



WEAVING THE  
FUTURE, TOGETHER  
**KOTAHITANGA**  
ŌTOROHANGA DISTRICT COUNCIL

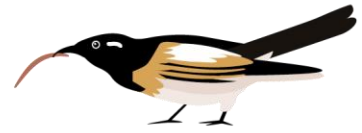
LONG TERM PLAN 2024 - 2034  
**VOLUME TWO**

ŌTOROHANGA DISTRICT COUNCIL

JUNE 2025



Te Kaunihera ā-Rohe o  
**Ōtorohanga**  
District Council  
Where kiwi can fly



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WEAVING THE  
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# POLICIES



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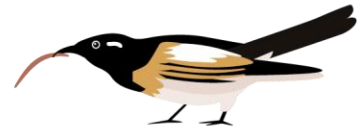
WEAVING THE  
FUTURE, TOGETHER  
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# FINANCIAL POLICIES

- FINANCIAL STRATEGY
- REVENUE AND FINANCING POLICY
- TREASURY MANAGEMENT POLICY



Te Kaunihera ā-Rohie o  
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# FINANCIAL STRATEGY 2024 - 2034

## OUR APPROACH

The community outcomes for people, place and partnerships overlaid with the themes of sustainability, resilience and transformation have informed and guided our approach to this Financial Strategy. Our intention is to position ourselves well into the future by continuing to:

- Respond to our growing population
- Renew our assets when they wear out
- Adapt to climate change
- Improve our drinking water, wastewater and stormwater infrastructure.

By continuing down the pathway of the work we started in 2021, we believe that by 2034 the community will see substantive district wide benefits. The concept plans for our urban and rural areas will be helping us to focus our investment on items identified by residents, and our continued investment in our Three Waters infrastructure will enable us to provide high quality services to our communities. Furthermore, our debt will be well controlled and serviceable based on our income streams and interest payments kept at manageable levels.

Over the past 10 years we have been fortunate in being able to maintain low rate increases with low average rates per property figure. Unfortunately, in the medium to long term this approach is no longer sustainable. Like most councils around the country, escalations in the cost of delivering services are driving significant rate increases. In order to continue to maintain and invest in the district, our annual rate cap needs to increase to between 5.9% to 10.9%.

### ABOUT US

#### DISPERSED POPULATION IN A LONG, NARROW DISTRICT

Narrow in a north/south direction and long from east to west, the shape and size of our district affects how we go about our work. With two main settlements - Ōtorohanga and Kāwhia/Aotea - there is some duplication of services requiring different funding methods based on the size of the areas concerned. We have a small rating base to fund the significant amount of infrastructure required to service the district. As a result, the cost per household is higher than for larger, more concentrated areas like Hamilton City.

#### MODERATE RATES INCREASES OVER RECENT YEARS

Over the last 10 years, we have been able to keep rate increases at a moderate level, with an average increase across the district of 3.19%. Our average rates per residential property are among some of the lowest in the country.

#### LOW DEBT

As well as keeping rate increases in check, we have also been able to reduce our borrowings down to nil over the 10 years, which has led to savings in interest costs.

#### MODESTLY GROWING POPULATION

Since 2013, the District has experienced population growth from census to census. The current estimated population, as at 30 June 2023, is 10,900.

### FINANCIAL GOALS

Our financial strategy has three interconnected goals:

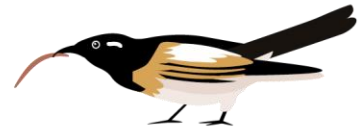
- Deliver value for residents, both current and future
- Use debt as a tool for intergenerational equity while retaining borrowing headroom
- Be good custodians of community assets

#### DELIVER VALUE FOR RESIDENTS

It's our intention to invest sufficiently to maintain the assets and services in our communities, while also investing in the things that will make the most positive difference to the wellbeing of residents and the







## FINANCIAL STRATEGY 2024 - 2034

district. To achieve this, we will:

- Strive to provide the best value to our residents for the money we invest on their behalf
- Invest in our assets and infrastructure while maintaining rates affordability.

Rates affordability is important to many ratepayers, particularly those on lower fixed incomes. We want to maintain the affordability of rates over time so it is important that we consider affordability for both current and future ratepayers. Decisions made now could potentially affect rates affordability in the future. By not investing in infrastructure and services today we could potentially pass financial burdens onto future generations. Through using debt, as discussed in the next section, we can ensure that both current and future generations pay their fair share.

As well as this Financial Strategy, we also prepare an Infrastructure Strategy which identifies the key issues related to providing infrastructure, and the options and plans to address those issues for the next 30 years. Infrastructure expenditure is a significant part of our spending, being 61% of operating expenditure and 90% of capital expenditure over the next 10 years. Operating infrastructure expenditure can include things such as:

- Asset maintenance
- Activity operations, such as electricity, treatment chemicals and cleaning
- Depreciation
- Interest on loans

Infrastructure capital expenditure could include things like:

- Resealing roads
- Replacing old pipes
- Replacing pumps
- Metalling unsealed roads

This strategy and the Infrastructure Strategy are linked closely to ensure the balance between providing the levels of service for infrastructure within the agreed financial limits. The limits can influence how we develop and manage new and existing assets.

Over the next 10 years, forecast rates income increase is projected to be at, or near, our rates increase limits. We have worked hard to plan a programme of investment that addresses the key infrastructure issues and makes an impact on the wellbeing of residents, while remaining within the financial caps.

### USE DEBT AS A TOOL FOR INTERGENERATIONAL EQUITY WHILE RETAINING BORROWING HEADROOM

We use debt to spread the cost of assets across all those who benefit from these assets, both current and future generations. Using debt in this way ensures that all those who benefit pay a fair share toward the cost of these assets. Taking on a level of debt that can be serviced from reliable revenue sources without compromising service delivery is an acceptable and positive way of operating.

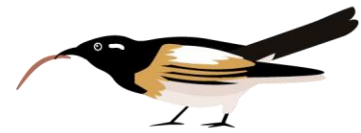
The use of debt exposes us to the impacts of interest rate movements and refinancing risks. With high debt levels, the impact of these movements can have a significant impact on debt servicing costs. In considering the use of debt, we are mindful of the impact that increases in future interest rates would have on rates.

We are proposing to set our debt limit at the same limit required by the Local Government Funding Agency (LGFA) but maintain a significant portion of this limit as headroom that can be borrowed in the event of any emergency events. We are focussed on ensuring that debt is a useful tool but is kept at a manageable and prudent level.

### BE GOOD CUSTODIANS OF COMMUNITY ASSETS

Tasked with custody of community assets that have been built, gifted or created over many years, our job is to ensure they are maintained now and into the future for the use and enjoyment of future generations.





## FINANCIAL STRATEGY 2024 - 2034

### PRINCIPLES

The following principles have been applied in this Financial Strategy:

- Keep the medium to long term focus in mind (medium 5-10 years, long term 10 years plus)
- Make the most of the opportunities for Government funding, subsidies and other incentives to advance community outcomes
- Understand the trade-offs and benefits across all the wellbeings (social, environmental, economic and cultural)
- Continue to meet obligations related to fiscal prudence, financial sustainability and environmental sustainability
- Right size the council staffing and operational expenditure to provide our services in the most efficient method.

The impacts of the Covid-19 pandemic, global supply chain issues and higher inflation have been factors that have put pressure on us to continue to provide existing levels of service and maintain the historically moderate rates increases of the past. This has meant that we have had to consider the possibility of reducing levels of service to keep rates increases moderate. However, in considering this alongside the current and future wellbeing, we have decided that maintaining existing levels of service and continuing to investment in assets and infrastructure is the better option.

To help us achieve these investments in assets and maintain the existing levels of service, we have decided to increase our financial limits for this long-term plan.

### LIMITS ON RATES AND DEBT

#### RATES INCREASE LIMIT

We are proposing that the rates revenue increase cap will be set at the following levels:

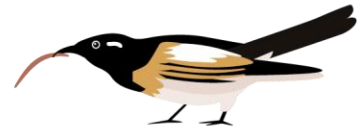
| Year           | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| LGCI as a %    | 2.9%    | 2.2%    | 2.3%    | 2.3%    | 2.2%    | 2.1%    | 2.0%    | 2.0%    | 1.9%    | 1.9%    |
| Adjustor       | 8.0%    | 8.0%    | 6.0%    | 5.0%    | 4.0%    | 4.0%    | 4.0%    | 4.0%    | 4.0%    | 4.0%    |
| Increase Limit | 10.9%   | 10.2%   | 8.3%    | 7.3%    | 6.2%    | 6.1%    | 6.0%    | 6.0%    | 5.9%    | 5.9%    |

Local Government Cost Index (LGCI) is a measure of inflation based on costs specific to Local Government. This is different from the Consumer Price Index (CPI) which is based on consumer products. The adjustor represents the level above the projected LGCI that Council is setting the rates increase limit.

While rates are the principal source of funding for our activities, we do attempt to maximise funding from Government funding sources. In addition, where the user of a service can be easily identified and charged, we will generally set fees and charges to cover the costs of providing that service.

We are projecting in our long term plan to have balanced budgets from year 2026/27 onwards. In 2024/25 and 2025/26, we have elected to not fully fund depreciation on the following assets:

| Asset  | Location           | Depreciation Funded |         |
|--|--------------------|---------------------|---------|
|  |                    | 2024/25             | 2025/26 |
| Water, Wastewater and Stormwater   | Ōtorohanga, Kāwhia | 50%                 | 75%     |
| Parks and Reserves properties including buildings on reserve land and Kāwhia Wharf | District Wide      | 50%                 | 75%     |

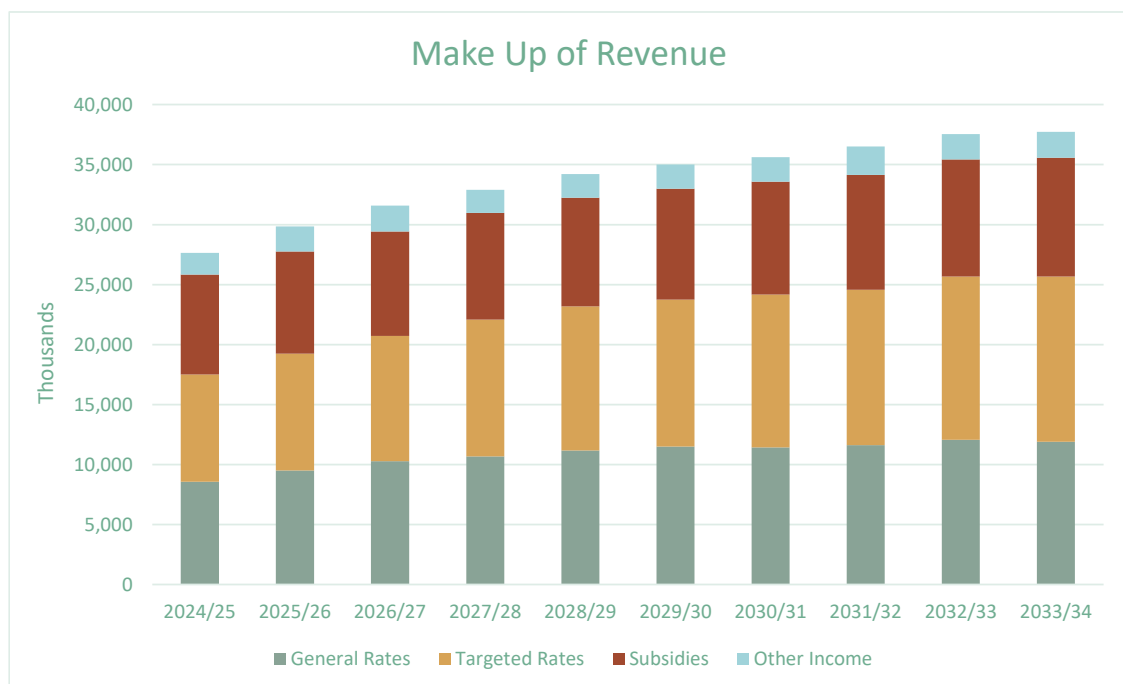
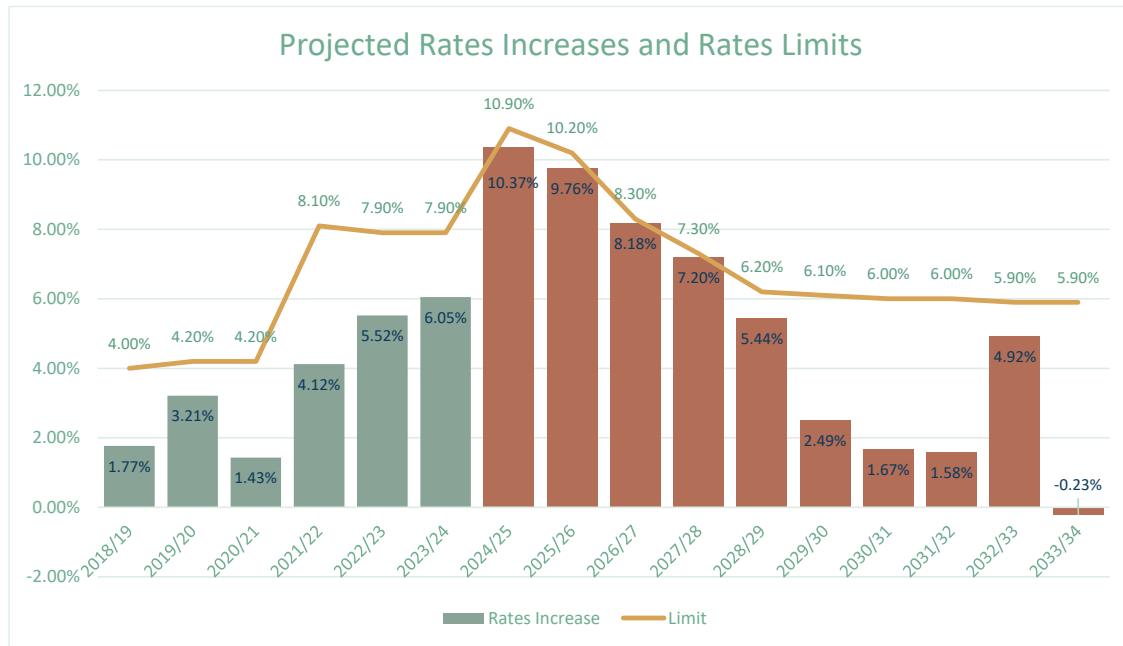


FINANCIAL STRATEGY 2024 - 2034

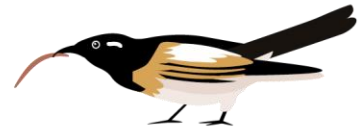
As well as these items, the following assets are either partially or fully non funded for depreciation:

| Asset   | Depreciation Funding   |
|---|--|
| Roading assets  | 37% funded, due to Waka Kotahi subsidy being available on expenditure for the remaining 63%. |
| Waipa Rural Water Supply  | Fully non funded   |
| Kāwhia Community Centre and other Council owned Community Halls | Fully non funded   |

The prospective Statement of Comprehensive Revenue and Expense shows small deficit in the first three years of the plan, with a surplus then in every subsequent year of the plan. This reflects the fact the we receive a significant amount of revenue that is used to fund capital expenditure. Revenue sources include Waka Kotahi roading subsidy, central government funding, Development Contributions and Financial contributions.







## FINANCIAL STRATEGY 2024 - 2034

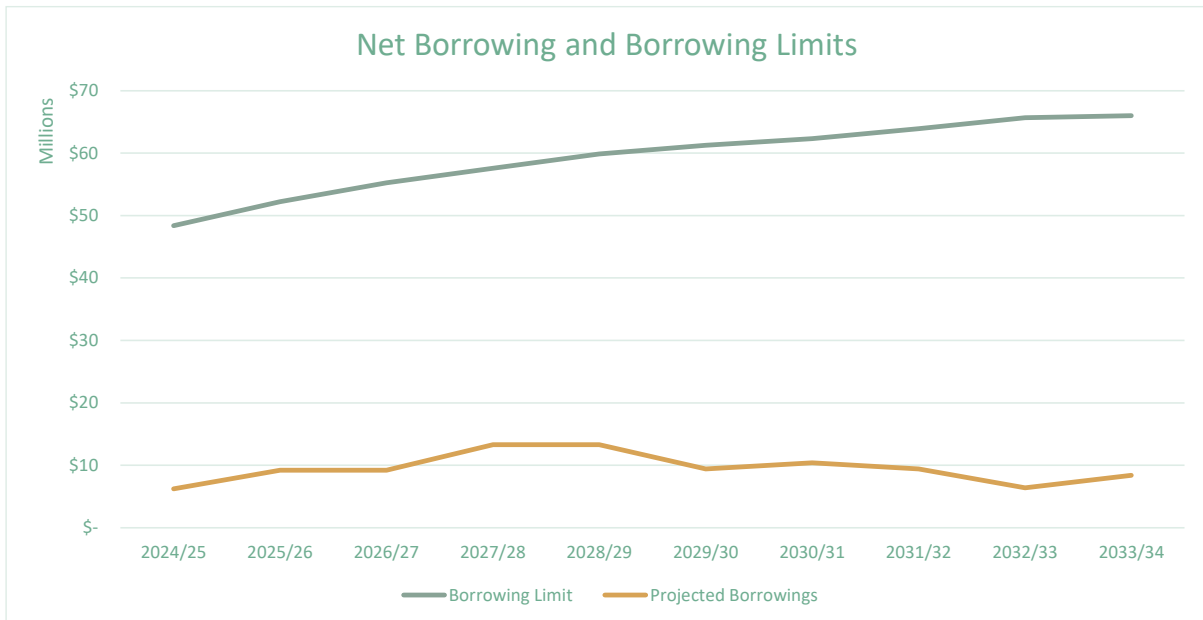
### BORROWING CAP

We are not planning to change the methodology of determining our borrowing limit in this plan. Our limit on borrowing will continue to be calculated as 175% of total income each year. This means that in 2024/25, the cap will be approximately \$48m, increasing over the ten years of the plan to \$66m in 2033/34.

The NZ Local Government Funding Agency (LGFA) stipulates a number of financial limits and covenants, which are repeated at the same level in our Treasury Management Policies. Not exceeding these limits is considered best practice in the local government sector. If we were to exceed these limits, the cost of borrowing is likely to increase significantly, and we may have difficulties sourcing borrowing.

Our Treasury Management Policies also have a number of other prudent limits for monitoring debt and borrowing must remain within these limits. These limits also help us to ensure that our overall borrowing remains within prudent levels.

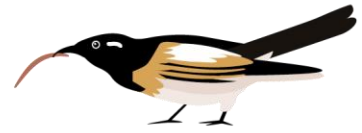
Financial projections show that borrowings will peak at \$13.275m in 2027/28, and then decrease to \$8.4m in 2033/34.



### TREASURY MANAGEMENT POLICY LIMITS

We have set limits in our Treasury Management Policies to ensure that we only borrow to prudent levels and have sufficient rates and other income to service the loans.

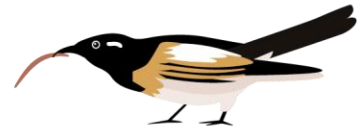




## FINANCIAL STRATEGY 2024 - 2034

The table below compares our forecast performance against these limits for each year of the plan.

| Measure   | Treasury Management Limit | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 |
|---|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net External Debt/Total Operating Income  | <175%                     | 13%     | 18%     | 17%     | 23%     | 22%     | 15%     | 17%     | 15%     | 10%     | 13%     |
| Net Interest on External Debt/Total Operating Income  | <20%                      | 1%      | 1%      | 1%      | 1%      | 1%      | 1%      | 1%      | 1%      | 1%      | 1%      |
| Net Interest on External Debt/Annual Rates Income   | <25%                      | 1%      | 2%      | 1%      | 2%      | 2%      | 1%      | 2%      | 1%      | 1%      | 1%      |
| Liquidity (external, term debt and committed loan facilities and liquid investments/cash equivalents to existing external debt) | >110%                     | 154%    | 126%    | 128%    | 121%    | 126%    | 137%    | 127%    | 133%    | 157%    | 145%    |



# REVENUE AND FINANCING POLICY 2024 - 2034

## ABOUT OUR POLICY

As a Council we provide a number of distinct activities and services to communities and we must undertake these activities and services in a financially prudent and sustainable way. The Revenue and Financing Policy explains how we fund each activity we're involved in and why. Revenue sources include rates, fees, charges, debt (loans), subsidies and investments.

Since the COVID-19 pandemic the world has changed considerably. We have noticed significant increases in our costs, just as our community have noticed increases in household costs. Affordability, and the community's ability to pay rates, is always a concern, however we have been hit by unforeseen increases in the past couple of years that have challenged us and the way we do business. The Council has to strike a balance between the need to provide a level of service that meets customer and legislative requirements, now and in the future, and the need for these services to be provided in an affordable manner.

We're seeking to maintain an affordable level of rates in the future, taking into account the things we must do (the priorities) and different communities' expectations. Our Financial Strategy sets out how we plan to do this and it sets limits on rates increases and debt levels. This Revenue and Financing Policy keeps within those limits and sets out the broad guidelines for establishing the funding of activities.

The Revenue and Financing Policy is more than rating, as it also sets the policy direction for other revenue policies, including Funding Impact Statements, Development and Financial Contributions, Treasury (liability and investment) and Remission policies.

The Revenue and Financing Policy is reviewed every three years as part of the long term planning process.

### AFFORDABILITY

Alongside consideration of new services or increasing current levels of service is the issue of affordability, which some ratepayers face. These affordability issues occur across the urban, rural and commercial/industrial sectors, and are often driven by factors outside Council control or knowledge. These factors include employment, climate, world demand for farm products, family situations and general economic conditions.

Infrastructure upgrade costs are often borne solely by urban residents which can be a significant burden for these residents. We're aware of these issues and focus on developing infrastructure that balances function, longevity, supports growth and is affordable. Where possible we also actively work to gain external grant/subsidy funding.

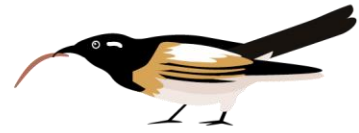
### METHOD

The funding sources available to us are:

- General rates, including -
  - choice of valuation system
  - differential rating
  - uniform annual general charges
- Targeted rates
- Lump sum contributions
- Fees and charges
- Grants and subsidies
- Interest and dividends from investments
- Borrowing
- Proceeds from asset sales
- Development contributions under the Local Government Act 2002
- Financial contributions under the Resource Management Act 1991.







## REVENUE AND FINANCING POLICY 2024 - 2034

In deciding the best funding source for each activity, we must show:

- the community outcomes to which the activity primarily contributes
- the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- the period in or over which those benefits are expected to occur
- the extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities
- the overall impact of any allocation of liability for revenue needs on the community.

We are also required to outline our policies on how we fund operating and capital expenses.

### OUR EXPENDITURE

We have two types of expenses - operating expenditure and capital expenditure.

- Operating expenditure funds our day-to-day activities and services.
- Capital expenditure is money spent in acquiring or upgrading an asset, such as pipes, equipment and buildings and we divide this expenditure into three categories:

**Renewals** - capital expenditure that increases the life of an existing asset with no increase in service level

**Increased level of service** – capital expenditure that improves the service level delivered by the asset

**Growth** – capital expenditure that is required to provide additional capacity to cater for future growth in demand.

### OPERATING EXPENDITURE

Our policies and practices for funding operating expenses are set to ensure that these comply with legislation and generally accepted accounting practice.

In general terms, we will use a mix of revenue sources to meet operating expenses, with major sources being general rates, subsidies, and fees and charges. However, revenue from targeted rates is applied to specific activities. Reserve funds, including savings from previous years, are also used as a revenue source. Operating costs do not normally utilise loans or proceeds from asset sales.

Deviating from this policy requires a formal Council decision. Occasionally, we are required (under accounting rules) to write down or treat a cost as an operating expense that had been expected to be funded from loans.

### CAPITAL EXPENDITURE

Capital developments are funded (in decreasing priority) from subsidies, user contributions, reserves (where appropriate) and loans. In the land transport (roading) activity, some ongoing capital developments are funded from subsidies and rates.

Capital renewals are funded (in decreasing priority) from subsidies, depreciation or other reserves. Loans may also be used where subsidies and reserves are insufficient, and to do so supports the principle of intergenerational equity (costs that are spread across more than one generation of ratepayers). Rates may also be used where subsidies and reserves are insufficient.

### COUNCIL CREATED RESERVES

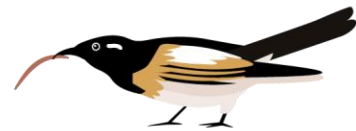
Savings and unspent budgets specific to each activity or rates charged for specific projects are placed in reserves. These reserves may be used to fund activities in line with the purpose of the reserve.

The use of reserves requires a specific resolution of Council before expenditure is committed. Depreciation reserves used to renew existing assets and for internal loans are the exception to this and get approved instead as part of a long term plan or annual plan budget.

### FUNDING MECHANISMS

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





## REVENUE AND FINANCING POLICY 2024 - 2034

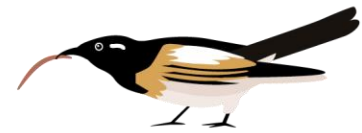
### OPERATING REVENUE SOURCES OF FUNDS

| REVENUE SOURCE  | USE  |
|---|--|
| General rates   | Used to cover public good activities and includes the use of a Uniform Annual General Charge (UAGC). Rates are determined based on the capital value of a property.  |
| Targeted rates  | Includes Uniform Annual Charges, differential rates set on value (land or capital value), rates set over an area of benefit and rates for a service or an activity. Targeted rates can be set on a uniform or differential basis, with a range of different factors of liability. This can be used for both private good and public good services. |
| Lump sum contributions  | For the recovery of specific capital expenditure, otherwise loan funded (optional for ratepayer). This usually has a high component of private good, although district targeting has been used to give ratepayers the choice to reduce debt.   |
| Fees and charges  | Any fee, recovery fine, or charge made for a service or activity that has a higher component of private good.  |
| Interest and dividends from investments                           | Income from an investment, including interest and dividends. This would be generally a public good activity.   |
| Development contributions (Section 106 Local Government Act 2002) | Used to recover the growth component of capital expenditure from developments. We also have a Development Contributions Policy (under review).   |
| Financial contributions (Resource Management Act 1991)            | This is used to recover costs to mitigate the effects of growth which may not be limited to capital expenditure. This must have a high component of private good.  |
| Grants and subsidies  | Income from another organisation. These would generally be for a public good activity.   |
| Council created reserves  | Savings or carry forward budgets specific to each activity are sometimes available to fund operating costs (subject to Council approval). Reserves linked to specific activities built up from operational surpluses or grants may also be used. This can be used for both private good and public good activities.                                |

### CAPITAL REVENUE SOURCES OF FUNDS

| REVENUE SOURCE            | USE   |
|---------------------------|---|
| Borrowing                 | Can be both short term and long term and is an appropriate funding mechanism to smooth the effects of peaks in capital expenditure and enable the costs of major developments to be borne by those who ultimately benefit from the expenditure over the life of asset. This is known as the 'intergenerational equity principle' and means that the costs of any expenditure should be recovered from the community over the period the benefits of that expenditure accrue. It is not prudent or sustainable for all capital expenditure to be funded from borrowing and Council must balance prudence against equity. The overriding limits on borrowing are set out in the Financial Strategy. |
| Proceeds from asset sales | Revenue from this source only needs to be recognised where an asset is being sold and not replaced with a similar asset. For example, where the proceeds from the sale of a Council investment property are used to fund another activity. Proceeds from property sales will be placed in the General Reserves, unless limited by a specific trust deed, bequest or legislation.  |
| Council created reserves  | These are from rates, surplus revenues (held for a particular purpose), savings for a particular purpose, or the transfer of non-cash expenditure (such as depreciation). The use of reserves will require a specific resolution of Council before expenditure is committed.  |





## REVENUE AND FINANCING POLICY 2024 - 2034

### FUNDING OPTIONS

The following table summarises how sources of revenue are applied to Council's activities. For example, a subsidy (external funding) is the number one source of funds and this may be used first equally for any operating or capital cost. Development or Financial Contributions are also a number one source of funds but can only be used for capital to cater for growth.

General Rates, UAGC and Targeted Rates are the last priority source of funding (Priority 5) and can be used firstly to fund operating and renew existing assets but can also be used as a secondary source to fund capital improvement and growth.

### FUNDING SOURCES

| PRIORITY OF SOURCE (NUMBER) | REVENUE SOURCE  | OPERATING                | RENEW EXISTING ASSETS | CAPITAL: DEVELOP ASSETS – TO IMPROVE SERVICES | CAPITAL: DEVELOP ASSETS – TO CATER FOR GROWTH |
|-----------------------------|---|--------------------------|-----------------------|---|---|
| 1                           | Subsidies and grants  | 1 <sup>st</sup>          | 1 <sup>st</sup>       | 1 <sup>st</sup>                               | 1 <sup>st</sup>                               |
| 1                           | Development or financial contributions  | Not permitted            | Not permitted         | Not permitted                                 | 1 <sup>st</sup>                               |
| 2                           | Fees and charges  | 1 <sup>st</sup>          | 2 <sup>nd</sup>       | 2 <sup>nd</sup>                               | 2 <sup>nd</sup>                               |
| 3                           | Loans (borrow internally from savings or externally)  | Not permitted            | Possible              | 1 <sup>st</sup>                               | 1 <sup>st</sup>                               |
| 3                           | Reserves  | Possible 2 <sup>nd</sup> | 1 <sup>st</sup>       | 1 <sup>st</sup>                               | 1 <sup>st</sup>                               |
| 4                           | Prior year surpluses  | Possible 2 <sup>nd</sup> | 2 <sup>nd</sup>       | Possible 2 <sup>nd</sup>                      | Possible 2 <sup>nd</sup>                      |
| 4                           | Interest and other revenue  | 1 <sup>st</sup>          | 1 <sup>st</sup>       | Possible 2 <sup>nd</sup>                      | Possible 2 <sup>nd</sup>                      |
| 5                           | General rates   | 1 <sup>st</sup>          | 1 <sup>st</sup>       | Possible 2 <sup>nd</sup>                      | Possible 2 <sup>nd</sup>                      |
| 5                           | Targeted rates  | 1 <sup>st</sup>          | 1 <sup>st</sup>       | Possible 2 <sup>nd</sup>                      | Possible 2 <sup>nd</sup>                      |
| 5                           | UAGC  | 1 <sup>st</sup>          | 1 <sup>st</sup>       | Possible 2 <sup>nd</sup>                      | Possible 2 <sup>nd</sup>                      |
| KEY                         | 1 <sup>st</sup> primary source of funding, if available<br>2 <sup>nd</sup> secondary source on a case-by-case basis<br>Possible funding will be considered, if necessary, on a case-by-case basis |                          |                       |   |   |

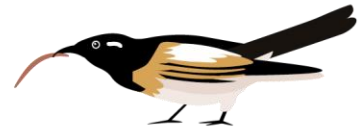
### ACTIVITY FUNDING TARGETS

Our funding targets set the level of revenue that is appropriate for users to contribute for each of our activities. We have reviewed these targets as part of this Revenue and Financing Policy<sup>1</sup>. The targets are shown in the summary table on page 28 and more detail is included in each activity section.

The specified funding source proportions are indicative only. They are not intended as an exact proportion, rather as a guideline. It is recognised that within each activity in any given year there may be justification for variation from those proportions. This could be from changes to market conditions, government policy or the demand for Council services. In order to reflect the uncertainty involved in these targets a range in each activity has been assessed.

<sup>1</sup> As required by the Local Government Act 2002, Section 101.





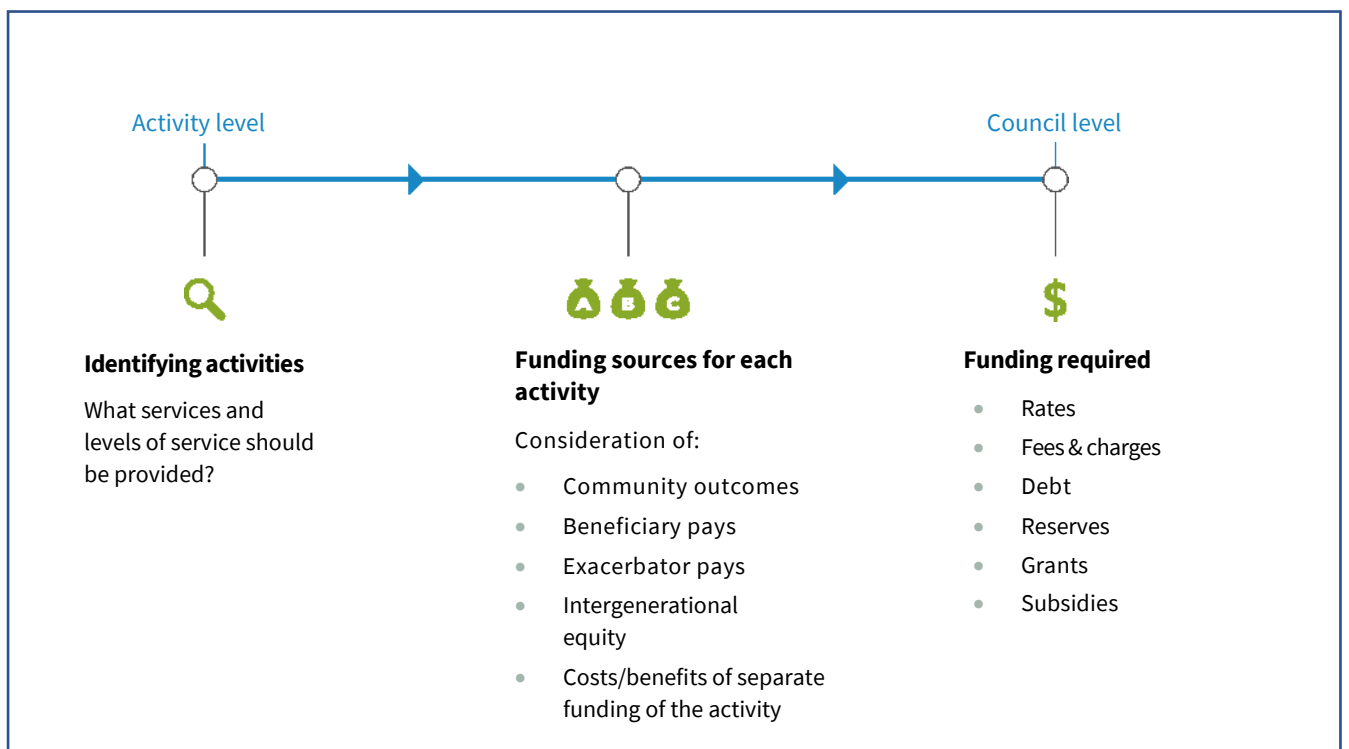
## REVENUE AND FINANCING POLICY 2024 - 2034 PROCESS FOR DETERMINING FUNDING SOURCES

In determining the appropriate funding sources, we have adopted a two-stage process<sup>2</sup>.

### Step 1

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

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

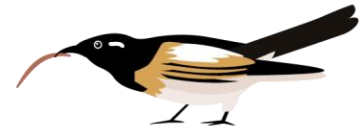


### Step 2

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

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

<sup>2</sup> In accordance with Section 101 (3) of the Local Government Act 2002.



## REVENUE AND FINANCING POLICY 2024 - 2034

### Selecting the appropriate funding source

The general principles used in the process are:

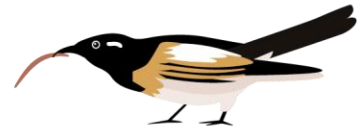
| PRINCIPLE   | DESCRIPTION   |
|---|---|
| Public good theory  | <ul style="list-style-type: none"> <li>The distribution of benefits between the community as a whole</li> <li>An activity should be collectively funded if those that benefit directly cannot be identified and/or if those that benefit directly cannot be excluded from using the service.</li> </ul>   |
| User/beneficiary pays   | <ul style="list-style-type: none"> <li>An activity should be funded on a user pays basis if an individual or group of individuals directly receive benefits of the activity exclusively and that costs of the activity can easily be attributed to that individual or group of individuals.</li> <li>The service 'consumed' is excludable and creates rivalry (ie. using this service reduces the availability for someone else - eg. drinking water).</li> </ul> |
| Merit goods theory  | The use of private goods and services can also result in benefits to third parties – people who don't directly use them. In these cases, we consider that the service should be provided on the basis of community need rather than willingness to pay, or identifiable benefits received (eg. regional sporting facilities).   |
| Intergenerational equity  | The period in or over which those benefits are expected to accrue (ie. intergenerational)   |
| Exacerbator/polluter pays   | The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.  |
| Costs and benefits of funding the activity distinctly from other activities | Considerations include: <ul style="list-style-type: none"> <li>the consequences for transparency and accountability</li> <li>the efficiency or ability to identify and separate costs, and then collect revenue, and the impact on demand for services.</li> </ul>  |

The differentiation of private and public goods and the identification of externalities are necessary for the strict apportionment of the costs between private users and the community as a whole. Sometimes such differentiation is not easy, because very few goods and services can be treated as purely private or public; most goods and services have characteristics of both private and public goods.

For each activity the following have been considered:

- Relationship to the community outcomes.
- Council considerations of:
  - the distribution of benefits from the activity between the community and any identifiable groups or individuals;
  - intergenerational equity;
  - exacerbator pays; and
  - the costs and benefits of distinct funding.
- A percentage range of public versus private benefits providing a rationale for the allocation between rates and targeted recoveries through fees and charges.
- The overall impact of any allocation of liability for revenue needs on the community.





### OUR POLICY

Applying the principles in the table above, we have set the following policy positions:

- Where the benefit accrues to the whole district, general rates will be used (these include UAGC).
- Where benefits accrue to certain groups within the district, user charges, differentials or targeted rates will be used if efficient to do so.
- User pays is also recognised as a tool to achieve Council's goals (eg. charging for refuse collection to encourage waste minimisation). Where a fee or charge is not practical, targeted rates may be set in accordance with Council's rating policies.
- Where it is practical to recover the designated portion of the net operating cost of an activity from a private user or exacerbator, fees and charges are set at levels designed to achieve this provided there are no legislative constraints on doing this.
- In some cases (eg. wastewater), targeted rates are used as a surrogate for user charges as Council considers this to be a more efficient and effective method of funding than individual user charges.

#### Notes

- *Rates are partly a tax. While effort is made to link payment of rates to benefits received or costs generated, it is not possible to do this on an individual ratepayer basis. Rates are set GST inclusive and 15% of the revenue collected excluding penalties is passed onto Central Government.*
- *Subsidy from central government recognises that some services (e.g. Roading), form part of a national infrastructure network and only central government can levy user charges.*
- *Uniform Annual General Charge (UAGC) recognises that most services are available to all properties regardless of value and that all properties should contribute a reasonable amount to the running of the District.*

Very few activities deliver entirely public benefits or private benefits<sup>3</sup>. Most activities contain aspects of both and fall somewhere between the two ends of the continuum. The characteristics of an activity determine what type of funding mechanism is used to fund a particular service. For example, an activity towards the 'public good' end of the continuum may not be a good candidate for user charges as people cannot be prevented from consuming it or because everyone is provided with access to the service whether they wish to use it or not. Such activities will generally be candidates for funding from some general source, such as a general rate. An activity that delivers benefits towards the 'private' end of the spectrum may be a candidate for a targeted rate or a user charge. In the end, it comes down to 'reasonable' judgement by us having considered the legal factors, funding principles and guiding policies.

The following tables show this analysis for each activity within the groups of activities. A summary is provided on the final page of this Policy.

<sup>3</sup>

In this document the words 'public' or 'private' reflect who benefits from the services we provide. When the word 'public' is used it means the community at large will receive benefits and generally it is more efficient to charge for those through a rate. When the word 'private' is used it means that either an individual or an identifiable group of individuals will receive benefits, and generally this group can be charged either directly through user charges because it is efficient to do so or by using a targeted rate.





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                            |   |  |                                       |                     |   |  |          |         |  |   |   |
|--|---|--|---------------------------------------|---------------------|---|--|----------|---------|--|---|---|
| Group of Activities/<br>Activity             | Community Outcomes  | User/<br>beneficiary<br>pays principle | Intergenerational equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |         | Rationale  | Funding Sources                                     |   |
|  |   |  |                                       |                     |   |  | Private  | Public  |  | Operational   | Capital                                 |
| <b>TRUSTED LEADERSHIP AND RELATIONSHIPS</b>  |   |  |                                       |                     |   |  |          |         |  |   |   |
| Governance                                   | PEOPLE<br>Connected,<br>empowered,<br>engaged<br>communities<br><br>PLACE<br>Sustainable, resilient<br>district | Low                                    | Low                                   | Low                 | Low- Medium                                       | Low  | 0%       | 100%    | Elected Council members represent the residents of the district. The benefit of representation is available to all residents and ratepayers of the district.<br><br>Elected community board members represent their respective communities of Ōtorohanga and Kāwhia. | General rate;<br><br>General rate,<br>Targeted rate | Loans;<br>General rate;<br>Reserves     |
| Iwi Liaison                                  |   | Low                                    | Low                                   | Low                 | Low-Medium  | Low  | 0%       | 100%    |  | General rate  |   |
| Corporate Planning                           | PARTNERSHIPS<br>Aspirational, united,<br>responsible<br>leadership.   | Low                                    | Low                                   | Low                 | Low-Medium  | Low  | 0%       | 100%    |  | General rate  |   |
| Organisational<br>Performance &<br>Support   | Progressive,<br>enduring, supportive<br>partnerships for<br>district wellbeing                                  | Low                                    | Low                                   | Low                 | Low-Medium  | Low  | 0%       | 100%    |  | General rate,<br>overheads                          | Loans,<br>reserves                      |
| <b>STRONG COMMUNITIES</b>                    |   |  |                                       |                     |   |  |          |         |  |   |   |
| Community<br>Development and<br>Empowerment  | PEOPLE<br>Connected,<br>empowered,<br>engaged<br>communities  | Medium                                 | Low                                   | Low                 | Low-Medium  | Low  | 0-20%    | 80-100% | The primary beneficiaries are the community groups that receive funding from Council, and users or lessees of commercial properties. These properties are considered an investment type of asset and therefore a commercial return is expected.                      | General rate;<br>Fees and<br>charges;<br>Grants     | Loans, Fees<br>and charges;<br>Reserves |
| Grants (social,<br>cultural &<br>recreation) | Welcoming, proud,<br>thriving district<br><br>PLACE   | Medium                                 | Low                                   | Low                 | Low-Medium  | Low  | 0%       | 100%    |  | General rate,<br>Subsidies                          | N/A                                     |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS   |   |  |                                       |                     |   |  |          |         |  |                                      |                                     |
|---|---|--|---------------------------------------|---------------------|---|--|----------|---------|--|--------------------------------------|-------------------------------------|
| Group of Activities/<br>Activity                                  | Community Outcomes  | User/<br>beneficiary<br>pays principle | Intergenerational equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |         | Rationale  | Funding Sources                      |                                     |
|   |   |  |                                       |                     |   |  | Private  | Public  |  | Operational                          | Capital                             |
| Grants (social,<br>cultural &<br>recreation)<br><br>Sport Waikato | Vibrant, diverse,<br>liveable<br>communities  | Medium                                 | Low                                   | Low                 | Low-Medium  | Low  | 0%       | 100%    | Non-users may be receiving less benefits and subsidising users   | General rate                         | N/A                                 |
| District Promotion<br>and Business<br>Support                     | Sustainable, resilient<br>district<br><br>PARTNERSHIPS<br>Progressive,<br>enduring, supportive<br>partnerships for<br>district wellbeing. | Medium                                 | Low                                   | Low                 | Low-Medium  | Low  | 10-30%   | 70 -90% | Private beneficiaries are the individuals who gain employment, retailers, tourist operators, motels and other businesses, but the whole District benefits from an increased population, improved economic wellbeing and a larger rating base.  | General rate                         | N/A                                 |
| Safer Communities<br><br>Ōtorohanga<br>Security Patrol            |   | High                                   | Low                                   | High                | Low   | Medium   | 80-90%   | 10-20%  | The provision of a security service is funded from the commercial area of Ōtorohanga, where the majority of benefit accrues. There is also a wider public benefit in having regular security patrols in the town.  | General rate;<br>Targeted rate       | N/A                                 |
| Libraries, Learning<br>& Development                              |   | High                                   | Low-Medium                            | Low                 | Low   | High   | 80-90%   | 10-20%  | Recreational reading primarily benefits the individual users, as do school holiday programmes, and the availability of reference material and internet access. The acquisition of knowledge does have a high public benefit through contributing value to the community by people having access to knowledge, being well informed and by encouraging literacy. | General rate;<br>Fees and<br>charges | Loans;<br>Reserves                  |
| Civil Defence<br>Emergency<br>Management                          |   | Low                                    | Low                                   | Low                 | Low   | Low  | 0%       | 100%    | The primary purpose of civil defence is emergency preparedness with an initial response capability. This activity cannot be attributed to any individuals and therefore it is the community as a whole that benefits from this activity.   | General rate;<br>Subsidies           | Loans;<br>General rate;<br>Reserves |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                     |  |  |                                       |                     |   |  |  |        |  |  |  |
|---------------------------------------|--|--|---------------------------------------|---------------------|---|--|--|--------|--|--|--|
| Group of Activities/<br>Activity      | Community Outcomes   | User/<br>beneficiary<br>pays principle | Intergenerational equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits   |        | Rationale  | Funding Sources  |  |
|                                       |  |  |                                       |                     |   |  | Private  | Public |  | Operational  | Capital  |
| <b>VIBRANT PLACES AND SPACES</b>      |  |  |                                       |                     |   |  |  |        |  |  |  |
| Parks and Reserves                    | PEOPLE<br>Connected,<br>empowered,<br>engaged<br>communities<br><br>Welcoming, proud,<br>thriving district | Low                                    | High                                  | Low-Medium          | Medium  | Low  | 60-80%   | 20-40% | Parks and reserves beneficiaries are the users, both local and visitors to the district, and in particular user groups such as sports clubs. It is not feasible to charge to access to reserves and playgrounds as access cannot be readily restricted. All residents have access to reserves, although sports clubs are charged via leases for the exclusive use members enjoy. | General rate;<br>Fees and<br>charges   | Loans;<br>General rate;<br>Grants;<br>Reserves |
| Halls<br>Community Centre<br>(Kāwhia) | PLACE<br>Vibrant, diverse,<br>liveable<br>communities<br><br>Sustainable, resilient<br>district            | Medium                                 | High                                  | Low                 | Medium  | Medium   | 40-60%   | 40-60% | The Kāwhia community centre covers social and recreational use. While individuals and local community groups benefit from the use of the facilities there is also a public benefit in having the Centre available to the wider area.   | Targeted<br>rate, General<br>rate<br><br>Targeted<br>rate, fees and<br>charges | General rates;<br>Grants;<br>Reserves          |
| Swimming Pools                        |  | High                                   | Medium                                | Low                 | Medium  | Medium   | 80-100%<br>(Council<br>does not<br>receive the<br>entry fees<br>or manage<br>the facility) | 0-20%  | Swimming pools are recreational facilities, and provide social benefits such as learn-to-swim, coaching and leisure opportunities for residents with a range of needs. Users of the pool are private beneficiaries and user fees reflect this. The fees are not collected by Council. The Council funds a contract for service.  | General rate   | Loans;<br>General rate;<br>Grants;<br>Reserves |
| Public Toilets                        |  | Medium                                 | Medium                                | Medium              | Low   | Medium   | 50%  | 50%    | The benefits are the provision of clean and safe toilets for travellers, shoppers, parents and children in commercial areas in particular, and for users of recreational facilities.   | General rate   | Loans;<br>general rate;<br>reserves            |
| Cemeteries                            |  | High                                   | High                                  | Low                 | Low   | Medium   | 50%  | 50%    | The private benefit is received by the families of the deceased, and to those researching family history. There is also a public benefit with communities benefiting from being able to have family members buried in their community. The   | General rate,<br>Fees and<br>charges   | Loans;<br>General rate;<br>Grants;<br>Reserves |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                         |   |  |  |                     |   |  |          |   |   |   |                            |
|---|---|--|--|---------------------|---|--|----------|---|---|---|----------------------------|
| Group of Activities/<br>Activity          | Community<br>Outcomes   | User/<br>beneficiary<br>pays principle | Intergenera-<br>tional equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |   | Rationale   | Funding Sources   |                            |
|   |   |  |  |                     |   |  | Private  | Public  |   | Operational   | Capital                    |
|   |   |  |  |                     |   |  |          |   | ground maintenance has a component of private and public benefit.   |   |                            |
| Kāwhia Wharf                              |   | High                                   | High                                       | Low-Medium          | Medium  | Medium   | 50%      | 50%   | The provision of a wharf at Kāwhia is historical, but there is a large degree of private benefit. There is a widespread community expectation that Council will continue to maintain the wharf.       | General rate;<br>Targeted<br>rate; Fees and<br>charges  | Loans                      |
| Property                                  |   | Medium                                 | High                                       | Low                 | Medium  | Low  | 0-30%    | 70-100%   | Maximise recovery of costs through the rental of property as per our Occupancy Policy. Where property is rented it is generally of private benefit.   | General Rate;<br>Targeted<br>Rates: Fees<br>and charges   | Loans, Grants,<br>Reserves |
| Older Persons<br>Housing                  |   | High                                   | High                                       | Low                 | Medium  | Low  | 90-100%  | 0-10%   | The main beneficiaries are the tenants, who receive housing at rentals below market rates.  | Fees and<br>charges   | Loans, Grants,<br>Reserves |
| Building<br>Management &<br>Maintenance   |   | Medium                                 | High                                       | Low                 | Medium  | Low  | 90-100%  | 0-10%   |   | General rates<br>- Library<br><br>General rates,<br>targeted<br>rates, fees<br>and charges -<br>Kawhia<br>Medical<br>Centre | Loans, Grants,<br>Reserves |
| SUSTAINABLE DEVELOPMENT AND PUBLIC SAFETY |   |  |  |                     |   |  |          |   |   |   |                            |
| Planning                                  | PEOPLE<br>Welcoming, proud,<br>thriving district<br><br>PLACE | Medium -<br>High                       | Low  | Low- Medium         | Medium  | Medium   | 90-100%  | Resource<br>consents:<br>0-10%<br><br>District<br>Plan: 20% | There are two distinct beneficiaries of this activity, the primary being the applicant/developer and the second being the whole district through the development and monitoring of the District Plan. | Resource<br>consents;<br>80%; Fees &<br>charges, 20%<br>General rate  | N/A                        |







REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                |  |  |  |                     |   |  |          |                       |   |   |                                     |
|----------------------------------|--|--|--|---------------------|---|--|----------|-----------------------|---|---|-------------------------------------|
| Group of Activities/<br>Activity | Community Outcomes   | User/<br>beneficiary<br>pays principle | Intergenera-<br>tional equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |                       | Rationale   | Funding Sources   |                                     |
|                                  |  |  |  |                     |   |  | Private  | Public                |   | Operational   | Capital                             |
|                                  | Vibrant, diverse,<br>liveable<br>communities<br><br>Sustainable, resilient<br>district |  |  |                     |   |  |          | District<br>Plan: 80% |   | District Plan<br>100% General<br>rate.<br>A full review<br>of the District<br>Plan may be<br>funded via a<br>loan, which<br>reflects the<br>long-term<br>benefit. |                                     |
| Building Control                 | <b>PARTNERSHIPS</b><br>Aspirational, united,<br>responsible<br>leadership              | High                                   | Low  | Medium              | Medium  | Medium   | 90-100%  | 0-10%                 | The building control activity is mainly funded by the beneficiaries of the service, as they can be easily identified. There is some general community benefit because the public can be assured that buildings being erected are safe.  | General rate;<br>55%, Fees &<br>charges 45%   | N/A                                 |
| Environmental<br>Health          | Progressive,<br>enduring, supportive<br>partnerships for<br>district wellbeing.        | Medium                                 | Low  | Medium              | Medium  | Medium   | 40 -60%  | 40-60%                | For health and liquor licensing there is a moderate level of public good in the general health monitoring and advisory service provided to the community. Direct inspections of premises are user fees, but some fees are set by government legislation and therefore full cost recovery is not always possible.<br><br>In the general inspection area, it is often impossible to identify offenders or impractical to recover enforcement costs. The whole community benefits from these activities. | Fees &<br>Charges;<br>General rate  | N/A                                 |
| Animal<br>Management             |  | Medium                                 | Low  | High                | Low   | Low  | 80 - 90% | 10 -20%               | This activity codes both dog control and general animal control (pound operational and stock roaming). The majority of the dog control costs for this activity should be borne by dog owners, as it the existence of dogs in the community that gives rise to the need to carry out this activity.  | Fees &<br>charges; 60%<br>General rate<br>40%   | Loans;<br>General rate;<br>Reserves |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                        |  |  |                                       |                     |   |  |          |        |   |   |  |
|--|--|--|---------------------------------------|---------------------|---|--|----------|--------|---|---|--|
| Group of Activities/<br>Activity         | Community Outcomes   | User/<br>beneficiary<br>pays principle | Intergenerational equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |        | Rationale   | Funding Sources   |  |
|  |  |  |                                       |                     |   |  | Private  | Public |   | Operational   | Capital  |
|  |  |  |                                       |                     |   |  |          |        | <p>There is a small public benefit from animal education programmes.</p> <p>The control of stock on public roads has a lower private benefit, due the greater level of public safety.</p>   |   |  |
| RESILIENT INFRASTRUCTURE: LAND TRANSPORT |  |  |                                       |                     |   |  |          |        |   |   |  |
| Roading                                  | <p><b>PEOPLE</b><br/>Connected, empowered, engaged communities</p> <p>Welcoming, proud, thriving district</p> <p><b>PLACE</b><br/>Vibrant, diverse, liveable communities</p> | Medium – High                          | High                                  | Medium              | Medium – High                                     | Low  | 40-60%   | 40-60% | The beneficiaries are the users of the roads, the owners of properties served by roads, the local community and the wider public. The private benefit is collected via fuel taxes and road user charges by the government and allocated as a grant through Waka Kotahi/NZ Transport Agency.   | Targeted rate;<br>Subsidies;<br>Fees & charges;<br>Reserves | Targeted rate;<br>Subsidies;<br>Reserves;<br>Development contributions |
| Footpaths                                | <p>Sustainable, resilient district</p> <p><b>PARTNERSHIPS</b><br/>Progressive, enduring, supportive partnerships for district wellbeing.</p>                                 | Low                                    | Medium – High                         | Low – Medium        | Low   | Low  | 40-60%   | 40-60% | Occupiers of urban residential and commercial properties that are served by footpaths benefit from easier access and the added value to the properties. While the primary benefit is for the people who use the footpaths, these users generally cannot be individually identified or be restricted from using footpaths from a public safety factor. | Targeted rate;<br>Subsidies                                 | Targeted rate;<br>Subsidies;<br>Reserves;<br>Development contributions |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                              |  |  |  |                     |   |  |              |        |   |   |  |
|--|--|--|--|---------------------|---|--|--------------|--------|---|---|--|
| Group of Activities/<br>Activity               | Community Outcomes   | User/<br>beneficiary<br>pays principle | Intergenera-<br>tional equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits     |        | Rationale   | Funding Sources                                       |  |
|  |  |  |  |                     |   |  | Private      | Public |   | Operational   | Capital  |
| <b>RESILIENT INFRASTRUCTURE – WASTEWATER</b>   |  |  |  |                     |   |  |              |        |   |   |  |
| Wastewater                                     | <p><b>PEOPLE</b><br/>Welcoming, proud,<br/>thriving district</p> <p><b>PLACE</b><br/>Vibrant, diverse,<br/>liveable<br/>communities</p> <p>Sustainable, resilient<br/>district</p> <p><b>PARTNERSHIPS</b><br/>Aspirational, united,<br/>responsible<br/>leadership</p> <p>Progressive,<br/>enduring, supportive<br/>partnerships for<br/>district wellbeing.</p> | Medium - High                          | High                                       | Low –Medium         | Low   | Medium   | 90 –<br>100% | 0 -10% | The direct beneficiaries of this activity are the properties connected to the Ōtorohanga network. There is a public health benefit particularly to people who live in urban areas, and with the downstream effects of clean rivers benefiting the whole district. The provision of public toilets in Ōtorohanga is a district-wide benefit. | Targeted rate; General rate; Fees & charges; Reserves | Targeted rate; Loans; Reserves; Subsidies; Development contributions |
| <b>RESILIENT INFRASTRUCTURE – WATER SUPPLY</b> |  |  |  |                     |   |  |              |        |   |   |  |
| Water Supply                                   | <p><b>PEOPLE</b><br/>Welcoming, proud,<br/>thriving district</p> <p><b>PLACE</b><br/>Vibrant, diverse,<br/>liveable<br/>communities</p> <p>Sustainable, resilient<br/>district</p>   | High                                   | High                                       | Low                 | Low – Medium                                      | Medium   | 90 –<br>100% | 0 -10% | The immediate beneficiaries are the properties that are connected to the water supplies. However, there is a public health benefit in providing potable water supplies. Additional public benefits include fire protection, and public toilets and street cleaning for urban areas.   | Targeted rate; Fees & charges; Reserves               | Targeted rate; Loans; Reserves; Subsidies; Development contributions |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                                  |  |  |  |                     |   |  |          |          |  |  |  |
|--|--|--|--|---------------------|---|--|----------|----------|--|--|--|
| Group of Activities/<br>Activity                   | Community Outcomes   | User/<br>beneficiary<br>pays principle | Intergenera-<br>tional equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |          | Rationale  | Funding Sources                        |  |
|  |  |  |  |                     |   |  | Private  | Public   |  | Operational                            | Capital                                |
|  | PARTNERSHIPS<br>Progressive,<br>enduring, supportive<br>partnerships for<br>district wellbeing.  |  |  |                     |   |  |          |          |  |  |  |
| <b>RESILIENT INFRASTRUCTURE – STORMWATER</b>       |  |  |  |                     |   |  |          |          |  |  |  |
| Stormwater   | PEOPLE<br>Welcoming, proud,<br>thriving district<br><br>PLACE<br>Vibrant, diverse,<br>liveable<br>communities<br><br>Sustainable, resilient<br>district<br><br>PARTNERSHIPS<br>Progressive,<br>enduring, supportive<br>partnerships for<br>district wellbeing. | Medium - High                          | Medium High                                | Low - Medium        | Medium  | High   | 75 - 85% | 15 - 25% | Properties within the urban stormwater network areas benefit from collecting and disposing stormwater to limit flood damage. Property owners downstream from these areas also benefit. There is also a public benefit to health and safety to the urban populations generally. | Targeted rate; General rate            | Loans; Targeted rate; Reserves         |
| <b>RESILIENT INFRASTRUCTURE – FLOOD PROTECTION</b> |  |  |  |                     |   |  |          |          |  |  |  |
| Flood Protection Works                             | PEOPLE<br>Welcoming, proud,<br>thriving district   | High                                   | Medium High                                | Low                 | Medium  | High   | 75 - 85% | 15 - 25% | Properties within the Ōtorohanga flood protection scheme area benefit from limiting flooding and consequential property damage. There is also a public benefit in protecting public areas from flooding.   | Waikato Regional Council Targeted rate | Waikato Regional Council Targeted rate |







REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                     |   |  |                                       |                     |   |  |          |          |   |                                       |   |
|---------------------------------------|---|--|---------------------------------------|---------------------|---|--|----------|----------|---|---------------------------------------|---|
| Group of Activities/<br>Activity      | Community Outcomes  | User/<br>beneficiary<br>pays principle | Intergenerational equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |          | Rationale   | Funding Sources                       |   |
|                                       |   |  |                                       |                     |   |  | Private  | Public   |   | Operational                           | Capital   |
| Coastal Structures:<br>Aotea Sea Wall | PLACE<br>Vibrant, diverse,<br>liveable<br>communities<br><br>Sustainable, resilient<br>district   | High                                   | High                                  | Low                 | Medium  | Medium   | 90-100%  | 0-10%    | Properties within the Aotea community benefit from limiting sea erosion and consequential property damage. There is also a public benefit in protecting public areas from erosion.  | Targeted rate; General rate           | Loans; Targeted rate; Development contributions |
| Kawhia Sea Wall                       | PARTNERSHIPS<br>Progressive,<br>enduring, supportive<br>partnerships for<br>district wellbeing.   | High                                   | High                                  | Low                 | Medium  | Medium   | 90-100%  | 0-10%    | Properties within the Kawhia community benefit from limiting sea erosion and consequential property damage. There is also a public benefit in protecting public areas from erosion.   | Targeted rate<br>General rate         | Loans; Targeted rate; Development contributions |
| RESPONSIBLE WASTE MANAGEMENT          |   |  |                                       |                     |   |  |          |          |   |                                       |   |
| Waste Management                      | PEOPLE<br>Welcoming, proud,<br>thriving district<br><br>PLACE<br>Vibrant, diverse,<br>liveable<br>communities<br><br>Sustainable, resilient<br>district | High                                   | Low -<br>Medium                       | Low - Medium        | Low   | Medium   | 20 – 30% | 70 – 80% | Urban households receive a kerbside recycling service and all properties have access to recycling facilities. All properties have access to waste disposal facilities at refuse transfer stations.<br><br>The whole District benefits from the environmental benefits.<br><br>Pricing is a tool that can impact on people's behaviour to achieve the reduction, reuse and recycling of solid waste. | Targeted rate; Fees & charges; Grants | Loans; Targeted rate; Grants; Reserves          |





REVENUE AND FINANCING POLICY 2024 - 2034

| ACTIVITY ANALYSIS                |                       |  |  |                     |   |  |          |        |   |                                    |         |
|----------------------------------|-----------------------|--|--|---------------------|---|--|----------|--------|---|------------------------------------|---------|
| Group of Activities/<br>Activity | Community<br>Outcomes | User/<br>beneficiary<br>pays principle | Intergenera-<br>tional equity<br>principle | Exacerbator<br>pays | Costs and<br>benefits of<br>separately<br>funding | Section<br>101(3)(b)<br>impact<br>modification | Benefits |        | Rationale   | Funding Sources                    |         |
|                                  |                       |  |  |                     |   |  | Private  | Public |   | Operational                        | Capital |
| Waste Minimisation<br>Education  |                       | Low                                    | Low  | High                | Low   | High   | 0%       | 100%   | The need for this service is a direct result of illegal dumping and the inappropriate discarding of rubbish. In most case the person(s) responsible is unknown and cannot be charged. | General rate;<br>Fees &<br>charges | N/A     |





REVENUE AND FINANCING POLICY 2024 - 2034

| SUMMARY OF FUNDING TARGETS                       |  |                  |                                   |
|--|--|------------------|-----------------------------------|
| GROUP OF ACTIVITIES/ACTIVITY                     | RATES  | FEES & CHARGES   | GRANTS, SUBSIDIES & OTHER REVENUE |
| <b>TRUSTED LEADERSHIP &amp; RELATIONSHIPS</b>    |  |                  |                                   |
| Governance                                       | 100% General rate                                |                  |                                   |
| Community Boards                                 | 100% (0-50% General rate; 50-100% Targeted rate) |                  |                                   |
| Iwi Liaison                                      | 100% General rate                                |                  |                                   |
| Corporate Planning/Projects                      | 100% General rate                                |                  |                                   |
| <b>STRONG COMMUNITIES</b>                        |  |                  |                                   |
| Community Development & Empowerment              | 100% General rate                                |                  |                                   |
| Community Service Providers & Contestable Grants | 100% General rate                                |                  |                                   |
| Economic Development & Wellbeing                 | 100% General rate                                |                  |                                   |
| Safer Communities (Security Patrol)              | 100% (95-100% Targeted rate; 0- 5% General rate) |                  |                                   |
| Libraries, Learning & Development                | 90 – 100% General rate                           | 0 – 10%          |                                   |
| Civil Defence Emergency Management               | 100% General rate                                |                  |                                   |
| <b>VIBRANT PLACES AND SPACES</b>                 |  |                  |                                   |
| Parks and Reserves and Council Owned Property    |  |                  |                                   |
| Parks and Reserves                               | 80 – 100% General rate                           | 0 – 20% (Leases) |                                   |
| Council Owned Properties                         | 100% Targeted rate                               | 0 – 30%          |                                   |
| Halls (Incl. Kāwhia Community Centre)            | 100% Targeted rate                               |                  |                                   |
| Public Toilets                                   | 100% General rate                                |                  |                                   |
| Cemeteries                                       | 70 – 80% General rate                            | 20 – 30%         |                                   |





REVENUE AND FINANCING POLICY 2024 - 2034

| SUMMARY OF FUNDING TARGETS                         |   |                |   |
|--|---|----------------|---|
| GROUP OF ACTIVITIES/ACTIVITY                       | RATES   | FEES & CHARGES | GRANTS, SUBSIDIES & OTHER REVENUE   |
| Swimming Pools <sup>4</sup>                        | 100% General rate (net)                                   |                |   |
| Older Persons Housing                              | 0-10% General rate  | 90-100% (rent) |   |
| <b>SUSTAINABLE DEVELOPMENT AND PUBLIC SAFETY</b>   |   |                |   |
| Planning   | 50-60% General rate                                       | 40-50%         |   |
| Building Control                                   | 10 – 60% General rate                                     | 40 - 90%       |   |
| Animal Management                                  | 10 – 40% General rate                                     | 60 – 90%       |   |
| Environmental Health, Public Amenity & Safety      | 50 – 70% General rate                                     | 30 – 50%       |   |
| <b>RESILIENT INFRASTRUCTURE LAND TRANSPORT</b>     |   |                |   |
| Roading  | 40 - 50% Targeted Rate (70% on CV, 30% Uniform)           | 0 – 10%        | 55 - 65% (NZTA 61% funding assistance rate for subsidised works)<br>0 – 10% Development contributions |
| Footpaths  | 40 - 50% Targeted rate (70% on CV, 30% Uniform)           |                | 55 - 65% (NZTA 61% funding assistance rate for subsidised works)<br>0 – 10% Development contributions |
| <b>RESILIENT INFRASTRUCTURE - WASTEWATER</b>       | 80 – 100% (0-10% General rate; 90-100% Targeted rate)     | 0 – 10%        | 0 – 10% Development contributions   |
| <b>RESILIENT INFRASTRUCTURE - WATER SUPPLY</b>     | 80 – 100% (0-10% General rate; 90 – 100% Targeted rate)   | 0 – 20%        | 0 – 10% Development contributions   |
| <b>RESILIENT INFRASTRUCTURE - STORMWATER</b>       | 90 - 100% (90 – 100% Targeted rate; 0 – 10% General rate) |                | 0 – 10% Development contributions   |
| <b>RESILIENT INFRASTRUCTURE – FLOOD PROTECTION</b> |   |                |   |
| Flood Protection                                   | 100% Targeted rate <sup>5</sup>                           |                |   |

<sup>4</sup> Pool operation is contracted out, with entry fees retained by the Contractor.

<sup>5</sup> Collected by Waikato Regional Council.



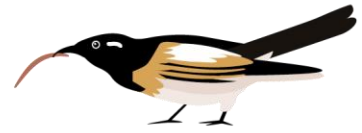




REVENUE AND FINANCING POLICY 2024 - 2034

| SUMMARY OF FUNDING TARGETS   |  |                |                                   |
|------------------------------|--|----------------|-----------------------------------|
| GROUP OF ACTIVITIES/ACTIVITY | RATES  | FEES & CHARGES | GRANTS, SUBSIDIES & OTHER REVENUE |
| <b>Coastal Structures</b>    |  |                |                                   |
| Aotea & Kāwhia Seawalls      | 100% (0-10% General rate; 90-100% Targeted rate)   |                |                                   |
| Kāwhia Wharf                 | 80 – 90% (65–75% General rate; 15–25% Targeted rate)   | 10 – 20%       |                                   |
| RESPONSIBLE WASTE MANAGEMENT |  |                |                                   |
| Waste Management             | 100% (Refuse 90% Targeted rate; 10% General rate. Solid waste 90% Targeted rate; 10% General rate) |                |                                   |
| Waste Minimisation           | 90-100% General rate   | 0-10%          |                                   |





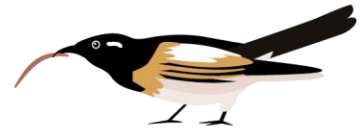
# TREASURY MANAGEMENT POLICY

## INTRODUCTION

Ōtorohanga District Council (Council) undertakes liability management (borrowing), investment, cash, and associated risk management activity (in total referred to in this document as treasury activity).

1. Council's borrowing and investment activities are carried out within the requirements of the Local Government Act 2002 (the Act) and its various amendments, which define the operating environment for local authorities in relation to borrowing, investment and treasury risk management activity.
2. This Treasury Management Policy (the Policy) document includes the Liability Management Policy and Investment Policy as required by Part 6, sections 104 and 105 of the Act. The policy provides the framework for all of Council's treasury activities and defines key responsibilities and the operating parameters within which treasury activity is to be carried out.
3. The scope of this policy covers treasury activity at the Council level and is formally reviewed and updated from time to time, but at least once every three years, although this review is normally in conjunction with the review of the long term plan.
4. Council's borrowing activity is largely driven by its capital expenditure programme.
5. Council also manages a portfolio of investments comprising equity, property, and treasury investments.
6. Council's broad objectives in relation to treasury activity are as follows:
  - a. Compliance with the Act and any other relevant local authority legislation.
  - b. To manage Council's investments according to its strategic and commercial objectives and optimise returns within these objectives.
  - c. Avoidance of capital losses. For treasury investments this is achieved by investing on a hold to maturity basis (unless circumstances otherwise dictate) with creditworthy counter parties.
  - d. Maintain funding mechanisms with an appropriate maturity profile to ensure adequate liquidity is available at margins and costs appropriate to Council's credit standing.
  - e. To manage the operational cash position and ensure that any surplus cash is invested in approved liquid instruments, or where appropriate is used to minimise debt.
  - f. Mitigate potential adverse interest rate risk and minimise financing costs within acceptable risk management parameters.
  - g. Develop and maintain professional relationships with Council's bankers and the financial markets in general.
  - h. Provide timely and accurate reporting of treasury activity and performance to the Risk and Assurance Committee.
7. In meeting the above objectives, Council acknowledges that there are financial risks such as funding, liquidity, interest rate, credit and operational risks arising from its treasury activities.
8. Council is a risk averse entity and does not wish to incur undue risk from its treasury activities. Accordingly, Council's finance function in relation to its treasury activities is a risk management function focused on protecting Council's budgeted interest costs and interest income and stabilising Council's cash flows. Council seeks to prudently manage these risks, and activity that is unrelated to its underlying cash flows or may be construed as speculative in nature is expressly forbidden.





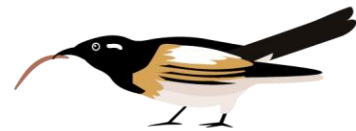
## LIABILITY MANAGEMENT POLICY

### GENERAL POLICY

9. Section 104 of the LGA 2002 provides that the Liability Management Policy required under Section 102(2)(b) must state the local authority's policies in respect of liability management, including:
  - a. Interest rate exposure
  - b. Credit exposure
  - c. Liquidity
  - d. Debt Repayment
10. Council's infrastructure and community 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, as well as assisting Council in meeting the infrastructure demands of its communities in a timely basis. Council borrows as it considers appropriate within the flexible and diversified borrowing powers contained within the Local Government Act 2002. Borrowings not included in the current long term plan must be approved by Council resolution.
11. Council raises debt for the following primary purposes:
  - a. General debt to fund Council's balance sheet.
  - b. Specific debt associated with "special one-off" projects and capital expenditure.
  - c. To fund assets with intergenerational qualities.
12. Council can borrow through a variety of market mechanisms including borrowing from the Local Government Funding Agency, (LGFA) the issue of bonds via the domestic capital markets or direct bank borrowing.
13. Council has a general preference to firstly use available internal reserves for its borrowing requirements and thereafter utilise external funding sources.
14. Given the relative advantages to each funding mechanism, Council may have a mix of LGFA, bank and capital markets borrowing over time. Generally, a bank facility is most appropriate to provide working capital and core funding where there is uncertainty regarding timing and amount of borrowing. When there exists a degree of certainty in terms of amount and term, the LGFA or bonds via the domestic capital markets are likely to provide an appropriate source of funding.

### NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED INVESTMENT

15. Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:
  - a. Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA, for example Borrower Notes;
  - b. Provide guarantees of the indebtedness of other Local Authorities to the LGFA and of the indebtedness of the LGFA itself;
  - c. Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
  - d. Subscribe for shares and uncalled capital in the LGFA; and
  - e. Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.



## TREASURY MANAGEMENT POLICY

### BORROWING LIMITS

16. In managing debt, Council will adhere to the following limits.

| RATIO   | ŌTOROHANGA |
|---|------------|
| Net debt as a percentage of total revenue   | < 175%     |
| Net Interest as a percentage of total revenue   | < 20%      |
| Net Interest as a percentage of annual rates income (debt secured under debenture)  | <25%       |
| Liquidity (External, term debt and committed loan facilities and liquid investments/cash equivalents to existing external debt) | >110%      |

17. These ratios were developed with reference to the ratios required to borrow from the Local Government Funding Agency and the expected borrowing needs of the Ōtorohanga District Council over the 10 years.

Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.

Net debt is defined as total debt less liquid financial assets/ investments.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Disaster recovery requirements are to be met through the scope provided by the liquidity ratio.

### LIQUIDITY AND FUNDING RISK MANAGEMENT

18. Liquidity risk management refers to the timely availability of funds when needed without incurring penalty costs. Funding risk management centres on the ability to refinance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and terms of existing facilities.

19. Council's ability to readily attract cost effective borrowing is largely driven by its ability to maintain a strong balance sheet, levy rates and manage its relationships with capital market investors, the LGFA and its bankers. Where practical, Council seeks a diversified pool of external borrowing and ensures bank borrowings and incidental arrangements (risk management products) are only sought from strongly rated New Zealand registered banks. This helps ensure that funds are available when required and amounts owing are paid in full on the due date.

20. Council minimises its liquidity risk by:

- Matching expenditure to its revenue streams and managing cash flow timing differences through its bank facilities and/or maintaining a liquidity buffer.
- Ensuring that any liquidity buffer investments are liquid and readily negotiable instruments.

21. The matching of longer-term expenditure and revenue requirements is monitored through the cash flow forecast prepared during the annual planning and 10-Year Plan process and reviewed through the quarterly forecast reports.

22. In relation to funding risk management, Council aims to minimise the risk of debt maturing or being reissued in foreseeable periods of illiquidity or where credit margins are high, where practical, by maintaining access to multiple sources of funding, such as banks, loan stock funding and the LGFA and across a range of maturities.

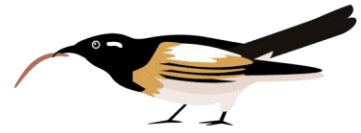
23. The maximum term for external debt is 20 years unless approved by Council.

### INTERNAL BORROWING

24. Council uses its cash reserves and external borrowing to internally fund capital expenditure as identified in the 10-Year Plan and Annual Plan and approved by Council resolution. The finance function is responsible for administering Council's internal loan portfolio.





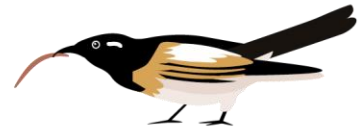


#### TREASURY MANAGEMENT POLICY

25. The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity cost centres. This creates operational efficiencies as savings may be created by eliminating the negative margin that would be incurred through Council separately investing and borrowing externally.
26. The following operational parameters apply in relation to the management of Council's internal loan portfolio.
  - a. The finance function uses the internal loan portfolio as an input into determining its external debt requirements. In most cases, Council's reserves are used firstly to reduce external debt requirements, as this would normally reduce Council's net interest cost.
  - b. All internal borrowing activities are consistent with the principles and parameters outlined throughout this policy.
  - c. In determining a cost centre's internal loan amount, any depreciation reserve or other related amount is firstly allocated to that cost centre. Any additional funding is then provided through internal loans.
  - d. A notional internal loan is set up for all new capital projects, and specific operating projects in special circumstances, and allocated to the cost centre incurring the expenditure. External interest is apportioned across all internal loan balances.
  - e. Unless specified otherwise Principal repayments required in relation to internal loans will be on a fixed basis over the life of the loan.

#### INTEREST RATE RISK MANAGEMENT

27. Council's borrowing gives rise to direct exposure to interest rate movements. Generally, given the long-term nature of Council's assets, projects and intergenerational factors, and Council's objective to avoid an adverse impact on rates, there is a preference to have an appropriate level of long-term fixed rate or hedged debt taking into account Council budget requirements, the nominal level of interest rates and other appropriate factors.
28. The Group Manager Business Enablement sets the interest rate risk management strategy by monitoring the interest rate markets on a regular basis and evaluating the outlook for short term rates in comparison to rates payable on its fixed rate borrowing.
29. The Council's general tendency is to have a high percentage of fixed rate or hedged borrowing. Notwithstanding the above, it may be appropriate from time to time, depending on the Council's outlook on interest rates to have a floating rate profile (any debt or interest rate risk management instrument where interest rates are being reset on a frequency of 180 days or less). The Council manages this specifically using the following operating parameter.
  - The Group Manager Business Enablement can approve up to 50% of the total debt to have a floating rate profile.Management implements an interest rate risk management strategy through the use of the following:
  - Adjusting the average maturity of its borrowings, thereby managing interest rate risk; and
  - Interest rate risk management products to convert fixed rate borrowing into fixed or hedged borrowing.
30. The following interest rate risk management instruments may be used for interest rate risk management activity, after seeking former prior approval of Council:
  - Forward rate agreements;
  - Interest rate swaps;
  - Purchase of interest rate options products; and
  - Interest rate collar type option strategies.



## TREASURY MANAGEMENT POLICY

### BORROWING MECHANISMS

31. Ōtorohanga can borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper and debentures, direct bank borrowing, LGFA, accessing the short and long-term wholesale and retail debt capital markets directly or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size, and pricing) the Group Manager Business Enablement takes into account the following.

- Available terms from banks, LGFA, debt capital markets and loan stock issuance
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for loan stock issuance, debt capital markets, LGFA and bank borrowing
- The market's outlook on future interest rate movements as well as its own
- Legal documentation and financial covenants together with credit rating considerations.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors and financial institutions.

### DEBT SECURITY

32. Council's current security arrangements consist of a charge over rates by way of a debenture trust deed. Council generally does not offer assets, other than a charge over rates or rates revenue, as security for any loan or performance of any obligation under an incidental arrangement.

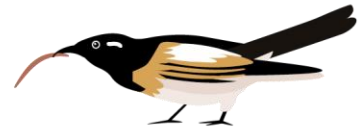
### LOAN REPAYMENT

33. The Council repays borrowings from refinancing or surplus general funds. Borrowings may be refinanced by further borrowings with a maximum 20-year term.

### CONTINGENT LIABILITIES

34. Council provides financial guarantees to community and service organisations. This is by application and after ensuring that the business plan of the guaranteed party is consistent with the strategic objectives of the Council and that the organisation has the means to service and repay the debt. Should the guarantee be called up, Council takes immediate action to recover the money.





## INVESTMENT POLICY

### GENERAL POLICY

35. Section 105 of the Act provides that the Investment Policy required to be adopted under Section 102(2)(c) must state the local authority's policies in respect of investments, including:
  - a. The mix of investments.
  - b. The acquisition of new investments
  - c. An outline of the procedures by which investments are managed and reported.
  - d. An outline of how risks associated with investments are assessed and managed.
36. Council investments may be maintained to meet specific strategic and economic objectives outlined in the 10-Year Plan. The finance function monitors the investments and reports performance on a regular basis to the Chief Executive and Council. The types of investments held include:
  - a. Equity Investments
  - b. Loan Advances
  - c. Property Investments
  - d. Treasury Investments.

### EQUITY INVESTMENTS

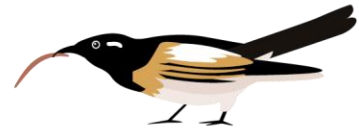
37. Council maintains equity investments in:
  - a. Waikato Regional Airport Limited
  - b. New Zealand Local Government Funding Agency Limited
  - c. Co-Lab Limited
  - d. New Zealand Local Government Insurance Corporation Limited (Civic Assurance).
38. Other than to achieve strategic objectives, it is not Council's intention to undertake new equity investments. Council may periodically review investments with a view to exiting at a time when market conditions are favourable and overall strategic objectives are not compromised.
39. Any dividend income is part of general revenue.
40. Any purchase or disposition of equity investments not identified in the 10-Year Plan is by Council resolution.
41. At the time of disposal, Council determines the most appropriate use of sale proceeds.

### NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED INVESTMENT

42. Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA) and may borrow to fund that investment.
43. The Council's objective in making any such investment will be to:
  - a. Obtain a return on the investment; and
  - b. Ensure that the LGFA has sufficient capital to maintain an appropriate credit rating so that it continues as a source of attractively priced debt funding for the Council sector.
44. Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.
45. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

### LOAN ADVANCES

46. Council provides financial guarantees to community, service and other organisations but generally does not make loan advances, except in special circumstances, which would require Council resolution.
47. Council will determine on a case-by-case basis the financial return on the investment (including if a negative financial return) taking account of the contribution to the wellbeing of the community and Council's strategic objectives.



## TREASURY MANAGEMENT POLICY

48. Where Council lends at a financial loss, the loss would be met by the budget that supports to purpose of the loan. Community loans would generally be offered a rate similar to Council's projected cost of finance. Loans to support commercial activities can expect Council to add a risk factor to the investment return.
49. Loan advances applications are required to be in writing with appropriate business plans and documentation to allow Council to undertake appropriate due diligence of the borrower and associated contracts at the borrower's expense. Council may undertake its own investigation or studies at its expense and expects the full co-operation of the borrower and its associates.
50. Council may by resolution make exception to the requirements of the above paragraph.
51. Loans investments greater than \$100,000 will in the first instance be funded from debt (this includes internal debt). New loan investments are limited to no more than 10% of Council's debt capacity at the time of making the investment. As prudent managers of debt Council will allocate debt capacity for the value of the potential drawable principal of loan investment to ensure that Council can always meet its obligations should all funds be drawn.
52. Council will resolve for each new loan:
  - a. That Council will enter the loan.
  - b. The party or parties Council is entering the loan agreement with.
  - c. The value of the loan
  - d. The term of the loan
  - e. The loan repayment criteria
  - f. The security requirements
  - g. The method by which interest will be calculated or interest rate (if fixed)
  - h. Penalty interest and other default requirements
  - i. Other conditions – such as use of the loan funds and accountability
53. All new loans will be documented with signed loan agreements appropriate for the size and potential risk exposure to the Council.

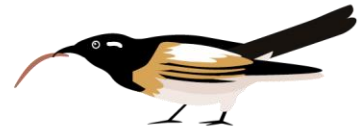
## GUARANTEES

54. Council may provide financial guarantees to community, service, or other organisations. Guarantees will support the purpose of local government by improving the wellbeing of the community and meeting Council's strategic objectives.
55. Guarantee applications are required to be in writing with appropriate business plans and documentation to allow Council to undertake appropriate due diligence of the guaranteed party and associated contracts. Generally, the guaranteed party would meet all costs of seeking the guarantee.
56. Should the guarantee be called up; Council takes immediate action to recover the money.
57. Guarantees will be limited to no more than 5% of Council's debt capacity at the time of the Guarantee being approved. As prudent managers of debt Council will allocate debt capacity for the value of the guarantee to ensure that Council can always meet its obligations should a guarantee be called.
58. Granting of any guarantees is by Council resolution. Council will regularly (at least annually and more so if required by Council) monitor the financial circumstances of the guaranteed organisation.

## TRUST FUNDS

59. Where Council holds funds as a trustee or manages funds for a trust then such funds must be invested on the terms provided within the trust. If the trust's investment policy is not specified, then this policy should apply.





## TREASURY MANAGEMENT POLICY

### PROPERTY INVESTMENTS

60. Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a rule, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. The assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows similar assessment criteria in relation to new property investments.

Council reviews the performance of its property investments on a regular basis.

### TREASURY INVESTMENTS

61. Council may maintain treasury investments for the following purposes:
- Provide cash in a natural disaster.
  - Invest amounts allocated to special funds and reserves.
  - Invest amounts allocated for approved future expenditure, to implement strategic initiatives or to support intergenerational allocations.
  - Invest the proceeds from the sale of assets.
  - Invest surplus cash.
62. Council's primary investment objective is capital protection. It utilises its surplus funds through internal lending to various activity centres within Council and through external investment to approved counterparties.
63. Within the above credit constraints, Council also seeks to:
- Ensure investments are in liquid instruments.
  - Maximise investment return.
  - Match investment maturities to projected cash flow requirements to avoid realisations prior to maturity.
  - Manage potential capital losses due to interest rate movements if investments need to be liquidated prior to maturity.
64. Council is also able to undertake short-term investments funded by external borrowings that mature within the current financial year, with approved Counterparties, if it can earn a positive margin between the borrowing and investment interest rates.

### SPECIAL FUNDS AND RESERVE FUNDS

65. Liquid assets are not required to be held against special funds and reserve funds. Instead, Council will internally borrow or utilise these funds wherever possible.
66. Unless otherwise directed by Council, internal borrowing to/(from) reserves will be undertaken at the external cost of borrowing.







WEAVING THE  
FUTURE, TOGETHER  
**KOTAHITANGA**  
ŌTOROHANGA DISTRICT COUNCIL

# INFRASTRUCTURE STRATEGY

2024-2054



Te Kaunihera ā-Rohe o  
**Ōtorohanga**  
District Council  
Where kiwi can fly



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# INTRODUCTION

## WHAT THIS STRATEGY IS ABOUT

Ōtorohanga District Council currently manages Land Transport (roads and footpaths), three waters (drinking water, wastewater, stormwater), flood protection works and coastal structures and community facilities for the benefit of everyone who lives and works in and visits our district. Thinking ahead and planning for the long term is vital to make sure that the wellbeing of current and future generations is maintained and enhanced, and that we contribute meaningfully to the achievement of community outcomes for our district. Well maintained infrastructure located in the right place and provided for at the right time, with sufficient capacity and resilience is critical to the economic prosperity and social wellbeing of people living and working in the district. This 30-year Infrastructure Strategy is a key part to ensuring that happens.

Required by the Local Government Act 2002 (LGA), this Strategy sets out the likely scenarios for how our key infrastructure will be managed and the important decisions we're going to need to face with our communities in the future.

This Strategy does not stand alone – it is developed alongside our Financial Strategy, which sets out the funding challenges for us and our communities over the next 10 years. Together these Strategies underpin the Council's Long-Term Plan (LTP), which contains more detail on activities, plans and programmes. Importantly, these Strategies inform the community consultation process for the preparation of Council's LTP. Both Strategies support our overarching vision - Ōtorohanga District – Where kiwi can fly.

## PURPOSE AND SCOPE

This Strategy provides a connection between the operational management of assets and their contribution toward the achievement of our community outcomes and statutory obligations. It outlines:

- How we intend to manage our key infrastructure assets, including having regard to matters such as when these assets need to be renewed or replaced
- How we intend to respond to growth or decline in demand for services
- How we plan for increases or decreases in levels of services
- Other matters, such as the need to improve public health or environmental outcomes (or mitigate adverse effects on them) and to manage risks from natural hazards.

The management, operation and development of infrastructure assets is both complex and expensive. It is therefore important that the approach undertaken optimises value to our communities. We apply a **sound management approach** to our asset management which means making the best decisions in the long-term interests of our communities.





Figure 1 below shows the relationship between the infrastructure strategy and other documents.

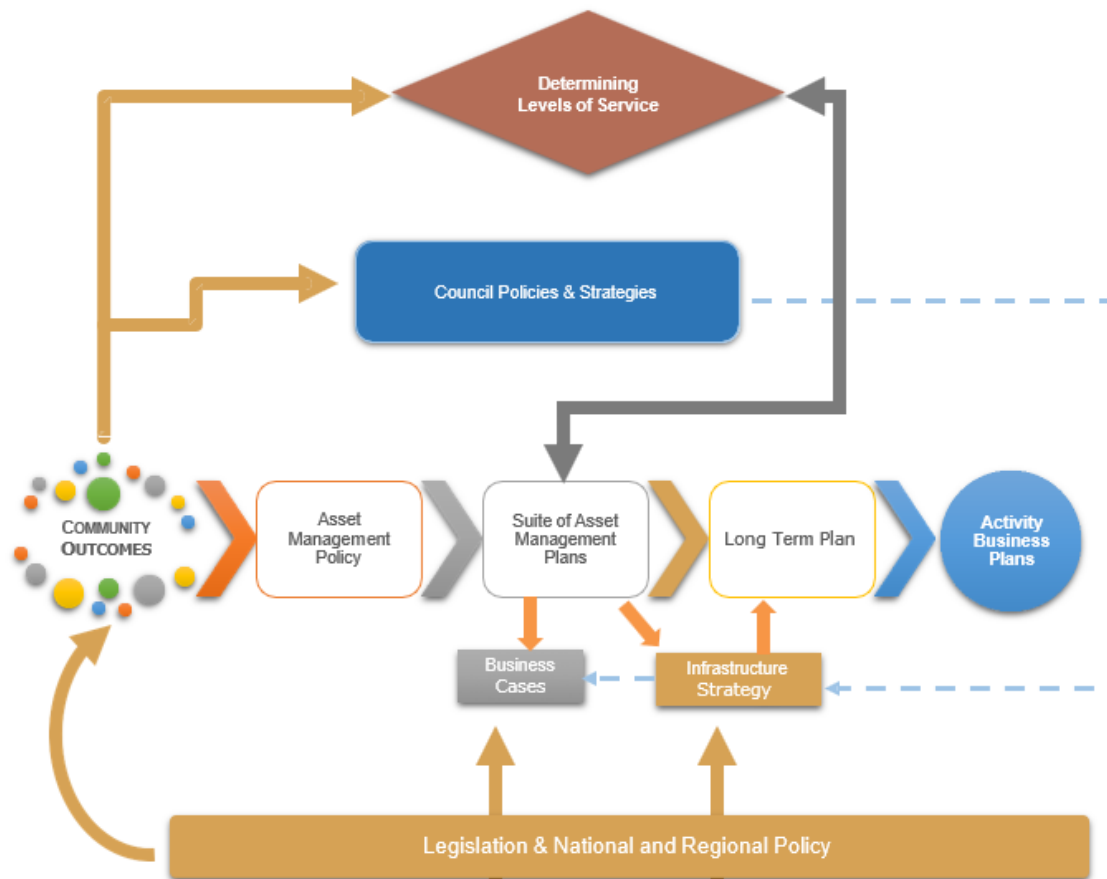


Figure 1: Relationship between the infrastructure strategy and other documents

This Strategy covers the following infrastructure:

- Land Transport (roads and footpaths)
- Three Waters
- Flood Protection and Coastal Structures.

Infrastructure not covered includes:

- Community facilities (libraries, parks and reserves, public conveniences, pensioner housing, swimming pools, halls)
- State highways, as these are the responsibility of NZTA - NZTA - Waka Kotahi NZ Transport Agency

Infrastructure strategies are not required to include community facilities. However, we intend to include these facilities in a future iteration of this Strategy because of the growing importance these assets play in supporting and enhancing the wellbeing of people and communities.

Currently, we're working on an overarching Community Services Asset Management Plan (likely to be finalised later in 2024). This overarching document will be supplemented by asset management plans and associated work programmes for specific types of facilities. Together these plans will help inform future infrastructure strategies.





## STRUCTURE

This document is divided into six sections:

| SECTION |                             | SUMMARY   |
|---------|-----------------------------|---|
| 1.      | Introduction                | Identifies the purpose of the Strategy and illustrates the linkage with other strategic documents.  |
| 2.      | Strategic Context:          | Covers: <ul style="list-style-type: none"> <li>• Key characteristics of the district</li> <li>• Our story – our approach to delivering on wellbeing - our vision, community outcomes, and key themes which shape our approach to managing our infrastructure</li> <li>• Who we work with (our partners)</li> <li>• Our challenges and drivers influencing our approach to infrastructure planning and delivery</li> <li>• Key assumptions (in brief)</li> </ul> |
| 3.      | Managing Our Infrastructure | Identifies: <ul style="list-style-type: none"> <li>• The most likely approach we will take to infrastructure management over the next 30 years</li> <li>• Key infrastructure issues we and the community need to consider</li> </ul>  |
| 4.      | Activity Overview(s)        | Covers: <ul style="list-style-type: none"> <li>• Land Transport</li> <li>• Three Waters</li> <li>• Flood Protection</li> <li>• Coastal Structures</li> </ul>  |
| 5.      | Activity Risks              | Identifies: <ul style="list-style-type: none"> <li>• Significant external and internal risks that could affect our activities</li> <li>• Steps proposed to mitigate these risks</li> <li>• Any implications for our organisation and the community</li> </ul>   |
| 6.      | Assumptions                 | Outlines the assumptions we have made when preparing our infrastructure programmes and budgets in relation to the lifecycle of our assets, demand and levels of service.  |







# STRATEGIC CONTEXT

## DISTRICT OVERVIEW

Small in size but rich in history and agriculture, Ōtorohanga District stretches 90 kilometres from the Tasman Sea in the west to the Waikato River in the east – an area of 1,976 square kilometres. Our near neighbours are the districts of Waipā to the North, Waitomo to the South and Taupō and South Waikato in the East.

### GEOGRAPHY

Around 30 kilometres wide, the district is relatively narrow with two distinct landscapes:

- In the west<sup>1</sup> rugged papa hill country and harbours dominate
- In the east the rolling lowlands are part of the Waipā river catchment - the single largest tributary of the Waikato River.

### SETTLEMENT

Ōtorohanga District falls within the rohe of a number of iwi and hapū – Maniapoto, Raukawa, Ngāti Hikairo, Ngāti Apakura, Ngāti Mahuta, Ngāti Wehi and Te Patupō, with approximately 17 marae located in different parts of the district

Today the district population is largely rurally based (69.9%)<sup>2</sup>, supported by the two main urban areas - Ōtorohanga township and the Aotea/Kāwhia community.

### POPULATION

District population in 2023 was estimated to be 10,900, up 0.9% from a year earlier<sup>3</sup>. Figures for that same year show that the district's dependency ratio was 60.7% - higher than the New Zealand ratio (54%). This elevated ratio reflects both the slightly higher proportion of residents aged 65 years and older (17%; cf. New Zealand 16.5%) and higher proportion of young people aged under 15 years (20.6%; cf. New Zealand 18.5%)<sup>4</sup>.

Nearly 30% of the district population identify as of Māori decent (cf. New Zealand – 16.5%) and 11.3% of residents were born overseas<sup>5</sup>.

Population growth is expected to continue albeit gradually. By 2048, resident population is projected to be 12,656<sup>6</sup> with a corresponding growth in households from 3,872 in 2024 to 4,644 by 2048 (20% increase)<sup>7</sup>.

### ECONOMY

Primary industries account for almost 50% of district's GDP<sup>8</sup>. Rental, hiring and real estate is the next largest sector making up just under 22%.

In 2023, there were 2019 businesses operating in the district up 0.9% from the previous year (cf. New Zealand 1.7%). The average number of employees was 2.3 per business in 2023 (cf. 2.6 in 2013).

The Māori economy is growing, and iwi and post settlement governance entities are expected to play a major role in New Zealand's financial future. While local data is limited, anecdotally it is thought Māori businesses have an important contribution to make to district growth.

In the year to March 2023, mean annual earnings in Ōtorohanga District were \$64,186 (cf. New Zealand \$74,754). The district's dependency ratio (discussed above) may in part explain the lower-than-average earnings.

<sup>1</sup> Waikato Regional Council, West Coast Zone Plan, 2016, pages 11 – 13.

<sup>2</sup> WSP, Ōtorohanga Town Concept Plan (Final), October 2022, page 52.

<sup>3</sup> Source: Infometrics

<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Under a medium variant scenario. Refer: Waikato Regional Council Technical Report 2021/22, 2018-base Population, Family and Household, and Labour Force Projections for the Waikato Region, 2018-2068.

<sup>7</sup> Ibid. The report estimates the population of the district in 2048 to be 14,083 under a high variant scenario; 12,656 under a medium; 11,241 under a low.

<sup>8</sup> According to Infometrics, 45.9% in 2022 (Cf New Zealand 10.7%).



## WELLBEING

While generally satisfied with their local environment (72%), a 2019 study of Waikato residents reported that just under half of respondents felt that its state had declined in recent years<sup>[3]</sup>. Water pollution from towns and cities and the spread urban areas across farmland were issues of particular concern for Ōtorohanga respondents. This finding is reinforced in our recent engagement with district residents. Caring for the moana (sea) and the awa (rivers) were frequently mentioned themes.

Overall people are satisfied with the network of green, open spaces throughout the district. However, needs are changing, and community facilities - venues, sports grounds and open spaces - need to be flexible to cater for the new and emerging demands.

## OUR STORY

Three years ago, we adopted a fresh approach to looking at our role and services. We began using the concept of wellbeing as our lens for examining what we did. This, in turn, has led to a much sharper focus on the outcomes wanted from our services and how these services are delivered.

Ōtorohanga is a fabulous district and we want to ensure that everyone who calls this place home is nurtured and enabled to be their best. We want the district to be **dynamic, inclusive** and **unique** - a place **where kiwi can fly**, this means focusing on **people, place** and **partnerships** to achieve the vision and outcomes below:



Building on the gains we have made over the last three years our strategy is to:

- Continuing connecting with the community
- Pressing forward with making Ōtorohanga an even better place to live
- Being targeted. Nurture and grow partnerships with iwi and external influencers and shapers

Threaded through our strategy relating to people, place and partnerships are the following themes.





| THEMES         | THIS MEANS ...  |
|----------------|---|
| RESILIENCE     | <ul style="list-style-type: none"> <li>• Continue to provide leadership that builds trust and confidence for social resilience.</li> <li>• Embed climate adaptation and mitigation practices into the way we work and:               <ul style="list-style-type: none"> <li>– Actively seek to reduce risks</li> <li>– Build back better where possible.</li> </ul> </li> </ul> |
| SUSTAINABILITY | <ul style="list-style-type: none"> <li>• Adopting environmental protection and restoration practices when carrying out our work</li> <li>• Having and implementing a plan to reduce our emissions</li> <li>• Implementing better waste management to contribute to the national goal of a circular economy</li> </ul>   |
| TRANSFORMATION | <ul style="list-style-type: none"> <li>• Continuing to improve delivery</li> <li>• Make sure the district and the organisation is well positioned for the future</li> </ul>   |

## OUR PARTNERS

### TANGATA WHENUA

The iwi and hapū we have established/are developing strong relationships with include Ngāti Maniapoto, Raukawa, Ngāti Hikairo, Ngāti Apakura, Ngāti Mahuta, Ngāti Te Wehi and Te Patupō and the 17 marae across the district. We recognise the importance of Te Tiriti o Waitangi and actively invite partnerships with mana whenua, including engaging/involving mana whenua early in both project planning and delivery.

### NZTA - WAKA KOTAHI

The Land Transport activity (roads, footpaths and streetlights) accounts for 36.1% of our overall budget. Most of the Land Transport activity attracts funding assistance from the Government through NZTA - Waka Kotahi.

As a major funding partner, we have a close relationship with NZTA - Waka Kotahi which is focused on finalising and supporting the delivery of our three year Land Transport programme in line with local and national priorities and objectives. Collectively, the focus of the programme is on:

- Ensuring the safety of network users
- Providing multi-modal transportation options
- Achieving value for money
- Providing economic and social benefits
- Minimising environmental impacts
- Identifying and managing risks
- Enabling and improving resilience

We acknowledge the current increased cost/constrained funding environment and anticipate this will impact on the programme finalised for 2024-2027 and possible longer.

### PRIVATE DEVELOPERS

We do not undertake development in our own right but we do enable appropriate development in the district, including occasionally partnering with developers. Currently we are working closely with our communities and stakeholders on the preparation of concept plans covering all areas of our district. The plans will provide a framework for public and private development/investment. Implementation of district land development under the concept plans will be enabled via the Ōtorohanga District Plan.





## CHALLENGES/DRIVERS

In brief, the key things that have the most influence on our approach to infrastructure planning and delivery are:

| ISSUE          | EXAMPLE   |
|----------------|---|
| Compliance     | Legislative changes, meeting funding requirements/TTM, NZTA - Waka Kotahi   |
| Growth         | 0.5-1% growth; hollowing of population age cohorts – high young and old, less family/middle age; shortage of commercial/industrial space; heavy vehicles - forest harvest |
| Resilience     | Climate change  |
| Affordability  | Continued inflationary pressures (supply chain, fuel, materials, interest rates, staff/skill shortages, etc) - community expectation of rates affordability               |
| Sustainability | Decarbonisation   |

These challenges and other drivers, possible scenarios, the likely impacts and, if relevant, our possible response to managing these impacts are outline in the table on the following page.

## KEY ASSUMPTIONS

Long-term infrastructure planning does not occur in isolation – it is set within a wider context of what else is happening in the district, the region, nationally and globally. Within this wider context, assumptions are made about the future which in turn shape our operations and capital spending. In addition to the scenarios outlined in the table on the following pages, we make some general forecasting assumptions about future directions for the district affecting our infrastructure planning and these are outlined in this section. Later in this Strategy we have also identified some more specific assumptions relevant to each activity.

## THREE WATERS REFORM

When we began preparing this Strategy, we were working on the premise that the three waters were to transfer to the proposed new water services entities no later than 2026. Under the legislation at that time, we were not permitted to include three waters in our Strategy. The Coalition Government repealed the Water Services Entities Act 2022 in February 2024 requiring a complete reset of how we plan to maintain three waters infrastructure over the next 30 years. Although asset management plans were created by the National Transition Unit, the plans were fiscally unconstrained and bringing them back into councils has required a more detailed, affordable financial lens to be applied. This has required a full review of asset management plans and budgets within a very short time frame.

Given the short timeframe, the approach taken has been to create a modest programme of renewals for the next 3 years whilst being alert to the changes that could result as the Coalition Government's *Local Water Done Well* policy develops.





| CHALLENGES/DRIVERS |  |   |
|--------------------|--|---|
| CHALLENGE/ DRIVER  | MOST LIKELY SCENARIO(S) FOR OUR DISTRICT   | IMPACT ON INFRASTRUCTURE/RESPONSE   |
| COMPLIANCE         | <ul style="list-style-type: none"> <li>Constrained funding means we will need to continue to be financially efficient and prudent to meet the expectations of our funding partners and to achieve a satisfactory level of service for our ratepayers.</li> <li>Temporary Traffic Management (TTM) changes driven by NZTA - Waka Kotahi, with additional minimum training and increased on-site requirements.</li> <li>Increased pressure to meet compliance with Drinking Waters Rules and resource consent conditions.</li> </ul> | <ul style="list-style-type: none"> <li>Reduction in funding may create difficulties in maintaining our existing assets. The focus will need to shift to a needs-based assessment before any investment decisions are made.</li> <li>TTM changes have continued to increase the cost of projects across all activities and for our community. Closing roads instead of keeping them open during works is becoming an option to try and reduce costs.</li> <li>Meeting consent conditions and compliance is going to continue increase the cost to council into the future in both capital expenditure and operating costs.</li> <li>Renewal of consents has shown to be expensive and a lengthy process and an opportunity to tighten conditions.</li> </ul>   |
| GROWTH             | <ul style="list-style-type: none"> <li>Population growth is expected to continue albeit gradually. By 2048, resident population is projected to be 12,656<sup>9</sup> with a corresponding growth in households from 3,872 in 2024 to 4,644 by 2048 (20% increase)<sup>10</sup>.</li> <li>The district age profile is expected to continue to hollow out, meaning proportionally more people in both the younger and older age groups.</li> </ul>  | <ul style="list-style-type: none"> <li>Growth and development and the extra capacity required is accounted for when planning renewals and upgrades.</li> <li>The makeup of households has an impact on the location and type of development that will occur. For example, an increase in young families with children might lead to more suburban residential development which may mean roading networks on the fringes of town need to accommodate more cycling/walking. On the other hand, increases in older persons may translate to more intensive development near the town centre, where reliance on motor vehicles should be less, but footpaths must be able to accommodate mobility scooters</li> <li>Our three waters assets can absorb the small amount of growth we are seeing over the next 10 years, but we must not get complacent and continue to improve our assets with future growth in mind and tightening compliance.</li> </ul> |
| RESILIENCE         | <ul style="list-style-type: none"> <li>Over the medium–long term climate change is expected to bring an increase in the frequency and intensity of storm events and higher temperatures</li> <li>Rising sea level (1.0 metre rise for Kāwhia/Aotea over the next 100 years)</li> <li>A change in rainfall patterns, with a 5% increase in rainfall intensity, producing more extreme weather events and increased drought events.</li> </ul>   | <ul style="list-style-type: none"> <li>New and renewed infrastructure needs to be designed to remain as serviceable as possible, or be quickly repaired, after a natural disaster or other major disruption. This will affect construction priorities and methodologies but may also necessitate the relocation of some assets.</li> </ul>  |

<sup>9</sup> Under a medium variant scenario. Refer: Waikato Regional Council Technical Report 2021/22, 2018-base Population, Family and Household, and Labour Force Projections for the Waikato Region, 2018-2068.  
<sup>10</sup> Ibid. The report estimates the population of the district in 2048 to be 14,083 under a high variant scenario; 12,656 under a medium; 11,241 under a low.





| CHALLENGES/DRIVERS   |  |  |
|----------------------|--|--|
| CHALLENGE/<br>DRIVER | MOST LIKELY SCENARIO(S) FOR OUR DISTRICT   | IMPACT ON INFRASTRUCTURE/RESPONSE  |
|                      | <ul style="list-style-type: none"> <li>• Drought conditions placing pressure on water resources.</li> <li>• These expected climatic changes are likely to significantly impact our district and communities through:               <ul style="list-style-type: none"> <li>– Increased susceptibility for slips and drop-outs affecting road accessibility</li> <li>– More frequent overwhelming of culverts and flooding of roads reducing accessibility</li> <li>– Coastal inundation/erosion impacting public infrastructure</li> <li>– Increased flood-level events on rivers and stream testing the integrity of the Ōtorohanga flood protection system and bridges on our road network, resulting in land/property inundation and reduced accessibility</li> <li>– Extended dry periods accelerating the deterioration of roads through seal and sub-base failure.</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• The District Road network layout has been shaped by geology and topography. Some areas, particularly the western part of the district, are prone to slips and drop-outs which could lead to extended periods of disruption. Consideration is being given to increasing the resilience of the network in these areas to ensure the risk of any significant disruption to access is minimised.</li> <li>• As part of the regular renewal programmes, we prioritise the replacement of critical or vulnerable assets (such as bridges). We consider the resilience of the replacement solutions at the design phase.</li> <li>• Climate change and other extremes are considered whenever assets are renewed, replaced or new assets planned, and proposed work programmes already account for this (e.g. culvert replacement).</li> <li>• Where flooding is a recurring issue on parts of the road network these are addressed either with an engineering solution (which may remove or minimise the effect of the flooding) or a standard procedure (traffic management).</li> <li>• We must continue to look after the available water resources, improving storage and maintaining a sound network repairing water leaks.</li> <li>• Continued maintenance programmes on our flood control assets are important as they need to operate when called upon.</li> </ul> |
| AFFORDABILITY        | <ul style="list-style-type: none"> <li>• Financial forecasts show that future road infrastructure spending will remain within affordability benchmarks, although these may mean reduced levels of services if NZTA - Waka Kotahi funding levels are reduced.</li> <li>• We will face increased pressure to keep rates affordable. This means future rates rises and borrowing limits have caps to work within. There is the potential for reduced levels of service if additional external funding constraints are imposed and costs continue to increase.</li> <li>• Interest rates are forecast to remain high (relative to recent levels) in the short to medium-term. However, these levels are closer to the long run average interest rate levels. Good access to funds at preferential rates remains through Council's membership of the Local Government Funding Agency (LGFA).</li> <li>• There is likely to be increased pressure on engineering resources (people and plant) due to the Government's enhanced infrastructure programmes, and reduced availability of skilled staff, which will likely result in continued rising costs.</li> <li>• Ongoing oil price volatility will affect construction costs and bitumen prices.</li> </ul> | <ul style="list-style-type: none"> <li>• Ongoing infrastructure maintenance and renewal programmes may not be able to continue as they currently do. Cost-efficiencies will continue to be sought wherever possible, including improved procurement approaches such as larger work packages or longer term delivery contracts.</li> <li>• Major project work can have a significant effect on rates. Where practical, the timing of major projects will be coordinated across Council's activities to manage their impact on rates affordability. However, where there is an immediate need, this may not be possible.</li> <li>• The strain on resources, coupled with reduced NZTA - Waka Kotahi funding (forecast for at least the 2024-27 period) will require judicious decision-making when programming forward work. In the roading activity, forecast works are initially based on need rather than available budget, so any funding constraints will be managed by undertaking a final programme that is affordable, having regard to resilience. Flexibility in programming is always required as works may change in priority, which is why the Land Transport programme is managed across a 3-year period (rather than annually).</li> </ul>   |





| CHALLENGES/DRIVERS   |  |  |
|----------------------|--|--|
| CHALLENGE/ DRIVER    | MOST LIKELY SCENARIO(S) FOR OUR DISTRICT   | IMPACT ON INFRASTRUCTURE/RESPONSE  |
|                      |  | <ul style="list-style-type: none"> <li>With three waters no longer transferring to the water entities council will now have to factor in the next 10 years of operational and capital expenditure, while remaining agile to the changing political environment while we see what <i>Local Water Done Well</i> looks like in mid-2025.</li> </ul>   |
| SUSTAINABILITY       | <ul style="list-style-type: none"> <li>A focus on environmental enhancement and decarbonisation is expected to continue, with consideration given to:               <ul style="list-style-type: none"> <li>Energy use</li> <li>Environmental restoration</li> </ul> </li> <li>We must continue to improve our practices in water, wastewater and stormwater to make sure we do not have a negative impact on our natural resources.</li> </ul> | <ul style="list-style-type: none"> <li>Council has committed to a shift to hybrid/electric vehicles for its fleet and is exploring options to reduce energy costs (eg, time of use changes and/or the use of solar panels on major community buildings).</li> <li>Our community and mana whenua partners have told us that the health of the environment and environmental restoration are important. With mana whenua as partners on key projects, the opportunity to factor in environmental outcomes can be considered at the project scoping stage.</li> <li>We must continue to maintain a balance between what is aspirational and what is affordable for the community.</li> </ul>  |
| AGING INFRASTRUCTURE | <ul style="list-style-type: none"> <li>Some of Council’s key community infrastructure is aging to the point where decisions on its future need to be made – whether that be renewal (upgrading), replacement or disposal</li> </ul>  | <ul style="list-style-type: none"> <li>The earliest bridges built in the district were in the early 1900’s. Bridge renewals are planned to start in the next 40 years.</li> <li>We will continue with a modest renewal programme in the three waters activity for the next three years, no significant upgrades are forecast within the next 10 years.</li> <li>Coastal Structures such as seawalls are expensive to build and maintain. Renewal of structures over the next 3 years will require significant investment and, as our understanding of the effects of climate change improves, we may not be able to build these structures in the same locations.</li> <li>Kāwhia Wharf was rebuilt in the 1960’s<sup>11</sup> and its use has changed becoming more of a recreational facility than a freighting resource. As it reaches the end of its useful life, what is built in its place will need careful consideration.</li> </ul> |
| THREE WATERS REFORM  | <ul style="list-style-type: none"> <li>The new coalition government have repealed the Water Services Entities Act 2022 and councils will continue to manage three waters into the future.</li> </ul>   | <ul style="list-style-type: none"> <li>This has required a complete reset for infrastructure planning for the 2024-34 LTP as previous legislation only required two years of planning for three waters. We need to remain agile in our planning as the direction of three waters is better understood.</li> </ul>  |

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## CLIMATE CHANGE

We intend developing a Climate Change Response Policy/Plan (CCRP) in 2024, which will include both an organisational focus and a district focus. Our Plan will be developed in conjunction with mana whenua, stakeholders and the wider community, and we expect it to contain a series of specific assumptions about climate change impacts in/on our district. We already know the main threats to our infrastructure from climate change come from extreme weather events: heat, rain and wind. We also have assets in areas likely to be affected by sea-level rise (Kāwhia and Aotea). Flooding and storm damage threaten bridges and culverts, some of which also carry other lifeline assets (telecommunications, electricity, and water).

## NATURAL DISASTERS

We've made the assumption that there will be no significant emergency events (natural disasters) affecting our district in the next 10 years that cannot be funded out of budgetary provisions or met by insurance arrangements. For infrastructure, we intend taking the following actions to mitigate the risk posed should this assumption prove incorrect:

- Ensure that we have adequate insurance to cover the district's assets against such events
- Ensure that the commercial insurances are at a level to cover the district's assets against such events when taking into consideration central government's role in disaster recovery and restoration
- Continue to give focus and attention to our involvement with sub-regional emergency management activities, and local emergency management and business continuity planning.
- In the event of an emergency, our response will be immediate, with appropriate resources redirected for that purpose.

In addition, a committed cash advance facility of \$5 million is available to be called upon in the event of a natural disaster, and short-term lending opportunities exist with the Local Government Funding Agency.

## NZTA - WAKA KOTAHI FUNDING

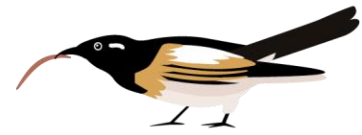
Our Land Transport activity is supported with Government funding through NZTA - Waka Kotahi. Our Funding Assistance Rate (FAR) is currently 63% and this Strategy assumes this level of support to continue for the next 10 years.

On 6 June 2024 we received advice from Waka Kotahi that the indicative funding plan for maintenance and renewal of our local roads would be below what we had anticipated. As a consequence, we are likely to be under funded by up to \$3.2M for the first three years of the long term plan. This advice was received shortly before the adoption of the proposed plan and at that point time no formal advice, indicative or otherwise, had been received on the funding of our other programmes such as capital investment into safety, improvements, transportation planning etc. Advice on these other programmes is not expected until August 2024.

### Our Approach

Given the context of the above, we have decided to adopt the long term plan unchanged from that set out in our Consultation Document and supporting information. We are doing so on the basis that our community has confirmed its support for this necessary investment and via our Consultation Document it was signalled that if, for any reason, we receive less than expected from Waka Kotahi then we would consider the options through our annual plan process and make adjustments after talking again with our community. To take any other approach would not be honouring either our commitment to our community, or the needs of the transportation network.

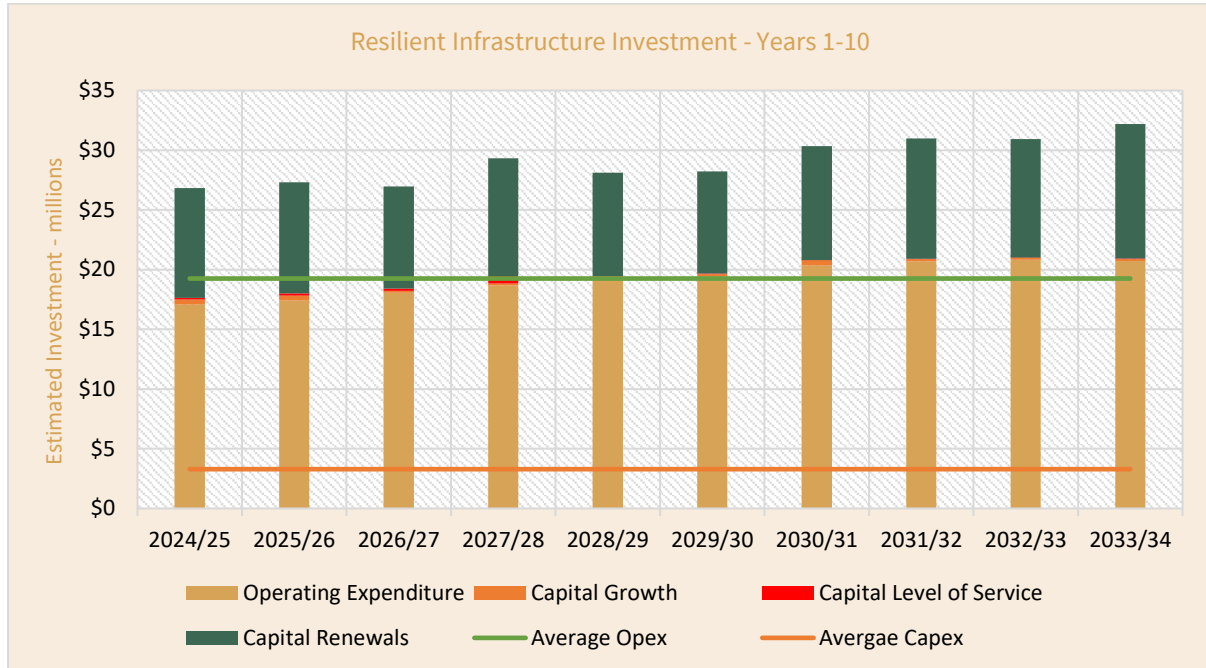
We have reluctantly accepted a qualified statement on this matter. Any alternative would be misleading to our community. As signalled in our Consultation Document reduced funding risks the deterioration of our transportation network and is contrary to the asset information which forms the core underlying information to the long term plan.



# MANAGING OUR INFRASTRUCTURE

Asset management is process of planning for the cost of maintaining and renewing significant assets over a long life and generations. With many assets to manage and all with varying degrees of value, this strategy focuses on significant assets of high value and criticality.

Our approach to asset management is to apply a **sound management philosophy** and to keep the wheels turning while paying attention to resilience. The graph below shows the overall investment over the 2024- 34 period in the resilience of our infrastructure.



|                          | 2024/25<br>(000's) | 2025/26<br>(000's) | 2026/27<br>(000's) | 2027/28<br>(000's) | 2028/29<br>(000's) | 2029/30<br>(000's) | 2030/31<br>(000's) | 2031/32<br>(000's) | 2032/33<br>(000's) | 2033/34<br>(000's) |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Operating Expenditure    | 17,066             | 17,419             | 18,052             | 18,691             | 19,273             | 19,461             | 20,340             | 20,693             | 20,822             | 20,704             |
| Capital Growth           | 425                | 409                | 158                | 162                | 165                | 169                | 455                | 176                | 179                | 182                |
| Capital Level of Service | 130                | 169                | 200                | 598                | 6                  | 45                 | 6                  | 47                 | 6                  | 49                 |
| Capital Renewals         | 9,203              | 9,307              | 8,558              | 9,866              | 8,678              | 8,558              | 9,549              | 10,055             | 9,933              | 11,245             |
| Average Opex             | 19,252             | 19,252             | 19,252             | 19,252             | 19,252             | 19,252             | 19,252             | 19,252             | 19,252             | 19,252             |
| Average Capex            | 3,289              | 3,289              | 3,289              | 3,289              | 3,289              | 3,289              | 3,289              | 3,289              | 3,289              | 3,289              |
| <b>Total</b>             | <b>26,824</b>      | <b>27,303</b>      | <b>26,968</b>      | <b>29,317</b>      | <b>28,122</b>      | <b>28,232</b>      | <b>30,350</b>      | <b>30,970</b>      | <b>30,939</b>      | <b>32,179</b>      |

Asset management plans are a critical part of our approach. The plans help us to understand the state of assets and, throughout their lifecycle, when they will need upgrading and what investment is needed.

In this section we provide information on:

- How we manage our assets
- Key infrastructure issues.

## HOW WE MANAGE OUR ASSETS

### ASSET MANAGEMENT PLANS

Key documents underpinning this Infrastructure Strategy are the asset management plans (AMPs) - primarily the Land Transport Asset Management Plan and Water and Drainage Asset Management Plan. AMPs integrate management, financial, engineering and technical practices to ensure that the level of service required by customers is provided effectively and efficiently. This requires taking a whole-of-life approach to asset investment planning, procurement and delivery.





An integrated long-term approach based relies on good underlying data about the assets to:

- Optimise the way in which we operate, maintain, renew or replace our assets
- Ensure our infrastructure meets the needs of current and future generations in an affordable way
- Ensure that future generations are not disadvantaged by short term decisions
- Ensure that risks to service levels and public safety are acceptable.

Our asset management planning work identifies current and future asset requirements, and the financial forecast for capital (renewals and new capital projects), and operational expenditure for each asset group. We have detailed AMPs for land transport and three waters but have only really begun the journey of detailed AMPs for community services with our first fully complete AMP due in 2024. AMP's for flood protection and coastal structures have yet to be created and will be one of improvements we intend to undertake in the next three years.

This Infrastructure Strategy enables residents and stakeholders to see at glance what work is proposed, and why, should further detail be required this can be seen within the individual AMPs.

### HOW WELL DO WE KNOW OUR ASSETS

We know our land transport assets well, and we work closely with NZTA - Waka Kotahi to maintain best practice. Roads, bridges, footpaths and other transport assets are inspected regularly for defects and condition to inform the upcoming renewal programme. Replaced or new assets come with high-quality data, which improves our overall knowledge.

We also have good asset data on our three waters/flood protection assets, but we do not have that level of data on our community facilities or coastal structures. Now we have a dedicated assets team, bringing all our assets up to the same level will be a focus.

The table below list the data confidence grades given to each roading asset class and the three waters. Grades are based on:

- the quantity of assets in each class and location (eg. the length of pipe);
- the replacement cost of those assets;
- the life remaining in them
- the depreciated replacement cost, which is a measure of the remaining value of the assets, after accounting for their age.

On the whole, this gives us reasonable confidence that the information we're using in our planning is correct and that our plans represent good use of funds.

| DATA CONFIDENCE             |          |                  |                 |                              |
|-----------------------------|----------|------------------|-----------------|------------------------------|
| ASSET                       | QUANTITY | REPLACEMENT COST | LIFE EXPECTANCY | DEPRECIATED REPLACEMENT COST |
| <b>LAND TRANSPORT</b>       |          |                  |                 |                              |
| Land                        | B        | B                | -               | -                            |
| Formation                   | B        | B                | -               | -                            |
| Unsealed Pavement Structure | B        | B                | -               | -                            |
| Seal Pavement Structure     | B        | B                | B               | B                            |
| Surface Structure           | A        | A                | A               | A                            |
| Bridges                     | B        | B                | C*              | C*                           |
| Drainage                    | B        | B                | B               | B                            |
| Footpaths                   | A        | A                | A               | A                            |
| Markings                    | A        | A                | A               | A                            |
| Railings                    | B        | B                | B               | B                            |
| Signs                       | A        | A                | A               | A                            |
| Streetlights                | A        | A                | A               | A                            |





|                     |   |   |       |       |
|---------------------|---|---|-------|-------|
| SW Channel          | A | A | A     | A     |
| <b>THREE WATERS</b> |   |   |       |       |
| Water               | B | B | B/C** | B/C** |
| Wastewater          | B | B | B/C** | B/C** |
| Stormwater          | B | B | B/C** | B/C** |

| KEY              |       |   |
|------------------|-------|---|
| CONFIDENCE LEVEL | GRADE | DESCRIPTION   |
| Highly Reliable  | A     | Data based on sound records, procedures, investigations and analysis, document and recognised as the best method of assessment  |
| Reliable         | B     | Data based on sound records, procedures, investigations and analysis, documented properly but has minor shortcomings, for example the data is old, some documentation is missing, and reliance is placed on unconfirmed reports or some extrapolation |
| Uncertain        | C     | Data is incomplete or unsupported, or extrapolated from a limited sample  |
| Very Uncertain   | D     | Data based on unconfirmed verbal reports and/or cursory inspection and analysis   |

- \* Data with a C has a lower confidence in life expectancy and replacement costs due to condition ratings being held within Junoviewer bridge inspections system and this data does not flow into the Land Transport Asset Management System, this has been identified and currently being worked on.
- \*\* Data with a B/C is when we hold minimal condition data within our Asset Management System or maintenance history against assets so therefore have a lower confidence level in life expectancies and replacement costs. Higher than a C but not higher enough to reach a B

### MAINTENANCE AND RENEWALS

Maintenance is the required levels of service to make sure an asset reaches its expected life. Renewals are the progressive replacement of existing assets as they reach the end of their useful life, preferably before failure, but not too soon before an asset reaches its desired service life. Replacing assets too early is not cost effective unless the asset is critical to operations and failure of the asset will result in substantial loss of levels of service to the community.

Asset management is often the balance between ongoing maintenance and renewing assets depending on cost and criticality. An example of replacing a critical asset proactively is the 315mm rising water main installed in Ōtorohanga in 2023. Although still functioning, the existing rising main was reaching the end of its useful life. With a risk of failure at any time and an expensive repair, it was decided to install a second rising main to ensure a continual supply of water to Ōtorohanga.

At the other end of the spectrum a minor or less critical asset may only be reactively maintained and renewed upon failure. This determination is often based on the value of the asset and the cost to maintain compared to cost of replacement.

Overall, the level of maintenance and rate of renewal should maintain the overall condition of the asset to a standard that the community expects and so the asset life is not premature and wasting the community's investment.

### CRITERIA FOR ASSET RENEWAL

When deciding to renew an asset several factors are considered, but not all factors are necessary to reach a decision, it may only be one factor that determines the renewal or not.

| CRITERIA FOR RENEWAL   |
|--|
| <ul style="list-style-type: none"> <li>• Criticality</li> <li>• Age, condition, cost</li> <li>• Service requests, poor performance, community feedback and staff input</li> <li>• Consideration of other projects, road renewals, developments</li> <li>• Risk of failure</li> </ul> |

Although a lot of asset management is data driven, it still requires a sense check by staff to make sure the data is accurate and onsite assessment validates the data.





Our roading data is very good because of years of improvements. However, data for the three waters is fair to good whilst coastal structure data is not as good. To reach a high level of asset management requires considerable investment and we're committed to reaching the standard set by our roading data for all our critical assets. The creation of the new asset team is the start of this process and will take some years to reach the ideal industry standards of asset management.

### UNEXPECTED RENEWALS

Even with the best asset management system unexpected renewals are always a risk. Sometimes the unexpected happens and the cost of the renewal may sit outside any forecasted budget within the LTP. This occurred in 2020 when the failure of a sewer main on Kakamutu Road Ōtorohanga resulted in a \$300k unbudgeted renewal. When these unexpected events occur, we evaluate and apply one of the following options:

- Depending on the criticality of the asset, maintain a reduced level of service until such time as a capital budget is available
- Explore existing budgets within the same activity and reprioritise
- Increase the existing capital budget by bringing work forward.

### FINANCING ASSETS

How we finance the investment in infrastructure is covered in the following documents:

- Financial Strategy
- Revenue and Financing Policy
- Development Contributions Policy

### SERVICE DELIVERY APPROACH

| SERVICE DELIVERY APPROACH     |  |  |
|-------------------------------|--|--|
| ACTIVITIES                    | KEY SERVICES   | DELIVERY MODEL   |
| LAND TRANSPORT                | <ul style="list-style-type: none"> <li>• Roads, footpaths, bridges and cycleways including associated structures and facilities</li> </ul>                           | <ul style="list-style-type: none"> <li>• Asset Management Team</li> <li>• Road Maintenance contracts</li> <li>• Bridge Inspections</li> <li>• In house roading team, project team.</li> <li>• Shared services agreements with Waikato LASS (Colab)</li> </ul>                                  |
| 3 WATERS AND FLOOD PROTECTION | <ul style="list-style-type: none"> <li>• Management and maintenance of three waters and Ōtorohanga Flood Protection assets, stopbanks and flood stations</li> </ul>  | <ul style="list-style-type: none"> <li>• Asset Management Team</li> <li>• In house water services team and quality compliance team.</li> <li>• In house project delivery team</li> <li>• Shared Service agreement for sampling and testing with Waikato LASS (Colab)</li> </ul>                |
| COASTAL STRUCTURES            | <ul style="list-style-type: none"> <li>• Monitoring and maintenance of rock structures in coastal areas of Kāwhia and Aotea. Boat Ramps and Kāwhia Wharf.</li> </ul> | <ul style="list-style-type: none"> <li>• Asset Management Team</li> <li>• Maintenance and monitoring of seawalls to meet consent conditions.</li> <li>• Resource Consent reporting and renewals</li> <li>• In house Project Team and Asset Team to manage consents and maintenance.</li> </ul> |





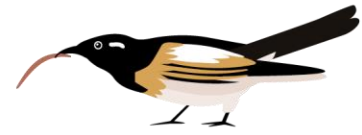
## DEMAND CHANGES AND MANAGEMENT

| DEMAND CHANGES AND MANAGEMENT |   |  |  |
|-------------------------------|---|--|--|
| ACTIVITIES                    | DEMAND CHANGES  | DEMAND ISSUES  | MANAGEMENT STRATEGY  |
| LAND TRANSPORT                | <ul style="list-style-type: none"> <li>• Requests for seal extensions from rural ratepayers</li> <li>• Increases in rural subdivisions, Increasing traffic volumes on rural roads and expectations.</li> <li>• Urban development and connectivity to town</li> <li>• Climatic storm events and Intense rainfall</li> </ul>  | <ul style="list-style-type: none"> <li>• Increase demand for seal extensions.</li> <li>• Increase in rural subdivisions and increased traffic flow on rural roads.</li> <li>• Resilience within the network to meet extreme weather events</li> </ul>  | <ul style="list-style-type: none"> <li>• To continue with seal extensions is going to require additional unsubsidised funding. Seal extensions are cost prohibitive currently.</li> <li>• It is important that planning/development and Land Transport align through any processes to identify any issues.</li> <li>• Minimal urban development will have no effect on the roading infrastructure but there will be a need to improve footpath and connectivity over time.</li> <li>• Catchment survey and culvert assessments, will improve resilience in the network.</li> </ul> |
| THREE WATERS                  | <ul style="list-style-type: none"> <li>• Extreme weather events causing either swollen rivers or low flows puts pressure on water treatment</li> <li>• Unaccounted water losses continue to put pressure on water capacity</li> <li>• Increased compliance and monitoring increases demand on staff resources</li> <li>• Consent conditions becoming more restrictive on wastewater and stormwater</li> <li>• three waters remaining with council and continued investment in renewals</li> </ul> | <ul style="list-style-type: none"> <li>• After intense rain events staff must shut down plants until rivers settle down and draw on water storage</li> <li>• Low river flows and higher water temperatures reduces the volumes the plants can treat.</li> <li>• Unaccounted water losses increase treatment costs and reduces capacity in existing plants</li> <li>• Increasing consent conditions will place more demand on staff and council resources to remain compliant.</li> <li>• Continued investment in renewals will require funding from ratepayers unless government funding is made available.</li> </ul> | <ul style="list-style-type: none"> <li>• Improved water storage has allowed for water plants to shut down until normal operations can be resumed, up to 8 hours.</li> <li>• Leak detection programme to be introduced to help locate difficult leaks in the network</li> <li>• We will continue to work with regional council to make sure we make the necessary improvements to meet our consent conditions</li> <li>• We have prepared a moderate renewal programme for the efficient, financially prudent continuation of renewals.</li> </ul>                                  |



| DEMAND CHANGES AND MANAGEMENT |  |  |  |
|-------------------------------|--|--|--|
| ACTIVITIES                    | DEMAND CHANGES   | DEMAND ISSUES  | MANAGEMENT STRATEGY  |
| FLOOD PROTECTION              | <ul style="list-style-type: none"> <li>Climatic storm events and Intense rainfall</li> <li>Changes in use increasing costs.</li> </ul>   | <ul style="list-style-type: none"> <li>Balancing the infrastructure and amenity value of shared spaces.</li> <li>Changes of use of stopbank grazing areas has increased the cost of maintenance to an improved level of service.</li> <li>Increase focus on flood protection given recent flooding events.</li> <li></li> </ul>                    | <ul style="list-style-type: none"> <li>Large retention areas (Lake Huiputea) have dual purposes - flood protection assets and recreation reserves. Flood protection must take precedence over amenity value, but not to the detriment of these values.</li> <li>The stopbank pathway and the retirement of the grazing areas has resulted in an increase in level of service (mowing).</li> <li>With recent flooding events there is considerably more focus on the Waipa River and the stopbanks than there has been for some time and we must continue our high standards of maintenance.</li> </ul> |
| COASTAL STRUCTURES            | <ul style="list-style-type: none"> <li>Existing structures in Kāwhia are old and in need of maintenance.</li> <li>Erosion of private property increases demand on construction of the structures, or the increase in ad hoc unpermitted structures.</li> </ul> | <ul style="list-style-type: none"> <li>Kāwhia coastal defences are a mismatch of different structures and at varying degrees of condition.</li> <li>Aotea Sewall has reached the end of its consent and renewals are in progress.</li> <li>Coastal structures are expensive and require consents.</li> <li>Kāwhia Wharf use has changed</li> </ul> | <ul style="list-style-type: none"> <li>Government funding has been granted to assess the Kāwhia seawall defences and undertake limited maintenance. We are also investigating whether some of this funding can also be applied to the Aotea Seawall.</li> <li>Aotea seawall consent process to continue until obtained.</li> <li>We need to proactively work with community to avoid ad hoc structures appearing.</li> <li>Renewal of the wharf is expected in the next 15 -20 years.</li> </ul>   |





## RESPONDING TO GROWTH

Existing levels of service and infrastructure will meet the needs of the growth expected in Ōtorohanga and Kāwhia over the next three to 10 years. Although we have seen an increase in small lot subdivision in the rural areas, these developments are not having a significant impact on the current network.

NKC subdivision in Harper Ave (128 lots) is the largest subdivision Ōtorohanga has seen in many years and this growth was responded to in the 2021/22 to 2023/24 period. With the completion of stages 1 and 2 it is expected that there will be an increase in traffic exiting Harper and Thomson Avenues. There is also expected to be an increase in foot traffic with people walking into town. Changes in intersection designs are scheduled in 2024.

As urban growth increases, we will need to consider the connectivity of foot traffic within the urban centre, as anticipated in the Ōtorohanga Town Concept Plan. We will take a business-as-usual approach until such time as there are signs of a large increase in need.

## MAINTAINING LEVELS OF SERVICE

Levels of service (LOS) statements describe the outputs or objectives an organisation intends to deliver to its customers reflecting the social, political, economic, and environmental outcomes wanted. Any increases to LOS have a direct impact on expenditure and finding a balance of meeting expectations and the cost to benefit ratio is always challenging. We're not proposing any significant changes to the LOS delivered in the previous three years.

LOS, measures, and targets for the first 10 years of the Strategy, are covered in detail in our Long Term Plan and are not repeated here.

## CHALLENGES TO MEETING LEVELS OF SERVICE

The key factors that will challenge our ability to deliver the desired LOS and meet the community's expectations, while avoiding unsustainable debt for future generations are:

- As populations grow the demand for services increases, in particular an aging population and the changing LOS required to suit the needs of an older community
- Costs associated with maintaining compliance with resource consents and renewing existing consents
- Increasingly restrictive consent conditions as more environmental standards impact on LOS
- Climate change – planning for the unknown is fraught and cost prohibitive
- Finding the balance between protecting natural resources and providing an affordable LOS
- Demand for more public amenities and open spaces, playgrounds, public conveniences.

## DELIVERY OF CAPITAL PROGRAMME

Delivery of capital programmes has always been a significant challenge to councils as large capital work can often span over more than one financial year. It makes sense that intergenerational assets take more than a year to design, plan, and build.

Planning and delivering large capital projects in one year are simply not achievable and we need to adapt and adjust our thinking, budgeting and reporting of capital work.

The last LTP cycle we adopted the philosophy of a three-year programme to deliver large capital projects or renewals, this has been successful to date, largely due to the creation of a dedicated project delivery team within the Engineering and Assets Group. The project delivery team is responsible for delivering large capital works, which is determined by overall cost and public/political interest in the project. The team's success is measured by:

- Working with activity managers to deliver what is required
- Managing projects from start to finish within scope, time, and budget
- Reporting on capital works to Council and Risk and Assurance Committee
- Having robust, best practice procurement methods that align with procurement manuals and strategies
- Accurate budget forecasting and reporting to prevent any cashflow issues over the term of the project
- Inclusive stakeholder engagement and communications.







# ACTIVITY OVERVIEWS

## OVERVIEW

As outlined earlier, the activities covered within this document are land transport (roading), three waters (water, wastewater and stormwater) flood protection and coastal structures. In this part of this strategy these activities are discussed in more detail.

Most of our projects planned over the next 30 years are maintenance and renewals which are centred around roading and three waters, with no significant projects planned within the next 1 - 10 years. Many of the projects are within the land transport group of activities, which is confirmed on a three-yearly basis in conjunction with NZTA - Waka Kotahi.

We anticipate changes to our three waters programme, especially within the next two years given the dynamic nature of our operating environment and the likelihood of new policies and priorities associated with of the Coalition Government., As a consequence we have developed a modest programme so that we can remain agile to make changes easily.

Other key infrastructure investment expected relates to our coastal structures. With resource consent renewals in preparation or underway, we anticipate that future maintenance needs will be identified through the consent processes. We have received government funding to assist with aspects of the work required.





## LAND TRANSPORT

Ōtorohanga District is reliant on road transport to move people, goods and services around. The network is predominantly rural at 96.1%, and sealed roads make up 65% of the total network (526km of 804km) with an additional 278km of rural unsealed roads.

The roading activity involves the maintenance, renewals and development of roads, kerb and channel, bridges, street lighting, footpaths, culverts and underpasses, and signage for all roads (except state highways) in the district. State highways fall under the jurisdiction of NZTA - Waka Kotahi. We maintain roads in accordance with our Land Transport Asset Management Plan (AMP).

Our recent Land Transport bid to NZTA - Waka Kotahi for funding over the next three years was \$42 million (rounded)<sup>12</sup>. The value of the bid was based on the most accurate data available and is focussed on building resilience in the network and maintaining current levels of service. This bid did not include depreciation of the asset or any unsubsidised budget. The budget is pending final moderation and approval by NZTA - Waka Kotahi and confirmation is expected in August 2024 (refer also to note on page 51). Should the bid not be successful we will need to decide to either fund the shortfall or reduce the level of service to fit within the allocated budget. Below is a break down on the budget allocation and activities for the next 1 – 10 years, with a modest escalation out to 30 years.

The overall cost of our full land transport programme is detailed later in this document.

## LAND TRANSPORT INFRASTRUCTURE

| INFRASTRUCTURE SUMMARY  |   |  |   |
|---|---|--|---|
| AIM   | To provide a safe and efficient road network that meets the short and long-term needs of the district at the lowest overall whole of life cost. |  |   |
| GOALS   | Requests are responded to in a timely manner  | Council Ensures quality of roads and safety of users | Council ensures roads are safe for all users. |
| <b>Asset Summary:</b>   |   | <b>Replacement Value:</b>                            |   |
| Sealed Roads  | 526 km  | Formation  | \$123,211,209                                 |
| Unsealed Roads  | 278 km  | Sealed Road Surfaces                                 | \$22,350,617                                  |
| Bridges and Underpasses   | 217 total   | Sealed Pavement Layers                               | \$60,476,703                                  |
| Culverts  | 7 km  | Unsealed Pavement Layers                             | \$23,937,040                                  |
| Kerb and Channels   | 42 km   | Bridges  | \$58,744,033                                  |
| Surface Water Channels  | 969 km  | Drainage   | \$48,863,664                                  |
| Footpath  | 35 km   | Footpath   | \$11,179,935                                  |
|   |   | Railings   | \$1,577,430                                   |
|   |   | Marking  | \$514,164                                     |
|   |   | Signs  | \$1,133,589                                   |
|   |   | Street Lighting                                      | \$909,479                                     |
|   |   | Land   | \$54,331,852                                  |
|   |   | <b>TOTAL</b>   | <b>\$407,229,720</b>                          |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p><b>Score</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>93</p> <p>LAST YEAR</p> </div> <div style="text-align: center;"> <p>96</p> <p>THIS YEAR</p> </div> </div> </div> <div style="width: 40%;"> <p><b>Overall Results</b></p> </div> <div style="width: 25%;"> <p>● Expected Standard<br/>● Minor Issues<br/>● Major Issues</p> <p>Import Date: 28th July 2023</p> <p><small>Data Source: This report uses RAMM data from the annual snapshot loaded onto Transport Insights by the RCA and data input into the Waka Kotahi Transport Investment Online (TIO) system by the RCA.</small></p> </div> </div> |   |  |   |

<sup>12</sup> Note: Overall investment in roading for the next three years is \$59 million, including items not funded by NZTA – Waka Kotahi.



## WHAT WE DO

Essential for the community's economic and social wellbeing, we have invested large amounts of funding over many years in creating the best possible surfaced roads our residents can afford. The district's roads, footpaths and associated infrastructure have been consistently well designed, constructed and maintained, and provide levels of service that meet current and expected future needs. No significant level of service issues are expected to arise in the next three years.

Our vision for land transport is to *provide a well maintained and consistent roading network that meets a pleasing level of service in the most cost-effective manner*. Evidence that our vision is being achieved is measured through our performance framework.

Data is regularly captured to identify, classify, value, and rate the condition of our assets. All this information is stored in the RAMM software where it can be accessed when required in formats that satisfy the district Forward Works Programmes (FWP).

Condition surveys and validations are regularly undertaken to keep the data in RAMM as accurate as possible. This information is then used to determine the treatment options for road maintenance, reseal sections and rehabilitation sites. The best option is selected for longevity and value for money.

To illustrate how we use the data we collect, a recent negative trend has emerged from the results of measures used to assess the deterioration of water proofing of road surface layers. Whilst not a major concern as of yet, steps have been taken to address any issues as rapid deterioration of the road can occur when the tipping point is reached and water enters the pavement layers.

Ōtorohanga District Council has very low numbers of fatal and serious crashes compared to national statistics. We propose to maintain our current level of service of targeted education of road users and working toward speed management.

Based on the performance information we collect on customer levels of service, customers and stakeholders are generally well satisfied with the current land transport standards and management practices.

## WHAT INFLUENCES OUR APPROACH

Continued themes in NZTA - Waka Kotahi's (30 year plan) include sea level rise, increased rain and storm intensity and frequency which will affect communities, particularly Kāwhia and Aotea. These matters are taken into account in our road planning and resilience improvements, particularly in the areas that are vulnerable to increased sea levels. Waikato Regional Council Sea level rise tool has not changed in the last three years which indicates that the model remains relevant for planning purposes. Furthermore, we are committed to increasing the size of culverts when needed and, amongst other matters, taking a stronger focus on vegetation control.

With 96% of the district's roads being rural, a large portion of our road users in the district are associated with the agricultural sector, either directly or via support industries. Two State Highways carry the bulk of the through-district travellers and a challenge for us is unplanned events requiring a road closure/detour off the State Highway network for road crashes, weather events or similar, placing more pressure on local roads.

Another challenge influencing our roading decisions is the increasing size of commercial vehicles which puts pressure on the capacity (width) of some roads; To help mitigate this change, a significant budget is allocated for widening roads which fall below the desired width standard to make these roads safer.

## SIGNIFICANT ACTIVITIES

### PAVEMENT RESEALS

The overall approach taken to maintain the network's sealed pavement is a mix of proactive planning, assessment, and inspections, while reactive work is driven by exception reports and service requests. The maintenance needs of these sealed roads are identified through service requests, and resurfacing is scheduled as per our FWP.

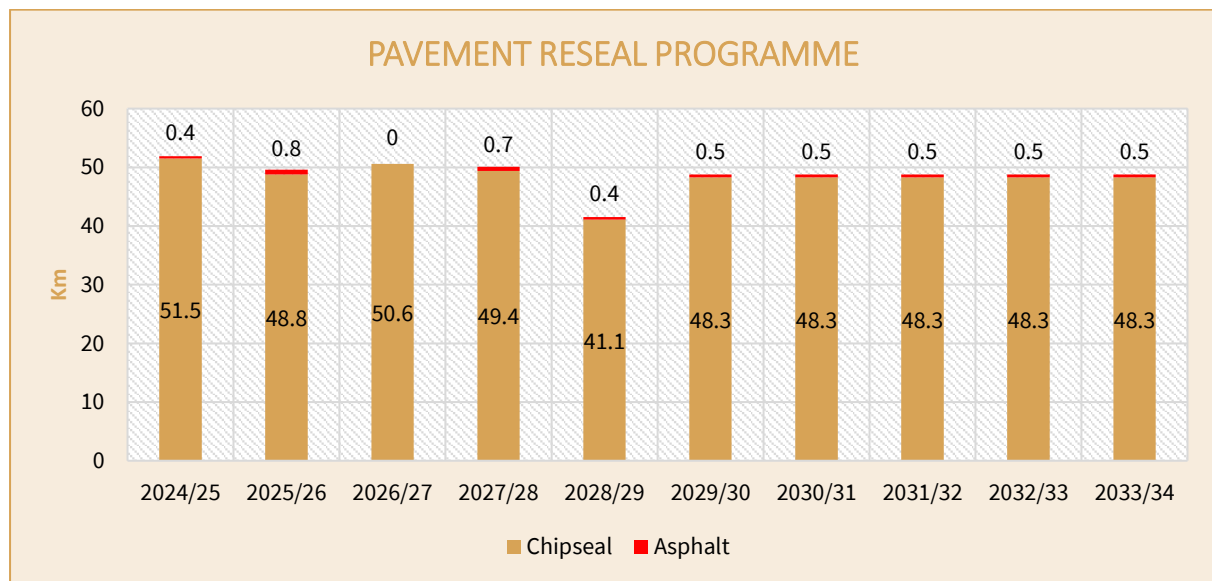




The current average surface life achieved of all surfacing in the network is 13.84 years. This therefore implies that approximately 8.2% (43km) of the network requires sealing annually as a minimum. The **Road Assessment and Maintenance Management database (RAMM)** shows that there is a backlog of 124km of reseals.

Council has calculated the need to add 20% of the backlog (24kms) for resurfacing to each year’s programme for the next five years. To achieve this council will plan an average reseal programme of 48km per year for the next five years, resulting in the reduction of the backlog and improving the overall condition. The preferred programme is detailed in the below graph.

The table below shows the total kilometres of pavement reseals programmed over the next 10 years - a total investment of \$19 million.



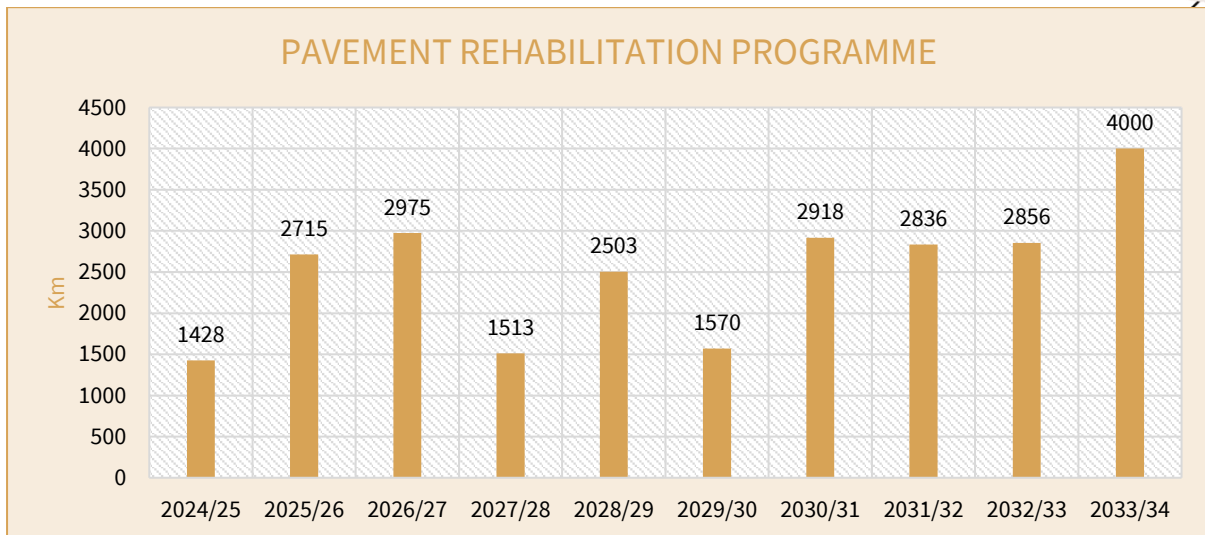
### PAVEMENT REHABILITATIONS

The need for pavement rehabilitation is generally determined by a combination of:

- Detailed network inspections (forward works programme)
- Historical maintenance cost records
- dTIMS<sup>13</sup> pavement deterioration modelling analysis.

The RAMM data shows that there is a backlog of 70km of roads to be rehabilitated based on their remaining useful life, this was found to be quite inaccurate based on field validation and has therefore not been considered. Instead, we have applied a multi criteria analysis of rehabilitation options to choose the best programme that is fit for purpose and delivers value for money. The table below shows the total kilometres of pavement rehabilitations programmed over the next 10 years - a total investment of \$13 million.

<sup>13</sup>



#### UNSEALED BULK METALLING

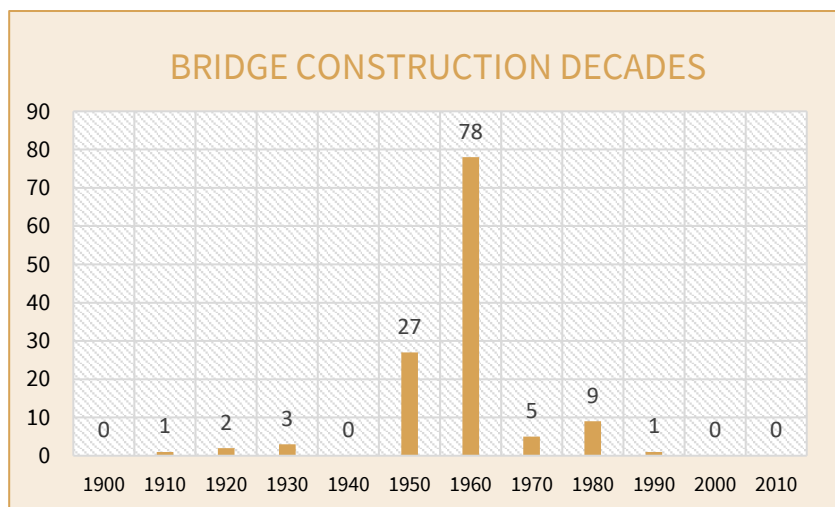
The calculated road length of the unsealed bulk metalling per annum is between 45 and 60km per year. A cyclic approach to metalling is adopted ensuring every unsealed road receives additional metal at least once every five years. Regular grading and maintenance of the road profile ensures that the minimum quantity of metal is used to retain the required formation depth. The current methodology of road bulk metalling will be continued as it has been tried and proven over many years.

Over the next 10 years we expect to spend \$7.2 million on unsealed bulk metalling which is two full cycles.

#### BRIDGES AND STRUCTURES

Within Ōtorohanga District there are 134 structures classed as bridges, including five stormwater culverts which are over 1.2m diameter, generally 4m<sup>2</sup> in area. There are also 83 stock underpass structures.

The bridges were constructed from 1910 onwards, with a large proportion constructed from the 1950s to 1960s. Most of the structures are generally in very good condition even though some of them are now over 100 years old.



Most of the bridges are of reinforced concrete construction, typically being either a reinforced concrete deck or timber deck on steel beams, with only a small number of fully timber bridges. Large diameter culverts of Armco construction or similar make up the remainder.

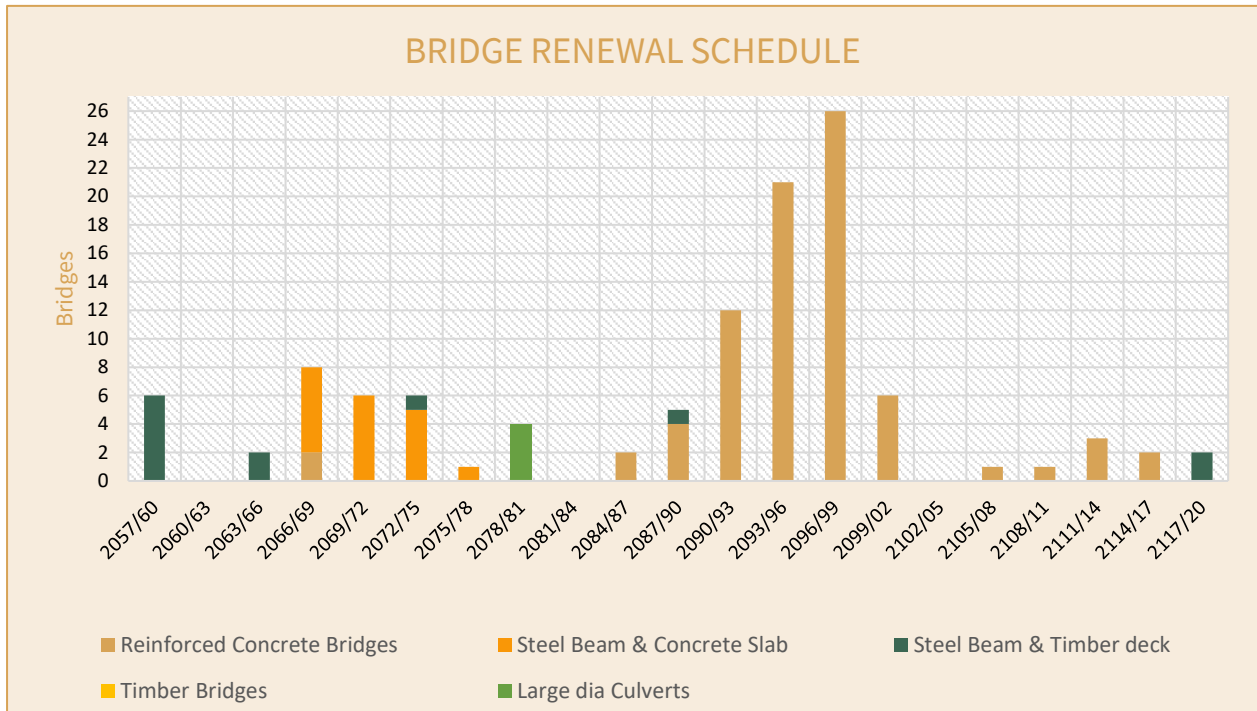
As the graph below shows there are no bridges planned for renewal until late 2050/early 2060. This does not include the current investigations into the replacement of the Wooster Culvert on River Road that may need replacing in this LTP cycle, this cost has been factored into the existing budgets.

After 2066 we will start a 20–30-year programme of bridge renewal that will be a significant cost to Ōtorohanga. Up until then regular inspections and maintenance will be continued to ensure the bridges reach their intended life.

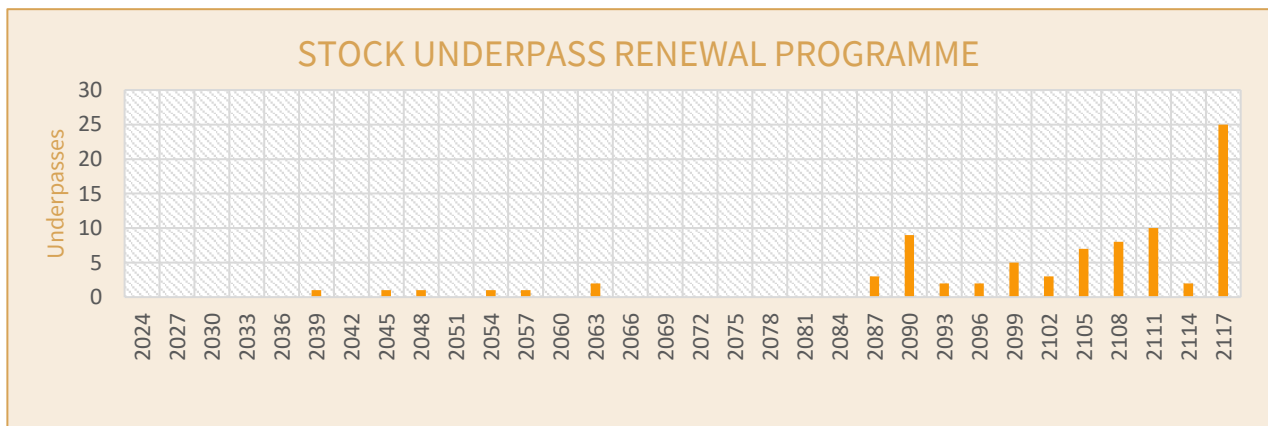
Although there are no replacements, we will still invest \$3.5 million on maintenance of existing structures over the next 10 years







As vested assets, stock underpasses are also our responsibility to replace. Currently we do not have any significant renewals until 2087, although there are several singular outliers in 2039, 2045, 2048, 2054 and 2057. As with bridges there is a bow wave of renewals to occur at and around the same time as the bridge renewal programme.



#### FOOTPATHS

Most footpaths have now been assessed for condition, with 61% being at an average or better condition. All the poor or very poor condition footpaths are of concrete construction, being a length of 4.3km or 3651m<sup>2</sup>, and these have been programmed for repair/replacement.

In general terms, the existing roadside footpath network is considered sufficient to meet the current needs of the community due to very low traffic volumes, few recorded pedestrian injuries on roads without footpaths and no requests for additional footpaths from residents.

Kāwhia Township has a lower proportion of roads with footpaths and continuation of a limited footpath expansion programme could be considered. However, for much of the year the holiday homes have low occupancy rates and consequently pedestrian traffic volumes are also very low. Combined with wide grassed berms which are generally free from physical obstructions and the local practice of utilising small four-wheel motorbikes for local trips (generally at speeds much lower than 50km/h) the pedestrian environment is very safe.

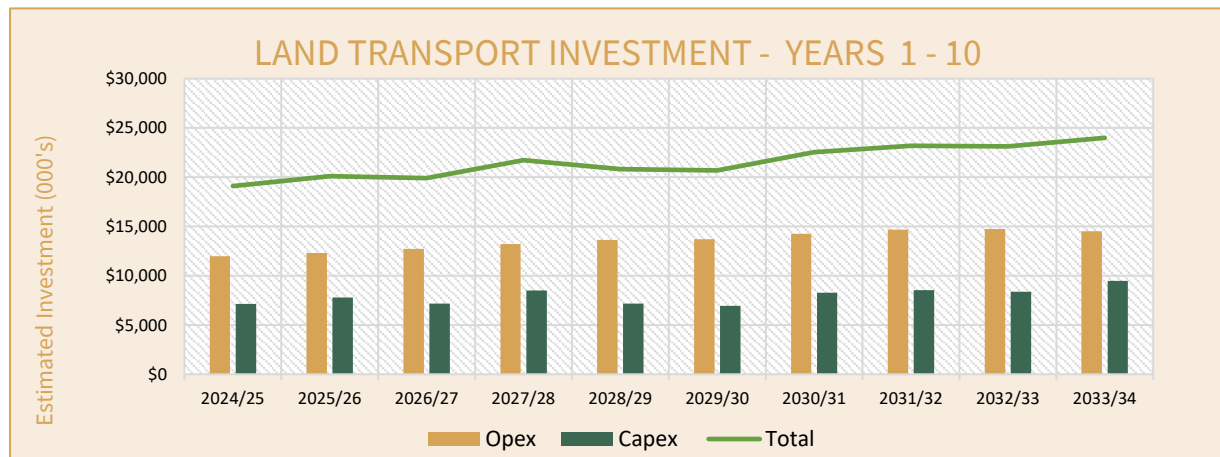




In the short term, the current Ōtorohanga Township footpath network is adequate and fit for purpose. A previous mobility audit in the central community in Ōtorohanga identified a small number of potential improvements which have largely been completed, however with the forecast change in the community makeup increasing the number of elderly residents, and the growing availability, performance and need for powered mobility aids, it is likely that the path network in both Ōtorohanga and Kāwhia will need to be considered in more detail in future.

Council have planned to invest \$3.6 million in footpath renewal over the next 10 years.

## LAND TRANSPORT INVESTMENT



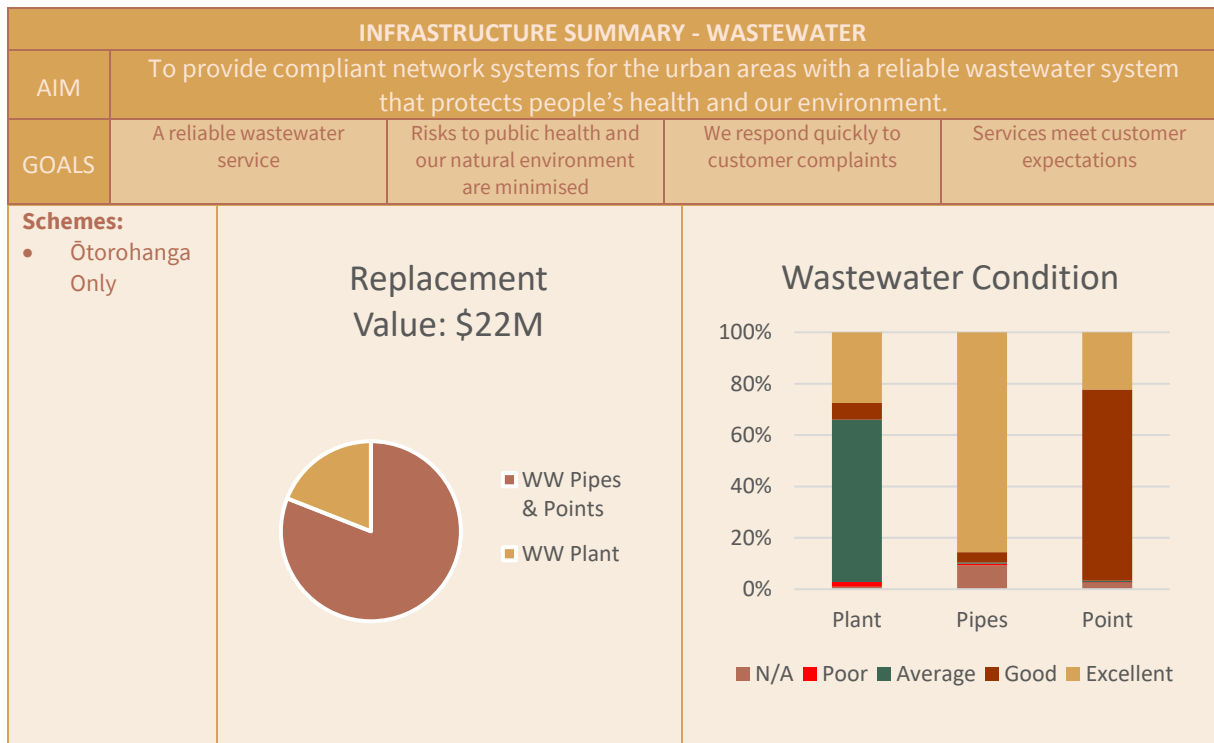
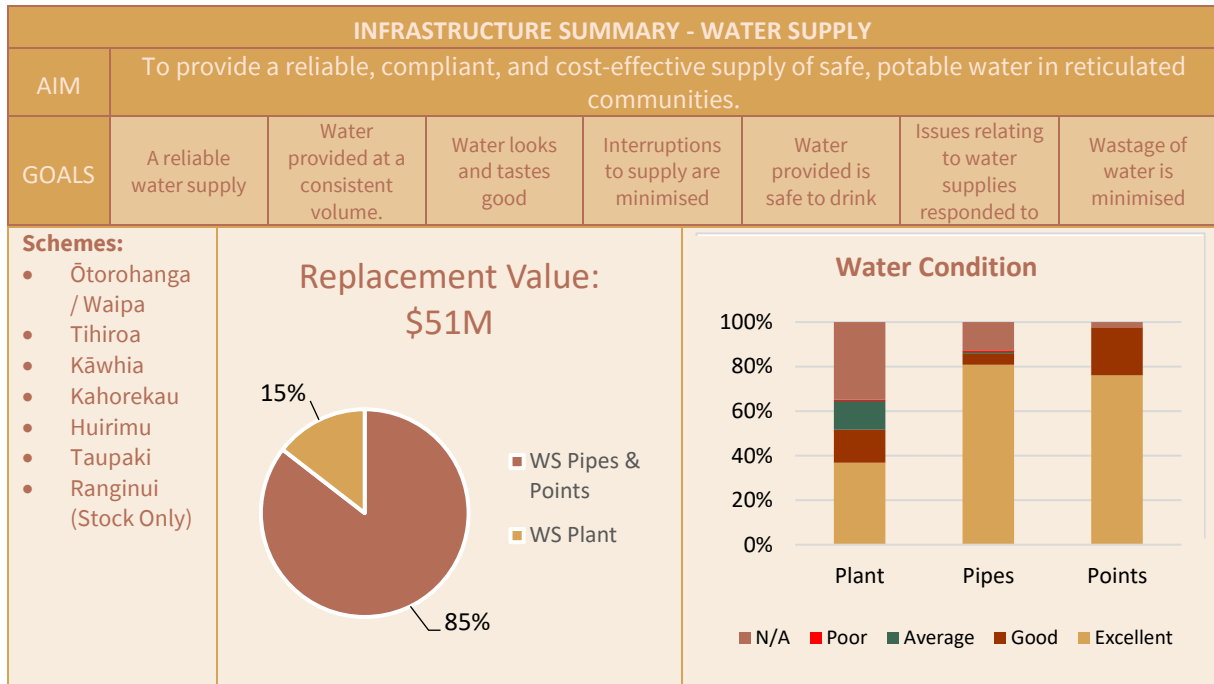
|       | 2024/25<br>(000's) | 2025/26<br>(000's) | 2026/27<br>(000's) | 2027/28<br>(000's) | 2028/29<br>(000's) | 2029/30<br>(000's) | 2030/31<br>(000's) | 2031/32<br>(000's) | 2032/33<br>(000's) | 2033/34<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 11,966             | 12,297             | 12,733             | 13,214             | 13,646             | 13,717             | 14,241             | 14,666             | 14,727             | 14,505             |
| Capex | 7,132              | 7,795              | 7,170              | 8,520              | 7,179              | 6,961              | 8,283              | 8,533              | 8,386              | 9,488              |
| Total | 19,098             | 20,092             | 19,903             | 21,734             | 20,825             | 20,678             | 22,524             | 23,199             | 23,113             | 23,993             |

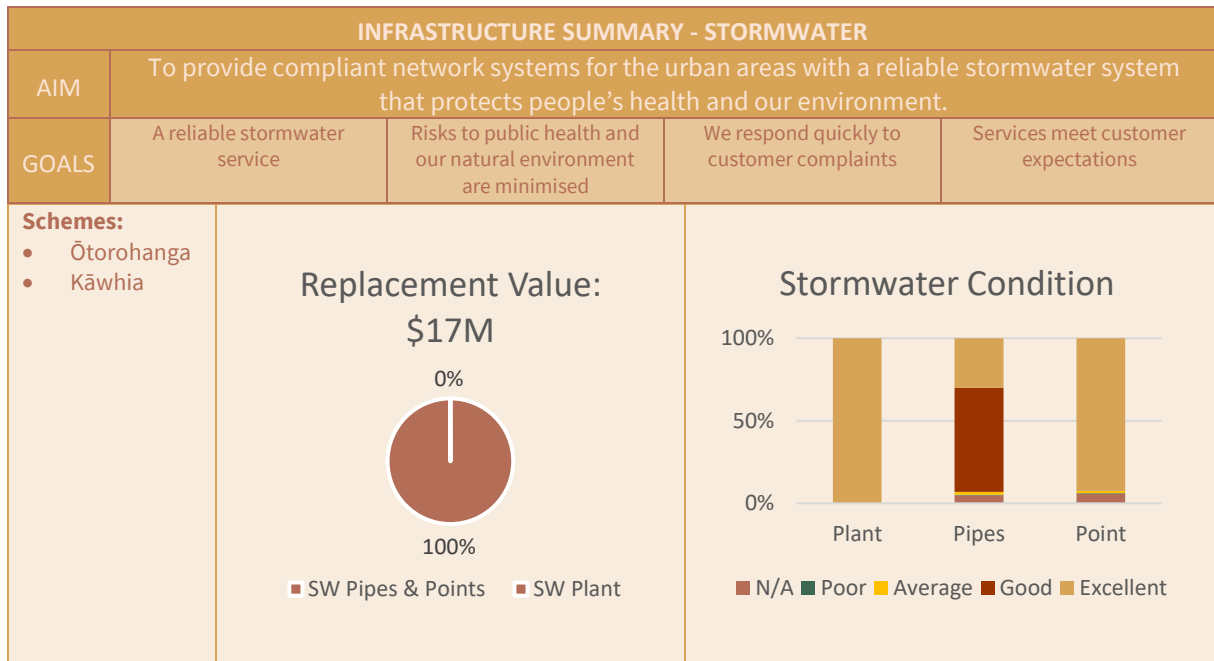
|       | 2034/39<br>(000's) | 2039/44<br>(000's) | 2044/49<br>(000's) | 2049/54<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 79,374             | 89,332             | 98,594             | 107,676            |
| Capex | 33,570             | 37,195             | 40,784             | 44,123             |
| Total | 112,944            | 126,527            | 139,378            | 151,799            |



# THREE WATERS

## INFRASTRUCTURE SUMMARIES





### WHAT WE DO

With the significant change in direction from central government following the 2023 general election and the subsequent repealing of the Water Services Entities Act 2022, local councils have retained responsibility for managing and delivering services for three waters. Our approach continues to be ensuring that we manage existing three waters infrastructure assets efficiently, effectively and with a level of financial prudence. This is particularly important given the significant investment we have made in the assets over the last three years.

In the immediate future it is our intention to progress a smaller renewals programme than what was carried out the previous three years. This does not mean sweating assets, but rather taking a conservative approach until there are clear indications of what new government policy will look like under *Local Water Done Well* and, once there is more clarity, we will explore options for the district under the government’s new regime.

We manage six water networks and reticulations across the district, two urban networks Ōtorohanga and Kāwhia and four rural Water Schemes (RWS):

- Waipā RWS (connected to Ōtorohanga)
- Arohena RWS located in the east of the district
- Tihiroa RWS to the north of the district
- Ranginui, which is stock water only on our southern border with Taupō District.

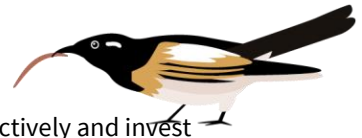
Currently there is only one wastewater network in the district and it services the Ōtorohanga community. Although there are no plans in the immediate future to invest in any further reticulated wastewater systems, Kāwhia is still considered in need of a system to protect public health and support local economic growth.

Both Ōtorohanga and Kāwhia have reticulated stormwater assets within the urban area, with Kāwhia stormwater discharging into the Kāwhia Harbour and Ōtorohanga stormwater discharging into the Waipa River. Both systems hold comprehensive consents which are currently being renewed with Waikato Regional Council.

### WHAT INFLUENCES OUR APPROACH

Investment in three waters infrastructure is one of the most significant of all our activities second only to land transport. The cost of maintaining and developing our assets needs to be affordable for current and future ratepayers.





Our approach to ensuring that we manage existing infrastructure assets efficiently and effectively and invest in new infrastructure assets wisely is based on our Criteria for Asset Renewal process outlined above (see page 54). However, although renewal programmes are developed using these criteria, it is not an exact science, and a sense check is also applied to ensure that the asset has reached its full potential and is not being renewed prematurely, while also not extracting more value from an asset beyond its original intended use.

Initial asset renewal/replacement strategies are largely age based, depending on when the existing asset was constructed and its expected useful life. This is especially relevant for underground water reticulation infrastructure and although we have made some improvements in this area, minimal condition information exists due to the cost and complexity of collecting the data.

Replacement of assets is only one part of the management of the three waters activity. Compliance is increasingly adding cost to operational expenditure. Meeting Drinking Water Quality Assurance Rules and changes in the climate also increase pressures on our ability to maintain an affordable level of service for the community. To meet the extra demands for information, over last few years we have had to make substantial investments in monitoring and collecting data through telemetry and SCADA systems.

A growing cost for us is maintenance due to the increasing complexity of the plants and associated equipment. More and more staff are becoming plant operators with all substantive reticulation repairs now having to be carried out by contractors adding further expense.

Meeting resource consent conditions and renewing consents for water takes and discharges is another area of increasing expense. Renewal of consents often requires technical experts that cannot be provided in house, necessitating the need for consultants to fill the knowledge gaps. Furthermore, once the renewal process starts, we have very little control over the process or the cost. These increased costs to maintain and renew consents is not set to change anytime soon and will continue to place financial pressures on the three waters activity.

Climate change and extreme weather events will have an influence on how we manage the three waters. The key considerations are long dry spells resulting in low water flows in our rivers, streams, and springs, these low flows often coinciding with high demands for water. High intensity rain events are putting more pressure on stormwater networks and pumps.

Investment in resilience is important but there needs to be a pragmatic approach also as there is a cost associated with resilience. Resilience is not just about larger pipes and building things bigger, it is about being able to withstand events and recover quickly. We have invested in increased water storage and have generator readied our Ōtorohanga and Kāwhia water treatment plants, our sewer pump stations and stormwater pump stations. In addition, we have invested significantly in our wastewater network and critical water mains and we will continue to invest wisely into assets with resilience in mind.

## SIGNIFICANT ACTIVITIES AND ABILITY TO ACCOMMODATE DEMAND CHANGES

### WATER

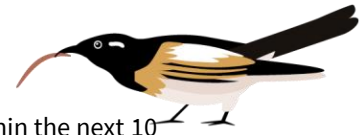
As detailed in our asset management plans, with moderate investment Ōtorohanga and Kāwhia can cater for the future demands expected over the next 10 years including the additional 128 lot subdivision in Ōtorohanga.

Ōtorohanga water take is due for renewal in 2028 and current abstraction rates will be sought with a level of future redundancy. The largest demand on Ōtorohanga is during the summer months when 35% of the water treated is sent to the Waipā RWS. With increased storage in Ōtorohanga and the Waipā RWS, Ōtorohanga has the resilience to maintain a good level of service. Investment in 2028 on improving the capacity of the clarifiers at the plant will further accommodate any changes in demand.

The significant investment in upgrading Kāwhia water assets and the introduction of water meters has improved the capacity of the water treatment plant to meet demand. While Kāwhia continues to be under pressure during the holiday season, improvement in the supply since the upgrades are evident. An







alternative water source for the township will need to be considered long term but not within the next 10 years.

Rural Water Schemes are reaching capacity with little room for further development or new connections, especially in Tihiroa and Kahorekau. Tihiroa's water take consent is due for renewal in 2026 and existing conditions will be sought along with further water for redundancy to meet future needs.

Unaccounted for water (ie. water losses) is an ongoing concern for all our schemes with Ōtorohanga having high levels of unaccounted for water in 2022-23. Water leaks are repaired expediently but the unaccounted water showing in our calculations is proving very difficult to locate. A budget has been provided for leak detection in the 2024/34 LTP.

#### ABILITY TO COMPLY WITH DRINKING WATER QUALITY ASSURANCE RULES

Ōtorohanga, Kāwhia and Tihiroa can meet Drinking Water Quality Assurance Rules (DWQAR) but have fallen short of full compliance in the last few years due to technical non compliances around sampling and turbidity limits. Components of the Arohena RWS not compliant and are under permanent boil water notices.

In October 2023 we received instruction to provide a funding plan to bring Kahorekau and Huirimu<sup>14</sup> up to protozoa compliance. Given the small rating base, our position at the time was that no further investment would be made in these schemes to comply with the DWQAR and that we would continue to leave the schemes under a permanent boil water notice. Subsequent investigation has revealed that the schemes were incorrectly categorised as there have been changes in the requirements for rural water supplies which differ from the previous Drinking Water Standards. However, treatment in the correct category to meet the DWQAR would still require significance investment. As a consequence, the boil water notice will continue into the foreseeable future.

#### WASTEWATER

Ōtorohanga is the only community with reticulated public wastewater network and wastewater treatment plant. We have invested significantly in this network with a new pump station on Harper Avenue, upgrade to the Te Kawa pump station and trunk sewer main on Rangitahi Street. Further work as part of this programme is scheduled to start in 2024/25 with the upgrade of Kakamutu Road – Phillips Avenue sewer main. We will continue with our sewer main renewal programme but at a more moderate level.

The wastewater treatment plant is situated to the north of Ōtorohanga Township. There are two main issues we need to consider in relation to the plant.

- Future development on site is limited due to the plant being landlocked and access difficult. It is important that we explore options to acquire further land.
- Although compliance is achieved for most consent conditions, there are challenges with the levels of discharge contaminants from the plant and managing the sludge within the main oxidation pond. Waikato Regional Council has issued us with an Abatement Notice in relation to the consent discharge exceedances. As required by the Regional Council an improvement plan has been prepared and is funded within the 2024/34 LTP. Work includes investing in desludging of the main pond, installation of a grit removal system on the inlet structure and mechanical clarification to replace the coagulation ponds.

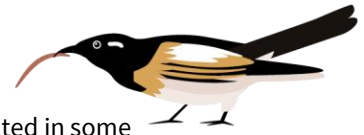
The Kāwhia community is still in need of a public wastewater system in the medium to long term. Concept plans were designed during the last LTP and, although feasible, the system was unaffordable for the community. Aside from cost, we don't have a suitable site for effluent disposal and this would need to be confirmed before any public wastewater system could be built. Until funding becomes available, we will not be progressing wastewater in Kāwhia in the short term.

#### STORMWATER

Both Ōtorohanga and Kāwhia have limited stormwater reticulation consisting of pipes and open drains, which have met the needs of the communities for many years. Recently with the increased extreme rain

<sup>14</sup>

Kahorekau and Huirimu are part of the Arohena RWS.

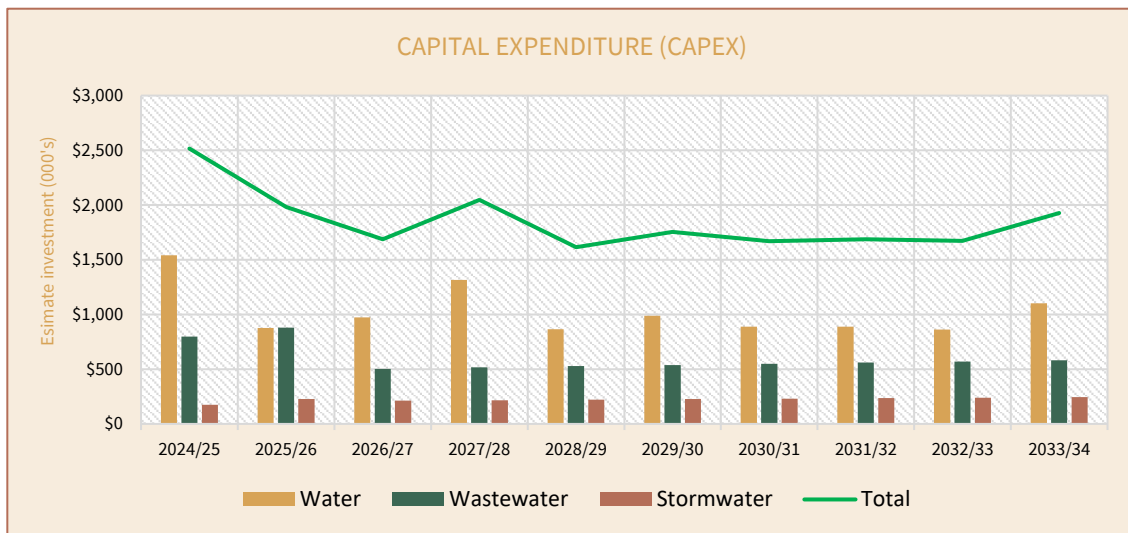
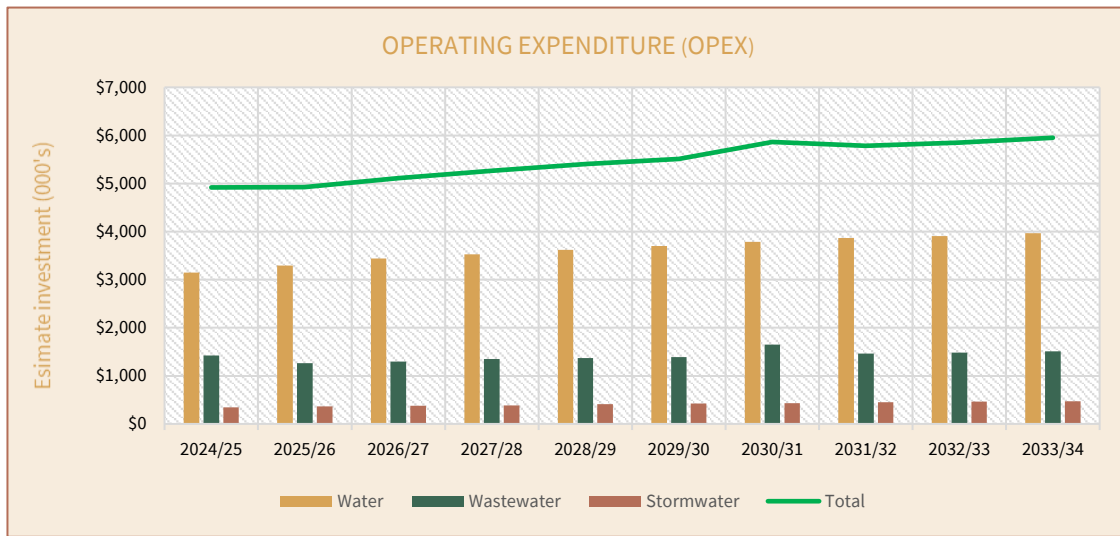


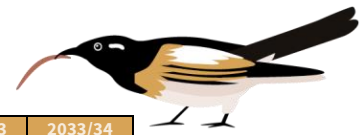
events parts of the networks no long able to cope due to limited capacity and this has resulted in some surface flooding on roads and open spaces. However, these events are generally short lived and recede rapidly.

Ōtorohanga stormwater network is interconnected with the Ōtorohanga flood protection assets with the majority of stormwater passing through the three flood pump stations. Although separate activities they are maintained as one activity by the water services team.

This LTP we are increasing the investment in stormwater renewal programme which will be informed by the condition assessment programme.

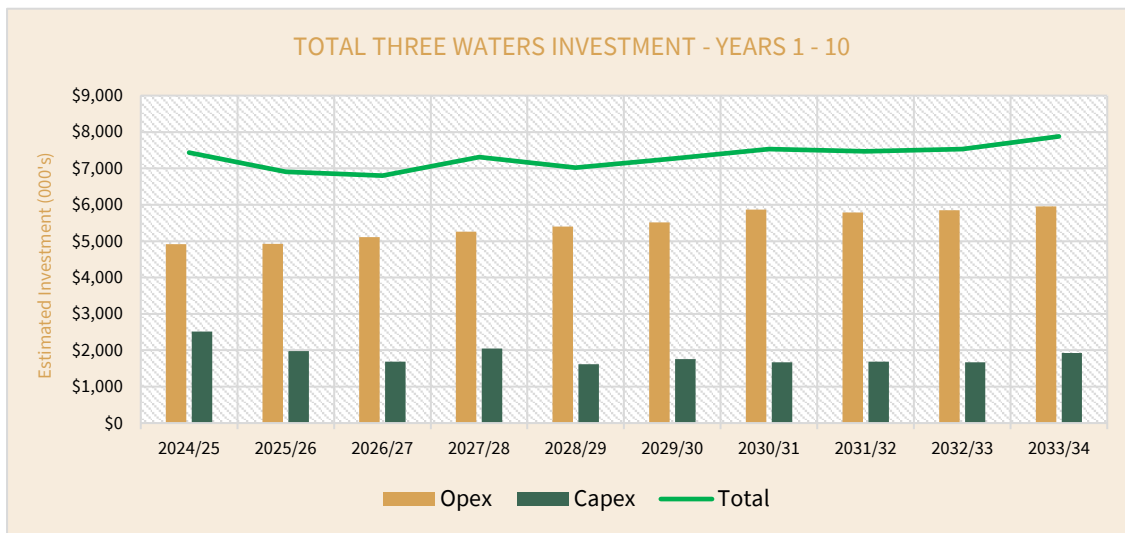
### THREE WATERS INVESTMENT





|       | 2024/25<br>(000's) | 2025/26<br>(000's) | 2026/27<br>(000's) | 2027/28<br>(000's) | 2028/29<br>(000's) | 2029/30<br>(000's) | 2030/31<br>(000's) | 2031/32<br>(000's) | 2032/33<br>(000's) | 2033/34<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 4,918              | 4,925              | 5,113              | 5,262              | 5,403              | 5,513              | 5,865              | 5,785              | 5,853              | 5,952              |
| Capex | 2,516              | 1,982              | 1,687              | 2,047              | 1,615              | 1,754              | 1,669              | 1,686              | 1,672              | 1,926              |
| Total | 7,434              | 6,907              | 6,800              | 7,309              | 7,018              | 7,267              | 7,534              | 7,471              | 7,525              | 7,878              |

|       | 2034/39<br>(000's) | 2039/44<br>(000's) | 2044/49<br>(000's) | 2049/54<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 30,996             | 34,025             | 37,090             | 38,594             |
| Capex | 8,872              | 9,776              | 10,681             | 11,584             |
| Total | 39,868             | 43,801             | 47,771             | 50,178             |



## WATER

| Project   | (\$000's) |
|---|-----------|
| Pipe Renewals   | \$2,500   |
| Plant Renewals  | \$200     |
| Point Renewals  | \$180     |
| Water Meter Renewals  | \$300     |
| Tūrongo St & Main North Road Water Main Renewals  | \$500     |
| Development Sundry  | \$500     |
| Leak Detection investigation  | \$160     |
| Tihiroa Resource Consent renewal  | \$150     |
| Tihiroa Smart Meter Project   | \$70      |
| Cannon Road Water main renewal  | \$100     |
| Tihiroa High Lift Pumps   | \$60      |
| Ōtorohanga Resource Consent Renewals  | \$150     |
| MEICA - (Mechanical, Electrical, Instrumentation, Control and Automation) Network & Plant | \$210     |
| Ōtorohanga Water Treatment Plant - Clarifier Upgrades                                     | \$300     |
| Ōtorohanga Water Treatment Plant - staff facilities upgrade                               | \$90      |
| Designated carrier fill station   | \$50      |
| Ōtorohanga Treatment Plant - Filter media renewal   | \$200     |
| Ōtorohanga & Kāwhia Treatment Plant Pump renewals   | \$175     |
| Sundry Renewals - (combined value across all water schemes)                               | \$1,550   |
| Sludge Pond Backwash discharge  | \$50      |
| Treatment Plant H&S Improvements  | \$50      |
| Building Improvements   | \$30      |
| Turbidity meter renewals  | \$40      |



## WASTEWATER

| Project   | (\$000's) |
|---|-----------|
| Pipe Renewals   | \$2,250   |
| MEICA – (Mechanical, Electrical, Instrumentation, Control and Automation) | \$985     |
| Replacement of Te Kawa St Rising Main                                     | \$500     |
| Development Sundry  | \$500     |
| Sundry Renewals   | \$300     |
| Ōtorohanga WWTP Grit Separation/clarification                             | \$440     |
| Pump Renewals   | \$230     |
| WWTP pond desludging  | \$460     |
| Points Renewals   | \$70      |
| Plant Renewals  | \$160     |
| H&S Improvements  | \$50      |

## STORMWATER

| Project  | \$(000's) |
|--|-----------|
| Renewals – Ōtorohanga/Kāwhia                     | \$960     |
| Condition Assessments                            | \$100     |
| Kakamutu Rd & Domain Dr Stormwater Investigation | \$130     |
| Development Sundry                               | \$525     |
| Sundry Renewals                                  | \$250     |
| Catchment improvements – Ōtorohanga & Kāwhia     | \$40      |



## FLOOD PROTECTION

### BACKGROUND

Ōtorohanga township was established on a flood plain of the unpredictable Waipā River. While flooding was always a risk, the February 1958 flood event was catastrophic. Most of the town centre was inundated and homes in low-lying areas and the recently opened Ōtorohanga South School were also flooded. This event was the catalyst for the Ōtorohanga Flood Protection (ŌFP) Scheme which was opened 1966 at a cost of \$885,000 pounds.

Design of the ŌFP Scheme stopbanks was done by Ministry of Works for the Waikato Valley Authority and construction started in 1962. Built of river metal, faced with clay, the stopbanks had a core beneath the surface dug 1.5 metres deep and 4 metres wide. This core was filled with compacted clay and there was almost as much fill below ground as above. The level at the top had to be consistent.

Over the years the ŌFP Scheme has stood the test of time and prevented events similar to the 1958 flood. Today, the stopbanks and adjacent land are appreciated by the community for not only flood protection but also their amenity value. In 2018 the northern stopbanks were retired from grazing and a new shared pathway was constructed providing a walking/cycling route around the township. Although this has created an excellent connection for pedestrians and recreational users more maintenance, in particular mowing is now required.



ŌTOROHANGA STOPBANK CONSTRUCTION 1962

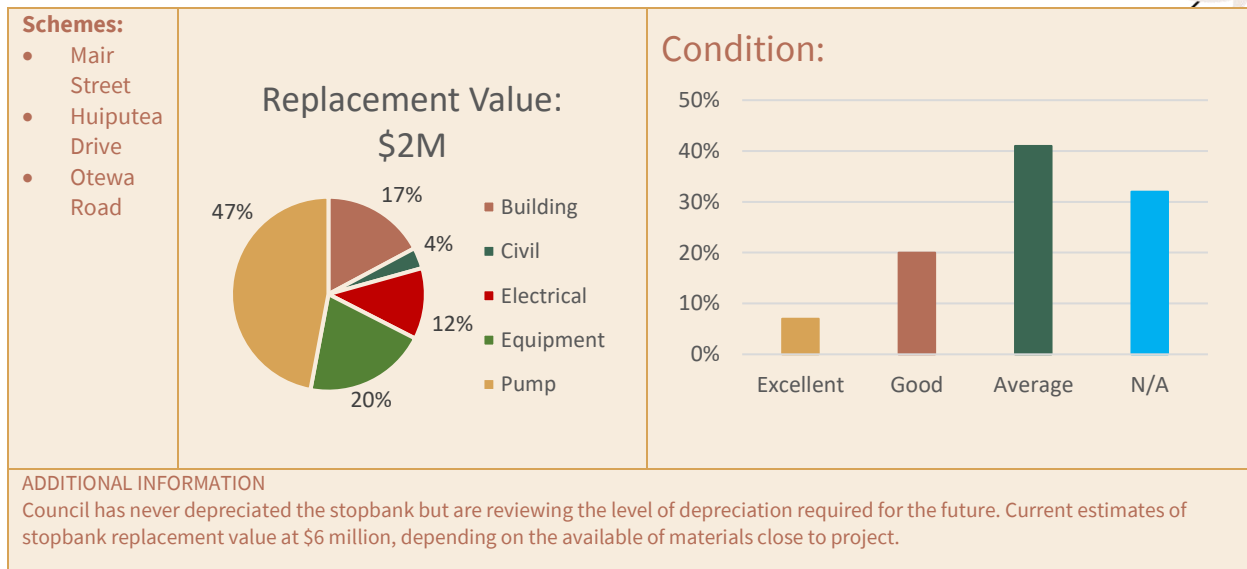
Photo courtesy of Ōtorohanga Museum Archives

### FLOOD PROTECTION INFRASTRUCTURE SUMMARY

| INFRASTRUCTURE SUMMARY - FLOOD PROTECTION |  |   |  |
|---|--|---|--|
| AIM                                       | Protection of community property from flooding by providing systems that enable stormwater to dissipate as quickly as practicable, while increasing the amenity value of the flood reserves areas and connection to the Waipā River. |   |  |
| GOALS                                     | Affordable protection for urban community assets, commercial properties, and habitable dwellings from flood events, while improving amenity value to the community.  | Primarily providing reliable flood protection network, secondly increasing the connection to the river for recreation users | Council ensures quality and efficiency of the flood protection network without detriment to the environment. |







### LEVELS OF SERVICE

Ōtorohanga District Council owns the stopbanks and all the assets that make up the ŌFP Scheme. The Scheme is part of the wider Project Watershed administered by Waikato Regional Council (WRC) for the overall management and co-ordination of river and catchment management within the entire catchment. WRC has divided the catchment of the Waikato River into five management zones based on sub catchments or sections of the main river channel. One of these catchments is the Waipā Zone.

We have a Service Level Agreement (SLA) with WRC and receive annual funding as part of Project Watershed. The objectives under Project Watershed for the Ōtorohanga Township Area of the Waipā Zone include:

- Management and maintenance of the Waipā River channel and its tributaries.
- Maintenance of the stopbanks and pump stations for the purposes of ensuring the overall channel capacity and stability is maintained
- Ensuring that the integrity of the flood control assets are not compromised (this includes the objective of reducing surface flooding and control of erosion in the main channel and associated tributary streams).

As part of the SLA, we are required to report annually on the operation and maintenance of the flood protection assets. A new SLA is currently being negotiated with WRC which will improve reporting and resilience of the scheme into the future.

### LEVEL OF SERVICE CHANGES

In recent years the amenity values of the ŌFP Scheme stopbanks have been enhanced. The retirement of the northern stopbanks, the change from grazing to cut and carry, and formation of Te Ara a Waiwaia I O-Rahiri (Ōtorohanga Stopbank Pathway) and associated riparian planting has created a recreation space well used by the community.

The higher amenity value has necessitated a higher level of maintenance including mowing and fertilizing of 3.5 kilometres of previously grazed stopbank. Currently funded from rates collected by WRC through Project Watershed, this increased level of service costs upwards of \$60k per annum. WRC have noted during discussions on the renewal of the SLA that the extent of mowing now required is not related to flood protection and therefore not appropriate use of Project Watershed funding. From 2024/25 mowing costs will be our responsibility funded from the land transport budget (the shared pathway is classified as a roading asset).

The Te Ara a Waiwaia planting project on the northern side of the Waipā River has also contributed to the changing use and the opening up of this area more to recreation. However, it also means we have ongoing responsibility for maintaining the riparian planting.





In 2024/25 the area of grazing around the Otewa Road pump station is also to be retired for construction of a wetland and furthering the amenity value. This work will improve the quality of stormwater entering the pump station and discharging into the Waipā River. It will also coincide with the additional riparian planting on the confluence of the Mangawhero and Waipā Rivers and other catchment improvements. The disadvantages of making this change are:

- Small loss in grazing income (\$5k)
- Increased maintenance costs for ongoing mowing and riparian planting (\$3k per annum) as these costs will not be eligible for Project Watershed funding.

## FLOODING RISK

We cannot predict when and where large flood events will occur, or the damage that may be sustained during such a flood. The ŌFP Scheme stopbanks have never been put under any significant pressure since they were built and, although the risk is considered low, in a large event there is the potential for erosion or stopbank failure. We have assumed that if this occurs, we will have enough funds available to undertake repairs – whether it is through reprioritisation of maintenance activities or accessing emergency funding provisions from central government.

When large events happen more frequently, this may trigger higher expectations from our communities to provide a higher level of service. Providing a higher level of service will come at a higher cost and require more funding than has been budgeted for.

As with large floods, we also cannot reliably predict when moderate floods will occur or their impact. We have used historic trends to determine maintenance funding levels for the future and have assumed that these levels will be sufficient. If more floods occur than assumed, it is likely that we will be required to spend more than planned. If floods are less or more minor than assumed, it is likely that we will be required to spend less than planned.

Flooding is always a risk to Ōtorohanga and the stopbanks provide a level of security that should not be taken for granted. In 2004 the eastern side of Ōtorohanga was flooded but not due to failure of the stopbanks but from water that came across the flats to the east of town and came into Phillips Avenue. Although there was property damage it was limited to a small area.

The building of the stopbanks keeps the river out, but also stops surface flooding from getting back to the river. To overcome this issue, three large flood pumps stations (eight pumps in total) are in place to pump water back to the river from with the banks. These are situated on Mair Street, Huiputea Drive and Otewa Road.

## FLOOD PROTECTION INVESTMENT

We have invested significantly in the ŌFP Scheme over the last LTP with all three outflow pipes replaced or relined and several of the major flood pumps rebuilt.

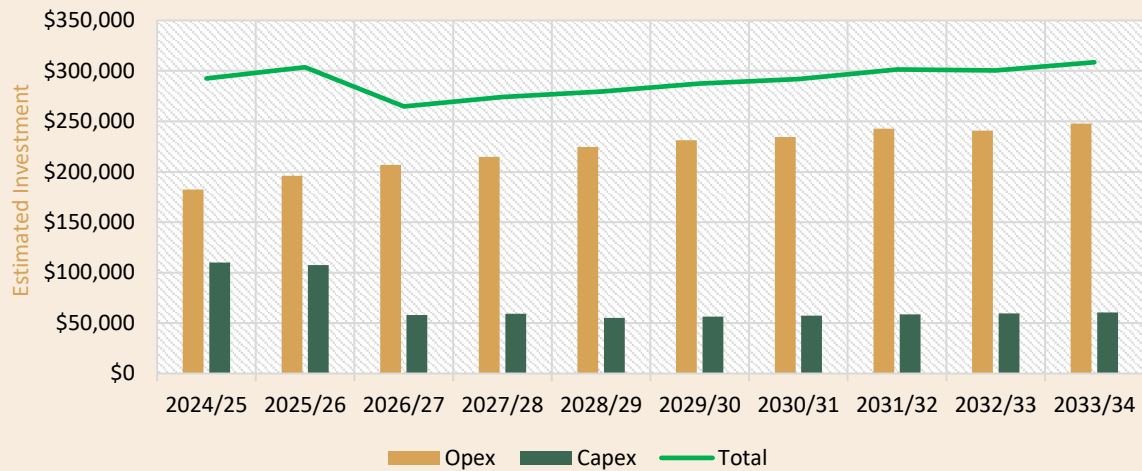
While we have depreciated the physical assets over the life of the scheme, we have not depreciated the actual stopbanks. This is something that has been highlighted to us in the recent review of the SLA and will need to be factored into the 2027/37 LTP cycle. Depreciation is funded through Project Watershed and will be negotiated through future reviews of the SLA.

We will continue with the regular maintenance programme investing \$2.9 million over the next 10 years.





## FLOOD PROTECTION INVESTMENT - YEARS 1 -10



|       | 2024/25<br>(000's) | 2025/26<br>(000's) | 2026/27<br>(000's) | 2027/28<br>(000's) | 2028/29<br>(000's) | 2029/30<br>(000's) | 2030/31<br>(000's) | 2031/32<br>(000's) | 2032/33<br>(000's) | 2033/34<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 183                | 196                | 207                | 215                | 225                | 231                | 234                | 243                | 241                | 248                |
| Capex | 110                | 108                | 58                 | 59                 | 55                 | 56                 | 57                 | 59                 | 60                 | 61                 |
| Total | 293                | 304                | 265                | 274                | 280                | 287                | 291                | 302                | 301                | 309                |

|       | 2034/39<br>(000's) | 2039/44<br>(000's) | 2044/49<br>(000's) | 2049/54<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 1,321              | 1,398              | 1,480              | 1,563              |
| Capex | 327                | 365                | 404                | 443                |
| Total | 1,648              | 1,763              | 1,884              | 2,006              |

### FLOOD PROTECTION INVESTMENT PROGRAMME - 2024/34

| Project   | Cost \$(000's) |
|---|----------------|
| Renewals – Ōtorohanga   | \$200          |
| MEICA – (Mechanical, Electrical, Instrumentation, Control and Automation) | \$300          |
| Pump Refurbishments   | \$100          |
| Otewa Road – Wetland Project  | \$25           |





## COASTAL STRUCTURES

### OVERVIEW

The sea and how people connect and access it is important for the social, economic, cultural and environmental wellbeing of communities. We're responsible for a number of significant assets that enhance this relationship communities have with the coast and the sea – assets that need to be maintained in an often harsh environment.

### COASTAL STRUCTURES INFRASTRUCTURE SUMMARY

| INFRASTRUCTURE SUMMARY - COASTAL STRUCTURES   |  |  |                                      |   |           |            |         |     |      |     |      |     |
|---|--|--|--------------------------------------|---|-----------|------------|---------|-----|------|-----|------|-----|
| AIM   | To provide a safe access to the sea while reducing the effects on the environment. |  |                                      |   |           |            |         |     |      |     |      |     |
| GOALS   | Assets are fit for purpose.  | Monitored and maintained to an acceptable level. | Compliance with consents conditions. | Harmful effects on the environment reduced. |           |            |         |     |      |     |      |     |
| <b>Asset Summary:</b>   |  | <b>Replacement Value:</b>                        |                                      |   |           |            |         |     |      |     |      |     |
| Seawall   | 2 (Kāwhia, Aotea)  | Seawall  | \$1,620,000                          |   |           |            |         |     |      |     |      |     |
| Wharf   | 1  | Wharf  | \$575,000                            |   |           |            |         |     |      |     |      |     |
| Boat Ramp   | 3  | Boat Ramp  | \$62,000                             |   |           |            |         |     |      |     |      |     |
|   |  | <b>TOTAL</b>                                     | <b>\$2,257,000</b>                   |   |           |            |         |     |      |     |      |     |
| <h3>COASTAL STRUCTURES CONDITION RATING</h3> <table border="1"> <caption>Coastal Structures Condition Rating Data</caption> <thead> <tr> <th>Condition</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Average</td> <td>60%</td> </tr> <tr> <td>Good</td> <td>20%</td> </tr> <tr> <td>Poor</td> <td>20%</td> </tr> </tbody> </table> |  |  |                                      |   | Condition | Percentage | Average | 60% | Good | 20% | Poor | 20% |
| Condition   | Percentage   |  |                                      |   |           |            |         |     |      |     |      |     |
| Average   | 60%  |  |                                      |   |           |            |         |     |      |     |      |     |
| Good  | 20%  |  |                                      |   |           |            |         |     |      |     |      |     |
| Poor  | 20%  |  |                                      |   |           |            |         |     |      |     |      |     |
| <b>ADDITIONAL INFORMATION</b><br>Council has limited information on the condition of the coastal structures and have recorded an average condition. We are about to undergo a full condition assessment in 2024/25.   |  |  |                                      |   |           |            |         |     |      |     |      |     |

### WHAT WE DO

Our asset management activities relating to coastal structures include:

- Provision and maintenance of boat ramps around the district.
- Provision and maintenance of wharf and pontoon facilities.
- Protection of both council and private property from coastal erosion.

The key structures we maintain are:

- Kāwhia Wharf
- Kāwhia Seawalls
- Kāwhia Boat ramps
- Aotea Seawall

### LEVELS OF SERVICE

Our goal is to ensure the access to the sea can be enjoyed by all while managing the effects of human activity on the environment and the physical effects on coastal property. We do this by:

- Managing the effects of coastal erosion realising that prevention may not be achievable or affordable long term.
- Ensuring our structures are safe for the public to use





- Maintaining our coastal assets to an appropriate and affordable level that satisfies the community's expectations, with the realisation that we cannot hold back nature.

## COASTAL STRUCTURES

### KĀWHIA WHARF

The current Kāwhia wharf was constructed in 1967. It is an offset 'T' shape 45m long, 4.8m wide across the outward leg and with a head width of 19.2m. Construction consists of precast reinforced concrete piles driven to ultimate bearing of 54 tons and a very substantial vertical load limit of 38 tonnes. The deck is precast, prestressed slabs set inside poured in-situ pier capping which has since been overlaid with an asphaltic bitumen coating. Timber fender piles have been placed around the structure where ships berth.

Use of the wharf has changed over time. When it was first constructed coastal shipping, fishing trawlers, passenger boats serving Te Maika were all frequent users along with occasional use by coastal vessels seeking shelter, including Naval Fishery Patrols. The wharf now only services recreational fisherman and a small number of fishing charters with the main commercial user being the Taharoa Ironsand maintenance vessel the Margerat J. The other main use for the wharf is a diving/bombing platform by the community during the summer months, despite warnings signs prohibiting this activity.

A report prepared in 2011 estimated that, with good maintenance, the wharf had 20 – 30 years of serviceable life remaining. Planning for its replacement would need to start between 2035 – 2040 and cost in the vicinity of \$1.1 to \$1.3 million in its current form. Long term considerations as the wharf reaches end of useful life are:

- Should the wharf remain as and where it is?
- Should the wharf be shifted to another site to accommodate greater commercial and visitor numbers, and larger ships?
- Should the current wharf be retained and replaced like for like?
- How would visitor and recreational uses and needs be provided for?
- Should an alternative cheaper option be considered?
- Who would pay for a new wharf?

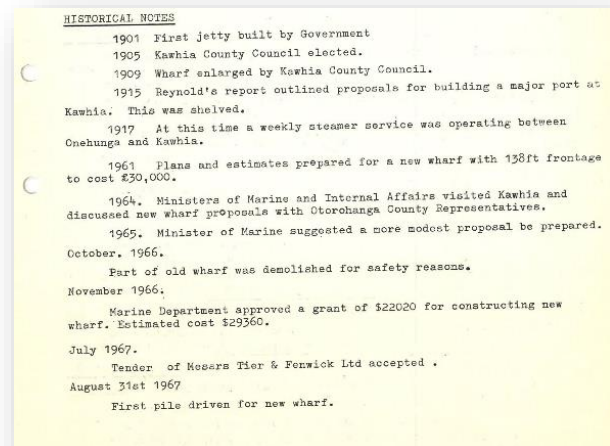
Before any replacement is considered a feasibility study should be undertaken to ensure any replacement structure meets the needs of the users and the community.

Although the wharf is used by commercial operators the income from the wharf is negligible and will not cover the long-term replacement.

### Planned Expenditure - Next Ten Years

A full structural assessment of the wharf has not been undertaken since 2011. However, regular diver inspections are carried out to identify obvious defects and several wooden piles on the main wharf and the pontoon have been replaced within the last five years. An assessment is planned in 2025/26 as part of the wider coastal structure conditional assessment being carried out utilising government funding.

A small sundry budget of \$8k for minor repairs has been provided in 2024/25 and \$51k has been budgeted in 2025/26 for any capital investment informed by the condition assessment. This budget may be adjusted at the 2025/26 annual plan if it is determined insufficient after reviewing the assessment.



Source: Otorohanga County Council Report, 1967





## KĀWHIA SEAWALLS

We hold resource consents authorising various long term existing seawall and groyne structures adjacent to Kāwhia Township in Kāwhia Harbour. The structures range from concrete seawalls, gabion baskets, riprap, timber retaining walls and timber groynes located in 12 sections along the foreshore (Figure 1). In addition, a separate resource consent is held for the wooden seawall in the Omimiti reserve extending from the museum around to Kāwhia Motors. All consents are due to expire in 2029.



Maintenance of the seawalls is our responsibility and only the bare minimum to meet compliance has been done for many years. Recently we have been fortunate to secure funding from central government to apply to the various structure within the next five years. Planning for the project has started and the project itself will begin with an up to date condition assessment to inform any future maintenance. This work will also form part of the future consent renewal process.

### Planned Expenditure - Next Ten Years

Government funding of \$730k has been provided for the condition assessment, maintenance, and the consent renewal process however, there is a possibility that this will not be enough to cover the project and additional funding maybe required.

## KĀWHIA BOAT RAMPS

There are three boat ramps in Kāwhia which are used free of charge by the public. The level of service around the boat ramps is continued reactive maintenance as and when required and any work is funded through the Kāwhia harbour services budgets.

The boat ramp on Kaora Street was upgraded in 2014, but very little maintenance has been carried out since then except for minor repairs. This boat ramp is subject to a current resource consent which expires in 2040.

While there is no specific expenditure planned for boat ramps in 2024/25 to 2026/27, these structures will be incorporated into the condition assessment of the Kāwhia foreshore structures.

## AOTEA SEAWALL

The Aotea seawall lies within the Coastal Marine Area (CMA) and provides low-lying properties and the Aotea community with protection from coastal erosion and inundation. We hold the resource consent for the seawall and have overall responsibility for its maintenance on behalf of Aotea residents and ratepayers.

Granted in 2003, the existing resource consent was to construct a 750 m long wooden seawall fronted with rock armour and in so doing reclaiming approximately 4,000 m<sup>2</sup> of the CMA, on the seaward side of the line of mean high-water springs (MHWS) adjacent to Lawton Drive, Aotea. The consent duration was for 20 years and expired May 2023. Application for a 35-year renewal was lodged prior to the original consent expiring and the seawall is currently operating under existing use conditions under the Resource Management Act.





The consent renewal lodged with WRC seeks to keep the seawall in place and includes:

- Retaining the existing seawall as a coastal defence structure to manage coastal erosion and protect property loss
- Mitigate any adverse effects on the CMA
- Undertake any necessary maintenance, as a condition of consent
- Maintain ongoing monitoring, including annual reporting on the seabed and structural integrity.

Based on the products used in the construction, the seawall has a useful life of 50 years. It is likely that to obtain a 35 year consent considerable improvements will need to be made including increasing the crest level of the wall to reduce inundation, and replacement of portions of the rock revetment.

We will continue to maintain the seawall based on existing levels of service (LOS), however the condition assessment carried out by our consultants has identified a need for an increase in LOS. Early indications from the renewal process also suggest a need for some capital investment, mainly around the rock revetment associated with the deterioration of the limestone rock used in the seawall's construction. We are currently investigating whether the government funding for the Kāwhia seawalls can also be applied to Aotea.

#### Planned Expenditure in the Next Ten Years

Consent conditions and any associated costs will not be known until the resource consent is granted. However, \$50k has been budgeted for three years from 2025/26 to 2027/28 for any immediate maintenance needed to meet new consent conditions.

### COASTAL STRUCTURES INVESTMENT

|       | 2024/25<br>(000,s) | 2025/26<br>(000,s) | 2026/27<br>(000,s) | 2027/28<br>(000,s) | 2028/29<br>(000,s) | 2029/30<br>(000,s) | 2030/31<br>(000,s) | 2031/32<br>(000,s) | 2032/33<br>(000,s) | 2033/34<br>(000,s) |
|-------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 138                | 241                | 197                | 202                | 162                | 164                | 165                | 166                | 170                | 173                |
| Capex | 8                  | 54                 | 3                  | 67                 | 30                 | 3                  | 3                  | 3                  | 73                 | 33                 |
| Total | 146                | 295                | 200                | 269                | 193                | 167                | 168                | 170                | 244                | 206                |

|       | 2034/39<br>(000's) | 2039/44<br>(000's) | 2044/49<br>(000's) | 2049/54<br>(000's) |
|-------|--------------------|--------------------|--------------------|--------------------|
| Opex  | 891                | 825                | 807                | 835                |
| Capex | 19                 | 21                 | 22                 | 14                 |
| Total | 910                | 846                | 829                | 849                |





# ACTIVITY RISKS

## RISK MANAGEMENT

### RISK TO SERVICE DELIVERY

It is a general expectation of the community and stakeholders that our infrastructure and networks will always be available for use, even if occasional minor reductions in standards are experienced. However, there is always a risk that circumstances or events will result in a reduced level of service, including partial unavailability. Recent events such as Cyclones Hale and Gabrielle have highlighted the potential for events to have a major and ongoing effect on a community. In response to these potential risks, we have significantly reviewed the risk sections of our Asset Management Plans and other relevant documents.

### POTENTIAL RISKS

The possible risks to service delivery facing the Ōtorohanga District can be separated into two principal areas - external risk and internal risk - each with its own likelihood of occurrence as discussed below:

#### EXTERNAL RISK

- Climate change (extreme rain events, rising sea levels, extending dry periods)
- Earthquake
- Volcanic activity
- Changes in regional or central government policy
- Pandemic
- Construction sector capacity and capability
- Funding availability

#### INTERNAL RISK

- Council management performance
- Council staff leaving and unable to find replacements (Market conditions)
- Asset capability
- Poor asset information leading to poor decision making

### EXTREME WEATHER EVENTS

In the past Ōtorohanga District has experienced damaging extreme weather events sufficient to cause a loss of service to our communities. In 1958 a reportedly 1 in 100 year rainstorm caused widespread flooding and damage, particularly in the Ōtorohanga Township (now protected by flood stop banks) as well as widespread damage to rural roads and bridges.

Localised heavy rainfall events have often occurred which have caused washouts and slips/slumps blocking or destroying discrete sections of the rural network, taking a few weeks to return to full service. The potential effects of climate change may increase the likelihood of these sorts of events in the future, and recent weather patterns support the potential for climate change to have a noticeable impact on the frequency of extreme rainfall events.

It is considered that heavy rainfall events are the most likely event to impact our infrastructure, effecting roads, bridges and access and affecting our ability to treat water and wastewater. For our land transport network, in a medium-term return period event, damage is likely to be localised and, while not significant across the network, affected areas could suffer from loss of access for periods of several weeks or months, as evidenced in recent storm events.

Swollen rivers for long periods affect our water treatment processes and can often result in being unable to treat water for extended periods. Increased storage capacity has helped to reduce our exposure to the effects of these events to a more acceptable level.

Although the wastewater ponds have considerable retention capacity prolonged rain can increase the risk of ponds overflowing. Provisions within the Resource Management Act provide a mechanism to discharge directly to water courses to protect infrastructure and we have used this provision in the past.





While avoiding the heaviest impact of the recent extreme weather events – Cyclones Hale and Gabrielle – the Ōtorohanga District roading network showed good resilience traits and stood up well. However, the risk remains significant as evidenced by the devastation in the Coromandel, Gisborne and Hawkes Bay Regions, which geographically are not that far away from Ōtorohanga District.

## SIGNIFICANT ISSUES

The following tables set out the significant issues for each type of infrastructure. A high-level summary on the implications of the issues and Council’s suggested response is included against each issue

### LAND TRANSPORT

| AFFORDABILITY                        |   |
|--------------------------------------|---|
| Significant Risk                     | Due to our small local rate payer base relative to the size of our large road network, Council are reliant on National Land Transport Fund subsidies to fund the transportation activity. This is currently set at 61% and will increase to 63% from 01/07/24.  |
| Proposed Mitigation                  | Council has a high confidence in the underlying asset information that underpins the 2024-34 Transportation Asset Management Plan. Local Government NZ and NZTA - Waka Kotahi identifies and showcases optimal asset management and maintenance practices. This gives Council confidence in asset data and required levels of funding.  |
| Implications                         | Reduced support from Central Government via co-investment, would require Council to lower the maintenance and renewal programmes across the district’s roads. This would have a direct negative impact on safety and freight productivity, alternatively Council may decide to rate fund any shortfall.<br><br>Indicative allocations received from Waka Kotahi on the 6 June 2024 show an increase of funding of 36% from the last National Land Transport Plan but 18% less than expected. Confirmation of the final allocations will not occur until August 2024 and Council will consider whether changes need to be made to its programme once it receives this information. |
| AFFORDABILITY # 2                    |   |
| Significant Risk                     | Council have seen significant cost increases in getting work done over the last three years. To maintain the current level of service is going to put further strain on the existing ratepayer base, especially if there are any reductions in subsidised funds from central government.  |
| Proposed mitigation                  | Continue to manage the current levels of service and consolidate spending into the critical areas, so long life assets do not deteriorate, or large costs will be incurred in the long term   |
| Implications                         | Without the required investment assets will not reach potential useful lives.   |
| ASSET FORM, AGE AND CONDITION        |   |
| Significant Risk                     | Increasing number of lifestyle blocks in our rural areas may lead to more conflicts with heavy vehicles causing increased safety risk and deterioration of road shoulders and edges of seal.  |
| Proposed Mitigation                  | Funding has been included in the LTP for: <ul style="list-style-type: none"> <li>Continue to identify improvements within the network where justified.</li> <li>Road widening associated with pavement rehabilitation.</li> <li>Road widening associated with reseal.</li> </ul>  |
| Implications                         | No impact.  |
| PUBLIC ACCESS FOR RECREATIONAL USERS |   |
| Significant risk                     | Council in the past has looked to divest public road on low volumes roads to reduce road maintenance costs, but at the detriment to public access to recreational areas. Often resulting in challenging discussions between landowners, the recreational user and consuming staff time.   |
| Proposed mitigation                  | Upskilling staff on the rules and roles councils play in maintaining public access to recreational areas over low volume and unformed roads is critical as caretakers of the crown land. Council should not be divesting roads to private users, but more so protecting public access rights to our natural resources.  |



|                          |   |
|--------------------------|---|
| Implications             | This may result in an extra cost to council, but it is believed to be minimal. This will improve access to rivers, streams and native forestry for the public to use and enjoy.   |
| ENVIRONMENTAL IMPACTS    |   |
| Significant Risk         | Changing climate conditions highlight that our road network is vulnerable to significant environmental events affecting reliability and resilience.   |
| Proposed Mitigation      | Our key action is to ensure that road drainage is adequate and well-maintained to decrease the likelihood of landslides or land movement for roads built on unstable land. We also take a proactive approach to inspecting roads during and before known storm events, particularly those segments straddling unstable land. If roads are damaged, but do not need to be completely closed, we may need to put restrictions in place to ensure the safety of road users, for example, reducing sections of road to one lane or putting speed reductions in place. |
| Implications             | Continue working with maintenance contractor to ensure proactive inspections of culverts and water table outlets. We will continue to use practical solutions to repairs to reduce cost to ratepayers.  |
| ENVIRONMENTAL IMPACTS #2 |   |
| Significant Risk         | Stormwater systems beside roads in the urban area are generally high in contaminants from brake linings, and oils from engine fuels, or resealing cutbacks. This can affect Council's stormwater consents.  |
| Proposed Mitigation      | Continue to look at ways to improve the quality of water that runs off road surfaces and enters the stormwater network, through treatment devices.  |
| Implications             | Any changes are likely to be slow and will take years to implement  |
| DISTRICT GROWTH          |   |
| Significant Risk         | Additional residential growth may create increased demand for urban transport infrastructure, such as footpaths, and other walking and cycling facilities.  |
| Proposed Mitigation      | Increasing numbers of elderly residents using mobility scooters rather than personal cars will lead to more conflicts on footpaths. Whilst the previous footpath width of 1.4m was adequate for pedestrians and push chairs, 2m and above is required to enable two mobility scooters to safely pass in opposing directions, especially when the berms are wet through winter.<br><br>Council can utilise some of the development contributions received towards these upgrades.  |
| Implications             | Identification of pinch points to be completed as part of the deficiency database work funded in the first three years of the LTP. Alignment with Town Concept Plans is necessary.  |

### THREE WATERS

|                               |  |
|-------------------------------|--|
| <b>WATER</b>                  |  |
| AFFORDABILITY                 |  |
| Significant Risk              | Our District includes multiple small towns and communities each with their own water schemes. The low number of ratepayers relative to the number of schemes creates challenges in terms of delivering a safe and reliable service that is affordable to our ratepayers. |
| Proposed Mitigation           | Review of the towns and villages and assessment of possible addition, disposal and/or amalgamation of schemes.   |
| Implications                  | Increased cost of water to the end users.  |
| ASSET FORM, AGE AND CONDITION |  |
| Significant Risk              | Our water network assets are ageing. It is expected that much will reach the end of its effective useful life over the next 30 years and will need renewal to maintain existing levels of service.   |







|                                  |  |
|----------------------------------|--|
| Proposed Mitigation              | Continue to increase the focus on asset management activities such as investigations, data gathering, break analysis, renewal candidate assessments, field verification, and improved asset records and information about asset condition.   |
| Implications                     | As our assets age, they are more likely to fail which will result in service interruptions. These unplanned water outages will become increasingly unacceptable for our residents and businesses. There may also be increased operational costs with responding to the breakages as well as major leakages.  |
| ASSET FORM, AGE AND CONDITION #2 |  |
| Significant Risk                 | Many of our water supply schemes are serviced by a single supply main pipeline in the road corridor. This means that these water supply schemes are vulnerable to asset failure or damage resulting from the work undertaken in the road corridor.<br><br>Unaccounted for water is a risk both capacity wise and economically.   |
| Proposed Mitigation              | <ul style="list-style-type: none"> <li>Regular maintenance, renewal and replacement of our water supply assets to ensure that they continue to deliver service.</li> <li>We are taking resilience into account in our discussions about how we develop and replace or infrastructure</li> <li>Reducing the unaccounted for water levels will require specialised detection.</li> </ul> <p>Encourage the use of on-site storage tanks attached to new or existing dwellings where these tanks are dedicated to either treated water provision, or non-potable supply for gardens and ancillary usage.</p> |
| Implications                     | There is a risk of communities being without water services which are an essential service for drinking water as well as providing firefighting capability. This may result in health and safety risks if there are major water outages.<br><br>Reducing the percentage of unaccounted for water will have a positive effect on the cost of treatment.   |
| ENVIRONMENTAL IMPACTS            |  |
| Significant Risk                 | Increases in long dry periods will put significant pressure on our already stretched summer water supplies, especially where increased treatment processes will require more frequent backwashing.<br><br>It is expected that minimum flow restrictions on surface water takes will require more water restrictions into the future.<br><br>With water meters already installed on urban supplies, this has provided capacity for growth in the next 10 years without the need for increased abstraction limits.<br><br>Reducing the unaccounted for water will reduce the pressure on demand.           |
| Proposed Mitigation              | Our key actions include: <ul style="list-style-type: none"> <li>Sound leakage management practices are put in place to ensure water is not accounted for and not wasted unnecessarily, and we will continue to look at bulk metering of networks to help with early detection.</li> <li>Increasing the capacity of Ōtorohanga Treatment Plant medium term will help buffer dry periods.</li> </ul>   |
| Implications                     | Water restrictions in the summer period may be required. We have sufficient capacity in our water take consents to attract development into our District. High unaccounted for water is not sound resource management.   |
| ENVIRONMENT IMPACT # 2           |  |
| Significant Risk                 | The impact of infrastructure failure due to natural hazards has been highlighted by the Canterbury earthquakes. Our water supply and wastewater networks are the most vulnerable of all our infrastructural assets to seismic risk.  |
| Proposed Mitigation              | We manage the risk of earthquakes in several ways: <ul style="list-style-type: none"> <li>We check and action any leaks that may arise after earthquake activity as part of our emergency response plans</li> <li>We use modern (more flexible) materials when renewing water pipelines so that there is less likelihood of failure</li> <li>We ensure that our water reservoirs can cope with seismic risk</li> </ul> <p>We ensure that insurances are adequate to ensure adequate cover in case of widespread seismic damage.</p>  |
| Implications                     | In the event of a natural disaster our communities may be without water services for a significant period. This may result in health and safety risks with limited or no drinking water as well as firefighting capability.  |





| DISTRICT GROWTH       |  |
|-----------------------|--|
| Significant Risk      | Increasing urban (and fringe urban) development is expected to place increased pressure on the capacity of our existing water supply networks. This can also result in pressure on Council to extend existing networks so that these developments can connect to town water supply.  |
| Proposed Mitigation   | To ensure the continued affordability of our water supply networks our current approach is: <ul style="list-style-type: none"> <li>To encourage utilisation of existing infrastructure where existing capacity allows</li> <li>Limit extending existing networks beyond our existing supply boundaries (e.g. encourage onsite collection and treatment as the first option)</li> <li>Conduct assessments as per LGA 2002 before committing to installing new services in areas which are currently un-serviced.</li> <li>Better understanding of our unaccounted water.</li> </ul> |
| Implications          | Extending our reticulated systems could have major cost implications, and the priority for limited funding is increasing compliance with mandatory standards, then capacity, then connections. (Additional scheme members may help aggregate these costs.)<br><br>Extending our water supply networks would increase demand for water and may mean we need additional water sources to meet demand. There would be an increase in operational costs and staff.   |
| LEGISLATIVE CHANGE    |  |
| Significant Risk      | Changes to the Drinking Water Standards has resulted in a higher level of compliance but has also created more options for meeting compliance in our rural schemes which until now have struggled to meet compliance. Meeting compliance has always been difficult and unaffordable for the smaller schemes, this increases the risk to the end users.   |
| Proposed Mitigation   | Council have employed extra staff in quality and compliance to understand the implications of the new rules and will continue to measure current schemes against the new rules to meet the new compliance standards. Arohena Rural Water Scheme will remain under Boil Water Notices until this is resolved.   |
| Implications          | The risk of our communities becoming ill because of their drinking water is not acceptable and council must resolve these issues.<br>Increasing compliance requirements are also resulting in additional operational cost and, in some networks, capital investment. The cost of water is likely to increase.  |
| LEGISLATIVE CHANGE #2 |  |
| Significant Risk      | Changes to three waters reform continue to leave uncertainty in the management of three waters activities for councils. With the repeal of the Labour Governments reforms and the introduction of Local Water Done Well there is still considerable unknown what this means to councils. It is confirmed that the activity will stay with councils at this time.   |
| Proposed Mitigation   | Continue to operate the activity as we have done for many years and continue to look at ways to improve and comply with the rule changes.<br>Remain agile in our process so we can make changes without too much disruption.<br>Keep staff engaged and informed on reform.   |
| Implications          | Council has navigated reform for the last four years and we continue to engage in the process. Regional collaborations will continue to be explored which is a signal from government on what the future may entail.   |

| WASTEWATER       |  |
|------------------|--|
| AFFORDABILITY    |  |
| Significant Risk | Whilst Ōtorohanga has a land based wastewater treatment system, there is a need to acquire additional land around the plant to future proof existing plant and provide for future growth.<br><br>Kāwhia will need a public wastewater system in the future as onsite septic systems become more difficult to maintain and renew. Public wastewater in Kāwhia is viable from an engineering concept design but is |





|                                   |  |
|-----------------------------------|--|
|                                   | unaffordable given the small ratepayer base. The other difficulty is finding a suitable location for effluent disposal which would require significant land base treatment.  |
| Proposed Mitigation               | Consider purchasing more land area for Ōtorohanga wastewater treatment disposal to enable growth<br>Continue to explore options for Kāwhia in the medium term and be ready for any government funding initiatives that may be available in the future.   |
| Implications                      | Ensuring capacity to support growth will not be achieved without suitable investment being made. This is especially true of Kāwhia.  |
| ASSET FORM, AGE AND CONDITION     |  |
| Significant Risk                  | Our wastewater network assets are ageing. Over the next 30 years, much of the network will reach the end of its effective useful life and will need renewal to maintain existing levels of service. Compounding this is the lack of robust age and condition information making it difficult to plan effectively and manage medium-long term risks.  |
| Proposed Mitigation               | Improvements to asset management and project delivery will provide a more targeted approach to renewals over the next 10 years. Significant investment during the last LTP has accelerated our renewals programme, we will not continue at that level for the next 3 years.<br>We actively seek and utilize various pipe renewal methodologies, including traditional open trenching as well as pipe relining and trenchless pipe bursting. No one methodology suits every installation given the various soil types in Ōtorohanga.  |
| Implications                      | As our assets age they are more likely to be subject to service interruptions or to fail and this may impact on levels of service and on the resilience of our wastewater networks.<br>Assets which are ageing or in poor condition are more likely to have a negative impact on the quality of our environment and on public health. This can also contribute to increased stormwater inflow and infiltration. If a steady renewal programme is not followed, we could have significant periods in the future when large portions of our networks will require replacing and the cost of this work could increase our debt considerably.  |
| ASSET FORM, AGE AND CONDITION # 2 |  |
| Significant Risk                  | Our wastewater reticulation networks are vulnerable to damage from earthquakes, which can cause anything from minor displacement to full asset failure.  |
| Proposed Mitigation               | Proactive CCTV inspections to monitor the condition of pipe assets and identify faults and confirm maintenance and renewal needs.<br>We ensure that our insurances provide adequate cover in case of widespread seismic damage.  |
| Implications                      | Damage resulting from earthquakes can cause anything from minor displacement to full asset failure. This will have differing negative impacts in terms of service delivery, public health, environmental and disruption to communities.  |
| ENVIRONMENTAL IMPACTS             |  |
| Significant Risk                  | Climate change could have an impact on some of our wastewater networks. For example, in the future our district could experience more intense periods of storm activity, resulting in: <ul style="list-style-type: none"> <li>• Large volumes of stormwater entering our networks which may be unable to treat the resulting volume of wastewater and potential for discharges to water courses.</li> <li>• Our wastewater assets being damaged, for example by flooding.</li> </ul> <p>Longer and more intense periods of drought which may result in damage to underground services as the moisture content reduces and the soils dry and contract, this is more likely to affect the shallower infrastructure.</p> <p>Network failure – Maintaining the quality and continuity of sewerage systems, which are particularly susceptible to severe damage in seismic events and inundation in high rainfall events.</p> |
| Proposed Mitigation               | To manage the impact of natural hazards on our assets we monitor and assess the risk that climate change poses to our existing assets. Where new infrastructure is planned the potential risk from climate change, e.g. rising sea levels, or increased flooding, is considered when determining location and design.<br>The Resource Management Act has provision for controlled discharges to prevent failure of infrastructure, this is a last resort but mitigates damage to infrastructure in the short-term during rain events.  |
| Implications                      | Some options for mitigating the impact of climate change, such as raising critical assets like control cabinets would be relatively affordable. However, it may sometimes be costly to minimise the impacts of climate change  |





|                           |  |
|---------------------------|--|
|                           | <p>on our assets. If our wastewater networks are subject to more intense or frequent storm events it could result in our networks being unable to treat the volume of wastewater and this could result in discharges to our natural environment. If this occurred:</p> <ul style="list-style-type: none"> <li>• Council could breach the discharge limits set allowed under our resource consents</li> <li>• It could have a negative impact on our natural environment and water quality</li> </ul> <p>It could have a negative impact on public health.</p>  |
| <b>DEMAND GROWTH</b>      |  |
| Significant Risk          | Increasing development is expected to result in pressure on Council to extend existing networks so that these developments can connect to town wastewater networks. We also expect to continue to see more intense development within our existing towns. This type of development can place pressure on the capacity of our existing wastewater networks. However, we need to ensure that our wastewater supply networks remain affordable and sustainable for current and future generations.  |
| Proposed Mitigation       | Continue to make improvement to the network and treatment plant to maintain capacity to align with growth. Currently the network has sufficient capacity to absorb the project levels of growth in Ōtorohanga. Acquiring additional land around the wastewater plant will improve long term resilience to meet significant growth.   |
| Implications              | Extending our wastewater networks would increase demand for water and may mean we need additional water sources to meet demand.<br>Failure to extend and increase the capacity of the system will limit growth and hence affect the sustainability of the district.  |
| <b>Legislative Change</b> |  |
| Significant Risk          | <p>Complying with resource consents is always a significant risk to Council in having to make changes or improvement to treatment to align with consent conditions. Discharge consents are due to expire in 2037 and renewal will be expensive, and conditions are likely to change.</p> <p>Although we continue to meet nearly all compliance requirements, consistent quality of our effluent discharges within consent limits is difficult to maintain and we have been issued with an Abatement Notice for exceeding limits.</p> <p>As compliance demands increase dedicated wastewater staff maybe required to improve the level of service which will have a cost to residents and ratepayers.</p> |
| Proposed Mitigation       | We intend to invest in influent and effluent treatment improvements over the next three years, along with a desludging programme to improve pond retention. This will help mitigate issues arising from the Abatement Notice issued by the Waikato Regional Council for exceeding discharge limits.  |
| Implications              | No significant changes in compliance are expected under the existing consent conditions, but we still need to reach consistent compliance with all conditions. Renewal of consents will likely result in changes that are too early to predict, but it will be around quality of discharge which could trigger more mechanical improvements to the plant in the future, which could be expensive.  |

|                      |  |
|----------------------|--|
| <b>STORMWATER</b>    |  |
| <b>AFFORDABILITY</b> |  |
| Significant Risk     | There are very low levels of service requests for enhanced stormwater. Significant investment would be required to improve the infrastructure to level that provides for every rain event.   |
| Proposed Mitigation  | There has been very little targeted stormwater investment in the past, however development has required investment partnerships to improve stormwater over the last few years. We intend on investing more in stormwater renewals over the next 10 years to renewal aged infrastructure. |
| Implications         | Increase rain events is resulting in surface flooding, which may result in property damage. Renewals will have a financial impact on ratepayers.   |





| ASSET FORM, AGE AND CONDITION |  |
|-------------------------------|--|
| Significant Risk              | Little data and condition assessments exist on parts of the stormwater network, although there are few complaints about the performance of the existing network.   |
| Proposed Mitigation           | Gathering asset data and condition assessments will help inform renewals in the future and get a better understanding of the network.  |
| Implications                  | Failure of the stormwater network or lack of capacity may result in surface flooding and property damage if left with little investment.   |
| ENVIRONMENTAL IMPACTS         |  |
| Significant Risk              | With climate change, increased downpours overloading systems.  |
| Proposed Mitigation           | Renewal programme and better understanding of the network will reduce the impacts of rainfall events.  |
| Implications                  | Possible cross connections between sewer and stormwater resulting in unlawful discharges that will have a negative impact on public health and the environment.  |
| DEMAND GROWTH                 |  |
| Significant Risk              | Demand for extending networks and infill development increasing demand on existing systems.  |
| Proposed Mitigation           | New developments are required to have onsite attenuation/retention and treatment devices to avoid impacts on the network and environment. Onsite soakage systems also help recharge water tables where possible.   |
| Implications                  | Councils existing infrastructure does not have the capacity for all development to discharge directly to the network.  |
| LEGISLATIVE CHANGE            |  |
| Significant Risk              | Council is currently undergoing the renewal of comprehensive stormwater discharge consents for Ōtorohanga and Kāwhia. Renewal of the consents is currently on hold and, until the new consents are granted, we are uncertain as to what the new conditions may look like and the likely cost implications. |
| Proposed Mitigation           | Continue to manage stormwater discharges under existing conditions and monitor for contaminants to ensure these remain within acceptable limits. A new wetland is proposed on the Otewa Road discharge to improve water quality.   |
| Implications                  | Until such time as the new consent conditions are determined, the operational or capital impacts to council are unknown.<br><br>Unlawful or accidental discharges of contaminants to the stormwater network can have financial and environment costs to council.   |

| FLOOD PROTECTION    |   |
|---------------------|---|
| AFFORDABILITY       |   |
| Significant Risk    | As the recreation use of flood protection areas increases, the cost of maintenance also increases due to the need for mowing and plant management.  |
| Proposed Mitigation | Traditionally the flood protection areas were grazed by farm animals and the lease income offset some of the maintenance costs. With the change in use we need to assess how the flood protection schemes are funded with a portion of funding coming from Parks and Reserves to cover mowing and plant management. |
| Implications        | Funding from Project Watershed via WRC is not intended for the mowing of stopbanks and will not cover maintenance of riparian planting.   |





| ASSET FORM, AGE AND CONDITION |  |
|-------------------------------|--|
| Significant Risk              | The flood pump stations are 60 years old and will require increased investment as they reach end of life within the next 30 years. The actual pumps are in good condition and regularly maintained and refurbished.  |
| Proposed Mitigation           | Continued maintenance and joint structural inspections with WRC on asset condition. The pumps have had minimal runtime as they are only activated during flood situations.   |
| Implications                  | No impact at this time but replacement of the pump stations will possibly need to occur at around the same time as some of our other major structural assets reach end of life.  |
| FAILURE OF THE STOPBANKS      |  |
| Significant Risk              | In the event of catastrophic failure there is the potential for considerable property damage and risk to life.   |
| Proposed Mitigation           | It has long been said that the stopbanks were well engineered for any flood event that Ōtorohanga should face, however, with rain events that seem to be more intense the risk is always there. Continued focus on monitoring and maintenance is key to resilience. Further retirement of stopbanks from grazing should be considered, to reduce stock damage. |
| Implications                  | Low risk at this time, the stopbanks have withstood multiple flooding events over the last 60 years but should never be taken for granted.   |

| COASTAL STRUCTURES                   |   |
|--------------------------------------|---|
| AFFORDABILITY                        |   |
| Significant Risk                     | Council is the owner of significant coastal assets that are reaching end of life or consenting periods within the next five to 10 years. Aotea seawall may face considerable maintenance costs in the next three years.   |
| Proposed Mitigation                  | Government funding will provide us with good asset condition data to inform future repairs.   |
| Implications                         | Seawalls, wharves and boat ramps are constructed in areas with harsh environmental conditions, often in an attempt to slow down the effects of tidal elements or prevent or slow down coastal erosion. These structures are expensive structures to build and maintain. Long term climate strategies will inform future decisions around coastal structures |
| LOSS OF PROPERTY AND CULTURAL ASSETS |   |
| Significant Risk                     | The loss of coastal defences will have an impact on private property, roads, public amenities but also significant cultural assets, for example Te Papa o Karewa and Tangi Te Korowhiti - both notable Pohutukawa trees on the coast of the Kāwhia Harbour.   |
| Proposed Mitigation                  | Carry out the full conditional assessment of the coastal structures and decide on the next steps for maintenance.   |
| Implications                         | Until such times as assessments are completed council will not realise the extent of the long-term issues and solutions and what the costs will be.   |





# ASSUMPTIONS

Planning involves making assumptions about the future which may or may not hold true. Here are the key assumptions we have made when we put together our activities and budgets:

| TYPE              | ASSUMPTION   | LEVEL OF CERTAINTY | POTENTIAL EFFECTS   |
|-------------------|--|--------------------|---|
| LIFECYCLE         | That asset replacement costs, and useful lives are as stated in, (or close to), the Asset Valuation, and that the depreciation reserves will adequately fund the renewal of assets. Valuation figures are based on good industry practice and are peer reviewed by an external expert in infrastructure asset valuation. | Medium<br>low      | Increases in asset value have a direct impact on future depreciation, a major driver of rate increases  |
|                   | That the three-yearly Financial Assistance Rate (FAR) from NZTA - NZTA - Waka Kotahi through the National Land Transport Fund will remain, for the foreseeable future, for investment in transportation infrastructure.  | High               | If either the FAR Council receives is reduced at the end of the new three-year period, or the total allocation provided by NZTA - Waka Kotahi to Council is reduced, this will lead to deterioration in the local roads. The cost to return the roads to similar or improved residual life, will be significantly higher in the future than now, based on construction price indices. |
|                   | The condition of the coastal structures will require minor to moderate maintenance, which will be covered by government funding secured for this purpose.  | Medium             | If the condition assessment reveals substantial defects that require extensive maintenance, the shortfall will need to be loan funded.  |
|                   | That current assumptions of asset age are accurate and depreciation reserves will be adequate to fund required asset renewals.<br><br>Improvements to asset management processes and planning will improve our ability to predict, prioritise and plan the asset investment required to intervene at the right time.     | Medium             | Asset data is inaccurate and renewal programmes are accelerated due to failure of assets earlier than predicted   |
| DEMAND            | That district growth projections will remain low to medium growth and sufficient capacity is within existing infrastructure  | High               | Council will be able to manage and encourage growth within the district.  |
|                   | That forecast budgets will be sufficient to deliver expected service levels  | High               | There has been an overall increase in the cost to deliver new projects and maintain existing operations. Council is comfortable that we have factored enough redundancy into the budgets.   |
|                   | That the impacts of land use change can be managed within forecast budgets.  | High               | Significant growth more than projected would put strain on budgets and capacity of infrastructure.  |
|                   | That forecast budgets will be sufficient to deliver expected service levels despite the supply chain impacts because of increased infrastructure investment in the region, or there is some level of flexibility with regards to project timeframes to ensure value for money.   | Medium             | It is uncertain what the inflation and interest rates will have on supply chains and costs of materials.  |
| LEVELS OF SERVICE | That planned investment will slowly improve the form of our infrastructure networks to align with modern day standards and expectations.   | Medium             | The programme of work in the LTP aligns with the Asset Management Plans. If additional work was required, that would require higher staff resourcing above that currently budgeted for.   |
|                   | That Asset Management Plans identify key vulnerabilities, especially for critical assets, and there are mitigation strategies to reduce risks to Council and impacts on customers.   |                    |   |





| TYPE | ASSUMPTION  | LEVEL OF CERTAINTY | POTENTIAL EFFECTS  |
|------|---|--------------------|--|
|      | <p>It is assumed that natural disasters will not be catastrophic in scale and that Council will be prepared to respond to any natural hazards including floods, storms, earthquakes and volcanic activity that may occur.</p> <p>It is assumed that Council will be able to obtain insurance cover as required from private insurance companies.</p>  | Medium             | Council obtains insurance through a collective involving multiple Councils across NZ, and the insurers annually assess the maximum probable loss and communicate that back to the clients for consideration. |
|      | It is assumed that the district will be affected by long-term climate change in parallel with predicted changes as advised by government agencies, and that any impacts will be managed within forecast budgets.  | Low                | Forecasts will be reviewed every three years as part of the LTP cycle and will consider the latest agreed scientific evidence of mitigation and minimisation.  |
|      | <p>Conditions of existing resource consents held by Council will not be altered significantly from that budgeted. Any resource consents due for renewal during the 10-year period will be renewed accordingly. Resource consents issued for new / upgraded infrastructure will not contain significantly different conditions / standards to those anticipated in the project.</p> <p>Forecast investment will be sufficient to meet more stringent service standards for drinking water, and resource consent requirements for wastewater consent renewals,</p> <p>That legislated minimum levels of service / standards (such as drinking water quality) will not be changed.</p> | Medium             | Potential costly renewals and restrictive conditions will result in substantial costs to councils in the future.   |



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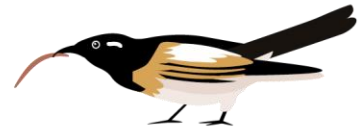
WEAVING THE  
FUTURE, TOGETHER  
**KOTAHITANGA**  
ŌTOROHANGA DISTRICT COUNCIL

# SIGNIFICANCE AND ENGAGEMENT POLICY



Te Kaunihera ā-Rohe o  
**Ōtorohanga**  
District Council  
Where kiwi can fly





# TE KAUPAPAHERE MŌ TE TĀPUATANGA ME TE WHAKAPĀNGA

## INTRODUCTION

A significance and engagement policy is a requirement under the Local Government Act 2002 (the LGA). It enables communities to understand the significance council places on particular decisions and identifies how and when communities can expect to be engaged or specifically consulted on these decisions.

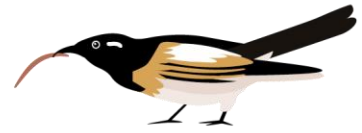
We have a diverse district and to ensure council engages as effectively as possible, we use a variety of methods to gather information on people's views and preferences. Sometimes these methods might use formal processes while other times more informal engagement may be used. Either way, we want to ensure that anyone who wishes to contribute ideas or information to important council decisions has the opportunity to do so.

## PURPOSE AND SCOPE

1. To enable Council, iwi/Māori and communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities.
2. To provide clarity about how and when communities can expect to be engaged in decisions made by Council.
3. To inform Council from the beginning of a decision-making process about the extent, form and type of engagement required.

**Note:** This policy does not apply to decision making under legislation that has a prescribed consultative or engagement process





## DEFINITIONS

### COMMUNITY

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

### DECISIONS

Refers to all the decisions made by or on behalf of Council including those made by officers under delegation. Management decisions made by officers under delegation during the implementation of council decisions will not be deemed to be significant.

### ENGAGEMENT

Is a term used to describe the process of seeking information from the community to inform and assist decision-making. There is a continuum of community involvement.

### SIGNIFICANCE

As defined in section 5 of the LGA 2002 "... in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:

- (a) the current and future social, economic, environmental, or cultural well-being of the district or region;
- (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter;
- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so".

### SIGNIFICANT ACTIVITY

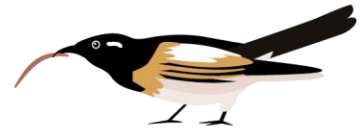
An activity the council deems to be of significance as per Section 5 of the Local Government Act 2002, defined above.

### STRATEGIC ASSET

As defined in section 5 of the LGA 2002 "in relation to the assets held by a local authority, means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future wellbeing of the community; and includes:

- (a) any asset or group of assets listed in accordance with section 76AA(3) by the local authority; and
- (b) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and
- (c) any equity securities held by the local authority in:
  - (i) a port company within the meaning of the Port Companies Act 1988;
  - (ii) an airport company within the meaning of the Airport Authorities Act 1966".





## POLICY

### PRINCIPLES

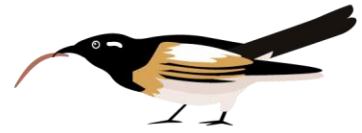
1. Engagement with the community is critical to understand the needs, views, opinions and preferences of people likely to be affected by or interested in a proposal or decision.
2. Council is committed to the inclusion of iwi/Māori in decision-making processes, including taking into account any impact on iwi/Māori cultural values or interests.
3. Council must have regard to the principles of the Treaty of Waitangi and recognise and provide for the special relationship between iwi/Māori, their culture, traditions, land and taonga. This obligation includes recognising those who have mana whenua, or inherited rights of land ownership or customary authority.
4. An assessment of the degree of significance of proposals and decisions, and the appropriate level of engagement, will be considered in the early stages of a proposal before decision making occurs and, if necessary, reviewed as a proposal develops.

### ASSESSMENT OF SIGNIFICANCE

1. When assessing the degree of significance of proposals and decisions, and the appropriate level of engagement, Council will take into account:
  - The impact on the interests, values and aspirations of iwi/Māori
  - The likely impact on iwi/Māori cultural values, including relationships with ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga
  - Any legal requirement to engage with the community
  - The degree of impact on current and future community wellbeing
  - The level of financial impact
  - Whether a large portion of the community will be impacted.
  - The level of likely impact on present and future interests of the community
  - Whether the level of service of a significant activity is affected
  - Whether community interest is high.
  - Whether the likely consequences are controversial.
  - Whether community views are already known, including the community's preferences about the form of engagement.
  - Whether or not a decision would be reversible
  - The form of engagement used in the past for similar proposals and decisions.
2. Council will take into account the degree to which the issue has a financial impact on the council or the rating levels of its communities, using the following thresholds:
  - a. Unbudgeted operating expenditure greater than 7.5 per cent of total operating expenditure in that year; or
  - b. Unbudgeted capital expenditure greater than 2.5 per cent of the total value of Council's assets.
3. If a proposal or decision is affected by a number of the above considerations, it is more likely to have a higher degree of significance.
4. In general, the more significance an issue has, the greater the level of community engagement.

### ENGAGEMENT AND CONSULTATION

1. Council will apply a consistent and transparent approach to engagement.
2. On certain matters Council is required to undertake a special consultative procedure as set out in section 83 of the LGA, or to carry out consultation in accordance with or giving effect to section 82 of the LGA (regardless of the significance of the matter).



3. For all other issues requiring a decision, Council will use the policy and the Community Engagement Guide in Schedule Two (attached) to determine the appropriate level of engagement on a case-by-case basis. The Community Engagement Guide identifies the form of engagement Council may use to respond to some specific issues. It also provides examples of types of issues and how and when communities could expect to be engaged in the decision-making process.
4. Joint Management Agreements, Memoranda of Understanding or any other formal agreements will be considered as a starting point when engaging with iwi/Māori<sup>1</sup>.
5. When Council makes a decision that is significantly inconsistent with this policy, the steps identified in section 80 of the LGA will be undertaken.
6. There may be times when it is not necessary, appropriate or possible to engage with the community on a matter or decision, even if it is significant. Circumstances where community engagement may not be undertaken include<sup>2</sup>:
  - Council already has a sound understanding of the views and preferences of the persons likely to be affected or interested in the matter
  - There are reasons not to under the Local Government Official Information and Meetings Act
  - The costs of consultation outweigh the benefits
  - The matter has already been addressed by Council's policies or plans, which have previously been consulted on
  - An immediate or rapid response or decision is needed or it is not reasonably practical to engage
  - Works are required unexpectedly or following further investigations on projects that have already been approved by Council
  - The works required are of a 'business as usual' nature related to the operation and maintenance of a Council asset and responsible management requires those works to take place
  - Where Council has consulted on the same issue in the last 24 months.

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<sup>1</sup> **Note:** Council is developing an Māori Engagement Framework to provide guidance and tools to assist with determining when and how to successfully engage with iwi/Māori. Once the framework has been finalised, this policy will be updated. It is anticipated that the framework will be completed in 2024/25.

<sup>2</sup> See also section 82 of the LGA.



## STRATEGIC ASSETS

Our strategic assets are physical assets vital for delivering services to Ōtorohanga district and/or are important to achieve or promote any outcome that is important to the current or future wellbeing of our community. Strategic assets are the group of assets or the asset as a whole entity and not the individual elements of the asset. Council's strategic assets are listed in Schedule One (attached).

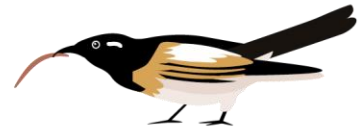
1. Any decision that transfers ownership or control of a strategic asset to or from Council, can only be taken if explicitly provided for in the Long Term Plan and consulted on in accordance with section 97 of the LGA.
2. Engagement or consultation on other decisions regarding strategic assets will be determined by the level of significance of the proposal, including consideration of the likely impact on iwi/Māori cultural values and on any Joint Management Agreements or other formal agreements with iwi/Māori (see Policy above).

## RESPONSIBILITIES

1. Any report to Council that requires a decision will include:
  - An assessment of the degree of significance of the matter
  - A recommended approach to engagement, including a description of any engagement already undertaken.
2. This policy will be reviewed as required, to meet the needs of the organisation, the community and best practice.
3. The policy will take effect from the date adopted by Council.







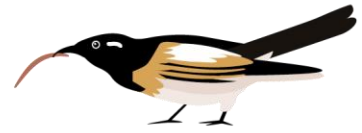
## SCHEDULE 1 | Strategic Assets

The following is a list of assets or group of assets the Council considers strategic as per the interpretation and requirements in section 5 of the LGA.

### STRATEGIC ASSETS

- Housing for the elderly stock as a whole
- Equity securities in the Waikato Regional Airport Ltd
- District roading infrastructure as a whole
- Water supply network infrastructure as a whole
- Stormwater network infrastructure as a whole
- Wastewater network infrastructure as a whole.
- District Libraries
- Museums
- Kāwhia Wharf
- Aotea Seawall





# SCHEDULE 2 | Community Engagement Guide

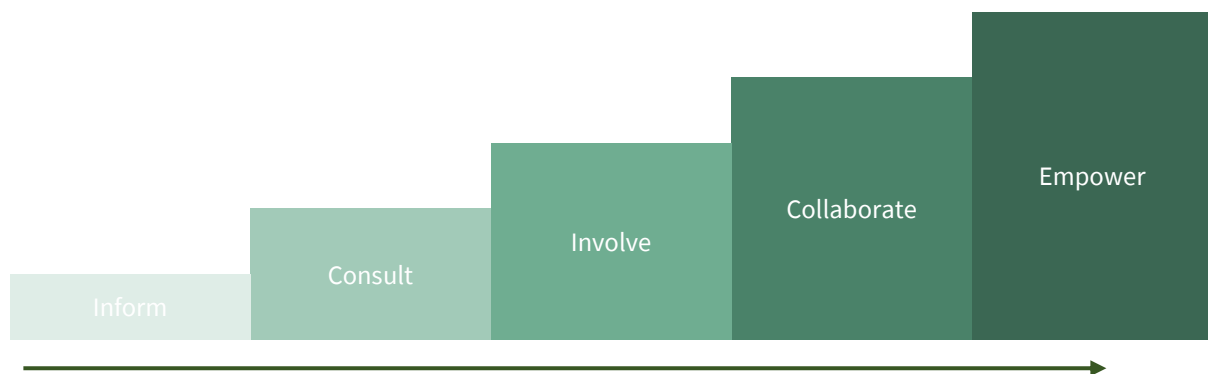
## INTRODUCTION

Community engagement is a two-way communication process where information is exchanged or imparted between parties to achieve sustainable and effective outcomes, processes, relationships, discourse, decision-making, or implementation.

The International Association for Public Participation (IAP2) has developed a Public Participation Spectrum to explain different forms of engagement with the community. This model shows the increasing level of public participation as you progress through the spectrum from left to right - 'inform', 'consult', 'involve', and 'collaborate', through to 'empower'. In simply 'informing' communities, there is no expectation of receiving feedback, and consequently there is a low level of public impact. At the other end of the spectrum, 'empowering' communities to make decisions requires a greater level of engagement and public impact.

Differing levels of engagement may be required during the varying phases of decision making on an issue, and for different stakeholders. Throughout the spectrum, some issues will not warrant as much public participation as others due to their size and impact on community wellbeing. Resources may also limit what can be achieved.

In general, the more significance an issue has, the greater the level of community engagement.



## FORMS OF ENGAGEMENT

Council will use the Special Consultative Procedure (as set out in section 83 of the LGA) when legally required, including for the following decisions:

- Adoption or amendment of a Long Term Plan (section 93 A of the LGA)
- Adoption, amendment, or revocation of bylaws if required under section 156(1)(a) of the LGA
- Adoption, amendment or revocation of a Local Alcohol Policy
- Adoption or review of a Local Approved Products (Psychoactive Substances) Policy
- Adoption or review of a Class 4 Gambling Venue Policy under the Gambling Act 2003
- Preparation, amendment or revocation of a Waste Management and Minimisation Plan.

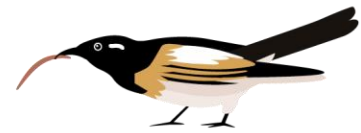
Unless already explicitly provided for, Council will seek to amend its Long Term Plan, and therefore use the Special Consultative Procedure, when it proposes to:

- Significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of Council, including commencing or ceasing such an activity; or
- Transfer the ownership or control of strategic assets, as listed in Schedule 1.

Council will consult in accordance with, or using a process or a manner that gives effect to the requirements of, Section 82 of the LGA 2002 where required to do so by law, including for the following specific issues requiring decisions:

- Adopting or amending the Annual Plan, if required under Section 95 of the LGA 2002.





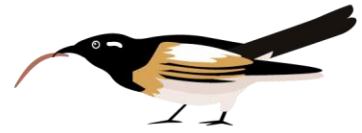
- Transferring responsibilities to another local authority under Section 17 of the LGA 2002
- Establishing or becoming a shareholder in a Council Controlled Organisation
- Adopting or amending a:
  - Revenue and Financing Policy
  - Development Contributions Policy
  - Financial Contributions Policy
  - Rates Remission Policy
  - Rates Postponement Policy
  - Policy on the Remission or Postponement of Rates on Māori Freehold Land

For such consultation, Council will develop information fulfilling the requirements of Section 82A of the LGA 2002, make this available to the public, allow written submissions for a period of up to 4 weeks, and consider all submissions prior to making decisions.

For all other issues, an engagement/consultation plan aligned with Section 78 of the LGA 2002 is to be decided at the beginning of the process, and the following table provides an example of the differing levels of engagement that might be considered appropriate, the types of tools associated with each level and the timing generally associated with these types of decisions/levels of engagement.

| LEVEL  | INFORM   | CONSULT   | INVOLVE   | COLLABORATE   | EMPOWER   |
|--|--|---|---|---|---|
| What does it involve                         | Providing balanced and objective information to assist the public's understanding about something that is going to happen or has happened. | Obtaining public feedback about proposals on rationale and alternative options to inform decision-making.   | Working directly with members of the public to help identify issues and views throughout the process to ensure that concerns and aspirations are understood and considered prior to decision-making | Partnering with members of the public to develop understanding of all issues and interests, including to develop alternatives and identify preferred solutions.     | The final decision-making is in the hands of the public. Under the LGA 2002, the Mayor and Councillors are elected to make decisions on behalf of their constituents. |
| Types of issues that we might use this for   | <ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Infrastructure upgrades</li> <li>• Results of hearings</li> </ul>        | <ul style="list-style-type: none"> <li>• Rates reviews</li> <li>• Bylaw reviews</li> <li>• Local alcohol policy</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Long Term Plan development</li> <li>• Concept plan development</li> <li>• Infrastructure projects that impact on people</li> </ul>                         | <ul style="list-style-type: none"> <li>• Resource consents</li> <li>• Shared services issues</li> <li>• Innovating streets</li> </ul>                               | <ul style="list-style-type: none"> <li>• Election voting systems (eg. STV or FPP)</li> </ul>  |
| Examples of how we might do this             | Public notices, advertising, social media posts, Council's website, news media, fact sheets, letters, emails, newsletters                  | Formal consultation processes (eg. Reserve Management Plans), public meetings, iwi liaison, surveys   | Linking in with local groups that represent parts of the community, polling, focus groups, workshops, project advisory groups, stakeholder events   | External working groups, Joint Committees, community liaison, advisory committees, face-to-face interactions  | Local body elections, binding referendums   |
| When can the community expect to be involved | Council would generally advise the community once a decision is made.  | Council would advise the community once a draft decision is made. The community would generally be provided with up to four weeks to participate and respond. | Council would generally provide the community with a greater lead time to allow for involvement in the process.   | Council would generally involve the community throughout the process - at the start to scope the issue, throughout information collection, and to consider options. | Council would generally be led by the community on the time required for them to be involved in the process.  |





## ENGAGEMENT TOOLS AND TECHNIQUES

Over the course of the decision-making process, Council may use a variety of best practice engagement approaches depending on:

- Significance and impacts on iwi/Māori cultural values, including their relationship with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga
- History and public awareness of the issue
- Council's overall goals and desired outcomes
- Community engagement objectives
- Communities Council is engaging with and their specific needs
- Issues and risks involved
- Timing and resources available

Each situation will be assessed on a case-by-case basis and a communication and engagement plan created to meet community needs.







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FUTURE, TOGETHER  
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ŌTOROHANGA DISTRICT COUNCIL

## OTHER INFORMATION:

- FORECASTING ASSUMPTIONS
- COUNCIL CONTROLLED ORGANISATIONS
- SUMMARY OF SUBMISSIONS RECEIVED AND COUNCIL DECISIONS
- ORGANISATIONAL STRUCTURE



Te Kaunihera ō-Rohe o  
**Ōtorohanga**  
District Council  
Where kiwi can fly





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ŌTOROHANGA DISTRICT COUNCIL

## SIGNIFICANT FORECASTING ASSUMPTIONS

Planning involves making assumptions about the future which may or may not hold true. This section contains the full list of assumptions that underpin the 2024/34 long term plan.



## SIGNIFICANT FORECASTING ASSUMPTIONS CLIMATE CHANGE/WATER SECURITY

| We assume that:   | Our level of uncertainty | Risk   | Impact      | What we will do  |
|---|--------------------------|--|-------------|--|
| <p>Over the medium to long-term our district can expect<sup>1</sup>:</p> <ul style="list-style-type: none"> <li>• An increase in the frequency and intensity of storm events</li> <li>• Higher temperatures</li> <li>• Rising sea level (1.0 metre rise for Kāwhia/Aotea over the next 100 years)</li> <li>• A change in rainfall patterns, with a 5% increase in rainfall intensity, producing more extreme weather events and increased drought events.</li> <li>• The climate change legislation will be enacted.</li> </ul> | Low/Medium               | <p>Predicted changes in climate may be over or under estimated. If underestimated, the costs of reinstatement/ replacement of Council's infrastructure cannot be funded from normal operating budgets.</p> | Medium/High | <ul style="list-style-type: none"> <li>• Develop a district strategy to help the community and Council understand, adapt and respond to climate change.</li> <li>• Monitor Council's energy use and use this information to reduce our emissions profile.</li> <li>• Continue to ensure, where appropriate, that infrastructure design includes allowance for climate change as required by legislation.</li> <li>• Factor climate change forecasts into Council decision-making.</li> </ul> |

## GLOBAL CRISIS OR PANDEMIC

| We assume that:   | Our level of uncertainty | Risk   | Impact      | What we will do  |
|---|--------------------------|--|-------------|--|
| <p>Council will be able to:</p> <ul style="list-style-type: none"> <li>• Maintain business continuity during a global crisis or pandemic</li> <li>• Adequately resource and support any emergency management response in the event of a global crisis or pandemic.</li> </ul> | Low/Medium               | <p>The effect of a crisis or pandemic on the Council will be greater than assumed, and levels of service will be significantly affected<sup>2</sup>.</p> | Medium/High | <ul style="list-style-type: none"> <li>• Maintain effective 'work from home' arrangements should staff not be able to attend the workplace<sup>3</sup>.</li> <li>• Reprioritise some Council business-as-usual activities to focus resources on a major emergency management response, if required.</li> </ul> |

<sup>1</sup> Envirostrat & AECOM, 2020, Report prepared for Waikato Regional Council, Waikato Region Greenhouse Gas Emissions Inventory for the period July 2018 to June 2019, page 6.

<sup>2</sup> Note: Council does not rely on fees/charges from community facilities, therefore any financial impact will be limited should these sites need to be closed.

<sup>3</sup> Note: Some of Council's activities cannot be performed remotely.



|  |  |  |  |   |
|--|--|--|--|---|
|  |  | It is unknown when another pandemic or other crisis might occur. |  | <ul style="list-style-type: none"> <li>Maintain a flexible, 'needs'-based approach to the provision of relief for our residents and ratepayers (eg. rates remission &amp; postponement).</li> </ul> |
|--|--|--|--|---|

## SIGNIFICANT EMERGENCY EVENTS

| We assume that:  | Our level of uncertainty | Risk   | Impact | What we will do   |
|--|--------------------------|--|--------|---|
| <ul style="list-style-type: none"> <li>Climate events will impact the district.</li> <li>No significant additional unplanned disruptive events<sup>4</sup> affecting our district will occur during the period of this plan.</li> <li>Council will prioritise and contribute, if required, to regional or national events (pending available capacity and resources)</li> <li>NZTA will retain its current emergency repairs subsidy (FAR + 20%).</li> <li>Council will continue to obtain affordable insurance cover for key assets/infrastructure</li> </ul> | High                     | <p>Unpredictable nature of such events.</p> <p>Draw on resources and capacity to support district, regional or national emergency events</p> | High   | <ul style="list-style-type: none"> <li>Ensure all services have continuity and recovery plans in place in the event of disruption.</li> <li>Ensure that we have adequate insurance to cover the district's key assets against such events<sup>5</sup>.</li> <li>Continue to be involved with sub-regional emergency management activities, and local emergency management and business continuity planning</li> </ul> <p>Should a significant event occur:</p> <ul style="list-style-type: none"> <li>Respond immediately with appropriate resources redirected for the purpose</li> <li>Seek support and resources, including funding, from the appropriate agencies</li> <li>Reprioritise our programme/ spend based on need, risk mitigation and available funding.</li> </ul> |

<sup>4</sup> Events requiring the declaration of a civil defence emergency. Examples could include earthquakes, other natural disasters or events caused by accidents or incidents.

<sup>5</sup> Refer to assumption relating to insurance under Finance.





## CHANGES IN GOVERNMENT POLICY/LEGISLATION

Over the life of this long term plan, it is expected that there will be a range of legislative changes from central government initiatives. At the time of writing, the main changes anticipated related to water management (Three Waters<sup>6</sup> and National Policy Statement for Freshwater Management), climate change and local government (structure, functions and funding). Other changes are also expected in civil defence emergency management and waste management.

In February 2024, the Water Services Entities Act 2022 and the Water Services Economic Efficiency and Consumer Protection Act 2023 were repealed halting the Three Waters Reform programme.

### WATER MANAGEMENT

| We assume that:  | Our level of uncertainty | Risk  | Impact | What we will do   |
|--|--------------------------|---|--------|---|
| <p>The Coalition Government will:</p> <ul style="list-style-type: none"> <li>Introduce new legislation which places emphasis on meeting rules for water quality and long-term investment in infrastructure</li> <li>Replace the National Policy Statement for Freshwater Management (NPSFM) 2020.</li> </ul> | Low                      | <ul style="list-style-type: none"> <li>Ability of existing water services to meet new rules for water quality (yet to be determined).</li> <li>Community affordability of legislative changes.</li> </ul> | High   | <ul style="list-style-type: none"> <li>Continue to work constructively with central government for improved water management for the district.</li> <li>Evaluate the effect of proposed legislation/rules on Ōtorohanga District communities, and express the community's views through the appropriate channels.</li> <li>Continue to work with central government and other councils within our region to identify opportunities enhance the efficiency and effectiveness of our operations.</li> </ul> |

### LOCAL GOVERNMENT REFORM

| We assume that:   | Our level of uncertainty | Risk   | Impact | What we will do   |
|---|--------------------------|--|--------|---|
| <ul style="list-style-type: none"> <li>No substantive Government policy decisions about the future structure, roles, functions or funding of the local</li> </ul> | High                     | Change to the current governance structure could result in reduced local | High   | <ul style="list-style-type: none"> <li>Evaluate the effect of any major changes proposed on Ōtorohanga District communities, and express the</li> </ul> |

<sup>6</sup> The Three Waters are water supply, wastewater and stormwater.



|   |  |   |  |  |
|---|--|---|--|--|
| <p>government will be made in the immediate future.</p> <ul style="list-style-type: none"> <li>Any changes requiring a response from the sector will not be required until mid-2025 at the earliest.</li> <li>The activities and services Council currently provides will continue to be delivered over the period of this plan or until there is a change in the legislation.</li> </ul> |  | <p>democracy and decision-making.</p> <p>We could be required to deliver services that we had not anticipated or planned for.</p> |  | <p>community's views through the appropriate channels.</p> <ul style="list-style-type: none"> <li>Continue to work with central government and other councils within our region to identify opportunities enhance the efficiency and effectiveness of our operations (eg. shared service arrangements).</li> </ul> |
|---|--|---|--|--|

## OTHER LEGISLATION

| We assume that:   | Our level of uncertainty | Risk   | Impact        | What we will do  |
|---|--------------------------|--|---------------|--|
| <p>We will continue to see legislative changes over the lifecycle of this long-term plan.</p> | <p>Medium</p>            | <p>Time and cost implications.</p> <p>Disruption to existing activities/services</p> <p>New or amended legislation frequently involves additional regulation, reporting, resources, and expertise, as well as community input into the development of associated policies or bylaws.</p> <p>Changes, some potentially significant, may be required to what we do and how we do it.</p> | <p>Medium</p> | <ul style="list-style-type: none"> <li>Work with central government through LGNZ and other forums to influence policy and legislative change and to make submissions.</li> <li>Continue to collaborate as a region or sector in responding to change, and to streamline plans, policies, and strategies.</li> <li>Continue to monitor changes in legislation and, where changes are proposed, provide input regarding the effects and implications.</li> </ul> |







## CHANGES IN COMMUNITY FUNDING POLICIES

| We assume that:   | Our level of uncertainty | Risk                                   | Impact  | What we will do   |
|---|--------------------------|--|---|---|
| External funders will continue to support existing grant schemes at the same or similar levels. | Medium                   | Reduced funding for community purposes | <ul style="list-style-type: none"> <li>• Requests for additional or top-up funding from Council.</li> <li>• Loss of local services/events.</li> </ul> | <ul style="list-style-type: none"> <li>• Any requests for additional funding would be considered on a case-by-case basis and through the appropriate Council channels.</li> </ul> |

## SIGNIFICANT ASSETS

### INFRASTRUCTURE CAPACITY

| We assume that:  | Our level of uncertainty | Risk  | Impact                                      | What we will do   |
|--|--------------------------|---|---|---|
| That forecast population, household <sup>7</sup> and business growth can be accommodated through current and planned infrastructure. | Low                      | Major increase in household/business growth placing pressure on the roading network and community facilities. | High (but unlikely given existing capacity) | Programme and fund any growth-related demand for infrastructure upgrades through development/financial contributions. |

### LIFECYCLE OF SIGNIFICANT ASSETS

| We assume that:  | Our level of uncertainty | Risk  | Impact | What we will do  |
|--|--------------------------|---|--------|--|
| The useful lives of assets are accurately reflected in our asset management plans/registers and are regularly revised as part of the cyclical revaluation process having regard to national standards (International | Low/Medium               | Assets wear out earlier than estimated resulting in unbudgeted remedial maintenance costs and/or earlier than expected asset renewal. | Medium | <ul style="list-style-type: none"> <li>• Continue our programme of asset condition assessments and update affected plans/registers.</li> <li>• Reprioritise capital expenditure to mitigate significant impacts</li> </ul> |

<sup>7</sup> Refer to section on demographic changes below.



|  |  |  |  |  |
|--|--|--|--|--|
| Infrastructure Management Manual) or as per appropriate professional advice. |  | <p>A service failure may also occur if the asset unexpectedly fails.</p> <p>Actual asset lives may be longer than expected which could result in unnecessary funding of renewal budgets.</p> |  | (depreciation and interest costs) from short-life assets |
|--|--|--|--|--|

### FUNDING FOR REPLACEMENT OF SIGNIFICANT ASSETS

| We assume that:  | Our level of uncertainty | Risk  | Impact | What we will do   |
|--|--------------------------|---|--------|---|
| <ul style="list-style-type: none"> <li>Funding sources will be as specified in our Revenue and Financing Policy and this policy includes provision for borrowing from the Local Government Funding Agency (LGFA) for new/replacement assets.</li> <li>The LGFA will continue to be able to borrow from capital markets and offer us loan funding on favourable terms.</li> </ul> | Low/Medium               | <p>Insufficient funds from depreciation reserves to replace assets at the time required.</p> <p>Not having access to LGFA funding resulting in Council having to borrow through trading banks at less favourable rates<sup>8</sup>.</p> | Medium | Consider any changes to replacement of significant assets during the Annual Plan process (if required). |

### LAND TRANSPORT

| We assume that:  | Our level of uncertainty | Risk   | Impact             | What we will do   |
|--|--------------------------|--|--------------------|---|
| <ul style="list-style-type: none"> <li>Our current, approved local Funding Assistance Rate (FAR) from Waka Kōtahi/NZ Transport Agency (NZTA) of 63% rate will</li> </ul> | Medium                   | <ul style="list-style-type: none"> <li>The FAR is reduced below forecast levels as a result</li> </ul> | High (depending on | <ul style="list-style-type: none"> <li>Reprioritise the roading programme according to the level of funding available.</li> </ul> |

<sup>8</sup> Based on projected borrowing levels, a 1% increase in the prevailing interest rate otherwise available through the LGFA will increase interest costs by between \$60,000 and \$131,000 per annum.



|   |  |   |                                     |   |
|---|--|---|-------------------------------------|---|
| <p>continue to apply for the balance of the 10 years covered by this long term plan.</p> <ul style="list-style-type: none"> <li>• Our land transport programme will be fully funded.</li> </ul> |  | <p>of a future review by the NZTA.</p> <ul style="list-style-type: none"> <li>• Insufficient funding to maintain current levels of service</li> </ul> | <p>the magnitude of the change)</p> | <ul style="list-style-type: none"> <li>• If necessary, consider and consult on increasing the 'local share' of funding in order to maintain levels of service.</li> </ul> |
|---|--|---|-------------------------------------|---|

## ASSET VALUATIONS<sup>9</sup>

| We assume that:   | Our level of uncertainty | Risk  | Impact        | What we will do   |
|---|--------------------------|---|---------------|---|
| <p>Assets will be valued in accordance with Generally Accepted Accounting Practice/Accounting Policies.</p> | <p>Medium</p>            | <p>Actual value of the assets is significantly different to the valuations resulting in higher:</p> <ul style="list-style-type: none"> <li>• Replacement costs than forecast for undervalued assets</li> <li>• Levels of depreciation charged for overvalued assets.</li> </ul> | <p>Medium</p> | <p>Undertake:</p> <ul style="list-style-type: none"> <li>• Regular valuations, ensuring asset registers are current</li> <li>• Peer reviews of valuation methodologies help ensure valuations are as accurate as possible.</li> </ul> |

## RESOURCE CONSENTS FOR COUNCIL ACTIVITIES

| We assume that:   | Our level of uncertainty | Risk  | Impact      | What we will do   |
|---|--------------------------|---|-------------|---|
| <p>Resource consents for infrastructure (new/renewals) will have conditions imposing higher standards than is currently the case.</p> | <p>Medium</p>            | <ul style="list-style-type: none"> <li>• Compliance with new conditions makes the management/operation of the infrastructure unaffordable.</li> </ul> | <p>High</p> | <ul style="list-style-type: none"> <li>• Continue to proactively work with consenting authorities and key stakeholders to ensure that our consent applications address their concerns.</li> <li>• Monitor proposed legislative changes and work with central government,</li> </ul> |

<sup>9</sup> Rooding, wastewater, water supply and stormwater assets were last revalued in 2023. Council land and buildings were revalued in 2021 and are scheduled to be revalued again in 2024.



|  |  |  |  |  |
|--|--|--|--|--|
|  |  | <ul style="list-style-type: none"> <li>Only shorter duration consents are issued.</li> </ul> |  | WLISS and other councils to help ensure the changes are sustainable, practical and cost effective. |
|--|--|--|--|--|

## DEMOGRAPHIC CHANGES

### POPULATION GROWTH

Population projections based on the 2023 Census are not expected to be available until late 2024/early 2025. However, the 2018 Census results and subsequent estimates indicate continued growth, albeit slowly. As at June 2023 the total population was estimated to be 10,900, up 0.9% over the previous year (cf. New Zealand 2.1%)<sup>10</sup>. Until the results of the 2023 Census are known it is difficult to forecast the current growth trajectory for the district. With these constraints in mind, the assumptions below are based on data drawn from a report commissioned by Waikato Regional Council from the University of Waikato in 2021<sup>11</sup>. The report estimates the population of the district in 2048 to be 14,083 under a high variant scenario; 12,656 under a medium; 11,241 under a low<sup>12</sup>.

| We assume that:  | Our level of uncertainty | Risk  | Impact | What we will do   |
|--|--------------------------|---|--------|---|
| <p>The medium variant scenario for the Ōtorohanga District is most likely.</p> <p>The number of households in the district will grow under a medium-variant scenario rate from 3,872 in 2024 to 4,644 by 2048 (20% increase)<sup>13</sup>.</p> | Medium                   | Population changes and household numbers are significantly different to that assumed. | Low    | <ul style="list-style-type: none"> <li>Current infrastructure and services can accommodate the projected population growth for the duration of this Plan.</li> <li>If significantly higher growth rates than those projected occur, particularly in urban (served) areas, infrastructure upgrades will be brought forward.</li> <li>Funding of growth-related upgrades will be by way of development/financial contributions, meaning limited overall impact on existing ratepayers.</li> </ul> |

<sup>10</sup> <https://ecoprofile.infometrics.co.nz/Otorohanga%20District/Population>

<sup>11</sup> Waikato Regional Council Technical Report 2021/22, 2018-base Population, Family and Household, and Labour Force Projections for the Waikato Region, 2018-2068

<sup>12</sup> This equates to an annualised projected population growth rate (2018-2048) of 0.9% for the high scenario, 0.6% for the medium and 0.1% for the low.

<sup>13</sup> Waikato Regional Council Technical Report 2021/22, cit.op., page 125.





| Projected increase in households (2024 – 2034) <sup>14</sup> |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2024   | 2025  | 2026  | 2027  | 2028  | 2029  | 2030  | 2031  | 2032  | 2033  | 2034  |
| 3,872  | 3,904 | 3,939 | 3,981 | 4,024 | 4,058 | 4,102 | 4,150 | 4,196 | 4,229 | 4,265 |

## POPULATION CHANGE

In 2022, the dependency ratio<sup>15</sup> for Ōtorohanga District was estimated to be 59.6% - higher than for New Zealand as a whole (54.4%)<sup>16</sup>. The proportion of young people (0-14) was 20.7% while the proportion of people 65 years and older was 16.6%.

In a recent report commissioned by Waikato Regional Council, the age structure of Ōtorohanga District is highlighted as amongst the most youthful in the region<sup>17</sup>. The report also forecasts a slight increase in the population aged 65 years and over from 14.6% in 2018 to 21.0% by 2043.

| We assume that:  | Our level of uncertainty | Risk  | Impact | What we will do  |
|--|--------------------------|---|--------|--|
| The median age of District residents will increase over the long term. | Medium                   | Population and household numbers are significantly different to that assumed. | Low    | <ul style="list-style-type: none"> <li>A major increase in the proportion of older people would likely change the nature/type of services demanded from Council. However, although Council would be required to alter service delivery arrangements, this is unlikely to have a major impact on costs.</li> <li>The ability to pay for services remains a significant issue for older people who are typically on fixed incomes. Council will continue to take affordability into account when it sets its budgets.</li> </ul> |

<sup>14</sup> Ibid.

<sup>15</sup> The dependency ratio is the number of under 15-year-olds and over 65-year-olds as a ratio of the rest of the population.

<sup>16</sup> Source: [infometrics.co.nz/otorohanga-district/population/age-composition?compare=new-zealand](https://infometrics.co.nz/otorohanga-district/population/age-composition?compare=new-zealand)

<sup>17</sup> Waikato Regional Council Technical Report 2021/22, cit.op., page 63.





## RATING UNIT GROWTH

There are currently 4,290 rating units in the district. Rating unit growth is driven by economic factors and population growth.

| We assume that:   | Our level of uncertainty | Risk   | Impact | What we will do   |
|---|--------------------------|--|--------|---|
| <ul style="list-style-type: none"> <li>The number of rating units will increase in line with population growth<sup>18</sup>.</li> <li>The majority of growth will occur in residential and lifestyle properties.</li> <li>Current infrastructure and services can accommodate the projected growth rate for the duration of this Plan.</li> </ul> | Low-Medium               | Rating unit growth is significantly different to that assumed. | Low    | <ul style="list-style-type: none"> <li>If significantly higher growth rates than those projected occur, particularly in urban (serviced) areas, infrastructure upgrades will be brought forward.</li> <li>Funding of growth-related upgrades will be by way of development/financial contributions, meaning limited overall impact on existing ratepayers.</li> </ul> |

| Projected increase in rating units (2024/25 – 2034/35) |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2024/25  | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
| 4,290  | 4,306   | 4,322   | 4,338   | 4,354   | 4,370   | 4,386   | 4,402   | 4,418   | 4,434   | 4,450   |

## ECONOMIC ENVIRONMENT

### GENERAL

| We assume that:  | Our level of uncertainty | Risk   | Impact      | What we will do  |
|--|--------------------------|--|-------------|--|
| Economic activity is expected to be slow into 2024 with a low to no growth forecast until early 2024. BERL anticipate a 1.2% increase in GDP in the June 2024 year <sup>19</sup> . | High                     | Economic factors vary significantly, from the assumptions in this plan affecting our ability to deliver on the agreed work | Medium/High | <ul style="list-style-type: none"> <li>Review work programmes and budgets annually, or as required.</li> <li>Signal reductions or increases in work programmes and budgets in future annual plans should conditions change, when appropriate.</li> </ul> |

<sup>18</sup> Refer to population growth table above.

<sup>19</sup> Report prepared for Taituarā by BERL: Cost adjusters 2023 final update, October 2023, page 5.



|  |  |   |  |  |
|--|--|---|--|--|
|  |  | programmes, in terms of the either scope or timing. |  |  |
|--|--|---|--|--|

## INFLATION

| We assume that:   | Our level of uncertainty   | Risk  | Impact | What we will do  |
|---|--|---|--------|--|
| The cost of future projects included in this plan will be consistent with the Business and Economic Research Limited (BERL) 'legacy cost adjusters' for the local government sector (refer Table below) <sup>20</sup> . | Medium (overall)<br><br>Relatively low in the short-term but less certainty in the longer term due to fluctuations in the economy. | Price level changes increase significantly from those used in preparing the work programmes and associated budgets resulting in <sup>21</sup> : <ul style="list-style-type: none"> <li>• Need for extra funding to maintain existing levels of service</li> <li>• Higher debt levels due to higher capital costs</li> <li>• Increased operating costs from interest expense leading to increases in rates.</li> </ul> | Medium | <ul style="list-style-type: none"> <li>• Monitor cost projections against actuals, and where there are significant differences ensure any changes in levels of service are reflected in budget forecasts and annual plans.</li> <li>• Consider deferring or revising the scope of projects should forecast cost increases exceed budgets.</li> </ul> |

| Legacy Local Government Cost Adjuster (per annum % changes) |      |      |      |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|------|------|------|
| Activity  | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Planning and Regulation                                     | 2.6  | 2.1  | 2.2  | 2.1  | 2.0  | 1.9  | 1.9  | 1.9  | 1.8  | 1.8  |
| Roading   | 2.9  | 2.0  | 2.3  | 2.3  | 2.2  | 2.1  | 2.0  | 2.0  | 2.0  | 1.9  |
| Community   | 2.7  | 2.0  | 2.2  | 2.2  | 2.1  | 2.0  | 1.9  | 1.9  | 1.9  | 1.8  |
| Water and Environment                                       | 3.6  | 2.5  | 2.7  | 2.6  | 2.5  | 2.3  | 2.3  | 2.2  | 2.1  | 2.1  |

<sup>20</sup> Taituarā, cit.op. page 32

<sup>21</sup> Note: A price level decrease from those used to prepare the budgets would have a favourable impact on Council's operating and capital expenditure budgets and rates.



## ORGANISATIONAL CAPACITY

### STAFF AND CONTRACTORS – AVAILABILITY

Recruitment of specialist technical staff has been difficult for Council in the recent past and securing contractors can also present challenges. The significant weather events that severely impacted Te Ika a Maui (North Island) - Cyclone Hale in January 2023 followed by Cyclone Gabrielle in February – may serve to compound the availability of suitably qualified personnel. Although the impacts of the cyclones were largely concentrated in other districts, when combined with the ongoing forecasted capital expenditure from other central and local government agencies in the upper North Island, the flow on effects of these events are likely to be felt across the motu (Country) in both the immediate and long-term future. A potential consequence for the district is an ongoing shortage of people resources which may reduce our ability to complete projects in the timeframes indicated and for the costs budgeted.

| We assume that:   | Our level of uncertainty | Risk   | Impact | What we will do   |
|---|--------------------------|--|--------|---|
| Sufficient internal and external resources will be available to undertake capital works and maintain operational needs over and above business as usual responsibilities. | Medium/High              | Scarcity of suitably qualified staff, contractors and consultants driving costs upwards. | Medium | <ul style="list-style-type: none"> <li>Actively undertake workforce planning on an annual basis and adjust budgets and work programmes accordingly.</li> <li>Continue to look for and investigate opportunities for shared services.</li> </ul> |

### SERVICE DELIVERY CHANGES

| We assume that:   | Our level of uncertainty | Risk   | Impact      | What we will do   |
|---|--------------------------|--|-------------|---|
| The range and nature of our services will remain unchanged from those signalled in this Plan. | Medium                   | Government allocates new/additional functions/ responsibilities without sufficient support funding | Medium/High | Advocate that the Government makes provision for revenue raising should new functions or responsibilities be proposed local government. |





## FINANCIAL

### DEVELOPMENT CONTRIBUTIONS

A review of our current Development/Financial Contributions Policy is underway and a draft for consultation will be completed in late 2024.

| We assume that:  | Our level of uncertainty | Risk   | Impact     | What we will do  |
|--|--------------------------|--|------------|--|
| Our Development Contributions Policy accurately forecasts growth and the funding of growth-related infrastructure costs. | Medium                   | Growth is higher than forecast and the required infrastructure has not been accounted for in our policies or this Plan | Low/Medium | Continue to monitor growth and amend our policies accordingly. |

### CONTRACTS

| We assume that:   | Our level of uncertainty | Risk                                   | Impact | What we will do  |
|---|--------------------------|--|--------|--|
| There will be variations in prices from the re-tendering of major contracts, in addition to variations recognised in this Plan. | Low/Medium               | That the variations may exceed budget. | Medium | Monitor the market and ensure robust procurement practices are applied to our tendering processes. |

### INSURANCE

| We assume that:  | Our level of uncertainty | Risk   | Impact | What we will do   |
|--|--------------------------|--|--------|---|
| We will be able to obtain adequate insurance cover for the life of the long-term plan. | Low                      | Significant weather events both nationally and internationally could potentially make insurance unaffordable or worst case we are unable to insure our assets. | Medium | <ul style="list-style-type: none"> <li>If unable to obtain insurance we would self-insure and establish an insurance fund to cover replacement of assets.</li> <li>Alternatively, we could debt fund any losses.</li> </ul> |





## BUILDING CONSENT NUMBERS

| We assume that:  | Our level of uncertainty | Risk   | Impact  | What we will do  |
|--|--------------------------|--|---|--|
| Building consents numbers will continue to slow in the short-term (1-2 years) then gradually rise. | High                     | <ul style="list-style-type: none"> <li>Loss of revenue</li> <li>Staff retention</li> </ul> | Potential excess capacity for period of reduced consent activity. | Existing staff levels will be maintained to ensure industry knowledge is retained. Staff will be reassigned to other related duties (eg. assisting neighbouring councils, improving building quality control processes and systems). |

## LOANS RECEIVABLE

| We assume that:   | Our level of uncertainty | Risk   | Impact     | What we will do   |
|---|--------------------------|--|------------|---|
| The Ōtorohanga Kiwi House will be able to repay the loan provided as per the terms of the loan agreement. | Medium/High              | Given the current economic climate, there is the potential that they may not be able to repay the loan within the expected timeframes. | Low/Medium | Continue to work with and monitor the Kiwi House to address any issues as soon as they arise. |

## INVESTMENTS

| We assume that:   | Our level of uncertainty | Risk   | Impact | What we will do   |
|---|--------------------------|--|--------|---|
| Our investments will increase over the life of the plan by inflation. | Medium                   | If investments do not increase by the forecasted amount, the impact is only on the balance sheet, reflected in lower investment balance and lower revaluation reserve balance. | Low    | Monitor these investments to ensure that the valuation is reasonable. |







## IWI/MĀORI

### TE TIRITI

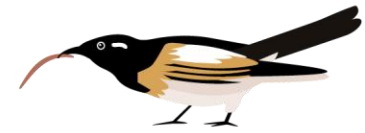
Outstanding Te Tiriti claims remain to be settled throughout the district.

| We assume that:  | Our level of uncertainty | Risk   | Impact     | What we will do  |
|--|--------------------------|--|------------|--|
| Te Tiriti settlements will occur at different stages during the life cycle of the long-term plan | Low                      | Significant new responsibilities will be placed on the Council as a consequence of the settlement. | Low/Medium | <ul style="list-style-type: none"> <li>Continue to work constructively with existing and new Te Tiriti partners.</li> <li>Advocate that the Government funds any significant financial impacts associated with local settlements.</li> </ul> |

### ENGAGEMENT

| We assume that:  | Our level of uncertainty | Risk                            | Impact | What we will do   |
|--|--------------------------|---------------------------------|--------|---|
| We will continue to build strong relationship with iwi/Māori | Low                      | Capacity of iwi/Māori to engage | High   | <ul style="list-style-type: none"> <li>Be transparent about Council's work programmes and allow mana whenua to identify their priorities for engagement</li> <li>Identify opportunities where Council may be able to assist with building capacity</li> </ul> |





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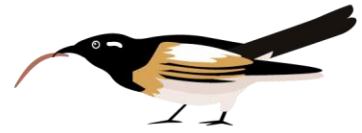




WEAVING THE  
FUTURE, TOGETHER  
**KOTAHITANGA**  
ŌTOROHANGA DISTRICT COUNCIL

## COUNCIL CONTROLLED ORGANISATIONS

- WAIKATO REGIONAL AIRPORT LTD
- WAIKATO LOCAL AUTHORITY SHARED SERVICES LTD
- LOCAL GOVERNMENT FUNDING AGENCY LTD



COUNCIL CONTROLLED ORGANISATIONS

## ABOUT CCOs

Council-Controlled Organisations (CCOs) are companies, trusts or other types of organisations in which a local authority holds 50% or more of the voting rights or has the power to appoint 50% or more of the directors. CCOs that operate for the purpose of making a profit are known as Council-Controlled Trading Organisations (CCTOs).

The Local Government Act 2002 requires that we include the following information in our long term plan relating to each CCO in which we are a shareholder:

- The objectives or purpose of the organisation
- The nature and scope of the activities to be delivered
- The performance targets and other measures by which the performance of the organisation may be judged in relation to its objectives.

We are a member of the following CCOs:

- Waikato Regional Airport Ltd (WRAL)
- Waikato Local Authority Shared Services (Co-LAB)
- Local Government Funding Agency (LGFA) – a CCTO.

These organisations have signed a Statement of Intent that is agreed with us and the other member councils. We are also a minor shareholder (0.04%) in Civic Financial Services Ltd.

## OUR CCOs

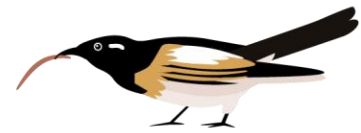
### WAIKATO REGIONAL AIRPORT<sup>1</sup>

Waikato Regional Airport Ltd (WRAL) is jointly owned by five local authorities: Hamilton City, Waikato District, Waipā District, Ōtorohanga District and Matamata-Piako District Councils.

|                                      |  |
|--------------------------------------|--|
| OWNERSHIP                            | Ōtorohanga District's share - 3.125%   |
| PURPOSES                             | <ul style="list-style-type: none"> <li>• Enabler of air services to the region.</li> <li>• Supporter and developer of aviation through investment in, and provision of, airport infrastructure and support services for both general aviation and commercial airline activities.</li> <li>• Operator of a first class, safe, sustainable and compliant airport that connects the Mighty Waikato to New Zealand.</li> <li>• Strategically position the Group to enhance capital value and be financially self-sustaining through an income diversification strategy.</li> </ul>   |
| NATURE AND SCOPE OF CCO'S ACTIVITIES | <p>WRAL is the owner and operator of Hamilton Airport. It is also the parent company of three subsidiaries with responsibilities for:</p> <ul style="list-style-type: none"> <li>• Developing and optimising land holdings to generate long-term income streams from a diversified property portfolio</li> <li>• Operating a Qualmark 4 Star hotel and conference centre facility at Hamilton Airport</li> <li>• Marketing the Hamilton and Waikato region as a visitor and business events destination, and assisting with growing the visitor economy through tourism development and destination management.</li> </ul> |
| SUBSIDIARIES                         | <ul style="list-style-type: none"> <li>• Hamilton &amp; Waikato Tourism Ltd</li> <li>• Titanium Park Ltd</li> <li>• Waikato Regional Airport Hotel Ltd</li> </ul>  |

<sup>1</sup> Waikato Regional Airport Ltd - Group Statement of Intent - 2024/25





## KEY PERFORMANCE TARGETS - FINANCIAL

| CONSOLIDATED COMPANY FORECAST:  | 2025    | 2026    | 2027    |
|---|---------|---------|---------|
| Earnings before interest, taxation & depreciation (EBITDA) excluding land sales | \$6.0M  | \$7.0M  | \$8.0   |
| EBITDA including land sales   | \$9.0M  | \$20.0M | \$20.0M |
| Net profit before tax (no less than)  | \$2.6M  | \$13.0M | \$14.0M |
| Net operating cash flow   | \$4.0M  | \$5.0M  | \$6.0M  |
| Total deb excluding Design Buildings (max)t                                     | \$39.0M | \$50.0M | \$50.0M |
| PARENT COMPANY OPERATIONS ONLY:   |         |         |         |
| Percentage of non- landing charges revenue                                      | 60%     | 60%     | 60%     |
| Land sales  | \$4.0M  | \$20.0M | \$20.0M |
| Interest cover  | 3.0x    | 3.0x    | 3.0x    |

## KEY PERFORMANCE TARGETS - NON FINANCIAL

|   |   |
|---|---|
| HEALTH, SAFETY AND WELLBEING            | <ul style="list-style-type: none"> <li>• Zero Work Safe notifiable accidents/injuries.</li> <li>• Operate a workplace that fosters employee wellbeing and improving organisational culture, as measured by the Employee Engagement Survey.</li> </ul>   |
| AERONAUTICAL COMPLIANCE                 | <ul style="list-style-type: none"> <li>• To maintain the Airport Certification Standards as required by the Civil Aviation Authority.</li> <li>• Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)</li> </ul>   |
| MAINTAIN A VIABLE AERONAUTICAL BUSINESS | <ul style="list-style-type: none"> <li>• Assist airlines to identify opportunities to increase flight schedules and passenger numbers.</li> <li>• Identify and activate new development opportunities within the general aviation sector.</li> <li>• Position and protect the airport as an efficient, cost-effective international port.</li> <li>• Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.</li> </ul> |
| PROPERTY                                | <ul style="list-style-type: none"> <li>• Complete detailed design for Stage One of the Northern Precinct Development.</li> <li>• Complete ecological management plan and commence development of ecological habitat compensation site.</li> </ul>   |
| CLIMATE CHANGE RESPONSE                 | <ul style="list-style-type: none"> <li>• Reduce Group electricity purchases by at least 20% on 2024 levels (measure in kWh used) due to solar farm development.</li> <li>• Advance application for Level 4+ accreditation to the Airport Council International's Airport Carbon Accreditation programme.</li> <li>• Reduce landfill waste through reduced usage of non-recyclable single-use materials and improved sustainable material usage in construction.</li> </ul>                      |





## CO-LAB<sup>2</sup>

CO-LAB is jointly owned by the 12 local authorities – Waikato Region, Hamilton City, Hauraki District, Matamata-Piako District, Ōtorohanga District, Rotorua Lakes District, South Waikato District, Thames-Coromandel District, Waikato District, Waipā District, Waitomo District and Western Bay of Plenty District.

|                                      |   |
|--------------------------------------|---|
| OWNERSHIP                            | Owned in equal portions by 12 local authorities   |
| PURPOSE                              | Supporting council collaboration to maximise community wellbeing.   |
| NATURE AND SCOPE OF CCO's ACTIVITIES | <ul style="list-style-type: none"> <li>Acting as an ideas laboratory for developing opportunities that create value to councils.</li> <li>Providing shared services to councils.</li> <li>Entering joint procurement arrangements for the benefit of councils.</li> </ul> |
| SUBSIDIARIES                         | None  |

## KEY PERFORMANCE TARGETS - FINANCIAL

|  | 2025       | 2026       | 2027       |
|--|------------|------------|------------|
| Earnings before interest, taxation & depreciation (EBITDA) | (\$0.963M) | (\$0.182M) | \$0.009M   |
| Net surplus / (deficit) before tax                         | (\$1.013M) | (\$0.236M) | (\$0.045M) |
| Total assets   | \$2.409M   | \$2.330M   | \$2.226M   |
| Total capital funds  | \$1.183M   | \$0.948M   | \$0.902M   |

## KEY PERFORMANCE TARGETS - NON FINANCIAL<sup>3</sup>

|   |   |
|---|---|
| SHAREHOLDING COUNCILS UNDERSTAND WE PROVIDE THEM VALUE            | <ul style="list-style-type: none"> <li>Year-on-year increase in the value we provide to councils.</li> <li>80%+ of council survey respondents believe those Co-Lab services they received meet or exceed their expectations (evidenced by an annual survey).</li> <li>Year-on-year increase in the utilisation of services we provide to councils.</li> </ul> |
| DELIVER VALUE BY GROWING THE SCALE OF OUR SHARED SERVICE FUNCTION | <ul style="list-style-type: none"> <li>Year-on-year increase in the utilisation of services we provide to councils.</li> <li>Year on Year increase in the number of services available to councils.</li> </ul>  |
| DIVERSE, TALENTED AND MOTIVATED PEOPLE WORK FOR US                | <ul style="list-style-type: none"> <li>Year-on-year increase in staff engagement.</li> <li>Staff turnover is less than 15%.</li> <li>Vacancies are filled by suitable candidates within 3 months.</li> </ul>  |

<sup>2</sup> Source: Co-LAB, 2024 Draft Statement of Intent for year ended 30 June 2025.

<sup>3</sup> All baselined year end 30 June 2023.





## LOCAL GOVERNMENT FUNDING AGENCY<sup>4</sup>

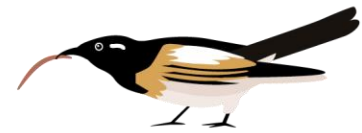
The Local Government Funding Agency (LGFA) Limited is a council controlled trading organisation, established by the Local Government sector and the Crown to enable local authorities to borrow at lower interest margins than would otherwise be available.

|                                      |   |
|--------------------------------------|---|
| OWNERSHIP                            | There are 31 shareholders, comprising 30 councils (80% shareholding) and the New Zealand government (20% shareholding). The 74 council members cover 97% of New Zealand local government sector debt.   |
| PURPOSE                              | Benefiting local communities through delivering efficient financing for local government.   |
| NATURE AND SCOPE OF CCO's ACTIVITIES | <p>LGFA:</p> <ul style="list-style-type: none"> <li>• Raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers)</li> <li>• May raise debt funding domestically or offshore in either NZ dollars or foreign currency</li> <li>• Only lends to participating borrowers that have entered into required legal and operational arrangements and comply with the LGFA's lending policies</li> <li>• May undertake any other activities considered by the LGFA Board to be reasonably related, incidental to, or in connection with that business.</li> </ul> |
| SUBSIDIARIES                         | None  |

## FINANCIAL FORECASTS

| COMPREHENSIVE INCOME             | 2025      | 2026      | 2027      |
|----------------------------------|-----------|-----------|-----------|
| Net interest income              | \$28.3M   | \$28.3M   | \$27.0M   |
| Issuance and on-lending costs    | \$4.1M    | \$4.2M    | \$4.3M    |
| Profit and loss                  | \$15.1M   | \$13.1M   | \$10.1M   |
| Dividend                         | (\$2.0M)  | (\$2.0M)  | (\$2.0M)  |
| FINANCIAL POSITION               |           |           |           |
| Total assets                     | \$24,465M | \$27,244M | \$28,823M |
| Total local government loans     | \$22,086M | \$24,456M | \$26,053M |
| Total equity                     | \$130M    | \$141M    | \$149M    |
| Shareholders' funds/total assets | 0.5%      | 0.5%      | 0.5%      |

<sup>4</sup> Source: LGFA, 2024 Draft Statement of Intent 2024 - 2027.



## KEY PERFORMANCE TARGETS - FINANCIAL AND NON FINANCIAL <sup>5</sup>

|   |  |  |
|---|--|--|
| <p>GOVERNANCE, CAPABILITY AND BUSINESS PRACTICE</p>       | <ul style="list-style-type: none"> <li>• Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.</li> <li>• Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.</li> <li>• Succession plans be put in place for the Board and staff and be reviewed annually.</li> <li>• LGFA's total operating income for the year to 30 June 2025.</li> <li>• LGFA's total operating expenses for the year to 30 June 2025</li> </ul>                        | <ul style="list-style-type: none"> <li>• No breaches</li> <li>• LGFA credit ratings equivalent to NZ Sovereign.</li> <li>• Plan established and shared.</li> <li>• &gt;\$29.8M</li> <li>• &gt;\$15.6M</li> </ul>   |
| <p>OPTIMISING FINANCING SERVICES FOR LOCAL GOVERNMENT</p> | <ul style="list-style-type: none"> <li>• Share of aggregate long-term debt funding to the Local Government sector.</li> <li>• Total lending to Participating Borrowers.</li> <li>• Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.</li> <li>• Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.</li> <li>• Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.</li> </ul> | <ul style="list-style-type: none"> <li>• &gt; 80%</li> <li>• &gt; \$22,000M.</li> <li>• &gt; 85% satisfaction score.</li> <li>• 100%</li> <li>• 100%</li> </ul>  |
| <p>ENVIRONMENTAL AND SOCIAL RESPONSIBILITY</p>            | <ul style="list-style-type: none"> <li>• Comply with the Health and Safety at Work Act 2015.</li> <li>• Maintain Toitū Carbon Zero certification.</li> <li>• Meet reduction targets outlined in LGFA's carbon reduction management plan.</li> <li>• Increase GSS lending book and Climate Action Loans.</li> <li>• Ensure Annual Report is prepared in compliance with applicable GRI Standards.</li> <li>• Meet all mandatory climate reporting standards</li> </ul>  | <ul style="list-style-type: none"> <li>• No breaches.</li> <li>• Carbon-zero certification maintained.</li> <li>• Reduction targets met.</li> <li>• 2 new GSS loans undertaken.</li> <li>• 3 new borrowers enter into CALs.</li> <li>• 100%</li> <li>• 100%</li> </ul> |
| <p>EFFECTIVE MANAGEMENT OF LOANS</p>                      | <ul style="list-style-type: none"> <li>• Review each Participating Borrower's financial position.</li> <li>• Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.</li> </ul>   | <ul style="list-style-type: none"> <li>• 100%</li> <li>• 100%</li> </ul>   |

<sup>5</sup> All baselined year end 30 June 2023.





WEAVING THE  
FUTURE, TOGETHER  
**KOTAHITANGA**  
ŌTOROHANGA DISTRICT COUNCIL

## YOUR SUBMISSIONS AND OUR DECISIONS

- OVERVIEW OF SUBMISSIONS ON OUR LONG TERM PLAN CONSULTATION DOCUMENT
- KEY DECISIONS MADE



YOUR SUBMISSIONS AND OUR DECISIONS

# A SNAPSHOT

Thirty one people and organisations submitted on our long term plan Consultation Document *Kia Mau Tātou Ki Te Ara – Steady as she goes*. Of that number, 12 chose to speak to their submission and were heard by Council in Ōtorohanga on 28 May 2024.

In addition to the matters covered in *Kia Mau Tātou Ki Te Ara – Steady as she goes*, people also shared their views on the following draft policies/documents that we were consulting on at the same time:

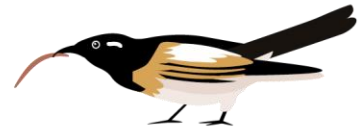
- Rates Remissions Policy
- Rates Remission on Māori Freehold Land Policy
- Fees and Charges for 2024-2025
- Revenue and Financing Policy

## DECISIONS ON OUR KEY PROPOSALS

|                              | WHAT WE ASKED YOU  | WHAT YOU TOLD US AND WHAT WE DECIDED  |
|------------------------------|--|---|
| FUNDING DEPRECIATION         | <p><i>To reduce our average rate requirement over the next three years (2024-2027), we asked you ...</i></p> <p>SHOULD WE ...<br/>Reduce the amount we set aside for funding depreciation of assets by \$2.1 million total over 3 years?</p> <p><u>OR</u> SHOULD WE ...<br/>Continue to collect \$2.1 million total over 3 years in rates to fund depreciation of assets?</p>  | <p>Half of you said we should reduce the amount we set aside and the other half said that we should continue to collect the \$2.1 million total over 3 years.</p> <p>WE DECIDED TO ... Stay with our preferred option and reduce the amount set aside for funding depreciation of assets by \$2.1million, noting that:</p> <ul style="list-style-type: none"> <li>• This reduction is temporary and only for a period of three years</li> <li>• The amount of depreciation we are proposing not funding is not significant, given the useful lives of the assets concerned</li> <li>• The risk of not being able to replace assets when we need to is low.</li> </ul> |
| COMMUNITY PRESENCE           | <p><i>You've told us that the work we've started to better engage with you has made a difference, and you would like this to continue and for us to do more.</i></p> <p><i>To be more visible, we considered purchasing a multi-purpose van to get out and about across the district connecting even further. However, we felt now was not the time so our preference, was not to buy the van but we asked you to tell us your views.</i></p> <p>EITHER ...<br/>Don't buy the van?</p> <p><u>OR</u> ...<br/>Buy the van?</p> | <p>Just over half (58%) of you said don't buy the van while 42% thought we should buy it.</p> <p>WE DECIDED TO ... Stay with our preferred option and <u>not</u> buy the van but we are still very committed to our enhanced community connections approach and you'll see us out and about.</p>  |
| KĀWHIA & AOTEA SEAWALL RATES | <p><i>Instead of property owners in Kāwhia and Aotea paying separately for the upkeep of their seawalls, we asked you whether ...</i></p> <p>WE SHOULD...<br/>Apply a single targeted rate for all three seawalls across both communities?</p> <p><u>OR</u> SHOULD ...<br/>Each community continue to pay for their own seawalls?</p>  | <p>Seventy one percent (71%) of you said apply a single targeted rate for all three seawalls across both communities while 29% wanted each community to continue to pay for their own seawalls.</p> <p>WE DECIDED TO ... Adopt our preferred option and apply a single targeted rate for all three seawalls. While in any given year one seawall may require more attention than another, this is a 'quid pro quo' arrangement with both communities benefiting from this decision.</p>   |







## WHAT ELSE YOU TOLD US ...

### EXPENDITURE, RATES AND FEES AND CHARGES:

People are financially stretched and you encouraged us to exercise prudence and limit spending where possible. Some of you wanted clarification on aspects of rating with two submissions recommending we investigate differential rating/new funding models.

### FUNDING/RESOURCES

We received ten different requests in relation to funding or resourcing. These included:

- Requests for continuation of funding for specific service providers for the delivery of services to the district
- Requests for funding for new activities involving in some instances partnership arrangements
- Reassurance that sufficient resources had been allocated in our budgets for a particular activity (ie. ANZAC Day).

### ADVICE ON PLACEMAKING, RESERVE PLANNING AND INFRASTRUCTURE

We received some useful advice on matters we could consider including in our approach to placemaking, reserve/recreation planning and infrastructure (eg. incorporation of public art and storytelling elements, reflection of Te Ao Māori views in recreation; emphasis on recreation for wellbeing, the provision of green space and tree planting).

### REQUESTS RELATING TO INFRASTRUCTURE/FACILITIES

Two of you made requests in relation to footpaths while four sought clarification on when specific projects were going to be carried out (eg. Huipūtea Drive resurfacing) or whether particular elements had been included in the upgrades planned (eg. pool upgrade).

### DISTRICT PLANNING AND GROWTH

Reassurance that adequate provision had been made for growth was sought (2) and a submission was made on the inclusion of the Waipā River in the District Plan.

### BUSINESS IMPROVEMENTS

Three submissions were made on further improving the delivery of Council services and two of these submissions related to the service request system.

### RATES REMISSION POLICIES

Five submissions were made on the Rates Remission Policy (3) and the Rates Remission on Māori Freehold Land Policy (2). Generally, these were in support of the policies with suggestions for additions or seeking clarification.

### ONE-OFF ISSUES

The remainder of the issues raised were for one-off matters

## SOME OTHER DECISIONS WE MADE...

- Committed \$3,000 per annum for three years to fund Waikato Screen existing utilizing budget 'ring fenced' for Economic Wellbeing.
- Reduced our investment in Hamilton Waikato Tourism (HWT) to \$35,000 for 2024/25. This reflects the findings of research undertaken as part of the Ōtorohanga Economic Wellbeing Strategy which identified tourism as being a low GDP earner for the District in comparison to other sectors. It is important that we see district benefits for what we spend and we intend further investigating the value of our investment in HWT to inform levels of funding for 2025/26 and subsequent years.
- Confirmed continuation of funding at current levels for the work Sport Waikato undertakes for the district.
- Tweaked both the Rates Remission and the Rates Remission on Māori Freehold Land policies based on comments and suggestions made by submitters.