- For strategic purposes consistent with Council's Long Term Plan and Annual Plans;
- To reduce the current ratepayer burden;
- The retention of vested land;
- Holding short term investments for working capital requirements;
- Provide ready cash in the event of a natural disaster. Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves;
- Invest proceeds from the sale of assets.

Ngā Whāinga
5.2 Objectives

In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/ return is always applied within the confines of this Policy. Accordingly, only approved credit worthy counterparties are acceptable. The Council will act effectively and appropriately to:

- Protect the Council's investments and ensure they are risk averse and secure.
- Ensure the investments benefit the Council's ratepayers.
- Maintain a prudent level of liquidity and flexibility to meet both planned and reasonably unforeseen cash requirements.

Te mauhanga o ngā whakangao hou
5.3 Acquisition of new investments

With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The authority to acquire financial investments is delegated to the GM, Corporate & Regulatory.

Ngā tūmomo whakangao
5.4 Investment mix

Council maintains the following mix of investments:

5.4.1 Equity investments

Equity investments includes investments held in CCO/CCTO and other shareholdings.

Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment.

Any purchase or disposition of equity investments requires Council approval.

Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment.

Council recognises that there are risks associated with holding equity investments and to minimise these risks, Council monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

5.4.1.1 New Zealand Local Government Funding Agency Limited

Despite anything earlier in this Investment Policy, the Council may invest in shares and other financial instruments of the LGFA, and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

a. Obtain a return on the investment; and

b. Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

5.4.2 Property investments

Property investments includes all land and buildings.

Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council.

Council reviews the performance of its property investments on a regular basis. Properties for sale are to be marketed in accordance with statutory requirement.

5.4.3 Forestry investments

Forestry assets are held as long term investments on the basis of net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs.

Any disposition of these investments requires Council approval. The proceeds from forestry disposition are used firstly to repay related borrowings and then included in the relevant reserves.

5.4.4 Financial investments

Objectives

Council may invest in approved financial instruments as set out in section 6.1.2. These investments are aligned with Council's objective of investing in high credit quality (as covered in section 6.3) and highly liquid assets.

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.

Special funds and reserve funds

Council holds special and reserve funds for specific Council objectives. Liquid cash investments are required to be held against special funds and reserve funds unless otherwise approved by Council for internal borrowing.

Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the trust, therefore these funds are excluded from Council's liquidity ratio. If the Trusts investment policy is not specified then this policy should apply.

Ngā Pūtea Taurewa Tōmua
5.5 Loan Advances

Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic purposes only. New loan advances are by Council resolution only.

Council does not lend money, or provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable to the CCO or CCTO than those that would apply if Council were borrowing the money or obtaining the financial accommodation. Further Council will not transact with a CCTO on terms more favourable than that of Council if Council, was not providing rates as security.

Council will assess risk, and reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Ngā hātepe rīpoata me te whakahaere whakangao
5.6 Investment management and reporting procedures

To maintain liquidity, Council's short and long-term investment maturities are matched with Council's known cash flow requirements.

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed.

Te Whakataha Kaupapa Here Ā-Roto
5.7 Departures from Policy

The Council may, in its discretion, depart from the Investment Policy where is considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an investment under this provision shall note that it departs from the Council's policy and the reasons justifying that departure.

TE ĀHUKAHUKA TŪRARU/TŪHURA/ WHAKAHAERE
6.0 RISK RECOGNITION/ IDENTIFICATION/MANAGEMENT

Policy statements

Total amount of debt should be spread across a range of maturity dates.

Variable or floating rate debt compared to fixed rate debt is managed over the long term debt forecast within prescribed minimum and maximum fixed rate limits.

Incidental arrangements or hedging instruments can be used in the management of wholesale market interest rate exposure, but should not increase but manage Council's overall risk.

Council's portfolio shall be arranged to provide, at all times, sufficient funds for planned expenditure and to allow for payment of its obligations as they fall due.

The risk of default in respect to any individual investment will be minimised by the selection of creditworthy investments.

The definition and recognition of liquidity, funding, investment, interest rate, counterparty credit, operational and legal risk of Council is detailed below and applies to both the Liability Management Policy and Investment Policy.

Tūrarutanga pāpātanga itareti
6.1 Interest rate risk

6.1.1 Risk recognition

Interest rate risk on borrowing, is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed projections included in the LTP and Annual Plan, so as to adversely impact cost control and capital investment decisions/ returns/feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of wholesale interest costs. Certainty around funding costs is to be achieved through the active management of underlying interest rate exposures.

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and debt facilities (short term and long term debt facilities) Uncommitted money market facilities Retail and Wholesale Bond and Floating Rate Note (FRN) issuance Committed standby facilities offered by the LGFA Commercial paper (CP)/Promissory notes Bank term deposits linked to pre-funding maturing debt up to 18 months
Investments	Call and short term bank deposits Bank registered certificates of deposit (RCDs) LGFA borrower notes/CP/bills
Interest rate risk management	Forward rate agreements (“FRAs”) on: • Bank bills Interest rate swaps/collars including: • Forward start swaps/collars (start date <36 months, unless linked to existing maturing swaps/collars) • Swap extensions and shortenings Interest rate options on: • Bank bills (purchased caps and one for one collars) • Interest rate swaptions (purchased swaptions and one for one collars only)
Foreign exchange management	• Spot foreign exchange • Forward exchange contracts
Liquidity management	• Wholesale/retail bank call and term deposits no greater than 30 days • Bank registered certificates of deposit (RCDs) maturing less than 181 days • Unutilised committed debt facilities

Any other financial instrument must be specifically approved by the Council on a case-by-case basis.

The following investment securities are expressly excluded;

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles

6.1.3 Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's gross forecast external debt should be within the following fixed/floating interest rate risk control limits.

The GM, Corporate & Regulatory can consider alternative debt forecast scenarios that make assumptions around such matters as, the delivery and timing of the capital expenditure programme when designing the interest rate strategy.

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)

Debt Period Ending	Minimum Fixed Rate	Maximum Fixed Rate
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11+	0%	25%

"Fixed Rate" is defined as all known interest rate obligations on gross forecast external debt, including where hedging instruments have fixed movements in the applicable reset rate.

"Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate. Gross forecast external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the GM, Corporate & Regulatory), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the policy minimum and maximum limits.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average gross forecast external debt amounts for the given period (as defined in the table above).

A fixed rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits greater than 90 days requires specific approval by Council.

- Interest rate swap maturity is limited by the maximum offered LGFA bond maturity, beyond this approval is required by Council.
- The forward start period on swaps and collar strategies to be no more than 36 months unless linked to the expiry date of an existing instrument and has a notional amount which is no greater than that of the existing instrument.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity, to the simultaneously purchased option.
- During the term of the option, the sold option can be closed out by itself (i.e. repurchased). The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation (i.e. an ineffective hedge).

6.1.4 Financial investment risk

Council manages short-term cash investment risk ensuring availability and access to financial investments held.

Tūrarutanga māngohe / Tūrarutanga haupū moni
6.2 Liquidity risk/funding risk

6.2.1 Risk recognition

Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

6.2.2 Liquidity/funding risk control limits

- External debt plus unutilised committed debt facilities plus cash and cash equivalents must be maintained at an amount greater than 110% of existing external debt.
- Term deposits linked to prefunding activity are excluded from the liquidity ratio.
- Council can pre-fund up to 18 months forecast debt requirements including new and re-financed debt. Re-financings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.
- The maturity profile of the total committed funding in respect to all external debt and committed debt facilities, is to be controlled by the following system.

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

- A funding maturity profile that is outside the above limits, but self corrects with 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval from Council.
- Once debt has been refinanced with a contracted term deposit (pre-funded), the term deposit amount will net off the maturing debt amount from the funding maturity profile percentage calculation.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a councils LGFA borrowings will mature in a 12 month period.

Tūrarutanga pātitohe nama
6.3. Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.

The following matrix guide will determine limits for financial instruments:

Counterparty/ Issuer	Minimum S&P long term / short term credit rating	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)
NZ Government	N/A	Unlimited	none	Unlimited
Local Government Funding Agency (LGFA)	AA-/A-1	10.0	none	10.0
NZ Registered Bank	A/ A-1	20.0		20.0

Risk management

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. Maturities should be well spread. The approval process must take into account the liquidity of the market and prevailing market conditions the instrument is traded in and repriced from.

Moni tauwhenua
6.4. Foreign currency

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Generally, all individual amounts of NZD100,000 or greater for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved and the currency amount, and timing are known. Both spot and forward foreign exchange contracts can be used by Council.

Council will not hold investments denominated in foreign currency.

Tūrarutanga whakahaeretanga

6.5. Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the phone.
- Operational risk is minimised through the adoption of all requirements of this Policy.

Council's systems of internal controls over treasury activity include adequate segregation of duties among the core treasury functions of deal execution, confirmation, settling and accounting/reporting.

There are a small number of people involved in treasury activity. Accordingly strict segregation of duties is not always achievable.

Detailed operational processes are outlined within the treasury procedures manual.

Tūrarutanga ture

6.6. Legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks.

Council will seek to minimise this risk by adopting policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

6.6.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

Council's legal counsel must sign off on all documentation for new loan borrowings, re-financings and investments.

6.6.2 Financial covenants and other obligations

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

TE WHAKAINE MAHI A TE KAITOHUTOHU KAUPAPA RAWA

7.0 MEASURING TREASURY PERFORMANCE

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis.

Management	Performance
Operational performance	• All policy limits must be complied with, including (but not limited to) counterparty credit limits, control limits and exposure limits. • All treasury deadlines are to be met, including reporting deadlines.
Management of debt and interest rate risk (borrowing costs)	• The actual borrowing cost (taking into consideration any costs/benefits of entering into interest rate management transactions) should be below the budgeted YTD/annual borrowing cost amount. • Actual wholesale interest costs must be benchmarked to market interest rates. The applicable market interest rate is determined by finding the mid-point policy benchmark rate.

TE WHAKAHAERE UKAUKA
8.0 CASH MANAGEMENT

Cash management is the process used for managing cash effectively and efficiently, using Council's short term cash and liquidity resources to sustain its ongoing activities, mobilise funds and optimise liquidity. The most important elements are:-

- The systematic planning, monitoring, and management of Council's cash receipts, payments and bank accounts.
- The gathering and management of information to use available funds effectively and identify funding gaps.
- Optimal usage of transactional banking services to streamline efficiencies of cash payments and receipts.

TE MAHI RĪPOATA
9.0 REPORTING

Council and management reporting on treasury activities is based on comprehensive and regular communication of the following areas to ensure high standards of governance and control:-

- Policy compliance
- Risk/exposure position
- Performance

Council ensures reporting of the Liability and Investment Management Policies is consistent with the requirements of the LGA 2002.

TĀTARINGA KAUPAPA HERE
10.0 POLICY REVIEW

The Policy is to be formally reviewed on a triennial basis, and annually for internal purposes.

The GM, Corporate & Regulatory has the responsibility to prepare the annual review report that is presented to the Council. The report will include:

- Recommendation as to changes, deletions and additions to the Policy.
- Overview of the treasury function in achieving the stated treasury objectives and performance benchmarks.
- Summary of breaches of Policy and one-off approvals outside Policy.
- The Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes.

Policy Owner :	GM, Corporate & Regulatory
Original date :	27 May 2020
Approved by :	Chief Executive
Effective date :	27 May 2020
Next Revision date :	30 September 2026
Last revision date :	June 2023

Kaupapa Here Ahumoni me te Whakawhanaketanga

Financial and Development Contributions Policy

He Whakatakinga
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).

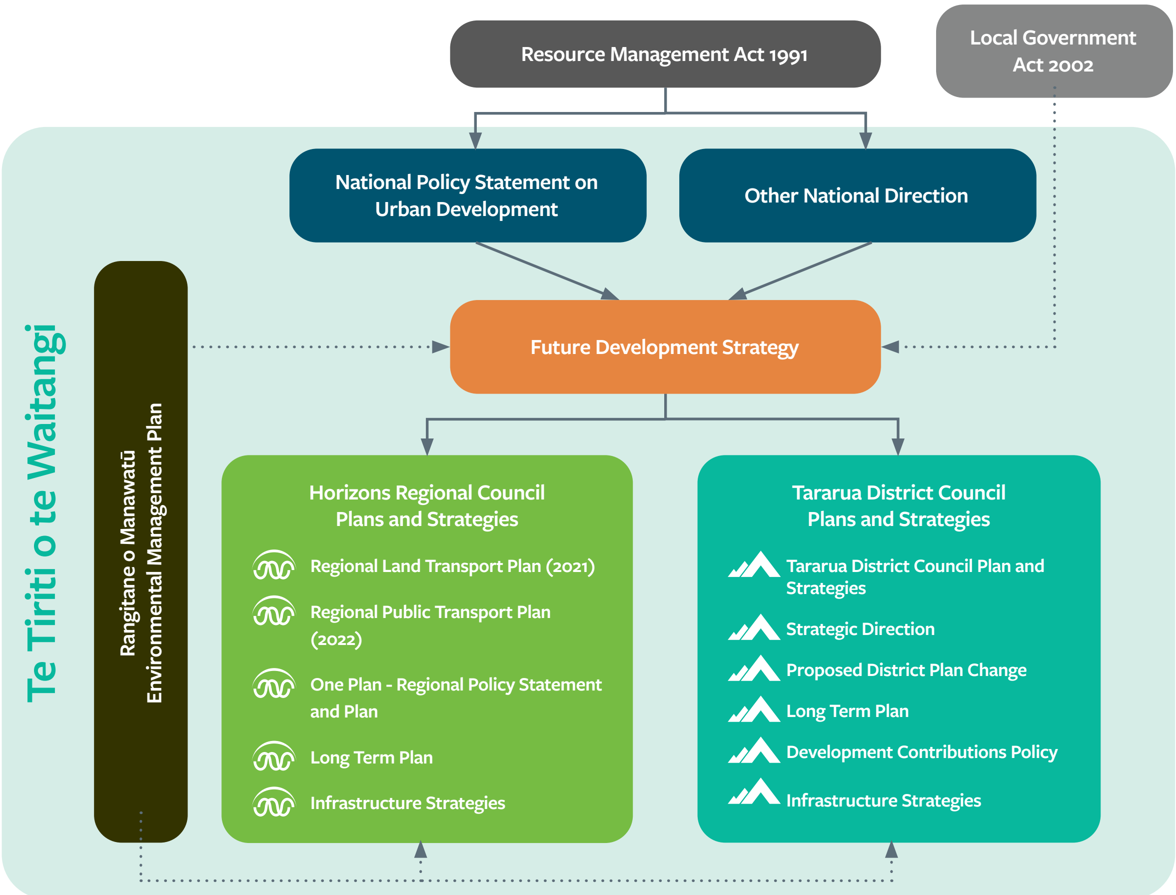
Development Contributions can only be charged to fund the growth-related costs of identified projects. Council cannot charge development for the costs associated with increases in service levels or renewal of existing assets. Council must be able to show that the existing infrastructure does not have 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.

Ngā Tautuhinga Kaupapa Here Kaunihera
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 – Manawatū – 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.

Te Whakawhanake i tētahi Kaupapa Here Whakawhanake Tākohatanga

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.

Ngā tākohatanga pūtea hei āhuatanga o ngā whakaaetanga rawa taiao

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.)

TARARUA
DISTRICT COUNCIL