



**I, Kitea Tipuna, Tumu Whakarae Taupua Interim Chief Executive Officer, hereby
give notice that
Wairoa Youth Council Meeting will be held on:**

Date: Monday, 17 May 2021
Time: 3.30pm
**Location: Council Chamber, Wairoa District Council,
Coronation Square, Wairoa**

AGENDA

Wairoa Youth Council Meeting

17 May 2021

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

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- 1 KARAKIA**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 CHAIRPERSON'S ANNOUNCEMENTS**
- 5 LATE ITEMS OF URGENT BUSINESS**
- 6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 15.1 requests to speak must be made to the Chief Executive Officer at least one clear day before the meeting; however this requirement may be waived by the Chairperson. Requests should also outline the matters that will be addressed by the speaker(s).

7 MINUTES OF THE PREVIOUS MEETING

Ordinary Meeting - 29 March 2021

**MINUTES OF WAIROA DISTRICT COUNCIL
WAIROA YOUTH COUNCIL MEETING
HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA
ON MONDAY, 29 MARCH 2021 AT 3.30PM**

PRESENT: Cr Aries-Clay King, Cr Teancum Scotson, Cr Te Huiariki Tuahine, Cr Daniel Cheiban, Cr Gabrielle Wilson, Cr Jacquin Kawana, Cr José Manuel, Cr Lyric Wesche, Cr Rongomaiwahine Te Rau o Patuwai, Cr Ruby Mildon (arrived at 3.41pm), Cr Te Hira Horua, Cr Trevor Waikawa, His Worship the Mayor Craig Little, Cr Melissa Kaimoana

IN ATTENDANCE: **Kitea Tipuna** (Tumu Whakarae Taupua Interim Chief Executive), **Kimberley Tuapawa** (Pouwhakarae – Pārongo/Wheako Kiritaki Group Manager Information and Customer Experience), **Courtney Hayward** (Kaiurungi Matua Kaupapa Here me te Mana Arahi/Senior Policy and Governance Advisor), **Roz Thomas** (Vision Projects)

1 KARAKIA

Karakia was given by Kitea Tipuna, Tumu Whakarae Taupua Interim Chief Executive

2 APOLOGIES FOR ABSENCE

Nil

APOLOGY

COMMITTEE RESOLUTION 2021/06

Moved: Cr Trevor Waikawa

Seconded: Cr Gabrielle Wilson

That the apology received from His Worship the Mayor Craig Little, Cr Danika Goldsack and Youth Cr Te Hira Horua be accepted and leave of absence granted.

CARRIED

3 DECLARATION OF CONFLICT OF INTEREST

Youth Cr Trevor Waikawa declared a conflict of interest for Items 8.2 and 8.3 and abstained from decision-making for these items.

4 CHAIRPERSON'S ANNOUNCEMENTS

Hastings District Council has contacted Wairoa District Council to discuss the possibility of a shared Hawkes Bay Youth Council meeting. Wairoa District Council staff to follow up.

5 LATE ITEMS OF URGENT BUSINESS

Nil

6 PUBLIC PARTICIPATION

Nil

7 MINUTES OF THE PREVIOUS MEETING**COMMITTEE RESOLUTION 2021/07**

Moved: Cr Daniel Cheiban

Seconded: Cr José Manuel

That the minutes of the Ordinary Meeting held on 22 February 2021 be confirmed.

CARRIED

8 GENERAL ITEMS**8.1 A JOURNEY THROUGH THE LONG-TERM PLAN 2021-31****COMMITTEE RESOLUTION 2021/08**

Moved: Cr Lyric Wesche

Seconded: Cr Rongomaiwahine Te Rau o Patuwai

The Pouwhakarae – Pārongo / Wheako Kiritaki Group Manager Information and Customer Experience RECOMMENDS that Committee receive the report.

The Pouwhakarae – Pārongo / Wheako Kiritaki Group Manager Information and Customer Experience spoke to the report. Cr Cheiban raised questions regarding methods of engagement with the community – the Council Significance and Engagement Document was discussed. Youth Councillors were invited to attend Long-Term Plan Community engagement sessions and encouraged to speak to their peers about the upcoming LTP.

CARRIED

8.2 TE WAIROA E WHANAKE BRIEFING**COMMITTEE RESOLUTION 2021/09**

Moved: Cr Ruby Mildon

Seconded: Cr Te Huiariki Tuahine

The Kaiurungi Matua Kaupapa Here me te Mana Arahī Senior Policy & Governance Advisor RECOMMENDS that Committee receive the report.

Roz Thomas from Vision Projects presented to the Committee about the Te Wairoa E Whanake project

CARRIED

8.3 ECCT YOUTH-LED FUND**COMMITTEE RESOLUTION 2021/10**

Moved: Cr Ruby Mildon

Seconded: Cr Daniel Cheiban

The Kaiurungi Matua Kaupapa Here me te Mana Arahi Senior Policy & Governance Advisor RECOMMENDS that Committee support rangatahi/youth roopu/ individual wishing to make application to ECCT Youth Led Fund, and consider any projects that the Youth Council may wish to facilitate.

The Kaiurungi Matua Kaupapa Here me te Mana Arahi Senior Policy & Governance Advisor spoke to this report. The Committee discussed this fund and taking this information to their takiwa to consider.

CARRIED

The Meeting closed at 4.50pm.

The minutes of this meeting were confirmed at the Wairoa Youth Council Meeting held on 17 May 2021.

.....
CHAIRPERSON

8 GENERAL ITEMS

8.1 RESEARCH INTO A YOUTH POLICY

Author: Courtney Hayward, Kaiurungi Matua Kaupapa Here me te Mana Arahi Senior Policy & Governance Advisor

Authoriser: Kitea Tipuna, Tumu Whakarae Taupua Interim Chief Executive Officer

Appendices: 1. Youth Council Terms of Reference [↓](#)

1. PURPOSE

- 1.1 To seek the Committee's endorsement to begin research and development of a Council Youth Policy.

RECOMMENDATION

The Kaiurungi Matua Kaupapa Here me te Mana Arahi Senior Policy & Governance Advisor RECOMMENDS that Committee endorse research and development of a Council Youth Policy and indicate any key areas of focus.

2. BACKGROUND

- 2.1 The Wairoa Youth Council was established in 2020 to provide Council with a local youth perspective and voice to support the decision-making process at the Local Government level. The Terms of Reference are attached as appendix 1.
- 2.2 The Wairoa District Council does not currently have a Youth Policy.

3. PROCESS

- 3.1 The Youth Council are being asked to **endorse** the development of a Youth Policy. If this policy is endorsed, it will be taken to Council with a background paper to seek **approval** to begin development.
- 3.2 If developing the Youth Policy is approved by Council, the policy will be drafted in line with Youth Council recommendations, national best practice and local youth needs and issues.

4. OPTIONS

- 4.1 The options identified are:
- a. Endorse development of a Youth Policy
 - b. Defer endorsement development of a Youth Policy to a later date
 - c. Status Quo – take no action
- 4.2 The Committee can endorse development of a policy now, request further information and defer any endorsement to a later date, or not endorse development of a Youth Policy which would maintain Status Quo – this would not prevent the Committee from revisiting this item.

5. CORPORATE CONSIDERATIONS**What is the change?**

- 5.1 There is potential for the Youth Policy to influence the way that Council engages with young people in the town. This would be determined if/when a policy is drafted.

What are the key benefits?

- 5.2 A Youth Policy would enhance the way Council responds to locally identified youth needs.
- 5.3 A Youth Policy is a visible way for councils to recognise the important part young people play in the community and the unique contributions they make to community life
- 5.4 A Youth Policy provides a reference point for assessing and responding to the needs of young people in all council decision-making and planning processes

What is the cost?

- 5.5 At this stage, there are no costs associated with development of a Youth Policy

What is the saving?

- 5.6 N/a

Service delivery review

- 5.7 N/a

Maori Standing Committee

- 5.8 This item has not yet been referred to the Māori Standing Committee. The Youth Council is the first committee of Council to receive this report.

6. SIGNIFICANCE

- 6.1 This policy would impact rangatahi in Wairoa.
- 6.2 The Youth Council are being asked to endorse beginning development of this policy, this decision does not trigger the Significance and Engagement Policy as no decision has been made by Council yet.
- 6.3 If a Youth Policy were to be drafted, it would likely require consultation with the community to ensure it reflects the needs and aspirations of young people and the community.

7. RISK MANAGEMENT

- 7.1 In accordance with the Council's Risk Management Policy the inherent risks associated with this matter are:

Human	Financial	Regulatory
Low	Low	Low
Operations	Employees	Image & Reputation

Low	Low	Low
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Who has been consulted?

This is the first time this has been raised with a committee of Council. There is currently no information to consult on, this would be developed if Council recommends development of a Youth Policy.

Further Information

<https://www.myd.govt.nz/resources-and-reports/publications/youth-policy.html>

References (to or from other Committees)

N/a

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Courtney Hayward	Approved by Kitea Tipuna

NGĀ PAEARU MAHI/TERMS OF REFERENCE: WAIROA YOUTH COUNCIL 2021



TE KAUPAPA/PURPOSE

To provide Council with an independent youth voice to support the decision making process at the Local Government level. This voice allows younger Rangatahi to let Council hear their thoughts on the impacts of Councils decisions on their own generation as the future ratepayers of Wairoa.

NGĀ KAWENGA ME NGĀ WHĀINGA/RESPONSIBILITIES AND OBJECTIVES

- To give Wairoa youth a real voice, so that young people can be heard and taken seriously on issues affecting youth, and to promote the development of a dynamic community for the youth of the future.
- To promote the Wairoa Youth Council and the activities it undertakes, and to inform/engage the Wairoa District Council, Wairoa youth, and the general public on issues being dealt with.
- To bring the needs and concerns of young people to the attention of local and central government and to encourage consideration of such issues at a local, regional and national level.
- To assist Wairoa District Council with its planning processes and projects, with a focus on the provision of services and facilities that have a potential impact on young people.
- To identify local youth needs and resources.
- To develop youth leadership skills through experience of representation processes, local government and civic activities.
- Ensure that the work of the Youth Council is carried out in a manner that enhances the social, economic, cultural, and environmental wellbeing of the Wairoa district.
- In accordance with the work programme agreed to by Wairoa District Council, developing strategy and policy to recommend to Wairoa District Council.
- Comply with these responsibilities and objectives and those set out in Appendix A → Role Descriptions Wairoa Youth Council.
- To encourage more youth engagement in the civic process.

NGĀ TUKANGA ME TE MAHI/PROCEDURES AND OPERATION

- The Wairoa Youth Council will meet every six weeks from February to December, and as required.
- Wairoa District Council will provide the administrative and secretarial requirements for the Wairoa Youth Council.
- Agenda items for each Youth Council agenda will be determined with consultation between the Wairoa District Council Liaison Officer and the Chairperson of the Youth Council. This finalised agenda will be distributed one week prior to the scheduled meeting.
- The Wairoa Youth Council will report to the Wairoa District Council.

- The Chairperson (and deputy) of the Youth Council will be determined by vote of members of the Wairoa Youth Council.
- Support will be provided by Wairoa District Councillors and Wairoa District Council Staff
- Wairoa Youth Council acknowledges that it has a responsibility to take into account the principles of the Treaty of Waitangi. These responsibilities include maintaining and improving opportunities for Rangatahi/Māori youth to contribute to local government decision-making processes.
- Minutes are submitted to Wairoa District Council for receipt.
- There will be an appropriate induction for new members of the Youth Council.
- Comply with Appendix B → Wairoa Youth Council Code of Conduct, the Wairoa District Council's Code of Conduct, and the Wairoa District Council's Standing Orders.

NGĀ MEMATANGA/MEMBERSHIP

The Wairoa Youth Council will be comprised of representatives of the following localities:

- Two members from the Wairoa Township
- One member from each of the following localities:
 - North Clyde (Township North)
 - Raupunga/Mohaka (Southern Wairoa)
 - Frasertown/Te Reinga (Northern Wairoa)
 - Tuai/Waikaremoana (Lakes)
 - Iwitea/Whakakī (Eastern Wairoa)
 - Nūhaka/Mōrere
 - Mahia

PLUS one elected member from the Wairoa District Council AND His Worship the Mayor as ex officio.

Other members may be co-opted, as appropriate (e.g. tourism, education, and digital) at the discretion of the Wairoa District Council.

- Members must be aged between 16 and 25 years of age and live within the boundaries of the Wairoa District.
- The call for applications for will be made in October 2020, successful candidates will be appointed by February of the next calendar year.
- Potential candidates can apply or be put forward as a result of consultation with local community groups, Iwi, Hapu, Council and other community stakeholders.
- The selection panel consisting of His Worship the Mayor two Elected Councillors, and the Wairoa District Council Chief Executive will on the advice of the Wairoa District Council Governance Team select the candidates to become Wairoa Youth Councillors.
- Further information can be found in Appendix C → Recruitment and selection process.
- Wairoa District Council staff members are not eligible to sit on the Wairoa Youth Council.
- Should all locality vacancies not be filled for any reason, the Wairoa District Council may use its discretionary power to appoint a representative to fill the vacancy on the Youth Council.

TE WĀHANGA O TE KOPOUNGA/TERM OF APPOINTMENT

- 1- Members are appointed to the Youth Council for a twelve month, renewable term
- 2- Members can re-apply at the end of each term and consideration will be given to those with ongoing commitment with the Youth Council.
- 3- If for any reason a vacancy becomes available throughout the term, a new member may, at the discretion of the Wairoa District Council be appointed to join for the remainder of the Youth Councils tenure.

TE KŌRAMA/QUORUM

Five Youth Council members PLUS one Wairoa District Council Elected Member must be in attendance for a quorum.

TE HĪKINA/REMOVAL

Members will take an active part in meetings and/or workshops. Youth Councillors are expected to put in their apologies if they are unable to attend a meeting.

- If a member is absent from three meetings, without providing apologies, then membership may be terminated, unless the Youth Council resolves otherwise.
- In the event of a Youth Councillor failing to observe the Wairoa District Council Standing Orders, Wairoa District Council Code of Conduct, the Wairoa Youth Council Code of Conduct, or if a concern or complaint is received about a Youth Councillor, Wairoa District Council may remove the Youth Councillor from membership. Where relevant, this will be done in consultation with the representative and organisation involved. All concerns and/or complaints must be received in writing by the Wairoa District Council Group Manager Community and Engagement.

NGĀ TUKU MANA/DELEGATIONS

Power to co-opt other members as appropriate.

All powers necessary to perform the Committee's responsibilities except:

- a. Powers that Council cannot lawfully delegate under the Local Government Act 2002.
- b. Where the Committee's responsibility is limited to making a recommendation only.
- c. Approval of expenditure not contained within approved budgets.
- d. The approval of final policy.
- e. Deciding significant matters for which there is high public interest and which are controversial
- f. The commissioning of reports on new policy where that policy programme of work has not been approved by the Council
- g. Establishing subcommittees
- h. Delegating the Committee's responsibilities, duties or powers

TE AROTAKE/REVIEW

The Terms of Reference will be reviewed after a twelve month trial period, and then on an annual basis.

8.2 LTP CONSULTATION

Author: Courtney Hayward, Kaiurungi Matua Kaupapa Here me te Mana Arahi Senior Policy & Governance Advisor

Authoriser: Kitea Tipuna, Tumu Whakarae Taupua Interim Chief Executive Officer

Appendices: 1. Consultation Document [↓](#)
2. Feedback Booklet [↓](#)

1. PURPOSE

1.1 To brief the Youth Council on Long-Term Plan 2021-31 Consultation.

RECOMMENDATION



The Kaiurungi Matua Kaupapa Here me te Mana Arahi Senior Policy & Governance Advisor RECOMMENDS that Committee receives the report.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.


Signatories

	
Author Courtney Hayward	Approved by Kitea Tipuna

LEVELS OF SERVICE

OUR INVITATION TO HAVE YOUR SAY

LONG TERM PLAN 2021-2031
CONSULTATION



LONG TERM PLAN 2021-2031

CONSULTATION

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Council is now consulting with its community on the Long Term Plan 2021-31. *Now is your opportunity* to tell us what matters to you and how you would like our district to look over the next 10 years.


Every three years Council develops a Long Term Plan which describes its activities and the community outcomes it hopes to achieve over the next decade. The 2021-31 Long Term Plan consultation will focus on *Levels of Service* and what is important to our community. This is your chance to tell us how and where Council should spend its money.

We want our community to have meaningful input into the 10 year vision while understanding what it

costs to run the district, and how, by changing where the dollars are spent, that can affect the services we deliver.

Our consultation will take a *Levels of Service* scenario-based approach where members of the community will be able to choose from a sample of services whether to spend more, the same, or less, and see how that decision impacts on cost, rates, risk and debt.

Consultation will include community meetings and a chance to make submissions. We welcome your involvement in this process as we face the challenges and build our community's future together.



NAU MAI | WELCOME

Tēnā tātau. Nau mai ki tā tātau Mahere Pae Tawhiti 2021-2031. Welcome to the Wairoa District Council's 2021-2031 Long Term Plan Consultation Document.

We invite you to join us on the journey as we engage with you on the activities and services we plan to deliver over the next 10 years.

Meeting the needs of our community in an affordable way is a significant challenge. The 2021-2031 Long Term Plan consultation will focus on *Levels of Service* and what our community expects from Council. We discuss the issues and challenges that affect Council's dollars, and explain how we plan to respond. We invite your involvement to help guide our future.

Facing the challenges

Council's aim is to be financially sustainable using a funding approach that is simple, as affordable as possible and appropriate. Over the next 10 years, it will cost Council about \$334 million to deliver its activities and about \$136 million to keep its assets in good condition.

Our challenges include, a vast district with a small ratepayer base over which to spread the cost of Council's activities. We must be able to afford to provide the services our community needs. Many of our costs relate to legislative change and compliance requirements. During pre-engagement for this Plan our community told us that current levels of service were about right, so we have prepared a plan around how we can continue to deliver these sustainably.

We need a reset

Over the years, Council has managed to keep rates low for the community by using its reserves and borrowing and not rating for all depreciation. We have also sold surplus assets and deferred expenditure. This is not

a sustainable approach. While we will work hard to secure alternative revenue sources, rates increases will need to be higher for the next few years. This will ensure we are able to continue providing what our community needs for the next ten years.

In our previous Long Term Plan, we signalled that Council would become more reliant on borrowing to carry out essential upgrades to its infrastructure. This has now become more of a reality.

Change is already underway with the adoption of a new rating model that is less complex, appropriate and affordable which will take effect from 1 July, 2021.

Our future together

Our district's population increase is positive and over the next 10 years our focus will be on growing the numbers, attracting more business and employment to Wairoa and improving our environment. We also need to invest continually in our infrastructure so we can provide sustainable levels of service for generations to come.

There are big decisions ahead of us and it is vital we get the balance right. Working together with you, and making responsible decisions will help us deliver what our district needs both now, and into the future.

TE ARONGA | OUR DIRECTION

Who we are and where we're headed

Our Strategic Direction is about who we are and where we're heading. Our mission, vision and community outcomes set this direction and guide us to deliver sustainable *Levels of Service* to support the wellbeing of our people and district. Together they explain what drives us to do the best we can for the people we serve.

Clearer and stronger

During 2020, we refined our mission, vision and community outcomes to improve their relevance and alignment to achieving the social, economic, environmental and cultural wellbeing for our community.

OUR MISSION

To support the Wairoa Community through decision-making that promotes the cultural, social, economic and environmental well-being of the district now and in the future.

OUR VISION

Desirable Lifestyles, Thriving Economy, Treasured Environments, Connected Communities

COMMUNITY OUTCOMES

Cultural Wellbeing
Valued and cherished community

Economic Wellbeing
Strong and prosperous economy

Social Wellbeing
Safe, supported and well-led community

Environmental Wellbeing
Protected and healthy environment

The new outcomes are linked to all Council's activities and provide the high-level direction that guides the development and rollout of work plans and programmes. They are linked to Council's key activities, each of which has a management plan with a performance framework¹ that defines *Levels of Service*. As part of the LTP's development, these measures have been improved to ensure they are specific, measurable and achievable.

ACTIVITY GROUPS	ECONOMIC WELLBEING	SOCIAL WELLBEING	ENVIRONMENTAL WELLBEING	CULTURAL WELLBEING
WATER SUPPLY	✓	✓	✓	✓
STORMWATER	✓	✓	✓	✓
WASTEWATER	✓	✓	✓	✓
WASTE MANAGEMENT	✓	✓	✓	✓
TRANSPORT	✓	✓	✓	✓
COMMUNITY FACILITIES	✓	✓	✓	✓
PLANNING & REGULATORY	✓	✓	✓	✓
LEADERSHIP & GOVERNANCE	✓	✓	✓	✓
CORPORATE FUNCTIONS	✓	✓	✓	✓

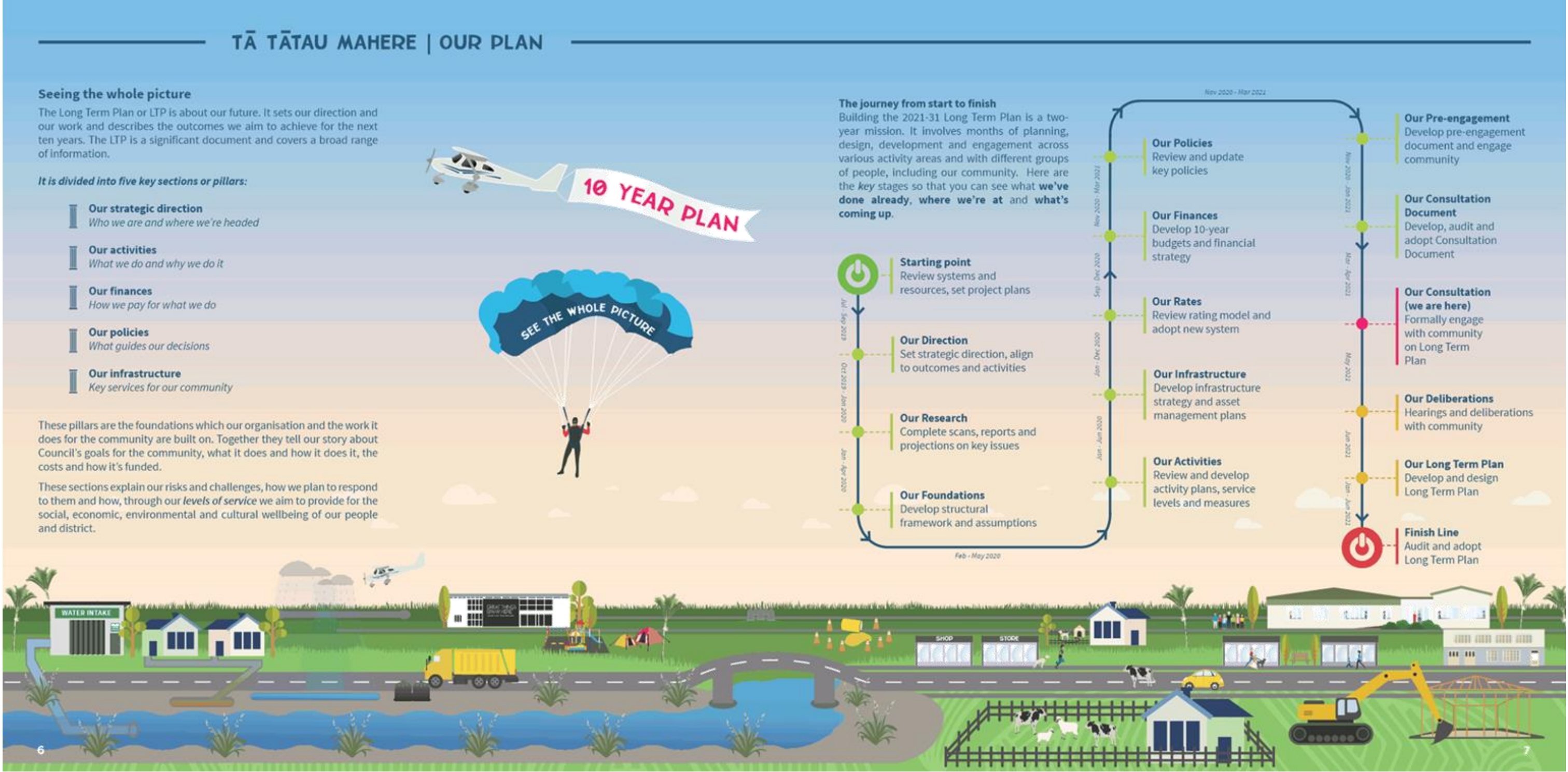
Our district, our future

Through this consultation process, we want you to have your say. This allows us to share the responsibility for plotting the course and engage our community to tell the story about who we are and what we want for the future.

¹ The performance frameworks for our activities outline our high-level levels of service, performance measures and targets to reach. These are reported on annually in Council's Annual Report so that our community can see how we're doing.

Item 8.2- Appendix 1

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Ā TĀTAU TAKI | OUR CHALLENGES

As we deliver levels of service to our community over the next 10 years we will face many challenges. Planning for these issues and working through them in a sustainable way will help ensure we can provide what our district needs both now, and into the future.

Affordability

Council faces considerable challenges with a small rating base to spread costs across. Over recent years, Council has been absorbing these increased costs by using its reserves, and not rating for all depreciation. We seek to address funding challenges, but can not use the reserves to offset increasing costs.¹

A reset is required, so we can position ourselves to ensure a sustainable future for our district over the next 10 years. This is about making Wairoa the best it can be both now and for generations to come. Moving forward we need to be rating to recover the actual costs of running the district. In order to catch up and keep up, average rates increases will need to be higher for the next few years. Council will retain its objective of keeping rates increases below 5%, but this must be seen as a long-term objective.

During the pre-engagement stage of the LTP the community told Council the current levels of service were about right, so the draft budgets have been planned around continuing to deliver these services sustainably.

Funding Infrastructure

Many of Council's key services are delivered using its infrastructural assets. Council funds the operation, renewal and improvement of these assets through rates, depreciation reserves, loans and subsidies. The costs to deliver these services are considerable and addressing funding challenges requires careful planning and decision-making.

Depreciation: Council will rate for depreciation over the life of its assets, so that it has money set aside for when the assets need replacing. It will do this on assets where no other funding sources are available. Over the next few years, Council will need to catch up on Infrastructure funding, but in the immediate term will reduce the amount it rates for depreciation to alleviate some of rates burden. It will not rate for depreciation where it expects that it can use Waka Kotahi (NZTA) subsidies, or where funds from the Three Waters stimulus package can be used to renew and upgrade its assets.

Loans: To fund improvements to its infrastructure and maintain levels of service, Council will need to borrow, on average, nearly \$3 million extra every year for the next 10 years. It will borrow up to the levels that it considers prudent and rate for the repayment of this debt over the life of the assets. Using its own debt servicing model, Council will ensure that the scale of borrowings continues to be affordable.

Subsidies: Council has a high level of dependence on external funding from Waka Kotahi. Any reduction in Council's level of funding would have a significant impact on our land transport activity and Council would need to consider its levels of service. As there is limited capacity to augment the land transport programme, our work would need to be prioritised to meet any change in demand.

Overall, Council needs to ensure its infrastructure is well maintained to avoid future unexpected costs, and to ensure services to the community are continued. We will need to consider potential changes to levels of service. At the same time, Council will continue to look at alternative and external revenue sources that enable us to reduce the financial impact of increased costs.

Three Waters Reform

The Three Waters Reform Programme and Review conducted by the Department of Internal Affairs (DIA) signalled the prospect of a significant overhaul to the way water services may be delivered throughout New Zealand.²

Wairoa, as part of the Hawke's Bay Group of Councils were already working together on opportunities to improve our three waters infrastructure ahead of the Central Government Reform announced in 2020. We also signed a Memorandum of Understanding (MoU) with Central Government to explore future service delivery options that secured funding. At this stage the outcome is uncertain and the LTP has been prepared on the basis that the delivery model will not change in the foreseeable future.⁴

However, the Government expects to make substantive decisions in May 2021. It is expected that Councils will be asked to consult with their communities in late 2021 whether they should join one of the new waters service delivery entities. We intend to consult on this decision once Central Government has made their decision and more facts are available, separately to the consultation for the LTP. For Councils that participate in the reforms, transfer of responsibility and assets is likely to occur from 2023/24 onwards.

Our community needs three waters assets regardless of the outcome of impending reforms. As such we have included three waters in our infrastructure and financial strategies and as a key challenge within our LTP. This has been considered as a potential change in our assumptions.

Climate Change

Potential climate change effects are likely to impact on our infrastructure and affect Council's ability to deliver levels of service. Our planning

helps us identify key risk areas, recognise impacts in asset and financial modelling and prioritise funding for resilience. We will identify critical components of our networks, and prioritise renewals so the network can continue to operate.

We are responding by monitoring local trends in weather, identifying at risk assets and monitoring flooding, slips and erosion. We will also develop catchment management plans and participate in National Climate Change programmes.⁵

Impact of COVID-19

COVID-19 has had an impact on us all. Although Wairoa demonstrated its resilience with a strong primary economy, we are mindful the pandemic continues to have a global impact and the ripples will be felt everywhere.

We have considered the potential future impacts and implemented business continuity processes to ensure that Council can continue to deliver critical and front-facing services. Our systems and processes continue to evolve and respond to the changing environment. Examples of resilience methods include the implementation of new IT systems including a new cloud-calling solution and a cloud-based upgrade to Council's main administrative, financial and regulatory system.

¹ For more information on Council's funding plans, please refer to Council's Financial Strategy at www.consultations.nz/wdc

² For more information on Government Reforms, please visit www.dia.govt.nz/three-waters-reform-programme

³ For more information on the Hawke's Bay Council's Regional Review, please visit www.hb3waters.nz

⁴ For more information on Council's response to Climate Change, please refer to Council's Forecasting Assumptions and Infrastructure Strategy at www.consultations.nz/wdc



OUR LEVELS OF SERVICE

We provide a wide range of services and activities for our community. Delivering these services and activities helps us look after the social, economic, environmental and cultural wellbeing of our people and district. **Levels of service** refers to the standard or level at which these activities are provided to our community. It means how much of a service is done, and what you get for it.

WATER SUPPLY

We produce 2.9 million litres of drinking water per day from our water supply systems in Wairoa, Frasertown, Tuai, Blue Bay (non-operational) and Māhanga (pending outcomes of 3-Waters Reform). We maintain a compliant and efficient system that is safe for people and the environment, all day, every day.

STORMWATER

We maintain networks of stormwater pipes, open drains and outlets in the Wairoa, Tuai and Māhanga areas, ensuring a compliant and efficient system that is safe for people and the environment, all day, every day.

WASTEWATER

We operate and maintain wastewater systems in the Wairoa, Tuai, Māhanga and Ōpoutama areas, aiming to ensure a compliant and efficient

wastewater service that is safe for people and the environment, all day, every day.

WASTE MANAGEMENT

We provide waste management facilities and ensure refuse can be disposed of in a controlled manner. We operate a large open landfill and recycling centre in Wairoa to the public for 4 days a week, 6 hours per day to take domestic and commercial refuse. We operate five closed landfills, and manage litter and domestic refuse collection and kerbside recycling.

TRANSPORT

Land Transport

We provide nearly 900km of roads, 175 bridges, and over 340 retaining structures. We maintain more than 40kms of footpaths, nearly 24,000m² of carparks, 3000 traffic signs and hundreds of streetlights. We manage the network in a sustainable and efficient manner that meets demand, all day, every day.

Airport

We fund the airport activity to maintain an operational facility which includes a 910m runway. The airport and its facilities are maintained for light aircraft and charter operations in a sustainable and efficient manner.

COMMUNITY FACILITIES

Cemeteries

We provide and maintain public cemeteries at Wairoa, Nuhaka, Frasertown, Ruakituri and Morere in a reliable, accessible, safe and efficient manner that meets the community's current and future needs.

Parks and Reserves

We provide sports grounds, public gardens, neighbourhood parks and playgrounds, access along riverbank and foreshore reserves, and public toilets. In these parks, we also look after the vegetation, buildings, walkways, playground equipment, fences, lighting, tables, bins and memorials. We maintain an efficient and responsive service that ensures parks, reserves and public toilets are safe and well maintained.

Library

We provide the Wairoa Library with over 25,000 books and digital resources, reading programmes and initiatives to over 32,000 visitors and 8,000 patrons a year. We provide lending, information and digital services and programmes five and a half days per week.

Community Support

(Community Centre, Museum, Gaiety Theatre)
We partner in and support the provision of recreational, health, cultural and heritage activities. We support community events, initiatives and facilities including the Community Centre and Wairoa Museum.

PLANNING & REGULATORY

Resource Planning

We provide resource consent within timeframes and planning services to support the sustainable management of natural resources. We maintain the District Plan.

Environmental Health

We provide environmental health services to protect and improve public health with food premises, water quality, pollution, noise control, and fly dumping. We ensure community safety through the registration of food premises, hairdressers, funeral directors and camping grounds, and respond to complaints.

Building Control

We provide building control services to ensure that construction on new and existing buildings is compliant and controlled. We issue building consents within timeframes and monitor building WOFs, swimming pools and dangerous and unsanitary buildings.

Liquor Control

We provide liquor control and licensing services, issuing liquor licences within timeframes.

General Bylaw Compliance

We provide general bylaw enforcement and maintenance and respond to complaints over freedom camping, land transport, public safety, cemeteries and trade waste.

Dog Control

We provide dog control services in response to complaints about dogs and manage the pound. We maintain the National Dog Register, and respond to stray, barking and nuisance dogs.

Stock Control

We provide livestock control services for wandering animals, ensuring community safety through the removal of nuisance stock.

LEADERSHIP & GOVERNANCE

Community Representation

(Long Term Planning, Elections, Governance)

We provide for district representation and governance, elections, community engagement, policies, annual reporting and planning, and long term planning. We support and encourage community participation in democracy.

Māori Relationships

We develop relationships with tangata whenua, and promote and facilitate Māori participation in decision-making through the Māori Standing Committee, and by promoting the use of te reo Māori.

Economic Development

We provide district promotion, tourism services, and manage policy as it relates to our economy. We provide the Visitor Information Centre and implement the Economic Development Plan.

CORPORATE FUNCTIONS

Corporate Services

We provide corporate services which include customer services, finance, administration, information technology, business support, human resources, records, archives, project support, rates services, legal compliance, policy development, and official information. We manage and deliver these services in an efficient and responsive manner.

Property

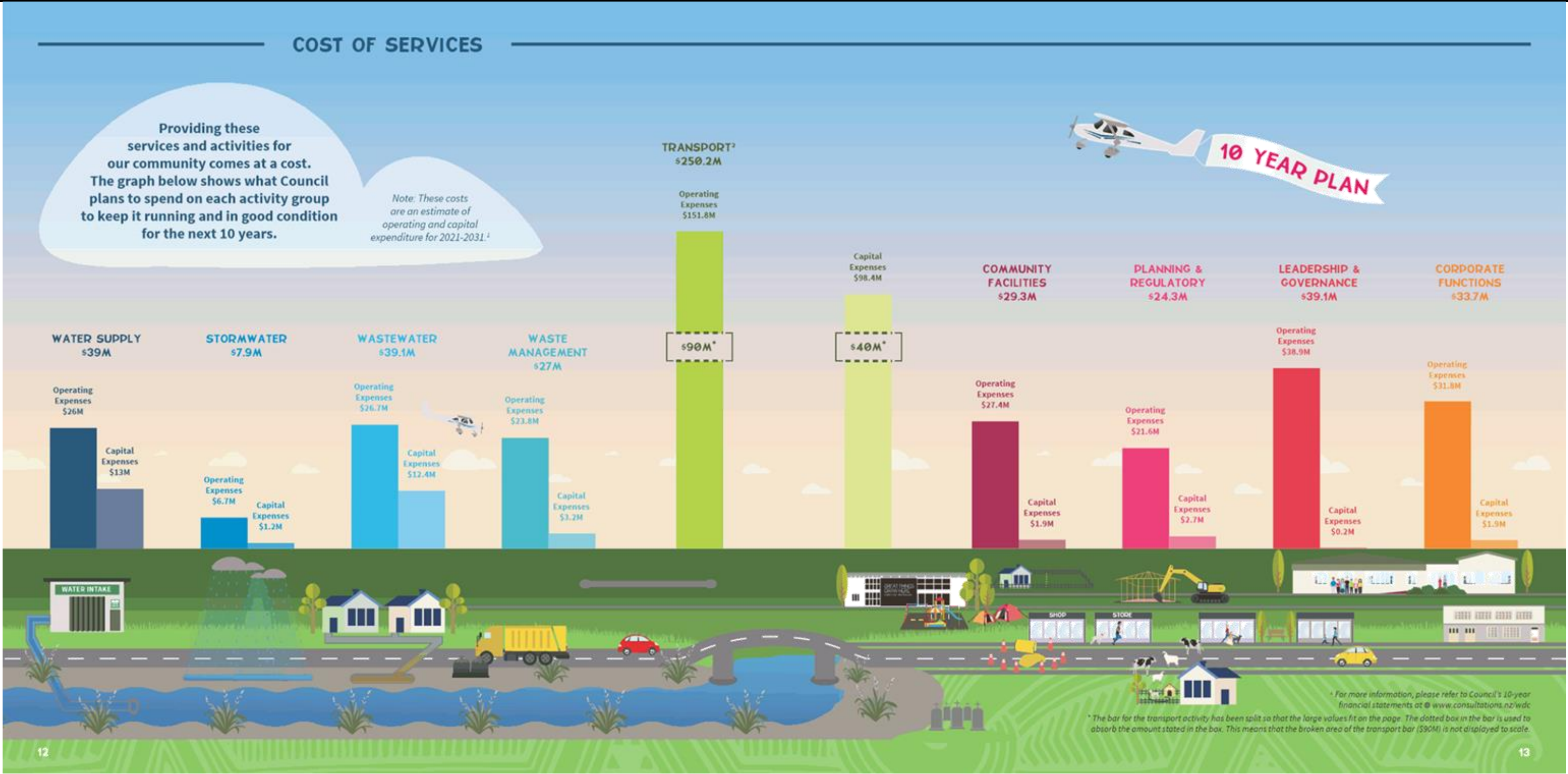
We provide property services for the camping ground, information centre, community halls, pensioner housing and commercial property, in an efficient and responsive manner that ensures our properties are safe and well-maintained.

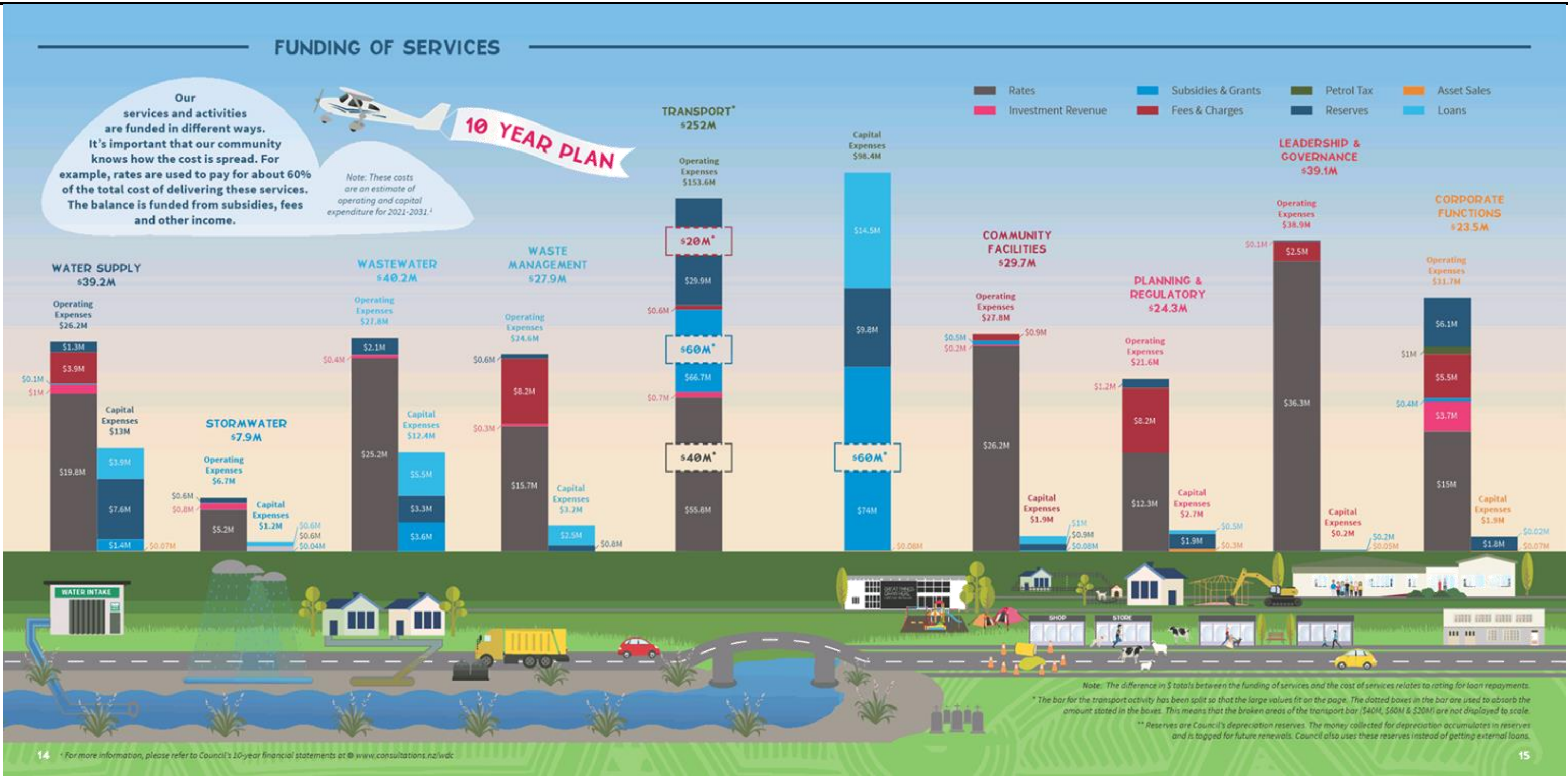
Corporate & Funds Management

We hold investments that support the provision of sustainable infrastructure and services. This includes managing cash, debt, equity and property investments. We operate treasury services that provide low-cost funding for projects, immediate funds for emergencies and day-to-day funding.

Note: These are high-level levels of service statements. Full level of service details, activity outcomes and performance measures and targets for all activities are provided in Council's Long Term Plan Activity Management Plans and Asset Management Plans. For more information, please refer to www.consultations.nz/wdc







OUR INFRASTRUCTURE

Council's infrastructure-based services include the provision of drinking water, stormwater networks, wastewater systems, waste management facilities, a roading network and airport. Delivering these *levels of service* helps us look after the wellbeing of our people and district.¹

Council's Infrastructure Strategy outlines the principles that guide the management of these activities and identifies the significant issues we will face over the next 30 years.¹ It shows how we plan to respond to these issues and what this will mean for the future of these activities and the people who use them.

This strategy is a major shift from previous versions, providing a greater level of rigour and sophistication in the planning for the key asset classes than the district has had before.

Principles

In developing the Strategy, the following principles are used to guide our decisions on *levels of service*:

- Prudent financial management
- Proactive provision and management of assets
- Integrated provision of infrastructure
- Making the best use of existing investment
- Robust asset management practices
- Partnership with Māori

OUR KEY ISSUES

The following issues will be at the forefront of our planning on levels of service:

Legislative and policy change will impact the planning and delivery of our activities. We will respond by keeping a watch on legislative change, 3-Waters reform, planning for increased costs to meet the change, reviewing service delivery models, and having dialogue with Government on the pressures upon Councils.

Land use change will impact on our infrastructure and levels of service. We will respond by working with forestry owners and other road users to quantify the effects on roading, and assess land use change and impacts.

Affordability challenges are the reality of having a small rating base. We will respond by identifying alternative funding sources, considering how rates are levied, reviewing levels of service and by continuing to build a relationship with Waka Kotahi.

Climate change effects and weather events will impact on our infrastructure. We will respond by monitoring local trends in weather, identifying assets at risk, monitoring flooding, slips and erosion. We will also develop catchment management plans and participate in National Climate Change programmes.

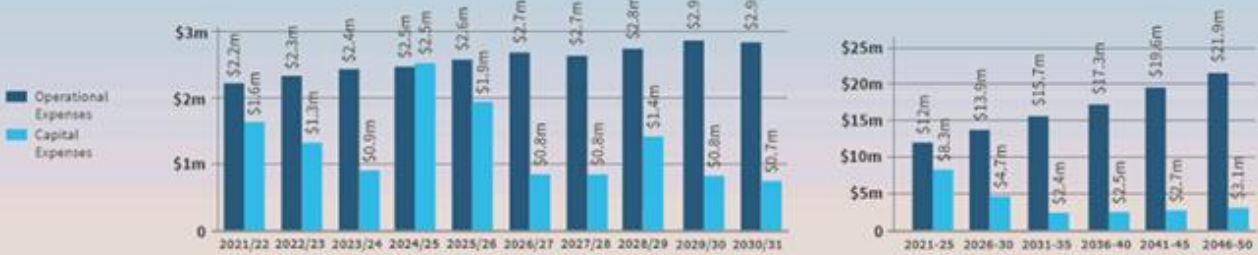
Growth in the district will impact on the capacity of our existing infrastructure. We will work with planners to understand the capacity for increased dwellings and businesses, we will investigate alternative funding sources and consider community development options.

Resilience challenges affect our ability to cope with and recover from adverse events. We will respond by increasing our knowledge of asset data. We will prioritise planning for critical assets and ensure maintenance of critical routes is carried out. We will seek to identify an alternative water supply for Wairoa.

WATER

Council's key issues around the water supply activity include 3-Waters reform and changes to legislation, the effects of climate change on supply sources, identifying an alternative water source for the township, water network losses and the uncertainty around conditions for upcoming resource consents. Council will need to spend more than the annual depreciation charge over the next 10 years. Over the 2024/25 and 2025/26 years, Council will spend \$3.2M on replacing pumping mains and intakes. These will be funded through loans due to insufficient reserves.²

This graph shows what Council plans to spend on the water supply activity to keep it running and in good condition for the next 30 years.



This graph shows how Council plans to fund the water supply activity to keep it running and in good condition for the next 30 years.



¹ For more information, please refer to Council's Infrastructure Strategy at www.consultations.nz/wdc

² For more information, please refer to Council's 3-Waters Activity Management Plan at www.consultations.nz/wdc

STORMWATER

WASTEWATER

ISSUES

Council's key issues around the stormwater activity include 3-Waters reform and changes to legislation, the effects of climate change on the network infrastructure, and the effects on growth in Māhia on limited stormwater infrastructure. Council is currently working through a programme of piping open drains. Where possible this has been included in Waka Kotahi-supported programme in the roading activity due to its contribution to road safety and currently in the 3-Waters stimulus package.¹

This graph shows what Council plans to spend on the stormwater supply activity to keep it running and in good condition for the next 30 years.



FUNDING

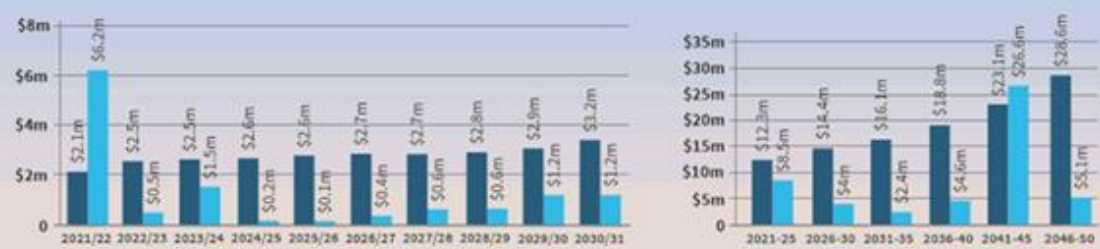
This graph shows how Council plans to fund the stormwater activity to keep it running and in good condition for the next 30 years.



ISSUES

Council's key issues around the wastewater activity include 3-Waters reform and changes to legislation and the effects of climate change on the network infrastructure. These issues also include maintaining the current level of service for key assets, finding an alternative option and funding for the discharge of wastewater at Wairoa. It involves managing consent compliance across all discharges and the uncertainty around conditions for upcoming Wairoa wastewater resource consents. To maintain levels of service in the wastewater activity, it will cost \$3.4M.²

This graph shows what Council plans to spend on the wastewater supply activity to keep it running and in good condition for the next 30 years.



COST

This graph shows how Council plans to fund the wastewater activity to keep it running and in good condition for the next 30 years.

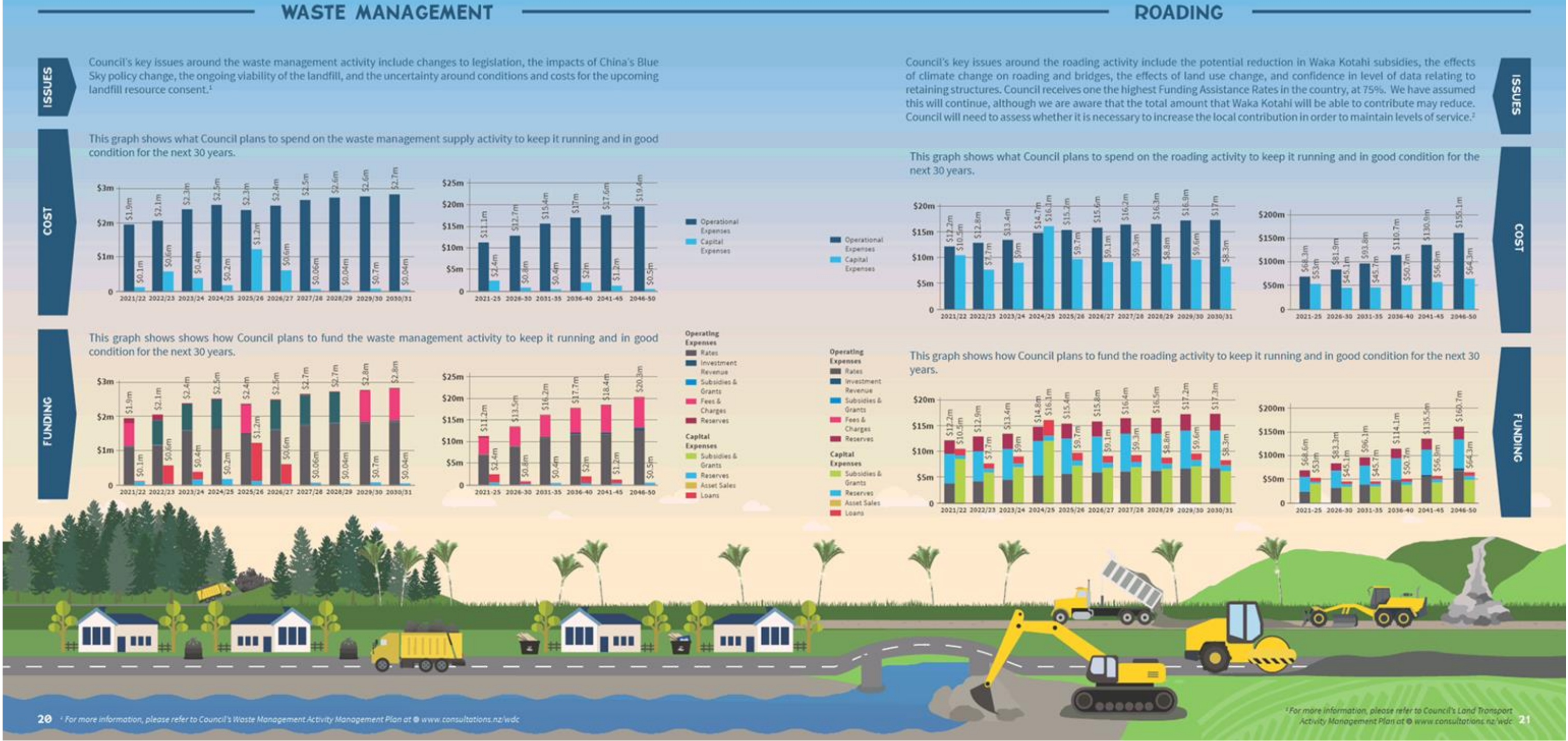


FUNDING



¹ For more information, please refer to Council's 3-Waters Management Plan at www.consultations.nz/wdc

² For more information, please refer to Council's 3-Waters Activity Management Plan at www.consultations.nz/wdc



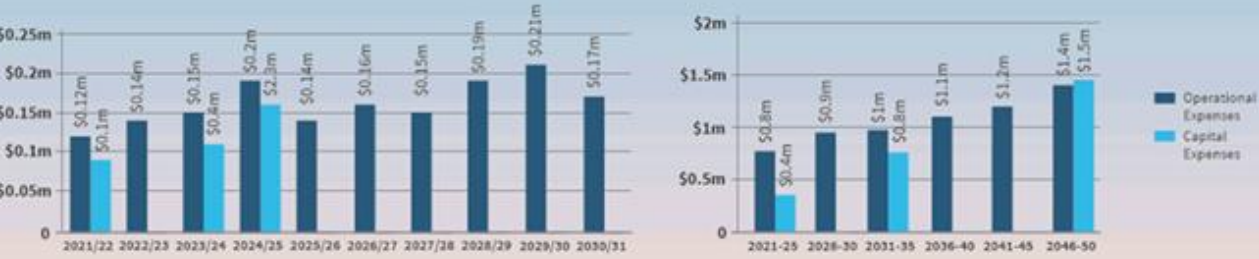
AIRPORT

ISSUES

Council's key issues around the airport activity includes the ability to continue funding and maintaining it. This graph shows what Council plans to spend on the airport activity to keep it running and in good condition for the next 30 years.¹ A key decision that needs to be made over the next 30 years is whether or not to keep the Airport as part of Council's service provision.

COST

This graph shows what Council plans to spend on the airport activity to keep it running and in good condition for the next 30 years.



FUNDING

This graph shows how Council plans to fund the airport activity to keep it running and in good condition for the next 30 years.



¹ For more information, please refer to Council's Airport Activity Management Plan at www.consultations.nz/wdc

OUR FINANCES

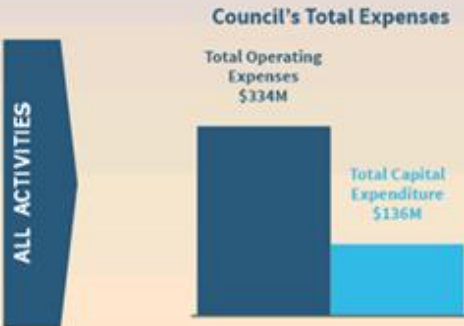
Our Finances

Over the next 10 years, Council will deliver a wide range of services and activities. Decisions about how these will be funded will be guided by Council's Financial Strategy.¹

The Financial Strategy outlines the issues and challenges that affect Council's dollars, and explains how we plan to respond to ensure an ongoing *level of service* to our people. As we move forward, the Strategy will guide Council's financial decisions so that it can continue to deliver what our community needs for the next decade.

Facing the Challenges

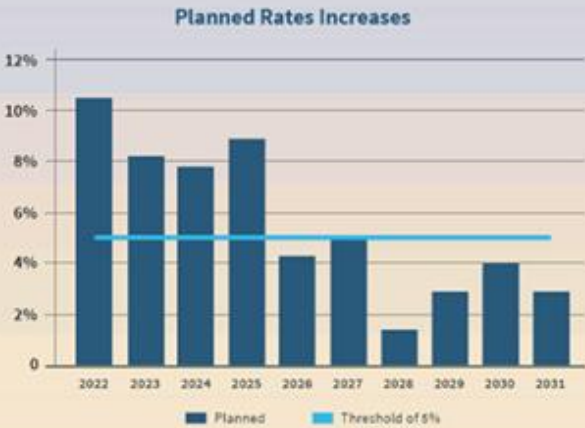
Council strives to deliver its services in an affordable way, but faces significant challenges. Over the next 10 years, it will cost Council about \$334 million to deliver its activities and about \$136 million to keep its assets in good condition. The graph below shows the total operational expenses versus the total capital expenses for all Council's activities.



¹ For more information, please refer to Council's Financial Strategy at www.consultations.nz/wdc

Over the years, Council has kept rates low for its community by using its reserves and borrowing and not rating for all depreciation. It has also sold surplus assets and deferred expenditure. This approach has kept average increases below five percent, but it is not sustainable. We must now do something about it.

In order to catch up and keep up, rates increases will need to be higher for the next few years. It is a responsible approach that will help ensure we can continue to deliver what our community needs, now and into the future. The graph below shows the planned average rates increases for the next 10 years.



Objectives

Council's aim is to be financially sustainable. It will do this through a funding approach that is *simple, affordable* and *appropriate*. This will help Council reach its objectives, which include:



- Certainty of rates increases
- Optimising external revenue
- Value for money
- Intergenerational equity
- Manageable debt

This table shows how Council's approach to funding relates to these objectives.

	Simple	Affordable	Appropriate
Certainty of rates increases		✓	✓
Optimise external revenue	✓	✓	✓
Value for money		✓	✓
Intergenerational equity	✓	✓	✓
Debt remains manageable	✓	✓	✓

Planning

The following issues will influence Council's ability to achieve its objectives: *population, economic factors, land use and funding infrastructure*.

1. Population

We have a small ratepayer base over which to spread the high cost of Council's activities. Delivering affordable levels of service is a challenge, but we do it in the most sustainable way we can. This table shows Council's assessment of the risk that this area presents to achieving our objectives and the degree to which opportunities may be developed to contribute to positive outcomes.

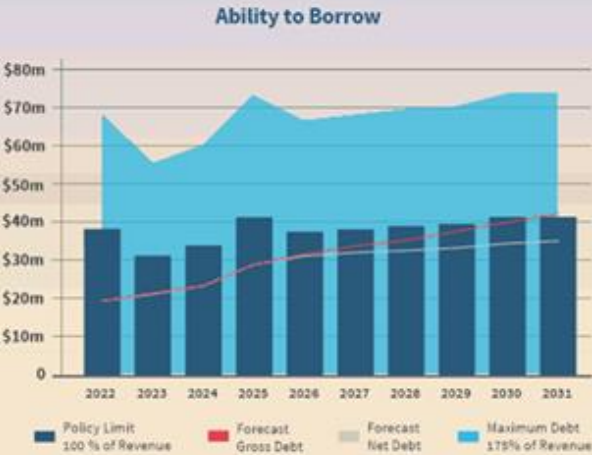
Risk	Opportunity
Certainty of rates increases	
Small population and large spread provides a small funding base for growing costs	Growth needs to be high to make a difference to spreading the load
Optimise external revenue	
Our diversity attracts external funding	Our community is a key factor in the amount of external funding we attract
Value for money	
Cost increases likely to exceed rate of population growth	Cost of service discussions with community improves transparency
Intergenerational equity	
Shared objectives with regards to future generations	Involving community in planning helps preserve sustainable services
Debt remains manageable	
Maintain borrowing within limits so debt servicing is not large part of day to day expense	Limited scope for targeted rates for specific projects



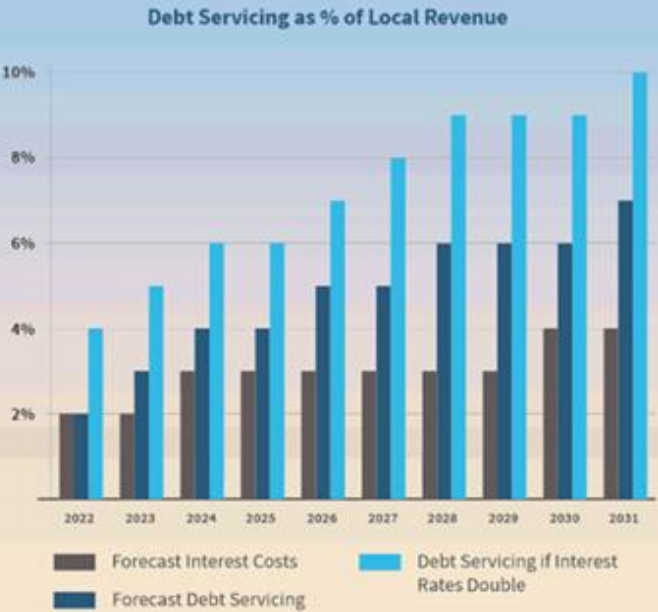
2. Economic Factors

Local economy
Our main industries are farming and forestry. AFFCO is the largest single employer and a significant contributor to export GDP. In Māhia, tourism opportunities are expected, with regular launches by RocketLab. In the property area, house values have risen resulting in a sharp increase in the demand for real estate and development across the district.

Ability to borrow
To pay for its capital works programme, Council will need to borrow about \$3 million extra every year for the next 10 years. By 2030/31, our gross debt will be \$42 million, which is manageable but more than previously anticipated. We will respond by borrowing up to levels that are prudent, that is 100% of revenue, and will rate for the repayment of this debt rather than through depreciation. This will ensure that the community that benefits from this infrastructure pays its share, and from 2026 will enable Council to repay some of this debt, as shown in the graph below.



Cost to borrow
Interest rates may increase making the cost to borrow to fund our works programme more expensive. We have responded by carefully assessing our ability to service debt and modelling our own debt servicing measures to ensure that the debt remains affordable. Council will maintain a borrowing cost limit of 10% of revenue (excluding Waka Kotahi subsidies). Debt servicing includes the interest expense and the amount for loan repayments, as shown in the graph below.



Inflation
We are faced with rising costs. Prices on major contracts for roading and water have been significantly higher than inflation adjustments. Increasing requirements for safety and compliance are affecting the cost to provide services. Our dependency on Waka Kotahi subsidies may mean that price changes limit the work we can deliver. We will respond to price increases by developing smart procurement techniques, managing our contracts carefully and budgeting in a disciplined way. The table below outlines the risks and opportunities in relation to our economic factors.

Risk	Opportunity
Certainty of rates increases	
Small population presents exposure to extreme changes in inflation or interest rates	Limited investment holdings and modest returns
Optimise external revenue	
Potential reduction in funding, some exposure on what can be delivered	Strong relationships with funders have seen Wairoa achieve above average investment
Value for money	
Some revenue may not increase at same rate as costs	Already benefiting from low interest rates
Intergenerational equity	
Funding plans in place to deliver same levels of service in future	Economic recovery stimulus packages have delivered improvements to infrastructure and facilities
Debt remains manageable	
Debt used as part of balanced funding approach and repayments included in funding plans	Capacity built in to take advantage of refinancing options

3. Land Use
Certain land use changes in our district impact on our roads and the cost to maintain them. These include changing the land's use from farming to forestry. We will prioritise our work to meet this change in demand.

Residential growth will impact on our stormwater networks. We will respond by making improvements to Māhia's stormwater system. We will seek to ensure an appropriate distribution of funding needs through rates, with the features of our new rates review addressing the impact of land use. The table below outlines the risks and opportunities in relation to our land use.

Risk	Opportunity
Certainty of rates increases	
Significant changes may affect demand and cost effectiveness of services	New rating policy enables Council to respond with agility and consistency
Optimise external revenue	
Observed trends in land use are more likely to justify continuation of high subsidy rates	Link to economic development, options to explore financial contributions may arise
Value for money	
Changes in land use may affect demand for Council activities planned over the long-term	New development may create sufficient demand to increase fees and charges
Intergenerational equity	
Rapid change may create redundancy or deficiencies in infrastructure	Co-design with community partners to support sustainable outcomes
Debt remains manageable	
Redundant capacity and a need to finance significant unexpected changes to assets	Unlikely that co-funding opportunities would supersede existing arrangements



4. Funding infrastructure

Council-owned assets are valued at more than \$274 million. Much of the district's key activities are delivered utilising Council-owned infrastructure and assets. The cost of renewing these can be considerable and requires careful planning and decision-making.

Depreciation

Depreciation represents the cost of using assets and is a significant component of Council's operating expenditure. Council collects money by rating for depreciation over the life of an asset, so it has money set aside for when the asset needs replacing.

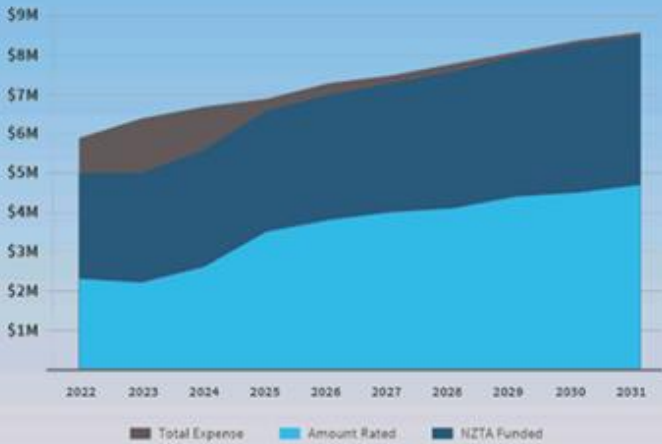
Depreciation spreads the capital cost of assets over their useful lives, so each generation of ratepayers pays their fair share for the use of the asset.

Council generally rates for depreciation on assets it expects to replace or renew in the future, where no preferable alternative funding source exists. The money collected for depreciation accumulates in reserves and is tagged for future renewals ensuring Council's assets are capable of delivering the same levels of service to future generations.

In recent years, Council has exercised judgement in the amount of depreciation it has rated for. Revaluations of Council's infrastructure assets in 2020 indicated Council's depreciation expense is now 17% higher, equating to 3.1% of a rates increase. However, Council's sustainable funding approach means it will not rate for depreciation where other funding sources are available.

The graph on the right shows the total depreciation for all activities and the amount to be rated. These adjustments mainly relate to infrastructure but in the first three years we have reduced this amount for all assets.

Covering Depreciation Expenses



Depreciation and infrastructure

Over the next four years Council will be playing catch up on infrastructure funding. To alleviate some of the immediate rates burden Council will reduce the amount it will rate for depreciation which will help smooth out rates increases. Council does not rate for the portion of depreciation where it expects that renewals will be paid for through Waka Kotahi capital subsidies.

The \$11.04 million that Council has secured through the Three Waters Reform stimulus package will be invested in renewing and upgrading water utilities across the networks. Some of this work would otherwise have been paid for out of depreciation reserves, with this additional funding enabling Council to reduce the amount it will rate for depreciation on these assets.

In addition, Council has examined its Capital Works programme for the next 30 years, and reduced the amount rated for depreciation in several activities over the next three years. It has selected areas where there are sufficient reserves to cover the forecast expenditure in the medium-term and enough time to start replenishing these reserves to fund expenditure in the longer-term. This will apply to water utilities, footpaths, waste management, buildings and plant.

The risk associated with this strategy relate to the following assumptions:¹

- 1. The accuracy of expenditure and inflation forecasts
- 2. That the Funding Assistance Rate from Waka Kotahi will remain constant into the future
- 3. That the assets will continue to deliver desired levels of service throughout their useful lives.

This situation will be monitored and if circumstances change it may be necessary to adjust the amount of depreciation that is rated. If an adjustment is necessary Council's financial strategy has allowed sufficient borrowing capacity to accommodate unforeseen events.

The Infrastructure Strategy summary shows what Council plans to spend on the key infrastructure activities and assets to keep them running and in good condition for the next 10-30 years². Key issues to plan for include:

Water

- 3-Waters reform stimulus funding will support capital expenditure in 2021/22.
- Despite this, Council will need to spend more than the annual depreciation charge over the next 10 years. In 2024/25 and 2025/26, Council will spend \$3.2M on replacing pumping mains and intakes. These will be funded through loans due to insufficient reserves.

Stormwater

- Council's programme of piping open drains has partly been included in the Waka Kotahi programme.
- Capital expenditure is expected to be \$1.2M for the next 10 years.
- We cannot assume that future stimulus funding will be available.
- We will not rate for depreciation where other funding sources are available.

Wastewater

- Council will use some of the 3-Waters reform stimulus funding for its pipe lining programme and renewals.
- To maintain levels of service, it will cost Council \$3.4M, for the next 10 years.
- Council continues to work through its wastewater discharge consent renewal.

Roading

- Council will spend \$59M more than the annual depreciation charge due to deferred renewals in the past.
- Emergency events relating to weather are becoming more frequent.
- Council is reliant on Waka Kotahi subsidies, but must rate for depreciation to pay Council's share. Council needs to assess whether to increase local contribution.

¹ For more information on Council's Infrastructural Activities, please refer to Council's Infrastructure Strategy or Activity Management Plans at www.consultations.nz/wdc

² For more information, please refer to Council's Forecasting Assumptions at www.consultations.nz/wdc







A NEW RATING MODEL

A new rating model reflecting Council’s goal of a less complex system that is affordable and appropriate was adopted in January 2021. The new rating system will take effect from 1 July, 2021¹.

The new model has resulted in a General Rate that is based on Capital Value. It moves 10% of the Water, Wastewater, Stormwater and Waste Management Rates to the General Rate and moves 50% of the Uniform Annual General Charge to the General Rate. These changes reflect the benefit the whole district receives from these services.

The General Rate has six differential² categories:



General Rate Differential Categories	Differential Factor ³
Commercial	1.6
Forestry	4.0
Residential A (Capital Value less than \$400,000)	1.0
Residential B (Capital Value greater than or equal to \$400,000 and less than \$600,000)	0.8
Residential C (Capital Value equal to or greater than \$600,000)	0.7
Rural	0.7

The rates review began last year in response to ongoing issues with the old system being outdated and overly complex with 14 differentials across 34 rate types. The review simplified the rating system and transferred rates from the residential and commercial sectors to the rural and forestry sectors. The new system improves rates affordability for many people, by reducing the rates for many residential and small commercial properties across the district.

The new system is a component of the Revenue and Financing Policy⁴, which was consulted on and updated for inclusion in the Long Term Plan.

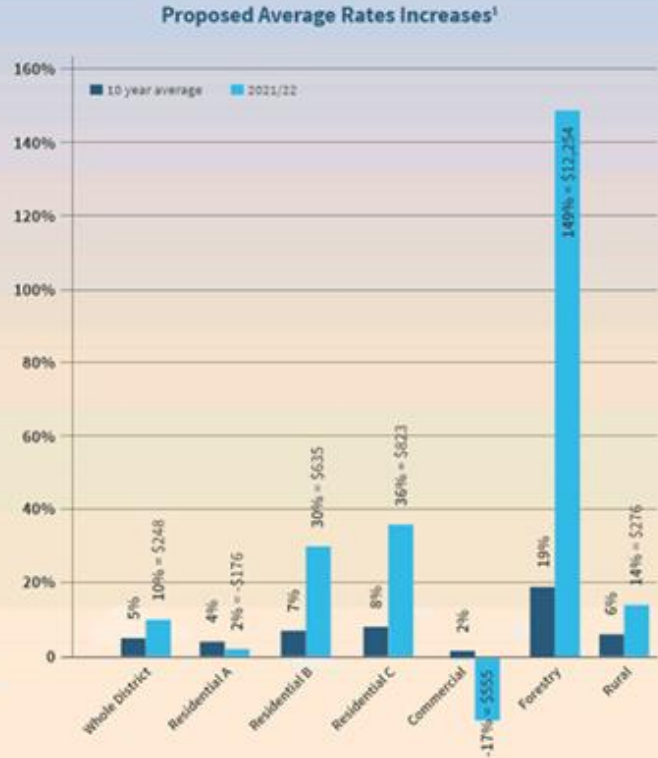


¹ For more information on Council’s rating system, please refer to the Rating Funding Impact Statement at www.consultations.nz/wdc.
² Differentials determine the application of the General Rate, with each rating category attracting a different weighting.
³ These are the factors proposed for the year commencing 1 July 2021. The new rating system is designed to enable these factors to be reviewed and adjusted if circumstances change in the future.
⁴ For more information, please refer to Council’s Revenue and Financing Policy at www.consultations.nz/wdc.

RATES INCREASES

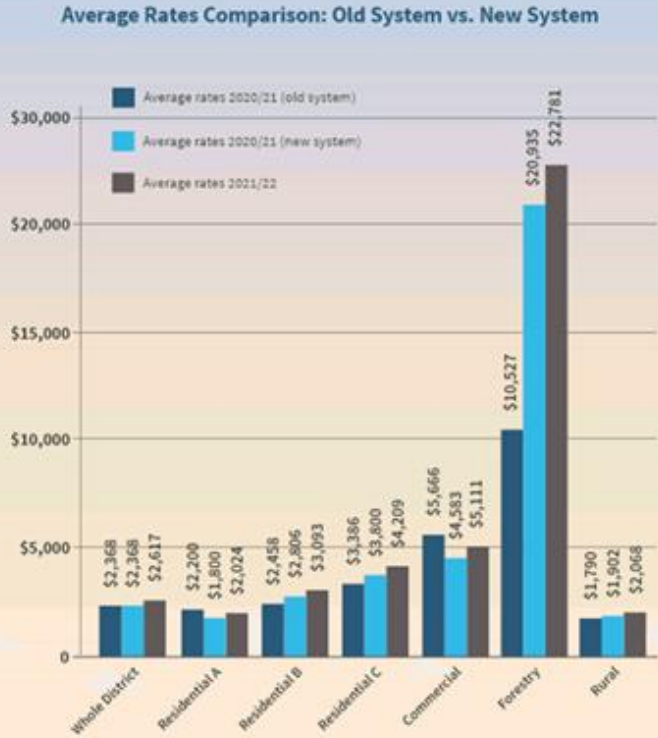
Long Term Plan Rates Increase
The average rates increase for 2021/22 is 10%. Individual ratepayers will be affected differently depending on the value, location and type of property they own. The rates are calculated based on provisions within Council’s Revenue and Financing Policy.

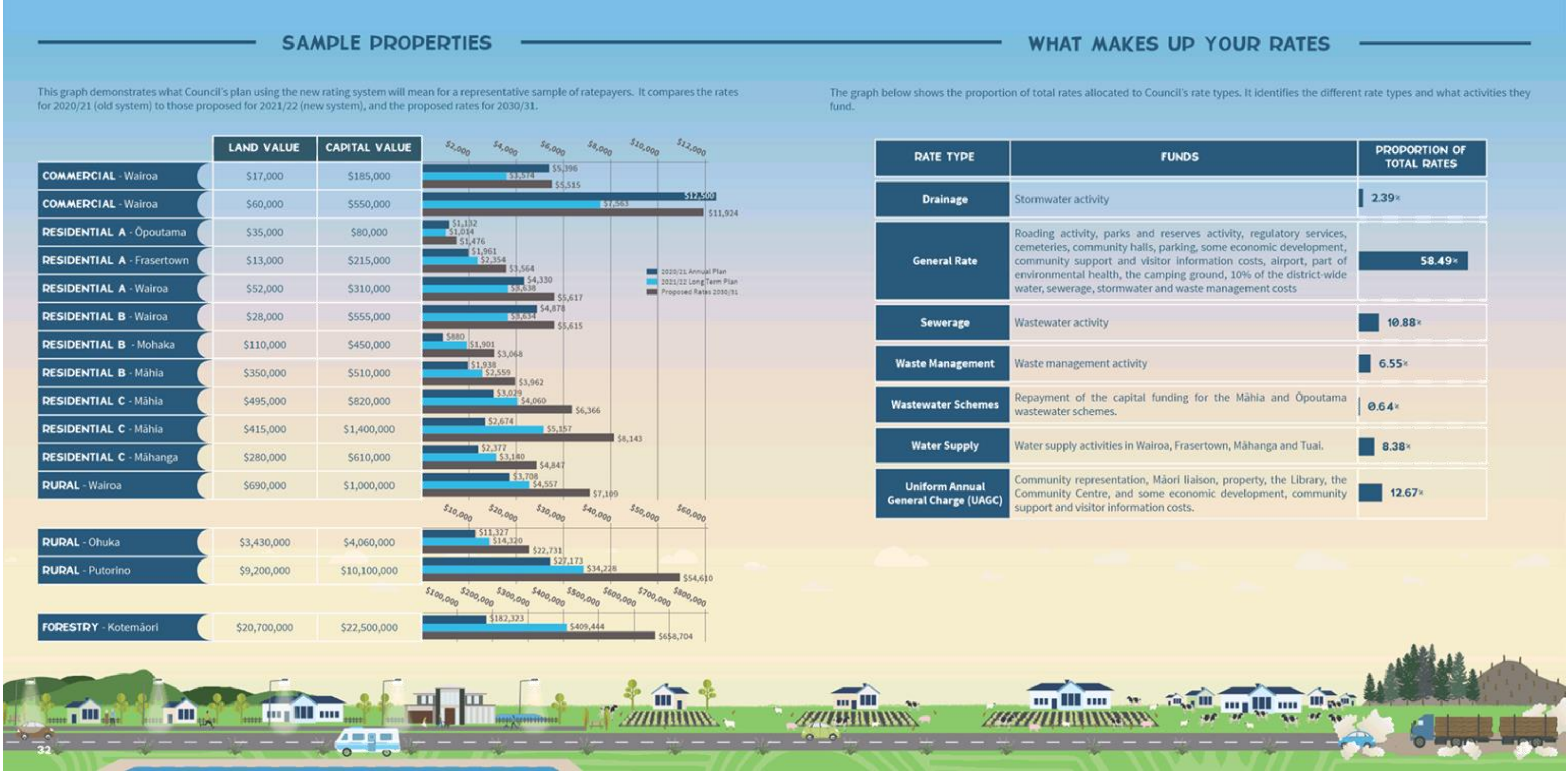
The graph below shows the proposed average rates increases for 2021/22 alongside the proposed average rates increases for the ten years to 2031, by sector and for the whole district.



¹ Year by year analysis is available on request.



Old system vs. new system
The graph below demonstrates the difference that the new system makes to ratepayers across the district. It compares the average rates of the current year (2020/21) using the old system to the average rates of the current year **if the new system had been applied**. It also shows the proposed average rates for 2021/22 using the new system.





WHERE YOUR RATES GO

The graph below shows the proportion of total rates allocated to fund Council's key activity groups.

	WATER SUPPLY	To fund the water supply activities in the Wairoa District. Council owns and operates water supply systems in Wairoa, Frasertown, Tuai, Blue Bay (non-operational) and Māhanga (pending outcomes of 3-Waters Reforms).	9%
	STORMWATER	To fund the wastewater activities. Council owns and operates waste water systems in Wairoa, Tuai, Māhanga and Ōpoutama.	2%
	WASTEWATER	To fund the stormwater activities. This consists of a network of pipes, open drains and outlets, and relates to the Wairoa urban area, Tuai village and Māhanga Beach.	12%
	WASTE MANAGEMENT	To fund the waste management facilities. These provide a service by which refuse can be disposed of in a controlled manner.	7%
	TRANSPORT	To fund the roading activities to ensure the safe and efficient flow of all traffic. To fund the airport activity to maintain an operational facility in the district.	26%
	COMMUNITY FACILITIES	To fund and service public cemeteries, operate parks and reserves, fund the Library, and play a role in supporting community events, initiatives and facilities, including the Community Centre, Museum and Theatre.	12%
	PLANNING & REGULATORY	To fund Council's regulatory activities including resource planning, environmental health, building control, liquor control, dog control, livestock control, and general bylaw enforcement.	7%
	LEADERSHIP & GOVERNANCE	To fund community representation, which includes elections, governance, administration and long-term planning. To fund Māori relationships and economic development, tourism and the information centre.	17%
	CORPORATE FUNCTIONS	To fund Councils' Corporate Services which include customer services, finance, administration, information technology, business support, human resources, records, archives, projects support, rates services, legal compliance, policy development, official information, property services, property investment and funds management.	8%

OUR PROJECTS

1 | DUST IMPACT

Background

The impacts of land use changes and forestry harvesting cycles on our rural roads, and especially unsealed roads, present an ongoing issue for residents. Council funds work to mitigate and reduce these impacts which meet Waka Kotahi standards. Multiple sites were completed during the 2018-2021 period. More will be completed during 2021-2024.



2 | BLUE BAY WASTEWATER UPGRADE

Background

The discharge at the Blue Bay Wastewater Treatment Plant does not meet resource consent conditions. A series of upgrades to the plant are proposed to fix this issue, including the expansion of the disposal field in order to properly disburse the treated discharge. This project started in 2020/21, costs below relate to LTP Year 1.

Update

Parklink have completed a design for the plant upgrades which are scheduled to begin in May/June 2021. Investigations into the upgrade of the disposal field are taking place with the project due to be completed in July/August 2021.

Benefits and Consequences

Improved environmental outcomes with higher quality treated effluent that is discharged within consent limits. More discharge capacity for peak times and shock loading.








SCENARIO 1 Unsealed Roads

Background

Unsealed roads make up 64% of the roads in our district. Since one of Council's community outcomes is connected communities, it is important that we keep the unsealed roads at a standard that enables

our community to connect in a safe way. With heavy vehicles using the roads more frequently, we need to apply the right amount of aggregate in the right areas to keep our unsealed roads safe and trafficable.

LEVELS OF SERVICE OPTIONS					
	↑ MORE (Option 1)	= SAME (Option 2)	↓ LESS (Option 3)		
	15km of unsealed roads heavy metaled		8.5km of unsealed roads heavy metaled		5km of unsealed roads heavy metaled
COST IMPACT	+\$714,000 ¹ (WDC share: +\$178,500)	\$951,000 (WDC share: \$237,000) Capital cost	-\$396,000 (WDC share: -\$99,000)		
RATES IMPACT	If upgrade: additional depreciation + interest foregone = \$4,463: 0.03% If renewal only interest foregone = \$893: 0.01%	If upgrade: additional depreciation + interest foregone = \$5,949: 0.04% If renewal only interest foregone ² = \$1,190: 0.01%	If upgrade: additional depreciation + interest foregone = \$2,475: 0.02% If renewal only interest foregone = \$1,190: 0.01%		
RISK IMPACT	Medium	Medium - High	High		
DEBT IMPACT	Reduction in reserves \$415,500	Reduction in reserves \$237,000	Reduction in reserves \$99,000		
BENEFITS AND CONSEQUENCES	This option increases the resilience of the roads enough to handle the increased levels of forestry and heavy vehicle use. It supports the objective of roads that support safer travel. However, this comes at a significant capital cost. More gravel would increase skid resistance and therefore safety levels. Increased road quality means less ongoing maintenance.	This option maintains current levels of service, but does not address issues resulting from increased heavy vehicle use. Levels of service may reduce over time.  PREFERRED OPTION	This option offers a reduction in cost but significant cost implications in the mid-long term. Levels of service will continue to decrease. Less aggregate on the roads means that over time maintenance costs will increase.		

¹ An increased level of service would be contingent on funding approval from Waka Kotahi.

² Interest that would be earned from deposits and investments if the money was not spent.

SCENARIO 2 Sealed Road Resurfacing

Background

The roughness of a sealed road is a measure of the ride quality of the road used by Council and Waka Kotahi. The results of these measures provide an indication on the state of our sealed road network. The

level of roughness and ride quality across our network is linked to the amount of resurfacing that gets completed every year. The more we complete, the better ride quality we get.

LEVELS OF SERVICE OPTIONS					
	↑ MORE (Option 1)	= SAME (Option 2)	↓ LESS (Option 3)		
	90% of sealed roads are smoother than the specified threshold, 28km of resurfacing		90% of sealed roads are smoother than the specified threshold, 22km of resurfacing		85% of sealed roads are smoother than the specified threshold, 16km of resurfacing
COST IMPACT	+\$400,000 ¹ (WDC share: +\$100,000)	\$1.24m ¹ (WDC share: \$310,000)	-\$400,000 (WDC share: -\$100,000)		
RATES IMPACT	+0.05% Loan servicing \$7,500	0.2% Loan servicing \$23,306	-0.05% Loan servicing -\$7,500		
RISK IMPACT	Medium	High	Very High		
DEBT IMPACT	+\$100,000	\$310,741	-\$100,000		
BENEFITS AND CONSEQUENCES	This option improves service levels as more roads are resurfaced, resulting in a smoother ride in more areas of the network. This option helps us address the backlog of resurfacing not yet completed. The roads will not need to be maintained as often. This option supports the objective of roads that support safer travel, and links positively to a reduction in the number of deaths and serious injuries. There is an increase in cost.	This option maintains current levels of service. Ride smoothness levels would remain at the existing standard. This option supports the objective of roads that support safer travel and affordable levels of service. There would be no progress on clearing the backlog, and delaying this will likely mean we need to spend more at a later date.  PREFERRED OPTION	This option offers a reduction in cost but significant cost implications in the mid-long term. Costly repairs to remedy increased pavement deterioration and damage could create affordability issues for future ratepayers, and safety issues for road users. Serious safety issues would arise due to increased potholes, uneven surfaces and reduced road grip.		

¹ The sealed road smoothness cost is approximated from the resurfacing budget for 2021/22, which is only a portion of the sealed road network budget.



SCENARIO 3 Footpaths

Background

The provision of footpaths contributes to Council's community outcome of a safe, supported, and well led community. One of our key measures is that at least 95% of our footpaths are in above average condition. This

links with the government's goal that more focus be given to alternate modes of transport. We receive many customer service requests to improve our footpaths.





LEVELS OF SERVICE OPTIONS							
		 MORE (Option 1)	100% of footpaths are in average or better condition than the specified threshold	 SAME (Option 2)	95% of footpaths are in average or better condition than the specified threshold	 LESS (Option 3)	Levels of service cannot be reduced due to legislative and regulatory compliance requirements.
COST IMPACT	+\$194,000 ¹ (WDC share: +\$48,500)			\$106,000 ² (WDC share: \$26,500)			N/A
	\$95,000 operating costs		\$99,000 capital costs	\$52,000 operating costs		\$54,000 capital costs	
RATES IMPACT	0.2% Loan servicing \$23,948			0.1% Loan servicing \$13,108			N/A
RISK IMPACT	Low			Medium			High
DEBT IMPACT	Reduction in reserves of \$24,750			Reduction in reserves of \$13,500			N/A
BENEFITS AND CONSEQUENCES	With this option, all our footpaths would be in average or better condition. It supports the objective of roads that support safer travel, and links positively to a reduction in the number of serious injuries. There is an increase in cost. This option would increase the level of repair work to fix cracked and uneven surfaces, reduce vegetation encroachment and improve the overall experience.			This option supports the objective of roads that support safer travel, and links positively to a reduction in the number of serious injuries. Levels of service are maintained, however an improvement to our assets is not made to the extent we could, in line with government priorities. This impacts on the experience and safety of footpath users. Small levels of cracking, uneven surfaces and vegetation encroachment will be expected.			N/A
				 PREFERRED OPTION			

SCENARIO 4 Public Reserves Mowing

Background

Council maintains 56 hectares of reserves land in the Wairoa town area. This includes 20 hectares of non-public reserve, namely the grounds of the Wairoa Aerodrome and the Waste Water Treatment Plant. These non-public areas are maintained to a good standard for the benefit of contractors and service users. This scenario offers the opportunity to

review the mowing and maintenance frequency to either lower or raise the specifications for these sites. Whilst these sites are not directly accessible or visible to the majority of residents, changes to these maintenance specifications may have impact for the specific service users such as pilots and aircraft operators and contractors.

LEVELS OF SERVICE OPTIONS					
 MORE (Option 1)	Increase mowing frequency and maintenance specifications on non-public reserves	 SAME (Option 2)	Retain existing mowing frequency for non-public reserves	 LESS (Option 3)	Reduce mowing and maintenance frequency on non-public reserves
+\$20,000		\$140,000		-\$8,000	
+0.1%		1%		-0.1%	
Low		Low		Medium	
N/A		N/A		N/A	
With this option service levels are increased, with improvements in maintenance standards to that of public reserves. This will incur a higher operational cost.		This option retains the existing mowing and maintenance standards which is believed to be fit for purpose for the operation of the treatment plant and aerodrome. Costs would remain the same.		This option may result in complaints from service users and contractors due to the appearance of the areas and observed safety or operational concerns. The costs of individual maintenance jobs may be higher due to the need to create access to the sites through vegetation. Excessive vegetation growth may cause damage to plant and equipment. Annual reserves maintenance costs would reduce, but additional costs may be incurred on other projects.	
		 PREFERRED OPTION		BENEFITS AND CONSEQUENCES	

¹ An increased level of service would be contingent on funding approval from Waka Kotahi.

² Note: The standard of footpaths cost is approximated from the footpath maintenance and renewals budget 2021/22.

SCENARIO 5 Wastewater Overflows

Background

Council operates wastewater systems in Wairoa, Tuai, Māhia and Ōpoutama. Currently, our contractors are based primarily in Wairoa. This means there can be a significant response time for wastewater overflows if they occur in the more remote locations. Our target one-hour response time may not be possible if contractors are located

more than one hour away in another part of the district. This scenario provides the opportunity to establish contractors nearer the wastewater systems outside of the Wairoa township. This would ensure that they would be able to respond within the one-hour time frame, or faster.

LEVELS OF SERVICE OPTIONS					
	↑ MORE (Option 1)	= SAME (Option 2)	↓ LESS (Option 3)	Levels of service cannot be reduced without creating an environmental or public health risk.	
COST	+\$101K	\$2.1M	N/A		
RATES	+0.7%	\$2.1M is the total cost of the activity, which equates to 15.1% of rates	N/A		
RISK	Low	Medium	N/A		
DEBT	N/A	N/A	N/A		
BENEFITS AND CONSEQUENCES	An immediate response to wastewater overflows would ensure that the impact on the environment is kept to a minimum, with resources available in the right locations at the time of request. Whilst this option provides a benefit in terms of environmental impact, there is an increase in cost.	Maintaining the current level of service aims provides a balance between service affordability and reliability. As limited contractor resource is available there is a risk that response times are not achievable. ★ PREFERRED OPTION	N/A		

SCENARIO 6 Whiteware Collection Service

Background

Council has previously provided an annual bulk waste and whiteware collection service across the rural areas of the district. This facilitates the appropriate disposal of these items, avoiding issues such as fly dumping. In the 2019/20 Annual Plan, Council decided to reduce this service to take place every other year, as a cost saving opportunity.



In this scenario, the service could be returned on an annual basis, or be removed altogether. This service enables residents to dispose of such items correctly, without incurring the cost of transporting waste into Wairoa or other main centre facilities such as those in Gisborne or Hawke's Bay.




LEVELS OF SERVICE OPTIONS					
↑ MORE (Option 1)	Return to annual whiteware collection service	= SAME (Option 2)	Retain biennial whiteware collection service	↓ LESS (Option 3)	Remove biennial whiteware collection service
	+\$20,000 every other year	\$20,000 every other year	-\$20,000 every other year		
	+0.05% (average over two years)	0.05% (average over two years)	-0.05% (average over two years)		
	Low	Low	Low		
	N/A	N/A	N/A		
	With this option, the service is provided annually (more frequently), reducing the likelihood of illegal dumping and improving the visual impact of areas where these items collect. There is a cost increase with this option.	No change in service. Levels of illegal dumping and collections of items are likely to remain the same. ★ PREFERRED OPTION	A removal of the service, with a possible increase in illegal dumping of these items and subsequent damage to the environment. There would be a modest reduction in operational costs.		

Background

The waste industry is changing nationally, with an increased focus on the management of environmental impacts. This includes recovery of recyclable material, diversion of waste from landfill and reduction of illegal dumping. The Wairoa district has a variety of waste services that are offered to residents.

This scenario provides the opportunity to increase the service levels for large areas of the district by rolling out a wheeled bin collection. This would be funded through the rates of serviceable properties, rather than a user pays service. Every serviceable property would have access to the same frequency of collection and would not be dependent on visits to a landfill or purchase of refuse bags for the purposes of waste disposal.

LEVELS OF SERVICE OPTIONS			
	 MORE (Option 1)	= SAME (Option 2)	 LESS (Option 3)
	Rollout weekly recycling collection for Wairoa and Frasertown. 3 crates per household. Weekly drop-offs. Rollout 120L wheelie bins to serviceable properties in Wairoa, Frasertown, Māhia, Nuhaka, Raupunga, Tuai, Waihua, Kotemāori and Mohaka.	Weekly recycling collection for Wairoa and Frasertown. Twice-monthly recycling drop-offs for Māhia and Nuhaka. User pays refuse bags for Wairoa, Frasertown, Māhia, Nuhaka, Raupunga and Mohaka.	Fortnightly recycling collection for Wairoa and Frasertown. Remove recycling drop-off sites for Māhia and Nuhaka and other rural areas
COST IMPACT	+ \$450k Only serviceable properties pay for wheelie bin	\$2.0M	- \$75k
RATES IMPACT	+3.2%	\$2.0M is the total cost of the activity, of which \$1.25m is rated which equates to 9% of rates.	-0.5%
RISK IMPACT	Medium	Low	High
DEBT IMPACT	N/A	N/A	N/A

LEVELS OF SERVICE OPTIONS		
 <p>MORE (Option 1)</p>	<p>= SAME (Option 2)</p>	 <p>LESS (Option 3)</p>
<p>Rollout weekly recycling collection for Wairoa and Frasertown. 3 crates per household. Weekly drop-offs.</p> <p>Rollout 120L wheelie bins to serviceable properties in Wairoa, Frasertown, Māhia, Nuhaka, Raupunga, Tuai, Waihua, Kōtē Māori and Mohaka.</p>	<p>Weekly recycling collection for Wairoa and Frasertown. Twice-monthly recycling drop-offs for Māhia and Nuhaka.</p> <p>User pays refuse bags for Wairoa, Frasertown, Māhia, Nuhaka, Raupunga and Mohaka.</p>	<p>Fortnightly recycling collection for Wairoa and Frasertown. Remove recycling drop-off sites for Māhia and Nuhaka and other rural areas</p>
<p>The delivery of additional recycling crates for the urban area would make sorting and separation of recyclables a lot easier for residents and would likely contribute to greater recycling volumes. The provision of a wheelie bin collection would likely have a positive impact on illegal dumping, which is costly for Council to clean up. A reduction in illegal dumping would have a positive impact on the environment. The establishment of a wheelie bin collection as part of rates would provide a uniform level of service across all serviceable properties.</p>	<p>No change in service. Levels of illegal dumping and collections of items are likely to remain the same. Rural areas will continue to have a different level of service across the district.</p> <p> PREFERRED OPTION</p>	<p>With this option, there would be a reduction in the frequency of services. The impact of this may be an increase in illegal dumping due to non-collection as well as larger volumes being received at drop off points or kerbside collections.</p> <p>This could create a "shock-loading" situation on the waste operations which could have an impact on reliability e.g. collection vehicles become over full more quickly. The reduced frequency of collection may result in an increase in illegal dumping, which would incur additional unplanned costs to clear up, as well as having a detrimental impact on the environment.</p>

BENEFITS AND CONSEQUENCES



SCENARIO 8 Water Supply Resource

Background

Council operates two compliant schemes, one for Wairoa and Frasertown, and the other for Tuai. While Council's drinking water activities are managed well, there is currently no dedicated resource for water supply compliance management. It is anticipated that upcoming legislative changes will impact on Council's responsibilities around compliance and include more stringent regulation and current resourcing levels may not be sufficient to address this. Additional resourcing in this area would reduce the likelihood of non-compliance and provide greater confidence in Council's capacity to deliver future levels of service.

LEVELS OF SERVICE OPTIONS			
	<div>↑ MORE (Option 1)</div>	<div>= SAME (Option 2)</div>	<div>↓ LESS (Option 3)</div>
	With the new water reforms and increase in compliance, increased resources to manage these changes.	Delivering Council's current levels of service to comply with drinking water standards	Levels of service cannot be reduced without creating an environmental or public health risk.
COST IMPACT	+85K	\$885,000	N/A
RATES IMPACT	+ 0.6%	6.3%	N/A
RISK IMPACT	Medium	High	N/A
DEBT IMPACT	N/A	N/A	N/A

LEVELS OF SERVICE OPTIONS			BENEFITS AND CONSEQUENCES
<div>↑ MORE (Option 1)</div>	<div>= SAME (Option 2)</div>	<div>↓ LESS (Option 3)</div>	
With the new water reforms and increase in compliance, increased resources to manage these changes.	Delivering Council's current levels of service to comply with drinking water standards	Levels of service cannot be reduced without creating an environmental or public health risk.	
Additional resourcing in this area would help ensure that the community's water supplies are maintained in line with the relevant water standards. There would be an increase in costs.	The current level of service covers the basic requirements for compliance with existing drinking water standards. With upcoming changes planned, there is a risk that current resourcing levels are not sufficient to enable us to comply with any future changes. <div>★ PREFERRED OPTION</div>	N/A	



AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT
ON WAIROA DISTRICT COUNCIL'S CONSULTATION DOCUMENT
FOR ITS PROPOSED 2021 - 31 LONG-TERM PLAN

I am the Auditor-General's appointed auditor for Wairoa District Council (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document when developing its long-term plan. Section 93C of the Act sets out the content requirements of the consultation document and requires an audit report on the consultation document. I have done the work for this report using the staff and resources of Ernst & Young. We completed our report on 30 April 2021.

Opinion

In our opinion:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2021-31 long-term plan, because it:
 - fairly represents the matters proposed for inclusion in the long-term plan; and
 - identifies and explains the main issues and choices facing the Council and the District, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosure.

Uncertainty over three waters reforms

Page 9 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The consultation document was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the consultation document has been based.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that were consistent with those requirements.



We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan, whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

We are responsible for reporting on the consultation document, as required by section 93C of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or its subsidiary.

Stuart Mulch
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

COMMUNITY SESSIONS

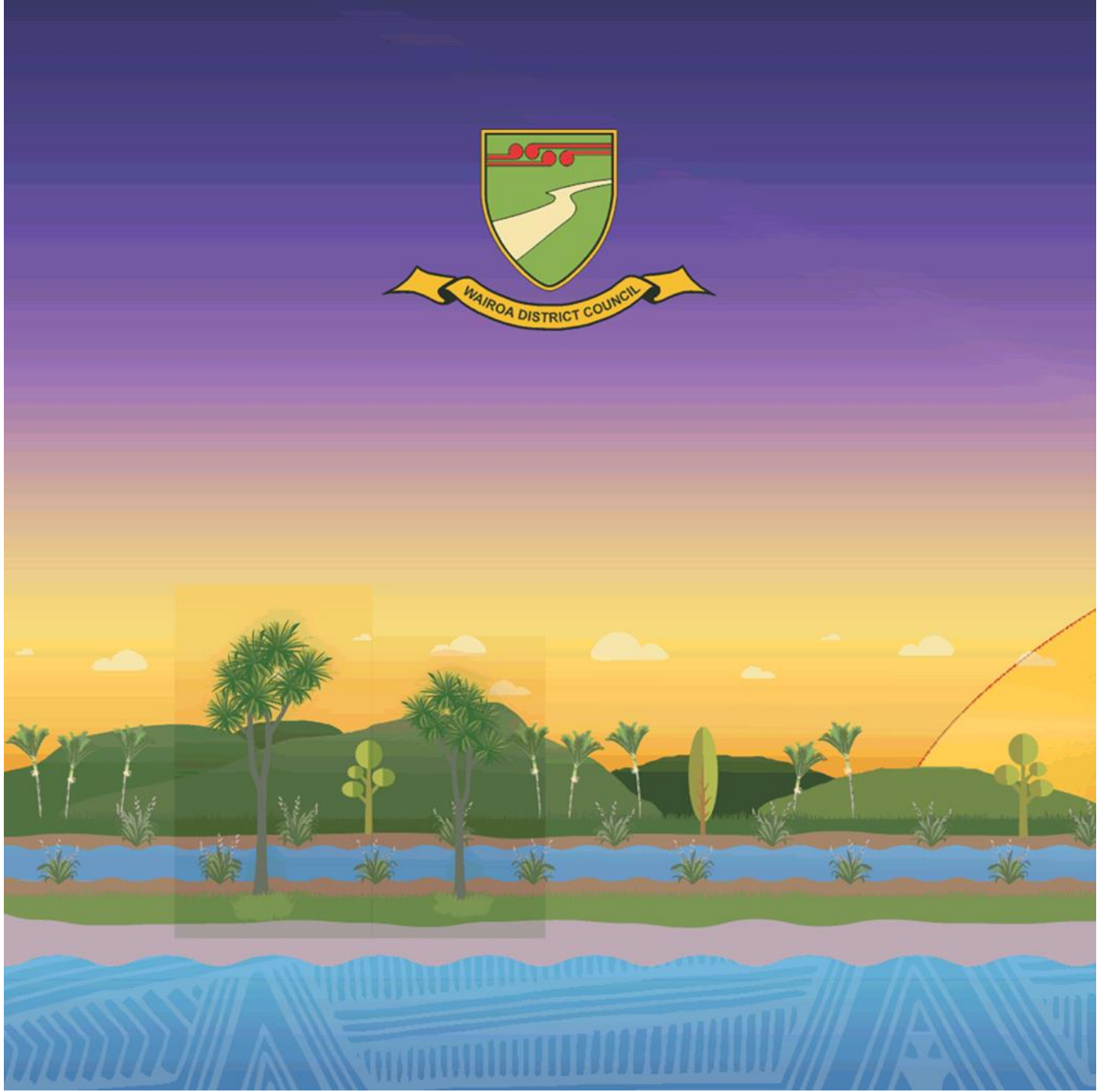
LOCATION	DATE & TIME
The Craft Shop, Tuai	Monday 10 th May, 10am-2pm
Osler's Bakery, Wairoa	Wednesday 12 th May, 10am-2pm
Nuhaka Shop, Nuhaka	Monday 17 th May, 10am-2pm
BJ's Dairy, Frasertown	Wednesday 19 th May, 10am-2pm
Public rest area SH2, Raupunga	Thursday 20 th May, 10am-2pm
Sunset Point, Mahia	Friday 21 st May, 10am-2pm

COMMUNITY MEETINGS

LOCATION	DATE & TIME
War Memorial Hall, Wairoa	Monday 17 th May, 5.30pm-7.30pm

SUBMISSIONS CLOSE 1 JUNE, 4.30PM





LEVELS OF SERVICE

MY FEEDBACK BOOK

LONG TERM PLAN 2021-2031

CONSULTATION

LONG TERM PLAN 2021-2031 CONSULTATION



Council is now consulting with its community on the Long-Term Plan 2021-31. *Now is your opportunity* to tell us what matters to you and how you would like our district to look over the next 10 years.

Every three years Council develops a Long-Term Plan which describes its activities and the community outcomes it hopes to achieve over the next decade. The 2021-31 Long-Term Plan consultation will focus on *Levels of Service* and what is important to our community. This is your chance to tell us how and where Council should spend its money.

We want our community to have meaningful input into the 10 year vision while understanding what it

costs to run the district, and how, by changing where the dollars are spent, that can affect the services we deliver.


Our consultation will take a *Levels of Service* scenario-based approach where members of the community will be able to choose from a sample of services whether to spend more, the same, or less, and see how that decision impacts on cost, rates, risk and debt.

Please use this feedback book to have your say. We welcome your involvement in this process as we face the challenges and build our community's future together.




HAVE YOUR SAY


NOW IS YOUR OPPORTUNITY TO TELL US WHAT YOU THINK.
SIMPLY CHOOSE ONE OF THE OPTIONS BELOW AND SUBMIT YOUR FEEDBACK.




ONLINE SUBMISSIONS
Simply visit our website and complete an online submission.
● www.consultations.nz/wdc



TALK TO COUNCILLORS
Come along to one of our public meetings and talk to one of our councillors. See below for details.



WRITTEN SUBMISSIONS
Use the submission form or write us a letter and send it to P.O. Box 54, Wairoa 4160



SPEAK AT A HEARING
If you make a submission you have the option to speak at a Council hearing. Please let us know in your submission if you want to speak.

COMMUNITY SESSIONS


LOCATION	DATE & TIME
The Craft Shop, Tuai	Monday 10 th May, 10am-2pm
Osler's Bakery, Wairoa	Wednesday 12 th May, 10am-2pm
Nuhaka Shop, Nuhaka	Monday 17 th May, 10am-2pm
BJ's Dairy, Frasertown	Wednesday 19 th May, 10am-2pm
Public rest area SH2, Raupunga	Thursday 20 th May, 10am-2pm
Sunset Point, Mahia	Friday 21 st May, 10am-2pm

COMMUNITY MEETINGS


LOCATION	DATE & TIME
War Memorial Hall, Wairoa	Monday 17 th May, 5.30pm-7.30pm

MORE INFORMATION

COPIES OF ALL OUR SUPPORTING DOCUMENTS ARE AVAILABLE FROM:




OUR WEBSITE
● www.consultations.nz/wdc



WDC OFFICE
Coronation Square,
Queen Street, Wairoa

SUBMISSIONS CLOSE 1 JUNE, 4.30PM



Item 8.2- Appendix 2

Page 48

SUBMISSION FORM

First & Last Name Organisation (if applicable)
Phone E-Mail
Number Street Name
Postcode Suburb/Town
Do you want to present your views in person at a Council hearing?
If yes, are you intending to present in the one of the following

INFRASTRUCTURE STRATEGY

Do you support Council's Infrastructure Strategy?

My feedback

FINANCIAL STRATEGY

Do you support Council's Financial Strategy?

My feedback

PROJECTS

Which projects are most important to you? Indicate the priority you think is right for each of the projects by ranking it from 1-3 (1=most important, 2=somewhat important, 3=not important). You can find our projects on pages 35-40 in the Consultation Document.

Project 1 (page 35) Dust Impact
Project 2 (page 35) Blue Bay Wastewater Upgrade
Project 3 (page 36) Smart Meter Installation (Wairoa township)
Project 4 (page 36) Wastewater Treatment Plant Upgrade
Project 5 (page 37) Wastewater Treatment Plant Upgrade (UV Filtration)
Project 6 (page 37) Wastewater Treatment Plant Upgrade (Primary Treatment Upgrade)
Project 7 (page 38) Structural Bridge Repairs
Project 8 (page 38) Pump Station Renewals
Project 9 (page 39) Wastewater Pipe Renewals and Relining
Project 10 (page 39) Mahia Connectivity and Resilience Improvements (Roading)
Project 11 (page 40) Drainage Improvements (Roading)
Project 12 (page 40) Expansion of Rural Recycling Containers
Project 13 (page 40) PGF Bridge Strengthening

My feedback about Council's projects

My feedback about Levels of Service

LEVELS OF SERVICE

What is the right level of service for Councils activities? Read through the scenarios on pages 41-51 and tick your preferred option below.

Scenario 1 - Unsealed Roads	Scenario 2 - Sealed Roads Resurfacing	Scenario 3 - Footpaths
<input type="radio"/> Option 1	<input type="radio"/> Option 1	<input type="radio"/> Option 1
<input type="radio"/> Option 2	<input type="radio"/> Option 2	<input type="radio"/> Option 2
<input type="radio"/> Option 3	<input type="radio"/> Option 3	<input type="radio"/> Option 3

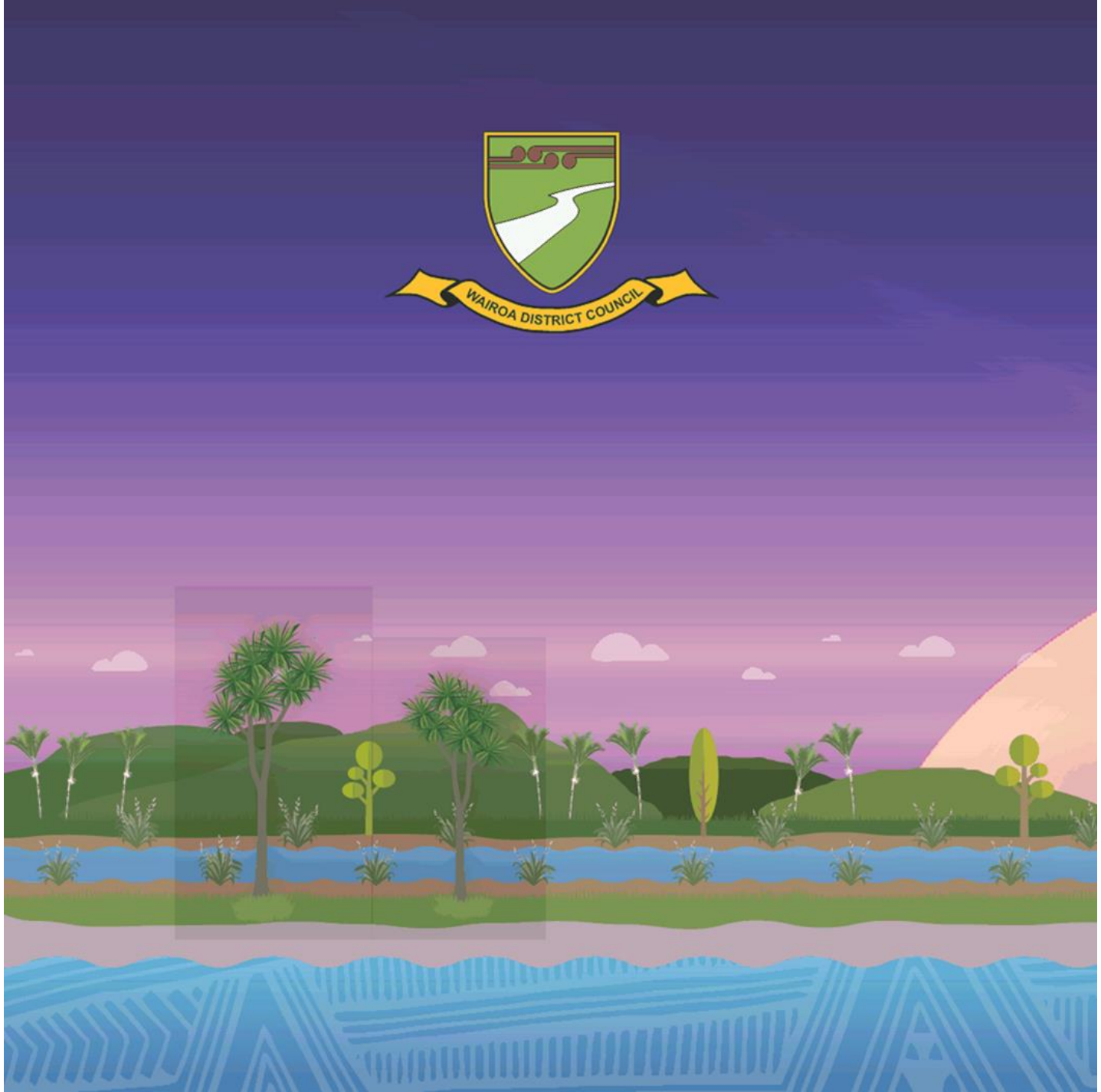
Scenario 4 - Public reserves mowing	Scenario 5 - Wastewater Overflows	Scenario 6 - Whiteware Collection Service
<input type="radio"/> Option 1	<input type="radio"/> Option 1	<input type="radio"/> Option 1
<input type="radio"/> Option 2	<input type="radio"/> Option 2	<input type="radio"/> Option 2
<input type="radio"/> Option 3	<input type="radio"/> Option 3	<input type="radio"/> Option 3

Scenario 7 - Weekly Recycling & Wheelie Bins	Scenario 8 - Water Supply Resource
<input type="radio"/> Option 1	<input type="radio"/> Option 1
<input type="radio"/> Option 2	<input type="radio"/> Option 2
<input type="radio"/> Option 3	<input type="radio"/> Option 3

OTHER FEEDBACK

My feedback

Need more room? You can attach extra pages, but please make sure they are A4 in size and also include your name and contact information.



8.3 COUNCIL'S FINANCIAL ENVIRONMENT

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support

Authoriser: Kitea Tipuna, Tumu Whakarae Taupua Interim Chief Executive Officer

Appendices:

1. LTP draft Financial Statements [↓](#)
2. LTP Prudence Benchmarks [↓](#)
3. Financial Strategy [↓](#)
4. February 2021 Monthly Financial Report [↓](#)
5. Revenue and Financing Policy [↓](#)
6. Investment and Liability Management Policies [↓](#)

1. PURPOSE

- 1.1 This report provides information for the Youth Council on Council's financial reporting, planning and policy disciplines. No decisions are required by Committee at this stage.
- 1.2 This report is presented to provide an overview of Council's financial management.

RECOMMENDATION

The Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support RECOMMENDS that Committee receive the report.

2. BACKGROUND

- 2.1 Council's financial performance and stability determine its capacity to deliver effective and efficient activities.
- 2.2 Budgets including expenditure and funding plans are incorporated into every Annual Plan and Long-term Plan to provide a financial roadmap for delivering these activities within a prudent framework.
- 2.3 Council is kept informed of progress and performance against these throughout the year. Monthly financial reports are presented to the Finance, Audit and Risk Committee. Council receives a comprehensive performance report every quarter and adopts an audited Annual Report every year.
- 2.4 Much of Council's financial decision-making is guided by the Financial Strategy and several policies, and prescribed by legislation. Financial reporting is in accordance with accounting standards.
- 2.5 Samples of the items referenced in 2.2 – 2.4 above are attached as **Appendices**.

Further Information

A full range of related information is available on Council's website., including Annual Reports, Annual Plans and Long-term Plans

The most pertinent legislation is contained in:



- Local Government Act 2002: Part 6, sub-part 3; and Schedule 10
- Local Government (Rating) Act 2002

- Local Government (Financial Reporting and Prudence) Regulations 2014

References (to or from other Committees)

Per 2.3

Signatories

 	
Author Gary Borg	Approved by Kitea Tipuna

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Annual Plan 2020/21 \$000	LTP 30-Jun-22 \$000	LTP 30-Jun-23 \$000	LTP 30-Jun-24 \$000	LTP 30-Jun-25 \$000	LTP 30-Jun-26 \$000	LTP 30-Jun-27 \$000	LTP 30-Jun-28 \$000	LTP 30-Jun-29 \$000	LTP 30-Jun-30 \$000	LTP 30-Jun-31 \$000
Revenue											
Rates	13,987	15,459	16,726	18,037	19,637	20,478	21,485	21,784	22,405	23,295	23,965
Subsidies and grants	20,211	19,890	11,707	12,978	18,671	14,061	13,700	14,132	13,959	14,904	14,100
Petrol tax	88	85	87	90	92	94	96	98	101	103	105
Fees and charges	2,096	2,357	2,296	2,360	2,447	2,479	2,536	2,626	2,659	2,722	2,813
Investment income	1,154	471	563	594	576	604	611	650	687	731	769
Miscellaneous income	-	-	-	-	-	-	-	-	-	-	-
Total revenue	37,536	38,262	31,379	34,059	41,423	37,716	38,428	39,290	39,811	41,755	41,752
Expense											
Water supply	1,731	2,222	2,333	2,430	2,471	2,591	2,704	2,668	2,756	2,908	2,903
Stormwater	507	572	629	636	638	668	682	696	696	735	737
Wastewater	1,739	2,116	2,451	2,514	2,561	2,644	2,729	2,701	2,782	2,921	3,243
Solid waste	1,915	2,306	2,536	2,882	3,047	3,040	3,165	3,341	3,453	3,546	3,675
Transport	13,277	12,291	12,975	13,527	14,892	15,350	15,777	16,340	16,438	17,118	17,126
Community facilities	2,525	2,372	2,404	2,484	2,607	2,684	2,758	2,800	2,873	2,943	3,023
Planning and regulatory	2,696	2,094	2,191	2,221	2,044	2,114	2,138	2,116	2,229	2,200	2,233
Leadership and governance	3,538	3,561	3,692	3,810	3,616	3,816	3,841	3,906	3,992	4,028	4,130
Corporate expense	1,021	1,383	1,038	1,093	1,065	1,104	1,298	1,259	1,271	1,391	1,471
Total expense	28,949	28,917	30,249	31,597	32,941	34,011	35,092	35,827	36,490	37,790	38,541
Net surplus (deficit) on operations	8,587	9,345	1,130	2,462	8,482	3,705	3,336	3,463	3,321	3,965	3,211
Subvention income	-	250	125	100	100	100	100	100	100	100	100
Net surplus / (deficit) for the year	8,587	9,595	1,255	2,562	8,582	3,805	3,436	3,563	3,421	4,065	3,311
Other comprehensive revenue and expense											
Fair value movement – property, plant and equipment	-	-	20,613	-	-	28,725	-	-	33,374	-	-
Fair value movement - other	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive revenue and expense for the period	8,587	9,595	21,868	2,562	8,582	32,530	3,436	3,563	36,795	4,065	3,311

STATEMENT OF FINANCIAL POSITION

	Annual Plan 2020/21 \$000	LTP 30-Jun-22 \$000	LTP 30-Jun-23 \$000	LTP 30-Jun-24 \$000	LTP 30-Jun-25 \$000	LTP 30-Jun-26 \$000	LTP 30-Jun-27 \$000	LTP 30-Jun-28 \$000	LTP 30-Jun-29 \$000	LTP 30-Jun-30 \$000	LTP 30-Jun-31 \$000
Current Assets											
Cash and cash equivalents	1,972	1,270	2,782	1,963	3,270	5,406	5,995	6,667	9,048	10,184	11,515
Inventories	58	78	81	85	92	101	112	126	142	160	181
Trade and other receivables	3,120	3,902	2,982	3,217	4,435	3,307	3,191	3,029	2,829	2,864	2,522
Financial assets at fair value	-	1,831	395	-	276	-	-	-	-	-	-
Total current assets	5,150	7,081	6,240	5,265	8,073	8,814	9,298	9,822	12,019	13,208	14,218
Current liabilities											
Trade and other payables	9,782	6,016	4,889	5,416	6,612	5,946	5,797	5,871	5,996	6,350	6,336
Advance funding - PGF	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	1,500	3,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total current liabilities	9,782	7,516	8,389	7,416	8,612	7,946	7,797	7,871	7,996	8,350	8,336
Working Capital	(4,632)	(435)	(2,149)	(2,151)	(539)	868	1,501	1,951	4,023	4,858	5,882
Non current assets											
Property, plant and equipment	279,284	296,930	331,720	334,802	340,554	380,742	386,899	390,559	427,178	430,685	435,058
Work in progress	20,604	20,574	9,776	12,630	19,956	13,699	11,411	11,369	11,882	12,963	12,099
Investment in subsidiary	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Investment property	-	-	-	-	-	-	-	-	-	-	-
Biological asset - forestry	260	115	115	115	115	115	115	115	115	115	115
Available for sale financial assets	23	23	23	23	23	23	23	23	23	23	23
Intangible assets	198	12	12	12	12	12	12	12	12	12	12
Financial assets at fair value	8,256	1,161	859	887	338	338	338	338	338	338	338
Total non current assets	309,875	320,065	343,755	349,719	362,248	396,179	400,048	403,666	440,798	445,386	448,895
Non current liabilities											
Employee entitlements	112	66	71	72	72	60	61	60	60	-	-
Landfill aftercare	730	1,281	1,317	1,347	1,378	1,408	1,439	1,471	1,504	1,538	1,569
Borrowings	10,901	18,015	18,082	21,451	26,979	29,769	30,803	31,277	33,653	35,037	36,228
Total non current liabilities	11,743	19,362	19,470	22,870	28,429	31,237	32,303	32,808	35,217	36,575	37,797
Net assets	293,500	300,268	322,136	324,698	333,280	365,810	369,246	372,809	409,604	413,669	416,980
Represented by											
Equity	293,500	300,268	322,136	324,698	333,280	365,810	369,246	372,809	409,604	413,669	416,980

STATEMENT OF CHANGES IN EQUITY

	Annual Plan 2020/21 \$000	30-Jun-22 \$000	30-Jun-23 \$000	30-Jun-24 \$000	30-Jun-25 \$000	30-Jun-26 \$000	30-Jun-27 \$000	30-Jun-28 \$000	30-Jun-29 \$000	30-Jun-30 \$000	30-Jun-31 \$000
Total equity - opening balance	284,913	290,673	300,268	322,136	324,698	333,280	365,810	369,246	372,809	409,604	413,669
Net surplus (deficit) for period	8,587	9,595	1,255	2,562	8,582	3,805	3,436	3,563	3,421	4,065	3,311
Other comprehensive income	-	-	20,613	-	-	28,725	-	-	33,374	-	-
Total comprehensive income	8,587	9,595	21,868	2,562	8,582	32,530	3,436	3,563	36,795	4,065	3,311
Total equity - closing balance	293,500	300,268	322,136	324,698	333,280	365,810	369,246	372,809	409,604	413,669	416,980
Components of equity											
Ratepayer's equity											
Ratepayer's equity - opening balance	137,936	160,014	162,127	177,140	173,717	174,146	190,312	185,328	180,473	196,307	191,720
Net surplus/(deficit) for period	8,587	9,595	1,255	2,562	8,582	3,805	3,436	3,563	3,421	4,065	3,311
Transfers from restricted reserves	4,250	-	13,758	-	-	12,361	-	-	12,413	-	-
Transfers to restricted reserves	(2,196)	(7,482)	-	(5,985)	(8,153)	-	(8,420)	(8,418)	-	(8,652)	(9,069)
Transfer from revaluation reserve	-	-	-	-	-	-	-	-	-	-	-
Ratepayer's equity - closing balance	148,577	162,127	177,140	173,717	174,146	190,312	185,328	180,473	196,307	191,720	185,962
Special funds											
Special funds - opening balance	20,003	14,853	22,335	8,577	14,562	22,715	10,354	18,774	27,192	14,779	23,431
Transfer from ratepayer's equity	2,196	7,482	-	5,985	8,153	-	8,420	8,418	-	8,652	9,069
Transfer to ratepayer's equity	(4,250)	-	(13,758)	-	-	(12,361)	-	-	(12,413)	-	-
Special funds - closing balance	17,949	22,335	8,577	14,562	22,715	10,354	18,774	27,192	14,779	23,431	32,500
Revaluation reserves											
Revaluation reserves - opening balance	126,974	115,806	115,806	136,419	136,419	136,419	165,144	165,144	165,144	198,518	198,518
Net transfer to ratepayer's equity	-	-	-	-	-	-	-	-	-	-	-
Revaluation recognised in other comprehensive revenue a	-	-	20,613	-	-	28,725	-	-	33,374	-	-
Revaluation reserves - closing balance	126,974	115,806	136,419	136,419	136,419	165,144	165,144	165,144	198,518	198,518	198,518
Total equity - closing balance	293,500	300,268	322,136	324,698	333,280	365,810	369,246	372,809	409,604	413,669	416,980

STATEMENT OF CASH FLOWS

	Annual Plan										
	2020/21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26	30-Jun-27	30-Jun-28	30-Jun-29	30-Jun-30	30-Jun-31
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities											
Rates received	14,737	18,596	17,578	18,134	19,394	21,088	21,762	22,013	22,688	23,489	24,310
Other revenue	22,752	19,162	14,122	15,049	20,128	17,124	16,107	16,675	16,621	17,446	16,907
Investment income	1,154	471	563	594	576	604	611	650	687	731	769
Subvention income	-	250	125	100	100	100	100	100	100	100	100
Payments to suppliers and employees	(19,129)	(25,985)	(25,433)	(24,538)	(24,408)	(26,856)	(27,060)	(27,273)	(27,583)	(28,364)	(29,085)
Interest paid	(1,186)	(368)	(495)	(547)	(593)	(731)	(801)	(852)	(888)	(973)	(1,058)
Net cash flows from operating activities	18,328	12,126	6,460	8,792	15,197	11,329	10,719	11,313	11,625	12,429	11,943
Cash flows from investing activities											
Sale of property, plant and equipment	16	61	37	47	107	28	65	112	16	55	107
Sale of financial assets	-	1,026	1,739	367	273	276	-	-	-	-	-
Purchase of financial assets	(2,115)	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(20,604)	(19,987)	(8,791)	(11,893)	(19,798)	(12,287)	(11,229)	(11,227)	(11,636)	(12,732)	(11,910)
Net cash flows used in investing activities	(22,703)	(18,900)	(7,015)	(11,479)	(19,418)	(11,983)	(11,164)	(11,115)	(11,620)	(12,677)	(11,803)
Cash flows from financing activities											
Loans raised	2,702	4,949	3,567	5,369	7,528	4,790	4,034	4,474	6,376	6,384	7,191
Borrowings repaid	-	-	(1,500)	(3,500)	(2,000)	(2,000)	(3,000)	(4,000)	(4,000)	(5,000)	(6,000)
Net cash flows from financing activities	2,702	4,949	2,067	1,869	5,528	2,790	1,034	474	2,376	1,384	1,191
Net increase/(decrease) in cash and cash equivalent:	(1,673)	(1,825)	1,512	(818)	1,307	2,136	589	672	2,381	1,136	1,331
Cash and cash equivalents at beginning of year	3,645	3,095	1,270	2,782	1,963	3,270	5,406	5,995	6,667	9,048	10,184
Cash and cash equivalents at end of year	1,972	1,270	2,782	1,964	3,270	5,406	5,995	6,667	9,048	10,184	11,515
Made up of:											
Cash	50	11	178	417	714	1,134	689	325	1,007	764	582
Short term deposits	1,922	1,259	2,604	1,547	2,556	4,272	5,306	6,342	8,041	9,420	10,933
Cash and cash equivalents at end of year	1,972	1,270	2,782	1,964	3,270	5,406	5,995	6,667	9,048	10,184	11,515

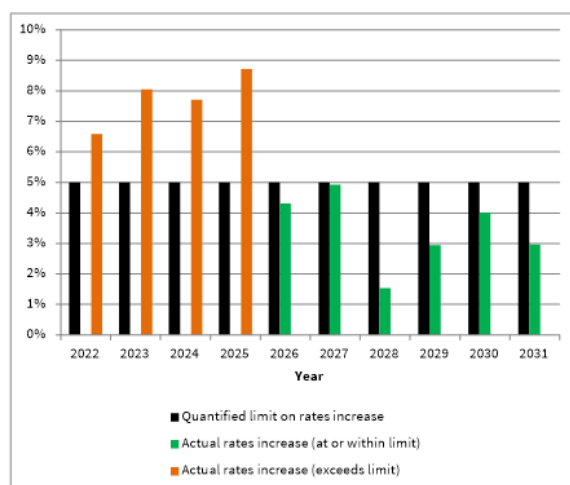
Rates increases (%)

The maximum annual total rates increase shall not exceed 5%.

In 2020 this was clarified as being total rates levied (not net rates income).

Graph data:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Quantified limit on rates increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Actual rates increase	6.6%	8.1%	7.7%	8.7%	4.3%	4.9%	1.5%	2.9%	4.0%	3.0%
Actual rates increase (at or within limit)					4.3%	4.9%	1.5%	2.9%	4.0%	3.0%
Actual rates increase (exceeds limit)	6.6%	8.1%	7.7%	8.7%						

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Gross rates levied	15,175,446	16,176,116	17,478,647	18,827,404	20,467,127	21,349,328	22,400,346	22,744,362	23,414,252	24,354,141	25,076,687
Actual rates increase		6.6%	8.1%	7.7%	8.7%	4.3%	4.9%	1.5%	2.9%	4.0%	3.0%



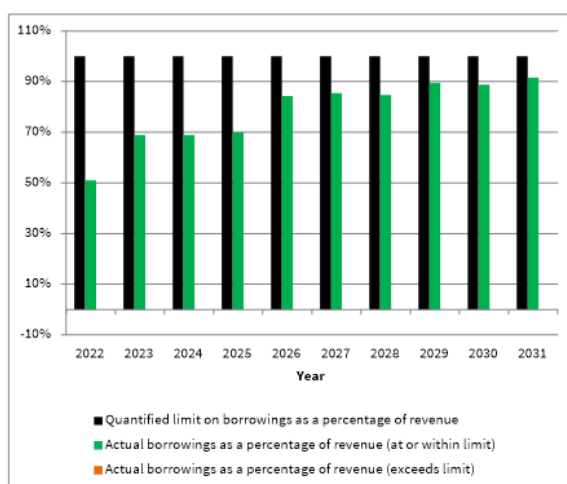
DEBT AFFORDABILITY BENCHMARK

Borrowings as a percentage of revenue (%)

Total borrowings will not exceed annual revenue

Graph data:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Quantified limit on borrowings as a percentage of revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Actual borrowings as a percentage of revenue	51%	69%	69%	70%	84%	85%	85%	90%	89%	92%
Actual borrowings as a percentage of revenue (at or within limit)	51%	69%	69%	70%	84%	85%	85%	90%	89%	92%
Actual borrowings as a percentage of revenue (exceeds limit)										

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total revenue	38,262,120	31,379,590	34,058,911	41,422,547	37,715,672	38,428,921	39,289,697	39,811,071	41,755,372	41,751,531
Total borrowings	19,514,870	21,581,938	23,451,017	28,979,037	31,769,491	32,803,149	33,276,894	35,653,370	37,037,342	38,228,379



BALANCED BUDGET BENCHMARK

Revenue/expenditure (%)

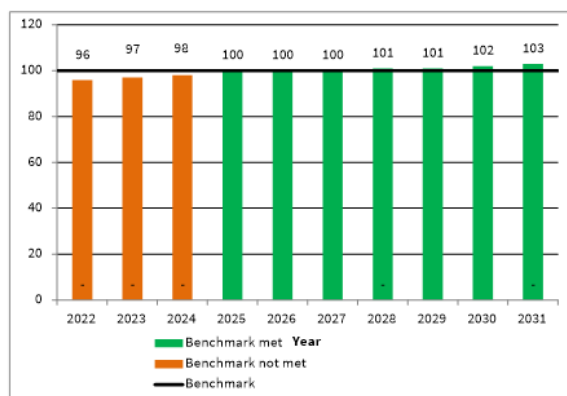
The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

The council meets this benchmark if its revenue equals or is greater than its operating expenses.

Graph data:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Benchmark	100	100	100	100	100	100	100	100	100	100
Actual index	96	97	98	99	100	100	101	101	102	103
Benchmark met				100	100	100	101	101	102	103
Benchmark not met	96	97	98							

0	100
1	100

Working:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Revenue	38,262,120	51,992,500	34,058,911	41,422,547	66,440,873	38,428,921	39,289,697	73,184,799	41,755,372	41,751,531
Development Contributions	-	-	-	-	-	-	-	-	-	-
Financial Contributions	13,649,098	5,842,677	6,948,008	12,000,794	7,230,052	6,784,352	6,892,165	6,824,537	7,521,385	6,801,504
Vested assets	-	-	-	-	-	-	-	-	-	-
Gains on Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	-
Gains on PPE	-	20,612,910	-	-	28,725,202	-	-	33,373,728	-	-
Total	24,613,021	25,536,913	27,110,903	29,421,752	30,485,620	31,644,569	32,397,532	32,986,534	34,233,987	34,950,027
Operating Expenditure	28,915,829	30,248,239	31,595,244	32,941,969	34,010,802	35,091,943	35,827,061	36,492,092	37,789,196	38,540,960
Add back: depreciation not funded	-	3,590,440	4,219,456	4,061,498	3,368,463	3,457,497	3,546,030	3,636,041	3,838,710	3,951,521
Less Fair Value movement of Derivative	-	-	-	-	-	-	-	-	-	-
Losses on Revaluation of PPE	-	-	-	-	-	-	-	-	-	-
Losses on Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total	25,325,389	26,028,782	27,533,746	29,573,506	30,553,305	31,545,914	32,191,020	32,765,798	33,950,486	34,589,439



The Local Government Act 2002 (LGA) requires the Council to budget each year for operating revenue at a level sufficient to meeting the operating expenses budgeted for that year. This is known as the "balanced budget" requirement. The LGA does allow the Council to budget for a deficit, if it resolves that it is financially prudent to do so. The Council acknowledges that it runs deficits from a balanced budget perspective because it does not fully rate fund depreciation. For this reason the Council has defined its balanced budget target as the Local Government (Financial Reporting and Prudence) Regulations 2014 definition modified to exclude costs and gains from asset sales and the NZTA capital subsidies from the calculation of revenue, offset by the depreciation not funded. If the capital subsidies and full depreciation were included, then the budget would be balanced in all years. Using the modified definition, the Council expects to show a balanced budget by 2029, through increased efficiencies and increasing rate funding for depreciation of assets that the Council pays to replace.

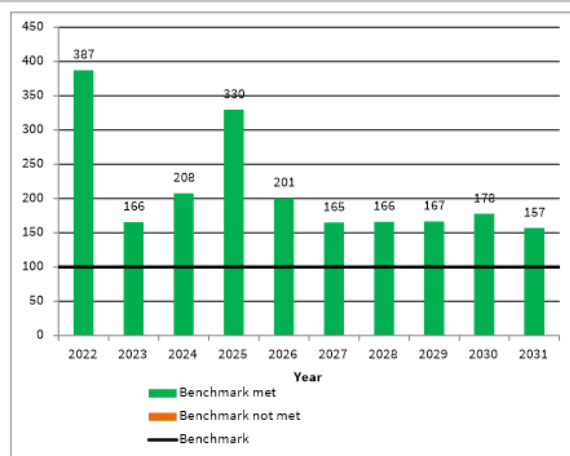
ESSENTIAL SERVICES BENCHMARK
Capital expenditure/ depreciation (%)

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

Graph data:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Benchmark	100	100	100	100	100	100	100	100	100	100
Actual index	387	166	208	330	201	165	166	167	178	157
Benchmark met	387	166	208	330	201	165	166	167	178	157
Benchmark not met										

Essential services	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Depreciation - from below	4,888,619	5,325,369	5,582,740	5,760,386	6,021,172	6,239,649	6,462,815	6,703,539	6,942,350	7,172,228
Capital expenditure - From 'Application of Capital Funding' at end of FIS										
Water Supply	1,628,000	698,625	901,850	2,521,270	1,940,872	841,575	835,670	1,413,280	817,472	744,475
Wastewater	6,212,550	471,287	1,508,583	150,634	128,623	351,458	606,155	635,250	1,181,800	1,179,375
Storm water	542,000	0	53,050	54,400	279,250	0	0	0	152,598	156,400
Roads and footpaths and bridges	10,555,220	7,654,557	9,128,078	16,263,073	9,726,050	9,103,781	9,282,149	9,124,619	10,177,858	9,171,181
Total capital expenditure	18,937,770	8,824,469	11,591,561	18,989,377	12,074,795	10,296,814	10,723,974	11,173,149	12,329,728	11,251,431
%	387%	166%	208%	330%	201%	165%	166%	167%	178%	157%

Depreciation by activity	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
WT/WR	636,784	682,111	700,831	685,992	738,722	757,239	778,402	818,528	821,039	838,649
SG	426,127	605,020	677,405	695,354	713,888	731,783	754,082	787,774	831,575	875,056
SD	252,729	268,913	279,420	290,477	298,219	305,695	314,238	323,049	335,923	348,282
RS/RN	3,572,979	3,769,326	3,925,084	4,088,564	4,270,343	4,444,932	4,616,093	4,774,189	4,953,813	5,110,240



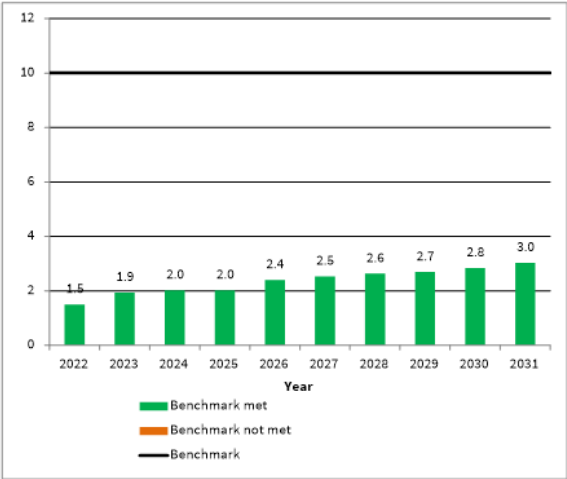
DEBT SERVICING BENCHMARK

Borrowing costs/revenue (%)

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).
Because Statistics New Zealand projects the council's population will grow [more slowly than] the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than [10%] of its revenue.

Graph data:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Benchmark	10	10	10	10	10	10	10	10	10	10
Actual index	1.49	1.94	2.02	2.02	2.40	2.53	2.63	2.69	2.84	3.03
Benchmark met	1.5	1.9	2.0	2.0	2.4	2.5	2.6	2.7	2.8	3.0
Benchmark not met										

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenue per definition	24,613,021	25,536,913	27,110,903	29,421,752	30,485,620	31,644,569	32,397,532	32,986,534	34,233,987	34,950,027
Finance Costs	367,812	495,072	546,598	593,175	731,226	800,837	851,529	888,222	973,086	1,058,252

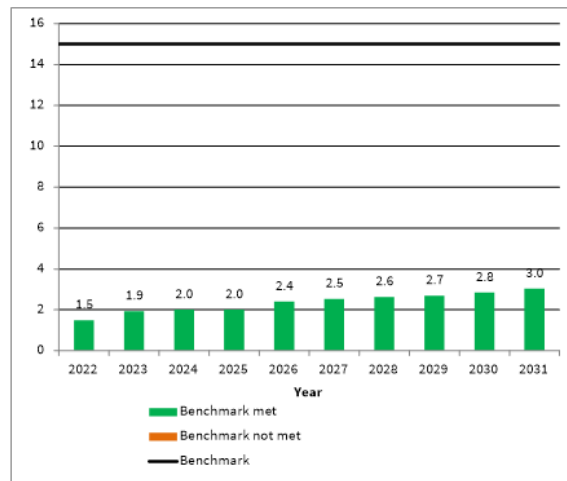


Borrowing costs/rates revenue (%)

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is Annual interest costs and loan repayments (debt servicing) shall not exceed 15% of rates revenue

Graph data:	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Benchmark	15	15	15	15	15	15	15	15	15	15
Actual index	2.39	2.97	3.04	3.03	3.59	3.74	3.92	3.98	4.19	4.43
Benchmark met	2.4	3.0	3.0	3.0	3.6	3.7	3.9	4.0	4.2	4.4
Benchmark not met										

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Revenue	15,459,200	16,725,885	18,037,004	19,637,207	20,477,912	21,485,360	21,783,627	22,405,480	23,294,929	23,964,515
Capital contributions - rates	78,583	80,426	82,838	76,458	88,332	80,056	82,458	84,932	87,480	84,735
Finance Costs	367,812	495,072	546,598	593,175	731,226	800,837	851,529	888,222	973,086	1,058,252
Net loan repayment	0	-	0	0	-	-	-	-	-	-



FINANCIAL STRATEGY

2021-2031

DRAFT: MARCH 2021



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WAIROA DISTRICT

WAIROA

RAUTAKI AHUPŪTEA - FINANCIAL STRATEGY

FINANCIAL STRATEGY 2021

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INTRODUCTION

This Financial Strategy sets out how Council intends to fund its activities and projects, in order to deliver sustainable service levels and achieve the community objectives contained in its Long-term Plan (LTP) 2021-31 and the corresponding 10 years of its infrastructure strategy.

Over the next 10 years, Council forecasts that a total of over \$334 million in operating costs and nearly \$136 million in capital expenditure will be required in order to meet these objectives.

This strategy will guide Council on the use of appropriate funding tools to pay for this expenditure, so that it can continue to deliver effective and affordable services to the community now and into the future.

This strategy examines the key drivers that will affect Council's funding and expenditure, the risks associated with the assumptions it has made, and the use of available tools to deliver its outcomes and allow for changing circumstances.

Council faces significant challenges to deliver desired levels of service within an affordable funding envelope. We will continue to strive to deliver effective services at an affordable cost. Despite this we also need a reset, to respond to events of the past 3 years and reposition the Council to a sustainable financial footing.

Over recent years Council has been able to keep rates increases below its prescribed limit of 5%. It has achieved this primarily by not rating for depreciation, selling surplus assets and deferring expenditure. These measures can only work in the short term and we have to do something about it. Council still sees a rates increase threshold of 5% as desirable, but for the next few years it will not be achievable unless we have a serious look at levels of service.

FINANCIAL STRATEGY 2021

BACKGROUND

What hasn't changed....

Wairoa's low population density and the large remote expanse of land over which Council delivers infrastructure and services present continuing affordability challenges. Our remoteness and landscape, whilst presenting wonderful lifestyle benefits, adds to this.

The costs of meeting increasing compliance requirements and the community's desired levels of service in all areas will continue to rise.

Council is heavily dependent on Waka Kotahi subsidies to maintain its roading network and, at 75%, receives the highest funding assistance rate in the country.

In the LTP 2018-28 we forecast that Council would become more reliant on borrowing to undertake essential upgrades to infrastructure and facilities. This has begun and the trend will continue for at least four years.

What has changed.....

COVID-19 has made everyone rethink how they do business and although Wairoa and the Hawke's Bay Region generally proved it's resilience with a strong primary economy, we are mindful that the pandemic continues to have a global impact and the ripples will be felt everywhere.

The 3 Waters Reform Programme and Review conducted by the Department of Internal Affairs (DIA) signalled the prospect of a significant overhaul to the way water services may be delivered throughout New Zealand. As part of the Hawke's Bay Group of Councils we were ahead of the game, having started a regional review in 2019, and we will continue to strive for the best outcome for our community. At this stage the outcome is uncertain and this LTP has been prepared on the basis that the delivery model will not change in the foreseeable future.

Council outperformed the sector by securing significant investment from the Provincial Growth Fund (PGF) and the DIA 3 Waters Reform Stimulus Package.

We have a new rating model and Revenue and Financing Policy.

WAIROA

OUR FINANCIAL OBJECTIVES

During 2020/21 Council conducted a rating review seeking an approach that is Simple, Affordable and Appropriate. This ethos is embedded in our updated Revenue and Financing Policy and will underpin our approach to funding throughout this plan.

Our mission in this strategy is financial sustainability, our financial objectives are:

OBJECTIVE	SIMPLE	AFFORDABLE	APPROPRIATE
Certainty of Rates Increases		✓	✓
Optimise External Revenue	✓	✓	✓
Value for Money		✓	✓
Intergenerational Equity	✓	✓	✓
Debt Remains Manageable	✓	✓	✓

These objectives are not a means to themselves, they are the pillars upon which we will seek to build a financial framework to enable us to deliver effective services and infrastructure now and into the future, as economically as possible. We may not achieve them all at the same time and sometimes they will conflict. There will need to be a balance. It's a long road with many turns ahead.

Council has adopted a range of benchmarks to assess how we are progressing. These are illustrated throughout this strategy.

ASSUMPTIONS – WHAT WE ARE PLANNING FOR

POPULATION

Wairoa's population has been growing steadily since 2014 and is forecast to exceed 9,000 by 2031 for the first time since 2003. While this is very encouraging, and great news for our social wellbeing outcomes, it will do little to spread the load on a small ratepayer base. It would take eight new rating units to reduce the Uniform Annual General Charge by \$1.

It is hoped that this population growth will stimulate economic growth that will improve household incomes and make Council activities, as part of the general cost of living, more affordable.

It is forecast that between 2021 and 2031 the total population will increase by 300, and thus an increase in households of 120, based on extrapolating reported growth in the last two years¹. This average increase of 10 per year is consistent with our own observations; over the past two years Council has seen a net increase of 18 dwellings in its Rating Information Database and issued 17 residential building consents between 2018 and 2019.

Council's Infrastructure Strategy advises that there is sufficient capacity in its existing infrastructure to accommodate this growth, noting that seasonal swells are likely to continue to increase, and that existing plans will accommodate upgrades to Council's infrastructure in response to the needs of an aging population. Consequently the only provision of note is a \$0.5 million investment in the Māhia stormwater system, as the area is predicted to become more urbanised and a significant upgrade will be required. This will be funded by borrowing.

Therefore the main challenge that Wairoa's population presents to achieving these financial objectives remains spreading the cost over a small base.

Wairoa's population is expected to remain approximately 2/3 Māori. This presents no particular implications for Council's financial strategy, but alongside its new Revenue and Financing Policy Council has adopted updated Rates Remission and Postponement policies, with particular attention to the prospective growth of Papakāinga and the progression of the Local Government (Rating of Whenua Māori) Amendment Bill.

IMPLICATIONS FOR STRATEGIC OBJECTIVES	POPULATION	
	RISK	OPPORTUNITY
Certainty of Rates Increases	High	Low
Optimise External Revenue	Low	High
Value for Money	High	Medium
Intergenerational Equity	Low	High
Debt Remains Manageable	Medium	Low

¹ Wairoa District Council: Long Term District Planning Demographic and Economic Growth Directions 2021-2051

WAIROA

ECONOMIC FACTORS

THE LOCAL ECONOMY

Wairoa has a strong primary industry and low dependency on tourism which saw it weather the COVID-19 storm better than most. Local GDP and employment are trending modestly upwards, but below regional and national averages.

There is a concentration of employment around the Wairoa township, with the largest single employer accounting for the equivalent of approximately 12% of the town's population and making a significant contribution to export GDP. The three largest employers combined make up roughly 16%.

The rural economy has traditionally been dominated by pastoral farming, which also makes a substantial contribution to export GDP, but there is a concern that substitution into forestry will dilute this and the wealth retained in the district.

Other short-term threats include the closure of local bank branches and the difficulties this may present to residents and businesses in transitioning to alternative transaction methods.

Longer-term opportunities relate to tourism and hospitality, with regular launches by RocketLab in Māhia becoming a draw. As long as the district maintains its robust core industries this will be a valuable addition for growth and diversification.

House values are increasing at among the highest rates in the country, with many whānau returning from other regions and abroad, along with increasing demand in Māhia. It is unclear whether this can be expected to deliver wider economic benefit, since much of this relates to properties used for holiday homes and retirement investments. However it can be expected that there will be an increase in holiday lettings which may provide stimulus. As noted previously, the number of new builds is modest, this may increase as vacant properties become occupied and the prices of established properties catch up with the cost of building.

FINANCIAL STRATEGY 2021

MACRONOMICS

Challenge 1 - Ability to Borrow

To meet its capital works programme Council will need to borrow, on average, nearly \$3 million extra every year, with \$5 million required in 2021/22 and \$5.5 in 2024/25. At 1 July 2021 Council's total external borrowing is expected to be \$14.5 million and by 2030/31 gross debt is forecast to be \$42 million, which equates to 100% of total revenue. These amounts are manageable, but debt levels will be much higher than was anticipated in the LTP 2018-28. Considering that only a few years ago Council's only external debt was \$5 million in connection with the Māhia and Ōpoutama wastewater scheme, they are significant. As a member of the Local Government Funding Agency (LGFA) Council could borrow up to 175% of its revenue. However, this would be extremely risky and Council views 100% of revenue as an important affordability threshold for its community. This is reflected in our Liability Management Policy.

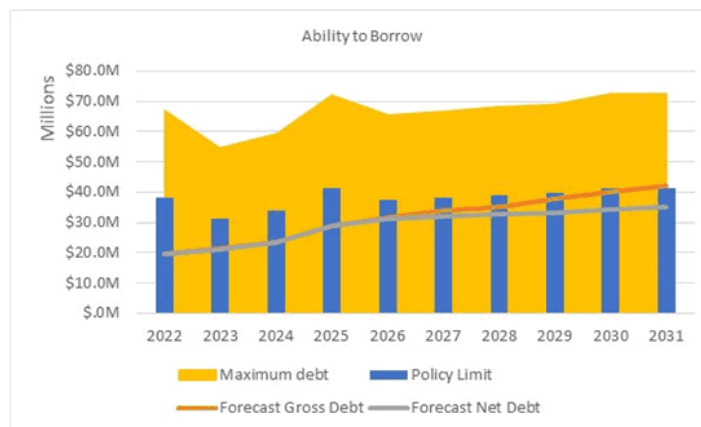
At the same time, Council's \$4 million of investments will mature over the next 4 years and the income from these, which has been offset against rates, will need to be replaced. Council's revenue will not be sufficient to reinvest in the medium term.

OUR RESPONSE

Borrowing is an appropriate funding tool for long-term assets. Council will use borrowing prudently to fund the infrastructure that delivers core services now and into the future, without creating an unmanageable affordability challenge.

In order to fund improvements in infrastructure sustainably and maintain levels of service, Council will borrow up to the levels that it considers prudent - 100% of revenue. It will rate for the repayment of this debt over the life of the corresponding assets, in lieu of rating for depreciation. This will ensure that each year the community that benefits from this infrastructure pays its share, and from 2026 it will enable Council repay some of this debt and create sufficient capacity for future borrowing requirements, as shown in the graph below:

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Challenge 2 – Cost of Borrowing

The other half of the borrowing equation is the cost of borrowing. Interest rates have been low for many years and Council has made use of this to borrow for essential capital works at competitive rates. There is a risk that rates will increase in the future due to an increase in global and national appetite for borrowing. We are in the same waka as every other council, with a large works programme to catch up on and limited reserves available to pay for them.

As previously stated, Council's membership with the LGFA enables us to borrow at competitive rates. Our financial forecasts assume that these rates will be available throughout the life of this strategy. However, we also recognise the risk that economic pressures will cause interest rates to rise in the future. An increase of 1% in interest rates is almost the equivalent of 1% in council rates.

OUR RESPONSE

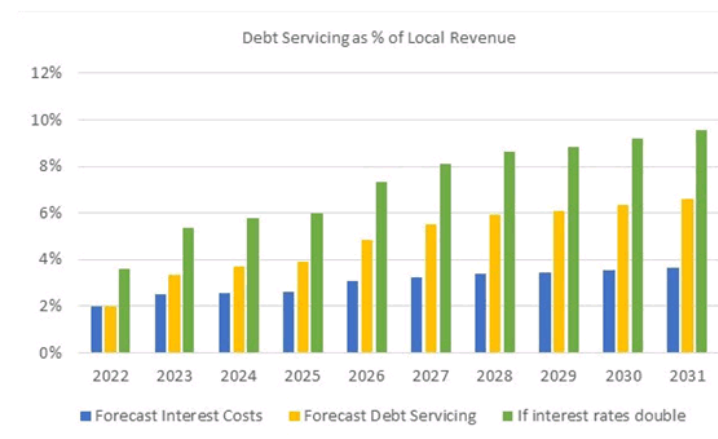
FINANCIAL STRATEGY 2021

The Financial Prudence Regulations prescribe a basic benchmark that borrowing costs should not exceed 10% of total revenue. Even without repaying any debt, Council would be comfortably within this threshold at 2%, and if interest rates doubled it would be 4%.

For the purposes of this strategy Council has considered a tighter assessment, taking into account the following:

- The ability to service debt also includes the ability to meet repayments
- Total revenue includes subsidies, primarily from Waka Kotahi which are specifically intended for the purposes of maintaining and improving our roads. This revenue is not to be used to cover interest and debt repayments.

Therefore Council has modelled its own debt servicing measure to ensure that the scale of borrowing will continue to be affordable. In the graph below, Debt Servicing includes interest expenses and the amount required to be rated for loan repayments and is expressed as a percentage of revenue excluding subsidies. This is the annual cost that the community will bear. Council will maintain a limit of 10%, but it will be based on this adjusted revenue figure. This shows that debt remains affordable throughout the plan.



Challenge 3 – Inflation

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In our financial forecasts we have applied the nationally recognised inflation rates provided by Business and Economic Research Ltd (BERL) based on their assessment of a 'mid-scenario'.

	% change on previous year				
Year to 30 June	Planning & Regulation	Roading	Transport	Community	Water & Environment
2022*	2.7	3.3	2.9	3.2	6.0
2023	2.5	3.1	2.6	2.7	3.5
2024	2.3	3.0	2.4	2.5	2.6
2025	2.2	2.9	2.4	2.4	2.7
2026	2.2	2.9	2.4	2.5	2.9
2027	2.2	2.9	2.4	2.4	2.8
2028	2.2	2.9	2.4	2.5	3.2
2029	2.2	2.9	2.4	2.6	3.3
2030	2.2	2.9	2.4	2.6	3.4
2031	2.2	2.9	2.4	2.4	3.1
20 year average %pa	2.0	2.5	2.2	2.1	2.5

*For the year ended 30 June 2022 we have applied known contract rates. Prices rarely decrease and in the public sector they often go up more than normal. In Wairoa we have the added challenge of remoteness and size, making the local market less competitive due to the small number of suppliers. Noting that these are averages applied across the entire country, the Wairoa experience may be quite different.

Council rates for approximately 60% of its operating costs, which means a 1% variation in inflation would increase rates by 0.6%. However, this assumes that nothing else will change. In the LTP 2018-28 we applied the corresponding rates in our forecasts. Since then major contracts for roading and water utilities have been tendered and prices were significantly higher than inflation adjustments. As well as the factors peculiar to Wairoa, increasing requirements for safety and regulatory compliance continue to affect the cost of provision. Furthermore, the economic stimulus packages have been beneficial to the local and national economy, but there is a real prospect of the demand from this causing upward price pressure in the market, placing Wairoa at a potential disadvantage.

FINANCIAL STRATEGY 2021

Furthermore, due to its high dependency on subsidies from Waka Kotahi, significant price changes may limit the amount of work that can be completed without additional input from Council.

OUR RESPONSE

Council's ability to insulate itself against future price increases is restricted to developing smart collaborative procurement techniques, careful contract management and disciplined budgeting.

Costs are far more likely to increase due to changes in the safety, regulatory and compliance areas for all activities. If these activities become unaffordable Council will need to review its levels of service with the community.

IMPLICATIONS FOR STRATEGIC OBJECTIVES	ECONOMIC FACTORS	
	RISK	OPPORTUNITY
Certainty of Rates Increases	Medium	Low
Optimise External Revenue	Low	Medium
Value for Money	Medium	Low
Intergenerational Equity	Low	High
Debt Remains Manageable	Low	Medium

LAND USE

WAIROA

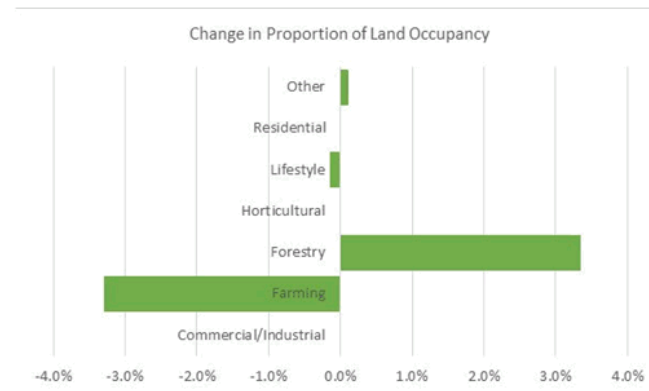
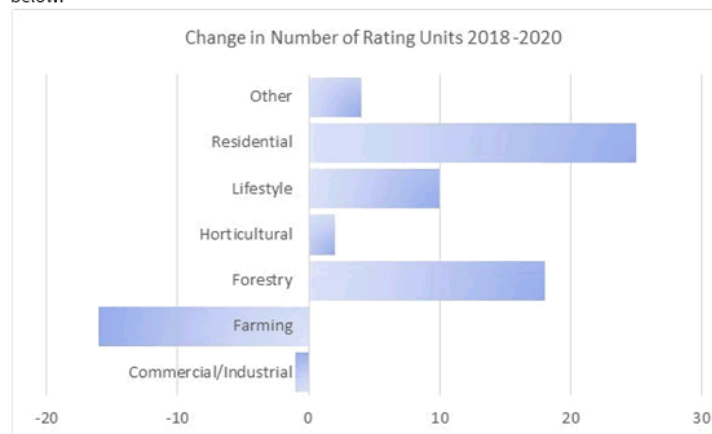
Council's Infrastructure Strategy makes reference to:

- Anticipated transfer of land use from farming to forestry and horticulture;
- Expected increase in RocketLab operations and tourism possibilities;
- Increase in residential building in Māhia and Wairoa.

The first two items will specifically affect the consumption and cost of maintaining and improving the roading network.

With regards to residential growth, improvements to the stormwater network are specifically anticipated, particularly in Māhia

These trends have been observed since the last update to the LTP, as shown in the graphs below:



OUR RESPONSE

Due to financial constraints and the total amount of approved funding we are likely to receive from Waka Kotahi, there is limited capacity to augment the land transport management programme. It is more likely that work will need to be prioritised to meet this change in demand. In 2019 Council received approval from the PGF for \$2.2 million towards a bridge strengthening programme for high productivity motor vehicle upgrades.

As mentioned earlier, Council will invest \$0.5 million in improvements to the Māhia stormwater reticulation.

In the future Council will need to maintain these assets to a higher standard so that they remain serviceable to the users.

Our main lever is therefore seeking to ensure an appropriate distribution of funding needs, primarily through rates. In 2018, Council applied a differential factor of five to the roading rate for the forestry sector, reflecting the comparative cost of maintaining the network. In January 2021 Council completed its rating review and adopted an updated methodology. Specific features that address the impact of land use include:

- Transitioning to a general rate assessed on capital value, partly on the basis that development drives the cost of infrastructure;

WAIROA

- Incorporating the forestry roading differential factor into the streamlined capital value rating system and applying a differential factor of four overall to reflect the relative impact on community wellbeing outcomes;
- Moving 10% of the rates for all water activities to the general rate, recognising that there is benefit to the entire community from healthy water systems.

IMPLICATIONS FOR STRATEGIC OBJECTIVES	LAND USE	
	RISK	OPPORTUNITY
Certainty of Rates Increases	Medium	Medium
Optimise External Revenue	Low	Medium
Value for Money	Medium	Medium
Intergenerational Equity	Medium	Medium
Debt Remains Manageable	Low	Low

MAINTAINING LEVELS OF SERVICE THROUGH INFRASTRUCTURE

Council delivers much of its core services through infrastructure. As at 30 June 2020 Council owned assets valued at \$290 million (based on age and condition), of which \$256 million was network infrastructure, i.e. roads and water utilities. These assets have serviceable lives ranging from 10 years to 120 years. Council maintains activity management plans to ensure these assets achieve their service potential and are renewed or replaced at the optimum time. These assets are significant investments and the renewal expenditure tends to happen in large chunks. This requires prudent financial planning and funding principles.

Council generally rates for depreciation on assets that it expects to replace or renew in the future, where no preferable alternative funding source exists. This ensures that current users pay for their share of the consumption of assets. The money collected for depreciation accumulates in reserves that Council will use to fund the future renewals, and ensures that the assets are capable of delivering the same levels of service to the next generation. This creates intergenerational equity.

As at 30 June 2020, Council's balance sheet included \$14 million of reserves held for future asset purchases and around \$10 million of this is for network assets. Of the total, investments and cash deposits represent \$6 million, with the remainder in the form of internal loans. Internal loans arise when future funds accumulated in one activity are

used for a project in another; and subsequently recovered over time through rates applied through the relevant activity. This reduces the requirement for external debt and preserves stakeholder equity by ensuring that users pay for what they get, and get what they pay for. Council believes that rating for depreciation is the most prudent way of funding infrastructure renewals because:

- It is more predictable and steady than future capital forecasts which tend to happen in peaks and troughs and are dependent on changing predictive models
- It is less expensive and less risky than financing all expenditure through borrowings
- Council's infrastructure assets are revalued every three years and these regular updates enable Council to keep pace with cost escalations and charge an appropriate depreciation rate.

The following information examines the expenditure required on infrastructure to maintain existing levels of service, and how Council intends to fund these renewal programmes. It is a convention of prudence that depreciation is used as a benchmark to assess whether this expenditure is sufficient to maintain levels of service in the long-term. The charts that follow show the amount of capital expenditure required through the 10 years of the plan, and the funding sources that will be used.

ROADS

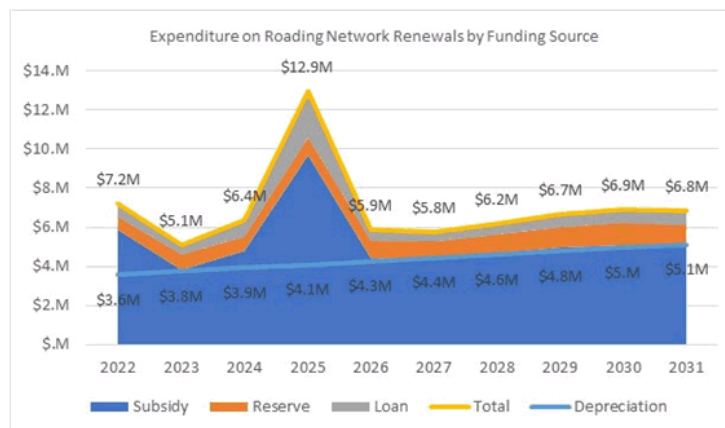
In order to maintain levels of service on the roading network Council must spend \$59 million more than the annual depreciation charge due to deferred renewals in the past, diversion of resources to reinstatements following emergency events and the availability of funding.

Emergency events are becoming more frequent and climate change considerations put more of our network at risk.

The following graph not only emphasises Council's reliance on Waka Kotahi subsidies, but also the importance of rating for sufficient depreciation to pay for Council's share.

Council receives one the highest Funding Assistance Rates in the country, at 75%. We have assumed this will continue, although we are aware that the total amount that Waka Kotahi will be able to contribute is likely to reduce. Council will need to assess whether it is necessary to increase the local contribution in order to maintain levels of service.

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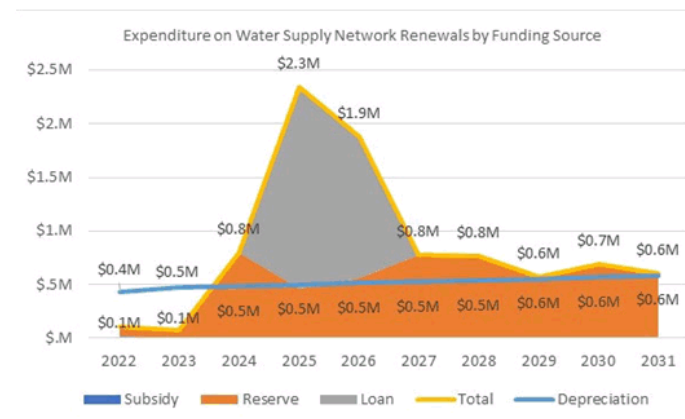


WATER SUPPLY

The graph below shows forecast expenditure on water supply network assets by funding source compared to the annual depreciation expense.

Council punched well above its weight in securing \$11.04 million from the 3 Waters Reform Stimulus Package. Half of this money will be invested by 30 June 2020, with the remainder to be utilised against capital expenditure in the first year of this LTP.

Of the \$5.5 million utilised in the current year, over \$1 million will be allocated to water main replacements, meaning a reduced renewals programme will be followed in 2021/22 while Council completes the installation of water meters.

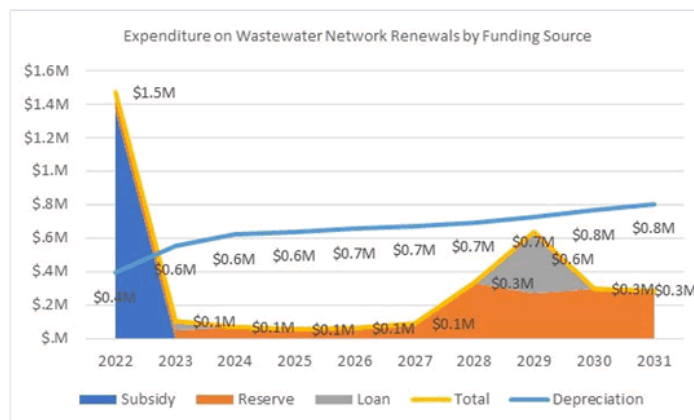


Despite this investment, Council will still need to spend more than the annual depreciation charge in order to maintain levels of service over the next 10 years. In particular there is a spike in 2025 and 2026 when Council expects to spend \$3.2 million on replacing pumping mains and intakes. These will be funded by loans because Council will not have sufficient cash reserves.

WASTEWATER

Council will use money from the 3 Waters Reform Stimulus Package to augment its pipe lining programme and catch up with renewals. This will enable us to reduce the required expenditure on reticulation renewals over the next 10 years. The graph that follows shows that the necessary expenditure to maintain levels of service in the network will be \$3.4 million, just over half the total depreciation expense of \$6.5 million.

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This presents an opportunity to reduce the amount we rate for depreciation, but we still have to take a long-term view. Furthermore, this analysis concentrates on network assets. Council is currently working through its wastewater discharge consent renewal. In the LTP 2018-28 the estimate total cost of plant upgrades was \$9.5 million.

STORMWATER

Council is currently working through a programme of piping open drains. Where possible this has been included in Waka Kotahi-supported programme in the roading activity due to its contribution to road safety and currently in the 3 Waters stimulus package. This will be an improvement in the level of service. Therefore remaining renewal expenditure in this activity is expected to be minimal at \$1.2 million over the next 10 years, compared to a total depreciation expense of \$3 million. This expenditure will be funded from depreciation reserves and borrowing where improvements are concerned.

OUR RESPONSE

Recent announcements concerning the overall funding package available from Waka Kotahi are a risk to future levels of service. In order to protect the community from a major downturn or a sudden spike in funding requirements we must continue to rate for an appropriate portion of depreciation and use reserves when available.

FINANCIAL STRATEGY 2021

Similarly, there is no reason to assume with confidence that further tranches of stimulus funding will be available for water services. The 3 Waters Reform Review will continue and we must carry on providing safe and compliant services supported by well maintained and effective infrastructure.

In recent years Council has exercised judgement in the amount of depreciation that it rated for and it will continue to do so without compromising these fundamental conditions.

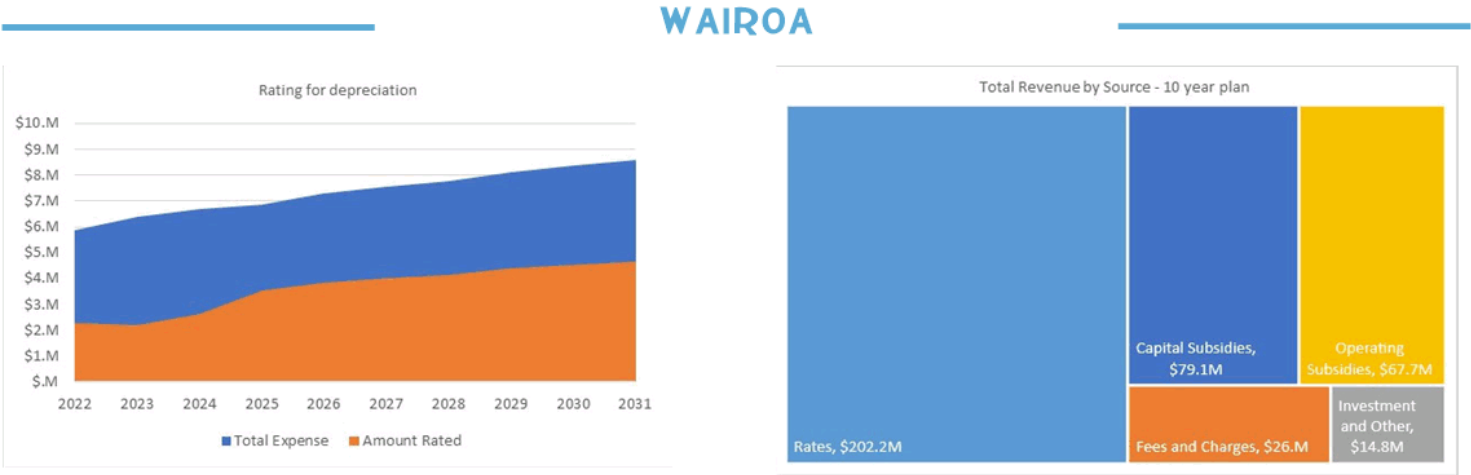
In the Economic Factors section above, we considered that underlying inflation should not present a significant challenge to maintaining affordable levels of service. However, we also pointed out that recent tenders for major roading and water utilities contracts resulted in prices significantly higher than inflation adjustments. Council's infrastructure assets were last revalued as at June 2020. The resultant annual depreciation expense was 17% higher than previous, almost double the economic forecasts. Even taking into account that Council only rates for the part of roading that is not subsidized by Waka Kotahi, this cost increase still amounts to the equivalent of a 3.1% increase in rates.

Therefore Council has adopted a funding approach that it considers prudent and sustainable. We will not rate for depreciation where other funding sources are available but we must maintain the serviceability of core assets, and still be able to pay the bills!

IMPLICATIONS FOR STRATEGIC OBJECTIVES FUNDING INFRASTRUCTURE

	RISK	OPPORTUNITY
Certainty of Rates Increases	Medium	Medium
Optimise External Revenue	Medium	High
Value for Money	Medium	High
Intergenerational Equity	Medium	High
Debt Remains Manageable	Low	Low

The graph below shows the total depreciation for all activities and the amount to be rated. These adjustments primarily relate to infrastructure, but in the first 3 years we have also reduced the amount to be rated for all assets, including buildings equipment and plant.



LEVELS OF SERVICE – AFFORDABILITY AND BALANCING THE BOOKS

During pre-engagement for this LTP the community told us that current levels of service were about right, so we’ve prepared a plan around how we can continue to deliver these levels of service sustainably and consistently.

- Maintaining levels of service poses challenges for funding:
- If we do nothing different, the costs will still increase and in some areas this will exceed inflation.
 - We need a reset. As described in the introduction, our immediate funding challenges are not new, but we now have to do something about it.

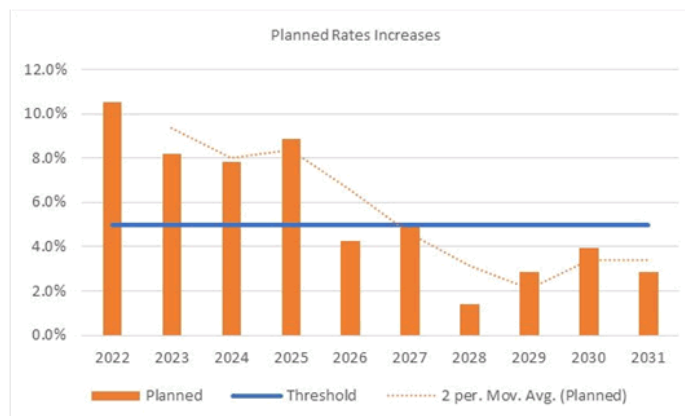
We will do everything we can to secure alternative revenue sources, but rates make up half of the total amount.

RATES

The new rating system addresses the issues of consistency that we saw in the previous system, but it’s still about the distribution of rates, not the total amount.

Council will retain its objective of keeping rates increases below 5%, but this must be seen as a long-term objective. In order to catch up and keep up, rates increases will need to be higher for the next four years:

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OTHER POLICY CONDITIONS

BORROWING

Council's primary security for borrowing is its ability to set rates. We do not currently offer assets as security but will consider alternatives if it is prudent to do so. This may require an update to our Liability Management Policy.

INVESTMENTS

Council will not speculate on the securities or other financial markets, but will invest where there is clear economic benefit to the district, where the risk is within the parameters of the investment policy and where such investment contributes to the achievement of community outcomes.

Council owns 100% of the equity in Quality Roading and Services (Wairoa) Ltd (QRS). The main purpose of this investment is to maintain and enhance competition for local infrastructure contracts issued by Council. QRS is a significant employer in the district and its presence in Wairoa also ensures resources are available to respond to emergencies. QRS distributes a percentage of its profit to Council as subventions and dividends. The targets for QRS are set out in the company's Statement of Intent that is agreed with Council annually.

Council's portfolio of bonds and other liquid investments is held to:

- Provide emergency funds
- Represent reserves accumulated for asset renewals
- Earn a return on surpluses, windfalls and deposits.

Our current average return on these investments is 4%. We have maintained this in our financial forecasts, although since they will be expended by 2024 this is of limited relevance. As a minimum, we expect a return of 0.75% above our cost of borrowing, which is currently 2.5%

Council owns a minority shareholding in Civic Financial Services Ltd. The sole purpose of this is by virtue of Council's membership of the mutual insurance funds that the company administers. No return is anticipated on this investment.

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OVERALL ASSESSMENT

POPULATION

	RISK	OPPORTUNITY
Certainty of Rates Increases	High – small population and large geographical spread provides a small funding base for escalating costs	Low – growth would need to be high percentages to make a significant difference to spreading the load
Optimise External Revenue	Low – our diversity is a strength and does attract external funding	High – our community was an important factor in the amount of PGF funding we were able to attract
Value for Money	High – cost increases always likely to exceed rate of population growth	Medium – cost of service discussion with an engaged community improves transparency
Intergenerational Equity	Low – shared objectives with regards to future generations	High – involving the community in future planning helps preserve sustainable services
Debt Remains Manageable	Medium – must maintain borrowing within prudent limits so that debt servicing does not become a large part of day to day expense	Low – limited scope for targeted rates for specific projects

ECONOMIC FACTORS

	RISK	OPPORTUNITY
Certainty of Rates Increases	Medium – population size presents an exposure to extreme changes in inflation or interest rates	Low – limited investment holdings and modest returns
Optimise External Revenue	Low – subsidies set at co-contribution rates, some exposure on what can be delivered	Medium – strong relationships with funders have seen Wairoa achieve above average investment
Value for Money	Medium – some revenue lines may not increase at the same rate as costs	Low – already benefiting from low interest rates
Intergenerational Equity	Low – funding plans in place to deliver the same levels of service in the future	High – economic recovery stimulus packages have delivered improvements to long-term infrastructure and facilities
Debt Remains Manageable	Low – debt used as part of a balanced funding approach and repayments included in funding plans	Medium – capacity built in to take advantage of refinancing options

WAIROA

LAND USE

	RISK	OPPORTUNITY
Certainty of Rates Increases	Medium – significant changes may affect demand and cost effectiveness of services	Medium – new rating policy enables Council to respond with greater agility and consistency
Optimise External Revenue	Low – observed trends in land use are more likely to justify continuation of high subsidy rates	Medium – link to economic development, options to explore financial contributions may arise
Value for Money	Medium – changes in land use may affect demand for Council activities which are planned over the long-term	Medium – new development may create sufficient demand to increase fees and charges
Intergenerational Equity	Medium – rapid change may create redundancy or deficiencies in infrastructure	Medium – co-design with community partners to support sustainable outcomes
Debt Remains Manageable	Low – the only risk would be redundant capacity and a need to finance significant unexpected changes to assets	Low – unlikely that co-funding opportunities would supersede existing arrangements

FUNDING INFRASTRUCTURE

	RISK	OPPORTUNITY
Certainty of Rates Increases	Medium – impact of cost escalations on future renewals and depreciation	Medium – continuous monitoring of capital programmes against funding plans will provide greater certainty
Optimise External Revenue	Medium – dependency on Waka Kotahi subsidies, risk increases in the longer term	High – strong partnerships with funders and leading participation in reform reviews, stimulus packages, tourism
Value for Money	Medium – inability to continue funding may lead to greater deterioration in service	High – Waka Kotahi and PGF, regional partnering
Intergenerational Equity	Medium – risk level is determined by level of rating for depreciation	High – future economies from continuous improvement in optimisation and investment, e.g. smart meters, pipe lining
Debt Remains Manageable	Low – balanced funding approach, appropriate to the nature of the expenditure	Low – can only be achieved by rating for loan repayments

MONTHLY REPORT

TO 28 FEBRUARY 2021



WAIROA
DISTRICT COUNCIL

INTRODUCTION

This monthly report covers the period 1 July 2020 to 28 February 2021. PGF and other externally funded projects influence our comparison of actual to budgeted financial performance for the period. These impacts are identified and the underlying performance (removing the impact of one-off externally funded revenue and expenses) is used when assessing variances.

This report also includes the forecast to year end prepared for the half year report to 31 December 2020. The activity managers estimated project and operational costs and revenues to 30 June 2021 to provide forecasted full year financial results and commentary is provided on any significant resultant variances.

FINANCIAL COMMENTARY

At the end of February 2021, Wairoa District Council had an underlying surplus* on operations of \$1.3 million against a YTD budget of \$5.5 million. The variance relates to primarily to \$4.1 million in NZTA general / renewals subsidy revenue that was budgeted for but has not been received YTD.

The forecast to 30 June 2021 results in an underlying surplus* on operations of \$5.53 million against a budget of \$8.59 million. The main cause of this variance is again NZTA subsidies, with the current forecast indicating that \$2.5 million of budgeted subsidies may not be received.

The NZTA subsidies are dependent on phasing of workplans, with PGF projects and subsidies covering a lot of the planned capital work YTD. As NZTA subsidies also relate to capital work, the corresponding reduction in expenditure does not offset in the YTD surplus. Total forecast capital works specified in the funding impact statement for transport exceed budget, demonstrating the impact of PGF funding on improving our roading infrastructure where the budget had relied on NZTA subsidies. Council is better off having a capital project fully funded by PGF rather than partially funded by NZTA and/or reserves.

Confirmation of budgeted maintenance funding from NZTA was received in December 2020. Therefore workplans for the next 5 months include increased focus on NZTA-funded maintenance and capital works, with the intention to utilise and receive all budgeted maintenance and capital contributions from NZTA by year end. The residual subsidy gap forecast to year end relates primarily to budgeted emergency works. This NZTA subsidy is dependent on the frequency and severity of storm events requiring remedial work, with the current financial year not impacted as much to date as previous years therefore resulting in the reduced forecast to year end.

Works budgeted using NZTA funding have a contribution from Council which is either rated for or funded from reserves or loans. Therefore any projects rated for but not completed this financial year will be funded from reserves in future years, meaning there is no duplication in rating. Furthermore, as the Council has not been fully rating for depreciation or recovery of existing loans in transport there is no risk that funds collected from rates in this activity are duplicated.

*The underlying surplus refers to an adjustment of our actual result for one off project revenues and expenses that come from unbudgeted external funding. Refer to page 5.

A decorative Maori pattern in white lines on a dark blue background, featuring geometric shapes like triangles and chevrons, and flowing, wave-like motifs.

NGĀ TAUĀKĪ PŪTEA

FINANCIAL STATEMENTS

HE TAUĀKĪ PŪTEA WHIWHI ME TE PŪTEA WHAKAHAERE

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the period ended 28 February 2021

	YTD				Full year (30 June)			
	Actual \$000	Underlying \$000	AP \$000	2020 \$000	Forecast \$000	Underlying \$000	AP \$000	2020 \$000
Revenue								
Rates	9,325	9,325	9,325	13,215	13,987	13,987	13,987	13,215
Subsidies and grants	15,975	9,268	13,425	18,453	30,096	17,650	20,211	18,453
Petrol tax	51	51	59	75	80	80	88	75
Fees and charges	1,523	1,523	1,450	1,954	2,212	2,212	2,096	1,954
Investment revenue	71	71	620	750	268	268	1,154	750
Miscellaneous revenue	-	-	-	768	-	-	-	768
Total revenue	26,945	20,238	24,879	35,215	46,643	34,197	37,536	35,215
Expense								
Water supply	1,496	1,496	1,220	2,369	2,068	2,068	1,731	2,369
Stormwater	384	384	379	554	561	561	507	554
Wastewater	1,804	1,548	1,164	4,393	2,160	1,874	1,739	4,393
Solid waste	1,085	1,085	1,273	1,900	1,845	1,845	1,915	1,900
Transport	8,859	8,719	9,029	13,862	13,752	13,612	13,277	13,862
Community facilities	1,562	1,562	1,666	2,508	2,435	2,435	2,525	2,508
Planning and regulatory	1,172	1,111	1,774	1,980	1,809	1,748	2,696	1,980
Leadership and governance	3,106	2,244	2,331	3,348	4,737	3,916	3,538	3,348
Corporate	930	846	467	980	1,025	860	1,021	980
Total expense	20,398	18,995	19,303	31,894	30,392	28,919	28,949	31,894
Net surplus (deficit) operations	6,547	1,243	5,576	3,321	16,251	5,278	8,587	3,321
Subvention income	100	100	-	200	250	250	-	200
Taxation	-	-	-	-	-	-	-	-
Net surplus (deficit) for period	6,647	1,343	5,576	3,521	16,501	5,528	8,587	3,521
Other comprehensive revenue and expense								
Fair value movement PP&E	-	-	-	6,050	-	-	-	6,050
Fair value movement in equity investments	-	-	-	(13)	-	-	-	(13)
Total comprehensive revenue and expense for the period	6,647	1,343	5,576	9,558	16,501	5,528	8,587	9,558

	YTD underlying variance			Forecast underlying variance		
	\$000	%		\$000	%	
Revenue						
Rates	-	0%		-	0%	
Subsidies and grants	(4,157)	-31%	A	(2,561)	-13%	A
Petrol tax	(8)	-14%		(8)	-8%	
Fees and charges	73	5%		116	6%	
Investment revenue	(549)	-89%	B	(886)	-77%	B
Miscellaneous revenue	-	0%		-	0%	
Total revenue	(4,641)	-19%		(3,339)	-9%	
Expense						
Water supply	276	23%	C	337	19%	C
Stormwater	5	1%		54	11%	
Wastewater	384	33%	D	135	8%	
Solid waste	(188)	-15%	E	(70)	-4%	
Transport	(310)	-3%		335	3%	
Community facilities	(104)	-6%		(90)	-4%	
Planning and regulatory	(663)	-37%	F	(948)	-35%	F
Leadership and governance	(87)	-4%		378	11%	
Corporate	379	81%	G	(161)	-16%	G
Total expense	(308)	-2%		(30)	0%	
Subvention income	100	100%	B	250	100%	B

Variance explanations (underlying actual YTD and underlying forecast compared to annual plan)

- A** Underlying subsidies and grant income YTD is 31% (\$4.1m) less than budgeted. This amount relates primarily to NZTA subsidies that have not been received due to the phasing of unbudgeted PGF projects ahead of NZTA programs (PGF revenue has been removed in calculating the underlying result). By year end it is expected that some of these NZTA works will have been completed and the subsidies claimed, however the forecast NZTA revenue still has a shortfall of \$2.5 million. This is mostly due to emergency works subsidy, which is dependent on the frequency and severity of storm events requiring remedial work, with the current financial year not impacted as much to date as previous years therefore resulting in the reduced forecast to year end.
- B** Investment income is lower than budgeted both YTD and at forecast year end. \$250k of this relates to the change of income received from the subsidiary QRS Limited - a dividend had been budgeted for the same amount that is now expected to be received by year end as a subvention payment which appears in a different part of this financial statement. The remaining variance relates to budgeted property sales that are no longer expected to be complete by year end (\$245k) and reduced interest revenue and market gain on investments due to the impacts of COVID-19.
- C** Water supply expenses YTD are \$276k (23%) higher than budgeted. By year end it is expected that the variance will have increased to \$337k (19%). The main variances to budget at year end relate to higher than budgeted depreciation on revalued assets along with unbudgeted consultancy and contract management costs.
- D** Wastewater expenses are \$384k (33%) higher than budgeted. YTD there has been \$142k of unbudgeted maintenance on the Māhia and Ōpoutama schemes. Operations and maintenance costs on the Tuai and Wairoa schemes exceed budget by \$183k. Contract management costs are also \$45k higher than budgeted.
- E** Solid waste expenditure YTD is \$188k (15%) below budget due to the timing of levy payment (\$74k less than budgeted YTD), reduced recycling (\$26k) and landfill monitoring (\$39k) costs. These costs are expected to be back on track to budget by year end.
- F** Planning and regulatory costs YTD are 37% (\$663k) lower than budgeted, which is mostly due to unspent YTD budget for the district plan and e plan (\$390k) and a significant reduction in consultant costs (\$74k). These funds are not expected to be spent in the next 6 months, which is the main reason for the favourable variance in forecast expenditure at year end.
- G** Corporate expenses are \$379k (81%) above budget YTD but expected to be \$161k (16%) below budget by year end. Budget phasing has impacted some costs YTD, however the main impact on the year end forecast is multiple small savings in a number of areas such including software and property maintenance, subscriptions, consultancy and staff travel and training.

RECONCILIATION: REVENUE AND EXPENDITURE RELATING TO UNBUDGETED PROJECTS AND GRANTS

The Wairoa District Council has been successful in securing external funding for a number of projects. These grants are primarily recognised as revenue in proportion to the amount of expenditure.

Some expenditure (especially in relation to PGF funding for transport projects) is capital (reflected in the FIS and the increase in assets on the balance sheet) however the revenue from grants received is shown in the statement of comprehensive revenue and expense. Subsidy and grant revenue therefore shows a positive variance to budget.

For projects with operational spend, both the revenue and expenditure is shown in the statement of comprehensive revenue and expense. The operational spend variances are therefore affected by this project expenditure. Below is a breakdown of key project amounts recognised as revenue and operational expenditure:

	YTD	Forecast
	\$000	\$000
REVENUE		
Alternate Nuhaka- Ōpoutama Road investigation	34	140
Māhia East Coast Road traction sealing	2,591	2,910
Nuhaka River road	1,081	925
Pātangata bridge	694	695
Rangatahi dropout	778	1,100
Recovery emergency event costs	57	57
Regional Digital Hub income	87	121
National Library operational subsidy	11	0
Wairoa youth employment subsidy	192	192
Waste management grants & subsidies	124	210
Wairoa CBD upgrade PGF funding	342	424
Three Waters funding	716	5,672
Total unbudgeted revenue	6,707	12,446
OPERATIONAL EXPENSES	\$000	\$000
Alternative Route Nuhaka- Ōpoutama Road investigation	140	140
Emergency event costs	61	61
Wairoa youth into employment	192	192
Wairoa CBD upgrade PGF expense	453	475
Project support	120	32
Sewerage resource consent discharge	256	286
Digital Hub expenses	97	122
Three Waters funded operational expenses	84	165
Total unbudgeted operational expenses	1,403	1,473

The statement of comprehensive revenue and expense can therefore be adjusted to show the surplus (deficit) excluding these one-off amounts.

HE TAUĀKĪ TU PŪTEA

STATEMENT OF FINANCIAL POSITION

As at 28 February 2021

	YTD		Full Year			Variance		
	Actual \$000	AP \$000	Forecast \$000	AP \$000	2020 \$000	\$000	%	
Current Assets								
Cash and cash equivalents	11,023	1,926	786	1,972	2,795	9,097	472%	A
Inventories	79	58	53	58	78	21	36%	
Trade and other receivables	3,833	2,332	3,906	3,120	7,305	1,501	64%	B
Financial assets at fair value	-	-	-	-	2,072	-	0%	
Total current assets	14,935	4,316	4,745	5,150	12,250			
Current liabilities								
Trade and other payables	7,264	9,859	6,161	9,782	6,480	(2,595)	-40%	B
Advance funding - PGF	5,372	-	1,500	-	1,508	5,372	100%	C
Borrowings	-	-	-	-	1,000	-	0%	
Total current liabilities	12,636	9,859	7,661	9,782	8,988			
Working Capital	2,299	(5,543)	(2,916)	(4,632)	3,262			
Non-current assets								
Property, plant and equipment	270,926	283,812	269,085	279,284	274,975	(7,122)	-2%	
Work in progress	18,940	13,176	32,763	20,604	5,252	-	0%	
Investment in subsidiary	1,250	1,250	1,250	1,250	1,250	-	0%	
Investment property	405	405	405	-	383	-	0%	
Biological asset - forestry	115	260	115	260	115	(145)	-56%	D
Available for sale financial assets	21	37	23	23	21	(16)	-43%	
Intangible assets	23	37	25	198	37	(14)	-38%	
Financial assets held to maturity	144	-	144	-	148	(108)	-2%	
Financial assets at fair value	5,874	6,126	5,978	8,256	3,882	550	10%	
Total non-current assets	297,698	305,103	309,788	309,875	286,063			
Non-current liabilities								
Employee entitlements	87	75	112	112	66	12	16%	
Landfill aftercare	1,197	1,054	1,197	730	1,197	143	14%	
Borrowings	12,004	9,100	9,000	10,901	8,000	2,904	32%	E
Total non-current liabilities	13,288	10,229	10,309	11,743	9,263			
Net assets	286,709	289,331	296,563	293,500	280,062			
Represented by								
Equity	286,709	289,331	296,563	293,500	280,062			

Variance explanations (28 February 2021 actual compared to YTD annual plan)

- A** Cash is \$9m greater than budgeted. This is due to receipts from the 3 Waters, which are held in short-term interest bearing accounts until required for capital projects.
- B** Trade and other receivables are \$1.5m higher than budgeted, with trade and other payables \$2.5m less than budgeted. This is due to timing of billing, collections and payment compared to budget.
- C** The variance in advance funding - PGF relates to timing of funding receipts and payments and expenditure.
- D** The valuation received for the Council's forestry asset as at 30 June 2020 was lower than budgeted. The forest is revalued every 3 years and this valuation took a more comprehensive approach resulting in a more accurate however lower than expected value.
- E** Borrowings are \$2.9m higher than budgeted. Borrowings are used to fund capital projects to ensure intergenerational equity. A short term loan was drawn from LFGA in January. It will be repaid in April utilising funds held in cash reserves.

HE TAUĀKĪ MANA TAURITE

STATEMENT OF CHANGES IN EQUITY


For the period ended 28 February 2021

	YTD		Full Year		
	Actual \$000	AP \$000	Forecast \$000	AP \$000	2020 \$000
Total equity - opening balance	280,062	283,755	280,062	284,913	270,504
Net surplus (deficit) for period	6,647	5,576	16,501	8,587	3,521
Other comprehensive income	-	-	-	-	6,037
Total comprehensive income	6,647	5,576	16,501	8,587	9,558
Total equity - closing balance	286,709	289,331	296,563	293,500	280,062
Components of equity					
Ratepayer's equity - opening balance	143,500	143,178	140,139	137,936	135,156
Net surplus/(deficit) for period	6,647	5,576	16,502	8,587	3,521
Transfers from restricted reserves	368	-	368	(2,196)	7,166
Transfers to restricted reserves	(289)	-	(289)	4,250	(5,846)
Transfer from revaluation reserve	(2,534)	-	(2,534)	-	3,503
Ratepayer's equity - closing balance	147,692	148,754	154,186	148,577	143,500
Special funds - opening balance	20,756	20,003	21,375	20,003	22,076
Transfer to ratepayer's equity	289	-	289	(4,250)	5,846
Transfer from ratepayer's equity	(368)	-	(368)	2,196	(7,166)
Special funds - closing balance	20,677	20,003	21,296	17,949	20,756
Revaluation reserves - opening balance	115,806	120,574	118,547	126,974	113,272
Net transfer to ratepayer's equity	2,534	-	2,534	-	(3,503)
Revaluation recognised in other comprehensive revenue and expense	-	-	-	-	6,037
Revaluation reserves - closing balance	118,340	120,574	121,081	126,974	115,806
Total equity - closing balance	286,709	289,331	296,563	293,500	280,062

HE TAUĀKĪ KAPEWHITI
STATEMENT OF CASHFLOWS
For the period ended 28 February 2021

		YTD	Full year	
		Actual \$000	Forecast	AP 2020 \$000
Cash flows from operating activities				
<i>Cash was provided from:</i>	Rates received	8,868	13,929	14,737
	Other revenue	25,342	35,615	22,752
	Investment income	71	68	1,154
		100	200	-
<i>Cash was applied to:</i>	Payments to suppliers and employees	(15,422)	(24,200)	(19,129)
	Interest paid	(131)	(90)	(1,186)
Net cash flows from operating activities		18,828	25,522	18,328
Cash flows from investing activities				
<i>Cash was provided from:</i>	Sale of property, plant and equipment	-	-	16
	Insurance proceeds	-	-	-
	Sale of financial assets	2,072	2,072	-
<i>Cash was applied to:</i>	Purchase of financial assets	(1,988)	(2,092)	(2,115)
	Purchase of property, plant and equipment	(13,688)	(27,511)	(20,604)
Net cash flows from investing activities		(13,604)	(27,531)	(22,703)
Cash flows from financing activities				
<i>Cash was provided from:</i>	Loans raised	4,004	4,004	2,702
<i>Cash was applied to:</i>	Borrowings repaid	(1,000)	(4,004)	-
Net cash flows from financing activities		3,004	-	2,702
Net increase/(decrease) in cash and cash equivalents		8,228	(2,009)	(1,673)
Cash and cash equivalents at beginning of year		2,795	2,795	3,645
Cash and cash equivalents at end of period		11,023	786	1,972
Made up of:				
	Cash	(316)	10	50
	Short term deposits	11,339	776	1,922
Cash and cash equivalents at end of period		11,023	786	1,972

The Council's operating activities YTD have resulted in a net cash inflow of \$8m. This includes the first \$5 million of the \$11 million of Three Waters funding. The cash generated by operating activities has been applied to the purchase of property, plant and equipment (\$13.7m) and an increase in cash held in the form of short term deposits (\$11m). As the Three Waters funding is utilised, we expect to see an increase in investment spending, with all of the \$5 million utilised by 30 June 2021 and the next tranche of cash due in the following financial year. Overall there is a healthy cash balance to meet our operational funding requirements.



HE TAUĀKĪ WHAKAAWEAWE PŪTEA

FUNDING IMPACT STATEMENTS

Understanding Funding Impact Statements

These statements set out Council's sources of operating and capital funding to be used for the 2020/21 financial year, and how this funding is to be applied. Council's sources of operating funding include items such as fees and charges, and its applications of operating funding include items such as payments to staff and suppliers. Council's sources of capital funding include items such as subsidies and grants for capital expenditure, and its applications of capital funding include capital expenditure to improve levels of service or replace existing assets. The difference between the value of total capital funding and application of this funding is the amount that Council needs to fund from rating for depreciation, both in the current year and from reserves which have built up over several years. These statements do not include depreciation. This is because it is a non-cash item. The Whole of Council Funding Impact Statement provides combined totals of all Council's sources of operating and capital sources of funding and application, and activity-level funding impact statements which separates this information into Council's key activity groups such as water supply and waste management.

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 (WHOLE OF COUNCIL)

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	3,590	3,590	3,523	3,523	2,654	2,654
Targeted rates (other than a targeted rate for water supply)	9,023	9,626	10,464	10,464	6,671	6,671
Subsidies and grants for operating purposes	6,804	6,965	8,041	8,666	5,510	4,974
Fees and charges	2,060	2,066	2,273	2,354	1,571	1,586
Interest and dividends from investments	570	750	761	440	428	173
Local authorities fuel tax, fines, infringement fees, and other receipts	87	75	88	81	59	51
Total operating funding (A)	22,134	23,072	25,151	25,528	16,893	16,109
Applications of operating funding						
Payments to staff and suppliers	22,191	24,820	23,213	24,287	15,632	16,238
Finance costs	144	459	202	94	55	177
Internal charges and overheads applied	-	-	-	-	-	-
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	22,336	25,279	23,416	24,381	15,687	16,415
Surplus (deficit) of operating funding (A - B)	(202)	(2,207)	1,736	1,147	1,206	(306)
Sources of capital funding						
Subsidies and grants for capital expenditure	10,029	11,745	12,168	21,427	7,939	10,657
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	1,880	3,781	2,702	104	1,482	1,296
Gross proceeds from sale of assets	31	-	16	-	11	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	11,939	15,526	14,886	21,531	9,432	11,953
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	9,776	7,103	9,364	13,054	3,576	6,511
- to replace existing assets	6,639	9,347	11,239	14,456	9,595	7,178
Increase (decrease) in reserves	(4,678)	(3,131)	(3,980)	(4,832)	(2,533)	(2,042)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	11,737	13,319	16,623	22,678	10,638	11,647
Surplus (deficit) of capital funding (C-D)	202	2,207	(1,736)	(1,147)	(1,206)	306
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(5,806)	(5,317)	(6,062)	(3,545)	(4,044)

Our forecast figures for the year show that we expect a similar surplus on operating funding than budgeted, with the higher than budgeted payments for staff and suppliers covered by the higher than budgeted subsidies and grants.

Capital expenditure for the year is higher than budgeted and funded to a greater extent by grants (whereas the budget was for \$2.7m of capital work to be funded by an increase in loans). This is due to the Three Waters and PGF funding which has enabled work to be brought forward and funded externally, resulting in long-term savings to ratepayers in reduced interest payments on the budgeted loans.

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR WATER SUPPLY

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-	-	-	-	-
Targeted rates (other than a targeted rate for water supply)	1,289	1,289	1,295	1,295	953	953
Subsidies and grants for operating purposes	-	-	-	-	-	-
Fees and charges	309	307	307	306	204	192
Internal charges and overheads recovered	427	535	436	436	291	310
Internal interest income	65	-	124	-	83	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	2,090	2,131	2,163	2,037	1,531	1,455
Applications of operating funding						
Payments to staff and suppliers	1,039	1,315	781	1,019	519	781
Finance costs	-	-	-	-	-	-
Internal charges and overheads applied	833	893	827	793	549	565
Internal interest charged	-	186	83	45	56	30
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	1,872	2,394	1,693	1,857	1,124	1,376
Surplus (deficit) of operating funding (A - B)	219	(263)	470	180	407	79
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	-	2,790	-	39
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	3	274	140	(130)	(1)	386
Gross proceeds from sale of assets	9	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	12	274	140	2,660	(1)	425
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	97	50	20	2,814	33	49
- to replace existing assets	293	239	1,155	348	750	521
Increase (decrease) in reserves	(159)	(278)	(565)	(322)	(377)	(66)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	231	11	610	2,840	406	504
Surplus (deficit) of capital funding (C-D)	(219)	263	(470)	(180)	(407)	(79)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(592)	(572)	(650)	(381)	(433)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR STORMWATER

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-	-	-	-	-
Targeted rates (other than a targeted rate for water supply)	415	415	373	373	307	307
Subsidies and grants for operating purposes	-	-	-	-	-	-
Fees and charges	-	2	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-	-
Internal interest income	39	-	95	-	63	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	453	417	469	373	370	307
Applications of operating funding						
Payments to staff and suppliers	118	105	117	132	78	90
Finance costs	-	-	-	-	-	-
Internal charges and overheads applied	159	133	153	37	101	24
Internal interest charged	55	141	106	141	70	101
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	331	379	377	310	249	215
Surplus (deficit) of operating funding (A - B)	122	38	92	63	121	92
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	231	43	8	34	(54)	(88)
Gross proceeds from sale of assets	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	231	43	8	34	(54)	(88)
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	386	81	100	5	-	5
- to replace existing assets	108	58	-	97	67	3
Increase (decrease) in reserves	(140)	(58)	-	(5)	-	(5)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	353	81	100	97	67	3
Surplus (deficit) of capital funding (C-D)	(122)	(38)	(92)	(63)	(121)	(92)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(222)	(192)	(252)	(128)	(168)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR WASTEWATER

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-	-	-	-	-
Targeted rates (other than a targeted rate for water supply)	1,163	1,163	1,513	1,513	860	860
Subsidies and grants for operating purposes	-	-	-	-	-	-
Fees and charges	130	25	105	30	70	24
Internal charges and overheads recovered	1	-	-	-	-	-
Internal interest income	64	-	67	-	45	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	1,358	1,188	1,686	1,543	975	884
Applications of operating funding						
Payments to staff and suppliers	815	3,630	999	1,362	666	1,263
Finance costs	-	-	-	-	-	-
Internal charges and overheads applied	307	134	295	96	194	64
Internal interest charged	54	268	179	268	118	190
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	1,177	4,032	1,474	1,726	978	1,517
Surplus (deficit) of operating funding (A - B)	181	(2,844)	213	(183)	(4)	(634)
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	-	2,717	-	593
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	62	3,053	1,545	364	1,176	678
Gross proceeds from sale of assets	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	62	3,053	1,545	3,081	1,176	1,271
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	-	217	-	3,457	947	623
- to replace existing assets	798	222	2,691	672	847	482
Increase (decrease) in reserves	(556)	(230)	(933)	(1,230)	(622)	(468)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	243	209	1,757	2,898	1,172	637
Surplus (deficit) of capital funding (C-D)	(181)	2,844	(213)	183	4	634
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(410)	(275)	(435)	(183)	(289)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR WASTE MANAGEMENT

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-	-	-	-	-
Targeted rates (other than a targeted rate for water supply)	984	984	1,260	1,260	728	728
Subsidies and grants for operating purposes	-	-	-	250	-	269
Fees and charges	641	635	635	653	424	451
Internal charges and overheads recovered	-	-	-	-	-	-
Internal interest income	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	1,626	1,620	1,897	2,163	1,152	1,448
Applications of operating funding						
Payments to staff and suppliers	1,299	1,511	1,512	1,548	1,017	881
Finance costs	-	21	-	-	-	-
Internal charges and overheads applied	224	52	216	60	142	18
Internal interest charged	58	197	61	196	41	140
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	1,582	1,781	1,790	1,804	1,200	1,039
Surplus (deficit) of operating funding (A - B)	44	(161)	107	359	(48)	409
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	570	473	(107)	61	48	(80)
Gross proceeds from sale of assets	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	570	473	(107)	61	48	(80)
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	570	312	-	614	-	542
- to replace existing assets	-	-	-	-	-	-
Increase (decrease) in reserves	44	-	-	(194)	-	(212)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	614	312	-	420	-	329
Surplus (deficit) of capital funding (C-D)	(44)	161	(107)	(359)	48	(409)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(130)	(107)	(41)	(71)	(46)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR TRANSPORT

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	62	62	101	101	46	46
Targeted rates (other than a targeted rate for water supply)	3,449	3,449	3,594	3,594	2,550	2,550
Subsidies and grants for operating purposes	6,744	6,429	7,887	6,738	5,407	4,075
Fees and charges	49	54	52	78	35	55
Internal charges and overheads recovered	-	-	-	-	-	-
Internal interest income	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	10,305	9,994	11,635	10,511	8,038	6,726
Applications of operating funding						
Payments to staff and suppliers	8,747	8,254	8,526	8,685	5,879	5,421
Finance costs	-	-	-	-	-	-
Internal charges and overheads applied	1,635	89	1,562	-	1,029	-
Internal interest charged	3	1,412	39	1,403	25	991
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	10,385	9,755	10,127	10,088	6,933	6,412
Surplus (deficit) of operating funding (A - B)	(80)	239	1,509	423	1,104	314
Sources of capital funding						
Subsidies and grants for capital expenditure	10,029	11,694	11,568	15,421	7,889	9,607
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	426	(182)	(1,508)	(423)	(1,104)	(314)
Gross proceeds from sale of assets	8	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	10,463	11,512	10,060	14,998	6,785	9,293
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	7,882	5,248	6,362	4,886	2,125	4,614
- to replace existing assets	4,893	8,456	7,120	13,147	7,117	6,053
Increase (decrease) in reserves	(2,393)	(1,953)	(1,914)	(2,611)	(1,353)	(1,059)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	10,383	11,751	11,568	15,421	7,889	9,607
Surplus (deficit) of capital funding (C-D)	80	(239)	(1,509)	(423)	(1,104)	(314)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(4,185)	(3,142)	(3,659)	(2,095)	(2,444)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR COMMUNITY FACILITIES

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	767	767	786	786	567	567
Targeted rates (other than a targeted rate for water supply)	1,452	1,452	1,256	1,256	1,073	1,073
Subsidies and grants for operating purposes	60	29	39	51	26	(303)
Fees and charges	48	66	70	80	46	52
Internal charges and overheads recovered	-	-	-	-	-	-
Internal interest income	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	1	-	1
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	2,327	2,314	2,151	2,174	1,712	1,390
Applications of operating funding						
Payments to staff and suppliers	1,737	1,837	1,908	1,891	1,277	1,200
Finance costs	-	-	-	-	-	-
Internal charges and overheads applied	299	142	290	57	191	38
Internal interest charged	23	268	69	269	46	194
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	2,060	2,247	2,268	2,217	1,514	1,432
Surplus (deficit) of operating funding (A - B)	267	67	(116)	(43)	198	(42)
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	600	424	50	345
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	127	51	627	157	(107)	94
Gross proceeds from sale of assets	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	127	51	1,227	581	(57)	439
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	121	153	1,546	635	163	438
- to replace existing assets	230	58	78	37	58	25
Increase (decrease) in reserves	44	(93)	(513)	(134)	(80)	(66)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	395	118	1,111	538	141	397
Surplus (deficit) of capital funding (C-D)	(267)	(67)	116	43	(198)	42
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(262)	(237)	(218)	(158)	(132)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR PLANNING AND REGULATORY

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	112	112	193	193	83	83
Targeted rates (other than a targeted rate for water supply)	1,084	1,084	1,219	1,219	801	801
Subsidies and grants for operating purposes	-	12	-	-	-	-
Fees and charges	452	589	631	782	476	571
Internal charges and overheads recovered	-	-	-	-	-	-
Internal interest income	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	1,648	1,797	2,044	2,194	1,360	1,455
Applications of operating funding						
Payments to staff and suppliers	1,560	1,532	2,015	1,193	1,331	753
Finance costs	18	22	-	5	-	6
Internal charges and overheads applied	336	10	598	6	394	4
Internal interest charged	5	369	7	533	5	363
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	1,919	1,933	2,621	1,737	1,730	1,126
Surplus (deficit) of operating funding (A - B)	(271)	(136)	(577)	457	(370)	329
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	17	136	650	(457)	370	(329)
Gross proceeds from sale of assets	9	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	26	136	650	(457)	370	(329)
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	62	73	-	-	-	-
- to replace existing assets	-	38	-	-	-	-
Increase (decrease) in reserves	(307)	(111)	73	-	-	-
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	(245)	-	73	-	-	-
Surplus (deficit) of capital funding (C-D)	271	136	577	(457)	370	(329)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(45)	(74)	(70)	(49)	(45)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR LEADERSHIP AND GOVERNANCE

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	2,705	2,705	2,603	2,603	2,000	2,000
Targeted rates (other than a targeted rate for water supply)	655	655	540	540	485	485
Subsidies and grants for operating purposes	-	496	115	1,462	77	850
Fees and charges	312	219	302	250	201	126
Internal charges and overheads recovered	-	-	-	-	-	-
Internal interest income	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-	-
Total operating funding (A)	3,672	4,075	3,561	4,855	2,763	3,461
Applications of operating funding						
Payments to staff and suppliers	1,817	1,849	1,971	3,207	1,305	1,943
Finance costs	1	-	1	-	-	1
Internal charges and overheads applied	1,630	12	1,644	3	1,085	3
Internal interest charged	3	1,551	31	1,594	21	1,170
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	3,450	3,412	3,647	4,804	2,411	3,117
Surplus (deficit) of operating funding (A - B)	222	663	(86)	51	352	344
Sources of capital funding						
Subsidies and grants for capital expenditure	-	51	-	76	-	73
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	6	(95)	86	(51)	(352)	(344)
Gross proceeds from sale of assets	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	6	(44)	86	25	(352)	(271)
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	11	629	-	76	-	73
- to replace existing assets	11	36	-	-	-	-
Increase (decrease) in reserves	207	(46)	-	-	-	-
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	228	619	-	76	-	73
Surplus (deficit) of capital funding (C-D)	(222)	(663)	86	(51)	(352)	(344)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(55)	(59)	(76)	(39)	(51)

FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 28 FEBRUARY 2021 FOR CORPORATE FUNCTIONS

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	(56)	(56)	(160)	(160)	(41)	(41)
Targeted rates (other than a targeted rate for water supply)	(1,469)	(866)	(586)	(586)	(1,086)	(1,086)
Subsidies and grants for operating purposes	-	-	-	165	-	84
Fees and charges	117	168	171	175	114	116
Internal charges and overheads recovered	5,119	4,685	5,314	4,905	3,504	3,503
Internal interest income	265	796	1,295	303	364	179
Interest and dividends from investments	570	750	761	439	428	172
Local authorities fuel tax, fines, infringement fees, and other receipts	87	75	88	81	59	51
Total operating funding (A)	4,634	5,552	6,885	5,322	3,342	2,978
Applications of operating funding						
Payments to staff and suppliers	5,059	4,786	5,385	5,253	3,560	3,906
Finance costs	126	416	201	88	55	170
Internal charges and overheads applied	122	39	166	-	110	-
Internal interest charged	233	120	1,006	143	172	100
Other operating funding applications	-	-	-	-	-	-
Total applications of operating funding (B)	5,540	5,361	6,759	5,484	3,897	4,176
Surplus (deficit) of operating funding (A - B)	(906)	191	126	(162)	(555)	(1,198)
Sources of capital funding						
Subsidies and grants for capital expenditure	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-
Increase (decrease) in debt	437	28	1,261	549	1,506	1,295
Gross proceeds from sale of assets	5	-	16	-	11	-
Lump sum contributions	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-
Total sources of capital funding (C)	442	28	1,277	549	1,517	1,295
Application of capital funding						
Capital expenditure						
- to meet additional demand	-	-	-	-	-	-
- to improve the level of service	647	340	1,336	569	308	168
- to replace existing assets	306	240	195	155	756	95
Increase (decrease) in reserves	(1,417)	(361)	(127)	(337)	(102)	(166)
Increase (decrease) of investments	-	-	-	-	-	-
Total applications of capital funding (D)	(464)	219	1,403	387	962	97
Surplus (deficit) of capital funding (C-D)	906	(191)	(126)	162	555	1,198
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(104)	(659)	(662)	(440)	(437)

The logo for Tea Uka is located at the top of the page. It features a stylized 'V' shape in the center, flanked by two large, curved, wave-like shapes. The entire logo is composed of white lines on a dark blue background.

PROJECT SUMMARY

Each year the Council budgets for a number of projects varying from computer purchases through to infrastructural improvements.

These projects form part of our work in project budget and are funded in one of 3 ways:

Reserve funding: Reserves are built up each year from depreciation (a non-cash charge which forms part of our expense in the statement of comprehensive income) and from retained earnings (when a project was rated for in one year but not completed or deferred – the residual budget that was rated for is transferred to reserves and then this is utilised in future periods to ensure projects are not rated for twice).

Loan funding: Borrowings are used to fund capital projects which exceed reserve amounts, , or for brand new assets for which no alternative funding is available. This ensures intergenerational equity in costs.

Subsidies / grants: Subsidies and/or grants can cover all or part of a project cost. Council has a number of PGF grants which fully cover current projects. NZTA subsidies are received on a cost share basis, ranging from a minimum of 75% of the cost of roading infrastructure that meet the NZTA criteria.

Sale proceeds: For some assets, in particular vehicles, sale proceeds of a fully or partially depreciated asset are utilised in conjunction with the depreciation reserve to fund a replacement purchase. Insurance proceeds are used in the same way when relating to an asset replacement or repair.

PROJECT MONITORING

Project monitoring is achieved through reports to the infrastructural and Economic Development committees on a regular basis. Risks associated with projects are highlighted to the relevant committee. Minutes will be provided to the Finance Audit and Risk Committee for review.

The salient points on projects from the most recent meetings are summarised below:

Infrastructure Committee

Meeting : 23 February 2021

Mahia East Coast Road Traction Sealing – the main physical works have been completed, with the second coat sealing taking place in Feb/Mar 2021. A drive over with all parties will be done to ensure all works are complete. Budgets are tight and there is continual monitoring and pressure being put on contractors to ensure this is delivered within budget availability.

20/06 PGF Bridge Strengthening Package 1 – timing of road closure has caused delay in getting this work completed. Doughboy Bridge to be closed for up to 3 weeks. Communication has gone out and information boards have been put up on the road. UPDATE: Successful bridge closure with no significant issues during this period.

Nuhaka River Road realignment is complete, with an official opening of this scheduled for 6th March 2021 at the newly formed road

Wastewater Consent The Wairoa wastewater hearing closed 1 December 2020. On 29 January 2021 counsel for WDC prepared a response to the Panels direction, essentially providing an interim closing and identifying issues and experts WDC considers appropriate for conferencing. Looking ahead, experts have been instructed to engage and conference on outstanding technical issues by early March 2021. Additional information sought by the panel is due by 30 June 2021. This includes the community's appetite to spend more ratepayer money on changing to a land based discharge.

Project Biological Nutrient Removal & Activated Sludge is showing a forecast overspend of \$45,000.00. This is manageable and will likely be offset by savings in other projects, and current overall forecast expenditure is down based on quotes received to date. More clarity will arise as firm prices are received from suppliers.

Project Smart Meter Installation is experiencing supply problems which may delay the expected start date of March 2021. Our manifold supplier Accuflow have indicated the first shipment will arrive end of February '21, followed by 500 every six weeks. Fulton Hogan have expressed concern that these targets may initially not be met.

Overall 3 Waters Project Risk

Quarterly reporting to the Department of Internal Affairs (DIA) has identified several key risks to the project. The table below is taken from the most recent January quarterly report. The top risk labelled 'mandatory' was also identified by DIA themselves. The tight timeframe is being carefully monitored and constantly reiterated to our suppliers. The risk of delays due to COVID-19 remain high. Several items of equipment have been ordered from Europe with an estimated 6-month lead time. The latest NZ Level 2-3 lockdown (15-18 February 2021) has already potentially delayed the start date for our pond desludging, part of Project Biological Nutrient Removal & Activated Sludge.

Project	Risk		Financials			Delivery		Commentary
	Rate	Phase	Budget	Variance	Spend to date	Forecast	Delivery date	
Smart Meter Installation - Wairoa Township	Low	Investigate	\$ 2,725,878	\$ -	\$ 2,800	\$ 2,725,878	Mar 22	Smart meters ordered through FH. Manifold & meter stock level low with supplier Accuflow. Real risk of project duration extended beyond required March 2022 completion date, this will be monitored closely.
Water Main Replacement - Achilles Street	Low	Design	\$ 1,000,000	\$ -	\$ -	\$ 735,000	Jun 21	Preliminary quote from FH well under budget. Start date May 2021.
Water Main Resilience - River Parade (Perry Hotel)	Low	Investigate	\$ 180,000	\$ -	\$ 2,000	\$ 180,000	Apr 21	Currently selecting alignment for relocated watermain to suit HBRC's retaining wall design.
Blue Bay WWTW Upgrade - Stage 1 (Plant / Pump Station)	Low	Design	\$ 650,000	\$ -	\$ 88,000	\$ 650,000	Oct 21	Design being completed by Parklink & Water Solutions. Design to focus on a re-fit of the existing plant footprint. Dedicated underground encased tanks to be installed to retain motorhome dump station compliance.
Blue Bay WWTW Upgrade - Stage 2 (Disposal Field)	Low	Investigate	\$ 800,000	\$ -	\$ -	\$ 800,000	Jul 21	Reclassification of land adjacent to the existing disposal field is being completed by WSP, to allow disposal to take place. The design of the new field will be based on the original.
CCTV Wastewater Pipe Network - Wairoa Township	Low	Delivery	\$ 157,950	\$ 10,000	\$ -	\$ 157,950	Mar 21	Remaining budget utilised in landfill study to investigate leachate implications for WWTW.
Bedding Wastewater Pipe Network - Wairoa Township	Low	Delivery	\$ 1,140,500	\$ -	\$ -	\$ 1,140,500	Feb 22	Work to be completed in April/October 2021, and February 2022. An accelerated programme will allow 5 years.
Wairoa WWTW Upgrade - Biological Nutrient Removal & Activated Sludge	Low	Design	\$ 897,000	\$ -	\$ 765	\$ 942,365	Aug 21	Forecasting slightly over budget due to actual quotes exceeding original estimate. Agreement recently signed for supply and installation of an inlet screen currently on order from Europe (\$610,000.00 value).
Dedicated Pump Station Generators - Wairoa Township	Low	Design	\$ 451,350	\$ -	\$ -	\$ 451,350	May 21	Three generators have been ordered (approx \$80,000.00 value). Scoping is ongoing to determine how best to incorporate these with the existing pump stations.
Wairoa WWTW Upgrade - Disposal to Land / Irrigation (Mucilo / Powdermill)	Low	Investigate	\$ 308,000	\$ -	\$ -	\$ 308,000	Dec 21	Memorandum of Understanding signed with landowners Powdermill and Mucilo. Discussing initial feasibility with Lowe Environmental this month.
Wairoa WWTW Upgrade - Filtration / UV	Low	Design	\$ 710,000	\$ -	\$ -	\$ 710,000	Aug 21	Working on developing an overall strategy for the WWTW to ensure correct components are installed.
Telemetry Base Sets / Pump Station Renewals - Wairoa Township	Low	Investigate	\$ 414,825	\$ -	\$ -	\$ 414,825	Nov 21	Scoping in progress.
Whakanga Water Supply Upgrade (Consideration only)	Low	Investigate	\$ 410,000	\$ -	\$ -	\$ 410,000	Dec 21	Referendum in progress.
Blue Bay Water Supply Upgrade (Consideration only)	Low	Investigate	\$ 250,000	\$ -	\$ -	\$ 250,000	Mar 22	Scoping in progress. Feasibility still unknown.
Chororua Dosing Pumps / Resilience - Raukumanga Water Supply	Low	Completed	\$ 12,000	\$ -	\$ 10,415	\$ 12,000	Feb 21	Complete.
Hawke's Bay Regional Contribution - Water Safety Plans, etc	Low	Investigate	\$ 168,420	\$ -	\$ -	\$ 168,420	Mar 22	RFP for private water supplies being developed currently. Other regional projects to follow.
Landfill Leachate Study - Implications to Wairoa WWTW	Low	Investigate	\$ -	\$ 50,000	\$ -	\$ 50,000	Mar 22	Scoping in progress.
Wairoa Water Treatment Plant Upgrade/Resilience	Low	Design	\$ -	\$ 84,137	\$ -	\$ 84,137	Jul 21	Quote received. Utilising portion of Achilles St watermain budget following lower contractor price.
TOTAL OVERHEAD ALLOCATION	Low		\$ 803,504	\$ -	\$ 80,453	\$ 803,504		Staff wages, including DIA RPI costs included.
FUNDS COMMITTED TO DATE THROUGH WORK INSTRUCTIONS	Low		\$ -	\$ -	\$ 5,087,768	\$ -		Smart meters contract, Achilles St water main, HBRC river parade contribution, CCTV wastewater pipes, BNRAS total, Regional project contribution, Water Treatment Plant minor resilience.

Economic Development Committee

Meeting : 16 February 2021

Te Wairoa E Whanake

Contact milestones to date have been met. Urban Design plans to be presented to be adopted by Council. Concrete testing completed and concrete is in fit condition for base design.

Digital Hub

Digital Hub official opening was held 4 February.

Centennial Library and Archive Redevelopment

Council's allocated funding is not sufficient to meet the estimated costs of works. A separate funding strategy is recommended.

Regional Riverside Park

Vision Projects has prepared an internal report with a possible solution to align the WDC Urban Design Plan with the Hawke's Bay Regional Park opportunity plan.

Revenue and Financing Policy

Purpose and scope

1. This policy outlines the choices Council has made in deciding the appropriate sources of funding for operating and capital expenditure from those sources listed in the Local Government Act 2002 (LGA). The policy also shows how the Council complied with section 101(3) of the LGA which sets out a number of factors we must consider when making these decisions. A comprehensive analysis of this is included in the Funding Needs Analysis (Appended).
2. Deciding the best way to fund activities is complex. Applying the legislation is complex and involves many statutes, regulations and multiple statutory policies. The outcome of balancing all those matters requires judgement having considered many factors including but not limited to:

▪ Legal.	▪ Efficiency.	▪ Transparency.
▪ Social.	▪ Equity.	▪ Accountability.
▪ Competition.	▪ Cost.	▪ Business.
▪ Affordability.	▪ Intergenerational equity.	▪ Strategic Alignment.
▪ Impact of change.		▪ Benefit.

Policy

Funding sources for operating expenses

3. Operating costs are the everyday spending on Council activities. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and overheads.
4. The funding of each activity must be considered individually. Some activities may be best funded by user charges, such as building consents, others with targeted rates, such as water, and others from the general rate, such as roading.
5. The funding sources used for operating costs and the Council's policies in respect of funding operating expenses are described in the following sections.

User Charges

6. User charges are applied to services where it is identified there is a benefit to an individual or group, or directly attributable cost. User charges are a broad group of fees charged directly to an individual or entity including but not limited to:

▪ Service charges.	▪ Fines and penalties.	▪ Planning and consent fees.
▪ Hire.	▪ Connection fees.	▪ Statutory charges.
▪ Rent, lease, licences for land and buildings.	▪ Disposal fees.	▪ Retail sales.
▪ Permits.	▪ Deposits.	▪ Landing fees
▪ Regulatory charges.	▪ Private works.	
7. The price of the service is based on a number of factors, including but not limited to:
 - a. The cost of providing the service.
 - b. The estimate of the users' private benefit from using the service.
 - c. The impact of cost to encourage/discourage behaviours.
 - d. The impact of cost on demand for the service.
 - e. Market pricing, including comparability with other councils.
 - f. The impact of rates subsidies if competing with local businesses.

- g. Cost and efficiency of collection mechanisms.
 - h. The impact of affordability on users.
 - i. Statutory limits.
 - j. Other matters as determined by the Council.
8. The ability to charge user charges is limited by various statutes and regulations. As a general rule, fees for statutory functions should be set at no more than the cost of providing the service. In some cases, legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (such as the Waste Minimisation Act 2008) fees may be set at greater than the cost of providing the service. It is appropriate to incorporate overhead costs when determining the cost of providing a service.
 9. Where goods or services are sold commercially, and taking into consideration legislative limitations, the Council's preference is to charge a market price. This includes retail sales, leases, rents and licences for land and buildings.
 10. Fees and charges may be set at any time and are reviewed annually. A list of current fees and charges is maintained on our website.
 11. Revenue from user charges is generally allocated to the activity which generates the revenue.

Grants, sponsorship, subsidies and other income

12. 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 Provincial Growth Fund funding, reparation payments, civil defence and other reimbursements, legal settlements and insurance claims). These are applied as they arise to the corresponding activity or project.

Investment income and proceeds from the sale of assets

13. The Council's approach to investments is documented in the Investment and Liability Management Policies. These investments generate income such as dividends, interest, and rents.
14. Income from all asset disposals are generally receipted to the activity that used the asset to deliver service. Generally, these proceeds are considered to be capital in nature. However, low value items may be used to fund operating costs. Council may resolve to utilise higher value proceeds for operating purposes if it is satisfied that it is prudent and in the community's interest.

Development contributions, financial contributions and lump sum contributions

15. Generally, there is little revenue from these funding sources to fund operating costs.
16. Lump sum contributions have been used for the Māhia and Ōpoutama wastewater schemes, which included a portion of operating cost (interest). Council has an Early Payment of Rates Policy enabling existing ratepayers for these schemes to pay future targeted rates for this in advance.
17. Council will consider using lump sum contribution arrangements as a suitable funding option for future projects.
18. Financial contributions, relating to resource consents are collected and placed in a reserve fund. The use of this funds could include some operating costs. The Council does not currently take development contributions, but it is considering the use of these as part of its review of the District Plan. Should development contributions be implemented a portion of revenue funds the interest cost on debt for growth related capital projects.

Reserve funds

19. Reserve funds are used for the purposes that they were created. Reserve funds may be used to meet operating costs if the expenditure is consistent with the purpose of the fund.

Borrowing

20. The Council's approach to Borrowing is documented in the Investment and Liability Management Policies. The Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines it is prudent to do so, fund some operating costs from borrowing.

Rates

21. Having exhausted all other funding sources, Council funds its remaining operating expenses from rates. For many activities this is the main funding source.
22. The Council may establish general or targeted rates to fund operating costs.

Summary of sources of funding for operation costs by activity

23. The above funding sources were considered when determining the funding required from all sources (including general rates or targeted rates) for each activity in the Funding Needs Analysis, as required by section 101(3)(a).
24. Table 1 shows the degree (expressed as a range) to which each funding source is used to fund operating costs in relation to each activity to be funded, as required by section 101(3)(a) of the LGA.
25. After the activity by activity analysis, the Council undertakes an analysis of the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community. The results of this analysis may vary the outcome of the activity by activity analysis.
26. The ranges in Table 1 are expressed as a percentage of the revenue budgeted to fund each activity and are indicative only. They may change over time because of changes in expenditure requirements. Actual funding sources may differ from the budgeted funding sources.

Table 1: Operating Funding by Activity	User charges	Grants, subsidies & other	Invest. Income	Fin. and Dev. Contributions	Reserve Funds	Borrowing	General Rates	Targeted rates
Water Supply*	0% -20%	0%	0% -20%	0%	0%	0%	0% -20%	80% - 100%
Wastewater	0% -20%	0%	0% -20%	0%	0%	0%	0% -20%	80% - 100%
Stormwater	0% -20%	0%	0% -20%	0%	0%	0%	0% -20%	80% - 100%
Waste Management	20% -40%	0%	0%	0%	0%	0%	0% -20%	40% - 60%
Airport	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Parking	0%	0%	0%	0%	0%	0%	100%	0%
Roading	0%	60% - 80%	0%	0%	0%	0%	20% -40%	0%
Camping Grounds	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Cemeteries	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Community Centre	0%	0%	0%	0%	0%	0%	80% - 100%	0%
Community Support	0%	0% -20%	0%	0%	0%	0%	80% - 100%	0%
Library	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Memorial Hall	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Parks and Reserves	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Resource Planning	0% -20%	0%	0%	0%	20% -40%	20% -40%	40% - 60%	0%

Table 1: Operating Funding by Activity	User charges	Grants, subsidies & other	Invest. Income	Fin. and Dev. Contributions	Reserve Funds	Borrowing	General Rates	Targeted rates
Environmental Health	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Building Control	40% - 60%	0%	0%	0%	0%	0%	40% - 60%	0%
Liquor Control	40% - 60%	0%	0%	0%	0%	0%	60% - 80%	0%
Bylaw Compliance	40% - 60%	0%	0%	0%	0%	0%	40% - 60%	0%
Community Representation	0%	0%	0%	0%	0%	0%	100%	0%
Māori Relationships	0%	0%	0%	0%	0%	0%	100%	0%
Economic Development	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Gaiety Theatre	80% - 100%	0%	0%	0%	0%	0%	0% -20%	0%
Visitor Information	0% -20%	0%	0%	0%	0%	0%	80% - 100%	0%
Pensioner Housing	100%	0%	0%	0%	0%	0%	0%	0%
Property	0% -20%	0% -20%	0% -20%	0%	0%	0%	80% - 100%	0%
Funds Management	0%	0%	100%	0%	0%	0%	0%	0%

Funding sources for capital costs

27. Capital costs are those costs associated with the purchase and improvement of assets, and the repayment of debt. The funding sources for capital costs and Council's policies in respect of the funding of this expenditure are described in the sections that follow.

User charges

28. User charges are not often used for capital costs as individual user contributions would generally be too large to be affordable. Borrowing and charging users annually for financing costs (interest and principal) via rates is often a more affordable method of collecting user contributions for capital costs.
29. The Council may charge for capital works that are for private benefit (such as, a network extension to a single dwelling) or where capital works are undertaken outside of Asset Management Plans at the request of individuals (for example, a rural seal extension for dust suppression).

Grants, subsidies, and other income

30. The Council relies on significant subsidies for capital works relating to our transport activity. Grants and subsidies may be available for other activities from time to time.
31. Other income can be from many and varied sources and is unlikely to be predictable enough to budget for in advance. Other income used to fund capital costs could include bequests, insurance claims, and legal settlements.
32. Grants, subsidies and other income are used wherever they are available.

Development contributions

33. Development Contributions (DCs) fund capital costs necessary to service growth. Council does not have a development contributions policy at this time and will consider this as part of the consideration of financial contributions in the review of the District Plan.

Financial contributions

34. Financial contributions are collected under the Resource Management Act 1991 to avoid, remedy or mitigate adverse effects on the environment as conditions to resource consents. The requirements for these contributions are outlined in the District Plan. Contributions may be received in cash or as revenue by the vesting of assets.

Proceeds from the sale of assets

35. From time-to-time, assets are disposed of. Usually these are low value items and the revenue is allocated to the activities that the assets were used in. In the case of short-life assets these proceeds would normally contribute to the cost of their replacement.
36. The Council holds some higher value assets for investment purposes which, although not budgeted for, could be sold. Unrestricted proceeds from the sale of these assets would be used to repay debt or supplement the corresponding asset replacement reserves, unless otherwise resolved. Restricted revenues would be placed in the appropriate reserve fund and used for the purpose required by the document that imposes the restriction.

Reserve funds

37. Reserve funds for capital projects are held and the funds are used when a project meets the specific criteria for accessing the reserve. This includes renewal funding derived from rates for operating costs such as depreciation and other accounting provisions.

Borrowing

38. The Council borrows to fund its asset programme. The amount of borrowing available is restricted by the debt limits set in the Financial Strategy.
39. Borrowed funds, both the principal and interest (an operational cost), are generally repaid by future rates.
40. Borrowing spreads the cost of the project over a longer period of time, smoothing changes in rates and ensuring that future ratepayers who will enjoy the benefit of long-lived assets contribute to their costs.

Lump sum contributions

41. When undertaking a major project, there is an option to seek lump sum contributions to the capital cost of the project from those who are identified in the projects "capital project funding plan". 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.

Rates

42. Rates are mostly used to fund everyday expenses including depreciation and interest costs related to borrowing.
43. A portion of rates funds the capital (principal) repayments of debt.
44. Council may establish targeted rates to fund specific capital projects where there is a benefit of separate funding.
45. Council holds reserve funds for capital expenditure. Some of which has been sourced from rates.

Summary of sources of funding for capital costs by activity

46. Funding of Capital costs will be determined via the same principles as the operating costs funding policy unless the Council resolves otherwise. Such a resolution will follow the funding guidelines and in doing so will be consistent with this policy and not require an amendment to the policy. Existing projects (projects resolved prior to the adoption of this policy) will be funded according to the Annual Plan, Long-Term Plan or other resolution made at the time the Council approved the project. It is not practicable to determine a funding policy for all unknown future projects.

The main difference is that it is the purpose of the expenditure will have more bearing on the funding available. Capital projects are often large in nature and will provide benefits over many years, and the funding approach must reflect this.

47. The Council uses the following guidelines when considering the funding of capital projects:
 - a. A Funding Needs Analysis will be completed where the project is not included in the capital works programme or is additional to planned services, or where its inclusion impacts on Council's overall funding capacity.
 - b. All projects are first funded from grants, subsidy or other external income where available.
 - c. Renewal projects that maintain the same service level are then funded from reserve funds set aside for that purpose.
 - d. General purpose funds or unrestricted reserve funds held for other complementary purposes are considered.
 - e. Lump sum rating options are considered.
 - f. Projects that have exhausted previous funding sources or are for new or increased service levels or for growth in infrastructure are then funded from debt.
48. A single project may have a mix of each of these funding options.
49. It is not practical to create separate funding policies for each and every capital project. The Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity.
50. Whenever funding a capital project, the Council will consider the available sources of funds, the Revenue and Financing Policy, and section 101(3) in applying the above guidelines to a capital project. Generally, the Council will resolve the funding policy at the time the project is proposed in an Annual or Long-Term Plan.

Overall funding consideration

51. The Council is required by section 101(3)(b) of the LGA to consider "the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community". This section allows that as a final measure, we may modify the overall mix of funding that would otherwise apply after the initial s101(3)(a) analysis for each activity to be funded.
52. The following adjustments have been made:
 - a. The allocation of the rates liability between sectors of the rating base may be altered by using differentials on the general rate and certain targeted rates. The allocations in this Long-Term Plan were determined by the Council after consultation with the community in 2020. The Council may modify the differential factors during the term of the Long-Term Plan to reflect a change in allocation of cost, or benefit, or to achieve better community outcomes or wellbeing.

This adjustment included an additional allocation of cost to the forestry differential for all activities, rather than just the incremental cost previously allocated from roading activities. The Council has decided this allocation to increase the rates to this sector is appropriate because of comparative negative community wellbeing impacts on the Wairoa community.
 - b. Rates affordability (people's ability to pay rates) is an issue in parts of the region. Adjustments to limit the impact of fixed rates on lower value rating units were made so that rates are more affordable for lower value rating units.
 - c. Fees and charges may be waived or discounted where it is considered appropriate to do so. Some matters we may consider in deciding whether it is appropriate to waive fees are for social reasons (e.g., the promotion of events and facilities) or commercial reasons (e.g., due to poor service or to minimise risk).

- d. Rates may be remitted where it considered appropriate to do so and as allowed for in the Rates Remissions and Postponements Policies (including Māori Freehold Land). These policies address social matters as well as adjusting rates for benefits that differ for some rates assessments (such as additional or no provision of some services).
- e. The Council may use accounting provisions and reserve funds to spread the costs of activities over multiple years to smooth the cost to users and ratepayers.

Rates

- 53. Our final consideration of funding by rates comes:
 - a. After considering how other funding sources will be used to fund operating and capital costs.
 - b. how rates have been applied to activities in the Funding Needs Analysis; and/or
 - c. After being adjusted for the overall impact of allocation of liability.
- 54. The following section outlines the Revenue and Financing Policy requirements that are used to set rates. To have a full understanding of rates they should be read with regards to the analysis above and in conjunction with the Rating Policy, Funding Impact Statement and Rates Resolution.

General rates

- 55. The Council sets a general rate is assessed on all rateable properties (rating units) based on the capital value of the property. A Uniform Annual General Charge (UAGC) will be set on each separately used or inhabited part (SUIP) of all rating units.
- 56. The Council has determined in its Funding Needs Analysis which activities should be funded from general rates (see Table 1).
- 57. The Council has chosen to differentiate the General Rate into four rating categories, applying 6 rating differentials, based on the use to which the land is put. In respect of residential land, Council observes the provisions of s101(3)(b) of the LGA and the overall impact of the allocation of liability for revenue needs on the community. In doing so it has determined that the application of 3 rating differentials to land categorised as residential for rating purposes is appropriate. The General Rate will be assessed on capital value of the land. The factors to be applied to all differentials and the thresholds for the residential differentials will be determined in the Funding Impact Statement
 - a. Residential will be
 - i. Residential A
 - ii. Residential B
 - iii. Residential C
 - b. Commercial.
 - c. Rural.
 - d. Forestry.
- 58. The Council primarily uses valuation data (specified in the Rating Valuations Rules) to determine the allocation of rating units to differential rating categories. The full definitions can be found in the Rating Policy and the Funding Impact Statement and may change during the term of the Long-term Plan.
- 59. In setting the differential categories, and the differential factors, the Council considered the requirements of the LGA and other considerations, including:
 - a. The activities funded by the general rate and the s101(3) considerations for the activities.
 - b. The impact of any change, or rate of change to the differential.
 - c. The views of those impacted by the differentials.
 - d. Other reasonable options, and the advantages and disadvantages of those options.
 - e. The overall impact of the differential on all ratepayers.

60. The UAGC is part of the general rates and is a fixed amount each year. The Council can set the UAGC based on an allocation of the cost of specific activities or at an amount the Council considers is appropriate. In past years, the Council has preferred to base the UAGC on the allocation basis. From 2021 the Council will set the UAGC at a level it considers appropriate.
61. The Council recognises the regressive nature of fixed rates. Rates affordability is a matter the Council considers when setting the UAGC. Council's remissions policies provide for some adjustment to UAGCs for properties where appropriate. During the term of this Long-term Plan the Council may adjust the UAGC as part of its rate setting process in order to improve community wellbeing for current and/or future communities.
62. If the cost allocation from activities (as described in the Rating Policy) is amended, or an adjustment is made to the UAGC to improve community wellbeing, the amount removed from the UAGC will remain part of general rates.

Targeted rates

63. Targeted rates are finalised when adopting the Funding Impact Statement in the Long-Term Plan or an Annual Plan. The Council may introduce new targeted rates, consistent with this policy, when setting rates in any year as documented in the respective year's Funding Impact Statement and Rates Resolution. The Council's requirement to consult is determined by s95A of the LGA.
64. The Council has chosen to have a small number of targeted rates and will provide transparency of how much a ratepayer's rates is contributing to activities by using better communication tools than the rates invoice. Information on targeted rates is listed in the Rating Policy, Rates Resolutions and Funding Impact Statement for each year.
65. The Council consulted on changes to targeted rates in its 2020 rates review, the outcomes of which are reflected in this and other relevant policies.

References

- The Funding Needs Analysis, required by section 101(3) of the LGA, provides the background and analysis to explain the funding decisions we have made. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy.
- The Investment and Liability Management Policies place restrictions on the use of the proceeds from asset sales.
- The Rating Policy further clarifies funding requirements by documenting matters not included in this Revenue and Financing Policy. It includes definitions and, when applicable, maps for rating areas.
- The Funding Impact Statement is included in each Long-term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10. This statement shows the results of the detailed rates calculation for each year.

Together the above documents form the necessary components to lawfully charge under the LGA for our revenue requirements. We must also comply with other legislation regarding the setting of some fees and charges and the Local Government (Rating) Act 2002 for the setting of rates.

DRAFT Funding Needs Analysis

This policy does not form part of the Revenue and Financing Policy, it is a separate document that records the detailed application of s101(3). The Revenue and Financing Policy describes how the Council has complied with s101(3). A change in this document does not in itself change the Revenue and Financing Policy.

Purpose and scope

1. The Funding Needs Analysis (FNA) provides the background and analysis to explain the funding decisions made by the Council.
2. To comply with section 101(3),¹ the Council must determine the appropriate sources of funding² for each activity. In determining this, they must take into consideration under s 101(3)(a):
 - a. *"The community outcomes to which the activity primarily contributes.*
 - b. *The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.*
 - c. *The period in or over which those benefits are expected to occur.*
 - d. *The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.*
 - e. *The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities."*
3. The legislation places no more or less weight or priority on any one of the factors listed in section 101(3)(a).
4. Having completed the above analysis, the Council must then consider under section 101(3)(b): *"The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural well-being of the community."*
5. The following sections document the matters and approaches the Council has taken to determine the funding needs of an activity and how that translates into the Council's decision on the appropriate funding sources to be used.

Previous reviews

6. The FNA was last reviewed in 2018, and Council retained its existing Revenue and Financing Policy included in the 2018-28 Long-term Plan (LTP).
7. The Council undertook a review and rewrite in 2020. Changes have been made reflecting the considerations of the Council as they considered the funding of activities in developing the 2021-31 LTP.

Funding sources for operating costs

8. Operating costs are the everyday spending that maintains the services delivered by the Council. This includes corporate overheads, funded wear and tear on assets (depreciation) and interest costs of borrowing for capital projects.
9. The Council must consider the funding for each activity in a way that relates exclusively to that activity. Some activities may be best funded by user charges such as swimming pool entry fees, others with targeted rates and others from a general rate. Distinct funding may assist ratepayers or payers of user charges to assess more readily whether the cost of the service provided to them either directly or indirectly represents good value. They can also more easily determine

¹ All references to legislation are to the Local Government Act 2002 (LGA), unless otherwise stated.

² The funding sources are listed in section 103 LGA and the Council's preference for using funding sources is described in the Revenue and Financing Policy.

how much money is being raised for the service and spent on the service.

10. The funding sources for operating and capital costs are:

- a. Fees and charges.
- b. Grants and subsidies and fuel taxes.
- c. Other income.
- d. Investment income.
- e. Financial contributions
- f. Development contributions
- g. Lump sum payments
- h. Reserve funds.
- i. Borrowing
- j. Proceeds from the sale of assets
- k. Rates
 - General rate
 - Targeted rates.

11. Each funding source and how the Council prefers to use that funding source for operating expenses is described in detail in the Revenue and Financing Policy and is based on the analysis set out in this document.

Table 1: Matters the Council considers in applying the legislation for operating expenses

Section 101(3)(a) - Step 1 reference	Matters Council might consider
Community outcomes - s.101(3)(a)(i)	<p>The Council determines which of its community outcomes an activity primarily contributes to.</p> <p>Council will consider how their funding choices will support the achievement of the community outcomes.</p>
Distribution benefits - s.101(3)(a)(ii)	<p>The distribution of benefits is given consideration by the Council. Determining benefit is inherently subjective.</p> <p>Where the Council considers there is a clearly identified direct relationship between users and the services provided then the Council will consider fees and charges or targeted rates.</p> <p>Where the Council considers the services provide a benefit to the community as a whole; is of a uniform nature; or where the Council is not able to identify a direct relationship between users and the service the Council will consider using general rates.</p>
Period of benefit - s.101(3)(a)(iii)	<p>For most operational expenses the benefit is received in the year the expense is incurred.</p> <p>For most activities depreciation (an operating expense) is cash funded from revenue sources and this is placed into reserve funds for the future renewal of assets.</p> <p>Some operational expenses (provisions) may have a benefit over multiple years and so the Council may choose to fund the activity over that period.</p>

Who creates the need - s.101(3)(a)(iv)	<p>Some services are provided because the actions or inactions of individuals or groups create the need to undertake the activity.</p> <p>The Council may choose to target these people or organisations through fines, charges or rates.</p>
Separate funding - s.101(3)(a)(v)	<p>The Council must consider the practicalities of separate funding along with transparency and accountability.</p> <p>In some cases, while it may be desirable to charge individuals there may be no practical way of doing so.</p> <p>For all activities the Council is able to easily identify what proportion of operational expenses is recovered from each funding sources. In the case of rates the Council is able to inform individual ratepayers of their rates contribution to each activity using communication tools.</p>

12. Analysis for operating costs by activity is described in Schedule 1.

Funding sources for capital costs

13. Capital costs are those costs associated with the purchase and improvement of assets and for the repayment of debt. The funding sources for capital costs include:
- Fees and charges.
 - Grants and subsidies and fuel taxes.
 - Other income.
 - Investment income.
 - Financial contributions
 - Development contributions
 - Lump sum payments
 - Reserve funds.
 - Borrowing
 - Proceeds from the sale of assets
 - Rates
 - General rate
 - Targeted rates.
14. Each funding source and how the Council prefers to use that funding source for capital expenditure is described in detail in the Revenue and Financing Policy and is based on the analysis set out in this document.

Analysis for capital costs by activity

15. Capital costs would be funded on the same principles as the operating costs funding policy, subject to the nature and purpose of the expenditure, unless the Council resolves otherwise. Such a resolution will follow the funding guidelines and in doing so would be consistent with this policy and would not require amendment to the policy. Existing projects (projects resolved prior to 3 December 2020) will be funded according to the Annual Plan, Long-term Plan or other resolution at the time of the Council approving the project. It is not always practicable to determine a funding policy for an unknown future project in advance.
16. The Council uses the following guidelines when considering the funding of capital projects:

- a. A Funding Needs Analysis will be completed (see paragraph 18).
 - b. All projects are first funded from grants, subsidy or other income where available.
 - c. Renewal projects that maintain the same service level are then funded from reserve funds set aside for that purpose.
 - d. Reserve funds for other purposes that are not restricted are considered.
 - e. Lump sum and other rating options are considered.
 - f. Projects that have exhausted previous funding sources or are for new or increased service levels or for growth in non-network infrastructure are then funded from debt.
17. A single project may have a mix of each of these funding options.
18. It is not practical to create separate funding policies for each and every capital project. The Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity.
19. Whenever funding a capital project, the Council will consider the available sources of funds, the Revenue and Financing Policy, section 101(3) in applying the above guidelines to a capital project. Generally, the Council will resolve the funding policy at the time the project is proposed in an Annual or Long-term Plan. In undertaking this assessment, it shall have regard to the matters in table two.

Table 2: Matters the Council considers in applying the legislation for capital expenses

Headings -s.101 reference	Matters Council might consider
Community outcomes - s.101(3)(a)(i)	<p>The Council determines which of its community outcomes the capital project or activity contributes to.</p> <p>Council will consider how their funding choices will support the achievement of the community outcomes.</p>
Distribution benefits - s.101(3)(a)(ii)	<p>The distribution of benefits is expected to be the same as that for the operating costs of the activity in which it is funded unless the Council resolves otherwise. Determining benefit is inherently subjective.</p> <p>The Council may choose to target those people or organisations who primarily benefit through financial and development contributions, lump sum options or targeted rates.</p>
Period of benefit- s.101(3)(a)(iii)	<p>For most capital projects the benefit is received over the life of the asset. The Council will have regard to the equitable distribution of costs to each generation for the construction and renewal of the asset. For example, this may result in the Council not funding asset renewal while still funding debt.</p>
Who creates the need- s.101(3)(a)(iv)	<p>Some services are provided because the actions or inactions of individuals or groups create the need to undertake the activity.</p> <p>The Council may choose to target these people or organisations through financial contributions or targeted rates.</p>
Separate funding- s.101(3)(a)(v)	<p>The Council must consider the practicalities of separate funding along with transparency and accountability.</p> <p>In some cases, while it may be desirable to charge individuals there may be no practical way of doing so.</p>

For many smaller capital projects, it is not practical to have a separate funding policy. Where the Council does not resolve otherwise a capital project will be funded consistently with the funding mechanism adopted for the operating costs in the activity in which it is funded, and the purpose of the project.

Funding bands

20. After considering the section 101(3)(a) components, the Council considers to what extent each of the funding sources can fund each activity. This guide is intended to be in place for the next three years before it is reviewed. As costs change over time, it is not possible to precisely determine the percentage allocated. For this reason, the Council has decided to band the percentages into the categories listed in table three.
21. The assessment in Schedule 1 identifies the most likely sources of funding an activity is budgeted to receive. In all cases, rates fund the balance of the activity after all other sources have been maximised. It is likely that from time to time the Council will be able to secure additional funding that may become available.
22. Budgets will normally be set within these ranges. These ranges are expressed as a percentage of the cost of the activity and are indicative only. They may change over time because of changes in expenditure rather than changes in revenue. It is also likely that actual funding sources will be different from budgeted funding sources.

Table 3: Funding bands

Name	Percentage range
Unlikely	0%
Minimal	0% - 20%
Low	20% - 40%
Moderate	40% - 60%
High	60% - 80%
Most	80% - 100%
All	100%

Funding sources and rationale

23. The 'Rationale' column of Schedule 1 identifies which of the funding sources the Council plans to use in budgeting to fund the operating costs of each activity. It is determined by the Council after consideration of each clause of section 101(3)(a).
24. The assessment of the funding sources is a complex matter of weighing up the requirements of section 101(3)(a) with the available sources and the Council's preferences for using these sources. The Council has documented its rationale for choosing each the funding source in this Funding Needs Analysis and the Revenue and Financing Policy.
25. The funding source for an activity may be modified by the Council when it considers the requirements of section 101(3)(b). If this has occurred, it is considered as part of the overall

funding considerations section in the Revenue and Financing Policy.

Schedule One: Activity Funding Needs Analysis – operating costs

Group Activity: Transport						
Activity: Transport						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcome:</p> <ul style="list-style-type: none"> Strong and prosperous economy <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community <p>Our communities and business are connected to each other and to our markets by a safe efficient and integrated transport network.</p>	<p>Roadings: The roading network serves the whole district and everyone benefits.</p> <p>Roads are necessary to deliver export products to markets within Wairoa, New Zealand and the world. The district's economic prosperity is dependent on production from its rural catchment.</p> <p>Roads provide corridors for other utility providers such as power, communications, water and wastewater.</p> <p>Roads, street lighting, signage, and footpaths and parking are provided as a public good. Individuals and business benefit directly from access to property and facilities.</p> <p>Airport: The provides quick access in and out of the region supporting business and emergency management.</p> <p>The availability of the airport serves the whole district, and everyone benefits.</p> <p>Individual uses receive a private benefit.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>There is an impact of the actions or inactions of others.</p> <p>Costs are driven by traffic volumes and size. Large vehicles, wear roads out more quickly than vehicles.</p> <p>The forestry industry places significant demand on the roading network for which Council incurs additional costs. The growth of the forestry industry is leading to greater roading damage.</p> <p>Airport users expect a consistent service level.</p>	<p>The whole community benefits from the roading network and airport, as such there is little advantage in having separate funding.</p> <p>The use of differential rating tools can easily adjust for sectors to make a varying contribution.</p> <p>There are few reasonably practicable options for charges in users directly for their use of or damage to the roads.</p> <p>Charging airport users for rents and landing fees is common and efficient.</p>	<p>Subsidies are primarily sourced from New Zealand Transport Agency (NZTA). Additional funding will be sourced whenever available (e.g., Provincial Growth Fund)</p> <p>Council also receives a small amount of regional petrol tax.</p> <p>Council maximises the amount of subsidy for the level of spending it approves.</p> <p>The whole district benefits from the roading network.</p> <p>The general rate allows for the differential allocation of benefit to sectors and adjustment of contribution for those whose actions cause additional costs and for advancing community outcomes.</p>	<p>ROADINGS</p> <p>HIGH (60% - 80%) Grants and subsidies. LOW (20% - 40%) General rate UNLIKELY (0%) All other funding sources.</p> <p>AIRPORT</p> <p>HIGH (60% - 80%) General rates MINIMAL (0% - 20%) Fees and charges Other UNLIKELY (0%) All other funding sources</p>

Group Activity: Water						
Activity: Water						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Safe, supported and well-led community • Strong and prosperous economy • Protected and healthy environment • Valued and cherished culture <p>Access to safe water that is managed with cultural and environmental sensitivity is essential to community wellbeing.</p>	<p>The communities that are reticulated with a public water supply are the beneficiaries. With extended dry seasons there is greater demand on Council's network for tanker water to be supplied to non-reticulated properties.</p> <p>The entire community benefits through better health, kai moana, recreation and the environment outcomes and having protection in the case of fire.</p> <p>This community benefit can be recognised with a general rates component in the funding.</p> <p>All property owners/residents/tourists benefit from receiving water and protection from any fire risk.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current year and probably in future years. This is managed through reserve funds.</p>	<p>The actions of most individuals or groups have a minor impact.</p> <p>There is considerable government intervention in the provision of safe, healthy, compliant drinking water.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity.</p> <p>It also provides transparency on the cost of an essential service.</p>	<p>Those who (either directly or indirectly) benefit should pay.</p> <p>There are some water users where charging based on actual quantities is practical due to the location, size or the use of the property. Their share of costs is recovered by way of targeted water meter rates.</p> <p>The cost of the water supply and network is equalised across all non-metered connections within the district.</p> <p>A portion of the cost benefits the whole district and can be recovered in the general rate.</p>	<p>MOST (80 - 100%) Targeted rates</p> <p>MINIMUM (0% - 20%) General rates Interest and dividend</p> <p>UNLIKELY All other funding sources.</p>

Group Activity: Wastewater						
Activity: Wastewater						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Safe, supported and well-led community • Strong and prosperous economy • Protected and healthy environment • Valued and cherished culture <p>Access to safe water that is managed with cultural and environmental sensitivity is essential to community wellbeing.</p>	<p>The collection, treatment, and disposal of wastewater are primarily a private benefit for people whose properties are connected to the schemes. Rural septic tank septage is transported to council wastewater treatment ponds.</p> <p>The protection of the environment is a benefit to the serviced communities.</p> <p>The entire community benefits through better health, kai moana, recreation and the environment outcomes.</p> <p>The benefits are expected to accrue primarily to individual users and businesses.</p> <p>There is a public health, environmental and recreational benefits are to whole district. This community benefit can be recognised with a general rates component in the funding.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current year and probably in future years. This is managed through reserve funds.</p>	<p>A small number of heavy commercial producers have an adverse impact greater than most users.</p> <p>There is considerable government intervention in the provision of safe, healthy, compliant wastewater systems.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity.</p> <p>It also provides transparency on the cost of an essential service.</p>	<p>In most cases it is not practicable to measure the quantity of each individual's contribution to the wastewater system.</p> <p>In the case of heavy commercial users of the waste system it is practical to measure the volume and quality of waste and charge appropriately for this.</p> <p>Those who (either directly or indirectly) connected targeted rate per pan is an efficient and simple way that approximates benefit of access and use of the services.</p> <p>Septage tankers are not paying the full cost of treatment recognising the wider community health benefits.</p> <p>A portion of the cost benefits the whole district and can be recovered in the general rate.</p>	<p>MOST (80% - 100%) Targeted rates</p> <p>MINIMAL (0% -20%) General rates Fees and charges Interest and dividends</p> <p>UNLIKELY All other funding sources.</p>

Group Activity: Stormwater						
Activity: Stormwater						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Safe, supported and well-led community • Strong and prosperous economy • Protected and healthy environment • Valued and cherished culture <p>With forecast increase in heavy rain events collecting and managing stormwater protects houses, businesses and infrastructure. It must be managed with cultural and environmental sensitivity is essential to community wellbeing.</p>	<p>The collection, treatment and disposal of stormwater are primarily a community benefit in serviced communities.</p> <p>This benefit extends to the wider community as it includes protection of the environment and an accessible roading network.</p> <p>Some individual properties or groups of properties benefit from not being flooded.</p> <p>The benefits are expected to accrue:</p> <ul style="list-style-type: none"> • To individual properties • The whole community 	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current year and probably in future years. This is managed through reserve funds.</p>	<p>The actions of individuals in increasing hard surfaces on properties increases stormwater volumes.</p> <p>There is considerable government intervention in the provision of safe, healthy, compliant wastewater systems.</p> <p>The Freshwater NPS will put more pressure on treating stormwater.</p>	<p>There is no practical way to charge individuals or groups for any direct benefit.</p> <p>Urban stormwater networks are funded from a mix of general and targeted rates reflecting the benefit to property owners in an urban area and the wider community benefit of stormwater managed on the road corridor.</p> <p>A portion of the cost benefits the whole district and can be recovered in the general rate.</p>	<p>There is no practical way to charge individuals or groups for any direct benefit.</p> <p>Urban stormwater networks are funded from a mix of general and targeted rates reflecting the benefit to property owners in an urban area and the wider community benefit of stormwater managed on the road corridor.</p> <p>A portion of the cost benefits the whole district and can be recovered in the general rate.</p>	<p>MOST (80% - 100%) Targeted rates</p> <p>MINIMAL (0% -20%) General rates Interest and dividends</p> <p>UNLIKELY All other funding sources.</p>

Group Activity: Waste Management						
Activity: Waste						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Safe, supported and well-led community • Strong and prosperous economy • Protected and healthy environment • Valued and cherished culture <p>Managing waste assists houses and businesses. It must be managed with cultural and environmental sensitivity is essential to community wellbeing.</p>	<p>Individuals benefit directly from kerbside recycling and domestic refuse collection.</p> <p>The whole community benefits from waste minimisation and education as well as litter collection.</p> <p>The benefits are expected to accrue:</p> <ul style="list-style-type: none"> • Primarily to individual users • Partly to the district as a whole 	<p>The benefit of most operating costs is expected to occur in the year the funding is sourced.</p>	<p>This activity is only required due to the act of creating waste.</p> <p>Those who create the waste are individuals and business.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity.</p>	<p>The actions of individuals or groups (largely business) create the need to have this activity.</p> <p>Targeted rates appropriately recognise this benefit.</p> <p>The whole community benefits from litter collection of public places can be appropriately funded from general rates.</p> <p>The fees and charges at landfills and transfer stations (where Council provides the services), only partially funds the cost of disposal.</p> <p>Higher fees and charges encourage those who create the waste recognise the cost of their actions and encourage waste reduction.</p> <p>There is also a small benefit to the whole community of this activity with waste not dumped elsewhere</p>	<p>MODERATE (40% - 60%) Targeted rates</p> <p>LOW (20% - 40%) Fees and charges</p> <p>MINIMAL (0% - 20%) General rates</p> <p>Other UNLIKELY All other funding sources.</p>

Group Activity: Leadership and Governance						
Activity: Community Representation						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Safe, supported and well-led community • Strong and prosperous economy • Protected and healthy environment • Valued and cherished culture <p>Local people making local decisions requires balancing the conflict needs of individuals for the overall benefit of the whole community</p>	<p>The activity supports the decision-making function of Council and therefore benefits the community as a whole.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals or groups have a minor impact on this activity.</p>	<p>Council considers that there is little benefit of separately funding this activity.</p>	<p>The benefits of this activity are available to the whole community; the majority of electors are ratepayers.</p>	<p>All (100%) General rates UNLIKELY All other funding sources.</p>
Activity: Māori Relations						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Valued and cherished culture • Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> • Strong and prosperous economy • Protected and healthy environment <p>Māori are 66% of the community, having strong relations with Māori is essential to community wellbeing.</p>	<p>The activity supports the decision-making function of Council and therefore benefits the community as a whole.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals or groups have a minor impact on this activity.</p>	<p>Council considers that there is little benefit of separately funding this activity.</p>	<p>The benefits of this activity are available to the whole community.</p>	<p>All (100%) General rates UNLIKELY All other funding sources.</p>
Activity: Economic Development						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> • Strong and prosperous economy <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> • Safe, supported and well-led community • Protected and healthy environment • Valued and cherished culture <p>Jobs are essential to population growth and the wellbeing of all in the community.</p>	<p>The activity supports the district promotion, visitor information including the I-site.</p> <p>Increased economic activity creates jobs and supports everyone and therefore benefits the community as a whole.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals or groups have a minor impact on this activity.</p>	<p>Council considers that there is little benefit of separately funding this activity.</p>	<p>The benefits of this activity are available to the whole community.</p>	<p>MOST (80%-100%) General rate MINIMAL (0%-20%) Grants and Subsidies UNLIKELY All other funding sources.</p>

Group Activity: Planning and Regulatory						
Activity: Resource Planning						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Protected and healthy environment Strong and prosperous economy <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community Valued and cherished culture <p>District planning and consenting is essential to protecting environmental and cultural outcomes supporting a prosperous economy.</p>	<p>Individuals that apply for consents and use the other services in this area are the predominant beneficiaries of this activity. Through their actions they directly drive the majority of the costs.</p> <p>These resource consent activities also provide benefit to persons other than the applicant such as future owners and occupiers of the land (a property-based benefit). There is also a person-based benefit in relation to the information that is supplied to the public through inquiries, for example providing support to potential applications or responding to service requests.</p> <p>Future residents benefit from the protection of our environment and our response to climate change. Resource Consent Compliance Monitoring and RMA Enforcement benefits the consent holder and the community.</p> <p>The benefits are expected to accrue:</p> <ul style="list-style-type: none"> Primarily to individual users. Partly to the district as a whole in support of the community outcomes. 	<p>The principal benefit of operating costs is expected to arise in the year the funding is sourced.</p> <p>There is a secondary benefit to future sustainability.</p>	<p>The actions of individuals and groups drive the costs in this activity.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>A user charge recognises the benefits to people who apply for resource consents.</p> <p>Although the primary benefit of a resource consent sits with the consent holder the community outcomes desires that we have a strong prosperous economy and so, Council wants to encourage a high level of consent compliance.</p> <p>For these reasons Council considers it appropriate to fund a portion of the costs of consents from ratepayers rather than consent applicants.</p> <p>As future ratepayers benefit from the development of a district plan, the funding for this is spread over future years with borrowing.</p>	<p>MODERATE (40%-60%) Borrowing General rate</p> <p>MINIMAL (0%-20%) Fees and Charges</p> <p>UNLIKELY All other funding sources.</p>
Activity: Building Control						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Strong and prosperous economy <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community Protected and healthy environment Valued and cherished culture <p>Safe homes and buildings improve the wellbeing of all in the community.</p>	<p>Individuals that apply for consents, licenses and use other services in this area directly drive the majority of the costs.</p> <p>Services within this activity also provide for the safety of the public, and requirements earthquake prone buildings.</p> <p>Information is supplied to the public through inquiries, for example providing support to potential applications or responding to service requests.</p> <p>The benefits are expected to accrue:</p> <ul style="list-style-type: none"> Primarily to individual users. Partly to the district as a whole. 	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p> <p>There is a secondary benefit to future housing stock that is fit for purpose.</p>	<p>The actions of individuals and groups drive the costs in this activity.</p>	<p>The distinct beneficiaries for each component support multiple funding streams.</p>	<p>Fees and charges are favoured for the full cost of LIMs and PIMS.</p> <p>Although the primary benefit of a building consent sits with the consent holder the Council wants to encourage growth and improvement of existing housing and businesses. For these reasons Council considers it appropriate to fund a portion of the costs of consents from ratepayers rather than consent applicants.</p>	<p>MODERATE (40%-60%) General rate</p> <p>MINIMAL (0%-20%) Fees and charges</p> <p>UNLIKELY All other funding sources.</p>

Activity: Bylaw Compliance						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Strong and prosperous economy Protected and healthy environment Valued and cherished culture <p>The community must feel a safe place to live. This part of a people's rationale when choosing where to live. Growing communities then support a growing a strong and prosperous economy.</p>	<p>Dog and livestock control minimise danger, distress and nuisance caused by stray dogs and to ensure the control of stock on the roads of the district in the interests of public safety.</p> <p>General Bylaw Enforcement:</p> <ul style="list-style-type: none"> Supports public health and safety and the enjoyment of public spaces. Enforces the rules for users of roads, water, wastewater and cemeteries and for the impacts of urban fires. <p>The benefits are expected to accrue:</p> <ul style="list-style-type: none"> Partly to individual users. Partly to the district as a whole. 	<p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals and groups drive the costs in this activity.</p> <p>Particularly:</p> <ul style="list-style-type: none"> owners of dogs who create the requirement to manage all dogs. Owners of non-controlled dogs and livestock <p>Those who breach bylaws</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>Fees and charges for Dog Control are largely collected in registration the owners of dogs in recognition that it is their action of owning a dog or then inaction of controlling a dog or stock that drives costs.</p> <p>Fees and charges (including fines and other enforcement charges) are required for no compliance of all bylaws.</p> <p>General rates recognise that a portion of these services benefit the whole community.</p>	<p>MODERATE (40%-60%)</p> <p>General rate</p> <p>Fees and charges</p> <p>UNLIKELY</p> <p>All other funding sources.</p>
Activity: Liquor Control						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community Strong and prosperous economy <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Protected and healthy environment Valued and cherished culture <p>Liquor has positive and negative impacts on the community.</p>	<p>Liquor can only be sold with a license and the benefit of that license sits largely with the licensee.</p> <p>The community benefits from appropriate liquor control by limiting the negative effects from alcohol harm while maximising positive benefits in social environments</p>	<p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals and groups drive the costs in this activity.</p> <p>Particularly:</p> <ul style="list-style-type: none"> Applicants for liquor and associated licences <p>Those who breach the rules.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p> <p>There is no mechanism for Council to charge those who create negative social outcomes.</p>	<p>Fees and charges for liquor licensing are set by Government and only recover part of the cost of the activity.</p> <p>Managing good social behaviours and eliminating adverse events is in the interest of the community as whole.</p>	<p>MODERATE (40%-60%)</p> <p>General rate</p> <p>Fees and charges</p> <p>UNLIKELY</p> <p>All other funding sources.</p>
Activity: Environmental Health						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community Strong and prosperous economy Protected and healthy environment <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Valued and cherished culture 	<p>This activity promotes and improves human health, safety, comfort and wellbeing for all persons in the district and protects the environment from preventable harm.</p> <p>This activity comprises noise control, food and registered premises, water supply monitoring, public nuisances and implementation of public health frameworks.</p> <p>The main beneficiaries are business owners, consent holders, and the community as a whole.</p>	<p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals and groups drive the costs in this activity.</p> <p>Some activities are undertaken to protect others from the actions of others.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>Fees and charges are preferred where the actions of individuals or groups of individuals create negative effects on the community and where there is a direct benefit to the user of the service.</p> <p>Council prefers a general rate for that portion of the budget that cannot be recovered from fees and charges due to these services contributing to the vibrancy of the district by making it safer.</p>	<p>MOST (80%-100%)</p> <p>General rate</p> <p>MINIMAL (0%-20%)</p> <p>Fees and charges</p> <p>UNLIKELY</p> <p>All other funding sources.</p>

The community must feel a safe place to live. This part of a people's rationale when choosing where to live . Growing communities then support a growing a strong and prosperous economy.

Group Activity: Community Facilities						
Activity: Cemeteries						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Protected and healthy environment Valued and cherished culture Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Strong and prosperous economy <p>Different cultures and circumstances contribute to different approaches to death. These are important social and cultural considerations in determining funding choices.</p>	<p>Cemeteries: Individual users, particularly families of the deceased.</p> <p>The community as a whole in the availability of well-maintained open space and as a repository of genealogical and other human interest or heritage information.</p>	<p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current year and probably in future years. This is managed through reserve funds.</p>	<p>The actions of most individuals or groups have some impact on this activity.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>Users of the services pay for their use of the facilities.</p> <p>There is no practicable way to charge for on-going maintenance that is therefore best funded from the general rate</p>	<p>MOST (80%-100%) General rate</p> <p>MINIMAL (0%-20%) Fees and charges</p> <p>UNLIKELY All other funding sources.</p>
Activity: Parks and Reserves						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Protected and healthy environment Valued and cherished culture Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Strong and prosperous economy <p>Access to parks and reserves provide benefits of being active as well as creating environments for enjoyment.</p>	<p>There is a public/whole of community benefit through the provision of formal and informal recreational opportunities that enhance and support community health and well-being.</p> <p>There is a private/individual benefit to the community and sporting groups who use Council recreational facilities.</p> <p>There is a small benefit for event organisers and sections of the business community from the commercial spend of participants associated with particular events.</p>	<p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current year and probably in future years. This is managed through reserve funds.</p>	<p>The actions of most individuals or groups have some impact on this activity.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>There is no practical way to collect revenues from some individual benefit across this activity.</p> <p>Local residents enjoy the benefits of landscape amenity in their locality.</p>	<p>MOST (80%-100%) General rate</p> <p>MINIMAL (0%-20%) Other</p> <p>UNLIKELY All other funding sources.</p>
Activity: Community Support						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Valued and cherished culture Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Protected and healthy environment Strong and prosperous economy 	<p>The whole community benefits from the support of events, encouragement of participation and community facilities.</p> <p>These benefits are widespread across the district</p>	<p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current</p>	<p>The actions of most individuals or groups have minor impact on this activity.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>The whole district benefits from the growth of community social and cultural wellbeing.</p> <p>External bodies will support the district to undertake this activity.</p>	<p>MOST (80%-100%) General rate</p> <p>MINIMAL (0%-20%) Grants and subsidies</p> <p>UNLIKELY All other funding sources.</p>

Community support and development builds communities through empowering them to evolve develop and grow.	year and probably in future years. This is managed through reserve funds.
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Group Activity: Corporate Functions						
Activity: Property						
Community Outcomes	Distribution of Benefits	Period of Benefit	Whose Act Creates a Need?	Separate Funding	Rationale	Funding Sources by Funding Stream
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Valued and cherished culture Protected and healthy environment Strong and prosperous economy <p>Community support and development builds communities through empowering them to evolve develop and grow.</p>	<p>The activity supports the Council operations by providing and maintaining operational properties.</p> <ul style="list-style-type: none"> External income is derived from rents and leases for private benefit. 	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals or groups have a minor impact on this activity.</p> <p>Annual funding is sourced from revenue for depreciation that is likely to be spent partially in the current year and probably in future years. This is managed through reserve funds.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>The benefits are available to individuals and groups is collected from rents and leases.</p> <p>The remainder of the benefit is to the whole community.</p>	<p>MODERATE (40%-60%) General rate Fees and charges MINIMAL (0%-20%) Grants and subsidies. Other UNLIKELY All other funding sources.</p>
Activity: Corporate Funds Management						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community <p>and is associated with Council's outcomes:</p> <ul style="list-style-type: none"> Valued and cherished culture Protected and Healthy environment Strong and prosperous economy <p>Community support and development builds communities through empowering them to evolve develop and grow.</p>	<p>The activity supports the Council operations by effectively managing all investments.</p> <p>The whole community benefits from this.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals or groups have a minor impact on this activity.</p>	<p>Identifying separate funding assists in the accountability and transparency of Council's costs on this activity.</p>	<p>The benefit is to the whole community.</p>	<p>MOST (80%-100%) Interest and dividends MINIMAL (0%-20%) Regional Fuel Tax Fees and charges UNLIKELY All other funding sources.</p>
Activity: Corporate Support Services						
<p>This activity primarily contributes to Council's outcomes:</p> <ul style="list-style-type: none"> Safe, supported and well-led community 	<p>The whole community benefits from this.</p>	<p>The benefit of most operating costs is expected to arise in the year the funding is sourced.</p>	<p>The actions of individuals or groups</p>	<p>Identifying separate funding assists in the accountability and transparency of</p>	<p>The cost of this activity is allocated to all other activities</p>	<p>ALL (100%) Internal fees and charges</p>

and is associated with Council's outcomes: <ul style="list-style-type: none">• Valued and cherished culture• Protected and Healthy environment• Strong and prosperous economy Community support and development builds communities through empowering them to evolve develop and grow.	have a minor impact on this activity.	Council's costs on this activity.
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INVESTMENT AND LIABILITY POLICY

CATEGORY: Finance **STATUS:** Adopted

DATE POLICY ADOPTED: 5 August 2015 (as part of LTP 2015-2025 document) **APPROVAL BY:** Council

REVIEW PERIOD: 3 years **NEXT REVIEW DUE BY:** July 2021

DATE PREVIOUSLY ADOPTED: Not applicable **REVISION NUMBER:** 0

1. POLICY OBJECTIVES

The Council has Treasury risks arising from debt raising, investments and associated interest rate management activity and the Council wishes to minimise that risk.

Treasury activities are:

- Compliance with the Local Government Act 2002¹;
- Provide linkage to the Council's financial strategy;
- Develop and maintain professional relationships with the financial markets;
- Invest surplus cash in liquid and creditworthy investments;
- Raise appropriate finance, in terms of both maturity and interest rate; and,
- Manage the overall cash position of the Council's operations.

2. GENERAL APPROACH

The Council seeks to minimise risk from its Treasury activities;

- Activity which may be construed as speculative in nature is expressly forbidden; and,
- The Council manages both liabilities and cash investments through an internal Treasury activity. Funds are advanced by the Treasury activity for a specific period. Loans are repaid to the Treasury activity based on standard loan lives, depending on the useful lives of the assets.

Calculation of interest

- Interest for loans is based on the Council's weighted cost of funds; and,
- Interest is credited to activities based on investment rates.

3. LIABILITY MANAGEMENT POLICY (S.102(2)(B))

The Council approves borrowing by resolution during the Annual Planning process.

The Council raises borrowing for the following primary purposes:

- General debt to fund the Council's Balance Sheet;

¹ Sections 104 & 105 set out the required contents of the Liability Management Policy and the Investment Policy required by s.102(2)(b) & (c).

- Specific debt associated with “special one-off” projects and capital expenditure; and,
- To fund assets with inter-generational qualities consistent with Council’s Revenue and Financing Policy.

3.1 SPECIFIC BORROWING LIMITS

In managing borrowing, the Council will adhere to the following limits:

- The net interest expense of all external borrowings will not exceed 10% of total revenues;
- The net interest expense of all external borrowings will not exceed 7.5% of annual rates revenue;
- Liquid ratio of $\geq 1:1$;
- Current ratio ≥ 1.25 ; and,
- The percentage of net external debt to total revenue to be less than 100%.

‘Revenue’ - is defined as earnings from rates, government grants and subsidies, user charges, interest and other revenue.

‘Liquidity ratio’ - is defined as (term debt plus committed loan facilities less liquid investments divided by current external debt) to be greater than 110%.

‘Rates’ - is defined as all income under the Local Government (Rating) Act 2002.

‘Total revenue’ - for the purposes of this policy includes: earnings from rates revenue; grants and subsidies; user charges; interest and other operating revenue (excluding vested assets).

3.2 LIQUIDITY AND CREDIT RISK MANAGEMENT

The Council’s ability to readily attract cost-effective borrowing is largely driven by its ability to maintain a strong balance sheet, as well as its ability to rate, manage its image in the market and its relationships with bankers. Where possible, the Council seeks a diversified pool of stock and bank borrowing and ensures that bank borrowings are only sought from the approved list of registered banks.

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council’s control, the Council ensures debt maturity is spread widely over a band of maturities. The Council manages this specifically by ensuring that: no more than 35% of total borrowing is subject to refinancing in any financial year unless total borrowing is less than \$7.5 million. Total borrowing includes any forecast external borrowing.

3.3 NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED INVESTMENT

The Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA), and in connection with that borrowing, may enter into the transaction to the extent it considers necessary or desirable to secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council’s rates and rates revenue.

3.4 RISK RECOGNITION

- Local government risk is priced to a higher fee and margin level;
- The Council’s own financial strength as a borrower, deteriorates due to financial, regulatory or other reasons;
- A large individual lender to the Council experiences its own financial/ exposure difficulties, resulting in the Council not being able to manage their debt portfolio as optimally as desired; and,
- New Zealand investment community experiences a substantial “over supply” of Council investment assets.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. This is so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised due to market conditions.

3.5 LIQUIDITY/FUNDING RISK CONTROL LIMITS (BORROWINGS)

- Term debt and committed debt facilities must be maintained at an amount that averages 115% of projected peak net debt levels over the next year (per long term cash and debt forecasts);
- Disaster recovery requirements are met through the liquidity ratio; and,
- The maturity profile of the total committed funding in respect to all loans and committed facilities is to be controlled by the following system:

PERIOD	MINIMUM	MAXIMUM
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

- A maturity schedule outside these limits requires specific Council approval. A 12-month phase-in, non-compliance period is permitted.

3.6 INTEREST RATE RISK MANAGEMENT

The Council's borrowing gives rise to direct exposure to interest rate movements. Generally, given the long-term nature of Council's assets, projects and inter-generational factors and Council's preference to avoid an adverse impact on rates, there is a general tendency to have a high percentage of long-term fixed rate or hedged borrowing.

3.7 APPROVED FINANCIAL INSTRUMENTS

Dealing in interest rate products must be limited to financial instruments approved by the Council. Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

CATEGORY	INSTRUMENT
Cash management and borrowing	Bank overdraft. Committed cash advance and bank accepted bill facilities (term facilities).
Interest rate risk Management	Uncommitted money market facilities Stock/Bonds issuance. Forward rate agreements ('FRAs') on: <ul style="list-style-type: none"> • Bank bills; and, • Government bonds. Interest rate swaps including: <ul style="list-style-type: none"> • Forward start swaps (start date <24 months); and, • Amortising swaps (whereby notional principal amount reduces). Interest rate options on: <ul style="list-style-type: none"> • Bank bills (purchased caps and one for one dollars); and, • Government bonds. <ul style="list-style-type: none"> • Interest rate swaps (purchased only).

3.8 INTEREST RATE RISK CONTROL LIMITS

Debt/borrowings

The Council debt/borrowings/financial risk management instruments must be within the following fixed/floating interest rate risk control limit:

MASTER FIXED/FLOATING RISK CONTROL LIMIT	
MINIMUM FIXED RATE	MAXIMUM FIXED RATE
50%	95%

- 'Fixed Rate' is defined as an interest rate re-pricing date beyond 12 months forward on a continuous rolling basis;

- 'Floating Rate' is defined as an interest rate re-pricing within 12 months; and,
- The fixed rate amount at any point in time must be within the following maturity bands.

4. INVESTMENT POLICY (S.102(2)(C))

4.1 THE COUNCIL MAINTAINS INVESTMENTS IN THE FOLLOWING FINANCIAL ASSETS:

- Equity investments including shareholdings and loan advances to trading and service enterprises, charitable trusts and incorporated societies; for example sporting and community organisations;
- Property investments, including land and buildings; and,
- Treasury instruments incorporating longer term and liquidity investments.

4.2 EQUITY INVESTMENTS AND LOAN ADVANCES

Investments include shareholdings in trading and service enterprises and loan advances to charitable trusts, incorporated societies, residential and rural housing which are consistent with the Council's Long Term Plan. The Council operates an internal borrowing system for funding infrastructural improvements as well as funding current accounts. This information is reported to the Finance, Audit and Risk Committee on a quarterly basis.

Advances and loans are only provided to organisations where the Council has significant interest. In default, the assets of the organisation may not revert to the Council, however personal guarantees are obtained from the principals of the organisation.

4.3 QUALITY ROADING SERVICES (WAIROA) LTD.

The Council owns 100% of the shares of QRS which was set up as a Local Authority Trading Enterprise, and is now classified as a CCO. The company is a contractor providing construction, forestry, quarrying, reserves and utility services mainly in the Wairoa district.

The strategic objectives in owning QRS are to reduce costs and provide greater competition in tendering for construction, roading and maintenance work, to provide revenue by way of dividends to offset overheads, and to maintain employment levels and expertise in contracting within Wairoa District.

Dividends of 40% of the after-tax paid profit are paid to the Wairoa District Council, with payments made after reporting of the six-month and annual result.

In order to achieve the strategic objectives, the Council requires regular reporting of financial and non-financial results against target, including a statement of corporate intent, half-yearly financial statements, and annual financial statements. The Council appoints appropriately qualified directors to manage the business, and ensures that proper governance procedures are in place.

The Council appoints the board of QRS and annually approves the Statement of Corporate Intent. The Council also monitors the performance by reviewing the six-monthly accounts, and annual accounts.

4.4 TREASURY INVESTMENTS

The Council maintains treasury investments for the following primary reasons:

- Provide ready cash in the event of a natural disaster. This cash is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets;
- Invest amounts allocated to accumulated surplus, the Council created and restricted reserves, and general reserves;
- Invest funds allocated for approved future expenditure, to implement strategic initiatives or to support inter-generational allocations;
- Invest proceeds from the sale of assets; and,
- Invest surplus cash and working capital funds.

Treasury investment objectives

The Council's primary objective when investing is the protection of its investment. Accordingly, only creditworthy counterparties are acceptable.

The Council also seeks to:

- Maximise investment return;
- Ensure investments are liquid; and,
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Credit risk is minimised by limiting investments to registered banks, strongly rated State Owned Enterprises (SOE) and corporates within prescribed limits.

Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market. Where practical, the Council maintains \$1 million of its investments with a maturity less than one year.

4.5 INTEREST RATE RISK MANAGEMENT

The Council's investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its fixed rate investments.

Interest rate risk will be managed by reviewing rolling cash flow forecasts and using risk management instruments to protect investment returns and/ or to change interest rate and maturity profile.

4.6 ACQUISITION AND DISPOSAL OF ASSETS

Any disposal of assets requires the approval of the Council except those assets within delegated authority.

5. DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY (S.102(2)(D))

The Local Government Act 2002 provides for local authorities to recover, through development contributions, capital expenditure related to growth. Councils may require development contributions from developments where the effect, including the cumulative effect, of development is to require new or additional assets or assets of increased capacity, and as a consequence, the Council incurs capital expenditure. This includes capital expenditure Council has already incurred in anticipation of growth.

Significant growth in services resulting from a population increase is not foreseen in Wairoa District over the ten year period, therefore the Council has chosen not to take development contributions as a form of revenue at this time.

Financial Contributions can be provided for in a council's district plan. Contributions may be imposed as a condition of development or resource consent. Currently the Council has no Financial Contributions, but the Council will consider Financial Contributions as part of the review for the next District Plan.