VOLUME TWO

Kaikōura District Council

Ko te kaunihera ā rohe o Kaikōura

LONG TERM PLAN 2021 - 2031

Moving Kaikōura Forward

Part Three: Strategies & Policies

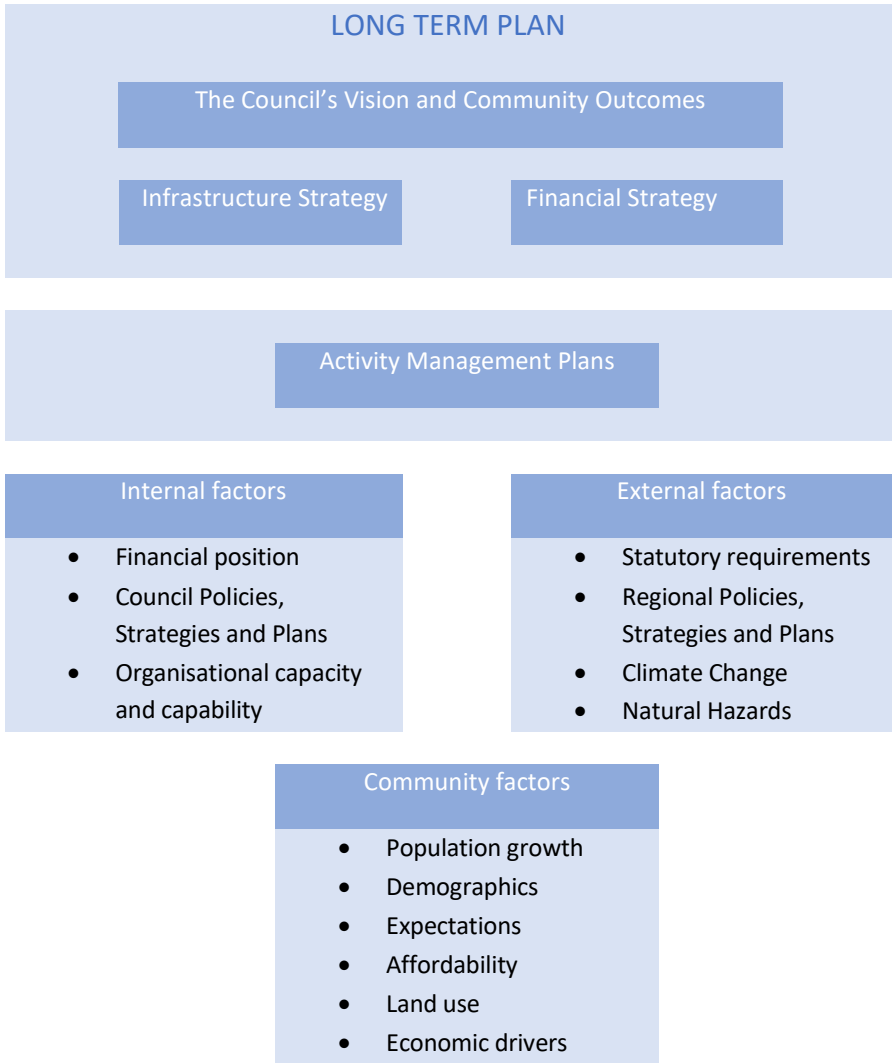
Introduction

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. Not all of the Council's essential activities currently have full activity management plans available, however these plans are being drafted. In the absence of a finalised activity management plan, contracts with service providers and various information about Council's assets 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.

Liability Management Policy

This treasury policy supports the strategic direction of the Financial Strategy, by ensuring that the Council's borrowing is well-managed.

Investment Policy

Alongside the Liability Management Policy to form the Council's Treasury Policy, the Investment Policy 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 Maori 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:	30 June 2024
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 2021-2031.

Executive Summary

The Council plans to improve the overall condition of its essential assets, such as roads, footpaths, water supplies, and wastewater systems. We will also focus on ensuring 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.

We are extremely fortunate that our asset renewal profile is relatively flat for at least the next ten years (and potentially the next 30 years), especially for water, wastewater, and stormwater assets, largely due to the significant rebuild work that has been completed following the 2016 earthquake. Over $40 million has been spent since 2016 on remedial work to roads, bridges, three-water assets, the harbour, and other facilities owned by the Council.

Further assistance has come through the national three-waters reform process, whereby the Department of Internal Affairs has granted $1.92 million to the Council, enabling us to quickly undertake projects that will enhance asset capacity, resilience and public health outcomes.

Significant asset deficiencies do however remain, especially in the condition of local roads, which have had a low level of service pre-quake due to a 'do minimum' approach in the interests of rates affordability. This Financial Strategy aims to enable the catchup of deferred roading renewal work, as well as improving our overall services, while at the same time remaining within our self-imposed limits on rates and debt.

The first three years of this Long-term Plan 2021-2031 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, three-waters and PGF projects have been applied (2022 to 2024), 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 accumulating cash reserves from today's ratepayers to pay for capital renewal work that will be done in the future. Our Infrastructure Strategy shows that we have very low levels of capital renewal work required within the next ten years (and no major work until 2050). Those future renewals may be funded by loans, grants, subsidies, and/or rates. The Council considers it is prudent and sustainable, therefore, to provide for these operating deficits in years 2025 to 2031 due to the decision not to fully fund depreciation.

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,
- Rates increases are capped at no more than 7% in year one, 6% in year two, and 5% thereafter,
- Rates income does not exceed $10 million per annum in years 1-5, and is controlled by the 5% limit on rates increases per year thereafter.

Introduction

We begin the 2021-2031 chapter of our story amid the COVID-19 global pandemic. With New Zealand managing frequent small outbreaks of community transmission at the time of writing, which are keeping the country in a constant state of nervous tension, compared to the rest of the world we are enjoying almost total freedom of movement.

As of April 2021, the effects on New Zealand's GDP has been less than forecast and major sporting, cultural and music events are continuing to be successfully hosted. As a result of its national pandemic strategy and unity of approach, New Zealand is perceived internationally as a leader in terms of the pandemic response, and a destination of choice, especially once borders reopen unrestricted.

However, behind this "success" has been an unexpected and substantial rise in house prices, and an almost complete loss of the international tourism market in New Zealand. This latter aspect has the country, especially those areas where international tourism is a major contributor to the local economy, at a potential tipping point.

For Kaikōura, COVID-19 comes on top of the effects of the 2016 Kaikōura earthquake. With access initially restricted to the District, the summer season 2019/20 saw Kaikōura's visitor numbers return to pre-quake levels for the first time. Due to the pandemic New Zealand entered lockdown in March 2020. With international visitors absent, the 2020/21 summer tourism season was well supported by domestic travellers, but the absence of international visitors, especially at "shoulder seasons" is strongly felt.

Businesses have altered their operations to best adapt, but despite this there has been the closure of several local businesses, and jobs lost (or hours, and incomes, reduced) since the pandemic hit. As of April 2021, the continuing impact on the local economy in 2021 and 2022 remains uncertain. NZ Tourism forecasts suggest the recovery of international visitor numbers is still at least a year away, and will take several years to recover fully, as vaccines are rolled out and confidence slowly returns for travellers.

Despite the effects of the pandemic, the local economy seems poised to move forward and local businesses continue to attempt to weather the loss of international visitors in anticipation of a strong recovery. There are substantial new developments in the wings (not least of which is the new Sudima Hotel).

Notwithstanding this, the Council acknowledges the effects to date on the local economy, likely to continue in the immediate future. The 2021 winter and potential for a still reduced 2021/22 summer is likely to test the resilience of local businesses to their limit.

Whilst the impact of the pandemic on the Council's own revenue and operations income has not been substantial, the Council took steps in 2020 to assist ratepayers' potential financial challenges. This included a reduction of the proposed 10% rates increase for 2020/21 as part of the earthquake recovery, to 4%, including a reduction in the Council's staff numbers of nearly 20%.

Purpose

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 without placing unnecessary burden on ratepayers. It outlines the key financial parameters and limits that the Council will operate within. This Strategy focuses on moderating rates increases, including making best use of debt as a funding tool where this is appropriate.

It is the Council's view that this financial strategy is prudent and sustainable. In putting this strategy together, the Council had to face facts that we simply cannot afford to do everything we want to, and had to prioritise which projects are important, and which to leave out for at least another decade. Underlying this strategy is the Council's view that the level of staffing and expenditure is such that Council services and compliance will be delivered on a no-frills basis. The Financial Strategy is strongly influenced by its associated Infrastructure Strategy 2021-2031, and is best described as an enhanced status quo.

Infrastructure Strategy

The Infrastructure Strategy 2021-2031 highlights several key factors that influence 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 of our asset renewals that would have been required within the next 20-30 years have, effectively, already been replaced.

Secondly, even prior to the earthquake the Council had the foresight to increase the capacity of its essential assets, such as water reservoirs, wastewater pump stations and treatment ponds, to accommodate a peak population of up to 10,000 people. As a result, there are no growth-related capital projects requiring ratepayer funding for at least the next ten years.

The only major cost identified in the Infrastructure Strategy is a backlog in road renewals and, with loan servicing costs extremely low, this LTP provides for most of the backlog to be addressed over the next five years, funded by loan.

Financial & Corporate Sustainability Review

In 2018, the government, through 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 devastating Kaikōura earthquake.

As the review progressed through 2019, the focus was on the principles of retaining local governance for the Kaikōura district, but that services could be provided through other Councils using a new shared service model. The review (known as FCS) concluded that the Council was not sustainable in its current form, due in large part because of the projected net debt forecast by the reviewers for the Council. The review suggested that up to $10 million was required to invest in developing new IT systems and database platforms that could then be easily integrated into the systems of other Councils so that they could provide shared services to the district.

Prior to any detailed discussions with other Councils, and with COVID-19 impacting the world at this time, the potential funding the government had considered might be available for Kaikoura was reprioritised to COVID relief packages. The review project completed in 2020, with a revised focus on the completion of internal projects to increase capabilities and improve processes.

By the end of 2020, the Council's financial performance and position had become clearer, with the rebuild projects virtually all completed and on budget, debt at much lower levels than forecast and the Council as an organisation having strengthened its internal capabilities.

The substantial work undertaken to put together the Long-Term Plan 2021-31 has shown, for the first time since the Kaikōura earthquake, the long-term infrastructure requirements and financial projections of Council. Other than the identified backlog of roading expenditure, the infrastructure renewal profiles over the period are such that it may be over 30 years before any significant renewal projects are required. This is due in no small part to the post-quake financial assistance of the government, and the Council's successful delivery of the infrastructure rebuild programme. The resulting rates and debt requirements are far from those envisaged through the FCS project.

The Council now 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 actually puts the district in the best position it has been in for some time. The Council's corporate sustainability will remain challenging to maintain, with the level of staffing and expenditure such that Council services and compliance will be delivered on a no-frills basis.

Principles

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

1. Council's 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 2031, where:

- Our services and activities meet legislative standards as a minimum
- Our assets are well-managed and maintained, with the backlog of renewal expenditure addressed within the 10-year period
- Our levels of service meet the expectations of our communities
- Our internal processes are efficient and effective
- The projects identified in our Infrastructure Strategy have been completed
- Our total debt is no more than $15 million
- Our annual loan interest expense is no more than 10% of total revenue
- Airport and harbour activities are self-funding (if not income generating)
- Our investment assets provide an acceptable return, or have been sold

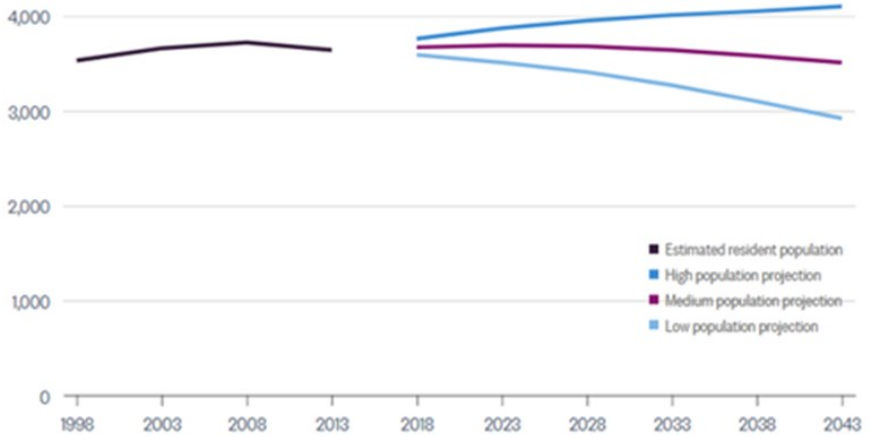
Context and strategic issues

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 2021-2031.

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 has released its population growth projections, per the graph below. These projections include a range from low to high. The Council has assumed that the average growth of permanent resident population in the district will not exceed 1.0% per annum. The Statistics NZ 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)

While a population decrease has occurred following departure of the NCTIR workforce now that the earthquake rebuild projects are completed, the low projection from Statistics NZ reducing our population to less than 3,000 by 2043 seems rather pessimistic. It is conceivable that a major commercial activity and/or growth in tourism post-pandemic, could kick-start another wave of population growth, and there is clear evidence of business investment in the district – such as the Sudima Hotel under construction, developer enquiry about

light industrial parks and expansion of residential subdivisions, proposed affordable housing developments, and other activity.

We also 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, and living relatively active lives for much longer than before. For as long as there is no aged care specialist facility in Kaikōura, we expect that those with higher needs will by necessity have to move to another district.

A trend that may further compound our changing demographic 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.

In summary, we do not expect there to be very much change in the number of usually resident population in the 2021-2031 period of this LTP, but there will almost certainly be changes to our demographic profiles.

The cost of providing for changes in population

With resident population growth expected to remain relatively static over the next ten years, we do not expect any significant increased demand for essential infrastructure such as roads, water supplies and wastewater networks. This is especially true given the pre-earthquake capacity of our key infrastructure, combined with the extent of the earthquake rebuild of the Council's essential assets, with the wastewater treatment plant, water and wastewater pipe infrastructure, water sources and storage facilities having been substantially renewed and, in some cases, rebuilt with more capacity and more resilience than before. This essential infrastructure will meet population growth demands for the foreseeable future, and no growth-related costs are anticipated within the 2021-2031 period.

Instead, our ageing population raises concerns about rates affordability, particularly amongst those with lower, fixed incomes such as pensions. An older population is also likely to increase demand for better quality pedestrian pathways, and potentially more passive recreational activities and alternative modes of transport. This LTP also provides for additional spend on footpaths, to improve accessibility and eliminate trip hazards, and only a very small portion of this has been deemed to be attributable to growth. Also, to enable therapeutic physical activity and low-impact exercise for an ageing population, the new swimming pool will be open for the summer of 2021/2022.

Natural hazards & emergency events

The Kaikōura district, like much of New Zealand, is subject to natural hazards. The November 2016 earthquake reminded us all that the Kaikōura district is 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, eliminating the need for beach renourishment and 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.

Post-earthquake we 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 are currently using the new natural hazards information to progress 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, and while the fund is relatively small (maintained at approximately $200k annually), it is assumed that emergency subsidies would be available from Waka Kotahi (NZTA) to offset some of the repair costs, 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 building 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 ultimately the earthquake levy, the Council keeps at least $2 million in borrowing headroom, by having pre-approved borrowing facilities with the Local Government Funding Agency (LGFA) and/or the Bank of New Zealand (BNZ) that are always at least $2 million more than is actually borrowed. This means at least $2 million is available 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 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. We do, however, own a landfill, which produces greenhouse gasses. The Council is therefore legally obliged to purchase carbon credit and surrender them to the Government through the Emissions Trading Scheme (the ETS).

The cost of providing for climate change

The ETS aims to encourage people and businesses to reduce greenhouse gas emissions, by creating a financial incentive – that is, a cost per emission unit (or per metric tonne of carbon dioxide produced). Unfortunately for the Council, other than through public education, we have little influence over the extent to which individuals consume products and the resulting waste that is created and landfilled. At current levels of solid waste being landfilled, the annual cost in carbon units to the Council – and ultimately to the ratepayer – is expected to be around $80,000 per year until such time as the landfill is capped and our district's waste is transferred to Canterbury or Marlborough. Even then, those costs will not disappear but will be included in any charges we pay to transfer our waste to those landfills.

Changes in land use

Commercial and industrial activity

The Kaikōura Sudima Hotel is under construction and plans to open for the summer of 2021/22. 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 hotel facilities will open up opportunities to attract a new conferences and events market for Kaikōura.

The Council has been granted $10.88 million from the Provincial Growth Fund (PGF) – 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 vision for Wakatu Quay is to create a vibrant mixed-use space with cultural, tourism and community aspects incorporated in its design. Exactly what will be developed has been subject to a separate consultation process with the community and has entered the design concept phase. The project itself is being managed by the Kaikōura Marine Development Governance Group, which is functioning independently from the Council. Whatever the final design, the intention is that this will be an iconic facility that enhances economic development, creates sustainable jobs, and boosts social inclusion.

The potential for a light industrial park has once again been presented to the Council by an experienced developer, based near the corner of State Highway

One and the Kaikōura Inland Rd. This idea has been discussed with the Council before, but this time the developer is progressing negotiations forward, and is more public about the proposal, with interest already for businesses wanting to be part of the development.

Rural land use

Agricultural activities, particularly dairying, but also the potential for vineyards and urban sprawl, can have a large impact on resources (especially water) and impact the size and volume of traffic on our local roads. We anticipate that the bulk of the major changes to land uses in the rural area (dairy conversion and subdivision) has already largely occurred, and there are likely to be only relatively minor change to our rural areas 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, industrial and residential developments. The Council has removed the threshold that had been in place in the Development Contributions Policy, meaning that every additional housing equivalent unit (HEU) will now be required to contribute to the cost of upgrading infrastructure (previously only developments of ten HEU or more would be liable for contributions). However, as a result of the successful earthquake rebuild and the limited growth infrastructure being required in the next ten years, the dollar value of the contributions themselves have dropped substantially.

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. The Plan will be subject to an ongoing review of its chapters, starting with a review of the natural hazards chapter, and 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.

Providing for growth and increased demand

As discussed in this Financial Strategy, the Council does not foresee any increased demand placed on its essential services attributable to growth that is not already provided for within the design capacity of its essential assets. Only three projects have been labelled related to growth; the Wakatu Quay development, which is PGF funded, the Link Pathway, which is 90% TIF funded, and a sealed road extension from Scarborough Street to the new swimming pool to be funded by rates.

Improving levels of service

The Council's Infrastructure Strategy highlights projects that will assist to deliver the expectations of current levels of service, and these are listed in more detail in that Strategy.

The government three-water stimulus packages that have been distributed nationwide following the COVID-19 outbreaks have enabled the Council to undertake $1.88 million worth of key projects to improve our three-waters (drinking water supplies, wastewater and stormwater) systems, including treatment, storage, and monitoring upgrades.

These projects commenced in the 2020/2021 financial year, but there remains $1,142k worth of work planned to be completed by 31 March 2022.

The cost of providing for improvements to levels of service

Group of activities	2021/2022 (,000s)	2022/2023 (,000s)	2023/2024 (,000s)	2024 to 2031 (,000s)
Capital projects to develop new or improve existing assets				
Roading	287	257	264	1,682
Water supplies	840	-	-	-
Sewerage services	302	-	-	-
Stormwater	-	-	-	-
Refuse & recycling	800	-	-	-
Facilities	409	15	-	91
Other assets	-	-	-	-

Maintaining existing levels of service

The Council proposes to spend over $12.5 million in roading capital work including $4.68 million (uninflated) in the next 5-6 years to address a backlog of reseals and sublayer rehabilitation, and the budget for unsealed road metaling has been increased, from $65k to $180k per annum (uninflated), to renew those 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 loans, and the roading rate.

Following the 2016 earthquake, much of our essential three-waters 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. At this juncture there is little evidence of 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 $12 million project is to be 95% funded by Waka Kotahi, but while this solution is favoured it remains uncertain. The project is reflected in the LTP budgets but at the time of writing, some issues remain unresolved.

The cost of renewal and replacement of existing assets

Group of activities	2021/2022 (,000s)	2022/2023 (,000s)	2023/2024 (,000s)	2024 to 2031 (,000s)
Capital projects to renew or replace existing assets				
Roading	3,924	6,214	6,485	8,461
Water supplies	503	21	521	2,429
Sewerage services	20	79	25	1,848
Stormwater	9	-	-	17
Refuse & recycling	-	-	1,359	6
Facilities	125	119	266	1,159
Other assets	121	129	356	966

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.

This Financial Strategy has been developed in the context of the Council's recovery and rebuild phases from the 2016 earthquake. The Three-Year Plan 2018-2021 provided for rates increases of 14% for 2019, 14% for 2020, and 10% for 2021 financial years, 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%).

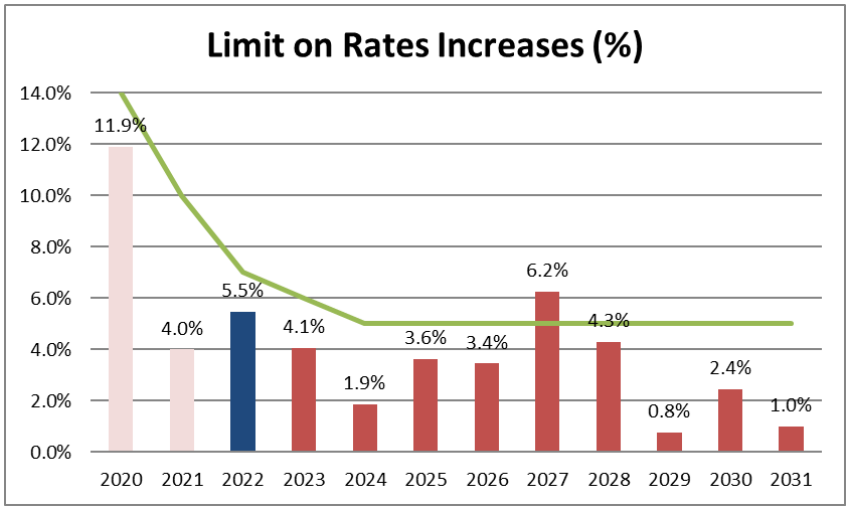
With the roading backlog to be addressed, and the Council's commitment to a full review of the District Plan, both commencing in 2021/2022, and with the level of staffing and Council expenditure such that Council services and compliance will be delivered on a no-frills basis, it is in this context that the Council has set its limits on rates and debt for 2022-2031.

Limit on rates increases

The Council has capped its annual total rates requirement increases to no more than 7% for 2022 financial year, 6% for 2023, and no more than 5% in each year for 2024 to 2031.

The 2022 rates increase has been impacted by several factors;

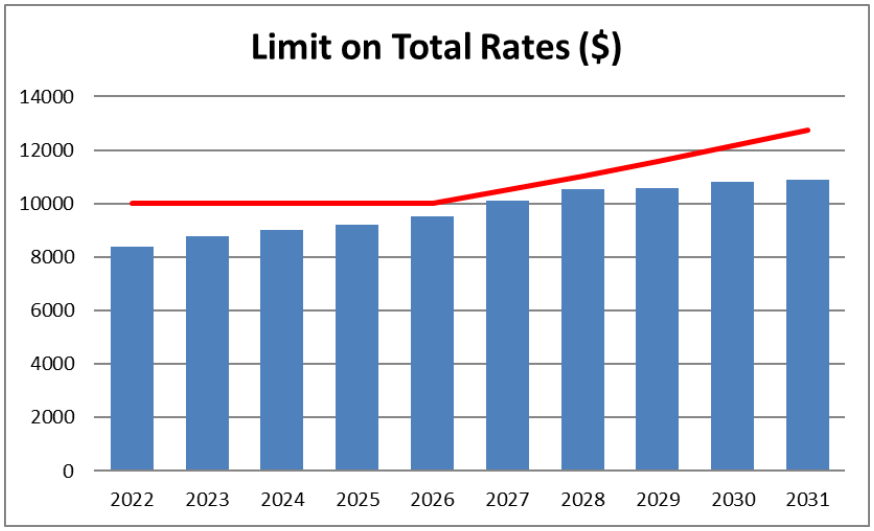
- So as to offset the rates requirement in the 2020/2021 financial year when the district first faced the COVID-19 economic shock, the Council delayed some costs and used special funds or loans instead of relying on rates. Those costs can't be delayed any longer, some of those special funds are now depleted, and the cost of loan interest and principal now need to be met.
- The Council wishes to address a long-standing under-investment in roading maintenance, and this involves significant increases in the roading rate. Alongside this, Waka Kotahi (NZTA) has confirmed its approved programme is less than the total amount the Council needs to spend on roads, and so the shortfall will be funded by loans.
- The changes to solid waste services include a new rubbish collection service and provision of bags to support that new service, plus revised costs from the Council's contractor through a new contract secured through a tender process. Other than the urban residential rubbish collection, which will be user pays, these costs are rate funded.



Limit on total rates

In the above graph the 2027 rates increase is the result of ceasing loan funding for the roading backlog. 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 $10 million in the first five years of the Long-Term Plan (financial years 2022 to 2026).

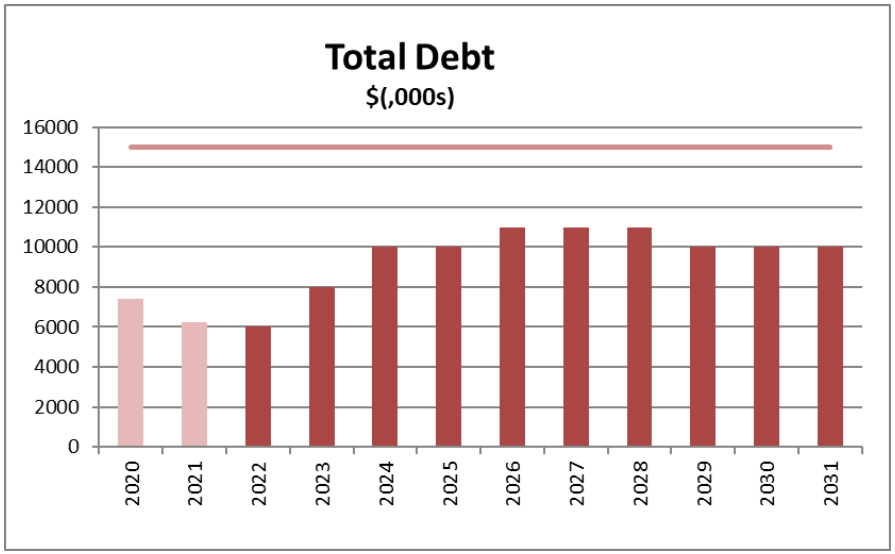
From the 2027 financial year, the limit on rates increases as a percentage (above graph) translates into a total dollar value of rates the Council proposes to collect each year over the years 2027 to 2031.



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 juncture seems extremely unlikely).

The Local Government Funding Agency (LGFA) stipulates its financial covenants, for example one LGFA covenant is that net debt as a percentage of total revenue should not exceed 175%. If the Council were to exceed that covenant limit, it is likely that the cost of borrowing would increase significantly, and that the LGFA may even refuse to lend funds. The Council has self-imposed caps that are more stringent than those of LGFA, and as a result of this, net debt as a percentage of total revenue is well under the LGFA covenant and no more than 80% for all years.



Total borrowings (or debt) increase year on year from 2022 to 2026, where the Council is borrowing to deal with the backlog of roading reseals and pavement rehabilitation, as well as the District Plan rolling chapter reviews. Borrowing reaches a peak in 2026 with loans raised for landfill closure and reconfiguration of the Scarborough Street site as a transfer station included as well.

The above graph shows that borrowing will be well-within the Council's self-imposed limit 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 offset the rates requirement, to repay debt, or be set aside for future asset purchases.

The Council is also planning to demolish the former Council offices at 34 Esplanade and disposing of the land.

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 has lending facilities with the BNZ 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

The Council controls the appointment of trustees of the Kaikōura Enhancement Trust (KET), which in turn owns 100% of the shares of Innovative Waste Kaikōura Ltd (IWK). Both are therefore Council-Controlled Organisations (CCO's).

KET is a charitable trust established for the purpose of progressing environmental projects and accessing external funds to achieve that goal. It partly satisfied its charitable purposes through holding shares in IWK.

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 three-waters 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 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, buildings, and the wharf at Wakatu Quay, which it considers may provide a commercial return once developed. Funds from the Provincial Growth Fund of up to $9.88 million will be used to create a new commercial/public space, with plans currently underway as to what this might look like. The Council expects that, as a minimum, the new development will not only function in such a way that it supports its own operations and capital programme, but also provide a return to the Council and lessen the dependency on rates.

Forestry

The Council owns 11.5% of the Marlborough Regional Forestry joint venture (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 has entered a six-year period where trees are not mature enough for viable logging, and so the Council is now contributing to the cost of forestry operations until logging recommences (from 2021 to 2026).

Further, the Council plans to harvest the South Bay pine forest during 2021/22 but any net yield from logging will likely be lost in the cost of surrendering carbon credits. 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.

For the above reasons, the target return on investment for forestry is zero until 2027. 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).

We also own a small pine forest at South Bay, although this is a popular recreation area for the community rather than a commercially viable plantation. The Council has resolved to cut these trees down.

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.
Kaikōura Enhancement Trust (KET)	Source external funding to deliver or progress environmental projects	KET is a not-for-profit charitable trust.
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 2027 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 future asset renewals. 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 and our Infrastructure Strategy – is that there are extremely low levels of asset renewal work required over the next ten (if not thirty) years. With that information and following the 1 July 2020 asset revaluations, the Council's asset renewal profile has now been confirmed as extremely low for at least the next 30 years.

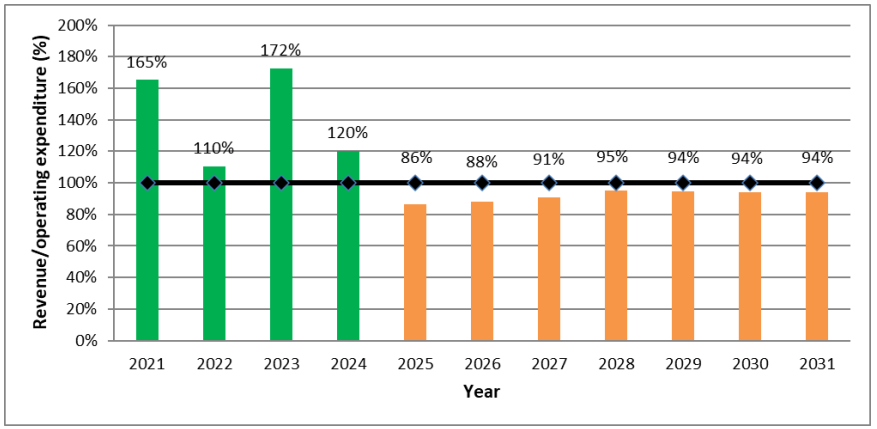
The Council will continue its historic policy not to fund depreciation. This LTP, therefore, projects an annual deficit from the 2025 financial year, attributable to depreciation. The deficits range from $1.9 million in 2025 to a low of $673k in 2028, with the deficit in year ten at $880k. The first three years of the Long-Term Plan, years 2022 to 2024, show a net surplus due to the significant 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 TIF for the new Link Pathway. The subsidies are categorised as revenue to the Council, but the cost of these projects are capital costs, not operating costs.

Taking the renewal profile into account as well as the rates increases since the 2016 earthquake, together with the impact of COVID-19 on the district's economy and ratepayers (with the dramatic decrease in overseas visitors) we believe that setting rate levels immediately to achieve this would be inequitable and extremely hard on ratepayers.

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; • lifting rates revenue, and • efficiencies, 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.

With greater certainty of COVID-19 economic effects on the district, and current unknowns such as the potential Government led three waters reforms, the next LTP in 3 years will offer, following a rating review, another opportunity to consider the merits of rate funding for depreciation.

Balanced budget benchmark



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 2021-2051

Policy status:	Adopted
Review due:	30 June 2024
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.

Whilst in future consideration will be given to extending coverage of the Infrastructure Strategy to other asset classes, it is believed that developing strong understanding of the long-term management of the Council's roading and 3-Water assets will be a significant step forward.

2 Summary

The Kaikōura District, by virtue of its small population, close proximity to mountains and large separation from other substantial urban centres 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.

The resulting deferral of 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. The estimated cost of addressing this backlog is in the order of $4.25 million, made up of approximately $2.6 million of sealed pavement surface renewals (of which approximately $1.0 million needs to be urgently spent to prevent 12 kilometres of roads reaching a point where accelerating severe failures occur) and a further $1.65 million to be spent on reconstruction of approximately 5 kilometres of road pavement.

A further overlay to the circumstances of the district was the magnitude 7.8 earthquake that struck the region in November 2016, which resulted in widespread and extensive infrastructural damage.

Since 2016 in the order of $1 billion has been spent to repair or renew affected sections of State Highways and railways in the district, and over $40 million has been spent on similar remedial works to roads, 3-Water assets, buildings, and other facilities owned by KDC.

The earthquake and the subsequent repairs have in some cases been helpful in respect of asset management, since many of the assets that suffered most damage (particularly amongst those for 3-Water services) were those which were most fragile by virtue of their older age or other deficiencies. The replacement, repair and/or upgrading of these damaged assets with substantial financial assistance from central government and/or insurances has significantly enhanced the inventory of Council's assets in respect of average residual life, performance, and resilience. The rebuild and associated works have also improved Council's knowledge of its assets.

Further assistance in respect of KDC's management of infrastructure has come through the Department of Internal Affairs granting $1.88 million to improve Council's 3-Waters infrastructure as part of a first tranche of funding that is part of the national 3-Waters reform process. This funding is to be spent during the 2020/21 and 2021/22 years. Current details of proposed projects are provided in Appendix 3, this program is relatively fluid, and allocations and timings may change.

This funding is enabling the Council to quickly undertake a range of improvement to these services that will enhance asset capacity, resilience, and public health outcomes.

Some of the elements of the pre-earthquake asset deficiencies do however remain, with the key issues set out in Table 1.

Table 1: Significant Infrastructure Issues

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
Roading				
Renewal/Level of Service	During the infrastructure rebuild following the 2016 earthquake certain local roads were used by high volumes of very heavy vehicles, resulting in significant deterioration of these roads which needs to be addressed	Extensive reconstruction and re-sealing of the worst affected sections of roads.	Waka Kotahi NZTA have provided $2.3 million of funding to support these works, which are now underway. No impact on general ratepayer.	Certain; work has commenced and is reflected in LTP budget estimates
Renewal Decision on response required by start 2021/22	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. 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	Continue to undertake reseals at a level consistent with depreciation, only otherwise resealing roads at the point of imminent failure. Address backlog completely in 2021/22 year Undertake larger volumes of resealing work over the next 5 years to eliminate the accumulated backlog	A large backlog of roads near to failure would continue to remain, but unacceptably high risk that a large extent of roads could simultaneously fail. Cost of approximately $2.6 million in 2021/22, significant rates impact, excessively risk averse. Moderate risk of road failure mitigated by prioritisation of resealed sections.	Not favoured Not favoured Likely; reflected in LTP budget estimates
Level of Service Decision on response required by start 2021/22 year, could be revisited in future.	Whilst technical assessments of the Kaikōura footpath network indicate only a limited proportion being in very poor condition, there are generally negative community perceptions (40% satisfaction rating in 2020/21) of the current level of service.	Strategy of localised fault repairs and essential renewals, generally retaining chip seal footpaths. Accelerated renewal program, constructing paths of asphalt or concrete.	CAPEX in the order of $60k per annum. Community perceptions of network unlikely to substantially change. Noticeable progressive improvement of level of service. Additional $100k per annum CAPEX	Possible Likely; reflected in LTP budget estimates.

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
Roading				
Renewal Decision on response required by December 2021 if external funding for favoured option to be obtained.	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. Status quo (access via 'Southern Access Route') A range of other options to provide improved access have been considered, but none of these would be supported by NZTA or qualify for 95% CAPEX subsidy.	CAPEX of approximately $12 million, to be 95% funded by Waka Kotahi NZTA. Range of significant legal and financial risks Full CAPEX costs (likely > $12 million) would be met by KDC	Favoured but uncertain; reflected in LTP budget estimates but some issues still unresolved. Not Favoured Not Favoured
Emergency Works Decision on response required by start 2021/22	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. Use of debt funding where necessary to meet costs of extreme events	Potential large variances from these budgets have previously resulted in other important works being deferred or not undertaken. Financial impact on the community is smoothed across years.	Not Favoured Likely; reflected in LTP budget estimates
Renewal/ Level of Service Decision on response required by start 2021/22	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. Prevent access to existing bridge, leaving ford as only means of crossing stream. Do nothing until bridge deemed inadequate for any vehicles	Estimated capital cost of $80,000 in 2024/25 Road access is more frequently prevented. Potential hazard if drivers ignore weight restriction	Favoured but not yet signalled in LTP. Not favoured Not favoured

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
Roading				
Renewal Decision on response required by start 2021/22	Inadequate area wide treatment programmes have created a backlog of roads with significantly deteriorated pavements, resulting in rough roads and high maintenance costs.	Ongoing program of area wide pavement treatment at a level equivalent to basecourse depreciation Accelerated basecourse renewals program for 5 years commencing 2021/22	Expenditure of $176,000 per annum, continuing existence of 3% to 4% backlog of poor condition pavement. $330,000 per annum for first 5 years to eliminate backlog, $176,000 per annum thereafter	Not favoured Likely; reflected in LTP Budget Estimates
Level of Service Decision on response required by start 2021/22	Lack of off-road active transport (walking, cycling etc) route alternatives to busy roads. Key areas include Beach Road, Fyffe Quay, South Bay Parade, Scarborough Street	Undertake priority parts of transport network extensions as per unsuccessful 2020 application to Provincial Growth Fund creating approximately 3km of new pathway. Project only conducted if >65% NZTA subsidy available. Only very limited improvements from minor safety or footpath renewals budgets	Assumed $330,000 CAPEX per annum in each of 2031/2, 2033/4, 2035/6 Little change to level of service	Favoured but uncertain – only if desired subsidy available Possible
Water				
Renewals Decision on response required by start 2021/22 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 to the end of its life, though as yet little evidence of increased maintenance requirements or other short-term risk.	Undertake all theoretically indicated renewals immediately Progressively undertake renewals in a series of renewal campaigns over a 15-year period, basing priority on physical condition assessments and recent repair history	Expenditure of approximately $1.8 million required in 2021/22 year Typical campaign expenditures of around $300,000 every second year during LTP period	Not Favoured Likely; reflected in LTP budget estimates, but schedule may potentially be revised.

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
Water				
Public Health/Level of Service Decision on response required by start 2021/22	The Fernleigh rural water scheme treatment process does not (and cannot) achieve compliance with the current Drinking Water Standards and is on a permanent Boil Water Notice	Upgrading of water treatment process to include UV possibly filtration.	Likely capital cost of circa $100k, potential associated 20% increase in OPEX	Likely; reflected in LTP budget estimates
Public Health/Level of Service Decision on response required by October 2021 if external funding to be applied.	The East Coast Rural water scheme does not have a water treatment process and therefore does not (and cannot) achieve compliance with the current Drinking Water Standards and is on a permanent Boil Water Notice There is considered to be urgency to resolve this issue, and it was initially hoped that this might be achieved prior to commencement of the LTP period but this does not now seem realistic	a) Split the scheme into two components: a treated potable supply to Clarence Village properties and a non-potable supply to the rural area. b) Treat all water to a potable standard at a single treatment plant. c) Take other measures to achieve compliance.	Potentially $100k CAPEX and $10k plus additional OPEX. Higher CAPEX and OPEX than for option a) Measures such as point of use treatment likely to have higher OPEX than option a) and uncertain whether they can achieve compliance	Uncertain; Option a) is favoured but existing CAPEX budget allocation is sufficient for other options
Demand No decision response time (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 outdoor water use in the community	Introduction of universal metered water charging for properties connected to the Kaikōura Supply and/or development of additional raw water source and associated treatment and reticulation upgrades.	Potential capital cost of either option probably between $1m to $1.5m	Very Uncertain; A speculative allocation of $2m in 2042

Issue Type	Issue	Principal Option(s) For Response	Implications	Certainty of Response
Wastewater				
Demand No decision response time (likely after 2030)	Probability that even once 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
Demand Decision on response required by start 2021/22	Main sewers serving Esplanade/Torquay/Avoca Street catchment are near limits of capacity during severe rainfall events, potentially limiting capacity for further development in this area. Strong association of flow with rainfall indicates significant stormwater infiltration.	Reduction of stormwater infiltration through survey and associated works, including identification and requiring removal of domestic stormwater connections to the wastewater system	Estimated cost of $40,000	Likely; Reflected in LTP Budget Estimates, but may be completed prior to 2021/22

Though diminished, there is still a backlog of overdue road resealing, with a total value in the order of $2.6 million, and whilst the relevant sections of road are not yet in such a poor condition as to require immediate replacement, it would be desirable for this backlog to be fully addressed within the next 5 years. A smaller backlog of pavement renewal work also exists, which is also intended to be largely addressed within 5 years.

Substantial increases to roading budgets from the 2021/22 year are therefore being proposed to achieve this.

There are also approximately 9 kilometres of asbestos cement water main, with a probable replacement cost in the order of $1.8 million that is at or past its theoretical lifetime, though again this is not yet being reflected in significantly increased maintenance costs for these sections, and as such replacement can be approached in a planned and progressive manner.

The very extensive renewals that have occurred since the earthquake or which are envisaged to occur within the next 5 years (which potentially includes a $12 million renewal of the Waiau Toa/Clarence River bridge) have had a very substantial effect on projected future renewal requirements. The available data suggests there will be a long period – well in excess of 30 years – until another substantial phase of roading or water services renewals is required.

Whilst the earthquake rebuild has been helpful in addressing some previous asset renewal challenges and has created some additional capacity to accommodate possible future growth, it has not had such a great effect on levels of service for either roading or 3-Waters, and many of these levels of service remain - and are expected likely to remain - relatively basic and near essential.

In a few cases, such as for two rural water schemes which are not complying with NZ Drinking Water Standards, existing levels of service are not acceptable, but in all these cases short-term plans are in place to address these deficiencies. For

most other services – and in particular roading – the objective is to restore levels of service to sound basic standards and then ensure that those levels are consistently maintained.

Raising levels of service above current relatively basic standards would result in further elevating costs which are already relatively high because of the fundamental challenges facing the district, and it is suspected that there would be little willingness amongst ratepayers for such increases.

Few issues of asset capacity are as yet present, with the only issue currently proposed to be addressed during the period of the 2021-31 Long-term Plan being potential inadequate sewer capacity for the Esplanade / Torquay / Avoca Street catchment. The possibility of a need to address water supply capacity issues in the later years is also included in the financial projections of this strategy, but this is considered highly speculative, being based upon hope rather than expectation of accelerated growth.

Though there is not yet any strong trend of community growth or other increases of demand it is believed that the unusual and rather special characteristics of Kaikōura –particularly its environment and landscape – could potentially drive accelerated development in the future.

It is believed that an appropriate description of the proposed approach to infrastructure management would be 'enhanced business as usual', through which sound basic levels of service are consistently delivered.

In the short-term some significant investment is needed to reach this state, but once that has been achieved – expected to be by 2025 – it appears that the remainder of the period covered by this strategy may not pose any substantial challenges in respect of infrastructure.

It is believed that most of the major decisions that are likely to be needed over the next 30 years in respect of the Council's roading and waters infrastructure need to be made as part of the 2021/31 Long-term Plan Process, and that the foundation that is established now will significantly shape the future of the District.

3 Strategy Context

3.1 District Geographic Context

Kaikōura is one of New Zealand's smallest territorial authority areas with a land area of only 2,048 km2. It is bounded on three sides by mountains and on the eastern side by the South 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 km^2 which houses the majority of the population in the Kaikōura township and the area known as the Kaikōura Flats.

Its boundaries with the neighbouring authorities of Hurunui and Marlborough are 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 the 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.

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 3900 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, which have now been largely completed with those workers (and in some cases their families) having now left the District.

Given this lack of sustained previous growth trends it is unsurprising that projections of future population, such as that presented in Figure 1 do not suggest substantial change.

As can be seen from this figure the medium (expected) long-term resident population trend 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.

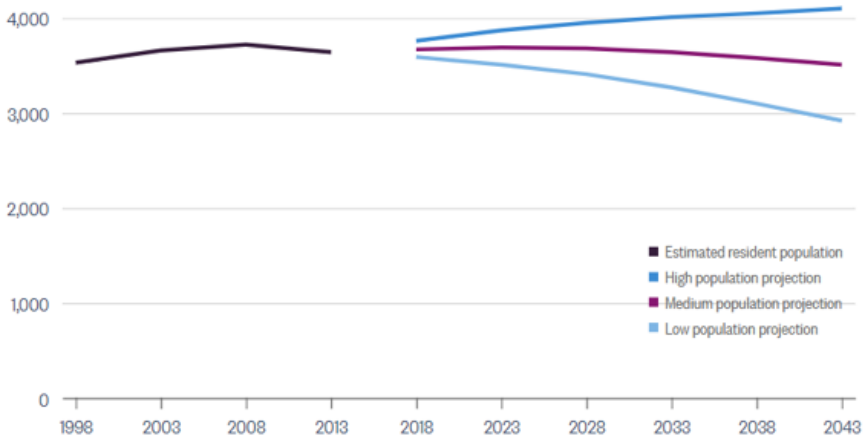


Figure 1: Actual and Predicted Kaikōura District Permanent Resident Population

Within this very stable population size there have however been other significant actual or projected demographic changes.

One such change is in respect of the age distribution, as shown in Figure 2, which highlights the continuing increase in older (65+) residents, who are forecast to comprise almost one-third of the permanent resident population by the late 2030s.

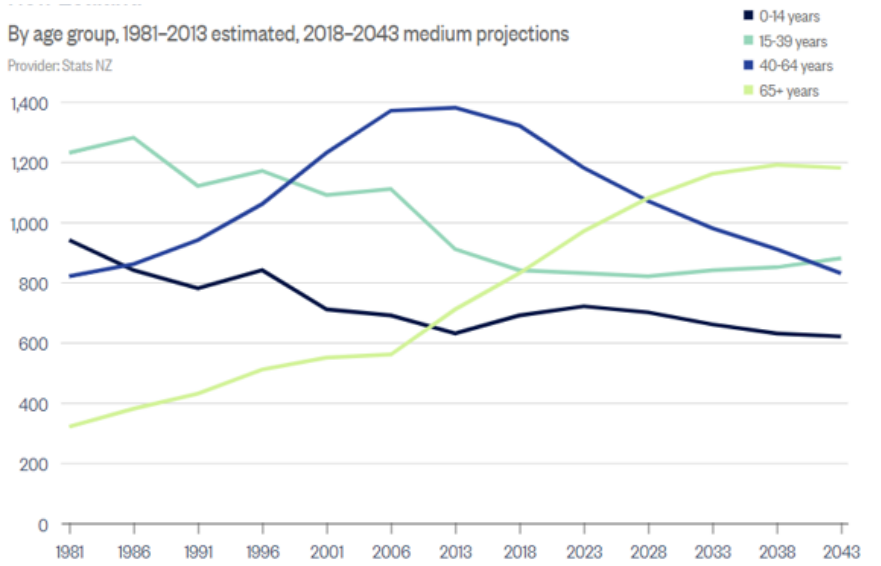


Figure 2: Actual and Predicted Kaikōura District Age Demographics

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.

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 2021-31 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 not exceed 1.0% 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 40% over 10 years (an extra 300 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 median household income for permanent residents will remain at a relatively low level (around 70% of the national average),
- That the level of registered unemployment will remain low, well below 5%
- That average property development growth will not exceed 20 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.

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 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

Other assumptions made as part of the 2021-2031 LTP that are relevant to this strategy include the following:

- That the technical requirement for compliance with the NZ Drinking Water Standards 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
- 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 the Council by other legislative or regulatory changes,[3]
- That climate change will not have any significant effects on the district that could not realistically be mitigated by actions taken by the 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 COVID-19 or other pandemic that substantially extends or deepens restrictions beyond the scenarios projected by government at 16 February 2021,[5]
- Cost inflation adjustors as per BERL 'stalled rebuild scenario'.

[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 2021 KDC Asset Management Plans.

[2] Further details of proposed levels of service can be found in KDC's 2021 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 achieve these targeted levels more reliably, 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 significant effects could be mitigated by actions taken by the Council. 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.
A move into a higher alert level could however affect our ability to complete projects on time and on budget, and this would be the greatest financial risk to the Council as there are several capital projects either already started, or planned, for the 2021/2022 year. Contractor stand-down costs, delays sourcing materials, and general increased costs of construction would be a concern. To mitigate this, the Council is able to delay any or all of its projects until circumstances are easier to manage.

- Interest rates will be as follows:

2022-2023	1.75%
2024-2027	2.50%
2028-2031	3.00%
After 2031	2.30%

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

3.5 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 2021 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 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.

The ADAPT asset management system is currently in the process of being commissioned, which will help facilitate collection of condition and performance data for Council's infrastructure assets outside of roading, the asset management for which will continue to be undertaken using RAMM.

3.6 Management and Procurement

A particular challenge that KDC faces is obtaining good value in respect of its major infrastructural works. Whilst works on roading or 3-waters assets make up a large proportion of KDC's costs, the scale of those works is small by local authority standards and the relative isolation of the district also has the potential to diminish competition and inflate costs.

Similar challenges exist in respect of the planning and management required for this infrastructure. The small and relatively isolated nature of Kaikoura often makes recruitment and retention of technical engineering staff difficult, sometimes with adverse effects on capability. Whilst at present the Council's engineering team has very substantial local government engineering experience, there is no assurance that this will continue in the future.

These are fundamental challenges that are not easily overcome. There have been previous attempts to obtain greater economies of scale through some form of shared delivery (for example KDC's participation in Waka Kotahi NZTA Network Outcomes Contract) but questions remain regarding the degree of benefit such approaches have yielded.

The 'bundling' of works into larger packages to obtain greater market interest and economies of scale also has potential to be beneficial. Many of the indicated

annual renewal requirements for particular groups of KDC assets are too small to achieve efficiency if delivered individually, and it appears preferable to instead bundle multiple years of scheduled work into a single contract to be undertaken at the same time.

It is understood that this approach has been adopted for KDC's roading works in the past. 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.

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.

3.7 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.

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 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.

The recent central government announcement of reduced funding of local authority land transport programmes has however created a further challenge, that is discussed in the following section.

4 Roading Infrastructure

The Council's roading network comprises 208km of roads, of which 53% (110km) are sealed. It is a low traffic volume network, with 87% of roads by length classified as rural, and 60% of the network carrying less than 200 vehicles per day.

4.1 Levels of Service Issues

The levels of service provided by the local roads of the Kaikōura District 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 the Council's roads, the level of expenditure on them has been very low. For example, the 2018-2021 sealed road maintenance program is based on annual expenditure of around $3,000 per kilometre per year, whilst the average for the provincial centre peer group of territorial authorities is $5,775.

In recent times this short-term focus has been 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 growing backlog of overdue work, which has in turn seen some assets go so far past their due renewal dates that very substantial decreases in level of service have occurred.

Some significant Council-owned assets are currently – by any reasonable standards – in a very poor condition that leaves them at risk of further accelerating deterioration that would render them in a non-functional state.

4.1.1 Technical Levels of Service

Whilst the technical level of service targets set by the Council in its 2019/20 Annual Plan have generally been achieved, those targets were not ambitious and have perhaps masked localised deficiencies. In a number of respects, the levels of service provided by the Council's roading assets are poorer than peer group averages.

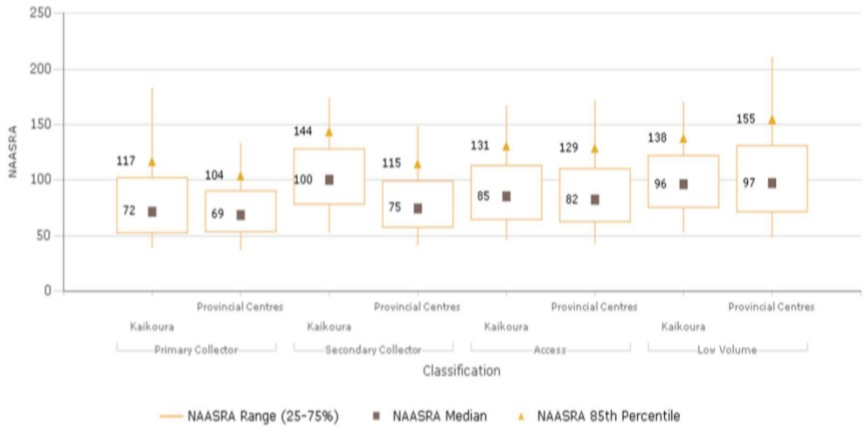


Figure 3: Comparative NAASRA Road Roughness (lower is better)

For example in terms of road roughness, Figure 3 shows that whilst in some cases the median figures for Kaikōura are similar to those for the Provincial Centre peer group, there is a notable exception for Secondary Collectors[6] (which include many of the roads used as haul routes by NCTIR) and that the Council's figures for

[6] The One Network Road Classification divides New Zealand's roads into six categories based on how busy they are, whether they connect to important destinations, or are the only route available:
- National – link major population centres and transport hubs
- Arterial – link regionally significant places and industries
- Regional – major connectors between and within regions; often public transport routes
- Primary collector – link significant local populations and industries
- Secondary collector – provide secondary routes, can be the only route to some places
- Access – small roads facilitating daily activities

85th percentile on Primary and Secondary Collectors is substantially above the peer group average, again reflecting the very variable (but in some cases severely deteriorated) condition of our sealed roads.

Similar behaviour can also be seen in Figure 4 regarding Smooth Travel Exposure (the proportion of roads that offer smooth travel) within the various groups, with Access and low volume roads being substantially better than the peer group Collectors (and in particular Secondary Collectors) are substantially worse.

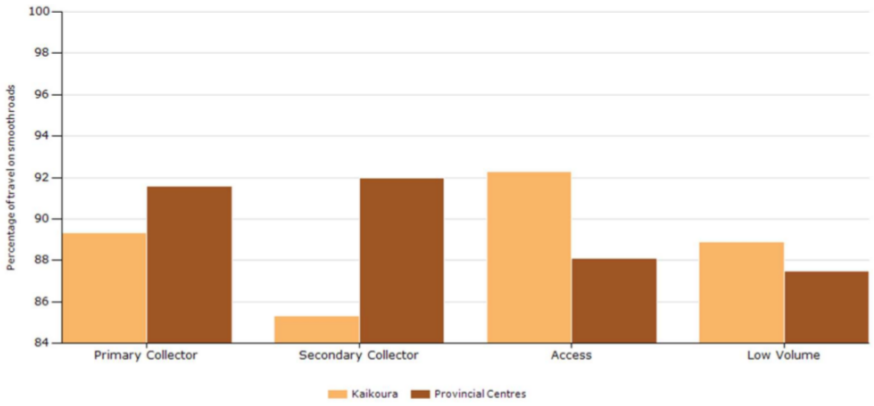


Figure 4: Comparative Smooth Travel Exposure (higher is better)

Going forward the target is to have the roughness profile of Council-owned roads match - or better - that of the Provincial Centre peer group. Those targets and a comparison with the most recent assessment of the district's roads is provided in Figure 5.

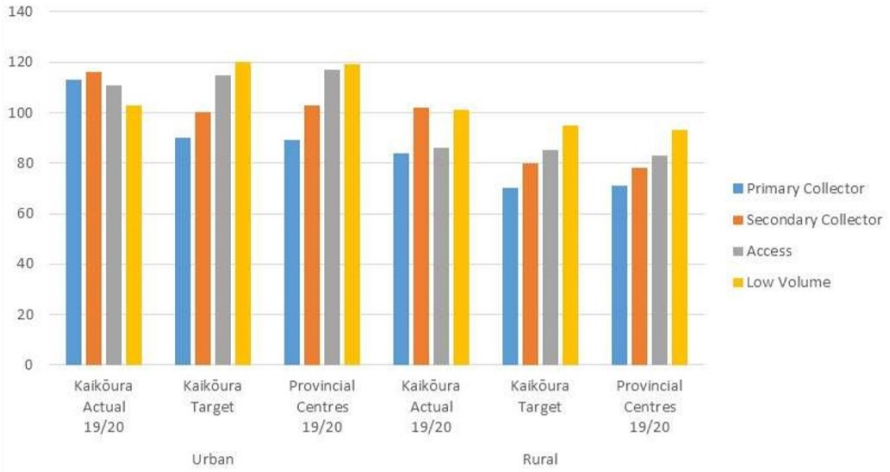


Figure 5: NAASRA Road Roughness Comparison and Targets

Further details on proposed levels of service for roading are contained in the 2021 Transport Asset Management Plan.

4.1.2 Road Safety

A further consequence of the previous short-term focus in respect of roading is a lack of record keeping that would have assisted in the identification or prediction of potential trends in respect of these levels of service. Whilst current levels of service are known these are only a fairly loose perception of how these levels compare to previous times, and in some cases the small scale of the activities concerned also makes reliable identification of trends difficult.

An example of this is the information on accidents, deaths and injuries on district roads.

Whilst the accidents rates per km are generally similar to or better than comparable groups (Figure 6) the Serious Crash rate on a traffic volume basis (Figure 7) is generally poorer, but small numbers and the large relative variations of serious injury numbers between years (Figure 8) make trend identification very difficult.

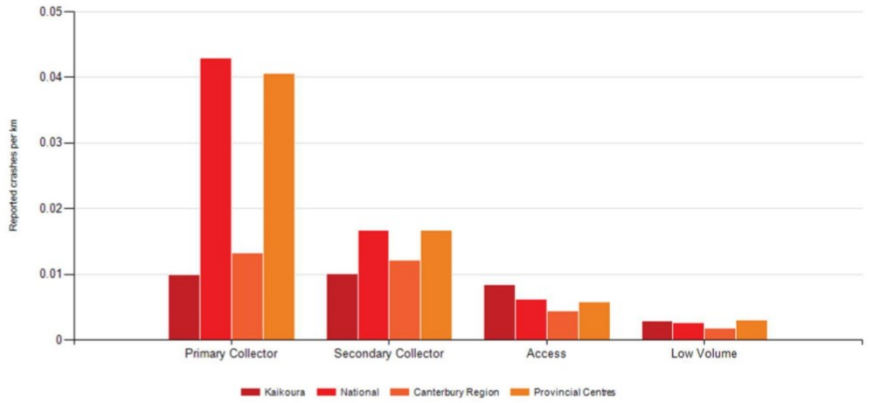


Figure 6: Comparative Crash Frequency per kilometre

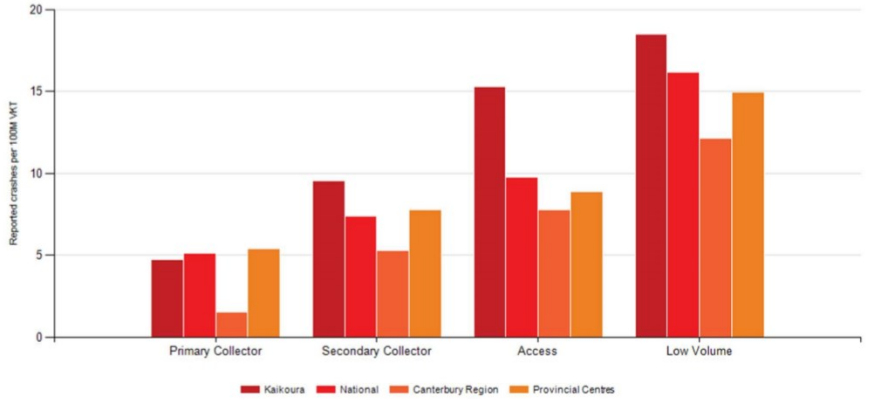


Figure 7: Comparative Crash Frequency – vehicle tonne kilometre basis

The statistics are therefore not considered to provide a clear indication of the relative safety of the Council's roading network, but there are 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.

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.

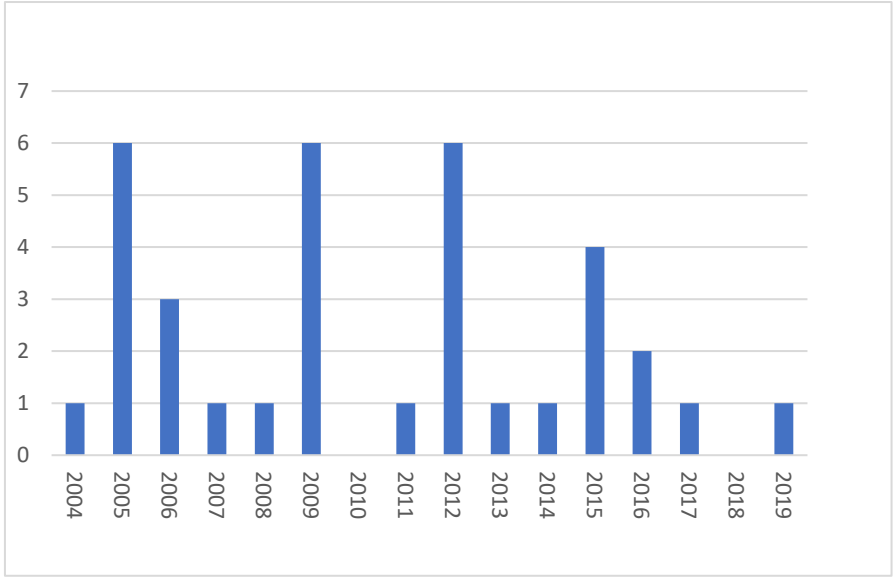


Figure 8: Death and Serious Injury Frequency – KDC Local Roads

It is noted however that one area where a significant level of service issue does exist is the safety of cyclists on the northern section of State Highway 1 in Kaikōura, and in particular between Ludstone and Hawthorne Roads.

This section of busy road with many business entrances is also subject to intensive roadside parking which often brings cyclists into close proximity of vehicles. This issue is considered to be primarily a matter for Waka Kotahi NZTA, but resolution is not straightforward due to constraints created by the existing infrastructure and it is therefore believed that it would be desirable for Council to provide improved alternative route(s) for cyclists and other vulnerable users.

In the short-term, development of a shared cycleway alongside the road is proposed but this is an imperfect solution because hazards will still be associated with the entranceways that will cross this path.

In the longer term, creation of a new 'active transport' network of paths for cyclists and pedestrians outside of the road reserve is considered to be desirable, but this is not considered to be affordable in the short-term unless a substantial additional funding source becomes available. Because such a potential source is not yet apparent, potential such expenditure is only included on a provisional basis in the later years of this Strategy.

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-Wates 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. It is therefore unsurprising that surveyed levels of community satisfaction with roading are not high, with the 2020 Resident Satisfaction Survey indicating that only 44% of respondents were satisfied with rural roads and 58% satisfied with urban roads.

Similar comment also applies in respect of footpaths. Whilst a structural assessment of Council-owned 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, the existence of a small quantity of poorer sections and the untidiness of some paths has created negative overall perceptions, as reflected in low resident satisfaction ratings (31% in 2019/20, slightly improved to 40% in 2020/21).

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 one of restoration and maintenance of 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 Issues

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

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.

Whilst some of the district's roads are relatively narrow and some limited widening work is signalled for the later years of the LTP period, this is not being undertaken in response to traffic growth and is instead considered a level of service improvement.

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. Whilst this is currently only speculation, and no expenditure to accommodate it is provided in the Council's 2021-31 Long-term Plan, the potential for approximately $1.3 million of road widening is incorporated into the later years of the Infrastructure Strategy period. Whilst this allocation is at this time based on improvement of particular roads, it could potentially be applied elsewhere if the need arose.

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 2021 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 the Council is $8.05 million, which is 14% 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. 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 2021 Transport Asset Management Plan, with a summary of this assessment provided in Appendix 1. Whilst the majority of the network is in a good or very good condition ((1 or 2) around 9% of the network length is in a poor condition (5) that needs urgent intervention to prevent further deterioration, safety hazards and rising maintenance costs, and a further 3% was assessed as being at condition 4, at which renewal would also be appropriate.

As such around 12km of road surface currently requires renewal, at a likely cost of around $1.0 million. This can be considered a primary backlog in respect of these assets. In addition to this the need to remedy underlying pavement damaged by their use as haul roads during the earthquake rebuild will also create additional surface renewal requirements, even if not driven by the current condition of the surface itself.

The superimposition of different ages and lives of seal surfaces after repeated re-sealing cycles typically over time results in progressive averaging out of the quantity of re-sealing work that needs to be conducted in a particular year.

In the Council's case however, the small size of the network, the relatively late first sealing of some roads and previous inconsistencies in the lengths of roads sealed or resealed in particular years (especially in the 2010 to 2018 period) has contributed to a relatively uneven profile of projected annual reseal requirements. The red line in Figure 9 shows the 'raw' profile of forecast sealed and unsealed surface renewal costs derived from the inventory data held in RAMM.

Even when an initial smoothing of the work schedule and associated expenditure is applied (for example the 5-year running average shown the green line on Figure 9), some significant variation remains.

A more refined projection of sealed surface renewal requirements, upon which the budget allocations in the 2021-2031 LTP have been based is presented in Figure 10.

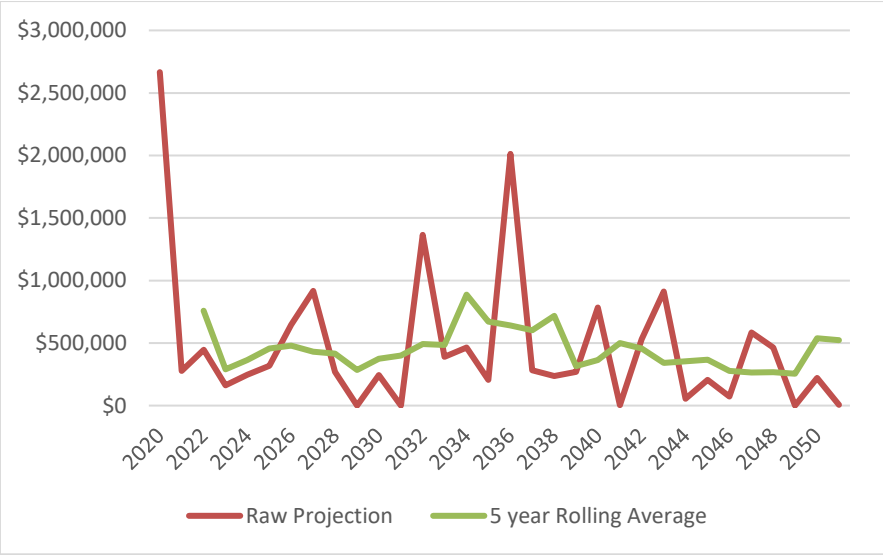


Figure 9 – Projected Annual Pavement Surface Renewal Costs (sealed and unsealed) expressed in 2020 Dollars.

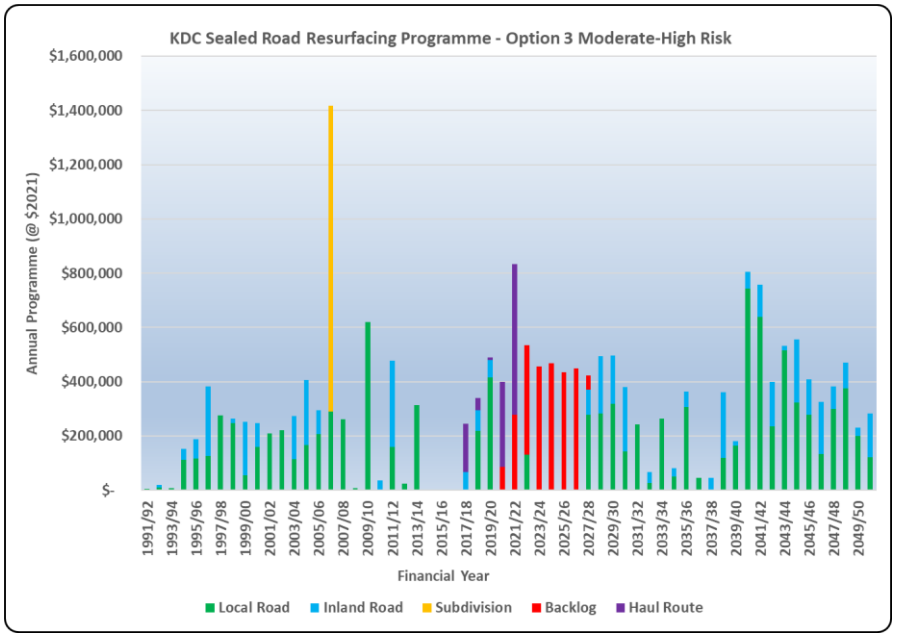


Figure 10 – Historic and Projected Annual Sealed Pavement Renewal Expenditure

Inadequacies in annual reseal programs between 2008/2009 and 2016/2017 will however create the need for additional resealing in other future years. This is considered a secondary backlog, which is also included in the overall backlog shown in Figure 10.

In total the value of this backlog (both primary and secondary components) is estimated to be $2.6 million.

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 $8.8 million, 16% of the depreciable total.

Unlike the pavement surface, relatively little information is available to guide future basecourse renewal requirements, and some significant assumptions are 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 the 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% will be remedied as part of the remediation works to the NCTIR haul routes that is being fully funded by Waka Kotahi (NZTA). The remaining 5% backlog of condition 4 and 5 pavement is proposed to be reconstructed over the next 5 years, with a total cost of approximately $1.65 million.

Once this backlog is addressed, the immediate need for further basecourse renewals is expected to be relatively low but will progressively increase over the period of this strategy. A theoretical projection based on an extrapolation of the condition distribution described above is presented in Figure 11.

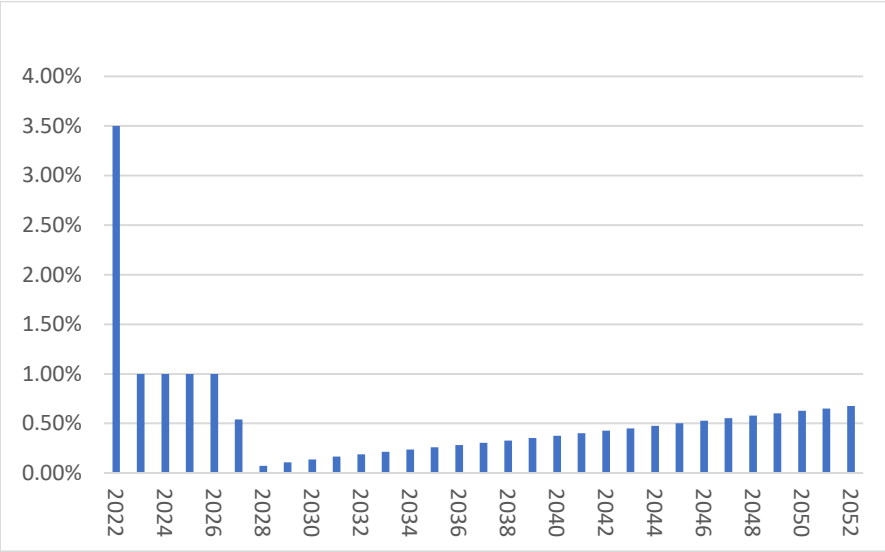


Figure 11: Projected Basecourse Renewal Requirements as % total area

If such a profile is shown to be correct the level of work required after the first 5 years would not be sufficient to justify an area wide project every year, and that a more appropriate approach might be to undertake such works for larger projects every 3 or 4 years, to obtain better economies of scale.

Because very little area wide pavement treatment has been previously undertaken there is also currently some uncertainty regarding the likely unit rates costs for this work. Some initial work has been awarded at a low cost, but it is possible that similarly low costs may not be achievable for the rest of the work, and for this reason very conservative (high) estimates of long-term costs have been made, as shown in Figure 12.

It is however intended that these will be reviewed in light of actual costs from projects awarded in the future.

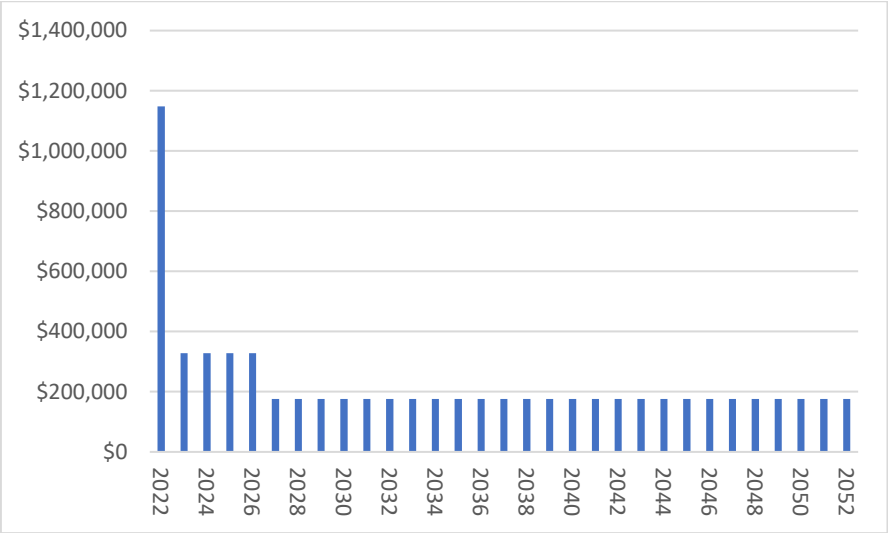


Figure 12: Suggested Basecourse Renewal Expenditure for Planning Purposes

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 $14.6 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

Road culverts, kerb and channel and other associated drainage features have a total replacement value of $5.5 million - approximately 10% of the depreciable total 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 $97,000.

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 this assumption. An approximate renewal expenditure profile based upon this and other available data is shown in Figure 13, which suggests that a there will not be a need for a very high level of drainage renewals during the period of this Infrastructure Strategy.

Because of the lack of detailed data on drainage assets it has been assumed for planning purposes that an average renewal budget of $65,000 per annum should be allocated for the period of this infrastructure strategy and that expenditure of approximately $300,000 per annum would be required thereafter for the following 20 years to accommodate the expected peak renewal requirements.

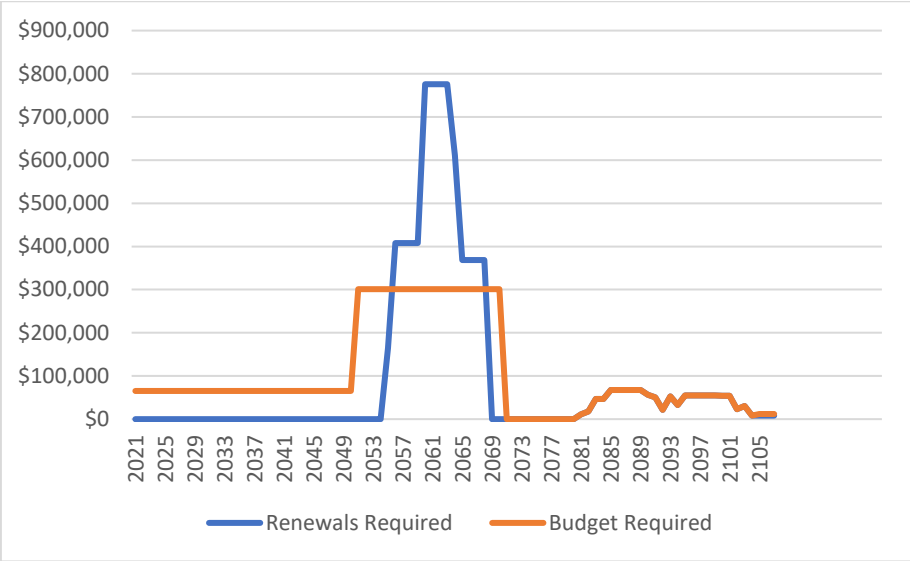


Figure 13: Drainage Renewal Requirements

4.3.5 Bridge Renewals

The 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 $22.8 million, 40% of the depreciable roading asset total. It is the second most valuable asset group after pavement formation.

Because road formation is however non-depreciating, bridges are the 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-owned 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 14, with little renewal expected to be required during the period of this strategy.

Whilst this age data suggests that a significant bridge renewal is required within the LTP period (of the Ote Makura Bridge on Moana Road at Goose Bay) field inspections suggest that the structure has some significant remaining life, and that replacement is not urgent.

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

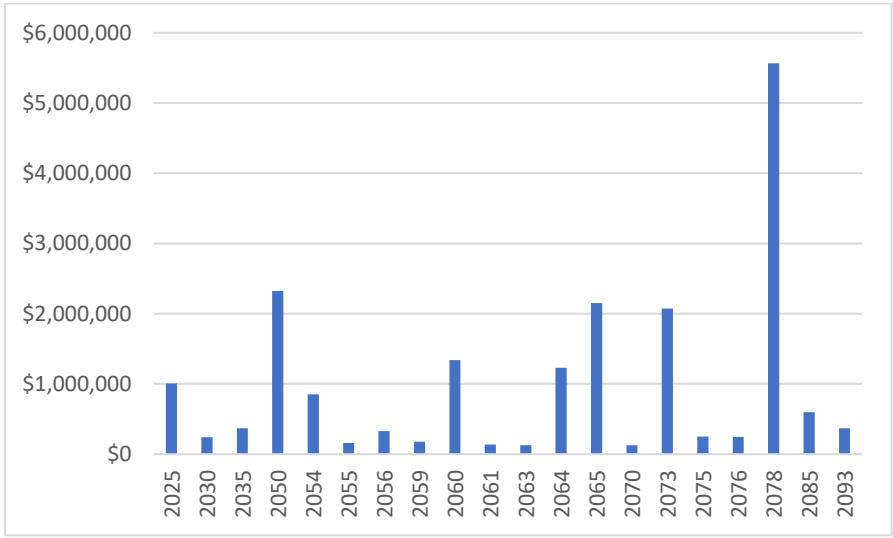


Figure 14: Bridge Renewal Requirements based on Raw Inventory Data

4.3.6 Overall – Roading Renewals

With roading assets comprising such a large part of the Council's overall infrastructure inventory, renewal expenses could potentially have a major impact on the 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, which have been based on the assumed

relationship between observed pavement condition and residual life described in section 4.3.2.

Other asset classes for which comprehensive and reliable age data does not exist are retaining and sea walls, 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 in its rawest practical form (most closely corresponding to the information upon which the Council's asset valuation was based) is shown in Figure 15. More details on proposed asset renewals can be found in the Transportation Asset Management Plan.

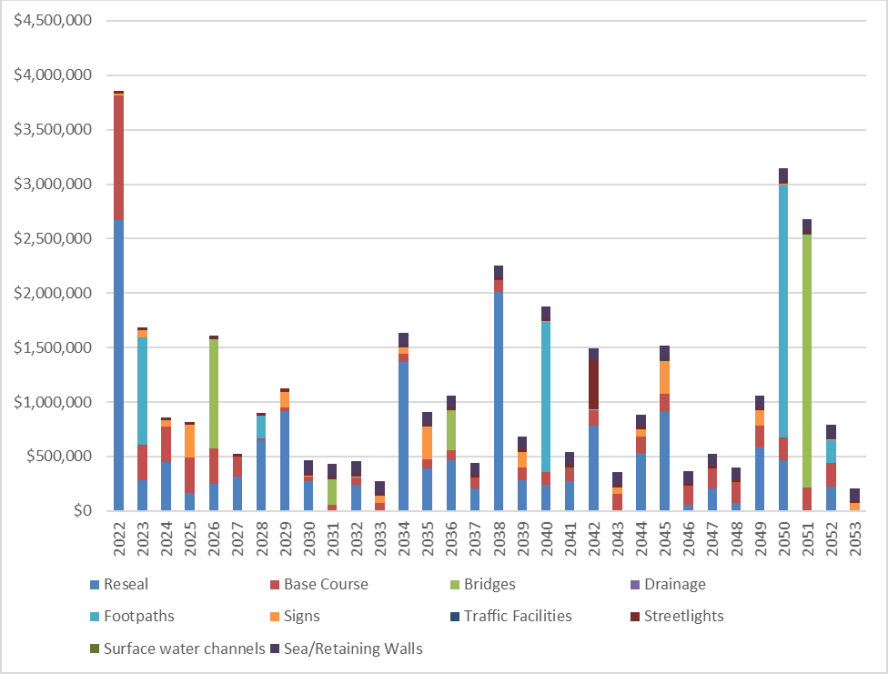


Figure 15: 'Semi-Raw' Roading Asset Renewal Cost Projection (expressed in 2020 dollars)

There is still a significant degree of 'bulking' in this 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.

Such a more smoothed schedule – which also incorporates a small additional contingency margin - is presented in Figure 16.

In that schedule the forecast total roading renewals only significantly exceed $1.5 million in two years, 2021/22 (driven by remainder of the NCTIR haul road rehabilitation and other reseal and pavement rehabilitation work) and in 2050/51, which is when the first major renewal of a major bridge (in this case Kahutara Bridge on the Inland Road) is scheduled.

Other years where total expenditure is close to $1.5 million are 2035/36 (largely due to a possible replacement of Ote Makura Bridge on Moana Road at Goose Bay, though as discussed previously that does not appear to be needed), in 2039/40/41 (driven by a peak in reseal expenditure) and 2051/52, which is a combination of sealed road and footpath renewal peaks.

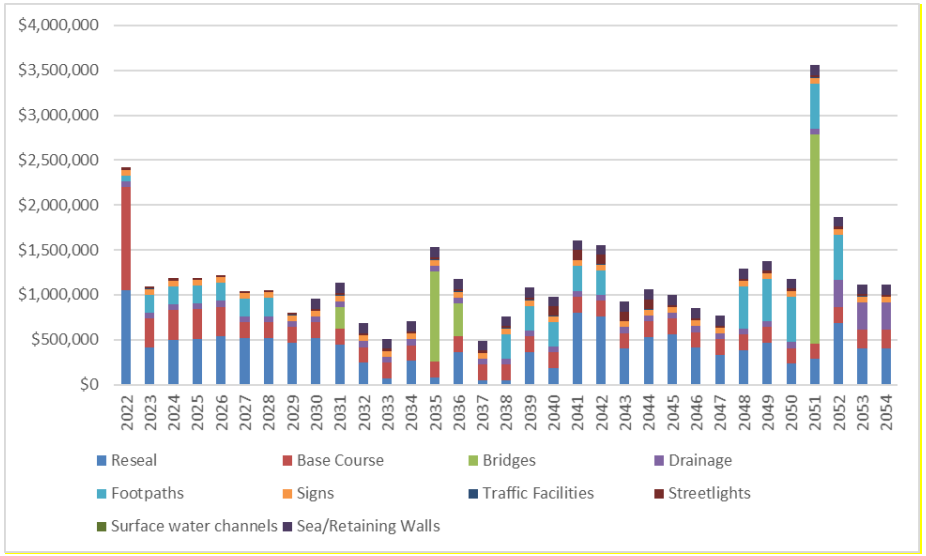


Figure 16: Smoothed Roading Asset Renewal Cost Projection (expressed in 2020 Dollar Terms, excluding Waiau Toa/ Clarence Bridge)

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 3-waters assets as at 30 June 2020.

4.4 Resilience Issues

The resilience of the 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 Valley, Blue Duck Valley 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.

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 frequency and extent, and other funding sources may 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 17.

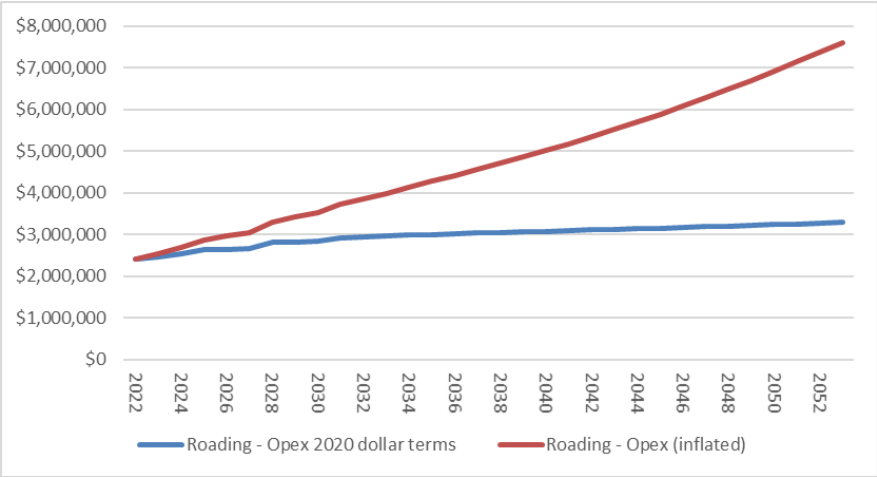


Figure 17: Projected Annual Roading total OPEX Costs (including depreciation)

It should be noted that these totals include costs of debt and overheads and are subject to some complex minor variations.

Whilst the Council has at times expressed concern regarding the degree to which best value is being obtained for these services, the challenges in respect of procurement are very real, and it is not believed that a substantial reduction of current costs is realistic.

4.6 Funding Challenges

In this context the recent and unexpected announcement by Waka Kotahi NZTA that it was substantially unable to fully fund the 2021-2024 roading programs submitted by local authorities poses a very real challenge for KDC. It is considered essential that a substantial program of assets renewals is undertaken to avoid a potential downward spiral of accelerating pavement deterioration, but the subsidy allocation by Waka Kotahi has created a $1.1 million funding gap for the three years of the program.

Bridging this gap is proposed to be achieved by Council debt funding the essential asset renewals, whilst also reducing expenditure on road maintenance works that have less potential adverse long-term impact, such as control of roadside vegetation and maintenance of traffic signs. An overall 10% reduction of roading Opex is being targeted through these means.

It is recognised that such a lowering of levels of service is not ideal, but it is also appreciated that with elements of the community continuing to be under significant financial pressures from the economic effects of Covid19, there are limits to the degree to which the loss of subsidy from Waka Kotahi can be offset by increases to rates.

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 $56 million, comprising water supply ($27 million). Wastewater ($23 million) and stormwater ($6 million).

5.1 Levels of Service Issues

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, and with further investment currently being made to enhance the resilience of these services using funding made available through the Department of Internal Affairs (DIA) 3-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 3-Water services in a strong position for the future.

5.1.2 Public Health Issues

There are currently two significant public health issues with the Council's water services, which are caused by an absence of adequate water treatment infrastructure.

Both the Fernleigh and East Coast rural water supplies do not - and as currently configured cannot – comply with the NZ Drinking Water Standards (DWS).

The Fernleigh scheme which supplies around 70 properties includes chlorine disinfection but variations in the turbidity of the water source result in significant fluctuations in residual chlorine concentrations in the network that are at times non-compliant with the requirements of the DWS. Barriers against protozoa are also not present. Achieving compliance is believed to require commissioning of fine filtration and subsequent UV treatment.

The East Coast scheme serves around 30 properties but lacks any form of water treatment and the extensive reticulation network spread over a large rural area poses a significant challenge in respect of maintaining effective disinfection.

Both schemes are currently subject to permanent boil water notices, this is not considered acceptable or sustainable.

Funding is currently available from the DIA for necessary modifications to these schemes (which in the case of East Coast may include part of the scheme becoming classified as a non-potable supply) and it is hoped to have the required measures in place by mid-2021.

Thereafter there are not expected to be any significant public health issues during the term of this strategy, though it is recognised that with the establishment of the water regulator there is likely to be an increased emphasis on compliance.

5.1.3 Environmental Issues

No significant environmental issues are currently believed to be associated with any Council-owned water services. All activities are of relatively small scale, have little environmental impact and are conducted in compliance with resource consent conditions.

The Council is fortunate that treated wastewater effluent from the Kaikōura township is discharged to land rather than water and this activity is unlikely to be affected by the stricter controls that may come into effect through the recently implemented National Environmental Standards for Freshwater and National Policy Statement for Freshwater Management.

Further details on these legislative measures and their potential implications for KDC's water services are contained in the Asset Management Plans for water supply, wastewater and stormwater.

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 indicating satisfaction ratings of 70% for water, 79% for wastewater and 66% for stormwater.

Some dissatisfaction does remain however regarding the continuing boil water notices for the Suburban, Fernleigh and East Coast water schemes, and odour issues associated with the Kaikoura wastewater system.

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 the Council to believe that there are no substantial immediate demand issues in respect of these services.

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 8,000m^3 per day, which is a very substantial supply quantity for an area that would typically have a population (including temporary residents) of less than 4,000 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 3,000m^3 per day, peak takes approaching 7,000m^3 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 2042 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, with a particular area of concern being the reticulation serving the Esplanade, Torquay, and Avoca Street areas.

Information collected from pump operation during severe rainfall events suggest that at these times the main sewers from this catchment are completely full, and there is limited capacity to accommodate additional development in this area.

It is believed that some such additional development could be accommodated by reducing the extent of stormwater infiltration to the sewer network, but it also appears likely that an upgrade of sewer main capacity would be required if the

full potential of this catchment was to be realised. An expenditure of $500,000 in 2028/29 is therefore being signalled for this latter purpose.

Stormwater infrastructure is only provided by the Council in Kaikōura and Ocean Ridge. The networks are of relatively limited scale, with small, piped catchments and no substantial deficiencies observable at present. The capacity of 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 18. 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 2021 Asset Management Plans.

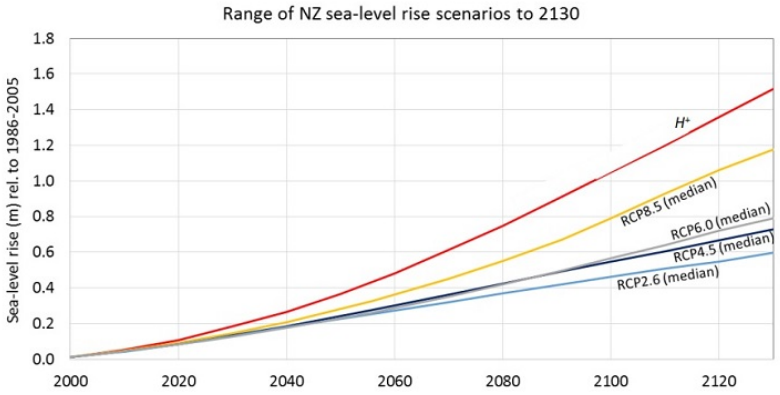


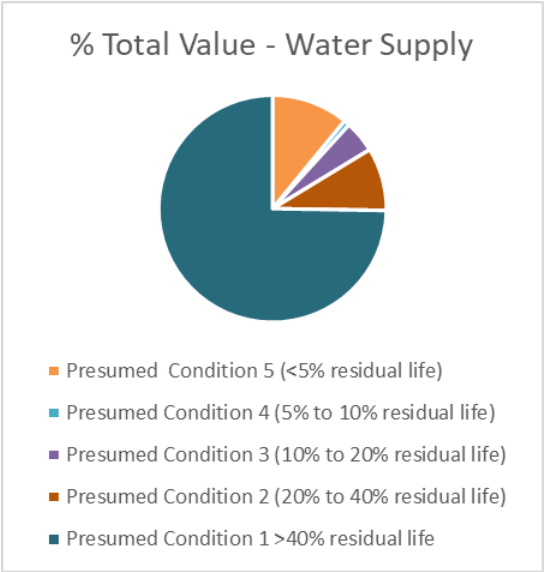
Figure 18: Sea Level Rise Predictions

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 be 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 Figures 19, 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.



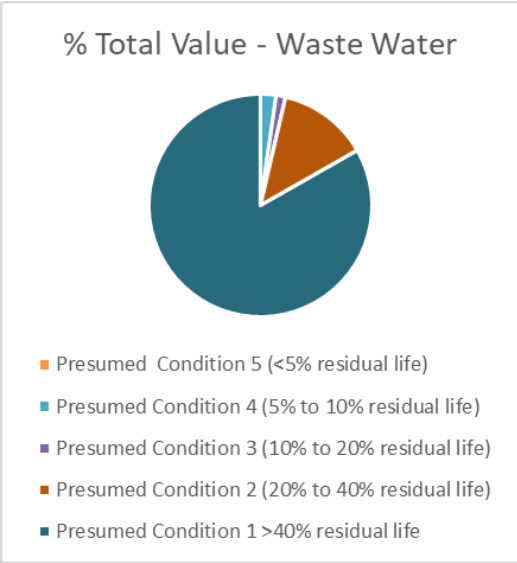


Figure 19: Potential Indicative Condition Distributions (by % total value) for water and wastewater assets

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 19, but practical experience and some recent physical testing suggests that all of this length does not yet require replacement.

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 is expected to be required in the term of this strategy, with associated expenditure typically well below the associated annual depreciation.

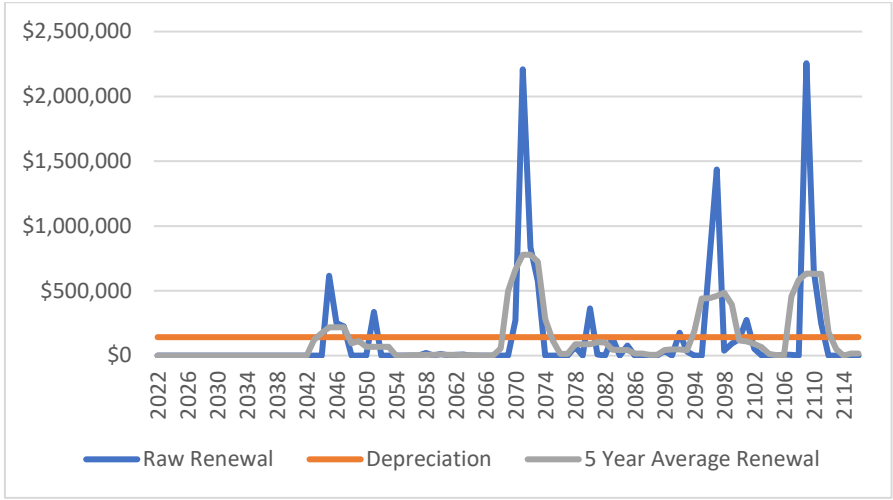


Figure 20: Long-term Annual Renewal Cost Profile – Wastewater Pipes

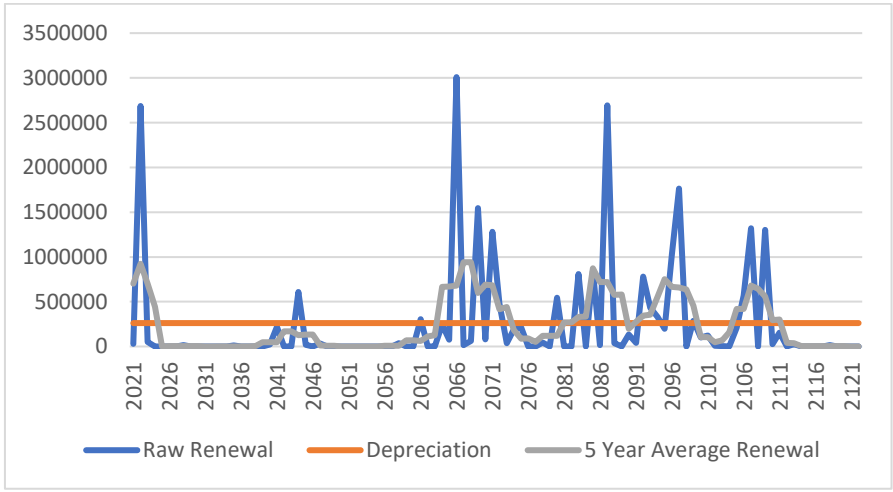


Figure 21: Long-term Annual Renewal Cost Profile – Water Pipes

For structure asset classes which include shorter life equipment profiles are predictably more regular, with annual expenditures closer to depreciation, as exemplified by Figure 22.

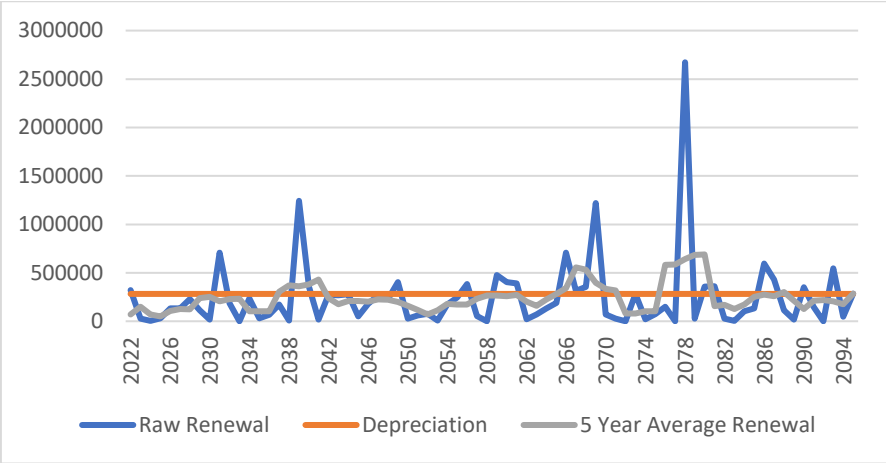


Figure 22: Long-term Annual Renewal Cost Profile – Wastewater Structures

Figure 23 shows projected annual renewal expenditure on all Council-owned water services assets (water, wastewater and stormwater) and associated current depreciation over the 2022-2052 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.

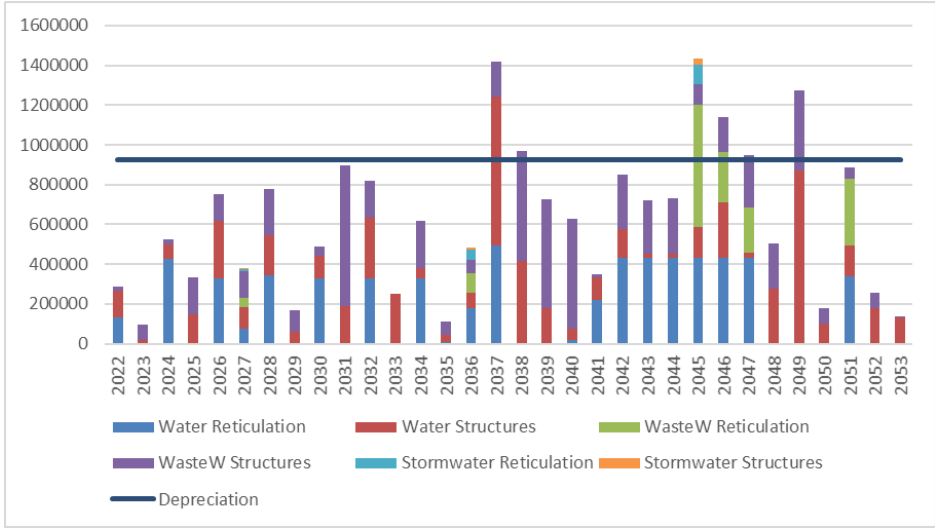


Figure 23: Forecast Annual Renewal Cost – All 3-Water Services (Raw Data)

5.4 Resilience Issues

In general, the level of resilience of the Council's water services infrastructure is considered to be relatively high, and works being undertaken using funding from the first tranche of the DIA's 3-Waters Reform funding will further improve this.

Whilst the 2016 Kaikōura earthquake caused significant damage to some of the Council's 3-Water 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 considered to remain the main threat to 3-Water 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 (notably upgrading of water treatment for the Fernleigh and East Coast water supplies), 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 24 and 25. These totals include costs of debt and overheads and as such are subject to some complex minor variations.

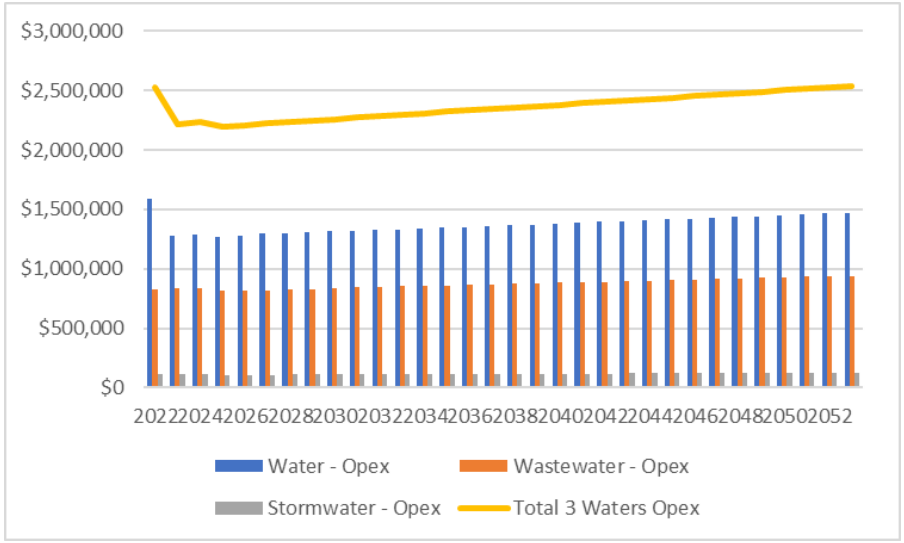


Figure 24: Forecast Annual 3-Waters Total OPEX Costs (2020 Dollar Terms)

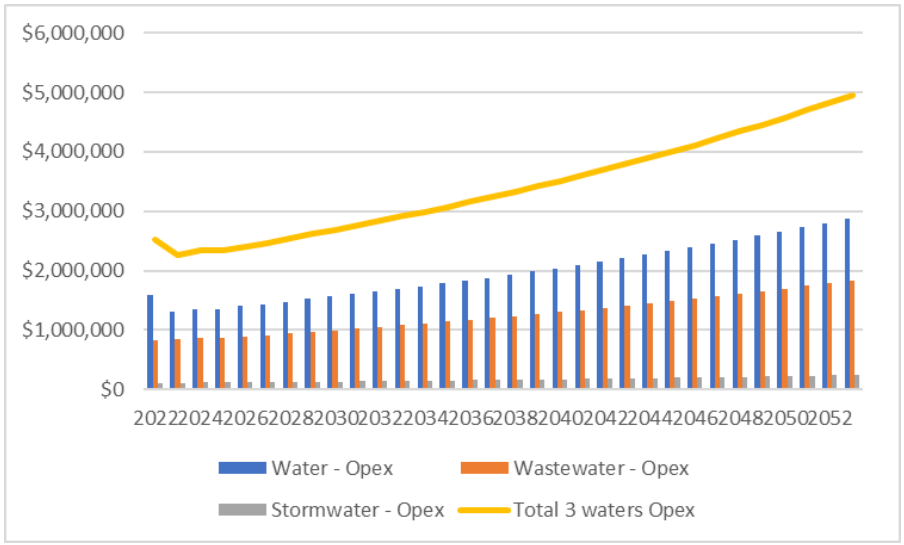


Figure 25: Forecast Annual 3-Waters Total OPEX Costs (Inflated)

5.6 Three-Waters Reform Programme

In July 2020 central government launched a 3-year programme to reform local government three waters service delivery arrangements. It is not possible to be certain of the scope and effect of the resultant changes until they are confirmed by central government.

More clarity on the reforms is expected later in 2021. Until that time it will be assumed that KDC will continue to own and provide three-waters services within the Kaikoura District.

As part of the reforms DIA has granted KDC $1.88million from its first tranche of funding to undertake improvements to its 3 waters infrastructure. This funding is enabling Council to undertake a range of capital improvements and renewals that will further enhance the performance and resilience of these assets, and must be spent by March 2022.

Details of the works being undertaken using this funding are provided in Appendix 3, but the urgency with which these works are being planned and undertaken means that the details of this program are somewhat fluid.

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 2020 Dollar and inflated 'money of the day' terms.

Table 2: Capital and Operational Expenditure

	Uninflated	Inflated
Stormwater - CAPEX	$219,000	$327,000
Stormwater - OPEX	$3,604,312	$5,115,000
Wastewater - CAPEX	$7,006,020	$10,192,000
Wastewater - OPEX	$27,006,880	$38,325,000
Water Supply - CAPEX	$11,990,555	$16,840,000
Water Supply - OPEX	$42,530,138	$60,232,000
Road & Footpaths - CAPEX	$53,790,333	$78,564,000
Roads & Footpaths - OPEX	$92,235,336	$145,015,000

The breakdown of operational and capital expenditure on a year-by-year basis in 2020 Dollar terms is presented in Figure 26, and in inflated terms in Figure 27.

Further breakdowns of capital expenditure by purpose for roading and 3-Water activities are provided in 2020 dollar terms in Figures 28 and 29.

As explained previously the growth or demand related capital expenditure is very limited, being confined to an allocation for potential capacity upgrading of the Esplanade – West End sewer and more speculative allocations for sealed road widening 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.

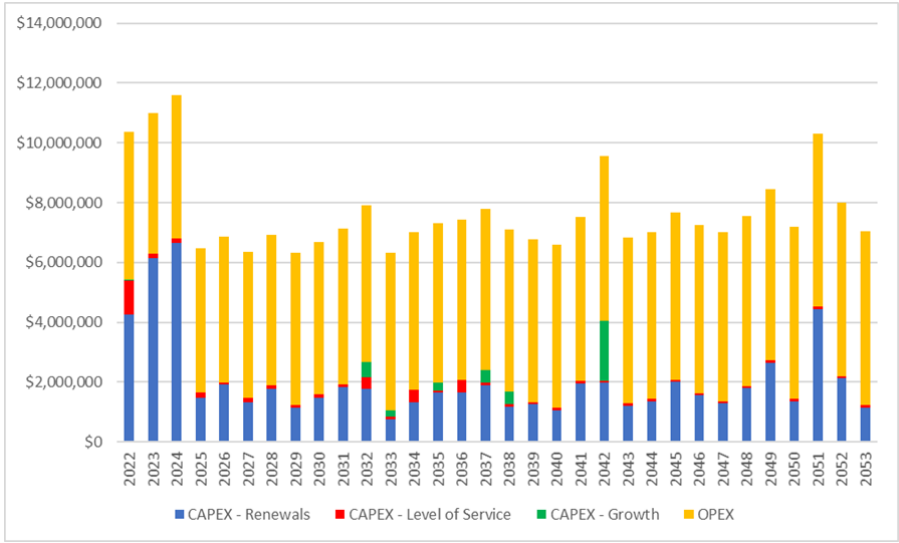


Figure 26: Forecast Total Expenditures – Roading and Water – 2020 Dollar Terms

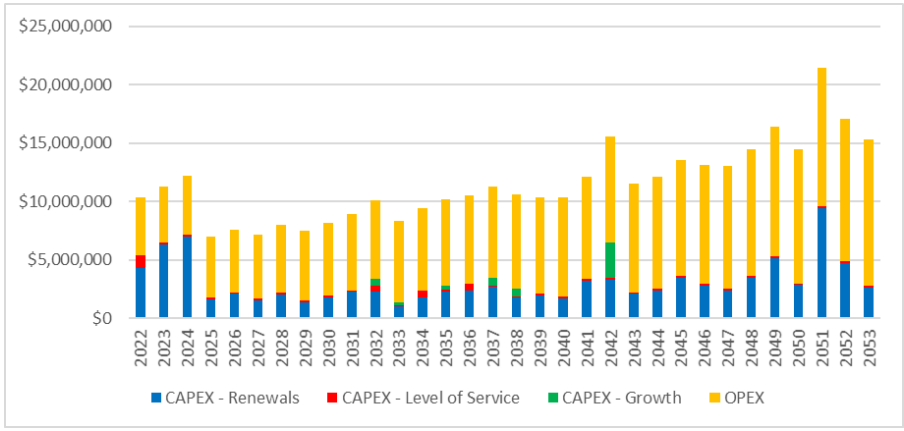


Figure 27: Forecast Total Annual Expenditures - Roading and Water – Inflated

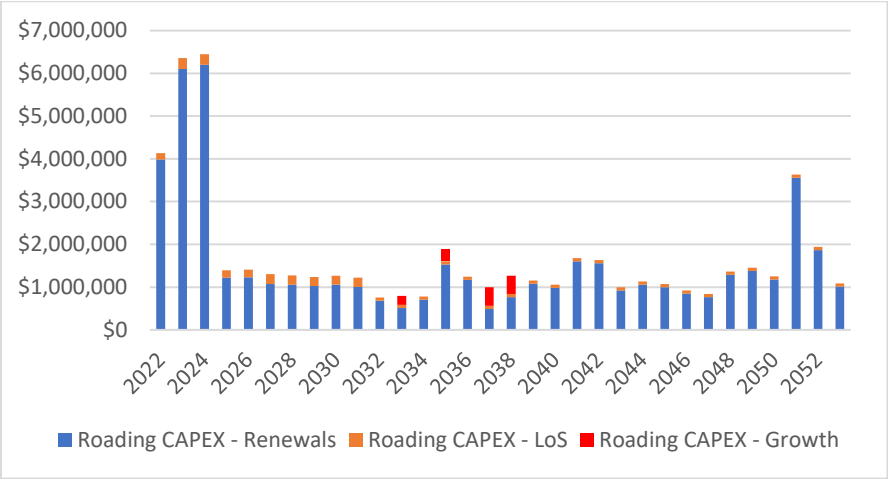


Figure 28: Forecast Annual Roading CAPEX and Purpose (2020 Dollar Terms)

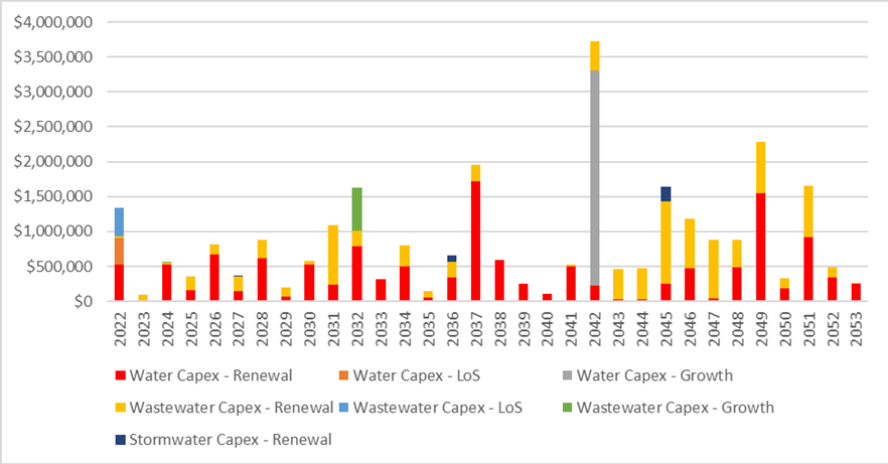


Figure 29: Forecast Annual 3-Waters CAPEX and Purpose (2020 Dollar Terms)

Forecast OPEX profiles in uninflated and inflated terms are shown in Figures 30 and 31.

The first 10 years of these profiles are based on budgets in the Council's 2021-2031 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.

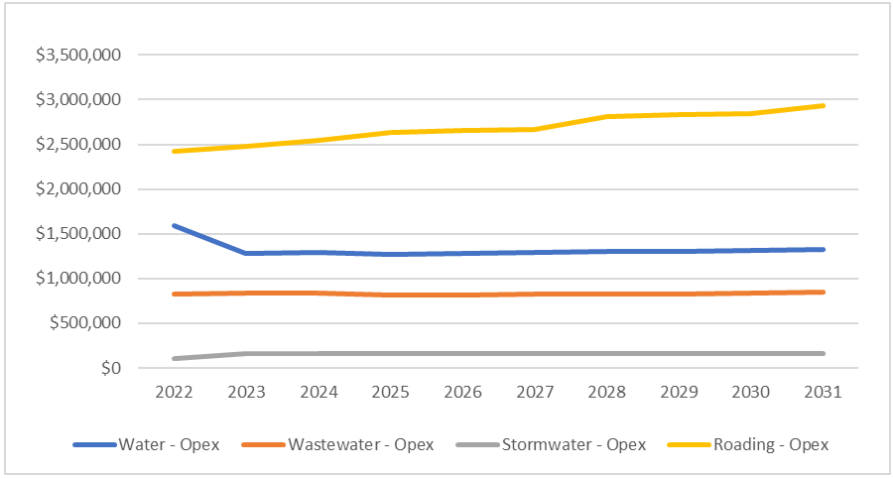


Figure 30: Forecast Annual OPEX (2020 Dollar Terms)

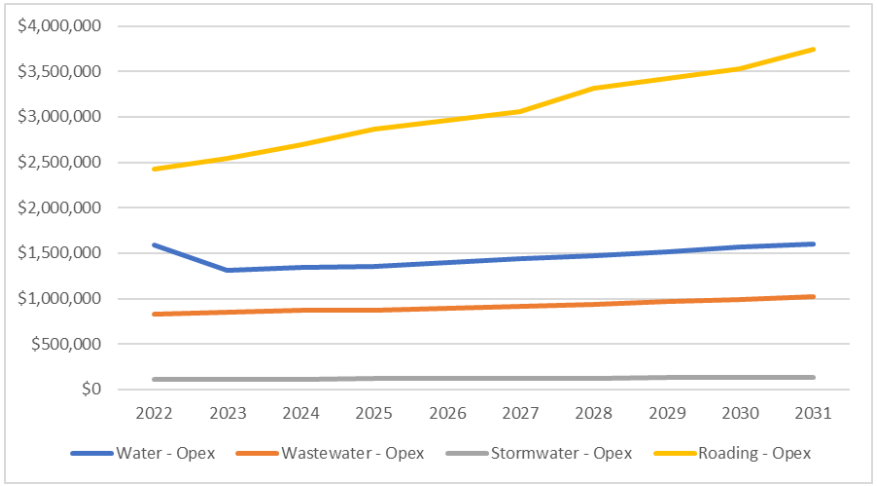


Figure 31: Forecast Annual OPEX (inflated)

Combining all operational and capital cost components together yields the Figure 32 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 2024 (when the Waiau Toa/Clarence bridge is assumed to be completed) being regular and generally less than depreciation.

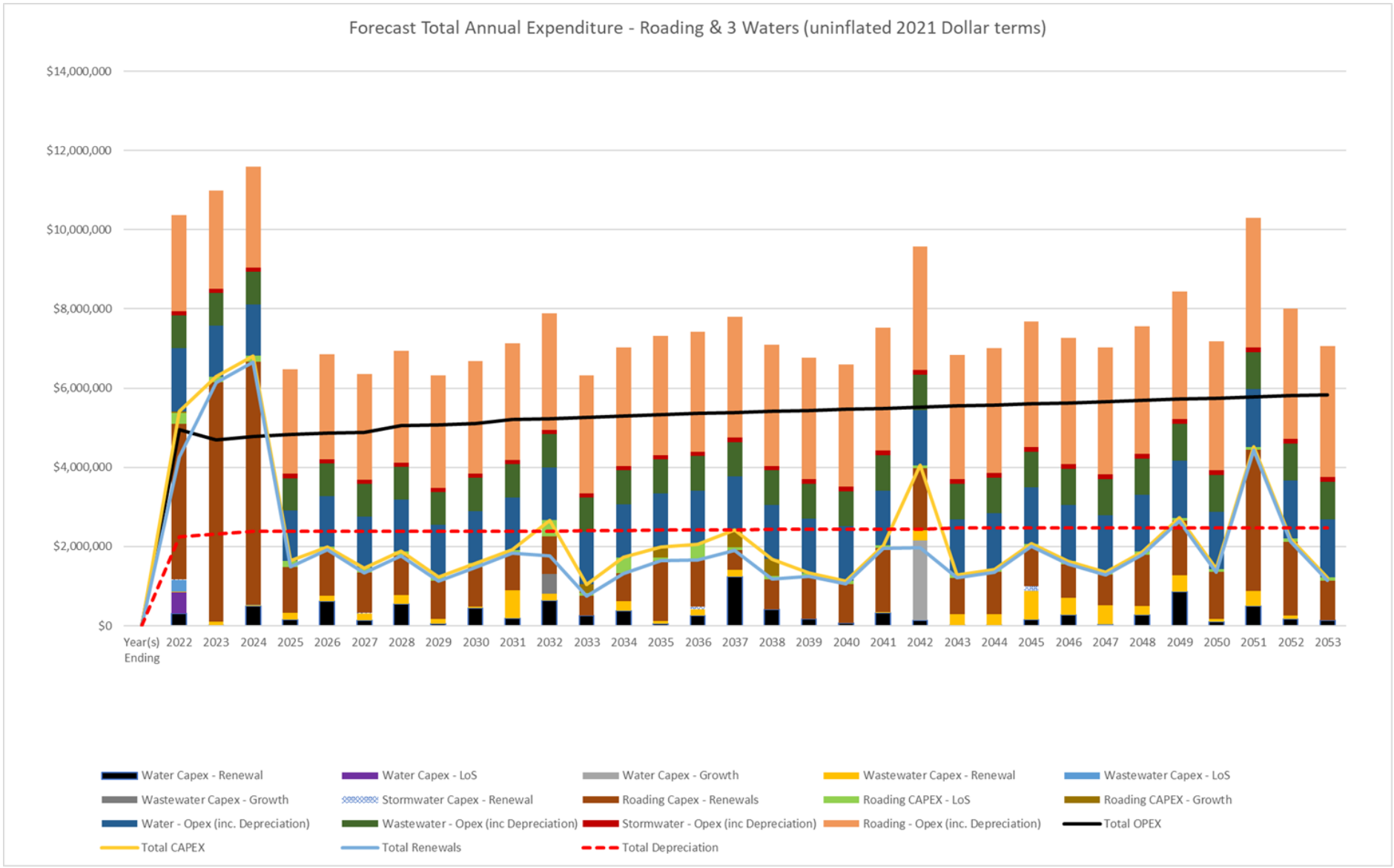


Figure 32: Projected Total Annual Costs, Roading and 3-Waters

This profile strongly suggests that if the 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. This figure is a 100-year projection of future renewal requirements for some groups of assets for which relatively good likely asset age and expected life information is believed to be available.

These asset groups are as follows:

- Road Pavement Surfaces
- 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 the Council, and hence their requirements for renewal significantly shape overall expenditure.

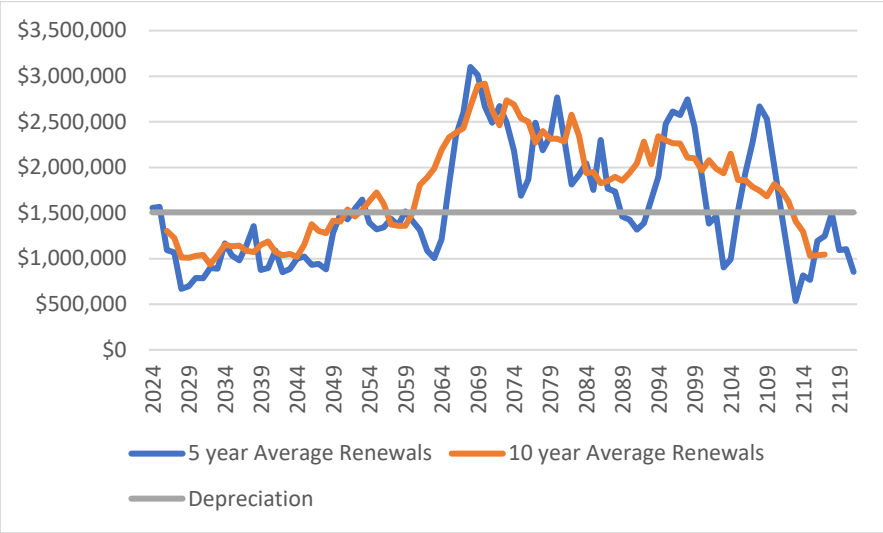


Figure 33: 100-year projection of renewal requirements for road pavements, bridges and all 3-Waters infrastructure, and comparison with associated depreciation (2020 Dollar Terms)

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 40 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 33.

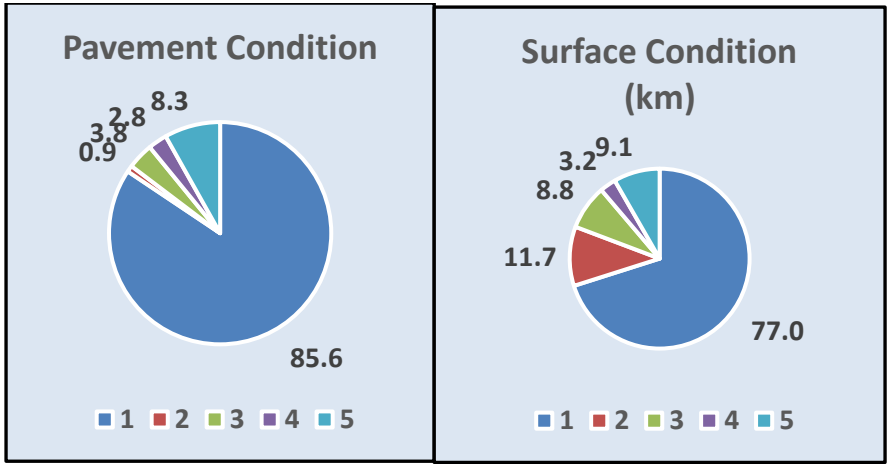
A prudent management strategy might therefore include building of significant reserves in the period prior to these peaks, but it is recognised that this need is far in the future and that many other factors might change in the interim.

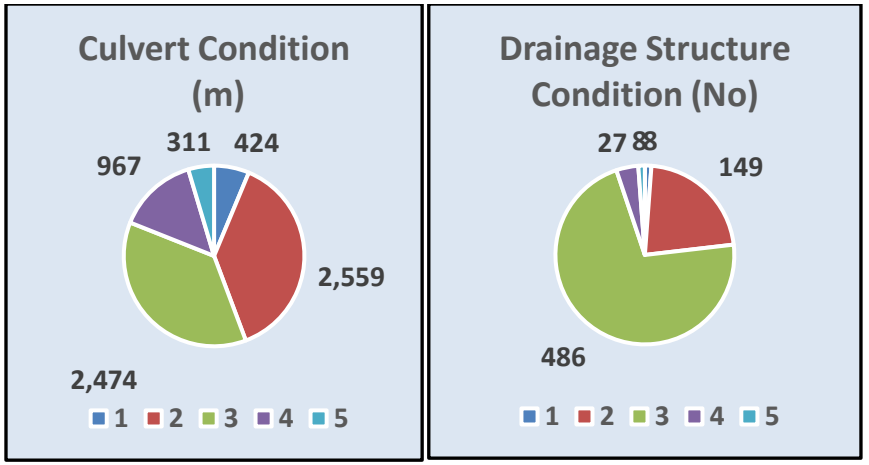
Appendix 1

Condition Assessments of Major Roading Asset Groups

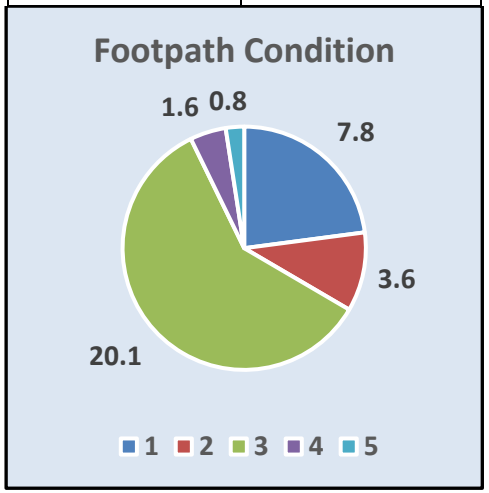
Condition	Pavement (km)	Surface (km)
1	85.6	77.1
2	9.4	11.7
3	3.8	8.8
4	2.8	3.2
5	8.3	9.1
Total	109.9	109.9

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

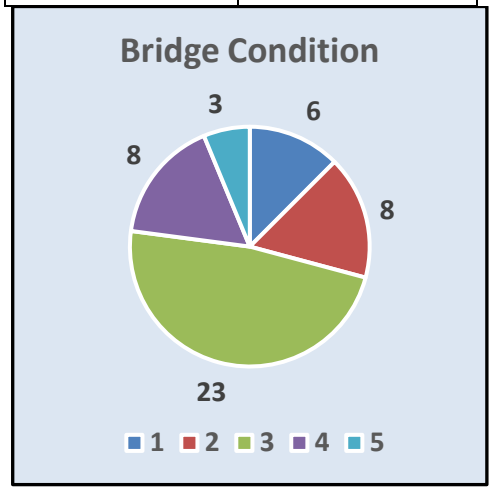




Condition	Footpath(km)
1	7.8
2	3.6
3	20.1
4	1.6
5	0.8
Total	33.9



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 (uninflated)

Year(s) Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032-2036	2037-2041	2042-2046	2047-2051
Water Capex - Renewal	$312,365	$21,000	$499,000	$148,000	$620,000	$133,000	$547,000	$59,000	$441,000	$191,000	$1,560,000	$2,244,000	$619,000	$1,761,857
Water Capex - LoS	$527,333	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Water Capex - Growth	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,000,000	$0
Wastewater Capex - Renewal	$20,000	$77,000	$24,000	$185,000	$132,000	$182,000	$230,000	$111,000	$46,000	$708,000	$660,000	$190,000	$1,960,728	$1,596,533
Wastewater Capex - LoS	$301,759	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Wastewater Capex - Growth	$0	$0	$4,000	$0	$0	$0	$0	$0	$0	$0	$500,000	$0	$0	$0
Stormwater Capex - Renewal	$9,000	$0	$0	$0	$0	$15,000	$0	$0	$0	$0	$65,000	$0	$130,000	$0
Roading Capex - Renewals	$3,923,635	$6,045,000	$6,137,000	$1,153,000	$1,163,000	$1,006,000	$991,000	$961,000	$986,000	$941,000	$4,852,280	$4,913,061	$5,387,064	$8,166,117
Roading Capex - LoS	$286,781	$150,000	$150,000	$155,000	$75,000	$127,000	$116,000	$107,000	$111,000	$75,000	$1,365,000	$375,000	$375,000	$375,000
Roading Capex - Growth	$30,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$490,000	$860,000	$0	$0
Water - Opex (inc. Depreciation)	$1,593,462	$1,276,520	$1,289,520	$1,269,520	$1,282,520	$1,293,520	$1,297,520	$1,307,520	$1,314,520	$1,319,520	$6,697,226	$6,866,340	$7,039,723	$7,217,485
Wastewater - Opex (inc Depreciation)	$827,900	$831,900	$832,900	$813,900	$817,900	$820,900	$825,900	$829,900	$831,900	$843,900	$4,283,216	$4,391,373	$4,502,260	$4,615,948
Stormwater - Opex (inc Depreciation)	$110,700	$110,700	$110,700	$108,700	$108,700	$108,700	$110,700	$110,700	$110,700	$112,700	$572,009	$586,453	$601,262	$616,444
Roading - Opex (inc. Depreciation)	$2,421,500	$2,477,500	$2,547,275	$2,637,500	$2,653,500	$2,664,975	$2,813,250	$2,828,250	$2,843,250	$2,930,250	$14,929,053	$15,344,159	$15,731,618	$16,136,399
Total Opex	$4,953,562	$4,696,620	$4,780,395	$4,829,620	$4,862,620	$4,888,095	$5,047,370	$5,076,370	$5,100,370	$5,206,370	$26,481,504	$27,188,324	$27,874,863	$28,586,276
Total Capex	$5,410,873	$6,293,000	$6,814,000	$1,641,000	$1,990,000	$1,463,000	$1,884,000	$1,238,000	$1,584,000	$1,915,000	$9,492,280	$8,582,061	$10,471,792	$11,899,506
Total Renewals	$4,265,000	$6,143,000	$6,660,000	$1,486,000	$1,915,000	$1,336,000	$1,768,000	$1,131,000	$1,473,000	$1,840,000	$7,137,280	$7,347,061	$8,096,792	$11,524,506
Total Depreciation	$2,243,000	$2,317,773	$2,381,018	$2,382,943	$2,384,881	$2,385,818	$2,387,406	$2,388,856	$2,390,193	$2,391,581	$12,033,217	$12,156,805	$12,296,342	$12,344,780

Capital Projects Years 1 to 10

CAPITAL PROJECTS - UNINFLATED

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Roading											
Bridges (Structure Replacement)	Renewals	**1,400,000**	5,000,000	5,000,000	-	-	-	-	-	-	-
NCTIR haul roads fully funded by NZTA	Renewals	**1,336,635**	-	-	-	-	-	-	-	-	-
Bridge structures	Renewals	**-**	-	-	20,000	-	20,000	-	20,000	-	20,000
Sealed road resurfacing	Renewals	**552,000**	410,000	502,000	510,000	540,000	515,000	520,000	470,000	515,000	450,000
Unsealed Pavement Renewals	Renewals	**180,000**	180,000	180,000	172,000	172,000	172,000	172,000	172,000	172,000	172,000
Drainage	Renewals	**65,000**	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Pavement Rehabilitation	Renewals	**330,000**	330,000	330,000	330,000	330,000	178,000	178,000	178,000	178,000	178,000
Traffic services renewals (221)	Renewals	**60,000**	60,000	60,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000
Minor improvements - carried forward from 2021	Level of Service	**136,781**									
Low cost/low risk (minor safety improvements)	Level of Service	**150,000**	150,000	150,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Seal widening	Level of Service						52,000	41,000	32,000	36,000	36,000
Seal Extensions & unsubsidised work	Demand	**30,000**	-	-	-	-	-	-	-	-	-
New Footpaths/Active travel network	Level of Service	**-**	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
		4,240,416	**6,295,000**	**6,387,000**	**1,328,000**	**1,338,000**	**1,233,000**	**1,207,000**	**1,168,000**	**1,197,000**	**1,152,000**
• to meet additional demand	**Demand**	**30,000**	-	-	-	-	-	-	-	-	-
• to improve the level of service	**Level of Service**	**286,781**	250,000	250,000	175,000	175,000	227,000	216,000	207,000	211,000	211,000
• Renewals	**Renewals**	**3,923,635**	6,045,000	6,137,000	1,153,000	1,163,000	1,006,000	991,000	961,000	986,000	941,000
Water Supplies											
General Renewals - Reticulation	Renewals	**-**	-	329,000	-	329,000	-	344,000	-	329,000	-
General Renewals - Structures	Renewals	**50,000**	12,000	70,000	-	185,000	85,000	76,000	56,000	98,000	155,000
Urban water renewals - carried forward from 2021	Renewals	**88,478**									
Water Supply Treatment Seismic Upgrade - Mackles	Level of Service	**29,480**	-	-	-	-	-	-	-	-	-
Water Supply Treatment standby generator	Level of Service	**7,500**	-	-	-	-	-	-	-	-	-
Water Supply Treatment Site Fencing	Level of Service	**270,000**	-	-	-	-	-	-	-	-	-
Water Supply Flow metering	Level of Service	**5,500**	-	-	-	-	-	-	-	-	-
EQ Resorvoir - Carried forward from 2021	Renewals	**248,742**									
Ocean Ridge General Renewals - Reticulation	Renewals	**-**	-	-	-	-	7,500	-	-	-	-
Ocean Ridge General Renewals - Structures	Renewals	**-**	-	-	21,000	2,000	-	100,000	-	-	-
Peketa General Renewals - Reticulation	Renewals	**-**	-	-	-	-	1,000	-	-	-	-
Peketa General Renewals - Structures	Renewals	**18,000**	9,000	-	3,000	-	-	14,000	-	1,000	-
Fernleigh General Renewals - Reticulation	Renewals	**-**	-	-	-	-	7,500	-	-	-	-
Fernleigh General Renewals - Structures	Renewals	**20,000**	-	-	24,000	-	-	-	-	-	21,000

CAPITAL PROJECTS - UNINFLATED

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Oaro General Renewals - Reticulation	Renewals	-	-	-	-	-	1,000	-	-	-	-
Oaro General Renewals - Structures	Renewals	13,000	-	-	4,000	-	21,000	4,000	-	13,000	-
Oaro Water Facilities - Carried Forward	Renewals	23,365									
East Coast General Renewals - Reticulation	Renewals	-	-	100,000	-	-	-	-	-	-	-
East Coast General Renewals - Structures	Renewals	15,000	-	-	47,000	59,000	-	-	-	-	-
Kincaid General Renewals - Reticulation	Renewals	-	-	-	-	-	10,000	-	-	-	-
Kincaid General Renewals - Structures	Renewals	16,000	-	-	49,000	45,000	-	9,000	3,000	-	15,000
East Coast Treatment Upgrade (reform funded)	Level of Service	250,000									
Kincaid - Flow Improvement (reform funded)	Level of Service	78,000									
Kincaid - Water Supply Treatment Upgrade	Level of Service	58,500									
Suburban - Water Supply Treatment Upgrade	Level of Service	13,833									
Fernleigh - Water Supply Treatment Upgrading	Level of Service	120,000									
Peketa - Water Supply Treatment Generator	Level of Service	7,000									
Peketa Water Facilities - Carried Forward	Renewals	10,000									
		1,342,398	21,000	499,000	148,000	620,000	133,000	547,000	59,000	441,000	191,000
• to improve the level of service	Level of Service	839,813	-	-	-	-	-	-	-	-	-
• Renewals	Renewals	502,585	21,000	499,000	148,000	620,000	133,000	547,000	59,000	441,000	191,000
Sewerage / Wastewater											
General Renewals - Reticulation	Renewals	-	-	-	-	-	50,000	-	-	-	-
General Renewals - Structures	Renewals	20,000	77,000	24,000	185,000	132,000	132,000	230,000	111,000	46,000	708,000
Wastewater Network Mobile Standby Generators	Level of Service	40,000	-	-	-	-	-	-	-	-	-
Wastewater Network Odour Control	Level of Service	10,863	-	-	-	-	-	-	-	-	-
Wastewater Treatment Pond Desludging	Level of Service	239,396	-	-	-	-	-	-	-	-	-
Wastewater Treatment Screen Replacement	Level of Service	11,500	-	-	-	-	-	-	-	-	-
Renewals	Renewals	-	-	-	-	-	-	-	-	-	-
		321,759	77,000	24,000	185,000	132,000	182,000	230,000	111,000	46,000	708,000
• to improve the level of service	Level of Service	301,759	-	-	-	-	-	-	-	-	-
• Renewals	Renewals	20,000	77,000	24,000	185,000	132,000	182,000	230,000	111,000	46,000	708,000
Stormwater											
Capital Works	Level of Service	-	-	-	-	-	-	-	-	-	-
Reticulation	Renewals						10,000				
Stormwater renewals - carried forward 2021	Renewals	9,000									
Structures	Renewals	-	-	-	-	-	5,000	-	-	-	-
		9,000	-	-	-	-	15,000	-	-	-	-

Operating Costs (excluding depreciation and overheads) Years 1 to 10 (2021 dollar terms)

				OPERATING COST COMPONENTS (UNESCALATED)						
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Roading - Roads & Bridges - Roads & Bridges										
Time Sheet Cost Capture	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Minor Events 140	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500
Level Crossing Warning Devices	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sealed Pavement Mtce 111	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Unsealed Pavement Mtce 112	160,000	160,000	160,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000
Routine Drainage Mtce 113	70,000	70,000	70,000	75,000	75,000	75,000	81,000	81,000	81,000	81,000
Structures Maintenance 114	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Environmental Maintenance 121	130,000	130,000	130,000	140,000	140,000	140,000	168,750	168,750	168,750	168,750
Traffic Services Mtce 122	130,000	130,000	129,775	150,000	150,000	146,475	189,000	189,000	189,000	189,000
Network & Asset Management 151	130,000	130,000	130,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Cycle Path Maintenance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Land Transport Safety projects	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	1,037,500	1,037,500	1,037,275	1,079,500	1,079,500	1,075,975	1,153,250	1,153,250	1,153,250	1,153,250
Roading - Roads & Bridges - Roads & Bridges										
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 - Streetlights										
Electricity	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Maintenance	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000
Roading Total	**1,151,500**	**1,151,500**	**1,151,275**	**1,193,500**	**1,193,500**	**1,189,975**	**1,267,250**	**1,267,250**	**1,267,250**	**1,267,250**

	OPERATING COST COMPONENTS (UNESCALATED)									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Supplies - Kaikoura Urban Water - Kaikoura Urban Water										
Electricity	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Insurance	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Planned Mtce - Reticulation	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Unplanned Mtce - Reticulation	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Planned Mtce - Facilities	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Unplanned Mtce - Facilities	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Rates	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Water Meter Reading Expenses	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600
Management incl. Water Testing	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000
3W Stimulus Project Expenses	325,622									
	770,222	444,600	449,600	449,600	449,600	449,600	449,600	449,600	449,600	449,600
Water Supplies - Ocean Ridge Water - Ocean Ridge										
Electricity	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Insurance	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Planned Mtce - Reticulation	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Unplanned Mtce - Reticulation	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Planned Mtce - Facilities	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Unplanned Mtce - Facilities	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Resource Consent Monitoring	240	240	240	240	240	240	240	240	240	240
Management incl. Water Testing	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
	59,940	60,940	60,940	60,940	60,940	60,940	60,940	60,940	60,940	60,940
Water Supplies - East Coast Water - East Coast										
Electricity	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Insurance	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Planned Mtce - Reticulation	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Unplanned Mtce - Reticulation	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Unplanned Mtce - Facilities	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Management incl. Water Testing	20,000	1,680	1,680	1,680	1,680	1,680	1,680	1,680	1,680	1,680
	76,800	58,480	58,480	58,480	58,480	58,480	58,480	58,480	58,480	58,480

				OPERATING COST COMPONENTS (UNESCALATED)						
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Supplies - Kincaid Water - Kincaid										
Electricity	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Insurance	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Planned Mtce - Reticulation	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200
Unplanned Mtce - Reticulation	4,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Planned Mtce - Facilities	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900
Unplanned Mtce - Facilities	12,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Management incl. Water Testing	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
	73,500	73,500	73,500	73,500	73,500	73,500	73,500	73,500	73,500	73,500
Water Supplies - Fernleigh Water - Fernleigh										
Electricity	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Insurance	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300
Planned Mtce - Reticulation	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Unplanned Mtce - Reticulation	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Planned Mtce - Facilities	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Unplanned Mtce - Facilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Management incl. Water Testing	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
	63,300	63,300	63,300	63,300	63,300	63,300	63,300	63,300	63,300	63,300
Water Supplies - Peketa Water - Peketa										
Electricity	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Insurance	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Planned Mtce - Reticulation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Unplanned Mtce - Reticulation	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Planned Mtce - Facilities	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300
Unplanned Mtce - Facilities	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Management incl. Water Testing	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600
	27,400	27,400	27,400	27,400	27,400	27,400	27,400	27,400	27,400	27,400

				OPERATING COST COMPONENTS (UNESCALATED)						
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Supplies - Oaro Water - Oaro										
Electricity	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Insurance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Planned Mtce - Reticulation	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Unplanned Mtce - Reticulation	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Planned Mtce - Facilities	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Unplanned Mtce - Facilities	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Management incl. Water Testing	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
	48,300	48,300	48,300	48,300	48,300	48,300	48,300	48,300	48,300	48,300
Total - Water Supplies	**1,119,462**	**776,520**	**781,520**	**781,520**	**781,520**	**781,520**	**781,520**	**781,520**	**781,520**	**781,520**
	-	-	-	-	-	-	-	-	-	-
Wastewater / Sewerage - Kaikoura urban wastewater - Sewerage										
Electricity	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Insurance	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Planned Mtce - Reticulation	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Unplanned Mtce - Reticulation	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Planned Mtce - Facilities	158,000	158,000	158,000	158,000	158,000	158,000	158,000	158,000	158,000	158,000
Unplanned Mtce - Facilities	66,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Rates	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Resource Consent Monitoring	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Management incl. Water Testing	31,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
	414,700	372,700	372,700	372,700	372,700	372,700	372,700	372,700	372,700	372,700

Revenue & Financing Policy

Policy status:	Adopted
Review due:	30 June 2024
Legal reference:	Local Government Act 2002 Section 102(2)(a) and 103, and Schedule 10, Part 1 (10)

Objective

This policy provides the funding mechanisms to ensure the equitable distribution of costs to those who benefit, as well as providing for the financial sustainability of the activities undertaken.

Financial management

The Council will ensure that each year's projected revenues are set at a level sufficient to meet that year's projected operating expenses. In other words, it will aim to produce a balanced budget.

The Council will manage it revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The Council will make adequate and effective provision to meet the expenditure needs of the district, which have been identified in its Long-Term Plan, and in its Annual Plan where applicable.

Funding principles

When making funding policy the Council must work through the process and matters set out in section 101(3) of the Local Government Act and have regard to the section 101(1) obligation to act prudently and in the interests of the community.

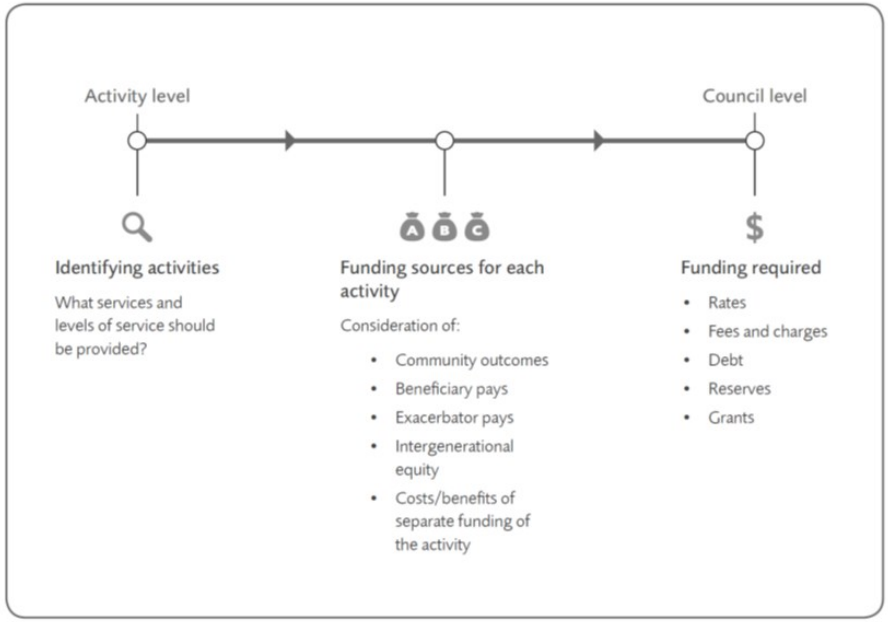
Section 101(3) analysis is basically a two-step process, as discussed below.

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, and any identifiable parts of the community and individuals
3) Period over which benefits occur
4) The extent to which actions or inactions contribute to a need to undertake the activity
5) The costs and benefits of funding the activity distinctly from other activities.

No single criterion has greater weight in law than the others.



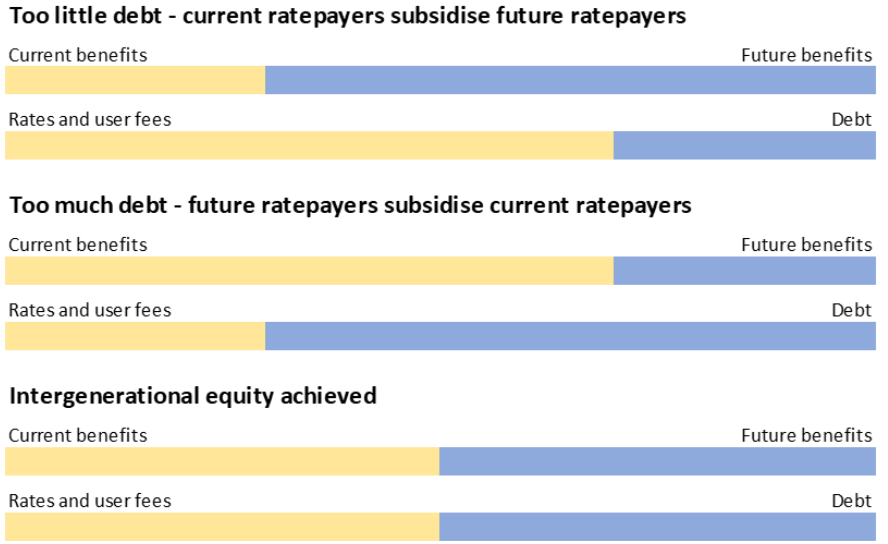
1) **The community outcomes to which the activity contributes**
Our community outcomes are:
Community – we communicate, engage and inform our community.
Development – we promote and support the development of our economy
Services – our services and infrastructure are cost effective, efficient and fit 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 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 and charges, or a targeted rate. The choice between general and targeted rating 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

Second step considerations

Having considered the most appropriate sources of funding in relation to each activity, the second step requires the Council to consider the overall impact of any allocation of liability for revenue needs on the community, and to consider if any changes are needed. This involves weighing up the impact of rates on the community. Such considerations might include:

- affordability - the ability to pay by low income households
- barriers to access services
- legal constraints
- materiality
- sustainability; and
- fair treatment of the business sector - balancing the ability to pay and the benefits received.

The Council may, as a final measure, modify the overall mix of funding in response to these considerations.

Preferences for sources of funding

The Council, as a matter of principle, prefers the activities and services it provides to generate their own revenues, and for rates – particularly general rates – to be among the least preferred. Loans may be used to fund operating expenses in certain circumstances, such as to smooth the rates impact during unforeseen events (examples are using short-term loans to reduce or smooth the rates requirement during a pandemic, or following a major disaster such as an earthquake).

The following sets out the Council's preferences in order from top. This is the default order of preference for any new activity, or any existing activity not specified in this Policy.

Preferred funding sources for operating expenses:	
1st Commercial revenue	Dividends, interest earned, logging sales & forestry revenue
2nd User fees & charges	Consent fees, lease revenue, registration fees, etc
3rd Grants & subsidies	Grants and subsidies received from external organisations
4th Special funds & reserves	Funds held for a specific purpose
5th Targeted rates	Rates for a specific purpose levied on a target community
6th General rates	Rates for general purposes levied district wide
7th Loans	Borrowed funds
Preferred funding sources for capital expenses (including repayment of loan principal):	
1st Commercial revenue	Dividends, interest earned, logging sales & forestry revenue
2nd Grants & subsidies	Grants and subsidies received from external organisations
3rd Special funds & reserves	Funds held for a specific purpose
4th Development contributions	Received from developers towards the cost of development
5th Loans	Borrowed funds
6th Targeted rates	Rates for a specific purpose levied on a target community
7th General rates	Rates for general purposes levied district wide
8th User fees & charges	Consent fees, lease revenue, registration fees

Overview of the Council's funding mechanisms

As required by s103(2) of the LGA the Council uses a range of funding tools, mechanisms, and sources for operating and capital expenditure. The definitions of funding mechanisms are:

General Rates

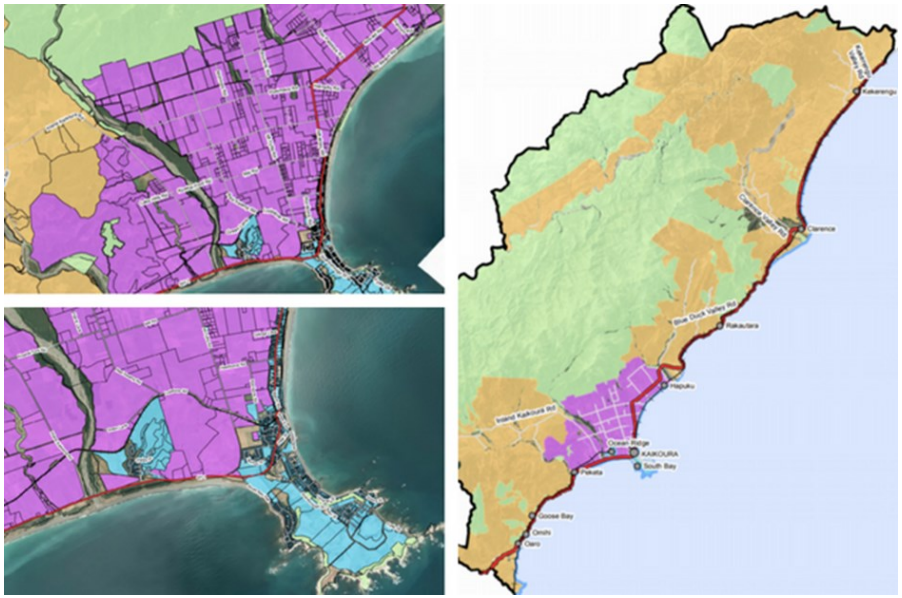
General Rates in this context refers to both the general rate (a rate applying to properties based on their capital value) and the uniform annual general charge (a set dollar amount). General rates are used where benefits flow to the community as a whole, or where individuals or community groups cannot be identified.

The general rate is set on capital value, with a differential of 0.9:1 for rural and semi-rural properties. The objective of the differential rate is to acknowledge that properties outside the Kaikōura township are predominantly farmland with high capital values (in comparison with their urban counterparts) but that their capital value does not necessarily reflect the services they receive or have access to.

Rating areas

The Council considers it appropriate to define rating areas (urban, semi-rural and rural) for the purposes of applying rates, so that it can assess whether there is a different level of benefit accruing to properties based on their proximity to Council services, and apply a rating differential accordingly. These rating areas have no relationship to the size, land use, or value of individual properties within, or outside of, this area.

The rating areas for the Kaikōura District are shown on the following maps.



The above map shows each of the rating areas. The bulk of the District is rural, portrayed in pale orange (pale green areas are Department of Conservation land which is non-rateable). The purple area is the semi-rural area for rating purposes. The semi-rural area extends to the Hapuku River in the north, and to the Kahutara River to the south (thereby including the villages of Hapuku and Peketa). This area also extends inland to the foothills of Mt Fyffe, adjacent to Department of Conservation land.

The pale blue area is the current urban area for rating purposes and includes Ocean Ridge. As the town grows, this area may be extended to incorporate new areas as appropriate to meet the intent of these rates – i.e. in areas where footpaths, streetlights and/or stormwater is developed. The rating boundaries shown in the above maps are approximate, and for indicative purposes only.

Uniform Annual General Charge

The uniform annual general charge (UAGC) is set per separately used or inhabited part of a rating unit (SUIP), for all rateable land within the District. The full definition of the SUIP can be found in the Rating Funding Impact Statement in this Long-Term Plan 2021-2031 and in each subsequent annual plan as these are prepared.

A separately used or inhabited part of a rating unit can be described as:

- Any portion of a rating unit used or inhabited by any person, other than the ratepayer or member of the ratepayer's household, having a right to use or inhabit that portion by virtue of a tenancy, lease, license or other agreement, or
- Any part or parts of a rating unit that is/are used or occupied by the ratepayer for more than one single use.

UAGC lever

Council legitimately utilises the UAGC as a lever to reduce spikes on properties by redistributing a proportion of rates to all ratepayers. This UAGC lever is available for future valuation spikes or changes resulting from large policy reviews.

When Council decides to increase or decrease the UAGC to reduce significant spikes in rates incidence it will review the activities currently in the UAGC and the differentiated general rate on capital value and decide on the most appropriate activity to transfer. This transfer may also occur if, as a result of it's total funding requirements, it would breach the UAGC cap of 30%. This process will occur as part of the LTP and Annual Plan rates setting and modelling each year.

Targeted rates

Targeted rates are used when the Council considers that transparency is important or where the location or method of rating makes the use of a targeted rate more appropriate, more equitable or more transparent. Examples are rates for water and wastewater, whereby only those properties which are connected – or could be connected – are levied these targeted rates. Another example is the roading rate or the district plan rate, where all properties are levied (the same as the general rate), but the revenue collected is ring-fenced in a special reserve and can only be used for their specific purpose.

Commercial revenues

These are a highly preferred source of revenue because it is not a burden on ratepayers. It includes dividends, capital distributions, interest earned, sale of goods or services, lease revenue and logging sales. This type of revenue is evident where an activity is commercially viable, fully self-funding and/or generating its own revenue streams.

User fees & charges

Fees and charges are used for services where there is a direct benefit to an individual. If it is possible to efficiently charge a fee, the Council does so on the basis of either recovering the full cost of the service, the marginal cost added by users, or a rate that the market will pay. The market rate becomes an issue to limit the potential for charging, and applies to circumstances where the Council believes that a charge set too high will reduce use and therefore diminish the value of the facility to the community, such as library book rental fees.

For the purposes of this Revenue & Financing Policy, user fees and charges include infringement fees and fines. These include penalties for late payment of rates, traffic and litter infringements, and fines for dog prosecution and noise control.

Grants & subsidies

Most grants and subsidies are sourced primarily from central government are typically related to specific activities. The main source of these subsidies are from the New Zealand Transport Authority (Waka Kotahi) to subsidise the maintenance, renewal and upgrading of local roads and bridges.

The Council has also been the recipient of significant funds from central government for our earthquake rebuild projects, COVID-19 stimulus packages, and from the Provincial Growth Fund for the Wakatu Quay project.

Other grants include government grants for family violence and youth coordination, funding for responsible camping initiatives, creative arts and sporting grants.

Special funds & reserves

The Council has several activities funded by targeted rates, which means the rates collected are ringfenced and can only be spent on the activity the rate is collected for. As an example, the roading rate can only be used to fund the roading activity – any unspent surpluses cannot be used to fund another activity such as water. Also, as an example, the Council may receive a grant to employ a family violence coordinator. That grant is set aside in a special fund, and the costs of the family violence coordinator are tracked against the grant. Special funds and reserves may accumulate, and as long as they are used for their

specific purpose, it is appropriate to utilise these funds rather than draw on additional funds, especially if that is to come from rates.

Loans

Loans are very appropriate when they are used to fund capital projects, particularly where the asset being upgraded or renewed has a useful life of twenty years or more. The Council also considers that loans may be used to fund operating expenses in certain circumstances, and only where specifically stated by the Council in the Annual Plan for that year. Examples of those specific circumstances would be:

- to fund the operating component of capital projects, such as demolition costs
- to smooth the rates impact where significant costs are incurred in a pattern of peaks and troughs, such as completing a backlog of maintenance in one or two years
- to ease the financial burden on ratepayers following a significant economic event (such as a natural disaster or pandemic)
- to smooth the rates impact where a project is ongoing, but the actual timing of costs is difficult to predict

Development contributions

Under the Local Government Act the Council has the powers to require a contribution from developers to ensure that a fair proportion of the cost of infrastructure needed to serve growth is funded by those who cause the need for that infrastructure (i.e. the developments leading to growth). More information about these contributions is contained in the Council's Development Contributions Policy.

Note that development contributions, although intended to fund capital expenditure, can also be applied to loan principal and interest expense, where the loan has been raised to undertake capital works for which a development contribution has been calculated.

Proceeds from asset sales

Proceeds from asset sales will be used for the repayment of debt or the acquisition of new assets. From time to time, and only by Council resolution, proceeds from sale of assets may be used to offset the rates requirement.

Note for the reader:

The following pages in the Revenue & Financing Policy are designed to be read across the two pages. These pages are an analysis, for each Council Activity, of:

- The Community Outcomes to which the activity relates,
- Who benefits from the activity,
- The period over which the benefits occur,
- The extent to which identifiable groups or individuals contribute to the cost of the activity,
- The costs and benefits of funding from other sources,
- The rationale for funding from other sources,
- The preferred funding sources for operating expenses, and
- The preferred funding sources for capital expenses.

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Roading				
Roads & bridges	• Development • Services • Future	Road users – includes residents of the district, visitors to the district, and freight and passenger vehicles moving through the district. .	Now and into the future over the life of the assets	Development places extra demands on the existing infrastructure, as does heavier traffic resulting from land use such as forestry and dairying.
Footpaths & cycleways	• Services	Footpaths are predominantly in the township, so urban properties have the greatest benefit, but all residents come to town with benefit accruing according to proximity to the township.	Now and into the future over the life of the assets	Development places demands to extend infrastructure, as does increased visitors and expectations for improved access using sustainable transport.
Streetlights	• Environment	Community as a whole, properties in the urban area have the greatest benefit, then semi-rural, then rural properties	Now and into the future over the life of the assets	Development places demands to extend infrastructure.
Water supplies				
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	Rationale	Operational funding sources	Capital funding sources
Roading			
User fees are not practical. Fuel taxes and road user charges are collected by the government and these are allocated to Council by a subsidy through the NZTA	NZTA subsidies are available for the majority of roading work. The current level of subsidy is 51% for operational and capital works, subject to the NZTA approved programme. Overheads, loan servicing costs and some roading works are not eligible for subsidy.	NZTA subsidy (51%) Targeted rate based on capital value without differential Petrol tax levies User fees	NZTA subsidy Targeted rate based on capital value Loans and development contributions
User fees are not practical. Partial subsidies are available for operating and capital work. Loans and development contributions are appropriate for capital work.	Footpath maintenance is eligible for an NZTA subsidy at 51%, but no other costs are eligible for funding.	NZTA subsidy (51%) Targeted rate based on capital value with a differential for urban, semi-rural and rural areas.	
	Streetlight maintenance and electricity costs are eligible for subsidy at 51%	NZTA subsidy (51%) Targeted rate based on capital value with a differential for urban, semi-rural and rural areas.	
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.	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 and Peketa) 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.	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 User fees	Grants and subsidies are used where possible Water reserves will be used where funds have accumulated (restricted to the reserves for each supply as appropriate). Service level upgrades and capacity increases funded by loan and development contributions

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Wastewater				
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.
Stormwater				
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	Rationale	Operational funding sources	Capital funding sources
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. Loans and development contributions are appropriate for capex. Grants are applied for wherever possible.	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.	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.*	Grants and subsidies are used where possible Wastewater reserves will be used where funds have accumulated Service level upgrades and capacity increases funded by loan and development contributions.
Stormwater			
User fees are not practical. Loans and development contributions are appropriate for capex. Special reserves are held to fund capital renewal projects. Grants are applied for wherever possible.	All properties within the urban area benefit from stormwater protecting private property and public or commercial areas from flooding.	Targeted rate based on capital value, applied to all rateable properties within the urban area (including Kaikōura township, South Bay and Ocean Ridge).	Grants and subsidies are used where possible. Stormwater reserves will be used where funds have accumulated. Service level upgrades and capacity increases funded by loan and development contributions.

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Refuse & recycling				
Landfill (and future transfer station)	• Community • Services • Environment	The entire community (commercial, residential and all rural and semi-rural) benefits from having a landfill for the safe and efficient disposal of solid waste	Now and into the future over the life of the landfill	Producers and consumers create the need. Waste disposer creates the need to dispose of solid waste safely and to reduce waste.
Kerbside refuse and/or recycling collection, sorting and disposal	• Services • Environment	Individual households who receive the pickup service benefit. The whole community benefits with the protection of public health. There is a mix of community public good and identifiable parts of the community benefiting through reducing health risks.	Now and into the future	Waste disposer creates the need to dispose of safely and to reduce waste. Properties within the serviced (collection) area benefit from their waste and recycling being picked up from their kerbside. Properties outside that serviced area have access to the community pickup sites to leave their recycling for collection. This is a lower level of service that is reflected in the rates they pay.
Public rubbish bins & recycling stations, including street litter pickups	• Services • Environment	Residents and visitors can deposit their sundry litter (ice-cream wrappers, soda cans and other minor items) into bins that are conveniently located and regularly emptied/cleaned. The whole community benefits from the availability of these bins, it provides for litter to be collected and disposed of rather than dropped in public spaces.	Immediate and short-term	Producers and consumers create the need. Visitors are among the main users of public rubbish bins.

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Refuse & recycling			
Landfill charges are collected by Innovative Waste, the landfill operator.	As the landfill is of benefit across the community the management fee paid to the Innovative Waste to manage the landfill operation is rated for within the Uniform Annual General Charge	Funded from General Rates (UAGC) on a uniform charge basis per SUIP. User fees & charges will be sought wherever this is practical to do so.	Grants and subsidies are used where possible. Capital upgrades and ultimate cell capping will be funded by loan.
All properties within the area where the kerbside refuse service is provided, will be charged. The use of bag (or wheelie bin) to dispose of the refuse or the recyclable material will be charged per use	Residents benefit directly from the removal of refuse and recycling, and hence are charged a fee for the cost of providing the kerbside service. Not all households dispose of the same amount of waste. A per household charge would result in environmentally conscious households subsidising households that don't attempt to reduce their waste. To incentivise reducing and recycling, there should be a high user pays component to rubbish collection. Users benefit directly from the removal of refuse and hence are charged a fee for the collection of their solid waste as and when the service is used.	User fee per disposal. It is proposed that user pays will fund at least 2/3rds of the cost of the collection, sorting and disposal of solid waste. Residual (net cost) funded by targeted rate applied to every rateable property within the service collection area, and a targeted rate on all property outside the serviced area, both on a uniform basis per SUIP	Grants & subsidies will be used where possible. Loans may be considered for building or site improvements. Plant & equipment capital is raised by the operator (IWK).
User fees (such as coin-operated bins) are cost-prohibitive and disincentivise people from using them, which may in turn result in litter being irresponsibly dropped.	There is no viable option for user pays, but visitors pay indirectly if some of the cost is funded by the commercial rate. In addition, many commercial properties create the waste that is being disposed of in these public bins (such as ice-cream wrappers, cans, etc).	Approximately half the cost of this service is funded by the public rubbish bin charge, which is a uniform dollar amount applying to all properties that meet the definition of commercial. The balance is funded by general rate (UAGC).	New bins and other plant/equipment may be funded by grants & subsidies, reserves, MfE levies, loans, or rates.

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities				
Community Halls (Memorial Hall, Scout Hall etc)	• Services • Development • Future • Environment	Widespread community benefit from the use of the hall for various community and private functions and events	Now and into the future over the life of the assets	Community residents
Housing for the elderly, and other residential housing	• Services • Development • Future • Environment	Tenants who meet policy requirements.	Now and into the future over the life of the assets	Low-income elderly, and other social housing needs
Swimming Pool	• Services • Development • Future • Environment	The pool will offer active aquatic recreation to all residents and visitors. Its offers fun, education and social interaction. The elderly and people with mobility issues will benefit from low impact exercise. This will lead to health benefits for all residents. The whole community will benefit from the pool for recreational use, learn to swim and sporting events.	Now and into the future over the life of the assets	All pool users, residents and visitors seeking sport and recreation.
Parks & reserves, walkways, and playgrounds	• Services • Development • Future • Environment	Whole community will benefit from the use of parks and reserves Some mobile shops have established their businesses on open spaces such as coastal reserves.	Indefinitely	All residents and visitors

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Facilities			
Hall hires but this would be unaffordable for users if expectations were to cover all costs.	Hall hire fees are what is deemed affordable for the community and are often waived for charitable events. The operating costs of public halls far exceeds the revenue from hall hires, and so the residual costs are funded from general rate on a uniform basis.	User fees General rates (UAGC)	Loans Grants & subsidies General rates (UAGC)
Housing for the elderly is and other residential housing is intended to be fully self-funding.	Rent is an efficient way to recover costs because the users are easily identifiable. There are legal restrictions around rent increases.	User fees Residual costs funded by General rate based on capital value, with differential for rural and semi-rural	Loans User fees
Swimming pools do not generate sufficient revenue to cover costs, particularly if the community expects the pool to be covered and enclosed, as this incurs significant costs in air-conditioning and dehumidification expenses, plus ongoing maintenance of the structures. The whole community will need to help meet the operating cost for the pool.	The pool is operated and managed by a Trust and the Council has agreed to fund operating costs and capital costs, capped at $70k per annum.	General Rates through the UAGC on a uniform basis	Not applicable funded by Trust. The Council has contributed $1m in capital funding as a grant for the initial construction phase.
User fees are only an option where reserves are leased. These are public amenities with unrestricted use, and therefore the only practical way to fund their maintenance, mowing etc, is by way of rates.	The provision of active and passive parks and open spaces create network, community, and recreational opportunities, as well as cultural, landscape and ecological protection and enhancements.	User fees (leases or licences to occupy) are appropriate for clubs, mobile shops, etc. Residual costs funded by General Rates through the UAGC on a uniform basis	Grants will be sought wherever possible. Loans if major upgrades Development contributions

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities				
Cemetery Maintenance of the land, burial service and record-keeping and enquiries	• Services • Future • Development	Wide community use	Now and in the foreseeable future	Deceased residents
Sports fields (Takahanga Domain and South Bay Domain)	• Services • Future • Development	Sports clubs receive a direct benefit, and the wider community enjoys access to fitness activities, sporting events and the social interactions that sports (and sports clubs) offer.	Now and in the foreseeable future	Sports clubs may demand certain facilities to be provided, and to certain standards to enable their sporting code to be of good quality for members
Public Toilets	• Services • Future • Development	The whole community benefits from having hygienic facilities for people to use (the alternative is abhorrent).	Now and in the foreseeable future	Community, commercial businesses and visitors
West End	• Services • Future • Development	Kaikōura's town centre and the town's original retail hub, the West End includes the carpark and village green. All residents and visitors use the area, and many commercial businesses are based here.	Now and in the foreseeable future	Community, commercial businesses and visitors

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Facilities			
Burial fees cover the cost of interment, but the whole community covers the cost of mowing, maintenance, and the enquiry service for death records. The Council receives a small annual grant from the Retired Services Association to cover the cost of mowing the RSA plot area.	The provision of a cemetery benefits the whole community now and into the future, enabling a quiet space to reflect and pay their respects to those who have passed.	Burial fees and plot reservation fees RSA grants Residual costs funded through general rates (UAGC on a uniform basis)	Loans Reserves for minor renewals
Sports clubs are the main users of sports fields, however there is largely unrestricted access to	Sports clubs are usually not for profit organisations or casual groups, and so are unlikely to afford market leases	Lease Fees Residual costs funded by General Rates through the UAGC on a uniform basis	Loans Reserves for minor renewals
Provision of public toilets for visitors, residents and businesses.	While public toilets are generally perceived to be primarily for visitors (and not ratepayers), these facilities are available for all residents to use when they are out and about.	70% General rate based on capital value, with differential for rural and semi-rural 30% Commercial rate based on capital value	Loans Special funds if available
Revenues are available from users (lease revenue, licences to occupy for outdoor dining and retail display, and carpark fees are collected by way of Pay & Display machines)	User fees are the most preferred funding tool. Targeted rates applied to urban, rural and semi-rural properties has been selected, because the proximity to the township is assumed to roughly align with how residents use the town centre. This rate will fund the residual (net cost).	User fees Town centre rate, based on capital value with a differential applied to urban, rural and semi-rural properties	Loans Town Centre rate Reserves for minor renewals

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities				
Airport	• Services • Future • Development	Operators and users of the airport benefit directly. The whole community benefits from there being good quality economic activity generating from the airport itself.	Maintenance annually, capital work over the life of the asset	The commercial users (including the Aero Club) benefit the most from the provision of airport facilities, along with passing aviators
Harbour activities	• Services • Future • Development	Commercial fishermen and fishing charter operators and ecotourism marine operators benefit directly from using the facility. Itinerant and community-based recreational boat users and fishermen enjoy direct benefits The Coastguard is also based at the South Bay harbour facility, although they maintain their own slipway, etc.	Now and into the foreseeable future	Commercial operators have the most need for this activity, the greatest demand on the level of service, and the greatest impact on wear and tear of the facilities. Use of the facilities by recreational boat owners is trending upwards, and the South Bay harbour is reaching capacity in the summer holiday peak period.
Civic Centre	• Services • Future	This building houses the museum, library, Environment Canterbury and District Council. It is the cultural, educational, and governance hub of the District and is widely used by the whole community and visitors.	Now and into the future	It is appropriate that the tenants of the building pay a lease to cover the cost of building ownership, maintenance and cleaning, etc.

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Facilities			
The activity should be self-funding, if there are shortfalls from leases and landing fees then the general rate would be the last option.	Users benefit directly from the use of the airport. Itinerant users and operators pay for the use of the runway through landing fees. The operators are predominantly commercial (including the Aero Club). It makes sense, therefore, that their commercial operations are not subsidised by ratepayers.	User fees should ideally fund the entire cost of airport operations. Any residual cost will need to be funded by general rate based on capital value.	Minor renewal from the airport reserve Loans for major upgrades
While there is a reasonable amount received in user fees (slipway fees, boat parking fees, leases, and seawall licences), this still falls well short of the cost of providing, maintaining, and upgrading the harbour facilities. The Council is signalling a move to achieve more user pays funding over time.	Commercial operators benefit directly from the use of the harbour, and the harbour facilities are essential for them to conduct their business. To be transparent, separate funding streams are thought appropriate. Commercial businesses generally, benefit from the fact that our marine-based tourism activity is at the heart of our local economy and attracts visitors to the district. The whole community benefits from having access for recreational boating, fishing, etc. Recreational users have a direct benefit from using the harbour, and this is assumed to roughly align with proximity to the harbour.	User fees Commercial revenue Commercial Rate to commercial property based on capital value Harbour rate based on capital value with a differential applied to urban, semi-rural and rural properties	Major capital expenditure is funded by loan Grants and subsidies are used where applicable User fees should be set at a level that also covers renewal expenses although this may take some time to reach this level of cost share.
Because most of the tenants are community organisations the lease that they pay is less than the annual costs for the building.	The Civic Centre is of high community value and community interest; therefore it is appropriate (for transparency) that the net costs (after lease revenues) is funded by a targeted rate.	Commercial revenue Targeted rate applied to the whole district on a uniform basis per SUIP	Loans User fees Targeted rate applied to the whole district on a uniform basis per SUIP

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Facilities				
Other buildings and property	• Services	Lessees/tenants benefit from direct use, but often the affordability of the lessees which are non-profit community organisations cannot fund the full operational costs. Community organisations serve widespread community groups.	Annually	Wide community use and lessee use
Forestry	• Environment • Services	Widespread community benefit. Logging revenues are used to offset rates, generate funds for other developments, or to reinvest in investment activities.	Annually	None
Wakatu Quay (PGF project)	• Future • Development	Whole community and tourists will benefit once constructed. Any commercial operations will benefit directly once construction finalised. Ratepayers will benefit from any return on leased property.	Now and for the foreseeable life of the asset	To be determined once constructed

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Facilities			
Most of the Councils buildings and properties are community facilities e.g. Community Opshop, and the Esplanade building. These buildings are maintained and owned for civic or community purposes, and do not yield market value leases.	Lessee pay a fee but if the use is for a community or civic purpose the fill operational cost may be recovered from general rates.	Lease fees General rate based on capital value, with differential for rural and semi-rural	Loans for major upgrades Grants & subsidies
Forestry revenues in harvesting times generate surpluses. When the forest is replanted there is a cost to be borne for this investment. The overall cash flow over the life of the investment is cash positive. This distribution has been used to offset other operational costs for the ratepayer.	Distribution in times of profit but operational costs funded from the general rate at replanting times.	Commercial revenue (capital distributions and logging sales) Special funds & reserves General rate based on capital value, with differential for rural and semi-rural	
Currently construction is funded through provincial growth fund grant. Extremal investments may be leveraged as the project progresses.	Widespread community benefit	Commercial revenue User fees General rate based on capital value, with differential for rural and semi-rural	Grants & subsidies Loans

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Leadership & governance				
Mayor & Council	• Community • Environment • Future • Development	Widespread community benefit.	Annually	Of widespread community benefit
Chief executive's office	• Community • Environment • Future • Development	Widespread community benefit	Annually	Of widespread community benefit
Communications	• Community	Widespread community benefit	Annual	Stakeholders and focus community groups that we engage with, etc
Support services (customer services, corporate & financial services, works & services, GIS/mapping, IT services, vehicles & plant)	• Community • Future • Development	Widespread community benefit	Annually	None
Building & regulatory				
Statutory planning	• Services • Environment • Future • Development	Consent applicants benefit directly. Public good benefit for assuring subdivisions and land use is granted in accordance with RMA legislation and District Plan rules. The whole community benefits from the district being developed in a planned and orderly manner in harmony with the environment and community aspirations and values.	Over the life of their development to the individual, annually to the community	Resource consents application costs are fully funded by the applicant

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Leadership & governance			
User fees and charges are not appropriate. Election expenses are subsidised by the district health board and Environment Canterbury.	The leadership, strategic direction and decision making accrues to all residents of the Kaikōura district on an equal basis.	Funded through the general rate (UAGC) on a uniform basis per SUIP	None
User fees and charges are not appropriate.	The leadership, strategic direction and decision making accrues to all residents of the Kaikōura district	Funded through the General Rate based on capital value with a differential for rural & semi-rural	None
User fees are not appropriate	We communicate and engage with the whole community	Funded through the General Rate based on capital value with a differential for rural & semi-rural	None
Overhead allocations are used to distribute the net costs of Support Services over the activities supported	The support operations are of benefit across the district and to all activities.	Overheads allocated across all relevant activities	Grants & subsidies Loans Overheads
Building & regulatory			
User fees & charges are appropriate for consent applications Residual costs for public good recovered from the general rate.	The resource consents, LIMS and PIMS are for the direct benefit for specific applicants	User Fees General rate based on capital value, with differential for rural and semi-rural	None

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Building & regulatory				
Building control	• Services • Environment • Future • Development	Applicants for building work benefit directly. Public good benefit for assuring building works carried out in accordance with legislation and building regulations.	Over the life of their building to the individual, annually to the community	Building consents costs are fully funded by the applicant
Traffic control	• Services	The whole community benefits from parking behaviours being enforced, and commercial premises benefit through parking being available for their customers to use. Carpark users benefit directly by having spaces to park so they can access shops, etc.	Annually to the community, immediately to individuals	The commercial sector (retail shops, food premises, etc) benefit the most from provision of car parks and traffic control.
Dog control	• Services	The community benefits through reduced danger, reduced distress, reduced nuisance to the community generally, and education.	Now and into the future	Dog owners create the need for these activities (both registered and unregistered) as work volume is directly proportional to the number of dog owners and/or number of dogs
Stock control	• Services • Environment	The community benefits though effective management and control of wandering stock.	Now and into the future	Farmers and livestock owners create the need for this activity, as work volume is directly proportional to the number of livestock owners and/or number of livestock.

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Building & regulatory			
User fees & charges are appropriate for consent applications Residual costs for public good recovered from the general rate	The building consents are for the direct benefit for specific applicants	User Fees General rate based on capital value, with differential for rural and semi-rural	None
Infringement fees, car parking fees are appropriate for this activity. Residual costs for public good recovered from the general rate with a split between residential and commercial users based on the extent of benefit received.	User fees (including infringement fees) are the most preferred source of revenue, with commercial premises funding around half of the net cost, and general rates funding any residual cost.	Users Fees Commercial rate based on capital value General rate based on capital value with a differential for rural and semi-rural areas	Plant & equipment such as pay & display machines may be funded by loan, commercial rate, overheads and/or special funds
Dog registration fees fund a portion of the dog control activity, and cost recoveries or fines cover costs where corrective actions are required.	There is an expectation that dog control officers are available 24/7 to respond to dog attacks, barking nuisance, and wandering dogs. This comes at a cost and the dog registration fees are not adequate to meet the full cost of this service. There is a strong public-good component to dog control, in that non-dog owners benefit in that the nuisance of dogs wandering, barking, etc is responded to and enforced.	User fees General rate based on capital value, with differential for rural and semi-rural	Plant & equipment such as dog pound may be funded by loan, commercial rate, overheads and/or special funds
Infringement fees and user fees are available where the livestock owner can be identified (in the incidence of wandering stock).	This activity primarily occurs outside of the urban area, as this is where livestock is predominantly kept.	User fees Targeted rate based on capital value, applied to properties in the rural and semi-rural areas	None

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Building & regulatory				
Liquor licensing, food premises and environmental health	• Services • Future	Registered premises benefit mainly from this activity. Public good associated with reducing the social harm from alcohol consumption and ensuring that food premises have safe and hygienic food-handling processes.	Now and into the future	Registered premises create the need for this activity
Responsible (freedom) camping	• Community • Environment • Future • Development	Ambassadorial and education services of benefit to the community in promoting the area and to visitors. Enforcement of non-complying campers protects the environment and is of benefit to the community.	Now and into the future	Freedom campers create the need for this activity, as they choose to stay in areas that are largely unsupervised, un-serviced and uncontrolled.
Other regulatory TA activities (BWOF's, swimming pool inspections, etc)	• Services •	This activity includes a myriad of regulatory functions which are of benefit to the applicants (residential and commercial) can be assured that buildings and facilities meet statutory requirements	Now and into the future	Residential and commercial ratepayers and users of facilities

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Building & regulatory			
Many user fees are set by legislation, and for these there is no opportunity to increase fees or source alternate funds.	User fees are the preferred source of funds, with a targeted rate applying to registered premises to meet most of the funding shortfall. A general rate component is appropriate for a portion of the cost, in recognition that the wider community benefits from the safe and responsible sale of food and alcohol.	User fees Targeted rate applied on a uniform basis to registered premises per licence Residual costs funded by general rate (UAGC)	None
Currently the services are funded by grants from central government (the Tourism Infrastructure Fund), with the residual component from general rates	Infringement fees are appropriate for those not complying with bylaw Grants will be applied for wherever these are available Local authorities are required by law to provide areas for responsible camping without charge, so user fees are not an option	Infringement fees Grants & subsidies General rate based on capital value, with differential for rural and semi-rural	None
Community benefits that buildings and facilities are of appropriate standard is funded from general rates. Direct beneficiaries fund costs that they create. Infringement fees for owners who do not comply	Appropriate to fund general good benefits (safety) from general rate Commercial rate for individual or applicants that benefit directly. Infringements fees for property owners of non-compliant buildings and facilities.	Fees and charges, with the net cost funded by General rate based on capital value, with differential for rural and semi-rural, and Commercial rate also based on capital value	None

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Community & customer services				
Emergency management	• Future	The ability to prepare for, respond to, and recover from an emergency event is entirely a benefit to the whole community.	Now and into the future	The whole community, people and property, create the need for this activity
Community development	• Community	Widespread community benefit.	Now and into the future	None
Library services	• Community	Library users benefit directly from this service. Widespread community benefit for literacy, education, and community services.	Now and into the future	Library users create the need for this activity.
Social services (Family Violence, Youth Support, etc)	• Community • Future	The community groups (e.g. youth) and individuals supported receive a direct benefit, and there is a widespread community benefit through social wellbeing	Now and into the future	The extent to which support is required from these community groups and individuals has a direct impact on the level of service provided
Community grants and events	• Community • Future	Grant recipients benefit directly. Widespread community benefit, including to commercial businesses who benefit from visitors attracted to these events	Immediate and annually	Not-for-profit groups, clubs and individuals create the need for grants distribution. There is a socio-economic need for community events

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Community & customer services			
Subsidies are available from time to time, for limited resources such as radios or specific training.	Emergency management is focussed on the protection of people (rather than property) as its top priority, and therefore it is appropriate that every household and business contribute to the cost on an equal basis.	Grants & subsidies General rates on a uniform basis (UAGC)	
The cost of providing library resources and activities far exceed the revenue generated from book rentals.	Libraries are a community service; therefore it is appropriate that the net cost of the library is funded by rates. To mitigate the rates burden, user fees and grants will be accessed where these are available and appropriate	User fees Grants & subsidies General rates on a uniform basis (UAGC)	
Grants and subsidies from external sources are sought wherever possible.	Benefit across the District means it is appropriate for funding within general rates.	Grants & subsidies where applicable General rate based on capital value with differential for rural and semi-rural	None
Grants & donations subsidies are sought wherever possible.	Widespread community benefit makes it appropriate for general rate funding if grants and subsidies are not available. Currently fully funded through grants and subsidies.	Grants & subsidies General rate based on capital value, with differential for rural and semi-rural	None
Grants & subsidies are sought wherever possible and redistributed through this activity.	Where feasible the activity is funded by a specific grant or subsidy. Community as a whole benefits from clubs and voluntary organisations being adequately funded and so it is appropriate it is funded from the general rate. The i-site annual grant is funded from the commercial rate because the i-site benefits the commercial sector	Grants & subsidies where applicable General rate based on capital value, with differential for rural and semi-rural Commercial rate based on capital value	None

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
District development				
District planning	• Community • Environment • Future • Development	The whole community benefits from the district being developed in a planned and orderly manner in harmony with the environment and community aspirations and values	Now and into the future	Developers benefit from, and also cause the need for, district planning.
Environmental planning	• Environment • Future • Development	Widespread community benefit, including to residents and visitors	Now and into the future	Individual landowners may benefit or create the need for this activity, where they have areas of biodiversity interest on their land
Tourism & marketing	• Future • Development	Commercial businesses and accommodation providers benefit from this activity	Annually	Local businesses benefit from their product being marketing locally and internationally, and from the increased visitor numbers
Economic development	• Future • Development	Commercial businesses benefit from this activity, and the whole community benefits from growth and diversity in business creating employment and local economic base	Now and into the future	Local businesses benefit from increased visitor numbers, and individuals benefit from having employment and higher incomes
Bylaws & other planning	• Development • Environment • Future	Whole community benefits from Council bylaws and policies, also important to attract new residents and/or business	Life of policy or bylaw (three to ten years)	Community as a whole

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
District development			
Cost recoveries are appropriate where plan changes are initiated by developers.	District planning is more aligned to the use of property, and so it is appropriate that the cost be recovered by rates without differential across every property in the district.	Targeted rate applied to every rateable property in the district	
External funding is sought wherever possible, however grants and subsidies are usually tagged for a specific project rather than for planning resources	General rates funding is considered most appropriate as the benefit aligns with property	Grants & subsidies General rate based on capital value with a differential for rural and semi-rural areas	None
Grants & subsidies are sought wherever possible	Commercial premises and accommodation providers are the predominant beneficiaries of tourism and marketing activity	Targeted rate applied to commercial property based on capital value, and/or a targeted rate applied to smaller accommodation properties based on a uniform charge	None
Grants and subsidies are sought where possible	Mainly to be funded by targeted rate for commercial business, but individuals benefit from employment and economic development, therefore general rate is appropriate for wider economic benefits (generally a 60:40 split).	Commercial rate based on capital value General rate based on capital value with a differential for rural and semi-rural areas	None
No option for user pays as this is a Council-driven activity	Council bylaws and policies are developed to make rules that protect the whole community and properties	General rate based on capital value, with differential for rural and semi-rural	None

Significant activity	Community Outcome this activity contributes to	Who benefits from this activity	Period over which benefits occur	Extent of identifiable groups or individuals contributing to costs
Other activities				
Earthquake Event	• Future • Development • Environment	Widespread community benefit for recovery and response.	Now and into the foreseeable future	The benefit (and cost) of rebuild and recovery accrues to all residents of the Kaikōura district.

Costs & benefits of funding from other sources	Rationale	Operational funding sources	Capital funding sources
Other activities			
Central government funding is available for welfare costs, plus a significant portion of rebuild. Material damage insurance and Local Authority Protection Programme (LAPP) covers up to 40% of the cost of damaged water and sewer networks. NZTA subsidies are also available for damage to roads and bridges. The Kaikōura District has net costs from the 2016 earthquake and continues to repay the loans associated with that event.	External funds are available and will be sought in any future events. The loan servicing costs require ongoing funding, and the Council considers it is necessary to build a resilience fund due to the possibility of future events.	Grants & subsidies Targeted rate applied as appropriate for each of roading, specific water supply, sewerage scheme and/or stormwater where these costs are identifiable. Targeted rate applied to all rateable property based on capital value (earthquake rate) to fund loan servicing costs and other net losses of events. Targeted rate applied to all rateable property on a uniform basis (earthquake levy) to offset the earthquake rate and to build up a resilience fund over time.	Grants & subsidies Insurance settlements/advances Targeted rates General rates

Summary of the Significance & Engagement Policy

Policy status:	Adopted
Review due:	30 June 2024
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

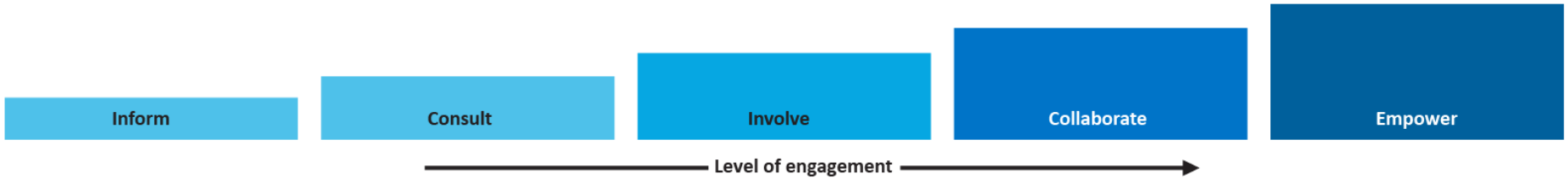
The Council is required to consult with our community in respect of a proposal to transfer ownership or control of any asset it has identified as a strategic asset.

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
- Kaikōura Enhancement Trust
- 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/

Liability Management Policy

Policy status:	Adopted
Review due:	30 June 2024
Legal reference:	Local Government Act 2002 Section 102(2)(b) and 104

Objective

The Council's treasury liabilities are managed prudently and effectively.

Current Liabilities

Current Liabilities are those liabilities that will be repaid within 12 months, and include accounts payable, borrowings due to mature within 12 months, and other short-term liabilities. For the purposes of this section of the policy, the current portion of borrowings 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

Term Liabilities are those liabilities which are for a term exceeding 12 months, and include Council borrowings, and liabilities associated with the Marlborough Regional Forestry joint venture.

Instruments or methods to raise debt

The following funding instruments and methods may be used by Council to raise external debt:

a) Committed bank facilities.
b) Uncommitted bank facilities.
c) Local Authority Bonds.
d) Medium Term Notes.
e) Instruments and facilities made available by the Local Government Funding Agency (LGFA) from time to time.

Interest rate risk management (credit exposure)

The interest rate exposure table below is the Council's guideline for interest rate exposure. This table does not incorporate the liabilities associated with the Marlborough Regional Forestry joint venture, as these are managed separately by that joint venture.

Fixed rate hedging banks		
	Minimum fixed rate	Maximum fixed rate
0 to 2 years	40%	100%
2 to 4 years	20%	80%
4 to 10 years	0%	60%

Authorised Interest Rate Risk Management Instruments

Council may use the following interest rate risk management instruments to manage externally sourced debt:

a) Interest rate swaps
b) Forward rate agreements
c) Interest rate options
d) Swaptions (options on swaps)
e) Fixed term bonds
f) Interest rate collar strategy (1:1 collars only)

Management of Credit Risks

All bank borrowing and interest rate hedging transactions must be undertaken 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 equivalents).

The Council will satisfy itself in all its borrowing transactions that counterparties are financially adequate, have an appropriate industry standing, and have an appropriate track record to give the Council reasonable certainty that obligations under concluded contracts will be performed.

Liquidity

The liquidity ratio is the total current assets that can quickly be converted to cash - cash, debtors, and pre-approved Committed Cash Advance Facilities (CCAF), divided by the current liabilities that need to be paid. The Council's policy is to maintain a liquidity ratio of a minimum of 1.1:1 at all times, (which means $1.10 is available for every $1.00 payable).

Note: Council's unused Committed loan facilities are to be considered as a liquid and current asset.

Internal borrowing

The Council uses its reserves and external borrowing to internally fund both 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 arrangements will not be subject to the Interest Rate Exposure clause of this Policy.

Debt repayment

Reserve funds are set aside to repay the loan on maturity or when conditions are favourable to do so (whichever is the earliest).

Borrowing limits

As per the Council's Financial Strategy, the Council has set the following limits on its level of debt:

1) External borrowing will not exceed $15 million
2) Gross interest expense will not exceed 10% of total revenues

Security

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

Any borrowing from LGFA will have the benefit of security stock (and therefore the charge over rates and rates revenue).

When arranging funding facilities from lenders other than LGFA, the Council will prefer unsecured facilities unless a cost benefit accrues from offering security.

Where security is to be provided, the Council's preference will be to offer security for borrowings over rates and rates revenue by issuing security stock. Finance leases for such assets as office equipment, information technology, and vehicles may be entered into provided that the interest rates are commercially advantageous.

New Zealand Local Government Funding Agency Limited (LGFA)

Despite anything earlier in this Liability Management Policy, the Council may borrow from LGFA. In connection with that borrowing, the Council may enter into the following related transactions to the extent it considers necessary or desirable:

a) Contribute a portion of its borrowing back to the LGFA as subordinate debt that could, in limited circumstances, be converted to equity if required by LGFA; and
b) Secure its borrowings from LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over Council's rates and rates revenue.

Investment Policy

Policy status:	Adopted
Review due:	30 June 2024
Legal reference:	Local Government Act 2002 Section 102(2)(c) and 105

Objectives

Ensure that the Council's investments are managed prudently and effectively, thereby 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.

Mix of investments

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 practicable.

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

a) Treasury Investments
b) Property Investments
c) Forestry Investments
d) Equity Investments

Local Government Funding Agency (LGFA)

The Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA). Under the LGFA borrowing programme, Council is required by LGFA to hold borrower notes. These borrower notes are subordinated debt instruments that are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority. 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.

Acquisition of new investments

All proposed acquisition of new investments decisions are 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.

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:

a) the source and criteria attached to the initial investment sum, or the criteria attached to the fund from which the investment fund came, or
b) in accordance with any resolution of the Council, or
c) 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.

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.

Management and reporting

A report will be prepared quarterly on the Council's investment portfolio. Such a report will include:

a) the value and mix of investments
b) any changes to the mix and value from the previous report
c) terms and interest rates on treasury investment
d) net rental yields of property investments
e) earnings per share of equity investments
f) return on investment on each investment type
g) comparisons of actual returns versus budgeted returns

The day-to-day management of the Council's investment portfolio and all treasury investments will be made by the Senior Manager Corporate Services and/or the Finance Manager and records held to support these investments and any transactions. These reports will be held by the Finance Manager.

The authority to open new bank accounts shall be made by the Chief Executive Officer, and at least two members of the Leadership Team (Senior Managers and third tier Managers) shall be required to sign cheques or authorise electronic payments associated with the investment.

Assessment and management of risks associated with investments

The Council minimises its exposure to risk by:

a) maintaining a borrowing facility that exceeds actual forecast borrowing needs by at least $2 million; and
b) encouraging diversification of the type of investments held; and
c) limiting its treasury investments to those 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 equivalents).

Development Contributions Policy

Policy status:	Adopted
Review due:	30 June 2024
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 is now in the midst of the COVID-19 pandemic with international border restrictions and alert level lockdowns.

Notwithstanding these negative factors, the rebuild projects following the 2016 earthquake have resulted in almost all of our aging infrastructure having been replaced or renewed, so our water supplies and wastewater systems have capacity to serve a community much larger than currently required. Therefore, there are no planned capital projects in the life of the Long-Term Plan 2021-2031 that can be fully attributed to the demands of growth. The only remaining projects that are to be partially funded from development contributions are past projects still funded by loan, plus a very small portion of future footpath and active travel projects.

This revised policy for the years commencing 1 July 2021 therefore has a very conservative and realistic outlook in terms of how much upgrading of existing, or constructing new, assets is actually required to meet the demands of growth, in the ten years to 2031.

1.2. Enabling legislation and supporting 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 2021-2031. 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)
- Grants paid out for biodiversity projects (the "Biodiversity Fund")
- 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 much 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
Roads	Whole of district
Footpaths	The Kaikōura township including Ocean Ridge
Kaikōura Urban water	Kaikōura township (connected to, or able to connect to, the Kaikōura urban water supply)
Kaikōura Suburban water	Kaikōura suburban area (connected to, or able to connect to, the Kaikōura urban water supply)
Kincaid water	Kincaid area (connected to, or able to connect to, the Kincaid rural water supply)
Fernleigh water	Fernleigh area (connected to, or able to connect to, the Fernleigh rural water supply)
East Coast water	East Coast area (connected to, or able to connect to, the East Coast rural water supply)
Peketa water	Peketa village (connected to, or able to connect to, the Peketa rural water supply)
Wastewater	Kaikōura township including Ocean Ridge
Stormwater	Kaikōura township including Ocean Ridge
Community Infrastructure	Whole of district
Parks & Reserves	Whole of district

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 4.5 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.

The following activities will be assessed using HEUs as the basis for calculation;

- Roading
- footpaths
- water – Kaikōura Urban, Ocean Ridge, Peketa and Oaro
- 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 to a service (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 4.5 people, then each person is equivalent to 22% of a household unit, and so the conversion factor for visitor accommodation would be 0.22. For example, the HEU arising from visitor accommodation catering for a maximum of 200 people would be 44 HEUs.

This is based on 100% occupancy which is generally never achieved. This policy recognises that 100% occupancy is not appropriate and has assumed a 75% occupancy rate instead. This means the HEU conversion factor is 0.165 for visitor accommodation (75% of 0.22).

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	Commercial	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
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

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 urban 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 5 and 6 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 12 and 13 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)

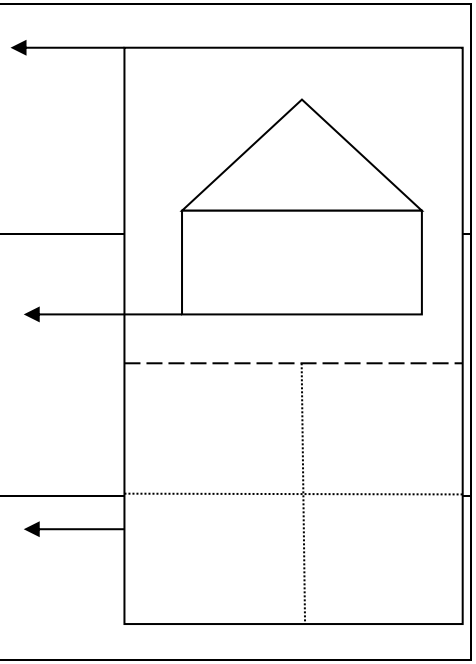
Existing title The title before subdivision Residential: full historic credit Non-residential: Section 3.5.2 Steps 1-5	
Residual title Existing title minus any additional titles created as a result of subdivision Residential: no DC payable Non-residential: Section 3.5.2 Steps 1-2 and Steps 6-9	
New title(s) 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

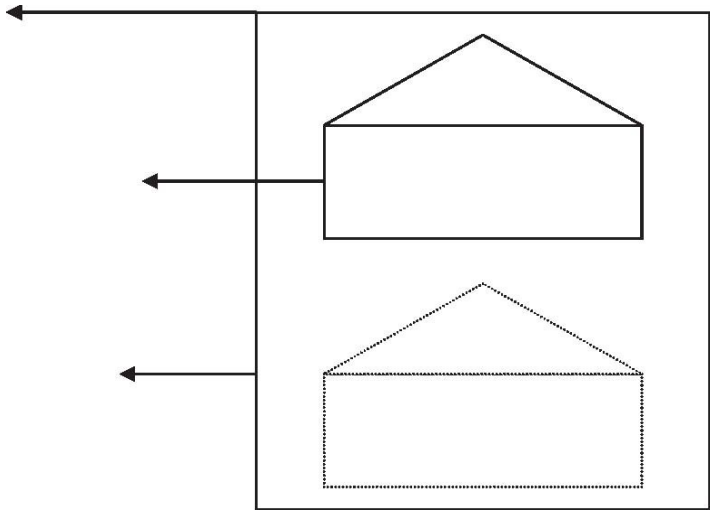


Diagram 3: Development of a non-residential site - no subdivision

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

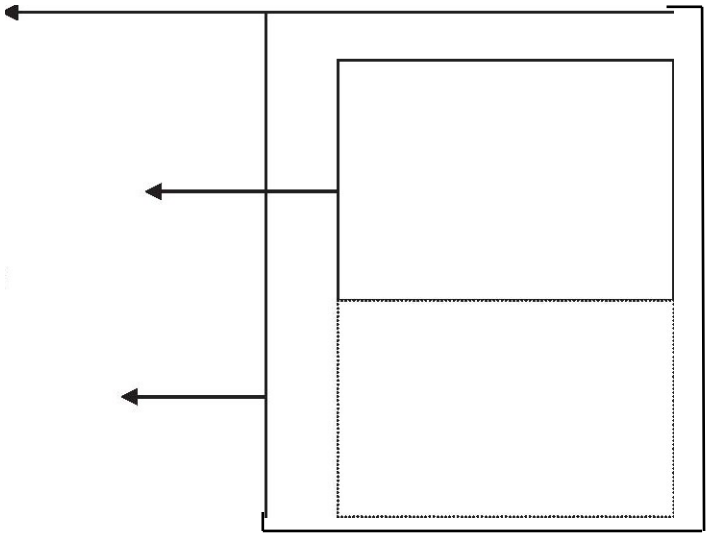
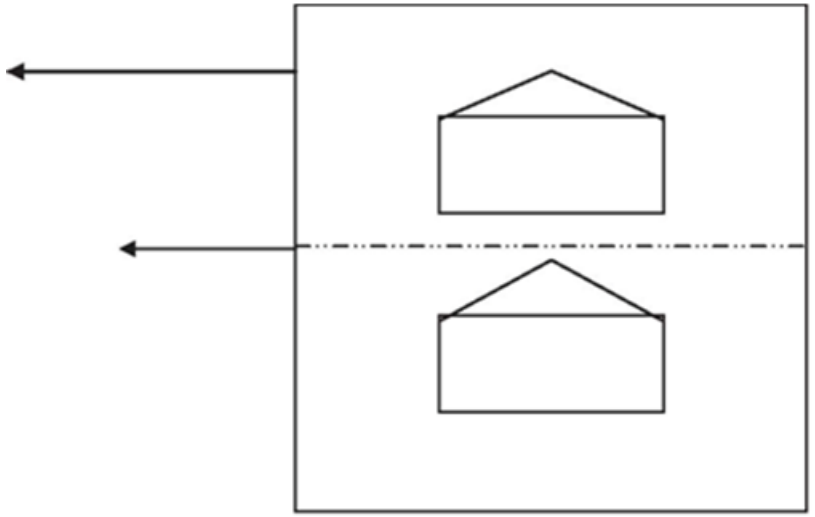


Diagram 4: Residential subdivision of land where there is more than one existing dwelling on the residual title.

Where there are 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 objectors 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 7 of schedule are exclusive of 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 2021 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 2021 to 2031, 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 2022-2031, 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 0.165.

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 (excl. GST)

Table 1: Roading and footpaths

Category	Area	Development Contribution
Road assets and bridges	District wide	$Nil
Footpaths	Kaikōura urban area	$615.64 per HEU $102.61 per person[7]

Table 2: Water and wastewater

Area and/or connection	Water Contribution	Wastewater Contribution
Kaikōura urban water supply	$998.59 per HEU $166.43 per person[2]	$1,529.42 per HEU $254.90 per person[2]
Kaikōura suburban water	$998.59 per HEU $166.43 per person[2]	
Ocean Ridge supply	Refer to separate developer agreement once the original 260 allotments are exceeded.	
Kincaid scheme	$1,200 per HEU $200 per person[2]	
Fernleigh scheme	$Nil	
East Coast scheme	$1,506.55 per HEU $251.10 per person[2]	
Peketa & Oaro schemes	$Nil	

Table 3: Stormwater

Area	Development Contribution
Kaikōura township and South Bay, but not including Ocean Ridge	$450.58 per HEU $75.10 per person[2]

Table 4: Community infrastructure

Contributing Category	Development Contribution per HEU
Residential	$Nil per HEU
Rural Residential	$Nil per HEU
Rural	$Nil
Visitor accommodation	$Nil per person

The amount required from development contributions to fund Community Infrastructure projects has been fully recovered. No further projects meet the definition of Community Infrastructure in the 2014 amendments to the Local Government Act (2002).

Table 5: Reserves

Contributing Category	Development Contributions % of Land Value
Residential	2.5%
Rural	0.5%
Rural Residential	1%

[7] Per person contributions apply to residential housing of less than 1 HEU and/or visitor accommodation.

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	Roading	-	-
3	Footpaths	615.64	1,846.92
3	Kaikōura urban water	998.59	2,995.77
3	Wastewater	1,529.42	4,588.26
3	Stormwater	450.58	1,351.74
3	Community Infrastructure	-	-
	Subtotal (excluding GST)	3,594.23	10,782.69
	GST	539.13	1,617.40
	Subtotal (including GST)	4,133.36	12,400.09
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)	8,633.36	25,900.09

Example 2 – Residential (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 section: **2,500m^2**

Valuation of land: **$216.00m^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 being accommodated (discounted to a 75% occupancy).

In this instance there are 50 people able to be accommodated, divided by 4.5 people per housing unit, equals 11 housing units. The parks & reserves contribution is calculated as the value equivalent to 20m2 per housing unit and discounted to 75% occupancy.

Number of people to be accommodated	Activity/Service	Contribution per person $	Total contributions $
50	Roading	-	-
50	Footpaths	102.61	5,130.50
50	Kaikōura urban water	166.43	8,321.50
50	Wastewater	254.90	12,745.00
50	Stormwater	75.10	3,755.00
50	Comm. infrastructure	-	-
	Subtotal (excluding GST)	599.04	29,952.00
	GST	89.86	4,492.80
	Subtotal (including GST)	688.90	34,444.80
20m^2 x $216m^2 x 11 HEU x 75%	Parks & reserves using LGA S203(1)(b)	712.80	35,640.00
	TOTAL (including GST)	1,401.70	70,084.80

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.

Notes

- Year will be end year, i.e. 2021/2022 will be stated as 2022.
- 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 1itres/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: Kaikōura district growth

Population growth in the Kaikōura district is expected to remain fairly static for the next ten years, with only an average of 10 new HEU created per annum, mainly within the Kaikōura urban area or within two kilometres of the urban boundary.

Residential development

There are currently very few subdivisions going through the resource consent process, and the demand for new sections appears to be well met by the number of sections already available within the district. Consequently, the LTP is only anticipating that 100 new titles will be created during the 2021-2031 period. Some higher density residential accommodation (apartments and affordable housing) may begin to emerge.

Visitor accommodation

The Sudima Hotel currently under construction may meet foreseeable demand for visitor accommodation, with perhaps only small boutique B&Bs emerging in the short- to medium-term. Growth projections for visitors are difficult to rely upon, particularly with the impact of COVID-19 on international visitor numbers.

Commercial development

The Wakatu Quay development is a Provincial Growth Funded project, which will not be subject to contributions because it is Council-owned (the Council would need to increase rates to pay itself the cost of the contributions, which is counter-productive). At this stage, no major commercial developments are anticipated other than rebuilding earthquake-damaged business premises (Sonic Café, Adelphi Hotel site, and New Commercial Hotel site for example).

Industrial development

The Council is in discussion with a developer interested in creating a new light industrial zone to the south of the Kowhai River. Should that industrial zone go ahead, it is conceivable that the Kaikōura urban area – particularly the Beach Road business zone – is significantly affected by existing light industries moving to the new zone. This could in turn free up the Beach Road area to more retail and commercial space, or visitor accommodation. At this juncture, the industrial zone is in discussion and will still be subject to the resource consent process. No assumptions have been made that would impact this development contributions policy.

Appendix F: 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 match the distribution of benefits most equitably 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.

	Year	Estimated cost	Funding Sources	
			Grants, subsidies & other	Development contributions
Footpaths				
Footpaths and active travel	2022-2031	900,000	97%	3%
Water services				
Kaikōura urban reservoirs and water source	2012-2014	119,831	20%	80%
Kincaid reservoirs, treatment and pipelines	2006-2013	361,933	30%	70%
East Coast pumps, switch board and pipelines	2010	37,961	90%	10%
Wastewater				
New pump stations	2014	367,061	50%	50%
Stormwater				
Increased capacity	2011	180,233	70%	30%
Community infrastructure				
No growth-related project	-	-	-	-
Parks & reserves				
Reserves projects are only undertaken as funds are available.				

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	means land, or development assets on land, owned or controlled by the Council for the purpose of providing public amenities, and includes land that the Council acquires for that purpose.
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 (4.5 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 (2022) and ending in year 10 (2031).
Past growth	Relates to the growth capacity and cost that has been provided by past expenditure.
Past expenditure	Relates to actual costs incurred in past years – including the 2021 year. 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.)
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 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 Maori 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 ratepayers control, such as;

    a. Where the rates invoice was issued in the name of a previous property owner and/or to the previous owners 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.

    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 Maori freehold land

Objectives

To ensure the fair and reasonable collection of rates from all sectors of the community, recognising that certain Maori freehold land has conditions, features or other circumstances which may make rates remission appropriate.

Specific conditions & criteria

Maori 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 Maori Land Court. Only land that is subject of such an order 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

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 provide for the postponement of rates.

Policy on Postponement of rates for Maori freehold land

The Council has considered its obligations under section 108 and the matters relating to rates relief on Maori 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 Maori freehold land.

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 its subsidiary, the Kaikōura Enhancement Trust, a charitable Trust controlled by the Council. That Trust in turn owns 100% of Innovative Waste Kaikōura Ltd. The Council has an 11.5% interest in the Marlborough Regional Forestry joint venture with the Marlborough District Council holding the 88.5% shareholding.

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 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 28 July 2021.

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, on the basis that the Kaikōura District Council have expenses of more than $2 million and less than $30 million, and is not publicly accountable. 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 as 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 ventures

A joint venture 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 venture.

Of the Council's interest in the Marlborough Regional Forestry joint venture, 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 is measured at the fair value of consideration received.

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 bequests

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

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).

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).

Vested Assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

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

The revenue recognition point for development and financial contributions is at the later of the point when the Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Borrowing Costs

The Council has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when 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 ventures, 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 debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Derivative financial instruments and hedge accounting

The Council does not engage in the use of derivative financial instruments and hedging activities.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

a) Fair value at fair value through surplus or deficit
b) Loans and receivables
c) Held to maturity investments
d) Fair value through other comprehensive revenue

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through profit and loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset.

The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

The Council does not hold any financial assets in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

The Council's loans and receivables comprise debtors and other receivables, community and related party loans. Loans and receivables are classified as "debtors and other receivables" in the statement of financial position.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

The Council's investments in this category include bank term deposits.

Fair value through other comprehensive revenue

Financial assets at fair value through other comprehensive revenue are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date.

The Council includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity
- Shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue is reclassified from equity to the surplus or deficit.

Impairment of Financial Assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables

Impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For debtors and other receivables, the carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock, and community loans, are recognised directly against the instruments carrying amount.

Financial assets at fair value through other comprehensive revenue

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for the investments at fair value through other comprehensive revenue, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognized in other comprehensive revenue is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

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.

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 2019 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 1 July 2020 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	50	2%
Buildings – Services	15 - 33	From 3% to 6.67%
Buildings – Internal Fit out	4 - 33	From 6.67% to 25%
Harbour Seawall & Wharf	30 – 50	From 2.0% to 3.45%
Computer Equipment	5	20%
Plant, Vehicles and Machinery	5 - 50	From 2% to 20%
Library books	12	8%
Library non-books	5	20%
Park Furniture & Other Assets	8 – 50	From 2% to 12.5%
Artwork		Not Depreciated

Infrastructural Assets	Estimated life (years)	Rate (Rounded)
Roading		
Road formation and base course		Not Depreciated
Bridges	50	1.93%
Sealed Top Layer	7	15.46%
Kerb and Channels	50	2.72%
Drainage	50	1.73%
Traffic Facilities	4	20.2%
Seawalls	50	2.09%
Footpaths – Structure		Not Depreciated
Footpaths – Surface	25	5.39%
Street Lighting	17	5.79%
Sewerage		
Equipment & Oxidation Ponds	50	From 0.28% to 5.03%
Pump Stations	17 - 100	From 2.51% to 6.67%
Catchment Mains & Reticulation	25 – 77	From 1.13% to 2.71%
Water		
Pump Stations	12 – 25	From 4.22% to 7.74%
Pipes & Reticulation	7 – 99	From 1.19% to 13.14%
Stormwater		
Catchment Mains & Reticulation	70 – 99	From 1% to 1.42%
Structures	19 – 75	From 5.26% to 1.33%

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 venture, 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 2020, by Forme Consulting Group for the joint venture, 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

Emissions Trading Scheme (ETS) – Marlborough Regional Forestry

Marlborough Regional Forestry (MRF) (in which the Council holds a share as a joint venture) is a participant in the ETS with regard to both its significant holdings of "pre-1990" forests and currently minor holdings of "post 1989" forests.

Pre-1990 emission units (NZU's) received under the ETS Allocation Plan are recognised at cost and subsequently measured at cost subject to impairment. It is not anticipated that MRF will have any future liabilities or obligations with regard to its pre-1990 forests.

Post 1989 NZU's received for carbon stored are recognised at cost and subsequently measured at cost subject to impairment. Where there is an obligation to return units when carbon is lost the expense and liability are recognised and are measured at the carrying value of units on hand plus the fair value of any additional units required. If operations proceed as planned there will always be post 1989 units on hand in excess of any liability.

Any future cash flows associated with units receivable/payable will be taken into consideration in determining the valuation of the forest estate.

Emissions Trading Scheme (ETS) – Council Forestry

In addition to its share of forestry in MRF, the Council owns forestry assets. However, the small forest at South Bay does not meet the minimum criteria to enter the scheme.

Emissions Trading Scheme (ETS) – Council Landfill

The Council's landfill entered the ETS from 1 January 2013. The Council does not hold carbon credits, instead purchasing carbon credits when required to meet its immediate obligations arising from landfill emissions.

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 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.

The value in use for cash-generating assets is the present value of expected future cash flows.

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.

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 reserves and special funds

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.

Standards issued but not yet effective

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments was issued in March 2019. The standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Council has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022 following consultation that has been initiated by the External Reporting Board. The Council believes the application of PBE FRS 48 will not have any significant impact on its statement of performance as the Council has well established service performance reporting processes.

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 next financial year are discussed below:

Landfill aftercare provision

The Council estimates the current Scarborough Street landfill will reach the end of its useful life in 2024, and plans to reconfigure the space as a transfer station. The landfill will be capped in that same year, and all aftercare will be undertaken as part of the transfer station site operations.

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 2021-2031:

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.

Prior year comparisons

Where financial statements include a comparison for the prior year (2020/2021) 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.