



Mackenzie District Council

Activity Management Plan

Tourism, Economic Development and Commercial Activities

2018 – 2028

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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 2018-2028.

In summary, our Tourism and Economic Development activities include:

- Promotion of the Mackenzie District as a tourist destination;
- Economic development services, including business support, training and promotion of education 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. ACTIVITY DESCRIPTION

2.1 What We Do

Tourism and Economic Development

We support tourism and economic development by contracting other specialist organisations 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. Responsibility for maintenance of the cycleway is shared between the Mackenzie and Waitaki District Councils.

¹ In conjunction with Waitaki District Council.

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 general support for economic development across the district, we have a 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.

Infrastructure and regulation:

We also support growth by providing necessary infrastructure and other services, and promoting sustainable development for tourism and business within the Mackenzie District through our regulatory functions.

Commercial Activities

Investments:

Council holds cash and equity investments which 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 Forestry Board:

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 is now a committee of Council. The forestry activity pays a rent to Council for the freehold land that it occupies, which is used to offset the rate requirement.

The Board 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 land owner 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. 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 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 Pukaki Airport Board Committee which undertakes our strategy to provide an airport facility for the district.

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

- Developing and selling land around the airfield;
- 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

Council has funded the development of the airport through land sales. The ongoing operation of the airport will be funded through a combination of commercial returns and income from investment derived from land sales.

2.2 Why We Do These Activities

Tourism and Economic Development

The principal community outcome to which Council's tourism and economic development activities contribute is a thriving 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 significant growth in tourist and visitor numbers. Council believes that it is important to continue to promote the Mackenzie for the long term, to ensure these benefits are maintained. 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.

We are well-placed to provide support for the cohesive promotion of the district as a whole to both national and international visitors. Support for Council's involvement in tourism promotion activity was confirmed in 2017 through a survey of those ratepayers that pay targeted tourism rates, with the overwhelming response being support for Council investment in this activity.

Having a range of diverse and sustainable businesses is also essential to the district's economic wellbeing. We want existing and developing businesses to have access to the information, advice and support they need to thrive and grow. For this reason, Council considers that it has a role in economic development within the district.

Table 3: The contribution of the Tourism and Economic Development activity to Council’s vision

These activities contribute to the following components of 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 towards the development of a dynamic economy by providing employment and investment opportunities for current and future generations.
A supportive and contributing community	A thriving tourism and business environment provides opportunities for local 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.

Commercial Activities

The principal community outcomes to which Council’s commercial activities contribute are a thriving economy, and safe, effective and sustainable 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, 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.

Table 4: The contribution of the Commercial Development activity to Council’s vision

Our commercial activities contribute to the following components of 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.

Outcome	How commercial activity contributes
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 a creating a dynamic economy which 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.

3. MAINTENANCE & OPERATION

Tourism and Economic Development

Council's tourism and economic development activities are the subject of contracts for delivery of those services. The contracted organisations report to the Council committees whose delegated function it 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 contract with ChristchurchNZ for tourism promotion of the Mackenzie District ends on 30 June 2019.

The funding and how it is spent will be reviewed when the current contract comes up for renewal in 2019. 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

Council's current contract with SCCC ends 30th June 2018. Council will review the form in which economic development support is given when the contract is due for renewal.

Commercial Activities

The commercial activities of 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 full Council or the Finance or Assets and Services 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 Board:

We manage our forestry assets through the Mackenzie Forestry Board, a committee of Council. The committee has a forestry advisors and manager for its operations. It is supported through the corporate and administration services of Council.

It is anticipated that the Council will retain its forestry activities over the ten-year period. 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 Council's financial position.

Council's role in forestry activities was consulted on in preparation of the 2015-2025 Long Term Plan, with a clear mandate to retain existing forestry activities being obtained.

Real Estate:

For any piece of land identified for disposal (excluding land at Pukaki Airport which is managed separately), Council will consider the most appropriate method of dealing with the land that would meet the objectives. 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-year period. The Council will ensure that the relevant conditions placed upon a commercial lease agreement have been adhered to. All lease agreements are reviewed on a regular basis.

Pukaki Airport:

Council operates Pukaki Airport which is governed by Pukaki Airport Board, a committee of Council. The committee undertakes our strategy to provide an airport facility for the district. The Pukaki Airport Board, while a committee of Council, has a contracted accountant and provides its own administration.

We intend to fund the development of the airport through land sales. The ongoing operation of the airport will be funded through a combination of commercial returns and income from investment derived from land sales.

4. COMMUNITY OUTCOMES, LEVELS OF SERVICE & PERFORMANCE MEASURES

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

1. A thriving economy;
2. Safe, efficient and sustainable infrastructure;
3. An attractive and highly valued natural environment;
4. A supportive and contributing economy;
5. A fit and healthy community.

Table 5 Tourism, Economic Development and Commercial Activities levels of service and performance measures

Levels of service	Performance Measure	Actual 2016/17	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021-2028
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%
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, Council must consider what effects growth and demand will have, and how issues of sustainability will be addressed.

5.1 Population Growth

Mackenzie's population is projected to 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 anticipated that projected population growth will not impact significantly on the operation and maintenance of Council's Tourism, Economic Development and Commercial Activities.

5.2 Tourism Growth

Mackenzie has experienced unprecedented growth in visitor numbers (both domestic and international) in recent years, as indicated by a range of data, including the Statistics New Zealand Commercial Accommodation Monitor which, for the year ended September 2016 compared with the year ended September 2015 reported:

- Guest nights rose 23.1 per cent to 705,316;
- International guest nights rose 19.9 per cent to 489,769;
- Domestic guest nights rose 31.1 per cent to 215,547;
- The average length of stay rose from 1.32 nights to 1.33 nights;
- The overall occupancy rate rose from 44.4 per cent to 50.2 per cent;
- Accommodation capacity, excluding holiday parks, rose 3.1 per cent.

International tourism numbers are expected to continue growing by 5.4 per cent per annum from 2016-022. Based on this, there could be nearly 6 million tourists visiting NZ by 2028.

Qriuos cell phone data indicates visitor numbers across the district rose by 20 percent between January 2016 and January 2017 (with the highest rise in Tekapo at 28 percent). The ratio of international to domestic visitors remained relatively stable at 53 percent in 2017 (compared to 52 percent in 2016).

Tourist accommodation is being supplied not just by commercial providers, but is now an established use of what was formerly private housing stock available for longer term private rental. The volume of housing stock within the district available for long term private rental has been affected by the increase in demand for private holiday accommodation, facilitated by internet booking. This has pushed up rents for longer term tenants and means there is less stock available for workers and families. It risks pricing workers out of the rental accommodation market, which in turn has the potential to constrain growth in the tourism industry.

5.3 Climate Change

The Mackenzie District is likely to be affected by climate change. In preparing the LTP, the Council has reviewed 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 on 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.

6. PLANS FOR THE FUTURE

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 clearly confirmed Council's mandate to continue the promotion of the district as 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, 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 contract comes up for renewal in 2019. 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 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.

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.

Council is currently working toward off-roading sections of Hayman Road. The off-roading of this section is required to address significant safety concerns, and will result in an increased level of service for users of the trail. The estimated cost of this portion of work is approximately \$1.1 million. It is expected that two thirds of the required funding will come from sources external to Council, such as from grants.

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 is also proposed to remain at its present level. 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 2019.

Commercial Activities

Investments

It is anticipated that Council's cash reserves will grow over time, due to the effect of developer's financial contributions⁴ and funds accumulated for future capital works. In order 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 Council will continue to grow.

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

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.

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.

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, 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.

No significant logging of Council forestry is planned over the period of the LTP.

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. It has provided new budget to control wilding trees and other pests associated with Council's commercial forestry activity. A budget of \$50,000 has been provided for Years 1 and 2, with a budget of \$30,000 annually thereafter.

Real Estate

Fluctuations in demand for land and economic changes may affect the level and timing of 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, Council will review its surplus land portfolio. Therefore at this stage no land sales are anticipated within the LTP period.

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 Pukaki Airport Board Committee will continue to govern the airport's maintenance and operation. Growth of Pukaki Airport will depend on economic factors such as increased demand for airport land and activities in response to visitor growth.

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.

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

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>Population Growth</p> <p>It is assumed that growth in the district's population will generally be consistent with the medium projections issued by Statistics NZ in December 2016, which are that the district's population will grow by a little over 4 percent from 2018 to 2028 (from 4680 to 4880 people). It is not expected that this level of population growth will have any significant impact on demand for infrastructure or services.</p>		✓		<p>Population change occurs within the district at a higher or lower rate than predicted.</p>	<p>A significant, consistent decline in population may adversely affect Council's ability to set rates at a level affordable to the community.</p> <p>A significant, consistent increase in population could adversely affect Council's ability to deliver some services to existing service levels.</p>	<p>Council will continue to monitor population measures within the district and respond to meet needs where possible.</p>
<p>Tourism Growth</p> <p>It is assumed the average growth in international visitors to Mackenzie District will be at least equivalent to, or greater than, the growth in international visitors forecast for New Zealand over the coming ten years (an average increase of 5.4% per annum). This is based on current data which indicates growth in international visitors to Mackenzie District is occurring at a rate higher than the national average and forecast growth.</p> <p>It is also assumed growth in domestic visitors to Mackenzie District will continue to occur at a rate similar to international visitor numbers. However, there is more uncertainty around this assumption based on the lack of current domestic visitor survey data.</p>		✓		<p>Change to tourism occurs at a rate significantly above or below the growth levels assumed.</p>	<p>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.</p>	<p>Council will continue to monitor tourism numbers to the country and district and respond to meet needs where possible.</p>
<p>Climate Change</p> <p>It is assumed that climate change is happening, and the Council will take into account the predicted</p>		✓		<p>There is a risk that climate change will happen more quickly</p>	<p>If climate change happens more quickly, the Council may need to carry out work on its infrastructure</p>	<p>Council activities will build appropriate mitigation</p>

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>impacts of climate change as it plans, builds and renews its infrastructure.</p> <p>The impacts are expected to be relatively minor within the period covered by the Long Term Plan, but increasing in the future.</p>				<p>than expected and require changes to the Council's activities.</p>	<p>assets. Additional costs may be incurred to mitigate impacts.</p> <p>Council's business units may not recognise climate change in the delivery of their services. Decisions made now without these considerations may have intergenerational effects on land use decisions, environmental policy and infrastructure decisions e.g. relying on undersized assets and resources in highly vulnerable parts of the district.</p>	<p>responses into resilient infrastructure development.</p> <p>The 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>It assumed that there will be no major adverse events during the period covered by this Long Term Plan.</p> <p><i>Note: the district is at risk from natural hazards such as flooding, earthquake, and storms. These events can occur at any time, without warning.</i></p> <p>While events may occur at any time, Council's planning will focus on operational resilience and Emergency Management.</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>In the event of a major disaster, Council has assumed additional central government support will be forthcoming. Council would need to borrow additional funds to make repairs and meet the costs of restoration.</p>	<p>The Council seeks to mitigate this risk through its Civil Defence, Risk Management and Insurance Policies.</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>New Technologies</p> <p>There will be no new technologies deployed within the period covered by the Long Term Plan that will</p>			✓	<p>Technologies may become available which significantly</p>	<p>Inefficient of ineffective provision of services in the traditional manner</p>	<p>Council will regularly monitor existing and proposed</p>

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
significantly change the demand for or provision of services.				change the demand for or provision of services.	when other alternatives maybe available.	technologies as they relate to service provision.
<p>Service Delivery Modes & Contracts</p> <p>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.</p> <p>Council will continue to consider collaboration opportunities and assess changes to service delivery on a case by case basis.</p>		✓		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.	
<p>Planning Horizons</p> <p>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.</p>			✓	The planning horizon for growth and asset life services differ from that assumed.		
<p>Legislative Demands</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 review of legislation depends largely on the policy direction and priorities of the government of the day.</p> <p>While we anticipate changes to the Resource Management Act 1991 and Local Government Act 2002 during the life of this Long Term Plan, we have assumed that these and any other changes to</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>

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>legislation will not have a significant effect on our business.</p> <p>The LTP assumes that existing legislation will remain in place and that the structure and responsibilities of the Council will remain the same over the period covered by the plan.</p> <p>It also assumes the Council will remain an independent unit of local government during the next 10 years.</p> <p>The Council sees merit in continuing with shared services where this allows more efficient use of skills and resources.</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>
<p>Legislation Change – Development Contributions It is recognised that the ability to levy financial contributions under the Resource Management Act 1991 will be revoked, effective from 18 April 2022. Council will then recover development contributions. For financial forecasting purposes the Council has assumed that development contributions will provide a similar level of funding and outcomes to financial contributions when this change occurs.</p>			✓	<p>The ability to levy development contributions is not comparable to existing financial contribution provisions.</p>	<p>Council does not recoup costs associated with meeting infrastructure demands of development.</p>	<p>Council will review its Development Contributions and Financial Contributions policy prior 18 April 2022. This work will involve clearly determining the demand for services and the costs of meeting that demand.</p>
<p>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</p>		✓		<p>Inflationary costs in some areas may increase at a rate different to that forecast.</p>		<p>In preparing the LTP, the Council is required to use best estimates in determining the level of costs to be budgeted in the future. As a result, Council is required to account for the effect of price changes or inflation that is</p>

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
long term inflation will be consistent with BERL's Local Government Cost Index (LGCI) forecasts.						<p>expected to occur over the ten year period.</p> <p>Council has endorsed the rates produced by BERL and has used these rates as the assumption for accounting for inflation for the preparation of the LTP.</p> <p>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 plan process where the annual adjustment can be made.</p>
<p>Interest Rates and Borrowing Borrowing costs are assumed to be as included in Financial Forecasts.</p> <p>Council assumptions on interest rates are based on the Official Cash Rate (OCR). That rate will be used for calculating interest rates and will be adjusted annually.</p>		✓		<p>Forecast interest rates are higher or lower than forecast.</p>	<p>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.</p> <p>The level of works and services rates levied is dependent in part on the interest rate used in Council's internal funding policy.</p>	<p>Any exposure to interest movement will be managed by a preference for a higher percentage of fixed term rates.</p>

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>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.</p>			✓	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 and a full proposal with options to be considered would be provided to the community for feedback as part of a special consultation process.
<p>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>	✓			<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>	If projects do not occur as planned, capital expenditure in any year may differ from that forecast and delay may also change the cost of individual projects.	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>Income from Property Sales The Long Term Plan assumes no income from new property sales. 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.</p>		✓			Additional funding may be received from that assumed.	

Assumption	Level of uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>Dividends Received – Alpine Energy Ltd It has been forecast that the dividend flow from Alpine Energy will be set at \$492,000 for the life of the plan due to recent increases and an estimation of the organisations ability to maintain those increases.</p>			✓	Dividends received may be higher or lower than those assumed in the forecast financial statements.	Variation to dividends received from those assumed will impact on the level of rates required as dividends received from Alpine Energy Limited are used to offset the General Rate.	Council cannot manage this risk because we are a small shareholder in the company.
<p>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.</p>			✓	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.
<p>Asset Revaluations The Council has a policy of revaluing its buildings, land and infrastructural assets on a three yearly basis. The Long Term Plan assumes that the book values of the relevant assets as at the revaluation dates will be increased by inflation rates as per the BERL inflation forecasts as described in the Inflation assumption above.</p>			✓	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.

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 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 real estate and rental assets	Low/Low	Maintain buildings to ensure compliance with 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 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	Potential impacts include negative effects on the overall revenue requirement given the level of return that will be relied upon in Council's future overall revenue stream. 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 detailed statement of intents and associated long term forecasts.

8. SUMMARY OF COST FOR ACTIVITY

8.1 Capital Expenditure

8.1.1 Proposed Future Capital Works Programme

COMMERCIAL ACTIVITIES	LTP Budget Yr 1 2019	LTP Budget Yr 2 2020	LTP Budget Yr 3 2021	LTP Budget Yr 4 2022	LTP Budget Yr 5 2023	LTP Budget Yr 6 2024	LTP Budget Yr 7 2025	LTP Budget Yr 8 2026	LTP Budget Yr 9 2027	LTP Budget Yr 10 2028
	(thousands)									
Tourism and Economic Development										
1348007. Alps2Ocean Capex	540	555	0	0	0	0	0	0	0	0
Pukaki Airport Runway Re-Seal	385									
Total Commercial Activities Capital Expenditure	952	555	0	0	0	0	0	0	0	0

8.2 Funding the Annual Net Cost

8.2.1 Funding Impact Statement

Annual Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan	Long-term Plan
2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2027/28
	<i>(thousands)</i>										
General rates, uniform annual general charges, rates penalties	(1,205)	(1,391)	(1,415)	(1,339)	(1,323)	(1,589)	(1,580)	(1,700)	(1,937)	(2,206)	(2,575)
Targeted rates	363	290	297	305	312	320	328	337	345	354	363
Internal charges and overheads recovered	545	784	882	882	812	832	864	940	1,109	1,204	1,470
Local authorities fuel tax, fines, infringement fees and other receipts	1,498	1,572	1,656	1,400	1,519	1,666	1,778	1,840	2,178	2,362	2,585
Total operating funding (A)	1,201	1,255	1,420	1,248	1,320	1,229	1,391	1,417	1,695	1,714	1,843
Payments to staff and suppliers	870	902	846	850	761	761	795	872	827	841	860
Finance costs	-	115	244	306	328	330	324	308	383	363	344
Internal charges and overheads applied	206	186	180	155	166	209	275	385	506	645	946
Total applications of operating funding (B)	1,076	1,203	1,270	1,311	1,255	1,300	1,394	1,565	1,716	1,849	2,150
Surplus (deficit) of operating funding (A-B)	125	52	150	(63)	65	(71)	(3)	(148)	(21)	(135)	(307)
Increase (decrease) in debt	0	148	1,984	924	215	103	47	(216)	1,372	(359)	(399)
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Gross proceeds from sale of assets	1,500	1,500	717	735	0	600	0	0	0	0	0
Total sources of capital funding (C)	1,500	1,648	2,701	1,659	215	703	47	(216)	1,372	(359)	(399)
Capital expenditure											
To meet additional demand	526	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	111	540	555	0	0	0	0	0	0	0	0
	637	540	555	0	0	0	0	0	0	0	0
Increase (decrease) in reserves	988	1,160	2,296	1,596	280	632	44	(364)	1,351	(494)	(706)
Total applications of capital funding (D)	1,625	1,700	2,851	1,596	280	632	44	(364)	1,351	(494)	(706)
Surplus (deficit) of capital funding (C-D)	(125)	(52)	(150)	63	(65)	71	3	148	21	135	307
Funding Balance ((A-B)+(C-D))	0	0	0	0	0	0	0	0	0	0	0