



Mackenzie District Council

Tourism, Economic Development & Commercial Activities

Activity Management Plan

2021–2031

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1. INTRODUCTION

The purpose of this Activity Management Plan is to outline the Council's approach to managing its Tourism, Economic Development and Commercial Activities over the period 2021-2031.

In summary, our Tourism and Economic Development activities include:

- Promotion of the Mackenzie District as a premier NZ tourism destination;
- Economic development services, including business support, training and promotion of educational opportunities;
- Alps 2 Ocean Cycle Trail tourism business and operations.¹

Our commercial activities include:

- Cash and equity investments;
- Forestry investments;
- Real estate;
- Rental properties;
- Pukaki Airport.

2. KEY ISSUES FOR TOURISM & ECONOMIC DEVELOPMENT

Tourism represents a significant part of the District's economy, which is currently under pressure due to border closure. International tourism has been the most affected. Therefore the District needs a clear direction for the socio-economic recovery and economic reset.

Council's new Mackenzie District Economic Development (MD|ED) strategy 2021-2025 is the culmination of an orchestrated effort by the Council, business community and various stakeholders. The MD|ED Strategy provides guidance and identifies grouped projects for an MD|ED Action Plan, both hard and virtual infrastructure projects and opportunities for new inward private sector investment.

Tourism and events: The focus is on smart and sustainable solutions which are a perfect fit for our unique natural environment, which will include events such as the new Matariki Festival.

The role of technological innovation and environmental stewardship is also an important part of this effort.

The framework for Mackenzie District's access to prosperity under consideration consists of the following:

1. Setting sensible aspirational goals for the District's economy into the future; while addressing a contemporary Covid19 introduced economic challenges;
2. Provide guidance and direction to Council for decisions – focusing on incentivization of new, strategic infrastructure, required to make new projects a reality;
3. Assist and co-ordinate relevant local, regional and national ED stakeholders to define a workable MD|ED Action Plan for inclusive, environmentally sound and socially just future community prosperity.
4. Council has the opportunity to reduce the cost of tourism infrastructure on the ratepayer by better commercialising and monetising of its assets.

¹ In conjunction with Waitaki District Council.

5. Council can also influence the look and feel of the three towns Central Business Districts by holding or expanding land and building assets.

Councils Te Manihuna Land Strategy aligns with the 30-year infrastructure strategy which informs the Long-Term Plan and Asset Management Plans, noting some plans whilst referenced in the strategy will not be finalised until the end of 2021.

Along with the provision of infrastructure for the community, Management Plans will be developed to provide a foundation for future revenue generation for the following;

1. Land and Commerce
2. Land and Pukaki Airport
3. Land and Forestry
4. Land and Investment

3. ACTIVITY DESCRIPTION

3.1 What We Do

3.1.1 Tourism and Economic Development

Tourism has been one of the foundation economic strengths of Mackenzie making a strong contribution to a strong economy and supported by several other sectors. Our tourism and economic development activities ensure that we maintain and grow the district's inclusive prosperity for the benefit of all. These activities can be grouped in the following areas:

- Growth: Encouraging the right kind of environmentally conscious visitors
- Management: Ensuring visitor assets and amenities are looked after
- Development: Creating a broad resilient Covid19 proof economy across the district

This Ten Year Plan is being prepared against a background of international economic turmoil unprecedented in the lives of most New Zealanders. How this international environment will affect the Mackenzie economy is as yet unclear. However, it is unlikely that the tactical responses that have served us well over the last three years will be as effective, or indeed valid, in the future. Flexibility in response to changing circumstances is critical.

Council support tourism and economic development by contracting other specialist organisations such as ChristchurchNZ to deliver a range of services and activities. The contracted organisations report back to Council committees, whose role it is to monitor the performance of the organisations when carrying out their delegated functions.

Promotion of the Mackenzie District as a tourist destination:

Tourism is a crucial industry for the Mackenzie District, which is why we view supporting the attraction of national and international visitors to the district as a core activity. Council provides this support through a contract with ChristchurchNZ (formerly Christchurch and Canterbury Tourism), who actively promote the district and report to us on current and forecasted tourism activity and trends.

Alps 2 Ocean Cycle Trail:

We also support tourism in the Mackenzie District through the maintenance and promotion of the Alps 2 Ocean Cycle Trail. The trail has been constructed throughout the district on existing roads and off-road, extending from Mount Cook to Lake Ohau.

The trail attracts multiple-night visitors to the district as well as providing a quality recreational facility for local communities. Promotion of the trail and development of associated business opportunities is undertaken through a contract for service with Tourism Waitaki.

Economic development support:

To provide wide-ranging support for economic development across the district, Council is utilising a two-prong strategy:

1. External outsourcing of selected Tourism and ED services: Council has an existing contractual arrangement with the South Canterbury Chamber of Commerce (SCCC). The key objective of the contractual agreement with SCCC is to facilitate and support smart sustainable business development in the Mackenzie District, contributing to individual business, regional and national growth. This organisation provides business advice and support to new, developing and established businesses within the district.
2. Internal Tourism and ED services delivery: Council currently employs two staff member who's roles are:
 - Business Liaison Officer assisting with day – to – day interactions with District's businesses, as well as administering Central government's funding aimed at remedy Covid19 unemployment effects across the District
 - Economic Development Officer – providing strategic ED advice about the economic reset due to Covid19 economic effects, promoting wider regional ED collaboration and co-operation and works on the Council's new Economic Development Strategy 2021-2025

Infrastructure and regulation:

Council also proactively supports economic growth by providing necessary infrastructure and other services and promoting sustainable development for tourism and business within the Mackenzie District through our regulatory functions.

3.1.2 Commercial Activities

Investments:

Council holds cash and equity investments that provide interest and dividend returns which are used to offset the rate requirement. Our current policy is that between 40-50% of the total general rate requirement can be funded through the application of investment income.

Council holds equity investments in Alpine Energy Ltd of which we have a 4.96% shareholding.

Mackenzie District Forestry:

In 1996, the Council formed the Mackenzie Forestry Board, whose purpose was to actively manage and grow Council's Forestry Estate as a commercial operation. The Board activities now fall within the remit of the Commercial and Economic Development Committee of Council. The forestry activity pays a rent to the Council for the freehold land that it occupies, which is used to offset the rate requirement.

The Committee is required to operate and administer the Mackenzie District Council's forestry estate as a successful business. As such, the Committee is responsible for:

- Implementation and review of the long-term forestry strategy;
- Providing recommendations for the sale/purchase of land to meet the strategy;
- Approval of planting and harvesting programmes;
- Approval of annual financial budgets and physical targets;
- Approval of wood sale contracts;
- Approval of the annual operating programme.

Real Estate:

Council is a significant landowner within the district. Much of the land has potential for development for commercial, residential and agricultural purposes. We hold this land to develop, sell or lease as we see fit, to provide the best possible return for the district as a whole.

The Long Term Plan (LTP) assumes no income from new property sales. The council is undertaking a strategic review of development in Year 1 of the LTP and no new property sales are specifically provided for, pending the completion of that work.

Rental Properties:

Council owns land and buildings, a small number that we lease on a commercial basis. The rental received from these leases is used to offset rate requirements.

Pukaki Airport:

The Council operates Pukaki Airport through the Commercial and Economic Development Committee of Council, the former Pukaki Airport Board Committee being disbanded in 2020, which undertakes our strategy to provide an airport facility for the district.

Council is required to develop and operate a successful airport operation. To achieve this, the Council is responsible for:

- Constructing airport facilities;
- Operating a successful airport facility;
- Ensuring the airport operation is self-funded through landing fees etc. and interest income from investments derived from the land sale proceeds.

3.3 Why We Do These Activities

3.3.1 Tourism and Economic Development

The principal community outcome to which the Council's tourism and economic development activities contribute is a thriving and prosperous and inclusive District's economy.

Council considers the economic wellbeing of the district to be of fundamental importance. Economic growth creates employment and assists business prosperity, which in turn allows a wider range of social, cultural and recreational facilities, and spreads the rating requirement across a wider base.

Tourism is a significant contributor to the district's economy. The district is presently experiencing a significant downturn in tourist and visitor numbers due to Covid19 restrictions. Council believes that it is important to continue to promote the Mackenzie for the long term, to ensure that the Legendary Mackenzie retains its attractiveness and marketability in the post-Covid tourism and visitor economy. At the same time, the Council recognises that it is important to also plan for proactive management of the environmental effects of future visitor in the district.

We are well-placed to provide support for the cohesive promotion of the district as a whole to both national and international visitors. There is anecdotal evidence of continuous community support for the Council's involvement in tourism promotion activity by those ratepayers that pay targeted tourism rates.

Small and medium business resilience: having a range of diverse and sustainable businesses is also essential to the district's economic wellbeing.

The contribution of the Tourism and Economic Development activity to the Council's vision

These activities contribute to the following components of the Council's vision for the Mackenzie District:

| Outcome | How tourism and economic development contributes |
|---|--|
| An attractive and highly valued natural environment | Mackenzie District's natural environment is recognised nationally and internationally for its beauty and is a drawcard for visitors. By promoting the district's natural environment, we create a strong mandate for its ongoing protection and enhancement. |
| A thriving economy | Providing support for tourism and business development contributes to the development of a dynamic economy by providing employment and investment opportunities for current and future generations. |
| A supportive and contributing community | Thriving tourism and business environment provides opportunities for residents to utilise their skills and talents in more diverse ways, and can also attract new skills and talents into the community. |
| A fit and healthy community | Supporting the Alps 2 Ocean Cycle Trail which provides the community with a quality recreational facility. |

3.3.2 Commercial Activities

The principal community outcomes to which the Council's commercial activities contribute are a thriving economy and safe, effective and adequate infrastructure.

Our definition of a thriving economy includes providing employment and investment opportunities, and the ability to sustain a full range of services. By using assets to facilitate opportunities for investment and employment, the Council is contributing to a thriving economy.

By generating returns on our investments and using these returns to offset rates, we can keep rates at an affordable level for households and business while still providing the types of services, infrastructure and facilities that make the Mackenzie District a desirable place to live, work and visit.

Pukaki Airport operates as a public airport, acting as an important gateway to the district and serving and promoting a range of aviation and tourism operations.

The contribution of the Commercial Development activity to the Council's vision

Our commercial activities contribute to the following components of the Council's vision for the Mackenzie District:

| Outcome | How commercial activity contributes |
|---|---|
| An attractive and highly valued natural environment | Achieving returns on commercial investments and using these to off-set rates enables us to invest more in the services and activities that help protect our natural environment. |
| A thriving economy | Strategic development of Council land and commercial leasing of assets provides opportunities for business growth and investment within the district and contributes towards creating a dynamic economy that can support the aspirations of current and future generations. |
| A fit and healthy community | Achieving returns on commercial investments and using these to off-set rates enables us to invest more in the facilities, services and activities that help enrich the lives of our people. |

Tourism Economic Development and Commercial Services contribute to the Councils Mackenzie Business Strategy 2018-2028 strategic direction and community outcomes: “A Fit for Purpose Future Today’s choices, Tomorrow’s Mackenzie”.

The vision sets the overarching goals for the organisation while the financial strategy provides the financial parameters for enabling the implementation of this vision. The infrastructure strategy provides input on key infrastructure assets and planned renewals and upgrade program.

Council is approaching its planning for the future with long term financial, operational, environmental and cultural sustainability in mind.

The visual summary of the District’s Strategic vision is demonstrated on the next page:

OUR STRATEGIC VISION

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

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

GUIDING VALUES

Be fair to everyone

Strive for a better future

Dare to be different

Act with respect and trust

Protect our peace and serenity

OUR COMMUNITY OUTCOMES

A TREASURED ENVIRONMENT

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

RESILIENT, SUCCESSFUL COMMUNITIES

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

STRONG AND INNOVATIVE ECONOMY

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

EMBRACE HERITAGE AND DIVERSITY

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

4. LEVELS OF SERVICES AND PERFORMANCE MEASURES

4.1 Tourism and Economic Development

Council's tourism and economic development activities are the subject of contracts for the delivery of those services. The contracted organisations report to the Council committees whose delegated function is to monitor the performance of those organisations. The Council and its committees are supported by management and administration staff.

It is anticipated that the delivery of these services by third parties on a contracted basis will continue. We expect to remain involved in these activities over the term of the LTP.

Promotion of the Mackenzie District as a tourist destination:

Council's current MoU with ChristchurchNZ (CNZ) for tourism promotion of the Mackenzie District ends on 30 June 2021. From 2021/22 FY onwards Council intends to replace existing MoU with the formal 3 -year contract with detailed Terms of reference being negotiated at present.

It is envisaged that CNZ will continue to engage with key Mackenzie district stakeholders (Mackenzie Tourism Advisory Group MTAG) through at least four meetings throughout the year. A Terms of Reference has been established between CNZ and the MTAG to create a formal way of working.

CNZ also shares regular updates and insights with Mackenzie operators through newsletters and other communications channels such as www.mackenzienz.com.

Council will also be undertaking a review of its rating and funding approach early in the LTP period, which will include looking at how it funds tourism promotion and infrastructure which benefits tourism providers.

Alps 2 Ocean

Council currently allocates \$50,000 per annum to the maintenance of this project, as well as an additional \$50,000 in marketing and promotional costs through a contract with Tourism Waitaki. Council contributes a further \$50,000 per annum to a capital reserve to fund the Hayman Road improvements.

Economic Development

South Canterbury Chamber of Commerce is a non-political, not for-profit membership organisation with over 500 members. SCCC is recognised and respected business services organisation for South Canterbury and the voice of the local business community. With strong Mackenzie District affiliations, SCCC ensures there are many opportunities to create better business outcomes, creating business connections, accessing expertise and saving on business expenses.

SCCC operates with two main goals:

- to help Mackenzie District businesses achieve success
- to ensure SCCC members operate in a business friendly environment.

4.2 Commercial Activities

The commercial activities of the Council, including managing the real estate portfolio, rental properties, and cash and equity investments, do not have dedicated staff. These activities are managed through either the full Council or the Finance or Commercial and Economic Development Committees, depending on the matter being dealt with, and subject to each Committee's Terms of Reference. The Council and committees are supported by management and administration staff, with consultants and advisors used as required.

Investments:

There is an expectation from the community that we will manage our investments wisely. To set the ground rules for investments, we have adopted an Investment Policy, which schedules the policies for borrowing (both internal and external) and investments. Compliance with the provisions of the Investment Policy provides assurance that we are managing our investments wisely.

Mackenzie Forestry:

We manage our forestry assets through the Commercial and Economic Development Committee, a committee of the Council. The committee has a forestry external advisor and manager for its operations. It is supported through the corporate and administration services of the Council.

It is anticipated that the Council will retain its forestry activities over the ten years. With the continued additions of carbon credits and a more buoyant market for these, it is expected that the forestry activity will contribute positively to the Council's financial position.

Council's role in forestry activities was consulted on in preparation of the 2021-2031 Long Term Plan, with a clear mandate to retain existing forestry activities being obtained.

Real Estate:

Council will consider the most appropriate method of dealing with the land that would meet the highest and best use objectives. The disposal of land would only be considered if the land was in isolation or strategic. Currently, there is a moratorium on land sales. No new income is assumed for the LTP period as Council will undertake strategic planning work in each of the townships before reviewing its surplus land portfolio.

Rental Properties:

It is anticipated that we will retain ownership of the commercial properties we hold and continue to lease them over the ten years, save for development opportunities that may present. The Council will ensure that the relevant conditions placed upon a commercial lease agreement have been adhered to. All lease agreements are reviewed regularly.

Pukaki Airport:

Council operates Pukaki Airport which is governed by the Commercial and Economic Development Committee, a committee of the Council. The committee undertakes our strategy to provide a public airport facility for the district, for both connectivity, tourism and civil defence.

The Tourism, Economic Development and Commercial Activities provided by Council contribute to the following community outcomes:

1. A thriving, prosperous and inclusive economy; with a focus to assist economic reset, triggered by Covid19 in March 2020
2. Safe, efficient and sustainable tourism facing infrastructure; with a focus on more ecologically friendly visitor transport and reduction of the carbon footprint of the industry as a whole
3. An attractive and highly valued natural environment;
4. A supportive and contributing to a robust District's economy; growing existing sectors and adding new, modern commercial activities, based on digital technologies
5. A fit and healthy community – focus on wellbeing and mental health in post-Covid socio-economic conditions

Tourism, Economic Development and Commercial Activities levels of service and performance measures

Covid19 effects on Mackenzie's economic performance, in particular, the Tourism industry sector:

- A significant number of tourism operators are experiencing an unprecedented reset, therefore it is unrealistic to set long term performance measures at the time of writing.
- It is expected that Mackenzie District experiences the effects of the Covid19 pandemic more so than other Districts due to the high dependence on tourism, particularly international tourism, with current contraction exceeding a 20% reduction of tourism spending since March 2020.
- Domestic visitor spending has partially compensated for However, this is expected to be a short term, based on current Tourism NZ modelling of the border opening and rate of return, tourism will have recovered to the business as usual level by 2025. As a result of this unprecedented situation, there are no specific
- Council's position is that it is too early to respond in detail to the Tourism levels of service, which will require in-depth consideration and external input by a number of stakeholders, including relevant government agencies. Tourism economic reset is a timely challenge to many pre-Covid19 assumptions, which underpin our District's important tourism industry.

In the meantime, the Council's push for more sustainable tourism development when NZ borders re-open is gathering pace. Te Manahuna Ki Uta – Destination Mackenzie project's recommendations will be the main source of new, additional measures, potentially deployable from 2022/23 FY.

| Levels of service | Performance Measure | Actual 2020/21 | Target 2021/22 | Target 2022/23 | Target 2023/24 | Target 2025-2031 |
|---|---|--|---|---|---|---|
| Economic development is fostered for the district as a whole | Percentage of ratepayers satisfied with the Council's tourism promotion and economic development | Achieved 86% of respondents were either satisfied or somewhat satisfied. | ≥80% | ≥80% | ≥80% | ≥80% |
| Number of Economic Development projects successfully initiated and commenced | At least one Economic Development project per FY initiated and underway | New measure | 1 or more | 1 or more | 1 or more | 1 or more (per year) |
| Pukaki Airport is well maintained | User satisfaction with facility | Greater than 70% satisfaction from customer survey | Greater than 75% satisfaction from customer survey | Greater than 80% satisfaction from customer survey | Greater than 80% satisfaction from customer survey | Greater than 80% satisfaction from customer survey |
| Forestry return maximised | Financial net surplus per predicted cashflows in the forestry management plan and LTP | Estimated at \$1.9m | \$1.058 m | \$604,000 | \$541785 | \$2m for the remainder of the LTP |
| Investments –Council's investments are managed wisely in accordance with community expectations | Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio | Achieved The Council's investment portfolio outperformed the Bancorp Ltd benchmark in all four quarters | Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio | Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio | Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio | Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio |

5. GROWTH & DEMAND

In planning for the maintenance and operation of these activities, the Council must consider what effects growth and demand will have, and how issues of sustainability will be addressed. Council has initiated Spatial Planning Study for all three main population centres of the District: Fairlie, Lake Tekapo and Twizel to cater for anticipated future demographic and business growth.

5.1 Population Growth

Mackenzie's population projections will be effected by Covid19 economic reset, which is difficult to predict at the time of writing. It is possible that the District's population may grow from around 13% from 4,300 to 4,880 over the next ten years (2018-2028), based on medium projections. Like much of New Zealand, the proportion of people aged 65 years and older is projected to grow. It is yet to be determined how projected population growth will impact the operation and maintenance of the Council's Tourism, Economic Development and Commercial Activities.

5.2 Tourism Growth

Pre Covid19 (until March 2020) Mackenzie District has experienced unprecedented growth in visitor numbers (both domestic and international), as indicated by a range of data, including the Statistics New Zealand Commercial Accommodation.

Mackenzie District has experienced a more than 20% drop in tourism activity since the border closure.

Domestic tourism numbers have increased markedly during the 2020-2021 summer season, however, it would be premature to predict the same pattern will be repeating itself in the 2021-2022 summer season. Mackenzie tourism sector will remain to experience structural difficulties until international visitors are allowed into NZ again.

5.3 Climate Change

The Mackenzie District is likely to be affected by climate change. In preparing the LTP, the Council has reviewed the Ministry for the Environment climate reporting² and regional projections calculated for the period from now to 2100³. The LTP assumes that climate change is happening, and while the impacts are expected to be relatively minor within the period covered by the Plan, they will increase in future.

The Council is responsible for a range of functions that may be affected by climate. These include the potential for impacts on forestry operations in terms of increased growth of pests and weeds and changes in water availability. Increased storm events may impact assets such as the Alps2Ocean cycle trail and result in increased maintenance and repair costs. Overall however it is not anticipated that climate change will significantly impact Council's Tourism, Economic Development and Commercial Activities in the LTP period.

² Ministry for the Environment & Stats NZ (2017). New Zealand's Environmental reporting Series: Our atmosphere and *climate 2017*. Retrieved from www.mfe.govt.nz and www.stats.govt.nz.

³ Ministry for the Environment (2016). *Climate change projections for New Zealand: Atmosphere projections based on simulations undertaken for the IPCC 5th assessment*. Retrieved from www.mfe.govt.nz.

6. PLANS FOR THE FUTURE

6.1 Tourism and Economic Development

Promotion of the Mackenzie District as a tourist destination:

In 2017 Council undertook consultation with those ratepayers who pay the targeted rates for its tourism promotion activity. The results of the survey confirmed the Council's mandate to continue the promotion of the district as a tourism destination and confirmed that the present level of funding of this activity was appropriate.

Council plans to continue its promotion of the Mackenzie District as a tourism destination at its present level over the period of the LTP. Although the district is presently experiencing significant growth in tourist and visitor numbers, the Council believes that it is important to continue to promote the Mackenzie for the long term benefit of the district. At the same time, the Council recognises that it is important to also plan for managing the effects of increased visitor numbers in the district.

The funding and how it is spent will be reviewed when the current extended MOU comes up for renewal in June 2021. Council will also be undertaking a review of its rating and funding approach early in the LTP period, which will include looking at how it funds tourism promotion and infrastructure which benefits tourism providers.

Te Manahuna Ki Uta – Destination Mackenzie project:

Te Manahuna Ki Uta/Destination Mackenzie is a multi-agency strategic planning process for the Mackenzie District led by Mackenzie District Council. Co-design with our Treaty Partner is a crucial element of the project and all work will be informed by Mana Whenua values and aspirations.

The project will develop a Destination Management Plan for the Te Manahuna/Mackenzie District as part of a wider tourism journey that includes Aoraki Mt Cook National Park, the upper Waitaki Valley and the Lindis Pass. A Destination Management plan provides a coordinated approach to the management of all the aspects that contribute to a visitor's experience, including residents, business and industry and Iwi, and aims to create a sustainable and resilient tourism eco-system for the benefit of the local community.

Alps 2 Ocean Cycle Trail:

The Alps2Ocean Cycleway has been constructed through the district on existing roads and partly off-road - extending from Mount Cook to Lake Ohau. The long term maintenance of this track will continue to be shared between the Mackenzie and Waitaki District Councils. In the LTP period work will be required on track and signage maintenance, as well as the maintenance and cleaning of facilities along the way.

Council will continue to allocate \$50,000 per annum to the maintenance of the trail, as well as an additional \$50,000 in marketing and promotional costs which is presently provided through a contract with Tourism Waitaki. Council plans to contribute a further \$50,000 per annum to a capital reserve to fund the Hayman Road improvement works.

Economic Development support:

Support for businesses and enterprises will need to be ongoing during the post Covid19 economic reset conditions. Any increases in demand for this activity will be assessed on an ongoing basis and responded to accordingly. Council will review the form in which economic development support is given when the present contract is due for renewal in 2021 and when key recommendations of the new MD|ED Strategy 2021-2025 will be adopted by the Council.

6.2 Commercial Activities

Investments

It is anticipated that the Council's cash reserves will grow over time, due to the effect of the developer's financial contributions⁴ and funds accumulated for future capital works. To obtain the best possible return from the cash reserves, it is essential that we invest in longer-term investments. The problem Council foresees, at least in the next three to five years, is that the current economic situation has resulted in extremely low longer-term interest rates. Council has taken the view that it is better to accept lower short term returns than lock investments in over a longer-term at a marginally higher investment rate. The short-term option offers the ability to move quickly when longer-term rates begin to rise.

Changes in the economy may affect the actual dividend flow from any of Council's equity investments, meaning the dividends received may be different from those assumed in the forecast financial statements. However, the cash flow forecasts of Council over the ten-year period show the level of cash reserves will steadily increase, allowing us to maintain our continued support of the general ratepayer and to reinvest surplus cash into long term investments which derive a higher rate of return. It is expected that as a result, the investment function of the Council will continue to grow.

We will continue to reinvest surplus cash into long term deposits in accordance with our Investment Policy.

Mackenzie Forestry

Changes to the economy and demand for forestry products may affect returns from Council's Forestry Estate. However, this estate is seen as an important long-term investment, which is expected to withstand fluctuations over time. Because of the longevity of forestry assets, surplus funds from operations such as milling are held in reserve for those years where costs exceed revenues. When the majority of the forestry estate reaches maturity, the Council will receive its return.

Council will continue to retain areas of forestry and to ensure there are the appropriate areas of land to plant, however, focus harvesting and replanting within the Opuia Ward, with the upper Mackenzie Pukaki Ward being the preserve of native, non-harvestable biosphere.

The Council, as a responsible landowner, considers it is important to ensure its operations are not contributing to wilding tree spread as a result of its forestry activities. ECAN has been active on Council land in and around Twizel eliminating a significant number of wilding pine stands. A \$30,000 annually wilding pine budget has been set.

Real Estate

Fluctuations in demand for land and economic changes may affect the level and timing of the Council's income from real estate sales. Over the longer term, real estate will continue to provide us with an income stream that will allow the cash reserves to build up over time.

In year 1 of the LTP, the Council will undertake a strategic review of each township within the district. Once this work has been completed, the Council would seek to develop its strategic land.

⁴ The ability for Council to levy financial contributions will be removed in 2022, under the RMA. Council has assumed for financial forecasting purposes that development contributions will provide a similar level of funding when this change occurs.

Rental Properties

Demand and occupancy rates may be affected over time by changes in the economy. We see this as a long-term investment that will withstand economic fluctuations. It is anticipated that we will retain ownership of the commercial properties and continue to lease them over the ten-year period.

Pukaki Airport

Council will continue to own and maintain Pukaki Airport as a district airport. The growth of Pukaki Airport will depend on economic factors such as a rebound in visitor growth, but also the ability to attract aviation technology or a limited number of commercial flights.

7. MANAGEMENT OF THE ACTIVITY

7.1 Significant Negative Effects

The promotion of the Mackenzie District as a shoulder season and high-end tourism destination may result in increased tourists at peak times. While this brings significant benefits to the local, regional and national economy, it is recognised as a potentially significant effect on our residents and ratepayers.

The Council is planning to undertake work to ensure growth is provided for in our facilities, infrastructure and services and that the wellbeing of our local communities is maintained. The Council also continues to lobby for Central Government support in managing the effects of tourism.

One of the areas which the Council would like to explore in the future is visitor transport decarbonisation to ensure that the environmental footprint of tourism activities across the Mackenzie District is gradually eliminated in line with the Government's low carbon economy guidelines.

The commercial development of land may result in significant negative effects on the community including those associated with construction or subsequent land use. Controls within the District Plan will mitigate adverse effects associated with these activities.

7.2 Assumptions

GROWTH ASSUMPTIONS

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|---|---|---|---|--|---|--|
| | H | M | L | | | |
| Population Growth It is assumed that growth in the district's population will generally be consistent with the medium projections developed for Mackenzie District Council in 2020. These indicate a growth rate of around three percent year on year, with population projections of 6,561 in 2030 and 9,050 in 2050. | | ✓ | | Population change occurs within the district at a higher or lower rate than predicted. | A significant, consistent decline in population may adversely affect Council's ability to set rates at a level affordable to the community. A significant, consistent increase in population could adversely affect Council's ability to meet some service levels. | Council will continue to monitor population measures within the district and respond to meet needs where possible. |
| Demographic Changes Most population growth within the District is expected to be at older ages (55+ years), with the proportion of over 65s living in the district projected to be slightly higher than the NZ average. Twizel and Fairlie have a higher proportion of older people (65+) than other areas in the district and this is not expected to change over the life of the plan. Younger workers (20-30 years) will make up a considerable portion of the | | ✓ | | Demographic changes occur at a higher or lower rate than expected. | Changes to the projected demographics may place pressure on some Council services due to increasing demand, which may lead to a lower level of service in these areas or a requirement for additional investment. | Council will continue to monitor demographic changes within the district and respond to meet needs where possible. |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|---|---|---|---|--|---|--|
| | H | M | L | | | |
| population employed in the tourism market. | | | | | | |
| Household Changes It is anticipated that changes to household numbers and composition will generally reflect population projections and forecast changes to demographics (that is, an ageing population). This is not expected to create any significant impact on demand for infrastructure and services, given the relatively small increase in total population projected to occur. | | ✓ | | Household changes across the district occur at a higher or lower rate than expected. | A slower rate of household growth may mean that some service activities have overinvested in infrastructure (too much capacity too soon). | Council will continue to monitor household changes within the district. Where rapid growth occurs, this is likely to be within existing subdivisions where servicing provision has already been made or, where growth requires additional infrastructure, developers can be required to meet this demand through the payment of financial contributions. |
| Dwelling Numbers It is assumed that growth in dwelling numbers will primarily be driven by demand for short-stay visitor and holiday accommodation due to year-on-year increases in both domestic and international visitor numbers to the district. Growth in demand for private holiday accommodation is predicted to have an impact on the availability of residential housing. However, the large proportion of unoccupied dwellings in the district, particularly in Tekapo (60%) and Twizel (52%), is not anticipated to change or increase significantly. | | ✓ | | Dwelling changes across the district occur at a higher or lower rate than expected. | A higher or lower rate of dwelling growth may impact on provision of services, such as the issue of resource and building consents. | Council will continue to monitor dwelling growth in the district and adjust provision of supporting services as required. |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|---|---|---|---|--|--|---|
| | H | M | L | | | |
| Distribution of development across the district The pattern of growth will be consistent with the spatial planning used to inform the District Plan Review The pattern of growth will be guided by the next generation district plan which will be operative in 2022. Understanding of the growth pattern will be sufficient for infrastructure planning | | ✓ | | Development will be more focused in one area than another Growth will occur at a rate that differs from infrastructure planning and provision | Provision of infrastructure will not align with development | Guide development through the district plan, and track development levels |
| Tourism Numbers It is assumed that visitor numbers will return to pre-COVID-19 numbers around 2022/23, and from that point visitors to Mackenzie District will be at least equivalent to the growth level experienced pre-COVID-19. It is also assumed growth in domestic visitors to Mackenzie District will be significantly higher than pre-COVID-19 while international travel is limited. | | ✓ | | Change to tourism numbers and composition occurs at a rate significantly above or below the growth levels assumed. | Increases in projected visitor numbers may place pressure on supporting services and infrastructure. Conversely, a drop in tourism to the district may mean that service activities have overinvested. | Council will continue to monitor tourism numbers to the country and district and respond to meet needs where possible. |
| COVID-19 Borders will remain closed to tourists/casual travellers for a further twelve months, at which point limited tourism will resume. From 2021 to 2030 tourism activity will progressively return to 2020 levels | | ✓ | | Borders will remain closed for a significant period, | Economic activity and international migration will be limited, affecting population and business growth. | Council will continue to track trends and provide for the wellbeing of the community. Investment will be advanced to support employment and prepare infrastructure for the future. |

ECONOMIC AND FINANCIAL ASSUMPTIONS

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|---|---|---|---|---|--|---|
| | H | M | L | | | |
| Economic activity, income levels and affordability It is assumed that there will sufficient economic activity and incomes within the district to support Council activities | | ✓ | | Service provision becomes unaffordable | If there is insufficient economic activity and incomes of district residents are businesses are strained, it would be difficult for Council to fund the range of activities it is responsible for | Economic activity is tracked and the funding impact strategy is reviewed in line with the economic circumstances |
| Inflation To develop a consistent approach for local government to account for inflation, the Society of Local Government Managers (SOLGM) contracted Business and Economic Research Limited (BERL) to construct forecasts for inflation. It is assumed that long term inflation will be consistent with BERL's Local Government Cost Index (LGCI) forecasts. | | ✓ | | Inflationary costs in some areas may increase at a rate different to that forecast. Local Government Cost Adjustor Forecasts Three scenarios | If inflation rates are higher than forecast in the financial model this will mean that either additional money will be required, or planned work is reduced to fit the fiscal envelope. If the work is not reduced this could mean using additional reserves, increasing debt or increasing rates. | In preparing the LTP, Council is required to use best estimates in determining the level of costs to be budgeted and to account for the effect of price changes or inflation expected over the ten year period. Council has endorsed the 'mid-scenario' rates produced by BERL (September 2020) as the assumption for accounting for inflation for the preparation of the LTP. Some types of costs (eg roading and transport costs) have been subject to fluctuations in recent years, so it is inherently difficult to predict trends with accuracy. However, these costs will be mitigated through the annual |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|---|---|--|
| | H | M | L | | | |
| plan process where the annual adjustment can be made. | | | | | | |
| Interest Rates and Borrowing Borrowing costs are assumed to be as included in Financial Forecasts. Council assumptions on interest rates are based on the Official Cash Rate (OCR) plus an appropriate margin. For the life of the LTP the borrowing rate is assumed to range from 1.7% to 2.4%. That rate will be used for calculating interest rates and will be adjusted annually. | | ✓ | | Forecast interest rates are higher or lower than forecast. The movement in interest rates has a wide ranging effect on the Council. The Council’s cash investments have derived interest at the market rates and the Council’s internal financing policy bases the interest paid to or charged to individual communities on the Official Cash Rate. The level of works and services rates levied is dependent in part on the interest rate used in Council’s internal funding policy. | | Any exposure to borrowing interest movement will be managed by a preference for a higher percentage of fixed term rates. |
| Waka Kotahi (NZTA) Financial Assistance The Long Term Plan assumes that the subsidy from New Zealand Transport Agency will be 51% across all activities for the life of the Long Term Plan, and that these subsidy rates will remain at this level until the Funding Assistance Rate is reviewed. | | ✓ | | Council’s risk is the roading programme may reduce due to a number of factors. These include 1. a further change in subsidy rates and/or size of the programme in years 4-10. This plan assumes Council will maintain or expand its spend through | The roading programme could be reduced from what is shown, due to limitations on the amount of work NZTA is prepared to financially support. Expenditure may differ in any year from that forecast. If Council wanted to continue its roading programme, other | The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes. |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|---|---|---|---|---|--|---|
| | H | M | L | | | |
| | | | | additional unsubsidised work. 2. the NZTA subsidisable programme may differ from what has been assumed, which may impact the Council's spend in future years.. | funding sources such as rates would need to be utilised. | |
| Dividends received – Alpine Energy Ltd It has been forecast that the dividend based on Council's shareholding will be \$123,000 per year. This value could change from year to year based on Alpine Energy decisions. | | ✓ | | The dividend could be less than that anticipated, | A lower dividend would reduce this funding source, meaning greater reliance on other revenue sources or reduction in expenditure. | While a level of funding is expected, the financial strategy will consider if this revenue stream is lost |
| Development and Financial Contributions Costs associated with growth will be partially funded through development and/or financial contributions | | ✓ | | Council does not recoup costs associated with meeting infrastructure costs associated with growth | The ability to fund infrastructure costs will fall on ratepayers alone. | Council will review its Development Contributions and Financial Contributions policy as part of the Long Term Plan/Infrastructure Strategy process. |
| Waste levy The waste levy will be progressively increased to \$60/tonne, at the same time opportunity to receive funding for waste minimisation education and initiatives will increase | | | ✓ | That the cost and revenue associated with the change is inappropriate | That increased waste levy costs will discourage responsible disposal of waste, and illegal dumping will increase That funding of programmes will not be available for waste minimisation education and initiatives in Mackenzie district. | Sufficient explanation to the community about the costs and benefits |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|---|---|--|
| | H | M | L | | | |
| Sale or Transfer of Assets It is assumed throughout this plan that we will retain ownership of our significant assets and continue with the current Council Departments. | | | ✓ | That the objectives whether financial or non-financial of holding strategic assets are not achieved. | Should specified returns not be attainable, we would review our investment. Such a review may have a financial impact. | Any decision to sell or partially sell would be significant. A proposal with options would be provided to the community for feedback as part of a special consultation process. |
| Sources of Funds for the Future Replacement of Assets It is assumed that funding for the replacement of existing assets will be obtained from the appropriate sources as detailed in Council's Revenue and Financing Policy. | | | ✓ | A particular funding source is not available. | Depreciation funds renewals funded mainly through rates and user charges. Should other sources of capital funding such as subsidies or development / financial contributions differ from levels forecast in a particular activity, Council is able to access borrowings through its central treasury function. | |
| Timing & Level of Capital Expenditure The Long Term Plan assumes that the timing and cost of capital projects and associated operating costs are as determined through the Council's activity management planning process. | | ✓ | | <p>There is a risk that capital projects may not occur as planned, or actual costs may vary from the forecast therefore may have an impact on the costs.</p> <p>Transport projects seeking subsidy will need a Business Case approach to NZTA which may change originally anticipated outcomes.</p> | <p>If projects do not occur as planned, capital expenditure may differ from forecast. Delays may change the cost of individual projects and defer planned borrowing. This will impact on rates increases. Delayed renewals could lead to an increase in maintenance costs.</p> <p>Any significant delay will have a negative Impact on the delivery of future capital</p> | <p>The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes.</p> <p>High level of vigilance over capital delivery to Executive level, resulting in timely corrective actions if required</p> <p>Regular reporting to Council on the programme so Council has full visibility of programme, milestones, and tracking</p> |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|--|---|--|
| | H | M | L | | | |
| | | | | | programme due to a limited number of resources Council has available to deploy in any one year. | Programme is prioritized by vulnerability and criticality to ensure projects that would lead to loss of service or additional costs are top of the list Regular market assessments undertaken including critical supply chains to ensure programme is realistic and deliverable Council have the ability to value engineer the project if it exceeds estimates. In addition, the Council has contracted external project managers to oversee the programme and project management and delivery of key 3 Water projects. |
| Asset Revaluations Council has a policy of revaluing its buildings, land and infrastructural assets on a three yearly basis. The LTP assumes that the book values of the relevant assets as at the revaluation dates will be increased by inflation rates as per the inflation assumption. | | | ✓ | Inflationary costs in some areas may be different from that forecast. The condition of the assets may be different to that assumed and the value of the asset may differ accordingly. | There may be a higher or lower asset value and a lower or higher depreciation charge. | The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes. |
| Planning Horizons and Asset Lifecycles It is assumed that the planning horizon for growth (30-45 years) and asset lifecycles (30 years plus) are sufficient to inform the ten year forecasts included in the LTP. | | | ✓ | The planning horizon for growth and asset life services differ from that assumed. | There is insufficient planning to guide decision making and investment | LTP and IS are thoroughly developed relevant to District issues |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|---|--|---|
| | H | M | L | | | |
| Useful Lives of Assets The useful lives of assets have been assumed as set out in the following table, which matches the depreciation policy under the Statement of Accounting Policies: | | ✓ | | Assets last longer than the lives assumed, or assets deteriorate at a faster rate than the lives assumed. | Assets require replacement earlier or later in their life cycle. | Ongoing assessment of the quality of assets means this information is updated regularly and work programmes adjusted to minimise the chance of asset failure. In the event of assets wearing out earlier than anticipated, capital projects could be brought forward. This may affect borrowing and depreciation expenses. Negative impacts are likely to be at least partially offset by some assets lasting longer than estimated. Mitigation may also involve reprioritisation of the capital expenditure programme. |

| Assets | Depreciation method | Life (years) |
|---------------------------|---------------------|--------------|
| Buildings | Straight line | 13-80 |
| Computer hardware | Straight line | 3-10 |
| Computer network cabling | Straight line | 10 |
| Furniture and fittings | Straight line | 10 |
| Heritage assets | Straight line | 60-150 |
| Land | Not depreciated | - |
| Motor vehicles | Straight line | 5 |
| Office equipment | Straight line | 5-10 |
| Light plant and machinery | Straight line | 10-25 |
| Plant and machinery | Straight line | 10-25 |

| Assets | Depreciation method | Life (years) |
|-----------------------|---------------------|--------------|
| Alps 2 Ocean cycleway | Straight line | 50 |
| Formation | Not depreciated | - |
| Surfacing | Straight line | 0-17 |
| Land under roads | Not depreciated | - |
| Roads and footpaths | Straight line | 6-80 |
| Formation | Not depreciated | - |
| Sub-base | Not depreciated | - |
| Base course | Straight line | 75-100 |
| Surfacing | Straight line | 0-17 |
| Kerb and channelling | Straight line | 10-10 |

| | | |
|------------------------------------|----------------|-------|
| Resource recovery parks | Straight line | 10-33 |
| Flood protection and control works | Not applicable | - |
| Landfills | Straight line | 30-50 |
| Village projects | Straight line | 5-80 |

| Assets | Depreciation method | Life (years) |
|-----------------|---------------------|--------------|
| Stormwater | | |
| Lines | Straight line | 60-150 |
| Manholes | Straight line | 150 |
| Open drains | Not depreciated | - |
| Wastewater | | |
| Mains | Straight line | 60-80 |
| Pumps | Straight line | 15 |
| Oxidation ponds | Not depreciated | - |
| Box culverts | Straight line | 100 |
| Manholes | Straight line | 80 |

| | | |
|-------------------|---------------|--------|
| Street signs | Straight line | 13 |
| Street lighting | Straight line | 20-40 |
| ☐ Bridges | Straight line | 80-100 |
| Resource consents | Straight line | 10-33 |

| Assets | Depreciation method | Life (years) |
|-----------------------|---------------------|--------------|
| Water supplies | | |
| Piping mains | Straight line | 60-80 |
| Pumps | Straight line | 25 |
| Service lines | Straight line | 80-100 |
| Hydrants | Straight line | 80 |
| Valves and air valves | Straight line | 80 |
| Meters | Straight line | 25 |
| Reservoirs | Straight line | 80 |

GOVERNMENT, LEGISLATION AND REGULATION ASSUMPTIONS

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|---|---|--|
| | H | M | L | | | |
| <p>Legislative Change and Regulatory Reform</p> <p>As an organisation that is created and derives its powers from statute, changes to legislation have a direct impact on the way we conduct our business. The speed and scale of legislation review depends largely on the policy direction and priorities of the government of the day. Reform of the Resource Management Act 1991 will proceed in 2021-22. A new legislative framework will include the Natural and Built Environments Act, the Climate Change Adaptation Act, and the Strategic Planning Act. The Strategic Planning Act is intended to integrate functions under the RMA, Local Government Act 2002, Land Transport Management Act 2003 and the Climate Change Response Act 2002 so changes are also expected with those Acts. It also assumes the Council will remain an independent unit of local government during the next 10 years.</p> | | ✓ | | <p>The impact of government legislation is more or less than expected.</p> <p>New legislation is enacted that alters the activities Council undertakes or provides.</p> | <p>Unrealised impacts of legislative changes may create greater impacts on Council operations, including operating budgets, workloads, time and resource availability. These pressures may lead to additional costs for ratepayers.</p> <p>Where legislative changes require Council to provide additional services or increased levels of services, this may impact fees and charges for cost-recovery activities.</p> | <p>Most changes to legislation are known in advance, giving councils the ability to prepare for implementation. Council will monitor existing and potential legislative changes as they move through parliamentary process. Where appropriate, Council will submit on legislation to encourage reduced or improved impacts on Council operations and limit costs to ratepayers.</p> <p>Historical trends have been for services transferred from central government to local government. The cost and impact on our activities as a result of future legislative changes cannot be quantified at this stage as it would be dependent on the specific services affected by the legislative change. Financial uncertainty in this area would generally impact the cost of introducing changes, and the mechanisms required to fund any new services.</p> |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|--|---|--|
| | H | M | L | | | |
| Legislation Reform – Water Services While it is assumed that there will be change to the ownership and delivery of Three Waters in the next ten years, Council is not able to predict with absolute certainty what those changes will be. It is unlikely that details will be known earlier than mid-to-late 2021. This LTP has been developed on a business-as-usual basis for the delivery of Three Waters; but the change is very likely to occur over the mid-term (3-5 years). The replacement value of all Three Waters assets total \$90.7 million (as of 30 June 2020). Planned capital projects will be valued at \$52.6m at the end of the LTP. The major capital projects are the \$4.8m sewerage reticulation upgrade and \$18.1m waste water treatment plant upgrade. In addition currently underway we have \$7.4m water treatment projects underway (20/21 and 21/22). ⁵ | | | | Legislation changes under urgency in parliament that must be implemented and transitioned to over a period of time | Changes are required to be implemented more quickly than anticipated and the changes are mandatory rather than voluntary. | Council closely monitors any and all developments, and responds accordingly |
| Resource Consents It is assumed that the conditions of resource consents held by Council will not be changed significantly and that the Council will be able to renew and obtain the necessary resource consents for its planned projects. | | | | Resource consents are changed through reviews, or applications for Council projects are not approved or have significant compliance or monitoring costs. | Projects will cost more if compliance requirements are significant, or may not proceed as planned if consents are not obtained. | The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes. |

⁵ All values are inflated values

ENVIRONMENT ASSUMPTIONS

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|--|---|---|
| | H | M | L | | | |
| <p>Climate Change</p> <p>Climate change is already impacting how our communities live and function and these impacts are expected to increase in magnitude and extent over time.</p> <p>Impacts include increases to mean temperature, with corresponding reductions in snow and frost days. We anticipate an increase in the frequency and severity of extreme weather events.</p> | | ✓ | | <p>There is a risk that climate change effects are not understood and appropriate action taken.</p> <p>There is a risk that Council actions will not be consistent with community opinion.</p> | <p>If climate change happens more quickly or in a different way to that projected; Council may need to carry out work on its infrastructure assets.</p> <p>Council's business units may not recognise climate change in the delivery of their services. Decisions made now without this consideration may have intergenerational effects on land use decisions, environmental policy and infrastructure decisions e.g. relying on undersized assets and resources in highly vulnerable areas.</p> | <p>Climate change assumptions are factored into Council strategies and plans including the District Plan Review and Infrastructure Strategy. Council activities will build appropriate mitigation responses into resilient infrastructure development including the improved water storage in Fairlie, water metering, the establishment of the emergency operations centre reserve fund and Council's risk management work through the Canterbury Emergency Management Group.</p> <p>Council will continue to monitor climate change science and the response of central government and adapt its response where required.</p> |
| <p>Natural Hazards / Local Natural Disasters</p> <p>The district is at risk from natural hazards such as flooding, earthquake, and storms. These events can occur at any time, without warning.</p> | | ✓ | | <p>A major adverse event occurs resulting in a significant impact on the district and Council's services.</p> | <p>A disaster has the potential to cause significant, unbudgeted impact on the Council and the community.</p> | <p>Council seeks to mitigate this risk through its Civil Defence, Risk Management and Insurance Policies.</p> |

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|---|---|---|---|---|--|---|
| | H | M | L | | | |
| <p>It assumed that there will be no major adverse events during the period covered by this Long Term Plan beyond Council, Regional and National capabilities.</p> <p>While events may occur at any time, Council's planning will focus on operational resilience and Emergency Management.</p> | | | | | <p>In the event of a major disaster, Council has assumed additional central government support will be forthcoming.</p> <p>Council would need to borrow additional funds to make repairs and meet the costs of restoration</p> | <p>Council keeps appropriate levels of cash reserves (\$3.0m) and sufficient head room in its borrowings to enable it to undertake any repairs on its underground assets.</p> <p>Central government has a role in disaster recovery after a natural disaster.</p> <p>Council will progressively build a reserve to fund the local share of Emergency Works applications to NZTA</p> |
| <p>Civil Defence and Emergency Management</p> <p>CDEM functions will continue to be provided across the district, via the Canterbury Regional Group</p> | | ✓ | | <p>CDEM structures and planning are not appropriate for application to Mackenzie</p> | <p>The response to an event would not be suitable</p> | <p>Ongoing involvement in CDEM planning and governance</p> |
| <p>Insurance</p> <p>Council will hold a reserve fund of at least \$3 million to respond to emergencies and that this will be adequate for immediate requirements</p> | | | ✓ | <p>A major event will have significant financial implications that are beyond Council's ability to fund</p> | <p>It is assumed this will be adequate to meet the portion Council needs to fund – this is highly variable</p> | <p>A review is proposed on the insurance of assets and the suitability of a reserve fund as 'self-insurance'</p> |
| <p>Earthquake prone buildings</p> <p>There are no earthquake prone buildings affecting strategic transport routes</p> <p>There are no unknown earthquake risks associated with Council owned buildings. Council's building control responsibilities can be delivered through normal management and operational processes</p> | | | ✓ | <p>Actions required by Council have not been allowed for</p> | <p>Processes are required, that would put additional workload on staff</p> | <p>Actions assigned to staff</p> |

LEVELS OF SERVICE AND SERVICE DELIVERY ASSUMPTIONS

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|---|---|---|
| | H | M | L | | | |
| Level of Service It is assumed the level of service expectations of the community will remain similar to current level, or change progressively over time. | | ✓ | | That there is a rapid change in expectations | Service provision may not be able to be adapted quickly to meet changes | On going customer satisfaction assessment is undertaken and consultation over service levels occurs through the LTP and Annual Plan processes |
| Service Delivery Modes & Contracts It is assumed that there will be no significant changes to current modes of service delivery for each service area or variations in terms of contract prices (above inflation and inventory adjustments) for current operations and maintenance contracts. Council will continue to consider collaboration opportunities and assess changes to service delivery on a case by case basis. | | | ✓ | Maintenance contracts may be re-tendered during the plan period. If maintenance and service contracts are consolidated and/or re-tendered there is a possibility contract prices will be higher than anticipated. | This would require Council to either increase rates and/or operating revenue if efficiencies cannot be found or it may consider reducing levels of service. | |

OTHER ASSUMPTIONS

| Assumption | Level of Uncertainty (High/Medium/Low) | | | Risk | Impact of variation to assumption | Management of risk |
|--|---|---|---|---|--|--|
| | H | M | L | | | |
| New Technologies There will be no new technologies deployed within the period covered by the Long Term Plan that will significantly change the demand for or provision of services. | | | ✓ | Technologies may become available which significantly change the demand for or provision of services. | Inefficient or ineffective provision of services in the traditional manner when other alternatives may be available. | Council will regularly monitor existing and proposed technologies as they relate to service provision. |
| Collaboration and Shared Services Opportunities for joint initiatives will continue to be explored (e.g. Waste Management Service Delivery, Aoraki Roding Collaboration, Water Services review). District and Community Board Autonomy will remain similar to the current level. | | ✓ | | Council is not sufficiently represented in decision making | Council is unable to provide services that are fit for purpose or efficiently | Council will engage in and commit to combined initiatives for the benefit of Mackenzie residents. |
| Te Rūnanga o Ngāi Tahu and ngā papatipu rūnanga Council has established and enduring relationships with Te Rūnanga o Ngāi Tahu (TRoNT) and the three papatipu rūnanga whose rohe (area) include the Mackenzie District: Te Rūnanga o Arowhenua, Te Rūnanga o Waihao, and Te Rūnanga o Moeraki. | | | ✓ | Engagement and consultation is not effective and appropriate for the relationships | Decision making does not include Maori as required under legislation; or as is appropriate for the wider Mackenzie community | There is ongoing dialog with Te Rūnanga o Ngāi Tahu and ngā papatipu Rūnanga |

7.3 Risk Management

Risk is managed through various Council processes. These include Council policies such as the Investment Policy and controls through Council committees. The Council has an Audit and Risk Committee to provide oversight of Council finances and activities. This committee reports to the Council.

The table below describes significant risks and control measures as they may impact, influence, or affect the Tourism, Economic Development and Commercial Activities of Council. Current and proposed mitigation measures are also recorded for each identified risk.

| Risk | Likelihood/Impact | Potential Impact/Mitigation |
|---|-------------------|---|
| Natural hazard | Low/High | Damage to infrastructure, building or forestry assets. |
| Condition and maintenance of the real estate and rental assets | Low/Low | Maintain buildings to ensure compliance with the Building Act and consenting requirements. |
| Health and Safety | Low/High | Observe CAA requirements for airport operation; ensure forestry and other Council contractors comply with Council Health and Safety requirements, undertake monitoring and auditing of contracted work. |
| Contractor collapse/becomes insolvent | Low/Low | Maintenance standards may fall away with the potential to cause reputation upheaval whilst establishing a new contractor. To minimise risk, Council is maintaining relationships with local contractors who can provide backup support in any such event. |
| Exposure of Council investments to commercial risk and associated trends. Impacts may stem from: <ul style="list-style-type: none"> • Interest rate changes • Business venture failure • Litigation • Significant asset failure • Adverse weather conditions • Political change | Low/Medium | <p>Potential impacts include negative effects on the overall revenue requirement given the level of return that will be relied upon in the Council's future overall revenue stream.</p> <p>Mitigation measures include the Investment Policy, oversight of Council's investments by two committees, regular reporting of financial management and returns, and monitoring of commercial activities. Long term fluctuations will be forecast via budgeting and financial planning requirements including a detailed statement of intents and associated long term forecasts.</p> |

8. SUMMARY OF COST FOR ACTIVITY

| Tourism, economic development and commercial Activities | Annual Plan | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/2030 | 2030/31 |
| | (thousands) | | | | | | | | | | |
| General Rates, uniform annual general charges, rates penalties | 140 | 42 | 44 | 45 | 47 | 48 | 49 | 50 | 51 | 149 | 132 |
| Targeted rates | 545 | 386 | 398 | 408 | 417 | 426 | 437 | 447 | 457 | 469 | 478 |
| Subsidies and grants for operating purposes | 711 | 461 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total operating funding (A) | 2763 | 2200 | 1120 | 1076 | 1117 | 940 | 1080 | 1140 | 1232 | 750 | 759 |
| Payments to staff and suppliers | 1572 | 1327 | 712 | 767 | 810 | 752 | 764 | 767 | 810 | 815 | 813 |
| Finance costs | 151 | -20 | 26 | 22 | 22 | 50 | 11 | -55 | -144 | -252 | -384 |
| Internal charges and overheads applied | 1806 | 1705 | 1498 | 1377 | 969 | 806 | 1011 | 451 | 517 | 319 | 75 |
| Total applications of operating funding (B) | 3529 | 3012 | 2236 | 2166 | 1801 | 1608 | 1786 | 1163 | 1183 | 882 | 504 |
| Surplus (deficit) of operating funding (A-B) | 630 | 77 | -674 | -637 | -220 | -194 | -220 | 474 | 557 | 486 | 865 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 0 | 3427 | 37 | -1085 | 2506 | -1728 | -2610 | -3473 | -4151 | -5499 | -5401 |
| Development and financial contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Tourism, economic development
and commercial Activities**

| | Annual Plan 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/2030 | 2030/31 |
|---|---------------------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | (thousands) | | | | | |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total sources of capital funding (C) | 0 | 3427 | 37 | -1085 | 2506 | -1728 | -2610 | -3473 | -4151 | -5499 | -5401 |
| Capital expenditure | | | | | | | | | | | |
| To meet additional demand | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| To improve the level of service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| To replace existing assets | 80 | 137 | 46 | 52 | 21 | 460 | 56 | 23 | 23 | 24 | 24 |
| Increase (decrease) in reserves | 550 | 3242 | -675 | -1766 | 2274 | -2373 | -2877 | -3013 | -3608 | -5027 | -4550 |
| Increase (decrease) in investments | 0 | 125 | -8 | -8 | -9 | -9 | -9 | -9 | -9 | -10 | -10 |
| Total applications of capital funding (D) | 630 | 3504 | -637 | -1722 | 2286 | -1922 | -2830 | -2999 | -3594 | -5013 | -4536 |
| Surplus (deficit) of capital funding (C-D) | -630 | -77 | 674 | 637 | 220 | 194 | 220 | -474 | -557 | -486 | -865 |
| Funding Balance ((A-B) +(C-D)) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |