



Date: Tuesday, 6 August 2024
Time: 12:30 pm
Location: Council Chamber, Wairoa District Council,
Coronation Square, Wairoa

AGENDA

Late Reports

Finance, Assurance & Risk Committee Meeting

6 August 2024

MEMBERSHIP: His Worship the Mayor Craig Little, Cr Jeremy Harker, Cr Denise Eaglesome-Karekare, Mr Philip Jones, Cr Benita Cairns, Cr Melissa Kaimoana

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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8 GENERAL ITEMS

8.1 LONG-TERM PLAN 2024-27 DRAFT FINANCIAL STRATEGY

Author: Gary Borg, Pouwhakarae - Putea Tautawhi Rangapu | Group Manager Finance and Corporate Support

Authoriser: Kitea Tipuna, Tumu Whakarae Chief Executive

Appendices:

1. Draft Financial Strategy [↓](#)
2. Prospective Prudence Benchmarks [↓](#)

1. PURPOSE

- 1.1 This report provides information for Committee on the Draft Financial Strategy 2024-27. No decisions are required by Committee at this stage.
- 1.2 Presentation of this information supports the Committee in fulfilling its Terms of Reference

RECOMMENDATION

The Pouwhakarae - Putea Tautawhi Rangapu | Group Manager Finance and Corporate Support RECOMMENDS that Committee receive the report and endorses the Financial Strategy for inclusion in the Long-term Plan 2024-27.

2. BACKGROUND

- 2.1 Council is in the final throes of preparing its Long-term Plan (LTP) 2024-27 under Severe Weather Emergency Legislation Act – Order in Council provisions.
- 2.2 The Financial Strategy, attached as **Appendix 1**, is integral to the LTP, setting a framework for how Council will raise revenue and meet its financial obligations in delivering Levels of Service whilst, in this instance, undertaking Emergency Recovery activities.
- 2.3 Council completed its LTP consultation from mid-June 2024 and received submissions on 1 August 2024.
- 2.4 The final and complete LTP will be presented to Council for adoption on 8 August 2024.
- 2.5 In addition, and to aid interpretation, the prospective financial prudence graphs, prepared in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 are attached as **Appendix 2**.

INTRODUCTION

This Financial Strategy sets out how Council intends to fund its activities and projects, to deliver sustainable service levels and achieve the community objectives contained in its Long-term Plan (LTP) 2024-27 and the corresponding three years of its infrastructure strategy.

The Wairoa district has experienced two major natural emergency events in the past 18 months. Cyclone Gabrielle, February 2023, was the most severe weather event in 40 years and caused considerable damage to our roading and 3 water networks. In June 2024, another weather event caused a significant event with flooding experienced in a different part of the township than was flooded during Cyclone Gabrielle.

The recovery from these events will take a number of years and its effects have been considered as part of this strategy.

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.

It 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 continues to face 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.

Council has historically had been able to keep rates increases below 5%. It achieved this primarily by not rating for depreciation, selling surplus assets, and deferring expenditure. These measures are not sustainable and since 2021, from the effects of Covid19 through to the recent weather events on our costs means these levers are not even available in the short-term. Council acknowledges minimal rates increase are desirable, but this is not achievable unless levels of service are reduced.

Over the next 3 years, Council forecasts that a total of over \$135 million in operating costs and \$141 million in capital expenditure. Natural emergency event recovery will make up \$3 million of operating costs and \$20 million of capital expenditure.

We project rates increases averaging 10% over the next three years while we project debt to increase by an average of \$10 million per year. This is within our available debt covenants, but we are conscious that it adds to the affordability challenges for future generations.

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.

Due to significant increase in contract prices, we have become more reliant on borrowing to undertake essential upgrades to infrastructure and facilities. The weather events experienced by the region mean this trend is forecast to continue over the three years of the LTP.

What has changed.....

Post COVID-19, Wairoa and the Hawke's Bay Region has proved its resilience with a strong primary economy, we are mindful of the lingering effects the pandemic has had on the global, national, and local economies. We are also aware of the region's reliance on sheep and beef farming.

OUR FINANCIAL OBJECTIVES

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 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 is 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

This section discusses the key factors that will affect Council's ability to achieve its objectives in this strategy. For each area, a table is presented showing Council's assessment of the risks that the area presents to achieving these objectives and the degree to which opportunities may be developed to contribute to favourable outcomes. More detail is provided in the Overall Assessment.

The key factors that will influence Council's ability to achieve its financial objectives are:

- i. Population
- ii. Economic factors (local growth rate, cost of borrowing, inflation)
- iii. Land Use
- iv. Maintaining Levels of Service – Ageing Infrastructure

POPULATION

At the 2023 census Wairoa had a population of 8826 residents, 69% of whom identified as being of Māori descent.

The graph below base based on 2018 census data projects the population to increase to 9200 by 2033. The 2023 starting point of 9040 residents has not eventuated but the graph is helpful to understand the potential growth the district is forecast to experience. The data indicates overall growth in the district will be minimal with the current infrastructure, facilities, housing stock being sufficient to meet the district's needs.

It is hoped that potential 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.

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

