



# **Mackenzie**

## **DISTRICT COUNCIL**

*OTH MEETING*

**Notice is given of an Extraordinary Meeting of Council to be held on:**

**Date: Tuesday, 28 September 2021**

**Time: 10:30am**

**Location: Council Chambers**

**Fairlie**

## **AGENDA**

**Extraordinary Council Meeting**

**28 September 2021**

Note: This meeting may be digitally recorded by the minute-taker.



**Council Membership:**

Graham Smith (Chair)

James Leslie

Anne Munro

Stuart Barwood

Murray Cox

Emily Bradbury

Matt Murphy

\*\*\*\*\*

**The purpose of local government:**

(1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances.

(Local Government Act 2002)

**Order Of Business**

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- 1 OPENING**
- 2 APOLOGIES**
- 3 DECLARATIONS OF INTEREST**

## 4 REPORTS

### 4.1 WATER REFORM SUBMISSION TO LGNZ AND DIA

**Author:** David Adamson, Engineering Manager - Acting

**Authoriser:** Tim Harty, General Manager - Operations

**Attachments:** Nil

**Council Role:**

- ☒ **Advocacy** When Council or Committee advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- ☐ **Executive** The substantial direction setting and oversight role of the Council or Committee e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- ☐ **Legislative** Includes adopting District Plans and plan changes, bylaws and policies.
- ☐ **Review** When Council or Committee reviews decisions made by officers.
- ☐ **Quasi-judicial** When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice, e.g. resource consent or planning applications or objections, consents or other permits/licences (e.g. under Health Act, Dog Control Act) and other decisions that may be appealable to the Court including the Environment Court.
- ☐ **Not applicable** (Not applicable to Community Boards).

### PURPOSE OF REPORT

Council has been asked to submit questions and/or give feedback to the Government on;

- a) the areas of the Government's proposal that Council needs more information on and
- b) the changes to the Government's proposal/process.

This report updates Council on progress to date and the next steps.

#### STAFF RECOMMENDATIONS

1. That the report be received,
2. That Council notes officers' advice on the accuracy of the information provided to Council in June and July 2021 through the RFI and WICS modelling processes, and that
3. Council notes officers' analysis of the impacts of the Government's proposed three water service delivery model on the Mackenzies' communities and their wellbeing. This includes

the impacts on the delivery of water services and water related outcomes and staff capability and capacity, on Mackenzie Council's sustainability (including rating impact, debt impact, and efficiency). It recognises that while the ability to borrow is reduced and its income stream is lessened, Mackenzie District Council is still a viable Council after water reform proceeds, and further that

4. Council notes the analysis of three waters service delivery options presented to Council to date via a series of workshops, and further that
5. Council notes that a decision to support the Government's preferred three waters service delivery option is not lawful (would be ultra vires) at present due to section 130 of the Local Government Act 2002 (LGA). This prohibits Council from divesting its ownership or interest in a water service except to another local government organisation, and what we currently know (and don't know) about the Government's preferred option, and further that
6. Council notes that it cannot make a formal decision on a regional option for three waters service delivery without doing a Long Term Plan (LTP) amendment and ensuring it meets section 130 of the LGA, and further that
7. Council notes that the Government intends to make further decisions about the three waters service delivery model after 30 September 2021, and further that,
8. Council notes the desire wishes to gain an understanding of the community's views, and this cannot be meaningfully undertaken until Council has further information from the Government on the next steps in the reform process, and further that
9. Council delegates to the Mayor and CEO the power to prepare, sign and submit a submission to seek guidance on and/or give feedback to the Government on the Government's proposal, and further that,
10. Council notes that the CEO will circulate drafts of the submission to all Councillors as part of its preparation and report back further once they have received further information and guidance from Government and further that
11. Council notes that the CEO will report back once they have received further information and guidance from Government on what the next steps look like and how these should be managed, and further that
12. Council, in noting the above, agrees it has given consideration sections 76, 77, 78, and 79 of the Local Government Act 2002 and in its judgment considers it has complied with the decision-making process that those sections require (including, but not limited to, having sufficient information and analysis that is proportionate to the decisions being made).

## BACKGROUND

Over the past four years central and local government have been considering the issues, challenges and opportunities facing the regulation, management and governance of the three waters (drinking water, wastewater, and stormwater) – through the Three Water Reform programme. This has included the establishment of the new crown drinking water regulator, Taumata Arowai (which became a new Crown entity in March 2021 and will become the dedicated water services regulator later this year).

Government has concluded that the case for change regarding three waters service delivery system has been made and during June and July 2021, it released information and made announcements on:

- the direction and form of Three Waters Reform, including proposed new Water Service Entities, their indicative boundaries, their governance arrangements and public ownership model.
- individual (WICS) Council data based on the information supplied under the RFI process
- a package of investment (\$2.5b) for councils to invest in the future for local government, urban development, and the wellbeing of communities, ensuring no council is worse off because of the reforms, and funding support for transition
- an eight-week process for councils to understand the implications of the reform announcements, ask questions and propose solutions and for Government to work with councils and mana whenua on key aspects of the reform (including governance, integrated planning and representation).

Council has been placed in Entity D and our better off funding allocation is \$6,195,404.

While the Government and LGNZ consider the national case for change has been made, Mackenzie District most likely will ultimately need to decide based on local context - if the process to join one of the proposed entities remains voluntary.

Key risks have been discussed with Council in workshops and a multi criteria analysis (MCA) is being prepared to evaluate different scenarios. Due to outstanding information requested from DIA/LGNZ this process has still to be completed.

While Council has had peer reviews of the modelling and underlying assumptions undertaken further work is progressing on other possible models. Further analysis of this work is being done and staff have focussed on the reasonably practicable options and their implications for Council and the community.

Doing nothing is not an option. Three waters services will still need to be delivered and increasing regulatory demands will need to be met, regardless of who is tasked with the delivery of these services.

Broad contextual matters as discussed include:

- the proposed makeup, boundaries and governance of Entity D:
- delivery of three water services by Council
- regional aggregation of three waters services in an asset owning Council Controlled Organisation
- financial capability, efficiency and affordability
- community/water benefits
- risk to Council (non-compliance with standards and processes, costs for delivery, procurement).
- responsibility if a non-council supplier couldn't meet standards.
- integration with spatial, growth and local planning and transparent prioritisation,
- households' ability to pay,
- Council's financial sustainability
- degree of Council control and certainty over decisions relating to local infrastructure integration

- potentially high costs, in meeting the new water standards, environmental requirements and achieving compliance
- degree of strategic, management and operational capacity and capability, workforce development and planning
- efficiencies (in planning, programming, procurement and delivery)

There are several risks associated with transition to any new model, many of which are outside of Council's control. Delivery of three water services by Council at a higher level of service and investment is a realistic option but difficult to assess within the eight week timeframe. The issues and opportunities associated with this option are broadly the same as for Council delivering three waters at the service levels forecast in the LTP 2021-31. There is likely better integration with Council outcomes, objectives and plans, but even if Council can predict the investment required to meet the new water standards, environmental requirements and compliance requirements in the short term, the costs of service provision and levels of service may change significantly over the next 30 years, causing affordability issues for households, lower levels of service and compliance risks for Council.

Under all options except the Government proposal, Council bears the responsibility and risks associated with meeting the new water standards, environmental requirements and achieving compliance. There are also implications and challenges for private supplies to meet water quality requirements, with the risk that these supplies might default to Council in the future.

Other Government reforms (Resource Management Act, Future of Local Government) pose opportunities and challenges for each option. Managing transition risks are likely to pose a significant challenge for Council and will extend for considerable periods both pre and post any change.

The law currently prohibits Council from deciding to opt-in to the current proposal (given section 130 of the Local Government Act 2002 and what we know about this option at present). Current decision-making requirements, including the need to take account of community views and the strategic nature of the assets involved, would also preclude Council deciding to opt-in without consultation. Similar requirements apply if the council wishes to consider alternative arrangements that involve asset transfers, divestment, change in ownership and or the setting up of a Council Controlled Organisation (CCO) to deliver water services in the future.

There are many issues, concerns and uncertainties for Council to work through before a robust Council decision (and decision-making process) can be produced, including whether legislative change will enable or require the Water Services Entity or CCO approach to be adopted. Therefore, there is no expectation that Council will decide to opt-in (or out) or commence community engagement or consultation at this stage, however continuing the community education is to be encouraged.

Councils have been specifically asked to provide solutions to the following outstanding issues during the last eight weeks:

- ensuring all communities have both a voice in the system and influence over local decisions
- effective representation on the new water service entities' oversight boards, including preventing future privatisation
- ensuring integration between growth planning and water services planning.
- cost and management of any stranded assets are appropriately accounted for
- clarification from central government at identifying what might "fill the gap" left by waters

- greater clarity on Rural Water Schemes arrangements going forward
- Control over the cost of price of water for local communities and its affordability
- Co-ordination of disparate legislative reforms (economic and regulatory reform, RMA reform)

Councils' submission therefore needs to consider the current and potential issues that arise from the Government's proposal and any potential. Government decisions on entity boundaries, governance, transition and implementation arrangements will occur after our submission is delivered (30 September 2021) so there needs careful consideration.

Council will continue to deliver water services until at least early 2024 no matter what, so Council needs to commit to sound governance, management and operational strategies in this new regulatory environment. On top of this, if reform proceeds in any manner Councils' involvement in the transition will be required throughout.

### **SIGNIFICANCE OF DECISION**

The future of water services delivery is a significant issue. This report however does not commit the Council to a decision relating to reform. Instead, it provides initial analysis of the reform proposals for council's information and highlights the uncertainties around information and next steps. As such the significance of this report is low.

The issues covered in this paper are important for māori. Council has engaged with rūnunga via AEC but acknowledges that further and wider discussion are needed.

### **OPTIONS**

Council has two options which are:

**Option 1:** support the recommendation to submit to Central Government

This option will see Council submitting to Central Government over the 3 Waters Reform process outlining the items it supports, the issues it feels need changing and details of any other models it considers would deliver better outcomes locally, regionally and/or nationally. The advantage of this option is it ensures Council priorities concerns and considerations are placed firmly on the Governments' table for consideration. This is the option recommended by staff.

**Option 2:** Not to submit on the 3 Waters reform.

Staff see no advantages in this option and it may be seen by ratepayers and residents as Council walking away from its responsibilities.

### **CONSIDERATIONS**

#### **Climate Change / resilience / environmental impact**

Climate considerations (both mitigation and adaptation), resilience and environmental impacts are drivers of the Three Water Reform Programme. While there are no specific impacts arising from this report, the decisions that occur post September 2021 will have an impact on climate and environmental issues. No matter how three waters are delivered in the future, significant expenditure will be incurred to deal with the issues of climate change, resilience and environmental impact.



**Legal and Financial**

Significant risks, legal responsibility and financial implications have been identified in analysing the reform proposals. However, there is no decision required at this stage, other than to note those issues and to request further information from Government if Council wishes to, to reduce the risks and implications to Council and its communities.

**CONCLUSION**

While there is uncertainty about the future steps in the Government's reform proposal, and current legislative impediments to it, a submission gives Council the opportunity to engage in discussions with other councils in its entity grouping, share information and ask questions and propose solutions to issues it sees to both Government and LGNZ. Councils' submission will be useful to inform future decision making by both Council and Government and consultation and engagement with mana whenua and communities.

## 4.2 ADOPTION OF THE DRAFT CONSULTATION DOUCMENT FOR 2021-2031

**Author:** Angela Oosthuizen, Acting Chief Executive

**Authoriser:**

**Attachments:**

1. **Attachment 1 Consultation Doucment** [↓](#) 
2. **Attachment 2 Liability Management Policy** [↓](#) 
3. **Attachment 3 Investment Policy** [↓](#) 
4. **Attachment 4 Development and Financial Contributions Policy** [↓](#) 
5. **Attachment 5 Rates Remission and Postponement Policies** [↓](#) 
6. **Attachment 6 Accounting Policies** [↓](#) 
7. **Attachment 7 Propsective Financials** [↓](#) 

### Council Role:

- ☐ **Advocacy** When Council or Committee advocates on its own behalf or on behalf of its community to another level of government/body/agency.
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- ☐ **Review** When Council or Committee reviews decisions made by officers.
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- ☐ **Not applicable** (Not applicable to Community Boards).

### PURPOSE OF REPORT

The Long Term Plan 2021-2031 (LTP) is Council's commitment to the community and sets out

- what the Council plans to do over the next ten years
- how much it will cost, how it will be funded and how the Council will report on progress.

The Council is required to adopt a Long-Term Plan (LTP) every three years under the Local Government Act 2002. The Council is also required to prepare and adopt a Consultation Document (CD) and use the special consultative procedure to provide an effective basis for public participation in Council's decision-making processes relating to the content of the LTP.

Over the last few months, Council workshops and meetings have guided the development of the CD and the supporting information. The purpose of this report is to seek the Council's approval of the

CD and supplementary information supporting the Long Term Plan 2021-2031 for provision to Audit New Zealand.

## **Background**

The LTP is the Councils' commitment to the community and sets out what the Council plans to do over the next ten years, how much it will cost, how it will be funded and how Council will report on progress. Over the last few months, Council workshops and meetings have guided the development of the CD and the supporting information. In the meeting of 14 September Council adopted the following draft supporting documents subject to audit changes and subsequent amendment by the Chief Executive Officer:

- Draft Financial Strategy
- Draft Revenue and Financing Policy
- Draft Infrastructure Strategy
- Draft engagement and significance policy

## **Consultation Document**

The attached CD conveys the key elements of the Council's proposed LTP and is the principal means by which the Council will consult with the community. The Consultation Document provides an overview of where we are now and what we are looking at over the next ten years. It identifies community outcomes that form the basis for all decision making and outlines the options for the key issues identified for the next ten years. Feedback from the community will be sought specifically on the proposed options for five key issues as well as the wider plan.

The following sections of the report provide a high level overview of the key points of the CD.

## **The Big Issue - Funding our future**

There are a number of challenges that Mackenzie District Council (MDC) is facing as a council. Local Government across New Zealand is responding to challenges and increased expectations, both from central government and from our communities. In order to meet them, and to continue to operate in a financially responsible manner, rates have to be increased. Our Long-Term Plan 2021-2031 prepares for the delivery of key services and infrastructure. We intend to:

- Adequately fund the required levels of service in township maintenance to meet community and visitor expectations
- Tackle a capital and operational maintenance programme that includes road safety improvements, maintains accreditation for building control, maintains council property to required building standards and to ensure we meet legislative requirements for services such as the management of swimming pools and animal control.
- Resource appropriately so we can deliver key projects with short timelines set by central government.
- Fund compliance requirements for the Fairlie Council Building and the Twizel Events Centre to ensure we provide safe and resilient facilities for our residents to use.
- Begin a complete review of the Mackenzie District Plan.

- Address additional central government requirements, particularly new Drinking Water Standards requiring higher service levels in terms of treatment.
- Increased associated costs (depreciation and interest payments) for increased capital expenditure.
- Traditionally, we have had some of the lowest rates in the country, however we now have to upgrade what we offer and join the rest of New Zealand improving how we deliver across a number of areas.

Unfortunately, there is little choice, as these are now the minimum levels of service required.

## Rates Increases

MDC are proposing to fund the total rates as shown below in each year.

This sees the highest rates rises in the first six years of the plan, with smaller increases over the following four years. This means that some front-end costs will be loan funded and repaid by the end of year six, with the impact on rates increases shown in the table below:

	2021/22	2022/23	2023/24	2024/25
Proposed rates increase	13.31%	17.5%	10.4%	8.5%
2021/22	1,441	2,141	1,499	1,345

Within this rating model we have applied \$2.4m of borrowings to smooth rates increases. This will offset higher rates in the first six years and will be repaid by the end of the LTP.

Council has adopted a Financial and Infrastructure strategy.

## Key aspects - Financial strategy

MDC wants to place the long-term needs of the community first and has taken a proactive approach to address the opportunities and challenges facing our district. The choices being made today are to deliver a higher level of service that meets the increased expectations of our communities and New Zealand as a whole. This proactive approach means that the headline rates increases for the first three to five years are higher than our community will have seen in previous LTPs. We are confident however, that this will put the district in a stronger financial position to meet the current and future needs of our residents.

MDC has produced a prudent financial strategy for the next ten years which meets its required levels of service and invests heavily in improving infrastructure. MDC has balanced the rates increases so that the impacts are as affordable as possible for the community. Our debt level management over the term and interest servicing requirements fall well within threshold requirements.

MDC will maintain a strong balance sheet and will ensure cash remains available to meet our working capital requirements.

We're actively managing MDC's investment portfolio to ensure it generates returns for our ratepayers.

Other changes highlighted within the Consultation Document include:

- Major Capital projects over the term of the Long Term Plan 2021-2031

- Changes to the funding of halls and swimming pools and community facilities
- Policy Changes to the Revenue and Financing Policy and the Significance and Engagement Policy

### Consultation Approach

Council will be holding drop-in sessions in Fairlie, Tekapo/ Takapō and Twizel at the following times and locations.

Fairlie	Takapō/Tekapo	Twizel
Mackenzie District Council Tuesday [date] 3.30-5pm, 5.30-7pm	Lake Tekapo/Takapō Community Hall Wednesday 13 October 2021 3.30-5pm, 5.30-7pm	Twizel Events Centre Thursday 14 October 2021 3.30-5pm, 5.30-7pm
Mackenzie District Council Wednesday [date] 3.30-5pm, 5.30-7pm	Lake Tekapo/Takapō Community Hall Thursday 21 October 2021 3.30-5pm, 5.30-7pm	Twizel Events Centre Saturday 23 October 2021 10am-12pm, 12.30pm-3pm

### NEXT STEPS

- Public Consultation commences 29 September 2021 and runs through until the 29 October 2021.
- Consultation closes 29 October 2021 at 4.30 pm 2021.
- Public Consultation runs for a minimum period of four weeks when submissions will be accepted from the community.
- Hearings and deliberations will be held for submitters who wish to speak to the Council – 9-10 November 2021.
- Following consultation and hearings, Council will formally deliberate on changes to the proposed Long-Term Plan 2021-2031 ahead of the final audit and then adoption of the plan at a Council meeting in early December..

### SIGNIFICANCE OF DECISION

This decision is significant and requires public consultation using the special consultative procedure defined in the Local Government Act 2002 section 93 (A).

### CONSIDERATIONS

#### Legal

This adoption of the Consultation Documents is a requirement sections 93 (A) to (G) and section 94 Council will be holding drop-in sessions in Fairlie, Takapō and Twizel at the following times and locations.

### CONCLUSION

This Council adopt the Consultation Document for Long term Plan (2021-2031) consultation with the community as required by legislation and in support of the community outcomes.

**STAFF RECOMMENDATIONS**

1. That the report be received.
2. Adopts the Draft Long Term Plan 2021-2031 Consultation Document for consultation with the community as presented in attachment 1.
3. Receives the audit opinion for the Draft Consultation Document Draft Long Term Plan 2021-2031 Consultation Document and supporting documentation.
4. Adopts the following documents as supporting information for the Long Term Plan 2021-2031 Consultation Document for provision to Audit New Zealand
  - a) Draft Liability Management Policy presented in attachment 2
  - b) Draft Investment Policy presented in attachment 3
  - c) Draft Financial Contributions Policy presented in attachment 4
  - d) Draft Rates Remissions and Postponement Policy 5
  - e) Draft Accounting Policy presented in attachment 6
  - f) Draft Prospective Financial Statements in attachment 7
5. Notes that the following documents have been adopted previously as supporting information to the Long Term Plan 2021-2031 Consultation Document: Draft Infrastructure Strategy, Draft Financial Strategy 2021-2051 and Draft Revenue and Financing Policy presented and Draft Significance and Engagement Policy in the meeting dated 21 September 2020 subject to any audit amendments.

## Mackenzie District Council

### Introduction from the Mayor

Our district is the envy of many for a number of reasons. We have amazing natural landscapes, strong and independent communities, and a rich history. However, the very reasons we cherish the district and choose to call it home, are why we are experiencing challenges.

The big challenge facing Mackenzie District Council (MDC) is balancing our small ratepayer base against the pressures of high visitor numbers, increasing government regulation and an ongoing push to improve our natural environment for our locals, visitors and treaty partners.

We need to strike a balance that ensures we can appropriately invest in and fund resilient infrastructure and deliver fit for purpose services, all while ensuring we make sure the district remains a place we are proud to call home.

For a long time, MDC has worked hard to keep rates low, running the district as affordably as possible, while still providing the services our community requires.

Times have changed however, and today we are faced with a raft of challenges and drivers that mean we need to rethink how we fund what needs to be done. These changes include the ongoing impact of tourism and the pressure this places on our infrastructure, increasing government regulation and the rising costs of compliance, improving infrastructure and the increased levels of service expected by our communities and visitors.

This means we find ourselves in a situation where we need to increase our rates. We need to do this to ensure our council can continue to function in a sustainable manner and provide the infrastructure and services our community needs. This is outlined in more detail in this document.

We have tried to keep these rates rises at an acceptable level, Over 80% of ratepayers will see rates rises that fall into the \$0-\$500 per year range. There will be higher increases for some and even a small amount of decreases, but these do not represent the overall picture for the majority. The percentage increases are coming off a very low base in terms of dollar value as we currently have the third lowest average residential rates in the country<sup>1</sup>.

There are a number of challenges we're facing. We will continue to deal with the impacts of the loss of international tourism and ongoing national lockdowns in the short term. Central government is continuing to drive a wide reform agenda that includes a review of the ownership of water infrastructure, significant changes to the Resource Management Act (RMA) and a review of Local Government. This all adds to MDC's workload, requiring additional resources to evaluate these changes, which in turn means additional costs.

We also need to focus resources on recovery from the flooding in late May this year which damaged our roading infrastructure. We estimate approximately \$2.04 million will be required to recover from this event. This will be partly subsidised by Waka Kotahi (NZ Transport Agency) with the remainder having to be funded by MDC.

We have made progress on our key strategic project such as Te Manahuna Ki Uta which will develop a Destination Management Plan and a 100-year vision. Likewise, we have completed our Spatial Plans which will help inform the review of our District Plan, which will kick off later this year.

MDC is committed to investing in our community and making decisions that ensure Mackenzie continues to be a unique and special place to live, work and play. We believe that today's choices will help us create tomorrow's Mackenzie.

It's important we have a discussion up front about how we can sustainably fund our district for generations to come. It's time for a chat.

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<sup>1</sup> Ratepayers Report 2021

## Long Term Plan 2021-2031 – Consultation Document

This Long-term Plan (LTP) outlines to our community how we intend to invest over the next 10 years. Any year that is not an LTP year, we develop an Annual Plan for you to have your say on.

We want to share our plans for the next ten years and give you the opportunity to let us know what you think. All the feedback received will be considered as we fine tune our LTP for adoption in October.

The LTP is an important part of our council planning process. It sets out the services and activities that we will provide, the projects we will carry out and the level of service the community can expect over the next decade. It also includes how much MDC expects things to cost, how everything will be paid for and what it means for rates and debt.

This document highlights some important challenges we are facing across the district. It outlines how MDC plans on addressing them and how this will impact rates.

The MDC has a passionate and proud community, and we think it's time for a chat about the LTP. Find out how you can join the conversation on [reference to It's time for a chat – Join the conversation].

## Adopting the LTP

MDC elected members will adopt the Draft Consultation Document (2021-2031) on the on 28 September 2021

By adopting the LTP after 30 June 2021, it means that MDC have not met the statutory timeframes required by New Zealand legislation.

This will impact the timing of Councils rates and annual charge invoices and may change the timing of the infrastructure projects outlined in the LTP.

## LTP Drop in Sessions

We want to talk through the LTP with you. To do this we'll be holding drop-in sessions in Fairlie, Takapō and Twizel at the following times and locations. Drop by for a chat with our senior leadership team and Councillors.

Fairlie			Takapō/Tekapo			Twizel		
Mackenzie Tuesday 3.30-5pm, 5.30-7pm	District [date]	Council [date]	Lake Tekapo/Takapō Hall Wednesday 13 October 2021 3.30-5pm, 5.30-7pm	Community		Twizel Thursday 14 October 2021 3.30-5pm, 5.30-7pm	Events	Centre
Mackenzie Wednesday 3.30-5pm, 5.30-7pm	District [date]	Council [date]	Lake Tekapo/Takapō Hall Thursday 21 October 2021 3.30-5pm, 5.30-7pm	Community		Twizel Saturday 23 October 2021 10am-12pm, 12.30pm-3pm	Events	Centre

If you can't make it along to the drop-in sessions please take a look at our LTP online at [insert Let's Talk link]



## What have we done since the last 2018-28 LTP?

There's been a lot going on since the last LTP, which was adopted in 2018. Below are a few of the major achievements since 2018.

### Water infrastructure

We have invested to continually improve Mackenzie's infrastructure, this includes:

- We're investing \$220,000 per annum for the next 20 years for Asbestos pipe replacement. This programme has since been accelerated through the 2019/20 Annual Plan
- \$250,000 has been spent to connect Pukaki Airport to Twizel's water network.
- The development of a new \$7,400,000 treatment plant to upgrade Fairlie's drinking water supply is underway. This project has commenced with planning work in progress.
- \$924,000 was allocated in 2019 for the relocation of the Twizel Wastewater disposal field and construction of rapid infiltration beds.

### Amenity improvements

We have continued to improve community facilities including a significant upgrade of the Twizel Aquatic Centre, improvements to the Fairlie playground, Lake Tekapo/ Takapō Domain and Mackenzie Community Centre. We have also upgraded toilets at Lake Pukaki lookout, built new toilets in Lake Tekapo | Takapō, Burkes Pass and at the Pines at Lake Pukaki. An upgrade of the effluent dump station in Lake Tekapo | Takapō is also underway.

### Tourism Infrastructure

To help mitigate pressure from high visitor numbers, we have accessed funding from Central Government which has contributed to:

1. Enhancing the resilience of the Alps2Ocean track.
2. Responsible camping measures, including seven new public toilets and the monitoring and promotion of responsible camping.
3. Improvements to the Church of the Good Shepherd and Collie Dog Statue.

In addition, the International Dark Sky Place of the Year was awarded to the Aoraki Mackenzie International Dark Sky Reserve. This is a significant recognition of our district.

### The Mackenzie Alignment

Together with Environment Canterbury (ECAN), Department of Conservation (DOC), Land Information New Zealand (LINZ), and Waitaki District Council, we have formed a partnership group known as the Mackenzie Alignment. The purpose of the group and the alignment project is to work with the community to protect the iconic Mackenzie landscape, its water quality and its precious indigenous flora and fauna.

### Economic development

Te Manahuna Ki Uta – Destination Mackenzie has been launched. This key strategic project is being developed in partnership with mana whenua and other key agencies and stakeholders. It will create a 100 year vision for the Mackenzie Basin | Te Manahuna along with a destination management plan that will ensure we protect and restore our unique natural environment while benefiting the economy of the people who live here.

The Mackenzie Tourism Advisory Group was created to connect Mackenzie tourism businesses with MDC's destination marketing services.

We have also finalised the Mackenzie Spatial Plans, following comprehensive community engagement. These will inform the review of our District Plan which will kick off after the LTP has been adopted.

Council recently adopted an Economic Development Strategy which sets out the criteria that Council will use to guide decision making relating to the District's economic and business sector development.

### Community Engagement

We have increased opportunities for community engagement capability – with the "Lets Talk" Platform.

We have also updated MDC's branding and launched a new website.

**Organisational improvements**

In 2020 we began a two-year program within MDC to embed critical systems and policies, while improving our performance and communication. This process is now well underway. This has included the roll out of a new Electronic Document Management System across Council and migrating all our electronic files.

All of these projects are forward looking, aiming to re-imagine and create tomorrow's Mackenzie District.

**How has the last three years shaped our future?****Safety**

There has been a significant increase in the cost of keeping people safe. This ranges from road safety improvements, traffic management across construction work, safe drinking water, working alone and many incremental improvements all focussed on making sure everyone goes home safe to their families.

**Regulatory**

Regulatory controls have been increasing as the District Plan and building control standards are aligned with new government requirements. There is a greater expectation that MDC's regulatory controls meet the highest standards to ensure that our unique environment is protected. Building control standards are now much more standardised and require significantly more time to administer. Much of these costs are recovered from the user, but there are still large overhead resource costs that are required from MDC.

**Communication**

Exponential improvements to communication technology mean that our community expects up to date access to information across several digital and traditional channels, as well as the ability to be able to apply for and pay for services online. There is an additional cost to setup and maintain these services, both in terms of resourcing and the technology required.

**Improving standards**

Increases in environmental and drinking water standards mean that water treatment upgrades need to be completed. There are also investments required for our wastewater treatment plants. This, coupled with Government water reform, is placing increasing pressures on our resourcing.

**Responding to emergencies**

There has been an increasing frequency of emergency events that MDC must respond to and help the community recover from. It costs unbudgeted money to respond to emergencies and they take employees away from business as usual tasks, often for extended periods. This means that the normal work is often deferred as there is no capacity left to deliver it and this creates an increasing backload of work that becomes unmanageable to deliver.

**Attracting talent as part of the team**

The costs of attracting and retaining staff at Mackenzie District Council have increased significantly. This LTP has been significantly delayed by not having the expertise on the ground to do the work. Existing employees are under significant pressure, and we need to increase budgets to be able to retain our current employees and to be able to attract high quality staff to fill vacancies.

## Strategic vision

MDC has developed the following strategic vision and outcomes to chart the course and set our direction for the future. This vision has been developed alongside the community and will help MDC focus our efforts to ensure everything we do remains focussed on improving our communities, our environment and our way of life.

We want to know what you think about our strategic vision – have we got it right, is there something we've missed?

Council has also renewed its Vision, Mission and community outcomes as shown below.

**OUR STRATEGIC VISION**

Using our guiding values as a solid foundation whilst looking through the lens of our vision and mission statements, Mackenzie District Council along with the community, will work together to discover our southern cross stars, our community outcomes. We remain focussed on our community outcomes as our goal for our district and everything we do.

**VISION** To empower our communities and treasure our environment  
**MISSION** Strengthening our communities

**OUR COMMUNITY OUTCOMES**

**A TREASURED ENVIRONMENT**

- We recognise that our outstanding environment plays a vital role in sustaining our district.
- We manage our environment and natural resources sustainably to ensure they can be enjoyed now and by future generations.
- We have sustainable, efficient and well-planned infrastructure, services and community facilities.

**STRONG AND INNOVATIVE ECONOMY**

- We value the role that our District's environmental, social and cultural assets play in supporting economic development.
- We are a welcoming, enabling and business friendly district that encourages creative local economic development.
- We recognise and manage the effects of economic growth and actively support our communities and environment while striving for prosperity.

**RESILIENT, SUCCESSFUL COMMUNITIES**

- Our communities have access to facilities and networks which enable people to enjoy positive, healthy lifestyles.
- Our communities are engaged, connected and are given the opportunity to influence local outcomes and decisions.
- Our communities have a 'sense of place' that makes people proud to live here.
- Our communities are resilient and provide for inter-generational wellbeing through networks that care for all ages.

**EMBRACE HERITAGE AND DIVERSITY**

- We embrace our partnership with ngā rūnanga and support mana whenua traditions and relationships with their ancestral lands, waterways, wāhi tapu and other taonga.
- We are proud of and celebrate the heritage and diversity of our District and our people.
- We respect each other and what we contribute to the District through our traditions and culture.
- Our communities are given the opportunity to celebrate and explore their heritage, identity and creativity.

**GUIDING VALUES**

Be fair to everyone	Act with respect and trust
Strive for a better future	Protect our peace and serenity
Dare to be different	

**LET US KNOW WHAT YOU THINK**

What are your thoughts on this pages content?  
Please go to page xx to submit your thoughts.



### What are planning over the next 10 years?

Over the next ten years we will continue to improve, replace, and construct the necessary infrastructure to service our community. This includes a number of key projects that have been included in this LTP:

CATEGORY	KEY PROJECTS
WATER	<ul style="list-style-type: none"> <li>• <b>Water Metering (2021/22):</b> Install universal water metering of properties connected to urban water supplies, beginning in Twizel. (\$322,753)</li> <li>• <b>Twizel and Lake Tekapo/Takapō water main replacement (2021/22):</b> Replace asbestos cement, cast iron and galvanised steel water mains as part of an accelerated renewal programme under the COVID 19 recovery stimulus. (\$13.8 million)</li> <li>• <b>Fairlie water supply upgrade (2021/22):</b> Upgrade of Fairlie's water supply to meet New Zealand Drinking Water Standards. This involves the construction of a new plant capable of managing the current source water quality fluctuations. The upgrade also involves the construction of two new supply reservoirs. (\$7.4 million)</li> <li>• <b>Compliance with Drinking Water Standards (2021/25):</b> With the exception of Allendale and the Albury Rural Water Supply work at all water treatment plants is expected to ensure compliance with Drinking Water Standards. It is anticipated that Allendale will be compliant within the 10 years of this LTP. Council is currently working to better understand the status of the Albury Rural Water Supply.</li> </ul>
WASTEWATER	<ul style="list-style-type: none"> <li>• <b>Lake Tekapo/Takapō upgrades – Wastewater treatment plant (2021/22 to 2025/26):</b> An upgrade of the wastewater treatment plant is required to cater growth including the Station Bay subdivision. This is likely to include the establishment of a new treatment plant, a new discharge site, additional storage and pump replacements. (\$18.1 million)</li> <li>• <b>Lake Tekapo/Takapō upgrades – Lakeside Drive (2021/22):</b> Refurbishment of the lakeside pump station including installation of additional monitoring equipment. (\$50,000)</li> <li>• <b>Pipe replacement programme (2021-29):</b> Acceleration of asbestos cement line replacement, previously planned for 2026/27 due to three waters stimulus funding. (\$4.8 million)</li> <li>• <b>Twizel – Mackenzie Park: (2021/22):</b> A new rising main and pumping station is programmed from Mackenzie Park to the Twizel oxidation ponds to improve the treatment and manage growth. (\$1.005m)</li> <li>• <b>Compliance with Discharge Consents (2021/25):</b> Work at all Wastewater Treatment Plants to ensure compliance with Resource Consents.</li> </ul>
STORMWATER	<ul style="list-style-type: none"> <li>• <b>Stormwater Management Control (Flooding) investigation (2021/22):</b> Stormwater management control investigation for the Alloway Street upgrade. (\$25,000)</li> <li>• <b>Stormwater reticulation upgrade (2021-23):</b> The design and construction of upgraded reticulation for Alloway Street in Fairlie. (\$764,000)</li> <li>• <b>Box culvert replacement – Fairlie (2021/22):</b> Replacement of the Sloane Street stormwater box culvert, pending investigation. (\$34,670)</li> </ul>

TRANSPORTATION	<ul style="list-style-type: none"> <li>• <b>Low-Cost Low Risk Projects (2021/31)</b> This includes a range of safety focused projects including surface improvements, speed management, travel management demand, kerb and channel improvements and intersection improvements. (\$10.4 million)</li> <li>• <b>Unsealed road metalling (2021/31):</b> Road metalling will continue, particularly on high risk and high trafficked roads like Lilybank and Braemar Road. An investigation will be undertaken in 2021/22 to assess the viability of seal extensions along these roads. (\$9 million)</li> <li>• <b>Alps to Ocean upgrades (2021/22):</b> Plans in place to take the Alps to Ocean great ride fully off-road to improve safety and increase the attractiveness of the trail for users. (\$465,000)</li> <li>• <b>Upgrading of footpaths in the major urban centres (2021/31):</b> Footpaths will be upgraded in all major towns in response to the increasing focus on walking and cycling and reducing carbon emissions. (2.05 million)</li> <li>• <b>Ongoing sealed road resurfacing upgrades (2021/31) –</b> Resurfacing of sealed roads is programmed to respond to the need to improve the condition of roads across the district. (\$6.4 million)</li> <li>• <b>Addressing Bridge Replacement program (2021/24):</b> MDC will work with the community and stakeholders to understand and implement a bridge replacement program based on age and criticality, including discussions on bridge ownership models.</li> </ul>
COMMUNITY SERVICES	<ul style="list-style-type: none"> <li>• <b>Twizel swimming pool (2021/2022):</b> Improvements to the pool's heating are planned (\$100,000)</li> <li>• <b>Peace Trees (2021/2021):</b> Situated on the road between Cricklewood and Kimbell, the Fairlie Peace Trees currently consists of up to 500 deciduous trees, planted to commemorate the end of the First World War. A recent survey of the trees has identified deferred maintenance works that are required to ensure the continued health and wellbeing of the trees and safety of the road users. (\$180,000)</li> <li>• <b>Upgrade toilets, parking areas and lake access at Lake Ruataniwha Reserve (2021/2023).</b> 88% of this work is funded from the Tourism and Infrastructure Fund. (\$761,500 total)</li> <li>• <b>Toilets at Fairlie and Lake Pukaki 2021/22).</b> Funded 85% and 84% respectively from the Tourism and Infrastructure Fund. (\$1.7 million total)</li> <li>• <b>Fairlie dump station (2021/22):</b> Improvement works funded 78% from the Tourism and Infrastructure Fund. (\$95,000 total)</li> </ul>
GOVERNANCE & CORPORATE SERVICES	<ul style="list-style-type: none"> <li>• <b>Fairlie Administration Building: 2021/22:</b> Upgrades to this building to meet appropriate standards are scheduled (\$1.0 million)</li> </ul>

**REGULATORY SERVICES**

- **Dog Pound (2023/24):** A new dog pound is required to meet the requirements of the Dog Control Act 1996. The cost of the proposed new purpose-built facility is \$410,000
- **District Plan Review (2021-24):** A budget amount of \$2.2 million over the next three years is proposed to meet the cost of the District Plan Review.

**How will this be done?**

Council has traditionally had a small capital investment program (in the past between \$3.5 – \$5.5m) and has delivered most of the projects in house, through existing roles and as part of 'business as usual'.

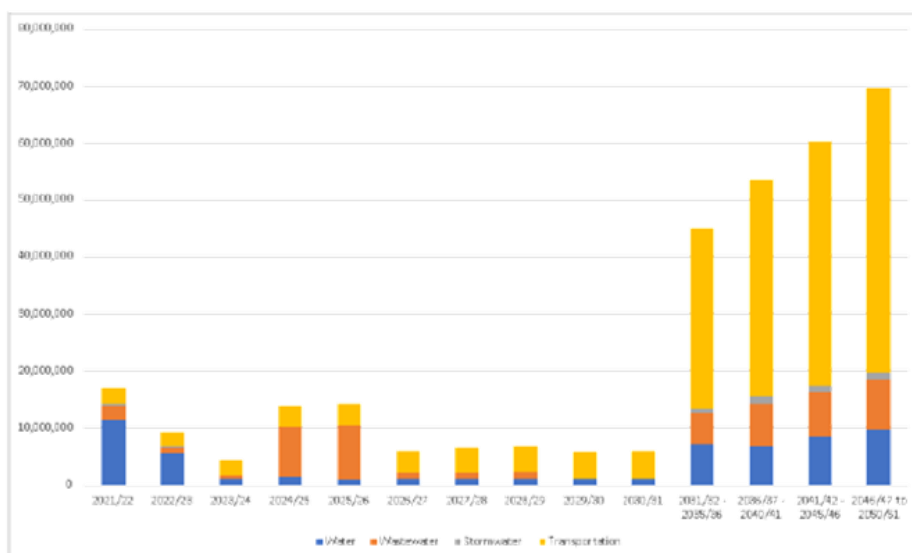
Council is investing in the development of a Program Management Office (PMO) which will be tasked at supporting the delivery of this large capital works program. This is to be completed in year one of the LTP and will be crucial in ensuring the work programme can be delivered on time and on budget.

Even with a PMO in place, Council will still be reliant on external resources to support the delivery of the program. The PMO will ensure Council evolves into a smart buyer of these services from the open market.

However, many of the capital projects planned for the next 10 years are being undertaken in the first year of our LTP which means we will have a very busy year. There is the risk that we will struggle to find the necessary resources to undertake this level of capital works. To ensure the works are more likely to be done, we have sourced a number of external resources who have begun work on many of the planned capital projects and will provide ongoing project management support.

If the major projects are delayed potential impacts on the provision of Council services may include:

- Delay in upgrading the Fairlie Water Treatment plant which would delay compliance with new Drinking Water Standards for Protozoa and the distribution system would remain below minimum storage requirements.
- Delays in upgrading the AC reticulation of reticulation in Twizel and Tekapo could lead to unanticipated breakages and water leaks.
- Delays in the desludging would result in less efficient performance in the Wastewater Treatment ponds
- Delays in the projects funded by the Three Waters funding could lead to loss of central government funding which would result in increased borrowings for Council should projects proceed
- Delays in remediating the safety and earthquake risks for the Fairlie Civic Office and Twizel Visitor Centre could pose safety risks for the public and community users

**What will the Infrastructure Program cost?**

*Projected inflated Capital Expenditure for infrastructure assets*



## The Big Issue - Funding our future

There's no getting around it, we need to put up rates to ensure we can get all the work done that needs doing.

There are a number of challenges that we're facing as a council. MDC isn't alone in this situation, in fact many councils around the country have had to put up rates this year.

Local Government across New Zealand is responding to challenges and increased expectations, both from central government and from our communities. In order to meet them, and to continue to operate in a financially responsible manner, rates have to be increased. We don't like it any more than our ratepayers do, but we believe there is no other choice

Our Long-Term Plan 2021-2031 prepares for the delivery of key services and infrastructure. We intend to:

1. Adequately fund the required levels of service in township maintenance to meet community and visitor expectations
2. Tackle a capital and operational maintenance programme that includes road safety improvements, maintains accreditation for building control, maintains council property to required building standards and to ensure we meet legislative requirements for services such as the management of swimming pools and animal control.
3. Resource appropriately so we can deliver key projects with short timelines set by central government.
4. Fund compliance requirements for the Fairlie Council Building and the Twizel Events Centre to ensure we provide safe and resilient facilities for our residents to use.
5. Begin a complete review of the Mackenzie District Plan.
6. Address additional central government requirements, particularly new Drinking Water Standards requiring higher service levels in terms of treatment.
7. Increased associated costs (depreciation and interest payments) for increased capital expenditure.

Traditionally, we have had some of the lowest rates in the country, however we now have to upgrade what we offer and join the rest of New Zealand improving how we deliver across a number of areas. Unfortunately, there is little choice, as these are now the minimum levels of service required.

### What are we proposing?

#### Funding of Rates

We are proposing to fund the total rates as shown below in each year. This sees the highest rates rises in the first six years of the plan, with smaller increases over the following four years. This means that some front-end costs will be loan funded and repaid by the end of year six, with the impact on rates increases shown in the table below:

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
<b>Overall increase in the rates Council receives</b>	<b>13.3%</b>	<b>17.5%</b>	<b>10.4%</b>	<b>8.5%</b>	<b>8.00%</b>	<b>5.1%</b>	<b>3.6%</b>	<b>2.9%</b>	<b>5.7%</b>	<b>0.7%</b>
<b>Additional rates required \$(000)</b>	<b>1,441</b>	<b>2,141</b>	<b>1,499</b>	<b>1,345</b>	<b>1,388</b>	<b>949</b>	<b>706</b>	<b>590</b>	<b>1,198</b>	<b>151</b>

Within this rating model we have applied \$2.4m of borrowings to smooth rates increases. This will offset higher rates in the first six years and will be repaid by the end of the LTP.

#### Increase the Uniform Annual General Charge

In addition to funding rates as they fall we are also proposing to increase the Uniform Annual General Charge (UAGC) from \$24.63 to \$150.00. A UAGC is a fixed charge set per rating unit in the District. The charge enables all ratepayers to make a minimum contribution to the Council's costs and ensures that higher value properties do not carry a disproportionate amount. Increasing the UAGC from \$24.63 to \$150.00 will increase the amount of rates paid by lower value properties. This p[-proposed increases is included in the overall increases noted above.

### Roading Rate

MDC also proposes increasing the flat charge roading rate from \$79.18 to \$99.30 per separately used or inhabited part (SUIP) of a rating unit on every rating unit (excluding Mount Cook Village) situated in the Mackenzie District. This reflects the increase in roading investment and ensures that the general benefits are widely spread across all ratepayers.

Both these changes mean that the comparative rating properties can show large changes either up or down from the previous year.

Where any targeted rate is calculated as a fixed amount per rating unit, a council cannot collect more than 30% of its total rates revenue by way of a combination of those targeted rates and the uniform annual general charges. Despite the proposed increases for the 2021/2022 year MDC will only collect 15.06% from a fixed amount per rating unit or separately used or inhabited part.

**You are able to view your rates at [<insert link>](#)**

### Other important issues

#### How do we fund our pools and halls?

Across the district we have two swimming pools, three urban community facilities and three rural halls.

Pools	Community centres	Rural halls
Twizel Swimming Pool	Twizel Events Centre	Albury Hall
Strathconan Swimming Pool, Fairlie	Lake Tekapo/Takapō Community Hall Mackenzie Community Centre, Fairlie	Sherwood Hall Skipton Hall

Our pools and community facilities and halls provide a benefit to the whole district, but at present they are partially funded through targeted rates on each of our three main townships, with the rural halls being funded by our rural ratepayers.

The remainder of the costs are made up through user charges, with the people who use the halls and pools paying directly when they use them. We recover up to 20% of the costs of our pools through user charges, and 20-40% for community facilities and halls.

### What are the options?

People who use the facilities will continue to pay user charges, but to cover the remaining costs we have considered two options. Under both options levels of service and debt levels will remain the same.

Irrespective of the options chosen, there are no impacts on debt and levels of services.

#### OPTION ONE – A DISTRICT GOOD

Option one considers a capital value charge across all ratepayers of the district. This would mean that all ratepayers are paying on the same basis towards the collective management of our district's swimming pools, community centres and halls, as they provide a 'district good' – that is a benefit to the whole district.

However, this means that people who have limited access to community facilities (e.g. rural areas) would be subsidising areas with better access. Because of the inequitable access across the district this option was not considered to be fair to the rural ratepayers who have significantly higher capital values due to land size.



Community	Facilities	Funding
<b>District wide targeted rate (excluding Aoraki/Mount Cook village)</b>	Twizel Events Centre, Twizel Swimming Pool, Lake Tekapo/Takapō Community Hall, Mackenzie Community Centre, Strathconan Swimming Pool, Albury Hall, Skipton Hall and Sherwood Hall	Targeted rate of \$ 161 for every \$500,000 of capital property value.  (This would give a rate in the dollar of \$0.000321)

#### OPTION TWO – A PROXIMITY BENEFIT

Option two looks to strike a balance between district wide benefit, while giving consideration to the geographic spread of our district.

Under this option, MDC would recover 30% of the funding required through a district-wide rate, while the remainder would be paid for by the communities where the facilities are located. This would be levied through our current township and rural works and services rates.

We believe this option is more equitable as it sees communities with better access and higher usage of nearby facilities contributing slightly more towards the operational costs and capital upgrades.

Community	Facilities	Funding
<b>District wide uniform charge</b>	30% of the cost of the Twizel Events Centre, Twizel Swimming Pool, Lake Tekapo/Takapō Community Hall, Mackenzie Community Centre, Strathconan Swimming Pool, Albury Hall, Skipton Hall, and Sherwood Hall	Flat charge per rateable property \$ 26.46

#### PLUS

<b>Twizel township ratepayers</b>	70% of the cost of the Twizel Events Centre, and Twizel Swimming Pool	This is split into a flat charge and a capital value charge  Flat charge (10%): \$26.16  Targeted rate of \$216.92 for every \$500,000 of capital property value.  (This would give a rate in the dollar of \$0.000443)
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#### OR

<b>Lake Tekapo/Takapō township ratepayers</b>	70% of the cost of the Lake Tekapo/Takapō Community Hall	This is split into a flat charge and a capital value charge  Flat charge (48%): \$214.01  Targeted rate of \$129.50 for every \$500,000 of capital property value.  (This would give a rate in the dollar of \$0.0002590)
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#### OR

<b>Fairlie township ratepayers</b>	70% of the cost of the Mackenzie Community Centre, and Strathconan Swimming Pool	This is split into a flat charge and a capital value charge  Flat charge (10%): \$64.147
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Community	Facilities	Funding
		Targeted rate of \$778 for every \$500,000 of capital property value.  (This would give a rate in the dollar of \$0.0000125)
OR		
<b>Rural ratepayers (49% share with the residual being funded by the rural energy generators)</b>	70% of the cost of the Albury Hall, Skipton Hall, and Sherwood Hall	This is split into a flat charge and a capital value charge Flat charge (10%): \$40.52  Targeted rate of \$6.25 for every \$500,000 of capital property value.  (This would give a rate in the dollar of \$0.00000125)

The second option has been included in our sample rates shown on page xx [in this doc]

### What do you think?

Our community halls and swimming pools are not used exclusively by the ratepayers who fund them. While those who use the facilities do contribute through fees and charges, this is being subsidised by the ratepayers of each community. For example, a person within the Twizel township who pays the targeted Twizel Township rate pays the same fee to use the swimming pool as a ratepayer from the rural area surrounding the township who doesn't pay towards the swimming pool in their rates.

We would like to see a fairer model of charging, while ensuring that our facilities are well maintained and affordable for our communities.

Option Two is our preferred option as communities who are closer to the community facilities pay a higher share as they have better access and usage of these facilities.

We think that providing safe swimming pools and community halls benefits our district as a whole, which is why an element is funded through the general rate. It means that regardless of your location within the district, everyone contributes.

It's time for a chat – join the conversation.

Tell us what you think about our proposal to change the funding of our halls and pools. [Reference to It's time for a chat – Have you say].

## Let's have a chat about rates

### RATES 101

Talking rates can be confusing. We have a range of different ways that we collect rates. Two of the most common rates are:

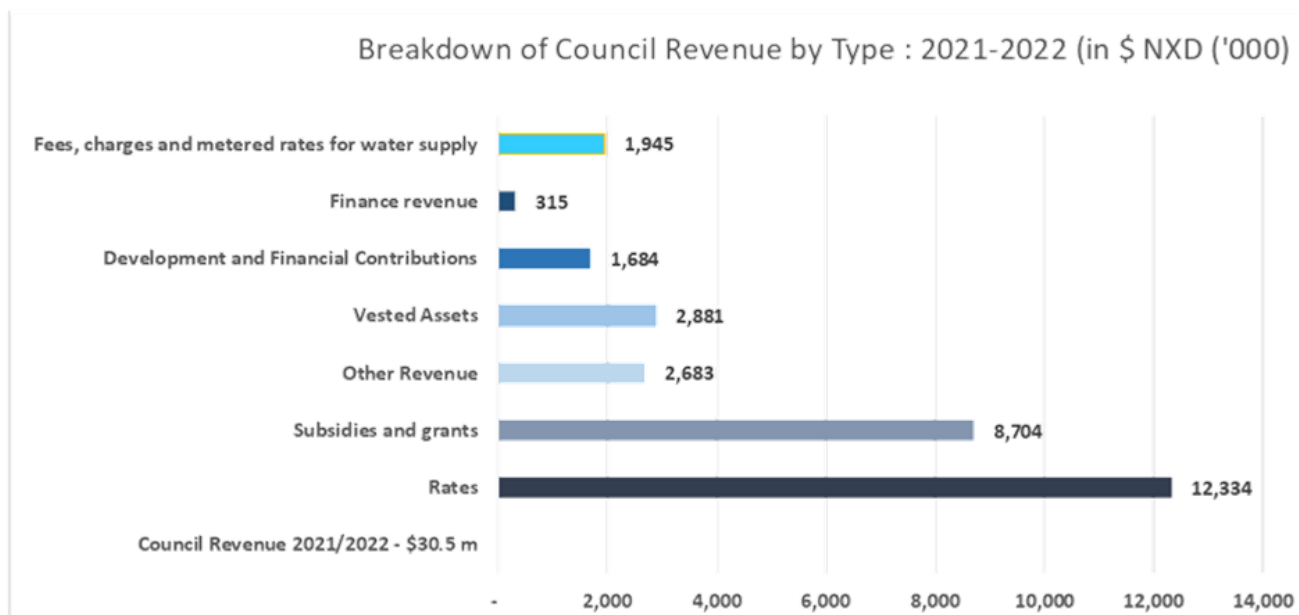
- A general rate – This is paid by everyone, based on capital value.
- A targeted rate – This is funded by specific ratepayers or businesses who directly benefit from the activity. This is usually based on capital value.

Other costs can be levied through fixed charges (such as the UAGC – Uniform Annual General Charge) which are paid by each property at the same rate, regardless of the property value.

Capital values are the value of the land and all improvements to the property.

### HOW IS COUNCIL FUNDED?

Council gets its funding from a range of sources – about 41% (or \$12.3m) from rates, with the rest from a range of services as shown below.



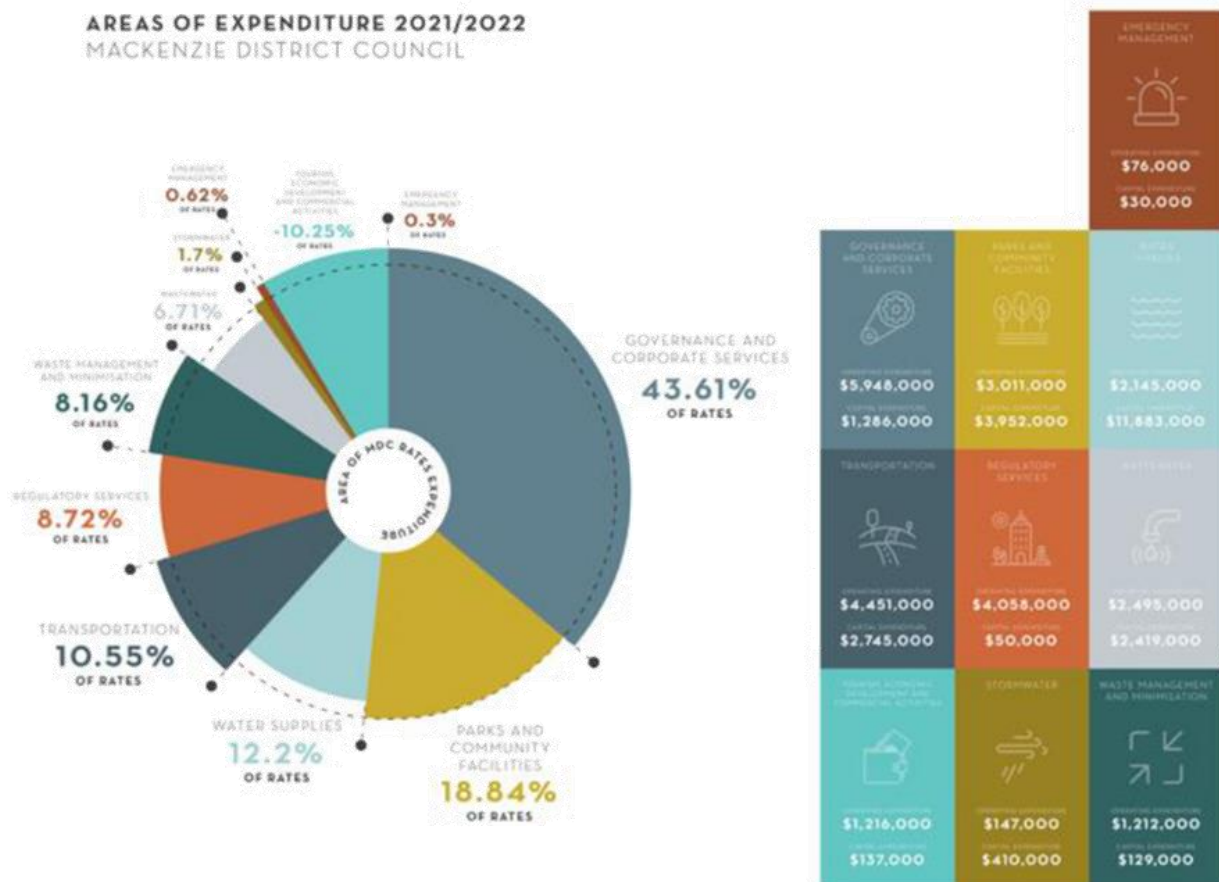
NB: Rates includes rates penalties and water meter charges.

### HOW ARE YOUR RATES SPENT?

The level of rates set depends mainly on the services council legally has to provide, such as drinking water, wastewater and roads, and on what services and facilities the community wants and expects.

If you own a property you pay rates directly to MDC. Those who live in the district but don't own property also pay rates indirectly through their rent. This is why the LTP is important to all residents, whether or not you own property, and why we want to hear from anyone with an interest in our district.

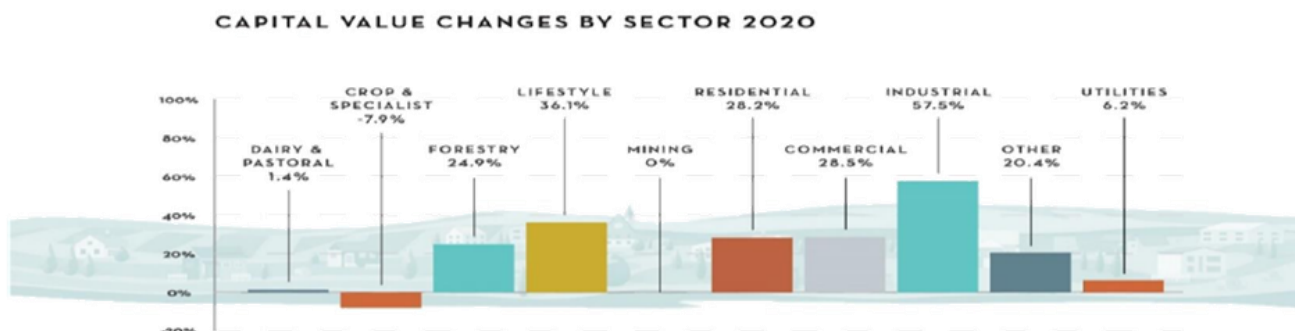
In general, MDC running costs, such as maintaining parks and reserves, paying employees and keeping the lights on are paid for through rates and fees and charges. The below infographic has been designed to help you understand how your rates are spent.



## Property Valuation Changes

One of the effects of growth is an increase in property values, as increasing demand pushes up prices in our relatively constrained property market. Every three years, Quotable Value NZ independently reviews the rateable values of properties throughout New Zealand. These were undertaken for the Mackenzie District in September 2020.

As a result of the latest revaluation, the property values across our district increased at different rates:



While increases in property values can be good news if you are a property owner, they can have an impact on how rates rises affects different properties. It is important to note that percentage increases to the value of properties do not necessarily translate to the same percentage increases in the rates you pay. Simply put, if the value of your property has changed significantly compared with someone else's, you will pay a different share of the total rates that we need to deliver our services.

We have used a sample of district ratepayers to demonstrate the impact of planned rates rises. The sample rates table on – currently p xx in this doc] shows typical changes in value with the current capital value being aligned to 20/21 rates and the new capital value is applicable to 21/22 rates. Comparing your new QV capital value is the most accurate way to show the expected 21/22 rate changes for the year ahead.

Please note, that rate increases or decreases, will affect properties differently, depending on the services they're connected to. For example, a rural property won't pay the water connection rates charges that a property connected to town water supply would.

**Did you know:** our power generators (Meridian Energy Ltd and Genesis Energy Ltd) who operate hydro-electricity schemes in our district, pay 14.7% of our total rates.

## How will this affect me

Over the next ten years we are proposing rates increases by an average of 7.2 % each year. To see the impact on your specific property check this <insert link> and you can review the impacts of these rates changes in our sample rates table on page xx. This revenue will cover our costs in the budget, pay back debt and store some away for future renewals (depreciation). It doesn't mean everyone's rates will increase by this amount though. How much you pay depends on a number of things, such as:

- Changes to the value of your property – including improvements or changes you've made
- The type of property you have
- The services your property is rated for (such as whether you get drinking water supplied or kerbside rubbish collected).

## Rates By Community

Community	Type	Last Year's Capital Value	Last Years Rates	New Capital Value	Rates 21/22	Change to last years rates
Fairlie	Section	67,000	1013.86	140,000	1272.40	258.54
	Low Value House	150,000	1659.58	205,000	1855.4	195.82
	Mid Value House with Accommodation	220,000	1974.51	290,000	2184.9	210.39
	Mid Value House	270,000	2060.87	350,000	2242.6	181.73
	High Value House	520,000	2896.99	630,000	2990.4	93.41
	High Value House	750,000	3386.45	810,000	3177.6	-208.85
Fairlie	Commercial Mid Range	410,000	2862.48	530,000	3005.6	143.12
	Commercial High Value	700,000	3913.55	1,130,000	4712.3	798.75
	Commercial High Value	890,000	5946.32	1,000,000	5782.8	-163.52
Tekapo	Section Mid Range	310,000	1369.66	500,000	1735.2	365.54
	Low Value House	320,000	1870.23	500,000	2321.3	451.07
	Mid Value House with Accommodation	720,000	2892.63	850,000	3219.3	326.67
	Mid Value House	730,000	2363.19	860,000	2639.1	275.91
	High Value House with Accommodation	990,000	2750.29	1,180,000	3078.6	328.31
	High Value House	2,650,000	5222.06	2,900,000	5441.2	219.14
Tekapo	Commercial Mid Range	2,360,000	8981.59	3,360,000	10607.1	1625.51
	Commercial High Value	6,300,000	24447.30	8,470,000	26964.6	2517.30
Twizel	Section Mid Range	170,000	1126.36	265,000	1321.9	195.54
	Low Value House	230,000	1607.47	365,000	1886.2	278.73
	Mid Value House with Accommodation	365,000	1995.54	450,000	2176.9	181.36
	Mid Value House	395,000	1917.92	500,000	2095.2	177.28
	Mid Value House	780,000	2642.46	980,000	2838.6	196.14
	High Value House	1,150,000	3338.74	1,300,000	3334.1	-4.64
Twizel	High Value House	1,660,000	4298.44	1,940,000	4325.2	26.76
	Commercial Mid Range	710,000	3270.07	1,010,000	3554.9	284.83
	Commercial Mid Range	2,890,000	12098.75	3,520,000	11969.1	-129.65
	Commercial High Value	8,900,000	30582.38	8,810,000	25235.8	-5346.58
Rural	Low Value Town Section	22,000	191.44	50,000	380.9	189.46
	Low Value Township House	116,000	1346.03	175,000	1589.3	243.27
	Lifestyle Low Value	580,000	860.78	660,000	1361.9	501.12
	Lifestyle Mid Value	585,000	1276.09	700,000	1490.5	214.41
	Lifestyle High Value	775,000	1641.97	930,000	1920	278.03
	Farm Land Low Value	880,000	1220.63	760,000	1181.2	-39.43
Rural	Farm Low Value	1,015,000	1382.62	940,000	1384.1	1.48
	Farm Mid Value - Sheep and Beef	2,690,000	5258.58	4,325,000	6934.3	1675.72
	Farm Mid Value - Sheep and Beef	3,230,000	4204.84	3,840,000	4977.3	772.46
	Farm Mid Value - Sheep and Beef	6,250,000	7942.29	5,845,000	7205.9	-736.39
	Farm Mid Range - Dairy	9,190,000	13386.17	8,280,000	12041.2	-1344.97
	Farm Mid Range - Dairy	12,100,000	15557.51	11,670,000	14674.3	-883.21
	Farm High Value - Cropping	15,600,000	23811.72	14,500,000	21393.4	-2418.32
	Farm High Value - Sheep & Beef	17,000,000	20393.15	18,800,000	21189.4	796.25
	Farm High Value - Sheep and Beef	23,160,000	28717.02	22,400,000	26829.6	-1887.42
	Farm High Country - High Value	26,900,000	33913.78	30,050,000	36704.2	2790.42
	Commercial Low Value	265,000	2642.25	345,000	3025.6	383.35
	Commercial Low Value	375,000	1698.93	480,000	2025.7	326.77
Rural	Commercial Low Value	1,020,000	4447.75	1,300,000	5151.8	704.05
	Commercial Mid Value	2,940,000	6605.79	3,450,000	6915.4	309.61
	Commercial Mid Value	3,000,000	5672.95	2,100,000	3222.6	-2450.35
	Commercial High Value	35,000,000	66726.65	31,300,000	48839.7	-17886.95

Rates are GST inclusive

Due to the late adoption of the Long Term Plan, Council invoiced the first instalment of the rates at 25% of the 2020/2021 (last year's rates).



Instalment 2,3 and 4 will be based on the rates set in the final Long Term Plan (planned to be adopted in November 2021). There will be changes in the due dates of these instalments as follows:

Instalment 2	Due date 30 December 2020
Instalment 3	Due date: 20 March 2021
Instalment 4	Due date: 20 June 2021

This means that the shortfall in instalment 1 will be recovered over the last three instalments.

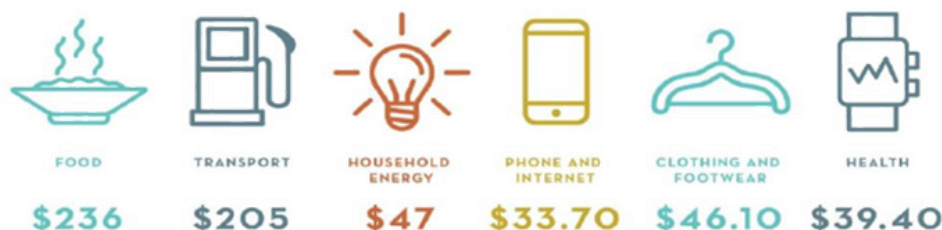
We talk about the percentage increase when it comes to rates. This is the overall increase to the amount of money Council collects in rates across our whole district. **This does not mean that every property will get that increase.** Some will pay more, others less. Some properties will even see reductions in their rates.

Rates have changed as a result of the impact of capital valuation changes. If the value of a property had increased relative to another or a sector has changed relative to another sector, rates will be impacted. While rates are climbing in percentage terms, changes in the rating model such as amendments to the UAGC and the Roding flat rate have spread the increases across a wider distribution base and overall 83% of our ratepaying properties are going up in the band of between \$0 - \$500 a year. While this is a considerable amount of money to many of our ratepayers, when spread out over a year it is roughly \$40 a month or just under \$10 a week. There is also an increase in the Uniform Annual general charge from \$24.63 to \$150.00 per SUIP. This means that all rateable properties per SUIP will pay a higher flat UAGC

Council needs to adequately fund our rates

- to deliver the required levels of service to meet increasing compliance requirements, regulatory standards for building, planning and treatment of water.
- Meet the additional operational funding costs for capital expenditure to upgrade three waters infrastructure to meet new water standards and minimize environmental impacts
- Upgrade our Council buildings to meet public safety and earthquake risks

Consider how these average rates per week compare with other common weekly household expenses.



**\*\*Source: Figures based on the Statistics NZ Household Economic Survey 2019 – Average weekly household expenditure for Canterbury region.**

### What do we think?

It's time for a chat – join the conversation.

Tell us what you think about our proposal to increase rates. [Reference to It's time for a chat – Have you say].

## Our future challenges

### CLIMATE CHANGE

Climate change is expected to change the frequency and intensity of weather-related events (drought, wildfire, floods and other storms). It is also likely to introduce some long-term shifts in climate patterns both locally and across the

country. Increased severe weather events cause more regular flooding which can lead to extensive road, bridge and infrastructure damage costing millions of dollars to repair.

This LTP aims to plan for climate change, by investing in the improved resilience of our infrastructure, particularly our three waters and transportation assets, and our emergency management (civil defence) activities.

Ensuring we are prepared for the changes and challenges presented by a changing climate requires long-term planning. We are proposing several programmes which will improve our resilience.

These include:

- The installation of two 1,000 m<sup>3</sup> water reservoirs for Fairlie which will increase resilience and security of water supply by increasing storage capacity to around 120 m<sup>3</sup>.
- Water meters will be rolled out across the district to help us track water use and improve water efficiency.
- Development of a financial reserve to fund activations of our Emergency Operations Centre in response to emergency events.

Further information specific to how climate change is impacting investment in infrastructure can be found in our Infrastructure Strategy.

#### COVID-19

The effects of COVID-19 have seen an almost complete loss of international tourism, which has had a significant impact on our local tourism sector and supporting businesses. We have also seen the effects on the wellbeing of our community, with uncertainty and anxiety on the increase. We recognise that these impacts are continuing to be felt locally, nationally and internationally.

In response to the short-term impacts of COVID-19 last year, we reduced planned rates increases from 8.00% to 4.48% to carry some of the load of the financial impacts on our community and local businesses. This has had an impact on our balance sheet and needs to be factored into our future financial forecasts.

Recovering from the impacts of COVID-19 has become part of our business as usual. It is important that we focus on economic development, assisting businesses to secure resourcing and supporting those looking to diversify. We will also increase our resourcing to assist our businesses and communities through this challenging time.

#### MANAGING TOURISM

Before COVID-19 dramatically reduced our visitor numbers, tourism was increasing at an unprecedented rate. While this was good for our economy, it placed considerable pressure on our district, communities, and infrastructure. We have taken advantage of central government funding when available for tourism infrastructure projects, but this still comes at a cost to our communities who pay for the ongoing maintenance and depreciation costs (saving for the replacement) of these facilities.

We are taking the opportunity provided by a lull in visitor numbers to prepare a destination management plan that maps out the future of tourism across the district. This is being developed in conjunction with mana whenua and other partners to ensure tourism benefits our communities, environment and economy in a sustainable way. We will continue to progress Te Manahuna Ki Uta - Destination Mackenzie to set the direction for our future as a destination.

#### BIG DISTRICT, SMALL POPULATION

One of the main challenges facing the Mackenzie is that we have a small population base (the third smallest in NZ) dispersed across a wide geographic location (the tenth largest). We have also been affected by the impacts of tourism, particularly in terms of our population size compared to the number of visitors we receive.

All councils have to comply with the same central government standards, regardless of their size and population. This means that the cost of providing services for Mackenzie is higher per ratepayer. The dispersed nature of our communities also means that we have to provide more services than councils who have larger population densities confined largely to one area.

#### OUR DISTRICT PLAN NEEDS TO BE UPDATED

The Mackenzie District Plan hasn't been reviewed since 2004. Although we have completed a number of important plan changes and updates since our District Plan became operative in 2004, the majority of the District Plan needs updating. We need to ensure the District Plan reflects the needs of our community, our environment, and the values of our treaty partners.



MDC has finalised the Mackenzie Spatial Plans, which outline out the zoning for our main towns and rural settlements, mapping out a 30-year vision for how each area can grow. The next step is to review the Mackenzie District Plan and ensure it is fit for purpose. This is a significant project and is expected to kick off in early 2023. A budget has been allocated for the District Plan Review as part of the LTP.

### THREE WATERS REFORM

In the wake of the Havelock North Inquiry and subsequent Three Waters Review, central government is embarking on significant water reform. A new water regulator, Taumata Arowai, has been established and big changes are coming to the way water services are delivered nationwide.

The Government is proposing to establish four publicly-owned entities to take the responsibility for drinking water, wastewater, and stormwater infrastructure across New Zealand. Cabinet has agreed to the proposed boundaries of the four water providers including details on the proposed water service entities, governance arrangements, the role of iwi, and how they would be regulated. The Government remains interested in continuing discussion with local government and iwi/Māori most affected by the proposed boundaries for feedback on these before progressing them in legislation.

The impacts of these change are yet to be finalised, but our community needs three waters services regardless of what happens. As such, we have included three waters in our financial and infrastructure strategies. We have assumed a business as usual approach to the delivery of three waters in this LTP until the impacts of three waters reform are fully clarified. For more information on the Government reforms visit [www.dia.govt.nz/three-waters-reform-programme](http://www.dia.govt.nz/three-waters-reform-programme).

### INCREASED ROADING INVESTMENT

The costs of maintaining our roads are increasing and we need to do more to meet levels of service and road safety requirements. There is also the need to invest in safety improvements on our roads to meet national road safety targets. These improvements, while costing more now, will help futureproof our network and manage the ongoing cost of maintenance.

Mackenzie was recently advised by Waka Kotahi that the funding they provide for our roading network has been substantially reduced. Council has agreed it is important that we continue to keep our local funding share at the original level budgeted. This ensures we can continue to improve our roading network, however it comes with a greater funding requirement on our ratepayers.

## Our financial strategy

MDC wants to place the long-term needs of the community first and has taken a proactive approach to address the opportunities and challenges facing our district. The choices being made today are to deliver a higher level of service that meets the increased expectations of our communities and New Zealand as a whole.

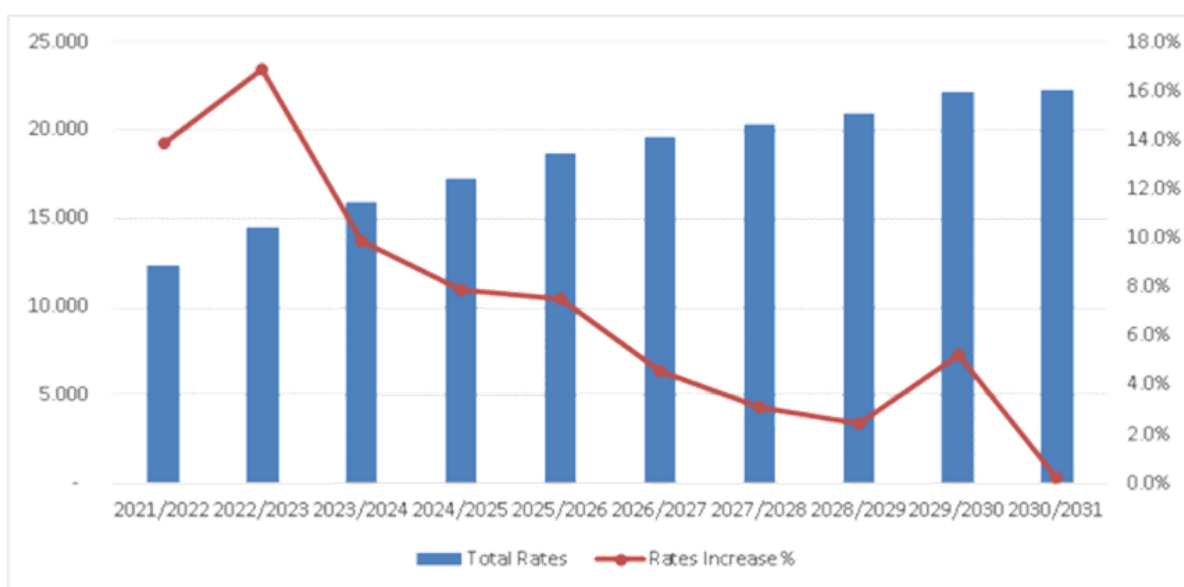
This proactive approach means that the headline rates increases for the first three to five years are higher than our community will have seen in previous LTPs. We are confident however, that this will put the district in a stronger financial position to meet the current and future needs of our residents.

MDC has produced a prudent financial strategy for the next ten years which meets its required levels of service and invests heavily in improving infrastructure. MDC has balanced the rates increases so that the impacts are as affordable as possible for the community. Our debt level management over the term and interest servicing requirements fall well within threshold requirements.

MDC will maintain a strong balance sheet and will ensure cash remains available to meet our working capital requirements.

We're actively managing MDC's investment portfolio to ensure it generates returns for our ratepayers.

### RATES RISES ARE HIGHER EARLY ON, BUT REDUCE AS TIME GOES ON



**WE'RE CONTINUING TO USE INTERNAL BORROWING**

MDC uses a mix of rates, reserves (accumulated funds), subsidies and grants, financial contributions and central government contributions to fund our expenditure. Borrowing may be internal (Council borrowing from itself) or external.

Internal borrowing reduces the cost of borrowing as we do not have to pay the lenders margin. Internal borrowing works by in the first instance funding capital expenditure from reserves. These reserves are made up of money received from rates that is yet to be spent. If there is a balance in the reserve internal borrowing is not required.

However sometimes projects have cost overruns or unforeseen projects and unanticipated events (e.g. emergency responses) arise. This sometimes results in some of these reserves having deficit balances. Deficit reserves represent internal loans. These internal loans are repaid by the activity that raised the internal loan.

MDC will continue to use internal borrowing to fund its capital projects when it believes it is prudent to do so. We'll also use internal loans to fund certain operational projects where there is a long term benefit to the community, such as the District Plan Review.

**WE'RE TAKING ON EXTERNAL DEBT**

While Council has not previously had external debt, our ten year capital expenditure program requires external borrowing. If these works were not funded by external borrowing, the impacts on rates would be significantly higher. The use of external borrowing ensures appropriate levels of service are maintained for our infrastructure and facilities.

In one area however, pending the outcome of central government reform, Council has made a conscious decision to borrow externally for the Three Waters capital expenditure.

The LTP will see external borrowings utilised, increasing from \$15.8m at the end of June 2022 to a peak of \$32.7m by 25/26. It is expected that by the end of 2031 external debt will be \$6.7m.

21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
\$15.8m	\$22.3m	\$21.9m	\$27.2m	\$32.7m	\$28.9m	\$24.4m	\$19.2m	\$12.8m	\$6.7m

In the first few years of the plan, the Council has taken on large amount of debt to fund major capital projects. As Council accumulates investment funds and reserves, these are utilised to pay down the debt. This means proposed debt decreases sharply from \$ 24.4m in 27/28 to \$6.7m in 2030/2031. This aggressive repayment of debt may be reviewed in subsequent years if unanticipated projects arise.

To ensure that our debt remains within affordable levels, we have ensured net debt will not exceed 175% of our total revenue. We have also ensured that we can meet our financing costs by ensuring that finance costs will not exceed 10% of total revenue. This ensures that we can continue to manage our debt repayments and interest. It also leaves the District with capacity to fund recovery if we are struck by a significant natural disaster.

**WE'RE GOING TO CONTINUE TO INVEST**

We have a range of investments which provide returns. Our investments include cash on term deposit, equity (our 4.96% share of Alpine Energy Ltd), forestry (1,000 hectares of plantation), and a range of property investments.

We want to ensure that our investments continue to pay off for our community:

**WE'RE SPREADING THE COST OF REPLACING OUR ASSETS**

Depreciation is the spread of the cost of an asset over its useful life. By funding depreciation through rates, we are putting aside money to replace the asset at the end of its life. This means that future ratepayers won't be hit with lumpy expenditure to replace failing assets. For example, if a water treatment plant was installed at a cost of \$30 million, and is expected to last for 30 years, it would have a depreciation charge of \$1 million per year.

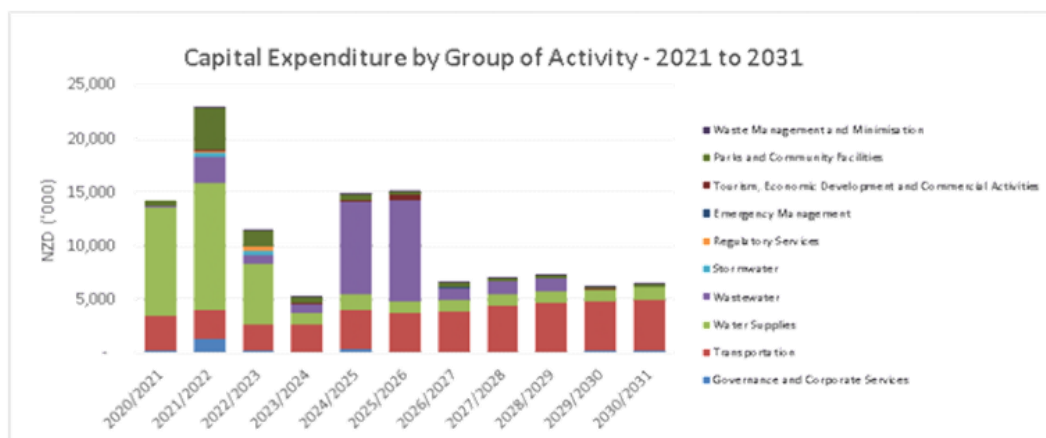
In an ideal world, MDC would rate to fund depreciation so that when an asset needs replacing, we are holding cash reserves (from years of funding depreciation) equal to the cost of the replacement. Sometimes it is appropriate not to fully fund depreciation. This might include when we can assume that we will be able to get external funding assistance with the replacement or where external borrowing is planned. Sometimes the decision to not fully fund depreciation has been made to keep our rates low.

To balance costs, we have decided it is prudent to largely continue with our current depreciation funding (to not fully fund the depreciation on all assets). We consider that, in most instances, where an asset needs to be replaced there will be sufficient funds available to do this or we will have the capacity to borrow if required.

There are however some changes in our approach to the funding of depreciation (the changes are included in the calculated rates increases:

- **Transportation:** to fund the proposed roading programme outlined in the Infrastructure Strategy, we will need to increase our funding of depreciation from 10% to 75% over the life of the plan.
- **Halls and Swimming Pools:** we were planning to increase our depreciation funding to 100% over the first five years of our Long-Term Plan 2021-2031. We have reassessed this and consider that remaining at 50% is appropriate as we will engage our community in funding initiatives and look for external support for the replacement of these assets. Despite this our rural halls (Albury, Sherwood and Skipton) will remain at 0% depreciation.

The graph below shows the total proposed capital expenditure in the plan.



#### WE'RE WORKING TOWARDS BALANCING OUR BUDGET

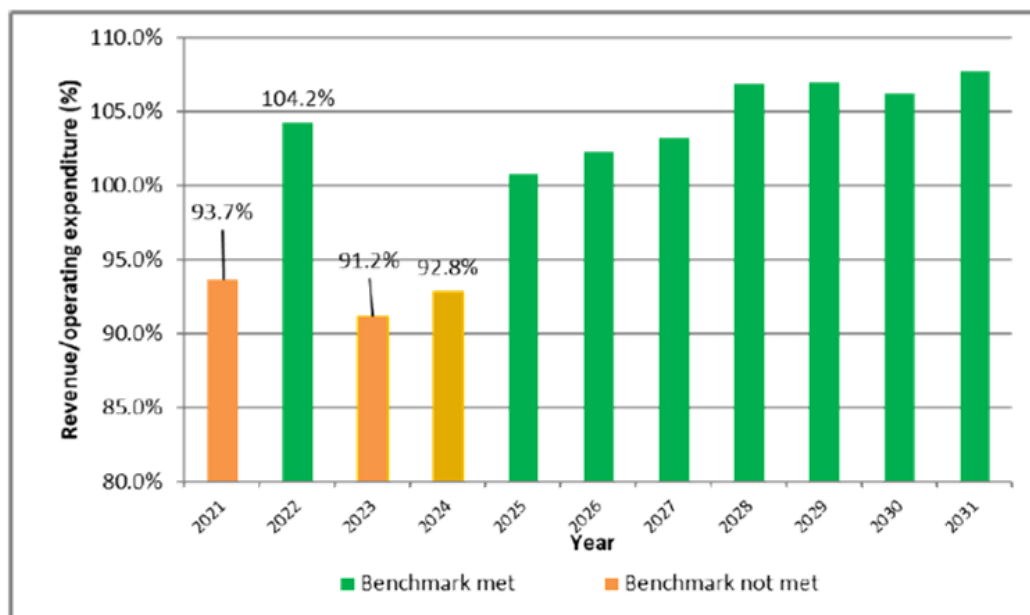
although Council shows an operating surplus on our comprehensive revenue and expenditure statement, the prudently balanced budget prudently measure excludes revenue which is used to fund capital expenditure such as development and financial contributions and revenue which is non-cash such as vested assets and derivative gains. The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

For years two and three our revenue (when excluding the items above) is less than our operating expenses.. We are increasing our levels of service and spending more money on renewing and upgrading assets and have instead utilized debt in the short term. We've done this to avoid increasing rates any further as this would be unaffordable for our community.

Council has met the requirements of section 100 of the Local Government Act and although Council does not meet the balance budget prudently benchmark for 2022/2023 and 2023/2024, the benchmark is met for the remaining years of the Long Term Plan.



To manage this, we are proposing to continue to use operating deficits in years two and three, before returning to a balanced budget from 2024/25. We believe that this is financially prudent in the short term, with a return to a balanced budget important in the medium term.



## Our Infrastructure Strategy

Our Infrastructure Strategy identifies significant infrastructure challenges, looking out 30 years. It outlines issues that are likely to impact on our core infrastructure assets and our response to them. It also sets out the costs associated with maintaining, operating, renewing and developing our three waters activities (Water Supply, Wastewater Disposal and Stormwater Disposal) as well as our Transportation activity (our roads and footpaths).

Managing our three waters and transportation infrastructure is an important and complex role. There are three main issues which drive the need for infrastructure improvements across the Mackenzie. These are:

1. Renewal and replacement of aging infrastructure
2. Responding to increasing standards and changing priorities
3. Delivering sustainable infrastructure to a growing population

There are also many external factors that will have an impact on how we deliver infrastructure. Although a number of these factors are generally beyond our control, it is important that we continue to monitor and respond to them to ensure that our infrastructure plans take advantage of new opportunities and remain fit for purpose.

The asset management process also needs to identify where investment in upgrading assets will provide the most appropriate service delivery levels in the longer term at the lowest lifetime cost.

### WHAT FACTORS WILL IMPACT ON OUR INFRASTRUCTURE STRATEGY ?

#### CHANGING EXPECTATIONS

There is an increasing expectation from New Zealand that drinking water is safe to drink, wastewater and stormwater discharges are not going to affect the environment and roads have consistent standards across the country. There is also an expectation that changes are going to be delivered sustainably. These changes are important and have been factored into the work programme in this LTP.

As an example, some of the changes we refer to are noted below

- Changes to the National Policy Statement for Freshwater
- Changes to NZs response to climate change (Zero Carbon vision for 2050)

- Increased focus on delivering sustainable outcomes
- Changes to Land Transport policies and legislation
- Increased in customer expectations regarding the level of service of infrastructure
- Stronger enforcement of Drinking Water Standards across all supplies.

#### PROVISION OF SUSTAINABLE INFRASTRUCTURE FOR A GROWING POPULATION

We're taking a sustainable approach to how we make decisions around infrastructure. The strategy looks out to 2051 and we need to seriously consider how the increasing impacts of climate change might affect our current infrastructure and create the need for new ways of doing things. We need to ensure our infrastructure is resilient and sustainable (both environmentally and financially).

There's an opportunity to look at the way we've been delivering traditional infrastructure and see if there are ways in which we can do it smarter. This work is being incorporated into contracts and is part of a continuous improvement process.

Our population is growing which means a growing demand for core infrastructure. Moving forward, the provision of all community assets must be undertaken to ensure a sustainable future. Council's sustainable approach involves investing in appropriate infrastructure which achieves the existing community outcomes without compromising the ability of future generations to meet their own needs.

A growing population in the Mackenzie District impacts key infrastructure in the following ways:

- \* An increase in vehicles means an increase in potential contaminants such as vehicle emissions, tyres, brake pads, fuels, and lubricants. This impacts on stormwater discharge quality
- \* An increasing population increases the wastewater flows
- \* An increasing population increases the demand for potable water
- \* An increase in vehicles means an increase to the demand for parking and safe road crossings in the main townships. Increasing number of vehicles also causes greater wear and tear on local roads and potentially have congestion effects, particularly in town centres.

Core water and transport infrastructure must be planned to cater for the peak demand, exerted during peak tourism periods.

Prior to COVID-19 the growth within Mackenzie was largely driven by investor confidence in the tourism industry and holiday destination potential of the Mackenzie Basin. The recent lockdown has slowed this demand in the short term. However, it is expected that the population will continue to increase over time, with tourist numbers reaching pre-covid numbers by 2023. This means that the plan includes upgrades to key infrastructure across the district to cater for this growth and ensure that there is capacity for locals and visitors to operate, enjoy and explore what Mackenzie has to offer.

#### RESILIENCE

The plan includes work to make infrastructure more resilient to cope with and recover from natural events, like prolonged heavy rain and flooding. There is an increasing frequency of these events and an expectation that functionality will be restored quickly. New infrastructure is being installed that has a better performance under earthquake loading.

In order to improve resilience Councils approach will be to:

- Actively participate in Civil Defence and Emergency Management planning and activities, at both regional and local levels
- Investigate options for alternative service provision and system redundancy
- Identify critical assets and ensure mitigation methods are developed
- Adopt construction standards that deliver resilience.
- Obtain insurance where this is deemed to be the most cost-effective approach

#### COUNCIL'S AGING INFRASTRUCTURE

Assets change and wear out as they are used over time. As with all councils across the country, Mackenzie's infrastructure is aging and the district is approaching an important period to ensure that its infrastructure assets continue to meet the needs of the community in the future recognizing the above factors.

This means replacement or upgrades are required to ensure that an acceptable level of service is continued to be provided to the community. To ensure this replacement is optimized Council is investing in condition surveys of its network particularly its road structures and wastewater network.

This LTP allows for continued replacement of infrastructure as it reaches the end of its useful life

## What's our Proposed Investment & Renewal Strategy ?

We will manage our assets to ensure that we can continue to provide services to our community and visitors in a sustainable way. This means making the best decisions for the wellbeing of our community for the long term rather than focusing on the infrastructure itself.

Our overriding infrastructure goal is:

***"The outcome desired by the community is to have safe, effective and sustainable water, communication, energy and transport systems in place when required, through sound long term planning and funding".***

The Infrastructure Strategy includes a lot of detail about how Council is responding to a number of key issues that affects how services are to be delivered. These issues affect how much our infrastructure cost to operate and maintain. These include:

Investment into both three waters and transportation infrastructure over the next 10 years is prioritised by using the following high-level principles:

- Maintaining and Improving Level of Service is generally prioritised first, specifically around improved safety and compliance.
- The renewal of aging infrastructure is then prioritized. Specifically, infrastructure which is high use, high criticality, high vulnerability and/or showing signs of failure. Renewal timing for critical assets is typically based on conservative base lives and actual condition assessments of asset and estimated future deterioration. However, assets which are at the end of their theoretical design life but are still structurally sound (no signs of failure) and are also used very infrequently are not targeted for replacement, but are instead regularly inspected. Inspections provide Council with better data upon which they can more accurately predict the assets remaining useful life.
- Projects which address growth are prioritised last. Currently the Mackenzie district are seeing a fall in visitor numbers giving Council breathing space to prioritise other aspects of infrastructure improvement first and get in place appropriate planning and delivery tools. Additionally, developers are, in the first instance, responsible for providing the infrastructure for new developments.

*. In Year 1 of the LTP extensive CCTV will be undertaken to help inform Council on the condition of our oldest wastewater pipelines. This information will generate more accurate remaining assets lives.*

### Data confidence

Data Confidence Grades are held against each individual asset class. These grades indicate the type of data source and the confidence in the specific data source. Since the last independent data confidence review there has been a significant improvement in base asset information. An in-house assessment showed an improvement to the data confidence ratings from previous years. In general, there is a relatively high understanding of the conditions of three waters assets. Council will be as part of the Three Waters Stimulus Funding, be undertaking a full Closed Circuit Television (CCTV) assessment of its wastewater network which will allow for a much better understanding of condition of these pipes and their expected lifespan.

CCTV monitoring cannot be replicated for water pipe assets. Instead, Council performs condition assessments on its water pipes when a failure occurs, or a larger connection or pipework cut in is undertaken. Pipelines are inspected in general accordance with best practice and relevant Water New Zealand Technical Manuals, and the results reported for an assessment of the likely remaining life of the asset. This data can be used to infer the condition of that section of pipeline to provide a complete picture of the network. Council has the "expected remaining life" of the majority of its pipe network aligned with national best practice. Our Council will continue to improve on data relating to asset criticality and vulnerability.



The level of confidence with roading and transportation data has remained relatively static since 2018. Council has carried out a significant auditing and validation programme on its Roading Asset Management database but there are still areas of improvements. The Council recognise that there is improvement which can be made with regards to its data management for roading assets and has since let a contract to undertake pavement testing over various locations within the district. This will provide data to check pavement depths and ensure performance, deflection and strength.

Good data ensures that we have correctly forecast and optimised the MDC renewal programme. For further information on the individual grades assigned to each asset class please refer to the detailed infrastructure strategy

#### Risks of using aging data

Risks of using age data to predict end of useful asset life

Mackenzie District Council has historically planned its renewals and investments to address compliance requirements. Traditionally it has based its renewals on age and limited asset condition information. The useful life of an asset is theoretical. The actual life of an asset varies depending on several conditions which is why regular inspections and condition assessments are necessary. There is a risk that Council's current renewal and investment strategy will vary significantly as more information is discovered about the assets. It is important that as much asset condition and performance information is gathered to better inform infrastructure investment decisions. Council has recognized this and projects are in place to update and generate more up to date and reliable asset management information.

As previously mentioned Council has aligned its age data with national best practice. It is improving this data through the collection of specific asset condition information. While our age data is aligned with national best practice there is a risk that if these national figures under estimate the life of the asset Council could be replacing assets early war effort over estimates the life Council will experience an increasing number of breakages and failures.

It needs to be noted that a lot of Councils 3 waters infrastructure was installed as part of the hydro developments within Mackenzie basin and as such is approaching the end of its theoretical life at the end of this LTP. Now is therefore an optimum time for Council to gather detailed asset condition data.

You can find out more about how we plan to manage our infrastructure over the next thirty years in our full draft Infrastructure Strategy available on Let's Talk.

### Major Renewals and Key Infrastructure matters beyond year 11

#### Bridges

Future costs, beyond 2031 were estimated based on the first 10 years costs. However, additional deferred renewals were also considered. This included the following bridge renewals which have been deferred over this LTP period due to financial constraints:

- Otama Road
- Coal Pit Rd No 2
- Goodmans Bridge
- (Nixons Road)
- Clayton Settlement
- Single Hill
- Cass River
- Black Birch Stream

In Lieu of replacing these bridges, Council will instead conduct regular inspections to ensure the bridges are safe to use.

Each bridge generally only services a single owner and is therefore not seen as an immediate priority for Council.

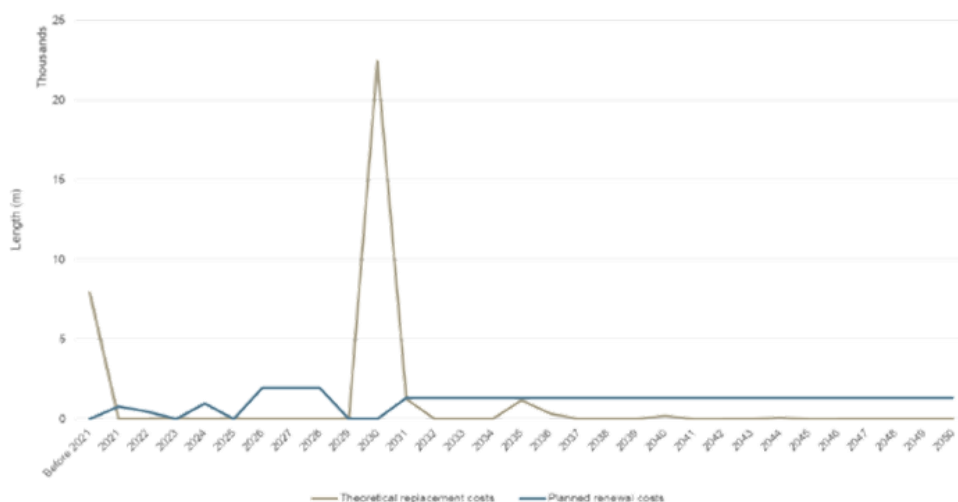
As funding becomes available, Council will prioritise the Cass River bridge (due to the increased number of heavy vehicles accessing the site) and Otama Road Bridge (as this bridge services three properties and has only 3 to 10 years of remaining useful life). Council will also look at alternative options such as fords if applicable.



### Wastewater – Twizel Asbestos Cement Reticulation Approach

An indicative long term programme has since been put together based on the Council's design life data which spans across the next 30 years. The figure below illustrates the difference between the projected and planned renewal profiles. As shown, the large replacement projected for 2030, has been spread across the next 30 years, concentrating on the replacement of AC pipes first and any other parts of the network which were identified during the CCTV assessment. Council is taking a prudent and reasonable approach to this investment and will prioritise renewals as further condition data becomes available. Performance data on the network clearly shows the pipe network is not currently failing due to end of life failures.

### Theoretical vs planned wastewater reticulation programme



### Approach to Roothing damage caused by the recent Flooding event

A significant storm event occurred at the end of May 2021, impacting on our district.

Damage to our roading network includes 282km of roads, 46 bridges and 705 culverts. The impact on three waters infrastructure from the flooding event was relatively minor.

Preliminary assessments estimate repair costs between \$2.3 and \$3.075 million. Waka Kotahi has confirmed it will co-fund a total of \$2.04m of flood damage. The flood damage assistance rates is capped at 51% for the first 10% of the Council's maintenance budget and then the FAR rate will be increased by a maximum of 20% in any financial year. This means that Council's maximum funding rate would be 71%.

Since the flood Council staff have developed a priority programme. This program reflects that some of the initial works were undertaken in the first days of the event and therefore are reflected in the previous financial year. The priority programme outlines a total of \$553,000 of works that need to be addressed as soon as possible. The balance of the works will need to wait to be completed when local funds can be allocated or an alternative source of funds can be identified. Some of the works will attract the enhanced funding assistance rate but will be limited to \$200,000. It is not possible to increase the local share any further given the sizeable rates increases. Discussion are being held with the agency to understand the process for applying for a higher levels of funding assistance.

Staff are taking a whole of network approach to addressing the priority one works list. This will mean that the works will occur over the next 6-12 months and or as needs require them to be. This will allow for the network to be managed in consultation with customers in the impacted areas and maintenance activities adjusted at a district wide level to accommodate these works. This approach aligns with good asset management principles and utilizes some of the built in resilience in Councils roading network. Should further funding eventuate, the programme can be accelerated

in line with the funding. As such the approach will see no impact in the overall Long term plan estimates and levels of service.

### Changes to policies

Alongside this LTP we have updated two key policies and our ratings model. These changes are outlined below and we are seeking community feedback on them as part of this LTP.

#### REVENUE AND FINANCING POLICY

MDC's Revenue and Financing Policy (RFP) has been changed since the last LTP.

The RFP outlines the Council's policies on funding sources to be used to fund the operational and capital expenditure of Council's activities and the rationale for their use. The policy is required by Section 102 and 103 of the Local Government Act 2002 (the Act). The full policy must be included in the LTP. In addition to identifying the sources of funding, the policy must outline why the Council has determined they should be used.

The new policy shows all activities and reflects percentage ranges for various funding sources for the activities as documented. It was updated to show the funding sources for both capital and operating expenditure.

In addition, the policy allows borrowing for operating expenditure to smooth lumpy costs for the ratepayers e.g. District Plan review and Building Services costs to achieve accreditation.

Changes of note include:

- Funding of District promotion and Tourism from a capital value targeted rate to a flat rate with a 10% contribution from General rates.
- Allowing borrowing for operating expenditure to smooth lumpy costs for the ratepayers e.g. District Plan review
- Introducing percentage ranges for various funding sources for the various activities

The proposed changes under the Revenue and Financing Policy have been included in the draft budgets for this LTP and are represented through the ratings examples provided.

The full policy is available at [\[insert link\]](#)

We want to know what you think about these changes – please let us know by filling out the LTP response form at [\[insert link\]](#).

#### SIGNIFICANCE AND ENGAGEMENT POLICY

The purpose of this Significance and Engagement Policy is to:

1. Enable the Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities.
2. Provide clarity about how and when communities can expect to be engaged in decisions about different issues, assets or other matters.

This policy has been refreshed with the following changes

1. Criteria – Significance vs Significant continuum
2. Procedures – Table to assist in determining levels of significance
3. Engagement – Explanation on levels of engagement scale; Engagement selection guide; Examples of how engagement scale is used
4. New Clarifications and Breaches section
5. Replacement of Interpretation section with Definitions section and wider inclusion including Mana whenua
6. Pukaki airport has now been added as a strategic asset

The full policy is available at [\[insert link\]](#)

We want to know what you think about these changes – please let us know by filling out the Long Term Plan response form at [\[insert link\]](#).

#### CHANGES TO THE RATING MODEL

We have made a number of changes to our rating model, which are outlined below:

The most significant rating changes are included under the Big Issue on page xx

##### Other rating changes include:

- The apportionment of Water Treatment (13%) and infrastructure (87%) rates have been updated to better reflect the latest costs associated with improved treatment for drinking water and investment in water infrastructure.
- The apportionment of Sewerage Treatment (20%) and Infrastructure (80%) rates have been updated to better reflect the latest costs associated with improved treatment for drinking water and investment in water infrastructure.
- Other rating changes have included minor changes to the Tourism and Economic development rate and how we fund community facilities as described above through the a uniform rate ,user charges and the targeted works and services targeted rates per township and rural area.

The full rating model is available at [\[insert link\]](#)

We want to know what you think about these changes – please let us know by filling out the Long Term Plan response form at [\[insert link\]](#).

#### CHANGES TO FEES AND CHARGES

While a large portion of our funding comes from rates, some funding comes from fees and charges for various services.

Every year these are reviewed to ensure they still meet the cost of providing the services they help to fund. There's a range of fee increases proposed across our activities. In some cases, fee increases are higher due to a need to ensure these services are not being subsidised unfairly by ratepayers not using the relevant services.

The most significant changes proposed are for activities like waste minimisation, water supply, social housing, service consents for infrastructure, building control, fishing hut leases, district planning and cemetery fees.

For more detail see Council's website

## Submission form

Join the conversation by  
by 5pm on Friday 29 October 2021.

Privacy Statement: All submissions (including name and contact details) will be included in public documents, at Council offices and libraries and on Council's website. Personal information will be used for submission administration purposes such as contacting you, if you want to speak at the Council hearing. All information is held by Council, and you have the right to access and correct personal information.

### Your details

Your submission must include your name, and a postal or email address. If you want to speak to Council on your submission, please include a phone number so we can contact you.

First name:

Surname:

Organisation (if applicable):

Phone (landline or mobile):

Email address\*:

Postal address\*:

*\*we require your email address and/or your physical postal address.*

### Do you want to speak about your submission at a Council Hearing?

☐ Yes ☐ No If yes, do you wish to attend the hearing in:

☐ Fairlie (9 November) or ☐ Twizel (10 November)

*If you do not indicate, we will assume you do not wish to speak.*

### Your views

Give us your views below. Attach extra pages if there isn't enough space.



### How to return this form

1. Complete **Your details** and **Your views** sections.
2. Cut the form along the dashed line.
3. Return the completed form to the Mackenzie District Council:
  - scanning and emailing to: [info@mackenzie.govt.nz](mailto:info@mackenzie.govt.nz) or
  - delivering to: Mackenzie District Council offices at Market Place, Twizel or Main Street Fairlie orposting to: Mackenzie District

### Auditors' report

To be completed





# Mackenzie District Council

## Liability Management Policy

<b>STATUS:</b>	Draft
<b>VERSION:</b>	20210423
<b>POLICY OWNER:</b>	GM Corporate Services
<b>POLICY APPROVER / S:</b>	Chief Executive Officer, Mackenzie District Council
<b>DATE:</b>	2021-04-23

“Fostering Our Community”

## LIABILITY MANAGEMENT POLICY

<b>Purpose</b>	Mackenzie District Council (Council) must have a Liability Management Policy as required by section 102 (2) of the Local Government Act. This policy outlines how the Council will manage its borrowings and other liabilities.
<b>Key Points</b>	<p>The objectives of the Liability Management Policy are to provide guidance:</p> <ul style="list-style-type: none"> <li>• To minimise the cost of borrowing (including interest, contracted services, staff, time and administration)</li> <li>• To minimise the exposure to the risks associated with borrowing</li> <li>• To maintain strong financial ratios</li> <li>• To consider long term indebtedness as a means of creating intergenerational equity</li> <li>• To maintain the integrity of Council's Long Term Plan (LTP)</li> </ul>
<b>Date of Issue</b>	Previous version ADOPTED April, 2020
<b>File Retention</b>	Mackenzie District Council Laserfiche – Organisational Policies section
<b>Review</b>	Every two years at the anniversary date

## RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Financial Strategy
- Investment Policy
- Property Sales and Acquisition Policy
- Risk Appetite Statement
- Risk Policy

Relevant legislation and other resources include (but are not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014

## 1. Definitions

**Bank Bill:** A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquify itself with cash. Normally for terms of 30, 60, 90 or 180 days.

**Base rate:** Normally a lending bank's cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.

**Basis Point(s):** In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.



**Benchmark:** An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

**Bond:** The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's interest rate is always fixed.

**Call Option:** The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option "contract".

**Certificate of Deposit (CD):** A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.

**Collar:** Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a bought "cap" above current market rates and a sold "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".

**Collateral:** A legal term that means "security".

**Commercial Paper:** The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called "one-name paper" and "promissory notes" issued by competitive public tender to investors or by private treaty to one investor.

**Convertible Bonds:** A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company.

**Current Ratio:** A liquidity measure to determine how quickly the Council can generate cash. Current assets are divided by current liabilities.

**Debenture:** A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.

**Derivative(s):** A "paper" contract whose value depends on the value of some "underlying" referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic." The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.

**Exchange – Traded:** A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.

**Floor:** The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the "linked" bought cap.

**Funding Risk:** The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due to the Council's own credit worthiness, industry trends or banking market conditions.

**Hedging:** The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due

to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

**Inverse Yield Curve:** The slope of the interest rate yield curve (90-days to years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short term rates are lower than long-term interest rates is a normal curve or “upward sloping.” In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates; hence they are higher to build in this extra risk premium.

**Liability Management:** The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.

**Liquidity Risk:** The risk that the Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.

**Open Position:** Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.

**Proxy Hedge:** Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation of price movements between the two underlying prices to justify using a proxy hedge.

**Revaluation:** The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

**Spot Rate:** The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.

**Standard & Poor's:** A credit rating agency that measures the ability of an organisation to repay its financial obligations.

**Strike Price:** The rate or price that is selected and agreed as the rate at which an option is exercised.

**Swap Spread:** The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.

**Swaption:** An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

**Treasury:** Generic term to describe the activities of the financial function within the Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.

**Treasury Bill:** A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.

**Yield:** Read-interest rate, always expressed as a percentage.

## 2. Principles

Mackenzie District Council borrows as it considers appropriate and exercises its flexible and diversified borrowing powers as outlined within the Local Government Act 2002. The Council approves borrowing by resolution arising from the Long Term Plan (LTP) and Annual Plan process. Projected debt levels are ascertained from cash flow forecasts prepared during these planning processes.

Mackenzie District Council acknowledges that there are various financial risks such as interest rate risk, liquidity risk and credit risk arising from its borrowing. Council is a risk averse entity and does not wish to incur additional risk from its treasury activities.

The Council's finance function in relation to its treasury activities is a risk management function focused on protecting the Council's budgeted interest costs and stabilising the Council's cashflows. The Council does not normally undertake any treasury activity which is unrelated to its underlying cashflows or is purely speculative in nature unless with formal prior approval of Council.

The finance function is broadly charged with the following responsibilities:

- To manage the Council's borrowings within its strategic objectives.
- To manage the impact of market risks such as interest rate risk on the Council's borrowings by undertaking appropriate hedging activity in the financial markets.
- To minimise adverse interest rate related increases on ratepayer charges and maintain overall interest expenditure within budgeted parameters.
- To provide timely and accurate reporting of treasury activity and performance.

The Council raises debt for the following primary purposes:

- General debt to fund the Council's balance sheet, including borrowing to fund Council Controlled Organisations (CCO's) etc.
- Specific debt associated with "special one-off" projects and capital expenditure
- To fund assets with intergenerational qualities.

The Council is able to borrow through a variety of market mechanisms including:

- Commercial Paper
- Local Authority Bonds
- Medium Term Notes
- Floating Rate Notes
- From the Local Government Funding Agency ("LGFA")
- Funding from internal sources.

The Council incurs risks arising from its borrowing and associated interest rate risk activity. In evaluating any new or renewal of existing borrowings (in relation to source, term, size and pricing) Mackenzie District Council will take into account the following:

- The size and the economic life of any specific project being funded
- The impact of the new debt on overall borrowing limits.

Relevant margins under each borrowing source:

- Overall debt maturity profile
- Prevailing interest rates
- Available term from bank and stock issuance
- Legal documentation and financial covenants.

This policy document details how the Council will manage its borrowing with regard to key risks faced including:

- Interest rate exposure
- Liquidity and funding risk
- Credit exposure
- Provision of security.

### 3. Policy Objectives

The objectives of the Liability Management Policy are:

- To minimise the cost of borrowing (including interest, contracted services, staff, time and administration)
- To minimise the exposure to the risks associated with borrowing
- To maintain strong financial ratios
- To consider long term indebtedness as a means of creating intergenerational equity
- To maintain the integrity of Council's Long Term Plan (LTP)

The objectives of the Management of Liquidity and Funding Risk are:

- To ensure Council's continued ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management
- To arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate
- To maintain lender relationships and Council's general borrowing profile in the local debt and capital markets, so that Council is able to fund itself appropriately at all times

The objectives relating to Reporting are:

- To produce accurate and timely information that can be relied on by senior management and the full Council for control, exposure monitoring and performance measurement purposes in relation to treasury activity.

### 4. Borrowing

(Note: For these purposes 'borrowing' does not include hire purchase, deferred payment or the giving of credit for goods and services where the transaction is for less than 91 days or does not exceed \$500,000. Guidelines for Borrowing Limits are in the Financial Strategy document.)

Council approves, by resolution, the external borrowing requirement (including financial leases) for each financial year during the annual planning process. A resolution of Council is not required for indebtedness in connection to hire purchase, deferred purchase or the giving of credit, the aggregate amount Council determines as not being so significant as to require specific authorisation is \$50,000 or where the period of indebtedness is less than 91 days.

Council must confirm all new loans required to fund expenditure that has arisen subsequent to the Annual Plan. In approving new debt Council considers the impact on its borrowing limits as well as the size and the economic life of the asset that is being funded and consistency with Council's long term Plan.

Council's infrastructural assets generally have long economic lives and long term benefits. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to Council's assets and investments. Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate and manage its relationships with investors and financial institutions.

Council will monitor and report:

- The ratio of equity : debt
- Debt per rateable property

#### **4.1 Borrowing Principles**

The following principles are embedded within the policy:

- Borrowed funds will be used to fund capital expenditure and equity investment, except as provided for working capital purposes under Cash Management policies.
- Debt will be used as a residual source of funds after Council has considered all other available options.
- The mix of debt, reserve and revenue funding will be determined by Council.
- Debt raised will be repaid over the economic life of the asset generally restricted to a maximum of 20 years but may be extended to 30 years.
- Unless Council otherwise resolves, interest costs will be treated as part of the operational expenditure and will be funded annually from operating revenue.
- The repayment of principal on debt generally will be funded from operating revenue. Although Council may resolve to repay loans from other capital sources.
- Loans raised by Council where security is required are to be secured as a charge over rates or rate revenue.
- Debt financing is recognised as a component in Council's Revenue and Financing policies and long term plan to provide intergenerational equity which prevents costs being incurred by the current users which are for the benefit of future users.
- Council may raise specific debt associated with significant "one-off" projects and non-financial investments from time to time, including investments in CCTOs.
- Council may borrow through hire purchase, credit, and deferred payment or lease arrangements in the ordinary course of Council business.
- Loans are raised to meet cash management requirements, as internal borrowing is preferred.

#### **4.2 Internal Borrowing**

Internal loans sourced from the Council's reserve funds are allowed as a valid means of funding projects, minimising the cost of borrowing while providing a market return on investment funds. Council's internal borrowing needs are typically associated with the expansion or renewal of its assets. Hence the internal borrowing is tied to assets and the cost centres associated with those assets.

Council seeks to minimise loan administration costs by structuring loans to enable repayments to be spread over a sanctioned period based on repayments tables, without the use of sinking funds.

Internal borrowing structures where interest and repayments are sourced from operating budgets (generally funded by rates income) are acceptable under this Policy. Where appropriate, inflation factors may be built into loan repayment tables to better reflect the ability of the community to pay in the future and avoid overcharging current ratepayers. The inflation adjusted debt service cost allows room to absorb interest rate fluctuations and provide more predictable cash flow projections.

In general Council, in arranging future internal borrowing under this Policy, will seek to build repayment flexibility into the loan structures. The Council will manage the risks associated with interest rate movement through the use of flexibly structured repayment loan tables.

Council can internally borrow from reserve and investment funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.



#### 4.3 Special funds and reserve funds

Liquid assets are not required to be held against all special funds and reserve funds. Council may internally borrow or utilise these funds where possible.

### 5. Interest Rate Exposure

Interest is incurred on any bank funding facility, issuance of local authority stock and other borrowing arrangements. This policy recognises that the longer the term of borrowing, the greater the sensitivity to interest rate movements. Longer term borrowings may be of benefit if the market interest rates rise, but equally may not allow Council to take advantage of periods of low interest rates.

Interest rate risks may be managed by the use of derivative instruments, and by issuing fixed rate bonds or sourcing fixed rate bonds from the Local Government Funding Agency (LGFA).

The table below outlines the minimum and maximum hedged or fixed rate exposure requirements within various time buckets. The actual hedging percentages in place, within these bands, will be determined, and reviewed on a regular basis.

#### Fixed Rate Hedging Percentages

	Minimum Fixed Rate	Maximum Fixed Rate
Less than 2 years	50%	100%
2 years to 5 years	25%	80%
5 years to 10 years	0%	60%

Fixed rate hedging in excess of 10 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

When managing the interest rate risk of the Council the hedging percentages above relate to total core debt. Core debt cannot exceed borrowing projections as per the Annual Plan or Long Term Plan with the actual quantum used for policy parameters to be reviewed annually.

The hedging parameters are cumulative. For example if total debt was \$25 million, \$5 million of hedging entered into for a period of five years would increase the hedging profile for all time buckets up to five years, by 20%.

Fixed rate debt is defined as any debt that has an interest rate reset beyond 3 months. The hedging parameters are dependent on the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the Official Cash Rate (OCR).

The Council decides the interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on fixed rate borrowing.

The following interest rate risk management derivative instruments may be used for interest rate risk management activity.

- Forward rate agreements
- Interest rate swaps
- Swaptions
- Interest rate collar type option strategies in a ratio not exceeding 1:1.



Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

The use of Interest rate risk management instruments must have the formal prior approval of the General Manager Corporate Services.

## **6. Benchmarking**

The Council shall evaluate the performance of the interest rate management policy itself (i.e. the success and continued appropriateness of the risk control limits stipulated in the Liability Management Policy document) and their implementation at an operational level. This is achieved by measuring actual results (i.e. weighted average funding cost) against a market benchmark provided by an external source.

The benchmark standard shall consist of the following:

- 20% Average 90 day bank bill rate for the reporting month;
- 10% Average 1 year swap rate for the reporting month;
- 10% Average 1 year swap rate for the reporting month, 1 year ago;
- 10% Average 3 year swap rate for the reporting month;
- 10% Average 3 year swap rate for the reporting month, 3 years ago;
- 10% Average 5 year swap rate for the reporting month;
- 10% Average 5 year swap rate for the reporting month, 5 years ago.
- 10% Average 7 year swap rate for the reporting month;
- 10% Average 7 year swap rate for the reporting month, 7 years ago.

The above percentages are predicated off the midpoints of the risk control bands contained in the 'Fixed Rate Hedging Percentages' table in Section 5.

The Council's cost of funds for benchmarking purposes is exclusive of margin. For reporting of interest rate comparisons, rates rather than dollar values should be used. Benchmarking is not required if total external borrowings are less than \$10 million.

## **7. Liquidity and Funding Risk Management**

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong balance sheet as well as its ability to manage its relationship with its banker(s) and the capital markets.

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 material debt maturities are spread over a number of years. The Council manages this by aiming where practical to have no more than 33% of its outstanding borrowings subject to refinancing in any rolling twelve month period.

The Council's treasury operation must also ensure that there are sufficient resources or "liquidity" to provide the funds to meet its immediate obligations such as creditors and current debt maturities.

Appropriate cash flow reporting mechanisms will be maintained to monitor the Council's estimated liquidity position over the next 12 months. In any case funding facilities must be in place to give headroom of at least 110% over and above the maximum net debt requirement as estimated in the Annual Plan or Long Term Plan.

## **8. Credit Exposures (Treasury)**

In general the Council borrows funds from a variety of registered banks, institutional investors and the LGFA. It is considered that the range and size of Council's individual borrowings together with the relative strength of these lenders offsets any institutional credit risk.

## **9. Provision of Security**

For its general borrowing programme the Council offers security under its debenture trust deed, for which security is a charge over all rates.

In unusual circumstances, with the prior consent of the Council, security may be offered by providing a charge over one or more of the Council's assets.

## **10. Repayment**

The Council repays borrowings from general or targeted rates, general funds or renewal loans.

## **10. Local Government Funding Agency (LGFA)**

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- To contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
- To provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- To commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- To subscribe for shares and uncalled capital in the LGFA; and
- 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.

Because of the dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

If required in connection with the investment, the Council may subscribe for un-called capital in the LGFA.

## **11. Management and Reporting Procedure**

Mackenzie District Council's Finance Committee oversees and monitors the risks arising from its treasury activities to ensure consistency with the Council's Long Term Plan and to evaluate the finance function's effectiveness in achieving its objectives. The Finance Committee is responsible for approving strategy and for monitoring compliance and performance of the Council's treasury activities.

The General Manager Corporate Services has financial management responsibility over the Council's borrowing and investments. The Council is able to appoint an independent advisor to assist in the

management of the financial market exposures that the council is subjected to. The scope of the appointment and the parameters within which the advisor operates, will be determined by the General Manager Corporate Services and at all times will operate within the parameters of this policy document. The Council's borrowing and cash management activities are managed centrally through its finance function.

The Management of the Council's borrowing portfolio is carried out under delegated authority to the General Manager Corporate Services (who has delegated the day to day operation to the Council's Finance Manager and Management Accountant). Reports on the Council's borrowings are prepared on a quarterly basis for the Council.

## **12. Clarification and Breaches**

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the Council.

### **12.1 Clarification**

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

### **12.2 Breaches**

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture, and will be treated as misconduct which may result in disciplinary action.

### **12.3 Exceptions**

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.



# The Mackenzie District Council

## Investment Policy

<b>STATUS:</b>	Final Draft
<b>VERSION:</b>	2
<b>POLICY OWNER:</b>	GM Corporate Services
<b>POLICY APPROVER / S:</b>	Chief Executive Officer, The Mackenzie District Council
<b>DATE:</b>	June 2021

“Fostering Our Community”



## INVESTMENT POLICY

<b>Purpose</b>	<p>Section 102(2)(c) of the Local Government Act 2002 (the "Act") requires the Mackenzie District Council to adopt an investment policy (the "Policy"). Section 105 of the Act outlines the contents of such a policy.</p> <p>The development of the Policy statement aligns with the Mackenzie District Council's strategy to establish a high-performing organisation with a focus on customer service, prudent financial management, quality processes, and a skilled and motivated work force.</p>
<b>Key Points</b>	<p>The key objectives of this policy are:</p> <ul style="list-style-type: none"> <li>• To make and manage investments to optimise returns in the long term while balancing risk and return considerations.</li> <li>• To safeguard financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters.</li> <li>• To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments.</li> <li>• To maintain relationships with financial market participants, thus enabling the Mackenzie District Council to carry out its investment activities in an efficient and practical way.</li> <li>• To produce accurate and timely information that can be relied on by senior management and the Mackenzie District Council for control, exposure monitoring and performance measuring purposes.</li> <li>• To manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.</li> </ul>
<b>Date of Issue</b>	
<b>File Retention</b>	The Mackenzie District Council Laserfiche – Financial Policies section
<b>Review</b>	Every two years at the anniversary date

## RELATED DOCUMENTS / WEBSITES

<p>Related The Mackenzie District Council policies and documents include:</p> <ul style="list-style-type: none"> <li>• Liability Management Policy</li> <li>• Property Sales and Acquisition Policy</li> <li>• Risk Appetite Statement</li> <li>• Risk Policy</li> </ul> <p>Relevant legislation and other resources includes (but is not limited to):</p> <ul style="list-style-type: none"> <li>• Local Government Act 2002 and the Local Government Act Amendment Act 2014</li> </ul>
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### 1. Definitions

**Approved Financial Investment Instruments:** Investment instruments available in the market (excluding equities and property) can generally be discussed under three broad categories relating to the issuer of these instruments.

1. **New Zealand Government:** Treasury bills are registered securities issued on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 30, 60, 90 and 180 day terms. They are discounted instruments, and are available in the secondary market, although most banks hold them for liquidity management purposes.

2. **NZ Local Government Funding Agency (LGFA):** The LGFA issues commercial paper (CP), , is issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the CP to be issued without endorsement or acceptance by a bank. In this instance the LGFA being highly credit rated. Commercial paper is issued with maturities ranging from 30 days to one year. The common maturities are for 30, 60, 90 and 180 days. Council is restricted to investing in CP with maturities of no more than one year . CP is generally preferred over term deposits because investors can sell them prior to maturity without suffering the penalty interest costs common to term deposits. The LGFA issues bonds that are similar in structure to New Zealand Government stock/bonds.
3. **Registered Banks:** Call and term deposits are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest basis. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can involve penalty interest costs.

Registered certificates of deposits (RCD) are securities issued by banks for their funding needs or to meet investor demand. They are registered or held on behalf of by the dealing bank. Details include, the name of the investor, face value and maturity date. They are able to be transferred by registered transfer only. RCDs are priced on a yield rate basis and issued at a discount to face value or a grossed up basis. They are generally preferred over term deposits because investors can sell them prior to maturity.

**Bank Bill Mid-Market Settlement Rate (BKBM):** The bank bill mid-market settlement rate as determined at 10:45am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate caps and collars.

**Borrower Notes:** On occasion when The Mackenzie District Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of "Borrower Notes". A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Mackenzie District Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes. The Borrower Notes can be converted to equity at the discretion of the LGFA.

**Financial institutions:** Financial institutions are traditionally identified as those entities which accept funds from individuals and organisations with the objective of lending the funds obtained to other parties, or otherwise investing the funds, so as to generate returns to the entity.

**Financial Instrument:** A financial instrument is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability or equity instrument of another entity.

**Forward Exchange Contract:** A contract to buy and sell one currency against another at a fixed price for delivery at some specified future date.

**Forward points:** The difference in interest rates between two currencies expressed as the exchange rate points i.e. 300 forward points is a 0.0300 adjustment to the 0.7500 NZ\$/US\$ exchange spot rate.

**Forward rate agreement:** An agreement between the Mackenzie District Council and a counterparty (usually a bank) protecting the Mackenzie District Council against a future adverse interest rate movement for a specified period of time (up to a year). The Mackenzie District Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). This definition includes the bond forward rate agreement where the benchmark rate is the underlying government bond yield.



**Interest rate options:** The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest (described as a floor) at a specified interest rate for a specified period. The Mackenzie District Council and the counterparty agree to a notional future principal amount, the specified interest rate, the rate-setting dates and the benchmark rate (usually BKBK). Interest rate option products include caps, floors and bond options.

**Interest rate or currency collar strategy:** The combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

**Interest rate swap:** An interest rate swap is an agreement between the Mackenzie District Council and a counterparty (usually a bank) whereby the Mackenzie District Council pays (or receives if an investor) a fixed interest rate and receives (or pays) a floating interest rate. The parties to the contract agree notional principal, start date of the contract, term of the contract greater than one year, fixed interest rate and the benchmark rates (usually BKBK). The swap can have a forward start date directly matching the contract to the underlying investment cash flow.

**Liquidity:** Liquidity refers to negotiable instruments that have an underlying market where buyers and sellers are available to transact and readily convert the investment into cash.

**Negotiable Instruments:** These instruments can be bought and sold prior to their legal maturity date.

**Spot rate:** The current market rate for currencies, interest rates for immediate delivery / settlement - normally two business days after the transaction is agreed.

## 2. Principles

The Mackenzie District Council's philosophy is to optimise long term returns while balancing risk and return. The Mackenzie District Council's overall appetite for risk, and specific appetite for financial risk, is summarised in the Risk Appetite Statement which is reviewed annually. Under section 102 (2) of the Local Government Act 2002, the Mackenzie District Council is required to have an Investment Policy.

The Mackenzie District Council recognises that as a responsible public authority our investments should be low risk, and should be managed conservatively. Speculative investments will be avoided; however the Mackenzie District Council also recognises that lower risk generally means lower returns.

The Mackenzie District Council's financial investments are managed as a portfolio of financial assets. The primary objectives are:

- To make and manage investments to optimise returns in the long term while balancing risk and return considerations.
- To safeguard financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters.
- To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments.
- To maintain relationships with financial market participants, thus enabling the Mackenzie District Council to carry out its investment activities in an efficient and practical way.
- To produce accurate and timely information that can be relied on by senior management and the Mackenzie District Council for control, exposure monitoring and performance measuring purposes.
- To manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Income from the Mackenzie District Council's investments is generally used to offset the general rate. The proceeds from a sale of an actual investment will be held by the Mackenzie District Council as a financial investment.

### 3. Policy Setting and Management Procedures

The Mackenzie District Council approves policy parameters in relation to investment activities. The Mackenzie District Council Chief Executive Officer has overall responsibility for the operations of the Mackenzie District Council.

The General Manager Corporate Services has financial management responsibility over the Mackenzie District Council's investments, including all treasury activity.

The Mackenzie District Council exercises on-going governance over its corporate investments. Operational management of the Mackenzie District Council's forestry investment is provided by the Mackenzie District Council Property and Commercial Business Unit.

The Mackenzie District Council Audit and Risk Committee oversees and monitors the risks arising from its treasury activities to ensure consistency with the Mackenzie District Council Long Term Plan and to evaluate the finance function's effectiveness in achieving its objectives and for monitoring compliance and performance of the Mackenzie District Council treasury activities. The Mackenzie District Council Commercial and Economic Development Committee is responsible for approving commercial and investment strategy and monitoring strategy execution.

The Mackenzie District Council is able to appoint an independent advisor to assist in the management of the financial market exposures that the Mackenzie District Council is subjected to. The scope of the appointment and the parameters within which the advisor operates, will be determined by the General Manager Corporate Services and at all times will operate within the parameters of this policy document.

The Mackenzie District Council's investments and cash management activities are managed centrally through its finance function. The finance function is broadly charged with the following responsibilities:

- To manage the Mackenzie District Council investments within its strategic objectives and ensure that surplus cash is invested in liquid and credit worthy instruments.
- To manage the impact of market risks such as interest rate risk on the Mackenzie District Council investments by undertaking appropriate hedging activity in the financial markets.
- To minimise adverse interest rate related increases on ratepayer charges and maintain overall interest revenues within budgeted parameters.
- To manage the overall cash and liquidity position of the Mackenzie District Council operations.
- To provide timely and accurate reporting of treasury activity and performance.

### 4. Investment Mix

The Mackenzie District Council manages a portfolio of investments comprising:

- Loan advances
- Equity investments, including corporate investments and other shareholdings
- Property investments incorporating land, buildings and a portfolio of ground leases
- Forestry investments
- Treasury investments in both short, medium and longer term liquid investments.

Guidance for each of these investment types follows.

## 5. Loan Advances

### 5.1 Nature of Investment / Rationale for Holding

In special circumstances, the Mackenzie District Council will provide loan advances for sporting, community development and other reasons. Examples of these loans have been to the Twizel Basketball Club to purchase equipment for their use in the Twizel Events Centre and also the debenture that the Mackenzie District Council previously held with High Country Health Limited, a company formed to operate the Twizel medical practice.

Interest rates are set at the average of Mackenzie District Council bond portfolio rate, recalculated annually. The Mackenzie District Council must approve all loan advances.

### 5.2 Disposition of Revenue

Interest is taken to the Investment Trading Account. Interest earned is allocated to the general rate.

The Mackenzie District Council approves any repayment; proceeds on repayment are used to reimburse the reserve from where it was originally taken, or otherwise are taken to the ratepayers equity account and used in achieving Mackenzie District Council strategic objectives.

### 5.3 Risk Management

The primary risk is that the borrower defaults on the payment of interest and principal amounts owing to The Mackenzie District Council. Where possible the Mackenzie District Council seeks security for any loans provided. All loans to sporting bodies are subject to a chattel security.

Should loan repayments go into arrears, the Mackenzie District Council takes immediate steps to retrieve the monies owing.

### 5.4 Management/Reporting Procedures

The Mackenzie District Council reviews performance of these investments on a regular basis to ensure objectives are being achieved and that interest and principal repayments are being made in accordance with the loan agreement.

### 5.5 Specific Policy

The Mackenzie District Council policy is to seek wherever possible early retirement of loans, otherwise the Mackenzie District Council intends to hold loan investments until maturity.

## 6. Equity Investments

Equity investments can include the following:

- investments held in Council Controlled Organisations (CCO's) or Council Controlled Trading Organisations (CCTO's)
- Shareholdings held directly
- Public/Private Partnerships
- Joint Venture Partnerships
- Local Government Shared Services

Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the Long Term Plan. Equity investments may be held where Council considers there to be strategic community value.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and the stated philosophy on investments.

#### **6.1 Nature of Investments**

The Mackenzie District Council has the following equity investments:

- Mackenzie Holdings Limited (MHL)
- Alpine Energy Limited
- Downlands Water Supply Scheme

##### **6.1.2 Mackenzie Holdings Limited - Nature of Investment/Rationale for Holding**

The Mackenzie District Council established Mackenzie Holdings Limited as a wholly-owned subsidiary in 2004 charged with developing the Pukaki Airfield as an operational airfield. The operations have been transferred to the Property and Commercial Business Unit within The Mackenzie District Council with governance from the Commercial and Economic Development Committee, a committee of the Mackenzie District Council. Mackenzie Holdings Limited is not operational. It has been exempted under section 7 of the Local Government Act 2002 from the normal reporting requirements.

##### **6.1.3 Alpine Energy Limited - Nature of Investment/ Rationale for Holding**

Alpine Energy Limited was created under the Energy Companies Act 1992, the Mackenzie District Council having 2,049,870 \$1 shares representing a minority 4.9% shareholding. The company supplies electricity to the South Canterbury region and was created from the former South Canterbury Electric Power Board. The Mackenzie District Council views this investment as a strategic asset ensuring the cost effective distribution of electricity to the District.

##### **6.1.4 Downlands Water Supply Scheme - Nature of Investment/ Rationale for Holding**

The Downlands Water Supply Scheme is a Joint Venture with Timaru District Council and Waimate District Council. The Downlands Water Supply Scheme is primarily a stock water scheme which also supplies domestic drinking water to rural properties within the Timaru, Waimate and Mackenzie Districts. Mackenzie District Council has a 4% stakeholding and views this investment as a strategic asset ensuring the cost effective distribution of water to the District.

#### **6.2 Disposition of Revenue**

Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring. Dividends received from CCOs/CCTOs and unlisted companies not controlled by Council are normally credited to general funds and help reduce general rates.

Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then any surplus remaining be used to reinvest in other equities, and/or used to fund approved Capex projects and/or reduce other Council debt. Interim and final dividends are taken to the investment trading account.

#### **6.3 Acquisition of New Investments**

The Mackenzie District Council will acquire equity investments in line with its strategic, economic development and financial objectives as outlined in the Mackenzie District Council Long Term Plan and on the commercial merits of the proposal. All equity investment purchases will require prior Mackenzie District Council approval.

#### **6.4 Risk Management**

Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity



investments, at least, annually to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

Alpine Energy is made up of a number of discrete “businesses” which operate independently of each other and which attract varying degrees of risk including electricity distribution and electrical contracting. Alpine Energy’s main business is electricity distribution where the risks are considered to be low given the high cost of replicating an electrical network. Alpine Energy manages its other business risks through separate companies, which limits its liability. Within each business the respective boards manage the operational risks.

#### **6.5 Management/Reporting Procedures**

The Mackenzie District Council approves the statement of corporate intent annually and monitors the investment through unaudited six monthly and audited annual financial statements.

#### **6.6 Specific Policy**

The Mackenzie District Council reviews its investment in Alpine Energy on an annual basis.

### **7. Property Investments**

#### **7.1 Nature of Investment**

In addition to commercial and residential property, the Mackenzie District Council has landholdings which have been acquired in a number of ways. Any surplus land is either leased or held intending to be sold at market valuation or at an agreed value satisfactory to the Mackenzie District Council. Please refer to the Property Sales and Acquisitions Policy for definitions and processes for property identified as surplus.

#### **7.2 Rationale for Holding**

The Mackenzie District Council overall objective is to own property that is necessary to achieve its strategic plan objectives. The Mackenzie District Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Mackenzie District Council services. The Mackenzie District Council generally follows a similar assessment criterion in relation to new property and land investments.

#### **7.3 Disposition of Revenue**

Property rentals are charged at commercial levels. All income including rentals and ground rent from property are taken to the property trading account and are used to offset the general rate. The Mackenzie District Council approves any disposition of property or landholdings. Sale proceeds are taken to the real estate reserve and used in achieving Mackenzie District Council strategic objectives.

Note the special status of revenue from property sales through the activities of the Pukaki Airport. This revenue is ring-fenced for future Pukaki Airport development and is not taken to the Real Estate Reserve.

#### **7.4 Risk Management**

The capital value of property and land is impacted by changes in economic and financial factors e.g. business confidence, growth, and interest rates. The Mackenzie District Council reviews the performance of its property investments through regular reporting.

#### **7.5 Specific Policy**

The property and landholdings portfolio is reviewed annually. Specific policy guidance for the sale and acquisition of property is provided in the Property Sales and Acquisition Policy.



## 8. Forestry Investments

### 8.1 Nature of Investment/ Rationale for Holding

The Mackenzie District Council has approximately 1,040 hectares of forestry plantation. The Mackenzie District Council has historically invested in forestry, as it provides diversification of Mackenzie District Council investment portfolio as well as provides good long-term inflation adjusted returns. Forestry plantations are held as long-term investments on the basis of net positive discounted cash flows, factoring in projected market prices, annual maintenance and cutting costs and discounted at Mackenzie District Council annualised cost of capital.

### 8.2 Disposition of Revenue

Any harvesting outside the agreed Annual and Long Term Plan requires governance approval from the Commercial and Economic Development Committee, a committee of the Mackenzie District Council. Proceeds from the disposition of forestry investments are to be applied:

- To repay district wide funded debt and/or
- To repay of community funded debt and/or
- To fund pre-approved capital expenditure items and/or
- To re-afforest existing forestry blocks and/or
- To purchase new forestry blocks or purchase new and/or
- To purchase treasury investments from which interest accrued is to be used for general purposes and/or
- To offset the general rate by Council resolution.

Income from the Council's forestry operation is reinvested in forestry through a separate Forestry Reserve. A dividend is payable to Council at any agreed time that does not affect the viability of the forestry operation. Expenditure in maintaining the forestry investment is expensed in the year it is incurred.

### 8.3 Risk Management

The most significant risk relates to product price returns, which are dependent on world markets. This means that forestry returns are dependent on commodity prices and carbon markets driven by other countries. Where there is a short-term downward spike in international stump prices, the Mackenzie District Council will defer harvesting until such time as it becomes economically viable.

### 8.4 Management and Reporting Procedures

The investment is managed by the Property and Commercial Business Unit with governance from the Commercial and Economic Development Committee. A forester and forest manager are employed on contract to report on the plantation management regime and report to the Property and Commercial Business Unit Manager on a regular basis.

### 8.5 Specific Policy

As long as investing in forestry remains financially viable, the Mackenzie District Council intends to retain its forestry investment and harvest when stump value is maximised.

## 9. Treasury Investments

### 9.1 Nature of Investment

The Mackenzie District Council invests in approved financial assets, which excludes dealing in shares. The Mackenzie District Council invests in the following financial instruments:

- Government investments,
- New Zealand Registered bank investments,
- Local Authority investments.

- State Owned Enterprises (SOE) investments,
- Corporate investments
- Financial Institution investments

### 9.2 Rationale for Holding

The Mackenzie District Council primarily holds financial investments to earn revenue used in the reduction of general rates. The Mackenzie District Council also maintains a portfolio of financial investments for the reason of:

- Investing proceeds from the sale of assets,
- Investing amounts allocated to general and special fund reserves e.g. disaster reserve,
- Investing funds allocated for approved future expenditure, and
- Investing surplus cash and working capital funds.

### 9.3 Disposition of Revenue

Interest is taken to the investment trading account. Interest earned is allocated to the general rate. Financial investments are normally held to maturity date.

### 9.4 Investment Objectives

The Mackenzie District Council primary objective when investing is the protection of its investment. Accordingly, only credit worthy counter parties are acceptable. Credit worthy counter parties are selected on the basis of their S&P Global Ratings (S&P) ratings, or the Moody's Investor Services ("Moody's") or Fitch Ratings ("Fitch") equivalents. Credit ratings are monitored on a quarterly basis by the General Manager Corporate Services from updated advice from the Mackenzie District Council investment advisors. Please refer to the table in Appendix A – Authorised Investment Criteria for Financial Market Investment Activities for guidance on credit rating thresholds for specific asset classes.

The following principles capture the above objectives:

#### 9.4.1 Credit Risk

Credit risk is minimised by placing maximum limits for each broad class of non- Government issuer, and by limiting investments to local authorities, registered banks, strongly rated SOEs, corporates and Financials within prescribed issuer and portfolio limits. These are detailed in the authorised investment criteria for financial market investment activities.

#### 9.4.2 Liquidity Risk

Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market. Furthermore, the Mackenzie District Council requires that the duration of their portfolio must be within a range of 25% shorter or longer than the benchmark portfolio set in conjunction with their investment adviser (refer to benchmarking as part of this investment policy). Compliance with this requirement is not necessary if the nominal value of the portfolio is less than \$5.0 million.

### 9.5 Interest Rate Risk Management

The Mackenzie District Council investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its investments. The General Manager Corporate Services determines the appropriate interest rate profile to adopt for investments, after reviewing on a regular basis, cash flow forecasts incorporating plans for approved expenditure and strategic initiatives, monitoring the interest rate markets, evaluating the interest rate outlook and seeking appropriate advice where necessary.

The General Manager Corporate Services implements an interest rate risk management strategy by using risk management instruments to protect investment returns and to change interest rate and maturity profiles. The use of interest rate risk management instruments must be approved by Council.

**9.6 Management and Reporting Procedures**

The General Manager Corporate Services develops the investment strategy. During the annual budget round the General Manager Corporate Services recommends a formal investment strategy to the Chief Executive Officer. Thereafter, the General Manager Corporate Services implements the investment strategy on an ongoing basis, taking into account cash flow forecasts, the outlook for interest rates and credit spreads, the shape of the yield curve and where necessary seeks appropriate advice.

**9.7 Benchmarking**

The Mackenzie District Council measures the performance of the investment portfolio by benchmarking the performance of the portfolio against the performance of an appropriate external benchmark portfolio. This provides the Mackenzie District Council with an indication as to the effectiveness and suitability of the current investment parameters and the manner in which the parameters are being implemented at an operational level. Compliance with this requirement is not necessary if the nominal value of the portfolio is less than \$5.0 million.

**9.8 Specific Policy**

The Mackenzie District Council reviews its investments portfolio annually and manages the portfolio according to the objective performance measures determined during the annual budget round.

**9.9 Counterparty Exposure Limits**

Council ensures that all financial investments and interest rate risk management is undertaken with institutions that are of high quality credit to ensure amounts owing to The Mackenzie District Council are paid fully and on due date. This does not limit The Mackenzie District Council investing in other assets, other than financial investments.

**9.10 More specifically, The Mackenzie District Council minimises its credit exposure by:**

- Transacting with entities which have a strong credit rating,
- Limiting total exposure to prescribed amounts and portfolio limits, and
- Timely and rigorous compliance monitoring.

(See Appendix A below "authorised investment criteria for financial market investment activities" for a summary of credit requirements and limits.)

**9.11 Foreign Exchange Policy**

The Mackenzie District Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

**9.12 Cash Management**

From time to time, The Mackenzie District Council has cashflow surpluses and borrowing requirements due to the mismatch of daily receipts and payments. All cash inflows and expenses pass through bank accounts controlled by the finance function. Cash management activities must be undertaken within the following parameters:

Cash management instruments are limited to:

- Call deposits with registered banks.
- Negotiable instruments with a maturity not more than three months at the time of inception.
- Term deposits with registered banks.

Cash may only be invested with approved counterparties as detailed below.

- If practical, a targeted minimum of \$250,000 is invested at call.
- An optimal daily range of no more than \$100,000 is targeted for in The Mackenzie District the Mackenzie District Council current account.

Interest rate risk management on cash management balances is not permitted.

## **10. Local Government Funding Agency (LGFA)**

Despite anything earlier in this Policy, the Mackenzie District Council may invest in shares and other financial instruments of the New Zealand LGFA and, may borrow to fund that investment. The Mackenzie District Council objective in making such investment will be to:

- Obtain a return on investment; and
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for The Mackenzie District Council.

Because of the dual objective, the Mackenzie District Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

If required in connection with the investment, the Mackenzie District Council may subscribe for un-called capital in the LGFA.

## **11. Clarification and Breaches**

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy.

Elected Members and employees are reminded of their obligations under the Mackenzie District Council Code of Conduct to give full effect to the lawful policies, decisions and practices of the Mackenzie District Council.

### **11.1 Clarification**

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

### **11.2 Breaches**

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture, and will be treated as misconduct which may result in disciplinary action.

### **11.3 Exceptions**

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

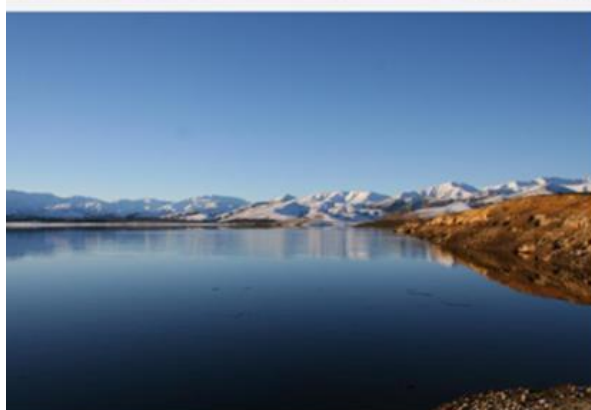
## 12. Appendix A – Authorised Investment Criteria for Financial Market Investment Activities

**Table 1: Authorised Investment Criteria for Financial Market Investment Activities**

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	<ul style="list-style-type: none"> <li>Government Stock</li> <li>Treasury Bills</li> </ul>	Not Applicable	Unlimited
Rated Local Authorities	70%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTNs/FRNs</li> </ul>	Short term S&P rating of A1 or better  Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million  \$1.0 million \$2.0 million \$3.0 million \$4.0 million
Local Authorities where rates are used as security	60%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTNs/FRNs</li> </ul>	Not Applicable	\$2.0 million  \$2.0 million
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> <li>Call/Deposits/Bank Bills/Commercial Paper</li> <li>Bonds/MTNs/FRNs</li> </ul>	Short term S&P rating of A1 or better  Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	\$10.0 million  \$1.0 million \$2.0 million \$3.0 million \$4.0 million
State Owned Enterprises	70%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTNs/FRNs</li> </ul>	Short term S&P rating of A1 or better  Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million  \$1.0 million \$2 million \$3.0 million \$4.0 million
Corporates	60%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTNs/FRNs</li> </ul>	Short term S&P rating of A1 or better  Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million  \$1.0 million \$2.0 million \$3.0 million \$4.0 million
Financials	30%	<ul style="list-style-type: none"> <li>Commercial Paper</li> <li>Bonds/MTNs/FRNs</li> </ul>	Short term S&P rating of A1 or better	\$3.0 million



			Long term S&P rating of BBB or better	\$1.0 million
			Long term S&P rating of A- or better	\$2.0 million
			Long term S&P rating of A+ or better	\$3.0 million
			Long term S&P rating of AA- or better	\$4.0 million



# Mackenzie District Council

## Policy on Development Contributions and Financial Contributions

# DRAFT

## INTRODUCTION

The Mackenzie District is experiencing significant growth in its population, visitors, development and the local economy. This growth generates high levels of subdivision and development activity increasing demand for assets and services provided by Council.

In response to this development, Council can seek contributions towards the expansion of the District's reserves, community facilities and infrastructure from those developments which place additional demand on these services. Council may levy these contributions through –

- a. Development contributions as defined by Part 8(5) of Schedule 13 of the local Government Act 2002;
- b. Financial contributions as required by the District Plan prepared in accordance with the Resource Management Act 1991.

This Policy has been prepared within the wider context of Council's overall financial management policies and is consistent with the provisions of Council's Revenue and Financing Policy, providing for financial contributions to be used as part of Council's overall approach to funding capital expenditure.

## OBJECTIVES

This policy is intended to assist the Council to achieve the following objectives:

- Enable Council to plan for and fund infrastructure and facilities that meets the anticipated growth requirements of the district;
- Enable a share of the costs Council incurs to provide infrastructure to be fairly and equitably recovered from those directly benefiting from Council infrastructure.

## ASSETS TO BE INCLUDED

- Network infrastructure for water supplies, wastewater, stormwater and transportation;
- Reserve land;
- Community infrastructure including the development and acquisition of reserve land to use as reserve and facilities needed on that reserve and other public amenities such as halls, libraries, public toilets, and parking facilities.

## DEFINITIONS

<i>Allotment:</i>	has the meaning as prescribed by section 218(2) of the Resource Management Act 1991.
<i>District Plan:</i>	the Operative Mackenzie District Plan including any proposed plan or variation.
<i>Minor Unit:</i>	a residential unit of not more than 50m <sup>2</sup> gross floor area and of not more than 4 metres in height above natural ground level.
<i>Multi-unit Residential Development:</i>	any development involving more than one residential unit per allotment and includes flats, townhouses, retirement villages, and visitor accommodation.
<i>Residential Unit:</i>	a single self-contained housekeeping unit, whether of one or more persons, and includes accessory buildings. Where more than one kitchen facility is provided on site, there shall be deemed to be more than one residential unit.
<i>Residential Unit Equivalent:</i>	calculated by dividing the total number of people that a multi-unit residential development is designed to accommodate by the deemed average occupancy of 2.6 people per household.
<i>Visitor Accommodation:</i>	the use of land and buildings for short-term, commercial living accommodation where the length of stay for any one visitor is not greater than three months at any one time.

## DEVELOPMENT CONTRIBUTIONS

The Council has chosen not to levy any development contributions under the provisions of the Local Government Act 2002.

## FINANCIAL CONTRIBUTIONS

Financial contributions are levied under the provisions of the Resource Management Act 1991 and incorporated in the relevant sections of the Mackenzie District Plan. Financial contributions are required for the provision of open space and recreation, infrastructure services, and car parking provision as set out by the District Plan and this policy.

With the exception of roading, for which no financial contributions are sought, Council has not assumed growth for the Long Term Plan period in excess of capacity within the existing facilities and services for which financial contributions are sought. Where growth may require new or additional services, such work is undertaken by developers. Council does not, therefore, seek financial contributions for capital expenditure in regard to growth. Instead, funding from financial contributions will fund the extension of asset life of each activities for which contributions are sought.



The following table lists the capital expenditure for each activity to be funded by financial contributions for the period 2021-2031:

Activity	2021-2031 Total Amount
Water	\$ 16,405,744
Sewer	\$ 11,651,636
Stormwater	\$ 3,221,655
Reserves	\$115,500

## 1. Reserves Contributions

Reserves contributions are required under the provision of Section 13 of the District Plan. These cash contributions shall be made towards the provision of land for open space in the locality, land for recreational facilities, and maintenance of recreational facilities. Full details of the contributions are contained within the District Plan.

### 1.1 Subdivision

Under provisions of the District Plan, financial contributions towards the provision of open space and recreation where any subdivision creates separately saleable, additional allotments for residential or visitor accommodation purposes, within any zoning excluding within Aoraki/Mt Cook National Park are required.

Within all zones, excluding the Rural and Rural-Residential zones, the contribution is levied at 5% of average cash value of the allotments created, calculated in accordance with the following calculation:

$$5\% \times (a-b) \times c$$

Where:

a = the number of allotments authorised by the subdivision consent and includes:

- i. Vacant allotments, including vacant parts of allotments for cross-leases and unit titles; and
- ii. Allotments created after the erection of a household unit, or where the subdivision and building consent for the household unit are issued in conjunction with one another:

b = number of allotments in the land prior to the subdivision (which were held in separate Certificates of title or for which Certificates of title could be issued without consent of the Council) that when created (either pursuant to a resource consent or previous legislation) complied with the minimum subdivision standards for their respective zones or standards contained in the Plan

c = the average per allotment market value (\$) of all allotment's in the subdivision, determined at the date on which the subdivision is granted, as if the allotments had been subdivided in accordance with the subdivision consent. The value of land for the purposes of determining the average cash value of allotments shall reflect the value of the lots in the completed development



Within the Rural and Rural-Residential zones, the financial contribution towards the provision of open space and recreation is limited to 5% of the average value of 1500m<sup>2</sup> of each lot, assessed as a site for a residential unit.

### 1.2 Residential Development

The financial contribution policy also applies to new or additional residential units with the cash contribution towards the provision and maintenance of open space and recreation being levied at the following rate:

Cash equivalent of 20m<sup>2</sup> of land for each additional residential unit created.

This contribution is levied at the time of building consent, less any contribution made at the time of subdivision in accordance with 1.1 of this policy.

No contributions are required for additional residential units for the sole purpose of providing farm workers accommodation.

*Note:* a single residential unit is deemed to include a minor residential unit as defined by the District Plan.

### 1.3 Visitor Accommodation

For visitor accommodation, the contribution is required as follows:

Cash equivalent of the value of 2m<sup>2</sup> of land for each additional 100m<sup>2</sup> of new, net area of visitor accommodation building floor area.

This contribution is levied at the time of building consent, less any contribution made at the time of subdivision in accordance with 1.1 of this policy.

## 2. Water, Sewer and Stormwater Contributions

The Council also levies financial contributions towards water, sewer and stormwater infrastructure.

A key issue from the provisions of the District Plan is the costs of infrastructure. It is recognised that development adds incrementally to demands on the infrastructure of the District. The District Plan's rules are designed to require new development to contribute a fair and reasonable sum towards the cost of that demand unless it is replacing an existing development. A fair and reasonable share of costs needs to recognise:

- That to manage and develop land (a natural resource) in an orderly and efficient way, it is appropriate to install public utility services (a physical resource) for whole catchments in anticipation of development;
- That there is a need to provide for people and communities' economic and social wellbeing by equitable sharing of costs of utility services over time;
- That works and the costs required for servicing specific areas or developments should be borne by the developers to the extent attributable to the development.

Where adequate public utilities are already in place, it is considered appropriate to enable people and communities to provide for their social and economic benefit, that all users of public utility services (eg water supply, sewerage and stormwater drainage) contribute to these services. New ratepayers otherwise “freeload” on the value and capacity of the asset provided by earlier generations and developers. In this way the Council can confidently plan its servicing to provide for the reasonably foreseeable needs of current and future generations. Financial contributions towards existing infrastructure are based on a “recognised equity” model involving contributions by developers equivalent to the equity held by existing ratepayers in the existing utility service infrastructure.

Contributions are set to ensure a reasonable degree of certainty for developers.

The formula used to calculate the contributions is  $\frac{V-L}{R}$

Where:

- V = Latest independent valuation of the water supply/sewerage system/stormwater system plus the value of any capital additions made since that time and less the value of depreciation charged since the date of the valuation.
- L = Capital reserve balance with water supply/sewerage system/stormwater system as at 1 July each year. (The reserve may be in funds or overdrawn resulting in a positive or negative balance.)
- R = Number of connectable properties (or properties for stormwater) contributing to the asset as at 1 July each year.

If subdivision or development should require the provision of additional or new services, a contribution towards the cost of this provision shall be met by the developer.

For the purposes of this requirement, ‘development’ shall mean the construction, erection or alteration of an industrial, service, commercial, recreational, community activity or visitor accommodation with a value of \$100,000, or more than one residential unit on an allotment.

The contribution towards new and future services shall be made as payment of money, provision of land, or any combination of money and land, with the maximum contribution being the actual costs of providing the service to and/or within the land in the subdivision or the site of the development.

## 2.1 Subdivision

Subdivision of land provides a framework of services for subsequent purchasers of new allotments who have an expectation that services will be available. New subdivision may also give rise to demands for the upgrading of existing services as a direct consequence of the subdivision.

The provision of services within the subdivision is cost recoverable from the sale of allotments and can be imposed on a subdivider at the time of subdivision development. Furthermore, where a subdivision creates a demand for upgrading services outside of the subdivision, the Council is justified in recovering costs attributable to the subdivision itself.

In the event of a subdivision being reticulated with water, sanitary sewage, and/or stormwater connections, financial contributions for these services will be levied at the rate of the contribution as determined in part 2, above for each allotment reticulated with the service, less any contribution paid at the time of a previous subdivision.

## 2.2 Residential Development

Financial contributions may be required for developments as well as subdivision. For this purpose a development means the construction, erection of an industrial, service, commercial, recreational community activity or visitor accommodation with a value of \$100,000 or more, or more than one residential unit or lot, excluding a single minor unit.

Financial contributions for reticulated services will be payable at the rate of one contribution for each reticulated service provided to the site, per additional residential unit.

Financial contributions will be required to be paid at the time of building consent, unless otherwise specified by condition of resource consent.

## 2.3 Visitor Accommodation

Financial contributions towards the provision of reticulated services shall be levied in accordance with the residential unit equivalent for each service, less any contribution made at the time of subdivision.

Financial contributions will be required to be paid at the time of building consent, unless otherwise specified by condition of resource consent.

## 3. Car Parking

Section 15 of the District Plan specifies the requirement for the provision of car parking spaces within all zones, excluding the Village Centre zone in Fairlie. In accordance with the provisions of the District Plan, a cash payment may be made in lieu of all or part of the parking requirement in areas where Council is anticipating the creation of public parking that would serve the area of the development.

The contribution is to be made at the rate of the cash equivalent of 25m<sup>2</sup> at the current market value of the land, per car parking space required.

## REVIEW

This policy is to be reviewed every three years and may be amended at any time prior if required.

Council is considering future use of development contributions. Council's next Policy on Development Contributions and Financial Contributions will reflect this change if inclusion of Development Contributions is deemed appropriate.

The Mackenzie District Plan is currently under review. Should provisions for financial contributions be changed by means of this review, the Policy on Development Contributions and Financial Contributions will be reviewed accordingly.

### Policy on Development Contributions and Financial Contributions

Adopted by: Finance Committee

Adopted date:

Review date: November 2024





**Mackenzie**  
DISTRICT COUNCIL

Te Kaitiaki Take Kōwhiri

# Mackenzie District Council

## Rates Remission and Postponement Policies

The Rates Remission and Postponement Policies allow for rate remissions and postponements, including on Māori Freehold Land, in terms of sections 108, 109 and 110 of the Local Government Act 2002.

## RATES REMISSION POLICY

### Policy Objectives

1. To facilitate the ongoing provision of non-commercial (non-business) community services or recreational opportunities for residents of the Mackenzie District.
2. To enable Council to remit penalties on rates where reasonable grounds exist;
3. To enable Council to act fairly and equitably with respect to rates on properties which are contiguous, in the same ownership, and used jointly as one rating unit for which services are utilised at the rate of a single rating unit.
4. To assist ratepayers who have excessive water charges due to a fault (leak) in the internal reticulation serving their rating unit whilst at the same time ensuring that consumers retain their responsibility for the maintenance of their private reticulation.
5. To assist ratepayers who experience extreme financial hardship as the result of the effects of a natural calamity on a rating unit.

### Conditions and Criteria

#### 1. Community, Sporting and Other Organisations

Council may remit a maximum of 50% of total rates levied in any one given year where an application meets all of the following criteria:

1. The land subject to the application is owned by Council or owned and occupied by a charitable organisation, which is used exclusively or principally for sporting, recreation, or community purposes.
2. The organisation is not operated for private pecuniary profit, nor does it charge commercial tuition fees.
3. It is not the primary purpose of the group or organisation to address the needs of adult members (over 18 years) for entertainment or social interaction, nor for the engagement in recreational, sporting, or community services as a secondary purpose only.

#### 2. Remission of Penalties

Council may remit penalties incurred pursuant to s.57 of the Local Government (Rating) Act where the application meets both of the following criteria:

1. An application is received from the ratepayer and there has been no previous history of late payment in the previous 2 years.
2. The ratepayer has joined a repayment plan such as easypay direct debit.

Council will backdate the policy to the start of the repayment plan where the ratepayer has a repayment plan with Council for rate arrears, they continue to make regular and static payments and have a good history of such payments for the previous three months.



### 3. Rating Units In Common Ownership

Council may remit targeted rates where an application meets the following criteria:

1. There is only one water and/or sewer connection servicing the combined rating units.

### 4. Excess Water Charges

Council may remit a maximum of 50% of the difference between the normal consumption and the actual water consumed within the period subject to the application where both of the following criteria are met:

1. A written application for the remission of water charges, signed by the owner of the rating unit, is made to Council and includes:
  - A report from a registered plumber confirming that the property has experienced a water loss as a result of a leak; or
  - Two subsequent meter readings demonstrating that the leak has been repaired.
2. The applicant has not been granted a remission of excess water charges within the previous three years.

Note: normal consumption will be calculated from the average consumption for the previous three annual meter readings for the rating unit concerned.

### 5. Natural Calamity

Council may remit wholly, or in part, any rate or charge or targeted rate made and set in respect of land or improvements, where an application meets all of the following criteria:

1. Land or improvements have been detrimentally affected by erosion, subsidence, submersion or other natural calamity, excluding drought.
2. An application for the remission of rates and charges on land or improvements affected by a natural calamity described in (1) has been received from the registered ratepayer, or their authorised agent and includes:
  - Documented evidence that the rating unit has been detrimentally affected by a natural calamity and the extent of that effect.
4. Council is satisfied that the ratepayer is unlikely to have sufficient funds left, after the payment of rates, for normal healthcare, proper provision for maintenance of his/her home and chattels to an adequate standard, as well as making provision for normal day to day living expenses.

## RATES POSTPONEMENT POLICY

### Policy Objective

1. To provide Council with discretion to postpone the payment of rates as a method of providing relief to ratepayers who are experiencing extreme financial hardship, subject to the full cost of postponement being met by the ratepayer and there being minimal risk of loss to Council.

### Conditions and Criteria

1. The Council may postpone rates on the grounds of extreme financial hardship upon being satisfied, after full inquiry, that extreme financial hardship exists or would be caused by non-postponement of the whole or part of the rates.
2. In considering the application of this policy, Council will consider the following factors:
  - Background to the ratepayer's situation, including illness and family circumstances; and
  - The likely period before the ratepayer's position could be expected to improve; and
  - The potential for the ratepayer's situation to deteriorate further; and
  - A report from a budget advisor.
3. Prior to approving an application for remission of rates under this policy, Council will require evidence that:
  - The applicant has had access to independent financial advice and understands the effects of rates postponement on their equity in the property; and
  - All joint property owners agree to rates postponement; and
  - Where there is a mortgage on the property, the mortgagee agrees to rates postponement.
4. Wherever possible, rates shall be postponed for a finite period, and a payment plan shall be set up to clear the debt within this time.
5. Other than in exceptional circumstances, rates postponement will only be considered for rating units that are used as the residence of the applicant.
6. If the postponement is for other than a residential rating unit, rates will be postponed for a finite period not exceeding 5 years.
7. Postponed rates will become payable on the earliest of the following dates:
  - a. When the ratepayer ceases to be the owner/occupier of the rating unit; or
  - b. When the ratepayer ceases to use the rating unit as his/her residence; or
  - c. At a date specified by Council at the time the application is approved; or
  - d. In the event of a change in the ratepayer's circumstances, on written notice by Council.
8. Where rates are postponed, the ratepayer will still be required to pay a minimum of \$500 towards the annual rates, in addition to any government rebate which may be available in respect of the property.

9. Rates postponement will apply from the beginning of the rating year in which the application is made although Council may consider extending the postponement to include arrears from previous years.
10. At the start of any rating year, where a rates postponement arrangement is in place, Council will send an annual statement showing:
  - a. the total amount of postponed rates outstanding; and
  - b. the interest rate charged for the year; and
  - c. accrued interest; and
  - d. any fees charged during the year.
11. Where rates are postponed, Council will require annual confirmation that the dwelling on the property has appropriate insurance cover.
12. Penalty charges (pursuant to s.57 of the Local Government (Rating) Act) will not be added to postponed rates.
13. The amount of any rates postponed, including postponement fees, where applicable will be secured by a Statutory Land Charge on the Certificate of Title of the Rating Unit.
14. Pursuant to Section 88 of the Local Government (Rating) Act, a postponement fee will be charged on the amount of rates postponed. The amount of the fee will be calculated on the outstanding daily balance applying between the date each instalment is due and the date that the rates are paid using a rate equal to the over interest rate charged by Council's bankers at the commencement of each financial year.
15. The administrative cost of setting up the postponement, including any costs of registering and releasing the postponement on the Certificate of Title, will be met by the applicant at the time the application is approved or added to the amount postponed.
16. Council will notify the Canterbury Regional Council of any postponement of rates.

## RATES REMISSION & POSTPONEMENT ON MĀORI FREEHOLD LAND POLICY

### Introduction

This policy aims to ensure the fair and equitable collection of rates from all sectors of the community recognising that certain Maori owned lands have particular conditions, features, ownership structures or other circumstances which make it appropriate to provide relief from rates.

### Definitions

Māori Freehold Land – land whose beneficial ownership has been determined by the Māori Land Court by freehold order.

### Policy Objectives

1. To recognise and support the relationship of Māori and their culture and traditions with their ancestral lands;
2. To recognise and take into account the presence of wāhi tapu sites of cultural significance or other cultural values that may affect the use of the land for other purposes;
3. To avoid further alienation of Māori Freehold Land as a result of pressures that may arise from the imposition of rates on unoccupied land;
4. To recognise and take into account the importance of land in providing economic and infrastructure support for marae and associated papakāinga housing;
5. To recognise and take into account the importance of land for community goals relating to:
  - a. The protection of outstanding natural features;
  - b. The protection of significant indigenous vegetation and significant habitat of indigenous fauna.

### Conditions and Criteria

1. Māori Freehold Land is not subject to the general rate unless such land is used for commercial purposes.
2. Targeted rates for Water, Sewer, and Solid Waste services will apply to all Māori Freehold Land for which these services are provided.

Note: There is currently no Māori Freehold Land within the Mackenzie District.

### Rates Remission and Postponement Policies

Adopted by: Finance Committee

Adopted date: 23 November 2017

Review date: November 2023

## Accounting policies

### Reporting entity

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

The principal activity of Mackenzie District Council is the provision of local authority services, including resource management, water, storm water, wastewater and roading services, hazard management, recreation and cultural services and building control to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice. The financial statements of the Council are for the periods ending 30 June 2021/31. The prospective financial statements were authorised for issue by Council on xxxx.

### Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the Long-Term Plan.

The Council and management of Mackenzie District Council are responsible for the preparation of the financial statements, including the appropriateness of the assumptions underlying the financial statements and other required disclosures.

Council, who are authorised to do so, believe the assumptions underlying the financial statements are appropriate.

### Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Standards RDR. The criteria under which Council is eligible to report in accordance with Tier 2 PBE Standards as total expenditure is below the \$30 million threshold.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for land and buildings classified as property, plant and equipment, certain infrastructure assets, investment property, some investments and forestry.

### Basis of consolidation



Consolidated financial statements are prepared adding together like items of assets, liabilities, equity, revenue, and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue, and expenses are eliminated on consolidation.

### Changes in accounting policies

Accounting policies have been changed to incorporate all necessary changes as required by the new Public Benefit Entity (PBE) Standards. No changes to recognition/measurement were required.

The current PBE Standard on financial instruments, PBE IPSAS 29 Financial Instruments: Recognition and Measurement, is based on IAS 39 Financial Instruments: Recognition and Measurement issued by the IASB (International Accounting Standards Board). That standard has since been replaced by the IASB with IFRS 9 Financial Instruments.

In early 2017 the NZASB (NZ Accounting Standards Board) issued PBE IFRS 9 Financial Instruments based on IFRS 9 to give PBEs the opportunity to adopt a PBE Standard equivalent to IFRS 9 to reduce compliance costs that may arise on consolidation of mixed groups. Now that the IPSASB (International Public Sector Accounting Standards Board) has issued a revised standard on financial instruments, IPSAS 40 Financial Instruments (based on IFRS 9), the NZASB has incorporated that standard into the PBE Standards.

PBE IPSAS 41 Financial Instruments will replace both PBE IPSAS 29 and PBE IFRS 9.

IPSAS 41 is effective from 1 July 2022. The Council has early adopted this standard from 1 July 2020. The Council has assessed the changes have minimal impact on the prospective statements.

### Summary of significant accounting policies

#### Joint Operation

A joint operation is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists when there is a binding agreement between the parties involved in the arrangement and this agreement requires the relevant activities of the arrangement to be decided by unanimous consent from all parties involved in the arrangement.

For joint arrangements, the Council recognises in its financial statements its assets, liabilities, revenue and expenses relating to its share in the arrangement.

The Council has a joint arrangement with the Timaru District Council and Waimate District Council for the Downlands Rural Water Scheme. The Downlands Rural Water Scheme is a joint operation rather than a joint venture because the three Councils jointly own their specified share of the whole scheme and have rights to the assets and obligations for the liabilities relating to the arrangement, due to the structure of the arrangement not being through a separate vehicle. Council's share in this joint arrangement equates to 4%, with Timaru District Council's share being 82% and Waimate District Council's 14%.

### Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

#### Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue
- Revenue arising from late payment penalties is recognised as revenue when rates become overdue
- Rates collected on behalf of the Environmental Canterbury Regional Council (ECan) are not recognised in the financial statements, as the Council is acting as an agent for ECan.

### New Zealand Transport Agency roading subsidies

Council receives government grants from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

### Other grants received

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

### Building and resource consent revenue

Revenue from building consents is recognised when payment of the consent is received. Revenue from fees charged for resource consent processing is recognised in proportion to the stage of completion. Work performed is invoiced monthly until completion.

### Entrance Fees

Entrance fees are fees charged to users of the Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.

### Provision of goods and services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

### Contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide the service.

### Vested or donated physical assets

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

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

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

### Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

### Landfill fees

Fees for disposing of waste are recognised as waste is disposed of by users.

### Sale of Goods and Services

Revenue from the sale of goods and services is recognised when a product is sold or service provided to the customer.

### Interest and dividends

Interest revenue is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the interest rate applicable. Interest revenue on an impaired financial asset is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

### Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if these are substantive use or return conditions and the liability released to revenue as the conditions are met. (e.g. as the funds are spent for the nominated purpose).

### Expenditure

The specific accounting policies for significant expenditure items are explained below.

### Borrowing costs

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

### Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

### Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term. Lease incentive received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

### Operating Leases as lessee

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have non cancellable term of 36 months.



Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Council by any of the leasing arrangements.

#### Contractual commitments

These are commitments for which a formal contract has been entered into at balance date. These commitments are based on the legal commitment outstanding under contracts. They do not take in account any additional work required due to emergency events or any adjustments to costs based on inflation.

#### Income tax

Income tax expense includes components relating to both current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

#### Balance Sheet

##### Equity & Reserves

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Operating reserves;
- Capital reserves;
- Asset revaluation reserves;
- Other reserves & special funds reserves; and
- Accumulated general funds.

##### Operating reserves

Operating reserves consist of surpluses earned over time, and funds set aside for special purposes. These reserves represent funds available for the use in trading and operation of Council for special purposes. All special purpose funds and assets are separately accounted for and balanced with the cash resources retained by Council for special purposes.

##### Capital reserves

Pursuant to the policy for funding of capital expenditure adopted by the Council as part of the Long-Term Plan, a Capital Reserve has been created for all activities of Council that involve assets. The movements within the capital reserves involve all capital revenue received for the activity and any capital expenditure incurred within that activity. The capital revenue

includes depreciation funded from rates, financial contributions, upgrade contributions and grants. Depending on the movements in the capital reserve, the balance can be in funds or in deficit. An interest component is applied to the capital reserve depending on whether the reserve is in funds or deficit.

### Asset revaluation reserves

This reserve comprises the cumulative net change in the fair value through other comprehensive revenue and expenditure of certain classes of Property, Plant and Equipment and Equity instruments such as shares and bonds held.

### Other Reserves & Special Funds Reserves

#### Other reserves

Other reserves consist of funds which have been received over time by the Council, usually by way of a donation or bequest, the terms of which restrict the use of funds. Each amount has been set up as a trust fund to maintain a degree of independence from general Council funds. All such funds are separately accounted for and are not available for any other purpose.

#### Restricted reserves

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

#### Council-created reserves

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

#### Accumulated General Funds

Accumulated General Funds consist of all other equity transactions not classified as operating reserves, capital reserves, asset revaluation reserves, other reserves or special reserves.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### Trade and Other Receivables

Trade and other receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Council and group apply the simplified ECL model of recognising lifetime ECL for receivables. In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are "written-off":

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



Other receivables are written-off when there is no reasonable expectation of recovery.

### Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

### Financial assets/financial liabilities

The Council shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the Council becomes party to the contractual provisions of the instrument.

At initial recognition, the Council shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Assets are classified as either: (1) Amortised Cost, (2) Fair value through profit or loss, or (3) Fair Value through other comprehensive income.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive revenue or expense if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortised cost or at fair value through other comprehensive revenue and expense. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through surplus or deficit to present subsequent changes in fair value in other comprehensive revenue and expense.

#### *Subsequent measurement of financial assets at amortised cost*

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

#### *Subsequent measurement of financial assets at FVTOCRE*

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

#### *Expected credit loss allowance (ECL)*

The Council and group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measure at the present value of cash shortfalls, which is the difference between the cash flows due to Council and group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

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

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

Financial Liabilities are classified as either: (1) Amortised Cost, (2) Fair value through profit or loss.

Financial liabilities are generally classified and measured at amortised cost, unless they meet the criteria for classification at fair value through profit or loss.

A financial liability is classified as a financial liability at fair value through profit or loss if it meets one of the following conditions:

- It is held for trading, or
- It is designated by the entity as at fair value through profit or loss (note that such a designation is only permitted if specified conditions are met).

A financial liability is held for trading if it meets one of the following conditions:

- It is incurred principally for the purpose of repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

## Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

Commercial: measured at the lower of cost and net realisable value.

Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

### Plantation Forestry

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit. Forestry maintenance costs are recognised in the surplus or deficit when incurred.

### Property, plant and equipment

#### Operational assets

Operational assets are tangible assets that are able to be dealt with as part of the operating strategy. These include operational land, buildings and improvements, furniture and fittings, plant and equipment, computer hardware, motor vehicles, office equipment, resource recovery parks and heritage assets.

#### Restricted assets

Restricted assets are parks and reserves owned by Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. They include reserves vested under the Reserves Act, and endowments and other property held in trust for specific purposes.

#### Infrastructure assets

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

#### Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with Council. Council does not recognise land under unformed paper roads in the financial statements because there is little or no service potential from the majority of these paper roads. Valuing these assets is also difficult. It is difficult to measure the service benefit to the public from having access to these routes. There is also limited market data detailing recent sales of such small individual areas arguably due to the high cost of disposal.

#### Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.



In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

#### Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

#### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

### Revaluations

The carrying values of revalued items are assessed annually to ensure that their carrying amount does not differ materially from fair value and at least every three years. If there is a material difference, then the off-cycle asset classes are revalued. Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

### Depreciation

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

## INTANGIBLES

### Software acquisition and development

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs that are directly attributable with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

### Easements

Easements are not cash generating in nature, instead they give Council the right to access private property where infrastructural assets are located. Council has not valued and recognised easements as an intangible asset under PBE IPSAS 31 Intangible Assets. The work required identifying and developing a central register to record easements and paper roads would be considerable and difficult to ensure that it was comprehensive and complete. Council is also concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature, and having no active market for this particular asset type. There is also no recognised valuation methodology. For these reasons, Council has opted not to recognise easements as an intangible asset because they cannot be quantified and the value of the easements cannot be measured reliably.

### Carbon Credits

Purchased Carbon credits are recognised at cost on acquisition. Acquired Carbon Credits from the Crown are recognized at fair value on receipt. In the absence of an Active Market Carbon Credits are brought in at their cost to the Council. Carbon Credits are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

### Impairment

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

### Employee Entitlements

#### Short Term Employee Entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

#### Long Term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis.

The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement; and contractual entitlement information ; and
- The present value of estimated future cash flows.

#### Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability, Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

### Provisions

A provision is recognised for future expenditure of uncertain amount or timing when: • there is a present obligation (either legal or constructive) as a result of a past event; • it is probable that an outflow of future economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

### Payables and deferred revenue

Short-term payables are recorded at the amount payable.

### Budget Figures

The budget figures are those approved by the Council in its Long Term Plan 2021-31. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.



### Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future.

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

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

- Estimating the fair value of land, buildings, and infrastructural assets – see Note 18: Property, plant and equipment.
- Estimating the retirement obligation – see Note 21: Employee entitlements.
- Estimating the landfill aftercare provision – see Note 22: Provisions.

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Classification of property – see Note 18: Property, plant and equipment.
- Accounting for suspensory loan from Housing New Zealand - see Note 4: Revenue.
- Accounting for donated or vested land and buildings with use or return conditions - see Note 4: Revenue.

Prospective Statement of Comprehensive Revenue and Expense											
		13.9%	17.4%	10.4%	8.4%	8.0%	5.1%	3.6%	2.9%	5.7%	0.7%
	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
<b>Revenue</b>		40.4%	54.4%	57.1%	54.0%	59.1%	59.0%	58.6%	57.5%	59.2%	60.1%
Rates	10,829	12,334	14,477	15,977	17,324	18,714	19,664	20,372	20,964	22,164	22,317
Fees, charges and metered rates for water supply	-	1,945	2,053	2,168	2,278	2,383	2,495	2,615	2,742	2,876	3,019
Subsidies and grants	3,523	8,704	3,005	2,517	3,049	3,127	3,197	3,525	3,932	3,761	3,883
Finance revenue	940	315	324	328	416	420	424	513	516	520	524
Other Revenue	4,477	2,683	1,625	1,608	1,582	1,422	1,579	1,571	1,681	1,218	1,246
Development and Financial Contributions	1,507	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Vested Assets	1,274	2,881	2,979	3,060	3,144	2,125	2,185	2,253	2,326	2,402	2,105
Other gains / (losses)	-	-	30	28	27	27	27	27	27	27	27
<b>Total operating revenue</b>	<b>22,550</b>	<b>30,546</b>	<b>26,621</b>	<b>27,979</b>	<b>32,055</b>	<b>31,680</b>	<b>33,331</b>	<b>34,746</b>	<b>36,477</b>	<b>37,419</b>	<b>37,128</b>
<b>Expenditure</b>											
Personnel costs	5,309	5,060	5,396	5,475	5,649	5,717	5,781	5,845	5,911	5,988	6,067
Other expenses	11,203	15,373	13,002	13,452	13,295	13,664	14,390	14,502	15,207	16,048	16,104
Finance costs	151	54	290	372	456	563	627	653	540	408	257
Depreciation and amortisation expense	4,438	4,439	4,914	5,076	5,093	5,567	5,734	5,777	6,254	6,322	6,360
<b>Total operating expenditure</b>	<b>21,101</b>	<b>24,926</b>	<b>23,602</b>	<b>24,375</b>	<b>24,493</b>	<b>25,511</b>	<b>26,532</b>	<b>26,777</b>	<b>27,912</b>	<b>28,766</b>	<b>28,788</b>
<b>Operating surplus (deficit) before tax</b>	<b>1,449</b>	<b>5,620</b>	<b>3,019</b>	<b>3,604</b>	<b>7,562</b>	<b>6,169</b>	<b>6,799</b>	<b>7,969</b>	<b>8,565</b>	<b>8,653</b>	<b>8,340</b>
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
<b>Operating surplus (deficit) after tax</b>	<b>1,449</b>	<b>5,620</b>	<b>3,019</b>	<b>3,604</b>	<b>7,562</b>	<b>6,169</b>	<b>6,799</b>	<b>7,969</b>	<b>8,565</b>	<b>8,653</b>	<b>8,340</b>
<b>Other comprehensive revenue and expense</b>											
<i>Items that could be reclassified to surplus(deficit)</i>											
Financial assets at fair value through other comprehensive revenue and expense	-	427	423	439	456	474	492	512	532	552	574
Gain on revaluation of property, plant and equipment	519	12,538	95	-	21,143	193	-	25,099	205	-	29,468
<b>Total other comprehensive revenue and expense</b>	<b>519</b>	<b>12,965</b>	<b>518</b>	<b>439</b>	<b>21,599</b>	<b>667</b>	<b>492</b>	<b>25,611</b>	<b>737</b>	<b>552</b>	<b>30,042</b>
<b>Total comprehensive revenue and expense</b>	<b>1,968</b>	<b>18,585</b>	<b>3,537</b>	<b>4,043</b>	<b>29,161</b>	<b>6,836</b>	<b>7,291</b>	<b>33,580</b>	<b>9,302</b>	<b>9,205</b>	<b>38,382</b>

### Prospective Statement of Changes in Equity

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Equity balance at 1 July	258,980	295,605	314,191	317,729	321,774	350,934	357,772	365,061	398,641	407,942	417,146
Comprehensive income for year	1,968	18,585	3,537	4,043	29,161	6,836	7,291	33,580	9,302	9,205	38,382
<b>Equity Balance 30 June</b>	<b>260,948</b>	<b>314,190</b>	<b>317,728</b>	<b>321,772</b>	<b>350,935</b>	<b>357,770</b>	<b>365,063</b>	<b>398,641</b>	<b>407,943</b>	<b>417,147</b>	<b>455,528</b>
<b>Components of Equity</b>											
Retained Earnings at 1 July	122,841	114,751	124,400	127,024	128,861	138,696	142,928	146,849	151,803	156,758	160,383
Transfers to/(from) Retained Earnings	-	4,029	(397)	(1,768)	2,272	(1,937)	(2,879)	(3,014)	(3,610)	(5,027)	(4,551)
Net Surplus/(Deficit)	1,449	5,620	3,019	3,604	7,562	6,169	6,799	7,969	8,565	8,653	8,340
<b>Retained earnings 30 June</b>	<b>124,290</b>	<b>124,400</b>	<b>127,024</b>	<b>128,861</b>	<b>138,696</b>	<b>142,928</b>	<b>146,849</b>	<b>151,803</b>	<b>156,758</b>	<b>160,383</b>	<b>164,171</b>
Asset Revaluation Reserves at 1 July	123,568	150,405	163,370	163,887	164,326	185,926	186,592	187,085	212,695	213,432	213,984
Revaluation Gains	519	12,965	518	439	21,599	667	492	25,611	737	552	30,042
<b>Revaluation Reserves 30 June</b>	<b>124,087</b>	<b>163,370</b>	<b>163,887</b>	<b>164,326</b>	<b>185,926</b>	<b>186,592</b>	<b>187,085</b>	<b>212,695</b>	<b>213,432</b>	<b>213,984</b>	<b>244,026</b>
Special Funded Reserves at 1 July	9,372	10,060	8,810	8,554	8,554	8,554	8,554	8,554	8,554	8,554	8,554
Transfers to / (from) reserves	-	(1,250)	(256)	-	-	-	-	-	-	-	-
<b>Council created Reserves 30 June</b>	<b>9,372</b>	<b>8,810</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>	<b>8,554</b>
Activity Reserves at 1 July	3,199	20,389	17,610	18,263	20,031	17,759	19,696	22,575	25,589	29,199	34,226
Transfers to / (from) reserves	-	(2,779)	653	1,768	(2,272)	1,937	2,879	3,014	3,610	5,027	4,551
<b>Council created Reserves 30 June</b>	<b>3,199</b>	<b>17,610</b>	<b>18,263</b>	<b>20,031</b>	<b>17,759</b>	<b>19,696</b>	<b>22,575</b>	<b>25,589</b>	<b>29,199</b>	<b>34,226</b>	<b>38,777</b>
<b>Equity at 30 June</b>	<b>260,948</b>	<b>314,190</b>	<b>317,728</b>	<b>321,772</b>	<b>350,935</b>	<b>357,770</b>	<b>365,063</b>	<b>398,641</b>	<b>407,943</b>	<b>417,147</b>	<b>455,528</b>

## Prospective Statement of Financial Position

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and cash equivalents	7,249	11,851	11,826	11,802	11,779	11,755	11,731	11,706	11,681	11,655	11,629
Receivables	2,670	3,884	3,980	4,071	4,160	4,251	4,344	4,439	4,537	4,636	4,737
Prepayments	-	95	95	95	95	95	95	95	95	95	95
Inventories	2,282	66	66	66	66	66	66	66	66	66	66
Short Term Investments	1,526	9,943	9,943	9,943	9,943	9,943	9,943	9,943	9,943	9,943	9,943
<b>Total Current Assets</b>	<b>13,727</b>	<b>25,839</b>	<b>25,910</b>	<b>25,977</b>	<b>26,043</b>	<b>26,110</b>	<b>26,179</b>	<b>26,249</b>	<b>26,322</b>	<b>26,395</b>	<b>26,470</b>
<b>Non-Current Assets</b>											
Plant, property and equipment	242,449	284,002	293,585	296,843	330,826	342,677	345,666	374,172	377,696	379,976	411,652
Intangible assets	-	784	784	784	784	784	784	784	784	784	784
Forestry	6,557	8,062	8,083	8,101	8,119	8,137	8,155	8,173	8,191	8,209	8,227
Investment Property	-	4,073	4,083	4,093	4,102	4,111	4,120	4,129	4,138	4,147	4,156
Inventory term	-	468	468	468	468	468	468	468	468	468	468
Investment in CCOs and other similar entities	-	91	83	74	66	57	48	39	30	20	10
Other financial assets	12,349	10,834	11,256	11,695	12,151	12,625	13,117	13,629	14,160	14,713	15,287
<b>Total Non-Current Assets</b>	<b>261,355</b>	<b>308,314</b>	<b>318,342</b>	<b>322,058</b>	<b>356,516</b>	<b>368,859</b>	<b>372,358</b>	<b>401,394</b>	<b>405,467</b>	<b>408,317</b>	<b>440,584</b>
<b>TOTAL ASSETS</b>	<b>275,082</b>	<b>334,153</b>	<b>344,252</b>	<b>348,035</b>	<b>382,559</b>	<b>394,969</b>	<b>398,537</b>	<b>427,643</b>	<b>431,789</b>	<b>434,712</b>	<b>467,054</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	3,231	3,799	3,869	3,937	4,002	4,070	4,138	4,210	4,281	4,356	4,431
Employee benefit liabilities	329	289	289	289	289	289	289	289	289	289	289
Provisions	-	54	54	54	54	54	54	54	54	54	54
Borrowings	-	2,709	2,700	2,713	2,730	3,793	4,544	5,227	6,355	6,114	2,700
<b>Total Current Liabilities</b>	<b>3,560</b>	<b>6,851</b>	<b>6,912</b>	<b>6,993</b>	<b>7,075</b>	<b>8,206</b>	<b>9,025</b>	<b>9,780</b>	<b>10,979</b>	<b>10,813</b>	<b>7,474</b>
<b>Non-Current Liabilities</b>											
Provisions	52	-	-	-	-	-	-	-	-	-	-
Employee benefit liabilities	22	-	-	-	-	-	-	-	-	-	-
Borrowings	10,500	13,112	19,612	19,270	24,549	28,993	24,449	19,222	12,867	6,752	4,052
<b>Total Non-Current Liabilities</b>	<b>10,574</b>	<b>13,112</b>	<b>19,612</b>	<b>19,270</b>	<b>24,549</b>	<b>28,993</b>	<b>24,449</b>	<b>19,222</b>	<b>12,867</b>	<b>6,752</b>	<b>4,052</b>
<b>TOTAL LIABILITIES</b>	<b>14,134</b>	<b>19,963</b>	<b>26,524</b>	<b>26,263</b>	<b>31,624</b>	<b>37,199</b>	<b>33,474</b>	<b>29,002</b>	<b>23,846</b>	<b>17,565</b>	<b>11,526</b>
<b>NET ASSETS</b>	<b>260,948</b>	<b>314,190</b>	<b>317,728</b>	<b>321,772</b>	<b>350,935</b>	<b>357,770</b>	<b>365,063</b>	<b>398,641</b>	<b>407,943</b>	<b>417,147</b>	<b>455,528</b>
<b>EQUITY</b>											
Retained Earnings	124,290	124,400	127,024	128,861	138,696	142,928	146,849	151,803	156,758	160,383	164,171
Asset Revaluation Reserves	124,087	163,370	163,887	164,326	185,926	186,592	187,085	212,695	213,432	213,984	244,026
Special funds	9,372	8,810	8,554	8,554	8,554	8,554	8,554	8,554	8,554	8,554	8,554
Activity reserves	3,199	17,610	18,263	20,031	17,759	19,696	22,575	25,589	29,199	34,226	38,777
<b>TOTAL EQUITY</b>	<b>260,948</b>	<b>314,190</b>	<b>317,728</b>	<b>321,772</b>	<b>350,935</b>	<b>357,770</b>	<b>365,063</b>	<b>398,641</b>	<b>407,943</b>	<b>417,147</b>	<b>455,528</b>

Forecast Funding Impact Statement											
	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
<b>Sources of Operating Funding</b>											
General rates, uniform annual general charge, rates penalties	4,900	5,965	6,837	7,560	7,987	8,272	8,467	8,601	8,476	9,123	9,132
Targeted rates	6,089	6,370	7,641	8,417	9,337	10,443	11,198	11,771	12,487	13,041	13,185
Subsidies and grants for operating purposes	1,993	3,969	1,272	1,324	1,359	1,394	1,431	1,468	1,751	1,546	1,586
Fees and charges	-	1,945	2,053	2,168	2,278	2,383	2,495	2,615	2,742	2,876	3,019
Interest and dividends from investments	940	315	324	328	416	420	424	513	516	520	524
Local authorities fuel tax, fines, infringement fees, and other receipts	4,317	2,683	1,625	1,608	1,582	1,422	1,579	1,571	1,681	1,218	1,246
<b>Total Operating Funding (A)</b>	<b>18,239</b>	<b>21,247</b>	<b>19,752</b>	<b>21,405</b>	<b>22,959</b>	<b>24,334</b>	<b>25,594</b>	<b>26,539</b>	<b>27,653</b>	<b>28,324</b>	<b>28,692</b>
<b>Applications of Operating Funding</b>											
Payments to staff and suppliers	16,512	20,266	18,399	18,925	18,944	19,383	20,173	20,347	21,117	22,038	22,173
Finance costs	151	54	290	372	456	563	627	653	540	408	257
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>16,663</b>	<b>20,320</b>	<b>18,689</b>	<b>19,297</b>	<b>19,400</b>	<b>19,946</b>	<b>20,800</b>	<b>21,000</b>	<b>21,657</b>	<b>22,446</b>	<b>22,430</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,576</b>	<b>927</b>	<b>1,063</b>	<b>2,108</b>	<b>3,559</b>	<b>4,388</b>	<b>4,794</b>	<b>5,539</b>	<b>5,996</b>	<b>5,878</b>	<b>6,262</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	1,530	4,735	1,733	1,193	1,690	1,733	1,767	2,057	2,180	2,216	2,297
Development and financial contributions	-	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Increase (decrease) in debt	10,500	15,819	6,491	(328)	5,296	5,507	(3,793)	(4,544)	(5,227)	(6,355)	(6,114)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	1,507	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>13,537</b>	<b>22,238</b>	<b>10,352</b>	<b>3,158</b>	<b>11,221</b>	<b>10,702</b>	<b>1,734</b>	<b>1,383</b>	<b>1,242</b>	<b>312</b>	<b>190</b>
<b>Applications of capital funding</b>											
Capital expenditure	-	1,477	542	822	8,197	8,434	18	19	19	20	30
- to meet additional demand	-	1,477	542	822	8,197	8,434	18	19	19	20	30
- to improve the level of service	10,846	14,753	8,058	1,427	3,064	3,093	3,112	3,617	3,711	2,581	2,705
- to replace existing assets	3,421	6,810	2,823	3,025	3,528	3,572	3,407	3,295	3,517	3,599	3,727
Increase (decrease) in reserves	846	-	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments	-	125	(8)	(8)	(9)	(9)	(9)	(9)	(9)	(10)	(10)
<b>Total applications of capital funding (D)</b>	<b>15,113</b>	<b>23,165</b>	<b>11,415</b>	<b>5,266</b>	<b>14,780</b>	<b>15,090</b>	<b>6,528</b>	<b>6,922</b>	<b>7,238</b>	<b>6,190</b>	<b>6,452</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,576)</b>	<b>(927)</b>	<b>(1,063)</b>	<b>(2,108)</b>	<b>(3,559)</b>	<b>(4,388)</b>	<b>(4,794)</b>	<b>(5,539)</b>	<b>(5,996)</b>	<b>(5,878)</b>	<b>(6,262)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Forecast Cash Flow Statement

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
<b>Cash flows from operating activities</b>											
Receipts from rates revenue	10,829	12,334	14,381	15,886	17,235	18,623	19,571	20,277	20,866	22,064	22,216
Subsidies and grants received	3,523	8,704	3,005	2,517	3,049	3,127	3,197	3,525	3,932	3,761	3,883
Receipts from other revenue	5,984	4,628	3,678	3,776	3,860	3,805	4,074	4,186	4,423	4,094	4,265
Interest received	940	315	324	328	416	420	424	513	516	520	524
Financial and development contributions received	-	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Payments to suppliers and employees	(16,160)	(20,265)	(18,327)	(18,858)	(18,878)	(19,315)	(20,101)	(20,277)	(21,047)	(21,963)	(22,098)
Interest paid	(151)	(54)	(290)	(372)	(456)	(563)	(627)	(653)	(540)	(408)	(257)
<b>Net Cashflow from Operating Activity</b>	<b>4,965</b>	<b>7,346</b>	<b>4,899</b>	<b>5,570</b>	<b>9,461</b>	<b>9,559</b>	<b>10,298</b>	<b>11,441</b>	<b>12,439</b>	<b>12,519</b>	<b>12,540</b>
<b>Cash flow from investing activities</b>											
Receipts from sale of investments	-	10,488	9,951	9,951	9,952	9,952	9,952	9,952	9,952	9,953	9,953
Receipts from sale of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Purchase of investments	-	(10,480)	(9,943)	(9,943)	(9,943)	(9,943)	(9,943)	(9,943)	(9,943)	(9,943)	(9,943)
Purchase of property, plant and equipment	(15,541)	(23,040)	(11,423)	(5,274)	(14,789)	(15,099)	(6,538)	(6,931)	(7,247)	(6,200)	(6,463)
<b>Net Cashflow from Investing Activity</b>	<b>(15,541)</b>	<b>(23,032)</b>	<b>(11,415)</b>	<b>(5,266)</b>	<b>(14,780)</b>	<b>(15,090)</b>	<b>(6,529)</b>	<b>(6,922)</b>	<b>(7,238)</b>	<b>(6,190)</b>	<b>(6,453)</b>
<b>Cash flow from financing activities</b>											
Proceeds from borrowings	10,500	15,819	9,200	2,372	8,009	8,237	-	-	-	-	-
Repayment of borrowings	-	-	(2,709)	(2,700)	(2,713)	(2,730)	(3,793)	(4,544)	(5,227)	(6,355)	(6,114)
<b>Net Cashflow from Financing Activity</b>	<b>10,500</b>	<b>15,819</b>	<b>6,491</b>	<b>(328)</b>	<b>5,296</b>	<b>5,507</b>	<b>(3,793)</b>	<b>(4,544)</b>	<b>(5,227)</b>	<b>(6,355)</b>	<b>(6,114)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(76)</b>	<b>133</b>	<b>(25)</b>	<b>(24)</b>	<b>(23)</b>	<b>(24)</b>	<b>(24)</b>	<b>(25)</b>	<b>(26)</b>	<b>(26)</b>	<b>(27)</b>
Add Opening Cash brought forward	7,325	11,718	11,851	11,826	11,802	11,779	11,755	11,731	11,707	11,681	11,656
<b>Closing Cash Balance</b>	<b>7,249</b>	<b>11,851</b>	<b>11,826</b>	<b>11,802</b>	<b>11,779</b>	<b>11,755</b>	<b>11,731</b>	<b>11,706</b>	<b>11,681</b>	<b>11,655</b>	<b>11,629</b>
<b>Closing Balance made up of Cash and Cash Equivalents</b>	<b>7,249</b>	<b>11,851</b>	<b>11,826</b>	<b>11,802</b>	<b>11,779</b>	<b>11,755</b>	<b>11,731</b>	<b>11,706</b>	<b>11,681</b>	<b>11,655</b>	<b>11,629</b>

RECONCILIATION FIS to Comprehensive Income											
	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Surplus (deficit) of operating funding	1,576	927	1,063	2,108	3,559	4,388	4,794	5,539	5,996	5,878	6,262
Add / (deduct)											
Subsidies and grants for capital	1,530	4,735	1,733	1,193	1,690	1,733	1,767	2,057	2,180	2,216	2,297
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	1,507	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Vested assets	1,274	2,881	2,979	3,060	3,144	2,125	2,185	2,253	2,326	2,402	2,105
Other Gains & losses	-	-	30	28	27	27	27	27	27	27	27
Cost of Good Sold and rounding	-	(168)	-	(2)	-	1	-	-	1	1	2
Landfill Post Closure											
Movement in Rates balance											
Depreciation expense	(4,438)	(4,439)	(4,914)	(5,076)	(5,093)	(5,567)	(5,734)	(5,777)	(6,254)	(6,322)	(6,360)
Surplus / (deficit) Statement of comprehensive Income	1,449	5,620	3,019	3,604	7,562	6,169	6,799	7,969	8,565	8,653	8,340