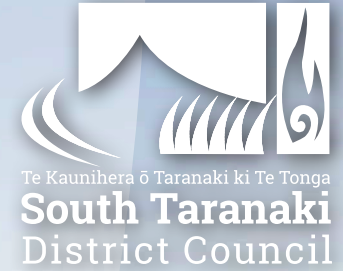


**SOUTH TARANAKI** THE MOST  
**LIVEABLE**  
DISTRICT



**Section 3**

**Tukanga Wakataunga Whakaao  
Decision Making Process**

Te Hihira me te  
Whakapānga Kaupapa Here  
**Significance and  
Engagement Policy**

# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

We want to:

Have the right conversations - with the right people - about the right issues -

### Executive Summary

The Council is responsible for making decisions on behalf of its communities. We engage with our communities every day and in different ways. This can range from simple messages to keep an individual or group informed, or it can be a reciprocal (two-way) process where we ask the community for their viewpoint. This information is used to inform the decisions that the Council makes.

This policy provides guidance to the community about when they can expect to be informed about a proposal, or be asked for their view on an issue, to feed into the decision making process.

### Purpose

This policy establishes an approach for determining the significance of Council decisions and sets out when and how the Council will engage with communities in its decision making, relative to the significance of the decision.

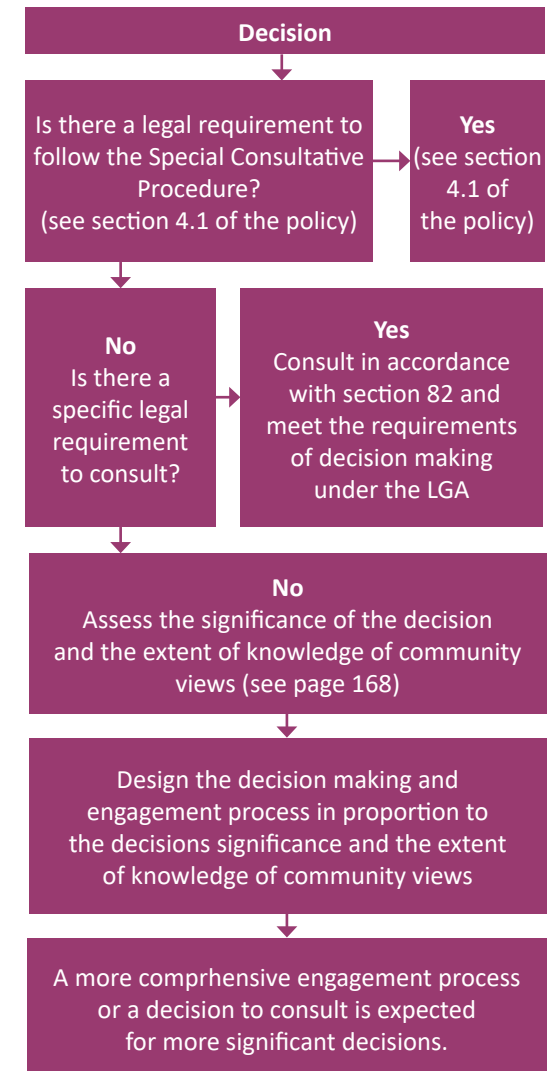
### Objectives

The objectives of this policy are:

- To enable the Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities.
- To let communities know how and when they can expect to be engaged in the Council's decision making processes.
- To inform the Council from the beginning of a decision making process about the extent, form and type of engagement required.
- To ensure that the Council meets all legislative requirements for consultation and community engagement, including the requirements of section 76AA of the LGA 2002.

### Policy

- Process overview diagram**



# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

### 2. Determining Significance

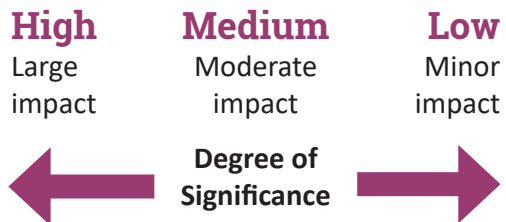
The Council first needs to consider the level of significance in relation to the proposal, asset, decision or activity.

The following sections provide the step by step process for how we determine significance.

#### 2.1 Assessment

For each decision an assessment will be undertaken by the report writing officer using the following thresholds and criteria, to determine significance:

##### 2.1.1 Degree of significance



#### 2.1.2 Criteria to determine significance

Council officers need to think about the following five criteria, and make a recommendation about the decision's significance to the elected members. The final decision about the significance of any matter rests with elected members.

Criteria	Measure
Degree	The number of residents and ratepayers affected and the degree to which they are affected by the decision or proposal.
LOS	The achievement of, or ability to achieve, the Council's stated levels of service as set out in the Long Term Plan.
Decision	Whether this type of decision, proposal or issue has a history of generating wide public interest within South Taranaki.

Financial	The impact of the decision or proposal on the Council's overall budget or included in an approved Long Term Plan and its ability to carry out its existing or proposed functions and activities now and in the future.
Reversible	The degree to which the decision or proposal is reversible.
Environment	The degree of impact the decision will have on the environment.

#### 2.2 Strategic Assets

Under section 5 and 76AA (3) of the LGA 2002, this policy lists assets or groups of assets that the Council considers strategically important; to achieve and promote the current and future well-being of the South Taranaki community:

- All roading networks;
- All solid waste networks (excluding buildings);
- All stormwater networks (excluding buildings);
- All wastewater networks (excluding

buildings);

- All water networks (excluding buildings); and
- Housing for the elderly.

#### Note:

*Where a strategic asset is a network, or has many components, decisions can be made on individual components within the network without being regarded as significant, unless that component substantially affects the level of service provided to the community.*

*Decisions can be made to physically alter strategic assets to prevent an immediate hazardous situation arising; or repair an asset due to damage from an emergency or unforeseen situation. Any decision relating to the sale or transfer or sale of shareholding of any of the above mentioned assets, is a significant matter and will trigger the Special Consultative Procedure (SCP).*

*See also section 3.6 (Determining when not to engage).*

# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

### 2.3 Requirements for reports:

2.3.1 Every agenda item requiring a decision of the Council, will require the report writer to consider significance and engagement, as defined within this policy.

2.3.2 Each decision will be considered on a case by case basis to determine significance.

2.3.3 The consideration, disclosure and engagement will be proportional to the significance of the decision.

### 3. Engagement

After assessing the level of significance, the Council decides on the level of engagement required.

#### 3.1 Principles of engagement

- **Genuine** – we will engage honestly, and we will respect and listen to the views provided by the community with an open mind, and will give due consideration to them when making decisions.
- **Timely** – we will engage with the community as early as practicable.

We will allow time for participants to contribute, and for them to be able to raise points on the issue.

- **Purposeful** – we will be clear about the purpose of the engagement and the ability and scope of the engagement to influence decision.
- **Inclusive and accessible** – we will engage in a way that encourages participation of all who are likely to be affected by, or are interested in, a decision.
- **Recognition of diversity** - we will endeavour to use engagement methods that are appropriate to the issue and those we are seeking to engage, having regard to their culture, age, and ability.
- **Informed** – we will provide clear, easy to understand and objective information relating to the engagement, and ensure it is readily available so that participants can make informed contributions.

#### 3.2 Determine level of engagement

The Council has identified four levels of

engagement that it may use to convey information to the community on decisions it makes.

#### Engagement assessment levels

Level	Goal
Inform	To provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities and/or solutions.
Consult	To obtain public feedback on analysis, alternatives and/or decisions.
Involve	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.

Collaborate	To partner with the public in each aspect of the decision, including the development of alternatives and the identification of the preferred solution.
Reversible	The degree to which the decision or proposal is reversible.
Environment	The degree of impact the decision will have on the environment.

### 3.3 How the Council will engage

3.3.1 We will communicate across multiple channels to reach ratepayers and residents. This could include, but is not limited to:

- Council's website
- Sent with rates notices - Southlink Extra
- Local newspapers (Southlink and public notification)
- Email
- Social media
- Antenno
- Face to face meetings / events
- Online surveys

# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

- Other means of communication on a case by case basis

3.3.2 For any engagement above level “Inform”, an officer must complete a communications plan and or engagement plan. See link here:

### 3.4 Providing information

Depending on the level of engagement (when we will consult, involve or collaborate), the Council will generally provide information on:

- What is proposed?
- Why?
- What options are available?
- Our preferred option, and why (when it’s appropriate to state this)?
- Costs and rating impact (if applicable).
- How the community can have its say.
- The timeframe and the process.
- How we will communicate the outcome.

**Note:** *there are times when engagement will mean that not all*

*of the information listed above can be provided (depending on the level of engagement that the Council has decided to use).*

### 3.5 Engagement with Māori

The LGA 2002 has principles and requirements to facilitate participation of Māori in the local decision making processes.

The goal for Council is greater engagement with Māori, which includes strengthened and ongoing partnerships. Our aim is to receive advice, appropriate information and understanding from Iwi groups about the potential implications and/or effects of proposals on tangata whenua values.

Our engagement with Māori is outlined in the Building Māori Capacity Policy.

### 3.6 Determining when not to engage

There are times when the Council will not consult with the community, because the issue is routine, or

operational, we must meet certain standards, or because there is an emergency. We also want to strike the right balance, and not “over-consult” with the community – getting consultation fatigue, which could result in the community tuning out of conversations with us.

**We  
want  
to:**

**Concentrate on having the right conversations - on the issues that are genuinely significant to the South Taranaki community.**

# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

Here are some examples of things that we won't be asking about:

- Organisational decisions (that is, staff changes and operational matters) that do not reduce a level of service
- Emergency management activities during a state of emergency – Civil Defence Emergency Management Act 2002.
- Decisions taken to manage an urgent issue, or
- Decision to act where it is necessary to:
  - > Comply with the law;
  - > Save or protect life, health or amenity;
  - > Prevent serious damage to property;
  - > Avoid, remedy or mitigate an adverse effect on the environment;
  - > Protect the integrity of existing and future infrastructure and amenity.
- Decisions that are commercially sensitive (for example, awarding contracts).

- Any decisions made by delegation/ sub delegation to officers.
- Entry or exit from a development agreement (private contract) as per section 207A LGA 2002.
- Decisions in relation to regulatory and enforcement activities.
- When we are not required to consult, by law, we can consider making a decision without consultation on a case by case basis.

#### 4. Formal Consultation

##### 4.1 Special Consultative Procedure

Some legislation specifically requires us to use the Special Consultative Procedure (SCP) to engage with the public. This is a very prescribed process, and the rules are outlined under section 83 of the LGA 2002. The SCP is the most common type of formal consultation that the Council may undertake. This process is required for some plans and processes, including but not limited to, adopting or amending a Long Term Plan or

bylaw.

The SCP process requires us to prepare a statement of proposal and make it publicly available. We are required to collect feedback from the public (in the form of submissions) for a minimum of one month, and allow each submitter the opportunity to present their views at a hearing.

If the SCP is required, we must use the process described in the LGA 2002, and we are not required to undertake assessment using sections 2-3 of this policy.

##### 4.2 Hearings and Feedback

- Hearings are held at the Council Chambers, Albion Street, Hāwera unless otherwise designated.
- We can provide submitters with the opportunity to give their feedback using audio link, or audio-visual link.
- If asked to, we can facilitate interpretation – including Te Reo Māori and New Zealand sign

language.

- We will acknowledge the receipt of any submission, and notify the decision either via email or by letter.
- We will make all decisions available on the Council website.
- We provide free internet access, and terminals at every LibraryPlus in the District.

#### 5. Definitions

The Council is the South Taranaki District Council (elected members and/or officers).

#### 6. Review of Policy

The Significance and Engagement Policy will be reviewed every three years as part of the Long Term Plan process, to ensure it reflects the way in which the Council engages with its communities.

# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

### Assessment Matrix

2.2	Criteria	Explanation			Assessment rating (number)
	1. Strategic asset?	Yes	Is it a strategic asset where levels of service are impacted?	Yes	(3)
			No	No	(0)
		No			(0)
Determining Significance (section 2.1.2)	2. Number of people affected?	LOW Less than 100			(1)
		MEDIUM Less than 500 but more than 100			(2)
		HIGH Greater than 500			(3)
	3. Degree of impact on people affected	Criteria 3-9 require qualitative assessment. Remember: <ul style="list-style-type: none"> <li>• Front page newspaper test</li> <li>• Impact on individuals and groups</li> <li>• Potential benefit vs. risks</li> <li>• Financial cost of the outcome</li> <li>• Potential precedent set</li> <li>• Related to land or water?</li> <li>• Assessed against environmental sustainability and climate change criteria?</li> <li>• Of political interest</li> </ul>			
	4. Impact on levels of service				
	5. Level of potential community interest				
	6. Cost of proposal				
7. Is the decision reversible? Yes (0), No (2)					
8. Degree of impact on the Environment					
3.5	9. Impact on Māori	N/A (0), L (1), M (2), H (3)			
Total			Low / Medium / High (circle one)		
Level of Significance	LOW		Score of 10 or less		
	MEDIUM		Score between 11 - 19		
	HIGH		Score of 20 or above		



# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

Once the level of significance has been calculated from the matrix above, this relates to the type of engagement level to be used, as noted in the table below:

Level of Significance	Engagement Level
LOW	Consultation may not be required, or inform only (case-by-case basis)
MEDIUM	Must use one of the engagement types:
HIGH	Inform, Consult, Involve or Collaborate

# Te Hihira me te Whakapānga Kaupapa Here

## Significance and Engagement Policy

### Determining Significance guidance

Criteria	Measure	High	Medium	Low
<b>Degree</b>	The number of residents and ratepayers affected and the degree to which they are affected by the decision or proposal.	Impacts a large proportion of the community. <i>(for example, change in rubbish collection)</i>	Impacts a subgroup or groups within the community <i>(for example, creation of neighbourhood playground)</i>	Impacts an individual person or household. <i>(for example, removal of one light on the roadside outside a house)</i>
<b>LOS</b>	The achievement of, or ability to achieve, the Council's stated levels of service as set out in the Long-Term Plan 2021-2031.	Ceasing or commencing a service.	A more than nominal alteration of a service.	A nominal or no alteration of a service
<b>Decision</b>	Whether this type of decision, proposal or issue has a history of generating wide public interest within South Taranaki.	High degree <i>(for example, town centre redevelopment)</i>	Moderate degree <i>(for example, disposal of surplus land/building)</i>	Low degree <i>(for example, putting in a new bus stop)</i>
<b>Financial</b>	The impact of the decision or proposal on the Council's overall budget or included in an approved Long Term Plan and its ability to carry out its existing or proposed functions and activities now and in the future.	Unbudgeted operating costs greater than 10% of total expenses in the financial year of the decision.  And/or Unbudgeted capital costs greater than 1% of total assets in the financial year of the decision.	Unbudgeted operating costs greater than 5% (but less than 10%) of total expenses in the financial year of the decision.  And/or Unbudgeted capital costs greater than 0.5% (but less than 1%) of total assets in the financial year of the decision.	Unbudgeted operating costs less than 5% of total expenses in the financial year of the decision.  And/or Unbudgeted capital costs less than 0.5% of total assets in the financial year of the decision.
<b>Reversible</b>	The degree to which the decision or proposal is reversible.	Highly difficult <i>(for example, constructing a purpose built building)</i>	Moderately difficult <i>(for example, adoption of a bylaw)</i>	Low difficulty <i>(for example, minor amendment to a policy)</i>
<b>Environment</b>	The degree of impact the decision will have on the environment	Significant impact on the environment	Has some impacts on the environment.	Has little or no impact on the environment

# Nga Whakapae me Ngā Raraunga

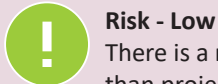
## Assumptions and Data

### Te Taupori me te Ekenga / Population and Growth

#### Population



Pre COVID-19 we were expecting a modest growth of 0.3% per year across the District. However, it is now anticipated that there will be minimal or no growth for the next three years. Most of our rural areas are likely to experience a small decrease while modest growth is predicted for Hāwera and its environs. South Taranaki's population is ageing, although not enough for us to change our current levels of service.



#### Risk - Low

There is a risk that the population increases more than projected or declines, which means we would then need to review our growth-related projects and work programmes. We consider this to be likely as there is some evidence of growth in the residential area, based on the number of building and planning consent applications including subdivisions we have received. The National Policy Statement on Urban Development 2020 identifies New Plymouth as a tier 2 urban environment which, in effect, identifies it as a growth area and we expect there will be some corresponding development spill-over to the Stratford and South Taranaki Districts.

#### Economic growth – South Taranaki



Based on the data available to us, it is anticipated that there will be a decrease in economic growth of up to 8.5% during the first two years of the LTP. It is unknown how long it will take for the economy to recover from the COVID-19 pandemic, although BERL notes that, historically, the economy takes ten years to recover from a financial crisis.

We are looking at ways to increase economic growth and we are part of the Taranaki Region's economic strategy, Tapuae Roa: Make way for Taranaki.



#### Risk - Low

There is a risk that the economy will take longer to recover, potentially delaying some projects. Provided that we remain within COVID-19 Alert Level 1 this is unlikely as we are already seeing some evidence of economic recovery.

#### Land use and development



Demand for residential, commercial and industrial sections is expected to be mainly focused around the Hāwera and Normanby areas. The current supply of consented subdivision lots is expected to meet demand for several years at current rates of development. An expected increase in demand for water and wastewater services in Hāwera's new residential areas has been planned for through our Infrastructure Strategy.



#### Risk - Low

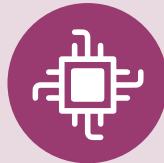
If there is an increase beyond our projections, we may not have infrastructure in place to meet this growth or support new commercial or industrial facilities. This is unlikely as work has commenced on supporting the area identified for the South Taranaki Business Park.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Te Taupori me te Ekenga / Population and Growth

#### Technological changes - how we work



We expect continued technology changes and we are developing a Digital Strategy to meet these changes.



##### Risk - Low

We are mindful that radical changes in technology developments could affect the way in which society operates, works, accesses information and services. It is possible that there may be some technology advancements that we are unable to keep up with.

#### Change in number of rating units



Based on the growth projections indicated for South Taranaki we do not anticipate a sharp increase in the rating base.



##### Risk - Low

If there is an increase ahead of the projections, we may not have infrastructure in place to meet this growth. We consider this to be likely as there is some evidence of growth in the residential area, given the number of building and planning consent applications including subdivisions we have received.

We are addressing this by identifying areas of growth, such as the northern and western structure plans in Hāwera.

### Taiao me te Toitū / Environment and Sustainability

#### Climate Change



We anticipate that over the life of the LTP there will be an increase in droughts, extreme rain and wind events and changing weather patterns. Climate change is likely to affect most Council activities over the medium to long term. Our asset management planning includes climate change impacts.



##### Risk - Medium

There is a risk that there will be more frequent and severe weather events than anticipated, which will put extra pressure on our built and natural environments, assets and infrastructure. We maintain and update our Business Continuity Plans and we have performance measures to monitor our preparedness for a civil defence emergency event.

#### Natural and biological disasters / pandemics



We are part of the Taranaki Emergency Management Office and plans are in place to manage natural or biological disasters or a pandemic event. As we are prepared to establish the Emergency Operations Centre in Hāwera and activate our Business Continuity Plans in the event of a biological or pandemic event, we expect to be able to deliver essential services to the community. We assume there will not be a new widespread outbreak of COVID-19 that takes New Zealand back into higher alert levels.



##### Risk - Medium

There is a possibility that our ability to respond is severely disrupted during a disaster or an event.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Taiao me te Toitū / Environment and Sustainability

#### Sea level rise

While we expect sea levels will continue to rise at a rate of approximately 3mm per year, a rise dramatically beyond expectations could have impacts on our coastal communities and infrastructure.



##### Risk - Medium

There is a possibility that sea level rise will accelerate beyond 3mm and potentially to 10mm.

#### Waste minimisation levy

We anticipate that there will be substantial increases in Waste Minimisation Levies in the next five to ten years.

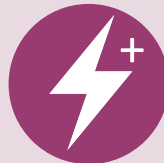


##### Risk - Low

There is a possibility that Waste Minimisation Levies will increase beyond anticipated levels and severely increase the costs associated with recycling.

#### Energy

We expect energy costs will increase in line with inflation.



##### Risk - Low

There is a risk that there will be large increases in energy costs, particularly transport-related, which could result in changes to living, working and recreation patterns.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Whaiture / Legislative Requirements

#### Legislative Changes



There are indications from central Government that we will continue to see legislative changes occurring, with some impacts on the delivery of core services and budgets.



##### Risk - Medium

There is a risk that major unexpected changes to legislation will affect how we operate, what we do and who pays. There is a possibility that this will occur and could have an effect on budgets.

#### Climate Change Response Act 2002 amendments National Policy Statement for Indigenous Biodiversity (NPSIB)



We anticipate further amendments to the Climate Change Response Act 2002 and the introduction of the NPSIB will have direct impacts on our costs and operations.



##### Risk - Medium

There is a risk that additional amendments could be introduced that could affect our costs and our ability to deliver services. We consider this is a possibility over the life of this Plan.

#### Resource Consents held by the Council



The Taranaki Regional Council has indicated that there will be an increase in consent conditions with more stringent environmental requirements. This is likely to occur during drier months when water consumption is at its peak, potentially raising the need for water restrictions.



##### Risk - High

If resource consent conditions escalate more than anticipated it is likely that this will result in increased costs and/or breaches of resource consent conditions.

#### Building Act 2004 Subpart 6A – earthquake-prone buildings



We expect to continue to administer the Building Act 2004 Subpart 6A and fulfil our obligations as a building owner and territorial authority. Council buildings considered to be the most important for public safety are being strengthened, but we may not be able to meet our obligations if sufficient funding is not available. We are reviewing our assistance to private building owners.



##### Risk - Low

If insufficient budgets are allocated there is a risk that we will not be able to meet our legislative requirements. Due to the number of buildings that require assessments across the country it may become difficult to engage qualified assessors.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Ahumoni / Financial

#### Inflation

We have predicted modest inflation over the life of this Plan, based on the latest BERL estimates, which are included further on page 181.



##### Risk - Medium

It is possible that inflation will not match our estimates which could result in unbudgeted costs.



#### Interest rates on investments

The forecast interest rates on investments are expected to be 1% to 3.23% based on current and projected interest rates.



##### Risk - Medium

It is possible that interest rates on investments are lower than forecasted or budgeted. A 1% increase in the interest rate on investments will result in about \$60,000 additional income for the year.



#### Global Economy

Despite recent events we do not expect the global economic climate to change greatly during the life of this Plan. We will continue to monitor international and national developments and can respond by changing priorities through the Annual Plan.



##### Risk - Medium

A risk remains for a global economic crisis to occur as a result of COVID-19. If there is a global economic crisis this could have a major impact on the people of South Taranaki.



#### Interest rates on loans (external borrowings)

The forecast interest rates on loans are expected to be 2.58% to 3.23% based on discussions with PriceWaterhouseCoopers.



##### Risk - Medium

It is possible that interest rates on loans may increase more than forecasted or budgeted. The Council currently has \$112m of external borrowing and maintains its fixed and floating rate ratio as per the Liability Management Policy. The external debt is projected to be \$159m by 2027/28. For every increase in interest rate of 0.25%, total rates will have to increase by a maximum of 0.66% on \$112m debt and by 0.71% on \$159m debt. However, the impact will be reduced, depending on the actual fixed and floating percentage of actual debt.



# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Ahumoni / Financial

#### Credit Rating



It is anticipated that our credit rating will remain at AA-. However as a result of COVID-19 and potential increases in treatment standards for three waters we may need to increase our debt levels. If our debt levels increase beyond previously projected levels, Standard & Poors may downgrade our credit rating.



##### Risk - Medium

If our credit rating is downgraded our borrowing costs will increase.

#### COVID-19 Impact and Recovery



Based on statistics provided by Venture Taranaki, South Taranaki experienced a decline in spending and an increase in unemployment as a result of the COVID-19 lockdown. To support South Taranaki ratepayers and residents through the recovery of COVID-19 the Council adopted a zero rate increase for the 2021/21 Annual Plan. Central Government also provided funding for “shovel ready” projects to assist in the recovery.

There is now evidence that South Taranaki’s economy has recovered. However Infometrics anticipate a potential drop for rural communities once the delivery of shovel ready projects has been completed.



##### Risk - Medium

If South Taranaki’s economy is severely affected as a result of COVID-19, this could have an impact on our income.

#### Currency movements and asset values



Some of our infrastructural capital projects have components sourced directly from overseas and currency movements could increase our costs and/or affect our ability to complete programmed works within budget. Our inflation adjustments cater for currency movements and the impact on related asset values will not be material.



##### Risk - Medium

There is a risk that the exchange rate will change adversely and this risk has increased due to the uncertainty and impact of COVID-19.

#### Depreciation



Depreciation is driven by Asset Management Plans and through the useful life of assets, and depreciation costs depend on the projects completed. Our current depreciation totals \$20.79m per year. If depreciation increases, we will have more funded depreciation as a result and can use it to pay for capital expenditure.



##### Risk - Medium

If depreciation calculations are significantly different from the amount budgeted, rates will need to be increased. A 5% increase in depreciation will have a maximum impact of approximately 3% on District Rates, a maximum of \$13 for targeted water rates and \$0.02-\$0.06 per cubic metre on water schemes. A 5% increase in depreciation will have a maximum impact of \$11 per year on wastewater charges.



# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### xxx / Long Term Investment Fund

#### Long Term Investment Fund



The forecasted return on the Long Term Investment Fund is expected to be between \$9 million and \$10.9 million (average rate of return between 6.1% and 6.8%). This is based on our Statement of Investment Policy Objectives (SIPO) together with our strategic Asset Allocation / Benchmark portfolio. We need to achieve a minimum return of \$6.5m annually to meet our subsidy obligation, on average over the ten-year period.



#### Risk - Medium

Lower than forecasted returns will mean we will receive less income than budgeted. The impact of a 1% reduction in return in Year 1 of the Long Term Plan would reduce income by \$1,354,000, for year 5 it would be \$1,763,000 and year 10 it would be \$2,528,000.

### Pūtea Tautoko / Funding

#### NZTA Subsidy



During the COVID-19 pandemic Waka Kotahi New Zealand Transport Agency's income decreased dramatically and therefore it is possible that the subsidies provided by WKNZTA may decrease, although we have been advised that our subsidy will increase from 58% to 63% from 1 July 2021. However, this has yet to be confirmed.



#### Risk - Medium

If the funding decreases substantially or ends, our budgets would be greatly affected. Given the uncertain economic environment as a result of COVID-19, we believe our overall funding from NZTA may decrease over the life of this Plan.

#### Project Funding from other sources



It is anticipated that external funding sources will remain available to us. South Taranaki was successful in securing \$15.4 million (\$10.4 million for Council projects) of funding via the Provincial Growth Fund.



#### Risk - Low

If there is less or no external funding available our costs would increase and/or major projects may be put on hold or cancelled.

#### Local Government Funding Agency (LGFA) guarantee



It is likely that the Local Government Funding Agency will continue to be a funding source and the Agency will remain solvent.



#### Risk - Low

There is a minor risk that the LGFA defaults and will be unable to support us. We believe this to be unlikely.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Hapori / Community

#### Relationships with external bodies



We have good working relationships with external bodies including Iwi, the Regional Council and other Government departments. We will continue to build on these relationships and identify areas where they can be developed further.



##### Risk - Low

If there is a lack of desire for collaboration or co-operation, this may result in a loss of efficiency savings and/or the loss of important partners.

#### Community Support



We expect the community will continue to support the Council and the projects committed through the Long Term Plan.



##### Risk - Low

If there is loss of support from the community the benefits created from the completion of projects will be minimal or projects may need to be cancelled

#### Levels of service - community expectations



Good two-way communication with our communities ensures that expectations are realistic and achievable. We carry out periodic service delivery reviews and acknowledge that the community may expect higher levels of service that we cannot meet without increasing rates.



##### Risk - Low

There is a risk that the community will expect higher levels of service without an increase in cost.

#### Recreation - changing trends



Feedback received from the community has shown a growing demand for more walkways, cycleways and combined community facilities.



##### Risk - Medium

We expect the above trend will continue; however, it is likely that there will be a decrease in club sports and demand for the facilities associated with these sports.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Ngā Waitoru / Three Waters

#### Three Waters



This Plan continues to focus on projects and maintenance associated with three waters and in the short term we will continue to deliver these activities.



#### Risk - High

With the Government's focus on the three waters reform it is possible in the long term that local authorities will no longer be responsible for these activities. If three waters is removed from local authorities other Council activities may become unaffordable. The budgeted operational costs for three waters for 2021/22 is \$20.8m and at the same time the debt is projected to be \$86m (including \$12m in internal borrowings).

### Ngā Kaupapa me ngā Atawhai o te Hanganga ā-Roto

#### Infrastructure Projects and Maintenance

#### Major Capital Projects



Given the additional funding provided through the Provincial Growth Fund and funding for three waters, we are already experiencing some issues with contractor and resource availability. We anticipate that major capital projects may be delayed as a result of contractor and resource availability. Projects are identified and planned utilising the best information available; however, from time to time unforeseen circumstances can affect the timing or costs associated with major capital projects.

#### Risk - High



Delays in delivering projects are likely to result in higher costs, delivery delays, carryovers on the capital works programme and an increase in reactive maintenance and operating costs.

#### Sensitivity Analysis

Delayed capital expenditure would have an impact on borrowing costs and original project costs. Every \$1m delayed would have an impact of \$17k-\$35k reduction in borrowings costs for the year. The capital expenditure may increase by the inflation index, resulting in increased borrowings. Every 1% increase in a \$1m project will have an impact of \$10k of additional borrowings.

We have taken a number of steps to ensure that we can deliver our capital works programme including increasing the capacity of the Projects Team, pre-purchasing materials, engaged external project managers for larger projects and placing a strong focus on preparing designs ahead of budgets.

#### Maintenance Contractors



We expect contractors will be available to continue to undertake maintenance for the Council.



#### Risk - Low

A shortage of contractors could affect our levels of service or increase our maintenance costs.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Ngā Kaupapa me ngā Atawhai o te Hanganga ā-Roto/ Infrastructure Projects and Maintenance

#### Useful Asset Life



The useful asset life reflects the best estimate available based on the forecast date and current asset information held. A revaluation was undertaken in June 2020 where our infrastructural assets were assessed and valued, and the results are reflected in this Plan.



##### **Risk - Medium**

If the useful asset life information is incomplete or inaccurate there would be an impact on our future depreciation calculations and renewals expenditure. As a result rates maybe either set too high or too low.

#### Life-cycle of significant assets



A revaluation was undertaken in June 2020 where our infrastructural assets were assessed and valued. Our significant assets have been assessed against the International Infrastructure Management Manual (IIMM) framework where we determined that for the majority of our assets our overall confidence in condition is high or medium.



##### **Risk - Low**

There is a risk that the assessment may not match the actual condition of our strategic assets. Failure of strategic infrastructure would result in the need to undertake unbudgeted replacement or maintenance.

#### Funding replacement assets



Funds need to be available for the replacement of strategic assets across the District. Asset replacements are funded through a variety of sources, which is detailed in the Revenue and Financing Policy.



##### **Risk - Low**

If the Council decides to change the Policy on how to fund assets it will have an impact on rates. There is also a risk that funding for the replacement of strategic assets is not available.

#### Revaluation of non-current (fixed) assets



Forecast valuations of fixed assets are based on BERL indicators and are considered to be correct.



##### **Risk - Low**

If there is a large difference between how much we forecast the assets to be worth and the actual value of the assets then there will be an impact on the Council's budgets and rates.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Other relevant forecasting information

In addition to the significant forecasting assumptions outlined above, the Council makes a number of other judgements and estimates in preparing the Long Term Plan. This section details other relevant forecasting information.

### The below BERL adjustors have been used for revaluation projection

Year ending	Roading %	Water / Wastewater / Stormwater %	
Jun-22	5.1	1.4	5.3
Jun-23	9.4	4.8	8.3
Jun-24	13.6	7.0	10.9
Jun-25	17.9	9.5	13.7
Jun-26	22.3	12.3	16.6
Jun-27	27.0	14.9	19.8
Jun-28	31.7	18.4	23.2
Jun-29	36.7	22.2	26.8
Jun-30	41.9	26.3	30.7
Jun-31	47.3	29.7	34.9

### Inflation Factors

Adjuster Class	Factor Years 1-3	Factor Years 4-10	Reason
Roading	BERL	BERL	BERL Adjustors are widely used in the Local Government sector as they are deemed to be more relevant and applicable.
Water and Environment	BERL	BERL	
Salaries*	BERL	BERL	
Community Activities	BERL	BERL	
Planning and Regulations	BERL	BERL	

\*The Inflation factors for Salaries is based on discussions with Strategic Pay, HR Manager and Senior Leadership Team (2.3% per annum)

Year ending	Roading	Planning and Regulation	Water	Salaries	Community Activities
Jun-22	3.3	2.7	6.0	2.3	3.2
Jun-23	6.5	5.3	9.7	4.7	6.0
Jun-24	9.7	7.7	12.6	7.1	8.6
Jun-25	12.9	10.1	15.6	9.5	11.2
Jun-26	16.2	12.5	19.0	12.0	14.0
Jun-27	19.5	15.0	22.3	14.6	16.8
Jun-28	23.0	17.5	26.2	17.3	19.7
Jun-29	26.6	20.1	30.4	20.0	22.8
Jun-30	30.2	22.7	34.8	22.7	26.0
Jun-31	34.0	25.4	39.0	25.5	29.0

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### Balanced Budget Requirement

Section 100 of the Local Government Act 2002 (LGA) requires local authorities to set each year's operating revenue at a level sufficient to meet its operating expenditure for that year. This is known as the balanced budget requirement.

However, the LGA provides local authorities with discretion to vary its operating revenues where it resolves that it is financially prudent to do so. In reaching this decision a local authority must have regard to:

- a. the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the Long Term Plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and
- b. the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life;

- c. and the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and
- d. the funding and financial policies adopted under Section 102."

The overarching principles for application of the balanced budget requirement are contained in the Council's Revenue and Financing Policy. The financial impact of these principles is detailed in both the Funding Impact Statement and within the Significant Forecasting Assumptions. In accordance with Section 100 of the LGA the Council has resolved that it is financially prudent to depart from the balanced budget requirement in the following circumstances:

### Non-funding of depreciation on Council assets

In accordance with Section 100 of the Local Government Act 2002 the Council has satisfied itself that it is not financially prudent to fund all/part

of the depreciation expenditure on its non-strategic assets. The Council is funding part of the depreciation that will enable components of the assets to be replaced to ensure the useful life of the asset's structure can be achieved. A decision on the total replacement of the asset will be made at the time the asset's useful life has expired.

All strategic assets will have depreciation fully funded with the exception of some assets associated with the Pope Water Supply (as it is planned to amalgamate the Scheme and these assets will not require replacement) and all the Council assets associated with the Nukumarū Water Supply (at the request of the Nukumarū Consumers Committee). While the Plan has assumed the following projects will result in capital assets: water quality investigations, inflow and infiltration investigations, condition reviews, network modelling, the Plan does not provide for the depreciation to be funded as it is not certain that an asset will be created

nor is there certainty over the life of those assets created. Once the assets are created from these projects then the depreciation will be addressed at that point.

### Asset sales

No asset sales are planned in the Long Term Plan.

### Drawdown from LTIF earnings for rates subsidy

A drawdown of \$3.87 million for the general and roading rate subsidy has been factored into each year of the ten year projections. This amount will be reviewed every three years during the Long Term Plan review.

Drawdown from LTIF earnings for capital projects loan repayments  
A drawdown of \$1.73 million to fund selective community projects (eg TSB Hub's loan repayments) has been factored into each year of the ten year projections. This amount will be reviewed every three years during the Long Term Plan review.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### **Drawdown from LTIF earnings for Hāwera Town Centre Development (including Council's Earthquake Prone Buildings, Initial Seismic Assessments and Council's Assistance Package)**

A drawdown of \$860k per annum on average to fund the above projects (loan funded) has been factored into each year of the ten year projections.

### **Drawdown from LTIF Inflation Fluctuation Reserves (IFR) for Town Centre Development (including additional funding for the Hāwera Town centre Project)**

A drawdown of \$15 million over ten years to fund the above projects has been factored into each year of the ten year projections.

### **Disclosures**

#### **Prospective financial information**

The prospective financial information contained in this Long Term Plan is based on assumptions that the Council reasonably expects to occur. However, readers should be aware that actual results are likely to vary from

the information presented and these variations may be material, especially for the years 2020/21 and onwards.

#### **Differences between prospective financial information explanations**

Under accounting standard FRS42 we are required to explain the relationship between the prospective financial statements and the additional information provided in the activity statements.

The revenue on the income statement reflects the totals from the activity statements together with the subsidy from the Long Term Investment Fund and general rates allocated to and fees of the support centres. The income and expenditure of support centres (interest costs, depreciation and overheads not recovered) which have not been allocated to other activities is included directly in the financial statements. The total income for the Council reflects the impact of the rates subsidy, commissions from Taranaki Regional Council, petrol tax, rates penalties and general interest which is

not reflected in any individual activity statement.

The cash flow statement reflects movements in expected debtor and creditor balances ie amounts being paid/received from previous years and amounts that will be paid/received in future years, whilst the Income Statement reflects income and expenditure on an accruals basis. The Funding Impact Statement reflects the impact of the subsidy and fees used to reduce the rating requirement. This is not split on the activity statements. The funding impact statement also incorporates the allocation of the rate subsidy and fees between UAGC, general and roading rate.

#### **Effect of Council's Rate Remission Policy**

The Council's implementation of its Rate Remission Policy is estimated at \$204,000 per annum and is recovered from the general rate.

#### **Nukumarū**

The Nukumarū Water Supply is a non-

potable supply that is being managed by the consumers. In recent years the consumers have constructed a bore and hold its resource consent, therefore there is a mix of ownership of the assets. The consumers arrange the maintenance and the charging of the water by meter rate. Renewals of the assets owned by the Council are not planned within this Long Term Plan, as requested by the Nukumarū consumers committee.

#### **Asset information**

Asset Management Plans (AMPs) have been developed for activities which use physical assets in the delivery of services. The AMPs, which are the focus for running these activities, have been used in the preparation of financial forecasts used in this Plan. The AMPs contain improvement plans detailing how the plans will be developed further. They are dynamic documents and will be updated as required by the asset managers with a formal review every three years.

# Nga Whakapae me Ngā Raraunga

## Assumptions and Data

### **Financial Reporting Standard 42: Prospective Financial Statements (FRS 42 Disclosures)**

The Council has complied with FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided.

#### **i. Description of the nature of the entity's current operation and its principal activities**

The Council is a Territorial Local Authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this proposed LTP.

#### **ii. Purpose for which the Prospective Financial Statements are prepared**

It is a requirement of the Local Government Act 2002 to present Prospective Financial Statements that span ten years and include them within the proposed LTP. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective Financial Statements are revised annually to reflect updated assumptions and costs.

#### **iii. Base for assumptions, risks and uncertainties**

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the Prospective Financial Statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within the LTP.

#### **iv. Cautionary Note**

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material. No actual events and transactions have been reflected in the prospective financial statements.



# Pārongo Arotake

# Audit Report

## To the reader:

## Independent Auditor's report on South Taranaki District Council's 2021 31 long-term plan

I am the Auditor General's appointed auditor for South Taranaki District Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 28 June 2021.

## Opinion

In our opinion:

- the plan provides a reasonable basis for:
  - long term, integrated decision making and co ordination of the Council's resources; and
  - accountability of the Council to the community;

- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 253 to 256 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

## Emphasis of Matters

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

### Uncertainty over three waters reforms

Page 177 outlines the Government's intention to make three waters reform

decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

### Uncertainty over the delivery of the capital programme

Page 36 outlines that the Council is proposing to spend \$336 million on capital projects over the next 10 years. Although the Council is taking steps to deliver its planned capital programme, as outlined on pages 49 to 50, there is uncertainty over the delivery of the programme due to the significant constraints in the construction market. If the Council is unable to deliver on a planned project, it could affect intended levels of service.

## Basis of opinion

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

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

# Pārongo Arotake

# Audit Report

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the approach taken by the Council to maintain its assets is reasonable, given the types of asset infrastructure owned by the Council;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;

- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

## Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

## Independence and quality control

We have complied with the Auditor General's:

- independence and other ethical requirements, which incorporate the independence and ethical

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

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



Chris Webby, Audit New Zealand  
On behalf of the Auditor General,  
Palmerston North, New Zealand

AUDIT NEW ZEALAND

Mana Arotake Aotearoa