Part Three: Strategies & Policies

Introduction

So as to achieve the Council's community outcomes and provide services that meet the community's needs and expectations, the Council prepares integrated strategies, plans and policies to help move the district forward.

Integration with other strategies and context

The Financial Strategy and the Infrastructure Strategy are key 'pillar' documents in the Long-Term Plan. These two documents together support the Council's vision and community outcomes, and collectively form the basis of the Council's Long-Term Plan.

Both the Financial Strategy and the Infrastructure Strategy are informed by the Council's activity management plans and other asset information. While the Council has prepared a Roading activity management plan, the management plans for water supplies, wastewater, and stormwater systems have been drafted and are subject to independent review. In the absence of finalised management plans for those activities, contracts with service providers and various information about Council's assets (such as asset revaluation reports) have informed our pillar strategies.

Revenue & Financing Policy

This policy reflects the Council's decisions about how each of our activities are funded. These decisions have been made following consideration of who benefits from those activities, and who causes the need for some activities (such as the Council must provide a dog registration service for dog owners). The outcome of this policy then in turn sets the guidelines for the Council's rating system.

Significance & Engagement Policy

This is the policy that sets out how the Council will consult or engage with our community. It guides the Council through a framework to assess the significance of any issue, and then to decide how to consult and with whom.

Treasury Policy

This Policy incorporates the Liability Management Policy and the Investment Policy. It supports the strategic direction of the Financial Strategy, by ensuring that the Council's borrowing is well-managed. It also guides the Council's decisions on its investments, such as forestry, property holdings, and equity shares.

Development Contributions Policy

This policy sets out the framework for the Council to ensure the cost of increasing infrastructural capacity to meet the demands of growth (new subdivisions or new commercial or industrial activity, for example) is met by those developments rather than existing ratepayers.

Rate Remissions & Postponement Policy

This policy sets out the Council's position as to the circumstances where we will provide for the remission of rates, including rates penalties. This policy includes the Council's policies on the remission and postponement of rates on Māori freehold land.

Statement of Accounting Policy

The Council's financial statements are prepared in compliance with generally accepted accounting practice and comply with financial reporting standards. This policy states how we apply these standards.

Financial Strategy

Policy status:	Adopted
Review due:	By 30 June 2027
Legal reference:	Local Government Act 2002 Section 101A Schedule 10, Part 1, Section 9

Purpose of the Financial Strategy

The Financial Strategy sets out how the Council plans to finance its overall operations for the next ten years, and the impact on rates, debt, and levels of service. The Strategy guides the Council's funding decisions and, along with the Infrastructure Strategy, informs the capital and operational spending for the Long-Term Plan 2024-2034 (the LTP).

Executive Summary

For the first three years of the LTP, the Council will focus on finishing what we started, most notably to improve the overall condition of essential assets, such as roads, footpaths, water supplies, and wastewater systems. We will also ensure that the services we provide are appropriate for a community of our size, fit for purpose, and comply with legislation.

In doing so, affordability is our greatest challenge, and we are committed to ensuring that rates are the last option as a funding source. User pays, external funding, and debt will be sourced wherever these are more appropriate.

This LTP 2024-2034 confirms the direction of the last (the LTP 2021-2031), except that – due to high inflation on costs that particularly impact the local government sector – it now costs around 20% more to provide similar levels of service as before. Significant cost drivers include materials and contract prices for roads, the cost to renew pipes, pumps and water-wastewater infrastructure, insurance premiums, audit fees, and more stringent legislative compliance requirements particularly in relation to drinking water.

Fortunately, our Infrastructure Strategy confirms that our asset renewal profile is relatively flat for a very long period – more than 30 years – during which the required renewals will be less than depreciation for certain assets. This is especially true for water, wastewater, and stormwater assets, largely due to the significant rebuild work following the 2016 earthquake.

As signalled in the last LTP, however, there is a significant backlog of renewal work for local roads, which had a low level of service pre-quake due to a 'do minimum' approach in the interests of rates affordability. This Financial Strategy (subject to public consultation) proposes to continue the catchup of deferred roading renewal work, with an accelerated programme of road rehabilitation, sealing and drainage works.

The overall direction of this Financial Strategy is to face up to the true cost of the Council's activities and services, and to meet those costs prudently and according to factors such as the lifespan of assets, availability of external funds, and appropriateness of user fees & charges.

The Financial Strategy has the following overall financial boundaries:

- External borrowings are capped at $15 million,
- Our annual loan interest expense will be no more than 10% of total revenue (and likely to be less than 5% in reality),
- Rates increases are capped at no more than 15% in year one, 10% in years two to four, and the Local Government Cost Index (LGCI) +3% thereafter (excluding growth)
- Rates income does not exceed $12.5 million per annum in years 1-3, $14.5 million in years 4-6, $15.0 million in years 7-9, and $15.5 million in year 10. The reason for the stepped approach is the LTP is reviewed every three years, and this approach provides for known funding

requirements and growth expectations within each of those three-year periods.

Unbalanced budget and non-funding of depreciation

The first two years of this LTP show we expect to generate operating surpluses, but that we are planning for operating deficits for the remainder of the ten years. This is because, once the incoming grants and subsidies for roading, Wakatu Quay, and other capital projects have been applied, the deficits in the remaining years are attributable to depreciation expense. The Council has made the conscious and informed decision not to fully fund depreciation. To do so would mean levying rates from today's ratepayers to pay for capital renewal work that will be done in the future.

With such low levels of capital renewal work required within the next ten years (and no major work until 2050), to require rates to cover depreciation would result in the Council accumulating significant cash reserves from unspent rates. Instead, those future renewals could be funded by loans when they are needed, and rates would then cover the loan and interest costs over time and only once the ratepaying community gets the benefit of the renewed assets. Further, it is conceivable that external grants or subsidies could become available in the future such as occurred with the government stimulus packages and changes in criteria for funding roads and footpaths from NZTA.

The Council considers it is prudent and sustainable, therefore, to provide for these operating deficits in years 2027 to 2034 due to the decision not to fully fund depreciation. This is referred to as an unbalanced budget because revenue does not cover all operating expenses.

Introduction

For the last eight years (since the earthquake of November 2016), the Kaikōura district's economy, our community, and the level of service the Council has provided, has been turned on its head. Our communities and businesses have suffered total isolation from the earthquake damage to road and rail, followed by disruption of rebuild, then the COVID pandemic hit the global economy with an almost total loss of international tourism, and now in 2024, New Zealand suffers from the effects of supply chain disruption, global political tension and war, interest rate increases, inflation pressures, and a cost-of-living crisis.

Notwithstanding this, Kaikōura's summer of 2023/2024 was "absolutely pumping" with the township seen to be the busiest it has been for years. Visitors are back in strong numbers, with more cruise ships stopping than ever before, the new Sudima Hotel now established, and bus services including two-night package stays in Kaikōura. Tourist operators and hospitality outlets are hopefully finally getting the reprieve they have so desperately needed.

Alongside the return of tourism, the Council has been strengthening its level of service to the community, both in terms of building up its internal capability and improving its customer experience. Several projects have been completed or are underway, that will invigorate economic investment and community wellbeing. Those projects include the Link Pathway, the Kaikoura Aquatic Centre, the Wakatu Quay development, the proposed new Hot Pools, the new waste transfer station, road and footpath improvements, and better treatment systems for drinking water and wastewater. Much of this capital work has been completed with grant funding from the likes of NZTA (Waka Kotahi), the Provincial Growth Fund (Kanoa) and the government's three-waters stimulus fund.

Whilst most of those projects are now complete, three projects continue to dominate the Council's focus in the initial years of this LTP and have the potential to significantly impact the Council's financial performance and position.

Not least of these is the $13.6 million rebuild of the Glen Alton bridge over the Clarence (Waiau-Toa) River, destroyed by the 2016 earthquake, the replacement of the bridge is subject to ongoing opposition from the Rūnanga which threatens to undermine the Council's ability to obtain the necessary resource consents and secure its 95% NZTA funding before that subsidy is lost.

Secondly, the withdrawal of a potential co-funder for the Wakatu Quay hospitality, tourism, and retail development has resulted in the Council going alone, and probably reducing the scope from five buildings to just one or two.

Thirdly, the Council proposes (subject to public feedback), to continue its accelerated road renewal and footpath improvement programmes, which collectively represent a more than $2 million increase in annual spend over pre-quake levels. This level of spend is needed to address the backlog in under investment in roads and footpaths in the decade preceding the earthquake.

Purpose of the Financial strategy

Section 101A of the Local Government Act (2002) states:

101A Financial strategy

(1) A local authority must, as part of its long-term plan, prepare and adopt a financial strategy for all of the consecutive financial years covered by the long-term plan.

(2) The purpose of the financial strategy is to—

- (a) facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- (b) provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

This Financial Strategy is a cornerstone to the Council achieving its goal of providing quality services and improving the condition of assets without placing unnecessary burden on ratepayers. It outlines the key financial parameters and limits that the Council will operate within. This strategy focuses on meeting the true cost of services, applying user fees as appropriate, and making best use of debt as a funding tool where this is fiscally responsible.

It is the Council's view that this financial strategy is prudent and sustainable. In putting this strategy together, the Council grappled with significant increases in costs faced by the local government sector. The outcome is that there is a new baseline of costs that must be met by increased rates, user fees, and borrowing.

The Financial Strategy is strongly influenced by its associated Infrastructure Strategy and is best described as "enhanced business as usual".

Infrastructure Strategy

The Infrastructure Strategy 2024-2034 highlights two significant influences on this Financial Strategy.

Firstly, since the 2016 earthquake close to $1 billion has been spent to repair or renew sections of State Highway roads, bridges, and rail networks in the district. Over $40 million has been spent on similar remedial works to roads, three-waters assets, and other facilities owned by the Council. These rebuild projects have been very helpful in that the assets that suffered the most damage were those that were most fragile in terms of their age or other deficiency. Almost all the asset renewals that would have been required within the next 20-30 years have, effectively, already been replaced.

Secondly, prior to the earthquake the Council had the foresight to increase the capacity of its critical assets, such as water reservoirs, wastewater pump stations and treatment ponds, to accommodate a peak population of up to 7,500 people. As a result, there are few growth-related capital projects for at least the next ten years.

The major costs identified in the Infrastructure Strategy are the backlog in road renewals, drainage improvements to mitigate the impacts of climate change, and the improvements to drinking water and wastewater treatment systems to meet legal requirements and national standards.

This Financial Strategy serves to enable all the projects identified in the Infrastructure Strategy, but where some of the projects have peaks and troughs in their renewal profile, this financial strategy smooths the cost of those projects, especially in the years beyond year 3 (2028).

Financial & Corporate Sustainability Review

In 2018 the Department of Internal Affairs, initiated a review into the long term financial and corporate sustainability of the Kaikōura District Council, largely seeking assurance of the capacity and capabilities of the Council given the substantial government funding assistance that was needed following the Kaikōura earthquake.

Since the review concluded in 2020, the long-term infrastructure requirements and financial projections of Council have become clearer. Other than the identified backlog of roading expenditure, the infrastructure renewal profiles for the future are such that it may be over 30 years before any significant renewal projects are required. The resulting rates and debt projections are far better, and far more affordable, than those envisaged from the FCS project.

The Council considers that the Kaikōura District Council is financially sustainable for the foreseeable future, and that our debt levels, the condition of our core assets, and our knowledge about those assets puts the district in the best position it has ever been in. Corporate sustainability is challenging to maintain, however, with staff recruitment and retention, and inflationary cost pressures such that Council services and compliance will continue to be delivered on a no-frills basis.

Principles

The Financial Strategy has been based on the following foundation principles:

1. Council activities are affordable for the community, and fit for purpose,
2. Debt (both external and internal) is used as a funding tool where this is appropriate, and surplus cash is either used to repay debt, to invest in activities that generate a return, or to lessen overall costs to ratepayers,
3. Users meet the cost of services when the benefits of those services are available to be enjoyed by an identifiable group of users (the user pays principle),
4. Rates are the last option as a revenue stream.

Strategic goals

This Financial Strategy aims to plan for our community to be in the position by 2034, where:

- Our levels of service meet the expectations of our communities,
- Our assets are upgraded, renewed, and maintained as appropriate,
- There is capacity for growth, and investment is enabled in the district,
- Our services and activities meet legislative standards as a minimum,
- Our internal processes are efficient and effective,
- Our Infrastructure Strategy projects have been completed,
- Our consented activities comply with their conditions.

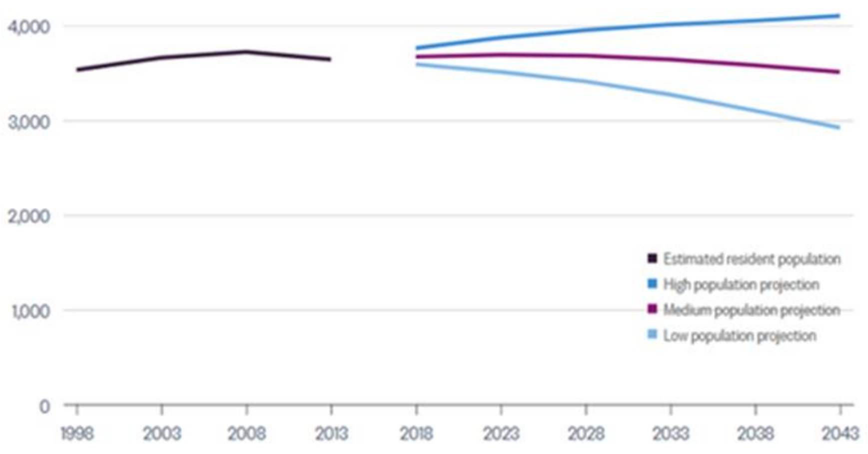
Context and strategic issues

The purpose of the Financial Strategy is to enable the Council to plan for anticipated future changes to our district's population and land uses, noting our context in terms of climate change and natural hazards, and other contextual issues. This Strategy will guide the Council's future funding decisions, and along with the Infrastructure Strategy, informs the capital and operational spending for the Long-Term Plan 2024-2034.

We have planned for ongoing renewal of our assets and to respond to anticipated demographic trends in our Infrastructure Strategy, whilst at the same time remaining within the rates and debt limits set out in this Financial Strategy.

Changes in population

Statistics NZ released its population growth projections in 2018, per the graph below, which shows the medium projection for resident population is a decrease at an average rate of around 0.4% per annum. This trend is however so weak that even relatively modest changes in a broad range of factors influencing growth could cause significant deviation from it.



Source: Statistics New Zealand population growth projections (Kaikōura)

Much has changed since these population growth projections were prepared in 2018. Since then, the earthquake rebuild has been completed, there are new developments in and around the township, including the 120-room Sudima Hotel, the new business park will attract light industry, and areas for residential expansion have been (or will be) enabled at the business park as well as at the Vicarage Views, Ocean Ridge, and Seaview subdivisions.

We anticipate that population will grow at 1.5% annually as a result of the above developments, and that there will be close to 300 new lots created within the next 10 years, the majority of which will be in Vicarage Views and Ocean Ridge. We expect, however, that 1/3rd of residential properties will not be permanently occupied, as the trend continues for houses to be owned by ratepayers living outside the district (holiday homes).

We anticipate the demographics within our resident population to change over time. Our demographic statistics show we have an aging population, and we are likely to see people living longer, living relatively active lives for much longer than before, and holiday homeowners relocating to Kaikōura to enjoy our relaxed lifestyle in retirement. For as long as there is no specialist aged care facility, however, we expect that those with higher needs will by necessity have to move to another district.

Notwithstanding this, we also acknowledge that new residential development, and being a community that bases much of our economy on tourism which brings with it vibrancy and energy, Kaikoura can attract younger families as well as vibrant entrepreneurs to establish new business offerings.

In summary, we do expect an increase in our usually resident population in the 2024-2034 period of this LTP, as urban expansion frees up areas for more housing, and there are likely to be subtle changes to our demographic profiles.

The cost of providing for changes in population

The expected small increase in population should not, by itself, create any additional demand on Council services that we do not already have capacity for. Instead, our ageing population raises concerns about rates affordability, particularly amongst those with lower, fixed incomes such as pensions. Similarly, a reliance on tourism means we have many hospitality businesses with seasonal peaks and troughs, and lower than average incomes for staff.

Overall, any people-related costs would be nominal, and offset by there being more individual incomes circulating in the local economy, more users of Council services, and more people using state-funded services such as schools and the hospital, thereby presumably attracting more government funding to the district.

Any real increase in growth-related costs would be associated with the urban expansion occurring at Vicarage Views and Ocean Ridge. These subdivisions collectively represent an additional 400 new residential sections, each of which will require connection to Council-owned water and wastewater services. While the cost of installing these services is being met by the developer and the government’s Infrastructure Acceleration Fund (the IAF), our Infrastructure Strategy has identified that the current urban water source is likely to require extending to the Ludstone Road, Green Lane area and as far as Ocean Ridge to ensure these suburbs continue to enjoy a secure water supply with capacity to serve an enlarged urban area. Similarly, wastewater pump stations are likely to need upgrading to pump more sewage from those areas to Mill Road and to the wastewater treatment plant. An application has been made to the IAF for additional support, yet to be confirmed.

Natural hazards & emergency events

The Kaikōura district, like much of New Zealand, is subject to natural hazards. The November 2016 earthquake reminded us that we live in a tectonically active zone. The quake itself exposed 105km of fault rupture within the district and resulted in new faults being identified. There were several positive effects which resulted from the earthquake. For example, the Kaikōura Peninsula rose over one metre in uplift, with greater uplift elsewhere in the district, alleviating concerns about sea-level rise, eliminating the need for beach renourishment and coastal protection work in the medium term.

Other positives include the science and research which followed, which enabled the Council to obtain up to date information about our natural hazards. We now have more detailed information about the active faults within our district, and this has allowed for the identification of fault avoidance and awareness overlays. Our understanding of liquefication has improved and we can now meet the Ministry of Business Employment and Innovation (MBIE) guidance, 'Planning and engineering guidance for potentially liquefaction prone land'. New LiDAR information has allowed for more accurate modelling of potential flooding. Research undertaken by GNS science supported by the Endeavour Fund has allowed areas subject to potential debris inundations (landsides and debris flows) to be identified.

To ensure the future development of our community is more resilient, Council planning staff successfully used this new natural hazard information to complete a natural hazards plan change for the Kaikōura District Plan.

The cost of providing for natural hazards & emergency events

Much of the costs involved with gathering information on our natural hazards has already been done, in so far as fault lines, liquefaction, debris flows and flood modelling. As discussed above, the cost of beach renourishment and coastal protection has been eliminated from Council budgets for the foreseeable future.

The Council has established a Roading Emergency Work fund that may be called on immediately following a flood or similar event that damages local roads and bridges. The fund is relatively small (approximately $200k) however the Council has committed to adding $70k per annum from 2026 onwards to keep the fund topped up to meet the immediate cost of a minor event. It is assumed that emergency subsidies would be available from Waka Kotahi (NZTA) to offset some of the costs of a larger event, as well as other Council sources of funding.

The Council has already introduced the Earthquake Levy, a targeted rate at a set dollar amount per rateable property, which is used to repay earthquake-related loans in the first instance, and then once those loans are repaid, the Levy will start to build an Emergency Events reserve fund.

The opportunity cost of creating fiscal buffers (or emergency reserves) can be significant, because accumulating buffers implies forgoing other rates funded expenditure geared toward better levels of service and spend on asset resilience. Therefore, rather than relying solely on emergency cash reserves, Waka Kotahi (NZTA), and the earthquake levy, the Council keeps at least $2 million in borrowing headroom, by keeping well within our self-imposed borrowing limits as well as the Local Government Funding Agency (LGFA) covenants so that we have access to at least $2 million at short notice for any kind of emergency or unforeseen event.

Climate change

The Council has a moral and a legal responsibility to incorporate Climate Change response into its day-to-day business and decision making. It is important that the Council aligns its activities to reduce carbon emissions across all its areas of influence and creates the conditions for a low-carbon economy that is smart and innovative and can meet or exceed the targets set within the Climate Change Response (Zero Carbon) Amendment Act 2019.

The Council has long been a supporter of greenhouse gas reduction, through various initiatives such as solar-powered streetlights in low density areas, our past benchmarking achievements in the Earthcheck programme, and more recently our installation of an electric vehicle fast-charger in the West End.

We are fortunate that the Council does not have any activities or services that are linked to high carbon emission, such as use of coal or fossil fuels for heating. In August 2022, we closed our landfill and commenced transporting solid waste to Kate Valley. Solid waste is no longer stored in open landfill cells where it produces greenhouse gasses, and the cost of carbon emissions is paid to the Kate Valley operation on a per tonne basis. The Council has therefore applied to the Environmental Protection Agency (the EPA) for a ruling that it is no longer obliged to purchase carbon credit and surrender them to the Government through the Emissions Trading Scheme (the ETS). That ruling is still pending.

As disastrously demonstrated by Cyclone Gabrielle in the North Island in 2023, and the multiple rain events in the Buller region on the West Coast, Ashburton area, Queenstown Lakes and the Dunedin coast, severe weather events are becoming more prevalent – and these events may include flooding, severe winds, damaging hail, storm surges, as well as high temperatures causing fires and droughts.

The cost of providing for climate change

While most of the damage from these events is to privately owned assets, where the responsibility falls to landowners and their insurers, the Council has a responsibility to mitigate the damage caused by these events. One of the most effective ways to do this is to increase the capacity of roadside drainage and stormwater systems, and to undertake regular clearing of these systems to ensure high rainfall events do not result in overflows or damage to roads and properties.

The Council has committed to spending up to $155k in upgrading drainage works and increasing its road drainage and environmental maintenance budget by more than $200k to address this issue, and this is one of the main reasons for the large rates increase in year one of this LTP.

The Council does not consider that events such as drought, fire, windstorms, or hail, can be mitigated through infrastructure work, but that instead the Council may be called upon for financial assistance through mechanisms such as rates relief or the Mayoral Fund. The Council plays a key role in community recovery in large events.

Changes in land use

Commercial activity

The 4.5-star Kaikōura Sudima Hotel opened in October 2022. This 120-room waterfront hotel includes conference facilities, a bar and restaurant, and is a welcome addition to the accommodations on offer for visitors. The Sudima has already secured bus tour packages providing two-night stays, which means more visitors are staying for longer in the township, and spending on activities, local hospitality, and retail. In the future the hotel may broaden its offering, to attract a new conferences and events market for Kaikōura.

In 2021 the Council was granted $10.88 million from the Provincial Growth Fund (now Kanoa) – up to $9.88M to develop Wakatu Quay, and up to $1M for a feasibility study on how South Bay Harbour could be developed. The South Bay study is now complete, however the development vision suggested not less than $30 million would be required to provide for all expectations, which will require significant external funding support. The vision for Wakatu Quay is to create a vibrant mixed-use space with cultural, tourism and community aspects incorporated in its design. A separate consultation process took place with the community, with road access proving to be one of the key issues for property owners in the area. A potential funding partner had been found for the project; they withdrew their interest in 2022 however, due to increased costs of construction and their need to focus on projects they already had in progress.

The project itself had been managed to date (early 2024) by the Kaikōura Marine Development Governance Group, which functioned independently from the Council. That Group has now been disestablished and the project brought inhouse. With the Council now likely to go alone, the initial phase is likely to be limited to one – or maybe two – buildings, with the Council committing $800k in loans to complete. Whatever the final design, the intention is that this will become an iconic facility that enhances economic development, creates sustainable jobs, and boosts social inclusion.

A private developer has lodged a plan change with the Council to enable a business park near the corner of State Highway One and the Kaikōura Inland Rd, surrounded by a 21-lot subdivision (19 of which are residential). This idea has been discussed with the Council before, but this time the developer is making significant progress, with all of the residential lots already sold and with interest from businesses considering relocating to the development.

Rural land use

Changes in activities in rural areas, such as dairying and subdivisions, can have a large impact on resources (especially water) and impact the size and volume of traffic on our local roads. The Vicarage Views and Ocean Ridge expansion is a significant increase in residential sections and will enable residents of Ocean Ridge and Green Lane to stay off the state highway to access the township, especially to go to the High School. The urbanisation of these areas, such as connecting to Council water and/or wastewater services, will trigger a change to the boundary of the urban area for rating purposes.

Other than these subdivisions in progress, contact made from other private developers suggest there could be more residential expansion to follow. Almost all of it is likely to be within 2kms of the urban area and may or may not occur within the next ten years.

The cost of providing for changes in land use

The cost of changes in land use will be met by the developer/landowner, particularly for any future commercial and residential developments. The Council's Development Contributions Policy requires a contribution from every additional housing equivalent unit (HEU) to contribute to the cost of growth-related infrastructure projects. However, because there are few growth projects required in the next ten years, the dollar value of the contributions themselves are quite small.

The Kaikōura District Plan is the document that deals with land use zones and the restrictions or other control measures that apply to those zones. A Spatial Plan is currently underway, and the District Plan is subject to an ongoing review of its chapters, progressing over the next ten years. This rolling review will be funded by loans to help ease the burden on ratepayers.

Primary purpose for capital projects

The Council is required under the LGA to identify whether a capital project is intended to provide for growth or increased demand, to improve a level of service, or to renew existing assets. Only one (primary) purpose is to be selected regardless of whether the project could fit more than one of these definitions.

These definitions might be difficult to apply in practical terms, and so to clarify, an example of a capital project to meet the demands of growth might be construction of a new water reservoir, where more storage of water is required due to an increase in population. A project that is an increase to a level of service might be a new water treatment system to improve the quality of drinking water. Renewal of assets is easier to define, as it is the replacement of existing assets up to their as-new condition. The following two pages classify the Council's capital projects into these categories as required by the LGA.

NZTA subsidies for roads and footpaths

Due to the timing of when NZTA provide their Funding Assistance Rates (FAR) for roading works vs when we needed to develop our budgets for the LTP legislative requirements, we have had to make an assumption on the level of funding we will receive from NZTA. Based on previous experience we have assumed that approximately 80% of the proposed relevant works will be funded at 51%. We also assume that the replacement of the Glen Alton bridge will receive a subsidy of 95% for up to $13.65 million total cost of the project. Should the actual funding be less than this then we would need to either reduce the proposed scope of works or look to self-fund the difference subject to council approval. Any proposed approach will depend on the level of funding gap magnitude.

Providing for growth and increased demand

As discussed in this Financial Strategy, there is limited impact of increased demand placed on our essential services attributable to growth that is not already provided for within the design capacity of these essential assets.

The only growth-related projects we have identified in the budget forecasts are for:

- wastewater pump station overflow prevention
- prevention of stormwater infiltration to wastewater (South Bay)
- Wakatu Quay commercial, retail & hospitality development

The cost of providing for growth and increased demand

Group of activities	2024/2025 (,000s)	2025/2026 (,000s)	2026/2027 (,000s)	2027 - 2034 (,000s)
Capital projects to develop new or increase capacity of existing assets				
Roading	-	-	-	-
Water supplies	-	-	-	-
Wastewater	-	-	-	504
Stormwater	-	-	-	-
Refuse & Recycling	-	-	-	-
Facilities	3,891	3,091	-	98
	3,891	3,091	-	602

Improving levels of service

The Council's Infrastructure Strategy highlights projects that will improve on current levels of service, and these are listed in more detail in that Strategy.

The main projects are:

- the shared pathway, widened road and road extension to Ocean Ridge from Ludstone Road (the IAF project),
- roading safety improvements
- footpath upgrades and new footpaths
- Kincaid water treatment upgrades
- Closure of the landfill and further work on the waste transfer station
- Completion of the Link Pathway
- Establishment of a new water supply and wastewater treatment system for the airport

The cost of providing for improvements to levels of service

Group of activities	2024/2025 (,000s)	2025/2026 (,000s)	2026/2027 (,000s)	2027 - 2034 (,000s)
Capital projects to develop new or improve existing assets				
Roading	6,849	5,969	428	2,676
Water supplies	126	-	21	1,567
Wastewater	100	5	-	3
Stormwater	5	5	26	96
Refuse & recycling	400	197	-	-
Facilities	623	69	286	167
	8,103	6,245	761	4,509

Maintaining existing levels of service

The Council proposes to spend over $13 million renewing the roading network over the next 10 years (excluding the bridge and emergency resilience projects). This level of spend looks likely to be sustained in order to keep local roads to an appropriate standard. The Infrastructure Strategy notes that inadequate road renewals between 2010 and 2019 have created backlog, including a risk that adverse weather conditions could cause road surface failures. It is the Council's preference that the accumulated backlog be addressed within this LTP, which carries with it a moderate risk of road surface failure, but that this is able to be mitigated by the prioritisation of renewed sections of road. These projects will be funded by NZTA subsidies in the first instance, with the balance of the reseals backlog funded by loans, and the remainder funded by rates. The result is a significant increase in roading rates, and in loans, particularly in the first four years of this LTP.

Following the 2016 earthquake, much of our essential water and wastewater infrastructure has been rebuilt, leaving the Council in the enviable position of having a very low renewal profile for the next ten years. The only major renewal project that has been identified is the replacement of approximately 9km of asbestos cement (AC) main in the Kaikōura township that is currently theoretically near the end of its useful life. Fortunately, there is little evidence of any increased maintenance due to breaks or leaks, nor is there evidence of any other short-term risk. It is the Council's preference to progressively renew these AC mains over a 15-year period, basing priority on condition assessments and recent repair history.

Another significant renewal project is the replacement of the Waiau-Toa/Clarence River bridge, formerly known as the Glen Alton bridge, which failed during the 2016 earthquake, resulting in a loss of all-weather access for around 15 people in the Clarence Valley. The only solution that Waka Kotahi (NZTA) has agreed to fund is construction of a new bridge downstream with an engineered ford over the old river channel and associated work to protect connecting roads. This $13.6 million project is to be 95% funded by NZTA, but while this is the only solution that NZTA have confirmed they will fund, it remains uncertain due to strong opposition from the Runanga. The project is reflected in the LTP budgets but at the time of writing, these issues remain unresolved.

The Puhi Puhi and Blue Duck Valley Roads require significant emergency resilience works to prevent further damage from flooding and rainfall events. Our Infrastructure Strategy and this Financial Strategy assume that this work has been completed prior to the start of this LTP period.

The cost of renewal and replacement of existing assets

Group of activities	2024/2025 (,000s)	2025/2026 (,000s)	2026/2027 (,000s)	2027 - 2034 (,000s)
Capital projects to renew or replace existing assets				
Roading	3,603	10,010	2,772	8,085
Water supplies	213	379	600	5,070
Wastewater	379	283	328	2,928
Stormwater	5	5	5	41
Refuse & recycling	-	-	59	11
Facilities	612	101	150	945
Other	93	126	97	952
	4,905	10,904	4,011	18,032

Other assets in the above table include library books, office furniture, computer hardware, software, equipment, plant, and vehicles.

Limits on rates and debt

The Local Government Act requires the Council to set quantified limits on rates, rate increases, and borrowing. These caps are useful for agreeing with the community the boundaries to the Council's financial envelope and provides some certainty on rates and debt levels.

The district faced large rates increases in the years immediately following the earthquake to enable the rebuild to be completed and to step up into our new normal. When the COVID-19 pandemic hit in early 2020, the Council heavily moderated the rates increase down to 4.0% for 2021 (instead of the planned 10%). Further moderations have occurred in the last few years to smooth the impact of cost increases, using reserves and debt, as the local economy continued to suffer from border restrictions for visitors.

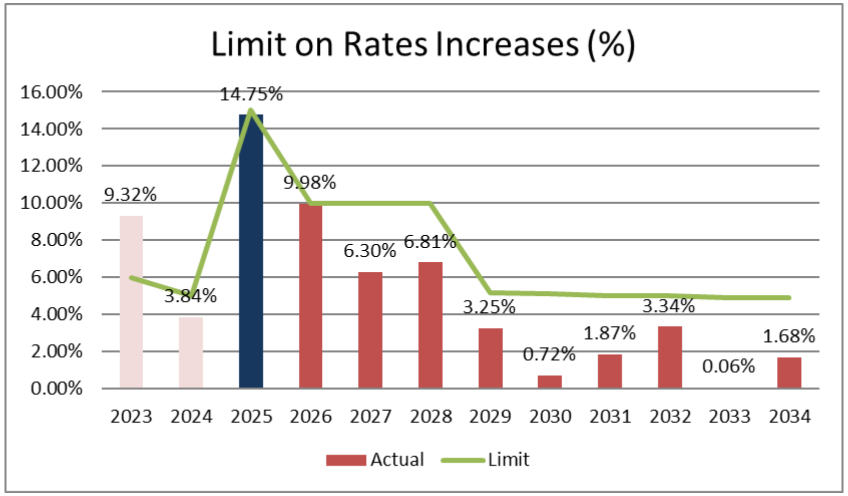
Now in 2024, the Council needs to face up to the true cost of services, which have continued to escalate, and with global tensions and supply disruptions, cost pressures have intensified. We estimate that the base cost of operations has increased more than 20% within the last two years, without making any improvements to the level of service we provide.

Roading is a significant driver for these increases and comes at a time that the Council has committed to dealing with an accumulated backlog of road repairs and renewals. Alongside this, the Council has committed to increasing spend on drainage renewals and maintenance, because heavy rainfall events have the potential to scour out roads, damage bridges, and cause flooding to properties.

Another significant driver for cost increases is the difficulty the Council faces in attracting suitably qualified personnel to the district, like building inspectors, asset managers, accountants, and planners. This forces the Council to rely on external resources – consultants and contractors – which come at greater cost.

Limit on rates increases

The Council has capped its total annual rates requirement increases to 15% for the 2025 financial year (including targeted rates by water meter). This is the largest rates increase the district has ever faced. Following the rates review conducted during the 2024 financial year, the incidence of rates across the district has also changed somewhat, such as a new fixed rate and new differentials for roading, and so the increase in rates for individual properties could be either above or below the 15% (the 15% is the increase in total rates revenue that the Council needs to operate).



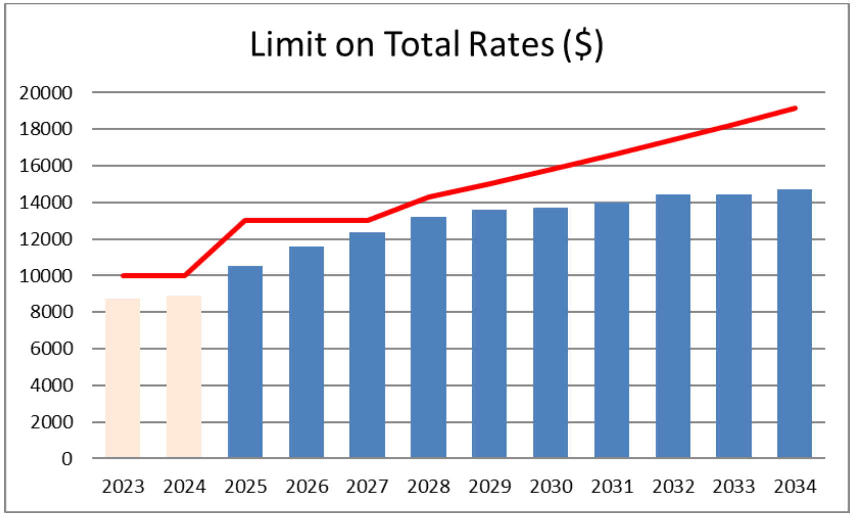
The main factors contributing to the rates increase are;

- Roading renewals and maintenance,
- Challenges recruiting qualified staff forcing use of external resources,
- Increased insurance premiums, professional services, and audit fees,
- Special reserves that offset rates requirements in the past are now depleted.

The Council is also signalling that rates increases in the years 2026 through to 2028 continue to trend at high levels because of ramping up of the District Plan review work, plus the timing of several capital projects, and has capped increases at no more than 10% for those years accordingly. The Local Government Cost Index (LGCI) +3% applies to the remaining years 2029 to 2034.

Limit on total rates

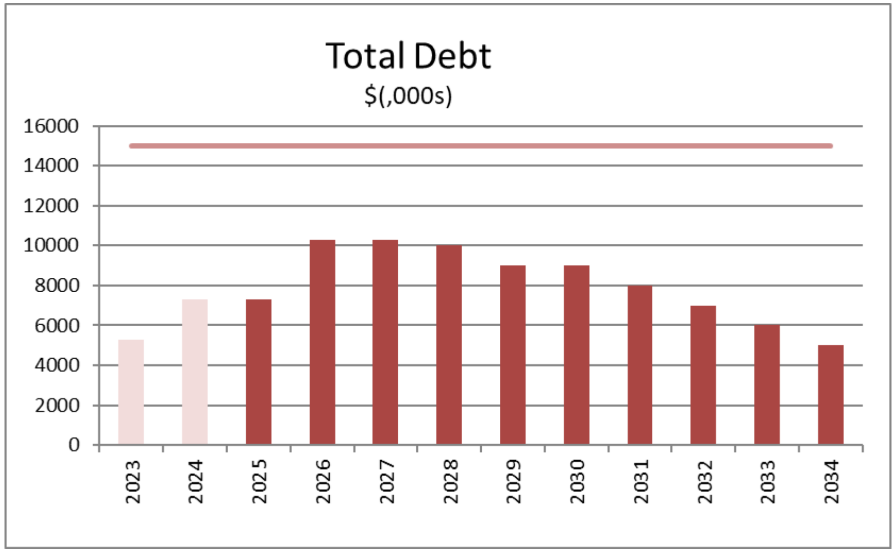
Whereas the above graph depicts our limit on rates increases (as an annual percentage) the following graph shows that rates will be no more than $13 million in the first three years of the Long-Term Plan (years 2025 to 2027).



The remaining seven years are then limited by the LGCI +3% limit out to the 2034 financial year.

Limit on total debt

The Council has set a self-imposed limit on our total borrowings of $15 million in today's dollars. At this level, forecast interest expenses would remain less than 10% of total revenue even if interest rates rose to 8% (which at this stage seems extremely unlikely).



Total borrowings (or debt) increase by $3 million from 2025 to 2026, where the Council is borrowing to deal with the backlog of roading reseals, pavement rehabilitation and footpath upgrades, as well as Wakatu Quay, completing the waste transfer station, the District Plan reviews, and implementing a new core software system. Borrowing reaches a peak in 2026 and 2027 of $10.3 million and then starts to gradually fall as past loans are repaid.

The above assumes that the Council will use available cash rather than borrow, to reduce the cost of loan servicing.

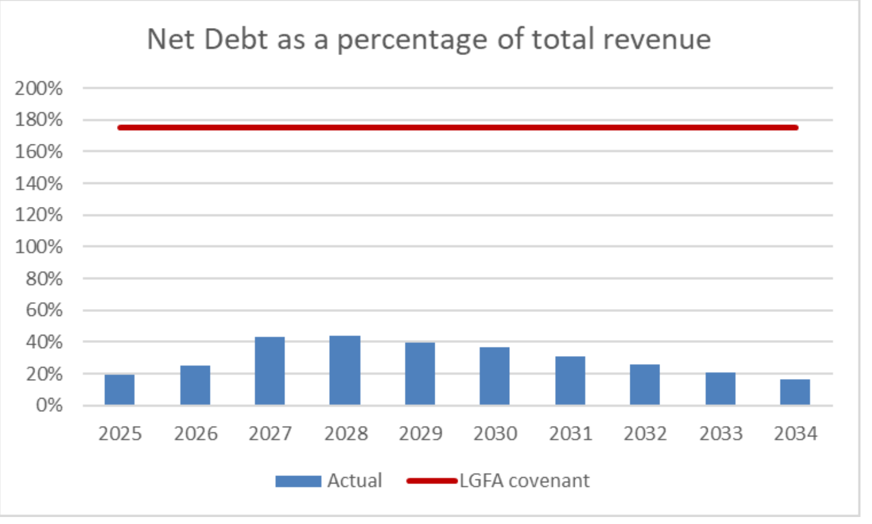
The Local Government Funding Agency (LGFA) stipulates its financial covenants. If the Council were to exceed the covenant limits, the cost of borrowing could increase significantly, and the LGFA may even refuse to lend funds.

LGFA's covenants are that:

- Net debt does not exceed 175% of total revenue, and
- Net interest does not exceed 20% of total revenue, and
- Net interest does not exceed 25% of total rates income, and

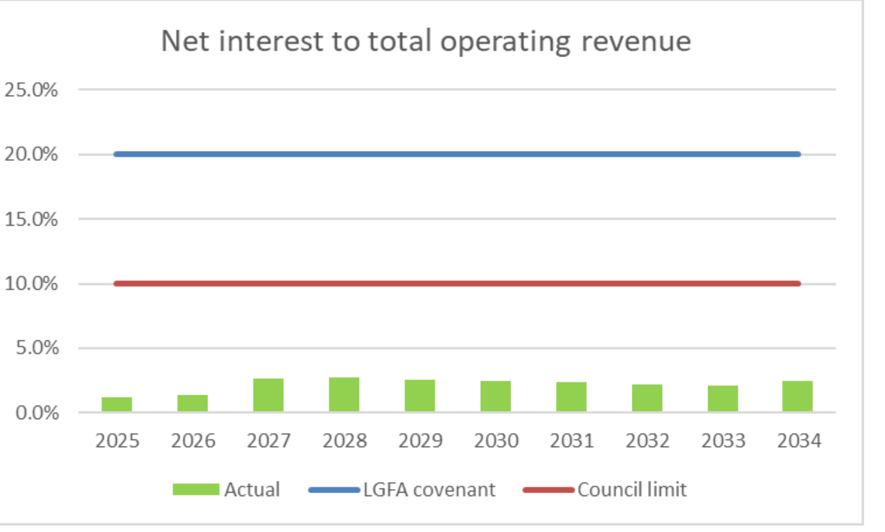
- Liquidity is not less than 110%

The Council has self-imposed caps that are more stringent than those of LGFA. The following graphs highlight the extent to which we are within LGFA limits.



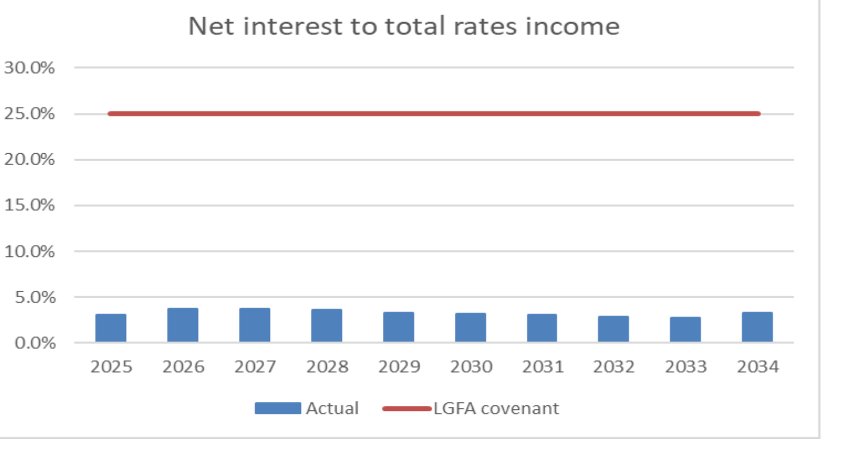
LGFA covenant: net debt does not exceed 175% of total revenue

Net debt is the total borrowings less cash & cash equivalents and other financial assets/cash investments. The Council reaches a peak of 44% in 2028.



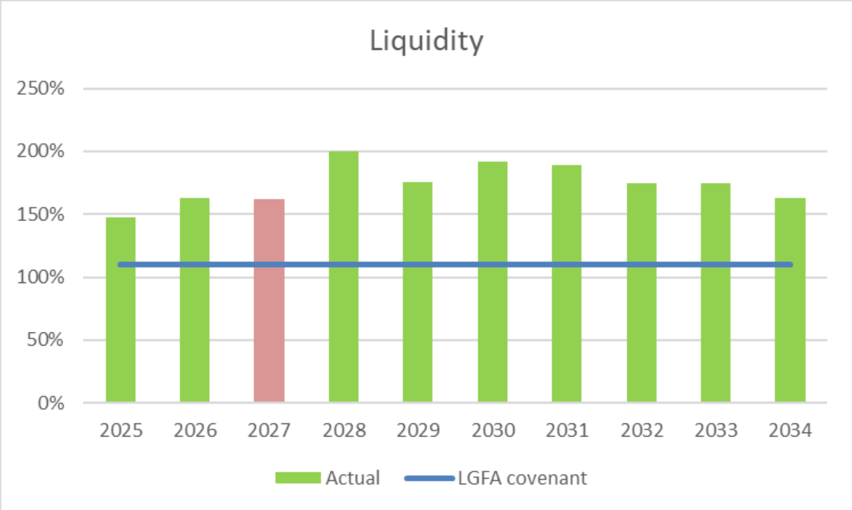
LGFA covenant: net interest does not exceed 20% of total revenue

The Council is currently forecasting that net interest will not exceed 3% of total revenue in the ten years of this LTP.



LGFA covenant: net interest does not exceed 25% of total rates income

The Council is currently forecasting that net interest will not exceed 5% of total rates income in the ten years of this LTP.



LGFA covenant: liquidity is not less than 110%.

Liquidity is calculated as cash, cash equivalents, financial assets, and unused loan facilities (assets that can easily be converted into cash), divided by payables due within the 12-month period (including loan principal).

In the 2027 financial year, the Council may need to arrange a loan facility of $1.0 million to ensure it meets the liquidity requirements, however it is very unlikely that the facility will ever need to be accessed – it is required purely to meet this liquidity covenant.

The above graphs show that borrowing will be well within the Council's self-imposed limit as well as the LGFA covenants and highlights the extent of borrowing headroom that is available for emergency events.

Asset sales

The Council aims to sell properties that are not part of the Council's normal business operations and that do not generate a return to the community. Properties that might be considered for sale include closed roads, esplanade reserves and unused/unoccupied land. Once sold, the proceeds from sale will be used at the Council's full discretion, which might be to repay debt, or be set aside for future asset purchases. The Council could use these proceeds to offset the rates requirement, but this is artificial smoothing of rates and tends to cause higher rates increases in subsequent years, and so this action is not recommended.

The Council has demolished the former Council offices at 34 Esplanade and has offered the land to Te Rūnanga O Ngai Tahu to purchase, however a price is yet to be agreed.

Securities for borrowing

Like any other borrower, the Council has to offer lenders some security, and like other Councils, we secure our debt against our rates income. The Council has a debenture trust deed that provides the mechanism for lenders to have security over our rates income. The Council raises its loans with the LGFA and could also arrange separate lending facilities with the BNZ or other banks for short-term requirements and/or swaps. It also has two suspensory loans with Housing Corporation NZ, which are secured by the property at 95 Torquay Street (the pensioner flats). Those loans will only need to be repaid if the Council ever sells the flats.

Managing our investments

Equity securities and trusts

In 2024, the Council disestablished the Kaikōura Enhancement Trust (KET) and transferred KETs shares of Innovative Waste Kaikōura Ltd (IWK) to the Council. This means the Council is now the owner of IWK. IWK is a Council-Controlled Organisation (CCO).

IWK has entered into contracts with the Council to manage the landfill and resource recovery operations, deliver recycling services, provide public toilet cleaning services, and deliver water and wastewater services within the district.

The Council has a minor shareholding in Civic Financial Services Ltd (trading as Civic Assurance), these shares are not tradeable, and Civic has withdrawn from the insurance market which had been a significant source of trading revenue, and now focuses on Super Easy and Super Easy Kiwi Saver superannuation schemes.

From time to time as opportunities arise, the Council may consider future equity investments if they fulfil strategic, economic, and financial objectives. Any purchase or disposal of equity investments requires Council approval by resolution.

Financial investments

The Council manages its cash, borrowings, financial investments, and financial instruments as part of an integrated treasury function, and as part of our day to day working capital management. We will monitor the progress of our capital projects and other approved projects, and only borrow what is required to fund them if we need to.

So as to minimise external borrowing, we will often offset funds in hand and borrowing requirements internally between different funds or special reserves where those funds are not currently required. This reduces overall borrowing, and in turn minimises the level of financial investments, particularly as reserve funds are no longer held in cash. This means the Council will only borrow as cashflows require, reducing loan servicing costs and thereby benefitting ratepayers.

Commercial properties

The Council owns land at Wakatu Quay, with the buildings that were formerly leased to commercial fishery operators now demolished. Funds from the Provincial Growth Fund of up to $9.88 million will be used to develop a new commercial hospitality and public space, with plans currently underway as to what this might look like. The Council expects that, as a minimum, the new development will function in such a way that it supports its own operations and capital programme, and provide a return to the Council and lessen the dependency on rates.

Forestry

The Council owns 11.5% of the Marlborough Regional Forestry joint operation (MRF), with the Marlborough District Council owning the balance 88.5%.

Historically the Council's forestry assets provided reasonably substantial cash inflows in those years where logging was undertaken. Due to the nature of forestry (trees must be mature, and ideally, timber prices should be good), there may be several years of cash outflows between the years of logging. MRF is in the middle of a seven-year period where trees are not mature enough for viable logging, and the Council is contributing to the cost of forestry operations until logging recommences (forecast in 2029).

Further, the Council plans to harvest the South Bay pine forest during 2025, but any net yield from logging will be lost in the cost of surrendering carbon credits. The Council has applied to the Environmental Protection Agency for a ruling that it would not be liable for carbon credit surrender, as the cost of that would be prohibitive. The harvest is being done to free up the area for alternate recreational uses and provide ocean views for the Ocean Ridge subdivision, rather than to generate revenue. The Council has also provided for replanting some of the plantation in 2027/2028.

For the above reasons, other than a planned sale of carbon credits in 2025 as suggested by the MRF joint operation, the target return on investment for forestry is zero until 2029. It is intended that surpluses from forestry be used to cover forest operations in the first instance and may then be held in special funds for future strategic purposes (which may include purchasing other investments, reducing total debt, or used to offset general rate requirements).

Targeted return on investments and trusts

Our investments	Objectives	Annual targeted net return
Innovative Waste Kaikōura Ltd (IWK)	Efficiently manage landfill and recycling facilities and deliver three-waters and other services under contract.	IWK will be operated on a break-even basis, no dividend will be paid. Costs will be minimised in the Council contracts.
Civic Assurance	Financial services including superannuation schemes	Civic has withdrawn from the insurance market, dividends are unlikely to be paid
Financial investments	Treasury management	Borrowing costs are minimised
Commercial properties	Optimise value and return, while providing social, cultural, economic and environmental benefits to the community	Commercial property will provide a financial return to Council, as well as providing benefits to the community and/or local economy.
Forestry	Generate cash surpluses after having covered all costs associated with the activity, to be used to reduce the Council's rates requirement or any other purpose at the discretion of the Council	Capital distributions are paid to KDC once logging commences (anticipated from 2029 onward)

Balanced budget

All Councils must ensure each year's projected revenues are sufficient to cover all operating costs unless that Council resolves that it is financially prudent to do otherwise. Historically, the Council has never fully funded depreciation in collecting rates, and other Councils have varying policies. Funding depreciation involves accumulating cash reserves from today's ratepayer to pay for asset renewals in the future. Where reserves are accumulated, the effect is that current asset users fund future asset use (in full or part). Where reserves are not accumulated, future users may be required to fund the asset renewal.

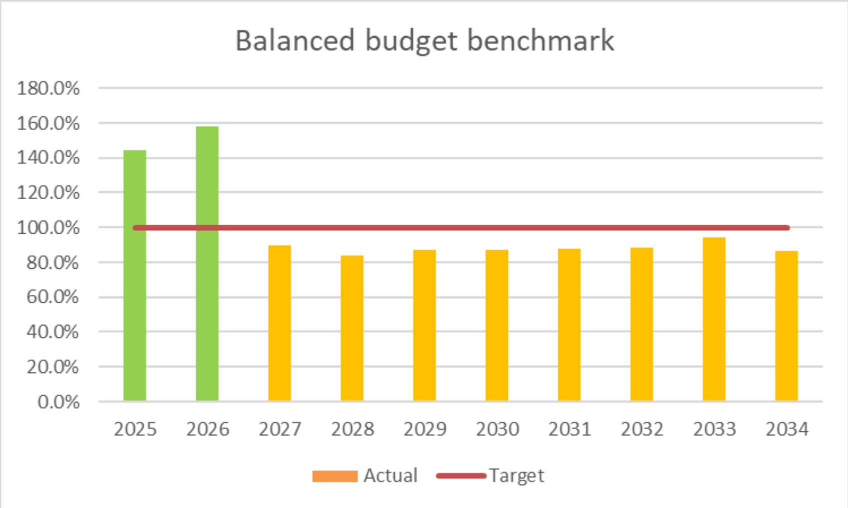
A key component of the Council's Financial Strategy – based on the reliable information we now have about our assets and their condition – is that there are extremely low levels of asset renewal work required over the next ten (if not thirty) years. With that information, the Council's asset renewal profile has now been confirmed as extremely low for at least the next 30 years.

The Council will continue its deliberate policy not to fund depreciation. This LTP, therefore, projects an annual deficit from the 2027 financial year, attributable to depreciation. The annual amount of depreciation is in the range of $6.1 to $6.8 million per annum, and the deficits range from just under $1.0 million in 2033 to just over $3.0 million in 2028. The average surplus/(deficit) over the ten years is a surplus of $2.97 million, mainly because the first three years, 2025 to 2027, show significant revenue from grants and subsidies the Council will receive for several capital projects, such as from Waka Kotahi (NZTA) to construct the Waiau-Toa (Clarence) River bridge, from the PGF for the Wakatu Quay development, and from the Infrastructure Acceleration Fund (the IAF) for road extensions and shared pathways from Vicarage Views to Ocean Ridge. The subsidies are categorised as revenue to the Council, but the cost of these projects are capital costs, not operating costs.

The Council's policy not to fund depreciation considers that when assets do need to be replaced, we will seek alternative sources of funding such as grants or subsidies. The following fiscal levers will be also used to move progressively towards achieving a balanced budget (beyond the 10 years of this LTP):

- fees and charges; and
- lifting rates revenue, and
- efficiencies.

These options will be deployed in the first instance or raise loans if no other funds are available. Rates may be used to fund the net cost of renewals on an ongoing basis provided the annual renewal cost is equal to or less than the annual depreciation for that asset category. The Council continues to believe the gradual changes proposed will result in the best fiscal and most sustainable outcome. As we move towards maximising our revenue potential, particularly from fees and charges but also from rates revenue, this will enable us to support the capital investment projected while maintaining the levels of service that residents expect.



The balanced budget benchmark is met if revenues are at least 100% of expenses. The Council meets the benchmark in the first two years of the LTP.

Assumptions

The main assumptions underlying the forecast information, based on predictions from both internal and external sources, are described in full in Part Four: Financial Information & Rates chapter of this Long-Term Plan.

Infrastructure Strategy 2024-2054

Policy status:	Adopted
Review due:	30 June 2027
Legal reference:	Local Government Act 2002 Section 101B Schedule 10, Part 1, Section 9

1 Introduction

An Infrastructure Strategy is intended to outline how a Council intends to manage its infrastructural assets, having regard to matters such as when assets need to be renewed or replaced, funding options and other matters, such as the need to improve health or environmental outcomes and to manage risks from natural hazards.

Section 101B of the Local Government Act 2002 requires the preparation and adoption of an infrastructure strategy for a period of at least 30 consecutive financial years. Key legislative requirements include the following:

(2) The purpose of the infrastructure strategy is to—

(a) identify significant infrastructure issues for the local authority over the period covered by the strategy; and

(b) identify the principal options for managing those issues and the implications of those options.

(3) The infrastructure strategy must outline how the local authority intends to manage its infrastructure assets, taking into account the need to—

(a) renew or replace existing assets; and

(b) respond to growth or decline in the demand for services reliant on those assets; and

(c) allow for planned increases or decreases in levels of service provided through those assets; and

(d) maintain or improve public health and environmental outcomes or mitigate adverse effects on them; and

(e) provide for the resilience of infrastructure assets by identifying and managing risks relating to natural hazards and by making appropriate financial provision for those risks.

(4) The infrastructure strategy must outline the most likely scenario for the management of the local authority's infrastructure assets over the period of the strategy and, in that context, must—

(a) show indicative estimates of the projected capital and operating expenditure associated with the management of those assets—

(i) in each of the first 10 years covered by the strategy; and

(ii) in each subsequent period of 5 years covered by the strategy; and

(b) identify—

(i) the significant decisions about capital expenditure the local authority expects it will be required to make; and

(ii) when the local authority expects those decisions will be required; and

(iii) for each decision, the principal options the local authority expects to have to consider; and

(iv) the approximate scale or extent of the costs associated with each decision

An Infrastructure Strategy must cover infrastructure provided by the local authority for roading, footpaths, water supply, wastewater and stormwater, and any other types of assets that it wishes to include.

This Infrastructure Strategy reflects the small size of the district and its infrastructure. The scope of the Strategy is limited to the essential asset classes described above, which make up the large majority of the Council's capital and operational costs.

Important Note

Unless specifically stated otherwise, all budget and cost projections in this Infrastructure Strategy are presented in uninflated 2023-dollar terms. The Financial Strategy has been adjusted for inflation to ensure adequate funding is available for all planned projects. The Infrastructure Strategy and Financial Strategy are therefore not directly comparable.

2 Summary & significant issues

The Council's roading assets comprise approximately 210km of roads, 52 bridges, 38km of footpaths and various associated structures.

The Council's three-waters assets comprise seven water supply systems (Kaikōura Urban, Ocean Ridge, Fernleigh, Peketa, Oaro, Kincaid and East Coast), one reticulated wastewater system (serving Kaikōura including Ocean Ridge) and one reticulated stormwater system serving those same two areas.

Valuations of the component assets as at 30 June 2022 are presented in the tables below:

3 Waters Assets	Replacement Cost	Depreciated Replacement Cost
Water Lines	$41,432,775	$23, 397, 860
Water Point + Structures	$13,586,588	$6,601,695
Wastewater Lines	$23,633,748	$8,573,727
Wastewater Points	$5,001,231	$3,334,291
Wastewater Structures	$15,685,227	$11,168,267
Stormwater Lines	$9,359,501	$6,155,110
Stormwater Points	$2,614,578	$1,833,525
Total	**$111,313,648**	**$61,064,475**

Roading Assets	Replacement Cost	Depreciated Replacement Cost
Bridges	$42,803,467	$21,033,850
Pavement Formation	$76,028,826	$76,028,826
Pavement Basecourse	$12,952,542	$5,699,119
Pavement Subbase	$30,732,475	$30,732,475
Pavement Surfacing	$10,133,447	$3,548,437
Footpaths	$6,848,776	$3,077,462
Signs / Traffic Facilities	$943,730	$431,289
Streetlights	$1,069,608	$733,275
Drainage	$7,699,265	$3,823,719
Surface Water Channels	$3,570,667	$1,907,228
Seawalls	$3,354,463	$1,649,745
Total	**$196,137,265**	**$148,665,426**

Further details of assets and networks can be found in the relevant Asset Management Plans.

Because of its small population, close proximity to mountains and large separation from other substantial urban centres the Kaikoura is in a relatively unusual situation, which is in turn reflected in some fundamental challenges in respect of infrastructure provision.

Very limited potential for economies of scale, isolation from larger and potentially more competitive markets for works and services, together with a geographic setting where there is significant risk of damaging natural events, including flooding and ground instability, creates an environment where the provision and maintenance of infrastructure is often relatively expensive.

An understandable consequence of such high costs and limited population and associated ability to pay has been that a basic 'do minimum' approach has been widely adopted in respect of both levels of service and renewal of infrastructural assets.

In the case of roading the effect of this approach has also been exacerbated by a previous practice of using renewals budgets to fund unforeseen road repairs necessitated by severe rainfall events, and the direct and indirect effects of the 2016 Kaikōura earthquake.

The resulting deferral of road asset improvements or renewals has in some cases created a need for an increased amount of such work to be conducted in the future to catch up and the commencement of a multi-year program of works to achieve this was a key feature of Council's previous 2021 to 2024 Long Term Plan.

Good progress has subsequently been made towards this catch-up, but a significant amount remains to be done and delivery of this program will continue to be a focus of Council for much of the following LTP period.

Whilst the 2016 earthquake caused extensive damage and disruption to some council assets, it was also generally beneficial to the community in respect of the management of KDC assets in the longer term, as many older or poorer condition assets were damaged to the extent that they had to be replaced, and much of this replacement was funded by central government or insurances.

These replacements significantly enhanced the inventory of Council's 3 waters assets in respect of average residual life, performance, and resilience. Further recent significant enhancement of these assets has also been achieved through use funding granted by the Department of Internal Affairs to support the 3-Waters reform program proposed by the previous Labour government.

The extensive renewals that have occurred since the earthquake or which are envisaged to occur within the next 5 years (which potentially includes a renewal of the Waiau Toa/Clarence River bridge at Glen Alton) have had a very substantial effect on projected future renewal requirements. The available data suggests there will be a long period – in excess of 30 years – during which the cost of required renewals will be less than the very long-term averages, as reflected in depreciation amounts. There also appears to be little need to increase asset capacity or levels of service.

The National Policy Statement on Urban Development

The Council is conscious that urban areas in some parts of New Zealand are developing quickly, and that to support productive and well-functioning towns and cities, it is important that there are adequate opportunities for land to be developed to meet housing and economic needs.

Within the Kaikōura district, growth is however not expected to be much of a factor over the period of the Long-Term Plan and there appears little need to increase asset capacity or levels of service.

As and when we foresee a period of growth outside of the norm, the Council will identify and plan to address constraints in our infrastructure to ensure our systems enable growth and support well-functioning urban environments.

Despite this generally positive situation there are however some asset related challenges or risks that need to be addressed, which are summarised in Table 1. All of these issues, with the possible exception of the Waiau Toa / Clarence bridge, are considered to be relatively straightforward to manage, without placing unacceptable burdens on the community.

KDC's Infrastructure Strategy can be best described as an 'enhanced business as usual' approach, focussing on effective delivery of core functions, without taking any major new directions.

Table 1: Significant Infrastructure Issues

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
Roading				
Renewal Decision on response required by start of 2024/25 year	Inadequate annual resealing programmes between 2010 and 2019 have created a backlog of roads with surfacing near to or beyond the end of its life, very worn or brittle. This creates a risk that under adverse conditions – for example a wet winter – there could be extensive surface failures which then result in water entry and damage to the underlying pavement, with very high repair costs	Undertake reseals at a level consistent with depreciation, only otherwise resealing roads at the point of imminent failure.	A large backlog of roads near to failure would continue to remain, with unacceptably high risk that a large extent of roads could simultaneously fail.	Not favoured
		Address backlog completely in 2024/25 year.	Cost of approximately $2.45 million in 2024/25, significant rates impact, excessively risk averse	Not favoured
		Undertake larger volumes of resealing work over the next 5 years to eliminate the accumulated backlog.	Moderate risk of road failures, mitigated by prioritisation of resealed sections	Likely; reflected in LTP budget estimates and programme submitted to NZTA.
Renewals & Level of Service Decision on response required by start 2024/25 year, could be revisited in future	Approximately 8km of footpaths currently assessed to be in poor or very poor condition. Negative community perceptions (41% satisfaction rating in 2022/23) of the current level of service.	Status quo renewals and maintenance budgets, constructing new footpaths in concrete.	$100k capex & $60k opex. Progress limited due to higher-than-expected concrete path construction costs. Potential renewal of only around 4km of paths in LTP period. Work less likely to qualify for NZTA subsidy.	Not favoured
		Continue renewing footpaths in concrete, but with increased budget.	$250k capex, $60k opex. Potential renewal of 8km of paths during LTP period. Less likely to qualify for NZTA subsidy because of path type.	Not favoured

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
		Increase budget, constructing most paths as asphalt overlays.	$250k capex, $60k opex, less expensive form of path construction and more likely to qualify for NZTA subsidy because of path type. Potential renewal of 12km of paths in LTP period.	Likely; reflected in LTP budget estimates
Emergency Works Decision on response required by start of the 2024/2025 year	A number of district roads are potentially susceptible to severe damage during extreme natural events that would have high cost to rectify, but the forecasting of such events and their costs is extremely difficult, creating a financial planning challenge	Annual budget allocations are made with the intention of covering the full costs of emergency works in that year	Potential large variances from these budgets have previously resulted in other important works being deferred or not undertaken.	Not Favoured
		Use of debt funding where necessary to meet costs of extreme events	Financial impact on the community is smoothed across years	Likely; reflected in LTP budget estimates
Renewal Decision on response required by start of the 2024/2025 year	Inadequate area wide treatment programmes have created a backlog of roads with significantly deteriorated pavements, resulting in rough roads and high maintenance costs.	Program of area wide pavement treatment at a level equivalent to basecourse depreciation.	Expenditure of $259k per annum, continuing existence of small backlog of poor condition pavement.	Not favoured
		Continuing accelerated basecourse renewals program for LTP period.	$330k per annum for period of LTP, thereafter reverting to matching depreciation.	Likely; reflected in LTP Budget Estimates and programme submitted to NZTA.
Renewal/ Level of Service Suggested that decision on response	Jordan Stream bridge on Puhi Puhi Road has a very low vehicle weight limit of 1500kg making it unsuitable for most vehicles.	Install a new bridge, leaving existing bridge in place as a historic artifact.	Estimated capital cost of $800,000	Possible, not yet reflected in the LTP.
		Prevent access to existing bridge, leaving ford as only means of crossing stream.	Road access is more frequently interrupted	Possible

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
required by start 2026/27 for next LTP		Do nothing until bridge is deemed inadequate for any vehicles	Potential hazard if drivers ignore weight restriction	Not favoured
Level of Service / Resilience Decision on response required by start of the 2024/2025 year	Poor definition and associated limited capacity of roadside drains in rural areas contributes to increased damage to roads in heavy rainfall events. Extent of effect has increased in recent years, perhaps in response to climate change.	Retain roadside drains in current form, with increased annual budget for more frequent post-event pavement repairs.	Ongoing additional annual OPEX of circa $30k Continuing or increasing level of post rainfall event damage and disruption to roads.	Not favoured
		Three-year programme of increased roadside drainage improvements commencing in 2024/25, then returning to previous levels	Increase annual drainage maintenance and renewal budgets by $113k & $83.5k respectively for those 3 years. Reduced future extent of pavement damage.	Likely; reflected in LTP Budget Estimates and programme submitted to NZTA.
Renewal Decision timing dependent on external factors	The Waiau Toa/Clarence Bridge failed during the 2016 earthquake, resulting in a loss of all-weather access for around 15 people in the upper Clarence Valley.	Construction of a new bridge downstream of the old structure with an engineered ford over the old river channel with associated works to protect connecting roads.	Likely CAPEX upwards $13.6 million, to be 95% funded by Waka Kotahi NZTA.	Uncertain; reflected in LTP budget estimates but some issues still unresolved.
		Status quo (access via 'Southern Access Route')	Range of significant legal and financial risks	Not Favoured
		Reestablishing bridge at original bridge site	Broadly preferable but affordability uncertain	Some further investigation of cost being conducted

Issue Type	Issue	Principal Option(s) For R		
Water				
Level of Service Decision to be made by Kincaid scheme committee	Kincaid water supply disrupted by high turbidity stream intake; potentially need to shut down for several days until water clears.	Establish alternative ground water source	Potentially provides full resilient solution but technical feasibility and cost uncertain	Not favoured
		Increase treated water storage capacity	Duration of benefit depends on storage capacity and cost	Not favoured
		Upgrade UV treatment process to handle higher turbidity water	Circa $100K CAPEX	Currently favoured
Renewals Decision on response required by start 2024/25 year, but potential to revise in future in response to field observations	There is approximately 9km of Asbestos Cement water main in the Kaikōura community that is currently theoretically near or beyond to the end of its useful life, though there continues to be little evidence of increased maintenance requirements or other short-term risk.	Undertake all theoretical renewals immediately	potentially unnecessary	
		Reactive replacement of pipe sections in response to observations of failures or other serious deterioration	Uncertain annual costs; greater potential for service interruptions	Not Favoured
		Progressively increasing annual renewal program commencing in 2025/26, to have replaced >50% of pipes by 2033/34	Likely expenditure of $2.375 million over LTP period	Likely, reflected in LTP budget estimates, but schedule may potentially be revised
Growth Decision on response required by start of 2026/27 for next LTP	Limited capacity to supply water to some areas of the Fernleigh water scheme where further development is occurring	Maintain status quo (no changes to asset capacity and restrictions only on new major connections)	Some existing and new consumers may experience inadequate supply at time of high demand.	Not favoured
		Not permit any further connections to scheme in affected areas	Compromises intent of scheme to support rural development. Requires additional effort to monitor and enforce.	Which response is most appropriate is still under consideration
		Progressive upgrading of reticula serving affected areas		

Issue Type	Issue	Principal Option(s) For Response
Demand No particular timing for decision on response, likely after 2030	Whilst at present there is ample water supply for Kaikōura, if a major acceleration of growth occurred capacity could be challenged. A significant contributor to this is however a lack of efficient water use in the community	Introduction of universal metere charging for properties connecte Kaikōura Supply and/or developm additional raw water source and associated treatment and reticula upgrades
Wastewater		
Demand/ Level of Service Decision on response required by start 2028/29	Potential for overflows from the Mill Road, Hawthorne Road, and Lyell Creek pump stations if any significant interruption of pumping because of limited storage capacity. Some further investigation required for selection of best option.	Retain status quo
		Install fixed back-up generators a pump station; improve control sy
		Construct additional undergroun tank at Mill Road to give addition flows storage capacity.
Level of Service No decision required –	Abatement notices from Environment Canterbury are currently in effect regarding the operation of the treatment plant. Most issues appear to be due to	Obtain new resource consents fo activity. Process to do so underw may not be completed in 2023/2

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
compliance required	potentially inappropriate resource consent conditions.		Possible effects of new consent conditions on future CAPEX and OPEX requirements	
Demand/ Level of Service Decision on response required by start 2024/25	Some sewer pump stations operating at close to full capacity during heavy rainfall events, potentially limiting further development in those catchments	Retain status quo	May need to restrict development in some areas, increasing overflow risk.	Not favoured
		Continuing focus on identifying and reducing direction of stormwater to sewer.	Smoke testing to locate private stormwater connections to sewer; owners to rectify, low cost to Council.	Certain, ongoing
		Progressive upgrade of sewer pumps at time of renewal to provide additional capacity	Estimated additional cost of $131,000 over 10 years, proposed to be recovered through development contributions	Favoured; reflected in LTP
Demand No particular decision or response time – likely after 2030	Possibility that even once pumps upgraded & stormwater infiltration is reduced that capacity of main sewers in Esplanade/ Torquay /Avoca Street catchment will offer little potential for further development	Capacity upgrading of approximately 1500 metres of trunk sewer between Brighton Street and Lyell Creek Pump Station in circa 2032	Capital expenditure of approximately $500,000, potentially largely funded from development contributions	Uncertain

3 Strategy Context

3.1 District Geographic Context

Kaikōura is one of New Zealand's smallest territorial authority areas with a land area of 2,048 km^2. It is bounded on three sides by mountains and on the eastern side by the Pacific Ocean. To the north and south the mountains run to the coast in steep cliffs and bluffs.

The district is commonly referred to as "where the mountains meet the sea". At its centre is a relatively flat gravel outwash plain of approximately 110 km2 which houses the majority of the population in the Kaikōura township and the surrounding areas.

Its boundaries with the neighbouring authorities of Hurunui and Marlborough are located in steep mountain ranges and difficult terrain. There are only three roads that link to the district's neighbours. SH1 North, SH1 South and Inland Road (Route 70). As such the district is geographically isolated and highly vulnerable to being cut off from the rest of the region.

This small size and geographic isolation also pose a range of other challenges in respect of the operation and management of infrastructure.

Assets associated with roads and water services make up the overwhelming majority (around 95%) of Council's infrastructural assets by value, with other asset holding activity groups such as other buildings, facilities, land and parks and reserves being of relatively minor value. Because of this this infrastructure strategy focusses only on those two largest asset groups.

3.2 Demographic Context

Over the last 40 years there has been relatively little change in the permanent resident population of the Kaikōura District, having varied only in the range between 3270 and 3730 people, with no well-defined long-term trend. An apparent increase to over 3912 recorded in the 2018 census is believed to have been a temporary effect due to the presence of a significant number of people being employed by the North Canterbury Transport Infrastructure Recovery alliance (NCTIR) to undertake post-earthquake repairs, who subsequently left the district.

Projections of current and future population of the district have been based on extrapolation of previous weak or inconsistent trends and as such their reliability is uncertain. These projections, such as that presented in Figure 1, do not suggest substantial change, with the medium projection almost static.

The previous trends are however considered to be so weak that even relatively modest changes in a broad range of factors influencing growth could cause significant deviation from it, and at present there are proposals for a number of relatively large new residential subdivisions which it is believed could potentially be a catalyst for increased growth of the community.

Accordingly, it is currently believed that the high population projection shown in Figure 1, with annual growth of approximately 1.5% may best represent likely future growth of the community.

Within the previous relatively stable population size there have however been other significant actual or projected demographic changes.

One such strong trend is in respect of the age distribution, as shown in Figure 2, which highlights the very large increase in the number of older (65+) residents that has occurred in the last 30 years. As shown in Figure 3 this trend is projected to continue, with more than one-third of the population forecast to be over 65 by the mid 2030's.

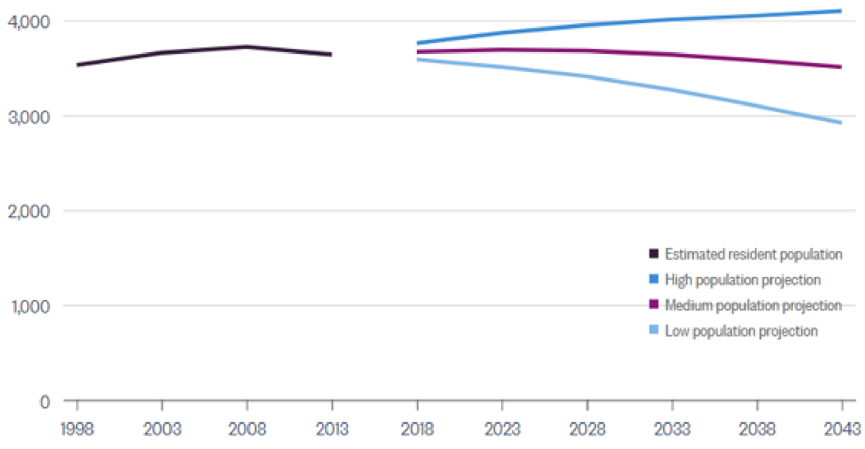


Figure 1: Projected Kaikōura District Permanent Resident Population

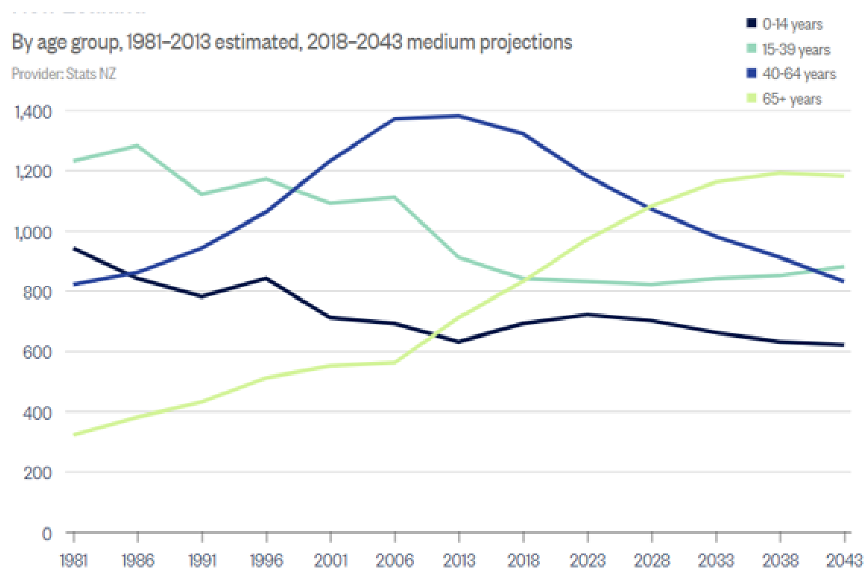


Figure 2: Historical Age Demographic Trend

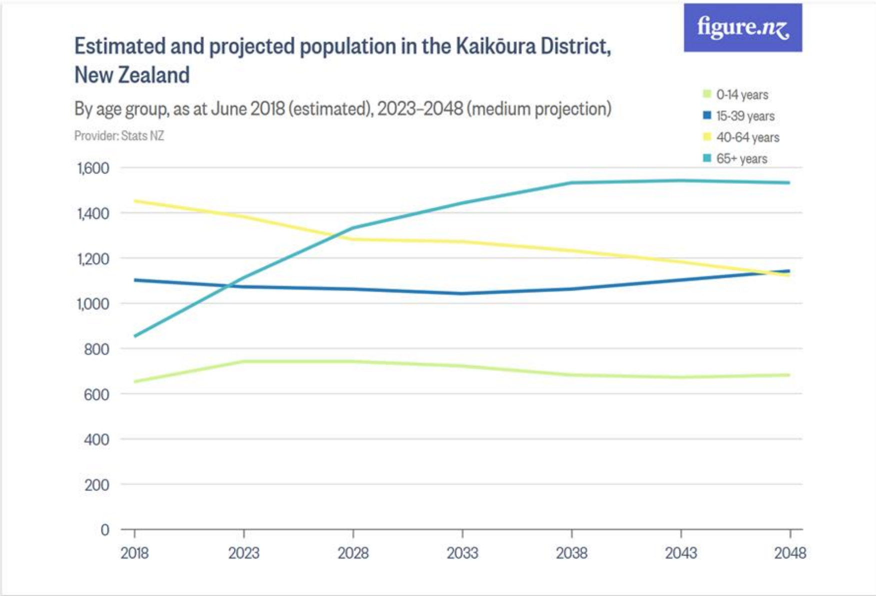


Figure 3: Predicted Kaikōura District Age Demographics

A further trend, that may further compound the increasing average age of people in the community is the high and apparently increasing proportion of dwellings within the district that are not permanently occupied, the majority of which are holiday homes. The most recent census indicates this proportion to be just over 32%, having risen by 4% over the preceding 5 years, which appears to be a continuation of a trend that has existed for some years.

Such high proportions of temporarily occupied properties are only found in a few districts viewed as lifestyle destinations, and likely effects include a probable compounding effect on population age (as holiday homeowners are often older) and greater seasonal variations in the demand for certain services.

During the peak summer season month of January tourism bed-night statistics have indicated associated population increases of up to 1,600 persons, and this does not take account of owner occupancy of holiday homes and other unrecorded occupancy.

It appears probable that the total number of people staying in the district at these peak times can easily exceed 6,000.

The increased proportion of temporarily occupied properties is one of the factors which explains why permanent resident population has remained relatively static despite some significant new property development in the last 20 years such as the Ocean Ridge and Seaview subdivisions. Another contributor to this is the increasing average age, which is accompanied by diminished average household sizes.

Whilst this aging of the resident population is likely to have significant social impacts, its effects on the roading and water services infrastructure currently operated by Council is however expected to be limited.

3.3 Development Opportunities

The demographic projections presented in the previous section are largely based on an extension of pre-existing trends, and it is recognised that the possibility could exist for entirely new trends to be established during the relatively long period covered by this strategy.

Significant changes in national or regional policy settings, changes of local or global demand for certain commodities or services and/or other major events could, over a 30-year period, potentially confer some relative advantage or disadvantage on the district, particularly in relation to population growth.

The Kaikōura District is considered to be unusual in a number of respects. Whilst its small population and relatively isolated location may disadvantage it in respect of some types of economic development it is also a place of outstanding natural beauty and it has been seen elsewhere that strong community growth can potentially be based upon such attributes, even where other logistical factors appear unfavourable.

Whilst in recent times there has been little local economic growth Council believes that there is latent potential for lifestyle led development of the district that could be transformational. The growing economic inequality of NZ society has created increased demand for properties in lifestyle locations, with associated perceptions of those locations changing, and it seems conceivable that by virtue of its outstanding natural environment that Kaikōura could, to an even greater degree, become such a place at which people wish to be.

It is believed however that such a transformation would require Kaikōura to gain sufficient critical mass in respect of population, services and activities for it to reach a tipping point after which further development is naturally attracted by a buoyant local economy creating a self-sustaining circular process with rapid growth, well above the 1.5% per annum that is currently projected.

At the present there is not yet anything to suggest that the district is close to such a tipping point, and for this reason relatively conservative growth assumptions have been made for the period of KDC's 2024-33 Long-term Plan, which include the following:

- The makeup of the Kaikōura economy will remain relatively unchanged with agriculture and tourism related activities continuing to be the dominant elements
- That average growth of permanent resident population in the district will be in the order of 1.5% per annum
- That opportunities for economic and population growth are likely to be primarily rooted in the physical environment and recreational strengths of the district
- That the most significant other demographic change will be an increase in the proportion of over age-65 residents, forecast to increase by around 30% over 10 years (an extra 230 residents in this category)
- That approximately two-thirds of dwellings in the district will be permanently occupied, with the large majority of the remainder being holiday homes
- That average property development growth will not substantially exceed 30 Household Equivalent Units (HEUs) per annum
- That at least 75% of population growth will be within the existing Kaikōura urban area or within 2 kilometres of it.
- That there will be no significant change to the structural delivery of water services. Whilst the government has repealed the previous

government's proposed reforms of three-waters services and has indicated that it will be implementing some different form of model, because there is not yet clarity regarding what this model will be no change has been assumed.
- That the technical requirement for compliance with the NZ Drinking Water Standards and/or the Drinking Water Quality Assurance Rules are not further increased, but that compliance with those standards will be more vigorously pursued by the new Drinking Water Regulator
- No increased pressure from Waka Kotahi NZTA (NZTA) for increased level of service from roads. NZTA 'One Network' standards do not become mandatory
- No substantial change to NZTA Financial Assistance Rate for the District
- That the revaluation parameters of asset age and expected life used in the 30 June 2022 roading and three-waters revaluations are sufficiently reliable overall to guide both a current valuation of the assets and future renewals schedules
- No changes to environmental standards that will significantly impact KDC's infrastructural services[1]
- No other significant changes to targeted levels of service for roads or water services other than those required for statutory compliance[2]
- No other substantial additional costs will be imposed upon Council by other legislative or regulatory changes[3]
- That climate change will not have any very major effects on the district that could realistically be mitigated by actions taken by Council[4]
- That major costs remedying damage to Council infrastructure caused by extreme events will, where necessary, be debt funded
- That there is not a resurgence of COVID19 or another pandemic[5]
- Cost inflation adjustors as per BERL

It is however recognised that beyond the period of the LTP it becomes even more difficult to predict what might happen to the district, and that within such a 30-year time frame dramatic change could potentially occur, and an attempt

[1] *Associated with this is the need for KDC to hold and comply with conditions of the Resource Consents required for the undertaking of its infrastructural activities. Details of the consents associated with the activities covered by this Infrastructure Strategy can be found in the relevant 2024 KDC Asset Management Plans*

[2] *Further details of proposed levels of service can be found in KDC's 2024 Asset Management Plans for Transportation, Water Supply, Wastewater and Storm Water. These levels are service are in general little changed relative to what has been targeted previously. The focus in future is to more reliably achieve these targeted levels, which in some cases will require additional resources to be applied to address backlogs of work and better coordinate responses.*

[3] *KDC's infrastructure activities generally have little impact on surface waters. As such the potential for water related legislation such as the National Policy Statement for Freshwater Management to have impact on KDC'S costs is believed to be limited. This is discussed further in the water services Asset Management Plans.*

[4] *The Council will consider climate change impacts in planning for infrastructure assets. We assume that climate change will have significant effects on the district (such as temperature or rainfall) during the term of this Long-Term Plan; although not as extreme as other areas within Canterbury based on the technical reports to date; nor that any major effects could be mitigated by actions taken by the Council. We consider that the potential effects mitigated by some of the actions proposed in this infrastructure strategy (for example the improvement of roadside drainage) are minor effects. We assume that climate change predictions do not differ materially from current expert reports. The 2016 earthquake caused uplift of the coastal areas of the district that might otherwise have been vulnerable to rises in sea-level. The topography of the district can cause significant issues in wet weather events. It is not realistic, however, to predict where these events might occur or any potential resilience issues. The Council will consider climate change impacts in planning for infrastructure assets. Additional funding for major costs to remedy damage to Council infrastructure will, where necessary, be debt funded.*

[5] *KDC's essential infrastructure workers in particular those involved in providing drinking water and sanitary services have previously demonstrated the ability to operate effectively even at the highest lockdown levels – observing social distancing and hygiene rules.*

has been made in this Infrastructure Strategy to recognise that this is a possibility and not make any assumptions or plans that would prevent it.

3.4 Other Assumptions

The full list of assumptions can be found within Part Four: Financial Information & Rates of this LTP.

3.5 Organisational Objectives

The Council is working towards the delivery of five key desired community outcomes, which have originated from sources including community feedback, interactions with our partner agencies and key stakeholders, and from Reimagine Kaikōura, our Recovery Plan developed post-earthquake. These Community Outcomes are as follows:

Community
We communicate, engage, and inform our community

Development
We promote and support the development of our economy

Services
Our services and infrastructure are cost effective, efficient and fit-for-purpose

Environment
We value and protect our environment

Future
We work with our community and our partners to create a better place for future generations

It is intended that the Council's delivery of infrastructural services contributes towards all these outcomes, with particular emphasis on the 'Services' and 'Development' categories.

To do so the following objectives will be pursued:

- Gathering reliable information on the form, extent, condition, capacity, performance, and criticality of existing infrastructural assets
- Understanding current and likely future demands in terms of both quality and capacity for infrastructural services
- Establishing and monitoring appropriate levels of service to ensure that current and future demands can be met
- Procuring, operating, maintaining, and renewing infrastructure in a way that achieves the desired levels of service and an optimised combination of efficiency and cost effectiveness.
- Planning and implementing new or improved infrastructure to ensure that future needs can be met.

3.6 Data Quality

A consequence of the previous very lean approach to the management of the Council's infrastructural assets has been that little effort was invested in strategic asset management, including the collection of asset data. As a result, the data sets available immediately after the 2016 earthquake were neither complete nor verified.

Significant effort has however been devoted to attempts to improve the quality of the available asset data in preparation for development of Council's 2021-2031 Long-term Plan. Asset assessments conducted as part of the earthquake rebuild have yielded useful data on existing assets and a further project was conducted to upgrade the Council's 3-Water asset inventory, with 'ground truthing' against as-built plans or other historical records.

Work has also been conducted to evaluate the condition of pavements, road surface and footpaths. Details of these assessments are contained in the 2024 Transport Asset Management Plan, with results summarised in Appendix 1.

The resultant improvement has been reflected in the independent peer review of the Council's most recent (30 June 2022) asset valuation, which assigned an overall confidence rating of 'B' ('Reliable') to the data on which the valuation was based. This is a significant improvement on previous valuations, for which assigned confidence levels had ranged from 'C' (uncertain) to 'D' (very uncertain).

The asset data on which the valuation was based has also been used in the development of the Infrastructure Strategy, and it is believed that the strategy is relatively soundly based, though it is recognised that there remain a number of areas where improved data – particularly in respect of asset condition – would be desirable.

Following the 2016 Kaikoura earthquake extensive work was conducted to identify and replace assets damaged by that event. This work included widespread CCTV pipe inspections. The older and more fragile pipes were often identified as being damaged by the earthquake and were subsequently replaced, but condition data was also gathered on the other better pipes.

Whilst the general conclusion of these post-earthquake investigations (that the pipes unaffected by the earthquake are in good condition) are reflected in the relevant Asset Management Plans and this Infrastructure Strategy, there is an opportunity for the collected pipe condition data to be used more directly in planning future asset renewals.

Another three-waters aspect where improved condition data would be desirable is in respect of the older water treatment plants, component inventories and conditions could be usefully reviewed.

For roading the condition of pavements is currently based on subjective assessments by very experienced roading engineers, but it is recognised that it may be beneficial to compare these assessments with the results of some physical testing such a SCRIM survey, in addition to the routine roughness measurements.

3.7 Critical Assets

Critical assets are defined as those considered to have a high consequence of failure, and are often also considered as being those assets whose failure would compromise the performance of the entire network.

Some previous (and current) KDC interpretations of what are critical assets have however been inconsistent between different networks. For example, on some of Council's small rural water supplies the largest diameter water pipes (supplying the whole of that system) have been considered critical on this basis, but are only of 100mm diameter or less, and a definition of criticality based on similar pipe sizes has been extended to other larger supplies which is potentially inappropriate since such pipes only serve a fraction of the network in these schemes.

It is therefore believed that a more appropriate and specific definition of critical assets would be those which, should they fail, are likely to result in a substantial number of people completely failing to obtain an essential level of service for an extended period of time.

It is suggested that an appropriate threshold for a KDC asset being considered critical is where there is potential for the asset to fail completely and the product of number of people affected, and the duration of the effect exceeds 250 person-days.

Accurately assessing exactly which assets meet this criterion is difficult, in particular because of uncertainties regarding both how many people would suffer a complete loss of service rather than a reduction, and low long the effect would be likely to persist for.

In many cases even if a particular asset completely fails, some degree of service can be maintained by using other assets.

More work is required to be done to identify and manage these critical assets, but currently only the following assets are considered likely to meet the above definition of criticality:

- Water mains of diameter greater than 200mm diameter

- Trunk wastewater reticulation downstream of the Lyell Creek pump station

No roading assets are considered to meet this definition of criticality because in most cases alternative routes are available. No-exit roads such as Blue Duck and Puhi Puhi have such low numbers of residents that the 250 person-day threshold is still unlikely to be exceeded.

3.8 Infrastructure Procurement, Delivery and Management

Works on roading or three-waters assets make up a large proportion of the Council's costs, but the scale of those works is small by local authority standards and the relative isolation of the district diminishes competition for them. This is particularly so for routine operation and maintenance works, where it is necessary to always maintain a certain level of human and equipment resources in the district, even though the extent of work required may often be low.

The Council's previous experience has indicated that for such services to be cost effective delivery needs to either be combined with other non-council works in the district or be undertaken locally on a not-for-profit basis.

The former approach is reflected in the current arrangements for routine operation of maintenance of local roads, where Downer Ltd undertake the necessary works for KDC in conjunction with the State Highway maintenance work that they undertake for NZTA under the North Canterbury Networks Outcomes Contract.

The latter approach is reflected in the delivery of 3 waters operations and maintenance, where this work is undertaken by Innovative Waste, a Council Controlled Organisation of KDC, which also currently provides Council's solid waste services.

It appears likely that because of the lack of competition these means of delivering operation and maintenance activities – roading in conjunction with the North Canterbury NOC, and three-waters by the CCO – will continue in the future unless there are substantial changes to the way that these services are delivered at the regional or national level.

Somewhat greater opportunities for competition do however exist in respect of non-routine capital works, and current practice is to conduct open procurement processes for these, though again it is recognised that only a small number of suppliers are likely to respond to requests for quotes or tenders.

Many of the indicated annual renewal requirements for particular groups of KDC assets are too small to interest external contractors' interest and achieve cost efficiency if delivered individually, and it is therefore sometimes preferable to instead bundle multiple years of scheduled work (or multiple types of work for a particular year) into a single contract to be undertaken at the same time.

This bundling approach has been adopted for KDC's roading works in the past, but an unfortunate consequence of this may have been the resultant intermittent schedules were perhaps sometimes perceived as decreased urgency to undertake works which also contributed to the deferral of renewals that has created the current backlogs.

For this reason, whilst the expenditure profiles presented in this Strategy in some cases smooth large expenditures by distributing costs over multiple years (up to a maximum of 5 years for very long-life assets) in no case has the opposite – a consolidation of forecast works for multiple years into a larger single package – been undertaken.

Whilst it is recognised that there may be significant benefits in such consolidation, and that it may indeed be undertaken, the presentation of data in this strategy is intended to indicate that the need for asset renewals is an ongoing one.

In addition to minor capital renewals, Council is undertaking two more substantial infrastructure projects, these being the reconstruction of a bridge over Waiau Toa Clarence River, and works funded by the central government Infrastructure Acceleration Fund to support additional residential development in Kaikōura.

Both of these projects are of scale that makes it appropriate (and necessary) for management and delivery to be undertaken or supported by out-of-district contractors and consultants, and as such the delivery of these projects is not expected to have any adverse effect on the Council's ability and resources to deliver other 'business as usual' works.

Challenges associated with the small scale and isolation of Kaikōura also exist in respect of the planning and technical management required for this infrastructure. Recruitment and retention of technical engineering staff is difficult for Council, sometimes with adverse effects on capability. Whilst at present KDC's engineering team has some significant local government engineering experience there is no assurance that this will continue in the future.

Potential delivery of engineering planning and management through means other than direct staff employment by Council have also been considered, but options such as use of contractors, consultants or shared services typically have attendant disadvantages in respect of cost, and in the case of the latter, capability. KDC will inevitably be a junior partner in a shared service arrangement and as such is unlikely to receive the services of the most able people in the larger organisation.

Further details on asset procurement and management approaches are contained in the relevant Asset Management Plans.

3.9 Strategy Funding

As stated in section 2.0 the overall strategy in respect of roading and 3-Waters can perhaps be best described as an 'enhanced business as usual' without major changes to activities or levels of service, or a need to accommodate substantial growth.

This continues the direction that was established in the previous Infrastructure Strategy.

Because of this the proposed associated funding model is also assumed to largely maintain the status quo, which is the funding of roading from the District Wide General rate and NZTA subsidy, and the funding of 3-water services through a mix of targeted rates and user charges.

Development contributions will be levied, but the level of charges will be relatively low because most of the previous growth-related projects have now been fully funded and there is currently very little planned growth expenditure in future years.

Whilst the sources of funding are proposed to be little changed, the amounts of funding indicated to be required are significantly greater than in the previous infrastructure strategy. This is primarily due to two reasons, being:

1. A comprehensive revaluation of assets on 30 June 2022 indicated asset replacement costs that were substantially higher than what had previously been assumed, in some cases almost doubling the value of particular asset groups.
2. Significant general inflationary movements in recent years, with particularly strong effects on infrastructural services.

This scenario of increasing cost is of course not unique to KDC, with severe cost pressures currently being common across the entire local government sector.

4 Roading Infrastructure

The Council's roading network comprises 210km of roads, of which 53% (110km) are sealed. 87% of roads by length classified as rural, and 48% of the network is classified as low volume roads, carrying less than 200 vehicles per day.

4.1 Levels of Service Issues

The levels of service provided by Kaikōura's local roads are generally reflective of the relatively small population served and associated low traffic volumes, but in some cases, they also reflect a previous short-term focus on their management, where the potential for immediate cost savings has been put ahead of long-term sustainability.

Even allowing for the low-volume nature of local roads, the level of expenditure on them has been very low. For example, the Council's 2018-2021 sealed road maintenance program was based on annual expenditure of around $3,000 per kilometre per year, whilst the average for the Provincial peer group of local authorities is $5,775.

In recent times this short-term focus was also exacerbated by a range of issues associated with the 2016 earthquake.

This approach has had several adverse consequences in respect of levels of service. Inadequacy of previous budgets since around 2009 combined with substantial unforeseen but unavoidable costs (for example emergency works) resulted in some scheduled renewal work not being undertaken. This has created a backlog of overdue work, which has seen some assets go so far past their due renewal dates that very substantial decreases in level of service have occurred.

In doing so substantial risks were created that some assets were in such a poor condition that any further accelerating deterioration that would render them in a non-functional state.

Since 2018 significant attempts have been made to move away from this situation. Prior to this technical level of service targets set by Council in its Annual Plans had generally been achieved, but those targets were not ambitious and masked localised deficiencies.

More recently higher level of service targets have been set that are more comparable with other similar local authorities, and whilst some progress has been made towards meeting these more challenging targets, more remains to be done, as shown in Table 2.

	2022/2023 Target	2022/2023 Actual	Achieved?
Roads & Bridges:			
The change from the previous year in the number of fatalities and serious injury crashes on the local road network expressed as a number	0	3	No
The average quality of ride on the sealed local road network, measured by smooth travel exposure	92%	95%	Yes
The average quality of ride on the sealed road network measured by NAASRA roughness	97	91	Yes
The percentage of customer service requests relating to roading, footpath and associated faults responded to within timeframes: Urgent – 1 day Other – 1 week	> 90%	70%	No
The percentage of the sealed network that is resurfaced per annum	> 7%	8.5%	Yes
The percentage of regulatory road signs incorrect or missing during an audit of the road network (whether a full or partial audit is completed)	< 0.5%	0.0%	Yes
Footpaths:			
The percentage of footpaths that are poor condition (grade 4 or 5)	< 10%	Not available	Not available
Resident satisfaction with footpaths	Increasing by 3% per year	41%	No
Streetlights			
The percentage of streetlights not functioning during an audit of any part of the network	< 1%	< 1%	Yes

Table 2: Performance Against 2022/23 Annual Plan Targets

The results in the above table are baselines and have not been audited. The Annual Report for the 2022/2023 year states some of these measures are "not available", please refer to that Annual Report for further information.

4.1.1 Technical Levels of Service

Significant improvements have been made in recent years in respect of road condition as reflected in roughness and smooth travel exposure (the percentage of road length that is considered to be 'smooth').

In regard to roughness (where lower values are better) very good progress has been made during the last 5 years in respect of reducing the roughness of all four categories of local roads, as shown in Figure 4.

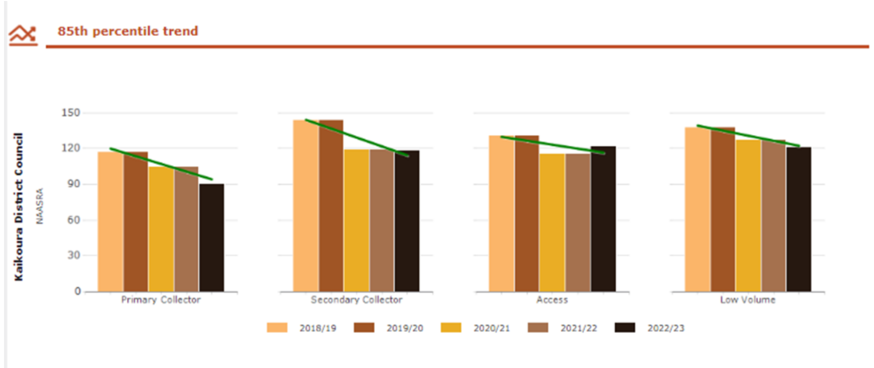


Figure 4: Roughness Trends – KDC Roads

These improvements have resulted in KDC's roads now becoming fairly similar to (and in some cases better than) other comparable groups when assessed on an 85^{th} percentile basis, as shown in Figure 5 below.

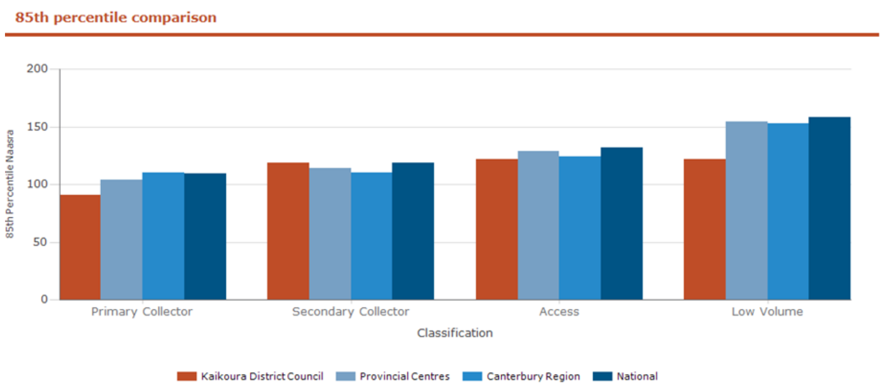


Figure 5: Roughness Comparison – 85th Percentile

Similarly good progress has been made in increasing Smooth Travel Exposure (trend shown in Figure 6 and comparison in Figure 7) with local figures now generally significantly better than these averages.

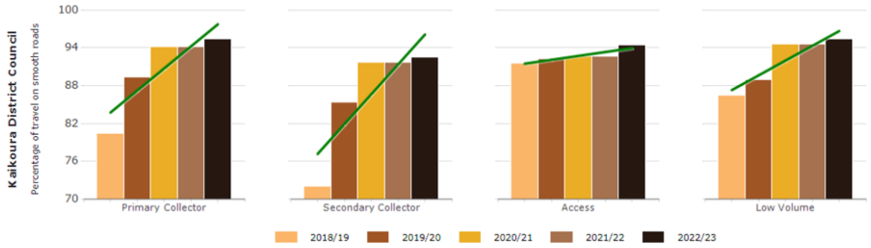


Figure 6: Smooth Travel Exposure Trends – KDC Roads

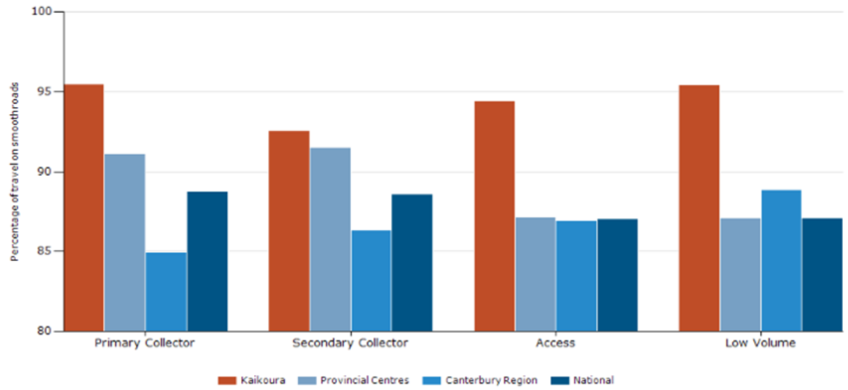


Figure 7: Smooth Travel Exposure Comparison – KDC Roads

Whilst the overall smoothness of KDC's roads has much improved over the past 5 years, it should however be noted that there are still many sections of road that have very old surfacing, which whilst currently able to provide smooth travel will be entering the latter stages of life, and as such could deteriorate rapidly.

Until these very old sections are all replaced the potential remains for overall network smoothness to decline despite the conduct of a strong renewal programme.

4.1.2 Road Safety

In part because KDC's network is small, it has a low incidence of fatal and serious injury (DSI) crashes on its network when measured on an absolute number basis as reflected in Table 3 and it is statistically inaccurate to determine trends as the number is less than 6 / year.

As shown in Table 4, whilst the Collective Risk (the number of reported serious crashes against the length of roads for particular road categories) is typically low in comparison to broader averages, the converse applies in respect of Personal Risk, which reflects the number of fatal and serious injuries against the total number of kilometres travelled on the network roads by road users.

DSI Counts	Primary Collector	Secondary Collector	Access	Low Volume	Total
2013/14			1		1
2014/15		2	2		4
2015/16		2			2
2016/17	1				1
2017/18					0
2018/19	1				1
2019/20		1			1
2020/21					0
2021/22					0
2022/23		2		1	3

Table 3: Fatal and Serious Injuries 2013 to 2023 – KDC roads

The locations and causes of the relatively few serious crashes which occur on local roads are very variable, and road factors are seldom identified as a primary causal factor, making effective targeting of safety responses difficult.

There are however a few locations where there is considered to be significant latent risk, such as certain rural intersections and works to address some of these are planned to be undertaken.

Classification		Personal Risk per 100M VKT	Collective Risk
Primary Collector	Kaikoura District Council	7.586	0.013
	Provincial Centres	5.374	0.040
	Canterbury Region	5.053	0.048
	National	5.739	0.048
Secondary Collector	Kaikoura District Council	5.975	0.007
	Provincial Centres	6.796	0.016
	Canterbury Region	5.398	0.012
	National	6.912	0.016
Access	Kaikoura District Council	10.785	0.004
	Provincial Centres	7.422	0.006
	Canterbury Region	6.596	0.004
	National	8.360	0.006
Low Volume	Kaikoura District Council	0.000	0.000
	Provincial Centres	9.088	0.002
	Canterbury Region	7.770	0.001
	National	11.210	0.002

Table 4: Personal and Collective Risk – KDC Roads, 2013-2022

The statistics are therefore not considered to provide a clear indication of the relative safety of KDC's network, but there are considered to be few safety hazards on local roads that are substantial and practically reduceable. In making this statement it is recognised that because of the topography of the district there are some roads in the district – and a notable case would be the Puhi Puhi Road– that are always likely to have the potential for serious injury if not driven with proper regard to the conditions.

In somewhat similar vein it is also recognised that significant safety issues exist for cyclists on the section of Beach Road (State Highway 1) between Hawthorne Road and West End, but despite extensive previous consideration there no practical solution has been identified because of other constraints that exist at that location.

For these reasons, only relatively modest annual budget allocations have generally been made throughout the period of this strategy to address safety issues as they arise.

4.1.3 Customer Perceptions

Technical measures of levels of service do not always reflect customer perceptions.

Some of KDC roads (and sealed rural roads in particular) have deteriorated to the point where their deficiency is very obvious to users, and whilst the proportion of the network that is in this very poor state is relatively small, this inevitably shapes perceptions of the network as a whole.

Works undertaken on roads to remedy damage caused by the 2016 earthquake (including replacement of 3-Waters reticulation) and other disturbances such as the recent laying of the broadband fibre network in the Kaikōura community, have also contributed to negative perceptions of the network as a whole.

The levels of community satisfaction with KDC roads over the past 10 years is shown in Figure 8 below.

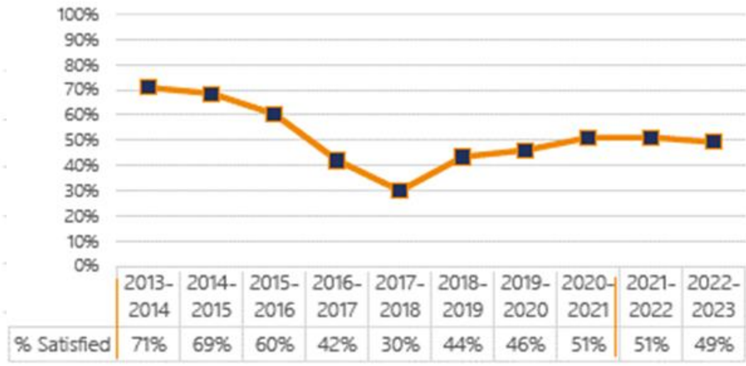


Figure 8: Community Satisfaction Levels (Roads)

It is believed that the progressive (and accelerating) decline of levels of community satisfaction between 2013/14 and 2016/17 shown in Figure 8 may be reflective of the fact that the condition of many roads was so poor that they were commencing rapid deterioration towards complete failure.

As shown in Figure 9 community satisfaction in respect of footpaths show a similar though less pronounced decline from 2013/14 to 2016/17, and have since remained at relatively low levels.

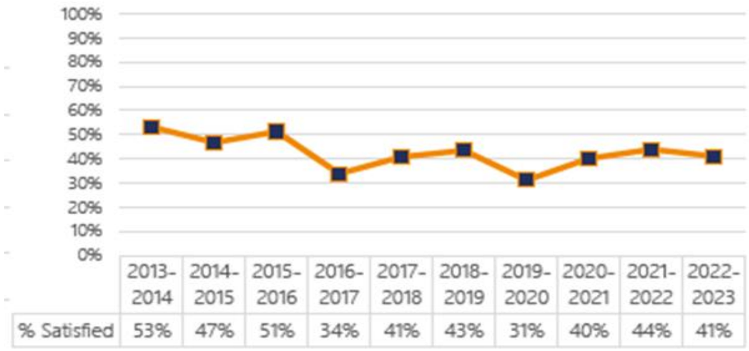


Figure 9: Community Satisfaction Levels (Footpaths)

Whilst a structural assessment of KDC's footpaths conducted in May 2019 indicated that a very large proportion (over 92%) of the network length was physically in a good or excellent physical condition, it is believed that this assessment was seriously flawed as it did not recognise the existence of some footpaths because they were so severely deteriorated or overgrown.

A recent visual condition rating has instead indicated that 20% of the network (around 8km in total) is in poor or very poor condition and needs urgent replacement.

The proposed strategy in respect of roading levels of service is therefore primarily to promptly address the most significant current deficiencies (which are particularly in respect of severely deteriorated pavement surface, structure and footpaths) and thereafter to ensure that sound levels are consistently maintained.

In essence, the overall strategy for roading levels of service is considered to be one of restoration and maintenance of sound basic levels of service rather than ongoing improvement. Roading is, and will remain, a very substantial cost to ratepayers of the district, and substantial improvement of levels of service beyond sound basic levels is not considered to be realistically affordable (or necessary) with such a small population.

4.2 Demand

Relatively low levels of previous or forecast population and economic growth in the district have created little pressure on the capacity of Council's roading assets.

Data from NZTA on vehicle kilometres travelled in the district (including State Highways) shown in Figure 10 also fails to indicate a strong trend of increasing traffic volumes.

Under normal circumstances there is almost no traffic congestion on these roads, with the only location where minor congestion occurs being in the Kaikōura town centre, where the presence of State Highway 1, the railway, Lyell Creek, Ludstone Road and existing developments greatly constrain the options available to manage this.

Potential development or extension of significant subdivisions such as Ocean Ridge, Seaview and Vicarage Views would only be expected to result in modest increases to traffic volumes and upgrading of immediately connecting roads is in some cases going to be undertaken by the subdivision developer with financial support from central government.

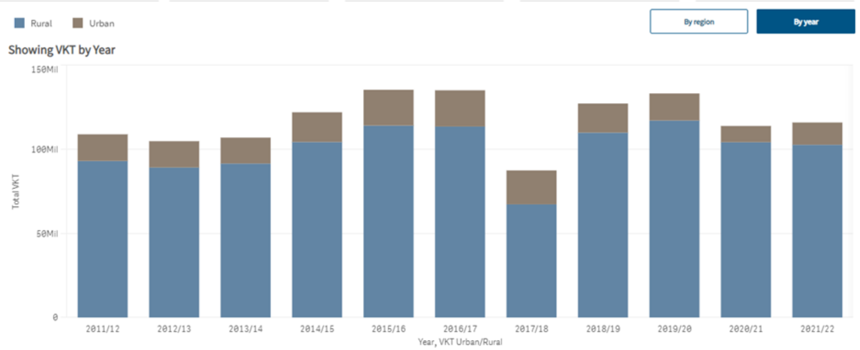


Figure 10: Annual Vehicle Kilometres Travelled in Kaikōura District (includes State Highways)

As noted in section 3.3 it is however considered possible that in the longer term there could be a significant acceleration of growth in the district, driven by its natural attributes. This is however currently only speculation, and no expenditure is at this time proposed to accommodate it.

4.3 Asset Condition and Renewals

Undertaking an appropriate program of asset renewals in response to deteriorating asset condition is key to maintaining levels of service, and a previous failure to do so in respect of Council's roading assets is believed to have been the primary contributor to customer dissatisfaction with the network.

Broad assessments of the condition of the main categories of KDC's roading assets can be found in the 2024 Roading Asset Management Plan (AMP). The following sections outline these condition assessments and expected renewal issues and requirements for these assets.

4.3.1 Sealed Pavement Surfaces

This category represents the top layer of a road, with which vehicles are directly in contact. The total replacement value of these assets for KDC is $10.13 million, which is 10.9% of the total value of depreciable roading infrastructure.

For the sealed roads of the district this normally takes the form of a thin chip seal surface.

Relatively good information is held on this category of assets, which is helpful since because of their relatively short operating lives (typically 5 years for an unsealed metal running course or 14 to 25 years for a sealed surface depending on the type of surface and the road traffic volume) the associated level of depreciation is high, representing 28.6% of the total for roading. The visibility of pavement surfaces also simplifies condition assessment and associated renewals planning.

Details of the condition assessment of KDC's pavement surfaces can be found in the 2024 Transport Asset Management Plan, with a summary of this assessment provided in Appendix 1. Good progress has been made in addressing the backlog of deferred renewals that developed during the previous decade, with most of the surfacing that was in the poorest condition having now been replaced.

The current long-term surfacing renewal requirements based upon RAMM data are shown in Figure 11. For practical purposes some smoothing of this indicated expenditure is however likely to be conducted, particularly in later years.

As noted previously some surfacing does however remain that is very old (20 years plus) and as such is likely to have become weathered into a brittle and fragile state, making it at risk of rapid deterioration even if the traffic volumes on the road are relatively low.

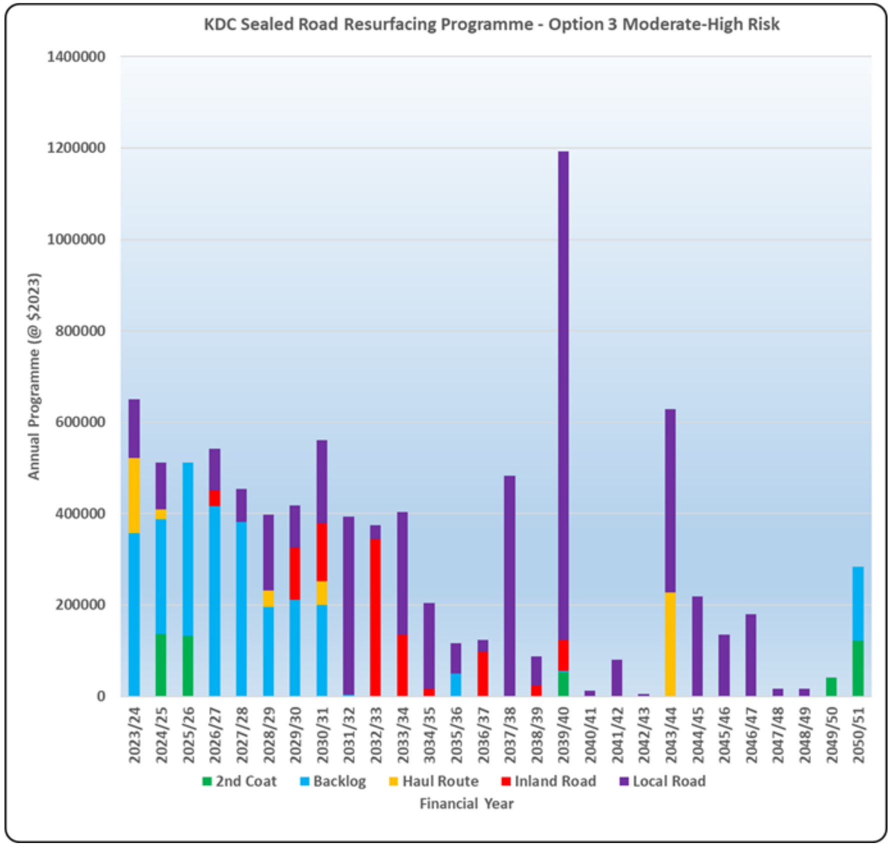


Figure 11 – Historic and Projected Annual Sealed Pavement Renewal Expenditure

4.3.2 Basecourse Renewals

This is the structural layer of the road immediately below the pavement surface, typically between 100mm and 150mm thick, which is very firmly compacted to provide a stable base on which the surface can be applied. The total replacement value of this asset group for KDC is $12.92 million, 14.6% of the depreciable total.

Unlike the pavement surface, relatively little information is available to guide future basecourse renewal requirements, and some significant assumptions have therefore been made.

Sealed road construction commenced in the urban areas of Kaikōura in the 1940s and in the rural areas in the early 1950's. Significant sealing of rural roads continued until well into the 1980s. The age of Council's sealed pavements appears to range from 30 to 80 years. It is suspected that the majority would be in the 35- to 70-year range.

In the Kaikōura District (and with the notable exception of the earthquake rebuild) traffic volumes and loads on local roads are generally relatively low (60% of roads by length have traffic of less than 200 vehicles per day). Good road building aggregates are readily available and (again with a few exceptions) underlying ground conditions are generally quite favourable.

Prior to the intense traffic loadings caused by the earthquake rebuild there had been relatively limited observable deterioration of subsurface pavement layers, even on roads on the Kaikōura Flats which were built on softer ground conditions. That there had been little evidence of pavement failure prior to the earthquake rebuild loadings suggests that most local basecourse (even if not laid in the most effective way, for example where seal extensions would have been simply an application of seal to a previously unsealed road without reconstruction of the pavement) must have a life of at least 70 years and potentially significantly longer, up to 100 years. In the development of our Roading Asset Management Plan it was assumed that the average basecourse life was this upper figure of 100 years.

Unfortunately, even though it appears that only a limited amount of pavement deterioration had occurred prior to the earthquake, little if any rehabilitation work was undertaken to remedy this, and as was the case with reseals, a backlog of pavements requiring area wide pavement treatment was created, which has been exacerbated by the heavy vehicle loadings following the earthquake.

A RAMM pavement rating survey of our local roads was undertaken in March 2020, details of which are contained in the 2021 Transport AMP, with a summary of this assessment provided in Appendix 1. Based on this survey, the following guideline assessment was made of the condition of KDC's pavements by proportions of network area:

Condition 1 (Minor faults only)	79%
Condition 2 (Satisfactory)	9%
Condition 3 (Acceptable)	3%
Condition 4 (poor)	2%
Condition 5 (Very poor)	7%

Of the 9% of length that is in conditions 4 or 5, 4% was subsequently remedied in 2022 as part of the remediation works to the NCTIR haul routes that was fully funded by NZTA. The remaining 5% backlog of condition 4 and 5 pavement was proposed to be reconstructed over 5 years with a total cost of approximately $1.65 million.

Accordingly, budgets of $330,000 per annum are proposed for each of these 5 years.

Whilst it would be hoped expected that once this backlog is addressed renewal requirements would be reduced, because of the lack of information available it is proposed that a conservative approach would be the retain this same level of annual renewal budget for the full 10 years of the LTP, after which renewal budgets are set at the level of annual depreciation for these assets indicated by the 2022 valuation, which is $259,051.

It is recognised that because of the apparently favourable profile of the pavement condition expenditure at this lower level may not even be necessary, but this can be reviewed in future years

4.3.3 Sub-Base Renewals

The lowest structural layer of the road is the sub-base, which lies between the road formation (natural ground) and the basecourse. The total replacement value of this asset group for the Council is estimated to be $30.7 million.

The sub-base is subjected to smaller loads than the basecourse, and typically has a longer operating life. In the case of Council-owned roads, that means a life greater than 100 years.

It is not believed that any renewal of sub-base on Council-owned roads has yet been undertaken or is envisaged to be undertaken within the period of this Infrastructure Strategy.

In practice sub-base materials are not physically replaced but are instead substituted by the existing basecourse above it at the time that this is renewed. For that reason, the renewal of sub-base is not a real financial cost, and whilst basecourse is assigned a value for accounting purposes it is not depreciated. Unless the road network is extended it does not have any financial impact on the Council.

4.3.4 Drainage Renewals and Improvements

Road culverts, kerb and channel and other associated drainage features have a total replacement value of $7.7 million - approximately 8% of the depreciable replacement cost for roading.

All these assets are expected to have long expected lives of between 80 and 90 years, with an average across the group of 84 years. The associated annual depreciation is $90,040.

The Council does not have reliable records of the ages of many of these assets, and assumptions have been made that existing assets for which ages are not known are in the middle of their operating lives. An assessment of the condition of assets in this group taken from the 2021 Transport AMP is provided in Appendix 1.

A lack of extensive failures or other evidence that a substantial proportion of drainage assets are in a poor condition supports the assumption that most assets still have significant residual life, with extensive replacement not required until the late 2050's. A small exception to this exists in the case of kerb and channel, for which there are some sections in Kaikōura (in particular along the Esplanade) where these assets are severely deteriorated and replacement is currently required.

Whilst few drainage assets appear to require renewal soon some improvements are proposed, in particular to roadside drains in the rural areas, and $155,000 per annum has been budgeted for this purpose over the first three years of the LTP period, with $77,050 per annum proposed for the following 7 years, after which expenditure has been aligned with indicated renewal dates.

4.3.5 Bridge Renewals

Council owns and maintains 47 structures classed as bridges (which includes culverts over 1.2 metres in diameter). These assets collectively have an estimated replacement value of $42.8 million, 46% of the depreciable roading asset total. It is the second most valuable asset group after pavement formation.

Because road formation is non-depreciating bridges are however Council's most valuable group of depreciating assets.

A broad assessment of the condition of assets in this group taken from the 2021 Transport AMP is provided in Appendix 1. A large proportion of Council's bridges were constructed in the 1960s and 1970s and are in the middle stages of their expected lives. The 2016 earthquake resulted in the replacement of a number of bridges that were relatively fragile. The projected renewal profile for Council's bridges based on 'raw' inventory age data is shown in Figure 12, with little renewal expected to be required during the period of this strategy.

Whilst this age data suggests that renewals of the small Humbug, Black Stream, Smiths, Ote Makura & McInnes bridges are required within the LTP period, practical justification for such replacements does not appear to exist.

Urgent consideration does need to be given to replacing the bridge over the Jordan Stream on Puhi Puhi Road, and a provisional budget allocation of $300,000 for this has been indicated for 2025, and $500,000 for 2026.

A first renewal of a large bridge (Kahutara on the Inland Road) is indicated by this data to be required in 2050.

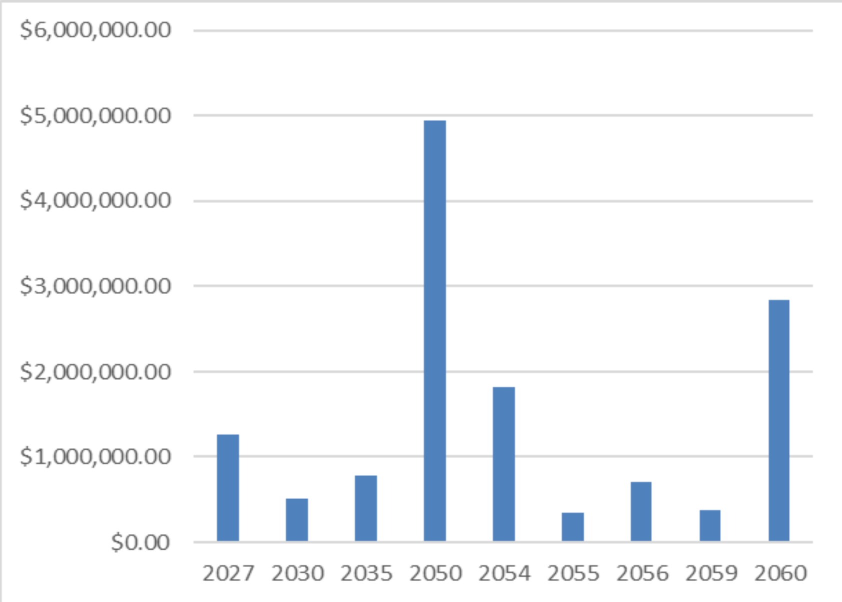


Figure 12: Bridge Renewal Requirements based on Raw Inventory Data

The foregoing discussion and figures do not include the potential replacement of the former Glen Alton bridge over the Waiau-Toa/Clarence River.

The replacement of this bridge, which was destroyed in the 2016 earthquake, is currently proposed, but significant uncertainty remains regarding the form, cost, affordability, and timing of the works.

An initial estimate of the cost of replacing the bridge was $12.9 million, but NZTA has subsequently approved financial subsidy of the project at a rate of 95% up to a maximum project cost of $13.65 million.

Recently it has become apparent that the actual project cost may exceed this value, and that other questions regarding the project need to be answered.

In addition to its construction being a very large capital expenditure, a new bridge at Glen Alton has potential to create substantial additional ongoing maintenance costs.

Because of the high level of uncertainty that currently exists regarding this project, and the potential for the quantum of these costs (in particular the capital cost) has potential to dominate the early years of the Infrastructure Strategy financial projections, those costs have not been included in overall projections.

4.3.6 Footpath Renewals

As noted in section 4.1.3 footpaths in Kaikōura have suffered from previous under-investment and as a result in the order of 20% of Kaikōura's 38km of paths are overdue for replacement.

It was initially hoped that these replacements could be higher quality concrete paths, but the costs for such paths were higher than expected and it is now proposed that most renewals use lower cost asphalt overlays.

Footpath renewal budgets are set at $250,000 per annum for the period of the LTP, and thereafter reflect theoretical replacement needs.

The $250,000 budget allocations are based on an assumption that NZTA subsidy at 51% will be applicable, and that such budgets should enable the identified 8km backlog of renewals to be largely addressed by the end of 2028/29.

As is the case with some other activities these budgets and the associated scope of works may have to be revised based on the extent of NZTA subsidy provided.

4.3.7 Overall – Roading Renewals

With roading assets comprising such a large part of KDC's overall infrastructure inventory, renewal expenses could potentially have a major impact on Council and the community.

As observed in previous sections, limited data on some asset classes makes accurate projection of future renewal expenditures difficult. In some instances, valuations have been based on assumptions of a common average age for a large number of individual assets, which cannot reasonably be used directly to generate a useful renewal profile.

Pavement basecourse has the greatest deficiency in this respect, being a relatively high value asset for which there is very little reliable age data. Attempting to define any renewal profile for this material therefore requires some significant assumptions.

Other asset classes for which comprehensive and reliable age or condition data does not exist are retaining and sea walls and traffic facilities and streetlights, but these have much lower values and it seems reasonable to assign uniform annual renewal expenditure equal to depreciation or some multiple of it, though in the case of streetlight luminaires, all of which will be replaced with new units in 2021, a progressive increase of renewal cost has been assumed for the earlier years of the strategy.

Potential renewals expenditure over the next 30 years (excluding the potential replacement of the Waiau Toa / Clarence River Bridge at Glen Alton, for the reasons set out in section 4.3.5) is shown in Figure 13. This incorporates a degree of smoothing to reflect that there is a significant degree of 'bulking' in the available asset inventory data, where multiple assets have been assumed to have common installation years, and it is believed that a more realistic renewal schedule would be one based on a smoothing of some of the associated peaks of renewal activity.

A large peak in this projection exists in 2050, largely due to a forecast cost of $4.9 million to renew the Kahutara Bridge on the Inland Road.

Except for that peak, there are only 5 years in the 30-year Infrastructure Strategy period when total annual roading renewals exceed $2 million, these being in 2026 (driven by replacement of the Jordan Stream Bridge), 2042/43/44 (driven by 'echoes' of the substantial amount of resealing work undertaken in the years following the earthquake) and a theoretical $1.8 million replacement of the Linton Creek Bridge on the Inland Road in 2054.

It is stressed that the timing of this latter bridge replacement is very much a theoretical figure, because the bridge is being affected by gravel migration from slips created during the 2016 earthquake, which could potentially necessitate other substantial activities at an earlier date.

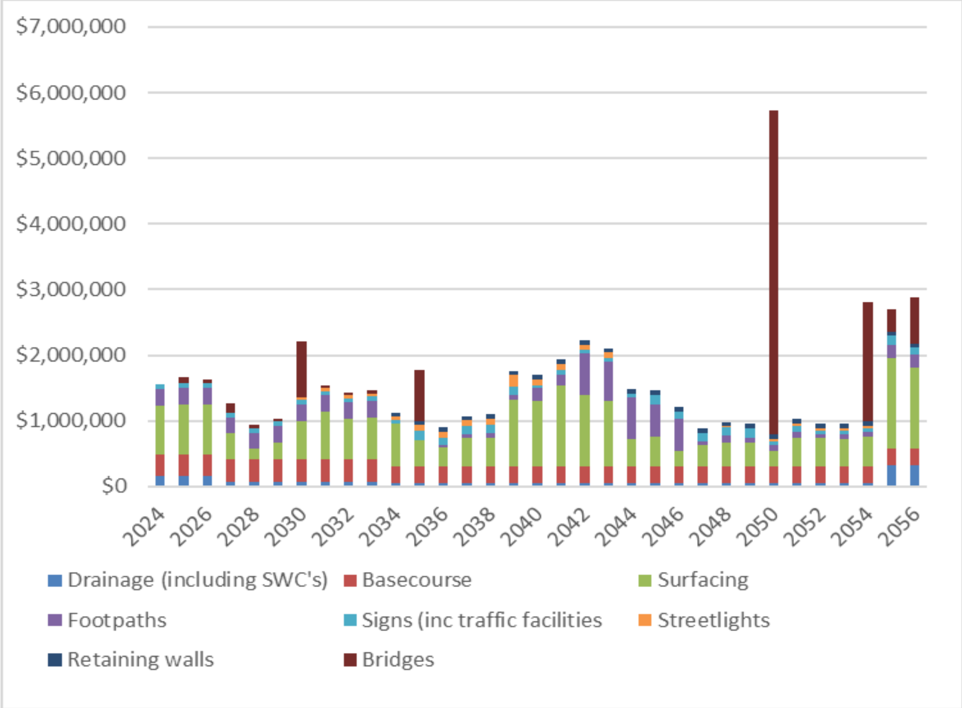


Figure 13: Smoothed Roading Asset Renewal Cost Projection (2023 Dollar Terms, excluding Waiau Toa/ Clarence Bridge)

Such an expenditure profile appears relatively easily manageable. Details of the assumptions underlying these projections, including factors such as estimated renewal costs and expected asset lives can be found in the valuations conducted of KDC roading and three-waters assets as at 30 June 2022.

4.4 Resilience Issues

The resilience of council's roading assets is variable, but in some cases low.

Many areas of the district are potentially prone to flooding or landslides in an extreme rainfall event, and the extent of damage caused to roads may be very large.

Roads such as Puhi Puhi, Blue Duck and the Waiau Toa/Clarence Southern Access Route have precipitous sections where slips or dropouts could be extremely difficult and expensive to remedy, whilst roads such as Clarence Valley may be subject to severe erosion by very dynamic rivers.

Substantially reducing these risks is generally not economically viable since doing so would require extensive major realignments or very large protective structures, the cost of which are difficult to justify for roads which have such low traffic volumes.

With the exception of some limited improvements to roadside drainage as described in section 4.3.4, it is believed that the most practical approach is generally to remedy damage as it arises. Planning for this is also difficult however because of the uncertainty regarding event frequency and extent, and other funding sources may also become available in an extreme event.

In the past annual operational budget allocations have been made for roading emergency works with the intention that all associated costs would be expensed in the year that they were incurred. A consequence of this approach has been that in years where severe events have resulted in very high costs that exceeded the allocated budget, the shortfall was recovered by reducing expenditure of other roading budgets. This is one of the factors that has contributed to the backlog of resealing work that is currently faced.

Because of the difficulty in reliably budgeting for responses for these events it is proposed that where very large costs are incurred the impact of these costs will be smoothed using debt funding.

Debt funding does of course have to be repaid, and these repayments have to be incorporated in long-term planning. In this respect an assumption has been made that on a long-term average basis $50,000 per annum will be spent on roading emergency works. In making this assumption it is recognised that whilst this will initially reduce the financial impact on ratepayers, that over time those costs will rise, and this is reflected in the financial projections contained in this strategy.

This debt funding of emergency works has at this time been assumed to only commence in 2025/2026 since there is at present, approximately $200,000 held in a reserve fund that could initially be used to fund such works.

The potential effects of climate change have not been factored into financial projections, largely because of high levels of uncertainty. The topography of the district and its surrounds can make the water draining from the mountains a powerful force, but also a very unpredictable one, and attempting to make meaningful predictions of potential resilience issues that also take account of possible climate change is not considered realistic.

The 2016 earthquake also caused uplift of the coastal areas of the district that in an instant offset any potential sea level rise over the next century, therefore coastal climate change effects have not been incorporated into this Strategy.

4.5 Operating and Maintenance Costs

With only relatively minor changes to proposed levels of service, little change to routine operation and maintenance costs other than adjustments for inflation are expected during the period of this strategy, as shown in Figure 14.

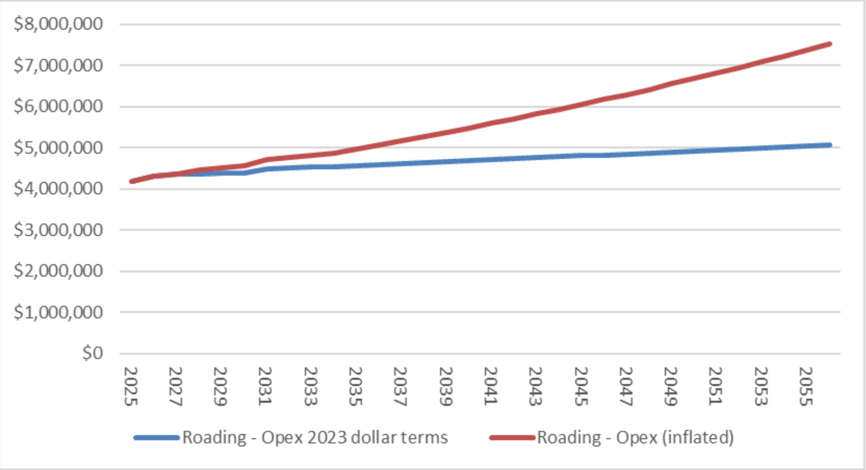


Figure 14: Projected Annual Roading total OPEX Costs

4.6 Funding

A very significant impact on KDC's delivery of roading activities is the extent of financial subsidy from NZTA, for which the current Funding Assistance Rate is 51% (plus a 95% subsidy for the replacement of the Glen Alton Bridge).

A particular challenge that our Council faces is to escape the previous local underfunding of roading that occurred prior to the 2016 earthquake. To do so requires expenditure to be significantly lifted, which in turn would be hoped to be accompanied by similar proportional lifts in NZTA subsidy.

KDC made a very strong application for such an uplift in subsidy when it submitted it proposed NLTP program for 2021-24, which was supported by an expertly prepared Activity Management Plan which was understood to be considered as an exemplar by the Agency.

Unfortunately, that application proved to be unsuccessful, with KDC understood to have received a similar proportion of requested funding to all other councils in the region, with little apparent regard to the particular circumstances of each authority. The result of this was that KDC was meeting over 70% of the cost of roading activities which was considered unsatisfactory.

In its application for NZTA funding for the 2024-27 NLTP period Council again sought the full (100%) value of its proposed program to be funded at 51%, reducing the overall local share to 49%. To achieve this in an overall programme that was slightly larger than that for 2021-24, and which had also been adjusted for inflation, would have required the NZTA subsidy to be increased by 67% and it was considered very unlikely that such an increase would be approved.

Accordingly, a more realistic assumption was made for LTP planning purposes that KDC would receive 51% subsidy on 80% of the total program costs for which subsidy application had been made.

This assumption has proved to be a sound one, as at the time of finalising this Infrastructure Strategy the Council has been advised that 51% subsidy will be granted on a similar (around 80%) proportion of KDC's submitted 2024-2027 NLTP roading program, with the indicated funding only $202k short in total over the three years from what was hoped. It is likely that the Council can manage that shortfall by prioritising spend and/or managing cash flow.

5 Water Services Infrastructure

The Council's water services comprise the following:

- Water supplies serving the Kaikōura, Ocean Ridge, Oaro and Peketa urban communities and the Kaikōura Suburban, Kincaid, Fernleigh and East Coast rural areas.
- Wastewater drainage and treatment systems serving the Kaikōura and Ocean Ridge urban areas.
- Stormwater drainage systems serving the Kaikōura and Ocean Ridge urban areas.

The assets associated with these activities have a total depreciable replacement value of $100.5 million, comprising water supply ($48.5 million). Wastewater ($41.2 million) and stormwater ($10.8 million).

5.1 Levels of Service Issues

The Council's proposed levels of service for water services are presented in Appendix 3.

5.1.1 Technical Issues

The technical levels of service provided by these services are generally satisfactory, with treatment facilities and reticulation functioning as they are intended to. Significant improvements to these services in respect of performance and resilience has been recently achieved using funding made available through the Department of Internal Affairs (DIA) Three-Water Reforms.

This investment combined with previous renewal and improvement works undertaken as part of the earthquake rebuild and a lack of growth pressures is considered to have left the Council's Three-Water services in a strong position for the future.

5.1.2 Public Health Issues

In part using financial assistance from the Department of Internal Affairs, all the previous significant public health issues in respect of the Council's water services have now been resolved, with the water treatment plants of the Fernleigh and East Coast rural water supplies upgraded so that they are able to achieve compliance with the NZ Drinking Water Quality Assurance Rules.

The boil water notices that were previously permanently in place for these schemes have been uplifted.

Whilst council's water infrastructure is now better able to achieve regulatory compliance it should be noted that with the introduction of the water regulator, Taumata Arowai, water supply activities are now being conducted in an environment where there is ongoing and increased emphasis on compliance being maintained.

5.1.3 Environmental Issues

Resource consents relevant to three-waters are listed in Appendix 4.

A previous belief that no significant environmental issues were associated with any Council water services has been somewhat undermined by Environment Canterbury's issuing of abatement notices to KDC in respect of non-compliance with conditions for operation of the Kaikōura wastewater treatment plant.

It does however continue to be the belief of Council staff that the very unusual nature of the Kaikōura wastewater treatment system, where effluent is discharged to land rather than water and the potential effects on the environment are extremely limited and should be assessed with regard to this rather than on a more administrative basis as happens under the current consents.

Despite this view it is recognised that Council will need to find a path towards compliance that is acceptable to ECan, and this appears likely to require obtaining a new set of resource consents for the activity, which may have a significant cost.

5.1.4 Customer Perception

A number of issues with regard to water supply in the period since the 2016 earthquake diminished satisfaction with these services This has since improved with the most recent resident survey seeking feedback on these activities (in 2021) indicating satisfaction ratings of 70% for water, 79% for wastewater and 66% for stormwater.

Since those issues were resolved there has been little evidence of community interest in or dissatisfaction with these services. As tends to occur, when water services are operating effectively, they are largely taken for granted by the community and little thought is given to them.

Accordingly, it was not felt useful to include questions on water services in the most recent community satisfaction surveys conducted by Council.

It is believed that the only significant community-perceived issue in respect of Council's water services are the supply interruptions that occur to properties served by the Kincaid rural water scheme, which are related to highly turbid water in the Waimangarara Stream source of the supply during heavy rainfalls, which can require the treatment plant to be shut down.

The Kincaid scheme is distinct amongst the water supplies administered by KDC in that it has both an active management committee comprised of users and holds some financial reserves, and therefore there are resources to make decisions and implement measures to address this issue.

5.2 Demand

There are no well-defined trends in growth of demand for 3-Water services. Generally generous system capacities, combined with low levels of previous and projected population growth and the expectation that the majority of growth will be in Kaikōura or its immediate surrounds, leads Council to believe that there are no substantial immediate demand issues in respect of these services, though some additional reticulation capacity would be desirable on two rural water supplies and the Kaikōura wastewater system

The ground water source supplying Kaikōura and its surrounds has capacity and is consented to draw water continuously at a rate of 100 litres per second. Its theoretical capacity is in excess of 8000m3 per day, which is a very substantial supply quantity for an area that would typically have a population (including temporary residents) of less than 4000 and does not include many significant water-using businesses.

An apparent consequence of the relative abundance of supply capacity in Kaikōura and elsewhere has been relatively high – and in some cases wasteful – use of water. Whilst annual average quantities of water supplied to the community are around 3000m3 per day, peak takes approaching 7000m3 per day have been recorded in periods of drought, which are believed to be attributable to extensive lawn and garden irrigation.

These are very high levels of consumption on a per-capita basis, and it is believed that there is substantial potential for increasing the efficiency of water use through implementing controls on excessive water use, reducing system leakage and greater application of user-pays charging principles.

While this potential exists, it is not considered necessary to otherwise increase water treatment or reticulation capacity, and it is suspected that an increase of Kaikōura's resident population by up to 50% could be easily accommodated by current means.

Efforts have recently commenced through measures such as education and the implementation on controls on the wastage of water through a Water Services Bylaw to improve the efficiency of water use in the community, though it is recognised that in the longer-term further action might be required to free up the water supply capacity need to support substantial growth (possibly implementation of universal metered water charging). Such growth is however at present considered aspirational, and for this reason no associated budget for major initiatives have been included in the Long-term Plan.

A provisional budget allocation of $2 million has been provided in 2045 to support universal water metering of the community and/or development of a new water source for Kaikōura if that was needed to support growth.

Generally similar comments apply in respect of wastewater. The wastewater system that serves Kaikōura was substantially rebuilt and upgraded following the 2016 earthquake and the resultant treatment infrastructure has capacity to handle a load well in excess of that currently generated by the community.

This excess capacity has been recently reflected in the need to deactivate some elements of the treatment system because the available biochemical loading was insufficient to make operation of the fully commissioned system efficient. It is believed that the wastewater treatment system could effectively accommodate at least a 50% increase in population.

A lesser degree of confidence exists in respect of the ability of some elements of the wastewater reticulation system to accommodate greater flows.

A key feature of the infrastructure rebuild work that was conducted following the 2016 earthquake was that gravity sewers along Beach Road and adjacent areas were replaced with pressure sewers. In doing so the storage capacity that previously existed - in particular in the large diameter trunk sewer that fed the Mill Road pump station - was lost, leaving only the capacity of the pump station wells to buffer flows.

This new configuration functions effectively providing all components of the system are working properly, but there is a very small margin of safety in the event of any failure of pumping, because the limited well storage capacity that exists will quickly be filled, after which an overflow may occur.

Some initial mitigation of this risk is proposed to be achieved by providing a back-up electrical generator at Mill Road, but a better and more resilient solution would be to provide additional well storage capacity, and a provisional allocation of $350,000 has been provided in the 2028/29 year to achieve this.

Another area of concern regarding wastewater reticulation capacity is the Esplanade/Torquay/Avoca Street catchment.

Information collected from pump operation during severe rainfall events suggest that at these times the pumps in this area are operating almost continuously, and that there is limited capacity to accommodate additional development in this area without some upgrading of the wastewater system.

It is however believed that some capacity upgrading for this area could be relatively easily achieved by progressively installing more powerful pumps when the existing pumps become due for renewal. Such an approach would have a very modest additional cost, and for this reason has not been identified as a significant issue in this strategy, though it is believed that a proportion of the pump renewal costs could reasonably be recovered through development contributions.

Stormwater infrastructure is only provided by Council in Kaikōura and Ocean Ridge. The networks are of relatively limited scale, with no substantial deficiencies observable at present, though the Ocean Ridge system has greater maintenance requirements associated with the incorporation of wetlands, retention ponds and vegetated swales which require periodic management.

The capacity of some low-lying parts of the network have also been significantly increased by the 2016 earthquake, which lifted most of the land in and around the town by at least 1.0 metre relative to sea level.

The most significant effect of this is that the gradient and associated flow-carrying capacity of Lyell Creek has been increased, which in turn lowers water levels in the creek, enabling easier full pipe flow into it during storms.

It is believed that the benefit to stormwater drainage of the land rise caused by the 2016 earthquake will in effect largely offset any likely climate change associated sea-level rise to 2100, even under the most adverse internationally envisaged greenhouse gas emission scenario (Representation Concentration Pathway 8.5) or an exaggerated variant ('H+') both of which are shown in Figure 15.

For these reasons no significant expenditure to increase stormwater system capacity is envisaged to be required during the period of this strategy.

Further details on proposed levels of service for KDC's 3 waters activities can be found in the relevant 2024 Asset Management Plans.

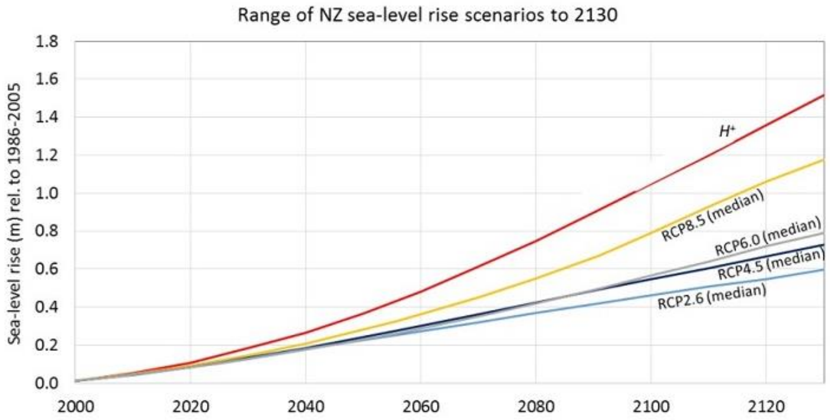


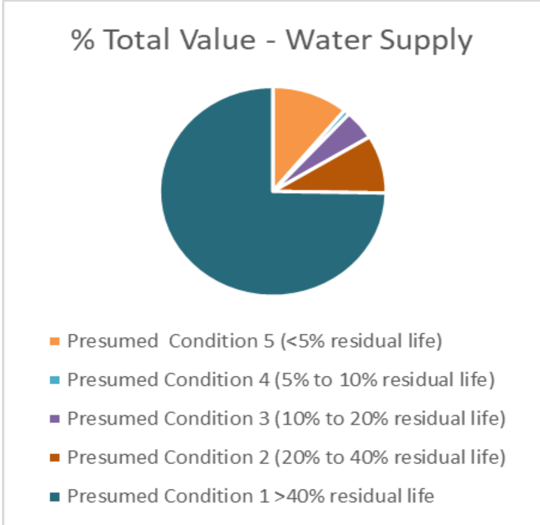
Figure 15: Sea Level Rise Predictions

5.3 3-Water Asset Condition and Renewals

The earliest Council water infrastructure in the district (water mains in Kaikōura from the 1920s) has now all been replaced, and most of the other pipe infrastructure was put in place between the late 1950's and late 1980's, and hence is generally in the mid-stages of its expected life.

The overall condition of 3 waters reticulation was also improved by the replacement of sections of more fragile pipe damaged by the 2016 earthquake. As discussed in section 3.5 some good pipe condition data has been collected but this has not yet been effectively used for planning purposes, and long-term renewal forecasts have instead been largely based on asset ages and expected residual lives.

Possible relationships between the theoretical residual life proportions of water and wastewater assets and their likely condition, such as that shown in Figure 16, align relatively well with actual observations of limited significant pipe deterioration. 100% of stormwater assets are currently believed to be in condition 1. Further comments on asset condition are contained in the relevant Asset Management Plans.



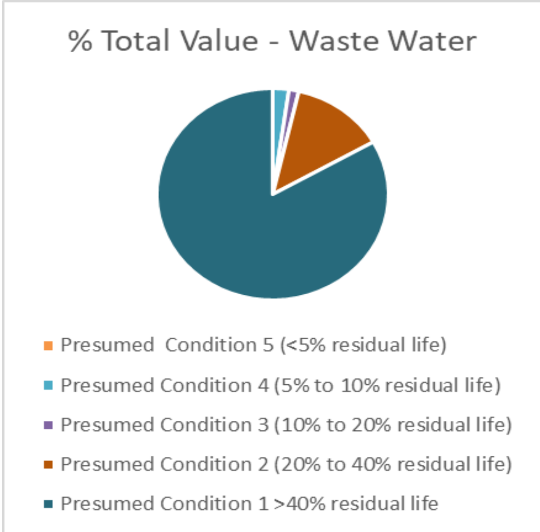


Figure 19: Potential Indicative Condition Distributions (by % total value) for water and wastewater assets

As identified in the significant issues section of this Strategy a significant length of Asbestos Cement water main is theoretically at the end of its life, and it is this which contributes most of the water asset value indicated to be at Condition 5 in Figure 16, but practical experience and some recent physical testing suggests that all of this length does not yet require replacement, and it is instead currently budgeted to be progressively renewed over the next 15 years.

Some examples of long-term forecast annual renewal expenditure profiles for the higher value asset categories are provided in the following figures. For reticulation assets relatively little renewal or than that of the Asbestos Cement water mains is expected to be required in the term of this strategy, with associated expenditure typically well below the associated annual depreciation.

Substantial reticulation asset renewal phases are instead forecast to commence in the late 2050's.

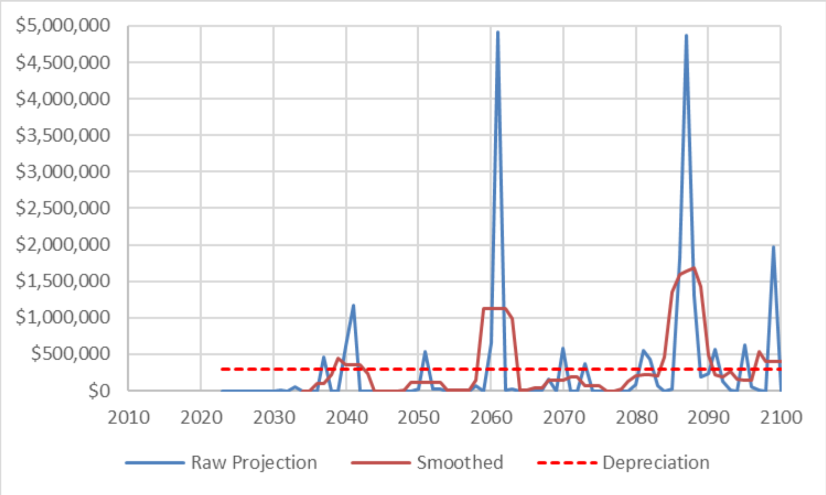


Figure 17: Long-term Annual Renewal Cost Profile – Wastewater Pipes

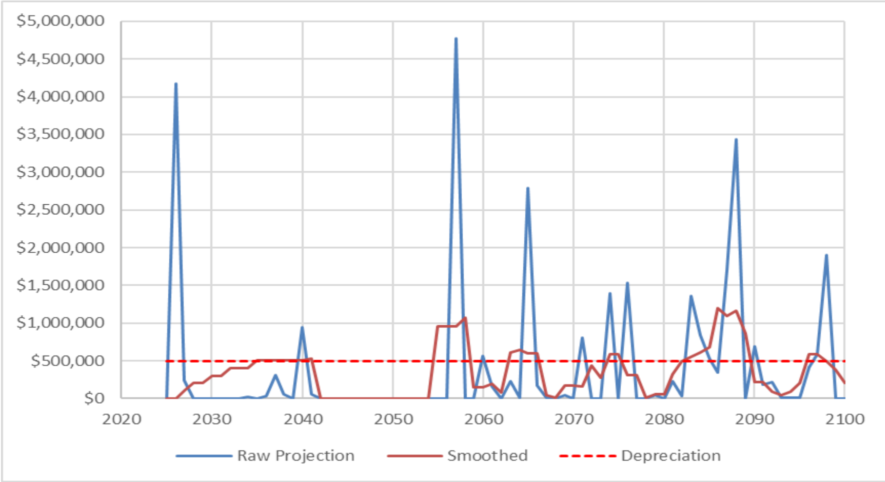


Figure 18: Long-term Annual Renewal Cost Profile – Water Pipes

For structure asset classes which include shorter life equipment profiles are predictably more regular, with annual expenditures closer to depreciation, as exemplified by Figure 19 and 19A.

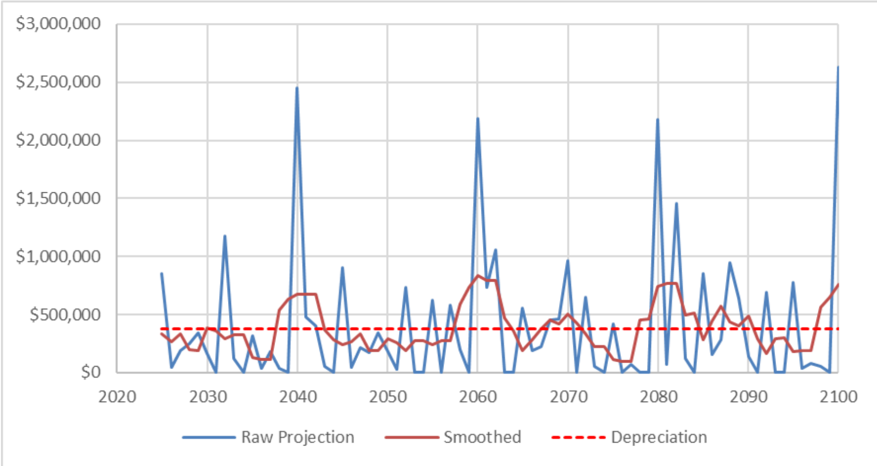


Figure 19: Long-term Annual Renewal Cost Profile – Wastewater Structures

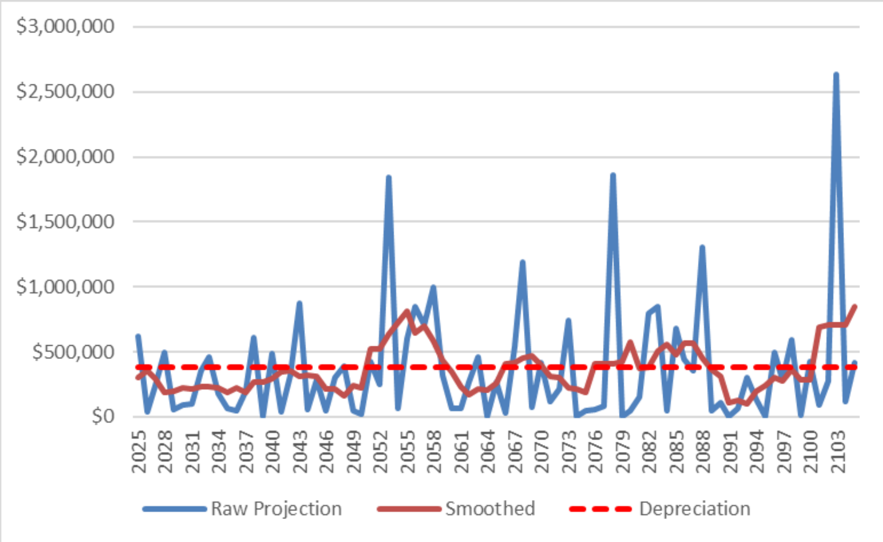


Figure 19A: Long-term Annual Renewal Cost Profile – Water Supply Structures

Figure 20 shows projected annual renewal expenditure on all Council-owned water services assets (water, wastewater and stormwater) and associated current depreciation over the 2025-2050 period, with a small degree of smoothing applied. The first half of this period sees a notably low level of renewals required, and whilst there is some increase over the final half of the period, expenditure generally remains below depreciation.

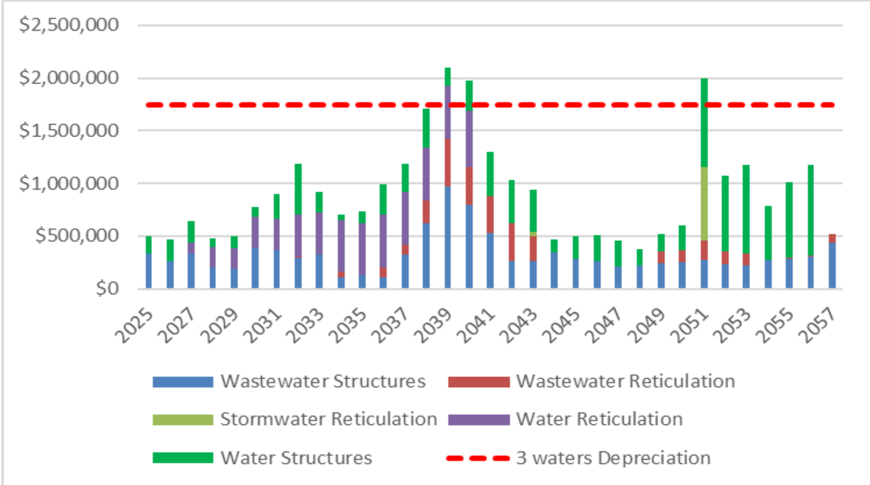


Figure 20: Forecast Annual Renewal Cost – All Three-Water Services (Raw Data)

Figure 21 shows total 3 waters CAPEX and its purposes, including some limited expenditure to improve levels of service or to accommodate growth.

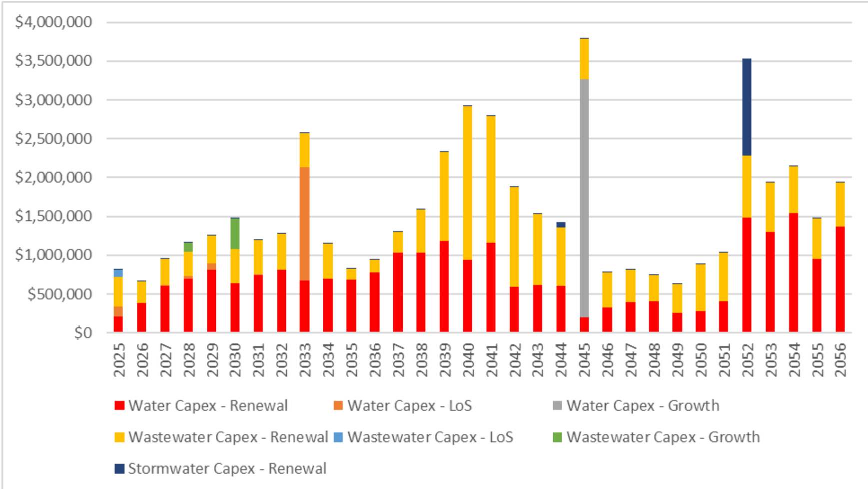


Figure 21: Forecast Annual Three-Waters CAPEX and Purpose (2023 Dollars)

5.4 Resilience

In general, the level of resilience of the Council's water services infrastructure is considered to be relatively high, and works being undertaken using the DIA's Three-Waters Reform funding having further improved this.

Whilst the 2016 Kaikōura earthquake caused significant damage to some of the Council's Three-Waters infrastructure, it proved possible to restore essential services very quickly, and the subsequent rebuild resulted in replacement of several fragile assets.

Most of the water supplies draw water from groundwater sources that are not vulnerable to flooding, and water storage tanks are of wind and earthquake resistant construction.

Earthquakes are the main threat to Three-Waters infrastructure, and it is recognised that a more damaging event than that of 2016 could potentially occur.

The Council does however have insurance to cover associated losses in these circumstances, and it would be expected that some form of temporary arrangement to restore essential water services could again be relatively easily put in place after such an event.

5.5 Operating and Maintenance Costs

As was the case with roading, with only relatively minor changes to proposed levels of service, little change to routine operation and maintenance costs other than adjustments for inflation are expected during period of this strategy.

Expected total OPEX costs for these activities are shown in Figures 22 and 23. These totals include costs of debt and overheads and as such are subject to some complex minor variations.

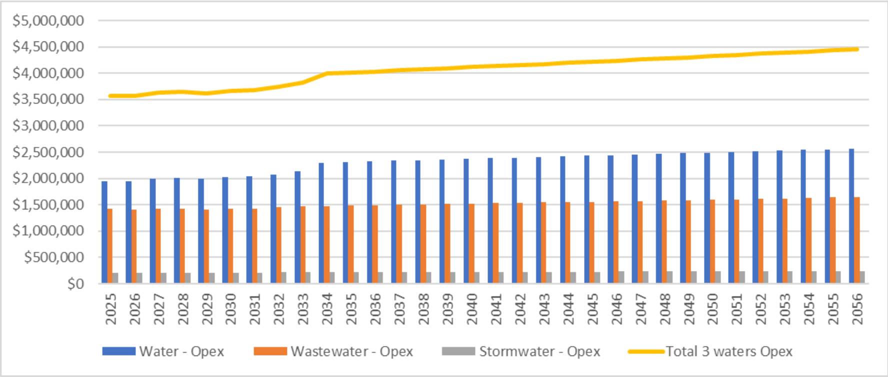


Figure 22: Forecast Annual 3-Waters Total OPEX Costs (2023 dollars)

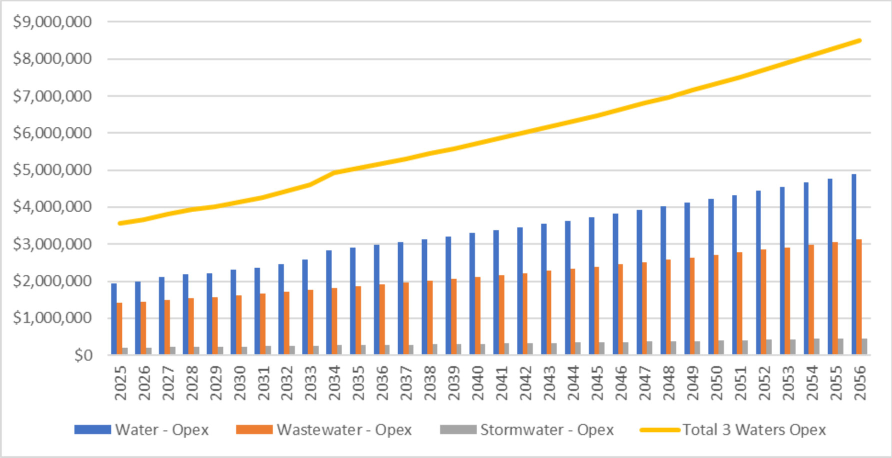


Figure 23: Forecast Annual 3-Waters Total OPEX Costs (Inflated)

6 Overall Infrastructure Investment Program

Estimated total capital and operational expenditure on roading and water services over the 30 years period of this strategy are listed in the table below in 2023 Dollar and inflated 'money of the day' terms.

	Uninflated	Inflated
Stormwater - CAPEX	$1,113,000	$1,512,000
Stormwater - OPEX	$6,945,000	$9,860,000
Wastewater - CAPEX	$13,796,000	$19,279,000
Wastewater - OPEX	$47,083,000	$66,848,000
Water Supply - CAPEX	$20,298,000	$28,556,000
Water Supply - OPEX	$71,546,000	$102,188,000
Road & Footpaths - CAPEX	$52,908,000	$74,028,000
Roads & Footpaths - OPEX	$161,824,000	$195,265,000

Table 5: Capital and Operational Expenditure

The breakdown of operational and capital expenditure on a year-by-year basis in 2023 dollars is presented in Figure 24, and in inflated terms in Figure 25.

Further breakdowns of CAPEX by purpose for roading and 3-Waters activities are provided in 2023 Dollar terms in Figures 26 and 27.

As explained previously the growth or demand related capital expenditure is very limited, being largely confined to some enhancement of reticulation capacity for the Kaikōura wastewater system, and possible development of an additional water source for Kaikōura if the need was to arise, for which as yet there are no supporting signals.

Capital expenditure associated with level of service improvements is also very modest, being largely confined to a small continuing program of road improvements. As such overall expenditure is dominated by operating and renewal costs.

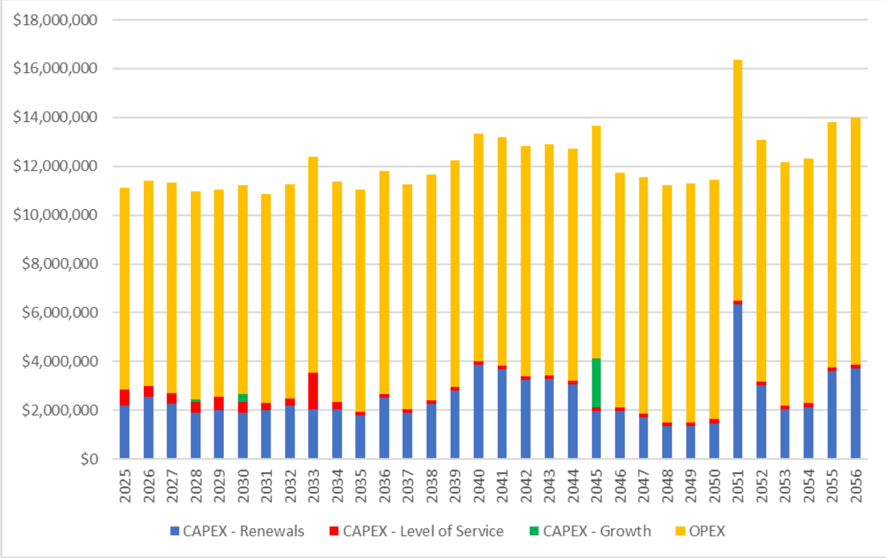


Figure 24: Forecast Total Expenditures – Roading and Water – 2023 Dollars

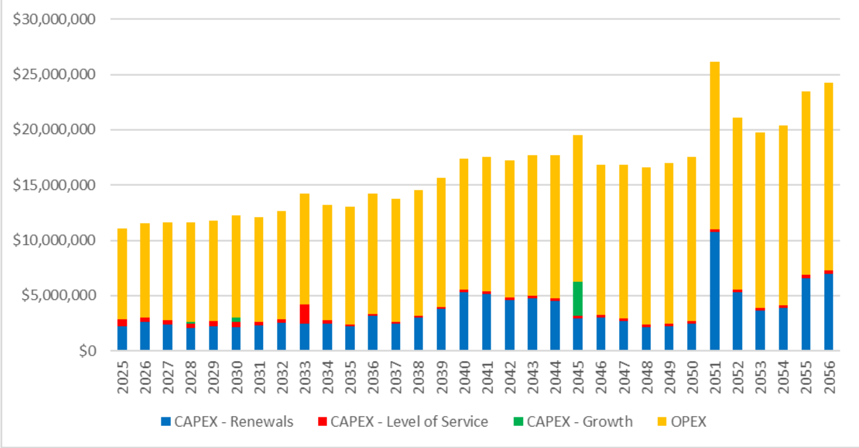


Figure 25: Forecast Total Annual Expenditures - Roading and Water – Inflated

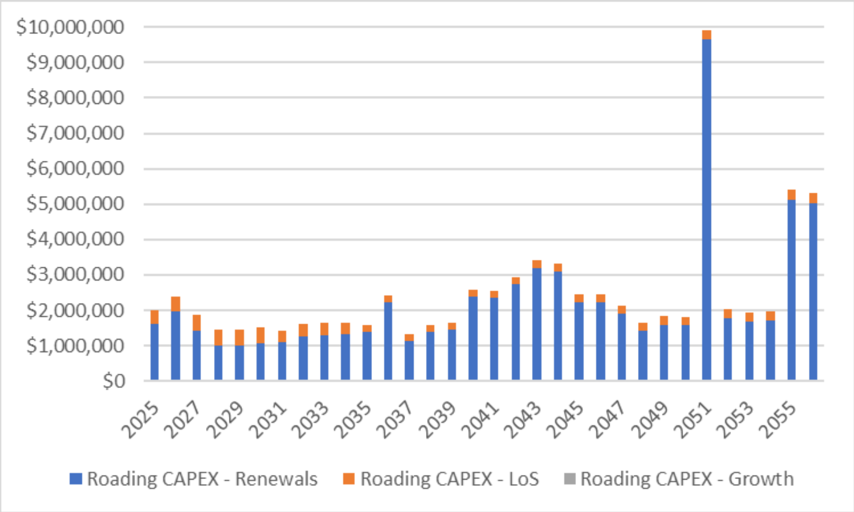


Figure 26: Forecast Annual Roading CAPEX and Purpose (2023 Dollars)

The spike in 2051 is the replacement of the Kahutara River Bridge.

Forecast OPEX profiles in uninflated and inflated terms are shown in Figures 27 and 28.

The first 10 years of these profiles are based on budgets in the Council's 2024-2034 Long-term Plan, whilst the later years are the budget allocations for year 10 of that plan adjusted for inflation and should be only considered as indicative.

Combining all operational and capital cost components together yields the Figure 29 on the following page.

This overall expenditure profile (achieved with only a small amount of smoothing between years) is very uniform, with indicated renewal requirements after 2026 (when the Waiau Toa/Clarence bridge is assumed to be completed) being regular and generally less than depreciation.

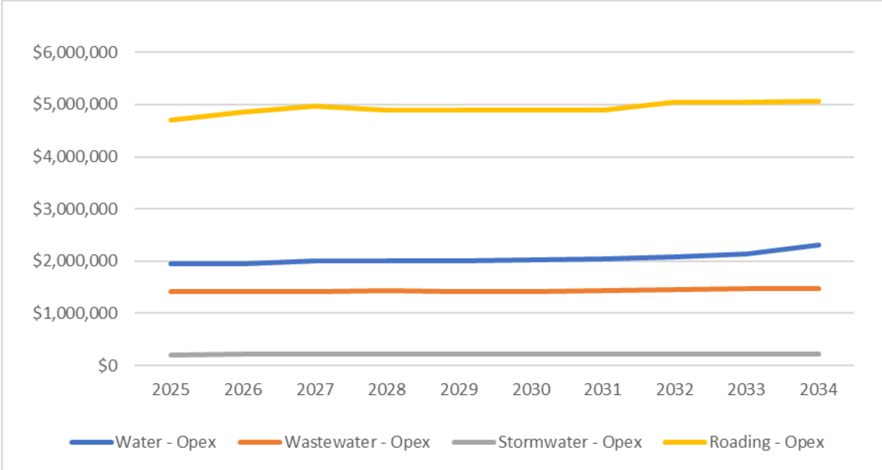


Figure 27: Forecast Annual OPEX (2023 Dollars)

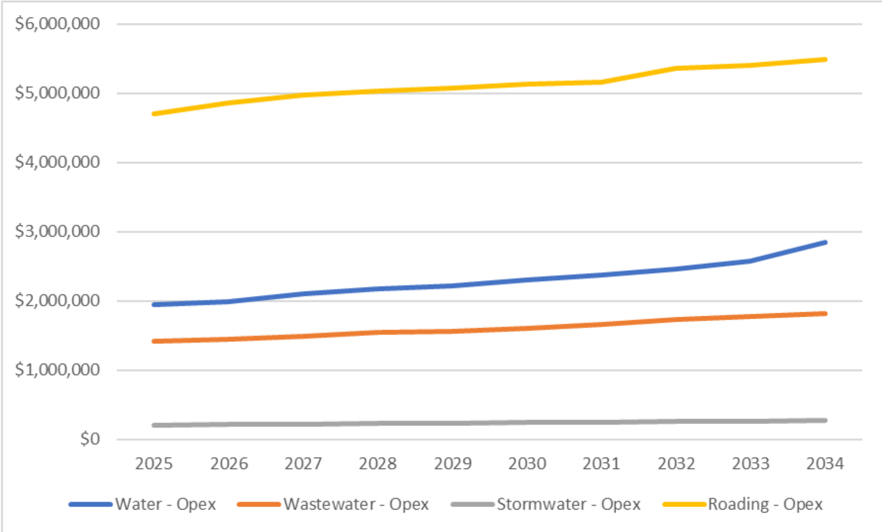


Figure 28: Forecast Annual OPEX (inflated)

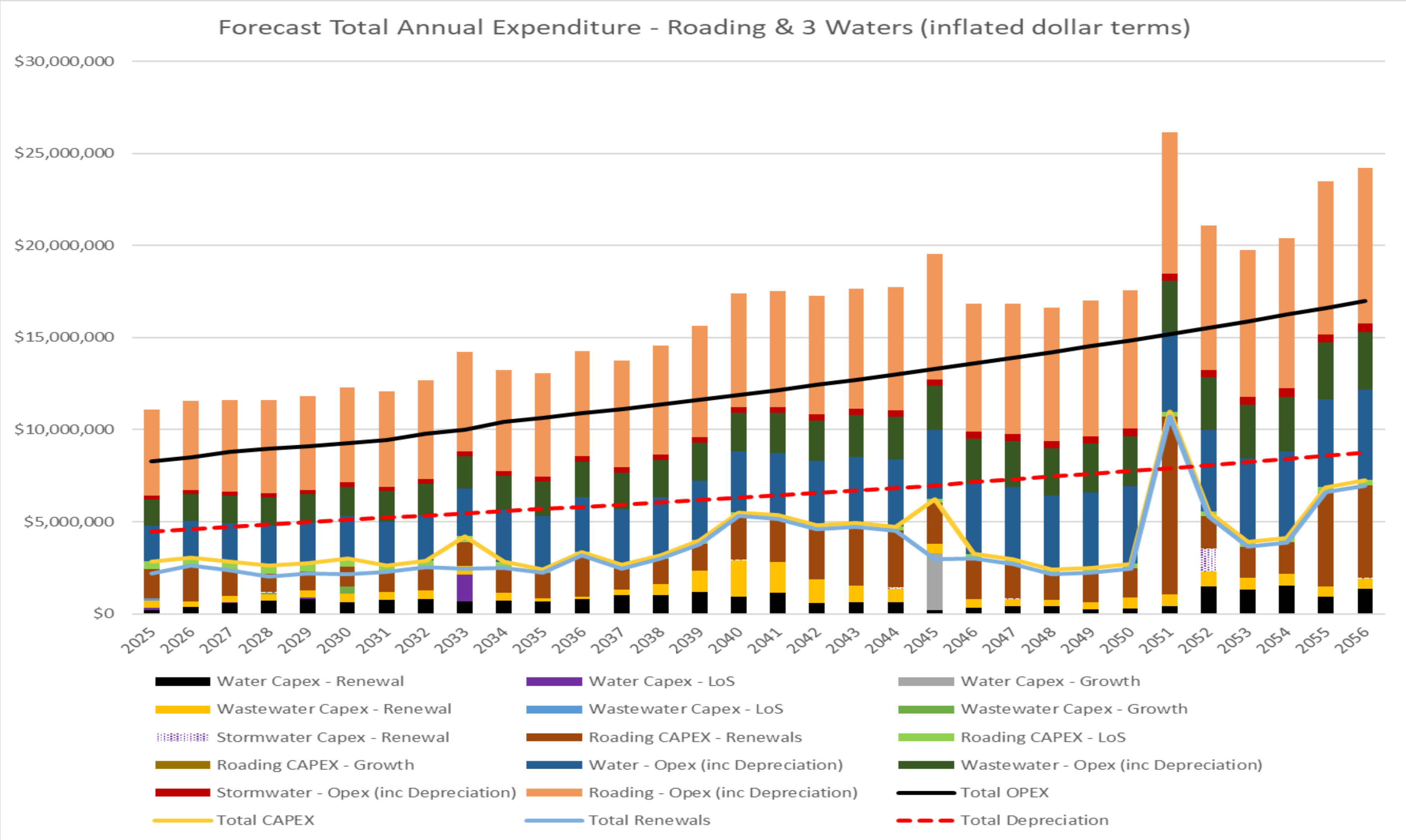


Figure 29: Projected Total Annual Costs, Roading and Three-Waters

This profile strongly suggests that if Council manages these assets appropriately (particularly not deferring renewals) that it should be affordable for the community during this period. This is in contrast with many other districts where pronounced peaks of required renewal expenditure are predicted in the 2030s and 2040s, and this profile lends no support to previous suggestions that Kaikōura District Council is unsustainable, even in the relatively long-term.

Greater challenges do however appear to lie ahead for future generations. A sense of this can be obtained from Figure 33 below. This figure is a 100-year projection of future renewal requirements for some groups of long-life assets for which relatively good likely asset age and expected life information is believed to be available. These asset groups are as follows:

- Bridges
- Water Supply Reticulation, Plant and Structures
- Wastewater Reticulation Plant and Structures
- Stormwater Reticulation

These asset groups in total account for approximately 70% of the replacement value of the depreciable assets held by Council, and hence their requirements for renewal significantly shape overall expenditure.

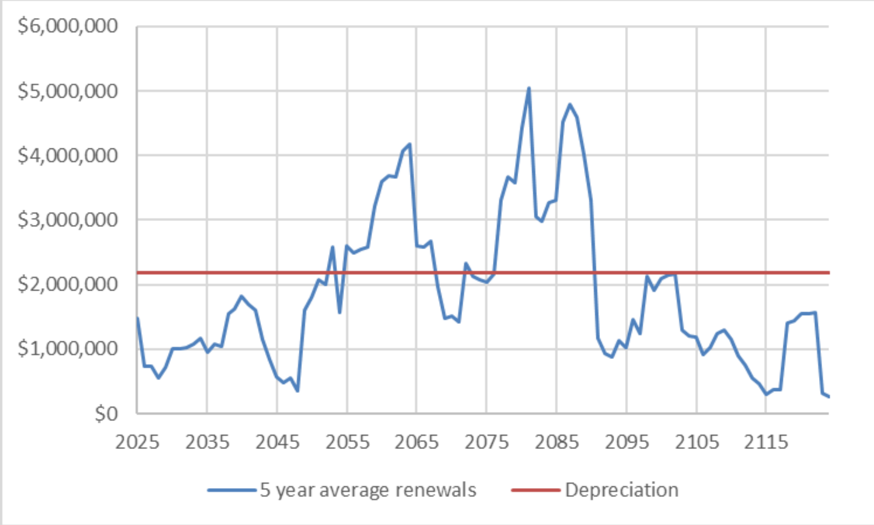


Figure 30: 100-year projection of annual renewal requirements for bridges and all Three-Waters infrastructure, and comparison with associated depreciation (2023 Dollars)

The figure clearly defines the position that the Council is currently in, being in a significant renewal 'trough' for the duration of the 30-year infrastructure period, but with an intense period of replacements likely to commence in around 35 years' time.

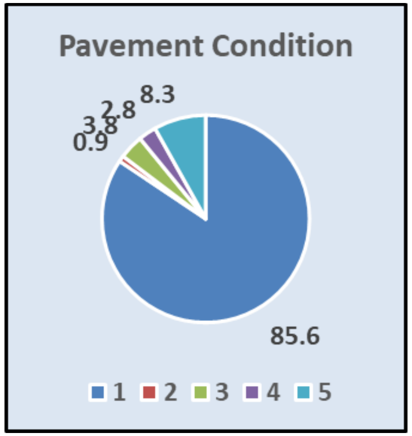
It is suspected that this future peak of renewal requirements may be even more intense than the figure suggests because it is likely that other asset groups on which the Council has less reliable data such as road drains and pavement basecourse will to a large extent have been commissioned between the 1950s and 1970s, and typically having lives of 100 years are also likely to require renewal at around the same time as the first peaks in Figure 30.

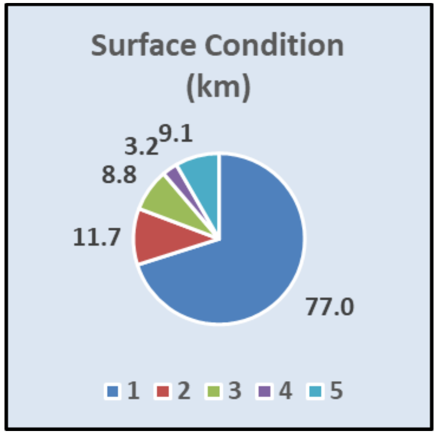
A prudent management strategy might therefore include building of significant reserves in the period prior to these peaks, but it is recognised that this need is far in the future and that many other factors might change in the interim.

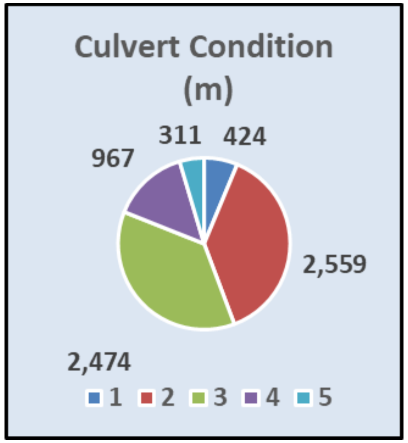
Appendix 1: Condition Assessments of Major Roading Asset Groups

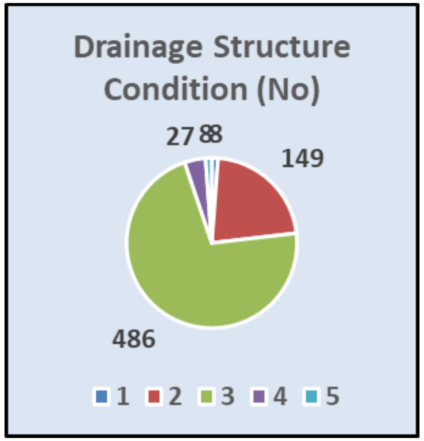
Condition	Pavement (km)	Surface (km)
1	85.6	77.1
2	9.4	11.7
3	3.8	8.8
4	2.8	3.2
5	8.3	9.1
Total	109.9	109.9

Condition	Culvert (m)	Structures (No)
1	424	8
2	2,559	149
3	2,474	486
4	967	27
5	311	8
Total	6,734	678

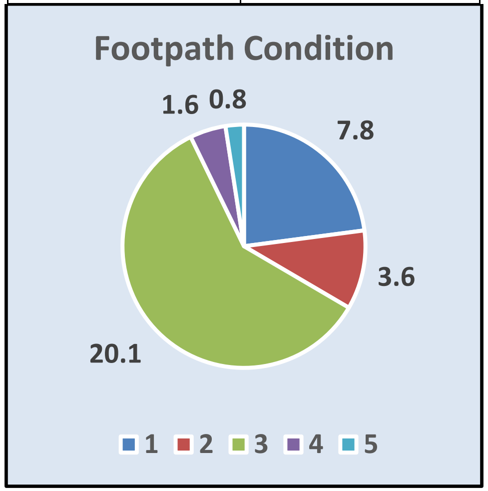




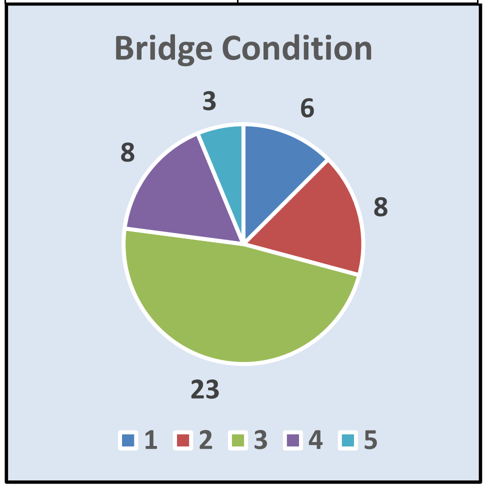




Condition	Footpath(km)
1	7.8
2	3.6
3	20.1
4	1.6
5	0.8
Total	33.9



Condition	Bridges/Large Culverts (No)
1	6
2	8
3	24
4	8
5	2
Total	48



Appendix 2: OPEX and CAPEX Breakdown – Combined Overview – 30 Years

Year(s) Ending	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035-2039	2040-2044	2045-2049	2050-2054
Water Capex - Renewal	213	379	600	695	808	638	746	811	679	693	4,700	3,916	1,578	5,000
Water Capex - LoS	126	0	21	30	80	0	6	0	1,451	0	0	0	0	0
Water Capex – Growth	0	0	0	0	0	0	0	0	0	0	0	0	3,069	0
Wastewater Capex - Renewal	379	283	328	319	369	437	438	461	447	457	2,273	6,558	2,105	3,292
Wastewater Capex – LoS	100	5	0	3	0	0	0	0	0	0	0	0	0	0
Wastewater Capex - Growth	0	0	0	108	0	396	0	0	0	0	0	0	0	0
Stormwater Capex - Renewal	5	5	5	5	6	6	6	6	6	6	33	90	40	1,274
Stormwater Capex - LOS	1,603	1,957	1,436	1,011	1,018	1,064	1,107	1,270	1,295	1,320	7,628	13,755	9,340	16,411
Roading Capex - Renewals	410	418	428	438	447	457	324	330	337	343	959	1,059	1,169	1,291
Roading CAPEX - LoS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Water - Opex (inc. Depreciation)	1,939	1,992	2,107	2,176	2,216	2,301	2,367	2,455	2,579	2,840	15,305	17,324	19,610	22,198
Wastewater - Opex (inc Depreciation)	1,420	1,448	1,493	1,540	1,558	1,607	1,659	1,726	1,773	1,821	9,815	11,111	12,577	14,236
Stormwater - Opex (inc Depreciation)	202	216	222	228	233	239	244	257	263	268	1,447	1,638	1,854	2,099
Roading - Opex (inc. Depreciation)	4,702	4,857	4,972	5,031	5,079	5,130	5,161	5,355	5,399	5,479	29,085	32,112	35,455	39,145
Total OPEX	8,262	8,512	8,794	8,975	9,085	9,277	9,431	9,792	10,014	10,409	55,652	62,185	69,496	77,678
Total CAPEX	2,836	3,047	2,817	2,610	2,728	2,998	2,626	2,878	4,215	2,819	15,593	25,378	17,301	27,268
Total Renewals	2,201	2,624	2,368	2,031	2,200	2,145	2,296	2,548	2,427	2,476	14,633	24,319	13,062	25,978
Total Depreciation	4,475	4,604	4,739	4,861	4,982	5,099	5,220	5,333	5,447	5,579	29,660	32,814	36,463	40,381

Capital Projects Years 1 to 10 (uninflated)

CAPITAL PROJECTS		2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034
Roading											
Bridges (Structure Replacement)	R	2,000,000	7,895,000	1,000,000							
Jordan Stream Bridge	R	300,000	500,000								
Bridge structures	R	-	100,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Sealed road resurfacing	R	561,542	587,435	582,118	389,445	389,445	389,445	389,445	389,445	389,445	389,445
Unsealed Pavement Renewals	R	186,648	175,999	188,611	31,258	17,299	39,560	58,950	180,000	180,000	180,000
Drainage	R	155,000	155,000	155,000	76,050	76,050	76,050	76,050	76,050	76,050	76,050
Pavement Rehabilitation	R	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000
Traffic services renewals (221)	R	70,200	70,200	70,200	70,200	70,200	70,200	70,200	70,200	70,200	70,200
Road Safety Promotion	L	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Low cost/low risk (minor safety improven	L	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
IAF Project	L	6,438,988	5,441,485	-	-	-	-	-	-	-	-
		10,202,378	**15,415,119**	**2,535,929**	**1,106,953**	**1,092,994**	**1,115,255**	**1,134,645**	**1,255,695**	**1,255,695**	**1,255,695**
Footpaths											
New Footpaths/Active travel network	L	250,000	250,000	250,000	250,000	250,000	250,000	125,000	125,000	125,000	125,000
Renewals	R	-	-	-	-	-	-	-	-	-	-
		250,000	250,000	250,000	250,000	250,000	250,000	125,000	125,000	125,000	125,000
Kaikoura Urban Water											
Control and data system upgrades	L	20,000	-	-	5,000	45,000	-	5,000	-	-	-
Improved chlorination control at low flov	L	-	-	20,000							
Supply and install chlorine analyser at For	L	-	-	-		12,500					
Update SCADA and connect chlorine analy	L	-	-	-	5,000						
Spare boost pump and Hydrovar controlle	L	-	-	-		5,000					
AC Pipe Replacement Takahanga Ter -200	R	-	-	-							
Rorrisons Road new main to remove temp	R	-	-	-				40,000			
Replace 170m of 50mm water main, 62 To	R	-	30,000								
AC Water Pipe Replacement	R	-	75,000	100,000	314,286	314,286	314,286	314,286	314,286	314,286	314,286
Miscellaneous Scheduled Water Point an	R	140,976	140,976	178,852	173,293	173,293	173,293	173,293	173,293	173,293	173,293
Miscellaneous Scheduled Toby, Toby Box	R	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
IAF Water Mains	L	-	-	-	-	-	-	-	-	1,200,000	-
		185,976	270,976	323,852	522,579	575,079	512,579	557,579	512,579	1,712,579	512,579

		2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034
Rural Water											
Peketa - New chlorine analyser connecte	L					10,000					
Peketa - Replace outdated UV (use old ki	R					10,000					
Peketa - Miscellaneous Scheduled Renew	R	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998
Fernleigh - Auto reset after power outage	L	2,500									
Fernleigh - Main reservoir outgoing flowr	L				3,000						
Fernleigh - Main reservoir increased stor	L				15,000						
Fernleigh - Miscellaneous Scheduled Ren	R	10,000	59,656	59,656	59,656	19,447	19,447	19,447	33,609	10,000	10,000
Oaro - SCADA and sampling improvement	L	3,000									
Oaro - Miscellaneous Scheduled Renewal	R	6,922	6,922	6,922	38,278	6,302		32,811			
Kincaid - Configure raw water tanks as cla	L	10,000									
Kincaid - Extra raw water tank capacity	L	80,000									
Kincaid - Failsafe shutdown and alarms U	L	10,000									
Kincaid - Miscellaneous Scheduled Renev	R	13,119	13,119	21,746	21,746	21,746	20,000	27,106	27,106	27,106	27,106
Kincaid - Miscellaneous Toby, Toby Box &	R	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675
East Coast Village - Redevelop existing bo	R		7,500								
East Coast Rural - Galvanised iron water m	R			145,793							
East Coast Village - Miscellaneous Schedu	R	5,000		20,165		147,826					
East Coast Rural - PVC Pipe Replacements	R								100,000		
		152,213	98,868	265,954	149,352	226,993	51,119	91,037	172,388	48,779	48,779
Sewerage / Wastewater											
Ocean Ridge Pump Station - Replace Vari	R			20,000							
Esplanade pump station - corrosion repai	R			50,000							
Churchill St pump station - corrosion repa	R	-	75,000								
Ludstone Rd pump station - corrosion rep	R					50,000					
Hawthorne Rd pump station - corrosion re	R	120,000									
Esplanade pump station - corrosion repai	R		75,000								
Sewer pump renewals and overhauls	R	100,000	49,804	49,804	46,250	46,250	46,250	46,250	46,250	46,250	46,250
Odour Control Renewals	R	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Sewer line under town (SH1) bridge	R		25,000								
Treatment Plant - screening handling imp	L				3,000						
Changes to South Bay boat park to stop st	D				100,000						

Sewerage / Wastewater continued		**2024/2025**	**2025/2026**	**2026/2027**	**2027/2028**	**2028/2029**	**2029/2030**	**2030/2031**	**2031/2032**	**2032/2033**	**2033/2034**
Wakatu pump station - replace pump plin	R							7,500			
Treatment Plant - camera or other means	L		5,000								
Treatment Plant - Replace paddle wheel a	R	120,000									
Treatment Plant - replace dissolved oxyge	R						12,000				
Treatment Plant - Total Cost for Remedy c	L	100,000									
Mill Road Pump Station - wastewater pun	D						350,000				
Miscellaneous Scheduled Wastewater Lir	R					5,855			19,125		
Miscellaneous Scheduled Wastewater St	R	34,425	46,041	186,393	244,350	226,242	322,679	318,898	318,898	318,898	318,898
		479,425	280,845	311,197	398,600	333,347	735,929	377,648	389,273	370,148	370,148
Stormwater											
Lower Ward St culverts and channels upgı	L			20,000							
Greys lane swale and cross-stree piping	L					50,000					
Sundry improvements	L	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Sundry Renewals	R	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
		10,000	10,000	30,000	10,000	60,000	10,000	10,000	10,000	10,000	10,000

Operating Costs (Excl depreciation and overheads) Years 1 to 10 (2025 dollar terms)

Roading	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Roading - Roads and Bridges										
Time Sheet Cost Capture	196,100	196,100	196,100	196,100	196,100	196,100	196,100	196,100	196,100	196,100
Minor Events 140	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Level Crossing Warning Devices	7,020	7,020	7,020	7,020	7,020	7,020	7,020	7,020	7,020	7,020
Sealed Pavement Mtce 111	212,000	212,000	212,000	212,000	212,000	212,000	212,000	212,000	212,000	212,000
Unsealed Pavement Mtce 112	189,540	189,540	189,540	189,540	189,540	189,540	189,540	189,540	189,540	189,540
Routine Drainage Mtce 113	240,000	240,000	240,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Structures Maintenance 114	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500	58,500
Environmental Maintenance 121	238,244	238,244	238,244	238,244	238,244	238,244	238,244	238,244	238,244	238,244
Traffic Services Mtce 122	90,558	90,558	90,558	90,558	90,558	90,558	90,558	90,558	90,558	90,558
Network & Asset Management 151	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
Cycle Path Maintenance	4,680	4,680	4,680	4,680	4,680	4,680	4,680	4,680	4,680	4,680
	1,606,642	1,606,642	1,606,642	1,506,642	1,506,642	1,506,642	1,506,642	1,506,642	1,506,642	1,506,642
Roading - Footpaths & Cycle Lanes										
Maintenance	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Roading - Streetlights										
Electricity	31,800	31,800	31,800	31,800	31,800	31,800	31,800	31,800	31,800	31,800
Maintenance	10,600	10,600	10,600	10,600	10,600	10,600	10,600	10,600	10,600	10,600
Telecommunictions - Internet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
	51,400	51,400	51,400	51,400	51,400	51,400	51,400	51,400	51,400	51,400
Roading Total	**1,718,042**	**1,718,042**	**1,718,042**	**1,618,042**	**1,618,042**	**1,618,042**	**1,618,042**	**1,618,042**	**1,618,042**	**1,618,042**

Water Supplies	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Water Supplies - Kaikōura Urban										
Electricity	135,000	135,000	155,000	155,000	155,000	155,000	155,000	155,000	155,000	155,000
Insurance	47,380	47,380	47,380	47,380	47,380	47,380	47,380	47,380	47,380	47,380
Planned Mtce - Reticulation	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Unplanned Mtce - Reticulation	88,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Planned Mtce - Facilities	93,000	93,000	93,000	93,000	93,000	93,000	93,000	93,000	93,000	93,000
Unplanned Mtce - Facilities	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Rates	35,830	35,830	35,830	35,830	35,830	35,830	35,830	35,830	35,830	35,830
Water Meter Reading Expenses	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Management icnl. Water Testing	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
	490,210	492,210	512,210	512,210	512,210	512,210	512,210	512,210	512,210	512,210

Water Supplies - Ocean Ridge										
Electricity	2,040	2,040	2,380	2,380	2,380	2,380	2,380	2,380	2,380	2,380
Insurance	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
Planned Mtce - Reticulation	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Unplanned Mtce - Reticulation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Planned Mtce - Facilities	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Unplanned Mtce - Facilities	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Resource Consent Expenses	200	200	200	200	200	200	200	200	200	200
Management incl. Water Testing	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
	69,740	69,740	70,080	70,080	70,080	70,080	70,080	70,080	70,080	70,080
Water Supplies - East Coast Rural										
Electricity	43,000	43,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Insurance	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831
Planned Mtce - Reticulation	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Unplanned Mtce - Reticulation	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Planned Mtce - Facilities	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Unplanned Mtce - Facilities	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	59,831	59,831	66,831	66,831	66,831	66,831	66,831	66,831	66,831	66,831
Water Supplies - Kincaid Water										
Electricity	4,124	4,124	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Insurance	5,668	5,668	5,668	5,668	5,668	5,668	5,668	5,668	5,668	5,668
Planned Mtce - Reticulation	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300
Planned Mtce - Facilities	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Unplanned Mtce - Facilities	18,000	18,000	26,000	18,000	18,000	26,000	18,000	18,000	26,000	18,000
Management incl Water Testing	21,400	21,400	21,400	21,400	21,400	21,400	21,400	21,400	21,400	21,400
	75,492	75,492	84,368	76,368	76,368	84,368	76,368	76,368	84,368	76,368
Water Supplies - Fernleigh Water										
Electricity	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Insurance	5,887	5,887	5,887	5,887	5,887	5,887	5,887	5,887	5,887	5,887
Planned Mtce - Reticulation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Unplanned Mtce - Reticulation	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Planned Mtce - Facilities	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Unplanned Mtce - Facilities	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Management incl. Water Testing	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
	127,287	127,287	127,287	127,287	127,287	127,287	127,287	127,287	127,287	127,287

Water Supplies - Peketa Water										
Electricity	3,700	3,700	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Insurance	945	945	945	945	945	945	945	945	945	945
Planned Mtce - Reticulation	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Unplanned Mtce - Reticulation	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Management incl. Water Testing	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500
	43,645	43,645	44,245	44,245	44,245	44,245	44,245	44,245	44,245	44,245
Water Supplies - Oaro Water										
Electricity	4,124	4,124	4,124	4,124	4,124	4,124	4,124	4,124	4,124	4,124
Insurance	1,711	1,711	1,711	1,711	1,711	1,711	1,711	1,711	1,711	1,711
Unplanned Mtce - Reticulation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Planned Mtce - Facilities	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Unplanned Mtce - Facilities	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Management incl. Water Testing	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200
	56,035	56,035	56,035	56,035	56,035	56,035	56,035	56,035	56,035	56,035
Water Supplies - East Coast Village										
Insurance	4,630	4,630	4,630	4,630	4,630	4,630	4,630	4,630	4,630	4,630
Unplanned Mtce - Reticulation	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Planned Mtce - Facilities	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Unplanned Mtce - Facilities	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Management incl. Water Testing	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
	89,130	89,130	89,130	89,130	89,130	89,130	89,130	89,130	89,130	89,130
TOTAL WATER	**1,011,370**	**1,013,370**	**1,050,186**	**1,042,186**	**1,042,186**	**1,050,186**	**1,042,186**	**1,042,186**	**1,050,186**	**1,042,186**
Wastewater/Sewerage	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Wastewater/Sewerage - Kaikōura Urban Wastewater										
Consultancy	20,000	-	-	-	-	-	-	-	-	-
Electricity	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
Insurance	87,225	87,225	87,225	87,225	87,225	87,225	87,225	87,225	87,225	87,225
Planned Mtce - Reticulation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Unplanned Mtce - Reticulation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Planned Mtce - Facilities	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000
Unplanned Mtce - Facilities	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Rates	36,300	36,300	36,300	36,300	36,300	36,300	36,300	36,300	36,300	36,300
Resource Consent Expenses	10,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Management incl. Water Testing	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	480,525	454,525	454,525	454,525	454,525	454,525	454,525	454,525	454,525	454,525

Wastewater/Sewerage - Stock Effulent										
Electricity	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Maintenance	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Management incl. Water Testing	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	39,400	39,400	39,400	39,400	39,400	39,400	39,400	39,400	39,400	39,400
TOTAL WASTEWATER/SEWERAGE	**519,925**	**493,925**	**493,925**	**493,925**	**493,925**	**493,925**	**493,925**	**493,925**	**493,925**	**493,925**

Stormwater	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Insurance	7,934	7,934	7,934	7,934	7,934	7,934	7,934	7,934	7,934	7,934
Planned Mtce - Reticulation	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Unplanned Mtce - Reticulation	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Planned Mtce - Facilities	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Unplanned Mtce - Facilities	500	500	500	500	500	500	500	500	500	500
Rates	12,830	12,830	12,830	12,830	12,830	12,830	12,830	12,830	12,830	12,830
TOTAL STORMWATER	**52,264**	**52,264**	**52,264**	**52,264**	**52,264**	**52,264**	**52,264**	**52,264**	**52,264**	**52,264**

Appendix 3: Three-Waters Levels of Service

Level of Service (what we do)	**We know we are succeeding when:**	**Performance Measure**	**Target**
Efficiently supply potable water to consumers.	The pipe network is well-maintained and does not leak.	Percentage of real water loss from the networked reticulation system	< 30%
We monitor water consumption through our water telemetry systems and enforce water restrictions when these are appropriate. We enforce the Water Supply Bylaw to prevent wasteful water use.	Users treat reticulated potable water as a valuable resource, avoid unnecessary wastage and where appropriate reduce their consumption through changes to use practices or use of non-potable water from other sources.	The average consumption of drinking water per day per resident	< 400 litres
We endeavour to respond to water supply issues within defined timeframes depending on the urgency of the issue.	Information from our water services contractor indicates initial responses to water supply issues (typically an initial attendance at the site) are being consistently provided within defined timeframes.	The median attendance time for urgent callouts, being service failure, supply fault or contamination, from the time that the local authority receives notification to the time that service personnel reach the site. The median attendance time for non-urgent callouts: from the time that the local authority receives notification to the time that service personnel reach the site.	Urgent within 2 hours Non-urgent within 48 hours
We endeavour to resolve water supply issues within defined timeframes depending on the urgency of the issue.	Information from our water services contractor indicates resolution of water supply issues is achieved within defined timeframes:	The median resolution time for urgent callouts, being service failure, supply fault or contamination, from the time that the local authority receives notification to the time that service personnel confirm the issue has been resolved. The median resolution time of non-urgent callouts: from the time that the local authority receives notification to the time that service personnel confirm the issue has been resolved	Urgent within 12 hours Non-urgent within 7 days

Level of Service (what we do)	We know we are succeeding when:	Performance Measure	Target
We provide supplies of water that generally meets the expectations of people and businesses in respect of water clarity, taste, odour, pressure or flow and continuity of supply	There is a low level of complaints received regarding Council water supplies.	The total number of complaints received by the local authority (expressed per 1000 connections to the local authority's networked reticulation system) about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply, and (f) the local authority's response to any of these issues	18
We provide adequate quantities of potable water that is safe to drink	Our supplies comply with Drinking Water Quality Assurance Rules. The Non-Financial Performance Measures Rules 2013 required local authorities to report their compliance with the bacterial and protozoal contamination criteria of the New Zealand Drinking Water Standards 2005. These standards have been superceded by the Water Services (Drinking Water Standards NZ) Regulations 2022, and so the Council is reporting on these measures, relying on the relevant incorporation by reference provisions in New Zealand law.	The extent to which the drinking water supplies comply with part 4 of the drinking water quality assurance rules (bacterial compliance criteria)	100% all supplies
		The extent to which the drinking water supplies comply with part 5 of the drinking water quality assurance rules (protozoal compliance criteria)	100% all supplies
Provide wastewater collection and treatment systems that are reliable and do not generate nuisance.	The number of complaints we receive about problems with the wastewater system remains low. This suggests that the system is functioning well, without faults or blockages, and without nuisance of odours.	The total number of complaints received by the local authority about any of the following, expressed per 1000 connections to the local authority's sewerage system: (a) sewage odour (3) (b) sewerage system faults (10) (c) sewerage system blockages (5), and (d) the local authority's response to any of these issues (2)	Target (total): < 20

Level of Service (what we do)	We know we are succeeding when:	Performance Measure	Target
Pump station and wastewater treatment plant performance is effectively managed, with effluent samples taken not less than three-monthly, to ensure effective wastewater treatment conditions are maintained	Our wastewater systems do not adversely affect the receiving environment. The Council has resource consents granted from Environment Canterbury that control the discharge of sewage to land, and these consents are monitored regularly to ensure we are fulfilling the required obligations.	The number of: (a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, received by the Council in relation to those resource consents	The target for each of these measures is zero.
Ensure that wastewater reticulation (including pump stations) is effectively maintained to reduce the potential for blockages or other interruption to flow	Blockages or other interruptions to flow do not result in uncontrolled discharges of wastewater	The number of sewage overflows, expressed per 1000 wastewater connections	The target for this measure is zero.
We endeavour to respond to wastewater issues within defined timeframes depending on the urgency of the issue.	Information from our water services contractor indicates initial responses to wastewater issues (typically an initial attendance at the site) are being consistently provided within defined timeframes.	The median attendance time to attend sewage overflows: from the time that the local authority receives notification to the time that service personnel reach the site.	<1 hour
		The median resolution time: from the time that the local authority receives notification to the time that service personnel confirm blockage or other fault has been resolved.	<24 hours
Provide stormwater systems in urban areas with adequate capacity to minimise significant flooding of land and habitable properties in severe rainfall events with expected annual return period of 5 years and 50 years respectively.	The number of instances of damaging flooding of urban properties or dwellings is low	The number of flooding events where water enters habitable property per year.	Zero
		For each flooding event, the number of habitable floors affected, expressed per 1000 connections to the local authority's stormwater system.	<3
Provide controls on materials entering the stormwater system through physical interception, application of drainage bylaw	There is no evidence that our stormwater system adversely affects the receiving environment and obligations of relevant	Compliance with the Council's resource consents for discharge from its stormwater system measured by the number of: (a) abatement notices	The target for each of these measures is zero.

Level of Service (what we do)	We know we are succeeding when:	Performance Measure	Target
provisions, and monitoring the standard of stormwater discharges.	Environment Canterbury resource consents for stormwater discharge are being fulfilled.	(b) infringement notices (c) enforcement orders, and (d) convictions, received by the Council in relation those resource consents.	
We endeavour to respond to stormwater issues within defined timeframes depending on the urgency of the issue.	Information from Customer Service Request (CSR) systems indicates initial responses to stormwater issues (typically an initial attendance at the site) are being consistently provided within defined timeframes.	The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	<1 hour
The stormwater system varies widely in its construction, from open channels, swales and wetlands, to concrete piped drains and outlet structures.	There is no significant damage to property or disruption to traffic flow due to moderately severe rainfall events. The number of complaints we receive about stormwater issues remains low. This suggests that the system is functioning well, without frequent overflows or flooding.	The number of complaints received about performance of the stormwater system, expressed per 1000 connections.	< 3

Appendix 4: Three-waters Resource Consents

The following table lists the water resource consents that are presently held for the taking of water.

Supply	Consent No	Expiry date	Allowable take	Comments
Kaikōura Urban	CRC-054849	14 Sep 2041	100 l/s or 8,640 m3/day Mackles Bore	To take and use ground water
	CRC-981641.1	12 Aug 2033	30 l/s or 77,760m3 annually Alternate Bore	To take and use ground water
	CRC-011818	20 Feb 2038	86 l/s or 7,430 m3 day	To take and use surface water
	CRC-163587	20 Feb 2038	55 l/s - Combined take in conjunction with CRC-011818 cannot exceed 86 l/s	To take and use surface water
Oaro	CRC-951060.2	8 Mar 2030	4.5 l/s or 200 m3/day	To take and use ground water
Peketa	CRC-991951	21 May 2034	4.5 l/s or 97.2 m3/day	To take and use ground water
Ocean Ridge	CRC-194257	02 Oct 2037	20 l/s or 15,840 over 10 days	To take and use ground water
Fernleigh	CRC-042702.1	29 Nov 2039	18.5 l/s or 400 m3/day	To take and use ground water
Kincaid	CRC-011818	20 Feb 2038	86 l/s or 7,430 m3/day	To take and use surface water
East Coast	CRC-970568.1	20 Oct 2031	4.5 l/s or 389 m3/day	To take and use ground water

Only the consents for Oaro and East Coast will expire in the next 10 years, and it would not be expected that the renewal of either would be problematic.

The current set of consents help for wastewater are shown in the table below.

System	Consent No	Expiry date	Comments
Kaikōura	CRC-050316	03 October 2031	Operation and maintenance of the anaerobic lagoon
	CRC-050395	05 May 2040	Construction and maintenance of the anaerobic lagoon in a coastal hazard zone
	CRC-050485	Open	To excavate and operate effluent soakage beds
	CRC-191229	15 September 2045	To construct an aerated lagoon
	CRC-191230	15 September 2045	To discharge odour from the aerated lagoon
	CRC-191231	15 September 2045	To store human effluent at the Kaikoura WWTP
	CRC 941111	03 October 2031	Discharge of oxidation pond effluent

At the time of preparing this Infrastructure Strategy there are significant risks related to resource consents for the WWTP. Some activities (solids storage and dewatering) do not have current consents, and not all clauses of the current consents that do exist were being complied with.

This non-compliance had been present for many years, but a more inflexible compliance approach was taken by ECan occurred after the Water Services Act 2021 came into force and responsibilities for wastewater were delegated to ECan.

Abatement notices were issued to the Council and an agreed process is being worked through with ECan. This includes carrying out detailed investigations and expert assessments and applying for replacement consents in 2024.

The main risks associated with resource consents relate to solids storage and disposal, odour management and electrical power requirements. If consents are not granted for the existing activities in their current form as there could be significant unbudgeted capital costs for additional aeration, sludge dewatering and remote disposal and for monitoring equipment.

It is however the current belief of Council that the extent of environmental effects associated with existing activities, such as the disposal of collected sludges on the site, are not sufficient to rationally justify the abandonment of those activities and replacement with much more expensive processes, and for that reason (and the extent of uncertainty as to what the expense of such processes might be) no substantial associated additional future opex or capex budgets are proposed at this time.

The following table lists the stormwater discharge resource consents that are presently held.

System	Consent No	Expiry date	Comments
Kaikōura	CRC022031.1	31 July 2037	To disturb the bed of and to place structures under Phairs Drain (South Bay) and to place a structure within eight metres of Phairs Drain
	CRC144682	28 July 2051	Global consent - to discharge stormwater from the area identified as the “Kaikōura Township Stormwater Management Area”
	CRC063634.1	24 August 2041	To discharge stormwater to land and water at Goose Bay
	CRC081215	5 April 2040	To discharge stormwater for both roading and residential hardstand

No stormwater resource consents are due to expire during the next ten years.

Revenue & Financing Policy

Policy status:	Adopted
Review due:	30 June 2027
Legal reference:	Local Government Act 2002 Section 102(2)(a) and 103, and Schedule 10, Part 1 (10)

Objective

This policy outlines the choices the Council has made in deciding the appropriate sources of funding for operating and capital expenditure from those sources listed in the Local Government Act 2002 (the LGA). The policy also shows how the Council complied with section 101(3) of the LGA which sets out a number of factors we must consider when making these decisions.

The outcome of balancing all those factors requires judgement over many facets of Council functions including but not limited to legal, transparency, accountability, affordability, efficiency, social, and intergenerational equity as well as providing for the financial sustainability of the activities undertaken.

Legal requirements

When making funding policy the Council must work through the process and matters set out in section 101(3) of the LGA and have regard to the section 101(1) obligation to act prudently and in the interests of the community. The requirements of section 101(3) analysis is a two-step process, as discussed below.

First step considerations

The first step requires consideration at activity level of each of the following:

1. Community outcomes to which the activity primarily contributes,
2. The distribution of benefits between the community as a whole, and any identifiable parts of the community and individuals,
3. Period in or over which benefits occur,
4. The extent to which actions or inactions of particular individuals or a group contribute to the need to undertake the activity,
5. The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

No single criterion has greater weight in law than the others, and these are explained in more detail below.

1) The community outcomes to which the activity contributes

Our community outcomes are:

Community – we communicate, engage, and inform our community,

Development – we promote and support the development of our economy,

Services – our services and infrastructure are cost effective, efficient, and fit for purpose,

Environment – we value and protect our environment,

Future – we work with our community and our partners to create a better place for future generations,

The Council manages ten groups of activities to support the achievement of our community outcomes.

2) **The distribution of benefits between the community as a whole**, any identifiable part of the community, and individuals (the beneficiary pays principle).

The community as a whole means all residents and ratepayers. For some of the Council's activities it is difficult to identify individual users, or people cannot be excluded from entry, or everyone benefits in some way from an activity (also known as "public good"). If the activity benefits the community as a whole, it is appropriate to fund that activity by the community as a whole, such as by the general rate. If groups or individuals benefit, then costs can be recovered either by a targeted rate or user fees.

3) **The period over which those benefits are likely to occur** - 'intergenerational equity' principle.

Many of the activities provided by local government are either network or community infrastructure (for example, roads and stormwater channels), which last for a long time. Benefits from infrastructure can be expected to last for the life of the asset. This matter requires consideration of how the benefits and costs for the assets are distributed over time, so that current day ratepayers are not meeting the entire burden by paying for them now. This is illustrated in the diagram below.

The main tool for ensuring intergenerational equity is the use of debt, and then rating future ratepayers to service the debt. A decision not to borrow for new capital is effectively a decision that current ratepayers should meet the cost of services that future ratepayers will consume, and should be made as a conscious policy choice.

4) The extent to which the actions (or inaction) of any individual or group may contribute to the need to undertake the activity

This is the exacerbator pays principle which is that those groups whose actions or inactions give rise to a need to undertake a certain activity should contribute to the costs of that activity.

5) The costs and benefits of funding the activity distinctly from other activities

Should the activity be funded from a general source (e.g. general rates or uniform charge) or from a targeted source such as user fees or a targeted rate. The choice between general and targeted funding sources requires consideration of the consequences for transparency and accountability. This might include:

- The smaller the activity the less likely that funding it separately will be economic or practical,
- Legal requirements may require an activity to be ring fenced,
- An activity that may be of benefit to a subset of the community may be a stronger candidate for distinct funding,
- Transparent rates may aid in the community seeing what they get for their money.

A comprehensive analysis of this is included in the Step One Funding Needs Analysis (Appendix One).

Second step considerations

This step requires the Council to consider the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community. This second step requires consideration once the first step is completed and this is at the whole of Council level rather than at the activity. It allows the Council to make adjustments to the allocation arrived at after step 1.

A comprehensive analysis of the second step considerations is included in the Step Two Overall Impact Analysis (Appendix Two).

Policy statement – general funding principles

The Council considers the following to be its overall position on revenue and financing matters:

- User pays is appropriate because user fees ensure that those who actually use services pay for them, rather than relying on rates to subsidise service delivery.

- Transparency is important.
- Rating differentials are a useful tool to make our rating system fairer.
- Where rates are set on property value, capital value is to be used because this captures the high value of commercial property while mitigating the high value of land for farming.
- Where rates are set as a fixed dollar amount, separately used or inhabited parts of a rating unit (SUIP) is to be used, as this captures each dwelling within a rating unit, each shop within a mall, etc, as intended. Some exceptions may be appropriate, such as registered premises targeted rates which are assessed per licence, or certain water charges which are per unit of water as consumed or supplied by restrictor.

Current changes as a result of analysis

Impacts of targeted rates

Roading rates

Based on the outcome of step 1, the Council considered that a Roading rate differential based on capital value of the following was appropriate:

- Urban & utilities 1.0
- Commercial 2.0
- Semi-Rural 1.2
- Rural 1.2

In addition, the Council considered that a fixed targeted rate on all Rural properties to ensure all rural properties contributed to the roading costs irrespective of the capital value was appropriate.

Footpath & Streetlight, Town Centre, and Harbour rates

The Council considered the following rates and the availability of the services to the groups of ratepayers provided by the activities within each of the rate below, and concluded that an increase in the differential for semi-rural areas was appropriate, as well as to apply the rural differential of 0.25 consistently across these rates.

Table 1: Differentials to apply to urban, semi-rural and rural rates

	Previous differential	New differential
Footpath & Streetlights Rate		
- Urban	1.00	1.00
- Semi-rural	0.50	0.75
- Rural	0.20	0.25
Town Centre Rate		
- Urban	1.00	1.00
- Semi-rural	0.50	0.75
- Rural	0.25	0.25
Harbour Rate		
- Urban	1.00	1.00
- Semi-rural	0.50	0.75
- Rural	0.25	0.25

Rates on commercial and visitor accommodation properties

The Council also considered the economic impact of commercial properties and identified that they should contribute to specific activities via rates set on capital value, without a differential.

Those activities are:

Activity	Portion of net cost to be funded by commercial rates[6]
Public rubbish bins emptying, cleaning & maintenance	100%
Parking control	100%
i-Site operating grants	100%
Tourism & marketing	100%
Economic development	60%
Public toilets cleaning & maintenance	50%
Airport	50%
Town centre maintenance & operations	20%
Harbour activities	10%

Table 2: Activities to be funded by commercial rates

In addition to commercial properties, there are a number of accommodation providers where part of those rating units are used to provide accommodation but are not subject to the Commercial Rate. The Council confirmed in its Step One analysis that it was appropriate that each separately used inhabited part of a rating unit that provides visitor accommodation should continue to pay a fixed amount in lieu of the Commercial Rate, that funds the same activities as the Commercial Rate does.

In the Step Two analysis, the Council confirmed that the amount of that fixed amount should increase from the $400 in 2023/24, so it is a fairer contribution to the net costs of those activities funded by commercial rates and to better reflect the benefit they receive from the Council's tourism and marketing activities to attract visitors to the district. The actual amount of this visitor accommodation rate will be reviewed annually in the Annual Plan process.

Harbour Special Operator targeted rate

Having considered the requirements of section 101(3) of the Local Government Act (2002), being the first and second step considerations described at the start of this policy, the Council considers that certain harbour operators benefit from, and contribute to need for, the harbour activities at South Bay. The Council has concluded from its s101(3) analysis that certain "Special Operators" have exclusive – or predominantly exclusive – use over some areas of the harbour that other users do not, and that a targeted rate for these special operators ensures they contribute to the current and future social, economic, environmental and cultural well-being of the community. The Council has therefore provided for a Harbour Special Operator rate in the Revenue and Financing Policy.

The South Bay harbour costs will be recovered from the following sources:

Fees & charges (slipway fees, boat parking fees, cruise ship fees)	50%
Harbour special operator rate (see note below)	30%
Commercial rate	10%
Harbour Differential rate (urban/semi-rural/rural)	10%

The special operators will also be subject to any user fees that would also normally apply to their use of the harbour, such as boat parking and slipway fees. These special operators will also be subject to the commercial rate as would any other commercial operator, because their commercial business also benefits from the general activities of the harbour the same as any other business, and the portion of the commercial rate that would fund the harbour is insignificant in dollar terms. The special operators would not, however, be subject to the Harbour Differential rate as the Special Operator Rate applies in lieu of the Harbour Differential rate.

Special operator rate note

When the Council considered the overall costs of operating the South Bay Harbour it included consideration of those operators that have exclusive or sole operational areas of parts of the harbour, including jetties, seawalls, bus parking and supporting areas. While those jetties are not in the "ownership" of Council,

[6] Commercial rates in this context refers to the Commercial Rate (set and assessed on capital value) and the Visitor Accommodation Charge (set and assessed per separately used or inhabited part of a rating unit).

they are attached to Council assets and without those Council assets, the jetties and other assets could not be used by the operators. It acknowledged that the exclusive use is at the detriment to other users. In considering the assessing of a special rate for those operators that have exclusive use, the Council considered those operators were making a commercial return from having exclusive use of the harbour. It is also acknowledged that there are other commercial users that do not have exclusive use, but those users pay an appropriate fee for the use of either the land by way of licence or by way of slipway fee. Those other commercial users do not have exclusive use of the slipway or any other facility within the harbour areas.

While at this stage two special operators have been identified, any further operators that are deemed to have sole use of harbour areas and/or exclusive use of Council assets would also be subject to the special operator rate. The special operators will be rated in proportion of the area used.

Commercial rate and Harbour differential rate note

The Council also acknowledges that all commercial properties in the district benefit from the harbour operations, particularly in the economic inflows generated by our iconic marine-based tourism activity, and also that the wider community benefits from harbour operations are predominantly aligned with their proximity to the harbour.

Impacts and application of the general rate

The Council considered the impacts of groups of ratepayers (urban, semi-rural, rural and commercial) based on location compared with the cumulative services that were available and considered that a general rate differential of 0.8 for rural and semi-rural properties is appropriate.

The general rate at a differential of 0.8 applied to rural and semi-rural properties, acknowledges that many of the activities and services funded by the general rate are more likely to benefit urban and commercial properties simply by virtue of their proximity to the township or access to certain services. The differential also serves to alleviate the impact on rates for farms, which have a higher capital value than urban households.

Use of the Uniform Annual General Charge (UAGC) lever

The uniform annual general charge (UAGC) as a fixed amount per separately used or inhabited part (SUIP).

The Council considered the impacts of rates on all groups of properties and including high value properties (those properties with a capital value significantly greater than the average) which generally pay significant rates, and the use of a fixed (uniform) rate which reduces rates for the higher value properties, but increase rates for lower value properties. The greater the property value from the average the greater the impact. Therefore, the Council considers that the Uniform Annual General Charge (UAGC) should be as close to the 30% cap set by legislation as possible. The rationale for this approach includes that the benefit of almost all Council services and activities accrues to all properties equally, therefore the Council considers all properties should contribute a relatively similar level regardless of the value of their property.

Te Ture Whenua Māori Act (1993)

The Council will promote the retention of Māori land in the hands of its owners, their whanau, and their hapu; and to protect wahi tapu; and to facilitate the occupation, development, and utilization of that land for the benefit of its owners, their whanau, and their hapu. It will do this by way of rates remission on Māori Freehold Land that is not used (where that land is not already non-rateable), and it will also offer rates remission to general land that is owned by Māori, where that land and its ownership is the same in nature as Māori Freehold Land but has not been registered with the Māori Land Court. By the same in nature, the Council considers that multiple owners/trustees and the owners/trustees cannot be easily held liable for payment of rates (in the same manner as Māori Freehold Land).

Policy statement – operating costs

Operating costs are the everyday spending on Council activities, such as maintenance, personnel, and telecommunications. Operating costs also include contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and overheads.

Lease & rent revenue, and any revenue generated by an activity is to be applied to that activity in the first instance.

The following sources of funding are appropriate for operating costs:

- User fees
- Grants, sponsorship, subsidies and other revenue
- Special reserves & funds
- Rates

Policy statement – capital expenditure

Capital expenditure is the cost to acquire, upgrade, or renew assets such as property, plant, and equipment. These assets are long-term in nature, and it is therefore generally appropriate to fund their acquisition with long-term funds such as borrowing. External funding sources such as grants, subsidies, development contributions, and proceeds from the sale of assets are also appropriate.

For renewal expenditure (the cost to replace an asset or to restore it to its original condition), annual revenue such as subsidies, user fees & charges, general or targeted rates may be preferred rather than borrowing.

Special reserves and funds may be used to meet capital costs if the expenditure is consistent with the purpose of the fund.

The following sources of funding are appropriate for capital expenditure:

- Investment income and proceeds from the sale of assets
- Grants, sponsorship, subsidies and other income
- Special reserves & funds
- Development contributions
- Borrowing
- Rates
- User fees

The allocation between the various tools will be based on the type of expenditure and the available funds per Appendix One: Step One Funding Needs Analysis.

The Council does not currently intend to use lump sum contributions nor financial contributions under the Resource Management Act 1991.

Funding mechanisms

User fees

User fees are applied to services where it is identified there is a benefit to an individual or group, or directly attributable cost. User fees are a broad group of fees charged directly to an individual or entity including but not limited to hire, rent, lease, licences for land and buildings, permits, planning and consent fees, regulatory fees, fines and penalties, connection fees, disposal fees, statutory charges, harbour and landing fees.

The price of the service is based on a number of factors, including but not limited to:

- The cost of providing the service
- The estimate of the users' private benefit from using the service
- The impact of cost to encourage/discourage behaviours
- The impact of cost on demand for the service
- Market pricing, including comparability with other Councils
- The impact of rates subsidies if competing with local businesses
- Cost and efficiency of collection mechanisms
- The impact of affordability on users
- Statutory limits
- Other matters as determined by the Council

The ability to charge user fees is limited by various statutes and regulations. As a general rule, fees for statutory functions should be set at no more than the cost of providing the service. In some cases, legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (such as the

Waste Minimisation Act 2008) fees may be set at greater than the cost of providing the service. It is appropriate to incorporate overhead costs when determining the cost of providing a service.

User fees may be set at any time and are reviewed annually. A list of current user fees is maintained on our website.

Revenue from user fees is generally allocated to the activity which generates the revenue.

Grants, Sponsorship, Subsidies and Other Income

Grants, sponsorship and subsidies are used where they are available. Many of these types of income are regular and predictable and can be budgeted for (for example Waka Kotahi roading subsidy). Some other types are unexpected or unpredictable and may not be able to be prudently budgeted (such as Provincial Growth Fund funding, reparation payments, reimbursements for emergency events, legal settlements and insurance claims). These are applied as they arise to the corresponding activity or project.

Investment Income and Proceeds from the Sale of Assets

The Council's approach to investments is documented in the Investment and Liability Management Policies. These investments generate income such as dividends, interest, and rents, and are applied to operating costs associated with the investment in the first instance.

Development Contributions, Financial Contributions and Lump Sum Contributions

Development contributions relating to resource consents, building consents and/or service connections, are collected and placed in a special reserve associated with the activity funded by the development contribution, and used for the purpose the development contribution was levied. This may include reimbursing loans that were raised to fund development projects in the past. The Council does not currently take financial contributions and does not intend to use lump sum contributions.

Special Reserves & Funds

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

Borrowing

The Council's approach to borrowing is documented in the Liability Management Policy. The Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines it is prudent to do so, fund some operating costs from borrowing, or meet short-term cashflow requirements from borrowing as an interim arrangement.

General rate

General rates in this context includes the general rate and the uniform annual general charge. Both rates apply to every rateable property in the Kaikōura district.

The general rate is assessed on capital value on a differential basis, and is applied to activities that benefit the entire community, where the benefits and costs cannot easily be allocated to specific individuals and groups, or where the administrative effort to fund by a specific source would outweigh the activity itself.

The general rate applies a differential of 0.8 to rural and semi-rural properties.

The uniform annual general charge (UAGC) is a fixed amount per separately used or inhabited part (SUIP) and is applied to the same activities that fund the general rate.

Targeted rates

Targeted rates are used when the Council considers that a group of users can be identified (whether by proximity, connection, or access to services), or where it considers that transparency in funding certain activities is important.

Targeted rates include rates assessed on capital value, SUIP, or other factors such as charges on the volume of water consumed.

Examples are targeted rates for water, where only those properties which are connected – or could be connected – are assessed these targeted rates. Another example is the Civic Centre Charge, which is a uniform targeted rate for no reason other than transparency, but the revenue from these rates are ring-fenced in a special reserve and can only be used for their specific purposes.

Activities and their sources of funding

The following table is the outcome of the Step One analysis plus any Step Two adjustments. It shows the funding tools proposed for each activity. It is a summary, see Appendices One and Two for more detail.

Table 3: Activities and their sources of funding

Activity/tools	General rates with differential and UAGC	Targeted rates		User Fees	Grants & subsidies
		Capital Value	Fixed $ amount		
Roads & bridges		35% to 60% with differential	Less than 20% (Dollar amount set annually)		40% to 60%
Footpaths & streetlights		70% to 80% with differential			20% to 30%
Economic development	40%	60% Commercial rate & visitor accommodation			
Animal control	10% to 30%			70% to 90%	
Transfer station (net cost to Council)	100%				
Public rubbish bins and recycling stations	50%	50% Commercial rate & visitor accommodation			
Kerbside recycling collection service			100%		
Rural recycling collection	100%				
Resource recovery and re-use, recycling (net cost to Council)	100%				
Statutory planning	20%			Not less than 80%	
Building control	20%			Not less than 80%	
Responsible (freedom) camping	Up to 100%				Where available
Parking control	50% of residual	50% of residual Commercial rate & visitor accommodation		Up to 100%	
Food premises, environmental health, and alcohol licencing	20%		Registered Premises Charge Up to 80% with user fees	Up to 80% with targeted rate	

Activity/tools	General rates with differential and UAGC	Targeted rates		User Fees	Grants & subsidies
		Capital Value	Fixed $ amount		
Other regulatory	Up to 80%			Up to 30%	
Town Centre		80-95% with differential		5-20%	
Public Halls (Memorial Hall & Scout Hall)	Up to 100%			Up to 20%	
Airport	50% of Residual	50% of Residual Commercial rate & visitor accommodation		90%-100%	
Harbour – South Bay		30% Special Operator Rate, residual split equally between Harbour Rate (with differential) and Commercial Rate & visitor accommodation		Not less than 50%	
Harbour – North Wharf and Old Wharf		Residual split equally between Harbour Rate (with differential) and Commercial Rate & visitor accommodation		Up to 50%	
Civic Centre			70-80%	20-30%	
Housing for the elderly plus MBIE Housing	Residual			100%	
Swimming pool (grant paid to Trust)	100%				

Activity/tools	General rates with differential and UAGC	Targeted rates		User Fees	Grants & subsidies
		Capital Value	Fixed $ amount		
Parks & reserves, walkways, cycle trails & pump tracks, skatepark, playgrounds, sports fields, and foreshore	Not more than 98%			Not less than 2%	
Cemetery	40-55%			45-60%	
Public toilets	50%	50% Commercial rate & visitor accommodation			
Camping ground & Hot Pools				100%	
25 Beach Road (Op Shop) and other leased properties	Greater than 75%			Less than 25%	
Forestry				100%	
Wakatu Quay project	< 5%			> 95% once operational	> 80% to construct
Mayor & Councillors	100%				
Chief Executive's office & communications	100%				

Activity/tools	General rates with differential and UAGC	Targeted rates		User Fees	Grants & subsidies
		Capital Value	Fixed $ amount		
Emergency Management	100%				Where available
Library service	100% after fines				
Community Development	100%				Where available
Social Services (Family violence, youth support, social recovery)					100%
District Plan		100%		Private plan changes 100%	
Environmental Initiatives	100%				Where available
Tourism & Marketing		100% Commercial rate & visitor accommodation			
Strategy & Policy	100%				
Water supplies			Up to 100%	Up to 10%	
Wastewater			Up to 100%	Up to 10%	
Stormwater		Up to 100%		Up to 10%	

Table 3 above shows the degree (expressed as a range) to which each funding source is used to fund operating costs in relation to each activity to be funded, as required by section 101(3)(a) of the LGA. They may change over time because of changes in expenditure requirements, as well as changes in revenue due to demand for services and/or the availability of external grants, and so the percentages are indicative.

The following pages are the Step One Funding Needs Analysis.

Step One - Funding Needs Analysis

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Roads & bridges				
Maintenance and capital work of sealed & unsealed roads, drainage & culverts, bridges, road marking & traffic signs. Doesn't include SH1 Beach Rd, Churchill St	• Development • Services • Future	Road users – Whole of district No difference in benefit for commercial property? Commercial properties benefit because roads allow customers to access their business, also the additional vehicle movements for goods and services deliver.	Now and over the life of the assets	Development places demand on the infrastructure, as does heavy traffic resulting from land use such as forestry & commercial activities. Dairy tankers, also cows crossing the road, effluent causing damage. Forestry (logging equipment and haulage) causes damage in a short period but has 20-30 years of little/no road use. People living in semi-rural areas ("urban displaced") who have similar expectations on the standard of roads as urban residents (sealed roads, reduced dust and noise), but drive regularly to work in town or to access town facilities.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Roads & bridges				
Roads & bridges is a significant cost to the district and so it makes sense to fund the activity transparently using targeted rates, and to use those targeted rates to best align to the types of property – or the location of property – that are the most likely to increase the need for maintenance and upgrading.	Differential Targeted rate based on capital value to fund 80% of net total rate revenue (after the NZTA subsidies) for roads & bridges	Yes	Yes	For transparency, a separate Roading differential rate will be applied to urban, semi & rural, and commercial, and rural, semi-rural & commercial should contribute more, to reflect vehicle weights and damage to roads. A Roading Differential Rate on capital value as below: Roading Rate Urban & utilities 1.0 Commercial 2.0 Semi-Rural 1.2 Rural 1.2
	Uniform Targeted rate 20% of net total rate revenue (after the NZTA subsidies) for roads & bridges	Yes	Yes	All properties outside the urban area should contribute an initial fixed amount towards the roading costs irrespective of size or value. The fixed amount mitigates the disproportionate impact on high value properties.
	Fees & charges	Yes	Yes	Wherever these are available (e.g. for any services provided directly, and for licences to occupy on road reserves).
	Grants and subsidies =/> 51% of eligible costs	Yes	Yes	NZTA subsidies continue to fund a substantial portion of road costs (assumed 51% for annual costs within the NZTA approved programme, and up to 95% for emergency work).
	Borrowing	No	Yes	
	Development or Financial contributions	No	Yes	
	Other (minimum 2%)	Yes	Yes	Petrol tax levies

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Footpaths & streetlights				
Maintenance and capital work: Predominantly urban This activity doesn't include walkways or cycle trails (they reside in parks & reserves activity)	• Development • Services • Environment	Footpaths are located predominantly in the urban area. Semi-rural residents are frequently in urban area and are only 15 minutes from the township. Residual to rural. Everyone comes into town with benefit accruing according to proximity to the township.	Now and over the life of the assets	Development places demand on the infrastructure, as does increased visitors and expectations for improved access using sustainable transport.
Water supplies				
This activity is involved with the efficient provision of drinking water as well as water for stock or irrigation, and water for firefighting.	• Development • Services • Future • Environment	The communities that are supplied with water are the beneficiaries. The entire community benefits through reducing health risks and having protection in the case of fire. In particular, providing this protection to maintain access to public services such as hospitals, schools, police, ambulance etc.	Now and into the future over the life of the assets	Existing property owners/residents including businesses and industrial premises within the supply areas. Developers – for subdivisions and new developments within the supplied areas. Exacerbators – excessive users of potable water for non-essential needs. Firefighting services require hydrants and adequate pressure and supply.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Footpaths & streetlights				
Could have an Urban/ Semi-Rural/ Rural rate for combined activities such as Footpaths, Town Centre, Harbour, but keeping it separate ensures funds are spent on the activity and not washed up with others.	Differential Targeted rate < 90% as long as NZTA subsidies are available	Yes	Yes	Everybody still pays, acknowledge lesser use by people in the rural areas. Semi-rural have similar benefit to urban.
	Fees & charges	Yes	Yes	Wherever possible
	Grants and subsidies =/> 51% of eligible costs	Yes	Yes	Wherever possible
	Borrowing	No	Yes	
	Development or Financial contributions	No	Yes	
Water supplies				
Meters provide information about actual water consumed, and for users to be invoiced accordingly, but meters are expensive to install and maintain. A Kaikōura Water Cohort has been established, consisting of Kaikōura Urban, Suburban, Ocean Ridge, Peketa and Oaro water supplies. This means the cost of operating these supplies is shared across the consumers of the Cohort group.	Targeted rates for all SUIPs connected, and/or within 100 metres of any part of the supply(s). Water meter charges for extraordinary consumption (volumetric charges) Targeted rates per unit of water (by installed restrictors): East Coast, Kincaid Fernleigh and Suburban supplies	Yes	Yes	Users benefit directly from the supply of safe potable water (or stock water as appropriate) and hence are rated directly for the cost of providing the water supply. The Kaikōura Water Cohort effectively provides funding support for small supplies (particularly Oaro, Peketa and the East Coast village) so that they can progress with upgrades to treatment and storage, etc, that would otherwise be completely unaffordable if those supplies were required to fund those projects on their own. From time to time the Council may consider other supplies entering the Cohort or for the Cohort to partially subsidise other water supplies within the district.
	User fees	Yes	Yes	
	Grants and subsidies are used wherever possible.	Yes	Yes	

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Water supplies (continued)				
This activity is involved with the efficient provision of drinking water as well as water for stock or irrigation, and water for firefighting.	• Development • Services • Future • Environment	The communities that are supplied with water are the beneficiaries. The entire community benefits through reducing health risks and having protection in the case of fire. In particular, providing this protection to maintain access to public services such as hospitals, schools, police, ambulance etc.	Now and into the future over the life of the assets	Existing property owners/residents including businesses and industrial premises within the supply areas. Developers – for subdivisions and new developments within the supplied areas. Exacerbators – excessive users of potable water for non-essential needs. Firefighting services require hydrants and adequate pressure and supply.
Wastewater				
This activity comprises the collection and transportation of wastewater from its sources (commercial premises and residences) to its point of treatment. Treatment and disposal of sewage for commercial and domestic users.	• Development • Services • Future • Environment	Consumers connected to (or able to be connected to) the Kaikōura sewerage system, both on a per property and a per pan basis benefit from the removal of sewerage from their property. Public health of the community, convenience of individual property owners and the users of coastal waters.	Now and into the future over the life of the assets	The wider community. Those properties/ residents connected. Industries and commercial businesses, restaurants and fast-food outlets. The existing property owners/residents including commercial business and industries within the service areas. Developers – new subdivisions and developments within the serviced area generally create a need for increased wastewater disposal. Iwi & Environmental interest groups. Discharges to freshwater catchments are important considerations.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Water supplies (continued)				
Development and/or financial contributions are appropriate for capex because subdivisions and new developments create demands on infrastructure that benefit the developer and existing ratepayers are not responsible for.	Borrowing	No	Yes	
	Development or Financial contributions	No	Yes	
Wastewater				
User fees are not practical (although minor fees are charged for service approvals) An option is to align wastewater discharge to actual water consumption (e.g. by water meter) but meters are costly to install and maintain. Development and/or financial contributions are appropriate for capex because subdivisions and new developments create demands on infrastructure that benefit the developer and existing ratepayers are not responsible for. Grants are applied for wherever possible.	Targeted rate: All rateable property within the area serviced by the wastewater system, and/or within 100 metres of any part of the system. Commercial and self-contained & serviced: per SUIP with a differential for each additional water closet or urinal. Households will not be treated as having more than one water closet or urinal.	Yes	Yes	Users benefit directly from the hygienic collection, treatment and disposal of wastewater, and hence are rated directly for the cost of providing the wastewater system. The wider community benefits from wastewater being safely contained, however this is not considered sufficiently material to warrant a general rates component in the funding. Visitor accommodation providers such as motels provide bathrooms per motel unit, so there is a higher concentration of wastewater than would be on a per property basis. Other commercial properties, such as bars, restaurants, offices and service stations, have a relatively low number of toilets/pans, but very high usage – much higher than an average household.
	Grants and subsidies are used where possible	Yes	Yes	

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Wastewater (continued)				
This activity comprises the collection and transportation of wastewater from its sources (commercial premises and residences) to its point of treatment. Treatment and disposal of sewage for commercial and domestic users.	• Development • Services • Future • Environment	Consumers connected to (or able to be connected to) the Kaikōura sewerage system, both on a per property and a per pan basis benefit from the removal of sewerage from their property. Public health of the community, convenience of individual property owners and the users of coastal waters.	Now and into the future over the life of the assets	The wider community. Those properties/ residents connected. Industries and commercial businesses, restaurants and fast-food outlets. The existing property owners/residents including commercial business and industries within the service areas. Developers – new subdivisions and developments within the serviced area generally create a need for increased wastewater disposal. Iwi & Environmental interest groups. Discharges to freshwater catchments are important considerations.
Stormwater				
This activity protects people, dwellings, private property and public areas from flooding by removing stormwater. Discharge stormwater and collect contaminants in a manner that protects the environment and public health.	• Development • Services • Future • Environment	There is a mix of community public good and identifiable parts of the community benefiting. The wider community benefits from having public roads, open spaces, public services such as hospitals, schools, police, fire department etc. accessible and available through being protected from flooding. The wider community also benefits by protecting the environment from contaminants entering the waterways, including rivers and beaches.	Now and into the future over the life of the assets	Development places demands to extend or increase the capacity of existing infrastructure. Exacerbators – excessive users of water for non-essential needs, such as excessive boat-washing, lawn watering, etc, cause overflow to stormwater.

Costs & benefits of funding from other sources	**Tools to be used**	**Operational**	**Capital**	**Rationale/comments**
Wastewater (continued)				
Development and/or financial contributions are appropriate for capex because subdivisions and new developments create demands on infrastructure that benefit the developer and existing ratepayers are not responsible for.	Borrowing	No	Yes	See previous pages.
	Development or financial contributions	No	Yes	
Stormwater				
User fees are not practical. Special reserves are held to fund capital renewal projects. Development and/or financial contributions are appropriate for capex because subdivisions and new developments create demands on infrastructure that benefit the developer and existing ratepayers are not responsible for. Grants are applied for wherever possible.	Targeted rate based on capital value, applied to all rateable properties within the urban area (including Kaikōura township, South Bay and Ocean Ridge).	Yes	Yes	All properties within the urban area benefit from stormwater protecting private property and public or commercial areas from flooding, regardless of whether they are actually connected to the stormwater system.
	Grants and subsidies are used where possible.	Yes	Yes	
	Borrowing	No	Yes	
	Development or financial contributions	No	Yes	

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Refuse & Recycling				
Kerbside rubbish collection service	• Services • Environment	Similar to the kerbside recycling collection, the rubbish collection is a fortnightly pickup service, and benefits the urban households who receive the service (limited to those who buy a bag).	Immediate and annually	IWK contract Bags ripped or damaged causing litter
Transfer station	• Community • Services • Environment	People who dump their rubbish (district wide) Whole community (environment is clean, protection of public health).	Immediate and long term.	Rehabilitation of the landfill, leachate control, monitoring. Illegal dumping
Public rubbish bins and recycling stations	• Environment	Visitors and locals Predominantly urban	Immediate and annual	The waste in the bins is glass & plastics sourced from commercial premises. Being used by locals for rubbish to avoid the cost of a kerbside bag, and/or easily contaminated by poor recycling habits.
Rural (Lynton Downs & Clarence & Kekerengu) collection	• Environment	Communities in those areas benefit. This is a service for the rural area as the kerbside collection is not available to them.	Immediate and long term.	Windblown bags and cardboard, collection sites being used for dumping of rubbish or unintended items such as TV's, microwaves, etc.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Refuse & Recycling				
User pays (buy a blue bag)	Fees & charges	Yes	Yes	Out of $350k covers Kate Valley, etc, KDC expected to receive $100/tonne to pay for development
User pays (dumping fees) are paid to IWK in the first instance. The operations contract is paid by KDC.	General rate <20% as a Group (KDC and IWK) For KDC alone is 100%	Yes	Yes	There is an element of community benefit of subsidising the transfer station, on an equal basis across all property in the district.
	Fees & charges	Yes	Yes	User pays should incentivise good waste behaviours. These fees are paid to IWK and are not revenue to KDC.
	Borrowing	No	Yes	
Rubbish bins and recycling stations are now located in the same place and dealt with in the same collection service (no longer any need to fund separately). Total cost of service doesn't really justify a separate targeted rate (separate from the commercial rate).	50% general rate	Yes	Yes	Community benefits from having a clean environment and that there is somewhere for locals and visitors to dispose of litter.
	50% targeted rate for commercial property			Glass, plastic, and rubbish waste are sourced from local commercial premises.
Difficult to pinpoint where the service boundary should be drawn, everyone is able to use the collection point.	100% Targeted rate Rural properties only, on a uniform basis.	Yes	Yes	Semi-rural properties are considered close enough to town that they are more likely to use the Scarborough Street facilities, so this is appropriate to be rural only, and the benefit is equal per household so is a uniform rate per SUIP.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Refuse & Recycling (continued)				
Resource recovery and re-use, recycling, and food waste services	• Environment	Community as a whole Visitors (e.g. use the shop)	Immediate and long term.	Contamination of recycling or organic materials, stocking and shelving costs (keeping reusable items clean, dry and resaleable).
Kerbside recycling collection service	• Environment • Services	Predominantly urban (some manual override required for outskirts) Available to commercial property as long as within the collection service area (and not in the West End).	Fortnightly pickup service Benefits the whole community now and into the future	Windblown bags and cardboard, etc
Facilities				
Parks & reserves, walkways, cycle trails & pump tracks, skatepark, playgrounds, sports fields, and foreshore, this activity includes mowing and maintenance, weed control, track and structures maintenance & upgrades	• Community • Development • Environment • Future • Services	Whole community Visitors Businesses Event holders	Immediate Annual Long term	R&M Safety of users (esp. playground) Vandalism Rubbish & litter Management

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Refuse & Recycling (continued)				
Costs to sort and compact are substantially offset by revenues at the IWK shop. Extremely difficult to find markets for recycled products.	General rates 100% of the net cost	Yes	Yes	There is a community obligation to reduce the amount of waste that ends up in landfill – which in turn increases greenhouse gas emissions, leachate, and other environmental impacts.
	Fees & charges – sale of items at the IWK shop fund this service in the first instance, KDC pays IWK a contract fee to manage the resource recovery centre.	Yes	Yes	Fees are received by IWK (not KDC)
	Waste minimisation levies	Yes	Yes	Levies are linked to projects identified in our Waste Minimisation Strategy
Unlike the rubbish collection service which requires the purchase of a bag, recycling bins are provided to each property in the urban area to access the collection service	100% Targeted rate for the Urban area (those who have the service available as they are on the kerbside collection routes – which excludes the West End)	Yes	Yes	Predominant benefit goes to properties receiving the service (see Resource Recovery for the community benefit of having recycling available generally).
Facilities				
Licences to occupy (mobile food stalls, etc) Sports club rooms (Squash, Rugby, Tennis)	General rates < 98%	Yes	Yes	General Rates are appropriate – the majority of facilities are available for everyone to use
	Fees & charges < 2%	Yes	Yes	Fees & charges are only available as a tool where there is an identified area being used by an identifiable group. Event holders should be charged a fee for commercial activity (e.g. to use Takahanga Domain for an event).
	Borrowing	No	Yes	
	Development or financial contributions	No	Yes	

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities (continued)				
Cemetery – this activity includes burials, mowing & maintenance, cemetery register record keeping, and public enquiries	• Services • Future • Development	Whole community - wide community use Families & Descendants	Long term	R&M Burial types (grave, cremation, natural, RSA plots) Expectations for online searchable register
Public toilets – including cleaning and maintenance, and upgrades. Specifically relates to top of Beach Rd, Gooches Beach, Jimmy Armers Beach, Seal Colony, South Bay gateway, and NZTA toilets at Rakautara and Raramai. The West End (town centre) toilets fall within the Town Centre activity. Moa Point toilets fall within the Harbour activity.	• Development • Future • Services	The whole community benefits from having hygienic facilities for people to use (the alternative is abhorrent). People who need to use the facilities (includes residents and visitors). Commercial businesses benefit from people being able to relax and spend in the town for longer.	Immediate and long term	Vandalism Residents out and about in the district Visitors to the district Commercial businesses contribute especially the West End toilets (people come to town for shopping etc and stop at toilet facilities while in town). Whale Watch and Encounter guests - Moa Point toilets are almost exclusively used by their customers.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Facilities (continued)				
Burial fees should cover the cost of interment, but the whole community covers the cost of mowing, maintenance and the enquiry service for death records. Grant from DIA Retired Services Association for RSA plot maintenance.	General rates < 50%	Yes	Yes	General rates are appropriate – available for everyone and is a public service
	Fees & charges > 50%	Yes	Yes	Fees & charges - Should recover actual interment costs as a minimum, should also consider long-term cost of maintaining the site and keeping the cemetery tidy.
State Highway toilets are fully subsidised (NZTA) Could have coin operated facilities but these are more likely to be vandalised	General rate 50% of residual costs	Yes	Yes	General rate is appropriate (with differential based on proximity to urban area), because community benefits both from the use of these toilets and that facilities are available for others to use (public areas are clean and free of human waste).
	Commercial rate 50% of residual costs	Yes	Yes	Residual costs (after subsidies) should be an equal share between the general rate and commercial rate (commercial properties benefit from facilities being available for their customers, and also contribute in part to the need for these facilities to be located in their vicinity).
	Grants & Subsidies (NZTA) fund 100% of costs for cleaning and maintenance of toilets on the State Highway.	Yes	Yes	Subsidies are the preferred source of revenue, with rates to fund residual costs.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities (continued)				
Town Centre – West End maintenance, village green, CCTV, West End toilets	• Community • Development	Whole community Visitors Businesses	Immediate, annual & long term	Vandalism Wear & tear (pavers)
Public Halls (Memorial Hall & Scout Hall) – this activity involves maintenance and refurbishments, managing bookings, and general operating expenses.	• Community • Development • Future • Services	Community groups, outside community groups, whole of community, school groups, individuals, Court (Ministry of Justice).	Immediate, annual & long term	Vandalism Wear & tear Maintenance of audio-visual gear, kitchen, and other functions Power consumption & wastage Safety of users

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Facilities (continued)				
Outdoor dining and signs/display fees, Market licences. Need to find a balance of signs, displays and tables taking up space on the footpaths - not a good idea to crowd the town centre with licence to occupy areas, but at the same time we want the West End to be a vibrant place to visit. Great to have buskers, markets and other things happening at the amphitheatre.	Targeted rate - Commercial CV 20%	Yes	Yes	Commercial business benefit from having an attractive town centre with parking, toilets, security systems and that customers can park and walk in a safe and clean environment
	Differential Targeted rate for residual (70%) - Urban - semi-rural - rural split	Yes	Yes	The entire community benefits whenever they come to the town centre, which is assumed to relate to proximity to town.
	User fees & charges 10% licences to occupy etc	Yes	Yes	Note parking fees are assumed to be part of parking control (not funding Town Centre parking facilities).
	Borrowing	No	Yes	Enhancement projects
User fees - hall hire Grants where available Sports and other groups expect discount/free hall hire	General rates < 95%	Yes	Yes	Some hall use is free – for community good.
	Fees & charges Would like to generate more revenue from users	Yes	Yes	Currently user fees barely cover 4% of costs.
	Borrowing	No	Yes	Renewals, upgrades and refurbishments.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities (continued)				
Civic Centre – the District Council & Environment Canterbury offices, Museum, Library space, public meeting rooms, community hires (e.g. Plunket, media, legal and other services, plus Dept of Conservation temporary space, etc).	• Community • Development • Environment • Future • Services	Tenants (ECan etc) All visitors & service users Whole of district – through having a governance office Emergency responders (the building is the Emergency Operations Centre in an emergency event).	Life of the building	R&M Vandalism Power wastage Safety of occupants Management
Housing for the elderly (plus MBIE temporary Housing), including maintenance and capital work	• Future • Services • Environment	Tenants, families, MSD, wider community (by finding homes for people)	Annual and for the duration of tenancy (both the individual and the temporary housing (MBIE)).	R&M Vandalism Safety of occupants Management
Swimming pool – annual grant payments to Kaikōura Community Pool Trust to operate the pool.	• Services • Future • Environment	Swimmers, community, school groups, visitors, health & fitness groups, emergency training, dive training, water sport clubs & members.	Immediate, seasonal, and life of the pool	R&M Safety of users Profitability of the pool (grant is a maximum depending on financial need)

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Facilities (continued)				
A targeted rate is appropriate for transparency given the community interest in the cost of this facility.	General rates	Yes	Yes	
	Targeted rate 80%	Yes	Yes	
	User fees & charges > 20%	Yes	Yes	Rents & leases
	Borrowing	No	Yes	
Rent revenue Lease revenue (from Te Whare Putea)	General rates – Residual	Yes	Yes	Any shortfall from rents will be covered by the general rate.
	Fees & charges – 100% unless unaffordable	Yes	Yes	The intent of social housing is that it is provided at a rental level that is affordable for people on fixed incomes. The target of 100% user fees may impact the level of service for tenants.
	Borrowing	No	Yes	Borrowing is appropriate for refurbishments and where accumulated special funds are depleted.
The pool is not owned by Council (no user fees).	General rates 100%	Yes	Yes	Appropriate – is a community facility, available for everyone to use.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities (continued)				
Camping ground & Hot Pools – the Top 10 holiday park leased to operator, plus future hot pools on the Esplanade	• Services • Future • Development	Users - including Visitors and Residents Businesses benefit from having visitors attracted to the area (increased spend)	Immediate and long term	Demand on water and wastewater services
25 Beach Road (Op Shop) and other leased properties – the activity includes property ownership – the Op Shop, part of the golf course, radio sheds on Scarborough St, minor grazing leases, etc.	• Services • Future • Development	Occupants/tenants/lease holders People visiting the premises (may be visitors or residents) Community organisations benefit from the Op Shop	Life of the building	R&M Vandalism Safety of occupants Management
The Wakatu Quay project – capital development plus annual ongoing facilities, Nature of the space to be determined (hospitality, retail, tourism operators, community space, markets, arts and cultural, marine)	• Community • Development • Environment • Future • Services	Whole community Visitors Businesses Direct tenancies Event holders	The life of the building and facilities	R&M Vandalism Weather and sea surge Risk of cost overruns Management Capital design specifications

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Facilities (continued)				
Council is the landowner, not the operator - user fees are the operator's revenue, the Council collects a lease. Both operations are commercial in nature and should therefore generate a return to the Council lessee.	100% User fees & charges (lease fees)	Yes	Yes	Revenue can offset the general rates requirement.
Tenants/occupants are mainly non-commercial in nature - there is a community service to consider. The whole community benefits through the Op Shop occupying a property at a non-commercial rental (more funds available to community projects)	General rates < 75%	Yes	Yes	Most of these properties are owned for civic or community purposes, they don't yield market value leases.
	User fees (leases and rents) > 25%	Yes	Yes	Some level of lease or rental is appropriate (market rent may be appropriate for some but not for OpShop).
Provincial Growth Fund (PGF) for capital work Tenancies leases & licences to occupy Loans (capex) Car parking fees	General rates Any residual costs (including loan servicing) will need to be funded by general rates until such time as lease revenues reach 100%.	Yes	Yes	Residual costs only (actual lease revenue and other revenues have not been determined).
	Fees & charges 100%	Yes	Yes	Once operating, the expectation is that Wakatu Quay is self-funding from lease revenue, licences to occupy and parking fees.
	Grants & subsidies	Yes	Yes	PGF funding
	Borrowing	No	Yes	

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities (continued)				
Airport – activity includes maintenance and capital work: Runway, Terminal building, Hangars, Water supply and septic tank, Civil Aviation Authority safety compliance	• Community • Services • Development • Future	Airport operators Visitors Public good in an emergency (e.g. access when the roads are closed) Other commercial premises benefit from visitors coming to district (Sounds Air or other chartered flights bringing people to district)	Immediate, annual & long term	Wear & tear Mowing Wind and other conditions Management of tenants Safety of users
Harbour - South Bay harbour, boat parking, public jetty & slipway, boat washdown area and fuel facilities	• Community • Development • Environment • Future • Services	Commercial charter, commercial fishers, Whale Watch and Dolphin Encounter, other users, Coastguard, penguin colony, visitors, Cruise ships, recreational users.	Immediate, annual & long term	Safety of users Repairs and maintenance Weather Vandalism Operator error

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Facilities (continued)				
Funding sources available include: Landing fees Lease revenue Licence to occupy (fuel and Aero Club)	General rates - Residual	Yes	Yes	50% of net cost accrues to general rate
	Targeted rate Commercial rate to reflect benefit accruing to local businesses	Yes	Yes	50% of net cost accrues to commercial rate
	Fees & charges, aim for 100% within three years	Yes	Yes	Expectation that the airport is self-funding (not less than 90%)
	Borrowing	No	Yes	Renewals, service level improvements and upgrades
Slipway fees, boat parking fees and cruise ship fees are useful sources of revenue. Leases & licences may not be viable. Visitor levies to be considered in future (if these are available as a funding source).	Targeted rates - Commercial rate and the Harbour targeted rate with urban, semi-rural and rural differential. Special operator rate is appropriate, especially where main operators have exclusive use of certain areas of the harbour. Target 80% of net costs to be funded by user fees combined with the Special Operator Rate for the operators with exclusive use. The balance 20% to be funded: 10% by harbour rate with differential for urban/semirural/rural, and 10% funded by commercial property	Yes	Yes	Management and operating model required - all users to contribute, future business case. Special operators Whale Watch and Encounter Kaikōura have exclusive use of certain areas, share of costs should align with apportionment. Commercial rate and harbour targeted rate are an equal share of the balance (after user fees and any special operator rate). Commercial premises benefit from the harbour bringing visitors to the district to spend here. Local residents benefit from having access to the harbour facilities and the economic benefits it brings – roughly aligned with proximity to the township.
	Fees & charges should be not less than 80% (combined with the special operator rate)	Yes	Yes	Operators should pay not less than 80% of the cost to operate harbour facilities, whether that be via user fees or special targeted rates.
	Borrowing	No	Yes	Renewals, service level improvements and upgrades

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities (continued)				
Harbour – North Wharf, Old Wharf. Note this activity does not include seawalls, concrete pathways or the wider Wakatu Quay area.	• Community • Services • Development • Environment • Future	Commercial fishers, recreational fishers	Immediate, annual & long term	Safety of users Repairs and maintenance Weather Vandalism Operator error
Forestry – South Bay plantation plus the Marlborough Regional Forestry joint operation	• Future • Development • Environment	South Bay plantation is widely used for recreational purposes (walking, cycling, camping, horse-riding, slack rope walking, etc) MRF is primarily for commercial return. In both instances - the whole community benefits.	Long term Immediate for South Bay recreational users	Carbon credit surrender when trees are harvested Weather events Fire Slash damage Pest control Trimming, pruning, and replanting
Leadership & governance				
Office of the CEO, executive officer, HR, health & safety, cultural & other liaison or advice, and communications	• Community • Services • Development • Environment • Future	Whole community Visitors Neighbouring districts Focus community groups	Annual & long term	Legal challenges external advice training

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Facilities (continued)				
Currently a limited number of commercial users, mooring fees plus lease or licence to occupy.	The residual balance after user fees is to be funded in equal share between: - harbour rate with differential for urban/semirural/rural, - commercial rate	Yes	Yes	These harbour facilities should be funded in a similar way to the South Bay harbour facility except without the special operator rate.
	User fees should aim for at least 50% of costs, however insurance cost increases may make this difficult to achieve.	Yes	Yes	With only one or two users, it is difficult to increase user fees in line with substantial costs (e.g. insurance).
	Borrowing	No	Yes	Renewals, service level improvements and upgrades
Logging should always generate surpluses. When the forest is replanted there is a cost to be borne for this investment (assumed to be covered by the surplus from logging). MRF distributions can be used to offset rates, or to build strategic reserves for future strategic purchases.	Other: Logging sales and capital distributions generate a return to Council. In the negative cashflow phase, forestry should be funded from the forestry fund.	Yes	Yes	MRF is currently in a negative cashflow phase, being funded from the forestry fund.
Leadership & governance				
User fees are not appropriate.	General rates 100%	Yes	-	We communicate and engage with the whole community.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Leadership & governance (continued)				
Mayor & Councillors Governance of the district – costs include Honoraria, LGNZ subscription, election expenses, elected member training, meeting expenses	• Community • Services • Development • Environment • Future	Whole community benefits through local representation Visitors Neighbouring districts Focus community groups	3-years and long term	Legal challenges external advice training
Support services – Customer services, corporate & financial services, works & services, GIS mapping, IT, vehicles & plant	• Community • Services • Development • Environment • Future	Whole community Visitors Neighbouring districts Potential investors KDC itself	Annual & long term	Legal challenges external advice training wages and lack of resources (force use of consultants and externals)

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Leadership & governance (continued)				
User fees are not appropriate (residents and ratepayers should be able to discuss issues with the mayor or councillors without being charged for time taken). Election costs are shared with other entities if their elections are jointly run (e.g. Environment Canterbury).	General rates (UAGC) 100%	Yes	-	Leadership, strategic direction and local decision-making accrues to all residents on an equal basis regardless of location or land use.
	Fees & charges	Yes	-	Cost recoveries for elections (every three years).
Commission Sales and photocopying fees Works & Services fees Govt grants and funding	Overhead allocations distribute the cost throughout the whole organisation as an approximation of the internal services used by each activity. Fees & Charges 2% (commission, etc)	Yes	Yes	Note any stranded overheads after three-waters reform could either be reallocated or taken from general rate going forward. To fund via rate would give transparency to the cost of those stranded overheads, but ultimately, we should allocate costs to where the cost should lie (reallocate).

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Building & regulatory				
Statutory Planning – land use and subdivision resource consent processing Consent compliance Land Information Memoranda (LIM)	• Community • Services • Development • Environment • Future	Consent applicants benefit directly. Community (through keeping to planning rules and consent conditions)	As long as the consent (decades)	There are ongoing costs associated with consent monitoring. Costs involved with pre-application and advice is not recovered
Building control – building consent processing Building inspections Notices to fix and illegal buildings enforcement Project Information Memoranda (PIM)	• Community • Services • Development • Environment • Future	Consent applicants benefit directly. Community (through keeping to building code rules and consent conditions)	Immediately for applicant Long-term for building owners and users.	Accreditation costs and other legislative requirements place a high burden on the Council and consent applicants. Recruitment issues have increased the costs due to the need for external resources to fill vacant roles.
Animal control – Dog registration Dog control - wandering, barking, nuisance Dog pound Wandering stock	• Community • Services • Environment	Dog owners General public Visitors	Annual	Owners of dangerous or wandering dogs, people who don't like the nuisance of barking dogs, etc.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Building & regulatory				
External resources used for some processing (on a cost recovery basis)	General rates The differential for rural and semi-rural is appropriate because, while most subdivisions are outside the urban area, most land use, height and density-related consents are in the urban area.	Yes	-	There is a community benefit from the assurance that subdivisions and land uses are being developed in alignment with the District Plan and community values.
	Fees & charges > 80%	Yes	-	Actual time spent and costs incurred in processing consents, LIMs, and monitoring, should be paid for by the applicants.
External resources are used for processing (on a cost recovery basis); however this is making the cost of the building control activity extremely high, and the expectation for fees and charges to be 80% is very difficult to achieve without making consent fees unreasonably costly.	General rates The differential for rural and semi-rural is appropriate because most buildings are in the urban area.	Yes	-	There is a community benefit from the assurance that buildings are constructed to the appropriate standard.
	Fees & charges > 80%	Yes	-	Actual time spent and costs incurred in processing consents, PIMs, and non-compliance issues, should be paid for by the applicant (or the landowner) as appropriate. The reliance on external resources needs to reduce if costs are to be kept at sustainable levels.
Registration fees & infringements, impoundment fees Improve safety for community, reduce nuisance Stock control too small to need to consider separately, Downers first response, farmers usually contacted to deal with wandering in first instance, no stock pound.	General rates to fund the residual balance of costs < 20%	Yes	Yes	Wider community benefits by having the nuisance of barking or wandering dogs controlled, and improved public safety through enforcement actions over dangerous or menacing dogs and dog attacks.
	Fees & charges > 80%	Yes	Yes	User pays > 80% because dog owners cause the costs, and the need for the activity.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Building & regulatory (continued)				
Food premises & environmental health: this activity includes Premises registration – food premises, camping grounds, hairdressers, funeral directors, amusement devices, hawkers, mobile shop licences Inspections, monitoring and compliance	• Community • Development • Services	Licenced premises /applicants Customers (visitors & locals) Community (public health and by reducing liability on Council)	Annual	Licenced premises owners and operators who do not comply.
Alcohol licencing, which includes premises registration - On/Off licences, clubs, special, etc Managers licences Inspections, monitoring and compliance	• Community • Development • Services	Licenced premises /applicants Customers (visitors & locals) Community (by reducing liability on Council and Reduction of alcohol harm)	Annual	Licenced premises owners and operators who do not comply

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Building & regulatory (continued)				
User pays by application/renewal fee. Enforcement actions cost recovery actions are determined by the courts, which means we can't expect to recover all legal costs in any proceedings. This activity would need to access the Council's legal actions and challenge fund, so budgets should be set at a level to contribute to that fund as well.	General rates - Residual	Yes	-	The entire community benefits by the ability to eat out at premises that are good quality and comply with food and alcohol standards.
	Targeted rate per licence			Registered premises benefit and cause the need for this activity. By setting as a targeted rate per licence the aim is for this activity to be 80% funded by a combination of both the targeted rate per licence and the user fees for applications and renewals, etc.
	Fees & charges > 80%, excluding enforcement action	Yes	-	An expectation for 80% user fees would require a significant increase in fees (double).
User pays by application/renewal fee No ability for Council to recover legal costs	General rates - Residual	Yes	-	The entire community benefits by the reduction of alcohol harm.
	Targeted rate per licence			Registered premises benefit and cause the need for this activity. By setting as a targeted rate per licence the aim is for this activity to be 80% funded by a combination of both the targeted rate per licence and the user fees for applications and renewals, etc.
	Fees & charges	Yes	-	These fees are set by legislation; therefore the Council has no control over meeting the aim of 80% fees.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Building & regulatory (continued)				
Responsible (freedom) camping – this activity includes public education, enforcement, and environmental clean-ups	• Community • Services • Development • Environment • Future	Campers Commercial businesses benefit by having visitors spending in the district. Residents benefit from having camping behaviours controlled/ managed) Camping is widespread across district (not limited to specific areas).	Seasonal	Littering, clean-ups, noise Monitoring/educating Enforcement and infringements
Parking control – public education and enforcement	• Community • Services • Development	Car park users (both local and visitors) benefit from the convenience of having spaces to park. Businesses (especially those in the West End) benefit from parking being available for their customers to use. The community benefits from parking behaviours being enforced.	Daily	Inappropriate use of parking Vandalism e.g. Park & Display (P&D) machines
Other regulatory – such as Building Warrant of Fitness, Swimming pool inspections, Noise and litter control	• Community • Services • Development • Environment	Owners/applicants Building users (safety) Community (e.g. minimise drownings) Minimising nuisance to the community	Annual	Non-compliance and ongoing monitoring/inspecting

Costs & benefits of funding from other sources	**Tools to be used**	**Operational**	**Capital**	**Rationale/comments**
Building & regulatory (continued)				
Grants from Tourism Infrastructure Fund (TIF) CamperMate app has not been used by campers to donate.	General rates – 100% of Residual	Yes	Yes	Entire community benefits from campers behaving responsibly and poor behaviour being infringed.
	Fees & charges Infringements	Yes	Yes	Local authorities are required by law to provide areas for responsible camping without charge, so user fees are not an option.
	Grants and subsidies - TIF subsidies	Yes	Yes	Grants are the preferred source of funds where these are available.
User pays (P&D), infringement fees Residual cost is a mix commercial/general	General rates – 50% of net cost	Yes	Yes	50% of the net cost (after all user fees and infringement fees)
	Targeted rate on Commercial properties	Yes	Yes	50% of the net cost (after all user fees and infringement fees)
	Fees & charges Infringements	Yes	Yes	By including pay & display fees as a funding source, this activity should achieve 100% user fees. Residual rates input is last resort.
Some user fees – BWOF and swimming pool inspections	General rates - Residual	Yes	-	The entire community benefits through the protection of public safety, and nuisance reduction.
	Fees & charges > 30% (aim to move to 30% over three years)	Yes	-	Currently little to no invoicing of BWOFs, swimming pool inspections and other monitoring.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Community & Customer Services				
Emergency Management: Preparation and readiness, public education, training exercises.	• Community • Services • Development • Environment • Future	Whole community Other districts (we send personnel to assist)	Annual & long term	Training Evacuation signs communications & equipment
Emergency Events: Response, recovery and rebuild involving a State of Emergency declaration	• Future • Development • Environment	Whole community	Now and into the future	Ongoing or subsequent events Issues arising in community (crime, stress, financial hardship, etc)
Social Services (Family violence, youth support, social recovery, etc): Coordination including grants received and paid out to service providers	• Community • Future	Whole community Residents and families	Now and into the future	General wellbeing of the community influences the level of need. Contributing factors are crime & family violence, social isolation, etc.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Community & Customer Services				
Government grants & funding may be available for training.	General rates 100%	Yes	Yes	The ability to prepare for, respond to, and recover from an emergency event is a benefit to the entire community.
Central government funding is available for caring for the displaced, plus a significant portion of rebuild costs. External funds are available and will be sought in any future events. Loan servicing costs are ongoing (rate funded), and it is necessary to build a resilience fund for future events. Grants & subsidies, donations - NZTA, Government, MBIE, DIA, & others Insurance settlements and advances Targeted rates (earthquake levy and/or earthquake rate) to repay loans and to build up a resilience fund over time.	General rates	Yes	Yes	The least favoured revenue tool.
	Targeted rates			Still repaying our EQ loans. The Earthquake Levy is the primary source of funding for this fund to start to accumulate.
	Grants & subsidies			Government subsidies grants & donations from people and other organisations are vital for communities to respond, recover and rebuild.
	Other – insurance settlements			Insurance settlements form the first tranche of funding the rebuild.
	Borrowing			Borrowing will be used as required, both to fund capital rebuild shortfalls and as a cashflow tool to enable response and recovery.
Grants and subsidies are available, and these services should be predominantly funded by government and NGO agencies.	Grants and subsidies 100%	Yes	-	If external funding is not available, this will limit the level of service.

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Community & Customer Services (continued)				
Community development: Coordination of community services, community networkers, wellbeing and support, administrative support for community groups, grants administration.	• Community • Services • Development • Environment • Future	Whole community Residents and families	Now and into the future	General wellbeing of the community influences the level of need.
Library service: Library resources and programme delivery, Community hub and minor events	• Community • Future	Library users benefit directly from this service. Widespread community benefit for literacy, education, and community services.	Now and into the future	Expectations of borrowers to have an up to date and extensive library collection. Expectations for modern technology (Wi-Fi, internet, E-Books, E-Services). Damage to library collection by users (including wear & tear), items not returned (lost).
District Development				
Economic Development: which includes business support, workshops, training. Grants paid that generate economic benefits Statistics Identity promotion Events Projects that enable business development and growth	• Development • Future • Environment	Commercial businesses benefit directly from this activity as it attracts visitors to the district to enable spend, and the whole community benefits from business growth creating employment and a local economic base.	Into the future	Businesses cause the need for support projects and training.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
Community & Customer Services (continued)				
Grants and subsidies may be available and are sought wherever possible.	General rates < 100%	Yes	-	Widespread community benefit.
	Grants and subsidies wherever possible	Yes	-	Where available, grants would reduce reliance on rates, grants are not usually available for this activity.
Lending fees, infringements for overdue items - unlikely to cover the cost of the items themselves. Donations & bequests are voluntary. Grants are available and sought wherever possible; usually they are for specific programmes rather than general operations.	General rates	Yes	Yes	Widespread community benefit.
	Grants and subsidies wherever possible > 1%	Yes	Yes	The library will apply for grants to fund projects and any other support that is available from time to time (such as the NZ Library Partnership)
	User fees (book rentals) Other (overdue fines)	Yes	Yes	Overdue fines are appropriate as a tool to ensure rented items are returned and available for other library users.
District Development				
Rates (general and commercial)	General rate 40% Targeted rate Commercial 60%	Yes	-	Mainly to be funded by Commercial rate, because businesses are the main beneficiary, but community benefits from employment and economic diversification, therefore general rate is appropriate for wider economic benefits (60:40 split best reflects benefits).

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
District Development				
District Plan: Spatial planning, development of the District Plan under the Resource Management Act, and future statutory obligations under the three pieces of replacement legislation (RMA reform)	• Community • Development • Future • Environment	The whole community benefits from the district being developed in a planned and orderly manner in harmony with the environment and with community aspirations and values.	Now and into the future	Developers benefit from, and also cause the need for, district planning.
Environmental Initiatives, including environmental projects, grants paid to organisations, public education & comms.	• Environment • Future • Development	Widespread community benefit, including to residents and visitors Individual landowners may benefit, where they have areas of biodiversity interest on their land.	Now and into the future	External funding is sought wherever possible, including from partner agencies or grants & subsidies - however these are usually tagged for specific projects rather than for planning resources.
Strategy & Policy, which includes bylaw & policy development (other than Works bylaws) and writing submissions to government	• Community • Environment • Future • Development	Whole community benefits from Council bylaws and policies, these rules protect residents, visitors and businesses, and also protect properties.	Life of policy or bylaw (three to ten years)	Non-compliance and ongoing monitoring and inspecting

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
District Development				
Cost recoveries are appropriate where plan changes are initiated by developers.	Targeted rate 100% of residual costs	Yes	-	Targeted rate is appropriate for transparency, should not have a differential because benefit is spread across the whole district with the closest association being property value (CV).
	Fees & charges Private plan change at developer cost	Yes	-	Dependent on demand for private plan changes.
Exacerbators can be difficult to identify. Other agencies may be better placed to deliver services, e.g. Environment Canterbury, Dept of Conservation	General rates 100% of residual costs	Yes	-	The whole community benefits from projects that protect or enhance areas of special biodiversity or ecological significance.
	Grants & subsidies < 0%			External funding will be applied for wherever it is available. The likelihood is that any grants will be tagged for specific projects.
No option for user pays as this is a Council-driven activity.	General rates 100%	Yes	-	The bylaws themselves may create new fees & charges (e.g. Signs Bylaw may require signs permit application fees)

Activity	Community Outcome	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
District Development				
Tourism & Marketing: Destination Kaikōura (DK) (currently no services inhouse) Grant paid to DK	• Development • Future	Commercial businesses and accommodation providers benefit directly from this activity as it attracts visitors to the district.	Now and into the future	Local businesses benefit from their product being marketed locally and internationally, and from the increased visitor numbers.

Costs & benefits of funding from other sources	Tools to be used	Operational	Capital	Rationale/comments
District Development				
The service provider (DK) may charge fees or receive sponsorship or other revenues.	Targeted rates 100%, being the Commercial Rate and the Visitor Accommodation Charge (VAC). The VAC is calculated first from the number of VA providers at a set dollar amount, and the balance is then funded from the Commercial Rate.	Yes	-	Commercial property benefits directly from this activity. As a "Step Two" consideration, the Council suggested the VAC needs to increase to $600 to be a fairer contribution to the overall cost.

Step Two – Overall Impact Analysis

Having considered Section 101 (3) (a) of the Local Government Act (2002), which requires, in relation to financial management:

(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of, —

a) in relation to each activity to be funded, —
   i) the community outcomes to which the activity primarily contributes; and
   ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
   iii) the period in or over which those benefits are expected to occur; and
   iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
   v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

The Council has now considered:

b) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

The specific considerations are:

Social Wellbeing

Library

The Council considers that the library is an important facility for the community, to improve literacy outcomes as well as providing social connectedness. Therefore, it was agreed that the library will provide free access to books and other resources (but will continue to charge a fee for photocopying and printing services and will charge fines for overdue books and rented items). Following submissions to the LTP, the Council has amended its view, and will charge for new fiction rentals for the first year of the LTP.

Housing for the Elderly

Rents should be affordable for pensioners, and so – while the intention is for housing rents to cover operating costs – general rates will fund any shortfall for refurbishments and unforeseen expenses. The housing units should be maintained at a healthy standard of living for residents, repairs be completed as required, heat pumps maintained and replaced, etc. Units are refurbished when they become vacant. Repairs and refurbishments would be completed where there are practical, health, or safety implications in not doing the work, rather than leave units in a state of disrepair until rent revenues have been collected.

Economic Wellbeing

Ability to pay

The Council decided to mitigate the overall impact of its funding decisions by ensuring alternative funding is sourced wherever it can be found (especially external grants and subsidies), especially to minimise reliance on rates. It also has an obligation to justify its budgets and to keep its spending under control.

The ability to pay has an influence on the level of user fees just as much as it does on the level of rates.

Fairness of commercial rates for businesses

Currently, any property that provides accommodation for visitors, but doesn’t meet the definition of a commercial property (generally because they can only accommodate 4 guests or less), is assessed the Accommodation Sector Charge of $400.00 including GST per year. The Council is suggesting this is too low. In comparison, a benchmarked medium-value 12-room motel would be paying

$4,274 in their commercial rates, per year. In addition, many of the smaller visitor accommodation providers could be earning $400 a night in peak season.

The Council is suggesting that the Accommodation Sector Charge be increased to $600.00 including GST per year, so these smaller accommodation providers are contributing a fairer share towards Council activities that support tourism.

Sustainability of other revenue streams

The Council will continue to source grants and subsidies wherever it can but is mindful that at some point those funds may not be available. Where external funding ceases to be available, the Council would need to consider whether it continues to provide certain services.

Use of the UAGC lever

The Council considers that the Uniform Annual General Charge plus the total of all targeted rates set on a uniform basis (per s21 of the Local Government Rating Act 2002) should be as close to the 30% cap set by legislation as possible (but no greater than 29.5% to mitigate the risk of error). The Council acknowledges that the UAGC lever minimises rates on high value properties, while maximising rates on low value properties, however this is appropriate because the benefit of almost all Council services and activities accrues to households equally. Everyone uses Council services at a relatively similar level regardless of the value of their property.

Transitional impacts

The local government sector is facing further legislative change, particularly in the Three Waters space and the potential for further reform arising from the Future for Local Government workstreams. This may result in changes to the way activities are delivered and the funding sources available to Council.

Environmental Wellbeing

Impacts of Climate Change

The Council discussed options such as offering discounted resource consent fees for applicants that comply with Dark Sky lighting standards, or to building consent applicants that include solar or other alternative energy sources in their building design. Ultimately, however, the Council concludes that it does not have the financial capacity to do so, and that such a decision would impact rates and affordability to pay issues.

Financial incentives to influence wasteful behaviour

The Council believes that refuse station landfilling fees should be set high, and cover all costs of the waste transfer station, including repayment of the loan to construct it. In doing so, it acknowledges that fees set too high may result in illegal dumping in riverbeds and other areas, and that we will work closely with Environment Canterbury to monitor and manage that risk.

Protecting areas of natural or historic heritage

The Council has a rates remission policy for land that is protected by QEII covenant, and its continuation remains appropriate because the covenant limits the landowners use of the land.

Excessive use of water

Ideally, were it not for the Three-Waters reform pursued by the last Government, the Council could have seriously considered installing water meters on all properties connected to Council water supplies, as this is the most effective way to monitor water consumption and charge for its use. This would be a significant change to the current way the Council manages its water supplies, and would come at a significant cost to ratepayers to install. The Council concluded that this would be of little benefit to ratepayers until after the government-led decisions regarding Three-Waters services are made.

Cultural Well-being

The Council considers that "cultural" in this context includes the arts, religion, Kiwiana, and race, and so has a very broad range of factors to take into account.

Support for community or cultural groups

The Council has made available an annual discretionary grant scheme of $100,000 to fund not-for-profit community and cultural groups. This fund has been paid out to cultural groups such as Kapa Haka groups, support for youth and elderly, Newcomers Network, etc., as well as to the Mayfair Theatre and various arts projects. The Council also provides a discounted rent to the Kaikōura Historical Society for lease of the Museum facilities. This support is significant and is limited only by financial capacity.

Te Ture Whenua Māori Act (1993)

The Council will promote the retention of Māori land in the hands of its owners, their whanau, and their hapu; and to protect wahi tapu; and to facilitate the occupation, development, and utilization of that land for the benefit of its owners, their whanau, and their hapu. It will do this by way of rates remission on Māori Freehold Land that is not used (where that land is not already non-rateable), and it will also offer rates remission to general land that is owned by Māori, where that land and its ownership is the same in nature as Māori Freehold Land but has not been registered with the Māori Land Court. By “the same in nature”, the Council considers that multiple owners/trustees and the owners/trustees cannot be easily held liable for payment of rates (in the same manner as Māori Freehold Land).

General considerations

The Council considers the following to be its overall position on revenue and financing matters:

- User pays is appropriate because user fees ensure that those who actually use services pay for them, rather than relying on rates to subsidise service delivery.
- Transparency is important.
- Rating differentials are a useful tool to make our rating system fairer.
- Where rates are set on property value, capital value is to be used because this captures the high value of commercial property while mitigating the high value of land for farming.
- Where rates are set as a fixed dollar amount, separately used or inhabited parts of a rating unit (SUIP) is to be used, as this captures each dwelling within a rating unit, each shop within a mall, etc, as intended. Some exceptions may be appropriate, such as registered premises targeted rates which are levied per licence, or certain water charges which are per unit of water as consumed or supplied by restrictor.

Summary of the Significance & Engagement Policy

Policy status:	Adopted
Review due:	30 June 2027
Legal reference:	Local Government Act 2002 Section 76AA, and Schedule 10, Part 1 (11)

Objective

The purpose of this policy is to enable the Council and our communities to identify the degree of significance attached to particular issues and provides clarity about how and when communities can expect to be engaged in decisions made by the Council.

Policy application

On every issue requiring a decision, and at the beginning of the decision-making process, the Council will consider the degree of significance of the issue and the extent, form and type of engagement required.

Generally, the more significant an issue, the greater the need for community engagement.

Criteria for assessing significance

In considering the degree of significance of proposals and issues, the Council will be guided by the following:

Policy and outcomes

- Potential effects on delivery of the Council's policies and strategies
- Effects on the achievement of community outcomes
- The magnitude of benefits achieved for the community
- The magnitude of costs to the Council and/or the community
- Any impact on the Council's capacity to undertake its responsibilities
- The extent to which the decision flows logically from a decision already made, or from a decision made in a Long Term or Annual Plan

Communities

- The level of community interest in a proposal, decision or issue
- The extent to which the whole community, or identifiable parts of the community, may be affected
- The extent to which community views are already known
- Any wider interest at national or international levels

Ngāi Tahu/Iwi

- The values and interests of Ngāi Tahu whānau, hapū and rūnanga, as mana whenua for the district
- Where proposals or decisions relate to land or a body of water, the implications for the relationships of Ngāi Tahu with these natural areas

Context and implications

- The variation between any options identified (including the 'do nothing' option where appropriate), or the extent to which they have different costs, benefits, or impacts on the community or identifiable groups
- The extent to which the issue could have an adverse effect on the environment or could have unintended adverse effects on other community interests
- If the decision impacts a physical or community resource that is scarce, unique, and/or under threat
- If the proposal would be irreversible
- The practical demands of efficient decision-making in situations of urgency

Procedures

Reports to the Council include an assessment of the significance of the issue, and outline what has been done to ensure compliance with the Council's consultative obligations under the LGA. The reports will also identify any stakeholders or community groups likely to be affected by, or interested in, the decision, and a discussion on any known issues, views and preferences of the affected or interested parties.

Strategic Assets

The Council is required to consult with our community in respect of a proposal to transfer ownership or control of any asset it has identified as a strategic asset.

The following is a list of Council-owned assets it considers to be strategic:

- The district road network as a whole
- The Memorial Hall and the Scout Hall
- The district library collection as a whole
- South Bay harbour facilities, the North Wharf, and the Old Wharf
- Reserves designated under the Reserves Act
- The landfill and resource recovery centre on Scarborough Street
- Innovative Waste Kaikōura Ltd
- The district cemetery on Scarborough Street
- The land designated as an airport at Peketa
- Public toilet facilities
- The Lions swimming pool on the Esplanade
- Community sports and recreation facilities
- Water, wastewater and stormwater networks as a whole
- Affordable housing and housing for the elderly
- The land and buildings comprising the museum, library, and civic offices in the West End

In general, the more significant an issue, the greater the need for community engagement. This spectrum of engagement is explained as follows:

Inform: We will provide information about an issue or a decision that has already been made (e.g. water restrictions, minutes of Council meetings)

Consult: We will ask for feedback about our services or a proposed decision yet to be made (e.g. resident satisfaction surveys, a public submission and hearing process for the Long-Term Plan and Annual Plan)

Involve: We will work with you to address concerns while considering the options for a proposal (e.g. community workshops on the District Plan)

Collaborate: We will look to you for advice and incorporate that advice into proposals and decisions to the maximum extent possible (e.g. external working groups including community expertise)

Empower: We will implement what you decide (e.g. local body elections and binding referendums)

This is a summary of the Significance and Engagement Policy only. The full copy of this policy can be found on the Council's website at the following URL address: https://www.kaikoura.govt.nz/our-Council/plans-reports-bylaws-and-policies/

Treasury Management Policy

Comprising the Liability Management Policy and Investment Policy

Policy status:	Adopted
Review due:	30 June 2027
Legal reference:	Local Government Act 2002 Section 102(2)(b) and 104

1 Introduction

This Treasury Management Policy ("Policy") document has been prepared to fulfil the Kaikōura District Council's ("Council") statutory obligations under the Local Government Act 2002.

Section 102 of Part 6 of the Local Government Act 2002 ("LGA") requires local authorities to adopt a Liability Management Policy and an Investment Policy.

The requirements for each are detailed in Sections 104 and 105 of the LGA:

- The Liability Management Policy must state the Council's policies on how it will manage its borrowings and other liabilities, including interest rate exposure, liquidity, credit exposure, borrowing limits, giving of security, and debt repayment.
- The Investment Policy must set out the Council's policies on investments including the mix of investments, acquiring new investments, management and reporting procedures, and risk assessment and management.

Together these policies comprise the framework for the Council's treasury management activities and define the parameters within which all investment and borrowing activities are carried out.

Treasury management activities are undertaken by the Council's finance function.

All projected borrowings are to be approved by the Council as part of the Long-Term Plan or Annual Plan process or by resolution of Council before the borrowing is undertaken. The Council will not enter into any borrowings denominated in a foreign currency.

All legal documentation in respect of treasury management activities will be subject to legal review prior to execution.

2 Scope and objectives

The objective of this Policy is to control and manage costs and investment returns that can influence operational budgets and Council-approved debt levels.

This Policy supports the Council's wider objectives, specifically:

- Efficient and effective management of Council activities and assets,
- Prudent stewardship of Council and Community assets and resources,
- Transparency of decision-making processes undertaken by the Council,
- Accountability for the decisions taken, and
- Compliance with statutory obligations.

3 Delegated authorities and responsibilities

While the Council has final responsibility for the policies governing the management of liabilities, investments, and treasury activities, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive Officer ("CEO"). The CEO assigns specific responsibilities to the Senior Manager Corporate Services and the Finance Manager.

In all instances, Council authority is subject to relevant legislative and regulatory limitations.

Activity	Responsible or delegated party	Limit
Approving and changing Policy	Council	Unlimited
Approving borrowing programme	Council	Unlimited
Acquisition and disposition of investments, other than treasury investments	Council	Unlimited
Approval for charging assets as security over borrowing	Council	Unlimited
Approve new and re-financed bank facilities and debt programmes	Council	Unlimited
Approving transactions outside Policy	Council	Unlimited
Day-to-day execution of treasury activities, including ensuring compliance to Policy	CEO	Subject to Policy
Ensuring the policies comply with existing and new legislation.	CEO	Subject to Policy
Approving new bank counterparties and opening and closing of accounts	CEO	Subject to Policy
Authorising list of signatories	CEO	Unlimited
Approve new and refinanced borrowing in accordance with Council resolution	CEO	Per Council approved borrowing programme
Management responsibility for treasury activities in accordance with the Policy	SMCS and/or FM	N/A
Reporting instances of non-compliance to the CEO	SMCS and/or FM	Per risk control limits
Managing the long-term financial position as outlined in the LTP.	CEO	Per risk control limits
Conducting the Policy review	SMCS and FM	N/A

4 Liability Management Policy

4.1 Objective

All current and term liabilities of the Council are managed prudently and effectively.

Current liabilities are defined as those liabilities that will be repaid in a short period, not exceeding 12 months, and include accounts payable, cash advance facilities, and other short-term liabilities. For the purposes of this section of the policy, the current portion of term liabilities do not apply, these are to be considered as term liabilities.

Accounts payable are to be paid in full by the due date wherever possible. Those current liabilities that incur a late payment penalty are to be paid in full by the due date in all cases.

Term liabilities are defined as those liabilities which are for a term exceeding 12 months, and include council borrowings, and liabilities associated with the Marlborough Regional Forestry joint operation.

4.2 Borrowing Mechanisms

The Council is able to borrow external funds in local currency through bank borrowing and the Local Government Funding Agency ("LGFA"). The Council's finance function manages its borrowing activities in accordance with this Policy.

In evaluating strategies for new and refinanced borrowing, the following is taken into account:

- Available terms from banks and the LGFA.
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and credit margins relative to term for LGFA and bank borrowing.
- The outlook on future interest rate and credit margin movements.
- Legal documentation and financial covenants.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.

The following instruments are approved for the raising of external debt:

- Bank overdraft.
- Bank committed cash advance and debt facilities.
- LGFA instruments, specifically:
  - Floating rate bonds.
  - Fixed rate bonds.
  - Committed stand-by facilities.

4.3 Internal Borrowing

The Council may utilise its reserves and external borrowing to internally fund capital expenditure and working capital. The primary objective in funding internally is to use funds efficiently, by eliminating the margin that would be paid through the Council separately investing and borrowing externally.

Internal borrowing will not be subject to the interest rate risk management limit system.

4.4 Borrowing Limits

The Council must comply with all relevant financial covenants and ratios. In managing debt, the Council will adhere to the following limits:

Limit	Council Limit	LGFA Lending Policy Limit
Net external interest expense as a percentage of annual rates income	<15%	<25%
Net interest expense as a percentage of total revenue	<10%	<20%
Net external debt as a percentage of total revenue	<150%	<175%
Total external debt	$15m	n/a
Liquidity ratio	>110%	>110%

The liquidity ratio is defined in section 4.8 of this Policy document.

4.5 Security

Under the Local Government Rating Act 2002, the Council has the powers to set, access and collect rates to fund local government activities. This allows the Council to provide its rating powers as security for borrowing and risk management purposes in the form of a Debenture Trust Deed.

The Council will grant a Debenture Trust Deed which includes a charge over the Council's rates and rates revenue in favour of a trustee. Council creditors can be conferred the benefit of that charge through the issuance of security stock under the Deed.

The Council has the right to enter into a borrowing facility with the Bank of New Zealand (BNZ) and secured by a charge over the Council's rates revenue, or negative pledge if this is appropriate. The Council will not pledge assets as security except where it has received a suspensory loan (as has been given for the housing for the elderly units).

When arranging funding facilities from lenders other than LGFA or the BNZ, the Council will have a preference for unsecured facilities unless a cost benefit accrues from offering security. Where security is to be provided, Council's preference will be to offer security for issuing security stock.

4.6 Debt Repayment

The Council will ensure that loan principal budgeted amounts are set aside in a special fund established to repay specific borrowing, a tabled mortgage is used, or it will repay debt from special reserves or special funds associated with the activity for which the loan has been raised. From time to time, where investment funds are surplus, those funds may be used to reduce term debt as provided in the Council's Investment Policy.

Debt may be repaid at maturity, or when conditions are favourable to do so.

4.7 Local Government Funding Agency Limited (LGFA)

The Council's preference is to borrow from the LGFA. In connection with that borrowing, the Council may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as subordinate debt that could in limited circumstances, be converted to equity if required by LGFA; and
- Secure its borrowing from the LGFA, and the performance of the other obligations to the LGFA or its creditors, through the issuance of security stock.

4.8 Liquidity Risk

Liquidity refers to the availability of financial resources to meet all obligations as they arise, without incurring penalty costs. The Council requires a minimum level of surplus liquidity to meet unexpected cash expenditure or revenue shortfall.

The Council's policy is to maintain a liquidity ratio of at least 110% (which means \$1.10 is available for every \$1.00 payable). This minimum is also a requirement of the LGFA and is calculated as:

$$Liquidity\ ratio = \frac{External\ debt + unutilised\ committed\ facilities + liquid\ assets}{existing\ external\ debt}$$

Liquid assets include:

- Overnight bank cash deposits
- Bank term deposits maturing in less than 30 days

Short-term liquidity management is monitored and controlled through daily cash management activities with long-term liquidity management being monitored and controlled through the Annual Plan and Long-Term Plan.

As part of its overall liquidity policy, the Council seeks to avoid a concentration of debt maturity dates and may maintain an overdraft facility to meet cash requirements.

4.9 Cash Management

Cash management is the process used for managing cash effectively and efficiently, using the Council's short-term cash and liquidity resources to sustain its ongoing activities, mobilise funds and optimise liquidity. The most important elements are:

- The systematic planning, monitoring, and management of the Council's cash receipts, payments, and bank accounts.
- The gathering and management of information to use available funds effectively and identify funding gaps.
- Optimal usage of transactional banking services to streamline efficiencies of cash payments and receipts.

4.10 Funding Risk

Funding risk management is concerned with ensuring that debt funding can be secured or refinanced in the future at acceptable terms regarding both cost and duration. At a single point in time, credit markets may face constraints and offer pricing and conditions that are unfavourable.

A key control of funding risk management is to spread and smooth debt maturities. This aims to minimise the concentration of risk to ensure that overall borrowing costs are not unnecessarily increased, or the debt maturity profile compromised.

The debt maturity profile, in respect to all external debt and committed bank facilities, is to be maintained within the following limits:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

A debt maturity profile that is outside the above limits, but self corrects within 90 days, is not in breach of this Policy.

Maintaining a maturity profile outside of the above limits beyond 90 days requires specific approval from the Council.

The Council may pre-fund forecast debt requirements, including new and re-financed debt, for a period of up to 18 months. Re-financing that has been pre-funded will remain included within the funding maturity profile until maturity date.

4.11 Interest Rate Risk

Interest rate risk refers to the impact that movements in wholesale interest rates have on the Council's financial performance (when compared to projections included in the LTP and Annual Plan). The Council's objective in managing interest rate risk is to minimise and maintain stability of debt servicing costs.

Exposure to interest rate risk is managed and mitigated through maintaining the percentage of gross forecast external debt that is subject to a 'fixed rate', rather than a 'floating rate', within the following limits (calculated on a rolling monthly basis):

Period	Minimum	Maximum
0 to 2 years	40%	90%
2 to 4 years	20%	80%
4 to 15 years	0%	60%

Gross forecast external debt is the amount of total external debt for a given period. Debt associated with the Marlborough Regional Forestry joint operation is excluded.

Fixed rate is defined as all known interest rate obligations, such as where borrowing is conducted for a defined term at a defined interest rate.

Floating rate is defined as any interest rate obligation that changes periodically over the term of the borrowing.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average gross forecast external debt amounts for the given period (as defined in the table above).

A fixed rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits greater than 90 days requires specific approval by the Council.

Compliance with the interest rate risk limits is maintained by altering the mix of fixed and floating rate debt raised. Derivative instruments, such as interest rate swaps, are not currently approved, however the Council may consider the use of these instruments for risk management activity in the future.

5 Investment Policy

5.1 Scope and Objectives

This policy aims to ensure that the Council's investments are managed prudently and effectively, optimising value and return, and increase the size and value of its investment portfolio to enable increased levels of revenue to be returned to the community over time.

The Council's investment portfolio consists of short, medium and long-term investments, and these must be optimised to provide sufficient funds for planned expenditure, including the Council's ability to meets its payments as they fall due. Investments must therefore be chosen which:

- Are for the period of time that the funds are surplus,
- Are able to be liquidated for the right price at the appropriate time,
- Provide a spread of investments covering short, medium, and long-term.

A report will be prepared quarterly on the Council's investment portfolio. The contents of this report are detailed in section 8 of this Policy document.

5.2 Investment mix

In order to optimise the Council's investment portfolio, and maintain an appropriate mix of short, medium and long-term investments, no investment type should exceed 50% of the total investment portfolio where practical. Diversification of investments is encouraged.

The Council's investments shall include (but not be limited to) at least three of the following:

- Treasury investments
- Property investments
- Forestry investments
- Equity investments

The following instruments are approved for the purposes of treasury investment:

- Overnight bank cash deposits
- Bank term deposits (to a maximum term of 12 months)
- LGFA borrower notes

Under the LGFA borrowing programme, the Council is required by LGFA to hold borrower notes. These are subordinated debt instruments that are required to be held by each local authority that borrows from LGFA in an amount equal to a defined percentage of the aggregate borrowings. In limited circumstances these borrower notes can be converted to equity if required by LGFA.
If this were to occur, a Council resolution will be required to manage these shares. The Council may therefore be required to invest in LGFA shares in circumstances in which the return on its investment is potentially lower than the return it could achieve with alternative investments.

5.3 Acquisition of new investments

All proposed acquisition of new investments is to be approved by the Council, with the exception of treasury investments, which are managed on a day-to-day basis by the Senior Manager Corporate Services and/or the Finance Manager.

5.3 Funding of new investments

At least two members of the Leadership Team (Senior Managers and third tier Managers) shall be required to authorise electronic payments associated with new investments.

5.4 Use of Revenue from Investments

Income generated from investment should be used initially to offset costs associated with owning and operating that investment. The use of surplus revenues will then be used according to:

- The source and criteria attached to the initial investment sum, or the criteria attached to the fund from which the investment fund came, or
- In accordance with any resolution of the Council, or
- For general operating revenue

On maturity, investments held for a specific purpose will only be used for that purpose or reinvested for a further period. The capital portion of any investment will not be used to offset general operating expenditure unless the purpose for which the investment was initially set up no longer exists. The Council may determine by resolution (on a case-by-case basis) to deviate from the above.

5.5 Proceeds from sale of assets

Council assets will be disposed of from time to time. Income received from the disposal of vehicles and operating plant will be credited to the Council's plant renewal account while income from the disposal of property will go into the Council's property account.

The capital from these accounts will be used to repay debt associated with the asset in the first instance, and then may either be reinvested in asset replacement, or used to purchase other assets. The funds could also be used to offset the rates requirement, but such a move would only be by resolution of the Council.

6 Counterparty credit risk

Credit risk, with reference to treasury activities, is the risk that a party to a transaction will default on its contractual obligation. The Council is exposed to credit risk when there is a deterioration in the credit rating of a bank with which the Council places its treasury investments.

The Council may only place treasury investments with a New Zealand registered bank with a minimum Standard and Poor's long-term credit rating of at least A (or the Moody's or Fitch rating equivalent).

Diversification of treasury investments is encouraged. Where possible, treasury investments should be placed across a minimum of two counterparty banks.

The following matrix determines limits for treasury investment activity:

Counterparty	Minimum S&P long term credit rating	Maximum per counterparty
NZ Government	N/A	Unlimited
LGFA	AA-	100% of investable funds
Approved, NZ Registered Bank	AA-	100% of investable funds
Approved, NZ Registered Bank	A	50% of investable funds

For the purposes of determining the usage of the above limits, investment exposures will be calculated as:

$$Credit\ exposure = transaction\ principal\ x\ 100\%$$

Each transaction should be entered into a treasury spreadsheet or system of record.

Credit ratings should be reviewed on an ongoing basis and in the event of material credit downgrades should be immediately reported to the Senior Manager Corporate Services and/or the Finance Manager and assessed against exposure limits. Counterparty exposures exceeding limits should be reported to the Council.

In the instance of a split rating across multiple rating agencies, the lower rating will apply.

6.1 Counterparty signatory management

All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.

Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

7 Operational risk

Operational risk refers to the potential for the Council to incur losses due to various factors, including people, systems, inadequate or failed internal processes, or external events. This risk encompasses reputational damage and financial losses stemming from mismanagement, errors, fraud, or the unauthorised use borrowing and investment instruments.

The CEO bears the responsibility of monitoring the emergence of new risk situations. If existing controls are deemed inadequate to provide sufficient protection, they are tasked with implementing additional preventive safeguards.

Operational risks related to treasury activities are mitigated through the following mechanisms:

- Operating within the risk management frameworks of the Policy.
- Producing timely, meaningful, and accurate reporting of treasury exposures, performance, and Policy compliance.
- Proactively managing all treasury risks and undertaking all treasury activities within an environment of control and compliance.
- Promptly reporting all instances of non-compliance with the Policy to the CEO.
- Maintaining documented procedures, systems, and staffing competencies in relation to treasury activities.

8 Policy review

The Policy is to be reviewed annually to ensure its continued relevance alignment with best practices. Additionally, a thorough external independent review is conducted every three years.

For the annual review, the following aspects should be included:

- An assessment of how well the finance function and the Policy have achieved stated objectives and fulfilled the purpose, identifying any breaches of the Policy, and any one-time approvals that deviate from the Policy, to highlight areas of Policy tension.
- Relevant feedback and recommendations from the Council’s advisors and/or bankers.
- Recommendations for changes, removals, or additions to the Policy, supported by appropriate analysis.

The Senior Manager Corporate Services and/or the Finance Manager has the responsibility to prepare the review report that is presented to the Council.

The Council, or the Committee with delegation to adopt policies, receives the report and approves or rejects recommendations for Policy changes.

9 Reporting

The following schedule of reporting is to be maintained.

Report	Frequency	Prepared by	Recipient
Daily Cash Position Treasury Spreadsheet	Daily	Accounts Payable	SMCS and FM
Treasury Exceptions Report	As required, escalated on the same day	Finance team	CEO
Treasury Report - Policy limit compliance - Borrowing limits - Funding and interest position - Funding facility - New treasury transactions - Cost of funds vs. budget - Liquidity risk position - Counterparty credit - Treasury performance - Debt maturity profile	Quarterly	Finance team	Finance Audit and Risk Committee
Investments report - Value and mix of investments - Changes from the previous report - Treasury investment summary - Net rental yields (property) - Earnings per share (equity) - RoI on each investment type - Actual vs. budgeted returns	Quarterly	Finance team	Finance Audit and Risk Committee
LGFA covenant reporting	Annually	Finance team	LGFA

Development Contributions Policy

Policy status:	Adopted
Review due:	30 June 2027
Legal reference:	Local Government Act 2002 Sections 102(2)(d) and 106, and 201 to 211

1. Background

1.1. Introduction

Growth in the district because of subdivision and new construction puts pressure on Council services, and requires the Council to upgrade its assets, or add new assets, to meet those demands. Development contributions are a charge provided for in the Local Government Act 2002, (the LGA), which allows the Council to recover a portion of the cost to upgrade/add new assets from the developer. Without development contributions, existing ratepayers would have to fund these costs. The challenge is to put in place a transparent, consistent, and equitable basis for requiring contributions in order that those undertaking developments pay a fair share of the capital expenditure for infrastructure.

The Council has had a development contributions policy in place since 1 July 2004. At the time the policy was first drafted, the district (and New Zealand as a whole) was entering a property boom with subdivision activity and new construction reaching a peak in 2006. Since then, the Kaikōura District has experienced the global financial crisis, the November 2016 earthquake and rebuild and the COVID-19 pandemic with international border restrictions and alert level lockdowns, all of which have had constraining effects on development activity.

With those negative issues now past, it is however now again believed that the district could enter a stronger growth phase which would also benefit from the extensive replacements or renewal of aging infrastructural assets which followed the 2016 earthquake which have in many cases incorporated additional capacity that is sufficient to serve a community much larger than that which currently exists.

Whilst it is believed that in general the core Council infrastructure has significant capacity to accommodate growth, it has however become apparent that there are a few assets for which their capacity is almost fully utilised, and which would need to be upgraded to support this.

Those assets are:

- Wastewater pumps (incorporating additional capacity as part of routine renewals)
- Wastewater pump stations (to reduce potential for overflows)
- Urban footpaths in Kaikoura

Such upgrades are planned to be undertaken during the term of the Long-Term Plan for 2024-2034 and are proposed to be partially or fully funded through development contributions.

Other than these upgrades the only remaining projects that are to be partially funded from development contributions are past projects still funded by loan.

This revised policy for the years commencing 1 July 2024 therefore has a very conservative and realistic outlook in terms of how much upgrading of existing, or constructing new, assets is required to meet the demands of growth, in the ten years to 2034.

1.2. Enabling legislation and policy framework

This policy on development contributions is provided in accordance with s102 and s106 of the LGA and follows the provisions as to the policy content prescribed by Subpart 5 of Part 8 of that Act including its amendments.

This policy contributes to community outcomes in the Long-Term Plan (the LTP) by ensuring the provision of appropriate infrastructure to meet the needs of growth.

1.3. Purpose

The key purpose of the development contributions policy is to ensure that growth, and the cost of infrastructure to meet that growth, is funded by those who genuinely cause the need for and benefit from that infrastructure. Development contributions should not be a barrier to investment in our community and should reflect – as closely as possible – the impact on Council services by increased commercial development, visitor accommodation, additional housing, and subdivisions.

A development contribution is required in relation to a development when:

- The effect of that development is to require new or additional assets or assets of increased capacity in terms of network infrastructure, reserves, and community infrastructure; and
- The Council incurs capital expenditure to provide appropriately for those assets.

The effect of a development in terms of impact on these assets includes the cumulative effect that a development may have in combination with another development.

2. Policy section

2.1. Adoption, implementation and review

This development contributions policy has been reviewed in conjunction with the drafting of the Long-Term Plan 2024-2034. This policy will continue to be updated on a three-yearly basis, in alignment with LTP reviews, or at shorter intervals if the Council deems necessary, to take account of:

- any changes to the significant assumptions to the development contributions policy
- any changes in policy as the Council develops structure plans for the district
- any changes to the District Plan
- any changes in the capital works programme for growth
- any changes in the pattern and distribution of development in the district
- any significant changes in cost indices
- any other matters the Council considers relevant

2.2. Developer agreements

Large scale subdivisions, visitor accommodation (e.g. hotels/motels) and substantial retail or industrial developments are more likely to genuinely require that our asset capacity be increased to cope with each development and, for particularly large developments, the impact on our assets capacity is more likely to be specific, such as increasing the capacity of a wastewater pump station near the development, or providing a new walkway to link a hotel to other public areas (for example). It is the intention, through the provisions of this policy, that every opportunity be taken for individual developer agreements to be reached with large developments so as to provide the greatest benefit to both the developer, and the communities most impacted by the development.

2.3. Credits

Where development contributions or financial contributions for a particular property have previously been assessed and paid, credit to that amount will be given for the particular activity. For the calculation of these credits there is no historical time limit, and all previous payments will be taken into account.

2.4. Provision of services as a condition of consent

Within the boundaries of the development site, the developer shall provide the following as part of the cost of development as a condition of the consent under the Kaikōura District Plan:

- Roading, footpaths, streetlights and car parking infrastructure

- Water supply network
- Wastewater (wastewater) network
- Stormwater collection and disposal infrastructure

Provision of these services as a condition of consent does not limit the developer's liability for development contributions under this policy, subject to the limitations in 2.4.1.

2.4.1. Limitations to the application of development contributions

The Council will not require a development contribution in the following cases:

- where it has, under section 108(2)(a) of the Resource Management Act 1991 (the RMA), imposed a condition on a resource consent in relation to the same development for the same purpose; or
- where the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure; or
- where the Council has received or will receive funding from a third party for those works.

For the avoidance of doubt, this does not in any way limit the Council's ability to require that parks and reserves contributions may be paid in the form of a cash contribution.

2.5. Development contributions

2.5.1. Requirement for and use of development contributions

The Council may require a development contribution for capital expenditure to be incurred as a result of growth, or for capital expenditure incurred in anticipation of development, for the following activities:

Network infrastructure

- Roads (including footpaths, streetlights, and bridges) and other transport systems
- water supply, storage, reticulation, and treatment
- wastewater (wastewater) collection, treatment, and disposal
- stormwater network

Community Infrastructure

- land, or development assets on land, owned or controlled by the Council for the purpose of providing public amenities
- includes land that the Council will acquire for that purpose

Parks & Reserves

Purchase or development of parks and reserves, including (by way of example):

- Land purchases
- New walkways and cycleways
- Beautification, planting, and landscaping
- Safety improvements (e.g. handrails, steps, vehicle barriers, lighting)
- Projects identified in the Council's Coastal Management Strategy
- Costs include demolition and site preparation if applicable

2.5.2. Future policy developments

Future versions of this policy may capture development contributions for additional capital expenditure on facilities and infrastructure not identified in this document.

2.5.3. Capital expenditure incurred in previous years

This policy was first drafted in 2004, and many capital projects have been completed since that time, with some of that work attributable to meeting the demands of growth. In some instances, the total cost of the capital work is still yet to be fully recovered. Development contributions will be required from development to meet the cost of capital expenditure already incurred in anticipation of development since this policy was initiated in 2004, but not to the extent that total quantum of contributions received exceed the amount that was intended to have been taken at the time the capital expenditure was incurred.

Where the Council anticipated funding from a third party for any part of the growth component of the capital expenditure budget, then this proportion is excluded from the total estimated growth component to be funded by development contributions.

Similarly, since the November 2016 earthquake, substantial rebuild projects have been completed, many of which were funded by government grants and subsidies and insurance settlements. Some of those projects crossed over into the programme of capital projects that had been partially funded by development contributions in the past. Those projects have been eliminated from the schedule of capital work to be funded from development contributions.

2.5.4. Council use of development contributions

The Council will use development contributions only on the activity for which they are collected. This will be undertaken on an aggregated project basis for each of the activities. Development contributions collected after a project has been completed may also be used to repay loan servicing costs including principal and interest associated with the project, until the loan is repaid.

2.5.5. Schools and hospitals exempt from development contributions

Preschools, primary schools, and secondary schools are viewed as community education facilities and are therefore exempt from development contributions. Similarly, hospitals and emergency treatment facilities (other than veterinary facilities) are community health facilities and thus are not subject to development contributions.

3. Assessment of development charges

The following services have been defined for which development contributions have been calculated. The activities are:

3.1. Geographical contribution areas

Contributions are to be levied only in those locations that generate demand on Council services, per the following table.

Activities	Area for development contributions to be levied
Footpaths	The Kaikōura township excluding Ocean Ridge
Kaikōura Urban water	Kaikōura township (connected to, or able to connect to, the Kaikōura urban water supply, including the Suburban water supply area)
Kincaid water	Kincaid area (connected to, or able to connect to, the Kincaid rural water supply)
East Coast water	East Coast area (connected to, or able to connect to, the East Coast water supply)
Peketa water	Peketa area (connected to, or able to connect to, the Peketa water supply)
Oaro water	Oaro area (connected to, or able to connect to, the Oaro water supply)
Wastewater	Kaikōura township including Ocean Ridge
Stormwater	Kaikōura township excluding Ocean Ridge
Parks & Reserves	Whole of district

[7] Water supplies other than those listed are assessed based on the additional number of water units required to service the development

3.2. Household equivalent units (HEU)

This policy has been developed using 'household equivalent units' (HEU) as the basis upon which to assess the impact of growth on Council services.

An HEU is defined as being equivalent to one “average” household unit of 2.7 people per household. It is recognised that household units vary and that the demands they generate also cover a broad range.

Every residential unit, whether a separate dwelling or part of an apartment complex equals one household unit which equals one unit of demand, and every additional lot is taken as being intended for one household unit. Note, each dwelling (irrespective of size) is deemed to be one household equivalent unit, therefore additions to existing residential dwellings (for residential purposes) will attract no DC charge.

Granny flats and similar self-contained units are assumed to be visitor accommodation and are assessed on a per person (or per bed) basis.

The following activities will be assessed using HEUs as the basis for calculation;

- roading
- footpaths
- water – Kaikōura Urban, Ocean Ridge, Peketa and Oaro[7]
- wastewater
- stormwater
- community infrastructure

There is no need to calculate HEUs for parks and reserves as this is assessed as a percentage of land value (see section 6.6).

3.3. Residential applications

The subdivision of land or land use consent to change the predominant land use of an existing site to create additional residential lots obviously results in the potential for additional household units and therefore additional HEUs, which are the basis for the calculation and charging of development contributions.

In order to calculate the number of HEUs, and hence the development contribution chargeable, it is necessary to determine;

- the additional number of residential allotments created by the proposed subdivision, or
- the additional number of dwellings where there is no subdivision, or
- the additional number of visitors being accommodated, or
- the additional number of connections (e.g. water or wastewater)

3.3.1. Rural areas

Residential applications include subdivisions for additional allotments, or additional dwellings, outside of the urban area. Each allotment will be assessed as having one HEU per residential dwelling on the property, and each additional residential dwelling on a rural allotment (where more than one) will be assessed as an additional HEU.

Farm sheds and farm buildings will be assessed for development contributions on the basis that some farming activities, such as intensive dairying, place enormous pressure on roads and water supplies, and should contribute to those costs. Those activities plus industrial or commercial developments located in the rural area will be assessed for contributions in accordance with section 3.4.

3.3.2. Visitor accommodation conversion to housing equivalent units

Visitor accommodation is usually made up of a number of beds catering for a maximum number of people rather than household units. The number of HEUs is calculated by using a household conversion factor. Given that an average household unit is assumed to be 2.7 people, then each person is equivalent to 37% of a household unit, and so the conversion factor for visitor accommodation would be 0.37. For example, the HEU arising from visitor accommodation catering for a maximum of 200 people would be 74 HEUs. This is based on 100% occupancy which is generally never achieved. This policy therefore recognises that 100% occupancy is not appropriate and has assumed a 60% occupancy rate instead. This means the HEU conversion factor is 0.222 for visitor accommodation (60% of 0.37).

Visitor accommodation is the only situation where the per person, or per bed, contribution is used. Per 3.2, granny flats and similar self-contained units are assumed to be visitor accommodation in all cases.

3.4. Non-residential applications

For non-residential consent applications HEUs are to be calculated using gross floor area per the Gross Floor Area conversion table (3.4.1) to estimate the HEU.

3.4.1. Gross Floor Area (GFA) conversion to housing equivalent units

The table below summarises the conversion factors to convert the GFA of a non-residential building to an average household unit, or HEU.

Land use	Retail	Industrial	Commer cial	Rural
Roading HEUs / 100m2 GFA	2.4	1.36	1.36	5.0
Footpaths HEUs / 100m2 GFA	3.0	1.2	2.0	-
Water HEUs / 100m2 GFA	0.13	0.1	0.1	1.0[8]
Wastewater HEUs / 100m2 GFA	0.26	0.2	0.2	1.0
Stormwater HEUs / 100m2 Impervious Surface	1.0	1.0	1.0	1.0
Community Infrastructure GFA	2.4	1.36	1.36	1.0

[8] Note that as per section 3.2 for some rural water supplies, assessments are based on water supply units rather than HEUs.

See Appendix D for a breakdown of the calculations of these figures.

3.4.2. Estimate of Gross Floor Area (GFA)

If the GFA of a non-residential building is unknown the Council will make an estimate of the likely GFA for calculation purposes, based on the average building coverage rates for that area.

Developments in the Kaikōura area will also be assessed for a stormwater contribution, based on the area of impervious surfaces to be drained to the reticulated stormwater network. Where no information is provided with an application on the area of impervious surfaces proposed to be drained to the network, it is difficult and impractical to calculate the demand created by the development in terms of HEUs. In this circumstance the Council will make an estimate of the likely area of impervious surfaces, based on the average building coverage rates for the industry.

3.4.3. Summary

	Subdivision	Development
Residential	One HEU per activity per additional title - except Parks & Reserves to be assessed as a percentage of land value	As for subdivision including units in strata title type developments. Parks & Reserves to be assessed as a percentage of land value.
Non-residential	Standard table of HEUs per activity in units of $100m^2$	
Visitor accommodation	As for residential subdivision including units in strata title type developments. Parks & Reserves to be assessed as a percentage of land value.	Calculated based on the number of visitors (beds) being accommodated, plus the Parks & Reserves contribution assessed on a portion of land value.
Mixed uses	To be assessed as above for each component of the particular land use applied for.	

See Appendix D for a breakdown of the calculations of these figures.

3.5. *Calculation of development contributions*

For each development, the development contribution payable by the developer will be calculated by multiplying the development contributions per household equivalent unit by the number of household equivalent units.

Terms used in the following flow charts are defined and explained on diagrams 1 to 4 in section 3.5.3. Appendix B provides worked examples of calculations.

3.5.1. Residential development

STEP 1: AREA OF DEVELOPMENT Go to section 3.1 to determine what geographical area the development lies within.
STEP 2: PRICING SCHEDULE Go to the Development Contributions Schedule (Appendix A) and identify the fees payable per Household Equivalent Unit for the development contribution area.
STEP 3: EXISTING ENTITLEMENT Recognising existing demand on services and therefore any existing entitlement, it is necessary to determine any credits/debits applicable to the residual title. For subdivisions (where the residual lot remains residential – see diagram 1 section 3.5.3) the existing title will have a full historic credit meaning no development contribution is payable on the residual title. Where a second (residential) dwelling is created on an existing title (see diagram 2 section 3.5.3) the existing dwelling will have a full historic credit meaning no development contribution is payable on the existing dwelling.

There will be a development contribution payable on any additional titles created by subdivision or any additional dwelling(s) created in the absence of subdivision.
STEP 4: NUMBER OF HEUs Using the HEU conversion information in section 3.3, establish how many HEUs the proposed development will create for each asset category.
STEP 5: APPLICATION OF HEUs Apply the HEUs to the proposed development (i.e. multiply charges identified in Step 2 by the HEUs identified at Step 4).
STEP 6: TOTAL (EXCLUDING RESERVES) Calculate the total development contribution by summing the individual charges established in Step 5 and add GST of 15%.
STEP 7: RESERVES In addition, the development contribution for Parks and Reserves will be calculated as a percentage of land value after development in accordance with the formula in Section 6.6.
STEP 8: TOTAL DC PAYABLE Add together the results from Steps 6 and 7 to get the total development contributions for the proposed development.

3.5.2. Non-Residential development

STEP 1: AREA OF DEVELOPMENT Go to section 3.1 and check what (geographical) Development Contribution area the development lies within.
STEP 2: PRICING SCHEDULE Go to the Development Contributions Schedule (Appendix A) and identify the fees payable per Household Equivalent Unit for the Development Contribution area.
EXISTING ENTITLEMENT Recognising existing demand on services and therefore any existing entitlement, it is necessary to determine any credits/debits applicable to the residual title. (See diagrams 1 and 3, section 3.5.3) Historic credit will be given for the pre-existing status of the property. This credit will only apply to the residual title (see diagram 1 section 3.5.3) and cannot be transferred to other titles created as a part of the development.
STEP 3: NUMBER OF HEUs: EXISTING ENTITLEMENT Using the HEU conversion information in section 3.4, establish how many HEUs the existing site has for each asset category as a result of historic credits.
STEP 4: APPLICATION OF HEUs: EXISTING ENTITLEMENT Apply the HEUs to the existing site (i.e. multiply charges identified in Step 2 by the HEUs identified at Step 3).
STEP 5: TOTAL HISTORIC CREDIT Calculate the total historic credit by summing the individual charges established in Step 4 and add GST of 15%.
RESERVES (HISTORIC CREDIT) There will be no historic credit for Reserves, as the Council has only historically imposed Reserves Contributions on Residential development.
STEP 6: PROPOSED DEVELOPMENT – RESIDUAL TITLE The residual title will be subject to a development contribution that is calculated in Steps 7-10.
STEP 7: NUMBER OF HEUs PROPOSED DEVELOPMENT – RESIDUAL TITLE Using the HEU conversion information in Section 3.4 establish how many HEUs the proposed development will create for each asset category.
STEP 8: APPLICATION OF HEUs PROPOSED DEVELOPMENT – RESIDUAL TITLE Apply the HEUs to the proposed development (i.e. multiply charges identified in Step 2 by the HEUs identified at Step 7).
STEP 9: TOTAL PROPOSED DEVELOPMENT – RESIDUAL TITLE Calculate the total development contribution by summing the individual charges established in Step 8 and add GST of 15%.

STEP 10: DEVELOPMENT CONTRIBUTIONS PAYABLE ON RESIDUAL TITLE Subtract the total in Step 5 from that in Step 9 to get the total development contribution payable on the existing title taking into account the credit for any existing entitlement. Note that there will be no refund associated with any excess historic credit.
STEP 11: DEVELOPMENT CONTRIBUTIONS PAYABLE FOR ADDITIONAL NEW TITLE(S) Repeat Step 6 to 9 for the new titles to obtain the development contribution payable for these titles in relation to network infrastructure and community infrastructure.
STEP 12: RESERVES In addition, the development contribution for Reserves will be calculated as a percentage of land value after development in accordance with the formula in Section 6.6.
STEP 13: TOTAL DC PAYABLE Add together the results from Steps 11 and 12 to get the total development contributions for the proposed development.

3.5.3. Definition and Explanation of Terms

Diagram 1: Subdivision to create additional titles (residential or non-residential)

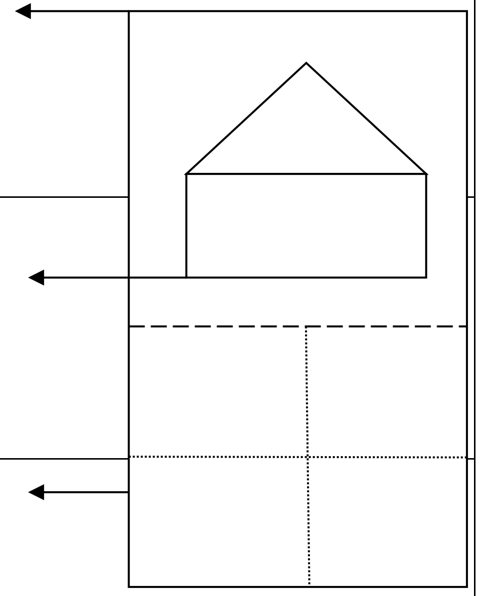
Existing title The title before subdivision Residential: full historic credit Non-residential: Section 3.5.2 Steps 1-5	
Residual title Existing title minus any additional titles created as a result of subdivision Residential: no DC payable Non-residential: Section 3.5.2 Steps 1-2 and Steps 6-9	
New title(s) Those additional titles subdivided off from the existing title Residential: Section 3.5.1 Steps 1-7	

Diagram 2: Construction of a new dwelling on an existing residential title (no subdivision)

Existing Title

Residential Dwelling
DC: No DC payable

New Dwelling(s)
DC: Section 3.5.1 Steps 1-7

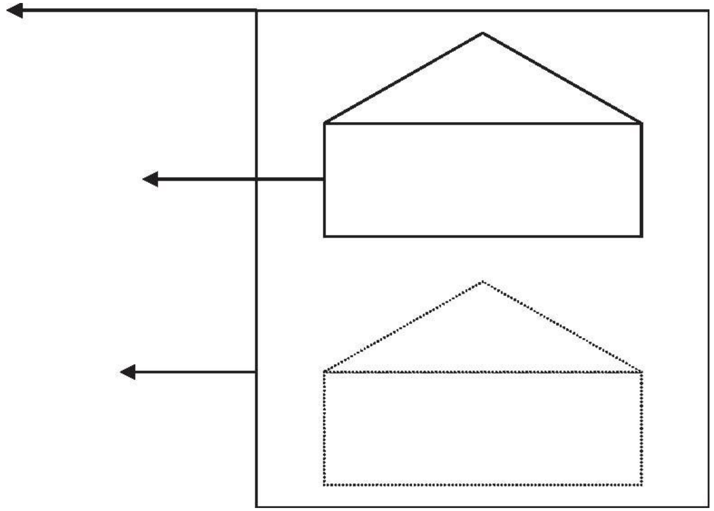


Diagram 3: Development of a non-residential site - no subdivision

Existing Title
The title before development
DC: Section 3.5.2 Steps 1-5

Residual Development
Existing development on site
DC: Section 3.5.2 Steps 1-2 and steps 6-10

New Development
Proposed new development on site
DC: Section 3.5.2 steps 11-13

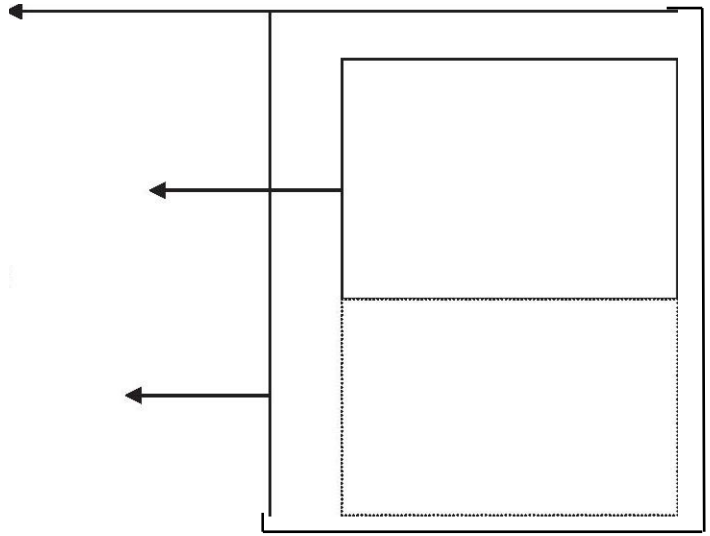


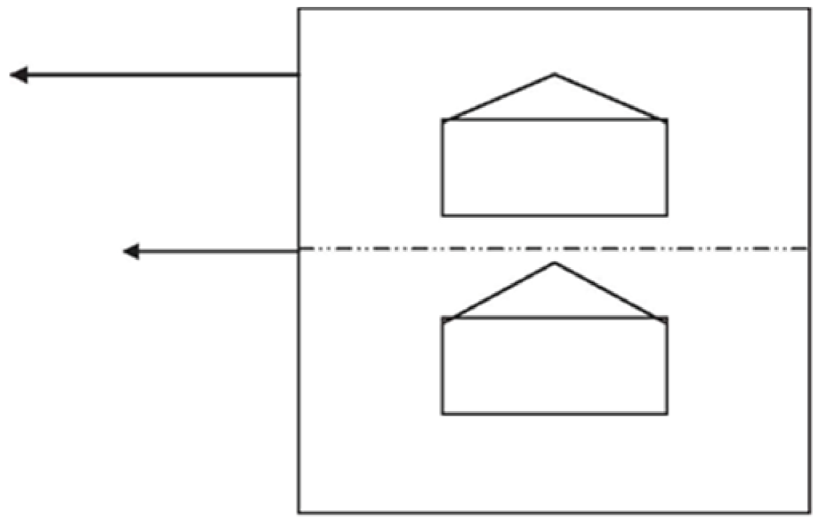
Diagram 4: Residential subdivision of land where there is more than one existing dwelling on the residual title.

Where there is more than one house (or dwelling) already on a title, and that title is subject to a subdivision to provide for each dwelling to occupy an individual title, it is deemed that the subdivision is not creating growth, and therefore no development contributions are payable.

By example:

The existing title

Following subdivision



This is due to interpretation of 3.5.1, Residential Development, where, in the section dealing with calculating the existing entitlement, each dwelling is deemed to be one household equivalent unit. Therefore, in the above example, there are two HEUs for the existing credit, and upon completion of the subdivision there are still only two HEUs.

However, should the subdivision also become subject to a land use consent or building consent to provide for some purpose other than its original use, development contributions may be triggered at that point.

3.6. Trigger for taking a development contribution

3.6.1. Initial calculation and interim assessment

The initial calculation of the development contribution will occur in conjunction with an application for:

(a) Subdivision consent; or
(b) In the absence of subdivision consent, on land use consent; or
(c) In the absence of subdivision consent and land use consent, on project information memorandum
(d) In the absence of the above three, on building consent.

The interim assessment serves the purpose of informing the applicant of the likely development contributions liability. This interim assessment will contain details of the number of HEU, the amount to be levied for each activity, and the total payable including GST.

The interim assessment will also contain an estimated parks and reserves contribution based on an estimated value of the land which considers the value of land in similar developments in the same, or a reasonably comparable, location within the Kaikōura district.

3.6.2. Request for individual developer agreement

The interim assessment may also contain a request in writing that the applicant enter into an individual developer agreement in lieu of the development contributions as assessed. See Section 5 for information on developer agreements.

3.6.3. Final calculation, invoicing and payment of development contributions

Final calculation, invoicing, and payment of a development contribution shall occur prior to the earlier of:

(a) The issue of the section 224 completion certificate per the Resource Management Act; or
(b) The issue of code compliance certificate per the Building Act; or
(c) An authorisation for a service connection.

Note it will be essential at this point to have either obtained an independent valuation for the parks and reserves development contributions to be assessed, or for the estimated value provided as part of the interim assessment to be agreed to by the applicant, with affirmation of agreement in writing.

Note: Further recalculation of the development contribution payable will occur if payment is not received within twelve months of the issuing of invoice.

3.6.4. Enforcement powers

If payment of development contribution is not received as per 3.6.3, the Council will enforce powers outlined in Section 208 of the Local Government Act (2002).

Until a development contribution has been paid or made, the Council may:

1) In the case of a subdivision or land use consent:
    a) withhold a certificate under section 224(c) of the Resource Management Act (1991)
    b) prevent the commencement of a resource consent
2) in the case of a building or other construction:
    a) withhold a code compliance certificate under section 95 of the Building Act (2004)
    b) withhold a certificate of acceptance under section 99 of the Building Act (2004)
3) in the case of a service connection, withhold a service connection to the development

In each case, register the development contribution under the Statutory Land Charges Registration Act (1928) as a charge on the title of the land in respect of which the development contribution was required.

3.6.5. Service connection and approval fees unaffected

The Council will continue to collect service connection and/or approval fees in accordance with current practice, current Council bylaws, and the LGA for the following assets:

a) water supply
b) wastewater
c) stormwater
d) vehicle crossings

4. Requests for reconsideration or objection

There are key differences in the terminology under the Local Government Act (2002) as to what constitutes reconsideration vs. an objection. Reconsideration responds to claims of errors in calculation, and can be considered by the Council or its officers. An objection is a claim that the Council failed to take into account features of a specific development, or required contributions for facilities that are not related to the specific development, and calls into question the equity or fairness of the development contributions as assessed. Under changes to the LGA in 2014, objections can only be considered by an approved independent development contributions Commissioner selected by the Council. All reasonable costs of the Commissioners would be at the cost of the objector.

Given the emphasis within this policy on obtaining individual developer agreements with developers, it is hoped that the expensive process of objecting to development contributions can be avoided wherever possible. It is the intention of this policy that objections be the last option and only used where developer agreements cannot be reached.

4.1. Request for reconsideration

Applicants may apply to the Council to reconsider their development contributions assessment where they have grounds to believe that;

a) The development contribution was incorrectly calculated or assessed; or
b) The policy has been incorrectly applied; or
c) The information used to assess the development was incomplete or contained errors.

A person may not apply for a reconsideration of their assessment if they have already lodged an objection to their assessment under section 199C and Schedule 13A of the LGA. A request for reconsideration must be made within 10 working days after the date on which the person lodging the request received the development contribution assessment notice, as required by section 199A (3) of the LGA.

Requests for reconsideration of contributions should also be made prior to those development contributions being paid, unless there is urgent and pressing need to proceed with issuance of s224 certificate, code compliance certificate, or service connection.

4.1.1. Procedure for reconsideration of contributions

The officer responsible for calculating development contributions will, within three working days of receipt of a request for reconsideration of an assessment, acknowledge receipt of the request to the person lodging the request.

The procedure to reconsider contributions is as follows:

1. Determine whether there has been an error in calculation, an error in application of the policy, or the assessment was made based on incorrect information, per s199A of the Local Government Act (2002);
    a. If yes, proceed to 2.
    b. If no, advise the applicant that there has not been an error and provide details on how to make an objection under section 199C of the LGA.
2. Where there has been an administrative error in the calculation, the officer may recalculate the development contributions payable as corrected and issue a replacement development contributions assessment to the applicant. The recalculation is to be reviewed by the Chief Executive Officer.

3. Where there has been an error in assessment or application of the policy, or the assessment was based on incorrect or incomplete information, the request for reconsideration will be considered by the Development Contributions Review Committee.
4. That committee may, at its discretion, uphold, reduce, postpone, or cancel the original amount of development contributions required on the development and shall communicate its decision in writing to the applicant within 15 working days of any determination or hearing.
5. Where that committee considers a request for reconsideration the following matters will be taken into account:
   - The development contributions policy including the intent of the policy
   - The provisions relating to development contributions in the LGA
   - The relevance of the information used to assess the applicant's development
   - The way in which the information has been applied in making the assessment
   - The extent to which the information was incomplete or contained errors
   - The potential for an individual developer agreement to be entered into, in lieu of upholding the contributions assessment.

In any case, the Council retains the right to uphold the original amount of development contributions levied on any particular development.

Note that until contributions are paid, whether or not the application for remissions was successful, the Council will use its enforcement powers per 3.6.4.

4.2. Objections to assessed amount of development contributions

A person may object to the amount of the development contributions that have been assessed, and this objection may be made regardless of whether or not a request for reconsideration has also been made.

An objection under section 199C of the LGA must be received by the Council within 15 working days after the after the date on which the person received notice from the Council of the level of development contribution that the Council requires.

An objection under section 199C of the LGA may be made only on the ground that the Council has:

- Failed to properly take into account features of the objectors' development that, on their own or accumulatively with those of other developments, would substantially reduce the impact of the development on requirements for community facilities in the district or parts of that district; or
- Required a development contribution for community facilities not required by, or related to, the objector's development, whether on its own or cumulatively with other developments, or
- Required a development contribution in breach of section 200 of the LGA, or
- Incorrectly applied its development contributions policy to the objector's development.

The procedure and legislative requirements surrounding development contribution objections are extensive and are contained within the Local Government Act (2002), sections 199C through to 199P and Schedule 13A. The Council will provide developers with this information when the potential for an objection is made known.

5. Developer agreements

It is the intention of this policy that larger developments – creating 10 or more HEU – are substantial enough that new assets or increased capacity of existing assets, whether whole or in part, may be required to service that development. In those circumstances, it is the intent of this policy that the developer meets the cost, or an appropriate portion of that cost, of the capital expenditure involved.

Nothing in this policy prevents a development contribution or a developer agreement requiring a developer to contribute to past costs already incurred by the Council to increase the capacity of its assets, as provided in 2.5.3. This recognises that past expenditure, such as to increase the capacity of water reservoirs (for example), was spent in anticipation of further development, and that those costs should still be funded by development contributions up until the portion of costs attributable to growth for each of those projects have been recovered.

5.1. Legislative provisions

Sections 207A through to 207F of the LGA provide the legislative framework for developer agreements. In summary the framework provides that;

- The request to enter an agreement may be made by either the Council or the developer,
- Either party may accept the request to enter an agreement, in whole or in part, or decline the request,
- The agreement contains specific details, such as legal name of the parties, description of the land to which the agreement relates, and details of the infrastructure that each party will pay for,
- The agreement is a legally enforceable contract,
- There are restrictions on use of the agreement, and
- There are conditions surrounding the amendment or termination of the agreement.

5.2. Developer agreements preferred

The advantage of a developer agreement is that it enables the Council to identify those assets, in whole or in part, that may need to be created and/or upgraded to cope with specific developments, and to request that agreement be reached with the developer to fund, in whole or in part, that capital expenditure. In other words, developers will be expected to pay for capital work that is related to the impact of their development on Council services. As an example, a wastewater pump station may need to be upgraded so as to have increased capacity to cope with a new hotel. The developer will be expected to fund the cost of increasing the capacity of the pump station, to the extent that the capacity is required to be increased in relation to that hotel.

It also enables a developer to request that the Council provide some specific assets outside of the development boundary that the developer deems beneficial, at the developers' expense (in whole or in part). As an example, the hotel developer in the above scenario may request that a walkway be developed between their hotel and the beach or some other public area. The Council would be expected to agree to develop the walkway, at the developer's expense.

In all cases, mutual agreement is fundamental to the success of the developer agreement.

6. Development contribution calculations

6.1. Introduction

The application of the funding model to the total growth cost and predicted growth in the HEUs for all the combinations of activity and catchment results in the schedule of development contribution charges in $/HEU for each activity (see Appendix A).

6.1.1. GST exclusive

Development contributions specified in tables 1 to 4 of Appendix A exclude goods and services tax (GST). The parks: reserves contribution is assessed as a percentage of land value which is assumed to include GST.

6.1.2. Construction cost index

Note that all figures are expressed in 2024 dollars, and future projects may be updated annually as appropriate in accordance with the Local Government Cost Index (LGCI) or some other cost indices (such as BERL cost indices specific to roading and water for example).

6.2. Roads, footpaths, streetlights, access, and parking

Developers are required to provide all roading assets within the boundary of their development, per the conditions of their consent under the Kaikōura District Plan. In addition, all new developments will be subject to a development contribution for the broader roading network to cover the value of identified capital development works.

In its review of this Policy for the period 2024 to 2034, the Council does not consider there to be any future growth capital development works for roads, and only a very small component of growth-related works for footpaths. Unless there is a developer agreement reached with an individual development (where increased road capacity is agreed upon), there is no roading development contribution.

The development contributions for footpaths are based on the proportion of these works that have been assessed as the result of increased demand generated by new residential, rural and non-residential development.

The Council will require a contribution toward a share of the cost of new or upgraded footpaths or access where additional capacity is necessary to accommodate the cumulative effects of the development. The share will be calculated on the proportion of the additional capacity necessary to serve the activity or development. See development contributions schedule of fees and charges in Appendix A of this policy.

6.3. Water and wastewater

Developers will meet the full actual cost of the water supply or wastewater disposal system to the development. The developer will be responsible for the full actual costs of all necessary water supply or wastewater disposal reticulation within the development for each allotment or building.

A contribution will also be imposed for each new service connection to cover:

- The full actual cost of connections between the water supply or wastewater disposal system reticulation in the development and the water supply and wastewater disposal system, and
- The full actual costs of upgrading of any existing water supply or wastewater disposal system to the extent that it is necessary to service the development, and
- A share of the costs of the existing water supply and wastewater disposal system where additional capacity has been created in anticipation of future development.
- A share of the cost of new water supply or wastewater disposal system or upgraded water supply or wastewater disposal system where additional capacity is required by the cumulative effects of the development of an area.

See development contributions schedule of fees and charges in Appendix A of this policy.

The contribution may, at the Council's discretion, be required in the form of cash, land, works, services or any combination of these. In assessing the level of contribution, regard shall be had to the level of works and services to be provided by the applicant to address any increase in demand on infrastructure.

The payment is subject to whether the new activity or development is able to connect to the service system.

Any development outside a constituted water supply or wastewater drainage area has not been anticipated as part of the existing reticulation network. Any request to extend a constituted water supply or wastewater drainage area to incorporate a development, or any request to create a new development contribution area will need to be specifically assessed through a separate developer agreement.

The requirement to purchase water units in the rural water supplies is unaffected by this policy.

6.4. Stormwater

There is only one distinct stormwater development contribution area in Kaikōura district, being the Kaikōura urban area (which includes South Bay and Ocean Ridge). For all developments within this area, a contribution will be imposed upon the area of the land, to cover:

- the full actual cost of connection to the stormwater network, and/or
- the full actual costs of upgrading of the existing stormwater disposal system to the extent that it is necessary to service the development, and/or urban area,
- a share of the cost of new stormwater infrastructure where additional capacity is required by the cumulative effects of the development of an area.

See development contributions schedule of fees and charges in Appendix A of this policy.

6.4.1. Other areas

In areas outside that described above, developers are responsible for disposing of stormwater onsite. The developer will be responsible for the full actual costs of detaining and disposing of all stormwater within the development area. Subsequent owners will be responsible for the full actual costs of disposing of all stormwater for each allotment or building.

6.5. Community infrastructure

The LGA restricts the taking of development contributions for community infrastructure to;

- community centres or halls for the use of a local community or neighbourhood, and the land on which they are or will be situated
- play equipment that is located on a neighbourhood reserve
- public toilets

The contribution levied will be based on a per household equivalent unit (HEU) with the fees set out in appendix A of this policy. With the review of this development contributions policy for the period 2024-2034, no growth-related projects have been identified for the listed community infrastructure types. Unless there is a developer agreement reached with an individual developer (e.g. where additional playgrounds, public toilets or community centre upgrades are agreed upon), there is no community infrastructure development contribution.

6.6. Parks & reserves (reserves contribution)

A reserves contribution refers to the cost of providing additional improvements necessary to turn basic parks and reserve land into a particular form or standard of reserve. Possible improvements include park furniture, sports ground development, walkways, off-road cycleways, landscaping and beautification, and car parking. Improvements may also include seal extensions where road access needs to extend to a specific recreational development (such as the new swimming pool).

See development contributions schedule of fees and charges in Appendix A and D of this policy.

Contributions may be taken in the form of a cash contribution and will be used to purchase land and /or to undertake improvements and enhancements. Within the development, the Council may allow the developer to provide land to meet recreation and conservation needs which will be credited against the required cash contribution.

For reserves, the LGA section 203(1) states that development contributions shall not exceed the greater of:

a. 7.5 percent of the value of the additional allotments created by the subdivision; and

b. the value equivalent of 20m2 of land for each additional household unit created by the development.

There are two methodologies for determining the reserves contribution for developments as recognised in the LGA. One methodology deals with development where there is subdivision [S203(1)(a)] and the other where there is no subdivision [S203(1)(b)].

When determining the value of land for the purpose of calculating the parks & reserves contribution, the value of land is assumed to include GST.

6.6.1. Subdivision

Three contribution categories have been identified:

- Residential
- Rural residential
- Rural

These categories recognise the different demand for recreation and amenity reserves.

Recognising the difference in demand for these areas the Council has adopted different contribution rates for each of the categories:

Contribution Category	Description	Development Contribution Rate
1	Residential	2.5% of the value of each additional lot of subdivision.
2	Rural Residential	1% of the value of each additional lot of subdivision.
3	Rural	0.5% of the value of each additional lot of subdivision.

The value of each allotment will be assessed up to the following maximum site areas:

- Rural: 40,000m2
- Rural residential: 6,000m2

Applications that change rural areas into urban developments with reticulated services will end up as future service catchments, and consequently will be considered under the provisions of contribution category 1.

6.6.2. Residential non-subdivision

The development contribution for parks where there is no subdivision will be assessed as the value equivalent of 20m2 of land for each additional HEU created. This will be applied up to a maximum contribution, equivalent to 2.5% of the value of the allotment.

As explained in section 3.3.2, for visitor accommodation the number of HEUs is calculated by using a household conversion factor of 0.222.

6.6.3. Valuing of land

Development contributions will be payable in cash. All land requirements for reserves purposes will be obtained through sale and purchase agreements outside of this development contributions policy. The Council may use structure plans and where appropriate, designation processes under the RMA to identify future reserve requirements.

The Council may accept or require a contribution to the equivalent value in the form of land or infrastructure. In some cases, for example, it may be appropriate to allow reserve assets to vest in the Council through the subdivision consent process, where they meet the Council's reserve network requirements, and to credit them against the development contribution required.

Where the development contribution is to be in cash, the development contributions notice will include an estimate on the anticipated value of the additional lots created by a subdivision, or on the basis of 20 square metres of land (within the development) for each additional household units created (with final calculation of the contribution to occur at the time the consent is issued – see section 3.6.3).

That estimate will take into account the current value of similarly sized and serviced lots in the same area, or similarly sized and serviced lots in a comparable area within the district, using information from the Council's rating information database and any information from property sales within the district that it considers relevant. The developer may accept the estimate provided for the purposes of calculating the development contribution payable, but is under no obligation to accept the estimate provided.

Where the developer does not accept the estimate provided, the amount will be established by either a signed sale and purchase agreement for the land subject to the development, or an independent registered valuer's report on the anticipated sale value of the land, or in the absence of subdivision, on 20m2 of that land. Registered valuer's reports shall be no more than three months old and produced at the developers cost.

Where the development contribution is to be in land or infrastructure, the value of the land and infrastructure to be vested will be established on the basis of a registered valuer's report and substantiated prices prior to purchase and installation.

Appendix A: Schedule of development contributions (excluding GST)

Table 1: Roading and footpaths

Area	Roads and bridges	Footpaths	
	Per HEU	Per HEU[9]	Per person
Kaikōura urban area (excluding Ocean Ridge)	$Nil	$1,664.38	$369.86
District wide (outside Kaikōura Urban area as above)	$Nil	$Nil	

Table 2: Wastewater

Area and/or connection	Per HEU	Per person
Kaikōura urban area (excluding Ocean Ridge) and including the Suburban area where the Kaikōura wastewater scheme is available to be connected	$2,987.91	$663.98
Ocean Ridge	Refer to separate developer agreement once the original 260 allotments are exceeded	

Table 3: Water supplies

Area and/or connection	Per HEU	Per person
Kaikōura urban area including Kaikōura township, South Bay, and Suburban area, but excluding Ocean Ridge	$998.44	$221.88
Ocean Ridge	Refer to separate developer agreement once the original 260 allotments are exceeded	
Peketa	$1,228.45	$272.99
Oaro	$1,228.45	$272.99
Area and/or connection	**Per Water Unit**	
Kincaid scheme	$2,000.00	
East Coast scheme (including Clarence)	$1,265.36	

Table 3: Stormwater

Area	Per HEU	Per person
Kaikōura urban area (excluding Ocean Ridge)	$450.58	$100.13

[9] Per person contributions apply to visitor accommodation.

Table 4: Reserves

Contributing Category	Maximum site area on which contributions are assessed	Development Contributions % of Land Value
Residential	No maximum	2.5%
Rural	40,000m^2	0.5%
Rural Residential	6,000m^2	1%
Visitor accommodation	20m^2 per HEU	100% limited to no more than 2.5% of total land value

Appendix B: Development contributions calculation – examples

Example 1 – Residential Subdivision

Proposal: **One residential lot subdivided into four new sections of about 1,600 m2 thereby creating three additional lots**

Location: **Kaikōura township**

Value of additional lots: **$180,000 (including GST) per lot ($540,000 in total)**

A full credit is given for the existing household unit (residual title) and the development contribution is only calculated on the three additional household units (the new titles).

Household Equivalent Units	**Activity/Service**	**Contribution per HEU $**	**Total Contribution $**
3	Footpaths	1,664.38	4,993.14
3	Kaikōura urban water	998.44	2,995.32
3	Wastewater	2,987.91	8,963.73
3	Stormwater	450.58	1,351.74
	Subtotal (excluding GST)	6,101.31	18,303.93
	GST	915.20	2,745.59
	Subtotal (including GST)	7,016.51	21,049.52
Valuation $540,000	Parks & reserves calculated at 2.5% of the value of each lot ($180,000)	4,500.00	13,500.00
	TOTAL (including GST)	11,516.51	34,549.52

Example 2 – Visitor Accommodation

Proposal: **Visitor accommodation (motels) providing for 50 people, plus a manager's residence**

Location: **Kaikōura township**

Value of land (total): **$540,000 including GST**

Size of existing land: **2,500m^2**

Valuation of land: **$216m^2**

A full credit is given for the existing household unit (the manager's residence) and the development contribution is only calculated on the additional household units, assessed by the number of people able to be accommodated (discounted to a 60% occupancy). In this instance there are 50 people able to be accommodated, divided by 2.7 people per HEU equals 18.52 HEU, then further discounted to 60% occupancy.

The parks & reserves contribution is calculated as the value of 20m^2 per HEU equivalent, up to a maximum of 2.5% of the total land value of the lot, therefore the total parks & reserves amount in this example is capped at $13,500 (2.5% of $540,000).

No. of people able to be accommodated	**Activity/Service**	**Contribution per person $**	**Total contributions $**
50	Footpaths	369.86	18,493.00
50	Kaikōura urban water	221.88	11,094.00
50	Wastewater	663.98	33,199.00
50	Stormwater	100.13	5,006.50
	Subtotal (excl. GST)	1,355.85	67,792.50
	GST	203.38	10,168.88
	Subtotal (incl. GST)	1,559.23	77,961.38
20m^2 x $216m^2 x 18.52 HEU x 60%	Parks & reserves using LGA S203(1)(b)	960.00	13,500.00
	TOTAL (including GST)	2,519.23	91,461.38

Appendix C: Development contributions funding model

Purpose

The purpose of the funding model is to provide an equitable assessment of the funding requirements to support the development contributions regime. The primary output of the funding model is an assessment of the required development contributions charges.

The model takes account of:

- The funding requirements to support the cost of growth infrastructure.
- Equitable application of those funding requirements to the incoming growth community.
- Recognition that the backlog components of the growth infrastructure are funded by the existing community. The rating charges applied to the existing community will also be applied to the incoming community as there is no differential rating process to exclude the incoming community from those rates charges. The resultant rating charge on the incoming community is offset against the development contribution charge.
- Interest on funds raised to implement growth infrastructure.
- Interest on contributions received in advance of provision of growth infrastructure.
- Recognition that money raised must meet the financial requirements of projects, therefore consideration is given to the effects of inflation on both the costs and the income. (Note, currently the inflation is set to zero in the model as CCI is to be added separately to the contribution rates each year).

Background information

For each project planned, Council officers have determined the components of the project that are allocated to meeting the needs of the growth community. This allocation takes into account and deducts funds available from alternate funding sources such as Waka Kotahi (NZTA). These projects are reported in development contribution areas for each service type.

For each development contribution, Council officers have determined the anticipated number of new lots as the district expands. These are reported as Household Equivalent units (HEU's).

Development contributions

The development contribution will be assessed for each service type and each development contribution will be charged based on the number of HEUs demanded by each incoming activity.

Modelling principles

A project cannot be considered for development contributions unless it is an approved project in the LTP. The LTP includes schedules of planned projects and in the future will include schedules of past projects with remaining capacity intended to support the new and future incoming community.

Terms and definitions

Past growth and past expenditure	Relates to the growth capacity and cost that has been provided by past expenditure. In terms of cost, it relates to actual costs incurred in past years – including the current year (ending 30 June 2024). In terms of demand, it relates to the provided capacity for the period between implementation and the current year. (Note: The Council is not proposing to recover development contributions for capital expenditure incurred prior to 1 July 2005.)
New growth and new expenditure	Relates to the growth demand and planned costs in the ten years from the current year. Starting in year 1 – the 2025 financial year from 1 July 2024 to 30 June 2025, and ending in year 10 – the financial year ended 30 June 2034

Future growth and future expenditure	Relates to the growth demand and planned costs in the years beyond the new growth period, starting in year 11 (2035). Potentially there is no end point to future growth but in practical terms it will end with the end of the funding period.
Funding period	Not less than 10 years, otherwise lesser of asset capacity life, asset useful life, or 30 years.

Notes

- Year will be end of year, i.e. 2024/2025 will be stated as 2025.
- Past expenditure will be actual cost of the project and will not be inflation adjusted.
- Interest on past expenditure will be based on the typical average interest rate for either borrowing or lending in each year since the past expenditure was incurred.

Expenditure

Expenditure will be assumed to occur in the year identified in the LTP or its amendments.

Development contribution

For each project the development contribution capital charge for each incoming HEU is assessed as the net cost of growth, divided by the number of HEUs assumed to be incoming from year 1 to the end of the funding period for that project.

The net cost of growth is determined as;

- For past projects, on the actual cost of the project less any third-party funding such as grants or subsidies,
- For future projects, on the forecast cost of the project in today's dollars, less any third-part funding such as grants or subsidies, and
- based on the assumption that at the end of the funding period the remaining debt will be zero.

Development contributions collected after a project has been completed will be used to repay loan servicing costs including principal and interest associated with the project.

Appendix D: Non-residential HEU conversions

Wastewater

Kaikōura District Council District Subdivision Code of Practice Design Standard: 1000 litres/household/day (1m3/lot/day)

Land use description	District Design Std (Litres/Day)	Units	HEUs
Commercial/industrial	200	100m2 GFA	0.2
Retail	266	100m2 GFA	0.26

Water

Kaikōura District Council Urban Water Supply Upgrade Officers Report 2000: 1930 litres/household/day - 1.9m3/lot/day

Land use description	District Design Std (Litres/Day)	Units	HEUs
Commercial/industrial	210	100m2 GFA	0.1
Retail	280	100m2 GFA	0.13

Roading

Land use	Vehicles per day	HEUs
Commercial/industrial	13.6	1.36
Retail	24.0	2.40
Rural	4 heavy trucks	5.0

Vehicles per day (VPD)

In using vehicles per day, consideration should be given to:

(1) The end destination and sole purpose of the trip is to that activity therefore VPD rate is at 100%
(2) Trip is made as one of a number of linked trips therefore VPD rate is at 25%
(3) Trip is made but only because the route goes past that location therefore VPD rate is at 5%

Footpaths

Land use	Pedestrians per day	HEUs
Retail	30.0	3.0
Industrial	12	1.2
Commercial	20	2.0
Rural	Nil	-

Appendix E: Capital expenditure

The following table summarises the capital expenditure that the Council has already incurred, or expects to incur within the next ten years, to meet the increased demand for services resulting from growth. The Council has determined to use the funding sources stated as the most appropriate source of funds for each of these capital projects, to most equitably the distribution of benefits to groups and/or individuals, and to make the optimum use of alternative sources of funding such as grants and subsidies, and development contributions where appropriate.

The Council's development contributions policy was first adopted in June 2004 and provided for several capital projects that have already been completed. In many cases, loans have been raised to complete that work, and development contributions are collected to meet the cost of loan servicing and to contribute towards the cost of that work previously undertaken. Development contributions are only levied until the portion of costs of the capital work has been recovered.

Capital project by activity	Reason a development contribution is appropriate	Year	Estimated cost	Funding Sources		Amount to be funded by DC's	Balance remaining after funds received to date	Forecast No. of new lots or water units	DC per HEU
				Grants, Loans & other	Development contributions				
Roading									
Footpath renewals	Includes new footpaths to service growth areas, and better surfaces to provide for more pedestrians	2024-2034	$2,000,000	95%	5%	$100,000	$100,000	80	$1,250.00
Footpath renewals		2023-2024	$291,089	97%	3%	$8,733	$4,948	80	$61.85
Footpath upgrades		2005-2006	$535,204	90%	10%	$53,520	$28,202	80	$352.53
Total footpath contribution per Housing Equivalent Unit (HEU)									$1,664.38
Water services									
Kaikōura urban reservoirs and water source	Increased capacity for water storage and to meet demand	2012-2014	$232,679	20%	80%	$119,831	$81,373	82	$998.44
Kincaid reservoirs and new pipeline	Increased capacity for water storage and larger pipes	2006-2013	$361,933	30%	70%	$253,353	$92,063	47	$2,000.00
East Coast pumps, pipes, and switchboard upgrade	Increased pump capacity and improve to meet demand	2010	$37,961	90%	10%	$3,796	$3,796	3	$1,265.36
Peketa new treatment system & telemetry	Improved treatment needed to meet demand	2008	$8,190	85%	15%	$1,228	$1,228	1	$1,228.45
Oaro new treatment system & telemetry	Improved treatment needed to meet demand	2008	$8,190	85%	15%	$1,228	$1,228	1	$1,228.45
Wastewater									
New pump stations	Increased pump capacity	2014	$367,061	50%	50%	$183,530	$128,943	85	$1,525.95
Pump renewals	Resilience to meet demand	2024-2034	$450,000	79%	21%	$94,500	$94,500	161	$586.96
Overflow prevention	Provide for volume of waste	2024-2034	$350,000	0%	100%	$350,000	$350,000	400	$875.00
Total wastewater contribution per Housing Equivalent Unit (HEU)									$2,987.91

Capital project by activity	Reason a development contribution is appropriate	Year	Estimated cost	Funding Sources		Amount to be funded by DC's	Balance remaining after funds received to date	Forecast No. of new lots or water units	DC per HEU
Stormwater									
Drainage system upgrade	Increased capacity	2011	$180,233	70%	30%	$54,070	$51,817	115	$450.58
Parks & reserves									
Projects include: • Land purchases • New walkways & cycleways • Beautification, planting & landscaping • Artwork installations and any other significant features • Safety improvements (handrails, steps, vehicle barriers, security cameras, lighting) • Grants paid out for biodiversity projects • Projects identified in the Council's Coastal Management Strategy (including any review of that Strategy) • Costs include demolition and site preparation if applicable									

Glossary of terms

Backlog	That portion of a project that relates to historical catch-up to meet the required level of service for the existing community.
Bed	When assessing development contributions for visitor accommodation, per bed is used. A bed refers to a single bed, therefore equates to per person per night.
CCI	Construction Cost Index.
Commercial	Any activity, whether temporary or permanent, involving payment, exchange, or other consideration, but not including visitor accommodation. Examples include restaurants, bars, conference facilities, tourism operator ticketing counters, and office spaces.
Community infrastructure	Community infrastructure means the following assets when owned, operated, or controlled by the Kaikōura District Council: • community centres or halls for the use of a local community or neighbourhood, and the land on which they are or will be situated, • play equipment that is located on a neighbourhood reserve, and • toilets for use by the public.
Credits	Where development contributions or financial contributions for a particular property have previously been assessed and paid, credit to that amount will be given for the particular activity.
DC	Development contribution
Development	Any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure (but does not include network utilities such as electricity or telecommunications).
Developer agreement	Any private agreement signed between a developer and Kaikōura District Council, and takes the same meaning as a development agreement in the Local Government Act 2002 (e.g. s197).
Development contribution area	Separate development contribution areas exist for each area asset category. For some assets, e.g. roading, the development contribution area is district wide, whereas for asset categories such as stormwater, water and wastewater development contribution areas are based upon existing service catchment areas.
Financial contributions	These are provided for by the Resource Management Act (RMA) and the Council's policy is set out in section 5 of the Kaikōura District Plan. A financial contribution is a contribution from developers of cash, land, works, services, or a combination of these. Financial contributions are used to offset or mitigate the adverse impacts on the natural and physical environment including utility services, of a new development.
Funding model	The funding model ensures an equitable assessment of the funding requirements to support the development contributions regime. The primary output of the funding model is an accurate assessment of the required development contribution charges.

Funding period	Not less than ten years, otherwise lesser of asset capacity life, asset useful life, or 30 years.
GFA	Gross Floor Area
Growth model	For each development contribution area the Council has determined the population changes anticipated as the district expands. These are reported as "Household Equivalent Units" (HEUs).
GST	Goods and Services Tax
HEU	Household Equivalent Unit. A type of unit of demand that relates to the typical demand for infrastructure by an average household (2.7 people).
Industrial	Activities including associated land, infrastructure and buildings used for the manufacturing, fabricating, processing, packing or storage of goods, substances, energy or vehicles, and the servicing and repair of goods and vehicles whether by machinery or hand.
Level of service (LOS)	The standard of service provision for assets.
LGA	Local Government Act (2002) including amendments
Lot	Lot is deemed to have the same meaning as "Allotment" under both the LGA, and the Resource Management Act 1991.
LTP	Long Term Plan
New expenditure	Relates to the growth demand and planned costs in the ten years from the current year. Starting in year 1 (2025) and ending in year 10 (2035).
Past expenditure	Relates to actual costs incurred in past years, including the 2024 year.
Parks & reserves	This refers to the cost of providing additional improvements necessary to turn basic reserve land into usable reserves such as: • Amenity reserves – generally small areas of scenic or recreation reserve that are intended primarily to "beautify" an urban area. • Neighbourhood reserves – small to medium sized areas of scenic or recreation reserve that are intended primarily to preserve natural features or provide for information local passive and active recreation. • Parks/domains – larger scenic or recreation reserves intended primarily to provide for passive recreation with a feeling of remoteness from urbanity and more formal active recreation and events • General reserves – this refers to the cost of purchasing land and minor improvements necessary to enable that land to function as a basic area of green open space, including earthworks and grassing. Reserves, for this purpose of this policy, do not include land that forms or is to form part of any road or is used or is to be used for stormwater management purposes.
RMA	Resource Management Act 1991
Renewal	That portion of project expenditure that has already been funded through depreciation of the existing asset.

Residential	The use of land and buildings by people for accommodation purposes, including unit/strata title development and visitor accommodation.
Retail	The use of land, a building, or parts of a building where goods are sold or displayed for sale, by retail, or are offered for hire.
Roading	Roads, bridges, kerb and channel, traffic services, footpaths, streetlights, and cycleways within the road corridor.
Rural	Deemed to be in the same area as both Rural and Semi-rural in the Council's rating information database, and that are 5 hectares or more.
Rural residential	Properties outside of the urban area and less than 5 hectares and containing, or intending to contain, a dwelling.
Service connection	A physical connection to a service provided by, or on behalf of the Kaikōura District Council.
Wastewater	The assets relating to the collection, treatment, and disposal of sewage
Urban area	The urban area within the Kaikōura township as defined by the Council's Rating Information Database.
VPD	Vehicles Per Day

Rates Remissions and Postponement Policy

Including the Council's policy on remission and postponement of rates on Māori freehold land

Policy status:	Adopted
Review due:	30 June 2024
Legal reference:	Local Government Act 2002 Section 102(2)(e) and 102(3), and 108, 109 & 110

Purpose

Rates remissions are a useful tool for the Council to address inequities and/or unintended consequences of its rating systems. This policy contains specific sub-policies that each outline objectives sought to be achieved by the use of remissions or postponements, and the conditions and criteria to be met in order for rates to be remitted or postponed.

This policy is made in accordance with sections 102, 109 and 110 of the Local Government Act 2002 and is applied per sections 85-90 of the Local Government (Rating) Act 2002.

General provisions

- The Council may remit all or part of the rates covered by this Policy, provided both the general conditions and the specific conditions have been met.
- Nothing in this policy provides for the permanent remission or postponement of rates on any property.
- This policy applies to rates within the Kaikōura District levied and collected by the Kaikōura District Council and may include rates collected on behalf of Environment Canterbury subject to the contractual obligations between those two parties.

General conditions

The granting of remissions or postponements available under this policy are subject to the following conditions:

1. Unless provided for in specific conditions & criteria, application must be made in writing, clearly identifying the property, the owner(s) of the property, and full reasons as to why the application for remission or postponement is being made.

Application may be sent to either of the following addresses;

a. PO Box 6, Kaikōura 7340
b. Level 2, 96 West End, Kaikōura 7300
c. rates@kaikoura.govt.nz

2. All applications will be considered under their own merit and will be granted only where it is considered fair and equitable to do so.
3. In considering each application, the Council will consider the extent to which the social, cultural, economic, and environmental wellbeing of the district will be promoted by the granting of remission or postponement of rates.
4. Where an error has been made in the setting of rates on any property, or on the categories and factors used to assess the rates on any property, rates will be remitted as provided for in the Local Government (Rating) Act.
5. The Council has delegated the authority to consider rates remissions to certain Council officers, as stated in the Council's Delegations Manual. In the event of any dispute arising, the application may be referred to the Chief Executive.

Policy on Remission of Penalties

Objectives

To enable the Council to act fairly and reasonably in its consideration of penalties charged on rates which have not been paid to the Council by the due date.

Specific conditions & criteria

Remission of penalties on late payment of rates may be made when it is considered fair and equitable to do so. In making that consideration, the following criteria shall be applied.

a) In cases where ratepayers are in arrears with their rates but have entered into agreed payment plans with the Council, further penalties may be suppressed or reduced subject to the payment plan being adhered to.

b) In cases where ratepayers enter into a direct debit agreement that ensures their rates will be paid in full by the end of that rating year, the latest penalty applied to rates within that current rating year will be remitted.

c) Penalties imposed on an overdue rates instalment will be remitted if the ratepayer satisfies the Council that the late payment was due to circumstances outside the ratepayer's control, such as;

    a. Where the rates invoice was issued in the name of a previous property owner and/or to the previous owner's address

    b. Where a ratepayer has been unable to attend to payment due to serious illness, bereavement or similar personal misfortune, on compassionate grounds

    c. Where an error has been made through internal processing which has subsequently resulted in a penalty charge being imposed.

For the following criteria (d, e, f), penalties will not be remitted where they have been applied to overdue rates for prior years unless under exceptional circumstances.

d) Where there is a good payment history over the last two years and payment is made within a short time of the ratepayer being aware of the non-payment.

e) Where the remission will facilitate the collection of overdue rates and it results in full payment of all rates arrears.

f) Where the ratepayer pays the full years rates on or before 20 December (the last day for payment of instalment two), the penalty imposed on the current year's rates will be remitted.

Procedure

Landowners and/or ratepayers must apply for rates remission in writing to one of the addresses outlined in the general conditions, including a reason for the late payment or other circumstance which resulted in the penalty being applied. No particular form is required.

The circumstances of each case will be considered on its individual merits.

Policy on Remission of Rates for land protected for natural, historical, cultural or conservation purposes

Objectives

To encourage the protection of significant natural areas by providing rates relief for privately owned land that contains special features voluntarily protected for natural, historic, cultural or conservation purposes.

Specific conditions & criteria

Remission of rates will be considered under this sub-policy on land that is subject to QEII covenant and is therefore non-rateable under the Local Government (Rating) Act. Evidence of the QEII covenant must be stated on the certificate of title, including the land area involved.

The following conditions must be met to facilitate the remission of rates:

a) The land area subject to remission of rates is to be assessed by calculating the area of the covenant as a percentage of the total area of the property, or in the case of a property that crosses district rating boundaries, the covenant area within the district as a percentage of the property area within the district.

b) The area of land that is subject to covenant and that includes a dwelling or outbuildings may be liable for certain targeted rates where services apply (water, wastewater, and/or refuse disposal rates). Remission of rates do not apply to these services in this instance.

c) Where there is an economic use of the covenanted land such as grazing on a large landscape covenant, or commercial ecotourism ventures, partial remission of rates may be appropriate, for example;

    a. A 50% remission on all rates applied to the covenanted area, except for those rates collected for water, wastewater, refuse disposal, visitor accommodation, registered premises, and commercial rates.

Procedure

Landowners and/or ratepayers must apply for rates remission in writing to one of the addresses outlined in the general conditions, including evidence of the QEII covenant and sufficient detail for Council officers to assess the areas of land involved.

Once granted, rates remission is automatic each year, with no requirement for annual application by the landowner unless circumstances change that effect compliance with the above specific conditions and criteria.

Policy on Remission of Rates for land affected by a natural disaster

Objectives

To enable the Council to provide rates relief for landowners of property that has been affected by a natural disaster such as flooding, earthquake, or tsunami, and rendering the property inaccessible, unsafe to occupy, or uninhabitable. Rates relief may also be available for property that has been significantly affected by disaster, whereby the income derived from the land or the use of the land has been materially and detrimentally affected.

Specific conditions & criteria

Rates relief is only available subject to the Council's ability to access alternate sources of funding such as emergency government grants, donations, or the Council's own emergency reserves (including the Mayoral fund, earthquake levy fund, or others by Council's resolution).

Properties eligible for rates relief comprises all rateable properties within the Kaikōura district including residential, rural, and commercial property. Rates relief may apply only to a separately identifiable dwelling or building within a rating unit rather than the rating unit as a whole.

Rates relief will be available for consideration and approval based on evidence of the following:

a) The property or part of the property has a red placard (or red sticker) or some other form of identification which has been issued by Council building inspectors or qualified representative acting under authorisation of the Council, or

b) The property or part of the property are subject to a 'section 124 notice' issued under the Building Act 2004, or

c) The property has been determined to be uninhabitable by EQC or the landowner's insurance company, or qualified structural engineer, or

d) The property has been materially and detrimentally affected due to other factors, such as unable to connect to Council services, or only parts of the building are uninhabitable (for example). Where parts of the building are uninhabitable these will be assessed as to materiality within the context of the whole building.

e) Rates relief is only available to the landowner/ratepayer of the property at the date of the natural disaster, and rates relief under this policy is not available to subsequent landowners once the property is on-sold.

f) Rates relief is only available for the period of time that the property is inaccessible, unsafe to occupy, or uninhabitable.

Rates relief is not available to ratepayers who have voluntarily chosen not to occupy their property or opted not to operate commercially for any reason other than the property being uninhabitable or unsafe to occupy. Similarly, rates relief is not available to ratepayers who continue to occupy a dwelling or building that has been deemed uninhabitable or unsafe to occupy.

Procedure

Applications must be in writing to one of the addresses outlined in the general conditions and will be assessed on a case-by-case basis.

Rates remissions will be pro-rated from the date of the natural disaster (or the date the property became unsafe to occupy if that is a later date), until the earlier of re-habitation, commencement of business, or the property becoming available for use, and notified to the Council. Notwithstanding this, rates relief will only extend into a subsequent financial year by resolution of the Council.

To enable an appropriate response to any disaster, this policy may be amended by the Council at short notice and without public consultation to aid a timely relief package if required.

Policy on Remission of excessive targeted rates by water meter

Objectives

To promote efficient water use and provide an incentive to ratepayers to promptly repair any leaks to their internal water reticulation.

Specific conditions & criteria

This policy applies to properties which have a water meter, and who have excessive water meter consumption charges found to be due to a leak in the property's internal water reticulation. Internal water reticulation means the water pipe within the landowner's private property from (and including) the water meter.

a) Remission on water meter charges will only be granted subject to evidence that satisfies the Council that the water leak has been repaired, such as a copy of an invoice from a registered plumber or other suitably qualified person which shows the details of the repair.

b) Where a remission is granted, the remission will be calculated by assessment of the water consumption charged for that metered connection for the past three years (which may include an assessment of seasonal fluctuations in water consumption).

c) Where three years of recorded evidence of consumption is not available, or if the property has had a substantial change of use during the last three years, remission will be on a fair and reasonable assessment of water consumption on similar properties.

d) If there is a second application for remission on the same metered connection within five years of the first application, the ratepayer will pay 80% of the water meter charges as invoiced, or the maximum six-monthly amount invoiced for that metered connection in the last five years, whichever is the greatest.

e) If there are third or subsequent applications for remission for the same metered connection within five years of the first application, the application will be declined.

Procedure

Applications for remission of rates by water meter must be received in writing to one of the addresses outlined under general conditions within three months of the date of the water invoice and supported by evidence that the water leak has been repaired.

The Council's revenue officer(s) will make an assessment of the appropriate remission (based on the criteria above), and the remission will be approved by those Council officers with delegated authority to do so.

Policy on Remission of rates for Māori freehold land and general land that is owned by Māori

Objectives

To ensure the fair and reasonable collection of rates from all sectors of the community, recognising that certain Māori freehold land and general land that is owned by Māori has conditions, features or other circumstances which may make rates remission appropriate.

Specific conditions & criteria

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court. Both land that is subject of such an order, and general land that is owned by Māori but has not been registered with the Māori Land Court may qualify for remission under this policy.

The Council will consider remission of rates on land that comes within the following criteria:

a) The land is unoccupied, and no income is derived from that land, and/or

b) The land is inaccessible, and no income is derived from that land, and/or

c) The land is better set aside for non-use (whenua rahui) because of its natural features, and/or

d) Where there are multiple owners/trustees, and the owners/trustees cannot be easily held liable for payment of rates.

Procedure

Applications for remission of rates under this policy must be made annually in writing.

The Council or its officers may require supporting evidence and/or investigate any claim that no income is derived from the land if it is considered reasonable that the land is being used for commercial return. By way of example, inaccessible land may generate substantial returns if being used for the harvesting of manuka honey.

Policy on Postponement of rates

The Council does not currently provide for the postponement of rates but may consider adopting a postponement policy if it were deemed to be appropriate due to extreme financial hardship.

Policy on Postponement of rates for Māori freehold land

The Council has considered its obligations under section 108 and the matters relating to rates relief on Māori freehold land in Schedule 11 of the Local Government Act 2002.

The Council does not provide a policy specifically for the postponement of rates on Māori freehold land.

Policy on Remission of additional Uniform Annual General Charge and other fixed dollar amount targeted rates

Objectives

The objective of this remission policy is to apply the Uniform Annual General Charge and Fixed targeted rates on a fair and equitable basis to ratepayers.

Specific conditions & criteria

The Council will consider remission of rates on land that comes within the following criteria:

Where a rating unit is identified as having more than one separately used or inhabited part of a rating unit (SUIP) available to be used, resulting in multiple Uniform Annual General Charges (UAGC) and fixed dollar targeted rates, but it is not actually separately used or inhabited, then it shall be assessed as only having one separately used or inhabited parts and the ratepayer may apply annually for a remission of rates on the unused part(s). The remission would only be available where the unused part(s) are unused for the entire rating year. Where a remission has been granted, and it is discovered that the part(s) were actually used during that rating year, that rating unit will not be eligible for remission of rates for unused part(s) for any subsequent rating year.

Rating units that meet the criteria under this policy may qualify for a remission of the uniform annual general charges (UAGC's) and any targeted rates set on the basis of a fixed dollar charge per SUIP. The ratepayer will remain liable for at least one set of each type of uniform annual general charge or fixed charge.

Procedure

Applications for remission of rates under this policy must be made annually in writing.

The Council or its officers may require supporting evidence and/or investigate any claim that the separately used or inhabited part of a rating unit is not being separately used or inhabited if it is suspected of being used for commercial return. By way of example, a self-contained granny flat only rented out 3 months of the year is being used for commercial reward and therefore is subject to the fixed dollar targeted rates for the additional SUIP.

Statement of Accounting Policies

Reporting Entity

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

The Kaikōura District Council group (KDC) consists of Kaikōura District Council and Innovative Waste Kaikōura Ltd (IWK). The Council has an 11.5% interest in the Marlborough Regional Forestry joint operation (MRF), with the Marlborough District Council owning the 88.5% shareholding.

The prospective forecast financial statements in this LTP are for the parent (the Council, which includes the share of MRF, but excludes IWK).

The primary objective of Kaikōura District Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the group as public benefit entities (Tier 2) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The forecast financial statements of the Council are for the year ended 30 June in each of the ten years of the Long-Term Plan.

The person or body that authorised the issue of the prospective financial statements by the local authority is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The prospective financial statements were authorised for issue by the Council on 26 June 2024.

Basis of Preparation

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98, and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards Reduced Disclosure Regime, as appropriate for public benefit entities that have expenses of less than $33 million and do not issue debt or equity securities or hold funds in a fiduciary capacity as part of our primary business. These financial statements comply with PBE Standards.

Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructure assets, investment property and financial instruments.

The preparation of prospective financial statements in conformity with PBE accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below will be applied consistently to all periods presented in the financial estimates.

The Council and management of the Kaikōura District Council are responsible for the preparation of the prospective financial statements.

The prospective financial statements have been prepared in accordance with PBE financial reporting standard 42.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Council is New Zealand dollars.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Subsidiaries

The Council publishes both parent and group financial statements for historical reporting purposes in its Annual Reports but does not publish group prospective financial statements for its Long-Term Plans or Annual Plans. This is because the Council believes presentation of group financial statements would cause the prospective financial information to be overly complex for the purposes of a Long-Term Plan or Annual Plan.

The Council consolidates all subsidiaries in the Group financial statements, all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue, and expenses on a line-by-line basis. All significant intra-group balances, transactions, revenue, and expenses are eliminated on consolidation.

The Council's investments in its subsidiaries are carried at cost in the Council's own "parent entity" financial statements.

Joint operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled operations the Council recognises in its financial statements its share of the assets that it controls, the liabilities and expenses it incurs, and the share of Revenue that it earns from the joint operation.

Of the Council's interest in the Marlborough Regional Forestry joint operation, 13.37% is held in trust on behalf of Environment Canterbury. This is recognised as a non-current liability in the financial statements.

Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains and finance revenue and is measured at the fair value of consideration received or receivable.

Revenue from exchange transactions

Revenue from exchange transactions arises where the Council provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. These are transactions where the Council receives value from another party without giving approximately equal value directly in exchange for the value received.

Approximately equal value is considered to reflect a fair or market value, which is normally akin with an arm's length commercial transaction between a willing buyer and willing seller. Some services which Council provides for a fee are charged below market value as they are subsidised by rates. Other services operate on a cost recovery or breakeven basis which may not be considered to reflect a market return. A significant portion of the Council's revenue will be categorised non-exchange.

As the Council satisfies an obligation which has been recognised as a liability, it reduces the carrying amount of the liability and recognises an amount of revenue equal to the reduction.

Specific accounting policies for the major categories of revenue are outlined below:

Rates revenue

Rates are set annually by a resolution from the Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Rates collected on behalf of Environment Canterbury are not recognised in the financial statements as the Council is acting as agent for Environment Canterbury.

Donations and Vested Assets

Where a physical asset is received for no or minimal consideration, the fair value of the asset received is recognised as revenue. Assets vested in Council and goods donated are recognised as revenue when control over the asset is obtained. Vested assets and donated goods are categorised as non-exchange revenue.

Other revenue

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Government Grants

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

Other grants & subsidies received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants revenue as the conditions are met (for example, as the funds are spent for the nominated purpose). Grant revenue is categorised as non-exchange revenue.

Provision of Services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sale of Goods

Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale (excluding GST).

Agency Arrangements

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recorded net of imputation credits.

Development Contributions

Development contributions are classified as exchange revenue and recognised as revenue in the year in which they are received.

Expenses

Specific accounting policies for major categories of expenditure are outlined below:

Borrowing Costs

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

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Foreign currency transactions

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint operations, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and Other Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Council applies the simplified ECL model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates receivable

The Council does not provide for ECLs on rates receivable. Council has various powers under the Local Government (Rating) Act 2002 (LG(R)A 2002) to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Rates are "written-off":

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

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Previous accounting policy PBE IPSAS 29
In the previous year, Trade and other receivables were recorded at their face value less any provision for impairment, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

Derivative financial instruments and hedge accounting

The Council does not engage in the use of derivative financial instruments and hedging activities.

Other financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless the it has been designated at FVTSD, in which case it is recognised in surplus or deficit. The classification of a financial asset depends on its cash flow characteristics and the Council and group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost

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

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit. Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Other than for derivatives, the Council and group has no instruments in this category.

Expected credit loss allowance (ECL)

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

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

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

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

The Council measures ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Shares in subsidiaries (at cost)

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

Previous accounting policy (summarised)

In the previous year, other financial assets were classified into the following categories:

- loans and receivables at amortised cost (included term deposits, related party loans, and community loans);
- held-to-maturity investments at amortised cost (included listed bonds); and
- fair value through other comprehensive revenue and expense (included shares and listed bonds).

The main differences for the prior year policies are:

- Impairment was recorded only when there was objective evidence of impairment. For equity investments, a significant or prolonged decline in the fair value of the investment below its cost was considered objective evidence of impairment. For debt investments, significant financial difficulties of the debtor, probability the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators the asset is impaired.
- Impairment losses on shares would have been recognised in the surplus or deficit.
- For shares, the cumulative gain or loss previously recognised in other comprehensive revenue and expense would have been transferred from equity to surplus or deficit on disposal of the investment.

Inventory

Inventory held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first-in first-out (FIFO) method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

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

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

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, Plant and Equipment

Property, plant and equipment consists of:

Operational assets

These include land, buildings, harbour assets, library books, computer equipment, office furniture, vehicles and plant.

Restricted assets

Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets

These are the fixed utility systems owned by the Council, such as roads and three-waters. Each asset class includes all items required for the network to function, for example sewer reticulation includes reticulation pipes and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

Those asset classes that are revalued are valued on a three-yearly cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Land and buildings

Land and buildings were valued effective as at 30 June 2022 by Cameron Ferguson, (B. Com, VPM) of Quotable Value NZ, at fair value as determined from market-based evidence. Carrying values for those specific assets are shown less accumulated depreciation and plus any subsequent additions at cost.

Infrastructure assets

This includes roads, bridges & footpaths, water systems, sewerage systems and stormwater systems, stated at fair value determined on a depreciated replacement cost basis by an independent valuer. At balance date the Council assesses the carrying values of its infrastructure assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Roading, water, wastewater and stormwater infrastructure were valued internally as at 30 June 2022 and the valuation was independently reviewed by Rachel Wells and John Vessey of WSP.

Additions

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

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

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

Depreciation

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

The estimated useful economic lives of major classes of assets, and the depreciation rates to apply to them, are as follows:

Operational Assets	Estimated Life (years)	Rate (Rounded)
Land		Not Depreciated
Buildings – Structure	20 - 135	From 0.74% to 5%
Buildings – Services	9 - 33	From 3% to 11%
Buildings – Internal fit out	5 - 25	From 4% to 20%
Harbour Seawall & Wharf	10 – 50	From 2% to 10%
Computer equipment	5	20%
Plant, vehicles and machinery	5 - 50	From 2% to 20%
Library books	12	8%
Library non-books	1	100%
Restricted Assets	**Estimated Life (years)**	**Rate (Rounded)**
Parks & reserves buildings	50	2%
Parks & reserves land		Not depreciated
Park furniture & other assets	3 – 50	From 1.33% to 30%
Artwork		Not Depreciated
Infrastructural Assets	**Estimated life (years)**	**Rate (Rounded)**
Roading		
Road formation and base course		Not Depreciated
Bridges	50 - 100	2.02%
Sealed Top Layer	7	20.15%
Kerb and Channels	37	2.25%
Drainage	57	2.42%
Traffic Facilities	4	16.38%
Seawalls	50	3.62%

Footpaths – Structure		Not Depreciated
Footpaths – Surface	25	5.54%
Street Lighting	17	5.37%
Sewerage		
Equipment & Oxidation Ponds	50	From 2% to 6%
Pump Stations	17 - 100	From 2% to 7%
Rising Mains & Gravity Reticulation	25 – 77	From 1% to 4%
Water		
Pump Stations	12 – 25	From 4% to 8%
Pipes & Reticulation	7 – 99	From 1% to 14%
Stormwater		
Catchment Mains & Reticulation	70 – 99	From 1% to 2%
Structures	19 – 75	From 1% to 6%

In relation to infrastructural assets, depreciation has been calculated at a component level based on the estimated remaining useful lives as assessed by the Council's engineers and independent registered valuers. A summary of these lives is detailed above. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Deemed cost

Land under roads

Land under roads, was valued based on fair value of adjacent land determined by Connell Wagner Ltd effective 30 June 2001. Under NZ IFRS, the Council has elected to use the fair value of land under roads as at 30 June 2001 as deemed cost. Land under roads is no longer revalued.

Library collections

Library Books were valued at 30 June 2007 using actual cost per book, by the Kaikōura District Librarian, and this value has been deemed cost at that date. Library collections are no longer revalued.

Accounting for revaluations

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the other comprehensive revenue and revaluation reserve for that class of asset.

Forestry Assets

Forestry assets owned via the Marlborough Regional Forestry joint operation, and also the Council's own forestry assets, are independently revalued annually at fair value less estimated point of sale costs. These valuations were performed at 30 June 2022, by Forme Consulting Group for the joint operation, and by Merrill & Ring Ltd for the South Bay plantation. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are included in the surplus or deficit.

Investment Property

Properties leased to third parties under operating leases only classified as investment property if the property is held to earn net rental yields or for capital appreciation. Most of the Council's leased properties are held to meet service delivery objectives and therefore are not classified as investment property.

Investment property is measured initially at cost, including transaction costs. After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer, Quotable Value New Zealand.

Gains and losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Intangible Assets

Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Software Acquisition

Acquired computer software licenses are capitalised on the basis of costs to acquire and bring to use the specific software. Costs associated with maintaining computer software, staff training on software use, and website development and maintenance, are recognised as an expense with incurred. Computer software has a 5-year useful life, and a 20% straight line amortisation rate.

Impairment of Property, Plant and Equipment and Intangible Assets

Non-financial assets that have an indefinite useful life, are not yet available for use and are not subject to amortisation are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash flows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

Borrowings are initially recognised at their fair value net of transactions costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

Employee Entitlements

Short-term benefits

Employee benefits that the Council expects to be settled within twelve months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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

A liability for sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Council anticipates it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term benefits

Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/(deficit) will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

The actuary to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the actuary recommended employer contributions change from zero to 1 times (100%) of the employee's contribution from 1 April 2019.

Provisions

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Public equity – accumulated funds
- Special reserves
- Special funds
- Asset revaluation reserves
- Fair value through other comprehensive revenue reserves

Special and Council-created reserves

Special reserves and funds are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

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

Council-created reserves (special funds) are reserves which may be altered without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Asset revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

Fair value through other comprehensive revenue reserves

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive revenue instruments.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Cost Allocation

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a significant activity.

Direct costs are charged directly to significant activities. Indirect costs are allocated to Council activities based on the total operating costs of the activity proportionate to the total operating costs of the Council.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments, with original maturities of three months or less, in which the Council invests as part of its day-to-day cash management.

Operating activities include cash received from all revenue sources and cash payments made for the supply of goods and services. Agency transactions (the collection of Regional Council rates) are recognised as receipts and payments in the Statement of Cash Flows because they flow through the Council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt structure of the Council.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the prospective financial statement are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets.

These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by the Council performing a combination of physical inspections and condition modelling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under-estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives further assurance over useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Critical Judgments in Applying the Council's Accounting Policies

Kaikōura District Council management has exercised the following critical judgments in applying accounting policies for financial years 2025-2034:

Classification of property

The Council owns property which is maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives and to meet community outcomes. These properties are accounted for as property, plant and equipment.

Service performance reporting

The Council's statements of service performance are included in Part Two: Council Activities, within this Long-Term Plan. The relevant legislation governing the requirement of reporting the Council's service performance is Part 3 of Schedule 10 of the Local Government Act (2002).

The Council's statements of service performance have been prepared in accordance with Public Benefit Entity (PBE) standards and are for the year ended 30 June unless otherwise stated.

In preparing the statements of service performance, the Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets. The main judgements, estimates and assumptions are discussed below.

Measurement selection and level of aggregation

The service performance measures in this Long-Term Plan are intended to show the targeted levels of service over the ten-year period.

The performance measures were selected to cover quantitative measurement of progress towards the Council's Long-Term Plan and Annual Plan outcomes and objectives. The measures included in this LTP are broken down into the ten groups of activities, providing a set of measures that give a rounded picture of the non-financial performance activity goals of the Council. Each group of activities has a set of measures that were identified through as the 2024-2034 LTP was being developed, involving Council and management. The performance framework in the Part Two: Council Activities section of the LTP shows how the performance measures are linked to the Council's Community Outcomes, goals and objectives. This process ensured the selected measures best reflect the Council's performance and are available in a timely manner.

Several measures pertaining to water supplies, wastewater, stormwater and roading are the mandatory performance measures set under Section 261B of the Local Government Act (2002), the Secretary for Local Government made the Non-Financial Performance Measures Rules (2013).

The service performance measures are reported to the Council in a half year report, for the period ended 31 December, during the relevant annual period. The annual results are then reported in the relevant annual report for the year to 30 June.

Satisfaction and Complaints

The Council has chosen to report on customer satisfaction (gathered by responses to our Resident & Ratepayer Satisfaction Survey) for some of its performance measures, and also measures on the number of complaints received in relation to services delivered by the Council. While levels of customer satisfaction or the number of complaints are important, these measures are not critical to the functioning of the activity or service. The measures do not require interpretation by the reader. This judgement is not considered to be significant.

Customer Service Requests (CSRs)

CSRs referred to in a range of measures means requests received by email, telephone, snap-send-solve, or through automated telemetry alarm systems, by Council staff and those received by the Council's contractor, Innovative Waste Kaikōura Ltd (IWK).

The Council and IWK do not have integrated systems, and so CSR's received by the Council are entered into the Council's enterprise system and forwarded to IWK as necessary, and IWK's CSR's are entered into a spreadsheet that is sent back to the Council to include in the Council's service performance reporting.

Prior year comparisons

Where financial statements include a comparison for the prior year (2023/2024) those comparisons are sourced from the Council's Annual Plan and are not the Council's actual financial results.

The Council's actual financial results from any financial year have not been incorporated in this Long-Term Plan.

Updates to prospective financial information

The Council does not intend to update the prospective financial information contained within this Long-Term Plan after presentation. The Council does, however, intend to update this information in the future for the purposes of future Annual Plans (annually) and Long-Term Plans (every three years).

Purpose

The prospective financial statements in this Long-Term Plan have been prepared for the purpose of a forecast, based on assumptions that the Council can reasonably expect to occur, along with the actions it reasonably expects to take, as at the date the forecast was prepared. We recommend caution if this prospective financial information is used for any purpose other than as a Long-Term Plan prepared under the Local Government Act (2002).

The actual results are likely to vary from the forecast information, and such variations are likely to be material.

Changes in Accounting Policy

There have been no significant changes in accounting policies.